



VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners  
FROM: Allan S. Hunt, <sup>ALAN</sup> Executive Director  
DATE: January 7, 1991  
RE: CANCELLATION OF UPCOMING BOARD MEETING

This is to notify you that the January meeting of the Vermont Housing Finance Agency Board of Commissioners has been cancelled.

The next regularly scheduled meeting will be held at 1:30 p.m. on Thursday, February 14, at the Office of the Commissioner of Banking and Insurance, 89 Main Street, Montpelier.

The agenda and board packet will be distributed in February.

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Montpelier February 14!



VERMONT HOUSING FINANCE AGENCY

February 1, 1991

Ms. Jean Gauthier  
Department of Administration  
Pavilion Office Building  
109 State Street  
Montpelier, VT 05602

Dear Ms. Gauthier:

The Vermont Housing Finance Agency will be having its regular monthly Board Meeting on Thursday, February 14, at 1:30 p.m., at the office of the Commissioner of Banking and Insurance, 89 Main Street, Montpelier, Vermont.

If you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in cursive script, reading "Barbara M. Parker". The ink is dark and the signature is fluid.

Barbara M. Parker  
Executive Assistant



VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners  
FROM: Allan S. Hunt, Executive Director  
DATE: February 8, 1991  
RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held at 1:30 p.m. Thursday, February 14, at the Office of the Commissioner of Banking and Insurance, 89 Main Street, Montpelier.

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

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Montpelier February 14!



VERMONT HOUSING FINANCE AGENCY

VHFA BOARD MEETING AGENDA

Office of the Commissioner of Banking and Insurance  
89 Main Street  
Montpelier, Vermont

Thursday, February 14, 1991 at 1:30 p.m.

1. Review and approval of minutes of December 13, 1990
2. Executive Director's Report [Hunt]  
A. Dalton Drive Update [Hunt/Enclosure]
3. Operations  
A. MOVE 1989B Update [Lothrop/Enclosure]  
B. Single Family Mortgage Delinquency Update [Lothrop/Enclosure]
4. Development  
A. Williston Elder/Whitney Hill  
Financing/Commitment Letter [Koppelkam/Encl.]  
B. Vermont Housing Ventures 1990 Report [Kamens/Enclosure]  
C. Low Income Housing Tax Credits  
1990 Report [Pond/Enclosure]  
D. MOVE/Energy Efficient Mortgage Update [Crady/Enclosure]  
E. 1988B Program Recommendations [Crady/Enclosure]
5. Finance  
A. General Fund Budget Update [Schoenbeck/Encl.]
6. Legal  
A. Legislation [Jarrett/Enclosure]  
B. Preservation Agreement: Country Park  
Apartments [Jarrett]
7. Other old or new business to come before the Board







VERMONT HOUSING FINANCE AGENCY

BOARD MINUTES  
Vermont Housing Finance Agency  
One Burlington Square  
Burlington, Vermont  
Thursday, December 13, 1990

PRESENT: Commissioners Shaw, Hebard, Seelig, Francis, Rockford, Myette (via speakerphone)

Agency Staff: Mr. Hunt, Mr. Schoenbeck, Mr. Lothrop, Mrs. Parker, Ms. Hope, Mr. Jarrett, Mr. Koppelkam, Ms. Pond, Ms. Crady; Ms. Pearson (VHMGB)

Guests: Elizabeth Ready (Addison County Community Trust)

The meeting was called to order at 1:40 p.m.

Upon a motion duly made and seconded, the minutes of the November 15, 1990 meeting were unanimously accepted as amended. The proposed dates for Board meetings in 1991 were also acknowledged and accepted, with no formal vote taken.

Mr. Lothrop reviewed the "MOVE 1989B Update" as included in the Board packet, and noted that the program is still strong despite a slowdown in activity; no Board action was necessary.

A "Federal Recapture Tax Discussion" was led by Mr. Lothrop, who reviewed his memo of December 3, included in the Board packet. According to Mr. Lothrop, of major concern is the proper marketing of the concept to realtors throughout the state. Mr. Hunt pointed out that Mr. Lothrop, Ms. Hope and other members of the staff would be meeting with realtors and lenders to review ideas on how to "sell" the recapture concept to the public. Mr. Hebard inquired as to whether tax accountants or CPA's should be responsible for informing home buyers of potential liabilities. Mr. Lothrop informed the Board that since no IRS forms are available yet, and the regulations have not been distributed, education of the public will probably need to be the first step. No Board action was required.

Mr. Lothrop next reviewed the "Recommendation for Income Limits, Mortgage Plus Program," as detailed in his memo of December 6, included in the Board packet. A motion was duly made and seconded and it was unanimously agreed to adopt the income limits for Mortgage Plus as proposed.



RESOLUTION PERTAINING TO COMBINED  
LETTER OF INTENT AND COMMITMENT LETTER RE:  
TOWN AND COUNTRY MOBILE HOME PARK

WHEREAS, a proposal has been presented to the Agency by the Addison County Community Trust (ACCT), a non-profit corporation, involving the acquisition of Town and Country Mobile Home Park, a 73 unit mobile home park in Vergennes; and

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

WHEREAS, the Housing and Conservation Board has approved a \$50,000 grant and a deferred loan of \$266,000 for Town and Country; and

WHEREAS, the Agency has determined that the Development will assist in fulfilling the purposes of the Act and is financially feasible;

It is hereby DETERMINED:

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

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

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

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

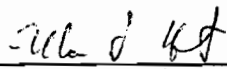
5. The sponsor is a financially responsible organization.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a combined letter of intent and Commitment Letter (the "Commitment Letter") to provide a first mortgage for permanent financing in an amount to be determined by the Executive Director, but not to exceed \$1,150,000, for the Town and Country Mobile Home Park.

2. The Commitment Letter shall be issued to the Addison County Community Trust as the housing sponsor.
3. The commitment of the Agency shall be subject to receipt, at the time of closing, of a commitment fee in an amount equal to one percent (1%) of the principal amount of the mortgage loan.
4. The term of the mortgage loan shall be 20 years, the principal and interest payments may be calculated on a 25 year term and need not be fully amortizing, and the interest rate to be charged will be a graduated rate to be determined by the Executive Director.
5. The Commitment Letter shall require the Sponsor to demonstrate to the satisfaction of the Executive Director that equity funds and/or deferred loan funds are available in an amount at least equal to the difference between the total development cost as accepted by the Agency and the amount of the permanent financing commitment.
6. The Commitment Letter shall contain such other terms and conditions as the Executive Director shall deem necessary or appropriate.
7. Throughout the period of the loan, at least 51% of the pads in the park shall be rented to persons and families of low and moderate income. Income checking shall be required only before the closing and for new residents entering the park. Residents shall not be required to leave the park because their income increases beyond any applicable limit or because the occupancy mix is not met.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont on December 13, 1990.

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

RESOLUTION OF VERMONT HOUSING FINANCE AGENCY  
AUTHORIZING THE ISSUANCE OF ITS  
HOUSING PROJECT BONDS (FEDERALLY TAXABLE  
ISSUE) TOWN AND COUNTRY MOBILE HOME PARK

Be it Resolved by the Vermont Housing Finance Agency  
and the Commissioners thereof as follows:

ARTICLE I  
DEFINITIONS AND AUTHORITY

SECTION 101. Definitions.

- (A) In this Resolution unless a different meaning clearly appears from the context:

"Act" means the Vermont Housing Finance Agency Act, being No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended to the date of adoption of this Resolution.

"Agency" means the Vermont Housing Finance Agency, a body politic and corporate organized under the Act, or any instrumentality of the State which shall hereafter succeed to its powers.

"Anniversary Date" means the date the first scheduled amortizing payment was due on the Permanent Loan.

"Authorized Officer" means the Chairman, Vice Chairman, Executive Director and Secretary and Director of Finance of the Agency, and any other person authorized by resolution of the Agency to act as an Authorized Officer under this Resolution.

"Bond" or "Bonds" means the Bonds of the Agency authorized by this Resolution.

"Bond Date" means the date the Bond is originally issued hereunder.

"Bond Fund" means the Housing Project (Federally Taxable Issue) Bond Fund established under Section 301 of this Resolution.

"Commitment Letter" means the Commitment Letter relating to the Permanent Loan dated as of December 13, 1990, issued by the Agency and accepted by the Sponsor.

"Costs of Issuance" means any items of expense payable or reimbursable directly or indirectly by the Agency and

related to the authorization, sale and issuance of the Bonds.

"Development" means the Town and Country Mobile Home Park as more fully described in the Commitment Letter and the Three Party Agreement.

"General Account" means the account so designated and established under Section 301 of this Resolution.

"General Fund" means the fund so designated and created by a resolution of the Agency adopted September 26, 1974 as amended from time to time.

"Loan Account" means the account so designated and established under Section 301 of this Resolution.

"Permanent Loan" means a permanent mortgage loan made by or on behalf of Agency to the Sponsor with the proceeds of the Bonds.

"Permanent Loan Amount" means the amount of the Permanent Loan established pursuant to paragraph 3 of the Commitment Letter.

"Program" means the Agency's program of making mortgage loans to housing sponsors pursuant to the Act.

"Project Fund" means the fund established under Section 301 of this Resolution.

"Recovery Payments" means any moneys received or recovered by the Agency, less the expenses necessarily incurred by the Agency in connection with the collection of such amount, from (i) condemnation of the Development, (ii) proceedings taken in the event of default by the Sponsor under the Permanent Loan, (iii) any claim settlement for hazard insurance or other insurance applicable to the Development or the Permanent Loan, (iv) the sale or other disposition of the Development, or (v) the sale or other disposition of the Permanent Loan after default for the purpose of realizing the Agency's interest therein.

"Revenues" means and includes all payments, proceeds, charges, fees, rents, investment earnings and all other income (including without limitation all payments of principal and interest received by or on behalf of the Agency on the Permanent Loan and all Recovery Payments) derived by or for the account of the Agency from or related to the Development and the Permanent Loan.

"Sinking Fund Account" means the account so designated and established under Section 301 of the Resolution.

"Sponsor" means Addison County Community Trust, a non-profit corporation organized and existing under the laws of the State.

"State" means the State of Vermont.

"Three Party Agreement" means the agreement so denominated among the Sponsor, the purchaser of the Bond, and the Agency, in substantially the form presented at this meeting.

- (B) Except as otherwise expressly provided in this Resolution, the terms "housing development costs," "housing sponsor," "mortgage," "mortgage loan," and "residential housing" when used in this Resolution shall have the meanings given such terms in the Act.

#### SECTION 102. Authority.

This Resolution is adopted pursuant to the Act and shall take effect upon its adoption. The Agency is duly authorized under the Act and all applicable laws to issue the Bonds and to adopt this Resolution in the manner and to the extent provided herein. The Agency will at all times, to the extent permitted by law, defend, preserve and protect all the rights of the registered owner of the Bonds hereunder against all claims and demands of all persons whomsoever.

### ARTICLE II AUTHORIZATION OF THE BOND; FINDINGS; TERMS AND SALE OF THE BONDS

#### SECTION 201. The Bonds.

- (A) The Bonds of the Agency, designated "Housing Project Bond (Federally Taxable Issue) Town and Country Mobile Home Park" are hereby authorized to be issued as herein provided in an aggregate principal amount not to exceed One Million One Hundred Fifty Thousand Dollars (\$1,150,000), the original principal amount of the Bonds to be determined upon their issuance by the Authorized Officers of the Agency executing the same. The Bonds shall be in such denomination as the authorized officers of the Agency shall determine. The Bonds shall be dated and shall bear interest from the Bond Date and shall mature, subject to prior redemption as herein and in the Bond provided, twenty years from the Anniversary Date. Interest on the Bonds shall be payable on September 1, 1991 and semi-annually thereafter on March 1 and September 1 of

each year. The form of the Bonds, the rate or rates of interest payable thereon, the terms of redemption thereof prior to maturity and all other terms and conditions thereof shall be as set forth in Article IV of this Resolution.

(B) The Agency hereby ratifies and confirms the Commitment Letter and approves the Permanent Loan on the terms and conditions provided herein, in the Commitment Letter and in the Three Party Agreement. The Agency hereby determines that:

- (1) the Permanent Loan does not exceed the value of the Development as determined by the Agency and the principal amount of the Bonds is necessary to provide sufficient funds to be used and expended for the Program in respect of the Development;
- (2) the Permanent Loan can be issued bearing interest at a rate that will be less than the prevailing rate of interest on comparable mortgage loans available in the State without the assistance of the Agency;
- (3) the Agency will derive receipts, revenues or other income from the Permanent Loan 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 for which the Bonds are issued;
- (4) the Development is primarily for occupancy by persons and families of low and moderate income within the meaning of the Act;
- (5) the acquisition, construction and or rehabilitation costs incurred or to be incurred by the Sponsor are for housing development costs within the meaning of the Act;
- (6) there exists or without the Development 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 investments are unable, without assistance, to provide an adequate supply of residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families; and
- (7) the Sponsor is a housing sponsor as defined in the Act, the Sponsor will maintain or increase the supply of well-planned, well-designed permanent, temporary transitional or emergency housing for persons of low and moderate income and the Sponsor is a financially

responsible person.

- (C) The purposes for which the Bonds are being issued are to provide funds to make the Permanent Loan and to pay Costs of Issuance in the amount determined by or pursuant to Article III hereof.

SECTION 202. Sale of the Bonds.

- (A) The Bonds are hereby sold to the State Teachers' Retirement System, the Vermont State Employees' Retirement System and the Vermont Municipal Employees' Retirement System at the price of par on the terms and conditions provided herein and in the Three Party Agreement. The Three Party Agreement, in substantially the form presented at this meeting and included in the minutes thereof, and its execution and delivery by Authorized Officers of the Agency is hereby approved with such changes therein and thereto not inconsistent herewith as may be approved by the Authorized Officers executing the same prior to the execution and delivery thereof.

ARTICLE III

ESTABLISHMENT OF FUNDS AND ACCOUNTS;  
APPLICATION OF BOND PROCEEDS; OBLIGATION OF THE BONDS

SECTION 301. Funds and Accounts.

- (A) The Housing Project (Federally Taxable Issue) Project Fund (the "Project Fund") is hereby established to be held and administered together with all accounts therein by the Agency as provided in this Resolution. On or prior to the Bond Date the Agency shall establish within the Project Fund a separate account designated the "Town and Country Loan Account" (the "Loan Account"), the amounts in which shall be applied as provided in this Article III.
- (B) The Housing Project (Federally Taxable Issue) Bond Fund (the "Bond Fund") is hereby established to be held and administered together with all accounts therein by the Agency as provided in this Resolution. On or prior to the Bond Date the Agency shall establish within the Bond Fund the following separate accounts to be applied as provided in this Article III:
  - (1) Town and Country General Account (the "General Account");
  - (2) Town and Country Sinking Fund Account (the "Sinking Fund Account");
  - (3) Town and Country Special Redemption Account (the "Special Redemption Account").



SECTION 302. Application of Bond Proceeds.

- (A) The proceeds of the Bonds shall be deposited in the Loan Account. Moneys in the Loan Account shall be used solely as follows:
  - (1) an amount not exceeding the Permanent Loan Amount shall be used to make the Permanent Loan; and
  - (2) amounts in the Loan Account in excess of the Permanent Loan Amount shall be applied by the Agency to defray Costs of Issuance of the Bonds within six (6) months of the Bond Date.
- (B) Notwithstanding anything herein to the contrary, if the Permanent Loan is not made within six (6) months of the Bond Date, or in any event if any balance remains on deposit in the Loan Account on the date which is six (6) months after the Bond Date, the entire balance on deposit in the Loan Account shall be transferred to the Special Redemption Account for application to the redemption of the Bonds as provided in Section 303 of this Resolution.

SECTION 303. Application of Revenues.

- (A) The Agency shall deposit all Revenues in the Bond Fund upon receipt and shall immediately allocate the same to accounts therein as follows:
  - (1) Revenues constituting scheduled repayments of principal on the Permanent Loan and Revenues constituting permitted prepayments of the outstanding principal of the Permanent Loan - to the Sinking Fund Account;
  - (2) Revenues constituting Recovery Payments and excess moneys in the Loan Account under Section 302(B) hereof - to the Special Redemption Account; and
  - (3) all other Revenues - to the General Account.
- (B) On September 1, 1991 and each succeeding September 1 thereafter, all amounts deposited in the Sinking Fund Account under Section 303(A)(1) shall be applied to the redemption of the outstanding principal of the Bonds, except that, in the event that the Agency receives a prepayment of the outstanding principal of the Permanent Loan under Section 303(A)(1) on the tenth anniversary of the Bond Date, or at any time thereafter, all as provided in the Permanent Loan, the Bonds shall be subject to redemption at the option of the Agency in whole, but not in part, from the amount deposited in said Account.

- (C) All amounts deposited in the Special Redemption Account shall be promptly applied to the redemption of the outstanding principal of the Bonds. At any time not later than the interest payment date for the Bonds next succeeding the date of any deposit into said Account under Section 303(A)(2), the amount so deposited shall be applied to the redemption of the outstanding principal of the Bonds.
- (D) Moneys in the General Account shall be used solely as follows:
- (1) on each interest payment date of the Bonds, to pay the interest on the Bond then due;
  - (2) on the redemption date of any portion of the principal of the Bonds being redeemed hereunder to pay any interest then payable on the principal amount of the Bonds to be redeemed;
  - (3) at any time, to reimburse the Agency for any expense reasonably incurred by it in connection with the financing of the Development, including but not limited to Costs of Issuance in excess of the amount available therefor in the Loan Account and expenses incurred in connection with the protection of the Agency's security for the Permanent Loan; and
  - (4) on each interest payment date, after payment of the interest on the Bonds then due and provided an Authorized Officer of the Agency determines that such transfer will not materially impair the Agency's ability to make future payments from the General Account sufficient for the purposes of paragraphs (1) and (2) of this Section 303(D), to transfer funds to the Agency's General Fund free of the pledge herein made.
- (E) Whenever funds in any account in the Project Fund are required to be applied to a payment on account of principal of the Bonds, the Agency may at its election hold back such amount not exceeding \$100 as will facilitate payment of principal on the Bonds in rounded amounts. Payments from the Project Fund shall be deemed to have been made on the date of the Agency's check therefor and not on the date of any prior mailing of said check.

SECTION 304. Transfers from General Fund.

From time to time, at its option, the Agency may transfer moneys from the General Fund to the General Account.

SECTION 305. Investment.

Moneys in the funds and accounts established hereunder may be invested by the Agency, until needed for their respective purposes, in any manner permitted by the Act. Moneys in two or more of such funds and accounts may be invested on a commingled basis for the account of such funds and accounts pro rata in proportion to the moneys invested on behalf of each such fund or account. Interest and other income earned upon the investment or deposit of amounts in the Loan Account shall be deposited in such Account. Interest and other income earned upon the investment or deposit of amounts on deposit in the General Account, the Sinking Fund Account and the Special Redemption Account shall be deposited in the General Account.

#### SECTION 306. Obligation of The Bonds.

The Bonds shall be general obligations of the Agency payable out of any of the Agency's revenues, moneys or assets, subject only to agreements heretofore or hereafter made with the holders of obligations of the Agency other than the Bonds pledging particular revenues, moneys or assets for the payment thereof. The Agency hereby covenants and agrees with the registered owners of the Bonds that it will not grant to any person any lien on or pledge of the Permanent Loan or of any of the Revenues or moneys or investments in any of the accounts created hereunder or any proceeds thereof unless the Agency shall simultaneously therewith grant to the registered owners of the Bonds a prior and senior lien on or pledge of the Permanent Loan and such Revenues, moneys and investments and the proceeds thereof. The Bonds shall not constitute a debt or grant or loan of credit of the State and the State shall not be liable thereon nor shall the Bonds be payable out of any funds other than those of the Agency. The Agency is not obligated to pay the Bonds or the interest thereon except from the revenues or assets of the Agency pledged therefor under this Resolution and neither the faith nor credit nor taxing power of the State or any political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds.

#### ARTICLE IV FORM OF THE BONDS

The Bonds shall be issued substantially in the following form:

VERMONT HOUSING FINANCE AGENCY  
HOUSING PROJECT BOND  
(Federally Taxable Issue)  
Town and Country Mobile Home Park

No. \_\_\_\_

\$\_\_\_\_,000

NOTE: THE HOLDER OF THIS BOND BY ACCEPTANCE HEREOF AGREES TO

RESTRICTIONS ON TRANSFER AND TO INDEMNIFICATION PROVISIONS SET FORTH BELOW.

The Vermont Housing Finance Agency (herein called the "Agency"), a body politic and corporate of the State of Vermont, for value received hereby promises to pay to Vermont State \_\_\_\_\_ Retirement System, or registered assigns, on the Tenth day of February, 2011, the principal sum of \_\_\_\_\_ and No Dollars (\$\_\_\_\_,000), upon presentation and surrender hereof, and to pay interest on the principal balance hereof outstanding from time to time from the date of original delivery of this bond (the "Bond Date") until final payment hereof at the annual rate provided below, which interest rate will change periodically on a day which is a specified anniversary of the date the first scheduled amortizing payment was due (the "Anniversary Date") such interest payments to be made semi-annually on the first day of March and September in each year commencing September 1, 1991. The principal or redemption price of and interest on this Bond are payable in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts and shall be payable by check or draft mailed to the registered owner at his address appearing on the registration books of the Agency kept for that purpose at the offices of the Agency; provided that the registered owner of this bond by acceptance hereof agrees that whenever any payment on account of principal shall occur, such owner shall promptly note the date and amount thereof on the Schedule of Payments and Prepayments endorsed hereon and further agrees that this bond shall be surrendered to the Agency upon final payment hereof.

The annual rate of interest on this bond shall be as follows:

1. From the Bond Date to but excluding the fifth Anniversary Date - 9.00% per annum;
2. From the fifth Anniversary Date to but excluding the tenth Anniversary Date - 9.75% per annum;
3. From the tenth Anniversary Date to but excluding the fifteenth Anniversary Date - 10.50% per annum;
4. From the fifteenth Anniversary Date to the earlier of final maturity or redemption hereof, a rate equal to 11.25% per annum.

This bond is issued pursuant to No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended (the "Act") and under and pursuant to a resolution of the Agency adopted December 13, 1990 entitled "Resolution of Vermont Housing Finance Agency Authorizing the Issuance of its Housing Project Bond (Federally Taxable Issue) Town and Country Mobile Home Park" (the "Resolution"). This bond is a general obligation of the Agency payable out of any of the

Agency's revenues, moneys or assets, subject only to agreements heretofore or hereafter made with the holders of obligations of the Agency other than this bond pledging particular revenues, moneys or assets for the payment thereof.

The Agency is not obligated to pay this bond or the interest hereon except from the revenues or assets of the Agency pledged under the Resolution 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 this bond.

Copies of the Resolution are on file at the office of the Agency in the City of Burlington, Vermont, and reference to the Resolution and to the Act is made for a description of the covenants securing this bond, the manner of enforcement of the covenants, the rights and remedies of the registered owner of this bond with respect thereto, and the terms and conditions upon which this bond is issued.

This bond may not be transferred except to a transferee capable of making representations comparable to those made by the original owner hereof in the Three Party Agreement described in the Resolution to the reasonable satisfaction of the Agency. Furthermore, before any transfer of this bond by the registered owner or his or its legal representative will be recognized or given effect by the Agency, the registered owner shall note hereon the date to which interest has been paid as well as the amounts of all principal payments and prepayments hereon, and shall notify the Agency of the name and address of the transferee and shall afford the Agency the opportunity of verifying the notation as to payment of interest and principal. By the acceptance hereof the owner of this bond and each transferee shall be deemed to have agreed to indemnify and hold harmless the Agency against all losses, claims, damages or liabilities arising out of any failure on the part of the owner or of any such transferee to comply with the requirements of the preceding sentence. Subject to the foregoing, this bond is transferable only upon the books of the Agency at the offices of the Agency by the registered owner hereof in person or by his or its agent duly authorized in writing, upon surrender hereof together with a written instrument of transfer satisfactory to the Agency duly executed by the registered owner or his or its duly authorized agent, and upon the payment of the charges described in the Resolution, the Agency shall issue in the name of the transferee a new substitute registered bond with the same date and in the same form and amount as this bond, endorsed to show the principal amount of the predecessor bond or bonds paid to the delivery date of such substitute bond.

This bond is subject to redemption at a redemption price equal to the portion of the principal amount hereof to be redeemed plus accrued interest on such portion to the redemption date as follows:

1. in whole or in part on September 1, 1991 and on each September 1 thereafter without notice through application of moneys in the Sinking Fund Account as required by the Resolution;
2. in whole or in part at any time upon notice through application of moneys in the Special Redemption Account as required by the Resolution; and
3. in whole or in part at the election of the Agency upon notice, through application of moneys deposited in the Sinking Fund Account in the event of the prepayment of the outstanding principal amount of the Permanent Loan as described in the Resolution. In the event of a prepayment before the end of the seventeenth year, the Agency will pass through amounts of prepayment charges it receives from the Sponsor according to the following schedule:

Years 1-5	10.0%
Year 6	9.5%
Year 7	9.0%
Year 8	8.5%
Year 9	8.0%
Year 10	7.5%
Year 11	7.0%
Year 12	6.5%
Year 13	6.0%
Year 14	5.5%
Year 15	5.0%
Year 16	4.5%
Year 17	4.0%
Years 18-20	no premium

Any notice required hereunder shall be given by certified letter, return receipt requested, mailed to the registered owner at his address appearing on the registration books of the Agency not less than five days prior to the redemption date. Any redemption shall be accomplished by mailing, two days prior to the redemption date, the Agency's check (dated as of the redemption date) for the redemption price to the registered owner in the same manner as is hereinabove provided for notice of redemption.

No recourse shall be had for the payment of the principal or redemption price of or the interest on this bond or for any claim based hereon or on the Resolution against any member or officer of the Agency or any person executing this bond.

It is hereby certified and recited that all conditions, acts and things required by the Constitution or statutes of the State of Vermont or the Resolution to exist, to have happened or to have been performed precedent to or in the issuance of this bond, exist,

have happened and have been performed and that the issue of this bond, together with all other indebtedness of the Agency, is within every debt and other limit prescribed by law.

IN WITNESS WHEREOF, the Vermont Housing Finance Agency has caused this bond to be executed in its name by the manual signature of an authorized officer of the Agency, and its corporate seal (or facsimile thereof) to be affixed, imprinted, engraved or otherwise reproduced hereon and attested by the manual signature of an authorized officer of the Agency.

ATTEST:

VERMONT HOUSING FINANCE AGENCY

By: \_\_\_\_\_ By: \_\_\_\_\_  
Authorized Officer Authorized Officer

Bond Date: \_\_\_\_\_, 19\_\_

Schedule of Payments and Prepayments of Principal

<u>Principal</u> <u>Amount Paid</u>	<u>Date Paid</u>	<u>Balance Due</u>	<u>Authorized</u> <u>Signature and</u> <u>Title</u>
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(NOTICE: The within bond may not be transferred until this schedule has been verified by the Agency.)

ARTICLE V  
MISCELLANEOUS

SECTION 501. Default.

If the Agency defaults in the payment of principal of or interest on any Bond when due, or in the performance of any covenant in this Resolution, then the registered owner of the Bond shall have the right, by mandamus or other suit, action or proceedings at law or in equity, to bring suit upon the Bond, to enforce its rights under the Resolution and the Bond, to compel performance by the Agency of its obligations under the Bond and the Resolution; to require the Agency to account as trustee of an express trust; to require the Agency to effectuate the assignment of the Permanent Loan to such owner; or to enjoin any acts which may be unlawful or in violation of the rights of the registered owners of the Bonds. No remedy conferred by the Resolution upon the registered owners of the Bonds is intended to be exclusive of any other remedy, but each shall be in addition to every other remedy given under the Resolution or the Bonds or provided at law or in equity or by the Act. No delay or omission of the registered owners of the Bonds

to exercise any right or power arising upon the happening of a default shall impair any right or power or be construed to be a waiver of the default. The registered owners of the Bonds may waive any default and its consequences. No such waiver shall extend to any subsequent or other default.

#### SECTION 502. Defeasance.

If the Agency shall pay or cause to be paid to the registered owners of the Bonds the principal, redemption price and interest thereon at the times and in the manner stipulated therein and herein, then all obligations of the Agency hereunder and under the Bonds and all other rights granted hereby shall be discharged and satisfied.

#### SECTION 503. Transfer.

The Bonds may be transferred in whole but not in part to new owners, subject to the restrictions on transfer and upon compliance with the provisions for transfer described in the form of the Bonds and payment of a transfer fee of \$100.00 for each substitute Bond issued as a result of a request for transfer.

#### SECTION 504. Amendment.

This Resolution may be amended by the Agency without the consent of the registered owners of the Bonds to cure any ambiguity, supply any omission or cure or correct any defect or inconsistent provision herein or to insert such provisions clarifying matters or questions arising hereunder as are necessary or desirable and are not inconsistent with this Resolution as theretofore in effect. The Agency may also adopt a resolution amending, supplementing or otherwise modifying this Resolution without the consent of the registered owners of the Bonds to incorporate the provisions hereof in a resolution of the Agency of general application to bonds issued to finance the Program the interest on which is not excludable from federal income taxes; provided no such resolution shall reduce the principal amount of the Bonds or the rate of interest payable thereon or change the maturity date thereof or the dates for payment of interest thereon or the terms of redemption thereof or the security granted for the payment thereof without the express written consent of the registered owners of the Bonds. Except as hereinabove provided in this Section 504, this Resolution and the Bonds may be amended by the Agency only with the prior written consent of the registered owners of the Bonds.

#### SECTION 505. Authorization of Officers.

The Chairman, Vice-Chairman, Executive Director, Director of Finance and all other Authorized Officers of the Agency are hereby authorized and directed to do all acts and things and to execute



and deliver any and all documents, certificates, and other instruments necessary or desirable to effectuate the transactions contemplated by this Resolution, including the transaction involving the loan of the proceeds of the Bonds for the acquisition, construction and/or rehabilitation of the Development.

SECTION 506. Severability.

If any provision of this Resolution is held invalid in any circumstances, that invalidity shall not affect any other provisions or circumstances.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont on December 13, 1990.

CCR S 147  
Allan S. Hunt  
Executive Director and Secretary  
Vermont Housing Finance Agency

RESOLUTION OF VERMONT HOUSING FINANCE AGENCY  
AUTHORIZING THE ISSUANCE OF ITS  
HOUSING PROJECT BONDS (FEDERALLY TAXABLE  
ISSUE) FERNWOOD MANOR MOBILE HOME PARK

Be it Resolved by the Vermont Housing Finance Agency  
and the Commissioners thereof as follows:

ARTICLE I  
DEFINITIONS AND AUTHORITY

SECTION 101. Definitions.

(A) In this Resolution unless a different meaning clearly appears from the context:

"Act" means the Vermont Housing Finance Agency Act, being No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended to the date of adoption of this Resolution.

"Agency" means the Vermont Housing Finance Agency, a body politic and corporate organized under the Act, or any instrumentality of the State which shall hereafter succeed to its powers.

"Anniversary Date" means the date the first scheduled amortizing payment was due on the Permanent Loan.

"Authorized Officer" means the Chairman, Vice Chairman, Executive Director and Secretary and Director of Finance of the Agency, and any other person authorized by resolution of the Agency to act as an Authorized Officer under this Resolution.

"Bond" or "Bonds" means the Bonds of the Agency authorized by this Resolution.

"Bond Date" means the date the Bond is originally issued hereunder.

"Bond Fund" means the Housing Project (Federally Taxable Issue) Bond Fund established under Section 301 of this Resolution.

"Commitment Letter" means the Commitment Letter relating to the Permanent Loan dated as of December 4, 1990, issued by the Agency and accepted by the Sponsor.

"Costs of Issuance" means any items of expense payable or reimbursable directly or indirectly by the Agency and related to the authorization, sale and issuance of the Bonds.

"Development" means the Fernwood Manor Mobile Home Park as more fully described in the Commitment Letter and the Three Party Agreement.

"General Account" means the account so designated and established under Section 301 of this Resolution.

"General Fund" means the fund so designated and created by a resolution of the Agency adopted September 26, 1974 as amended from time to time.

"Loan Account" means the account so designated and established under Section 301 of this Resolution.

"Permanent Loan" means a permanent mortgage loan made by or on behalf of Agency to the Sponsor with the proceeds of the Bonds.

"Permanent Loan Amount" means the amount of the Permanent Loan established pursuant to paragraph 3 of the Commitment Letter.

"Program" means the Agency's program of making mortgage loans to housing sponsors pursuant to the Act.

"Project Fund" means the fund established under Section 301 of this Resolution.

"Recovery Payments" means any moneys received or recovered by the Agency, less the expenses necessarily incurred by the Agency in connection with the collection of such amount, from (i) condemnation of the Development, (ii) proceedings taken in the event of default by the Sponsor under the Permanent Loan, (iii) any claim settlement for hazard insurance or other insurance applicable to the Development or the Permanent Loan, (iv) the sale or other disposition of the Development, or (v) the sale or other disposition of the Permanent Loan after default for the purpose of realizing the Agency's interest therein.

"Revenues" means and includes all payments, proceeds, charges, fees, rents, investment earnings and all other income (including without limitation all payments of principal and interest received by or on behalf of the Agency on the Permanent Loan and all Recovery Payments)

derived by or for the account of the Agency from or related to the Development and the Permanent Loan.

"Sinking Fund Account" means the account so designated and established under Section 301 of the Resolution.

"Sponsor" means Housing Foundation, Inc., a non-profit corporation organized and existing under the laws of the State.

"State" means the State of Vermont.

"Three Party Agreement" means the agreement so denominated among the Sponsor, the purchaser of the Bond, and the Agency, in substantially the form presented at this meeting.

- (B) Except as otherwise expressly provided in this Resolution, the terms "housing development costs," "housing sponsor," "mortgage," "mortgage loan," and "residential housing" when used in this Resolution shall have the meanings given such terms in the Act.

#### SECTION 102. Authority.

This Resolution is adopted pursuant to the Act and shall take effect upon its adoption. The Agency is duly authorized under the Act and all applicable laws to issue the Bonds and to adopt this Resolution in the manner and to the extent provided herein. The Agency will at all times, to the extent permitted by law, defend, preserve and protect all the rights of the registered owner of the Bonds hereunder against all claims and demands of all persons whomsoever.

### ARTICLE II AUTHORIZATION OF THE BOND; FINDINGS; TERMS AND SALE OF THE BONDS

#### SECTION 201. The Bonds.

- (A) The Bonds of the Agency, designated "Housing Project Bond (Federally Taxable Issue) Fernwood Manor Mobile Home Park" are hereby authorized to be issued as herein provided in an aggregate principal amount not to exceed One Million Two Hundred Fifty Thousand Dollars (\$1,250,000), the original principal amount of the Bonds to be determined upon their issuance by the Authorized Officers of the Agency executing the same. The Bonds shall be in such denomination as the authorized officers of the Agency shall determine. The Bonds shall be dated and shall bear interest from the Bond Date and shall mature, subject to prior redemption as herein and in the

Bond provided, twenty years from the Anniversary Date. Interest on the Bonds shall be payable on September 1, 1991 and semi-annually thereafter on March 1 and September 1 of each year. The form of the Bonds, the rate or rates of interest payable thereon, the terms of redemption thereof prior to maturity and all other terms and conditions thereof shall be as set forth in Article IV of this Resolution.

(B) The Agency hereby ratifies and confirms the Commitment Letter and approves the Permanent Loan on the terms and conditions provided herein, in the Commitment Letter and in the Three Party Agreement. The Agency hereby determines that:

- (1) the Permanent Loan does not exceed the value of the Development as determined by the Agency and the principal amount of the Bonds is necessary to provide sufficient funds to be used and expended for the Program in respect of the Development;
- (2) the Permanent Loan can be issued bearing interest at a rate that will be less than the prevailing rate of interest on comparable mortgage loans available in the State without the assistance of the Agency;
- (3) the Agency will derive receipts, revenues or other income from the Permanent Loan 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 for which the Bonds are issued;
- (4) the Development is primarily for occupancy by persons and families of low and moderate income within the meaning of the Act;
- (5) the acquisition, construction and or rehabilitation costs incurred or to be incurred by the Sponsor are for housing development costs within the meaning of the Act;
- (6) there exists or without the Development 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 investments are unable, without assistance, to provide an adequate supply of residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families; and
- (7) the Sponsor is a housing sponsor as defined in the Act, the Sponsor will maintain or increase the supply of

well-planned, well-designed permanent, temporary transitional or emergency housing for persons of low and moderate income and the Sponsor is a financially responsible person.

- (C) The purposes for which the Bonds are being issued are to provide funds to make the Permanent Loan and to pay Costs of Issuance in the amount determined by or pursuant to Article III hereof.

SECTION 202. Sale of the Bonds.

- (A) The Bonds are hereby sold to the State Teachers' Retirement System of Vermont, the Vermont State Employees' Retirement System and the Municipal Employees Retirement System at the price of par on the terms and conditions provided herein and in the Three Party Agreement. The Three Party Agreement, in substantially the form presented at this meeting and included in the minutes thereof, and its execution and delivery by Authorized Officers of the Agency is hereby approved with such changes therein and thereto not inconsistent herewith as may be approved by the Authorized Officers executing the same prior to the execution and delivery thereof.

ARTICLE III  
ESTABLISHMENT OF FUNDS AND ACCOUNTS;  
APPLICATION OF BOND PROCEEDS; OBLIGATION OF THE BONDS

SECTION 301. Funds and Accounts.

- (A) The Housing Project (Federally Taxable Issue) Project Fund (the "Project Fund") is hereby established to be held and administered together with all accounts therein by the Agency as provided in this Resolution. On or prior to the Bond Date the Agency shall establish within the Project Fund a separate account designated the "Fernwood Manor Loan Account" (the "Loan Account"), the amounts in which shall be applied as provided in this Article III.
- (B) The Housing Project (Federally Taxable Issue) Bond Fund (the "Bond Fund") is hereby established to be held and administered together with all accounts therein by the Agency as provided in this Resolution. On or prior to the Bond Date the Agency shall establish within the Bond Fund the following separate accounts to be applied as provided in this Article III:
- (1) Fernwood Manor General Account (the "General Account");
  - (2) Fernwood Manor Sinking Fund Account (the "Sinking Fund Account");

- (3) Fernwood Manor Special Redemption Account (the "Special Redemption Account").

SECTION 302. Application of Bond Proceeds.

- (A) The proceeds of the Bonds shall be deposited in the Loan Account. Moneys in the Loan Account shall be used solely as follows:
- (1) an amount not exceeding the Permanent Loan Amount shall be used to make the Permanent Loan; and
  - (2) amounts in the Loan Account in excess of the Permanent Loan Amount shall be applied by the Agency to defray Costs of Issuance of the Bonds within six (6) months of the Bond Date.
- (B) Notwithstanding anything herein to the contrary, if the Permanent Loan is not made within six (6) months of the Bond Date, or in any event if any balance remains on deposit in the Loan Account on the date which is six (6) months after the Bond Date, the entire balance on deposit in the Loan Account shall be transferred to the Special Redemption Account for application to the redemption of the Bonds as provided in Section 303 of this Resolution.

SECTION 303. Application of Revenues.

- (A) The Agency shall deposit all Revenues in the Bond Fund upon receipt and shall immediately allocate the same to accounts therein as follows:
- (1) Revenues constituting scheduled repayments of principal on the Permanent Loan and Revenues constituting permitted prepayments of the outstanding principal of the Permanent Loan - to the Sinking Fund Account;
  - (2) Revenues constituting Recovery Payments and excess moneys in the Loan Account under Section 302(B) hereof - to the Special Redemption Account; and
  - (3) all other Revenues - to the General Account.
- (B) On September 1, 1991 and each succeeding September 1 thereafter, all amounts deposited in the Sinking Fund Account under Section 303(A)(1) shall be applied to the redemption of the outstanding principal of the Bonds, except that, in the event that the Agency receives a prepayment of the outstanding principal of the Permanent Loan under Section 303(A)(1) on the tenth anniversary of the Bond Date, or at any time thereafter,

all as provided in the Permanent Loan, the Bonds shall be subject to redemption at the option of the Agency in whole or in part, from the amount deposited in said Account.

- (C) All amounts deposited in the Special Redemption Account shall be promptly applied to the redemption of the outstanding principal of the Bonds. At any time not later than the interest payment date for the Bonds next succeeding the date of any deposit into said Account under Section 303(A)(2), the amount so deposited shall be applied to the redemption of the outstanding principal of the Bonds.
- (D) Moneys in the General Account shall be used solely as follows:
  - (1) on each interest payment date of the Bonds, to pay the interest on the Bond then due;
  - (2) on the redemption date of any portion of the principal of the Bonds being redeemed hereunder to pay any interest then payable on the principal amount of the Bonds to be redeemed;
  - (3) at any time, to reimburse the Agency for any expense reasonably incurred by it in connection with the financing of the Development, including but not limited to Costs of Issuance in excess of the amount available therefor in the Loan Account and expenses incurred in connection with the protection of the Agency's security for the Permanent Loan; and
  - (4) on each interest payment date, after payment of the interest on the Bonds then due and provided an Authorized Officer of the Agency determines that such transfer will not materially impair the Agency's ability to make future payments from the General Account sufficient for the purposes of paragraphs (1) and (2) of this Section 303(D), to transfer funds to the Agency's General Fund free of the pledge herein made.
- (E) Whenever funds in any account in the Project Fund are required to be applied to a payment on account of principal of the Bonds, the Agency may at its election hold back such amount not exceeding \$100 as will facilitate payment of principal on the Bonds in rounded amounts. Payments from the Project Fund shall be deemed to have been made on the date of the Agency's check therefor and not on the date of any prior mailing of said check.

**SECTION 304. Transfers from General Fund.**

From time to time, at its option, the Agency may transfer moneys from the General Fund to the General Account.



#### SECTION 305. Investment.

Moneys in the funds and accounts established hereunder may be invested by the Agency, until needed for their respective purposes, in any manner permitted by the Act. Moneys in two or more of such funds and accounts may be invested on a commingled basis for the account of such funds and accounts pro rata in proportion to the moneys invested on behalf of each such fund or account. Interest and other income earned upon the investment or deposit of amounts in the Loan Account shall be deposited in such Account. Interest and other income earned upon the investment or deposit of amounts on deposit in the General Account, the Sinking Fund Account and the Special Redemption Account shall be deposited in the General Account.

#### SECTION 306. Obligation of The Bonds.

The Bonds shall be general obligations of the Agency payable out of any of the Agency's revenues, moneys or assets, subject only to agreements heretofore or hereafter made with the holders of obligations of the Agency other than the Bonds pledging particular revenues, moneys or assets for the payment thereof. The Agency hereby covenants and agrees with the registered owners of the Bonds that it will not grant to any person any lien on or pledge of the Permanent Loan or of any of the Revenues or moneys or investments in any of the accounts created hereunder or any proceeds thereof unless the Agency shall simultaneously therewith grant to the registered owners of the Bonds a prior and senior lien on or pledge of the Permanent Loan and such Revenues, moneys and investments and the proceeds thereof. The Bonds shall not constitute a debt or grant or loan of credit of the State and the State shall not be liable thereon nor shall the Bonds be payable out of any funds other than those of the Agency. The Agency is not obligated to pay the Bonds or the interest thereon except from the revenues or assets of the Agency pledged therefor under this Resolution and neither the faith nor credit nor taxing power of the State or any political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds.

#### ARTICLE IV FORM OF THE BONDS

The Bonds shall be issued substantially in the following form:

VERMONT HOUSING FINANCE AGENCY  
HOUSING PROJECT BOND  
(Federally Taxable Issue)  
Fernwood Manor Mobile Home Park

No. \_\_\_\_

\$\_\_\_\_,000

NOTE: THE HOLDER OF THIS BOND BY ACCEPTANCE HEREOF AGREES TO RESTRICTIONS ON TRANSFER AND TO INDEMNIFICATION PROVISIONS SET FORTH BELOW.

The Vermont Housing Finance Agency (herein called the "Agency"), a body politic and corporate of the State of Vermont, for value received hereby promises to pay to Vermont State Retirement System, or registered assigns, on the Tenth day of February, 2011, the principal sum of \_\_\_\_\_ and No Dollars (\$\_\_\_\_,000), upon presentation and surrender hereof, and to pay interest on the principal balance hereof outstanding from time to time from the date of original delivery of this bond (the "Bond Date") until final payment hereof at the annual rate provided below, which interest rate will change periodically on a day which is a specified anniversary of the date the first scheduled amortizing payment was due (the "Anniversary Date") such interest payments to be made semi-annually on the first day of March and September in each year commencing September 1, 1991. The principal or redemption price of and interest on this Bond are payable in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts and shall be payable by check or draft mailed to the registered owner at his address appearing on the registration books of the Agency kept for that purpose at the offices of the Agency; provided that the registered owner of this bond by acceptance hereof agrees that whenever any payment on account of principal shall occur, such owner shall promptly note the date and amount thereof on the Schedule of Payments and Prepayments endorsed hereon and further agrees that this bond shall be surrendered to the Agency upon final payment hereof.

The annual rate of interest on this bond shall be as follows:

1. From the Bond Date to but excluding the fifth Anniversary Date - 9.00% per annum;
2. From the fifth Anniversary Date to but excluding the tenth Anniversary Date - 9.75% per annum;
3. From the tenth Anniversary Date to but excluding the fifteenth Anniversary Date - 10.50% per annum;
4. From the fifteenth Anniversary Date to the earlier of final maturity or redemption hereof, a rate equal to 11.25% per annum.

This bond is issued pursuant to No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended (the "Act") and under and pursuant to a resolution of the Agency adopted December 13, 1990 entitled "Resolution of Vermont Housing Finance Agency Authorizing

the Issuance of its Housing Project Bond (Federally Taxable Issue) Fernwood Manor Mobile Home Park" (the "Resolution"). This bond is a general obligation of the Agency payable out of any of the Agency's revenues, moneys or assets, subject only to agreements heretofore or hereafter made with the holders of obligations of the Agency other than this bond pledging particular revenues, moneys or assets for the payment thereof.

The Agency is not obligated to pay this bond or the interest hereon except from the revenues or assets of the Agency pledged under the Resolution 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 this bond.

Copies of the Resolution are on file at the office of the Agency in the City of Burlington, Vermont, and reference to the Resolution and to the Act is made for a description of the covenants securing this bond, the manner of enforcement of the covenants, the rights and remedies of the registered owner of this bond with respect thereto, and the terms and conditions upon which this bond is issued.

This bond may not be transferred except to a transferee capable of making representations comparable to those made by the original owner hereof in the Three Party Agreement described in the Resolution to the reasonable satisfaction of the Agency. Furthermore, before any transfer of this bond by the registered owner or his or its legal representative will be recognized or given effect by the Agency, the registered owner shall note hereon the date to which interest has been paid as well as the amounts of all principal payments and prepayments hereon, and shall notify the Agency of the name and address of the transferee and shall afford the Agency the opportunity of verifying the notation as to payment of interest and principal. By the acceptance hereof the owner of this bond and each transferee shall be deemed to have agreed to indemnify and hold harmless the Agency against all losses, claims, damages or liabilities arising out of any failure on the part of the owner or of any such transferee to comply with the requirements of the preceding sentence. Subject to the foregoing, this bond is transferable only upon the books of the Agency at the offices of the Agency by the registered owner hereof in person or by his or its agent duly authorized in writing, upon surrender hereof together with a written instrument of transfer satisfactory to the Agency duly executed by the registered owner or his or its duly authorized agent, and upon the payment of the charges described in the Resolution, the Agency shall issue in the name of the transferee a new substitute registered bond with the same date and in the same form and amount as this bond, endorsed to show the principal amount of the predecessor bond or bonds paid to the delivery date of such substitute bond.

This bond is subject to redemption at a redemption price equal to the portion of the principal amount hereof to be redeemed plus accrued interest on such portion to the redemption date as follows:

1. in whole or in part on September 1, 1991 and on each September 1 thereafter without notice through application of moneys in the Sinking Fund Account as required by the Resolution;
2. in whole or in part at any time upon notice through application of moneys in the Special Redemption Account as required by the Resolution; and
3. in whole or in part at the election of the Agency upon notice, through application of moneys deposited in the Sinking Fund Account in the event of the prepayment of the outstanding principal amount of the Permanent Loan as described in the Resolution. In the event of a prepayment before the end of the seventeenth year, the Agency will pass through amounts of prepayment charges it receives from the Sponsor according to the following schedule:

Years 1-5	10.0%
Year 6	9.5%
Year 7	9.0%
Year 8	8.5%
Year 9	8.0%
Year 10	7.5%
Year 11	7.0%
Year 12	6.5%
Year 13	6.0%
Year 14	5.5%
Year 15	5.0%
Year 16	4.5%
Year 17	4.0%
Years 18-20	no premium

Any notice required hereunder shall be given by certified letter, return receipt requested, mailed to the registered owner at his address appearing on the registration books of the Agency not less than five days prior to the redemption date. Any redemption shall be accomplished by mailing, two days prior to the redemption date, the Agency's check (dated as of the redemption date) for the redemption price to the registered owner in the same manner as is hereinabove provided for notice of redemption.

No recourse shall be had for the payment of the principal or redemption price of or the interest on this bond or for any claim based hereon or on the Resolution against any member or officer of the Agency or any person executing this bond.

It is hereby certified and recited that all conditions, acts and things required by the Constitution or statutes of the State of Vermont or the Resolution to exist, to have happened or to have been performed precedent to or in the issuance of this bond, exist, have happened and have been performed and that the issue of this bond, together with all other indebtedness of the Agency, is within every debt and other limit prescribed by law.

IN WITNESS WHEREOF, the Vermont Housing Finance Agency has caused this bond to be executed in its name by the manual signature of an authorized officer of the Agency, and its corporate seal (or facsimile thereof) to be affixed, imprinted, engraved or otherwise reproduced hereon and attested by the manual signature of an authorized officer of the Agency.

ATTEST: VERMONT HOUSING FINANCE AGENCY

By: \_\_\_\_\_ By: \_\_\_\_\_  
Authorized Officer Authorized Officer

Bond Date: \_\_\_\_\_, 19\_\_

Schedule of Payments and Prepayments of Principal

<u>Principal Amount Paid</u>	<u>Date Paid</u>	<u>Balance Due</u>	<u>Authorized Signature and Title</u>
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(NOTICE: The within bond may not be transferred until this schedule has been verified by the Agency.)

ARTICLE V  
MISCELLANEOUS

SECTION 501. Default.

If the Agency defaults in the payment of principal of or interest on any Bond when due, or in the performance of any covenant in this Resolution, then the registered owner of the Bond shall have the right, by mandamus or other suit, action or proceedings at law or in equity, to bring suit upon the Bond, to enforce its rights under the Resolution and the Bond, to compel performance by the Agency of its obligations under the Bond and the Resolution; to require the Agency to account as trustee of an express trust; to require the Agency to effectuate the assignment of the Permanent Loan to such owner; or to enjoin any acts which may be unlawful or in violation of the rights of the registered owners of the Bonds. No remedy conferred by the Resolution upon the registered owners of

the Bonds is intended to be exclusive of any other remedy, but each shall be in addition to every other remedy given under the Resolution or the Bonds or provided at law or in equity or by the Act. No delay or omission of the registered owners of the Bonds to exercise any right or power arising upon the happening of a default shall impair any right or power or be construed to be a waiver of the default. The registered owners of the Bonds may waive any default and its consequences. No such waiver shall extend to any subsequent or other default.

#### SECTION 502. Defeasance.

If the Agency shall pay or cause to be paid to the registered owners of the Bonds the principal, redemption price and interest thereon at the times and in the manner stipulated therein and herein, then all obligations of the Agency hereunder and under the Bonds and all other rights granted hereby shall be discharged and satisfied.

#### SECTION 503. Transfer.

The Bonds may be transferred in whole but not in part to new owners, subject to the restrictions on transfer and upon compliance with the provisions for transfer described in the form of the Bonds and payment of a transfer fee of \$100.00 for each substitute Bond issued as a result of a request for transfer.

#### SECTION 504. Amendment.

This Resolution may be amended by the Agency without the consent of the registered owners of the Bonds to cure any ambiguity, supply any omission or cure or correct any defect or inconsistent provision herein or to insert such provisions clarifying matters or questions arising hereunder as are necessary or desirable and are not inconsistent with this Resolution as theretofore in effect. The Agency may also adopt a resolution amending, supplementing or otherwise modifying this Resolution without the consent of the registered owners of the Bonds to incorporate the provisions hereof in a resolution of the Agency of general application to bonds issued to finance the Program the interest on which is not excludable from federal income taxes; provided no such resolution shall reduce the principal amount of the Bonds or the rate of interest payable thereon or change the maturity date thereof or the dates for payment of interest thereon or the terms of redemption thereof or the security granted for the payment thereof without the express written consent of the registered owners of the Bonds. Except as hereinabove provided in this Section 504, this Resolution and the Bonds may be amended by the Agency only with the prior written consent of the registered owners of the Bonds.

SECTION 505. Authorization of Officers.

The Chairman, Vice-Chairman, Executive Director, Director of Finance and all other Authorized Officers of the Agency are hereby authorized and directed to do all acts and things and to execute and deliver any and all documents, certificates, and other instruments necessary or desirable to effectuate the transactions contemplated by this Resolution, including the transaction involving the loan of the proceeds of the Bonds for the acquisition, construction and/or rehabilitation of the Development.

SECTION 506. Severability.

If any provision of this Resolution is held invalid in any circumstances, that invalidity shall not affect any other provisions or circumstances.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont on December 13, 1990.

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



VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners  
FROM: Allan S. Hunt, <sup>Asst</sup> Executive Director  
DATE: February 8, 1991  
RE: DALTON DRIVE UPDATE

PERMIT STATUS: We now have all permits necessary to start construction. The last remaining hurdles were cleared away last week by the Colchester Planning Commission (who reversed their position and will not require sprinklers) and the Act 250 District Environmental Commission (extended requirement for traffic light to June, 1992 rather than at first certificate of occupancy).

Subdivisions Approval, permitting 19 separate condominiums and development of the two commercial buildings, is being worked on and not expected to be a problem.

CONSTRUCTION STATUS: Preservation Investments Limited (PIL) is currently preparing "bid documents" to be sent to four to six pre-selected general contractors. Only those contractors who can work within the framework of selective rehabilitation will be invited to "bid." Contractors will be asked to bid on general condition, overhead and profit as a percentage of the overall job, as well as their flexibility in approaching the rehab. The winner will then negotiate a fixed price contract with approximately 70% of the work to bid out with subcontractors. A payment and performance bond will be required. Contractors will be asked to bid on a phased approach, as well as building out the whole project.

MARKETING: While no specific firm has been hired, we have decided to do focus groups to gauge consumer interest in the project, as well as their reaction to resale controls on the affordable units. Former Commissioner Russ Hahn has been retained to conduct the focus group.

FINANCING: The \$1 million note due UVM on February 23 is our next significant event. Lynne Ballew has submitted applications for construction financing in the amount of \$4 million (as well as for the money due UVM) to both the Bank of Vermont and the



February 8, 1991

Vermont National Bank. Both these banks can access reasonably cheap money through the Federal Home Loan Bank. Responses are expected soon!

PIL STATUS: The major problem to be addressed is the status of PIL. They have indicated, by letter and verbally, that they are spending far more time than they estimated on this project. To date, they have earned (billed) approximately \$112,800 and received, based on milestones achieved, only \$62,107. They attribute this overage to spending far more time on permits than was anticipated, a fact we would not dispute.

As a result, PIL is experiencing cash flow problems and find it hard to commit staff resources on a project with no cash coming in (see attached January 15, 1991 memo on proposed changes). After reviewing that memo, we responded that we did not want to terminate the original agreement but would consider an adjustment to their fee. PIL responded by requesting a substantial increase to their fee.

We will continue exploring with PIL an appropriate adjustment in their fee. This may include a redefinition of their role.

COSTS TO DATE: Slightly more than \$1 million has been spent on this project. This includes the \$500,000 paid to UVM as part of the purchase price. Since permits are in hand and plans/specs are complete (we believe), only a minimal amount of additional cost will be incurred prior to construction.

NEXT STEPS: The firming up of construction documents, as well as the contractor RFP, should occur this month.

RECOMMENDATION: Given the financial commitment and continuing uncertainty, the Chairman should appoint a Board subcommittee to interact and advise staff.

## NORTHEAST NOTEBOOK

## Colchester, Vt. Condos In a Fort

**O**FFICERS' quarters built nearly a century ago here at Fort Ethan Allen are being converted into condominiums under the auspices of the Vermont Housing Finance Agency.

Last summer, the agency bought for \$1.5 million 35 of the 75 acres owned by the University of Vermont on the former military base. It plans to spend \$5.5 million to turn the space in 21 buildings into 77 one- and two-bedroom units priced from \$60,000 to \$105,000.

When the Army owned the property the buildings were known as Officers' Row. They were last used as military housing 30 years ago. Built between 1894 and World War I, Fort Ethan Allen began as a cavalry post. It was the Vermont headquarters for the Civilian Conservation Corps in the 30's and was transferred to the Air Force in 1952.

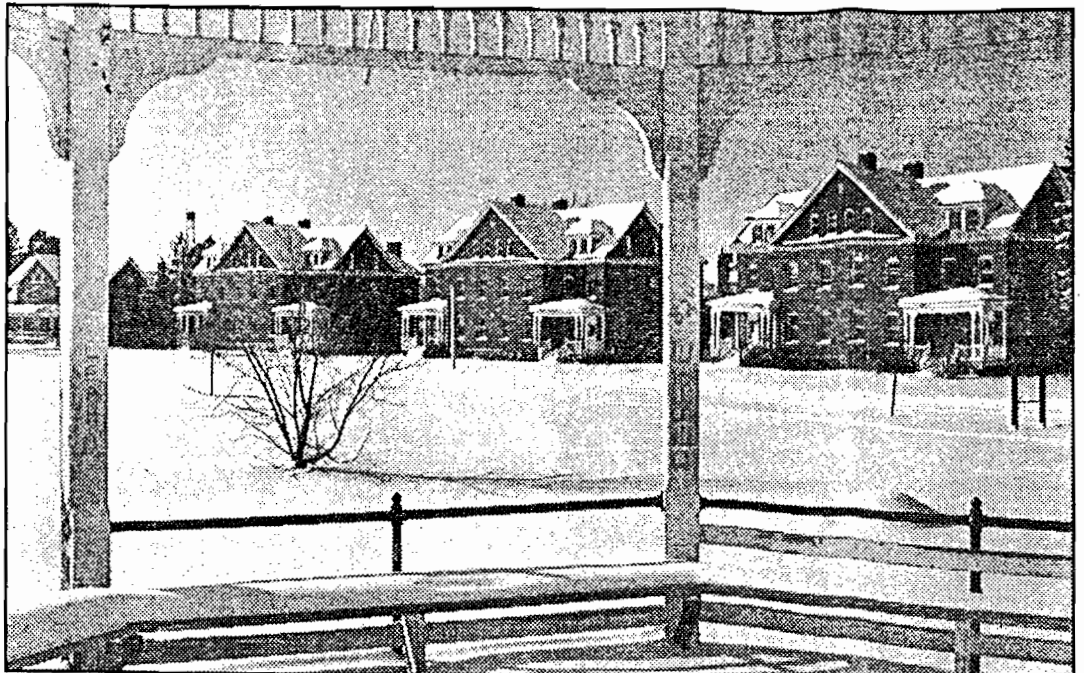
The fort was built with officers' housing in front, housing for enlisted men behind that and buildings for supplies and cavalry units in the back.

It was discontinued as a base in 1960 and most of the acreage was transferred to the Vermont National Guard. St. Michael's College and the University of Vermont bought much of the remaining property on the condition that it be used for educational purposes for at least 20 years.

The university first used Officers' Row as rental housing for faculty and staff members and then as undergraduate housing. In the fall of 1987, the university decided to sell the property.

The brick-and-wood Colonial Revival and Queen Anne homes have porches, slate roofs, fireplaces, hardwood floors, 12-foot ceilings and built-in cabinets. They face Dalton Drive, a winding road with slate sidewalks, and look out over the parade grounds.

To help finance the project, the housing agency received a \$500,000 grant from the state's Housing and Conservation Board, which will pay to preserve the parade grounds as open space. The university agreed to lower its purchase price below the appraised value as long as the units



Paul O. Boisvert for The New York Times

Officers' quarters, nearly a century old, at Fort Ethan Allen, Colchester, Vt.

were kept affordable. The housing agency will provide construction financing and below-market, fixed-rate mortgages for qualified buyers.

The agency plans to sell one-third of the units to buyers with income below \$31,680, which is 80 percent of the Burlington area's median income, and another third to buyers with incomes below the median, \$39,600.

One-bedroom apartments will average 900 square feet and three-bedroom apartments 2,000 square feet. Allan S. Hunt, executive director of the housing agency, said that construction will start this winter, with occupancy expected by summer.

SUSAN YOUNGWOOD

## Columbia, Md. A New Hotel, Built in Pieces

**A** \$10 MILLION hotel with factory-built guest rooms has gone from foundation to four stories here in less than three weeks, about half the time required with conventional construction.

When completed, said the developer, it will be the first steel-frame, mid-rise

modular hotel in the nation.

The Marriott Corporation is trying modular construction as an experiment in saving time and money. The 152 guest rooms of its new Courtyard by Marriott, being built on four acres just off I-95 midway between Baltimore and Washington, were lifted into place like giant building blocks.

The developer, the Kaplan Organization of Edison, N.J., will turn the completed hotel over to Marriott in April, a month or two sooner than if standard practices were used.

Kaplan saved time by beginning site preparation at the same time that a subsidiary, Kaplan Building Systems, was designing and building the rooms, complete with washbasins and wallpaper, in a Pine Grove, Pa., plant.

Now that the modules have been designed, a second hotel following the same model could be built in seven or eight months, says Morris J. Kaplan, president of the Kaplan Organization.

The Courtyard, in the 88-acre Columbia Corporate Park, will primarily serve the business community in the heart of Columbia's office and industrial area at the intersection of Route 175 and the Snowden River Parkway.

The office park is a joint venture of the McGill Development Company of Columbia and Merritt, an industrial real estate company. It will ultimately have 1.2 million square feet of low- and mid-rise

VERMONT HOUSING FINANCE AGENCY  
RESOLUTION PERTAINING TO CONVEYANCE OF EASEMENTS FOR DALTON DRIVE  
PROJECT  
FEBURUARY 14, 1991

WHEREAS, pursuant to the general plan for rehabilitation of the buildings on Dalton Drive, purchased by the Agency from University of Vermont and State Agricultural College, the Executive Director has executed and delivered or is about to deliver the following easements and rights of way:

1. Utility Right of Way Deed to Green Mountain Power Corporation and New England Telephone, dated October 2, 1990.
2. Deed of Easement for Pipelines in favor of Vermont Gas Systems, Inc., dated November 26, 1990.
3. Right of Way Deed (Essex Road) in favor of Town of Colchester for the benefit of the general public, dated October 30, 1990.
4. Quitclaim Deed in favor of Town of Colchester (this is a deed of dedication conveying a 64 foot right of way over Dalton Drive as it lies in the Town of Colchester), dated February 12, 1991.

RESOLVED, that the execution and delivery of the foregoing deeds by the executive director is hereby ratified and approved.

VOTED: That the Agency's Resolution attached hereto is hereby adopted, with such changes and modifications thereto as the Chairman, Vice Chairman or Executive Director may approve prior to the delivery of the Notes referred to therein.

RESOLUTION OF VERMONT HOUSING FINANCE AGENCY  
AUTHORIZING THE ISSUANCE AND SALE OF  
MULTI-FAMILY HOUSING DEVELOPMENT LOAN NOTES, 1990 SERIES A  
IN AN AMOUNT NOT TO EXCEED \$2,500,000

Be It Resolved by the Vermont Housing Finance Agency  
and the Commissioners thereof as follows:

ARTICLE I  
DEFINITIONS AND CONSTRUCTION

Section 101. Definitions: All capitalized, undefined terms used in this Resolution shall have the meanings assigned to such terms in the Act (as hereinafter defined). In addition, in this Resolution unless a different meaning clearly appears from the context:

"Act" means the Vermont Housing Finance Agency Act, being No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended to the date of adoption of this Resolution.

"Agency" means the Vermont Housing Finance Agency, a body politic and corporate organized under the Act or any instrumentality of the State which shall hereafter succeed to its powers.

"Authorized Officer" means the Chairman, Vice-Chairman, Executive Director and Secretary, and Director of Finance of the Agency and any other person authorized by resolution of the Agency to act as an Authorized Officer hereunder.

"Borrower" means the obligor or obligors on a Loan.

"Code" means the Internal Revenue Code of 1986, as amended, and any regulations (permanent, temporary or proposed) thereunder or until such regulations are promulgated, any applicable regulations under the Internal Revenue Code of 1954, as amended.

"General Fund" means the fund so designated and created by a resolution of the Agency adopted September 26, 1974 as amended from time to time.

"Investment Obligation" means any of the following which at the time are legal investments for moneys of the Agency: (1) direct general obligations of the United States of America and obligations (including obligations of any federal agency or corporation) the payment of the principal and interest on which, by Act of the Congress of the United States or in the opinion of the Attorney General of the United States in office at the time such obligations were issued, are unconditionally guaranteed by the full faith and credit of the United States of America, or any other evidences of an ownership interest in obligations or in

specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in this Clause (1); (2) any direct general obligations of any state of the United States of America or of any political subdivision of any such state; (3) bonds, debentures, participation certificates (representing a timely guaranty of principal and interest), notes or similar evidences of indebtedness of any of the following: Bank for Cooperatives, Federal Intermediate Credit Banks, Federal Financing Bank, Federal Land Banks, Federal Home Loan Bank System, Federal Farm Credit Bank, Federal National Mortgage Association (excluding "stripped" securities), Export-Import Bank of the United States, Farmers Home Administration, Federal Home Loan Mortgage Corporation, Resolution Funding Corporation, Government National Mortgage Association, Student Loan Marketing Association or Tennessee Valley Authority; (4) interest bearing time deposits, certificates of deposit or other similar banking arrangements with banks (which may include any Note Registrar or Paying Agent), provided such deposits are fully collateralized and secured by obligations described in Clauses (1) through (3) above which at all times have a market value (exclusive of accrued interest) at least equal to such deposits so secured, including interest; (5) shares of a diversified open-end management investment company as defined in the Investment Company Act of 1940, which is a money market fund, which is continuously and substantially invested in obligations described in Clauses (1) through (3) above; (6) repurchase agreements for obligations of the type specified in Clauses (1), (2) and (3) above, provided either (a) the repurchase agreement is an unconditional obligation of the provider thereof or (b) such repurchase agreements are fully collateralized and secured by such obligations which have a market value (exclusive of accrued interest) at least equal to the purchase price of such repurchase agreements and provided further that such obligations are held by the Agency or a depository satisfactory to the Agency in such manner as may be required to provide a perfected first security interest in favor of the Agency in such obligations.

"Loan" or "Loans" means the loans made to the Borrowers by the Agency with the proceeds of the Notes pursuant to the terms of this Resolution as identified on Exhibit A attached hereto.

"Loan Account" means the Loan Account established under Section 301 of this Resolution.

"Non-Profit Entity" means a department, division, board, commission, agency or other instrumentality of the State, a political subdivision of the State, an agency of any such political subdivision, an "exempt organization" within the meaning of Section 501(c)(2), (3), or (4) of the Code, a non-profit corporation organized as such under the laws of the State, an entity owned, or whose day-to-day management is controlled, under the terms of a partnership agreement, by any of the foregoing, or a "limited equity cooperative" within the meaning of Chapter 14 of Title 11, Vermont Statutes Annotated.

"Note" or "Notes" means one or more Multi-Family Housing Development Loan Notes, 1990 Series A of the Agency authorized by this Resolution.

"Note Date" means the date the Notes are originally authenticated and issued hereunder.

"Note Registrar" means the bank or financial institution appointed pursuant to Section 501 hereof. The Note Registrar and the Paying Agent may be the same institution.

"Note Repayment Account" means the account by that name established under Section 301 of this Resolution.

"Paying Agent" means the bank or financial institution appointed pursuant to Section 501 hereof. The Paying Agent and Note Registrar may be the same institution.

"Permanent Financing" means (i) a contribution of equity to a Project, (ii) a long-term loan to the Borrower, or to the owner of a Project if not the Borrower, from a lender other than the Agency for purposes of a Project, (iii) a permanent loan to the Borrower, or to the owner of a Project if not the Borrower, from the Agency for purposes of a Project or (iv) any combination of the foregoing, sufficient, either individually or in the aggregate, to repay a Loan made with the proceeds of Notes hereunder.

"Program" means the Agency's program of making Loans to Sponsors and Non-Profit Entities pursuant to the Act and the Rules.

"Project" or "Projects" means the Residential Housing developments identified on Exhibit A attached hereto.

"Regulatory Agreement" shall have the meaning given such term in Section 401(B) hereof.

"Revenues" means all payments, proceeds, charges, rents and other income (including without limitation income from investments in the Note Repayment Account) of any kind and from any source derived in cash by or for the account of the Agency from or related to a Project and under the Loan applicable thereto, the applicable Regulatory Agreement or otherwise, including, without limitation, scheduled payments of principal and interest on the Loan.

"Residential Housing" shall have the meaning given such term in the Rules.

"Rules" means the "Vermont Housing Finance Agency Grants, Loans and Advances to Assist the Planning, Construction, Rehabilitation, and Operation of Residential Housing; Mortgage Loans to Housing Sponsors for Single Family Developments Rules"

adopted by the Agency on May 17, 1990 and effective June 4, 1990, as the same may be amended from time to time.

"State" means the State of Vermont.

"Yield" means the yield on the Notes, or the yield on a Loan financed with the proceeds of the Notes or the yield on any other investment under this Resolution calculated as required by the Code.

Section 102. Parties Interested Herein. Nothing in this Resolution expressed or implied is intended or shall be construed to confer upon, or to give to, any person, other than the Agency and the registered owners of the Notes, any right, remedy or claim under or by reason of this Resolution or any covenant, stipulation, obligation, agreement or condition therein. All the covenants, stipulations, obligations, promises and agreements in this Resolution contained by and on behalf of the Agency shall be for the sole and exclusive benefit of the Agency and the registered owners of the Notes.

Section 103. Law Applicable. The laws of the State shall be applicable to the interpretation and construction of this Resolution.

Section 104. Severability of Invalid Provision. If any one or more of the provisions, covenants or agreements in this Resolution on the part of the Agency to be performed should be contrary to law, then such provisions, covenants or agreements shall be deemed separable from the remaining provisions, covenants and agreements, and shall in no way affect the validity of the other provisions of this Resolution or of the Notes.

ARTICLE II  
AUTHORIZATION OF THE NOTES:  
FINDINGS: TERMS AND SALE OF NOTES

Section 201. Authority. This Resolution is adopted pursuant to the Act and the Rules and shall take effect immediately upon its adoption. The Agency is duly authorized under the Act and all applicable laws to issue the Notes, to adopt this Resolution and to pledge the revenues, funds and accounts of the Agency pledged hereby in the manner and to the extent provided herein. The Agency will at all times, to the extent permitted by law, defend, preserve and protect such pledge and all the rights of the registered owners of the Notes hereunder against all claims and demands of all persons whomsoever.

Section 202. The Loans and the Notes. (A) The Agency hereby authorizes, ratifies and approves the Loans identified in Exhibit A attached hereto, in principal amount not exceeding the amounts set forth in Exhibit A, to assist in the planning,



constructing, rehabilitating or operating of the Projects in anticipation of Permanent Financing. Notwithstanding anything contained in this Resolution to the contrary, in addition to the provisions of Paragraph (C) of this Section 202 the Agency may, by adoption of an amendment in accordance with the provisions of Section 504 hereof, amend Exhibit A hereto to increase the principal amount of any Loan or to substitute or add any other project and provide for a loan therefor, provided that any such amendment is otherwise consistent with the terms and conditions of this Resolution, the findings required in Section 204 hereto are made by the Agency with respect to any substituted or additional project, and any substituted or additional loan meets the requirements of Section 403 hereof.

(B) In order to provide funds with which to make the Loans and to pay Costs of Issuance of the Notes, the Agency hereby determines to issue the Notes in an aggregate principal amount not to exceed \$2,500,000. The Notes shall be dated the Note Date, shall mature on April 18, 1991 (hereinafter the "Maturity Date"), shall be issued solely in fully registered form in denominations of not less than \$100,000 and shall bear interest from their date at an interest rate not to exceed 7.5 percent (7.5%) per annum, calculated on the basis of a 360 day year, payable on the Maturity Date. The Notes shall not be subject to redemption prior to the Maturity Date. The Notes shall be executed, shall be subject to transfer and exchange, and shall otherwise be in form and tenor as provided in, and the respective rights and obligations of the Agency and the registered owners thereof shall be as described in, the form of the Notes set forth in Exhibit B attached hereto.

(C) Subject to Paragraph (B) of this Section 202, the principal amount of the Loans, the principal amount of the Notes and the interest rate therefor, and any other terms and conditions of the Loans and the Notes not specified in this Resolution (and not inconsistent herewith) shall be determined by the Authorized Officers of the Agency executing and delivering the Notes at or prior to the Note Date. Said Authorized Officers shall file with the Secretary of the Agency on or prior to the Note Date a certificate specifying and determining such principal amounts, interest rate and other terms and conditions.

Section 203. Allocation of State Volume Cap to Notes. The Agency hereby determines to allocate to the Notes not in excess of \$2,500,000 of the Agency's \$ 8,193,810 remaining unused 1987 annual volume cap with respect to private activity bonds that the Agency heretofore elected pursuant to Section 146(f) of the Code to carry forward for the purpose of issuing exempt facility bonds for the purpose of financing qualified residential rental projects pursuant to Section 142 of the Code.

Section 204. Findings. The Agency hereby determines that:

(A) the principal amount of the Notes is necessary to provide sufficient funds to be used and expended for the Program;

(B) the Loans can be issued bearing interest at a rate which will be less than the prevailing rate of interest on comparable loans available in the State without the assistance of the Agency;

(C) the Agency will derive receipts, revenues or other income from the Loans made with the proceeds of the Notes sufficient to provide, together with all other available receipts, revenues and income of the Agency, for the payment of the Notes and the payment of all costs and expenses incurred by the Agency with respect to the Program for which the Notes are issued;

(D) the Projects are Residential Housing primarily for occupancy by Persons and Families of Low and Moderate Income;

(E) the Borrowers are Housing Sponsors as defined in the Act or Non-Profit Entities as defined in the Rules; and

(F) the Loans will assist the planning, construction, rehabilitation or operation of Residential Housing primarily for Persons and Families of Low and Moderate Income.

Section 205. Sale of the Notes. (A) The Authorized Officers of the Agency, in connection with the sale of any or all of the Notes herein authorized to be issued, are each hereby authorized and directed to solicit, at public or private sale, from such qualified investors as shall be determined by the Authorized Officers, proposals for the purchase of said Notes and to sell and award such Notes, or any part thereof, to one or more qualified investors at such price or prices as they shall determine to be in the best interest of the Agency, provided that the net interest cost to the Agency on the Notes so sold and awarded shall not exceed 7.5 percent (7.5%) per annum. The distribution of an information statement, if any, in connection with the sale of said Notes is hereby authorized and approved. Any of the Authorized Officers are hereby authorized and directed to deliver said Notes to the purchaser or purchasers thereof, determined as above provided, and to execute and deliver all documents and instruments required in connection therewith.

(B) The proceeds of sale of the Notes shall be applied as provided in Section 302 hereof.

ARTICLE III  
ESTABLISHMENT OF ACCOUNTS:  
APPLICATION OF BOND PROCEEDS: OBLIGATION OF NOTES: PLEDGE

Section 301. Accounts. The following separate accounts are hereby created, or authorized to be created as provided herein, such accounts to be held by the Paying Agent and administered by the Agency subject to the pledge herein made:

- (1) Multi-Family Housing Development Note Loan Account, 1990 Series A (the "Loan Account")
- (2) Multi-Family Housing Development Note Repayment Account, 1990 Series A (the "Note Repayment Account")

Section 302. Application of Proceeds of the Notes. (A) Upon the original authentication and delivery of the Notes, the proceeds derived from the sale of said Notes shall be deposited with and held by the Paying Agent in the Loan Account. Moneys so deposited in said Loan Account shall be used and applied by the Agency solely for the purpose of making the Loans upon compliance with the provisions of Section 403 hereof. Moneys may be withdrawn by the Agency from the Loan Account from time to time for the purpose of making any Loan upon checks, drafts or orders for payments therefrom, signed by an Authorized Officer.

(B) Pending the application of the moneys deposited in the Loan Account to the making of the Loans or paying Costs of Issuance, such moneys may be invested and reinvested by the Paying Agent in Investment Obligations. The moneys in the Loan Account to be so invested, and the maturity date or dates, or date or dates or redemption at the option of the holders of such obligations, shall be such as an Authorized Officer shall direct the Paying Agent in writing or, in the absence of such direction, at the discretion of the Paying Agent. Subject to the provisions of Section 401(A)(4) hereof, all earnings on investment or deposit of moneys in the Loan Account, or any part thereof, shall be credited upon receipt to the Loan Account.

(C) If on the Maturity Date any amount remains on deposit in the Loan Account, the Paying Agent, without direction of the Agency, shall transfer such amount to the Note Repayment Account.

Section 303. Application of Revenues. (A) The Agency shall deposit all Revenues in the Note Repayment Account upon receipt thereof, and shall deposit in the Note Repayment Account proceeds of any bonds, notes or other obligations of the Agency issued to renew or pay the Notes or the interest thereon, until the amount on deposit in the Note Repayment Account shall equal the unpaid principal amount of the Notes outstanding plus all interest accrued and to accrue thereon to the Maturity Date. From time to time, at its option, the Agency may also transfer moneys from the General Fund to the Note Repayment Account.

(B) On the Maturity Date, the Paying Agent shall apply moneys in the Note Repayment Account to the payment of the principal amount of the Notes due on such date plus the interest accrued and payable thereon. Following payment or provision for payment of the Notes and the interest thereon as aforesaid, any balance on deposit in the Note Repayment Account shall be transferred by the Paying Agent to the Agency upon request of an Authorized Officer.

(C) Pending application as provided in this Section 303, moneys on deposit in the Note Repayment Account may be invested and reinvested by the Paying Agent in Investment Obligations. The moneys in the Note Repayment Account to be so invested, and the maturity date or dates, or date or dates or redemption at the option of the holders of such obligations, shall be such as an Authorized Officer shall direct the Paying Agent in writing or, in the absence of such direction, at the discretion of the Paying Agent. All earnings on investment or deposit of moneys in the Note Repayment Account, or any part thereof, shall be credited upon receipt to the Note Repayment Account.

Section 304. Obligation of Notes; Pledge. The Notes shall be general obligations of the Agency payable out of any of the Agency's revenues, moneys or assets, subject only to agreements heretofore or hereafter made with the holders of obligations of the Agency other than the Notes pledging particular revenues, moneys or assets for the payment thereof. There are hereby pledged to the payment of principal and interest on the Notes, subject to the provisions of this Resolution permitting application thereof for the purposes and on the terms and conditions set forth in this Resolution, (i) all Revenues and (ii) all moneys and securities from time to time in the Loan Account and Note Repayment Account, including without limitation proceeds of any renewal obligations deposited in the Note Repayment Account in accordance with Section 303(A) hereof.

#### ARTICLE IV SPECIAL COVENANTS OF THE AGENCY

Section 401. Covenants with Respect to the Notes. (A) With respect to the Notes, the Agency covenants and agrees, and, if applicable, shall require the Borrower under the Loan or the Regulatory Agreement similarly to covenant and agree, as follows:

(1) It shall neither take any action or fail to take any action, nor, to the extent it has the legal power to do so, permit any Borrower to take any action or fail to take any action which, if either taken or not taken, would adversely affect the exclusion of the interest on any of the Notes from gross income for federal income tax purposes under the Code.

(2) The Agency shall not use or permit the use of any proceeds of the Notes or any other funds of the Agency, directly or indirectly, to acquire securities or obligations, and shall not permit to be taken any other action or actions, which would cause any Note to be an "arbitrage bond" within the meaning of Section 148 of the Code. In order to assure compliance with the rebate requirements of Section 148 of the Code, the Agency further covenants that it will establish such accounting procedures as are necessary to adequately determine, account for and pay over any amount or amounts required to be paid to the Treasury Department of the United States in a manner consistent with the requirements of Section 148 of the Code, such covenant to survive the defeasance of the lien enjoyed by any Notes pursuant to Section 505 hereof.

(3) The Agency shall not enter into any arrangement, formal or informal, with a Borrower (or any related person, as defined in Section 147(a) of the Code) pursuant to which the Borrower shall purchase the Notes in an amount related to the amount of its Loan.

(4) Income earned from the investment of amounts credited to the Loan Account shall be credited to such account and retained therein to the extent necessary to ensure that substantially all of the proceeds of the Notes will be considered used to provide projects for residential rental property within the meaning of Section 142(d) of the Code.

(5) Amounts on deposit in the Loan Account transferred to the Note Repayment Account pursuant to Section 302(C) hereof shall be used to pay such portion of the Notes at maturity as shall be necessary to ensure that substantially all of the proceeds of the Notes will be considered used to provide projects for residential rental property within the meaning of Section 142(d) of the Code. Such amounts required to be used to pay all or any portion of the Notes pursuant to the immediately preceding sentence shall, from the date the Agency determines that such amounts must be so used to comply with Section 142(d) of the Code, not be invested at a yield greater than the yield on the Notes and shall be used to pay the Notes at maturity.

(6) The Agency shall not take any action or fail to take any action or permit any action to be taken on its behalf or cause or permit any circumstances within its control to arise or continue if such action or inaction would result in less than substantially all of the proceeds of the Notes being used to provide projects for residential rental property, within the meaning of Section 142(d) of the Code, with respect to which the occupancy requirement contained therein is met.

(7) No portion of the proceeds of the Notes shall be used directly or indirectly to provide any airplane, skybox or other luxury box, health club facility, facility primarily used for gambling or store, the principal business of which is the sale of alcoholic beverages for consumption off premises.

(8) The amount of "issuance costs" (within the meaning of the Code) financed with proceeds of the Notes shall not exceed 2% of the proceeds of the Notes.

(B) At or prior to making or funding any Loan with proceeds of the Notes, the Agency shall enter into an agreement between the Agency and the Borrower and the owner of the applicable Project if other than the Borrower (herein referred to as a "Regulatory Agreement"), which Regulatory Agreement shall run with the land for the period necessary to comply with the provisions of Section 142(d) of the Code, setting forth the terms and conditions of such Loan, consistent with this Resolution, and the procedures pursuant to which the proceeds of the Loan will be disbursed from the Loan Account to or for the account of the Borrower, or to or for the account of the owner of the Project if other than the Borrower, and under which the Borrower and such owner, as applicable, shall covenant to the effect that they will (i) take all actions necessary to ensure that the Project to be financed with the Loan complies with the requirements of Section 142(d) of the Code; (ii) apply all proceeds of the Loan to provide projects for residential rental property within the meaning of Section 142(d) of the Code; and (iii) submit such reports to the Agency as the Agency determines are necessary to establish compliance with such covenants. Such Regulatory Agreement shall provide that it may be enforced by the Agency through a cause of action in equity for specific performance.

Section 402. Compliance with Section 401. The provisions of Section 401 of this Resolution shall be complied with by the Agency in order to meet the requirements of the Code such that interest on the Notes shall be and remain excludable from the gross income of the registered owner of any Notes for federal income tax purposes; provided, however, that the Agency shall not be required to comply with such provision with respect to the Notes in the event that the Agency receives a bond counsel's opinion 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 Section 401 of this Resolution will satisfy said requirements, in which case compliance with such other provision specified in the bond counsel's opinion shall constitute compliance with the provision specified in Section 401 of this Resolution.

Section 403. Covenants With Respect to Loans.

(A) Each Loan financed in whole or in part from proceeds of the Notes shall be secured by a promissory note and/or a Mortgage

with such terms and conditions permitted by the Act and the Rules as the Agency in its discretion shall determine.

(B) Each Loan shall provide for payments thereunder on account of the principal and interest payable thereon in amounts and at times sufficient, together with other moneys of the Agency available therefor, to pay on or prior to the Maturity Date the portion of the principal amount of the Notes, together with interest thereon, that is allocable to the Loan as determined by the Agency.

(C) The Loans shall be held for the credit of the General Fund. So long as any Notes shall be outstanding and unpaid, the Agency shall not create or permit to be created any lien, pledge, security interest or other encumbrance in or upon the Loans or any Mortgage or note evidencing or securing the same unless prior thereto the Agency shall grant to the registered owners of the Notes a senior lien, pledge, security interest or other encumbrance on such Loan, Mortgage or note.

Section 404. Issuance of Indebtedness. (A) So long as any Notes shall be outstanding hereunder, the Agency shall not create or permit the creation of or issue any obligations or create any indebtedness which will be secured by a charge and lien on the Revenues or any other receipts, moneys or property pledged hereunder or which will be payable from the Loan Account or the Note Repayment Account.

(B) The Agency covenants and agrees that so long any of the Notes shall be outstanding hereunder, the aggregate amount of principal and interest on "Unpaid Short Term Unsecured Indebtedness" (as hereinafter defined) of the Agency maturing or payable at the option of the holder thereof on or prior to the Maturity Date shall not exceed five million dollars (\$5,000,000). As used in this Section 404, the term "Unpaid Short Term Unsecured Indebtedness" means any bond, note or other obligation of the Agency or any principal of or interest on any such bond, note or other obligation, as applicable, which is outstanding and unpaid within the meaning of the proceedings of the Agency authorizing the same and which (i) is a general obligation of the Agency, (ii) was issued or incurred by the Agency to finance directly or indirectly Housing Development Costs of Residential Housing in the State and (iii) is not secured and, following disbursement of the proceeds thereof in accordance with the requirements of the authorizing proceedings of the Agency, will not be secured by a pledge or assignment of a Mortgage on or other interest in such Residential Housing for the benefit of the holder of such indebtedness.

(C) Except as provided in the foregoing provisions of this Section 404, nothing contained in this resolution is intended to limit, nor shall be construed as limiting, in any way, the authorization, issuance or securing of any additional notes, bonds or other obligations of the Agency.

ARTICLE V  
MISCELLANEOUS

Section 501. Paying Agent and Note Registrar. The Howard Bank, N.A., Burlington, Vermont, is hereby appointed Paying Agent and Note Registrar for the Notes. Said bank shall evidence its acceptance of the duties of Paying Agent and Note Registrar by delivering a certificate of acceptance to the Agency at or prior to the authentication and delivery of any Notes hereunder.

Section 502. Authorization of Officers. The Chairman, Vice-Chairman, Executive Director and Secretary, Director of Finance and each other Authorized Officer are each hereby authorized and directed to do all acts and things and to execute and deliver any and all documents, certificates, and other instruments necessary or desirable to effectuate the transactions contemplated by this Resolution.

Section 503. Default. If the Agency defaults in the payment of principal of or interest on the Notes when due, or in the performance of any covenant in this Resolution, then the registered owner of any Note shall have the right, by mandamus or other suit, action or proceeding at law or in equity, to bring suit upon the Notes; to enforce its rights under this Resolution and the Notes to compel performance by the Agency of its obligations under the Notes and this Resolution; to require the Agency to account as trustee of an express trust; or to enjoin any acts which may be unlawful or in violation of the rights of the registered owner of any Note. No remedy conferred by this Resolution upon the registered owner of any Note is intended to be exclusive of any other remedy, but each shall be in addition to every other remedy given under this Resolution or the Notes or provided at law or in equity or by the Act. No delay or omission of the registered owner of any Note to exercise any right or power or be construed to be a waiver of the default. The registered owner of any Note may waive any default and its consequences. No such waiver shall extend to any subsequent or other default.

Section 504. Amendment. (A) Without the consent of the registered owners of the Notes, this Resolution may be amended at any time and from time to time by supplemental resolution adopted by the Agency (i) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision herein, (ii) to insert such provisions clarifying matters or questions arising under this Resolution as are necessary or desirable and are not contrary to or inconsistent with this Resolution as theretofore in effect, (iii) to amend Exhibit A hereof in accordance with Section 202(A) of this Resolution or (iv) to make any other change herein which, in the judgment of the Paying Agent, is not prejudicial to the Paying Agent or the registered owners of any Notes outstanding.



(B) Except as provided in Paragraph (A) of this section, this Resolution may only be amended with the prior written consent of the registered owner of each Note outstanding affected by the provisions thereof. If there be more than one Note outstanding hereunder, the written consent required by this paragraph shall be effective if given by the registered owners of a majority in aggregate principal amount of all Notes outstanding. Notwithstanding the foregoing, no amendment of the Resolution making a change in the terms of maturity or redemption of any Note outstanding, or the principal amount thereof or the rate of interest thereon, or the provisions of this Section 504, shall be effective without the prior written consent of the registered owner of each Note affected by such amendment.

Section 505. Defeasance. If the Agency shall pay or cause to be paid to the registered owner of any Note the principal and interest thereon at the times and in the manner stipulated therein and herein, then such Note and the pledge of any Revenues, moneys, funds or other property pledged hereby or thereby, and all other rights granted hereby or thereby, shall be discharged and satisfied and such Note shall no longer be or deemed to be outstanding hereunder. Notes for the payment of the principal of and interest on which there is held by the Paying Agent in the Note Repayment Account either moneys in an amount, or investments in direct obligations of the United States of America or obligations the principal of and interest on which are guaranteed by the United States of America, the principal of and interest on which when due will provide an amount, sufficient to pay when due the principal amount thereof, and all interest accrued and to accrue thereon to the Maturity Date shall be deemed paid within the meaning of the first sentence of this Section 505.

Section 506. No Recourse. All covenants, stipulations, promises, agreements and obligations of the Agency contained in this Resolution shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Agency and not of any member, officer or employee of the Agency in his individual capacity, and no recourse shall be had for the payment of the principal of or interest on the Notes or for any claim based thereon or on this Resolution against any member, officer or employee of the Agency or any person executing said Notes.

Section 507. Effective Date. This Resolution shall take effect immediately.

EXHIBIT "A"

<u>Project</u>	<u>Borrower</u>	<u>Loan Amount</u>
Northgate Apartments and Greenfield Apartments	Housing Vermont	\$1,250,000
Pine Meadows Apartments	Housing Vermont	\$1,250,000

EXHIBIT "B"

[NOTE FORM]

No. \_\_\_\_\_ \$ \_\_\_\_\_

VERMONT HOUSING FINANCE AGENCY MULTI-FAMILY  
HOUSING DEVELOPMENT LOAN NOTE, 1990 SERIES A

Principal Sum: \$ \_\_\_\_\_

Note Date: \_\_\_\_\_

Interest Rate: \_\_\_\_\_ % Per Annum

Maturity Date: \_\_\_\_\_

The VERMONT HOUSING FINANCE AGENCY (herein called the "Agency"), a body politic and corporate of the State of Vermont, acknowledges itself indebted and for value received hereby promises to pay to \_\_\_\_\_, or registered assigns, on the Maturity Date the Principal Sum stated above with interest thereon, calculated on the basis of a 360-day year, from the Note Date at the Interest Rate, payable on the Maturity Date. This note shall not be subject to redemption prior to the Maturity Date.

The principal of and interest on this note are payable in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts. The principal of and interest on this note shall be payable by check or draft mailed by The Howard Bank, N.A., Burlington, Vermont, as paying agent of the Agency (together with any successor paying agent, the "Paying Agent") to the registered owner at its address appearing on the registration books of the Agency, provided that the registered owner of this note may make arrangements with the Paying Agent for payment of principal and interest by wire transfer. Upon final payment of this note, the registered owner hereof will, and by acceptance of this note hereby agrees, to cancel and return this note to the Paying Agent.

This note is one of a duly authorized issue of notes (the "1990 Series A Notes") issued in the aggregate principal amount of \$ \_\_\_\_\_ under and by virtue of the Vermont Housing Finance Agency Act, being No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended (herein called the "Act"), and under and pursuant to a resolution of the Agency adopted November 15, 1990 (herein called the "Resolution") for the purpose of making all or a portion of the Loans described in the Resolution. Copies of the Resolution are on file at the office of the Agency in the City of Burlington, State of Vermont, and reference to the Resolution and to the Act is made for a description of the pledge and covenants securing the 1990 Series A Notes, the nature, manner and extent of enforcement of such pledge and covenants, the rights and remedies of the registered owners of the 1990

Series A Notes with respect to such pledge and covenants, the terms and conditions upon which the 1990 Series A Notes are issued thereunder, and a statement of the rights, duties, immunities and obligations of the Agency.

This bond is a general obligation of the Agency payable out of any of the Agency's revenues, moneys or assets, subject only to agreements heretofore or hereafter made with the holders of obligations of the Agency other than this note pledging particular revenues, moneys or assets for the payment thereof, and is also secured by a pledge of Revenues (as defined in the Resolution) and all moneys and securities on deposit from time to time in the Loan Account and the Note Repayment Account established by the Resolution, subject to all provisions and conditions of the Resolution.

The Agency is not obligated to pay this note or the interest hereon except from the revenues, moneys or assets of the Agency pledged under the Resolution or as otherwise provided herein and therein 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 interest on this note.

Except as provided in the Resolution, the 1990 Series A Notes are issuable solely in the form of fully registered notes in denominations of \$100,000 or any integral multiple thereof. Upon surrender hereof at the principal office of the Paying Agent, as Note Registrar, with a written instrument of transfer satisfactory to the Agency and the Note Registrar, duly executed by the registered owner hereof or his duly authorized attorney, this note may, at the option of the registered owner, be exchanged for an equal aggregate principal amount of fully registered notes of the same maturity, interest rate and tenor in any of the authorized denominations.

This note is transferable, only upon the registration books of the Agency, by the registered owner hereof in person or by his attorney duly authorized in writing, upon surrender hereof at the principal office of the Note Registrar together with a written instrument of transfer satisfactory to the Agency and the Note Registrar duly executed by the registered owner or such duly authorized attorney, and thereupon the Agency shall issue in the name of the transferee a new registered note or notes of the same aggregate principal amount, maturity and interest rate as the surrendered note and in any of the authorized denominations. The Agency and the Paying Agent may treat and consider the person in whose name this note is registered as the holder and absolute owner hereof for the purpose of receiving payment of, or on account of, the principal amount hereof and interest due hereon and for all other purposes whatsoever.

No recourse shall be had for the payment of the principal amount of or the interest on this note or for any claim based

thereon or on the Resolution against any commissioner of the Agency or any person executing this note.

This note shall not be entitled to any benefit under the Resolution or be valid or become obligatory for any purpose until this note shall have been duly authenticated by the Paying Agent by execution of the certificate of authentication provided on this note.

It is hereby certified and recited that all conditions, acts and things required by the Constitution or statutes of the State of Vermont or by the Act or the Resolution to exist, to have happened or to have been performed precedent to or in the issuance of this note exist, have happened and have been performed and that the issue of this note, together with all other indebtedness of the Agency, is within every debt and other limit prescribed by said Constitution or statutes.

IN WITNESS WHEREOF, the VERMONT HOUSING FINANCE AGENCY has caused this note to be signed in its name and on its behalf by the manual signature of its Authorized Officer, and its corporate seal to be affixed hereto or imprinted hereon and attested by the manual signature of its Authorized Officer.

VERMONT HOUSING FINANCE AGENCY

By \_\_\_\_\_  
Authorized Officer

[SEAL]

Attest:

\_\_\_\_\_  
Authorized Officer

#### CERTIFICATE OF AUTHENTICATION

This note is one of the 1990 Series A Notes described in the within-mentioned Resolution of the Vermont Housing Finance Agency.

THE HOWARD BANK, N. A.

By \_\_\_\_\_  
Authorized Officer

## TERM SHEET

**Vermont Housing Finance Agency**  
**\$2,100,000\***  
**Multi-Family Housing Development Loan Notes, 1990 Series A**

<b>Issuer:</b>	Vermont Housing Finance Agency
<b>BKB Role:</b>	Placement Agent
<b>Type of Sale:</b>	Private placement; investor letter required
<b>Par Amount:</b>	\$2,100,000*
<b>Dated Date:</b>	November 30*
<b>Maturity:</b>	April 18
<b>Interest payment:</b>	At maturity
<b>Security:</b>	General obligation of the Agency. As of 6/30/90 Agency had General Fund Balance of \$3.956 million
<b>Rating:</b>	Unrated; the Agency's outstanding Home Mortgage Purchase Bonds are rated A1 by Moody's; Single Family Mortgage Purchase Bonds Aa; and Multi-family Mortgage Revenue Bonds, A.
<b>Call Provisions:</b>	None
<b>Use of Proceeds:</b>	Proceeds will be used to provide interim financing for a variety of small multi-family projects
<b>Takeout:</b>	Proceeds from the sale of bonds by the Agency, from Farmer's Home Loans or from equity syndication proceeds
<b>Tax Exemption:</b>	Interest on the notes will be subject to the AMT

\*subject to change



**BANK OF BOSTON**

# NORTHERN VERMONT BUSINESS



## After long debate, fort project begins

By Susan Youngwood

In 1894, the US Army began building Fort Ethan Allen in Colchester and Essex Junction, including a group of 21 buildings which soon became known as 'Officer's Row.' Last used as military housing 30 years ago, Officer's Row is being renovated this year into affordable condominiums.

The renovation, combined with a \$1 million overhaul of the fort's infrastructure, is beginning what many town and state officials hope will be a redevelopment of the entire fort.

"I think there is a tremendous amount of potential there," said Roger Kilbourn, executive director of the Colchester Community Development Corporation. "Once the streets are paved and the infrastructure done, and the Dalton Drive units restored, I think that will spur more development and further restoration throughout the balance of the fort."

The Vermont Housing Finance Agency purchased the 35-acre Officer's Row property from the University of Vermont this summer for \$1.5 million, after three years of debate on how the houses and the fort should be developed. The debate continued into the fall, as plans for the houses were scrutinized by the planning boards of both Essex Junction and Colchester, and some officials still doubt that property is being developed the right way.

"I'm skeptical," said David Timmons, town manager of Colchester. "Is this the highest best use of funds for this project? I still don't think it is... The politics of making this affordable were



'Officers Row' at Fort Ethan Allen will soon be affordable condominiums.

(Photos: Tim McQuiston)

### SUMMING UP

After much debate, the 'Officers Row' at the Fort Ethan Allen in Essex and Colchester is being renovated into affordable condominiums.

- At issue was the appropriateness of combining affordable housing with historic preservation. State development and affordable housing officials pushed for the move. Colchester town officials disagreed saying the cost of renovating the property would negate affordable housing.

- This year the owners of Officers Row — the University of Vermont — agreed to sell it to the Vermont Housing Finance Agency for less than its worth as long as the housing stayed affordable.

- The Officers Row section is one part of the 200-acre complex which has several owners and houses several businesses and residences.

driving this whole project."

Today, the 200-acre fort sprawls over the towns of Colchester and Essex and is a blend of residential, manufacturing and commercial uses. There is housing for students, office space, maintenance buildings for the Vermont Agency of Transportation, and barracks for the Vermont State Police.

There are also more than 50 businesses located at the fort, ranging from DeForge Furniture and East Coast Leotard to Gold's Gym. There is a nursing home and a restaurant, a television studio and a radio station. In all, about 600 people live at the fort and 1,200 people work there.

"It's an extraordinary community," said Townshend Anderson, president of Preservation Investments, which is developing Officer's Row. "If you could design a prototype of a growth center under Act 200, you couldn't come up with a better prototype than Fort Ethan Allen."

The history of Fort Ethan Allen began a century ago.

In 1892, Vermont Governor Redfield Proctor lobbied to get a military post

in Chittenden County. The state gave the federal government 600 acres and several buildings for a four-company cavalry post.

Construction began in 1894 and continued through World War I. The fort was built in a hierarchical order, with the officers' housing in front, housing for enlisted men behind that, then buildings for supplies and cavalry units in the back. During World War I, more than 6,000 men were stationed there.

Fort Ethan Allen was the Vermont headquarters for the Civilian Conservation Corps in the 1930s and was transferred to the US Air Force in 1952.

The fort was discontinued as a military base in 1960 and acquired by the General Services Administration, which transferred most of the acreage to the Vermont National Guard and sold the majority of the remaining property to St Michael's College and UVM, with the condition that it be used for educational purposes for at least 20 years.

The university first used Officer's Row as faculty and staff rental housing and then as undergraduate housing. But, said Rayburn Lavigne, vice president for ad-

ministration, the maintenance and utility bills were too high, and more and more students were opting to live closer to campus. In the fall of 1987, UVM advertised the property for sale.

"In 1988, the trustees elected to sell the property since it was being under utilized, and to utilize the proceeds of the sale to the development of student housing on the campus," said Lavigne.

But before UVM could consider any proposals, the town of Colchester requested that the university wait before accepting any offers until the town developed a master plan for the entire fort. Meanwhile, state officials and affordable housing advocates began eyeing the property as possible affordable housing.

In the spring of 1988, Colchester came out with its master plan. The plan concluded that the Dalton Drive properties should not be developed as affordable housing. The cost to renovate the buildings, the report said, would be too high to keep the sale price down unless there was significant public funding. Just to bring the buildings up to code, said





*A plan to combine historic preservation and affordable housing at the fort has drawn criticism.*

students. The university also owns an industrial section used for inventory storage and for its physical plant operations. Lavigne said UVM has no immediate plans to sell any of its remaining holdings. But von Turkovich, whose firm, Eastern Development Corporation, develops land at the fort, believes that the two schools will reconsider their positions in the near future.

"UVM and St Mike's will have to make decisions on what to do with their surplus properties out here, which will open some opportunities," he said. "In years to come, they will decide the ones they want to keep and get rid of others, as they fine tune their plans."

Although both UVM and St Michaels College still own the majority of the land, there are 30 other property owners. The Colchester Community Development Corp would like to see further development. It has plans to get control of 25 acres owned by the Vermont Agency of Transportation and build an industrial park on the land.

"That acreage is very close to the industrial park at Exit 16 (of I-89)," said Kilibourm. "I'd like to build a road connecting Fort Ethan Allen with the Exit 16 Industrial park."

CCDC also plans to work with the existing property owners and helping them improve their facilities. Many of the buildings have vacancies.

"Fort Ethan Allen still has a lot of under-utilized resources, in terms of buildings and facilities," said von Turkovich.

Timmons believes that the whole fort has the potential to be redeveloped. "We're trying to encourage other in-vestments," he said. "If we do our share, our expectations are that the private sec-tor will respond to that."

Susan Youngwood is a freelance writer and editor of Vermont Parent and Child Magazine. She lives in Montpelier.

something happening," And Frank von Turkovich, of the Fort Ethan Allen Business Association, said, "I think that fires up the rest of the Fort Ethan Allen business market. It's going to bring a lot of attention to the fort — if it's done right."

In addition to the renovation of Of-ficer's Row, the town of Colchester is investing \$1 million to repair the sidewalks and improve the infrastruc-ture of the entire Fort. The state is in the process of nominating the entire fort to the National Register of Historic Places, said Elsa Gilbertson, the Na-tional Register manager for the Divi-sion of Historic Preservation.

Sixteen acres of the Fort were recent-ly developed into an affordable housing project called Winchester Place. St Michaels' College had used the prop-erty as athletic fields, and arranged in-stead to use land which belonged to the Vermont National Guard. St Michael's still owns the property, and has a 33-year lease.

St Michael's owns about 20 buildings at the Fort. They house 300 students, at the Fort and are used for art studios, cafeteria and storage.

"We would envision those uses con-tinuing into the foreseeable future," said John Gutman, vice president for ad-ministration and business for St Michael's. Some of St Michael's holdings are vacant land, which are the only other land at the Fort which is developable.

"We view any holdings as vacant land as endowment," said Gutman. "We may choose to develop it in the future if we needed it for the support of the col-lege. We're really not inclined to sell anything."

UVM still owns a complex of apart-ments which is used for married students, and another set of apartments for graduate

sidy on this project is reasonable.

"It's a subsidy of about \$10,000 a unit," he said. "To me, that is a very limited amount of subsidy for what we're creating and preserving out there."

"The fear was, there is a lot more potential housing out there...and if (Of-ficer's Row) were developed as high-income condos, that would set a tone for what would happen to the balance of the fort," he said.

"The fact we're setting a tone for the remainder of the fort is far more crucial than the actual project itself. We're saying...there is a way to make historic housing affordable to the average working person."

The VHA offered to buy Officer's Row from UVM, and the deal was clos-ed this summer. VHA paid \$1.5 million for the property, and plans to spend another \$5.5 million to turn the buildings into 77 condominium units priced bet-ween \$60,000 and \$105,000.

To finance the project, VHA receiv-ed a \$500,000 grant from the Vermont Housing and Conservation Board which will pay to preserve the parade grounds as open space. UVM agreed to lower its purchase price below the appraised value as long as the units were kept affordable. VHA will provide construc-tion financing and below-market fixed rate mortgages for some buyers of the units.

Despite his criticisms, Timmons did say, "Everyone is pleased to see

*'From the beginning, because UVM owned it, the project was condemned to become affordable.'*

better opportunities for public funding," said Colchester town manager David Timmons. "Public money could go into new housing and yield more, on a dollar for dollar basis."

Plus, the study concluded, the other buildings in the Fort were better suited for affordable housing than Officer's Row. Officer's Row, said the master plan, should become either market rate or luxury condominiums.

"The approach we took was somewhat unique — we didn't want Dalton Drive to direct the outcome of the fort," said Timmons. "We wanted the whole fort to direct the development of Dalton Drive."

But the state did not accept that con-clusion. It did its own study, coordinated by the Agency of Development and Com-munity Affairs, which showed that the Dalton Drive properties could be developed as affordable housing.

"The towns of Colchester and Essex Junction reacted strongly to this report and the state's role."

In January 1989, for example, then-Essex Town Manager David Bell was quoted as saying, "The state should pack up their bags and go back to Montpelier. If they want to be involved...in preserv-ing historical development, then that would be an appropriate use of state funds. But to try to mix historical development and affordable housing, the two just don't fit in Fort Ethan Allen or Dalton Drive."

And a report by the town of Essex concluded that, "The state of Vermont involvement has served to scare the private development community from being potential owners of the project."

Timmons, "From the begin-ning, because UVM owned it, the pro-ject was condemned to become affor-dable. Market rate housing was not given a chance. The state was pushing so hard," Timmons continued, "the private sector was fearful of making an invest-ment, it felt the process had become so politically tainted."

"I'm not at all convinced that the private sector would have been interested in these buildings," said Alan S Hunt, executive director of the Vermont Hous-ing Finance Agency. "I clearly would not agree with any of those statements."

Other officials also denied that the process was unfair. Jeffrey Francis, who became secretary of the Agency of Development and Community Affairs in 1989 under Governor Kucin and coor-dinated the study while executive assis-tant to the secretary, said, "The group that I worked with included historic preservation and affordable housing ex-perts, architects and representatives of both Colchester and Essex. Based on the projections and information that we developed, it did seem very feasible that affordable housing could be established there."

Eric Gilbertson, director of the Ver-mont Division for Historic Preservation, sat on the state committee and also disagrees with the opinions of some town officials.

"It is a top notch preservation pro-ject," he said. "It is not uncommon for historic preservation and affordable housing to be combined in a project."

According to Hunt, the public sub-



VERMONT HOUSING FINANCE AGENCY  
RESOLUTION PERTAINING TO CONVEYANCE OF EASEMENTS FOR DALTON DRIVE  
PROJECT  
FEBURUARY 14, 1991

WHEREAS, pursuant to the general plan for rehabilitation of the buildings on Dalton Drive, purchased by the Agency from University of Vermont and State Agricultural College, the Executive Director has executed and delivered or is about to deliver the following easements and rights of way:

1. Utility Right of Way Deed to Green Mountain Power Corporation and New England Telephone, dated October 2, 1990.
2. Deed of Easement for Pipelines in favor of Vermont Gas Systems, Inc., dated November 26, 1990.
3. Right of Way Deed (Essex Road) in favor of Town of Colchester for the benefit of the general public, dated October 30, 1990.
4. Quitclaim Deed in favor of Town of Colchester (this is a deed of dedication conveying a 64 foot right of way over Dalton Drive as it lies in the Town of Colchester), dated February 12, 1991.

RESOLVED, that the execution and delivery of the foregoing deeds by the executive director is hereby ratified and approved.

UTILITY RIGHT OF WAY DEED

COPY

KNOW ALL MEN BY THESE PRESENTS THAT

VERMONT HOUSING FINANCE AGENCY,

an instrumentality of the State of Vermont ("Grantor"), in consideration of TEN AND MORE DOLLARS paid to its full satisfaction by GREEN MOUNTAIN POWER CORPORATION and NEW ENGLAND TELEPHONE ("Grantees"), by these presents does freely GIVE, GRANT, SELL, CONVEY, ASSIGN, and CONFIRM, unto the said Grantees,

GREEN MOUNTAIN POWER CORPORATION and NEW ENGLAND TELEPHONE,

and any successor utility thereto, an EASEMENT AND RIGHT OF WAY, as more particularly described below, over land of the Grantor lying in the Towns of Essex and Colchester, County of Chittenden, State of Vermont, said land being a portion of the land and premises and interests in land conveyed to the Grantor herein by Quitclaim Deed of University of Vermont and State Agricultural College dated July 19, 1990 and recorded in Book \_\_\_, Page \_\_\_ of the Colchester Land Records and in Book \_\_\_, Page \_\_\_ of the Essex Land Records, and being generally shown on "Boundary Plat, G.S.A. Parcel 16 And A Portion Of G.S.A. Parcels 14 And 17, Fort Ethan Allen, Colchester And Essex, Vermont", prepared by Donald L. Hamlin Consulting Engineers, Inc., Essex Junction, VT., Job 89-290, File 5599, dated 7-24-89, last revision dated 7-12-90, Drawing 1 of 1 and recorded in Plat Volume XI, Page 20, of the Town of Colchester Land Records and on Slide 241 of the Town of Essex Land Records (the "Plat of Survey"). The EASEMENT AND RIGHT OF WAY herein granted is more particularly described as follows:

The perpetual right and easement, hereinafter sometimes called the "Utility Easement" to lay, construct, reconstruct, operate, maintain, replace, patrol and remove overhead and/or underground cables, lines, conduits, poles, guys, braces, anchors, fixtures and appurtenances, for the transmission of high and low voltage electric current (which shall in no event exceed such current as is necessary for three-phase installations), and for telephone use, under, upon or across a strip of land in the Towns of Colchester and Essex, Chittenden County, State of Vermont, being a portion of the retained land of University of Vermont and State Agricultural College and land of the Grantor adjacent to Essex Road, and generally in accordance with a certain proposed utility plan prepared by Green Mountain Power Corporation entitled "Green Mountain Power Corporation Fort Ethan Allen", Scale 1" = 40'0", dated June 14, 1990, and consisting of three pages (the "GMP Plan"), with such reasonable variations therefrom as may be required for proper installation, except as such variations are hereinafter limited and constrained.

The precise location of the Utility Easement to be established is coextensive with the location of said cables, lines, conduits, poles, guys, braces, anchors, fixtures and appurtenances as the GMP Plan shall be finally carried out on the ground, with permission to enter upon said strip and upon the adjoining premises for access thereto for all purposes properly incident to this easement. Notwithstanding any limitations to the rights herein conveyed, the Grantee and its

successors may place anchors, guy wires, or braces up to twenty feet from any pole as needed.

The Utility Easement is granted subject to the following specific limitations and constraints pertaining to the land (the "ETV Lease Land") located within the area bounded on the west by the line labelled "ETV Lease Line" and the northerly extension thereof and on the east by the line that commences at Point SR-B and proceeds N 42° 16' 44" W past building 801, as shown on the Plat of Survey:

1. Any pole (other than a pole constituting a push brace) shall be located exclusively within that shaded area labelled on the Plat of Survey as "Proposed Utility Right of Way" and "Easement EE-1", as nearly as practicable centered on a point (the "Expected Location") lying three feet northerly of the line labelled on the Plat of Survey as "Proposed Limits of Permanent Easement for Roadway and Parking Easement #1" and in an east-west orientation substantially as shown on the GMP Plan. The Expected Location is shown in Detail EE-1 on the Plat of Survey.
2. The location of said pole shall depart from the Expected Location only in the event that subsurface conditions do not reasonably permit the setting of the pole in the Expected Location. In that case, but not otherwise, the pole may be placed so far northerly or southerly of such point as is reasonably necessary, in the judgment of the applicable utility company, to accommodate interfering subsurface conditions; PROVIDED, HOWEVER, that no portion of such pole shall be located in any event less than six inches (6") northerly of the line labelled on the Plat of Survey as "Proposed Limits of Permanent Easement for Roadway and Parking Easement #1".
3. In the event that, in accordance with the foregoing, it becomes necessary to locate the pole other than in the Expected Location, then the choice of locating the pole northerly or southerly of the Expected Location shall be made as follows:
  - a. First, the pole shall be moved in the southerly direction, but subject to the requirement that no portion of such pole shall be located in any event less than six inches (6") northerly of the line labelled on the Survey as "Proposed Limits of Permanent Easement for Roadway and Parking Easement #1".
  - b. If the location of the pole cannot be determined by applying (a) above because movement to the south would require violation of the requirement that no portion of such pole shall be located in any event less than six inches (6") northerly of the line labelled on the Survey as "Proposed Limits of Permanent Easement #1", then, in such case, the pole shall be located northerly of the Expected Location, but only so far from the Expected Location as is reasonably necessary, in the judgment of the applicable utility company, to accommodate interfering subsurface conditions.
4. In the event that, because of interfering subsurface conditions, any necessary guy anchor cannot be located at a point twenty feet from the base of the pole as installed, then such guy anchor may be

located so much further to the north as is necessary to avoid such interfering subsurface conditions, it being understood that normal utility practice requires guys to be located not less than 20 feet from the base of the utility poles.

Also the perpetual right and easement from time to time without further payment therefor to clear and keep cleared (but not by the use of herbicides) a strip along said line or cables not exceeding 20 feet in width (of which not more than 10 feet shall lie northerly of said lines or cables as installed) and to renew, replace, add to, remove, and otherwise change the line or cables and each and every part thereof, and the location thereof within said strip, and to pass along said strip to and from the adjoining lands and to pass over Grantor's land to and from said strip for all of the above purposes and the removal of the line or cables. RESERVING, HOWEVER, unto the Grantor, its successors and assigns, the right, within said twenty foot strip, to keep and maintain existing buildings, to relocate Essex Road and to open the same to vehicular and pedestrian traffic, and to create and maintain parking spaces and landscaping features; provided, however, that such landscaping features shall not interfere with power lines belonging to Grantees or Grantees' use of such lines.

Subject to the restrictions that the Grantees shall use the rights herein granted in common, shall not attempt to partition or divide the real estate interest herein granted, and shall place only one pole at each pole location and shall share the use of the same.

Reserving to the Grantor the right to convey to a cable television company, from time to time, an easement and right of way for cable television use coextensive with the easement and right of way herein granted.

TO HAVE AND TO HOLD said granted EASEMENT AND RIGHT OF WAY in the manner aforesaid, with all of the privileges and appurtenances thereof, to the said Grantees, and their successor utilities, to their own use and behoof forever; and the said Grantor,

VERMONT HOUSING FINANCE AGENCY

for itself and its successors, does covenant with the said Grantees, and their successors, that until the ensealing of these presents it is the sole owner of the EASEMENT AND RIGHT OF WAY herein granted and has good right and title to convey the same in manner aforesaid, that they are FREE FROM EVERY ENCUMBRANCE, except as aforesaid, and that it, the said VERMONT HOUSING FINANCE AGENCY, does hereby engage to WARRANT AND DEFEND the same against all lawful claims whatever, except as aforesaid.

IN WITNESS WHEREOF, VERMONT HOUSING FINANCE AGENCY has caused these presents to be subscribed by its executive director and agent duly authorized this 2<sup>d</sup> day of October, 1990.

IN THE PRESENCE OF:

Wulp Wadham  
Lynne Ballew

VERMONT HOUSING FINANCE AGENCY

By: ALLAN S. HUNT L.S.  
Executive Director and Agent  
Duly Authorized

STATE OF VERMONT  
COUNTY OF CHITTENDEN, SS.

At Burlington in said County this 2<sup>d</sup> day of October, 1990, personally appeared ALLAN S. HUNT, Executive Director, and acknowledged the foregoing Warranty Deed, by him subscribed, as and for his free act and deed and the free act and deed of VERMONT HOUSING FINANCE AGENCY.

Before me,

[Signature]  
Notary Public  
My Commission Expires 02/10/91

DD021/bp

QUITCLAIM DEED

**COPY**

KNOW ALL MEN BY THESE PRESENTS:

That Vermont Housing Finance Agency, an instrumentality of the State of Vermont, having its principal office in Burlington, in the County of Chittenden and State of Vermont, Grantor, in consideration of One or More Dollars paid to its full satisfaction by the TOWN OF COLCHESTER, a municipality located in the State of Vermont, Grantee, have REMISED, RELEASED, AND FOREVER QUIT-CLAIMED unto the said TOWN OF COLCHESTER all right and title which, Grantor has, or Grantor's successors or assigns have, in and to certain land in Colchester in the County of Chittenden and State of Vermont, described as follows:

A road right of way for a public highway over that portion of Dalton Drive, so-called, located within the Town of Colchester, Vermont and being a portion of the land and premises conveyed to the Vermont Housing Finance Agency by Quit Claim Deed of the University of Vermont and State Agricultural College, dated July 19, 1990, and of record in Volume 170 at Page 210 of the Land Records of the Town of Colchester.

The within conveyed Dalton Drive right of way is shown and depicted on a Plat of Survey entitled "Boundary Plat, G.S.A. Parcel 16 and a portion of G.S.A. parcels 14 & 17, Fort Ethan Allen, Colchester and Essex, Vermont", prepared by Donald L. Hamlin, Consulting Engineers, Inc., Essex Junction, Vermont, job 89-290, file 5599, dated 7-24-89, last revision dated 7-12-90, drawing one of one and recorded on Map Slide No. 264 of the Land Record of the Town of Colchester. As shown on said Map, said Dalton Drive is more particularly described as follows:

Beginning at a concrete monument set to replace an iron pipe found, which said concrete monument is located on the Colchester-Essex Town Line and on the southeasterly corner of the Dalton Drive right of way in the Town of Colchester, and which is noted as point "B" on the above-mentioned Plat of Survey;

Thence proceeding along the southerly right of way line of Dalton Drive by the following seventeen (17) courses:

N 83° 49' 13" W for a distance of 28.21 feet to a point;  
S 83° 34' 35" W for a distance of 93.18 feet to a point;  
S 70° 43' 50" W for a distance of 94.47 feet to a point;

S 62° 23' 08" W for a distance of 95.77 feet to a point;  
S 54° 38' 20" W for a distance of 95.87 feet to a point;  
S 46° 45' 51" W for a distance of 99.88 feet to a point;  
S 38° 58' 12" W for a distance of 95.78 feet to a point;  
S 30° 57' 32" W for a distance of 95.92 feet to a point;  
S 23° 34' 04" W for a distance of 99.10 feet to a point;  
S 27° 53' 51" W for a distance of 53.51 feet to a point;  
S 37° 11' 37" W for a distance of 55.20 feet to a point;  
S 47° 52' 04" W for a distance of 55.42 feet to a point;  
S 57° 54' 34" W for a distance of 52.86 feet to a point;  
S 58° 51' 05" W for a distance of 98.08 feet to a point;  
S 50° 45' 59" W for a distance of 95.76 feet to a point;  
S 42° 52' 02" W for a distance of 96.06 feet to a point;  
S 36° 01' 11" W for a distance of 236.17 feet to a found concrete monument located on the southeasterly line of the Dalton Drive right of way, which said point is noted a point "H" on the Plat of Survey;

Thence proceeding along the southeasterly line of the Dalton Drive right of way by the following eight (8) courses;

N 16° 32' 36" W for a distance of 3.53 feet to a point;

Thence, along a curve with a curve radius of 68.84 feet for a curve distance of 44.20 feet to a concrete monument found;

N 69° 05' 38" W for a distance of 174.34' to a concrete monument found;

S 63° 20' 40" W for a distance of 13.99 feet to a concrete monument found;

S 02° 16' 53" W for a distance of 47.03 feet to concrete monument found;

N 76° 52' 53" W for a distance of 10.53 feet to an iron pipe found;

S 69° 43' 51" W for a distance of 59.64 feet to an iron pipe found;

N 02° 52' 25" W for a distance of 92.71 feet to an iron pipe found, which pipe is located on the northwesterly corner of the Dalton Drive right of way and noted as Point "F" on the above-mentioned Plat of Survey;

Thence proceeding along the northwesterly line of the Dalton Drive right of way for the following twenty-one (21) courses:

N 73° 41' 46" E for a distance of 100.46 feet to a concrete monument found;

S 69° 07' 19" E for a distance of 16.40 feet to a point;

N 59° 37' 36" E for a distance of 17.93 feet to a point;

S 69° 05' 38" E for distance of 172.06 feet to a point;

N 36° 01' 11" E for a distance of 232.10 feet to a point;

N 42° 52' 02" E for a distance of 104.30 feet to a point;

N 50° 45' 59" E for a distance of 104.70 feet to a point;

N 58° 51' 05" E for a distance of 102.08 feet to a point;

N 57° 54' 34" E for a distance of 46.71 feet to a point;

N 47° 52' 03" E for a distance of 43.82 feet to a point;

N 37° 11' 37" E for a distance of 44.02 feet to a point;

N 27° 53' 51" E for a distance of 45.89 feet to a point;

N 23° 34' 04" E for a distance of 100.81 feet to a point;

N 30° 57' 32" E for a distance of 104.53 feet to a point;

N 38° 58' 12" E for a distance of 104.62 feet to a point;

N 46° 45' 51" E for a distance of 108.65 feet to a point;

N 54° 38' 20" E for a distance of 104.61 feet to a point;

N 62° 23' 08" E for a distance of 104.78 feet to a point;

N 70° 43' 50" E for a distance of 106.34 feet to a point;

N 83° 34' 35" E for a distance of 107.32 feet to a point;

S 84° 02' 39" E for a distance of 80.74 feet to a point located on the northerly line of Dalton Drive right of way in the Town of Colchester and noted a point "G" on the above-mentioned Plat of Survey;

Thence proceeding along the northerly line of the Dalton Drive right of way in the Town of Colchester S 41° 24' 48" W for a distance of 4.83 feet to a point located on the Colchester-Essex Town line, which point is also located at the northeasterly corner of the Dalton Drive right of way in the Town of Colchester and which point is noted as point "D" on the above-mentioned Plat of Survey;

Thence proceeding S 41° 24' 48" W for a distance of 55.31 feet along the Colchester-Essex Town Line and along the easterly end of the Dalton Drive right of way in the Town of Colchester to an





RIGHT OF WAY DEED  
(ESSEX ROAD)

KNOW ALL MEN BY THESE PRESENTS THAT VERMONT HOUSING FINANCE AGENCY ("VHFA"), an instrumentality of the State of Vermont, and UNIVERSITY OF VERMONT AND STATE AGRICULTURAL COLLEGE ("UVM"), the "Grantors"), in consideration of TEN AND MORE DOLLARS paid to their full satisfaction by the TOWN OF COLCHESTER, VERMONT ("Grantee"), by these presents do freely GIVE, GRANT, SELL, CONVEY, ASSIGN, and CONFIRM, unto the said Grantee,

## TOWN OF COLCHESTER,

and for the benefit of the general public, an EASEMENT AND RIGHT OF WAY, as more particularly described below, over lands of the Grantors lying in the Towns of Essex and Colchester, County of Chittenden, State of Vermont, said lands being a portion of the land and premises and interests in land conveyed to VHFA by Quitclaim Deed of UVM dated July 19, 1990 and recorded in Book \_\_\_\_\_, Page \_\_\_\_\_ of the Colchester Land Records and in Book \_\_\_\_\_, Page \_\_\_\_\_ of the Essex Land Records (the "UVM Deed"), and being generally shown on "Boundary Plat, G.S.A. Parcel 16 and a Portion of G.S.A. Parcels 14 and 17, Fort Ethan Allen, Colchester And Essex, Vermont", prepared by Donald L. Hamlin Consulting Engineers, Inc., Essex Jct., VT., Jobb 89-290, File 5599, dated 7-24-89, last revision dated 7-12-90, Drawing 1 of 1 and recorded in Plat Volume XI, Page 20 of the Town of Colchester Land Records and on Slide 241 of the Town of Essex Land Records (the "Plat of Survey"). The EASEMENT AND RIGHT OF WAY herein granted is more particularly described as follows:

Being a right of way for pedestrian and non-motorized vehicular travel and emergency vehicle access over the traveled portion of Essex Road, so-called, as shown on the Plat of Survey, as the same may be relocated by VHFA, its successors or assigns and/or the Grantee within the limits of lands the fee interest in which is owned by VHFA pursuant to the UVM Deed and Easement No. 1, Easement No. 2, Easement No. 3, and Easement No. 4, as shown on the Plat of Survey.

ALSO INCLUDED, for Town of Colchester but not for the general public, is an easement and right of way (in common with VHFA, its successors and assigns) for the purpose of relocating or replacing the existing Essex Road as specified below. Included in the right herein granted is the right to enter temporarily and in a careful manner upon lands of the Grantors adjoining each of the above-granted easement areas for the purposes of construction and maintenance, from time to time, of the facilities authorized to be constructed and maintained in connection therewith, and the right ("slope

rights") to grade and re-grade any lands of the Grantors immediately adjoining the easement areas, as provided and subject to the conditions in the UVM Deed.

RESERVED herein are all existing private rights of VHFA in the granted easement and right of way and all existing rights of each of the Grantors in the servient estates appertaining thereto. This conveyance is specifically made subject to any and all rights that Vermont ETV, Inc. may have to use the easement and right-of-way in common with the Grantors and the Grantee under a certain Ground Lease Agreement between UVM and Vermont ETV, Inc., dated December 31, 1989, as modified by a certain First Amendment to Ground Lease Agreement, dated July 19, 1990, to be recorded in the Town of Colchester Land Records, and to all electricity, telephone, and cable television utility easements heretofore or hereafter granted by Vermont Housing Finance Agency or its successors in interest pursuant to the UVM Deed and recorded or to be recorded in the Land Records of the Town of Essex and/or the Land Records of the Town of Colchester.

TO HAVE AND TO HOLD said granted EASEMENT AND RIGHT OF WAY, in the manner aforesaid, with all of the privileges and appurtenances thereof, to the said Grantee,

TOWN OF COLCHESTER

to its own use and behoof forever, subject only to the above mentioned encumbrances and all other encumbrances of record in the Land Records of the Towns of Colchester and Essex.

THE EXPRESS PURPOSE of the grant herein made is to enable the Grantee, at its expense, to cause the relocation of Essex Road (including the relocation of the traveled surface in accordance with plans of Donald L. Hamlin Consulting Engineers, Inc., and the relocation of utilities in accordance with the "GMP Plan" described in the UVM Deed). By its acceptance hereof, the Grantee represents that it shall promptly take all steps necessary in order to accomplish such purpose.

IN WITNESS WHEREOF, the Grantors have caused these presents to be subscribed by their respective duly authorized agents effective as of this 31<sup>st</sup> day of October, 1990.

IN THE PRESENCE OF:

VERMONT HOUSING FINANCE AGENCY

Barbara M. Parker

By Robert H. [Signature] L.S.  
Executive Director and agent  
duly authorized

Simon B. [Signature]

STATE OF VERMONT  
COUNTY OF CHITTENDEN, SS.

Essex Road R.O.W. Execution Draft Page 2

At Burlington in said County this 30<sup>th</sup> day of October, 1990, personally appeared ALLAN S. HUNT, Executive Director and agent duly authorized, and acknowledged the foregoing instrument, by him subscribed, as and for his free act and deed and the free act and deed of VERMONT HOUSING FINANCE AGENCY. Before me,

Laura B. Joachim  
Notary Public

My commission expires 2/10/91.

IN THE PRESENCE OF:

UNIVERSITY OF VERMONT AND  
STATE AGRICULTURAL COLLEGE

Candy Hartley  
Paul A. Vyle

By Rayburn V. Lavigne L.S.  
Interim U.S. Forest Administration and agent  
duly authorized

STATE OF VERMONT  
COUNTY OF CHITTENDEN, SS.

At Burlington in said County this 18<sup>th</sup> day of October, 1990, personally appeared Rayburn V. Lavigne, agent duly authorized, and acknowledged the foregoing instrument, by him subscribed, as and for his free act and deed and the free act and deed of UNIVERSITY OF VERMONT AND STATE AGRICULTURAL COLLEGE. Before me,

Diane B. Alagasin  
Notary Public

My commission expires 2/10/91.

COLCHESTER, VT.  
RECEIVED FOR RECORD  
Not 5 AD. 19 90 AT  
11 O'Clock 00 Min. 11 M  
Recorded in Vol. 173 Page 315, 317  
of the Land Records  
Attest Elizabeth Peacock  
Asst. Town Clerk

Vermont Property Transfer Tax  
32 V.S.A. Chap. 231  
—ACKNOWLEDGMENT—  
Tax Paid—Board of Health Cert. Rec'd.  
Development Plans Act Cert. Rec'd.  
404-90  
E. Peacock, Clerk  
11-5-90

COPY

DEED OF EASEMENT FOR PIPELINES

KNOW ALL PERSONS BY THESE PRESENTS THAT

VERMONT HOUSING FINANCE AGENCY,

an instrumentality of the State of Vermont ("Grantor"), in consideration of the sum of ONE DOLLAR and other valuable consideration paid to its satisfaction by VERMONT GAS SYSTEMS, INC., a Vermont corporation having its principal place of business at the City of South Burlington, in the County of Chittenden and the State of Vermont ("Grantee"), by these presents does freely GIVE, GRANT, SELL, CONVEY, ASSIGN, and CONFIRM, unto the said Grantee,

VERMONT GAS SYSTEMS, INC.,

and any successor utility, an EASEMENT AND RIGHT OF WAY, as more particularly described below, over land of the Grantor lying in the Towns of Essex and Colchester, County of Chittenden, State of Vermont, said land being a portion of the land and premises and interests in land conveyed to the Grantor herein by Quitclaim Deed of University of Vermont and State Agricultural College dated July 19, 1990 and recorded in Book 170, Page 210-229 of the Colchester Land Records and in Book \_\_\_, Page \_\_\_ of the Essex Land Records, and being generally shown on "Boundary Plat GSA Parcel 16 and A Portion of G.S.A. Parcels 14 and 17, Fort Ethan Allen, Colchester and Essex, Vermont", prepared by Donald L. Hamlin Consulting Engineers, Inc., Essex Junction, VT., Job 89-290, File 5599, dated 7-24-89, last revision dated 7-12-90, Drawing 1 of 1 and recorded in Plat Volume XI, Page 20, of the Town of Colchester Land Records and on Slide 241 of the Town of Essex Land Records (the "Plat of Survey").

The EASEMENT AND RIGHT OF WAY herein granted is more particularly described as follows:

The perpetual right and easement, hereinafter sometimes called the "Gas Easement" to construct, reconstruct, extend, operate, maintain, move, replace, alter, inspect, repair, remove, and change the size of pipelines reasonably deemed necessary by Grantee for the transportation of natural gas and gassified petroleum products suitable for home heating purposes, together with all other rights reasonably necessary for the enjoyment of the rights, privileges and easements herein granted, including the right to construct subsurface or surface pipeline appurtenances necessary for the proper operation of said pipelines, as reasonably determined by the Grantee; provided that no such appurtenance shall be erected on the surface except after consultation by the Grantee with the Grantor and consideration of the precise location and method of construction which shall be least likely to interfere with the plans of the Grantor for the relocation of Essex Road and the construction of parking facilities adjacent thereto. The Gas Easement is given for the limited purpose of enabling Grantee and any successor utility to the Grantee to install a single pipeline (the "Main Pipeline") from Ethan Allen Avenue in Essex to Barnes Avenue in Colchester and lateral service pipelines from that Main Pipeline to the twenty-one existing buildings ("Grantor's Buildings") numbered 600 through 606, 500 through 504, 402, and 404 through 411 as shown on the Plat of Survey and future buildings of the Grantor.

1 Said Main Pipeline shall enter Grantor's land from a roadway lying in  
2 the Town of Essex and commonly known as Ethan Allen Avenue at a point  
3 southerly of and parallel to Essex Road, so-called, and shall proceed in a  
4 westerly direction to a point at the intersection of Essex Road and Dalton  
5 Drive; thence turning and proceeding northwesterly to the intersection of  
6 Dalton Drive and Barnes Avenue in the Town of Colchester; provided, that  
7 said Main Pipeline shall lie between the northerly limits of Grantor's Build-  
8 ings and the northerly boundary of Grantor's land as shown on the Plat of Sur-  
9 vey; FURTHER PROVIDED, that, at all points easterly of the westerly limit  
10 of Grantor's Building No. 402, no point on said Main Pipeline may extend  
11 northerly of the southerly boundary of Essex Road. Grantee may also extend  
12 lateral service pipelines in various directions running generally southerly  
13 from said Main Pipeline to Grantor's Buildings and future buildings of the  
14 Grantor or Grantors' successors or assigns.  
15

16 Subject to the foregoing, the precise centerline of the Main Pipeline  
17 shall be determined in the discretion of the Grantee, and the centerline of  
18 the Main Pipeline as installed shall establish conclusively the centerline of  
19 the easement herein created. In general, the width of the easement herein  
20 granted shall be ten feet, including five feet on either side of the center-  
21 line, wherever practicable; PROVIDED, HOWEVER, that this easement does not  
22 extend into Essex Road at any point northerly of Grantor's northerly property  
23 line or easterly of the westerly limit of Grantor's Building No. 402, all as  
24 shown on the Plat of Survey, nor does it extend at any point into the ex-  
25 terior envelope of any of Grantor's Buildings.  
26

27 Within the limits of the right of way and easement hereinabove granted,  
28 Grantee shall have the right to engage in all actions consistent with the  
29 proper use of the same, including, but not limited to, the right to cut  
30 down, remove and keep cleared (but not by the use of herbicides) such trees,  
31 underbrush, and vegetation as, in the reasonable judgment of the Grantee,  
32 may interfere with or endanger the operation or maintenance of said pipelines  
33 or any of their appurtenances; provided, however, that, except in a case  
34 of strict necessity, Grantee shall not cut down, remove or clear trees or  
35 other vegetation except on ten days' notice to Grantor and the consent of  
36 Grantor, which consent shall not be unreasonably withheld. Grantee shall  
37 have the right of ingress and egress over Grantor's other land at convenient  
38 points for the exercise of the rights, privileges and easements herein  
39 granted; provided, however, that said right must be exercised in a careful  
40 manner and the Grantee shall indemnify the Grantor from any damage caused by  
41 the Grantee to such other property of the Grantor.  
42

43 Grantor hereby reserves the right to fully use and enjoy said land in  
44 any manner that will not prevent or materially interfere with the exercise by  
45 Grantee of the rights herein granted. Without limiting the generality of the  
46 foregoing, Grantor shall have the specific right to (i) permit the continued  
47 presence and future maintenance of any and all existing electric, telephone,  
48 cable television, sewer, and water lines and appurtenances, (ii) construct  
49 or permit the construction of parking facilities on said land (including the  
50 right to raise the grade a maximum of one foot and/or lower the grade a maxi-  
51 mum of six inches for such purpose), (iii) to pass over the land and to per-  
52 mit others to pass over the land by foot or vehicle, and (iv) to install  
53 plantings thereon. Subject to the foregoing, Grantor covenants and agrees  
54 not to construct, install or permit the construction or installation of any

1 structure or object within the area of land encompassed by the Gas Easement  
2 which, in the reasonable judgment of the Grantee, would materially interfere  
3 with the exercise by Grantee of the rights herein granted or to change the  
4 grade of the ground within the easement area without the prior written consent  
5 of the Grantee, which consent shall not be unreasonably withheld.  
6

7 Grantor agrees to indemnify and hold harmless Grantee from any and all  
8 claims, including costs of defense, arising from the presence on or in  
9 Grantor's property which is subject to the easements herein granted of any  
10 toxic substance or hazardous waste (except any substance or object delivered,  
11 created or installed by Grantee or the residue or result of any such substance  
12 or object or the delivery, creation, or installation thereof).  
13

14 TO HAVE AND TO HOLD said granted EASEMENT AND RIGHT OF WAY, in the manner  
15 aforesaid, with all of the privileges and appurtenances thereof, to the said  
16 Grantee and its successor utilities, to their own use and behoof forever,  
17 subject to any and all easements and rights of way of record; and the said  
18 Grantor,  
19

20 VERMONT HOUSING FINANCE AGENCY  
21

22 for itself and its successors, does covenant with the said Grantee, and its  
23 successor utilities, that until the ensealing of these presents it is the  
24 sole owner of the EASEMENT AND RIGHT OF WAY herein granted and has good right  
25 and title to convey the same in manner aforesaid, that they are FREE FROM  
26 EVERY ENCUMBRANCE, except as aforesaid, and that it, the said VERMONT HOUSING  
27 FINANCE AGENCY, does hereby engage to WARRANT AND DEFEND the same against all  
28 lawful claims whatever, except as aforesaid.  
29

30 IN WITNESS WHEREOF, VERMONT HOUSING FINANCE AGENCY has caused these  
31 presents to be subscribed by its executive director and agent duly authorized  
32 this 26 day of November, 1990.  
33

34 IN THE PRESENCE OF:

VERMONT HOUSING FINANCE AGENCY

35 Patricia A. Crady By Allen J. Hunt L.S.  
36  
37 Barbara M. Parker Executive director and agent  
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duly authorized

STATE OF VERMONT  
COUNTY OF CHITTENDEN, SS.

At Burlington in said County this 26 day of November, 1990, per-  
sonally appeared ALLAN S. HUNT, Executive Director, and acknowledged the  
foregoing Warranty Deed, by him subscribed, as and for his free act and deed  
and the free act and deed of VERMONT HOUSING FINANCE AGENCY. Before me,

Patricia A. Crady  
Notary Public

My commission expires 2/10/91.

STATISTICAL REPORT PROGRAM ID: 89B  
 UNDERWRITING DATABASE  
 LTV 0% TO 100%  
 EFFECTIVE: 02/05/91  
 Loan Status: CC,UC,O

Total Number of Loans: 511  
 Total Loan Amount: \$33,623,565  
 Average Loan Amount: \$65,799

EXISTING:	\$24,338,059	73.7%	377 Loans
NEW CONSTRUCTION:	\$9,285,506	26.2%	134 Loans
NEW DETACHED HOUSING:	\$8,229,047	88.6%	119 Loans
NEW CONDOMINIUM:	\$1,056,459	11.3%	15 Loans

Total Insured or Guaranteed Loans: 461  
 Loans Guaranteed by VHMGB: 453

	ACED =====	NON ACED =====	STATEWIDE =====
Avg. Purchase Price	\$69,862	\$78,082	\$72,935
Avg. Loan Amount	\$63,372	\$69,866	\$65,799
Avg. Borrower Income	\$27,523	\$27,866	\$27,651
Avg. Housing Debt-Income Ratio	27.1%	29.8%	28.1%
Avg. Total Debt	\$807.00	\$829.73	\$815.50
Avg. Total Debt-Income Ratio	35.2%	36.0%	35.5%
Total No. of Loans	320	191	511
First Time Homebuyers	83.1%	98.9%	89.0%
% Loans with 2 or more Wage Earners	34.6%	39.2%	36.3%
% of Total Loan Amount	60.3%	39.7%	100.0%

	Loans	% of Loans	\$ Amount	*Households	% of Hshlds	% DIFF
Addison	26	5.1%	\$1,744,421	5,115	5.7%	0.6-
Bennington	13	2.5%	\$827,244	6,538	7.3%	4.8-
Caledonia	48	9.4%	\$2,774,650	4,500	5.0%	4.4
Chittenden	119	23.2%	\$8,606,105	17,415	19.4%	3.8
Essex	6	1.2%	\$331,783	1,455	1.6%	0.4-
Franklin	72	14.1%	\$4,759,492	5,798	6.5%	7.6
Grand Isle	6	1.2%	\$408,780	932	1.0%	0.2
Lamoille	25	4.9%	\$1,536,417	3,234	3.6%	1.3
Orange	17	3.3%	\$1,023,308	4,221	4.7%	1.4-
Orleans	34	6.7%	\$1,774,633	4,149	4.6%	2.1
Rutland	48	9.4%	\$3,294,696	10,051	11.2%	1.8-
Washington	47	9.2%	\$3,204,803	9,282	10.3%	1.1-
Windham	23	4.5%	\$1,579,371	6,944	7.7%	3.2-
Windsor	27	5.3%	\$1,757,862	10,120	11.3%	6.0-
TOTAL	511	100.0%	\$33,623,565	89,754	100.0%	

\* Estimated number of households, \$15,000 to \$35,000 income.  
 CACI, 1988 County Sourcebook



AS OF: 02/05/91  
PAGE NO. 1

Vermont Housing Finance Agency  
89B - \$43,450,000 MORTGAGE LOAN PURCHASE PROGRAM  
Status Report (with percent of pool proceeds approved)  
Rate : 8.700%  
Date : 02/05/91

Report: 1130  
PERSTATU

Lender	Funds Reserved	Percent Reserved	Prelim. Approval	% Prelim Approval	Loans Purchased	Loans to be Purchased	PERC	
Bank of Vermont	\$3,402,047	7.8%	\$2,959,966	6.8%	\$2,439,476	\$520,490	15.2%	
Bradford National Bank	\$132,938	0.3%	\$132,938	0.3%	\$132,938	\$0	0.0%	
Caledonia National Bank of Danville, The	\$454,638	1.0%	\$392,038	0.9%	\$317,288	\$74,750	16.4%	
Chittenden Trust Company	\$7,464,713	17.1%	\$6,974,013	16.0%	\$6,011,567	\$962,446	12.8%	
Citizens Savings Bank and Trust	\$424,950	0.9%	\$424,950	0.9%	\$364,178	\$60,772	14.3%	
Commonwealth Mortgage Company, Inc	\$375,453	0.8%	\$375,453	0.8%	\$288,253	\$87,200	23.2%	
Community National Bank	\$1,229,508	2.8%	\$1,100,008	2.5%	\$997,158	\$102,850	8.3%	
Factory Point National Bank, The	\$81,644	0.1%	\$81,644	0.1%	\$81,644	\$0	0.0%	
Franklin-Lamoille Bank	\$763,187	1.7%	\$640,475	1.4%	\$576,025	\$64,450	8.4%	
Granite Savings Bank and Trust Company	\$245,237	0.5%	\$175,237	0.4%	\$175,237	\$0	0.0%	
Howard Bank, National Assn, The	\$435,238	1.0%	\$357,338	0.8%	\$357,338	\$0	0.0%	
Lyndonville Savings Bank & Trust Company	\$632,864	1.4%	\$472,864	1.0%	\$388,364	\$84,500	13.3%	
Marble Bank	\$1,048,860	2.4%	\$1,014,860	2.3%	\$633,380	\$381,480	36.3%	
Merchants Bank, The	\$1,393,833	3.2%	\$1,351,090	3.1%	\$1,086,930	\$264,160	18.9%	
National Bank of Middlebury, The	\$225,300	0.5%	\$185,300	0.4%	\$185,300	\$0	0.0%	
New England IBM Employees Fed Crdt Union	\$645,114	1.4%	\$645,114	1.4%	\$517,914	\$127,200	19.7%	
Northfield Savings Bank	\$262,875	0.6%	\$220,875	0.5%	\$220,875	\$0	0.0%	
Passumpsic Savings Bank	\$1,275,212	2.9%	\$1,275,212	2.9%	\$1,039,602	\$235,610	18.4%	
Peoples Trust Company of St Albans	\$397,916	0.9%	\$397,916	0.9%	\$117,691	\$280,225	70.4%	
Proctor Bank	\$624,505	1.4%	\$354,650	0.8%	\$287,900	\$66,750	10.6%	
Randolph National Bank	\$407,105	0.9%	\$309,805	0.7%	\$249,805	\$60,000	14.7%	
Statewide Funding Corporation	\$1,800,322	4.1%	\$1,516,158	3.4%	\$123,648	\$1,392,510	77.3%	
Summit Financial Center, Inc.	\$145,100	0.3%	\$71,000	0.1%	\$0	\$71,000	48.9%	
Union Bank	\$1,489,260	3.4%	\$1,232,661	2.8%	\$878,613	\$354,048	23.7%	
Valley Bank	\$61,773	0.1%	\$61,773	0.1%	\$0	\$61,773	100.0%	
Vermont Federal Bank, FSB	\$6,059,883	13.9%	\$4,996,253	11.4%	\$3,877,162	\$1,119,091	18.4%	
Vermont Mortgage Group, Inc	\$1,517,113	3.4%	\$1,517,113	3.4%	\$1,320,463	\$196,650	12.9%	
Vermont National Bank	\$4,849,931	11.1%	\$4,386,861	10.0%	\$3,544,912	\$841,949	17.3%	
TOTALS	580 Loans	\$37,846,519	87.1%	\$33,623,565	77.3%	\$26,213,661	\$7,409,904	19.5%

## DECEMBER 31, 1990

Banks	Outstanding		30 Days	60 Days	90+ Days	Total	Auth	FCL	REO	Grand
	Loans	Loans								
Bank of Vermont	379	18	4,752	4	1,062	1	0.262	23	6,072	23
Bennington Coop Savings & Loan Assn Inc	74	1	1,352	0	0.002	1	0.002	0	0.002	1
Bradford National Bank	62	4	6,452	1	1,612	0	0.002	5	8,062	5
Caledonia National Bank of Danville, Th	146	8	5,482	3	2,052	13	8,902	0	0.002	15
Chittenden Trust Company	1,061	56	5,282	5	0,472	65	6,132	0	0.002	65
Citizens Savings Bank	7	0	0.002	0	0.002	0	0.002	0	0.002	0
Confed Mortgage Co., Inc.	18	2	11,112	1	5,562	3	16,672	0	0.002	3
Commonwealth Mortgage Company, Inc	25	1	4,002	0	0.002	1	4,002	0	0.002	1
Community National Bank	133	7	5,262	0	0.002	10	7,522	0	0.002	11
Factory Point National Bank, The	25	1	4,002	0	0.002	1	4,002	0	0.002	1
First Brandon National Bank	8	0	0.002	0	0.002	0	0.002	0	0.002	0
First Northern Mortgage Corporation	9	1	11,112	0	0.002	1	11,112	0	0.002	1
First Twin-state Bank	166	6	3,612	3	1,812	9	5,422	0	0.002	9
Franklin-Lamoille Bank	192	14	7,292	6	3,132	22	11,462	0	0.002	22
Granite Savings Bank and Trust Company	219	8	3,652	1	0,462	9	4,112	0	0.002	10
Green Mountain Bank	37	0	0.002	1	2,702	1	2,702	0	0.002	1
Howard Bank, National Assn, The	21	0	0.002	0	0.002	0	0.002	0	0.002	0
Lomas & Nettleton Company, The	521	39	7,492	13	2,502	60	11,522	0	0.002	61
Lyndonville Savings Bank & Trust Compan	49	2	4,082	0	0.002	3	6,122	0	0.002	4
Marble Bank	231	10	4,332	3	1,302	14	6,062	0	0.002	15
Merchants Bank, The	298	9	3,022	2	0,672	12	4,032	0	0.002	12
National Bank of Middlebury, The	68	4	5,882	0	0.002	4	5,882	0	0.002	4
New England IBM Employees Fed Crdt Unio	76	0	0.002	0	0.002	0	0.002	0	0.002	0
Northfield Savings Bank	148	10	6,762	0	0.002	10	6,762	0	0.002	10
Passumpsic Savings Bank	168	3	1,792	1	0,602	8	4,762	0	0.002	9
Peoples Trust Company of St Albans	181	8	4,422	2	1,102	12	6,632	0	0.002	12
Proctor Bank	124	5	4,032	4	3,232	9	7,262	0	0.002	9
Randolph National Bank	78	4	5,132	0	0.002	4	5,132	0	0.002	4
Statewide Funding Corporation	24	1	4,172	0	0.002	1	4,172	0	0.002	1
Union Bank	147	2	1,362	3	2,042	5	3,402	0	0.002	6
Valley Bank	20	1	5,002	0	0.002	1	5,002	0	0.002	1
Vermont Federal Bank, FSB	920	33	3,592	12	1,302	57	6,202	0	0.002	58
Vermont Mortgage Group, Inc	139	4	2,882	1	0,722	5	3,602	0	0.002	5
Vermont National Bank	373	14	3,752	3	0,802	21	5,632	0	0.002	21
Wells River Savings Bank	23	1	4,352	1	4,352	2	8,702	0	0.002	2
Woodstock National Bank	14	0	0.002	0	0.002	0	0.002	0	0.002	0
Overall Totals:	6,216	281	4,552	70	1,132	396	6,372	0	0.052	405



VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners MK  
FROM: Mark Koppelkam, Multi-Family Development Underwriter  
DATE: February 8, 1991  
RE: COMMITMENT LETTER TO WHITNEY HILL ELDERLY  
DEVELOPMENT/WILLISTON ELDERS & HOUSING VERMONT,  
WILLISTON

THE DEVELOPMENT

1. General Description

Attached is a resolution authorizing a commitment for up to \$1.47 million in permanent taxable bond financing for a proposed new 44 unit elderly development in Williston. The typical two stage process of considering a Letter of Interest Resolution prior to the Commitment Letter is being compressed in order to accommodate the developers, and in part because the January VHFA Board meeting was cancelled.

The sponsors are a local nonprofit, Williston Elder Housing, and Housing Vermont. Sarah Carpenter of Cathedral Square has acted as a consultant to the local nonprofit, and her organization will take on property management of the site upon completion.

Total development costs are currently estimated at \$2,848,144, or \$64,731 per unit. The Housing and Conservation Board has approved a \$370,000 loan/grant combination for the development, plus another \$70,000 in the form of a capacity grant. A Low Income Housing Tax Credit (LIHTC) reservation of \$146,062 was approved by VHFA in August 1990, and has been carried forward into 1991. However, at present the total LIHTC need has increased to \$158,568. VHFA's share of the financing is currently set at \$1,375,700, or 48.3% of total development costs. A taxable bond to be purchased by the Vermont pension funds is being used because of the economics of the LIHTC program. A summary of sources and uses of funds, rents, operating expenses and financial projections is attached.

Also attached is a site plan of the development. The development is located just west of the Williston Town Hall, and about 50 yards south of Highway 2.

## WHITNEY HILL/WILLISTON ELDER DEVELOPMENT

### 2. Financial Projections

Financing from the Housing and Conservation Board has already been approved. The terms permit deferral of any payment until year 14, at which time half the available cash flow is directed to repayment. The balance of the HCTB loan at the end of year 15 is \$1,117,772.

The Merchant's Bank has made a commitment for a construction loan of up to \$2.6 million at a rate of 11.375%, and to provide the equity capital as a limited partner.

The projected permanent sources of funds are:

	Amount	Percent
	=====	=====
Equity - HV Equity Fund	1,147,630	40.3
VHFA 1st Mortgage Loan	1,375,700	48.3
HCTB Deferred Payment Loan	250,000	8.8
HCTB Grant	74,814	2.6
	=====	=====
Total	\$2,848,144	100%

In addition to these amounts, the HCTB has approved a \$115,186 grant for a project sinking fund. The Town of Williston has made an application for approximately \$100,000 in CDBG funds in order to finance the access road to the development. This grant request could be decided by March. If denied, the current budget provides for the developer to put in a crushed stone access road, and the Town Manager has indicated that he can live with this possibility.

The current structure of the financing requires that approximately \$135,000 be set aside in a project sinking fund. This fund covers cash flow losses (and shortfalls below a 1.05 debt coverage ratio) during the first 8 years of the development. This structure is very similar to that used at both the Winchester and Pine Meadow developments.

### 3. Unit Breakdown, Rents and Income Limits

The development will be a mix of 31 rent restricted/tax credit and 13 market rate units. The sponsors would have preferred more market rate units but have yielded to the financing exigencies of the tax credit program. The unit breakdown is 39 1-bedroom units and 5 2-bedroom units. Unit sizes are small - 560 square feet for most of the 1 bedroom units, and 700 to 800 square feet for the 2 bedroom units. These are typical for elderly developments, and are about the size of the units at Heineberg. Projected

## WHITNEY HILL/WILLISTON ELDER DEVELOPMENT

rents are shown on the attached financial summary. Six of the units will be handicapped accessible, though all of the units are accessible from grade level and all meet HUD's new accessibility codes.

Current income limits for Chittenden County for the rent restricted units are \$15,800 for a family of 1, \$18,050 for a family of 2, and \$20,300 for 3. Rent maximums are \$353 for a 1-bedroom and \$423 for a 2-bedroom. The sponsor intends to pay all utilities, including heat and electricity.

### 4. Site/Location

As noted earlier, the development is located just west of the Williston Town Hall, and about 50 yards off the road and south of Highway 2. The site slopes downward to the north, and is currently forested with aspen, birch and some older white pine. Directly to the south is Interstate 89, and in particular a rest area. However the southern exposure of the development is heavily screened by the white pines, and these will be largely retained. Due to the slope, most noise in fact comes up the hill from Route 2, rather than from the Interstate.

A new access road needs to be built and the Town has applied for CDBG funds to accomplish this task. The Town has purchased the land for this road and is committed to owning and maintaining it. The access road may provide access to other new residential developments in the immediate area in the future.

Aside from pedestrian access to Town services and the Williston school (albeit without sidewalks on Route 2), there are essentially no other services (e.g. grocery) available to residents without a car. There will be laundry machines provided in various locations on site.

### 5. Design and Permits

The architect for the development is Dennis Webster of Weimann Lamphere. The engineering firm is Trudell Consulting Engineers Inc. Elevations of the proposed development will be shown at the Board meeting.

The design features three wood frame buildings, one of which is a community building. The overriding design concerns have been grade level accessibility for all units, meeting the new handicap accessibility codes within each unit, privacy and cost. As noted in the attached project comparison, hard construction costs (which include the community center) are being estimated at \$40,000 per unit, which is substantially lower than any other new construction project we have financed since 1985 except

## WHITNEY HILL/WILLISTON ELDER DEVELOPMENT

Heineberg, which was a single building senior development.

The two residential buildings are slab on grade, and both have two levels for at least some portion of the building footprint. There are exterior covered concrete sidewalks which connect all the units, except across the main driveway. Every resident must go outdoors (via the covered sidewalks) to the community building to get mail. Some units have unit access from an interior corridor, others only from the exterior covered sidewalks. There are three potential elevator locations, but these are an alternate in the construction bid documents. There are laundry areas in various parts of the buildings, and at least one large common storage area.

Notable for its absence is a common entrance to the development, both from the perspective of a visitor driving up to the project, or of a resident going to an individual unit. Also missing are any common sitting areas, with the exception of the community room. In this regard the development has much more in common with non-elderly rental or condominium projects. The sponsors have stressed that this design concept has been generated from the direct participation of the local non-profit and from the Town government.

The unit floor plans are straight-forward. Unique features include sliding doors to all bathrooms, access to most bathrooms by way of the bedroom and good size bedroom closets. Due to the overall site configuration and building design, window space appears to be a bit spare. Given the relatively small size of the units and the north slope location, this is a matter of some concern to VHFA staff.

Heating will be provided through a combined gas heat (hydronic) and domestic hot water system. An energy analysis of the development by Vermont Energy Investment Corporation (VEIC) stated that "On the whole, we found that the attention to energy efficiency in the project plans and specifications to be significantly better than typical new construction in Vermont."

The Act 250 and local zoning permits have been approved, and the site will have municipal water and sewer.

### 6. Market Demand and Rent Levels

The sponsors last summer commissioned a market study by the UVM Center for Rural Studies. The Center directly surveyed (via letter) every Williston household (2,450) and found strong interest in the proposed development among the elderly, particularly those over the age of 65. The Center estimates that 30 persons would be interested in immediate occupancy from

## WHITNEY HILL/WILLISTON ELDER DEVELOPMENT

Williston alone.

The Williston Town Manager also reports strong interest based on calls to his office.

The development's 13 market units appear to be at the high end of the rental market at prices of \$550 and \$580 for the one bedroom units, and \$630 and \$675 for the two bedroom units. These rents include all utilities. These rents essentially equal the current rents at the Heineberg development in Burlington. Heineberg has no vacancies at present. Rents at Heineberg were increased an average of 3.5% for 1991. The Williston pro forma shows a 4.4% annual increase in the market rents, which appears a tad aggressive given the state of the local economy at this time.

### 7. Management

The proposed management agent is Cathedral Square Corporation, which is based in Burlington. Sarah Carpenter is the Executive Director. Cathedral Square was a co-sponsor with Housing Vermont of the recently completed Heineberg Development which VHFA financed. VHFA's management staff has very high respect for Cathedral Square's record of management to date.

Cathedral Square currently manages two large senior housing developments in Burlington (including Heineberg), a small single room occupancy project in Burlington and an elderly development in Richmond. They will also be managing the 30 unit Pine Meadow family development in Middlebury. It should be noted for the record that Ms. Carpenter is on the Board of Directors of Housing Vermont.

### 8. Environmental Concerns

There are two environmental concerns that will need to be addressed by either the sponsor or the Town of Williston. Glenn Jarrett has advised that although both concerns may be minor, there will need to be testing by the sponsors and possible written assurances of the limits of liability from the Town.

## DISCUSSION

### Strengths

The primary strengths of this development include:

- a) High demand for affordable and senior housing in the Williston area.
- b) Strong leadership by Sarah Carpenter of Cathedral Square

## WHITNEY HILL/WILLISTON ELDER DEVELOPMENT

in the development of this project. She is one of the area's senior housing experts, and facilitated involvement of the local community in the planning of the development.

c) The strong support of the Town of Williston for this development. The Town seems willing to take numerous steps to make this development work, including concessions on impact fees and property taxes.

d) The involvement of Housing Vermont gives a good deal of comfort as to management of the overall project and partnership. In addition, Housing Vermont's construction management skills and overall quality on each of their jobs have been steadily improving.

e) The regional economic down-turn should mean low construction bids, which the development needs for feasibility.

f) Undeveloped lands adjacent to the development may offer a longterm opportunity to develop accessory senior housing (i.e. a higher level of care) to complement the current project.

### Weaknesses

The potential weaknesses of this development are:

a) The weak regional economy may make seniors less willing to sell homes to make the move to a rental unit at this time. The sponsors argue that many seniors unfortunately do not have the luxury of deferring this decision.

b) The overall project budget is very tight. The ramifications of this situation may be that certain quality sacrifices may have to be made in construction, that key amenities such as elevators are left out, or that there is little room to lower market rents if demand is soft during this time of recession.

c) The weak economy can lead to contractor and subcontractor stresses during construction, with extremely tight profit margins and bankruptcies due to cash flow problems. While VHFA is not being asked to provide construction financing, these problems can affect project timetables and quality.

d) VHFA's outside architectural review of the preliminary plans for the Williston development found fault in both the overall design concept and in numerous details. The sponsor



## WHITNEY HILL/WILLISTON ELDER DEVELOPMENT

agrees with many of the latter comments, and hopefully these can still be remedied, though the budget may provide certain constraints.

The matter of the design concept concerns VHFA management staff in that the design is not particularly conducive to engendering a sense of community, nor "aging in place." As noted earlier, the overall design is much like a family rental or condominium complex. The sponsors say that privacy was an important consideration on the part of those local people involved in the planning, and that the design reflects a more rural perspective on senior housing preferences. It is hard to second guess that argument from a senior housing expert and the local sponsors, but it does go somewhat against the grain of VHFA's own extensive management experience with elderly housing.

The sponsors also point out that management can set the tone for community spirit as much as the design, which is true. However it seems unfortunate the two cannot be more complementary.

As for the "aging in place" concern, the sponsors indicate that there are steps that can be taken within the current design to accommodate individuals with decreasing mobility, such as moving them to interior corridor access units closer to the community room and parking areas. The long term possibility of sponsoring additional higher care level elderly housing on adjacent land may also solve this problem.

## RECOMMENDED ACTION

Staff recommends approval of the attached Resolution Pertaining to Combined Letter of Interest/Commitment Letter for the Whitney Hill/Williston Elder development, authorizing the Executive Director to issue a Commitment Letter, contingent upon satisfaction of environmental and architectural concerns, in an amount not to exceed \$1.47 million for a 44 unit mixed income elder development located in Williston.

RESOLUTION PERTAINING TO COMBINED  
LETTER OF INTENT AND COMMITMENT LETTER RE:  
WILLISTON ELDERS/WHITNEY HILL

WHEREAS, Housing Vermont and the non-profit corporation Williston Elder Housing have presented a proposal for construction of 44 units of rental housing in the town of Williston, Vermont (the "Williston Elders/Whitney Hill Development" or the "Development"); and

WHEREAS, the proposal contemplates that the Development will constitute a "qualified low-income housing project" within the meaning of section 42(g) of the Internal Revenue Code of 1986; and

WHEREAS, the proposed partnership between Housing Vermont and Williston Elder Housing (or their subsidiaries) will qualify as a housing sponsor within the meaning of the Vermont Housing Finance Agency Act (the "Act"); and

WHEREAS, the Housing and Conservation Board has approved a combined grant and deferred loan of \$370,000 for the Development; and

WHEREAS, the Agency has determined that the Williston Elders/Whitney Hill Development will assist in fulfilling the purposes of the Act;

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 maintain the supply of well-planned, well-designed permanent housing for persons and families of low and moderate income, and the sponsors are financially responsible persons or institutions.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a combined letter of intent and commitment (the

"Commitment Letter") to provide a first mortgage for permanent financing in an amount to be determined by the Executive Director, but not to exceed \$1,470,000, for the Williston Elders/Whitney Hill Development.

2. The Commitment Letter shall be issued to Housing Vermont as a representative of the housing sponsor.
3. The commitment of the Agency shall be subject to receipt, on or before the date of the construction closing, of a commitment fee in an amount equal to one and a half percent (1.5%) of the principal amount of the mortgage loan.
4. If the source of funds for the permanent loan is the state pension funds, the term of the mortgage loan shall be 20 years, the principal and interest payments may be calculated on a 25 year term and need not be fully amortizing, and the interest rate to be charged may be a graduated rate to be determined by the Executive Director. In the event another source of funds is found, the term of the loan can be up to 30 years, with the exact term and rate to be determined by the Executive Director.
5. The Commitment Letter shall require the Developer to demonstrate to the satisfaction of the Executive Director that a combination of equity funds, deferred loan funds, or below market interest rate funds are available in an amount at least equal to the difference between the total development cost as accepted by the Agency and the amount of the permanent financing commitment.
6. The Commitment Letter shall require the Developer, as a condition of the loan, to demonstrate to the Executive Director's satisfaction that provisions have been made to deal with any architectural concerns or environmental concerns of the Agency dealing with the site or areas adjacent to the site.
7. The Commitment Letter shall contain such other terms and conditions as the Executive Director shall deem necessary or appropriate, given the circumstances.
8. The Executive Director is authorized to make preliminary arrangements for the issuance and private placement of taxable bonds of the Agency to provide proceeds for financing this loan.
9. The Executive Director and/or the Director of Finance are authorized to execute any documents required to be executed by the Agency at the Construction Closing for the Development.

	SHORTFALL	(14)	Budget	Per Unit	Per Sq.Ft.(n)
Acquisition			155,000	3,523	4.62
Market Study			0	0	0.00
Site Work	2,002,865	265,000	6,023	7.91	
Construction		1,640,000	37,273	48.93	
Furniture and Fixtures		40,000	909	1.19	
Equipment		40,000	909	1.19	
Bond Premium	1,985,000	17,865	406	0.53	
CONSTRUCTION CONTINGENCY	5.00%	100,143	2,276	2.99	
Utility Back Charge		10,000	227	0.30	
Arch/Engineering		100,000	2,273	2.98	
Reimbursables		3,000	68	0.09	
Maintenance/Equipment		6,000	136	0.18	
Soil & Concrete Testing		4,000	91	0.12	
Legal/Accounting		11,000	250	0.33	
Permits/Fees/		16,300	370	0.49	
LIHTC Fee		1,500	34	0.04	
Taxes/Insurance		9,000	205	0.27	
Construction Loan Interest / APROX		117,000	2,659	3.49	
Construction Loan Fees	18,916	19,000	432	0.57	
Permanent Loan Fee	22,636	22,636	514	0.68	
SOFT COST CONTINGENCY		4,000	91	0.12	
Marketing		9,000	205	0.27	
Nonprofit Fee		44,000	1,000	1.31	
Clerk of Works		18,000	409	0.54	
Predevelopment Interest		1,500	34	0.04	
Working Capital	81,049	81,200	1,845	2.42	
Syndication Expenses	113,617	33,900	770	1.01	
Developer's Fee	113,000	79,100	1,798	2.36	
<hr/>					
TOTAL DEVELOPMENT COST	2,848,144		64,731	84.98	

## WHITNEY HILL HOMESTEAD INCOME &amp; EXPENSE BUDGET

## INCOME

## RENTS

Restricted Units (See assumptions below)

Bedrooms	Type	Sq.Feet	Number	Rent
1 Br	Flat	550	6	365
1 Br	Flat	560	22	430
2 Br	Flat HC	760	1	485
1 Br	Flat HC	600	2	425

(14)

Totals	17,580	31	155,580
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## Market Rate Units

Bedrooms	Type	Sq.Feet	Number	Rent
1 Br	Flat	550	3	515
1 Br	Flat	580	2	555
2 Br	Flat	695	2	630
2 Br	Flat	795	2	675
1 Br	Flat HC	600	3	515
1 Br	Manager	0	1	0

Totals	7,590	13	81,720
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## All Units

Grand Totals	25,170	44	237,300
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Total Sq. Fee	133.15%	33,515
Common Area	33.15%	

Williston  
Elder  
Development Site (proposed)  
44 Units

Route 2

Williston  
Elder Site

No  
Development  
Planned

60 Unit  
Proposed  
Elderly

Rest Area

Interstate

Water  
Tower

Central School

Old  
P.O. Church

Army  
Post  
Office  
(Main Office)

OAK HILL  
ROAD

CROOK

ALLEN

96 (Town of Williston)

MAPLE RD

STAGE

OLD

TOWER



## VHFA FINANCED MULTI-FAMILY RENTAL PROJECTS 1986-1991

PROJECT	SOUTH MEADOW	SALMON RUN	HEINEBERG	WINCHESTER	NORTHGATE	PINE MEADOWS	ST. JOHNSBURY	WHITNEY HILL
SPONSOR(S)	SOUTH MEADOW HOUSING ASSOCIATES	HOUSING VERMONT LAKE CHAMPLAIN HDC	HOUSING VERMONT HEINEBERG SENIORS	HOUSING VERMONT MERCHANTS PROPERTIES, INC.	HOUSING VERMONT NORTHGATE NONPROFIT	HOUSING VERMONT INTERFAITH	NORTHERN COMMUNITY HOUSING CORP HOUSING VERMONT	VILLISTON-ELDER HOUSING VERMONT
TYPE	FAMILY NEW CONSTRUCTION	FAMILY NEW CONSTRUCTION	ELDERLY NEW CONSTRUCTION	FAMILY NEW CONSTRUCTION	FAMILY ACQUISITION & REHAB	FAMILY NEW CONSTRUCTION	FAMILY ACQUISITION & REHAB	ELDERLY NEW CONSTRUCTION
LOCATION	BURLINGTON	BURLINGTON	BURLINGTON	COLCHESTER	BURLINGTON	MIDDLEBURY	ST. JOHNSBURY	WILLISTON
STATUS	COMPLETED	COMPLETED	COMPLETED	COMPLETED	NEARING COMPLETION	NEARING COMPLETION	NEARING COMPLETION	PROPOSED
TOTAL # OF UNITS	148	80	81	166	336	30	32	44
# OF LIHTC UNITS	30	36	41	70	163	24	22	31
TOTAL DEVELOPMENT COST (TDC)	\$9,170,333	\$7,439,582	\$4,053,306	\$11,941,820	\$19,669,197	\$2,159,993	\$1,483,972	\$2,848,144
TDC/UNIT	\$61,962	\$92,995	\$50,041	\$71,939	\$58,539	\$72,000	\$46,374	\$64,731
CONSTRUCTION COSTS/UNIT	\$45,447	\$67,296	\$40,681	\$46,054	\$18,512	\$50,800	\$18,242	\$40,863
LAND/UNIT	\$4,944	\$5,416	N/A	\$7,948	\$2,158	N/A	\$4,375	\$3,523
ALL OTHER COSTS/UNIT	\$11,571	\$20,283	\$9,359	\$14,896	\$40,027	\$21,200	\$23,758	\$20,345
HARD COSTS/SQ FT		\$73.00	\$51	\$47.00		\$53.09		\$53.65
DEVELOPER/SYND FEES AS % OF TDC		8.42%	4.62%	2.67%	1.27%	4.75%	5.39%	5.51%
SOURCES OF FINANCING AS % OF TDC								
EQUITY	10.00%	17.33%	35.09%	21.06%	17.34%	47.11%	21.02%	40.30%
VHFA (OR OTHER 1ST MORTG LENDERS)	51.67%	33.99%	47.60%	71.99%	43.11%	39.49%	27.74%	48.30%
HCTF	0.00%	3.36%	15.42%	0.00%	15.50%	8.89%	26.34%	11.40%
CDBG	0.00%	0.00%	0.00%	0.00%	0.00%	4.51%	24.90%	
HODAG/HUD	38.33%	38.98%	0.00%	0.00%	15.25%	0.00%	0.00%	
OTHER	0.00%	6.34%	1.89%	6.95%	8.80%	0.00%	0.00%	
TOTAL SOURCES	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Notes: TDC = Total Development Cost; LIHTC = Low Income Housing Tax Credit

Construction Costs/Hard Costs include buildings, contingency, equipment &amp; bond. It does not include site work or furnishings.

VHFA=Vermont Housing Finance Agency; HCTF=Housing &amp; Conservation Trust Fund; CD8G = Community Development Block Grant;

HUD= Federal Department of Housing &amp; Urban Development; HODAG is a former HUD program - Housing Development Action Grants.

Please Note: These numbers are for general comparison purposes only.

Heineberg site work not broken out, but fairly minimal.

Winchester and Northgate per unit costs do not equal total development costs as the land leases have

been capitalized here for comparison purposes. Winchester NPV 30 years at 7%, NG a Derway lease of \$725,000

"Other" percentage financing on Winchester is sinking fund investment.

WHITNEY HILL HOMESTEAD		30 YEAR PRO FORMA			04 - Feb-91			30 YEAR PRO FORMA			04 - Feb-91			30 YEAR PRO FORMA			04 - Feb-91		
Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17		
Market Rent	81,720	85,316	89,070	92,989	97,080	101,352	105,811	110,467	115,327	120,402	125,699	131,230	137,004	143,033	149,266	155,703	162,344		
Restricted Rent	155,580	160,247	165,055	170,006	175,107	180,360	185,771	191,344	197,084	202,997	209,087	215,359	221,820	228,474	235,329	242,386	249,646		
Less Vacancies	(7,119)	(7,367)	(7,624)	(7,890)	(8,166)	(8,451)	(8,747)	(9,054)	(9,372)	(9,702)	(10,044)	(10,398)	(10,765)	(11,145)	(11,540)	(11,950)	(12,375)		
Plus Other Income	8,286	8,535	8,791	9,054	9,326	9,606	9,894	10,191	10,496	10,811	11,136	11,470	11,814	12,168	12,533	12,908	13,293		
Total Actual Income	238,467	246,731	255,291	264,160	273,347	282,866	292,728	302,947	313,536	324,508	335,878	347,661	359,873	372,530	385,648	399,224	413,169		
Less Operating Exp.	108,180	113,048	118,135	123,451	129,007	134,812	140,879	147,218	153,843	160,766	168,000	175,560	183,460	191,716	200,343	209,372	218,806		
Less Lease	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Net Operating	164,951	133,683	137,156	140,708	144,340	148,054	151,850	155,729	159,693	163,742	167,878	172,101	176,413	180,814	185,305	189,851	194,443		
Less Debt \$	105,833	155,869	155,869	155,869	155,869	155,869	155,869	155,869	155,869	155,869	155,869	155,869	155,869	155,869	155,869	155,869	155,869		
Cash Flow	7,993	18,701	(25,582)	(22,187)	(18,713)	(15,161)	(11,529)	(4,020)	(140)	3,823	12,009	16,232	20,544	24,945	29,436	34,000	38,644		
Sinking Fund	34,664	30,063	25,356	20,543	15,622	10,590	5,446	190	0	0	0	0	0	0	0	0	0		
Extra M.Capital	(83)	1,150	2,411	3,701	5,019	6,367	7,744	3,970	0	(79)	0	0	0	0	0	0	0		
Net Cash	9,082	7,793	7,793	7,793	7,793	7,793	7,793	7,793	7,793	7,793	12,009	16,232	20,544	24,945	29,436	34,000	38,644		
Less MCBT Repayment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
	105.83%	105.00%	105.00%	105.00%	105.00%	105.00%	105.00%	105.00%	105.00%	105.00%	107.70%	110.41%	113.18%	116.00%	118.88%	121.77%	124.66%		
Net Operating Income	130,287	133,683	137,156	140,708	144,340	148,054	151,850	155,729	159,693	163,742	167,878	172,101	176,413	180,814	185,305	189,851	194,443		
Plus Reserves	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000		
Less Interest Expense	(165,133)	(168,173)	(171,039)	(173,702)	(176,132)	(178,296)	(180,156)	(181,670)	(183,235)	(184,864)	(186,555)	(188,304)	(190,106)	(191,957)	(192,789)	(194,601)	(196,403)		
Less 7 Yr. Depreciation	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)		
Less 27.5 Depreciation	(90,157)	(90,157)	(90,157)	(90,157)	(90,157)	(90,157)	(90,157)	(90,157)	(90,157)	(90,157)	(90,157)	(90,157)	(90,157)	(90,157)	(90,157)	(90,157)	(90,157)		
Taxable Income (Loss)	(130,002)	(129,647)	(129,040)	(128,151)	(126,948)	(125,399)	(111,462)	(109,098)	(106,699)	(104,279)	(101,834)	(99,359)	(96,850)	(94,300)	(90,640)	(86,979)	(83,318)		
50.00%																			
Cash Flow to Partners	4,541	3,897	3,897	3,897	3,897	3,897	3,897	3,897	3,897	3,897	6,004	8,116	10,272	12,472	14,718	17,014	19,360		
Plus Tax Savings	44,201	44,080	43,873	43,571	43,162	42,636	37,897	37,093	36,278	35,455	34,623	33,782	32,929	32,062	30,818	29,574	28,330		
Plus Tax Credits	158,568	158,568	158,568	158,568	158,568	158,568	158,568	158,568	158,568	158,568	158,568	158,568	158,568	158,568	158,568	158,568	158,568		
After Tax Cash Flow	207,310	206,545	206,338	206,036	205,627	205,100	200,362	199,558	198,743	197,920	40,628	41,898	43,201	44,534	(265,890)	(265,890)	(265,890)		
Total 15 years	1,937,910																		
SNPV	12.00%	1,147,645																	

	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
	155,896	162,756	169,917	177,393	185,199	193,347	201,855	210,736	220,009	229,689	239,795	250,346	261,362	272,862	284,867
	242,389	249,660	257,150	264,865	272,810	280,995	289,425	298,107	307,051	316,262	325,750	335,522	345,588	355,956	366,634
	(11,949)	(12,372)	(12,812)	(13,268)	(13,740)	(14,230)	(14,738)	(15,265)	(15,812)	(16,379)	(16,966)	(17,576)	(18,208)	(18,865)	(19,545)
	12,909	13,297	13,695	14,106	14,530	14,965	15,414	15,877	16,353	16,844	17,349	17,870	18,406	18,958	19,527
	399,246	413,340	427,951	443,097	458,798	475,077	491,955	509,455	527,601	546,416	565,928	586,162	607,147	628,911	651,483
	209,359	218,780	228,625	238,913	249,664	260,899	272,640	284,908	297,729	311,127	325,128	339,759	355,048	371,025	387,721
	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	189,887	194,560	199,325	204,183	209,134	214,178	219,316	224,547	229,871	235,289	240,800	246,404	252,099	257,886	263,762
	155,869	155,869	155,869	155,869	155,869	155,869	155,869	155,869	155,869	155,869	155,869	155,869	155,869	155,869	155,869
	34,018	38,691	43,456	48,314	53,265	58,309	63,446	68,677	74,002	79,420	84,931	90,534	96,230	102,016	107,893
	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	34,018	38,691	43,456	48,314	53,265	58,309	63,446	68,677	74,002	79,420	84,931	90,534	96,230	102,016	107,893
	17,009	19,345	21,728	24,157	26,632	29,154	31,723	34,339	37,001	39,710	42,465	45,267	48,115	51,008	53,946
	121.82%	124.82%	127.88%	131.00%	134.17%	137.41%	140.70%	144.06%	147.48%	150.95%	154.49%	158.08%	161.74%	165.45%	169.22%





VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Peg Kamens, Nonprofit Technical Assistant

DATE: February 7, 1991

RE: Update on status of Vermont Housing Ventures Loan Fund

Since the last Ventures update for the Board in July 1990, the loan committee has approved four loans, totalling \$84,900. These loans include:

1) Approval at the July 31 meeting of a loan request for \$27,500 from the **Central Vermont Community Land Trust** for a 46 unit rental project in Montpelier, known as the Barrett Block. The funds are to be used for a survey, energy-related consulting fees, and architectural fees.

2) Approval at the October 10 meeting of a loan request for \$8,000 from the **Addison County Community Action Group** for a 24 unit rental project in Middlebury. The funds are to be used to pay a portion of the contract deposit.

3) Approval at the October 31 meeting of a loan request for \$3,400 from the **Rutland County Community Land Trust** for a 9 unit rental project in Rutland. The funds are to be used for a contract deposit, appraisal and legal and architectural fees.

4) Approval at the January 29 meeting of a loan request for \$46,000 from **Housing Foundations Inc.** for a 46 pad mobile home park in Clarendon, known as the Coburn Mobile Home Park. The funds are to be used for initial feasibility studies, engineering tests, consultant fees, engineering design work and the costs of obtaining permits.

In addition, four loans, with payouts totalling \$50,003, were paid back since July 1990, and one loan commitment was cancelled.

Attached is a report on the current status of the Vermont Housing Ventures loan fund.

A:\pk\memo

VERMONT HOUSING FINANCE AGENCY  
Vermont Housing Ventures: Status Report, 2/5/91

ORGANIZATION	PROJECT	APPROVED LOAN AMOUNT	LOANED TO DATE	FUNDS TO BE DISBURSED	AMOUNT REPAID	AMOUNT FORGIVEN	REPAYMENT DEFERRED	PAYBACK DATE (EST.)	STATUS
Addison County CAG	12 units for low-income families in Bristol	\$12,000 \$18,000 ----- \$30,000	\$12,000 \$18,000 ----- \$30,000					Spring 91	Got Act 250 permit. Awaiting water and septic approval and amended permit from town for new design. Have VHC&B commitment, CDBG funds and tax credit allocation. Plan to go to Vermont National or back to FHLB for rest of financing. Hope to start construction in summer.
	Acquisition of 24 rental and 2 commercial units in Middlebury	\$8,000	\$8,000					Spring 91	Appraisal came in below contract price, so are renegotiating with the seller. Plan to go back to VHC&B to get approval on project for purchase of different buildings (without the corner building but with the Farmer's Home building), and to ask for higher per unit costs. VHFA application on hold until price clearer.
Rutland County Comm Land Trust	Coburn MHP - 52 units in Clarendon	\$17,200	\$7,754		\$3,000		\$4,754	Unknown	Project taken over by HFI, which has agreed to seek funding to repay outstanding \$4754. HFI has come up with a plan to save the park and upgrade the sewer and water systems. Are seeking funding and necessary permits and applying for additional Ventures loan of \$46,000.
	Munger Property, Rutland	\$3,400	\$2,120	\$1,280				March 91	P & S signed, purchase price \$157,000, below estimate. Got all financing commitments, met all contingencies.
Brattleboro Area Community Land Trust	33 units for low- and moderate- income people in Brattleboro	\$4,330	\$3,213		\$1,150		\$2,063	June 91	Project scope scaled back to 9 units. BACL will repay balance of \$2063.19 at sale of single family house at 9 Estabrook. Total project half completed; 9 Estabrook will be completed by June. Plan to sell house to family now in residence.
Central Vermont CAC	Highgate--120 units HUD 236 in Barre	\$23,721 \$26,279 ----- \$50,000	\$23,721 \$25,616 ----- \$49,337	\$663				Spring 91	Highgate Nonprofit (HNP) and Housing Vt. signed \$775,000 contract with GMP. Highgate residents got \$10,000 grant for tenant organizer. Grant agreement between Barre and DCA for CDBG not yet finalized. Have submitted application to HUD for 5 yr. section 8's for 115 units (48 more than have now). HUD flexible subsidy application has been submitted.

PROJECT	APPROVED LOAN AMOUNT	LOANED TO DATE	FUNDS TO BE DISBURSED	AMOUNT REPAID	AMOUNT FORGIVEN	REPAYMENT DEFERRED	PAYBACK DATE (EST.)	STATUS
Housing Foundation Inc.							June 91	
41 unit mobile home park in Brattleboro--extension of Iri-Pa Coop.	\$24,600 \$25,400 ----- \$50,000	\$21,687 \$4,604 ----- \$26,291.40	\$2,913 \$20,796 ----- \$23,709					Design for the project is almost complete. Final approval has been received from Planning Commission. Are negotiating Development Agree- ment with Town, so zoning ordinance can be amended and site designated a PUD. Expect local permit soon. Expect no problems with state permits, since have complied with regulations or obtained preapproval for exceptions. Only out- standing issues are streamcrossing and Act 250. Expect to receive all permits by May 1.
Coburn Mobile Home park 46 units in Clarendon	\$46,000						June 91	Plan to start testing for proposed new water and sewer systems in early February. Once have results, will proceed with financing.
Williston Elder Housing, Inc.							Spring 91	Got Act 250 permit. Have put contract out for bids; hope to have contractor by mid-March and start construction early April. Awaiting final financing commitment from VHFA.
30 units of rental housing for elderly in Williston	\$15,000	\$15,000						
Barrett Block; 46 unit rental	\$27,500	27500	\$0				September 91	Discovered some problems: the current owners are in foreclosure, a parking lot that was conveyed is owned by someone else and part of an adjoining cliff fell off and damaged the proper- ty. Have renegotiated the purchase and sale to ensure they get good title, to remove the two buildings adjoining the cliff and the parking lot from the deal and to adjust the purchase price to reflect these changes. Plan is to develop 38 rather than 46 units. Will seek \$1 MM in financing from FHLB and HUD.

TOTAL	\$251,430	\$169,216	\$25,651	\$4,150	\$0	\$6,817
Total Ventures Fund: \$250,000	Total Commitments Outstanding:	\$236,717	Funds to be Committed:	\$13,283		

-----+  
 APPLICATIONS EXPECTED OR UNDER CONSIDERATION |  
 -----+

LCHDC Flynn Avenue, Burlington: 32 units, one Plan to request \$50,000.  
 and two bedroom townhouses, cooperative.

CVCLT Barrett Block, Montpelier: plan to ask  
 additional funding for scaled down, 38 unit  
 project.

-----+  
 RECENTLY CLOSED LOANS |  
 -----+

Committee on Temporary 20 units of SRO housing \$43,200 \$25,878 Jul. 90  
 Shelter and daystation

CVCEO 250 unit mobile home park in \$17,000  
 Colchester--tenants to purchase  
 (Kellogg Woods)

CVCEO 9 unit MHP Williston \$10,500 \$7,686 Oct. 90

Washington County 10 unit HUD 202 - rental for \$4,000 \$4,000 Nov. 90  
 Mental Health mentally handicapped, Montpelier.

Addison County 73 Unit MHP Vergennes \$16,500 \$12,439 January 91  
 Community Trust

TOTAL \$91,200.00 \$50,003.15 \$50,417.98

INTEREST EARNED: \$414.83

Project is not proceeding, since residents  
 are not sure they will buy. Agreed to let  
 us commit funds to another project.



VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Margaret A. Pond, Director of Development *Meg Pond*

DATE: February 8, 1991

RE: Low Income Housing Tax Credit Program 1990 Report

Attached is the final allocation report for the 1990 LIHTC program. You will see that although we reserved over \$550,000, we only actually allocated \$130,839. This allocation amount is but a fraction (roughly 20%) of prior year's use.

Usage of the tax credits in 1990 differed considerably from prior year's primarily for two reasons: first, until Congress voted late in the year to reinstate the full credit amount for 1990, the credit amount was only 75% of the annual allocation, causing VHFA to be extra cautious in its reservations. More important was the new ability to have a carryover of unused 1990 credit to be used in 1991. This new aspect of the law removed the pressure of "use it or lose it" prior to the year's end as we had had in previous years. We were able to carry over roughly \$578,000 (\$420,128 of which is already reserved for specific projects) from 1990 to be used in 1991. The good news is that we have over \$850,000 worth of tax credit authority for use in 1991 if we need it.

We have just closed out the first round of LIHTC applications and are in the midst of reviewing them. I expect to give you an update at your meeting on February 14th. I look forward to discussing this year's program with you at that time.

## FINAL

VEHA 1990 LOW INCOME HOUSING TAX CREDITS 12/31/90

## APPLICATIONS TO DATE AND ANALYSIS

1990 Vermont Allocation (as amended)\*\*

Total 1990 Allocations

Total Amount Being Carried Forward to 1991

1286659	866531
420128	
18.46%	
81.54%	
=====	
100.00%	

Total Reservations &amp; Allocations (Incl Dual Year 1990/1991) \$550,967

1990 Amounts Unallocated or Unreserved \$157,782

## 1990 LIHTC RESERVATION AND ALLOCATION DECISIONS - FINAL

100.00%

Project Name	City	Last Name	Total # of Units	# of LIHTC Units	Project Type	LIHTC Credit Requested	LIHTC Credit Reserved	1990 LIHTC Credit Allocated	1990 LIHTC Credit Type Requested	Total Proj Cost
*Putney Cares	Putney	Crawford-Reality Resou	28	28	new constr-elderly	\$64,700	\$60,200		4%	\$1,756,850
*Pine Meadow	Middlebury	Interfaith-Housing VT	30	24	new constr-family	\$146,062	\$146,062		9%	\$2,094,125
*Highgate	Barre	CVEOE-Housing VT	120	87	rehab-fam	\$131,060	\$131,060		4%	\$7,714,386
*Barrett Block	Montpelier	CVCLT	46	35	rehab & new constr-fam	\$82,806	\$82,806		4% & 9%	\$2,924,337
***Salmon Run	Burlington	LCHDC-Housing VT	80	40	new constr-family	\$4,649	\$4,649	\$4,649	4%	\$7,232,640
North St	Burlington	Bissonette	6	6	rehab-family	\$5,559	\$5,559	\$5,559	9%	\$73,519
Mountain View	Springfield	Springfield HA	72	51	acquis & rehab-family	\$76,682	\$76,682	\$76,682	4% & 9%	\$2,639,201
St Johnsbury	St Johnsbury	NCHC-Housing VT	32	22	rehab-family	\$43,949	\$43,949	\$43,949	9%	\$1,645,463
Totals - Tax Credit Resd			414	293		\$555,467	\$550,967	\$130,839		\$26,080,521

\* Note: Dual Year (1990 &amp; 1991) Reservations

\*\*\* Note: Salmon Run allocation is in addition to a 1988 allocation.

VHFA 1991 LOW INCOME HOUSING TAX CREDITS  
APPLICATIONS TO DATE AND ANALYSIS

2/14/91

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1991 Vermont Allocation

\$706,205

Total Amount Being Carried Forward From 1990

\$577,910

Total 1991 LIHTC Available

\$1,284,115

Less Dual Year Reservations Made to Date

\$436,543

Less 1991 Reservations Made to Date

\$268,221

Remaining 1991 LIHTC

\$579,351

1991 LIHTC RESERVATIONS TO DATE

Project Name	City	Last Name	Total # of Units	# of LIHTC Units	Project Type	LIHTC Credit Requested	LIHTC Credit Reserved	1991 LIHTC Credit Allocated	LIHTC Credit Type	Total Proj Fee as % Cost of TDC on Equity	Developer Rate of Return
*Putney Cares	Putney	Crawford-Reality Resour	28	28	new constr-elderly	\$64,700	\$60,200		4%	\$1,756,850	13.80%
*Pine Meadow	Middlebury	Interfaith-Housing VT	30	30	24 new constr-family	\$146,062	\$146,062		9%	\$2,094,125	3.76%
*Highgate	Barre	CVCOE-Housing VT	120	87	rehab-fam	\$147,475	\$147,475		4%	\$7,714,386	1.27%
*Barrett Block	Montpelier	CVCLT	46	35	rehab & new constr-fa	\$82,806	\$82,806		4% & 9%	\$2,924,337	5.61%
Genest Bldg	Winooski	Mansfield	10	10	rehab	\$29,070	\$29,000		9%	\$561,750	7.30%
Royalton Elderly	Royalton	HFI (FmHA)	15	15	rehab & new construct	\$50,653	\$50,653		4%	\$1,193,500	3.35%
North Pleasant St	Middlebury	ACCAG	20	12	acquis & rehab-family	\$23,973	\$30,000		9% & 4%	\$901,600	6.65%
Williston	Williston	Williston Elders-HV	44	28	new constr-elderly	\$158,568	\$158,568		9%	\$2,848,144	3.97%
Totals - Tax Credit Reservations to Date						\$703,307	\$704,764			\$19,994,692	

Notes: \*Dual Year (1990 & 1991) Reservations

All reservations carry various contingencies. Project costs are approximate.

Developer Fees include syndication expenses.

REMAINING 1991 LIHTC RESERVATION APPLICATIONS (INCLUDING CARRY-OVERS FROM 1990)

Project Name	City	Last Name	Total # of Units	# of LIHTC Units	Project Type	LIHTC Credit Requested	Preliminary Recommendations for Feb Round	1990 LIHTC Credit Allocated	LIHTC Credit Type	Total Proj Fee as % Cost of TDC on Equity	Developer Rate of Return
Hebert	Winooski	Winooski Housing Autho	70	31	new constr-elderly	\$175,998			9%	\$5,338,819	16.67%
Bristol		(withdrawn)				N/A		N/A			N/A
Lang Farm Elderly	Essex Junction	Homestead	51		new constr-elderly	\$100,000					
Newbury	Newbury	Realty Resources(FmHA)	24	24	new constr-family	\$61,300			4%	\$1,619,280	13.09%
Totals						\$337,298	\$0	\$0		\$6,958,099	



VERMONT HOUSING FINANCE AGENCY  
M E M O R A N D U M

TO: VHFA Board of Commissioners  
FROM: Patricia A. Crady, <sup>PAC</sup> Development Coordinator  
DATE: February 8, 1991  
RE: MOVE/Energy Efficient Mortgage Update

On January 23, 1991, a steering committee comprised of twenty housing and energy professionals met to discuss the feasibility of a change to MOVE that would require that every new and existing home financed by VHFA be an Energy Efficient Mortgage, and have a minimum energy efficiency rating of FOUR STARS.

Prior to the meeting, all members received a program description with information about MOVE and the Energy Efficient Mortgage. While most of the committee was supportive of our goal of improving the affordability of housing by upgrading energy efficiency, a number of issues and concerns were expressed and discussed. I have enclosed a draft of the recap of this meeting.

The committee recommended several changes which will be discussed by staff and a new program description sent to the steering committee for further input. We then plan to mail information to a larger representative group of real estate brokers, builders, appraisers, nonprofit housing developers, and all VHFA participating lenders.

Several recommendations we will give serious consideration to include:

- Requiring a minimum FOUR STAR energy rating on all new construction;
- Requiring energy ratings on all existing housing constructed prior to 1980 and in cases where the primary heat source is electricity;
- Requiring energy improvements on existing housing to FOUR STARS only when the property is very energy inefficient and the borrowers are income marginal (we would need to define "inefficient");
- Allow homebuyers the opportunity to finance repairs after purchase through a future advance on their mortgage or through a home improvement loan program (operationally, there are a number of details/issues that would need to be resolved);



- For homebuyers wishing to utilize the Energy Efficient Mortgage to upgrade energy efficiency to FOUR STARS, allow the option of including energy costs in qualifying ratios or offsetting the additional mortgage payment by monthly energy savings.
- Identify sources of subsidy to offset the cost of energy ratings.

I will continue to keep you informed of our progress. Your input is always welcome.

MOVE/EEM STEERING COMMITTEE

MEETING RECAP

DATE: January 23, 1991

ATTENDED: John Hood, Vermont Federal Bank  
Greg Gallagher, Vermont Federal Bank  
Janet Knutsen, Chittenden Bank  
Marilyn Lagrow, L S Realty  
Jim Watson, Jim Watson Realty  
Frank Martocci, Martocci & Henry Real Estate  
Gerry Perryman, Coldwell Banker Hoisington Realty  
Jim Mumford, Mumford & Sons Builders  
Diane Weisburgh, Real Estate Appraiser  
Tim McKenzie, Burlington Community Land Trust  
Joel Pliner, Rutland West Neighborhood Housing Services  
Scudder Parker, Vermont Public Service Department  
Amanda Pearson, Vermont Home Mortgage Guarantee Board  
Richard Faesy, Energy Rated Homes of Vermont  
Allan Hunt, Vermont Housing Finance Agency  
Jacklyn Santerre, Vermont Housing Finance Agency  
Hollis Hope, Vermont Housing Finance Agency  
Louis Giancola, Vermont Housing Finance Agency  
Meg Pond, Vermont Housing Finance Agency  
Patricia Crady, Vermont Housing Finance Agency

UNABLE TO ATTEND: Jon Korpela, Vermont Mortgage Group and Charles Christolini, CC Construction.

A steering committee of housing and energy professionals met on January 23, 1991, to discuss the feasibility of a change under consideration by Vermont Housing Finance Agency to its Mortgages for Vermonters (MOVE) program that would require that every new and existing home financed by VHFA be an Energy Efficient Mortgage, and have a minimum energy efficiency rating as determined by Energy Rated Homes of Vermont of FOUR STARS.

The steering committee will play a vital role in the decision whether VHFA should make this major change to its MOVE program. VHFA's development process will use the committee for initial input to prepare proposed changes for comment by a representation of builders, real estate brokers, nonprofit housing developers, appraisers and lenders. Upon receipt of comments from this larger group, the committee will participate in the decision making process with VHFA.

Prior to the meeting, all members received a program description with information about MOVE and the Energy Efficient Mortgage. While most of the committee was supportive of the goal of improving the affordability of housing by upgrading energy efficiency, a number of issues and concerns were expressed and discussed and are outlined below.

**Limiting Housing Options/Property Eligible for Financing.** Concern was expressed that if VHFA were to require that housing meet an energy efficiency rating of FOUR STARS, this might limit property that is eligible and therefore limit housing options for lower-income homebuyers. The cost of improvements must be included in the total acquisition cost of a home and may not exceed the maximum purchase price limits (acquisition cost) which are currently \$89,000 for existing housing, and \$98,000 for newly constructed housing. Based on ERH experience to date, the average cost of energy improvements on existing housing was approximately \$3000.

**Market Acceptance of Value of Energy Improvements.** Concern was expressed that the market does not recognize the full value of some improvements. (i.e. \$3000 of improvements equates to additional market value for the home of \$3000.) VHFA determines value based on the lesser of the purchase price, (acquisition cost) or appraised value. To complete improvements necessary to upgrade the home to an energy efficiency rating of FOUR STARS, the possibility exists that the buyer would not be able to finance all the repairs and would have to have a larger downpayment. One major obstacle to lower-income Vermonters owning a home is lack of resources available for downpayment.

**Additional Costs.** Energy ratings add additional costs to buyers who are already short funds with no guarantee that property will be eligible. While the energy rating fee is currently eligible for financing, it cannot be financed if the property is found to be ineligible. The \$250 rating fee is in addition to approximately \$300-\$350 collected for appraisal and credit report fees. Also, many lenders treat the EEM as a construction mortgage during the period of improvement. This practice involves two closings and additional costs to the borrower.

**Processing Time.** Delaying the completion of the appraisal until after ERH completes their analysis was of concern and any delays could result in sellers being less likely to accept contracts if VHFA financing is involved. VHFA borrowers would be at a disadvantage over conventional borrowers.

**Complicating the Process for First-time Homebuyers.** Some of the committee felt that the home buying process is already intimidating for first-time homebuyers and that having to locate contractors to complete improvements might be overwhelming for most.

The following are suggestions/recommendations made by members of the steering committee:

- 0 Offer an incentive, other than demonstrated energy savings, to expand the utilization of the Energy Efficient Mortgage. (VHFA offers a special bonus to reward borrowers who improve an existing property to an energy efficiency rating of FOUR STARS or better. After improvements are completed, VHFA mortgagors may be eligible to receive a one percent interest rate reduction for twelve consecutive payments. This bonus is only available on VHFA's current MOVE program funds available at 8.7%. Very few borrowers have taken advantage of this bonus.)
- 0 Identify source of funds to totally or partially pay for the cost of energy ratings.
- 0 Allow for the completion of the energy checklist by other trained individuals. (Currently, this checklist is completed by trained appraisers.) Some nonprofit housing developers have individuals on their staff who have the expertise to obtain this information at a reduced cost to the homebuyer.
- 0 Require energy ratings only on existing property constructed prior to 1980, and on any property where the primary heat source is electricity. Energy improvements would be required only in cases where the property is very inefficient and borrowers are income marginal. Encourage energy improvements by providing incentives.
- 0 Allow homebuyers the opportunity to finance repairs after purchase through either a future advance on their mortgage or a home improvement loan program.
- 0 Do not include energy costs in ratios. Instead, allow additional mortgage amount to be offset by energy savings.
- 0 State energy policy requires investment by utilities in energy savings. Utilities might be a possible subsidy source, or resource for homebuyers wishing to make improvements.
- 0 Develop list of approved/eligible contractors as a resource for homebuyers to assist them in making energy improvements.

VHFA staff will revise the program description based on the input from this initial steering committee meeting, send a draft to each member for comments prior to mailing a proposed program change to a larger group.



VERMONT HOUSING FINANCE AGENCY  
M E M O R A N D U M

TO: VHFA Board of Commissioners  
FROM: Patricia A. Crady, <sup>PAC</sup> Development Coordinator  
DATE: February 8, 1991  
RE: Options for Utilizing Remaining 1988B Funds

As of February 4, 1991, a total of approximately \$8.6 million remains available for mortgage originations from the 1988B Program. 1988B bond funds not originated and purchased as loans by November 1991 will have to be redeemed by VHFA (bonds were sold in November 1988). This deadline has prompted staff to consider program options that would best maximize the use of these remaining funds. If at all possible we want to avoid redeeming bonds and losing the ability to recycle prepayments into additional mortgages.

As you may recall, out of a total of \$60 million in 1988B lendable proceeds, \$6 million was targeted for the Perpetually Affordable Housing Program, recently renamed HOUSE (Homeownership Opportunities Using Shared Equity), at an interest rate of 7.9%, \$10 million was set aside for new construction projects at an interest rate of 8.9%, and the remaining \$44 million was made available for the standard MOVE program at 8.9%.

The development of perpetually affordable housing has been much slower than anticipated as many nonprofit developers are just now gaining the capacity to produce housing units. In addition, we have had a lack of interest on the part of builders to reserve new construction funds at 8.9%. This can largely be attributed to the continuous availability of VHFA mortgage funds since 1987. Interest has primarily been from builders in those areas which benefit from the slightly higher income limits set for 8.9% funds (stricter income targeting was required for later programs).

Currently, 1988B fund availability includes \$4.6 million in funds at 7.9%, and \$4.0 million at 8.9% for the new construction set-aside. (This does not include new construction funds of \$2 million reserved for Northshore's Tafts Farm Village project, and \$1 million for Sherwood Hollow in Brattleboro). In addition to 1988B program funds, approximately \$5.6 million in MOVE funds from the 1989B program are available at 8.7%.

<u>Program</u>	<u>Funds Available</u>
1988B HOUSE 7.9%	\$4.6 million
1988B New Construction 8.9%	\$4.0 million
1989B MOVE 8.7%	\$5.6 million

The three fund utilization options that follow include changes that would require Board approval. These changes include:

- higher income and purchase price limits for 8.9% new construction set-aside funds;
- lower income limits for 7.9% funds and the removal of the requirement that homes financed be perpetually affordable;
- blending of 7.9% and 8.9% funds.

#### OPTION A

VHFA presently has \$5.6 million in funds at 8.7% from the 1989B bond issue. These are the funds currently used for MOVE mortgages. Under Option A, we propose temporarily suspending the use of these 8.7% funds. To fund MOVE, we would blend \$4.0 million at 7.9% and \$4.0 million at 8.9% resulting in \$8.0 million at 8.4%. Income limits would continue at levels currently in use for 1989B (8.7%) funds: \$32,300 for 1-2 person households and \$37,100 for 3+ households; purchase price limits would also remain at \$89,000 for existing housing and \$98,000 for newly constructed housing. (\$10 million in funds at 7.8% and 7.7% from 1989A and 1989B bond issues would remain available to finance perpetually affordable housing).

#### OPTION B

Three pools of funds would be available to MOVE borrowers under Option B:

- B-1. \$4.6 million at 7.9% for lower-income borrowers but we would not require that homes financed be perpetually affordable (\$10 million in 7.8% and 7.7% funds would remain available to finance the PAHP program). Also, income limits would be lowered from \$32,300 for all 7.9% loans to:

\$27,450	1-2 person household
\$31,500	3+ person household

(above figures represent 85% of current 1989B program limits)

The purchase price limits would remain the same as those for the 1989B program: \$89,000 for existing homes, \$98,000 for new homes. Funds would be available through participating lenders rather than through nonprofit and municipal developers.

- B-2. \$4.0 million at 8.9% for new construction projects (1988B) (assuming builder interest). To reserve funds, builders would sign a contract and pay a one percent reservation fee. One-half of the fee would be refunded when VHFA purchased the mortgage. Because of the firm deadline of November 1991 for loan purchases, only those builders with approved, ready to go projects, and signed contracts with buyers for spring 1991, would be issued reservations.

The chart attached as Appendix A lists the maximum allowable income and purchase price limits for 1988B funds. We recommend the following income and purchase price limits for 8.9% new construction funds under this option:

Purchase Price Limit            \$105,000

(NOTE: this would result in a maximum mortgage amount of \$99,750, VHMGB's maximum is \$95,000)

Income Limits

\$37,000

Addison, Bennington, Caledonia, Essex,  
Franklin, Grand Isle, Lamoille, Orange,  
Orleans, Windsor

\$40,000/42,000

Chittenden, Rutland, Washington, Windham

(NOTE: If we implement option B or option C, the income and purchase price limits on \$3 million in funds reserved for Northshore and Sherwood Hollow would also be changed to the above recommended limits.)

- B-3. \$5.6 million at 8.7% (1989B) would remain available at current MOVE income limits of \$32,300 for 1-2 person households, and \$37,100 for 3+ person households, and purchase price limits would remain at \$89,000 for existing housing and \$98,000 for newly constructed housing.

#### OPTION C

Three pools of funds would be available to MOVE borrowers under Option C:

- C-1. Based on builder interest, a portion of the 8.9% funds for new construction projects would be available for reservation by builders under the same requirements, income limits, and purchase price limits as for option B-2.

- C-2. 8.9% funds not reserved by builders would be blended with an equal amount of 7.9% funds resulting in a rate of 8.4%. Target to same income and purchase price limits as 1989B (8.7%). As with option A, we would suspend the use of 8.7% funds until 8.4% funds were exhausted.
- C-3. Remaining 7.9% funds for lower-income borrowers (1988B): Same as for Option B-1 above.

**ACTION REQUESTED BY THE BOARD**

- Authority for the Executive Director to work with staff to determine and implement the option which would best maximize the use of 1988B bond proceeds and avoid redeeming bonds.
- Approval of new income limits for 7.9% and 8.9% funds, if option implemented.
- Approval to blend an equal amount of 7.9% funds and 8.9% funds resulting in an interest rate of 8.4% at the same income and purchase price limits as for funds available under the 1989B program, if option implemented.
- Approval of a new purchase price limit for 8.9% new construction funds, if option implemented.
- Approval to use 7.9% funds for homes which do not have provisions for perpetual affordability, if option implemented.

## 1988B MAXIMUM ALLOWABLE INCOME LIMITS

- Non-targeted areas - greater of 115% of state or area median income
- Targeted areas - greater of 140% of state or area median income

Burlington MSA	\$45,540
Addison County	\$37,145
Bennington County	\$37,145
Caledonia County	\$45,220*
Chittenden County	\$43,240
Essex County	\$45,220*
Franklin County	\$45,220*
Grand Isle County	\$37,145
Lamoille County	\$45,220*
Orange County	\$45,220*
Orleans County	\$45,220*
Rutland County	\$45,220*
Washington County	\$45,220*
Windham County	\$45,220*
Windsor County	\$38,180

\* = targeted counties

## 1988B MAXIMUM PURCHASE PRICE LIMITS FOR NEW CONSTRUCTION

Targeted areas (110% of safe harbor)	\$140,470
Nontargeted areas (90% of safe harbor)	\$114,930





VERMONT HOUSING FINANCE AGENCY

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, Development Coordinator

DATE: February 14, 1991

RE: Summary of Options for Utilizing Remaining 1988B Funds

To aid in our discussion of options for utilizing remaining 1988B funds, I have attached a summary in chart form of the important details. Also, a staff discussion yesterday produced yet another option we would like to submit for consideration.

OPTION D

Three pools of funds would be available to MOVE borrowers and one pool of funds would be available for the HOUSE Program.

- D-1. \$4.6 million at 7.9% for MOVE borrowers which would replace current MOVE funds available at 8.7%. Income and purchase price limits would not change.
- D-2. \$4.0 million at 8.9% for new construction projects under the same terms, income limits, and purchase price limit as for Option B-2.
- D-3. \$5.0 million at 7.8% for MOVE borrowers which would be used after \$4.6 million at 7.9% funds are exhausted.
- D-4. \$5.0 million at 7.7% for HOUSE Program at an initial qualifying rate of 6.2%. Income and purchase price limits would not change.

ACTION REQUESTED BY THE BOARD

- Authority for the Executive Director to work with staff to determine and implement the option which would best maximize the use of 1988B bond proceeds and avoid redeeming bonds.
- Approval of new income limits for 7.9%, 7.8% and 8.9% funds, if option implemented.
- Approval to blend an equal amount of 7.9% funds and 8.9% funds resulting in an interest rate of 8.4% at the same income and purchase price limits as for funds available under the 1989B program, if option implemented.
- Approval of a new purchase price limit for 8.9% new construction funds, if option implemented.
- Approval to use 7.9% and 7.8% funds for homes which do not have provisions for perpetual affordability, if option implemented.

SUMMARY OF OPTIONS FOR UTILIZING REMAINING 1988B FUNDS

OPTION	BOND ISSUE	INTEREST RATE	FUNDS AVAILABLE (millions)	COMMENT	PROGRAM	INCOME LIMITS	PURCHASE PRICE LIMITS
A	1988B	8.4%	\$8.0	blended 7.9% and 8.9% funds	MOVE	\$32,300 - 1-2 persons \$37,100 - 3+ persons	\$89,000 - existing \$98,000 - new
B	1988B	7.9%	\$4.6		Lower Income	\$27,450 - 1-2 persons \$31,500 - 3+ persons	\$89,000 - existing \$98,000 - new
	1988B	8.9%	\$4.0		Builder Reserve	\$37,000 (a) by county \$42,000 (b) see below	\$105,000 - new only
	1989B	8.7%	\$5.6		MOVE	\$32,300 - 1-2 persons \$37,100 - 3+ persons	\$89,000 - existing \$98,000 - new
C	1988B	8.9%		funds avail- to be determined	Builder Reserve	\$37,000 (a) \$42,000 (b)	\$105,000 - new only
	1988B	8.4%			MOVE	\$32,300 - 1-2 persons \$37,100 - 3+ persons	\$89,000 - existing \$98,000 - new
	1988B	7.9%			Lower Income	\$27,450 - 1-2 persons \$31,500 - 3+ persons	\$89,000 - existing \$98,000 - new
D	1988B	7.9%	\$4.6		MOVE	\$32,300 - 1-2 persons \$37,100 - 3+ persons	\$89,000 - existing \$98,000 - new
	1988B	8.9%	\$4.0		Builder Reserve	\$37,000 (a) \$42,000 (b)	\$105,000 - new only
	1989A	7.8%	\$5.0		MOVE	\$32,300 - 1-2 persons \$37,100 - 3+ persons	\$89,000 - existing \$98,000 - new
	1989B	7.7% qualifying rate 6.2%	\$5.0		HOUSE	\$32,300 (HOUSE Program)	\$89,000 - existing \$98,000 - new

NOTE:

(a) Addison, Bennington, Caledonia, Essex, Franklin, Grand Isle, Lamoille, Orange, Orleans, Windsor

(b) Chittenden, Rutland, Washington, Windham



VERMONT HOUSING FINANCE AGENCY  
M E M O R A N D U M

TO: VHFA BOARD OF COMMISSIONERS  
FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE *AS*  
DATE: FEBRUARY 8, 1991  
RE: GENERAL FUND BUDGET UPDATE

Attached is the budget performance report for the period ending December 31, 1990 representing the first six months of the fiscal year ending June 30, 1991.

In reviewing the budget performance report to date, we are on target in all areas other than an exception for interest income and expense. Internal short-term financing for the Fort and Northgate has reduced the funds available for investment and required an interest bearing loan from the Housing and Conservation Trust Fund through the State Treasurer's office. Following is a summary of the major areas of the budget.

**INCOME.** We are about where we expect to be in the income area; single family fee income will probably back off considerably in the coming months, in response to the economic environment.

**FUND TRANSFERS.** The transfers of funds from the Programs to the General Fund have been collected as expected.

**EXPENSES.** Total expenses are at 52% of the annual budgeted amounts and most line items are within expected ranges other than interest expense as mentioned above.

If you have any questions relative to the budget performance report, feel free to contact me at your convenience, or bring your questions to the Board meeting.

BUDGET PERFORMANCE REPORT  
VERMONT HOUSING FINANCE AGENCY  
DECEMBER 31, 1990

	CURRENT APPROVED BUDGET	ACTUAL YR TO DATE 12/31/90	% BUDGET RECOGNIZED TO DATE
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INCOME			
SINGLE FAMILY FEES	413,650	305,204	73.78%
MULTI-FAMILY FEES	176,500	22,072	12.51%
PROJECT ADMIN FEES	115,000	55,364	48.14%
INTEREST INCOME	400,000	172,320	43.08%
MISCELLANEOUS	20,000	10,846	54.23%
	-----	-----	-----
TOTAL INCOME	1,125,150	565,806	50.29%
FUND TRANSFERS			
SINGLE FAMILY HOUSING	(25,000)	(25,000)	100.00%
SHAWMUT MTG PURCHASE	100,000	50,000	50.00%
HOWARD MTG PURCHASE	1,250,000	500,000	40.00%
HOWARD HOME MTG PURCH	400,000	187,000	46.75%
HOWARD MULTI-FAMILY	430,000	220,000	51.16%
CONN NATL MULTI-FAMILY	80,000	55,173	68.97%
HOUSING DEVELOP BDS-MF	10,000	5,000	50.00%
DIRECT PLACEMENT BONDS	10,000	10,000	100.00%
	-----	-----	-----
TOTAL TRANSFERS	2,255,000	1,002,173	44.44%
	-----	-----	-----
TOTAL INC & TFRS	3,380,150	1,567,979	46.39%
EXPENSES			
ADVERTISING & PROMOTION	48,000	16,399	34.16%
AUDIT	26,500	24,500	92.45%
ANNUAL REPORT	15,000	5,761	38.41%
COMMISSIONERS EXPENSES	4,000	2,577	64.42%
CONSULTING FEES	84,700	18,685	22.06%
DUES & SUBSCRIPTIONS	30,000	13,445	44.82%
INSURANCE	145,530	65,892	45.28%
INTEREST EXPENSE	5,000	47,548	950.96%
LEGAL	40,000	25,062	62.66%
MISCELLANEOUS	7,000	5,707	81.53%
OFFICE EXPENSES	35,000	13,830	39.51%
PENSION PLAN	88,000	37,440	42.55%
POSTAGE	22,000	6,038	27.45%
RENT	90,000	42,801	47.56%
REPAIRS & MAINTENANCE	37,500	15,110	40.29%
SALARIES & WAGES	1,175,524	552,599	47.01%
STAFF TRAVEL & TRAINING	106,209	32,331	30.44%
SUBSIDY-HOUSING VT, ERH	303,000	260,995	86.14%
TAXES-PAYROLL	85,920	40,337	46.95%
TELEPHONE	36,000	16,388	45.52%
TRUSTEE & CREDIT FEES	240,000	118,823	49.51%
DEPRECIATION	80,000	35,512	44.39%
	-----	-----	-----
TOTAL EXPENSES	2,704,883	1,397,780	51.68%
	-----	-----	-----
SURPLUS (DEFICIT)	675,267	170,199	25.20%



VERMONT HOUSING FINANCE AGENCY

TO: Board of Commissioners  
FROM: Glenn A. Jarrett, General Counsel  
DATE: February 8, 1991  
RE: Legislation

While the 1991 Legislature has gotten under way, the overriding issues are, naturally, tax increases and budget cuts. Among the bills of interest to VHFA are the following:

H. 110

This bill would extend the property transfer tax to the transfer of property accomplished through the transfer of ownership of corporations, partnerships, and other legal entities. The money raised by the bill would be retained in the general fund. We are watching this bill because it could affect equity investments in affordable housing by banks that are acquired by other banks or by holding companies.

Status-Passed by Ways and Means Committee

H. 140

This bill, among other things, would require district environmental commissions and the Agency of Natural Resources to give priority in permitting to projects providing affordable housing and would require a portion of all new water and sewage capacity constructed with state funds to be allocated for affordable housing.

Recommendation - Support

H. 141

This is the rental housing code bill, resurrected from the last session. It would set up in the Department of Health a system of minimum housing standards with regional housing inspectors, require the registration of rental housing units, and provide for a rent abatement board that would adopt a list of violations that are "rent impairing" and adopt a schedule of rent abatements for rent impairing violations. The bill would appropriate \$250,000 from the general fund to the Housing and Conservation Trust Fund for the purpose "of making low income loans and grants to repair noncompliant rental units."



This bill will have difficulty because of the price tag, which is \$600,000 in addition to the \$250,000 mentioned above. It would also create 18 new positions. If passed, it might also require an amendment to the Housing and Conservation Board statute to permit the Board to make awards to private individuals for upgrading rental units.

**H. 142**

This bill, proposed by the Joint Housing Committee, would allow the state to sell state-owned land at less than fair market value for affordable housing projects and would require the state to inventory land owned by the state to determine its suitability for residential development.

**Recommendation - Support**

**H. 242**

This bill would include in the definition of land for purposes of land gains tax, the land and improvements of a mobile home park. The purpose of this bill is to have the land gains tax act as an anti-speculation tax for owners of mobile home parks, but I question whether the owner would merely pass the tax along to a purchaser.

**H. 259**

This bill would require that parties to construction contracts promptly pay all just invoices and a party withholding prompt payment pay interest, penalties and attorneys' fees, as appropriate.

Along with a companion bill, S. 51, in some cases this bill would supersede a construction contract entered into by the parties and might reduce the flexibility that owners have in dealing with disputes with contractors. It could affect the Agency in those multi-family projects where we finance the construction phase, as well as single family loans if we move into construction financing.

**Recommendation - Monitor the progress of these bills.**

**S. 82**

This bill would require the payment of interest on home loan escrow accounts for taxes and insurance and make the lender primarily responsible for the payment of escrow account charges.

The Vermont Bankers' Association is considering proposing an exception to the requirement of interest on escrow accounts for those loans where the loan-to-value ratio is 90% or greater. VHFA does not require escrow accounts, although some of our servicers do. We will monitor the bill to make sure that the lender is not made responsible for paying interest if the servicer requires the escrow.

**S. 83**

This bill proposes that banks remit interest earned on certain real estate pooled trust and escrow accounts to the Housing and Conservation Trust Fund.

This proposal would only apply to deposits not expected to earn a substantial (undefined) amount of interest. We do not know how much revenue the Trust Fund would realize from this proposal, but support the concept.

**Recommendation - Support**

**S. 85**

This bill would establish a state-funded rental assistance program administered by the Vermont State Housing Authority.

This is a repeat of S. 87 from last session, which died in committee. The problem is that the \$2,000,000 for this bill is, to say the least, difficult to find this year.

**S. 93**

This is the Common Interest Ownership Act that was discussed at an earlier Board meeting. It would replace Vermont's outdated condominium law and provide statutory standards for planned residential developments, but would exclude cooperatives established under the Cooperative Housing Law passed with VHFA's help in 1988.

Since this bill was just introduced, I have not yet had a chance to do a detailed summary, but will try to have one available at the board meeting.

**Recommendation- Support**

# WASHINGTON

John T. McEvoy, *Executive Director*

Barbara J. Thompson, *Director of Government Affairs*

January 25, 1991

## **HOUSE MRB LEGISLATION READY FOR INTRODUCTION, COSPONSORSHIP DRIVE INTENSIFIES IN SENATE**

On January 23, Representative Barbara Kennelly (D-CT), the new lead Mortgage Revenue Bond (MRB) sponsor in the House of Representatives, circulated a "Dear Colleague" letter to her Ways and Means Committee colleagues requesting that they join her in introducing legislation to permanently extend the MRB program. The letter was co-signed by former lead sponsor Representative Brian Donnelly (D-MA).

Representative Kennelly intends to introduce the House bill with a majority of the 36-member Ways and Means Committee as original cosponsors. In the last Congress, 23 Committee members cosponsored MRB extension legislation, and NCSHA is undertaking a serious effort to encourage the cosponsorship of at least a Committee majority prior to introduction of this year's bill.

The Senate MRB bill, S. 167, introduced by Senators Riegle and Chafee on January 14, now has 52 cosponsors, including an 11 member majority of the 20 member Senate Finance Committee. NCSHA and its member HFAs are now making a second round of contacts to those Senate offices that have not yet committed to cosponsorship.

Senators on the bill to date are Senators Adams (D-WA), Akaka (D-HI), Baucus (D-MT), Bond (R-MO), Bryan (D-NV), Burdick (D-ND), Cochran (R-MS), Cohen (R-ME), Conrad (D-ND), Cranston (D-CA), D'Amato (R-NY), Danforth (R-MO), Daschle (D-SD), Dixon (D-IL), Dodd (D-CT), Durenberger (R-MN), Ford (D-KY), Fowler (D-GA), Gore (D-TN), Gorton (R-WA), Graham (D-FL), Grassley (R-IA), Harkin (D-IA), Hollings (D-SC), Inouye (D-HI), Jeffords (R-VT), Johnston (D-LA), Kerry (D-MA), Kohl (D-WI), Lautenberg (D-NJ), Leahy (D-VT), Lieberman (D-CT), Levin (D-MI), McCain (R-AZ), McConnell (R-KY), Mitchell (D-ME), Moynihan (D-NY), Pell (D-RI), Pressler (R-SD), Pryor (D-AR), Reid (D-NV), Rudman (R-NH), Sanford (D-NC), Sarbanes (D-MD), Sasser (D-TN), Shelby (D-AL), Smith (R-NH), Stevens (R-AK), Symms (R-ID), and Thurmond (R-SC).

# Update



Senate Majority Leader George Mitchell (D-ME) and Senator John Danforth (R-MO), members of the Senate Finance Committee, will introduce legislation the week of January 28 to permanently extend the Low Income Housing Tax Credit (Tax Credit). The Senators circulated a "Dear Colleague" requesting original cosponsors on January 10. As of January 24, 50 Senators, including 11 members of the Finance Committee, have agreed to join Senators Mitchell and Danforth in introducing the bill. The Senators' action followed the introduction of a companion bill in the House (H.R. 413) on January 3 by Congressman Charlie Rangel (D-NY). The cosponsorship effort on Congressman Rangel's bill will be coordinated with the introduction of the MRB bill in the House.

Senators on the Tax Credit bill to date are Senators Adams (D-WA), Akaka (D-HI), Bond (R-MO), Bryan (D-NV), Burdick (D-ND), Chafee (R-RI), Cochran (R-MS), Cohen (R-ME), Conrad (D-ND), Cranston (D-CA), Daschle (D-SD), D'Amato (R-NY), Dixon (D-IL), Dodd (D-CT), Durenberger (R-MN), Ford (D-KY), Gore (D-TN), Glenn (D-OH), Gorton (R-WA), Graham (D-FL), Harkin (D-IA), Heinz (R-PA), Hollings (D-SC), Jeffords (R-VT), Johnston (D-LA), Kasten (R-WI), Kerry (D-MA), Kohl (D-WI), Lautenberg (D-NJ), Leahy (D-VT), Lieberman (D-CT), Levin (D-MI), McCain (R-AZ), McConnell (R-KY), Mikulski (D-MD), Moynihan (D-NY), Packwood (R-OR), Pell (D-RI), Pressler (R-SD), Pryor (D-AR), Reid (D-NV), Riegle (D-MI), Sanford (D-NC), Sarbanes (D-MD), Sasser (D-TN), Shelby (D-AL), Smith (R-NH), Stevens (R-AK), Symms (R-ID), and Warner (R-VA).

#### **RTC ESTIMATES FY 1991 FUNDING NEEDS, PROPOSES NEW AHP INITIATIVE**

Resolution Trust Corporation (RTC) Oversight Board Chairman Nicholas Brady, joined by the four other members of the Oversight Board, presented RTC's semi-annual report to the Senate Banking Committee on January 23. He informed the Committee that, based on its draft nine-month operating plan, RTC will need added loss funds of \$30 billion through FY 1991. The \$50 billion Congress authorized in August of 1989 is virtually spent.

He recommended that the Committee provide permanent financing for RTC instead of limiting itself to \$30 billion, in order to prevent the need for repeated congressional funding requests and potential delays in the cleanup process which could result in increased costs. RTC estimates the upper limit of the total cost of the savings and loan bailout at \$130 billion.

RTC estimates that \$250 to \$300 million has been lost because Congress did not approve new funding for RTC before adjourning in October. At that time funding legislation stalled in the House because House Banking Committee Chairman Gonzalez (D-TX) resented Brady's

refusal to appear before the Committee to request the funds. The funding request came in a letter from Brady to Gonzalez and Senate Banking Committee Chairman Riegle (D-MI) on October 10, just two weeks before the close of the Congressional session. Both Gonzalez and Riegle had been requesting an estimate of RTC funding needs for FY 1991 since July.

Chairman Brady testified that RTC Chairman Seidman has proposed a new program to sell RTC Affordable Housing Program (AHP) properties to eligible buyers in a no reserve auction and sealed bid process. Brady stated that the Oversight Board "supports in principle" this initiative and has requested more information from Seidman. RTC has previously indicated that AHP auctions would have a reserve price of 50 percent of the appraised value.

Brady reported that RTC had accepted contracts on 2,737 AHP properties by December 31, 1990, and that 1,507 of these had closed. The average sales price of single family homes was \$38,442 and of multifamily projects was \$936,000. Contracts have been accepted on nine multifamily projects to date. According to RTC, the average income of purchasers under the program is less than 80 percent of national median income.

#### **1991 LEGISLATIVE CONFERENCE UPDATE**

Only four weeks out, NCSHA's 1991 Legislative Conference is shaping up to be an impressive event. In addition to the speaker commitments announced in last week's *Washington Update*, lead MRB House sponsor Representative Barbara Kennelly (D-CT) has agreed to address the conference. Other speaker commitments include Representative Bob Traxler (D-MI), Chairman of the HUD Subcommittee of the House Appropriations Committee, and Senator Kit Bond (R-MO), a member of the Senate Banking and Budget Committees.

Please remember that the deadline to take advantage of discount hotel rates and conference registration fees is **FEBRUARY 4th**. For hotel reservations at the discount rate, please call the Hyatt at **202/737-1234**.

Because of some confusion with the Hyatt 1-800, please do not use the 1-800 number, but use the direct Hyatt Regency Washington number. You must mention you are attending the NCSHA Legislative Conference. The room block is not sold out, as some callers have been told. The reservation agents may confuse you with another group acronym, so it is best to spell out NCSHA. Questions should be directed to Lisa Brundage, NCSHA's Conference Coordinator.

# WASHINGTON

John T. McEvoy, *Executive Director*

Barbara J. Thompson, *Director of Government Affairs*

January 31, 1991

## **KENNELLY PURSUES WAYS AND MEANS COMMITTEE MRB SPONSORS, TAX CREDIT BILL INTRODUCED IN SENATE**

Lead House Mortgage Revenue Bond (MRB) sponsor Representative Barbara Kennelly (D-CT) is actively seeking original cosponsors of MRB legislation among her colleagues on the House Ways and Means Committee. As of January 31, ten Committee members have agreed to join her in introducing the bill, including Representatives Bunning (R-KY), Coyne (D-PA), Donnelly (D-MA), Downey (D-NY), Ford (D-TN), Guarini (D-NJ), Johnson (R-CT), Matsui (D-CA), Schulze (R-PA), and Vander Jagt (R-MI). Bunning is a new addition to the Committee, and Schulze, although a veteran member of Ways and Means, is cosponsoring for the first time.

Representative Kennelly circulated a "Dear Colleague" letter to Committee members on January 23 requesting that they join her in introducing legislation to permanently extend the MRB program. She wants to hold off introducing the bill until she has commitments from at least a 19-member majority of the 36-member Committee as original cosponsors. NCSHA and its member HFAs have thus far targeted those Committee members with a track record of MRB cosponsorship.

The Senate companion bill, S. 167, introduced by Senators Riegle (D-MI) and Chafee (R-RI) on January 14, has amassed 58 cosponsors, including an 11-member majority of the Finance Committee. NCSHA is working to match and hopefully top its record of 88 Senate MRB cosponsors in the last Congress. HFAs continue to contact those Senators who are not yet on board.

Senate Majority Leader George Mitchell (D-ME) and Senator John Danforth (R-MO), members of the Senate Finance Committee, introduced legislation on January 31 to permanently extend the Low Income Housing Tax Credit (Tax Credit). In addition to Senators Mitchell and Danforth, 61 Senators were on the bill as original sponsors. The Senators' action followed the introduction of a companion bill in the House, H.R. 413, on January 3 by Representative Charlie Rangel (D-NY). Representative Rangel circulated a "Dear Colleague" letter to House members on January 31, and to date, 25 House members have cosponsored, including two members of the Ways and Means Committee.

# Update

## **PRESIDENT BUSH OUTLINES NATIONAL PRIORITIES IN STATE OF THE UNION ADDRESS**

Domestic programs will receive new priority according to President Bush, as indicated by his State of the Union address delivered on January 29. Bush mentioned homeownership no less than four times, claiming that one of the achievements of his Administration is that it has "made homeownership possible for more Americans," and announced that he is proposing once again penalty-free withdrawals from IRA's for first-time homebuyers. He also mentioned his support for tenant ownership of public housing.

In what may be good news for the MRB and Tax Credit extensions, the President announced that he will seek a permanent research and development (R&D) tax credit. The R&D credit has been extended in the same package as MRBs and the Tax Credit for the last several years. The President also declared his intent to seek enterprise zone legislation, the creation of tax-free family savings accounts, and a reduced capital gains tax. His emphasis on tax legislation may help push a tax bill this year, to which extenders could be attached.

The President confirmed that he will be proposing extensive banking reform legislation this year, to ensure that banks "can continue to make job-creating loans for factories, businesses and homebuyers." He also announced a new proposal to create a \$15 billion block grant to states to run programs currently administered by the federal government. He did not specify what programs might be included. As a follow-up to the national address, the Administration will release their blueprint for the fiscal 1992 budget on February 4.

On January 30, Robert Reischauer, Director of the Congressional Budget Office, offered comments in front of the House Budget Committee regarding budget projections and policy for the upcoming fiscal year. CBO's report predicts significant changes in deficit figures resulting from more pessimistic economic assumptions as well as increased spending for the bank insurance fund. According to CBO estimates, the deficit will hit a record level of at least \$298 billion in fiscal 1991 and fall only slightly to \$284 billion in 1992. This estimate does not include spending for Operation Desert Storm. In an unusual reversal, CBO's figures are slightly more optimistic than the Office of Management and Budget (OMB) prediction of a fiscal 1991 deficit of \$318 billion.

Both OMB and HUD will hold briefings on February 4 to explain the programs and funding levels outlined in the budget proposal. An analysis of the proposed budget will appear in the next *Washington Update*.



VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: Board of Commissioners  
FROM: Glenn A. Jarrett, General Counsel *G.A.J.*  
DATE: February 14, 1991  
RE: S. 93 - Common Interest Ownership

This memorandum is a brief discussion of some of the shortcomings in Vermont's present condominium law and the features of S. 93, the common interest ownership bill.

Vermont's current condominium law was passed in 1968 and was derived from an Federal Housing Administration-sponsored bill based on the law of Puerto Rico. This first generation condominium law is outdated and fails to address some important issues in present day Vermont condominium practice. The current law creates broad guidelines for project documents and for the description of the legal and every-day relationship between parties rather than establishing more detailed provisions. The resulting problems include lengthy project documents that must be reviewed by lawyers and recorded in municipal land records at substantial cost, and project documents that fail to protect prospective purchasers and owners in some developments. Current law makes no provision for the expansion of condominium projects - essential under today's permitting, planning, and lending constraints. The law does not provide extensive consumer protection features or uniform rules for the management of homeowner associations. The law does not cover planned communities at all.

The proposed bill, S. 93, would cover all the shortcomings listed in the preceding paragraph. While it is a long bill, the degree of detail in the law would allow project documents to be kept short by citing the law. The law would also serve to reduce the increasing amount of litigation arising out of condominium management.

Most importantly for VHFA purposes, the bill would remove a great deal of uncertainty from the review of project documents. I often spend a great deal of time reviewing documents and negotiating with developers' lawyers over provisions that are not treated in current law. Passage of this bill would substantially reduce the amount of time the Agency spends reviewing condominium projects. I suggest the Board put the Agency on record in support of the bill, with minor modifications in the consumer protection and lender protection areas.



VERMONT HOUSING FINANCE AGENCY

March 18, 1991

Ms. Jean Gauthier  
Department of Administration  
Pavilion Office Building  
109 State Street  
Montpelier, VT 05602

Dear Ms. Gauthier:

The Vermont Housing Finance Agency will be having its regular monthly Board Meeting on Thursday, March 28, at 1:30 p.m., here at the office of Vermont Housing Finance Agency, One Burlington Square, Burlington, Vermont.

If you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in cursive script that reads "Barbara M. Parker".

Barbara M. Parker  
Executive Assistant



VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners  
FROM: Allan S. Hunt, Executive Director  
DATE: March 5, 1991  
RE: RESCHEDULING UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been rescheduled. The meeting will be held at 1:30 p.m. Thursday, March 28, here at the office of Vermont Housing Finance Agency, One Burlington Square, Burlington.

The agenda and board packet will be mailed to you March 21. Paul Ruse, Vice Chairman, will preside at this meeting due to the scheduled absence of the Chairman, Horace Shaw.

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Burlington March 28!



VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners  
FROM: Allan S. Hunt, <sup>Director</sup> Executive Director  
DATE: March 22, 1991  
RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held at 1:30 p.m. Thursday, March 28, here at the office of the Vermont Housing Finance Agency, One Burlington Square, Burlington.

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

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Burlington March 28!





VERMONT HOUSING FINANCE AGENCY

VHFA BOARD MEETING AGENDA

One Burlington Square  
Burlington, Vermont

Thursday, March 28, 1991 at 1:30 p.m.

1. Review and approval of minutes of February 14, 1991
2. Executive Director's Report [Hunt]
  - A. Dalton Drive Update/  
Developer Service Contract Approval [Hunt/Enclosure]
3. Operations
  - A. MOVE 1989B Update [Santerre/Encl.]
  - B. Single Family Mortgage Delinquency Update [Wilson/Enclosure]
4. Development
  - A. MOVE/EEM Alternative [Crady/Enclosure]
  - B. New Income and Purchase Price Limits  
For Single Family Homeownership [Markman/Encl.]
  - C. 1988B Options: Update [Crady]
  - D. White River Junction (Templeton) - HFI;  
Letter of Interest [Koppelkam/Encl.]
  - E. Barre (Highgate): Project Summary/Approval  
of Highgate Financing Resolution [Koppelkam/Encl.]
  - F. Nonprofit Single Family Mortgage  
Delivery Pilot [Pond/Enclosure]
5. Finance
  - A. 1989B Home Mortgage Purchase Program  
Amendment [Schoenbeck/Encl.]
  - B. Bank of Boston Financing [Schoenbeck]
6. Legal
  - A. Legislative Update [Jarrett]
  - B. Federally Taxable Bond Resolution and  
Resolution Authorizing Permanent  
Closing: Pine Meadow (Middlebury) [Jarrett/Enclosure]
7. Communications
  - A. 1991 Marketing Plan [Hope/Enclosure]
8. Other old or new business to come before the Board



VERMONT HOUSING FINANCE AGENCY

BOARD MINUTES  
Vermont Housing Finance Agency  
Office of the Commissioner of Banking and Insurance  
89 Main Street  
Montpelier, Vermont  
Thursday, February 14, 1991

PRESENT: Commissioners Shaw, Ruse, Hebard, McDougall, Rockford,  
Myette (via speakerphone)

Agency Staff: Mr. Hunt, Mr. Schoenbeck, Mr. Lothrop,  
Mr. Jarrett, Mrs. Parker, Ms. Hope, Ms. Crady,  
Ms. Pond, Mr. Koppelkam, Ms. Wadhams (Consultant)

Guests: Ms. Pearson (VHMGB); Mr. Richardson (Housing  
Vermont) Sarah Carpenter (Cathedral Square Corporation)

The meeting was called to order at 1:35 p.m.

Upon a motion duly made and seconded, the minutes of the  
December 13, 1990 meeting were unanimously accepted as written.

Mr. Koppelkam reviewed the "Commitment Letter to Whitney  
Hill Elderly Development/Williston Elders and Housing Vermont,  
Williston" as detailed in his memo of February 8, included in the  
Board packet. Ms. Carpenter discussed the site plans, building  
descriptions and design concepts. A 30-year pro forma showing a  
1.05 debt coverage ratio and proposed break even after eight  
years was distributed by Mr. Koppelkam. A brief discussion of  
environmental concerns and market rents was followed by a  
seconded motion to adopt the "Resolution Pertaining to Combined  
Letter of Intent and Commitment Letter re: Williston  
Elders/Whitney Hill" as attached to these minutes; this motion  
carried unanimously.

Next, Chairman Shaw recognized and introduced Mr. McDougall,  
who joins the Board *ex officio* as Secretary of the Agency of  
Development and Community Affairs.

The Executive Director's report was offered by Mr. Hunt, who  
reported that the Agency and Housing Vermont had received  
recognition in the "Exemplary State and Local Awards Program for  
1990," sponsored by the National Center for Public Productivity,  
Rutgers University. As one of 25 of the most significant

**VHFA BOARD MINUTES**  
**February 14, 1991**  
**Page 2 of 4**

applicants in a field of 400, a plaque was awarded to Mr. Hunt and Mr. Richardson at ceremonies held February 11 at the Rutgers campus in Newark, New Jersey.

Mr. Hunt further reported that a retreat for members of the senior staff was held February 6 and 7 with Jan Williams, the consultant hired by the Agency to advise on supervisory training and management techniques. Staff is encouraged by Ms. Williams view of a strong organizational foundation and structure; her guidance will focus on what are considered secondary issues, such as human resources, decision making and the roles of the Development and Operations departments.

According to Mr. Hunt, the search for a deputy director has yielded over 50 resumes, which include a number of strong candidates. The supervisory staff will be included in some phases of the interview process, which should be completed by late March.

The "Dalton Drive Update" was given by Mr. Hunt, who elaborated on the details in his memo dated February 8, included in the Board packet. Bank of Vermont and Bank of Boston have been approached and are considering a construction loan for the Dalton Drive project. The status of the developer, Preservation Investment, Ltd. (PIL) was discussed. Mr. Hunt has begun preliminary discussions with Housing Vermont (HVT) to determine its level of interest in acting as a non profit developer in lieu of using PIL as a developer in all aspects. There would still be a role for PIL in construction oversight and historic preservation, but there may be a need to have the marketing and administration of marketing efforts performed by HVT and the Agency, rather than PIL. Aggressive construction bids are anticipated. As a strong marketing interest has been identified in published articles and positive comments from the general public have been heard, focus groups are to be held at the Fort February 17. Mr. Hunt reminded the Board that the entire project has been complex and has required a sizeable amount of staff time, and recommended the formulation of a Board subcommittee to work with staff on the next steps required in the Dalton Drive rehabilitation. Mr. Schoenbeck reviewed the various financing structures being considered to cover approximately \$4 million of the projected total costs of \$7.2 million. Following a brief discussion, a motion was duly made, seconded and unanimously carried to adopt the "Resolution Pertaining to Financing for Dalton Drive" as attached to these minutes. A motion was made to adopt the "Resolution Pertaining to Conveyance of Easements for Dalton Drive Project" as attached to these minutes; after being seconded, the motion carried unanimously.

VHFA BOARD MINUTES  
February 14, 1991  
Page 3 of 4

Mr. Lothrop reviewed the status of the Mortgages for Vermonters (MOVE) program, as detailed in his report, included in the Board packet. Monthly updates of the chart depicting mortgage delinquencies have been added to this report. No Board action was necessary.

In other updates requiring no Board action, receipt of the following was acknowledged: the "Update on Status of Vermont Housing Ventures Loan Fund" as described in Ms. Kamens' February 7 memo; the "Low Income Housing Tax Credit Program 1990 Report" as detailed in the February 8 memo from Ms. Pond, and as further updated in the report distributed at the meeting.

Turning next to the "Move/Energy Efficient Mortgage Update" as explained in her memo of February 8, included in the Board packet, Ms. Crady advised the Board that staff has been reviewing and planning strategy for this program; finalization of the plan is expected by the end of February.

Ms. Crady then reviewed the "Options for Utilizing Remaining 1988B Funds" as preliminarily described in her memo of February 8, included in the Board packet, and as further detailed in her memo of February 14, distributed at the meeting. The Perpetually Affordable Housing Program has been renamed the "HOUSE" program (Homeownership Opportunities Utilizing Shared Equity). Approximately \$8 million is available in funds from the 1988B Single Family Mortgage Purchase Program, while \$5 million is available at 7.8 percent from the 1989A program, and another \$5 million is available at 7.7 percent from the 1989B program. A motion was then made, seconded and carried unanimously to authorize the Executive Director to work with staff to determine and implement the option which would best maximize the use of 1988B bond proceeds and avoid redeeming bonds; and to further allow the Executive Director to authorize one of the following options: (a) approve new income limits for 7.9 percent, 7.8 percent and 8.9 percent funds; or (b) approve a blend of an equal amount of 7.9 percent funds and 8.9 percent funds resulting in an interest rate of 8.4 percent at the same income and purchase price limits as for funds available under the 1989B program; or (c) approve a new purchase price limit for 8.9 percent new construction funds; or (d) approve the use of 7.9 percent and 7.8 percent funds for homes which do not have provisions for perpetual affordability.

The "General Fund Budget Update" was reviewed by Mr. Schoenbeck, as per his memo of February 8, included in the Board packet. No Board action was necessary.

**VHFA BOARD MINUTES**  
**February 14, 1991**  
**Page 4 of 4**

Mr. Jarrett reviewed the "Legislation" detailed in his memo of February 8, included in the Board packet; no Board action was taken. The Board was advised by Mr. Jarrett that the Preservation Agreement for Country Park Apartments as listed on the agenda would not be brought to the Board for discussion until staff has obtained further information from the developer. Mr. Jarrett also distributed his memo of February 14 regarding "S.93 - Common Interest Ownership;" there was a general expression of support by the Board, but no formal vote was taken.

In other business, a motion was made to ratify changes in the previously approved "Resolution Pertaining to Salmon Run Permanent Loan" to change the date the first payment is due from October 10, 1990 to February 10, 1991, thereby decreasing the number of mortgage payments from 353 to 348 months, and to increase the balloon payment amount from \$144,231.78 to \$244,412.28 due in 2020; this motion was seconded and unanimously carried.

The next meeting was scheduled for Thursday, March 28, in Burlington. Due to the scheduled absence of the Chairman, the Vice Chairman will preside at the March meeting. There being no further business and following a motion duly made and seconded, the meeting adjourned at 3:10 p.m.

Respectfully submitted,

*Allan S. Hunt*

Allan S. Hunt  
Secretary

RESOLUTION PERTAINING TO FINANCING FOR DALTON DRIVE PROJECT

WHEREAS, the Dalton Drive project has been the subject of previous Board Resolutions; and

WHEREAS, the Agency has a final payment due to the University of Vermont and State Agricultural College on February 25 for the purchase of the Dalton Drive property in the amount of \$1,000,000; and

WHEREAS, the project will have additional needs for financing for rehabilitation of the buildings in a total amount, including the payment due on February 25, not to exceed \$4,500,000; and

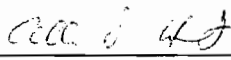
WHEREAS, Agency staff have had preliminary negotiations with area banks with respect to the financing; and

WHEREAS, the Board will not meet again before February 25;

NOW THEREFORE BE IT HEREBY RESOLVED:

1. The Executive Director and/or Director of Finance are authorized, after consultation with the Chairman and/or Vice Chairman, to negotiate with one or more banks or other sources of financing and execute any and all documents required for \$1,000,000 payment due the University of Vermont and State Agricultural College.
2. The Executive Director and/or Director of Finance are authorized to make preliminary arrangements, after consultation with the Chairman and/or Vice Chairman, for the issuance of bonds or notes of the Agency in an amount not to exceed \$4,500,000.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont on February 14, 1991.

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

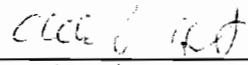
VERMONT HOUSING FINANCE AGENCY  
RESOLUTION PERTAINING TO CONVEYANCE OF EASEMENTS  
FOR DALTON DRIVE PROJECT  
FEBRUARY 14, 1991

WHEREAS, pursuant to the general plan for rehabilitation of the buildings on Dalton Drive, purchased by the Agency from University of Vermont and State Agricultural College, the Executive Director has executed and delivered or is about to deliver the following easements and rights of way:

1. Utility Right of Way Deed to Green Mountain Power Corporation and New England Telephone, dated October 2, 1990.
2. Deed of Easement for Pipelines in favor of Vermont Gas Systems, Inc., dated November 26, 1990.
3. Right of Way Deed (Essex Road) in favor of Town of Colchester for the benefit of the general public, dated October 30, 1990.
4. Quitclaim Deed in favor of Town of Colchester (this is a deed of dedication conveying a 64 foot right of way over Dalton Drive as it lies in the Town of Colchester), dated February 12, 1991.

RESOLVED, that the execution and delivery of the foregoing deeds by the executive director is hereby ratified and approved.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont on February 14, 1991.

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

RESOLUTION PERTAINING TO COMBINED  
LETTER OF INTENT AND COMMITMENT LETTER RE:  
WILLISTON ELDERS/WHITNEY HILL

WHEREAS, Housing Vermont and the non-profit corporation Williston Elder Housing have presented a proposal for construction of 44 units of rental housing in the town of Williston, Vermont (the "Williston Elders/Whitney Hill Development" or the "Development"); and

WHEREAS, the proposal contemplates that the Development will constitute a "qualified low-income housing project" within the meaning of section 42(g) of the Internal Revenue Code of 1986; and

WHEREAS, the proposed partnership between Housing Vermont and Williston Elder Housing (or their subsidiaries) will qualify as a housing sponsor within the meaning of the Vermont Housing Finance Agency Act (the "Act"); and

WHEREAS, the Housing and Conservation Board has approved a combined grant and deferred loan of \$370,000 for the Development; and

WHEREAS, the Agency has determined that the Williston Elders/Whitney Hill Development will assist in fulfilling the purposes of the Act;

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 maintain the supply of well-planned, well-designed permanent housing for persons and families of low and moderate income, and the sponsors are financially responsible persons or institutions.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a combined letter of intent and commitment (the "Commitment Letter") to provide a first mortgage for permanent financing in an amount to be determined by the Executive Director, but not to exceed \$1,400,000, for the Williston Elders/Whitney Hill Development.



2. The Commitment Letter shall be issued to Housing Vermont as a representative of the housing sponsor.
3. The commitment of the Agency shall be subject to receipt, on or before the date of the construction closing, of a commitment fee in an amount equal to one and a half percent (1.5%) of the principal amount of the mortgage loan.
4. The term of the mortgage loan shall be 20 years, the principal and interest payments may be calculated on a 25 year term and need not be fully amortizing, and the interest rate to be charged will be a graduated rate to be determined by the Executive Director.
5. The Commitment Letter shall require the Developer to demonstrate to the satisfaction of the Executive Director that a combination of equity funds, deferred loan funds, or below market interest rate funds are available in an amount at least equal to the difference between the total development cost as accepted by the Agency and the amount of the permanent financing commitment.
6. The Commitment Letter shall require the Developer, as a condition of the loan, to demonstrate to the Executive Director's satisfaction that provisions have been made to deal with any environmental concerns of the Agency that are on or adjacent to the site of the Development.
7. The Commitment Letter shall contain such other terms and conditions as the Executive Director shall deem necessary or appropriate, given the circumstances.
8. The Executive Director is authorized to make preliminary arrangements for the issuance and private placement of taxable bonds of the Agency to provide proceeds for financing this loan.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont on February 14, 1991.

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



VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners  
FROM: Allan S. Hunt, Executive Director  
DATE: March 21, 1991  
RE: DALTON DRIVE UPDATE

I am pleased to report that Dalton Drive is back on track. We have negotiated a new development services contract with Preservation Investments, Ltd. (PIL) that will be presented at the Board meeting. The highlights are as follows:

- > Towny Anderson will act as a consultant to VHFA, rather than a "developer." This will relieve some of the tension that seemed to occur throughout the process.
- > PIL will give up any residual interest in Buildings 600 and 504, as well as an up-side profit potential on the sale of the market units. In exchange, the agreement will provide an incentive bonus to PIL if the project is successful.

Under this new structure, VHFA will, by necessity, remain as owner throughout the development of this project. While this increases our liability to some extent, we believe the added control is well worth the extra risk! At the Board meeting, Frank Kochman will be presenting a resolution outlining "findings" that the Board needs to make so the project can proceed under this arrangement.

The enclosed is a summary of the focus groups held for Dalton Drive. I am very pleased with its content and believe it shows we will have a winner when we finally get going!

We are hopeful that bid packages will be going out soon to four or five pre-selected general contractors, with an estimated start date of May 1. An asbestos contract will be signed and implemented soon in order to remove the asbestos from the basements prior to commencement of work by the general contractor.

Finally, construction financing has been secured from the Bank of Boston/Bank of Vermont. Roger Schoenbeck will provide details at the Board meeting.

## SUMMARY OF FOCUS GROUP RESULTS

and

## MARKETING RECOMMENDATIONS

### Overall

**Message:** The proposed Dalton Drive product is perceived as unique among buyers of all income groups. This perception is rooted in the overall physical appearance of the site (e.g. open space, historical character of the buildings). The strength of the product causes buyers to overlook and/or be willing to accept some project attributes that would typically be turnoffs (e.g. single baths).

**Strategy:** Marketing should be aggressive and self-assured. It must emphasize the uniqueness of the product while making no excuses for its negatives. The rare opportunity to purchase such quality housing affordably should be the central theme.

### Pursuit of Homeownership

**Message:** The responses were of the expected variety; buyers primarily sought the financial benefits of ownership. Secondary goals were a drive to control their housing and maintain their privacy. None were motivated by urgent present circumstances (e.g. escalating rents, displacement, etc.); on the contrary, most viewed rental housing as abundant and affordable.

The present state of the economy would not deter buyers. In part this is rooted in the beliefs that (1) Vermont tends to weather downturns better than other areas of New England and (2) the end of the recession is near (within the next six months in the minds of several attendees). However, the key reason that these buyers have been recently active in the market is the fact that their jobs are secure.

Most participants viewed the present as a good time to buy, with softness in prices and declining interest rates providing additional incentives. Even with these favorable forces at work, however, most reported that prices are still too high. There was great frustration in the effort to get quality housing for a fair price; inexpensive housing, they stated, proves the adage that "you get what you pay for."

**Strategy:** The marketing effort would make a convincing argument for the investment wisdom of purchasing on Dalton Drive (applicable to all three financing tiers). The investment quality would be based on the size, historical nature, and durability of the units and on the uniqueness of the neighborhood. These strengths will bring a greater long-term return than any other similarly priced multi-unit opportunity in the county.

This investment return vs. price argument takes on added importance with the continued softening of county condominium prices and the increasing possibility that Dalton Drive price tags will pale by comparison. This trend should be closely monitored, if not explored directly, through tracking interviews of county-wide condo buyers under the VHFA mortgage program.

Similar vigilance should be directed to the county unemployment rate. Since the buying decision turns on job stability (given price affordability), a worsening of the employment picture will immediately translate to slowed sales. Local job stability must be a key element in determining the pace at which units are brought to the market (if such development flexibility exists at all).

### **Quality/General**

**Message:** There were no real surprises here and great similarity between groups.

Most of the sought-after attributes can be associated with the traditional image of homeownership: stability, low turnover, tranquillity, pride of ownership, good maintenance, and sense of community. A secondary grouping of positives was of a more practical nature: ready access to services, employment, and the interstate; quality of schools; safety; and private yards.

Negative aspects that would turn off these buyers were equally predictable. Most were described as associated with renters or landlords, including noise, high turnover, students, and lack of upkeep. Other negatives were site specific, including adjacent dilapidated buildings and/or messy yards, nearby industry or businesses, heavy vehicular traffic, and lack of parking.

The general standards buyers will use to measure the Dalton Drive product are traditional and predictable across income, family size, and economic variables. The proposed project contains more positive general neighborhood attributes than negative ones.

**Strategy:** The traditional neighborhood characteristics should be expressly showcased in marketing, reinforced graphically in selling literature, and emphasized through description of selected project design features.

#### **Dalton Drive: The Site**

**Message:** The overwhelmingly positive characteristic is the open parade ground. Buyers clearly see this as a 'front yard' that can never again be equalled for the price in the county.

The overall orientation of the site was a related and very positive secondary impression; characteristics enthusiastically mentioned were greenery and landscaping, winding drive, and classic historical buildings with open space between them.

Positive attributes of a practical nature include the excellent quality of Essex schools and good quality of Colchester schools and the proximity of the site to employment, public transportation, the interstate, downtown Burlington, and other services.

On the negative side, most notable were attributes normally seen as problems but not mentioned by participants. The proximity of Route 15 and Winchester Place posed no problems for buyers. Even after a recitation of abutting uses (student housing, businesses, industry) buyers expressed only passing concerns that these would have a negative impact on the neighborhood.

The nearby rental housing was a different matter; some buyers worried that the negatives associated with such housing could affect Dalton Drive. Some concern was also expressed regarding safety in the community. Buyers wanted road design or speed bumps to control vehicles and assurance of adequate police protection in the town-straddling site one participant described as a "no man's land."

There was a general impression that the Fort as a whole was a "mixed bag" of uses that over the years has been a "free for all."

**Strategy:** Careful design attention should be given to features that will insulate Dalton Drive from traffic and people influx from the outside (i.e. surrounding residents and drive-in parade ground users). These should be identified in marketing materials.

Similarly, arrangements should be in place to ensure town police protection and should be explained in a convincing fashion to purchasers (only if they ask).

The general impression of the Fort as a hodgepodge with a life of its own presents a marketing vulnerability. Reports of an unsettling nature during marketing (e.g. disruptions in student housing; new incoming industries or businesses; plans for active and open public use of the parade grounds) will negatively affect

buying decisions as purchasers will see their tranquillity and 'front yards' being threatened. Regular communication with the towns and regional authorities should prevent most publicity of this kind.

Market presentation of Dalton Drive's positive neighborhood aspects should run with the clear strengths of the package. Emphasis should be placed on the perpetually open nature of the parade ground and adequacy of the town maintenance agreements; the site amenities; the neighborhood sense of community that will evolve (use condominium documents to reinforce this); proximity to jobs and services; frequency of public transportation; and the self-contained, inward-looking design of the neighborhood (i.e., that it is separate from the rest of the Fort, though this is never expressly stated).

### Condominium Governance

**Message:** In general, the condominium form of ownership and control was well known and accepted by the buyer audience. Participants uniformly agreed that condominiums afford freedom from most maintenance and upkeep and are a proven successful means of assuring the safety and tranquillity of housing. In fact, there was a remarkably strong belief in the ability of a Dalton Drive condominium association to solve all problems among residents that might arise in the new neighborhood.

Buyers were wary, however, of condominium documents that contained rules that were senseless or too restrictive upon owners. There was also concern that condo fees would unreasonably escalate.

**Strategy:** No special marketing emphasis should attach to the Dalton Drive condominium arrangement. It should be offered in the manner of competing condo projects in the county.

Condominium documents should create procedures that will assure buyers that the collective efforts of residents will preserve neighborhood quality. Special acknowledgment in use rules should be given to buyers' concerns regarding sites and units (e.g. control of designated parking; private use of unmarked yard space around each building; use of shared entries; and subletting and lease-to-own tenants--i.e., preventing renter presence).

### Unit Exteriors

**Message:** There was instant recognition of the higher-quality workmanship and historical nature of the building exteriors. Buyers drew favorable comparisons to similarly priced condo offerings in the county. Except for the open parade ground, the exterior appearance is the strongest positive for buyers in

the project. Cited as unique were brick construction, slate roofs, porches, structural soundness, quality of materials, and spacing between buildings.

These positive attributes served to suppress what would normally be predicted as a negative reaction to certain other exterior characteristics. Even after specific probing, there was a willingness to accept the negatives in light of the overall exterior advantages. Negatives mentioned included lack of private yards; shared nature of porches; lack of enclosed or covered parking; possible confusion or enforcement difficulty concerning assigned proximate parking; and lack of garden space.

**Strategy:** As with the overall neighborhood, the tactic should be to run with the strength of the exteriors. Marketing materials should describe historical features of the exteriors and the quality and low-maintenance nature of the materials used. Graphics should show pleasing scenes of porch and yard use. A comparison to "ticky-tacky ten-cent" condos (one participant's words) can also be used effectively by implication in the marketing effort.

A clear vulnerability may be manifest as the fateful moment of purchase approaches. The sleeping negatives mentioned above (and below) concerning interiors will loom a bit larger and may deter some purchasers, particularly at the higher-priced end where a broader band of buyer choices exists. For this reason, a well-presented, relentless, and convincing case for the positive aspects of the building exteriors is necessary to offset eleventh-hour buyer slippage.

As mentioned above, the condominium documents should create procedures concerning parking, porch use, and yard use that will put buyers at ease.

### Unit Interiors

**Message:** There was immediate and strong transference of the historical appreciation of the exteriors to certain features of the interiors. These included spaciousness, woodwork, fireplaces, divided rooms, hallways, pantries, amount of incoming light, exposed brickwork, and built-ins.

These encouraging reactions were followed by a grouping of others that were even more remarkable. There was a suppression of negative reactions to interior elements that would normally serve as 'red flags' to buyers and often result in a decision not to buy. While mixed reactions were generated by a single bath and small bath sizes, no one flatly ruled out purchase for these reasons.

Some concerns were also expressed regarding the lack of closets and noise transmission from entries abutting bedrooms and children on upper floors. Neither approached deal-buster proportions. Retention of some kitchen and/or bath fixtures was acceptable in order to preserve affordability. Participants felt that problems surrounding shared entries were solvable by the condominium association.

Proposed basement bedrooms evoked the strongest negative reaction, with concerns generally rooted in its untraditional nature but expressed as fears of dampness, darkness, and difficulty of child supervision. Attic units, while seen as very desirable, were cited as dark and potential summer heat traps.

**Strategy:** Questioning focus group participants about a product that is not concretely available at the time in its finished form is a departure from sound practice. Asking individuals to envision a finished product invites the shaping of responses by hopes or aspirations rather than by the realities of construction. In this case, despite a detailed and painstaking explanation of what limited rehab entails, there is no assurance that the actual end product will appear to buyers as the focus group attendees envisioned it during their tour of the units.

It is safe to assume that certain overall positive reactions will withstand the test of the final product (e.g. spaciousness, historical features, pantries, etc.). Again, the tactic of running with project strengths applies.

Rehab should maximally preserve historical features. Skylights should be put in attics, budget permitting. The basement bedrooms should be redefined, if possible, as dens or family rooms. Options for additional storage should be defined in the marketing literature (e.g. use and dryness of basements; how to create secure space there and its cost; where closets can be created in units and for what cost).

Negative attributes that cannot be altered (e.g. single baths) should be justified in terms of keeping price low and maximum preservation of present historical appearance--in other words, as a tradeoff worth making for the high-quality, affordably-priced product. Be ready for these negatives; they will arise.

### **Affordability Issues**

**Message:** Overall reactions to project attributes designed to ensure affordability were comfortably positive.

"Selective rehabilitation" was surprisingly well received. The primary basis of acceptance was to preserve affordability. Considerable discussion also involved the ability to customize



units either by early commitment and work with the contractor or by self-help after purchase and closing. Those with sufficient funds will likely choose to pay more for a completed unit.

Dalton Drive prices, when compared by buyers to the prices of other condos they have viewed, appeared competitive in the one-bedroom and three-bedroom categories as of February 1991. Two-bedroom units were seen as priced at the high end of the acceptable price range, i.e. not as a great bargain. Some participants predicted that higher-income buyers might opt for a single-family detached home in the three-bedroom price bracket. Others warned that county-wide weakening in condo prices would make current base prices less attractive, notwithstanding the quality of the product.

Relief afforded from required downpayment cash by the limited equity approach was roundly accepted and fairly easily understood. Most would want a means to recapture the value of improvements made to the unit prior to equity sharing (recovering the cost of improvements was particularly relevant in light of the limited rehab approach).

The lease-to-own option was also widely accepted. But for some there was initial concern that the option would open the door to families of a renter mentality who had no real intention to buy. The threat of forfeiture of accrued downpayment cash satisfied all as a mechanism to weed out such families. Participants also wanted to see selection criteria for such families carefully applied to minimize the failure or turnover rate.

The mixed-income nature of the project posed no buyer problems. Some saw it as a clear strength. Others expressed faith in the condo association, homeownership instincts, and sense of neighborhood to make such a community work. A minority view predicted that upper-income buyers might have problems with the mixed-income nature of the project.

**Strategy:** County-wide condo prices need to be carefully tracked during the marketing period and favorable detailed comparisons drawn. Product quality and the investment wisdom of a Dalton Drive buy are the best counters to a buyer who is concerned about price. Some follow-up should be done on initial inquiries to find out whether price-based purchases are being made elsewhere in the county.

The mixed-income nature of the Dalton Drive community should never be overtly stated in marketing; rather, affordability for many families should be emphasized. Special financing features (e.g. limited equity and the lease-to-own option) should be explained only on an individual family basis.

Clear marketing vulnerabilities exist in two other key areas.

The first is in the all-important relationship between product and price (even assuming no further weakening of county-wide condo prices): the actual appearance of the limited rehab product may shock the buyer into reconsideration of the price tag. Second, buyer disappointment regarding work remaining on the interiors may invigorate reservations about sleeping negatives in the project (e.g. only one bathroom) which a buyer would otherwise have been willing to overlook.

There are several ways to mitigate negative buyer reaction to the final limited rehab product.

First, a model completed unit should be prepared to demonstrate how unique interior historical characteristics can be highlighted through careful rehabilitation, and thus demonstrate the higher resale value and great investment wisdom of buying at Dalton Drive.

Second, concise and clear information should be prepared regarding buyer options beyond the base price. These include customized contractor work for early buyers who respond to a special "get in early and shape your unit" initial marketing effort; and, for buyers surfacing in later development phases, a definitive pamphlet outlining upgrade options and their costs.

Finally, materials estimating the cost and self-help time of progressing beyond the limited rehab product should be prepared. These can be used to convince such purchasers that accomplishing a final product is feasible in terms of their family finances.



VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners  
FROM: Allan S. Hunt, Executive Director  
DATE: March 26, 1991  
RE: REVISED ROLE OF PRESERVATIONS INVESTMENTS, LTD.  
AND SUMMARY OF REVISED CONTRACT PROVISIONS FOR DALTON DRIVE

At the February Board meeting, we discussed the anticipated change in the relationship between VHFA and Preservation Investments, Limited (PIL). We have negotiated an amended contract with PIL to define and formalize their revised role. Our Development Services Contract with PIL specifies that any material changes in the scope of services or compensation of the developer must be approved by the VHFA Board.

1. Material Changes in scope of services.

PIL no longer has comprehensive responsibility for the entire project. Originally PIL was responsible for setting up Dalton Drive Neighborhood, Inc. (DDNI) which was to be the owner and official developer of the property, including the two commercial buildings. VHFA was going to be the construction lender and PIL was responsible for coordinating all outside financing for the project.

PIL's new role is essentially that of a consultant. It will no longer act independently of the Agency's direction. PIL will still be responsible for overall coordination of the project including construction supervision, marketing supervision, coordination of sales with construction, project scheduling, supervision of contracts, requisitions and monthly cost accounting reports. In addition, PIL will no longer be responsible for creating and implementing the plan for the commercial buildings.

VHFA will organize and control DDNI, the non-profit housing sponsor, and appoint the initial board of directors. VHFA will also be responsible for getting the required permits for the commercial buildings and for leasing or selling them.

2. Material changes in compensation.

The total maximum fee for services under the original Development Services Contract was \$148,077 with a payment schedule based on the achievement of specific milestones. PIL was also entitled to 33% of any surplus cash (profit) after all expenses were paid.

The revised contract increases the maximum fee to \$297,000 and eliminates the surplus cash incentive. However, in order to retain some financial incentive for PIL to aggressively implement construction and sales schedules, it was determined that a bonus not to exceed \$50,000 will be paid to PIL upon the Agency's good faith determination that the Developer's efforts have been material in producing a quality product within the Agency's cost expectations.

RECOMMENDED ACTION

Approval of the proposed "Resolution Pertaining to Amendment of Dalton Drive Development Contract and Participation in Dalton Drive Neighborhood, Inc." as attached.

PROPOSED

VERMONT HOUSING FINANCE AGENCY  
RESOLUTION PERTAINING TO AMENDMENT OF DALTON DRIVE DEVELOPMENT  
CONTRACT AND PARTICIPATION IN DALTON DRIVE NEIGHBORHOOD, INC.

WHEREAS, the Agency finds as follows:

1. The land and buildings located on Dalton Drive in Fort Ethan Allen, lying in both Colchester and Essex and known as "Officer's Row", was purchased by the Agency from the University of Vermont ("UVM") on July 19, 1990, with a view to disposition to a Vermont corporation to be known as Dalton Drive Neighborhood, Inc. ("DDNI"), and development as a "Mixed Use Development" primarily as ownership housing for persons and families of low and moderate income, substantially as set forth in a certain Contract for Development Services (the "Development Contract") between the Agency and Preservation Investments, Ltd. dated effective January 1, 1990, and in accordance with Chapter Four ("Loans for Mixed Use Developments") of the Agency's Rule of May 17, 1990 entitled "Grants, Loans and Advances to Assist the Planning, Construction, Rehabilitation, and Operation of Residential Housing; Mortgage Loans to Housing Sponsors for Single Family Developments" (the "Rule").

2. For a substantial period of time preceding the date of the Development Contract and the acquisition of Officer's Row, the Agency attempted to interest private developers in acquiring the property and undertaking or sharing the risks of development. Although several developers indicated interest in the construction aspect of the development on a contract basis, no developer was found who was willing to undertake capital risk with respect to the development as a whole.

3. As planned at the time of entering into the Development Contract and at the time of acquisition of Officer's Row from UVM, DDNI was expected to be an independent Vermont corporation owned by the principals of the developer, to which the Agency's relationship would be one of creditor-debtor.

4. In light of subsequent events, including substantial preliminary expenditures by the Agency, the economic recession in Vermont and nationally, and the weakening of the real estate market in particular, the difficulty and complexity of obtaining appropriate and mutually compatible permits from the Towns of Colchester and Essex as well as the District Environmental Commission, the Agency finds that, if DDNI remains independent, DDNI cannot qualify financially as a housing sponsor for the purpose of the findings required by the Rule, and that the likelihood of locating a willing independent developer who could so qualify has further diminished.

5. Further, in light of such subsequent events, the Agency finds that it is unrealistic to expect the Agency's contracting party to continue to provide services under the original terms of the Development Contract.

6. The Agency finds that ownership or control of DDNI by the Agency, or ownership of a newly formed Vermont non-profit corporation of the same name, organized for the purpose of taking title to and developing Officer's Row, is necessary and convenient to carry out and effectuate the purposes and provisions of the Vermont Housing Finance Agency Act, within the meaning of 10 V.S.A. §621.

RESOLVED:

1. The Development Contract may be amended to eliminate the ownership of the housing sponsor by the developer or its principals, to eliminate the developer's right of participation in any profits from the sale of units on Officer's Row, and to increase the maximum fees payable to the developer, all as set forth in the form of "Amended Contract for Development Services" presented to this meeting (the "Amended Contract"), and the executive director is authorized to execute the Amended Contract on behalf of the Agency.

2. The "housing sponsor" for purposes of the Amended Contract shall continue to be called Dalton Drive Neighborhood, Inc., but it shall be a Vermont non-profit corporation in which the Agency is the only member or the dominant member, such that the directors or trustees shall be appointees of the Agency. Designation of the initial board of directors of the housing sponsor is delegated to the executive director, provided that all or a majority of such directors shall be employees of the Agency.

STATISTICAL REPORT PROGRAM ID: 89B  
 UNDERWRITING DATABASE  
 LTV 0% TO 100%  
 Effective for 01/01/89 thru 03/21/91  
 Loan Status: CC,UC,O

Report: 1587

Total Number of Loans: 561  
 Total Loan Amount: \$36,784,635

EXISTING:	\$26,821,982	74.5%	418 Loans
NEW CONSTRUCTION:	\$9,962,653	25.4%	143 Loans
NEW DETACHED HOUSING:	\$8,688,971	87.2%	125 Loans
NEW CONDOMINIUM:	\$1,273,682	12.7%	18 Loans

Funds Remaining to be Reserved: \$1,923,987 4.4% 29 Loans (Est.)

Total Insured or Guaranteed Loans: 504  
 Loans Guaranteed by VHMGB: 496

	ACED =====	NON ACED =====	STATEWIDE =====
Avg. Purchase Price	\$69,446	\$77,958	\$72,647
Avg. Loan Amount	\$63,105	\$69,657	\$65,569
Avg. Borrower Income	\$27,526	\$27,919	\$27,674
Avg. Housing Debt-Income Ratio	27.0%	29.8%	28.0%
Avg. Total Debt	\$804.70	\$834.39	\$815.87
Avg. Total Debt-Income Ratio	35.1%	36.1%	35.5%
Total No. of Loans	350	211	561
% of Total Loan Amount	60.0%	40.0%	100.0%
First Time Homebuyers	83.7%	99.0%	89.4%
% Meeting Low Income Set Aside	36.2%	55.9%	43.6%

	Loans	% of Loans	\$ Amount	*Households	% of Hshlds	% DIFF
Addison	29	5.2%	\$1,915,345	5,000	5.7%	0.5-
Bennington	15	2.7%	\$1,004,537	6,300	7.2%	4.5-
Caledonia	52	9.3%	\$3,009,238	4,800	5.5%	3.8
Chittenden	134	23.8%	\$9,654,994	16,000	18.2%	5.6
Essex	7	1.2%	\$381,351	1,300	1.4%	0.2-
Franklin	75	13.4%	\$4,882,060	6,000	6.8%	6.6
Grand Isle	5	0.9%	\$326,130	900	1.0%	0.1-
Lamoille	31	5.5%	\$1,896,467	3,300	3.8%	1.7
Orange	18	3.2%	\$1,067,008	4,300	4.9%	1.7-
Orleans	37	6.6%	\$1,911,711	4,200	4.8%	1.8
Rutland	56	10.0%	\$3,887,221	10,000	11.4%	1.4-
Washington	51	9.1%	\$3,472,713	9,000	10.3%	1.2-
Windham	23	4.1%	\$1,579,142	7,100	8.1%	4.0-
Windsor	28	5.0%	\$1,796,718	9,600	11.0%	6.0-
TOTAL	561	100.0%	\$36,784,635	87,800	100.0%	

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

AS OF: 03/21/91

PAGE NO. 1

Vermont Housing Finance Agency  
 89B - \$43,450,000 MORTGAGE LOAN PURCHASE PROGRAM  
 Status Report (with percent of pool proceeds approved)

Rate : 8.700%

Date : 03/21/91

Report: 1130

PERSTATU

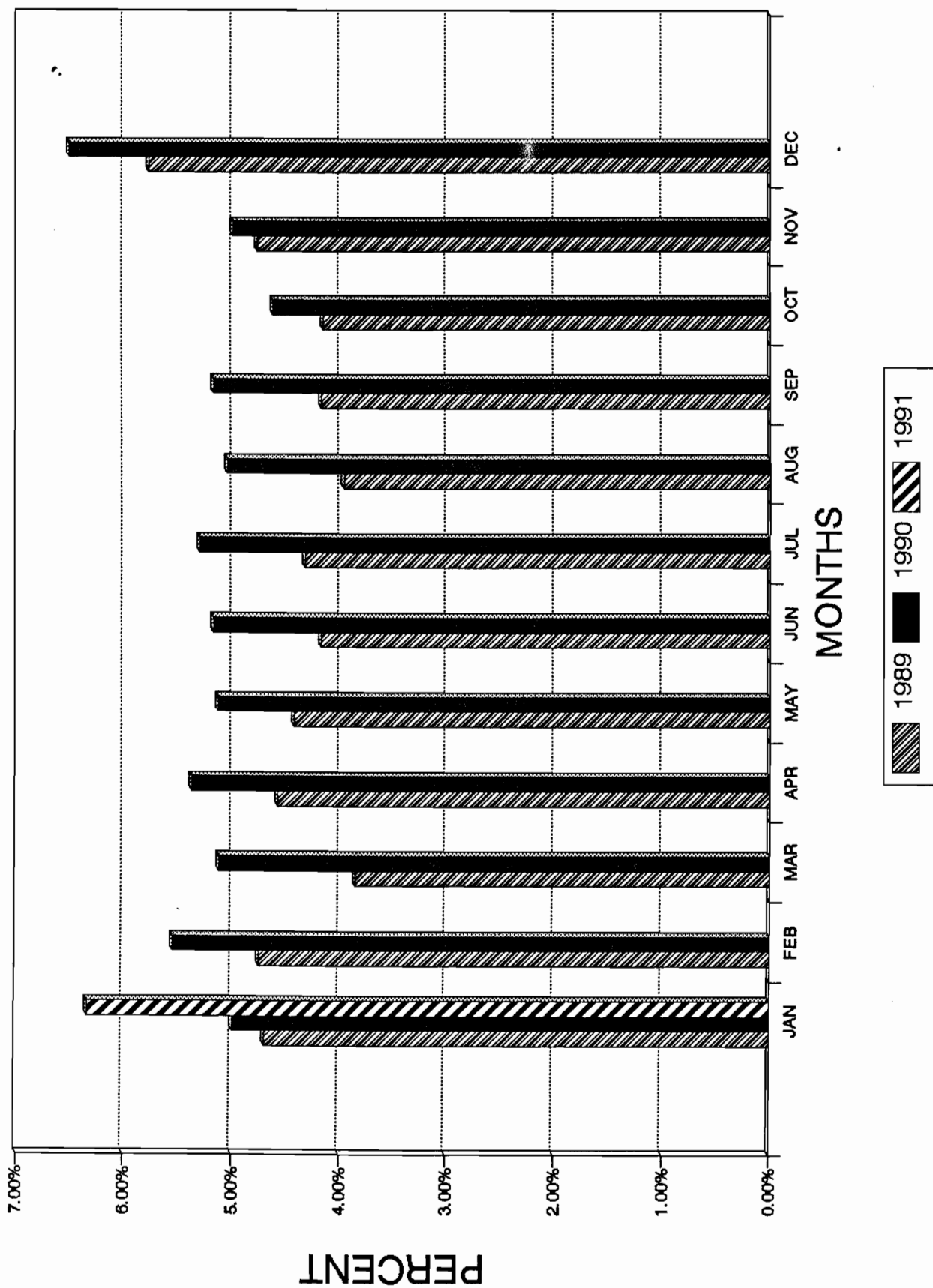
Lender	Funds Reserved	Percent Reserved	Prelim. Approval	% Prelim Approval	Loans Purchased	Loans to be Purchased	PERC	
Bank of Vermont	\$3,463,994	7.9%	\$3,106,913	7.1%	\$2,601,323	\$505,590	14.5%	
Bradford National Bank	\$185,938	0.4%	\$132,938	0.3%	\$132,938	\$0	0.0%	
Caledonia National Bank of Danville, The	\$554,884	1.2%	\$492,284	1.1%	\$359,988	\$132,296	23.8%	
Chittenden Trust Company	\$8,043,338	18.5%	\$7,550,418	17.3%	\$6,800,328	\$750,090	9.3%	
Citizens Savings Bank and Trust	\$424,705	0.9%	\$424,705	0.9%	\$424,705	\$0	0.0%	
Commonwealth Mortgage Company, Inc	\$375,402	0.8%	\$375,402	0.8%	\$375,402	\$0	0.0%	
Community National Bank	\$1,309,767	3.0%	\$1,179,267	2.7%	\$1,034,817	\$144,450	11.0%	
Factory Point National Bank, The	\$237,793	0.5%	\$167,334	0.3%	\$81,644	\$85,690	36.0%	
Franklin-Lamoille Bank	\$805,637	1.8%	\$735,637	1.6%	\$640,475	\$95,162	11.8%	
Granite Savings Bank and Trust Company	\$245,237	0.5%	\$175,237	0.4%	\$175,237	\$0	0.0%	
Howard Bank, National Assn, The	\$435,238	1.0%	\$435,238	1.0%	\$357,338	\$77,900	17.8%	
Lyndonville Savings Bank & Trust Company	\$700,164	1.6%	\$600,164	1.3%	\$472,864	\$127,300	18.1%	
Marble Bank	\$1,189,766	2.7%	\$1,107,166	2.5%	\$837,236	\$269,930	22.6%	
Merchants Bank, The	\$1,786,528	4.1%	\$1,701,973	3.9%	\$1,348,181	\$353,792	19.8%	
National Bank of Middlebury, The	\$225,300	0.5%	\$225,300	0.5%	\$185,300	\$40,000	17.7%	
New England IBM Employees Fed Crdt Union	\$789,655	1.8%	\$645,005	1.4%	\$592,805	\$52,200	6.6%	
Northfield Savings Bank	\$308,475	0.7%	\$262,875	0.6%	\$220,875	\$42,000	13.6%	
Passumpsic Savings Bank	\$1,409,512	3.2%	\$1,275,212	2.9%	\$1,160,052	\$115,160	8.1%	
Peoples Trust Company of St Albans	\$481,041	1.1%	\$397,916	0.9%	\$117,691	\$280,225	58.2%	
Proctor Bank	\$589,455	1.3%	\$419,155	0.9%	\$354,650	\$64,505	10.9%	
Randolph National Bank	\$384,805	0.8%	\$309,805	0.7%	\$309,805	\$0	0.0%	
Statewide Funding Corporation	\$2,071,048	4.7%	\$1,747,458	4.0%	\$863,467	\$883,991	42.6%	
Summit Financial Center, Inc.	\$315,780	0.7%	\$72,675	0.1%	\$0	\$72,675	23.0%	
Union Bank	\$1,587,870	3.6%	\$1,403,396	3.2%	\$1,186,038	\$217,358	13.6%	
Valley Bank	\$61,773	0.1%	\$61,773	0.1%	\$61,773	\$0	0.0%	
Vermont Federal Bank, FSB	\$6,635,025	15.2%	\$5,549,134	12.7%	\$4,653,734	\$895,400	13.4%	
Vermont Mortgage Group, Inc	\$1,790,114	4.1%	\$1,734,164	3.9%	\$1,476,214	\$257,950	14.4%	
Vermont National Bank	\$5,116,875	11.7%	\$4,709,775	10.8%	\$4,187,270	\$522,505	10.2%	
TOTALS	635 Loans	\$41,525,119	95.5%	\$36,998,319	85.1%	\$31,012,150	\$5,986,169	14.4%



VERMONT HOUSING FINANCE AGENCY  
SINGLE FAMILY DELINQUENCIES  
JANUARY 31, 1991

Banks	Outstanding										Grand			
	Loans	30 Days	60 Days	90+ Days	Total	Auth	FCL	REO	Total	Grand				
Bank of Vermont	379	9 2.37%	5 1.32%	3 0.79%	17 4.49%	0	0	0	17 4.49%	17 4.49%				
Bennington Coop Savings & Loan Assn Inc	74	0 0.00%	1 1.35%	0 0.00%	1 1.35%	0	0	0	1 1.35%	1 1.35%				
Bradford National Bank	62	0 0.00%	1 1.61%	0 0.00%	1 1.61%	0	0	0	1 1.61%	1 1.61%				
Caledonia National Bank of Danville, Th	146	3 2.05%	4 2.74%	2 1.37%	9 6.16%	0	0	2	11 7.53%	11 7.53%				
Chittenden Trust Company	1,064	54 5.08%	12 1.13%	4 0.38%	70 6.58%	0	0	0	70 6.58%	70 6.58%				
Citizens Savings Bank	7	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0	0	0	0 0.00%	0 0.00%				
Comfed Mortgage Co., Inc.	18	2 11.11%	0 0.00%	0 0.00%	2 11.11%	0	0	0	2 11.11%	2 11.11%				
Commonwealth Mortgage Company, Inc	26	1 3.85%	0 0.00%	0 0.00%	1 3.85%	0	0	0	1 3.85%	1 3.85%				
Community National Bank	135	3 2.22%	3 2.22%	1 0.74%	7 5.19%	0	2	1	10 7.41%	10 7.41%				
Factory Point National Bank, The	25	1 4.00%	0 0.00%	0 0.00%	1 4.00%	0	0	0	1 4.00%	1 4.00%				
First Brandon National Bank	8	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0	0	0	0 0.00%	0 0.00%				
First Northern Mortgage Corporation	9	1 11.11%	0 0.00%	0 0.00%	1 11.11%	0	0	0	1 11.11%	1 11.11%				
First Twin-state Bank	166	3 1.81%	0 0.00%	1 0.60%	4 2.41%	0	0	0	4 2.41%	4 2.41%				
First Vermont Bank and Trust Company	191	1 5.76%	6 3.14%	4 2.09%	21 10.99%	0	0	0	21 10.99%	21 10.99%				
Franklin-Lamoille Bank	220	8 3.64%	1 0.45%	0 0.00%	9 4.09%	0	0	1	10 4.55%	10 4.55%				
Granite Savings Bank and Trust Company	37	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0	0	0	0 0.00%	0 0.00%				
Green Mountain Bank	20	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0	0	0	0 0.00%	0 0.00%				
Howard Bank, National Assn, The	515	33 6.41%	18 3.50%	10 1.94%	61 11.84%	0	0	1	62 12.04%	62 12.04%				
Lomas & Nettleton Company, The	31	1 3.23%	0 0.00%	0 0.00%	1 3.23%	0	0	0	1 3.23%	1 3.23%				
Lyndonville Savings Bank & Trust Compan	49	2 4.08%	1 2.04%	1 2.04%	4 8.16%	0	0	0	4 8.16%	4 8.16%				
Marble Bank	233	12 5.15%	3 1.29%	1 0.43%	16 6.87%	0	0	0	16 6.87%	16 6.87%				
Merchants Bank, The	300	10 3.33%	4 1.33%	1 0.33%	15 5.00%	0	0	0	15 5.00%	15 5.00%				
National Bank of Middlebury, The	68	2 2.94%	0 0.00%	0 0.00%	2 2.94%	0	0	0	2 2.94%	2 2.94%				
New England IBM Employees Fed Crdt Unio	77	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0	0	0	0 0.00%	0 0.00%				
Northfield Savings Bank	148	12 8.11%	1 0.68%	0 0.00%	13 8.78%	0	0	0	13 8.78%	13 8.78%				
Passumpsic Savings Bank	170	3 1.76%	2 1.18%	5 2.94%	10 5.88%	0	1	0	11 6.47%	11 6.47%				
Peoples Trust Company of St Albans	181	1 6.08%	3 1.66%	1 0.55%	5 2.94%	0	0	0	5 2.94%	5 2.94%				
Proctor Bank	124	7 5.65%	1 0.81%	1 0.81%	9 7.26%	0	0	0	9 7.26%	9 7.26%				
Randolph National Bank	78	2 2.56%	1 1.28%	0 0.00%	3 3.85%	0	0	0	3 3.85%	3 3.85%				
Statewide Funding Corporation	31	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0	0	0	0 0.00%	0 0.00%				
Union Bank	151	3 1.99%	1 0.66%	0 0.00%	4 2.65%	0	0	1	5 3.31%	5 3.31%				
Valley Bank	21	1 4.76%	0 0.00%	0 0.00%	1 4.76%	0	0	0	1 4.76%	1 4.76%				
Vermont Federal Bank, FSB	926	36 3.89%	7 0.76%	13 1.40%	56 6.05%	0	2	0	58 6.26%	58 6.26%				
Vermont Mortgage Group, Inc	140	5 3.57%	2 1.43%	0 0.00%	7 5.00%	0	0	0	7 5.00%	7 5.00%				
Vermont National Bank	377	10 2.65%	2 0.53%	6 1.59%	18 4.77%	0	0	0	18 4.77%	18 4.77%				
Wells River Savings Bank	23	0 0.00%	1 4.35%	0 0.00%	1 4.35%	0	0	0	1 4.35%	1 4.35%				
Woodstock National Bank	14	1 7.14%	0 0.00%	0 0.00%	1 7.14%	0	0	0	1 7.14%	1 7.14%				
Overall Totals:	6,244	247 3.96%	80 1.28%	54 0.86%	381 6.10%	0	5	7	393 6.29%	393 6.29%				
DECEMBER 31, 1990	6,216	281 4.52%	70 1.13%	45 0.72%	396 6.37%	0	3	6	405 6.65%	405 6.65%				

# SINGLE FAMILY DELINQUENCIES





VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners  
FROM: Patricia A. Crady, Development Coordinator  
DATE: March 19, 1991  
RE: MOVE/EEM Alternative

*Pat Crady*

Last month we presented you with a recap of a meeting with the steering committee formed to assist in assessing the feasibility of a change to MOVE that would require every new and existing home financed by VHFA be an Energy Efficient Mortgage, and have a minimum energy efficiency rating of FOUR STARS. After further discussion by staff and the review of the recommendations of the steering committee, we have decided we will not recommend changes at this time to the energy efficiency standards for homes financed under MOVE.

Over the past several years, VHFA has undertaken a number of initiatives to simplify the process and to make MOVE financing easier for homebuyers to access. These include reaching out to potential homebuyers through Home Buyers Days; a toll-free information hotline for homebuyers; the addition of a field representative to work with real estate sales professionals and home builders; and the implementation of a comprehensive training program for lenders. Due to a change in federal law, we had to implement a change to MOVE to inform VHFA borrowers about a federal recapture tax effective with any mortgage closing after December 31, 1990. Based on our analysis, the majority of VHFA borrowers will not be affected by recapture, assuming average increases in income and purchase prices as seen over the past ten years in Vermont. However, this is a major change to MOVE, and after further thought, we hesitate to make another change at this time that might be regarded by the homebuyer as an additional hurdle. We are committed to revising this issue at such time when we feel the Energy Efficient Mortgage will be viewed by the homebuyer as an enhancement to MOVE.

We still feel that energy costs are an important component in determining whether a home is affordable, and we do not plan to abandon the use of an Energy Efficient Mortgage with VHFA financing. We would like to develop a financing option for home buyers separate from MOVE which would combine affordable, flexible, VHFA financing with the Energy Efficient Mortgage. While we still need to finalize many details before we can recommend a new financing program to the board, the VHFA Energy Efficient Mortgage

may have slightly higher income and purchase price limits than MOVE. Our goals with this program would be to increase homebuyer and lender awareness of the value of considering energy costs in the mortgage origination process and upgrading energy efficiency at the time of purchase when it's the most cost effective time to do so. The Energy Efficient Mortgage is also a powerful qualifying tool for financing of newly constructed homes and provides an ideal opportunity to work with builders to increase the housing stock in the state.

We plan to have more information for you in several months.



VERMONT HOUSING FINANCE AGENCY  
M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Patricia Crady, Development Coordinator *Pat Crady*  
Stacy Markman, Research Analyst *sm*

DATE: March 16, 1991

RE: New Income and Purchase Price Limits  
for Single Family Homeownership

Presented below are recommendations from the Program Group for new income and purchase price limits for four homeownership programs:

- Mortgages for Vermonters--MOVE,
- Mortgage Plus (Mortgage Credit Certificates),
- Home Ownership Using Shared Equity--HOUSE (formerly the Perpetually Affordable Housing Program), and
- Mobile Home Assistance Program.

Attachment 1 presents the estimated home purchasing power of recommended MOVE income limits, and the maximum income and purchase price limits allowable for all programs under 1991 federal regulations.

PROGRAM GROUP RECOMMENDATIONS

1) <u>MORTGAGES FOR VERMONTERS--MOVE</u>	<u>1-2 Person Households</u>	<u>3+ Person Households</u>
Recommended Income Limits	\$34,400	\$39,500
Current Income Limits	\$32,300	\$37,100

Recommended limits are set at 100% and 115% of 1991 state median income, the same basis used to determine current limits set using 1990 median incomes. Recommended limits represent a 6.5% increase over current limits. Limits would continue to be applied statewide.

	<u>Existing Homes</u>	<u>New Homes</u>
Recommended Purchase Price Limits	\$95,000	\$105,000
Current Purchase Price Limits	\$89,000	\$98,000

Recommended limits represent a 6.7% increase from current limits for Existing Homes, and a 7.1% increase for New Homes. Limits would continue to be applied statewide.

2) MORTGAGE PLUS

	<u>1-2 Person Households</u>	<u>3+ Person Households</u>
<u>Recommended Income Limits</u>		
Addison, Bennington & Grand Isle	\$34,400	\$39,500
Windsor	\$36,000	\$41,400
All Other Areas	\$39,300	\$45,100
<u>Current Limits</u>		
Addison, Bennington & Grand Isle	\$32,300	\$37,100
Windsor	\$33,000	\$38,000
All Other Areas	\$37,000	\$42,000

As applied to set current limits, recommended limits represent the maximums allowable for Addison, Bennington, Grand Isle and Windsor counties; limits for All Other Areas represent the maximum allowable using Chittenden County maximums as the lowest common denominator.

	<u>Existing Homes</u>	<u>New Homes</u>
Recommended Purchase Price Limits	\$97,000	\$110,000
Current Purchase Price Limits	\$89,000	\$105,000

Purchase price limits would continue to be set statewide.

3) HOME OWNERSHIP USING SHARED EQUITY--HOUSE

Recommended Income Limit	\$34,400
Current Income Limit	\$32,300

Income limit would continue to be set statewide at 100% of state median income, with no adjustment for family size. We recommend that HOUSE program funds continue to be targeted to households with incomes at 60% to 80% of median.

	<u>Existing</u>	<u>New</u>
Recommended Purchase Price Limits	\$95,000	\$105,000
Current Purchase Price Limits	\$89,000	\$98,000

Purchase price limits would continue to be the same as for MOVE.

4) MOBILE HOME ASSISTANCE PROGRAM

Recommended Income Limit	\$34,400
Current Income Limit	\$32,300

Income limit would continue to be set statewide, at 100% of state median. No purchase price limits are set for this program as assistance is for refinancing of mobile homes in eligible parks rather than for home purchase.

# ATTACHMENT 1

## 1) ESTIMATED HOME PURCHASING POWER OF RECOMMENDED MOVE INCOME LIMITS

		ESTIMATED PURCHASING POWER	
<u>Recommended MOVE Income Limits</u>		<u>@8.4% Rate</u>	<u>@8.7% Rate</u>
1-2 Person Households	\$34,400	\$ 98,700	\$ 96,400
3+ Person Households	\$39,500	\$113,700	\$111,100

## 2) MAXIMUM ALLOWABLE INCOME LIMITS

Maximum limits are based on HUD designations for 1) area and state median incomes for 1991 and 2) targeted and non-targeted areas.

1991 Vermont Median Income = \$34,400 (6.5% increase from 1990).

Maximum Income Limits = The allowable percent of the greater of state or area HUD median income. Allowable percents for Targeted and Non-Targeted Areas are as follows:

	<u>1-2 Person Households</u>	<u>3+ Person Households</u>
Targeted Areas	120%	140%
Non-Targeted Areas	100%	115%

<u>MAXIMUM INCOME LIMITS</u>			
	<u>1991 MEDIAN INCOME</u>	<u>1-2 Person Households</u>	<u>3+ Person Households</u>
* = Targeted Areas			
Addison	\$32,100	\$34,400	\$39,560
Bennington	\$34,100	\$34,400	\$39,560
Burlington MSA	\$41,400	\$41,400	\$47,610
* Caledonia	\$29,700	\$41,280	\$48,160
Chittenden (Non MSA)	\$39,300	\$39,300	\$45,195
* Essex	\$27,900	\$41,280	\$48,160
* Franklin	\$30,700	\$41,280	\$48,160
Grand Isle	\$27,600	\$34,400	\$39,560
* Lamoille	\$30,700	\$41,280	\$48,160
* Orange	\$28,200	\$41,280	\$48,160
* Orleans	\$27,900	\$41,280	\$48,160
* Rutland	\$34,500	\$41,280	\$48,160
* Washington	\$33,000	\$41,280	\$48,160
* Windham	\$33,400	\$41,280	\$48,160
Windsor	\$36,000	\$36,000	\$41,400

### 3) MAXIMUM ALLOWABLE PURCHASE PRICE LIMITS

The Internal Revenue Service has released new "Safe Harbor Limits" for 1991. Safe Harbor limits provide the basis for determining maximum allowable purchase price limits for targeted and non-targeted areas.

#### FEDERAL SAFE HARBOR LIMITS

	<u>New Homes</u>	<u>Existing Homes</u>
NON-MSA AREAS	\$128,400	\$110,100
BURLINGTON MSA*	N/A	\$113,500

\* Includes all towns within Chittenden County except Buels Gore, Bolton, Underhill and Westford, plus three towns outside of Chittenden: Georgia, Grand Isle and South Hero.

#### MAXIMUM PURCHASE PRICE LIMITS

	<u>New Homes</u>	<u>Existing Homes</u>
<u>BURLINGTON MSA</u> 90% of Safe Harbor Limits	\$115,560	\$102,150
<u>TARGETED COUNTIES</u> 110% of Safe Harbor Limits	\$141,240	\$121,110
<u>NON-TARGETED COUNTIES</u> 90% of Safe Harbor Limits	\$115,560	\$99,090





VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Mark Koppelkam, Multi-Family Development Underwriter

DATE: March 19, 1991

RE: White River Junction (Templeton) - HFI  
Letter of Interest

*Mark Koppelkam*

THE DEVELOPMENT

1. General Description

Attached is a Letter of Interest Resolution authorizing further Agency review of a proposal to loan \$1,473,000 in tax exempt financing to Vermont Housing Enterprises (VHEI) for the purchase and renovation of an existing 36 unit family development (Templeton Court Apartments) in White River Junction. The development was built under the HUD Section 23 program, and the rent subsidies provided as part of that program will be expiring this year. Thus the apartments are presumably at some risk of being converted to market rate rentals or condominiums.<sup>1</sup>

The sponsor is a new nonprofit being created by the Vermont State Housing Authority (VSHA). The sponsor's goal is to maintain these units as perpetually affordable to families making below 50% of median income. The sponsor has a signed purchase and sale agreement which expires June 1, 1991.

Total development costs are currently estimated at \$1,833,000, or \$52,371 per unit. This figure does not include any funds for a needed energy conversion, which would increase the per unit cost to about \$57,000. Actual and projected per unit costs at other VHFA financed developments are: St. Johnsbury (rehab) \$46,375; Northgate (rehab) \$58,540; Highgate (rehab) \$67,135; Pine Meadow (new construction, free land) \$72,000; Winchester (new construction) \$71,939.<sup>2</sup>

<sup>1</sup> The current owner has allegedly filed condominium conversion papers with the Village.

<sup>2</sup> The Northgate and Winchester per unit costs include an adjustment for capitalized land leases, which is done for comparison purposes only. The Northgate and Highgate costs do not include any adjustment for favorable seller financing.

The proposed acquisition price is \$44,000 per unit. This compares to less than \$29,400/unit for Northgate, \$26,525/unit for Highgate and \$20,600/unit for St. Johnsbury. We should note that the Templeton appraisal indicates that the seller purchased the property in 1984 for \$515,000. Thus the property has tripled in value in just seven years.

The Housing and Conservation Board is being asked to approve a \$360,000 deferred payment loan. A summary of sources and uses of funds, rents, operating expenses and financial projections is attached.

Also attached is a location map of the development.

## 2. Financial Projections

Project finances are heavily dependent upon the approval of 35 project based Section 8 certificates. (Note: The 36th unit is being rented to an on-site manager.) Verbal approval of the project based certificates has already been given. Despite 100% debt financing and high operating expenses (\$391 per unit per month, which result from the owner paying utility costs), the project has a 1.04 debt coverage ratio in year one.

Financing from the Vermont Housing and Conservation Board (VHCB) will be considered at their April 12th meeting. The terms requested include deferral of any VHCB payment until at least year 20. The balance of the VHCB loan at the end of year 20 is \$1,154,000 assuming a 6% interest rate.

The projected permanent sources of funds are:

	Amount	Percent
	=====	=====
Equity -	0	0.0
VHFA 1st Mortgage Loan	1,473,000	80.4
VHCB Deferred Payment Loan	360,000	19.6
	=====	=====
Total	\$1,833,000	100%

The sponsor has not pursued Low Income Housing Tax Credits (tax credits) as an alternative financing strategy because the buildings are not eligible for acquisition credits (because of a sale transaction in 1984), and the rehabilitation credits were not seen as worth the trouble and cost of syndication. VHFA's staff analysis is that tax credits may be a very desirable approach in that it would finance the energy conversion and provide anywhere from 10% to 20% equity. This analysis did not include the costs related to the syndication, however.

### 3. Unit Breakdown, Rents and Income Limits

The development has 8 two bedroom units, 11 three bedroom units and 16 four bedroom units. One other unit will be reserved for an on-site manager. The units are of modest size - 780, 1008 and 1,100 square feet for the respective unit types. Projected rents, to be covered via Section 8 certificates are \$637, \$796 and \$892 for each unit type, and include all utilities.

### 4. Site/Location

The development is located in a single family neighborhood in White River Junction (see attached location map).

### 5. Renovation Plan

The architect for the renovations is Gossens Bachman Architects of Montpelier. Engineering and energy analysis has been done by KLR Engineering, Chennette Engineer, Inc. and Energy Efficiency Associates.

The development has three wood frame buildings, two of which have basements. The buildings are 13 years old, and are served by Village water and sewer. The buildings and interiors are spare, and the planned renovations are meant only to correct basic building and site deficiencies. The five areas of deficiencies identified by the sponsor's consultants are:

- a) Run off from the shallow pitched, membrane covered roof has rotted the wood shingles, dormers and dormer windows as it runs down the building. It continues to travel down the walls to the foundation, there leaking into the basements and crawl spaces. In addition to replacing the rotted wood, the architects are suggesting the addition of new flashing and gutters.
- b) Due to the presence of ledge close to the surface and poor grading, some surface water drains into the basements. An engineer is recommending grading around each of the buildings, and in one case adding foundation drains. However, the ledge may make this problem very difficult to solve.
- c) The buildings have electric heat, and the windows and doors all need replacement to reduce heat loss.
- d) A structural support problem in the floor joists needs to be rectified.
- e) Miscellaneous improvements to the laundry area, adding a maintenance room, replacing play area equipment and adding some landscaping.

The proposed renovation plan assumes that all energy conversion work (i.e., replacing the electric heating with a central oil or propane system) will be separately funded by the utilities or a state program. These costs are not included in the financial projections.

#### 6. Appraisal

An appraisal was done for VSHA by Frank Bredice in June of 1990. His recommended value, based completely on market rate rents and costs, is \$1,550,000. This value is \$50,000 lower than an appraisal done one year earlier. The purchase and sale agreement is written for the appraised price. This equals 95% of VHFA's proposed loan.

The appraisal assumed that no major repairs were needed. The architect's and engineer's reports recommending substantial repairs were completed in January 1991. The Board may want to request a Review Appraisal to take into account these needed repairs and the update for current market conditions.

#### 7. Market Demand and Rent Levels

The property has a recent history of a 6% vacancy rate. However, under the Section 23 program there was little incentive to rent apartments. The sponsor argues that the project based Section 8 certificates also permit coverage of one month's rent when a tenant moves out, thus significantly reducing the effective vacancy loss. The financial projections assume a 6% vacancy rate.

#### 8. Management

The proposed management agent is VSHA. VSHA has managed this property for 20 years.

#### 9. Environmental Concerns

No environmental assessment has been done for the property. Asbestos is not a likely concern given the electric heat system.

### DISCUSSION

#### Strengths

The primary strengths of this development include:

- a) The past and present involvement of the VSHA, and their familiarity with the development from a management perspective.

- b) The availability of project based Section 8 certificates make the financial feasibility fairly safe, assuming that the VHCB approves a deferred payment loan.
- c) It is a pre-existing building, so there are current tenants and there is a history of market acceptance.
- d) The tenants may be at risk if no action is taken since their current Section 8 subsidies are expiring in June 1991.

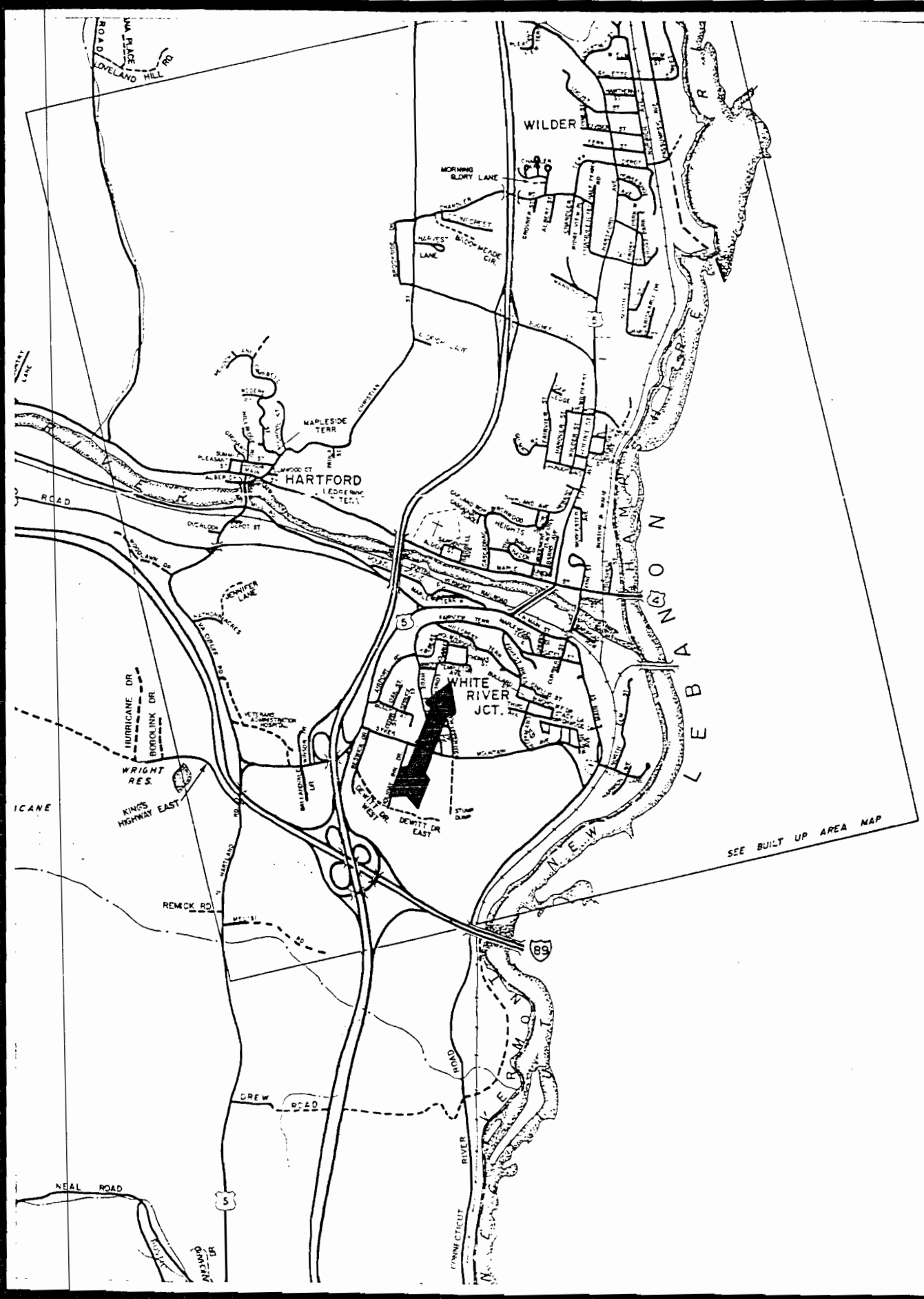
#### Weaknesses

The potential weaknesses of this development are:

- a) The acquisition price appears high and is a cause for concern. However, the purchase and sale agreement has been signed and the sponsor feels that the best possible deal has been struck. The sponsors also secured the appraisal from an appraiser in which VHFA has confidence.
- b) The federal laws governing the use of tax exempt financing require that at least 15% of building costs must be spent on renovation. We are getting bond counsel opinion regarding the exact definition of "building costs" as even at its most minimal this requirement may necessitate a larger renovation budget. Incorporation of the energy conversion will help, but the alternative may be use of taxable monies in conjunction with the tax credit program.
- c) The presence of ledge may prevent the necessary grading to adequately drain surface runoff away from the buildings. Thus this problem may never be fully solved. However, while important, it is not a critical structural problem.
- d) The proposed budget has only a 2.5% contingency (\$5,000), and working capital at one-half VHFA's standard requirement (40% of annual debt service). The contingency in particular is not sufficient for the type and magnitude of renovation. However no construction bids have been solicited yet, and these costs may be lower than budgeted, thus permitting a larger contingency. This line item may be increased.
- e) We should get assurances that the energy conversion work. (from electric to gas or propane heating) will be done. Since these will be Section 8's with utilities paid for by the owner, there may be little incentive for the sponsors to do this conversion at a later time.

RECOMMENDED ACTION

Staff recommends approval of the attached Resolution Pertaining to Letter of Interest for Templeton Courts Apartments authorizing the Executive Director to issue a Letter of Interest in an amount not to exceed \$1.5 million for a 36 unit family development located in White River Junction.



SEE BUILT UP AREA MAP

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INPUT DATA

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Project: Templeton/HFI RUN DATE: 3/12/91

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Total Units: 35 \*\*\*\*\*Assumptions\*\*\*\*\*

Restricted Units: 35 Income increase: 3.00%

Percent Restricted: 100.00% Expense increase: 4.00%

Avg Net Monthly Rent: 735 Appreciation: 2.50%

TDC 1,833,000 Vacancy Rate: 6.00%

Partner's Tax Rate: 34.00%

Depreciation Schedule: 27.5

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	Amount	% of TDC		
Equity 1	0	0.00%		
Equity 2	0	0.00%	Interest	Term
VHFA	1,473,000	80.36%	9.00%	30
HCTF	360,000	19.64%	6.00%	30 Deferred
Debt 3	0	0.00%	0.00%	0
=====				
	1,833,000			

Templeton/HFI USES 3/12/91

=====

	Budget	Per Unit	Per Sq.Ft.
Acquisition	1,550,000	44,286	44.38
Rehab	200,000	5,714	5.73
Appraisal	2,500	71	0.07
Contingency 2.50%	5,000	143	0.14
Arch/Engineering	5,000	143	0.14
Legal/Title	5,000	143	0.14
Permits/Fees	0	0	0.00
Taxes/Insurance	0	0	0.00
Closing	5,000	143	0.14
Construction Loan Fees	0	0	0.00
Permanent Loan Fee 22,095	20,000	571	0.57
VHFA Transaction Costs	0	0	0.00
Working Capital 56,890	30,500	871	0.87
Developer's Fee 0.55%	10,000	286	0.29
=====			
TOTAL DEVELOPMENT COST	1,833,000	52,371	52



	Year	1	2	3	4	5	6	7
Gross Possible Rent		328,272	338,120	348,264	358,712	369,473	380,557	391,974
Less Vacancies		(19,696)	(20,287)	(20,896)	(21,523)	(22,168)	(22,833)	(23,518)
Plus Other Income		3,000	3,090	3,183	3,278	3,377	3,478	3,582
Total Actual Income		311,576	320,923	330,551	340,467	350,681	361,202	372,038
Less Operating Exp.		164,280	170,851	177,685	184,793	192,184	199,872	207,867
Net Operating Income		147,296	150,072	152,865	155,675	158,497	161,330	164,171
Less VHFA Debt Service		(142,225)	(142,225)	(142,225)	(142,225)	(142,225)	(142,225)	(142,225)
Less HCTF Debt Service		0	0	0	0	0	0	0
Cash Flow		5,071	7,847	10,640	13,449	16,272	19,105	21,946
DCR		1.04	1.06	1.07	1.09	1.11	1.13	1.15

Templeton/HFI

## INCOME &amp; EXPENSE BUDGET

3/12/91

## INCOME

## RENTS

Restricted Units (See assumptions below)

	Bedrooms	Type	Sq. Feet	Number	Rent
2	2 Br	Flat	780	8	637
				0	
3	3 Br	Flat	1,008	11	796
				0	
4	4 Br	Flat	1,100	8	796
4	4 Br	Flat	1,100	8	892
Totals			34,928	35	328,272 (annual)

## Market Rate Units

	Bedrooms	Type	Sq. Feet	Number	Rent
1	1 Br	Flat		0	
1	1 Br	Townhouse		0	
2	2 Br	Flat	0	0	
2	2 Br	Townhouse		0	
3	3 Br	Flat	0	0	
3	3 Br	Townhouse		0	
Totals			0	0	0 (annual)

## All Units

Grand Totals	34,928	35	328,272
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Less Vacancy	(19,696)
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NET RENT	308,576
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## OTHER INCOME

Laundry	3,000
Parking	0
Interest Income	0
Other	0

Total Other Income	3,000
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TOTAL INCOME	311,576
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## EXPENSE BUDGET

	Annual	Per Unit Month
Administration	24,280	58
Utilities	61,500	146
Maintenance	36,000	86
Taxes	30,000	71
Insurance	2,500	6
Reserves	10,000	24
Total	164,280	391

**RESOLUTION PERTAINING TO LETTER OF INTEREST RE:  
TEMPLETON COURT APARTMENTS DEVELOPMENT**

WHEREAS, a proposal has been presented to the Agency by Vermont Housing Enterprises, Inc., a non-profit corporation recently formed by the Vermont State Housing Authority, involving the acquisition and rehabilitation of the Templeton Court Apartments, a 36 unit apartment development in White River Junction (the "Development"); and

WHEREAS, the proposal contemplates that the Development will constitute "residential rental housing" within the meaning of section 142(d) of the Internal Revenue Code of 1986; and

WHEREAS, a Vermont non-profit corporation, Vermont Housing Enterprises, Inc., 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;

It is hereby DETERMINED:

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

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

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

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

5. The sponsor is a financially responsible organization.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a letter of interest (the "Letter of Interest") to provide a first mortgage for acquisition and rehabilitation, in an amount to be determined by the Executive Director, but not to exceed \$1,500,000, for the Templeton Court Apartments Development. The Letter of

Interest shall be issued to Vermont Housing Enterprises, Inc.

2. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds from the issuance of new bonds or notes of the Agency and the satisfactory completion of such further requirements as the Agency may establish. The letter of interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, construction financing, or for other purposes with the consent of the Agency.
3. The Executive Director is authorized to make preliminary arrangements for the issuance and private placement or sale of tax-exempt or federally taxable bonds of the Agency to provide proceeds for financing this loan.



VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners *Mark Koppelkam*  
FROM: Mark Koppelkam, Multi-Family Development Underwriter  
DATE: March 19, 1991  
RE: Barre (Highgate): Project Summary and Approval of Highgate Financing Resolution

1. General Description

Highgate Apartments is an existing HUD family rental development located in Barre. The development consists of 120 units, and was built in 1970-71. It is one of the four "Gates" developments in Vermont, and is the second one whose purchase is being facilitated by VHFA for the benefit of the nonprofit sponsors and the residents.

The purpose of this acquisition is to protect current residents from displacement and to preserve Highgate as an affordable housing development for at least the next 30 years. 82% of the current tenants at Highgate have incomes below 50% of median income. It is likely the largest apartment complex in Vermont, housing such a large proportion of very low income families.

VHFA signed an initial purchase option with the present owners for all four Gates projects on May 1, 1989. Since that time the first Gates project, Northgate, has been acquired and renovated. The initial purchase option has been amended twice (December 22, 1989 and November 15, 1990), primarily to clarify timing issues relating to purchase of the three remaining Gates properties, including Highgate, and to slightly adjust the financing terms favorably to VHFA in the case of Highgate specifically. On March 1, the Executive Director sent VHFA's Notice of Exercise to purchase Highgate, with the outside closing date of April 30. (Although a number of issues were uncertain at that time, he sent the Notice then in order to preserve certain important rights of VHFA under the Option Agreement.) The sponsors would like to close earlier than April 30, if possible.

The most important factor to know about the purchase option is that the seller is providing substantial levels of seller financing which help to make the deal work. Thus, acquisition price per unit is not an entirely accurate way to gauge either the transaction cost or the seller's real benefit. The financing "wraps" the balance of the existing 1% interest HUD mortgage with

new debt representing the seller's profit. The downpayment due at closing is \$530,946. Both the old HUD debt and the new debt are represented in VHFA's tax-exempt "Wraparound Note" to the seller in the total principal amount of \$2,652,354.00.

Highgate was originally financed under a HUD mortgage which restricts prepayment until October 13, 1991. Both the sale and acquisition of the property are heavily regulated under the terms of the federal Preservation Act, which was enacted to attempt to preserve hundreds of expiring HUD financed multi-family rental properties nationwide. Acquisition, much needed renovation and continued operation of Highgate as an affordable housing complex is not possible without a large capital infusion (i.e., deferred payment, low interest loans) and long-term operating subsidies (Section 8 contracts). Procuring the operating and capital subsidies is just one facet of HUD's role in approving and financing this transaction.

Unfortunately, even the large HUD capital and operating subsidies available are not close to the total amounts of money necessary to make Highgate feasible. Large grants or deferred payment loans are also being secured from the Housing and Conservation Board, the Department of Housing and Community Affairs and Green Mountain Power. (The latter has specifically agreed to pay for the costs of converting the units from electric heat to propane.) Approximately 20% of Vermont's 1991 allocation of Federal Low Income Housing Tax Credits is also being applied to the Highgate transaction, which attracts the \$1.6 million in equity being raised.

## 2. The Sponsors

The two sponsors are Housing Vermont and Highgate Non-Profit Inc. Technically, for-profit affiliates of each organization will act as co-general partners in a limited partnership (Highgate Housing Limited Partnership). The limited partner will be one of Housing Vermont's equity funds. The investors in the equity fund will be corporations who derive their benefits over at least a 15 year period from the Low Income Housing Tax Credits and other non-cash tax benefits such as depreciation and interest expense write-offs. At this time the actual investors have not been identified.

At the end of the limited partnership's holding period the local non-profit has an option to purchase the property at a price equal to the outstanding mortgage balances (plus any shortfalls needed to make up the investors' projected minimum return). This technique has been a standard practice of Housing Vermont deals.

## 3. Building and Site Conditions/Renovation Plans

The general site layout at Highgate involves 16 two story wood frame buildings spread over a hilly 12 acre site. Each building contains 6-10 units. All of the one bedroom units are flats, all

the two and three bedroom units are townhouses. There is no community building. There is a management office and one bay garage connected to one of the residential buildings. There are 180 parking spaces on site. The site has municipal water and sewer.

The buildings are nearly identical to those at Northgate, and the level of renovation planned at Highgate is essentially the same. However, the site at Highgate is much more problematic, with the steep slope causing many surface water runoff problems. The surface water problem affects the buildings as well as the sidewalks and roads. These conditions are highlighted in the site conditions reports cited below, summaries of which are attached. These site conditions have increased the overall development costs to a considerable degree. It is for this reason that we are attaching additional information relating to the site.

Highgate's physical condition and renovation needs have been extensively documented. An initial physical needs assessment and rehabilitation plan was compiled in October 1988. More recently the sponsors hired Tom O'Brien of Northern Architects as the project architect to make a report on existing conditions (second revision issued August 1990), make detailed recommendations based on the current budget and to draw up bid documents (issued January 7, 1991). The engineering firm of Knight Engineering prepared a separate report (August 30, 1990) stating their recommendations. A cost estimator (R.J. Tucker, Consultants) was also hired to independently derive potential rehab costs. Tucker's report was completed January 1991.

A summary of O'Brien's report on existing conditions and the engineer's summary recommendations is attached, as well as a two page listing of a prioritized description compiled by the sponsors prior to the receipts of actual bids.

The actual bids were received on March 1, 1991. The primary construction contract has been tentatively awarded to Kessel Duff. The basic bid price (without alternates) is \$2,877,000. This price is in line with the sponsors' expectations, and substantially lower than that calculated by the independent cost estimator. The propane contract was bid separately, and a decision on that phase of the work has not yet been made, at the time of this memorandum.

An Act 250 permit has been secured for the renovation. The renovation plans are also being reviewed by the State Department of Labor and Industry.

#### 4. Financial Projections

Total development costs are currently estimated at \$7,756,000 or \$64,640 per unit. A summary of the most current sources and uses

of funds, operating expenses and financial projections is attached.

The projected permanent sources of funds at this time are:

	Amount =====	Percent =====
Equity - HV Equity Fund II	\$1,613,000	20.80
Green Mountain Power	613,000	7.90
City of Barre CDBG	17,500	.22
VHFA Mortgage Loan in Principal Amount of VHFA Wraparound Note to Seller	2,652,354	34.19
- HUD Existing Mortgage Portion	1,882,128	24.26
- New Money Portion	770,236	9.93
HCTB Deferred Payment Loan	950,000	12.25
HUD Flex	1,253,223	16.16
CDBG - State DCA	657,500	8.48
	=====	=====
Total	\$7,756,587	100.00

#### 5. Unit Breakdown, Rents and Income Limits

The unit breakdown is 24 1-bedroom units and 63 2-bedroom units and 33 3-bedroom apartments. Unit sizes are - 720 square feet for the 1 bedroom units, 1,000 square feet for the 2 bedroom units, and 1,200 square feet for the 3 bedroom units. Projected rents are shown on the attached financial summary. Seven of the units will be handicapped accessible, plus the management office. None of the units are handicapped accessible at present.

As required by the Federal Preservation Act, no tenant will initially pay more than 30% of their income toward rent and utilities, subject to rent increases for operating costs in future years which may vary that slightly. Highgate has 67 Section 8 rental subsidies in place and has requested and expects to receive an additional 46. Thus all but seven of the tenants will be covered by the Section 8 program. All of the subsidies are five year contracts. The development is being underwritten with the critical assumption that HUD will continue the Section 8 program for at least 30 years.

#### 6. Site/Location

Highgate is located off Highway 302, 3.5 miles north of downtown Barre. It is located high on a hill overlooking Barre, and is surrounded on three sides by a single family neighborhood. To the south is a working farm whose operation does not affect the development.



## 7. Market Demand and Rent Levels

At present there are 13 vacancies in the development. Management morale has no doubt been hampered by the anticipated change in owners. Based on the present tenant population all but two of the existing vacancies will be covered by Section 8 certificates, which should improve their marketability.

## 8. Management

The proposed management agent is Maloney Properties Inc, which is headquartered in Boston. Maloney was selected as a result of a careful RFP (Request for Proposal) process in which VHFA participated. Maloney is the property manager at Northgate, and VHFA's multi-family management staff has been quite pleased with their efforts there to date.

## 9. Environmental Concerns

Since Highgate is a relatively recently built existing apartment complex, environmental concerns are low. A preliminary environmental assessment was done in December 1990 which found no evidence of any environmental hazard, but recommended that testing be done for radon and lead paint. The tests are being done, but the results are not yet available.

## 10. Key Remaining Issues to Closing

- a) There is a critical legal obstacle raised by HUD's office of General Counsel having to do with VHFA's right to acquire the project, even if it is just for five minutes (after which time VHFA sells the development to the limited partnership). This double transaction was established to enable VHFA to provide tax exempt financing to the seller. This issue is being negotiated with HUD's office of General Counsel. Our advice from our counsel for the project is that HUD's position is clearly wrong under the law, although this does not assure that HUD will ultimately agree.
- b) At VHFA's request, the sponsors have agreed to fundamentally change their strategy for securing the necessary annual rent increase approvals from HUD. This change involves getting HUD's approval for initial Highgate Fair Market Rents at 120% of normal Barre area levels. 110% was the level requested as part of the sponsor's formal Plan of Action application to HUD. The issue relates to how the Section 8 program deals with changes to utility allowances in situations like this, where a conversion to a more economical energy source is occurring.

- c) Overall HUD approval of the Plan of Action, Transfer of Physical Assets (TPA), Flex Loan, Section 8 Housing Assistance Payment Contracts, use of the Low Income Housing Tax Credits, etc. is needed in a timely manner. Unless the sellers are willing to extend the closing date, VHFA loses the chance to cancel its liability on \$275,000 of premium notes (issued in connection with Northgate) if the transaction does not happen by April 30, 1991.
- d) Negotiations with equity investors have still not secured all equity needed.

## DISCUSSION

### Strengths

The primary strengths of this development include:

- a) Critical need to preserve these units as perpetually affordable in Barre.
- b) Strong leadership by Housing Vermont, and the involvement of Tom O'Brien. Both did a great job at Northgate and bring that directly related experience with them to Highgate. The involvement of Housing Vermont gives a good deal of comfort as to longterm management of the overall project and partnership.
- c) Highgate Nonprofit, Inc., the local nonprofit, has hired very capable representatives, and the pre-development work has proceeded very smoothly and professionally. Their linkage with the tenants will prove invaluable as the work begins.
- d) Resident participation has been strong in all aspects including planning, negotiations, and decision making points.

### Weaknesses

The potential weaknesses of this development are:

- a) The assumption that the Section 8 subsidies will continue to last over the next 30 years.
- b) The HUD requirement to keep collective tenant income levels at quite low levels means that Highgate will always be an income segregated development.
- c) The hilly site makes any development-wide improvement (e.g., sidewalk and road repair) costly.

## RECOMMENDED ACTION

Staff recommends approval of the attached Highgate Housing Resolution, authorizing the issuance of the Wraparound Promissory Note and further authorizing VHFA to complete the purchase, resell the property to Highgate Housing Limited Partnership, and make the mortgage loan.

## ATTACHMENTS

1. Sponsor's Prioritized Renovation List (1 page) **Attachment 1**
2. Northern Architects Summary of Findings (4 pages) **Attachment 2**
3. Knight Consulting Engineers Recommendations (2 pages) **Attachment 3**
4. Development budget and financial projections (6 pages) **Attachment 4**
5. Draft of Highgate Resolution (13 pages) **Attachment 5**

HIGHGATE APARTMENTS  
BARRE, VERMONT

HIGHGATE - Sponsors' Prioritized Renovation List  
(December 1990)

REHABILITATION BUDGET

SOURCES AND USES

DESCRIPTION	SCOPE #	FLEX #	VALUE	HUD FLEX	GMP	HUD/DISC	CDBG	OTHER
GFI protection	1	5	26,000	26,000				
Backflow preventers	2	8	5,000	5,000				
Attic draftstopping	3	9	40,500	40,500				
Attic ventilation	4	1	1,350	1,350				
Smoke detectors	5	5	16,000	16,000				
Basement wall repair	6	10	25,000	25,000				
Rear decks at apartments	7	11	13,500	13,500				
Handicap 1 BR & office	8	4	75,000	75,000				
Electric repairs	9	5	54,000	33,000				21,000
		SUB TOTAL	256,350	235,350				21,000
Storm/sanitary improve	10	6	169,000	169,000				
Heating systems	11		775,000		775,000			
		SUB TOTAL	944,000	169,000	775,000			
Siding	12	2	350,000	225,500				124,500
Doors & windows	13	3	243,500	243,500				
Insulate cant. floors	14	1	9,500	9,500				
Foundation insulation	15	1	9,500	9,500				
New roofs	16	1	187,500	187,500				
		SUB TOTAL	800,000	675,500				124,500
Site grading/front decks	17	11	198,000	198,000				
General site grading	18	12	81,000	43,500		37,500		
Road reconstruction	19	12	378,000	176,450				201,550
Walkway reconstruction	20	12	97,200	97,200				
Bathtub rehabilitation	21		13,000					13,000
Replace kitc/bath floors	22		32,400					32,400
Plumbing repairs	23	8	15,750					15,750
		SUB TOTAL	815,350	515,150		37,500		262,700
Fences/Retaining Wall	24		292,500			292,500		
Site lighting	25	7	70,000	50,000				20,000
Handicap acc at 2 BR	25		150,000					150,000
Playgrounds	26		67,500			67,500		
Laundryroom	27		9,000			9,000		
Exterior lights at units	28	7	15,000	15,000				
Landscaping	29		54,000			54,000		
Garbage disposal removal	30	8	11,000	11,000				
Pipe insulation	31		4,500					4,500
Electrical upgrade	32		13,500					13,500
Community space	33		58,500				40,054	18,446
Appliances	34		37,500			37,500		
		SUB TOTAL	783,000	76,000		460,500	40,054	206,446
		TOTAL	3,598,700	1,671,000	775,000	498,000	40,054	614,646
		TOT/SOURCES		3,598,700				

SUMMARY OF FINDINGS

This report contains the results of our examination of the existing conditions at the Highgate Apartment complex in Barre, Vermont. In general, the site and the buildings are in good condition considering their age and the materials and methods used to construct them. There are several serious conditions which have already caused physical damage to the units and which will only get worse in the future if left unattended to. There are also a number of conditions which present hazards to the residents of the apartments and to the general public. These conditions should also be corrected. Finally, there are a number of building and site "systems" that have reached or will reach their life expectancy and will need to be upgraded in order to continue to function properly.

MAJOR REHABILITATION ITEMS - Phase I:

The following is a list of items that should be addressed as part of any planned rehabilitation project at the site. These items are typically related to either correction of deteriorated/hazardous conditions or compliance with the State and Federal guidelines and codes designed to create safe living conditions for tenants.

1. Sitework:

1. Storm Drainage Improvements - including cleaning out existing lines, repairing the storm water outfall across Berlin Street, and resetting the elevations of the storm water inlets in the roads and some of the lawn areas.
2. Sanitary Sewer Improvements - including a complete scanning of the existing system, replacement/relaying of lines that have settled, and installation of manholes/cleanouts to make the system easier to clean and maintain.
3. Walkways - replace eroded pavement, create handicap accessible walks for the handicap units and office, install safety fences/guardrails along walks with sharp dropoffs to their sides, regrade some areas to prevent erosion, install retaining walls in selected locations.
4. Roadways - rebuild portions of the roads that have settled or become potholed over the years.
5. Site Stairs - rebuild deteriorated steps and install additional stairways in many locations to create safer paths for traversing the steep grades on the site.
6. Grading - Revise the grading immediately around the buildings to get surface water to flow away from the buildings and to remove soil from against the wood components of the building structures, install retaining walls.

2. Code Improvements:

1. Fire Prevention/Life Safety - correct deficiencies in the provision of fire rated walls and attic draftstopping in the units, correct deficiencies in the egress components of the units (particularly the rear decks/steps of the 2 and 3 bedroom units), upgrade the smoke detection system in each apartment.
2. Electrical Systems - provide ground fault protection in kitchens, baths, and laundry areas; upgrade the electric service panels in each unit.
3. Plumbing Systems - install backflow preventers on the building water mains, repair leaking pipes in areas affected by other work of this phase.
4. Heating and Ventilation - install exhaust ductwork for each exhaust fan (bathroom and kitchen) and dryer to ensure their exhaust air is carried directly to the outside air.
5. Handicap Access - provide 2 handicap accessible 1 bedroom apartments.

3. Building Improvements:

01. Water Damage in Basements - repair existing basement walls that have been damaged by water.
2. Water Damage at Front Entry Roofs of 2 and 3 Bedroom Units - remove existing roofing, trim, and the internal gutter; repair/replace framing and sheathing; install new roofing.
3. Water Damage at Foundations and First Floor Walls - replace damaged framing, sheathing, and siding in areas where site grading has directed water against the wood building structure.
4. New Heating Systems: Install new gas-fired hydronic heating systems in all of the units, remove the existing electric heat.

MAJOR REHABILITATION ITEMS - Phase II:

The following items represent work which Northern Architects and its consultants believe will need to be done within the next 3-7 years in order to maintain the buildings and property in a reasonable fashion. We believe that every effort should be made to secure the necessary financing to perform this work at the earliest possible moment, ideally at the same time that the above work is performed. The type of work included is typically site and building improvements including replacement of some entire systems. The longer the time period that passes before this work is done, the greater the risk that other building systems will become damaged or hazards develop.

1. Sitework:

1. Storm Drainage - add several additional inlets, clean out and line several drainage swales.
2. Sanitary Sewer - Install several manholes at pipe intersections.
3. Roadways and Walkways - rebuild the entire road and walkway system.
4. Landscaping - install windbreaks and privacy screening.
5. Site Lighting - Install parking area and interior site lighting

2. Building Improvements:

1. Windows - replace the existing windows
2. Siding - replace the existing wood siding, install an air barrier on the exterior of the buildings
3. Roofing - replace the existing roofing on the main roofs, extend the eaves to create wider overhangs, upgrade attic ventilation.
4. Doors - replace the front door/frame assembly, replace the rear door.
5. Insulation - upgrade insulation in the cantilevered floors, install foundation insulation, correct minor deficiencies in attic insulation
6. Bathtub Surrounds - replace deteriorated bathtub surrounds, repair leaks in bathtub plumbing. (not all units)
7. Framing/Sheathing Repairs - repair floor framing at rear entries damaged during lifespan of original rear decks, replace deteriorated wall/roof sheathing.
8. Bathroom Floor Repairs - repair deteriorated floors around toilets (not all units)

MINOR REHABILITATION ITEMS:

Northern Architects recommends that the following items be included in planning the rehabilitation of the Highgate Apartments. These items are not of absolute necessity in order to provide a safe environment on the site but rather they represent items that will improve the quality of the living experience at the site for the residents, reduce maintenance costs for the site, and address some of the ongoing maintenance programs that will need to be enacted at the site.

1. Sitework:

1. Landscaping - installation of additional landscaping for privacy, windbreaks, shade, and aesthetics.
2. Playgrounds - construction of play areas for toddlers, teenagers, and adults, install benches.
3. Parking - revision of the current parking plan to develop additional open space on the interior of the site for playgrounds and common space.
4. Retaining Walls - install retaining walls in the rear yards of the 2 and 3 bedroom units to create level backyards.
5. Fences - install fences to create private outdoor spaces associated with each unit.
6. Maintenance Garage - relocate the maintenance garage to a new location to free up the existing garage for community use.
7. Dumpsters - relocate and enclose the dumpsters, provide bins/dumpsters for recycling.

2. Building Improvements:

1. Community Building - modify the existing office/garage area to create a community building with a laundry.
2. Signage - install new unit numbers and site signage.
3. Bathroom/Kitchen Floors - replace the existing vinyl floors, repair subfloor as required.
4. Wood Floors - repair and then refinish the existing wood floors in all the units.
5. Kitchen Cabinets - repair/replace cabinetry that is deteriorated (probably not done in all units).
6. Electrical Repairs - replace worn light switches and receptacles, replace defective light fixtures, etc.
7. Plumbing Repairs - replace lavatory and kitchen sink faucets, replace worn toilets and lavatories, insulate piping.



REPORT - INVESTIGATION PHASE - MAJOR SITE IMPROVEMENTS  
HIGHGATE APARTMENTS - BARRE, VERMONT  
By: Knight Consulting Engineers, Inc.

### 3. IMPROVEMENTS

#### A. Roads and Parking

1. Reconstruct the two access roads, the perimeter road, and all parking areas. Work is to include the following:
  - grind and reclaim the existing pavement and part of the sub-base
  - remove the existing curbs
  - excavate for additional sub-base and install underdrain
  - install sub-base consisting of new sand and gravel, reclaimed gravel and reclaimed pavement
  - install new concrete curbs
  - install new pavement
2. The general configuration of the roads would be maintained though there would be minor realignment to accommodate modest changes in the parking configuration and to accommodate other site grading changes. Road width would be maintained at 20'. Curbs would be maintained in generally the same locations.
3. The road would be reshaped to improve drainage.

#### B. Sanitary Sewer

1. Clean and TV the system
2. Restore the frame and invert on 6 sanitary manholes
3. Install 2 new sanitary manholes
4. Install 23 new cleanouts
5. Repair broken sewer lines
6. Lower one existing manhole

#### C. Storm Sewer

1. Clean and TV the system
2. Replace 17 catch basins
3. Install 30 new catch basins
4. Install 11 new storm manholes
5. Install 750 lineal feet of new 12" storm drain

6. Repair damaged storm drains
7. Upgrade the storm drain outfall

D. Surface Drainage Swales

1. Install 2700 lineal feet of new grassed swale
2. Install 900 lineal feet of new stone-lined swale

E. Upgrade Foundation Drainage

1. Snake and flush all existing building perimeter footing drains.
2. Install new footing drain cleanouts -- 5 per building
3. Install new window well drains -- 18 per building

F. Curtain Drains

1. Install 1750 lineal feet of underdrain

Project:	HIGHGATE	Closing:	7	RUN DATE:	18-Mar-91
Total Units:	120	*****Assumptions*****			Yr 32
Restricted Units:	101	Income increase:		3.15%	4.50%
Percent Restricted:	84.17%	Expense increase:		4.50%	
Project Based Subsidies	67	Appreciation:		2.50%	
Section 8 Cert.s	0	Vacancy Rate:		5.00%	
Additional SB's needed	46	During Rehab in Yr 1:		12.00%	
		Partner's Tax Rate:		34.00%	
LIHTC Percentage/Acquis.	3.83%	Depreciation Schedule:		27.5	
LIHTC Percentage/Rehab	3.83%	Total Flex Appl:		1,670,964	
	0				
Total Development Cost	7,756,587	Gross Syn	1,614,733	1,733	(25,234)
1,284,000	Amount	% of TDC Net	1,574,768		Synd Exp
Equity	1,613,000	20.80%	16,147	1,598,585	39,965
Grants *	630,500	8.13%			
HUD Grant	0	0.00%			
HUD Existing	1,882,128	24.26%	1.00%	21	Bal as of 3/1/91
VHFA Owner	770,236	9.93%	8.10%	40	
VHFA Rehab	0	0.00%	10.00%	30	
Trust Fund	950,000	12.25%	3.00%	40	Deferred
HUD Flex	1,253,223	16.16%	1.00%	21	Deferred
Sponsor	0	0.00%	3.00%	40	Deferred
CDBG	657,500	8.48%	1.00%	40	Deferred
5,845,864					
Total	7,756,587				
* includes GMP Grant (\$613,000) and CDBG Admin (\$17,500)					

HIGHGATE	USES OF FUNDS		
			Per Unit
Cash to Owner at Sale		516,946	4,308
Wrap of HUD Note		1,882,128	15,684
Addl Wrap (Seller)		770,236	6,419
Base2 Option Ext		14,000	117
3,169,310	3,169,310		
Subtotal Purchase Price		3,183,310	26,528
Acq Tax Exemp	83.32%		30.77% Per Unit
Def Int on Seller/Yr	138,465		
			Per Unit
TPA Fee(.05% * orig mtg)		2,077	17
Rehabilitation(incl Bond 57540)		2,877,000	23,975
Propane Installation		95,000	792
Community Services Bldg + Soft Costs		0	0
Contingency	9.21%	273,600	2,280
Sft Cost Contgcy (3%)	22,972	0	0
Bond (1.5%)		0	0
Arch/Engineering (1)	212,798	213,000	1,775
A/E Project Insurance		27,000	225
Project Superv (12 mos)		35,000	292
Legal/Accounting		100,000	833
Title/Recording	5,042	8,000	67
Survey		2,500	21
Local Permits (Bldg)		565	5
State Permits	8,208	18,500	154
Consultants Costs		6,000	50
Development Costs (2)		224,606	1,872
Rehab Facil (3)		125,000	1,042
Tax/Insurance		28,000	233
VHFA Trans Costs		52,774	440
Property Transfer Tax		39,791	332
Permanent Loan Fee (4)	39,785	39,800	332
LIHTC Fee		1,500	13
Bridge Interest		30,000	250
Pre-Dev Interest		3,200	27
Start-Up Budget	0	45,000	375
Deficit Escrow (5)	44,702	44,800	373
Working Capital (6)	21,866	46,364	386
Syndication Expenses	39,965	40,000	333
Checking Acct		200	2
Dev Fee (HV & WHI)	111,901	194,000	1,617
0			
Subtotal Development Costs		4,573,276.89	44,762
Maintenance Reserve		0	0
TOTAL DEVELOPMENT COST		7,756,587	64,638

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NOTES TO DEVELOPMENT BUDGET

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(1) Arch/Engineering			
Engineering/Schematic	35,797.95		
Env Assessment	5,500.00		
Arch Drawings/Bids	88,000.00		
Constr Supervision	83,500.00		
	-----		
	212,797.95		
(2) Development Costs (1989-1991)			
		Thru Closing	Rehab Period
Director Salary/Fringe		29,540.80	32,200.00
Rehab Coord Salary/Fringe		49,079.41	
CVCAC Admin		4,505.00	
Rehab Assistant		720.00	
Rehab Supplies		650.00	
Tenant Organizer		2,000.00	
Rent (2 BR)		5,899.00	4,020.00
Phone		4,700.00	2,700.00
Utilities		2,030.00	1,200.00
Office Assistance		4,446.00	18,432.00
Office Equip/Xeroxing		8,297.30	1,900.00
Office Supplies/Postage		3,800.00	2,300.00
Travel (BTV)		2,500.00	3,000.00
Training		900.00	1,000.00
Travel (non-BTV)		1,500.00	3,160.00
Bookkeeping (7% by CVCAC)		1,500.00	4,100.00
Legal		0.00	2,000.00
Misc Costs		4,100.00	3,500.00 Fax, Adv, Ins
Audit		826.00	600.00 Insurance
CDBG Admin		17,500.00	
		-----	
		144,493.51	80,112.00

These ongoing costs are needed to foster the community nonprofit (Highgate Non-Profit, Inc.) and resident (Highgate Residents Association) involvement in the development planning and ownership structure, especially, rehabilitation and management oversight.

(3) Rehab Facilitation			
General Conditions Savings	25,650.00		
Dumpster rental/debris removal		13,000	
Resident waste/moving assistance		5,650	
Temporary relocation services		3,000	
Sitework/survey assistance		4,000	
Site Security Services	66,500.00		
Administration		35,823	
Safety Operations		29,177	
Security storage/breakage		1,000	
House sitting		500	
Tenant Liason/Access (1 yr)	32,850.00		
Rehab Facilitator		30,000	
Information distribution		1,500	
Printing/copying/supplies		1,350	
		-----	
		125,000.00	

These costs are needed to provide the necessary coordination between the contractor and residents to allow the rehabilitation to proceed in a timely manner. More importantly, these services will avoid excessive general conditions costs that the contractor would pass through if these services are not provided by the owner.

## EXPENSE BUDGET

Administration	
Management Fee	36,600.00
Manager Salary	27,000.00
Office Salaries	16,000.00
Admin. Emp. Benefits	6,480.00
Legal Expenses	5,000.00
Audit	
Bookkeeping/Accounting	6,000.00
Telephone/Answering Service	4,166.00
Office Expenses	3,700.00
Misc Admin	0.00
Advertising	1,200.00
Tenant Services	45,000.00
Total Admin	----- 151,146.00
Utilities	
Electricity	16,358.00
Water	15,000.00
Sewer	20,000.00
Total Utilities	----- 51,358.00
Operating/Maintenance	
Superintendent salary	26,400.00
Maintenance Salaries	43,048.00
Grounds Salary-Seasonal	2,880.00
Maint. Emp. Benefits	9,720.00
Janitorial Supplies	500.00
Janitorial Contract	1,486.00
Exterminating Contract	300.00
Garbage/Trash Removal	14,964.00
Grounds Supplies	3,500.00
Grounds Contract	3,700.00
Repairs Material	6,341.00
Repairs Contract	
Appliance Repair	1,000.00
Electrical Materials	3,000.00
Electrical Contract	4,800.00
Plumbing Materials	3,600.00
Plumbing Contract	1,628.00
Snow Removal	900.00
Decorating Contract	18,000.00
Decorating Supplies	4,906.00
Vehicle/Maint/gas/lease	8,494.00
Maintenance Equip/Rental	2,000.00
Gas, Oil and Grease	0.00
Misc	0.00
Total Operating/Maintenance Expenses	----- 161,167.00
Taxes/Insurance	
Real Estate Taxes	102,900.00
Payroll Taxes	9,993.00
Property/Liability Insurance	14,823.00
Fidelity Bond Insurance	612.00
Workmen's Compensation	6,645.00
Health Insurance/Other Benefits	1,376.00
Vehicle Insurance	1,100.00
Other Insurance	0.00
Total Taxes/Insurance	----- 137,449.00
Total Operating Expenses	501,120.00

CURRENT TENANTS  
 50X  
 Low 1 (50-60%)  
 Low 2 (60-70%)  
 Low 3 (70-80%)  
 Moderate (>80%)

POA Util  
 Change in  
 Yr 2 & 3

Year	3/91-12/91	1/92-12/92	1/93-12/93	1/94-12/94	5	6	7	8
Total Curr Ten Income	508	731,096	733,493	735,889	738,286	0	0	0
Three month delay	3/91-5/91	119,160	14,299	12%				
Sec 8 + Non sec 8	6/91-12/91	365,548	43,866	12%				
	1/92-6/92	0	0	5%				

Year	3/91-12/91	1/92-12/92	1/93-12/93	1/94-12/94	0	0	0	0
S8 up to 80X								
Gross Potential Income	119,160	484,708	733,493	735,889	738,286	738,286	738,286	738,286
Less Vacancies	365,548	(58,165)	(36,675)	(36,794)	(36,914)	(36,914)	(36,914)	(36,914)
Less Internal Subsidy	0	0	0	0	0	0	0	0
Plus Other Income	0	3,113	4,150	4,150	4,150	4,150	4,150	4,150
Total Actual Income	0	429,656	700,968	703,245	705,522	705,522	705,522	705,522
Less Operating Exp.	348	375,840	501,120	501,120	501,120	501,120	501,120	501,120
Net Operating Income		53,816	199,848	202,125	204,402	204,402	204,402	204,402
DEBT SERVICE								
YEAR								
HUD	1	56,646	75,518	75,506	75,493	75,479	75,463	75,446
VHFA/OWNER	2	42,220	62,732	64,878	64,878	64,878	64,878	64,878
VHFA REHAB	0	0	0	0	0	0	0	0
HUD FLEX (& REFINANCE)	0	0	0	0	0	0	0	0
VHCB	0	0	0	0	0	0	0	0
CD8C	0	0	0	0	0	0	0	0
TOTAL DEBT SERVICE		98,866	138,250	140,384	140,371	140,357	140,341	140,325
RESERVE		26,250	35,000	35,000	35,000	35,000	35,000	35,000
TOTAL DEBT SERVICE & RESERVES		125,116	173,250	175,384	175,371	175,357	175,341	175,325
Cash flow		74,866	26,599	26,741	29,031	29,045	29,060	29,077
Deficit/escrow		44,702	0	0	0	0	0	0
Working Cap		21,866	0	0	0	0	0	0
Net Cash flow		3,565	26,599	26,741	29,031	29,045	29,060	29,077
Flex Refinance in Yr 21		882,108						







P&D Draft 3/19/91

VERMONT HOUSING FINANCE AGENCY

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HIGHGATE HOUSING

RESOLUTION

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Adopted March 28, 1991

RESOLUTION OF THE VERMONT HOUSING FINANCE AGENCY  
AUTHORIZING THE ISSUANCE OF ITS HIGHGATE HOUSING  
WRAPAROUND PROMISSORY NOTE.

Be It Resolved by the Vermont Housing Finance Agency and the  
Commissioners thereof as follows:

ARTICLE I

DETERMINATIONS, DEFINITIONS AND AUTHORITY

SECTION 101. Short Title. This resolution shall be and is  
hereinafter referred to as the "Highgate Housing Resolution" or  
the "Resolution".

SECTION 102. Authority For Resolution. This Highgate  
Housing Resolution is adopted pursuant to the Act and in  
accordance with the provisions thereof.

SECTION 103. Definitions. All capitalized, undefined  
terms used in this Resolution shall have the meanings assigned to  
such terms in Section A(3) of the Option Agreement (as  
hereinafter defined) and in Article Two of the Purchase Agreement  
(as hereinafter defined). In addition, the following words and  
phrases shall have the following meanings:

"Act" means the Vermont Housing Finance Agency Act, being  
No. 260 of the Vermont Acts of 1973, Adjourned Session, as  
amended to the date of adoption of this Resolution;

"Agency" means the Vermont Housing Finance Agency, a body  
politic and corporate organized under the Act or any  
instrumentality of the State which shall hereafter succeed to its  
powers;

"Authorized Officer" means the Chairman, Vice Chairman,  
Treasurer, Executive Director and Secretary, Director of Finance  
and any other person authorized by resolution of the Agency to  
act as an Authorized Officer hereunder;

"Code" means the Internal Revenue Code of 1986, as amended  
from time to time, and the applicable Treasury Regulations  
promulgated thereunder or under the Internal Revenue Code of  
1954, as amended, to the extent applicable to the Note;

"Commitment Agreement" means the Commitment Letter and  
Intent to Finance from the Agency to the Developer substantially  
in the form attached to the Purchase Agreement;

"Developer" means Highgate Housing Limited Partnership, a Vermont limited partnership, the general partners of which are Highgate Housing, Inc. and H.V. Highgate, Inc.;

"Development" means the acquisition and rehabilitation of the Property;

"Development Documents" means the Commitment Agreement, the Option Agreement, the Purchase Agreement, the Regulatory Agreement and the note and mortgage evidencing the Mortgage Loan;

"Escrow Agent" means The Howard Bank, N.A., Burlington, Vermont, and any successor thereto as Escrow Agent hereunder;

"General Fund" means the fund so designated which was established and created by a resolution of the Agency adopted September 26, 1974 as such resolution may from time to time be amended;

The terms "herein", "hereunder", "hereby", "hereto", "hereof", and any similar terms, refer to this Resolution; the terms "heretofore" means before the date of adoption of this Resolution; and the term "hereafter" means after the date of adoption of this Resolution;

"Mortgage Loan" means the Mortgage Loan described in the Commitment Agreement;

"Note" means the Vermont Housing Finance Agency Wraparound Promissory Note (Highgate Series) authorized and outstanding under Article II hereof;

"Officer's Certificate" means a certificate signed by an Authorized Officer;

"Option Agreement" means the Agreement effective as of May 1, 1989 by and among the Agency, Donald Tarinelli, as Agent, and Highgate Associates Limited, Greenfield Associates Limited, Westgate Associates Limited, Applegate Associates Limited and Highgate Associates Limited as amended by the Option Agreement Amendments;

"Option Agreement Amendments" means Amendment No. 1 to the Option Agreement dated as of December 22, 1989 and Special Amendment with respect to Highgate dated November 15, 1990, each by and among the parties to the Option Agreement, and any other amendments to the Option Agreement executed and delivered by the Agency under authorization of this Resolution or any other resolution of the Agency;

"Owner" or "owners" or "noteowner", when used in reference to the Note means the registered owner of the Note;

"Permitted Investments" means any securities, obligations, deposits, investment agreements, repurchase agreements or other investments which at the time made and at all times held are legal investments for the investment of moneys of the Agency;

"Prepayment" means (i) any moneys received or recovered from any payment of principal on the Mortgage Loan prior to the scheduled payment of such principal called for by the Mortgage Loan, other than moneys constituting Recovery Payments, and (ii) any moneys received or recovered from the sale, assignment or other disposition of the Mortgage Loan other than moneys constituting Recovery Payments;

"Purchase Agreement" means the Highgate Purchase and Finance Agreement, effective as of November 15, 1990, by and among the Agency, Highgate Non-Profit, Inc. and Housing Vermont as amended by the Purchase Agreement Amendments;

"Purchase Agreement Amendment" means Amendment No. 1 to the Purchase Agreement by and among the parties to the Purchase Agreement, in substantially the form presented to this meeting, and any other amendment to the Purchase Agreement executed by the Agency under authorization of this Resolution or any other resolution of the Agency;

"Recovery Payments" means any moneys received or recovered by the Agency, less the expenses necessarily incurred by the Agency in connection with the collection of such amounts, from (i) condemnation of all or part of the Development, (ii) proceedings taken in the event of default by the Developer under the Mortgage Loan, (iii) any claim settlement for hazard insurance or other insurance applicable to the Development, (iv) the sale or other disposition of the Development or (v) the sale or other disposition of the Mortgage Loan after default for the purpose of realizing the Agency's interest therein;

"Regulatory Agreement" means the Regulatory Agreement between the Agency and the Developer substantially in the form attached to the Purchase Agreement;

"Revenue Fund" means the fund so designated, established and created by Section 301 hereof;

"Revenues" means all payments, proceeds, charges, rents and other income of any kind and from any source derived in cash by or for the account of the Agency from or related to the Development and under the Mortgage Loan, the Regulatory Agreement or otherwise, including, without limitation, scheduled amortization payments of principal and interest on the Mortgage Loan, Prepayments and Recovery Payments;

"Seller" means High Gate Associates Limited;

"State" means the State of Vermont;

SECTION 104. Parties Interested Herein. Nothing in this Resolution expressed or implied is intended or shall be construed to confer upon, or to give to, any person, other than the Agency, the Escrow Agent and the Owner of the Note, any right, remedy or claim under or by reason of this Resolution or any covenant, stipulation, obligation, agreement or condition therein. All the covenants, stipulations, obligations, promises and agreements in this Resolution contained by and on behalf of the Agency shall be for the sole and exclusive benefit of the Agency, the Escrow Agent and the Owner of the Note.

SECTION 105. Law Applicable. The laws of the State shall be applicable to the interpretation and construction of this Resolution.

SECTION 106. Severability of Invalid Provision. If any one or more of the provisions, covenants or agreements in this Resolution on the part of the Agency or the Escrow Agent to be performed should be contrary to law, then such provisions, covenants or agreements shall be deemed separable from the remaining provisions, covenants and agreements, and shall in no way affect the validity of the other provisions of this Resolution or of the Note.

SECTION 107. Findings and Determinations. The Agency hereby finds and determines in accordance with Section 625 and Section 631 of the Act (and with all terms not defined in this Section having the meaning given such terms in the Act) that:

(1) The Development is primarily for occupancy by persons and families of low and moderate income;

(2) The acquisition, construction and rehabilitation costs incurred or to be incurred by the Developer under the Development Documents are for housing development costs within the meaning of the Act;

(3) Without the Development 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 of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families;

(4) The Developer will maintain or increase the supply of well planned, well-designed housing for persons or families of low and moderate income and is a financially responsible person;

(5) The aggregate principal amount of the Note is necessary to provide sufficient funds to accomplish the corporate purposes of the Agency with respect to the Development;

(6) The Mortgage Loan can be issued bearing rates of interest which are less than the prevailing rates of interest on comparable mortgage loans available in the State without the assistance of the Agency; and

(7) The Agency will derive receipts, revenues or other income from the Mortgage Loan and the Regulatory Agreement or otherwise from or with respect to the Development to provide, together with all other available receipts, revenues and income of the Agency, for the payment of the Note and the payment of all costs and expenses incurred by the Agency with respect to the Development.

SECTION 108. Allocation of State Volume Cap to Note. Subject to Section 201(A) hereof, the Agency hereby determines to allocate to the Note \$2,652,364 of the Agency's \$30,000,000 remaining unused 1988 annual volume cap with respect to private activity bonds that the Agency heretofore elected pursuant to Section 146(f) of the Code to carry forward for the purpose of issuing exempt facility bonds for the purpose of financing qualified residential rental projects pursuant to Section 142 of the Code.

## ARTICLE II

### AUTHORIZATION OF HIGHGATE HOUSING WRAPAROUND PROMISSORY NOTE

SECTION 201. The Wraparound Note. (A) The issuance of a note of the Agency, designated "Wraparound Promissory Note (Highgate Series)", is hereby authorized to be issued in an aggregate principal amount not exceeding \$2,652,364. Subject to the foregoing, the original aggregate principal amount of the Note shall be determined by the Authorized Officers empowered to execute and deliver the Note at or prior to its delivery to the purchaser thereof.

(B) The Note shall be dated its date of delivery and shall be issued in the form of one fully registered note registered to High Gate Associates Limited, as Owner.

(C) The Note shall mature on the dates and in the amounts, shall bear interest at the rates payable on the dates, shall be executed, shall be subject to prepayment and transfer, and shall otherwise be in form and tenor as provided in, and the respective rights and obligations of the Agency and the Owner thereof shall be as described in, the form of the Note set forth in Exhibit A

hereto, provided that the Authorized Officers empowered to execute and deliver the Note may adjust the dates of payment and the amounts due upon payment of the Note upon the delivery thereof to reflect the actual date of delivery of the Note to the purchaser thereof.

SECTION 202. General Obligation of Agency. The Note shall be a general obligation of the Agency payable out of any revenues or moneys of the Agency, subject only to agreements heretofore or hereafter made with holders of bonds, notes, or other obligations of the Agency, other than the Note, pledging particular assets or revenues for the security thereof. The Agency shall not be obligated to pay the Note or the interest thereon except from such revenues and moneys and any other assets pledged therefor and neither the faith and credit nor the taxing power of the State or of any political subdivision thereof is pledged to the payment of the principal of or interest of the Note. The Note shall be additionally secured as provided in the form thereof set forth in Exhibit A hereto.

SECTION 203. Purpose, Sale and Delivery. (A) The Note is issued for the purpose of paying a portion of the purchase price of the Property allocable to the Development as provided in Section 8 of the Option Agreement.

(B) The Note is hereby sold to the Seller of the Property at the price of par, on the terms and conditions provided in the Option Agreement. The Authorized Officers of the Agency are authorized and directed to execute and deliver the Note to the purchaser thereof upon satisfaction of the conditions to such purchase provided in the Option Agreement.

### ARTICLE III

#### APPLICATION OF REVENUES PAYMENT OF NOTE

SECTION 301. Revenue Fund. There is hereby established and created the "Highgate Housing Revenue Fund" (the "Revenue Fund") to be held by the Escrow Agent in accordance herewith separate and apart from all other funds and accounts of the Agency and the Escrow Agent.

SECTION 302. Application of Revenues. (A) The Agency shall pay, or shall cause to be paid, to the Escrow Agent all Revenues upon receipt thereof by the Agency or as otherwise provided in the Commitment Agreement and the Mortgage Loan. All such Revenues shall be deposited by the Escrow Agent upon receipt in the Revenue Fund. At any time, and from time to time, at its option, the Agency may also transfer to the Escrow Agent for

deposit in the Revenue Fund amounts on deposit in the General Fund.

(B) On each monthly payment date shown on Payment Schedule 1 attached to and incorporated in the Note as set forth in Exhibit A hereto, or on such earlier date or dates as the Agency shall direct in an Officer's Certificate, the Escrow Agent shall apply all amounts on deposit in the Revenue Fund as follows and in the following order of priority:

(1) An amount equal to the principal of and interest on the Note payable on such monthly payment date in accordance with said Payment Schedule 1 shall be paid to the registered Owner of the Note as provided therein or as otherwise directed by the registered Owner in a written direction theretofore delivered to the Escrow Agent; and

(2) All other amounts on deposit in the Revenue Fund shall be withdrawn therefrom and paid to the Agency for deposit in the General Fund.

(C) On or before each monthly payment date shown on Payment Schedule 1 attached to and incorporated in the Note, and on any other date requested by the Escrow Agent, the Agency shall deliver to the Escrow Agent an Officer's Certificate (upon which the Escrow Agent may conclusively rely) allocating the amounts in the Revenue Fund to be applied as provided in this Section 302.

SECTION 303. Payment and Prepayment of Note. (A) On or before each date on which any principal or interest on the Note shall be due and payable, the Agency shall, except to the extent the amount thereof or of any portion thereof shall have been paid by the Escrow Agent as provided in Section 302 hereof, withdraw from the General Fund, or from any other funds or moneys available to the Agency, and pay to the registered Owner of the Note the full amount payable on such date for principal of and interest on the Note.

(B) If at any time the Agency shall elect to prepay the Note in accordance with the terms thereof as set forth in Exhibit A hereto, the Agency shall deliver to the Escrow Agent a copy of the notice of prepayment delivered by the Agency to the Owner, specifying the date of prepayment, and, not less than one business day prior to the date set for prepayment, shall pay to the Escrow Agent for deposit in the Revenue Fund an amount which, together with any amount then on deposit in the Revenue Fund, shall be sufficient to pay the Note and all interest accrued and unpaid thereon to such date of prepayment. On such prepayment date the Escrow Agent shall apply the amounts on deposit in the Revenue Fund to the prepayment of the Note in accordance therewith and any balance remaining in the Revenue Fund following



such prepayment shall be paid to the Agency for deposit in the General Fund.

SECTION 304. Investment. Moneys held for the credit of the Revenue Fund under this Resolution shall, to the fullest extent practicable, be invested by the Escrow Agent at the direction of an Authorized Officer in Permitted Investments which shall mature or be redeemable at the option of the holder thereof on such dates and in such amounts as may be necessary to provide moneys to meet the payments from the Revenue Fund. Permitted Investments purchased as an investment of moneys in the Revenue Fund shall be deemed at all times to be a part of such Fund until transferred as provided in the Resolution. Interest and other income from investment of the Revenue Fund hereunder shall upon receipt be deposited in the Revenue Fund. In making investments hereunder, the Trustee shall be protected in relying on the directions of an Authorized Officer as to the nature, maturity, rate and amount of such investments.

#### ARTICLE IV

##### THE ESCROW AGENT

SECTION 401. Duties and Obligations. (A) The Howard Bank, N.A., is hereby appointed Escrow Agent hereunder. The Escrow Agent shall also be, and is hereby appointed, paying agent and registrar for the Note. The Escrow Agent shall signify its acceptance of the duties and responsibilities imposed upon it by this Resolution by executing and delivering to the Agency a written acceptance thereof.

(B) The Escrow Agent, and all of its officers, directors, employees and agents, shall not be liable or responsible for any action taken or omitted by it under this Resolution in good faith and in the reasonable belief that such action taken or omitted by it is authorized or within the discretion or rights or powers conferred upon it by this Resolution, except for its own negligence or willful default. The Escrow Agent shall have no responsibility in respect of the validity or sufficiency of this Resolution or the Note and shall not be liable or responsible for any acts taken by the Agency hereunder or because of the failure of the Agency to perform any act required of it by this Resolution. The Escrow Agent shall not be under any obligation or duty to perform any act hereunder which would involve it in expense or liability or to advance any of its own moneys, unless properly indemnified, or, except to the extent expressly provided herein, to account for the proper application of any moneys deposited with it or disbursed by it hereunder. The Escrow Agent shall be fully protected in acting upon any notice, consent, statement, opinion or other paper or document believed by it to be genuine and to have been signed or presented by the proper party. The Escrow Agent may consult with counsel, who may or may

not be counsel to the Agency or the Developer, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or omitted by it hereunder in good faith and in accordance herewith. To the extent permitted by law, the Agency hereby agrees to indemnify and hold harmless the Escrow Agent from and against any and all claims, damages (direct as opposed to consequential), losses, liabilities, costs or expenses whatsoever which the Escrow Agent may incur by reason of or in connection with the performance by the Escrow Agent of its responsibilities under this Resolution which are not due to its own negligence or willful default.

(C) All moneys held by the Escrow Agent, as such, at any time pursuant to the terms of this Resolution shall be and are hereby assigned, transferred and set over unto the Escrow Agent in trust for the purposes and under the terms and conditions of this Resolution.

SECTION 402. Resignation and Removal. (A) The Escrow Agent, or any successor thereto, may at any time resign and be discharged of its duties and obligations under this Resolution by giving not less than sixty (60) days' written notice to the Agency and the Owner of the Note, specifying the date when such resignation shall take effect. Such resignation shall take effect on the date specified in such notice provided a successor has been appointed by the Agency as provided herein.

(B) The Escrow Agent, or any successor thereto, may be removed at any time by the Agency upon not less than 30 days' written notice delivered to the Escrow Agent and the Owner of the Note, and upon the appointment of a successor by the Agency as provided herein.

(C) In case at any time the Escrow Agent, or any successor thereto, 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 the Escrow Agent or its property shall be appointed, or if any public officer shall take charge or control of the Escrow Agent or its property, a successor shall be appointed by the Agency upon written notice to the predecessor Escrow Agent and to the Owner of the Note.

SECTION 403. Compensation and Expenses. Unless otherwise provided by contract with the Escrow Agent, the Agency shall pay to the Escrow Agent from time to time reasonable compensation for all services rendered by it hereunder, and also reimbursement for all its reasonable expenses, charges, legal fees and other disbursements and those of its attorneys, agents and employees, incurred in and about the performance of its powers and duties hereunder.

ARTICLE V

MISCELLANEOUS

SECTION 501. Tax Covenants. (A) The Agency shall take all lawful action necessary to ensure that interest on the Note will remain excludable from gross income for federal income tax purposes and shall not use or permit the use of any proceeds of the Note or any other funds of the Agency, directly or indirectly, in any manner, and shall not take or permit to be taken any other action or actions, which would cause the interest on the Note to become includable in gross income for federal income tax purposes.

(B) Without limiting the generality of the foregoing, the Agency shall take, and require the Developer to take, any and all actions that may be required to cause the Note to be and remain issued and outstanding for the purpose of carrying out a "qualified residential rental project" within the meaning of Section 142(d) of the Code or required to comply with the provisions of Section 148(f) of the Code.

(C) Without limiting the generality of the foregoing, the Agency shall not use or permit the use of any proceeds of the Note or any other funds of the Agency, directly or indirectly, to acquire any securities or obligations, and shall not use or permit the use of any Revenues or any other amounts received by the Agency or the Escrow Agent with respect to the Mortgage Loan in any manner, and shall not otherwise take or permit to be taken any other action or actions, which would cause the Note to be an "arbitrage bond" within the meaning of Section 148 of the Code.

SECTION 502. Development Documents. (A) The Option Agreement Amendment and the Purchase Agreement Amendment, and the execution and delivery thereof by Authorized Officers of the Agency, are hereby approved in substantially the forms presented at this meeting, with such changes thereto as the Authorized Officers executing the same may approve prior to their execution and after consultation with counsel. By adoption of this Resolution, all other Development Documents, and the execution and delivery thereof by or on behalf of the Agency, are hereby ratified and approved.

(B) Subject to receipt of a Readiness Certificate (as defined in the Purchase Agreement, as amended) acceptable to the Executive Director, the Authorized Officers of the Agency are authorized to execute and deliver the Commitment Agreement (with such changes thereto as the Authorized Officers executing the same may approve prior to its execution and with such changes to the attachments thereto as such Authorized Officers shall deem appropriate in order to satisfy the requirements of the United States Department of Housing and Urban Development ("HUD"), to

purchase the Property in accordance with the terms of the Option Agreement, as amended, to sell the Property to Highgate Housing Limited Partnership in accordance with the Purchase Agreement, as amended, and generally to do any act and to execute any document reasonable or necessary in order to exercise the rights and perform the duties of the Agency under the Development Documents, to carry out all transactions contemplated thereby and to obtain any required consent of HUD.

(C) In their discretion, the Authorized Officers of the Agency may treat any Readiness Certificate that is otherwise satisfactory to them as valid, notwithstanding any failure by the parties to the Purchase Agreement to strictly comply with the terms thereof.

(D) The letter of the Executive Director to Bernard Gilhuly, Agent, dated March 1, 1991, containing the Agency's Notice of Exercise with respect to the Development, is hereby ratified.

SECTION 503. Amendment. (A) Without the consent of the Owner of the Note, this Resolution may be amended at any time and from time to time by a supplemental resolution adopted by the Agency (1) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision herein, (2) to insert such provisions clarifying matters or questions arising under this Resolution as are necessary or desirable and are not contrary to or inconsistent with this Resolution as theretofore in effect or (3) to make any other change herein which, in the judgement of the Escrow Agent, is not to the prejudice of the Escrow Agent or the Owner of the Note.

(B) Except as provided in Paragraph (A) of this section, this Resolution may only be amended with the prior written consent of the Owner of the Note. Notwithstanding the foregoing, no amendment of the Resolution making a change in the terms of maturity or prepayment of the Note, or the principal amount or prepayment price thereof or the rate of interest thereon, or the provisions of this Section 503, shall be effective without the prior written consent of the Owner of the Note.

SECTION 504. Defeasance. If the Agency shall pay or cause to be paid to the registered Owner of the Note the principal and interest thereon at the times and in the manner stipulated therein and herein, or if the payment of such principal and interest shall be otherwise made or forgiven as provided in the Note, then the Note and all other rights granted hereby or thereby, shall be discharged and satisfied.

SECTION 505. Authorization of Officers. The Chairman, Vice-Chairman, Executive Director and Secretary, Director of Finance and each other Authorized Officer are each hereby

authorized and directed to do all acts and things and to execute and deliver any and all documents, certificates, and other instruments necessary or desirable to effectuate the transactions contemplated by this Resolution.

SECTION 506. Effective Date. This Highgate Housing Resolution shall take effect upon its adoption.



VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners  
FROM: Margaret A. Pond, Director of Development *Meg Pond*  
RE: Nonprofit Single Family Mortgage Delivery Pilot  
DATE: March 18, 1991

**History:**

For the past two years, we have had in our Business Plan an initiative to analyze for future implementation: **Mortgage Delivery/Servicing with Nonprofits**. The intention of this was to explore setting up a pilot mortgage delivery system through approved nonprofits and/or Community Action groups which would allow better access to low income Vermont families to participate in homeownership opportunities.

Up until now, it did not make sense to focus our time on developing this concept, primarily because the HOUSE program still had too many loose connections, many of which were at the nonprofit level. Since October 1990, there has been a great move internally to revamp the program which has included much clarification of the delivery system of the program.

Now that the revamping of the HOUSE program has been primarily completed (except for final communications with lenders and nonprofits, and the final promotion plan of the program), we can take time to look into this idea of having selected nonprofits be able to originate loans.

**Proposal:**

We are proposing to commence on this pilot initiative this Spring. In addition to the further research and development needed to create this pilot program, we would like VHFA Board authority to grant an amount of up to \$5,000 initially to the Vermont Development Credit Union (VDCU) for startup costs related to their new mortgage delivery business. VDCU is ready and waiting to be part of this pilot. An additional \$5,000 would be made available at a future point if VDCU can document that their costs of establishing a viable mortgage delivery system exceeded the initial \$5,000.

March 19, 1991

**Discussion:**

As most of you know, the VDCU was created to better serve the borrowing and saving needs of low income Vermonters. The VDCU has recently been approved to be a VHFA lender and has been working with Vermont Fed to achieve the knowledge needed to carry out this task. The VDCU does not fit the idea of the type of nonprofit previously contemplated with which to do this mortgage delivery pilot program. It does, however, have a goal of serving lower income borrowers in much the same way housing nonprofits do. This fundamental similarity makes the motivations and bottom lines for the housing nonprofits and the VDCU quite different from traditional lenders.

We think that the VDCU is a great place to begin this nonprofit loan origination initiative because it is a nonprofit and already a lending institution. We plan to evaluate the progress of the VDCU after a reasonable period of time (say, eight months to a year).

**Recommended Action:**

Staff recommends that the Board approve the granting of up to \$5,000 to the Vermont Development Credit Union to initiate this new mortgage pilot delivery system for VHFA loans, with the potential of an additional \$5,000 if needed to establish a viable delivery system.



VERMONT HOUSING FINANCE AGENCY

TO: VHFA BOARD OF COMMISSIONERS  
FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE *RAS*  
RE: 1989 SERIES B AMENDING RESOLUTION  
DATE: MARCH 21, 1991

Attached to this memo is a resolution prepared by Palmer & Dodge relating to the 1989 Series B Home Mortgage Purchase Bond program. This resolution was drafted at our request to solve some problems with targeted mortgages.

When we sold the 1989B bonds, we had covenanted to provide a \$5 million pool of mortgages for perpetually affordable housing with a graduated stepped rate starting at 6.2% increasing to 6.7% the second year and to 7.7% the third year and thereafter. We also provided for a \$6.5 million pool of mortgages with a first year rate of 7.7% increasing to 8.7% for the purpose of assisting and encouraging energy efficiency. \$38.5 million representing the balance of the proceeds from the issue would be loaned out at 8.7%.

Unfortunately, the energy efficient mortgage has only provided two mortgages to date totalling \$100,000. Upon further review and discussion with nonprofits and potential home buyers, a continual concern was expressed at the one percent jump between years two and three for the perpetually affordable program. The consensus is that the perpetually affordable program would be much better able to originate mortgages if a transition step rate of 7.2% was offered for the third year. This would enable the homeowner to afford the increase in payment and suffer less rate shock.

Since the original bond documents were very specifically written to incorporate these somewhat complicated provisions, it is necessary to amend the resolution to accommodate the changes mentioned above. This is also subject to a cash flow test which will demonstrate that VHFA will be in the same financial position after the restructuring of mortgages as when the bonds were originally sold. An equitable tradeoff would be to eliminate the energy efficient mortgage and use the subsidy saved to provide the additional year subsidy to the perpetually affordable program. A minor reduction in rate to \$1.5-\$3.0 million of mortgages will probably be necessary to exactly balance the tradeoff calculations.

**RECOMMENDATION**

Board approval of the attached resolution.



VERMONT HOUSING FINANCE AGENCY

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Supplemental Resolution Amending Series Resolution  
Authorizing the Issuance and Sale of Home Mortgage  
Purchase Bonds, 1989 Series B

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March 28, 1991

WHEREAS, the Vermont Housing Finance Agency (the "Agency") adopted on July 8, 1983 a resolution entitled "Home Mortgage Purchase Bond Resolution (the "Bond Resolution"); and

WHEREAS, pursuant to the Bond Resolution the Agency adopted on December 7, 1989 a resolution entitled "Series Resolution Authorizing the Issuance and Sale of Home Mortgage Purchase Bonds, 1989 Series B" (the "1989 Series B Resolution"); and

WHEREAS, the Agency has determined that it is both necessary and desirable to adopt an amendment to Section 305(D) of the 1989 Series B Resolution in order to carry out the purposes of the Bond Resolution and has further determined that such amendment is permitted by Section 801 of the Bond Resolution and is not contrary to or inconsistent with the Bond Resolution as heretofore in effect;

Be it Resolved by the Vermont Housing Finance Agency and the Commissioners thereof as follows:

Section 1. Amendment of Section 305(D) of 1989 Series Resolution. Section 305(D) of the 1989 Series B Resolution is hereby amended pursuant to Section 801 of the Bond Resolution by the addition of the following sentence at the end thereof:

"Notwithstanding the foregoing provisions of this Paragraph (D), the Agency may purchase Mortgage Loans described in clause (1) of this Paragraph (D) bearing interest at a rate lower than 8.70% per annum for more than the first year of such Mortgage Loans (but not in excess of the amount or lower than the rate provided in said clause (1)), and may purchase Mortgage Loans described in clause (2) of this Paragraph (D) bearing interest at a rate less than 7.70% per annum for any one or more of the first four years of such Mortgage Loans (but not in excess of the amount or lower than the lowest rate provided in said clause (2)), if the Agency delivers to the Trustee an Officer's Certificate to the effect that (i) the aggregate anticipated Revenues to be received on Mortgage Loans allocable to the 1989 Series B Bonds following such purchases will not be less than the Revenues that would be received if such Mortgage Loans were

purchased solely as permitted by said clauses (1) and (2) without reference to this sentence, and (ii) following such purchases, anticipated Revenues, together with any other amounts held in the Bond Fund, the Bond Reserve Fund and the Redemption Fund, will be at least sufficient to pay as and when due all Principal Installments and interest on all Bonds Outstanding."

Section 2. Effective Date. This resolution shall take effect immediately.



VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioner  
FROM: Glenn A. Jarrett, <sup>GAT</sup> General Counsel  
DATE: March 22, 1991  
RE: Pine Meadow Development Resolutions

The time for the permanent closing for the Pine Meadow development in Middlebury is drawing near. Middlebury College has agreed to buy a federally taxable bond of the Agency's, the proceeds of which will enable us to make the mortgage loan to the development. The bond will be at 9.00% per annum for a term of 25 years.

Enclosed for your consideration are two resolutions. The first is the resolution authorizing the issuance of the bond to Middlebury College and the second authorizes staff to proceed with the permanent closing and sign all the required documents.

RECOMMENDATION:

Approval of the two resolutions attached hereto.

**RESOLUTION PERTAINING TO CLOSING FOR  
INTERFAITH/PINE MEADOW DEVELOPMENT, MIDDLEBURY**

WHEREAS, Housing Vermont and the non-profit corporation Interfaith, Inc. have previously presented a proposal for construction of 30 units of rental housing in the town of Middlebury, Vermont (the "Interfaith/Pine Meadow Development" or the "Development"); and

WHEREAS, the proposal contemplates that the Interfaith/Pine Meadow Development will constitute a "qualified low-income housing project" within the meaning of section 42(g) of the Internal Revenue Code of 1986; and

WHEREAS, the Pine Meadow Housing Limited Partnership 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 Interfaith/Pine Meadow Development will assist in fulfilling the purposes of the Act; and

WHEREAS, the construction of the Development is substantially complete; and

WHEREAS, the Agency has issued its Commitment Letter to make a permanent loan in an amount not to exceed \$870,000 to be amortized over a 25 year period, but with a payment of all outstanding principal and interest due at the end of 20 years; and

WHEREAS, Middlebury College has signed a Three Party Agreement indicating its agreement to purchase a federally taxable bond of the Agency, the proceeds of which will be used to make the loan to the sponsors;

WHEREFORE, it is hereby RESOLVED:

1. Paragraph Three of the Commitment Letter of the Agency is amended to change the maximum amount of the Note to \$875,000, to change the date on which the outstanding balance is due and payable from 20 to 25 years, and to change the maximum interest rate from 10.50 percent per annum to 9.75 percent per annum.
2. The Commitment Letter of the Agency, other than as set forth in the preceding paragraph, is hereby ratified and the actions of Agency staff in negotiating the loan and preparing for the closing are hereby ratified.

3. The Executive Director, the Director of Finance, the Director of Development, or any of them, are authorized to do all acts and things and to execute and deliver any and all documents or other instruments, in form satisfactory to counsel for the Agency, necessary or desirable for the purpose of effectuating the permanent loan to the Pine Meadow Housing Limited Partnership in an amount not to exceed \$875,000 for a 25 year term at the closing on the Development.

RESOLUTION OF VERMONT HOUSING FINANCE AGENCY  
AUTHORIZING THE ISSUANCE OF ITS  
HOUSING PROJECT BOND (FEDERALLY TAXABLE  
ISSUE) PINE MEADOW DEVELOPMENT

Be it Resolved by the Vermont Housing Finance Agency  
and the Commissioners thereof as follows:

ARTICLE I  
DEFINITIONS AND AUTHORITY

SECTION 101. Definitions.

- (A) In this Resolution unless a different meaning clearly appears from the context:

"Act" means the Vermont Housing Finance Agency Act, being No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended to the date of adoption of this Resolution.

"Agency" means the Vermont Housing Finance Agency, a body politic and corporate organized under the Act, or any instrumentality of the State which shall hereafter succeed to its powers.

"Authorized Officer" means the Chairman, Vice Chairman, Executive Director and Secretary and Director of Finance of the Agency, and any other person authorized by resolution of the Agency to act as an Authorized Officer under this Resolution.

"Bond" means the Bond of the Agency authorized by this Resolution.

"Bond Date" means the date the Bond is originally issued hereunder.

"Bond Fund" means the fund so designated and established under Section 301 of this Resolution.

"Commitment Letter" means the Commitment Letter relating to the Permanent Loan dated as of June 26, 1990 issued by the Agency and accepted by the Sponsor.

"Costs of Issuance" means any items of expense payable or reimbursable directly or indirectly by the Agency and related to the authorization, sale and issuance of the Bond.

"Development" means the Pine Meadow Development as more fully described in the Commitment Letter and the Three Party Agreement.

"General Account" means the account so designated and established under Section 301 of this Resolution.

"General Fund" means the fund so designated and created by a resolution of the Agency adopted September 26, 1974 as amended from time to time.

"Loan Account" means the account so designated and established under Section 301 of this Resolution.

"Permanent Loan" means a permanent mortgage loan made by or on behalf of Agency to the Sponsor with the proceeds of the Bond.

"Permanent Loan Amount" means the amount of the Permanent Loan established pursuant to paragraph 3 of the Commitment Letter.

"Program" means the Agency's program of making mortgage loans to housing sponsors pursuant to the Act.

"Project Fund" means the fund so designated and established under Section 301 of this Resolution.

"Recovery Payments" means any moneys received or recovered by the Agency, less the expenses necessarily incurred by the Agency in connection with the collection of such amount, from (i) condemnation of the Development, (ii) proceedings taken in the event of default by the Sponsor under the Permanent Loan, (iii) any claim settlement for hazard insurance or other insurance applicable to the Development or the Permanent Loan, (iv) the sale or other disposition of the Development, or (v) the sale or other disposition of the Permanent Loan after default for the purpose of realizing the Agency's interest therein.

"Revenues" means and includes all payments, proceeds, charges, fees, rents, investment earnings and all other income (including without limitation all payments of principal and interest received by or on behalf of the Agency on the Permanent Loan and all Recovery Payments) derived by or for the account of the Agency from or related to the Development and the Permanent Loan.

"Sinking Fund Account" means the account so designated and established under Section 301 of the Resolution.

"Sponsor" means Pine Meadow Housing Limited Partnership, a limited partnership organized and existing under the laws of the State.

"State" means the State of Vermont.

"Three Party Agreement" means the agreement so denominated among the Sponsor, the purchaser of the Bond, and the Agency, in substantially the form presented at this meeting.

- (B) Except as otherwise expressly provided in this Resolution, the terms "housing development costs," "housing sponsor," "mortgage," "mortgage loan," and "residential housing" when used in this Resolution shall have the meanings given such terms in the Act.

#### SECTION 102. Authority.

This Resolution is adopted pursuant to the Act and shall take effect upon its adoption. The Agency is duly authorized under the Act and all applicable laws to issue the Bond and to adopt this Resolution in the manner and to the extent provided herein. The Agency will at all times, to the extent permitted by law, defend, preserve and protect all the rights of the registered owner of the Bond hereunder against all claims and demands of all persons whomsoever.

### ARTICLE II AUTHORIZATION OF Bond; FINDINGS; TERMS AND SALE OF Bond

#### SECTION 201. The Bond.

- (A) A Bond of the Agency, designated "Housing Project Bond (Federally Taxable Issue) Pine Meadow Development" is hereby authorized to be issued as herein provided in a principal amount not to exceed Eight Hundred Seventy Five Thousand Dollars (\$875,000), the original principal amount of the Bond to be determined upon its issuance by the Authorized Officers of the Agency executing the same. The Bond shall be dated and shall bear interest from the Bond Date and shall mature, subject to prior redemption as herein and in the Bond provided, on \_\_\_\_\_, 2016. Interest on the Bond shall be payable on September 1, 1991 and semi-annually thereafter on March 1 and September 1 of each year. The form of the Bond, the rate or rates of interest payable thereon, the terms of redemption thereof prior to maturity and all other terms and conditions thereof shall be as set forth in Article IV of this Resolution.



- (B) The Agency hereby ratifies and confirms the Commitment Letter and approves the Permanent Loan on the terms and conditions provided herein, in the Commitment Letter and in the Three Party Agreement. The Agency hereby determines that:
- (1) the Permanent Loan does not exceed the value of the Development as determined by the Agency and the principal amount of the Bond is necessary to provide sufficient funds to be used and expended for the Program in respect of the Development;
  - (2) the Permanent Loan can be issued bearing interest at a rate that will be less than the prevailing rate of interest on comparable mortgage loans available in the State without the assistance of the Agency;
  - (3) the Agency will derive receipts, revenues or other income from the Permanent Loan sufficient to provide, together with all other available receipts, revenues and income of the Agency, for the payment of the Bond and the payment of all costs and expenses incurred by the Agency with respect to the Program for which the Bond are issued;
  - (4) the Development is primarily for occupancy by persons and families of low and moderate income within the meaning of the Act;
  - (5) the acquisition, construction and or rehabilitation costs incurred or to be incurred by the Sponsor are for housing development costs within the meaning of the Act;
  - (6) there exists, or without the Development 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 investments are unable, without assistance, to provide an adequate supply of residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families; and
  - (7) the Sponsor is a housing sponsor as defined in the Act, the Sponsor will maintain or increase the supply of well-planned, well-designed permanent, temporary transitional or emergency housing for persons of low and moderate income and the Sponsor is a financially responsible person.
- (C) The purposes for which the Bond are being issued are to provide funds to make the Permanent Loan and to pay Costs of

Issuance in the amount determined by or pursuant to Article III hereof.

SECTION 202. Sale of the Bond.

- (A) The Bond is hereby sold to the President and Fellows of Middlebury College at the price of par on the terms and conditions provided herein and in the Three Party Agreement. The Three Party Agreement, in the form presented at this meeting and included in the minutes thereof, and its execution and delivery by Authorized Officers of the Agency is hereby ratified.

ARTICLE III  
ESTABLISHMENT OF FUNDS AND ACCOUNTS;  
APPLICATION OF BOND PROCEEDS; OBLIGATION OF Bond

SECTION 301. Funds and Accounts.

- (A) The Housing Project (Federally Taxable Issue) Project Fund (the "Project Fund") is hereby established to be held and administered together with all accounts therein by the Agency as provided in this Resolution. On or prior to the Bond Date the Agency shall establish within the Project Fund a separate account designated the "Pine Meadow Loan Account" (the "Loan Account"), the amounts in which shall be applied as provided in this Article III.
- (B) The Housing Project (Federally Taxable Issue) Bond Fund (the "Bond Fund") is hereby established to be held and administered together with all accounts therein by the Agency as provided in this Resolution. On or prior to the Bond Date the Agency shall establish within the Bond Fund the following separate accounts to be applied as provided in this Article III:
- (1) Pine Meadow General Account (the "General Account");
  - (2) Pine Meadow Sinking Fund Account (the "Sinking Fund Account");
  - (3) Pine Meadow Special Redemption Account (the "Special Redemption Account").

SECTION 302. Application of Bond Proceeds.

- (A) The proceeds of the Bond shall be deposited in the Loan Account. Moneys in the Loan Account shall be used solely as follows:
- (1) an amount not exceeding the Permanent Loan Amount shall be used to make the Permanent Loan; and

- (2) amounts in the Loan Account in excess of the Permanent Loan Amount shall be applied by the Agency to defray Costs of Issuance of the Bond within six (6) months of the Bond Date.
- (B) Notwithstanding anything herein to the contrary, if the Permanent Loan is not made within six (6) months of the Bond Date, or in any event if any balance remains on deposit in the Loan Account on the date which is six (6) months after the Bond Date, the entire balance on deposit in the Loan Account shall be transferred to the Special Redemption Account for application to the redemption of the Bond as provided in Section 303 of this Resolution.

SECTION 303. Application of Revenues.

- (A) The Agency shall deposit all Revenues in the Bond Fund upon receipt and shall immediately allocate the same to accounts therein as follows:
  - (1) Revenues constituting scheduled repayments of principal on the Permanent Loan and Revenues constituting permitted prepayments of the outstanding principal of the Permanent Loan - to the Sinking Fund Account;
  - (2) Revenues constituting Recovery Payments and excess moneys in the Loan Account under Section 302(B) hereof - to the Special Redemption Account; and
  - (3) all other Revenues - to the General Account.
- (B) On March 1, 1992 and each succeeding March 1 thereafter, all amounts deposited in the Sinking Fund Account under Section 303(A)(1) shall be applied to the redemption of the outstanding principal of the Bond, except that, in the event that the Agency receives a prepayment of the outstanding principal of the Permanent Loan under Section 303(A)(1) on the tenth anniversary of the Bond Date, or at any time thereafter, all as provided in the Permanent Loan, the Bond shall be subject to redemption at the option of the Agency in whole, but not in part, from the amount deposited in said Account.
- (C) All amounts deposited in the Special Redemption Account shall be promptly applied to the redemption of the outstanding principal of the Bond. At any time not later than the interest payment date for the Bond next succeeding the date of any deposit into said Account under Section 303(A)(2), the amount so deposited shall be applied to the redemption of the outstanding principal of the Bond.
- (D) Moneys in the General Account shall be used solely as follows:

- (1) on each interest payment date of the Bond, to pay the interest on the Bond then due;
  - (2) on the redemption date of any portion of the principal of the Bond being redeemed hereunder to pay any interest then payable on the principal amount of the Bond to be redeemed;
  - (3) at any time, to reimburse the Agency for any expense reasonably incurred by it in connection with the financing of the Development, including but not limited to Costs of Issuance in excess of the amount available therefor in the Loan Account and expenses incurred in connection with the protection of the Agency's security for the Permanent Loan; and
  - (4) on each interest payment date, after payment of the interest on the Bond then due and provided an Authorized Officer of the Agency determines that such transfer will not materially impair the Agency's ability to make future payments from the General Account sufficient for the purposes of paragraphs (1) and (2) of this Section 303(D), to transfer funds to the Agency's General Fund free of the pledge herein made.
- (E) Whenever funds in any account in the Project Fund are required to be applied to a payment on account of principal of the Bond, the Agency may at its election hold back such amount not exceeding \$100 as will facilitate payment of principal on the Bond in rounded amounts. Payments from the Project Fund shall be deemed to have been made on the date of the Agency's check therefor and not on the date of any prior mailing of said check.

SECTION 304. Transfers from General Fund.

From time to time, at its option, the Agency may transfer moneys from the General Fund to the General Account.

SECTION 305. Investment.

Moneys in the funds and accounts established hereunder may be invested by the Agency, until needed for their respective purposes, in any manner permitted by the Act. Moneys in two or more of such funds and accounts may be invested on a commingled basis for the account of such funds and accounts pro rata in proportion to the moneys invested on behalf of each such fund or account. Interest and other income earned upon the investment or deposit of amounts in the Loan Account shall be deposited in such Account. Interest and other income earned upon the investment or deposit of amounts on deposit in the General Account, the Sinking Fund Account and the

Special Redemption Account shall be deposited in the General Account.

SECTION 306. Obligation of Bond.

The Bond shall be general obligations of the Agency payable out of any of the Agency's revenues, moneys or assets, subject only to agreements heretofore or hereafter made with the holders of obligations of the Agency other than the Bond pledging particular revenues, moneys or assets for the payment thereof. The Agency hereby covenants and agrees with the registered owners of the Bond that it will not grant to any person any lien on or pledge of the Permanent Loan or of any of the Revenues or moneys or investments in any of the accounts created hereunder or any proceeds thereof unless the Agency shall simultaneously therewith grant to the registered owners of the Bond a prior and senior lien on or pledge of the Permanent Loan and such Revenues, moneys and investments and the proceeds thereof. The Bond shall not constitute a debt or grant or loan of credit of the State and the State shall not be liable thereon nor shall the Bond be payable out of any funds other than those of the Agency. The Agency is not obligated to pay the Bond or the interest thereon except from the revenues or assets of the Agency pledged therefor under this Resolution and neither the faith nor credit nor taxing power of the State or any political subdivision thereof is pledged to the payment of the principal of or interest on the Bond.

ARTICLE IV  
FORM OF BOND

The Bond shall be issued in substantially the following form:

VERMONT HOUSING FINANCE AGENCY  
HOUSING PROJECT BOND  
(Federally Taxable Issue)  
Pine Meadow Development

No. \_\_\_\_\_ \$ \_\_\_\_\_

NOTE: THE HOLDER OF THIS BOND BY ACCEPTANCE HEREOF AGREES TO RESTRICTIONS ON TRANSFER AND TO INDEMNIFICATION PROVISIONS SET FORTH BELOW.

The Vermont Housing Finance Agency (herein called the "Agency"), a body politic and corporate of the State of Vermont, for value received hereby promises to pay to The President and Fellows of Middlebury College, or registered assigns, on the \_\_\_\_\_ day of \_\_\_\_\_, 2016, the principal sum of \_\_\_\_\_ Hundred Thousand and 00/100 Dollars, upon presentation and surrender hereof, and to pay interest on the principal balance hereof outstanding from time to time from the date of original delivery of this bond (the "Bond

Date") until final payment hereof at the annual rate provided below, such interest payments to be made semi-annually on the first day of March and September in each year commencing September 1, 1991. The principal or redemption price of and interest on this bond are payable in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts and shall be payable by check or draft mailed to the registered owner at his address appearing on the registration books of the Agency kept for that purpose at the offices of the Agency; provided that the registered owner of this Bond by acceptance hereof agrees that whenever any payment on account of principal shall occur, such owner shall promptly note the date and amount thereof on the Schedule of Payments and Prepayments endorsed hereon and further agrees that this Bond shall be surrendered to the Agency upon final payment hereof.

The annual rate of interest on this Bond shall be 9.00%.

This bond is issued pursuant to No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended (the "Act") and under and pursuant to a resolution of the Agency adopted \_\_\_\_\_, 1991 entitled "Resolution of Vermont Housing Finance Agency Authorizing the Issuance of its Housing Project Bond (Federally Taxable Issue) Pine Meadow Development" (the "Resolution"). This bond is a general obligation of the Agency payable out of any of the Agency's revenues, moneys or assets, subject only to agreements heretofore or hereafter made with the holders of obligations of the Agency other than this bond pledging particular revenues, moneys or assets for the payment thereof.

The Agency is not obligated to pay this bond or the interest hereon except from the revenues or assets of the Agency pledged under the Resolution 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 this bond.

Copies of the Resolution are on file at the office of the Agency in the City of Burlington, Vermont, and reference to the Resolution and to the Act is made for a description of the covenants securing this bond, the manner of enforcement of the covenants, the rights and remedies of the registered owner of this bond with respect thereto, and the terms and conditions upon which this bond is issued.

This bond may not be transferred except to a transferee capable of making representations comparable to those made by the original owner hereof in the Three Party Agreement described in the Resolution to the reasonable satisfaction of the Agency. Furthermore, before any transfer of this bond by the registered owner or his or its legal representative will be recognized or

given effect by the Agency, the registered owner shall note hereon the date to which interest has been paid as well as the amounts of all principal payments and prepayments hereon, and shall notify the Agency of the name and address of the transferee and shall afford the Agency the opportunity of verifying the notation as to payment of interest and principal. By the acceptance hereof the owner of this bond and each transferee shall be deemed to have agreed to indemnify and hold harmless the Agency against all losses, claims, damages or liabilities arising out of any failure on the part of the owner or of any such transferee to comply with the requirements of the preceding sentence. Subject to the foregoing, this bond is transferable only upon the books of the Agency at the offices of the Agency by the registered owner hereof in person or by his or its agent duly authorized in writing, upon surrender hereof together with a written instrument of transfer satisfactory to the Agency duly executed by the registered owner or his or its duly authorized agent, and upon the payment of the charges described in the Resolution, the Agency shall issue in the name of the transferee a new substitute registered bond with the same date and in the same form and amount as this bond, endorsed to show the principal amount of the predecessor bond or bonds paid to the delivery date of such substitute bond.

This bond is subject to redemption at a redemption price equal to the portion of the principal amount hereof to be redeemed plus accrued interest on such portion to the redemption date as follows:

1. in whole or in part on March 1, 1992 and on each March 1 thereafter without notice through application of moneys in the Sinking Fund Account as required by the Resolution;
2. in whole or in part at any time upon notice through application of moneys in the Special Redemption Account as required by the Resolution; and
3. in whole (but not in part) on the tenth anniversary of the Bond Date or at any time thereafter, at the election of the Agency upon notice, through application of moneys deposited in the Sinking Fund Account in the event of the prepayment of the outstanding principal amount of the Permanent Loan as described in the Resolution.

Any notice required hereunder shall be given by certified letter, return receipt requested, mailed to the registered owner at his address appearing on the registration books of the Agency not less than five days prior to the redemption date. Any redemption shall be accomplished by mailing, two days prior to the redemption date, the Agency's check (dated as of the redemption date) for the redemption price to the registered owner in the same manner as is hereinabove provided for notice of redemption.

No recourse shall be had for the payment of the principal or redemption price of or the interest on this bond or for any claim based hereon or on the Resolution against any member or officer of the Agency or any person executing this bond.

It is hereby certified and recited that all conditions, acts and things required by the Constitution or statutes of the State of Vermont or the Resolution to exist, to have happened or to have been performed precedent to or in the issuance of this bond, exist, have happened and have been performed and that the issue of this bond, together with all other indebtedness of the Agency, is within every debt and other limit prescribed by law.

IN WITNESS WHEREOF, the Vermont Housing Finance Agency has caused this bond to be executed in its name by the manual signature of an authorized officer of the Agency, and its corporate seal (or facsimile thereof) to be affixed, imprinted, engraved or otherwise reproduced hereon and attested by the manual signature of an authorized officer of the Agency.

ATTEST:

VERMONT HOUSING FINANCE AGENCY

By: \_\_\_\_\_ By: \_\_\_\_\_  
Authorized Officer Authorized Officer

Bond Date: \_\_\_\_\_, 19\_\_

Schedule of Payments and Prepayments of Principal

<u>Principal Amount Paid</u>	<u>Date Paid</u>	<u>Balance Due</u>	<u>Authorized Signature and Title</u>
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(NOTICE: The within Bond may not be transferred until this schedule has been verified by the Agency.)



ARTICLE V  
MISCELLANEOUS

SECTION 501. Default.

If the Agency defaults in the payment of principal of or interest on any Bond when due, or in the performance of any covenant in this Resolution, then the registered owner of the Bond shall have the right, by mandamus or other suit, action or proceedings at law or in equity, to bring suit upon the Bond, to enforce its rights under the Resolution and the Bond, to compel performance by the Agency of its obligations under the Bond and the Resolution; to require the Agency to account as trustee of an express trust; to require the Agency to effectuate the assignment of the Permanent Loan to such owner; or to enjoin any acts which may be unlawful or in violation of the rights of the registered owners of the Bond. No remedy conferred by the Resolution upon the registered owner of the Bond is intended to be exclusive of any other remedy, but each shall be in addition to every other remedy given under the Resolution or the Bond or provided at law or in equity or by the Act. No delay or omission of the registered owners of the Bond to exercise any right or power arising upon the happening of a default shall impair any right or power or be construed to be a waiver of the default. The registered owner of the Bond may waive any default and its consequences. No such waiver shall extend to any subsequent or other default.

SECTION 502. Defeasance.

If the Agency shall pay or cause to be paid to the registered owners of the Bond the principal, redemption price and interest thereon at the times and in the manner stipulated therein and herein, then all obligations of the Agency hereunder and under the Bond and all other rights granted hereby shall be discharged and satisfied.

SECTION 503. Transfer.

The Bond may be transferred in whole but not in part to new owners, subject to the restrictions on transfer and upon compliance with the provisions for transfer described in the form of the Bond and payment of a transfer fee of \$100.00 for each substitute bond issued as a result of a request for transfer.

SECTION 504. Amendment.

This Resolution may be amended by the Agency without the consent of the registered owner of the Bond to cure any ambiguity, supply any omission or cure or correct any defect or inconsistent provision herein or to insert such provisions clarifying matters

or questions arising hereunder as are necessary or desirable and are not inconsistent with this Resolution as theretofore in effect. The Agency may also adopt a resolution amending, supplementing or otherwise modifying this Resolution without the consent of the registered owner of the Bond to incorporate the provisions hereof in a resolution of the Agency of general application to bonds issued to finance the Program the interest on which is not excludable from federal income taxes; provided no such resolution shall reduce the principal amount of the Bond or the rate of interest payable thereon or change the maturity date thereof or the dates for payment of interest thereon or the terms of redemption thereof or the security granted for the payment thereof without the express written consent of the registered owner of the Bond. Except as hereinabove provided in this Section 504, this Resolution and the Bond may be amended by the Agency only with the prior written consent of the registered owner of the Bond.

SECTION 505. Authorization of Officers.

The Chairman, Vice-Chairman, Executive Director, Director of Finance and all other Authorized Officers of the Agency are hereby authorized and directed to do all acts and things and to execute and deliver any and all documents, certificates, and other instruments necessary or desirable to effectuate the transactions contemplated by this Resolution.

SECTION 506. Severability.

If any provision of this Resolution is held invalid in any circumstances, that invalidity shall not affect any other provisions or circumstances.



VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners  
FROM: Hollis Hope, <sup>Hollis Hope</sup> Director of Communications  
DATE: March 18, 1991  
RE: 1991 Marketing Plan for VHFA Homeownership Programs

Attached for your information and review is a comprehensive marketing plan for 1991. While in the past we have directed most of our marketing efforts toward promoting Mortgages for Vermonters (MOVE), this plan addresses all of the single family financing options VHFA currently has available. Since we can do the most volume under MOVE, it is conceivable that we will from time to time emphasize this option in our advertising campaigns.

We would like to see more utilization of both the HOUSE and Mortgage Plus programs than in the past couple of years and hope that greater advertising and promotion, along with the new lender training initiative, will lead to more consumer awareness about the benefits of these financing tools.

I am pleased to report that we launched our fourth year of Home Buyer Days on March 14 in South Burlington, with a record number of prospective buyers attending. All 92 participants had the opportunity to meet individually with a VHFA staff member or participating lender to assess their specific financial situation in order to determine how much the participant can afford. We continue to feel confident about the effectiveness of these forums to educate home buyers about the mortgage lending process and about where they are in terms of their aspirations of homeownership.

We are making a concerted effort to involve the nonprofit developers in Home Buyer Days. Thus far, nonprofits have actively participated in each of our last two workshops. We have five Home Buyer Days scheduled in different regions of the state over the next several months. Since 1988, VHFA has assisted nearly 1200 households through these workshops.

I regret that I cannot attend the March 28 Board meeting. Please feel free to call on me at any time if you have any questions or concerns with regard to VHFA's marketing and outreach goals, objectives and strategies. Thank you.

534.hh

**VHFA HOMEOWNERSHIP OPTIONS - 1991 MARKETING PLAN**

**March 1991**

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## Part I - Introduction

### A. Overview of the Current Market

Last year witnessed a softening of the real estate market in Vermont as well as most of New England. Despite a slowdown in homes selling for over \$100,000, the market for more affordable homes remained steady and even grew in certain market areas. In the first six months of 1990, VHFA mortgages represented nearly 50 percent of the market share for all primary homes selling within our purchase price limits.

As we begin 1991, we are aware that the socio-economic climate has changed even further and will have a greater impact on our typical borrower and loan activity than ever before. We are sensitive to the events which contribute to an uncertain time for all the players in VHFA homeownership options. The current recession, the war in the Persian Gulf and the savings and loans crisis have weakened consumer confidence.

The objective and theme of VHFA's marketing efforts for 1991 will be to restore consumer confidence in the benefits of homeownership, educate prospective buyers about their ability to buy, and to reassure consumers of the solid nature of VHFA as a financial lending institution.

### B. VHFA's Mission

The basis for all marketing is VHFA's primary mission: to finance and promote affordable housing opportunities for low- and moderate-income Vermonters.

This year's marketing plan will incorporate three affordable housing finance options in order to reach and serve a broad audience of Vermont home buying households.

## Part II - Goals, Objectives and Strategy

### A. Homeownership Program Goals

VHFA's senior staff recently revisited its program goals. The following factors were considered in trying to establish realistic loan volume activity: the state's current economic outlook, the introduction of the federal recapture provision to our programs, current and projected conventional interest rate movement, data regarding VHFA's recent share in 1990, anticipated increases in the federally mandated income and purchase price ceilings, the introduction of VHFA lender training. The loan origination goals below are for a one-year period, from January 1 to December 30, 1991. We consider these goals to be fairly aggressive, particularly in light of the current economy.

The production goals for 1991 are as follows:

- 1) Continue to generate awareness and distribute the available funds from the proceeds of Mortgage Revenue Bond sales through **MORTGAGES FOR VERMONTERS (MOVE)**. Funds have and will be continuously available. There may be several changes in rate and new income and purchase price limits are anticipated.  
Loan origination goal: **1,000 MOVE loans**.
- 2) Increase awareness of **MORTGAGE PLUS** and increase the number of mortgage credit certificates (MCCs) issued this year.  
MCC issuance goal: **300**.
- 3) Increase awareness and utilization of the **Homeownership Opportunities Using Shared Equity (HOUSE)** program and distribute remaining funds to households below 80% of median income via various nonprofits and municipalities in the state. Loan origination goal: **50**.
- 4) Promote the **Rural Vermont Mortgage** (cooperative venture with Farmers Home Administration) to the extent that funds are available. Loan origination goal: To be established and confirmed with FmHA.
- 5) To stimulate new construction, particularly in high-cost areas of the state, to the greatest extent possible.
- 6) To encourage the use of the Energy Efficient Mortgage with MOVE and HOUSE financing.

**B. Positioning Statement**

Continue to position **HOUSE** and **MOVE** as low-interest mortgage financing products for low- and moderate-income Vermonters who cannot qualify for conventional mortgages of comparable term. Position **MORTGAGE PLUS** as an alternative financing device for the more moderate-income borrower who uses conventional financing but still needs assistance in qualifying for a higher mortgage amount.

**C. Target Audience**

The primary target audience for **MOVE** is home buyers who meet the income limits (\$32,300 = 1-2 person hsd. & \$37,100 = 3+ person hsd.) and eligibility criteria.

The primary target audience for **HOUSE** is home buyers who are at or below 80% of median income. The maximum household income limit is \$32,300.

The primary target audience for **MORTGAGE PLUS** is home buyers who qualify for conventional financing and whose income limits are within those by county and according to family size (from \$32,300 to \$42,000). Generally, the typical borrower using this program is the more moderate-income borrower.

In order to purchase a home in Addison, Bennington, Chittenden, Grand Isle or Windsor counties, the borrower must be a first-time buyer or not have owned a principal residence in the past three years. In most cases the borrowers are all first-time buyers, presenting the need for education on the home buying process.

The secondary audience consists of participating lenders, real estate professionals, community groups, nonprofits, builders and developers of affordable housing. Each of these groups needs to be approached from their perspective in relationship to the borrower.



**D. Marketing Objectives**

1. Identify, contact and inform the segment of Vermont residents which is potentially eligible for either **HOUSE**, **MOVE** or **MORTGAGE PLUS**.
2. Reach, educate and empower the target audience about the home buying process through advertising, direct mailings, Home Buyer Day Workshops, participation in **REALTOR** sponsored workshops or financial seminars, and our hotline information referral services.
3. Continue to inform and maintain positive relationships with real estate professionals and builders of affordable housing in Vermont. Keep them aware on a regular basis of the various financial options available for qualified borrowers through **VHFA**.
4. Promote the Energy Efficient Mortgage as an important feature of **HOUSE** and **MOVE**.
5. Train and update participating lenders on **MOVE**, **HOUSE** and **MORTGAGE PLUS**. Make them aware of **HOUSE** as another option for their customers.
6. Assist nonprofits in promoting their homes for sale with **HOUSE**.
7. Continue public relations efforts to position **VHFA** as a caring, progressive financier of affordable housing in Vermont.

**E. Strategy**

1. Advertise using paid media to create visibility for VHFA and generate awareness of availability of VHFA homeownership options. Direct inquires to call hotline for details.
2. Inform, screen and add to mailing list potential candidates for **HOUSE, MOVE** or **MORTGAGE PLUS** via hotline staff.
3. Send regular mailings with updated information targeted to first-time buyers using this data base.
4. Hold Home Buyer Day Workshops in regions throughout the state where market areas can be combined to reach a greater number of underserved counties with potential borrowers.
5. Distribute brochures and promotional literature to lenders, REALTORS, builders and other visible places such as town clerk offices, libraries and other community centers.
6. Visit REALTORS directly via REALTOR Board presentations and field visits and/or office presentations in underserved areas.
7. Elicit more REALTOR involvement in Home Buyer Days via listings display board and marketing materials for eligible condominium developments.
8. Inform builders of financing options for new construction via direct mail, home builders' meetings and direct field visits as appropriate.
9. Promote **HOUSE** with nonprofits, municipalities and eligible borrowers via greater involvement in Home Buyer Days, targeted mailings, and by offering technical assistance to nonprofits as needed.
10. Participate in housing forums or other relevant events where VHFA can be promoted via displays or presentations.
11. Train participating lenders to increase VHFA loan productivity and to elicit feedback on program effectiveness.

**Part III - Implementation****A. Materials**

1. Updated brochures for **MOVE** and **MORTGAGE PLUS** distributed to

lenders, REALTORS and other real estate professionals, consumers, nonprofits, state/local offices, community groups and workshops, conferences etc. A new brochure for **HOUSE** has been developed and will be available for distribution on or about April 15, 1991.

2. Lender/REALTOR fact sheet for **MOVE** and **MORTGAGE PLUS** updated and distributed to lender liaisons, REALTORS and other real estate professionals.
3. Special purpose fact sheets:  
**Facts For Home Buyers**
  - The Federal Recapture Provision
  - Down Payment Assistance
  - Mobile Homes
  - New Construction
  - Energy Efficient Mortgage
4. **It's Your MOVE Workbook** distributed free to potential borrowers, lenders, real estate agents, nonprofits and other appropriate organizations such as adult ed. or community colleges.
5. VHFA poster to promote **HOUSE**, **MOVE** and **MORTGAGE PLUS** will be placed in various locations throughout the state to reach a broad audience of typical consumers.
6. **Guide To VHFA Programs For Affordable Housing** will be distributed where appropriate such as housing fairs or affordable housing conferences etc.
7. Print radio or TV ads (to be determined according to market conditions).
8. Fliers for Home Buyer Days
9. Display Board with changing displays adapted for specific events
10. Key Chains and Pencils with VHFA logo

#### B. Advertising

1. Continue using theme: "It's a Home Buyer's Market," concluding Five Good Reasons to **MOVE** campaign.
2. A proposed theme for the first part of 1991 will be to stress the benefits of owning a home in these uncertain times. ("Homeownership is Solid as a Rock".) The Benefits are: predictable monthly housing expenses, control over where you live, long term security, rewarding investment.

3. Another ad theme may be used as the socio-economic conditions change in Vermont. A proposed theme is "I Did It; So Can You!" in which real-life testimonials will be used to empower other potential borrowers.
4. Specialized ads targeted to individual groups involved in the housing industry may also be included. For example, an ad used for builders last year was "Interested in Building Affordable Housing? So are we..." or "Five Good Reasons to Build".
5. Home Buyer Days will be promoted via PSAs, radio, print ads, fliers and direct mail.

C. **Public Relations**

1. An annual Lender Recognition Event will be sponsored by VHFA to recognize outstanding achievements by individual lenders.
2. REALTOR Boards will be addressed in order to explain the impact of the Recapture Provision on VHFA borrowers and to promote VHFA Homeownership Options.
3. Field visits will be made to REALTORS, lenders, builders, and community groups to maintain a local presence throughout the state.
4. Press releases will be used to announce new programs, Home Buyer Days, project completions, awards received and other significant events which are newsworthy. Small, local newspapers and periodicals will be used on a regular basis to supplement the advertising with more frequent press releases or stories written by VHFA staff.
5. A newsletter - **Open House** will be created and sent to a broad audience including lenders, builders, real estate professionals, nonprofits, legislators and others who are interested in affordable housing.
6. Representation at community events, trade shows, financial seminars, housing conferences and other forums where VHFA visibility and exposure is important for presenting a positive, professional image of the agency.
7. An award will be developed and presented this year to recognize a REALTOR at the REALTOR's convention (to launch and establish annually.)

**D. Home Buyer Day Workshops**

The format for Home Buyer Days has been improved and updated since 1988 and, based on our data and anecdotal feedback from participants, appears to be highly effective. Screened potential borrowers make appointments to meet with VHFA lender representatives who determine what affordability means to each individual and then educate them on the home buying process. The involvement of REALTOR listings and nonprofit housing developers should offer potential buyers more housing options this year.

Six Home Buyer Day Workshops have been scheduled for 1991 in the following locations:

DATE	LOCATION	COUNTIES TARGETED
March 6	Windjammer Rest. Burlington	Grand Isle, Franklin, Chittenden, Addison
April 3	Days Inn Montpelier	Washington, Orange, Lamoille
April 30	Quality Inn Brattleboro	Windham, Bennington
May 21	Lincoln Inn St. Johnsbury	Lamoille, Orleans, Essex, Caledonia
June 12	Holiday Inn Rutland	Rutland, Addison, Bennington
Sept. 11	Holiday Inn White River Jct.	Windsor, Windham, Orange

**E. Field Representation**

The Community Relations Coordinator will continue to be primarily responsible for outreach work with REALTORS and developers of affordable housing. Because of the scope of the number of REALTORS involved all over the state, other staff members may assist him when appropriate, e.g. REALTOR Board presentations or Affordable Housing Seminars.

All counties in Vermont will be served via REALTOR Board presentations, office visits, direct mailings and involvement in workshops, financial seminars and other affordable housing fairs. In order to facilitate VHFA's participation in the numerous requests we now receive for REALTOR's open houses, lender representatives will be recommended as appropriate.

In addition, the Community Relations Coordinator will continue to represent VHFA on committees such as the Rutland County Coalition on Affordable Housing. Priority will be given to those counties where VHFA's market share is lowest in order to promote more activity there.

**F. Customer Service**

The key to more successful marketing is to have a policy of good, consistent customer service. This begins the moment the phone is answered at VHFA by either the hotline staff or the receptionist. Many of our borrowers need encouragement and empowerment in order to go through the home buying process. A friendly, courteous and helpful voice is very important to assist the consumer and leave them with a positive impression of VHFA.

The hotline staff, consisting of one Consumer Assistant and a Hotline Coordinator, will continue to provide program information in a friendly, courteous manner and to add consumers to the mailing list. It is encouraged and recommended that all new administrative staff (such as the receptionist or administrative assistants) be trained to provide basic program information and/or referral.

**G. Direct Mail**

Periodic mailings will be sent to consumers (mailing list compiled from callers on VHFA's toll-free hotline) and real estate professionals in order to keep them informed of the various homeownership options available through VHFA. Some mailings may be more sales oriented such as selling the benefits of the **MOVE** program. Others may be to help promote land trust properties for sale to a targeted regional group of consumers.

**H. Lender Training**

Another important component of our total outreach/customer services approach to marketing is lender training. Since our consumers are directed to contact a participating lender in their area, all lenders need to be knowledgeable and helpful.

The Lender Trainer will continue to educate lenders in their understanding and use of programs such as **MOVE**, **HOUSE** and **MORTGAGE PLUS** as well as the Recapture Provision.

## Part IV - Budgeting and Timetable

## 1991 Single Family Marketing Budget (from COI funds)

Advertising placement	\$32,000
Coop. ads - lenders	5,000
Coop. ads - nonprofits	10,000
Print. & prod. of materials	7,500
Postage	3,000
Misc. (HBD expenses, etc.)	<u>2,500</u>
<b>TOTAL</b>	<b>\$60,000</b>

## TIMELINE

Home Buyer Days	Mar-Sept.
Paid Media Adv.	Feb.-June 15 & Aug. 15-Oct.
Brochure distribution	
MOVE & M+	Ongoing (updates as needed)
HOUSE	April 15 (and ongoing as needed)
Field Work	Ongoing Feb. - Nov. 15)
Mailings	Triggered by HBDs, Interest rate or other program changes; HOUSE listings
Lender training	Ongoing
Poster distribution	April
REALTOR Boards	Jan-June
Lender Recognition	October
REALTOR Recognition	Sept. (VAR convention)

### Part V - Conclusion

VHFA's marketing plan for 1991 will focus on the benefits of homeownership and the stability of VHFA as a lender. After reassuring consumers of the benefits of owning a home, they will be further empowered to become home buyers through the testimonials of other Vermonters who did it through VHFA. The REALTORS should also benefit from this type of advertising and should encourage their customers to use the program which best fits their individual situation. Good customer service will be emphasized in all aspects of marketing including the hotline, lender training and REALTOR outreach. The ultimate goal is increased customer satisfaction and usage of our loan products.





VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners  
FROM: Allan S. Hunt *Alison*  
DATE: March 28, 1991  
RE: COUNTRY PARK RESTRUCTURING - PRESERVATION AGREEMENT

Background

In July 1989, Dan O'Brien sought and received VHFA approval to restructure Country Park Associates by buying out all of the limited partners' interest in his South Burlington property. The buy-out was completed using borrowed funds and VHFA's approval was conditional to the extent that no project funds would be used in the redemption of these interests.

During 1990, a series of discussions took place between Dan and VHFA staff, in which he expressed his desire to build 50 additional units on the Country Park site and use project funds to repay the bank loan he had secured to buy out his limited partners. In our response, we indicated that this would be possible if he was willing to sign a Preservation Agreement and target a portion of the new units as affordable under the Low Income Housing Tax Credit program. Due to the unavailability of the 9% tax credits that Dan was seeking, and general uncertainty surrounding extension of the tax credit program, further negotiations came to a halt by late summer of 1990.

Early this year we received a letter from Dan requesting that VHFA grant him relief from all restrictions on current and future cash assets and cash flow, and recognize a redefined equity position based on actual fair market value of his property. Dan now has the opportunity to do a conventional refinancing of this property which would remove all current restrictions on cash and restricted accounts. In an attempt to achieve our goals of preserving these existing Section 8 units as well as create additional affordable housing, we have been negotiating intensively with Dan since January in order to reach an agreement that would be both fair and mutually beneficial.

Status of Negotiations

This memo serves to bring the Board up to date on the status of the basic elements of the negotiations now on the table.

**What VHFA would get:**

1. A Preservation Agreement that would lock in all future 5 year HAP Contract terms until 2018.
2. An option to purchase should the borrower seek to sell the property to an unrelated party.
3. A discounted option price based on 50% of the interest savings realized as a result of the difference between VHFA tax exempt financing at a rate of 7.7% and an 11% conventional refinancing (calculated from the date of our signing a Preservation Agreement). At a maximum, this would yield a \$829,920 discount if the option were exercised in the year 2018.
4. Construction of 50 additional housing units, of which 30 would be affordable under the tax credit program rents applicable to 60% of median income for Chittenden County.

**What Dan O'Brien would get:**

- A. Access to all Country Park surplus cash and a portion of the Project Cost Escrow, in order to repay the outstanding principal balance plus accrued interest on the bank note that enabled him to buy out the limited partners (estimated at \$739,692 as of 4/1/91).
- B. A tax credit allocation of 4% credits plus favorable financing terms from VHFA (5.5% to 7%) as necessary in order to make the 50 new units financially feasible.
- C. Capping of the Replacement Reserve account balance at the December 31, 1990 level with no further deposits required unless the reserve principal amount is reduced by more than 25%.
- D. Permission from VHFA to use surplus land at Country Park to build the new units.
- \*E. A redefined equity position based on the difference between the property's fair market value and outstanding debt. This new equity position would be recalculated every three (3) years by applying the cumulative Consumer Price Index over the period.
- \*F. An 8% (after tax) return on equity based on a redefined equity position as outlined above (maximum yearly distributions would increase from the current \$11,147 to an estimated \$140,000).

- \*G. The protection that if for two consecutive years the project's income was not sufficient to meet reasonable operating expenses, including 50% of the owners' increased return on equity as redefined, the owner may notify VHFA and VSHA of its intention not to renew the HAP contract by giving at least 365 days notice before the end of the then-current 5 year term.
- \*Final approval for the redefined equity position and increased return on equity detailed in E, F and G, above, would be contingent upon the construction of the 50 new units.

#### Unresolved Issues

Dan is seeking to extend the incentives described above to his Whitcomb Woods property in Essex Junction as part of the overall transaction to construct the new units at Country Park. This linkage may complicate an already complex set of negotiating issues.

Dan has also expressed his desire to pay his professional fees for working on this transaction out of Country Park's surplus cash. He has indicated that these fees amount to between \$40,000 and \$50,000.

The actual value of the discount applied to the option price may not be adequate to insure the affordability of these units if Dan decides to sell the property within 5 to 10 years. An alternative method of calculating the discount may need to be used through year ten of the Agreement. We are working on cash flows, using different assumptions on the rate of appreciated value the property may experience, in an effort to identify how best to structure this critical component of the agreement.

HUD's long term commitment of funding for this property is projected to be totally drawn down by the year 2005 (13 years before the expiration of the HAP Contract and our mortgage). Thus far we have decided not to seek HUD approval for this preservation activity. The threat of future rent increase reductions imposed by HUD's rent comparability regulations could impact the incentives we are providing Dan and limit our ability to secure needed amendments from HUD under the HAP and Annual Contributions Contract. Because of the location of these units and the market rent parity that now exists, we do not believe that rent comparability would have an adverse impact on HUD's obligation to provide the amendments that will be required beginning in 1992.

#### Recommended Board Action

Allow staff to continue to negotiate with Dan O'Brien regarding Country Park.

VERMONT HOUSING FINANCE AGENCY  
AND BANK COMPARISON

For Fiscal Year 1990

	V H F A -----	EASTERN BANCORP -----	BANKNORTH GROUP -----
Subsidiaries	-	Vermont Federal Bank First S & L (N.H.)	Howard Bank First Vermont Bank Franklin-Lamoille Bank Granite Savings Bank Woodstock National Bank Vermont Mortgage Group
Fiscal year ended	06/30/90	09/30/90	12/31/90
Rank by assets (of 37 VT banks)	6	5	1
Number of employees	36	303	1,147
Number of branches	1	22	61
Total Assets	\$572,504,000	\$628,765,000	\$1,654,428,000
Total Liabilities	\$535,600,000	\$576,440,000	\$1,525,670,000
Total Fund Balances (Stockholder's Equity)	\$36,904,000	\$52,325,000	\$128,758,000
Net Income Before Taxes	\$2,780,000	\$3,789,000	\$9,383,000
Surplus (Net Income)	\$2,780,000	\$1,726,000	\$7,429,000
Total operating expenses	\$2,775,000	\$18,773,000	\$64,066,000
Salaries & Benefits expense	\$1,183,000	\$8,399,000	\$31,667,000
Ave. salaries & benefits/employee	\$32,860	\$27,720	\$27,610
Total loans outstanding	\$334,629,000	\$417,458,000	\$1,234,007,000
Loans as % of assets	58%	66%	75%
Mortgage loans	\$334,629,000	\$189,156,000	\$444,242,000
Mortgage loans as % of total loans	100%	45%	36%

VERMONT HOUSING FINANCE AGENCY  
COMPARATIVE SELECTED STATISTICAL DATA  
1975 - 1990

ITEM	As Of June 30, 1975	As Of June 30, 1980	As Of June 30, 1985	As Of June 30, 1990
Years in operation	1.5	6	11	16
Number of employees	3	20	18	36
Employees still with VHFA in 1990	0	3	9	36
Salaries & Benefits	\$29,788	\$255,687	\$565,196	\$1,183,170
Total Assets	\$29,706,783	\$240,734,959	\$409,894,730	\$572,503,960
Total Liabilities	\$29,941,639	\$235,860,979	\$385,197,106	\$535,600,095
Total Fund Balances	(\$34,856)	\$4,873,980	\$24,697,624	\$36,903,865
Agency Bond Cap	\$74,000,000	\$300,000,000	\$500,000,000	\$900,000,000
Bonds Payable	\$29,605	\$232,125,000	\$380,360,873	\$518,156,218
# of bond issues outstanding	2	12	20	30
Agency general fund operating expenses	\$78,302	\$675,504	\$946,068	\$2,774,821
Single Family loans to date	575	1,175	8,905	13,275
Multi-Family units financed to date	0	1,350	1,967	2,852
Board Chairman	Richard Myette	Andrew Field	Allan Hunt	Horace Shaw
Executive Director	Richard Lincoln	Allan Hunt	Scott Frazier	Allan Hunt
Auditors	Haskins & Sells	Coopers & Lybrand	P.F. Jurgs	KPMG Peat Marwick



VERMONT HOUSING FINANCE AGENCY

April 15, 1991

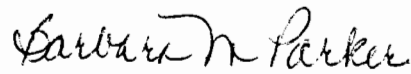
Ms. Jean Gauthier  
Department of Administration  
Pavilion Office Building  
109 State Street  
Montpelier, VT 05602

Dear Ms. Gauthier:

The Vermont Housing Finance Agency will be having its regular monthly Board Meeting on Thursday, April 25, at 1:30 p.m., at the office of the Agency of Development and Community Affairs, (Pavilion Building, 4th Floor), 109 State Street, Montpelier, Vermont.

If you have any questions, please do not hesitate to contact me.

Sincerely,

  
Barbara M. Parker  
Executive Assistant



VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners  
FROM: Allan S. Hunt, <sup>Director</sup> Executive Director  
DATE: April 3, 1991  
RE: RESCHEDULING THE UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been rescheduled. The meeting will be held at 1:30 p.m. Thursday, April 25, at the office of the Agency of Development and Community Affairs, 109 State Street (4th Floor of the Pavilion Building), Montpelier, Vermont.

The agenda and board packet will be mailed by April 19.

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Montpelier April 25!





VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director

DATE: April 19, 1991

RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held at 1:30 p.m. Thursday, April 25, at the office of the Agency of Development and Community Affairs (Pavilion Office Building, 4th Floor), 109 State Street, Montpelier, Vermont.

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

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Montpelier April 25!





VERMONT HOUSING FINANCE AGENCY

**VHFA BOARD MEETING AGENDA**

**Office of the Agency of Development and Community Affairs  
Pavilion Office Building, 4th Floor  
109 State Street  
Montpelier, Vermont**

**Thursday, April 25, 1991 at 1:30 p.m.**

1. Review and approval of minutes of March 28, 1991
2. Executive Director's Report  
A. Dalton Drive Update [Hunt]
3. Single Family  
A. MOVE 1989B Update [Lothrop/Enclosure]  
B. Monthly Single Family Programs Update [Lothrop/Enclosure]
4. Multi-Family  
A. O'Brien Proposal (Country Park Associates) [Falzone/Enclosure]
5. Development  
A. Templeton Court Commitment Letter [Koppelkam/Encl.]
6. Finance  
A. 1990 Series 2 Single Family [Schoenbeck/Encl.]  
B. Dalton Drive Financing Resolution [Schoenbeck/Encl.]
7. Legal  
A. Multi-Family Update [Jarrett]  
B. Legislative Update [Jarrett]
8. Other old or new business to come before the Board



VERMONT HOUSING FINANCE AGENCY

**BOARD MINUTES**  
**Vermont Housing Finance Agency**  
**1 Burlington Square**  
**Burlington, Vermont**  
**Thursday, March 28, 1991**

**PRESENT:** Commissioners Ruse, Hebard, Rockford, Myette, Seelig, Erdman (designee of McDougall)

Agency Staff: Mr. Hunt, Mr. Schoenbeck, Mr. Jarrett, Mr. Koppelkam, Mrs. Parker, Ms. Crady, Ms. Wilson, Ms. Santerre, Ms. Joachim, Mr. Francis, Mr. Falzone, Ms. Wadhams (Consultant)

Guests: Ms. Pearson (VHMGB); Mr. Richardson, Ms. Mullikin Drake (Housing Vermont); Mr. Dettman, Mr. Williams (VSHA); Mr. Wallace (Bank of Boston); Mr. Gurley (Chase Securities, Inc.)

The meeting was called to order at 1:35 p.m. by Mr. Ruse, Vice Chairman, who presided in the scheduled absence of the Chairman.

Upon a motion duly made and seconded, the minutes of the February 14, 1991 meeting were unanimously accepted as written.

Mr. Koppelkam introduced Mr. Williams and Mr. Dettman of the Vermont State Housing Authority (VSHA), who attended the meeting as representatives of Housing Foundation, Inc. (HFI). The "White River Junction (Templeton) - HFI Letter of Interest" was discussed, as detailed in Mr. Koppelkam's memo of March 19, included in the Board packet, and Mr. Koppelkam further advised the Board that staff recommended an increase in the Letter of Interest to an amount not to exceed \$1,675,000. According to Mr. Williams, HFI is involved in negotiations with the owner of Templeton Court regarding the purchase of two other similar properties. HFI offered a purchase price lower than the appraisal value, but the owner rejected that offer. Mr. Williams further observed that although the purchase price is high, it is comparable with other similar rehabilitations throughout Vermont. Templeton Court is at risk, similar to the Gates (although smaller), and should be maintained as affordable housing. Following further discussion, a motion was made and seconded to adopt the "Resolution Pertaining to Letter of Interest re: Templeton Court Apartments Development" as



## VHFA BOARD MINUTES

March 28, 1991

Page 2 of 5

amended and attached to these minutes. This motion was carried unanimously and Mr. Dettman and Mr. Williams left the meeting.

At this time, Ms. Erdman arrived and joined the meeting.

Mr. Hunt informed the Board that the search for a Deputy Director had been successfully completed, and introduced Mr. Francis to the Board. The Board welcomed Mr. Francis and congratulated him on his new responsibilities. Mr. Hunt also explained to the Board that Ms. Hope and Mr. Lothrop were on vacation, and Ms. Pond was unable to attend the meeting due to a family emergency.

Next, the "Barre (Highgate): Project Summary and Approval of Highgate Financing Resolution," as detailed in his memo of March 19, included in the Board packet, was reviewed by Mr. Koppelkam. Ms. Mullikin Drake pointed out that Highgate has many more female heads of households and has more children on site than Northgate. This, combined with consideration for the various elevations on the site, contributes to a greater need for concern on the part of residents during the proposed rehabilitation. Mr. Koppelkam assured the Board that the Department of Housing and Urban Development (HUD) had issued verbal approval as far as the Agency's temporary ownership of Highgate during the purchase and sale proceedings, pending written verification from HUD. However, HUD's lack of timeliness on the Transfer of Physical Assets (TPA) and proposed fair market rents could be a significant factor in delaying the planned mid-April closing. A brief discussion was followed by a seconded motion to adopt the "Resolution of VHFA Authorizing the Issuance of Its Highgate Housing Wraparound Promissory Note," which incorporates the bond and the project resolution; this motion was carried unanimously, and the resolution is attached to these minutes.

Ms. Santerre reviewed the report of activity in the 1989B MOVE program, and assured the Board that lower bank rates will probably have a very limited effect on the Agency's programs, as lenders' activities presently are concentrated on refinancing rather than first mortgages.

The monthly delinquency report was reviewed by Ms. Wilson, who informed the Board that the increase of delinquencies in the past few months is directly attributable to increased unemployment, divorces, and self-employed borrowers with decreased business due to the overall economy. Every effort is being made to avoid foreclosures. As a comparison with prior experience during high unemployment levels, Ms. Wilson observed that the activity closely approximates levels experienced by the Agency in 1987. Mr. Hunt further assured the Board that the consistently low number of delinquencies in the 60 to 90 day categories is reassuring.

## VHFA BOARD MINUTES

March 28, 1991

Page 3 of 5

A brief review of the "MOVE/EEM Alternative" by Ms. Crady, as detailed in her memo of March 19, included in the Board packet, did not require any Board action.

Ms. Crady then recapped the "New Income and Purchase Price Limits for Single Family Homeownership" proposed in her memo of March 16, included in the Board packet. Mr. Seelig questioned the appropriateness of raising purchase price limits at a time when home prices and/or values are dropping. Mr. Hunt assured the Board that stimulation of the real estate market is a worthy goal, and further pointed out that purchase price increases implemented by the Agency have not seemed to adversely affect the number of lower income borrowers served. According to Ms. Markman, income limits are often the controlling factor for the Agency's borrowers, while the relationship to affordability remains the same. Mr. Seelig cautioned the Board that raising the purchase and income limits as proposed could be the wrong signal to send, and could in fact spur the market in the wrong direction. A motion was duly made and seconded to adopt the income and purchase price limits as detailed in the above-referenced memorandum; this motion carried, with Mr. Seelig opposed.

The 1988B recycled fund options were reviewed by Ms. Crady, who informed the Board that while lenders have expressed interest in the proposed rates, builders seem a bit wary due to the timing. Under consideration by staff is a blending of the 7.9 percent and 8.9 percent funds to result in a mortgage rate of 8.4 percent funds (approximately \$8,000,000), with a lower interest rate of 6.2 percent to be available for the HOUSE (perpetually affordable) program from the 1989B 7.7 percent recycled funds. No Board action was required for the 1988B fund options. However, a motion was made, seconded and carried unanimously to adopt the "Supplemental Resolution Amending Series Resolution Authorizing the Issuance and Sale of Home Mortgage Purchase Bonds, 1989 Series B" as attached to these minutes.

Turning next to the "Nonprofit Single Family Mortgage Delivery Pilot" explained in Ms. Pond's memo of March 18, included in the Board packet, Mr. Hunt reminded the Board that he serves on the Board of the Vermont Development Credit Union (VDCU). A motion was made, seconded and unanimously approved a grant in an amount not to exceed \$10,000 to VDCU to allow initiation of a mortgage pilot delivery system for Agency single family mortgage loans.

Mr. Schoenbeck reported that note financing for Dalton Drive in an amount not to exceed \$4 million over a two year period has been approved by the Bank of Boston, which has agreed to purchase general obligation Agency notes in that amount. Rates will be based on the New England Housing Fund rate at the time of the bond sale, plus one percent. The financing structure is fairly flexible, allowing the Agency to sell notes

## **VHFA BOARD MINUTES**

**March 28, 1991**

**Page 4 of 5**

as needed, up to a total of \$4 million. A formal resolution will be presented to the Board at the April meeting.

Next, Mr. Jarrett reviewed several pieces of state legislation of interest to the Agency; no Board action was required.

The "Pine Meadow Development Resolutions" as attached to Mr. Jarrett's memo of March 22, included in the Board packet, were acted upon by the Board. A motion was made and seconded to approve both the "Resolution Pertaining to Closing for Interfaith/Pine Meadow Development, Middlebury" and the "Resolution of VHFA Authorizing the Issuance of Its Housing Project Bond (Federally Taxable Issue) Pine Meadow Development" as attached to these minutes; both resolutions were unanimously adopted.

The Board acknowledged receipt of the "1991 Marketing Plan for VHFA Homeownership Programs" included in the Board packet, requiring no Board action.

The Board then addressed several legal issues raised by Mr. Jarrett, regarding two groups of Multi-Family projects. Although no formal action was taken, staff was advised to proceed with the pursuit of a threat of suit regarding developer's cost overruns at the time of construction on one set of projects. With respect to five projects owned or controlled by Judson Babcock, staff was directed to take whatever legal action may be appropriate, since Mr. Babcock has relocated out of the state, leaving the management company in disarray.

Mr. Myette expressed his regrets at having to leave the meeting shortly, and suggested that a review of the staffing levels at the Agency might be appropriate. A brief discussion followed during which the Board, without a formal vote, accepted Mr. Seelig's suggestion of a meeting to be scheduled between the Board and Jan Williams, the personnel consultant who has been hired and has been working with the staff. Mr. Myette left the meeting following this discussion.

A memo dated March 28 regarding the "Country Park Restructuring--Preservation Agreement" was distributed by Mr. Hunt. The Board expressed a need for more time to review the information provided in this memo before recommending any action to be taken by staff. Discussion will continue on this proposal at the April Board meeting.

Mr. Hunt then offered an update of the "Revised Role of Preservations Investments, Ltd. and Summary of Revised Contract Provisions for Dalton Drive" based on his memo of March 26, distributed to the Board prior to the meeting. Ms. Wadhams explained to the Board that the construction will be completed in four phases, which

**VHFA BOARD MINUTES**

**March 28, 1991**

**Page 5 of 5**

should result in savings to the contractor. Construction requests for proposals are to be sent out in early April, with bids due May 1. The asbestos removal was begun March 27. Ms. Wadhams assured the Board that a revised pro forma would be made available to the Board once the construction figures have been received. A motion was made and seconded to adopt the "Resolution Pertaining to Amendment of Dalton Drive Development Contract and Participation in Dalton Drive Neighborhood, Inc." as attached to these minutes; this motion carried unanimously.

The next meeting was scheduled for Thursday, April 25, in Montpelier. There being no further business and following a motion duly made and seconded, the meeting adjourned at 4:05 p.m.

Respectfully submitted,



Allan S. Hunt  
Secretary

RESOLUTION PERTAINING TO LETTER OF INTEREST RE:  
TEMPLETON COURT APARTMENTS DEVELOPMENT

WHEREAS, a proposal has been presented to the Agency by Vermont Housing Enterprises, Inc., a non-profit corporation recently formed by the Vermont State Housing Authority, involving the acquisition and rehabilitation of the Templeton Court Apartments, a 36 unit apartment development in White River Junction (the "Development"); and

WHEREAS, the proposal contemplates that the Development will constitute "residential rental housing" within the meaning of section 142(d) of the Internal Revenue Code of 1986; and

WHEREAS, a Vermont non-profit corporation, Vermont Housing Enterprises, Inc., 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;

It is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income.
2. The rehabilitation costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.
3. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and moderate income are able to afford within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of the residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families.
4. The housing sponsor undertaking the Development will maintain the supply of well-planned, well-designed permanent housing for persons and families of low and moderate income.
5. The sponsor is a financially responsible organization.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a letter of interest (the "Letter of Interest") to provide a first mortgage for acquisition and rehabilitation, in an amount to be determined by the Executive Director, but not to exceed \$1,675,000, for the Templeton Court Apartments Development. The Letter of

Interest shall be issued to Vermont Housing Enterprises, Inc.

2. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds from the issuance of new bonds or notes of the Agency and the satisfactory completion of such further requirements as the Agency may establish. The letter of interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, construction financing, or for other purposes with the consent of the Agency.
3. The Executive Director is authorized to make preliminary arrangements for the issuance and private placement of tax-exempt bonds of the Agency to provide proceeds for financing this loan.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont on March 28, 1991.

CCX 1 4f  
Allan S. Hunt  
Executive Director and Secretary  
Vermont Housing Finance Agency



VERMONT HOUSING FINANCE AGENCY

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Supplemental Resolution Amending Series Resolution  
Authorizing the Issuance and Sale of Home Mortgage  
Purchase Bonds, 1989 Series B

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March 28, 1991

WHEREAS, the Vermont Housing Finance Agency (the "Agency") adopted on July 8, 1983 a resolution entitled "Home Mortgage Purchase Bond Resolution (the "Bond Resolution"); and

WHEREAS, pursuant to the Bond Resolution the Agency adopted on December 7, 1989 a resolution entitled "Series Resolution Authorizing the Issuance and Sale of Home Mortgage Purchase Bonds, 1989 Series B" (the "1989 Series B Resolution"); and

WHEREAS, the Agency has determined that it is both necessary and desirable to adopt an amendment to Section 305(D) of the 1989 Series B Resolution in order to carry out the purposes of the Bond Resolution and has further determined that such amendment is permitted by Section 801 of the Bond Resolution and is not contrary to or inconsistent with the Bond Resolution as heretofore in effect;

Be it Resolved by the Vermont Housing Finance Agency and the Commissioners thereof as follows:

Section 1. Amendment of Section 305(D) of 1989 Series Resolution. Section 305(D) of the 1989 Series B Resolution is hereby amended pursuant to Section 801 of the Bond Resolution by the addition of the following sentence at the end thereof:

"Notwithstanding the foregoing provisions of this Paragraph (D), the Agency may purchase Mortgage Loans described in clause (1) of this Paragraph (D) bearing interest at a rate lower than 8.70% per annum for more than the first year of such Mortgage Loans (but not in excess of the amount or lower than the rate provided in said clause (1)), and may purchase Mortgage Loans described in clause (2) of this Paragraph (D) bearing interest at a rate less than 7.70% per annum for any one or more of the first four years of such Mortgage Loans (but not in excess of the amount or lower than the lowest rate provided in said clause (2)), if the Agency delivers to the Trustee an Officer's Certificate to the effect that (i) the aggregate anticipated Revenues to be received on Mortgage Loans allocable to the 1989 Series B Bonds following such purchases will not be less than the Revenues that would be received if such Mortgage Loans were

purchased solely as permitted by said clauses (1) and (2) without reference to this sentence, and (ii) following such purchases, anticipated Revenues, together with any other amounts held in the Bond Fund, the Bond Reserve Fund and the Redemption Fund, will be at least sufficient to pay as and when due all Principal Installments and interest on all Bonds Outstanding."

Section 2. Effective Date. This resolution shall take effect immediately.

Certificate of Secretary

I, Allan S. Hunt, Secretary of the Vermont Housing Finance Agency (the "Agency"), certify that attached hereto is a true and complete copy of a resolution duly adopted at the meeting of the Commissioners of the Agency held on March 28, 1991, of which meeting all Commissioners were duly notified and during which a quorum was acting throughout. Notice of the meeting of the Agency was duly given in the manner required by the By-laws of the Agency. The time and place at which the public could attend the meeting was publicly announced at least 24 hours prior thereto, and all portions of the meeting at which proceedings relating to the resolution were taken were open to the public, all in accordance with 1 V.S.A. §312 as amended.

Dated: March 28, 1991

*Allan S. Hunt*

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Allan S. Hunt  
Executive Director and Secretary

RESOLUTION PERTAINING TO CLOSING FOR  
INTERFAITH/PINE MEADOW DEVELOPMENT, MIDDLEBURY

WHEREAS, Housing Vermont and the non-profit corporation Interfaith, Inc. have previously presented a proposal for construction of 30 units of rental housing in the town of Middlebury, Vermont (the "Interfaith/Pine Meadow Development" or the "Development"); and

WHEREAS, the proposal contemplates that the Interfaith/Pine Meadow Development will constitute a "qualified low-income housing project" within the meaning of section 42(g) of the Internal Revenue Code of 1986; and

WHEREAS, the Pine Meadow Housing Limited Partnership 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 Interfaith/Pine Meadow Development will assist in fulfilling the purposes of the Act; and

WHEREAS, the construction of the Development is substantially complete; and

WHEREAS, the Agency has issued its Commitment Letter to make a permanent loan in an amount not to exceed \$370,000 to be amortized over a 25 year period, but with a payment of all outstanding principal and interest due at the end of 20 years; and

WHEREAS, Middlebury College has signed a Three Party Agreement indicating its agreement to purchase a federally taxable bond of the Agency, the proceeds of which will be used to make the loan to the sponsors;

WHEREFORE, it is hereby RESOLVED:

1. Paragraph Three of the Commitment Letter of the Agency is amended to change the maximum amount of the Note to \$875,000, to change the date on which the outstanding balance is due and payable from 20 to 25 years, and to change the maximum interest rate from 10.50 percent per annum to 9.75 percent per annum.
2. The Commitment Letter of the Agency, other than as set forth in the preceding paragraph, is hereby ratified and the actions of Agency staff in negotiating the loan and preparing for the closing are hereby ratified.

3. The Executive Director, the Director of Finance, the Director of Development, or any of them, are authorized to do all acts and things and to execute and deliver any and all documents or other instruments, in form satisfactory to counsel for the Agency, necessary or desirable for the purpose of effectuating the permanent loan to the Pine Meadow Housing Limited Partnership in an amount not to exceed \$875,000 for a 25 year term at the closing on the Development.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont on March 28, 1991.

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

RESOLUTION OF VERMONT HOUSING FINANCE AGENCY  
AUTHORIZING THE ISSUANCE OF ITS  
HOUSING PROJECT BOND (FEDERALLY TAXABLE  
ISSUE) PINE MEADOW DEVELOPMENT

Be it Resolved by the Vermont Housing Finance Agency  
and the Commissioners thereof as follows:

ARTICLE I  
DEFINITIONS AND AUTHORITY

SECTION 101. Definitions.

- (A) In this Resolution unless a different meaning clearly appears from the context:

"Act" means the Vermont Housing Finance Agency Act, being No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended to the date of adoption of this Resolution.

"Agency" means the Vermont Housing Finance Agency, a body politic and corporate organized under the Act, or any instrumentality of the State which shall hereafter succeed to its powers.

"Authorized Officer" means the Chairman, Vice Chairman, Executive Director and Secretary and Director of Finance of the Agency, and any other person authorized by resolution of the Agency to act as an Authorized Officer under this Resolution.

"Bond" means the Bond of the Agency authorized by this Resolution.

"Bond Date" means the date the Bond is originally issued hereunder.

"Bond Fund" means the fund so designated and established under Section 301 of this Resolution.

"Commitment Letter" means the Commitment Letter relating to the Permanent Loan dated as of June 26, 1990 issued by the Agency and accepted by the Sponsor.

"Costs of Issuance" means any items of expense payable or reimbursable directly or indirectly by the Agency and related to the authorization, sale and issuance of the Bond.

"Development" means the Pine Meadow Development as more fully described in the Commitment Letter and the Three Party Agreement.

"General Account" means the account so designated and established under Section 301 of this Resolution.

"General Fund" means the fund so designated and created by a resolution of the Agency adopted September 26, 1974 as amended from time to time.

"Loan Account" means the account so designated and established under Section 301 of this Resolution.

"Permanent Loan" means a permanent mortgage loan made by or on behalf of Agency to the Sponsor with the proceeds of the Bond.

"Permanent Loan Amount" means the amount of the Permanent Loan established pursuant to paragraph 3 of the Commitment Letter.

"Program" means the Agency's program of making mortgage loans to housing sponsors pursuant to the Act.

"Project Fund" means the fund so designated and established under Section 301 of this Resolution.

"Recovery Payments" means any moneys received or recovered by the Agency, less the expenses necessarily incurred by the Agency in connection with the collection of such amount, from (i) condemnation of the Development, (ii) proceedings taken in the event of default by the Sponsor under the Permanent Loan, (iii) any claim settlement for hazard insurance or other insurance applicable to the Development or the Permanent Loan, (iv) the sale or other disposition of the Development, or (v) the sale or other disposition of the Permanent Loan after default for the purpose of realizing the Agency's interest therein.

"Revenues" means and includes all payments, proceeds, charges, fees, rents, investment earnings and all other income (including without limitation all payments of principal and interest received by or on behalf of the Agency on the Permanent Loan and all Recovery Payments) derived by or for the account of the Agency from or related to the Development and the Permanent Loan.

"Sinking Fund Account" means the account so designated and established under Section 301 of the Resolution.

"Sponsor" means Pine Meadow Housing Limited Partnership, a limited partnership organized and existing under the laws of the State.

"State" means the State of Vermont.

"Three Party Agreement" means the agreement so denominated among the Sponsor, the purchaser of the Bond, and the Agency, in substantially the form presented at this meeting.

- (B) Except as otherwise expressly provided in this Resolution, the terms "housing development costs," "housing sponsor," "mortgage," "mortgage loan," and "residential housing" when used in this Resolution shall have the meanings given such terms in the Act.

#### SECTION 102. Authority.

This Resolution is adopted pursuant to the Act and shall take effect upon its adoption. The Agency is duly authorized under the Act and all applicable laws to issue the Bond and to adopt this Resolution in the manner and to the extent provided herein. The Agency will at all times, to the extent permitted by law, defend, preserve and protect all the rights of the registered owner of the Bond hereunder against all claims and demands of all persons whomsoever.

### ARTICLE II AUTHORIZATION OF Bond; FINDINGS; TERMS AND SALE OF Bond

#### SECTION 201. The Bond.

- (A) A Bond of the Agency, designated "Housing Project Bond (Federally Taxable Issue) Pine Meadow Development" is hereby authorized to be issued as herein provided in a principal amount not to exceed Eight Hundred Seventy Five Thousand Dollars (\$875,000), the original principal amount of the Bond to be determined upon its issuance by the Authorized Officers of the Agency executing the same. The Bond shall be dated and shall bear interest from the Bond Date and shall mature, subject to prior redemption as herein and in the Bond provided, on \_\_\_\_\_, 2016. Interest on the Bond shall be payable on September 1, 1991 and semi-annually thereafter on March 1 and September 1 of each year. The form of the Bond, the rate or rates of interest payable thereon, the terms of redemption thereof prior to maturity and all other terms and conditions thereof shall be as set forth in Article IV of this Resolution.

(B) The Agency hereby ratifies and confirms the Commitment Letter and approves the Permanent Loan on the terms and conditions provided herein, in the Commitment Letter and in the Three Party Agreement. The Agency hereby determines that:

- (1) the Permanent Loan does not exceed the value of the Development as determined by the Agency and the principal amount of the Bond is necessary to provide sufficient funds to be used and expended for the Program in respect of the Development;
- (2) the Permanent Loan can be issued bearing interest at a rate that will be less than the prevailing rate of interest on comparable mortgage loans available in the State without the assistance of the Agency;
- (3) the Agency will derive receipts, revenues or other income from the Permanent Loan sufficient to provide, together with all other available receipts, revenues and income of the Agency, for the payment of the Bond and the payment of all costs and expenses incurred by the Agency with respect to the Program for which the Bond are issued;
- (4) the Development is primarily for occupancy by persons and families of low and moderate income within the meaning of the Act;
- (5) the acquisition, construction and or rehabilitation costs incurred or to be incurred by the Sponsor are for housing development costs within the meaning of the Act;
- (6) there exists, or without the Development 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 investments are unable, without assistance, to provide an adequate supply of residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families; and
- (7) the Sponsor is a housing sponsor as defined in the Act, the Sponsor will maintain or increase the supply of well-planned, well-designed permanent, temporary transitional or emergency housing for persons of low and moderate income and the Sponsor is a financially responsible person.

(C) The purposes for which the Bond are being issued are to provide funds to make the Permanent Loan and to pay Costs of



Issuance in the amount determined by or pursuant to Article III hereof.

SECTION 202. Sale of the Bond.

- (A) The Bond is hereby sold to the President and Fellows of Middlebury College at the price of par on the terms and conditions provided herein and in the Three Party Agreement. The Three Party Agreement, in the form presented at this meeting and included in the minutes thereof, and its execution and delivery by Authorized Officers of the Agency is hereby ratified.

ARTICLE III  
ESTABLISHMENT OF FUNDS AND ACCOUNTS;  
APPLICATION OF BOND PROCEEDS; OBLIGATION OF Bond

SECTION 301. Funds and Accounts.

- (A) The Housing Project (Federally Taxable Issue) Project Fund (the "Project Fund") is hereby established to be held and administered together with all accounts therein by the Agency as provided in this Resolution. On or prior to the Bond Date the Agency shall establish within the Project Fund a separate account designated the "Pine Meadow Loan Account" (the "Loan Account"), the amounts in which shall be applied as provided in this Article III.
- (B) The Housing Project (Federally Taxable Issue) Bond Fund (the "Bond Fund") is hereby established to be held and administered together with all accounts therein by the Agency as provided in this Resolution. On or prior to the Bond Date the Agency shall establish within the Bond Fund the following separate accounts to be applied as provided in this Article III:
- (1) Pine Meadow General Account (the "General Account");
  - (2) Pine Meadow Sinking Fund Account (the "Sinking Fund Account");
  - (3) Pine Meadow Special Redemption Account (the "Special Redemption Account").

SECTION 302. Application of Bond Proceeds.

- (A) The proceeds of the Bond shall be deposited in the Loan Account. Moneys in the Loan Account shall be used solely as follows:
- (1) an amount not exceeding the Permanent Loan Amount shall be used to make the Permanent Loan; and

- (2) amounts in the Loan Account in excess of the Permanent Loan Amount shall be applied by the Agency to defray Costs of Issuance of the Bond within six (6) months of the Bond Date.
- (B) Notwithstanding anything herein to the contrary, if the Permanent Loan is not made within six (6) months of the Bond Date, or in any event if any balance remains on deposit in the Loan Account on the date which is six (6) months after the Bond Date, the entire balance on deposit in the Loan Account shall be transferred to the Special Redemption Account for application to the redemption of the Bond as provided in Section 303 of this Resolution.

SECTION 303. Application of Revenues.

- (A) The Agency shall deposit all Revenues in the Bond Fund upon receipt and shall immediately allocate the same to accounts therein as follows:
  - (1) Revenues constituting scheduled repayments of principal on the Permanent Loan and Revenues constituting permitted prepayments of the outstanding principal of the Permanent Loan - to the Sinking Fund Account;
  - (2) Revenues constituting Recovery Payments and excess moneys in the Loan Account under Section 302(B) hereof - to the Special Redemption Account; and
  - (3) all other Revenues - to the General Account.
- (B) On March 1, 1992 and each succeeding March 1 thereafter, all amounts deposited in the Sinking Fund Account under Section 303(A)(1) shall be applied to the redemption of the outstanding principal of the Bond, except that, in the event that the Agency receives a prepayment of the outstanding principal of the Permanent Loan under Section 303(A)(1) on the tenth anniversary of the Bond Date, or at any time thereafter, all as provided in the Permanent Loan, the Bond shall be subject to redemption at the option of the Agency in whole, but not in part, from the amount deposited in said Account.
- (C) All amounts deposited in the Special Redemption Account shall be promptly applied to the redemption of the outstanding principal of the Bond. At any time not later than the interest payment date for the Bond next succeeding the date of any deposit into said Account under Section 303(A)(2), the amount so deposited shall be applied to the redemption of the outstanding principal of the Bond.
- (D) Moneys in the General Account shall be used solely as follows:

- (1) on each interest payment date of the Bond, to pay the interest on the Bond then due;
  - (2) on the redemption date of any portion of the principal of the Bond being redeemed hereunder to pay any interest then payable on the principal amount of the Bond to be redeemed;
  - (3) at any time, to reimburse the Agency for any expense reasonably incurred by it in connection with the financing of the Development, including but not limited to Costs of Issuance in excess of the amount available therefor in the Loan Account and expenses incurred in connection with the protection of the Agency's security for the Permanent Loan; and
  - (4) on each interest payment date, after payment of the interest on the Bond then due and provided an Authorized Officer of the Agency determines that such transfer will not materially impair the Agency's ability to make future payments from the General Account sufficient for the purposes of paragraphs (1) and (2) of this Section 303(D), to transfer funds to the Agency's General Fund free of the pledge herein made.
- (E) Whenever funds in any account in the Project Fund are required to be applied to a payment on account of principal of the Bond, the Agency may at its election hold back such amount not exceeding \$100 as will facilitate payment of principal on the Bond in rounded amounts. Payments from the Project Fund shall be deemed to have been made on the date of the Agency's check therefor and not on the date of any prior mailing of said check.

SECTION 304. Transfers from General Fund.

From time to time, at its option, the Agency may transfer moneys from the General Fund to the General Account.

SECTION 305. Investment.

Moneys in the funds and accounts established hereunder may be invested by the Agency, until needed for their respective purposes, in any manner permitted by the Act. Moneys in two or more of such funds and accounts may be invested on a commingled basis for the account of such funds and accounts pro rata in proportion to the moneys invested on behalf of each such fund or account. Interest and other income earned upon the investment or deposit of amounts in the Loan Account shall be deposited in such Account. Interest and other income earned upon the investment or deposit of amounts on deposit in the General Account, the Sinking Fund Account and the

Special Redemption Account shall be deposited in the General Account.

SECTION 306. Obligation of Bond.

The Bond shall be general obligations of the Agency payable out of any of the Agency's revenues, moneys or assets, subject only to agreements heretofore or hereafter made with the holders of obligations of the Agency other than the Bond pledging particular revenues, moneys or assets for the payment thereof. The Agency hereby covenants and agrees with the registered owners of the Bond that it will not grant to any person any lien on or pledge of the Permanent Loan or of any of the Revenues or moneys or investments in any of the accounts created hereunder or any proceeds thereof unless the Agency shall simultaneously therewith grant to the registered owners of the Bond a prior and senior lien on or pledge of the Permanent Loan and such Revenues, moneys and investments and the proceeds thereof. The Bond shall not constitute a debt or grant or loan of credit of the State and the State shall not be liable thereon nor shall the Bond be payable out of any funds other than those of the Agency. The Agency is not obligated to pay the Bond or the interest thereon except from the revenues or assets of the Agency pledged therefor under this Resolution and neither the faith nor credit nor taxing power of the State or any political subdivision thereof is pledged to the payment of the principal of or interest on the Bond.

ARTICLE IV  
FORM OF BOND

The Bond shall be issued in substantially the following form:

VERMONT HOUSING FINANCE AGENCY  
HOUSING PROJECT BOND  
(Federally Taxable Issue)  
Pine Meadow Development

No. \_\_\_\_\_ \$ \_\_\_\_\_

NOTE: THE HOLDER OF THIS BOND BY ACCEPTANCE HEREOF AGREES TO RESTRICTIONS ON TRANSFER AND TO INDEMNIFICATION PROVISIONS SET FORTH BELOW.

The Vermont Housing Finance Agency (herein called the "Agency"), a body politic and corporate of the State of Vermont, for value received hereby promises to pay to The President and Fellows of Middlebury College, or registered assigns, on the \_\_\_\_\_ day of \_\_\_\_\_, 2016, the principal sum of \_\_\_\_\_ Hundred Thousand and 00/100 Dollars, upon presentation and surrender hereof, and to pay interest on the principal balance hereof outstanding from time to time from the date of original delivery of this bond (the "Bond

Date") until final payment hereof at the annual rate provided below, such interest payments to be made semi-annually on the first day of March and September in each year commencing September 1, 1991. The principal or redemption price of and interest on this bond are payable in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts and shall be payable by check or draft mailed to the registered owner at his address appearing on the registration books of the Agency kept for that purpose at the offices of the Agency; provided that the registered owner of this Bond by acceptance hereof agrees that whenever any payment on account of principal shall occur, such owner shall promptly note the date and amount thereof on the Schedule of Payments and Prepayments endorsed hereon and further agrees that this Bond shall be surrendered to the Agency upon final payment hereof.

The annual rate of interest on this Bond shall be 9.00%.

This bond is issued pursuant to No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended (the "Act") and under and pursuant to a resolution of the Agency adopted \_\_\_\_\_, 1991 entitled "Resolution of Vermont Housing Finance Agency Authorizing the Issuance of its Housing Project Bond (Federally Taxable Issue) Pine Meadow Development" (the "Resolution"). This bond is a general obligation of the Agency payable out of any of the Agency's revenues, moneys or assets, subject only to agreements heretofore or hereafter made with the holders of obligations of the Agency other than this bond pledging particular revenues, moneys or assets for the payment thereof.

The Agency is not obligated to pay this bond or the interest hereon except from the revenues or assets of the Agency pledged under the Resolution 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 this bond.

Copies of the Resolution are on file at the office of the Agency in the City of Burlington, Vermont, and reference to the Resolution and to the Act is made for a description of the covenants securing this bond, the manner of enforcement of the covenants, the rights and remedies of the registered owner of this bond with respect thereto, and the terms and conditions upon which this bond is issued.

This bond may not be transferred except to a transferee capable of making representations comparable to those made by the original owner hereof in the Three Party Agreement described in the Resolution to the reasonable satisfaction of the Agency. Furthermore, before any transfer of this bond by the registered owner or his or its legal representative will be recognized or

given effect by the Agency, the registered owner shall note hereon the date to which interest has been paid as well as the amounts of all principal payments and prepayments hereon, and shall notify the Agency of the name and address of the transferee and shall afford the Agency the opportunity of verifying the notation as to payment of interest and principal. By the acceptance hereof the owner of this bond and each transferee shall be deemed to have agreed to indemnify and hold harmless the Agency against all losses, claims, damages or liabilities arising out of any failure on the part of the owner or of any such transferee to comply with the requirements of the preceding sentence. Subject to the foregoing, this bond is transferable only upon the books of the Agency at the offices of the Agency by the registered owner hereof in person or by his or its agent duly authorized in writing, upon surrender hereof together with a written instrument of transfer satisfactory to the Agency duly executed by the registered owner or his or its duly authorized agent, and upon the payment of the charges described in the Resolution, the Agency shall issue in the name of the transferee a new substitute registered bond with the same date and in the same form and amount as this bond, endorsed to show the principal amount of the predecessor bond or bonds paid to the delivery date of such substitute bond.

This bond is subject to redemption at a redemption price equal to the portion of the principal amount hereof to be redeemed plus accrued interest on such portion to the redemption date as follows:

1. in whole or in part on March 1, 1992 and on each March 1 thereafter without notice through application of moneys in the Sinking Fund Account as required by the Resolution;
2. in whole or in part at any time upon notice through application of moneys in the Special Redemption Account as required by the Resolution; and
3. in whole (but not in part) on the tenth anniversary of the Bond Date or at any time thereafter, at the election of the Agency upon notice, through application of moneys deposited in the Sinking Fund Account in the event of the prepayment of the outstanding principal amount of the Permanent Loan as described in the Resolution.

Any notice required hereunder shall be given by certified letter, return receipt requested, mailed to the registered owner at his address appearing on the registration books of the Agency not less than five days prior to the redemption date. Any redemption shall be accomplished by mailing, two days prior to the redemption date, the Agency's check (dated as of the redemption date) for the redemption price to the registered owner in the same manner as is hereinabove provided for notice of redemption.

No recourse shall be had for the payment of the principal or redemption price of or the interest on this bond or for any claim based hereon or on the Resolution against any member or officer of the Agency or any person executing this bond.

It is hereby certified and recited that all conditions, acts and things required by the Constitution or statutes of the State of Vermont or the Resolution to exist, to have happened or to have been performed precedent to or in the issuance of this bond, exist, have happened and have been performed and that the issue of this bond, together with all other indebtedness of the Agency, is within every debt and other limit prescribed by law.

IN WITNESS WHEREOF, the Vermont Housing Finance Agency has caused this bond to be executed in its name by the manual signature of an authorized officer of the Agency, and its corporate seal (or facsimile thereof) to be affixed, imprinted, engraved or otherwise reproduced hereon and attested by the manual signature of an authorized officer of the Agency.

ATTEST:

VERMONT HOUSING FINANCE AGENCY

By: \_\_\_\_\_ By: \_\_\_\_\_  
Authorized Officer Authorized Officer

Bond Date: \_\_\_\_\_, 19\_\_

Schedule of Payments and Prepayments of Principal

<u>Principal</u> <u>Amount Paid</u>	<u>Date Paid</u>	<u>Balance Due</u>	<u>Authorized</u> <u>Signature and</u> <u>Title</u>
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(NOTICE: The within Bond may not be transferred until this schedule has been verified by the Agency.)

ARTICLE V  
MISCELLANEOUS

SECTION 501. Default.

If the Agency defaults in the payment of principal of or interest on any Bond when due, or in the performance of any covenant in this Resolution, then the registered owner of the Bond shall have the right, by mandamus or other suit, action or proceedings at law or in equity, to bring suit upon the Bond, to enforce its rights under the Resolution and the Bond, to compel performance by the Agency of its obligations under the Bond and the Resolution; to require the Agency to account as trustee of an express trust; to require the Agency to effectuate the assignment of the Permanent Loan to such owner; or to enjoin any acts which may be unlawful or in violation of the rights of the registered owners of the Bond. No remedy conferred by the Resolution upon the registered owner of the Bond is intended to be exclusive of any other remedy, but each shall be in addition to every other remedy given under the Resolution or the Bond or provided at law or in equity or by the Act. No delay or omission of the registered owners of the Bond to exercise any right or power arising upon the happening of a default shall impair any right or power or be construed to be a waiver of the default. The registered owner of the Bond may waive any default and its consequences. No such waiver shall extend to any subsequent or other default.

SECTION 502. Defeasance.

If the Agency shall pay or cause to be paid to the registered owners of the Bond the principal, redemption price and interest thereon at the times and in the manner stipulated therein and herein, then all obligations of the Agency hereunder and under the Bond and all other rights granted hereby shall be discharged and satisfied.

SECTION 503. Transfer.

The Bond may be transferred in whole but not in part to new owners, subject to the restrictions on transfer and upon compliance with the provisions for transfer described in the form of the Bond and payment of a transfer fee of \$100.00 for each substitute bond issued as a result of a request for transfer.

SECTION 504. Amendment.

This Resolution may be amended by the Agency without the consent of the registered owner of the Bond to cure any ambiguity, supply any omission or cure or correct any defect or inconsistent provision herein or to insert such provisions clarifying matters



or questions arising hereunder as are necessary or desirable and are not inconsistent with this Resolution as theretofore in effect. The Agency may also adopt a resolution amending, supplementing or otherwise modifying this Resolution without the consent of the registered owner of the Bond to incorporate the provisions hereof in a resolution of the Agency of general application to bonds issued to finance the Program the interest on which is not excludable from federal income taxes; provided no such resolution shall reduce the principal amount of the Bond or the rate of interest payable thereon or change the maturity date thereof or the dates for payment of interest thereon or the terms of redemption thereof or the security granted for the payment thereof without the express written consent of the registered owner of the Bond. Except as hereinabove provided in this Section 504, this Resolution and the Bond may be amended by the Agency only with the prior written consent of the registered owner of the Bond.

SECTION 505. Authorization of Officers.

The Chairman, Vice-Chairman, Executive Director, Director of Finance and all other Authorized Officers of the Agency are hereby authorized and directed to do all acts and things and to execute and deliver any and all documents, certificates, and other instruments necessary or desirable to effectuate the transactions contemplated by this Resolution.

SECTION 506. Severability.

If any provision of this Resolution is held invalid in any circumstances, that invalidity shall not affect any other provisions or circumstances.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont on March 28, 1991.

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

VERMONT HOUSING FINANCE AGENCY  
RESOLUTION PERTAINING TO AMENDMENT OF DALTON DRIVE DEVELOPMENT  
CONTRACT AND PARTICIPATION IN DALTON DRIVE NEIGHBORHOOD, INC.

WHEREAS, the Agency finds as follows:

1. The land and buildings located on Dalton Drive in Fort Ethan Allen, lying in both Colchester and Essex and known as "Officer's Row", was purchased by the Agency from the University of Vermont ("UVM") on July 19, 1990, with a view to disposition to a Vermont corporation to be known as Dalton Drive Neighborhood, Inc. ("DDNI"), and development as a "Mixed Use Development" primarily as ownership housing for persons and families of low and moderate income, substantially as set forth in a certain Contract for Development Services (the "Development Contract") between the Agency and Preservation Investments. Ltd. dated effective January 1, 1990, and in accordance with Chapter Four ("Loans for Mixed Use Developments") of the Agency's Rule of May 17, 1990 entitled "Grants, Loans and Advances to Assist the Planning, Construction, Rehabilitation, and Operation of Residential Housing; Mortgage Loans to Housing Sponsors for Single Family Developments" (the "Rule")."

2. For a substantial period of time preceding the date of the Development Contract and the acquisition of Officer's Row, the Agency attempted to interest private developers in acquiring the property and undertaking or sharing the risks of development. Although several developers indicated interest in the construction aspect of the development on a contract basis, no developer was found who was willing to undertake capital risk with respect to the development as a whole.

3. As planned at the time of entering into the Development Contract and at the time of acquisition of Officer's Row from UVM, DDNI was expected to be an independent Vermont corporation owned by the principals of the developer, to which the Agency's relationship would be one of creditor-debtor.

4. In light of subsequent events, including substantial preliminary expenditures by the Agency, the economic recession in Vermont and nationally, and the weakening of the real estate market in particular, the difficulty and complexity of obtaining appropriate and mutually compatible permits from the Towns of Colchester and Essex as well as the District Environmental Commission, the Agency finds that, if DDNI remains independent, DDNI cannot qualify financially as a housing sponsor for the purpose of the findings required by the Rule, and that the likelihood of locating a willing independent developer who could so qualify has further diminished.

5. Further, in light of such subsequent events, the Agency finds that it is unrealistic to expect the Agency's contracting party to continue to provide services under the original terms of the Development Contract.

6. The Agency finds that ownership or control of DDNI by the Agency, or ownership of a newly formed Vermont non-profit corporation of the same name, organized for the purpose of taking title to and developing Officer's Row, is necessary and convenient to carry out and effectuate the purposes and provisions of the Vermont Housing Finance Agency Act, within the meaning of 10 V.S.A. §621.

RESOLVED:

1. The Development Contract may be amended to eliminate the ownership of the housing sponsor by the developer or its principals, to eliminate the developer's right of participation in any profits from the sale of units on Officer's Row, and to increase the maximum fees payable to the developer, all as set forth in the form of "Amended Contract for Development Services" presented to this meeting (the "Amended Contract"), and the executive director is authorized to execute the Amended Contract on behalf of the Agency.

2. The "housing sponsor" for purposes of the Amended Contract shall continue to be called Dalton Drive Neighborhood, Inc., but it shall be a Vermont non-profit corporation in which the Agency is the only member or the dominant member, such that the directors or trustees shall be appointees of the Agency. Designation of the initial board of directors of the housing sponsor is delegated to the executive director, provided that all or a majority of such directors shall be employees of the Agency.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont on March 28, 1991.

*Allan S. Hunt*

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

VERMONT HOUSING FINANCE AGENCY

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HIGHGATE HOUSING  
RESOLUTION

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Adopted March 28, 1991

RESOLUTION OF THE VERMONT HOUSING FINANCE AGENCY  
AUTHORIZING THE ISSUANCE OF ITS HIGHGATE HOUSING  
WRAPAROUND PROMISSORY NOTE.

Be It Resolved by the Vermont Housing Finance Agency and the  
Commissioners thereof as follows:

ARTICLE I

DETERMINATIONS, DEFINITIONS AND AUTHORITY

SECTION 101. Short Title. This resolution shall be and is  
hereinafter referred to as the "Highgate Housing Resolution" or  
the "Resolution".

SECTION 102. Authority For Resolution. This Highgate  
Housing Resolution is adopted pursuant to the Act and in  
accordance with the provisions thereof.

SECTION 103. Definitions. All capitalized, undefined  
terms used in this Resolution shall have the meanings assigned to  
such terms in Section A(3) of the Option Agreement (as  
hereinafter defined) and in Article Two of the Purchase Agreement  
(as hereinafter defined). In addition, the following words and  
phrases shall have the following meanings:

"Act" means the Vermont Housing Finance Agency Act, being  
No. 260 of the Vermont Acts of 1973, Adjourned Session, as  
amended to the date of adoption of this Resolution;

"Agency" means the Vermont Housing Finance Agency, a body  
politic and corporate organized under the Act or any  
instrumentality of the State which shall hereafter succeed to its  
powers;

"Authorized Officer" means the Chairman, Vice Chairman,  
Treasurer, Executive Director and Secretary, Director of Finance  
and any other person authorized by resolution of the Agency to  
act as an Authorized Officer hereunder;

"Code" means the Internal Revenue Code of 1986, as amended  
from time to time, and the applicable Treasury Regulations  
promulgated thereunder or under the Internal Revenue Code of  
1954, as amended, to the extent applicable to the Note;

"Commitment Agreement" means the Commitment Letter and  
Intent to Finance from the Agency to the Developer substantially  
in the form attached to the Purchase Agreement;

"Developer" means Highgate Housing Limited Partnership, a Vermont limited partnership, the general partners of which are Highgate Housing, Inc. and H.V. Highgate, Inc.;

"Development" means the acquisition and rehabilitation of the Property;

"Development Documents" means the Commitment Agreement, the Option Agreement, the Purchase Agreement, the Regulatory Agreement and the note and mortgage evidencing the Mortgage Loan;

"Escrow Agent" means The Howard Bank, N.A., Burlington, Vermont, and any successor thereto as Escrow Agent hereunder;

"General Fund" means the fund so designated which was established and created by a resolution of the Agency adopted September 26, 1974 as such resolution may from time to time be amended;

The terms "herein", "hereunder", "hereby", "hereto", "hereof", and any similar terms, refer to this Resolution; the terms "heretofore" means before the date of adoption of this Resolution; and the term "hereafter" means after the date of adoption of this Resolution;

"Mortgage Loan" means the Mortgage Loan described in the Commitment Agreement;

"Note" means the Vermont Housing Finance Agency Wraparound Promissory Note (Highgate Series) authorized and outstanding under Article II hereof;

"Officer's Certificate" means a certificate signed by an Authorized Officer;

"Option Agreement" means the Agreement effective as of May 1, 1989 by and among the Agency, Donald Tarinelli, as Agent, and Highgate Associates Limited, Greenfield Associates Limited, Westgate Associates Limited, Applegate Associates Limited and Highgate Associates Limited as amended by the Option Agreement Amendments;

"Option Agreement Amendments" means Amendment No. 1 to the Option Agreement dated as of December 22, 1989 and Special Amendment with respect to Highgate dated November 15, 1990, each by and among the parties to the Option Agreement, and any other amendments to the Option Agreement executed and delivered by the Agency under authorization of this Resolution or any other resolution of the Agency;

"Owner" or "owners" or "noteowner", when used in reference to the Note means the registered owner of the Note;

"Permitted Investments" means any securities, obligations, deposits, investment agreements, repurchase agreements or other investments which at the time made and at all times held are legal investments for the investment of moneys of the Agency;

"Prepayment" means (i) any moneys received or recovered from any payment of principal on the Mortgage Loan prior to the scheduled payment of such principal called for by the Mortgage Loan, other than moneys constituting Recovery Payments, and (ii) any moneys received or recovered from the sale, assignment or other disposition of the Mortgage Loan other than moneys constituting Recovery Payments;

"Purchase Agreement" means the Highgate Purchase and Finance Agreement, effective as of November 15, 1990, by and among the Agency, Highgate Non-Profit, Inc. and Housing Vermont as amended by the Purchase Agreement Amendments;

"Purchase Agreement Amendment" means Amendment No. 1 to the Purchase Agreement by and among the parties to the Purchase Agreement, in substantially the form presented to this meeting, and any other amendment to the Purchase Agreement executed by the Agency under authorization of this Resolution or any other resolution of the Agency;

"Recovery Payments" means any moneys received or recovered by the Agency, less the expenses necessarily incurred by the Agency in connection with the collection of such amounts, from (i) condemnation of all or part of the Development, (ii) proceedings taken in the event of default by the Developer under the Mortgage Loan, (iii) any claim settlement for hazard insurance or other insurance applicable to the Development, (iv) the sale or other disposition of the Development or (v) the sale or other disposition of the Mortgage Loan after default for the purpose of realizing the Agency's interest therein;

"Regulatory Agreement" means the Regulatory Agreement between the Agency and the Developer substantially in the form attached to the Purchase Agreement;

"Revenue Fund" means the fund so designated, established and created by Section 301 hereof;

"Revenues" means all payments, proceeds, charges, rents and other income of any kind and from any source derived in cash by or for the account of the Agency from or related to the Development and under the Mortgage Loan, the Regulatory Agreement or otherwise, including, without limitation, scheduled amortization payments of principal and interest on the Mortgage Loan, Prepayments and Recovery Payments;

"Seller" means High Gate Associates Limited;

"State" means the State of Vermont;

SECTION 104. Parties Interested Herein. Nothing in this Resolution expressed or implied is intended or shall be construed to confer upon, or to give to, any person, other than the Agency, the Escrow Agent and the Owner of the Note, any right, remedy or claim under or by reason of this Resolution or any covenant, stipulation, obligation, agreement or condition therein. All the covenants, stipulations, obligations, promises and agreements in this Resolution contained by and on behalf of the Agency shall be for the sole and exclusive benefit of the Agency, the Escrow Agent and the Owner of the Note.

SECTION 105. Law Applicable. The laws of the State shall be applicable to the interpretation and construction of this Resolution.

SECTION 106. Severability of Invalid Provision. If any one or more of the provisions, covenants or agreements in this Resolution on the part of the Agency or the Escrow Agent to be performed should be contrary to law, then such provisions, covenants or agreements shall be deemed separable from the remaining provisions, covenants and agreements, and shall in no way affect the validity of the other provisions of this Resolution or of the Note.

SECTION 107. Findings and Determinations. The Agency hereby finds and determines in accordance with Section 625 and Section 631 of the Act (and with all terms not defined in this Section having the meaning given such terms in the Act) that:

(1) The Development is primarily for occupancy by persons and families of low and moderate income;

(2) The acquisition, construction and rehabilitation costs incurred or to be incurred by the Developer under the Development Documents are for housing development costs within the meaning of the Act;

(3) Without the Development 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 of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families;

(4) The Developer will maintain or increase the supply of well planned, well-designed housing for persons or families of low and moderate income and is a financially responsible person;



(5) The aggregate principal amount of the Note is necessary to provide sufficient funds to accomplish the corporate purposes of the Agency with respect to the Development;

(6) The Mortgage Loan can be issued bearing rates of interest which are less than the prevailing rates of interest on comparable mortgage loans available in the State without the assistance of the Agency; and

(7) The Agency will derive receipts, revenues or other income from the Mortgage Loan and the Regulatory Agreement or otherwise from or with respect to the Development to provide, together with all other available receipts, revenues and income of the Agency, for the payment of the Note and the payment of all costs and expenses incurred by the Agency with respect to the Development.

SECTION 108. Allocation of State Volume Cap to Note. Subject to Section 201(A) hereof, the Agency hereby determines to allocate to the Note \$2,652,364 of the Agency's \$30,000,000 remaining unused 1988 annual volume cap with respect to private activity bonds that the Agency heretofore elected pursuant to Section 146(f) of the Code to carry forward for the purpose of issuing exempt facility bonds for the purpose of financing qualified residential rental projects pursuant to Section 142 of the Code.

## ARTICLE II

### AUTHORIZATION OF HIGHGATE HOUSING WRAPAROUND PROMISSORY NOTE

SECTION 201. The Wraparound Note. (A) The issuance of a note of the Agency, designated "Wraparound Promissory Note (Highgate Series)", is hereby authorized to be issued in an aggregate principal amount not exceeding \$2,652,364. Subject to the foregoing, the original aggregate principal amount of the Note shall be determined by the Authorized Officers empowered to execute and deliver the Note at or prior to its delivery to the purchaser thereof.

(B) The Note shall be dated its date of delivery and shall be issued in the form of one fully registered note registered to High Gate Associates Limited, as Owner.

(C) The Note shall mature on the dates and in the amounts, shall bear interest at the rates payable on the dates, shall be executed, shall be subject to prepayment and transfer, and shall otherwise be in form and tenor as provided in, and the respective rights and obligations of the Agency and the Owner thereof shall be as described in, the form of the Note set forth in Exhibit A

hereto, provided that the Authorized Officers empowered to execute and deliver the Note may adjust the dates of payment and the amounts due upon payment of the Note upon the delivery thereof to reflect the actual date of delivery of the Note to the purchaser thereof.

SECTION 202. General Obligation of Agency. The Note shall be a general obligation of the Agency payable out of any revenues or moneys of the Agency, subject only to agreements heretofore or hereafter made with holders of bonds, notes, or other obligations of the Agency, other than the Note, pledging particular assets or revenues for the security thereof. The Agency shall not be obligated to pay the Note or the interest thereon except from such revenues and moneys and any other assets pledged therefor and neither the faith and credit nor the taxing power of the State or of any political subdivision thereof is pledged to the payment of the principal of or interest of the Note. The Note shall be additionally secured as provided in the form thereof set forth in Exhibit A hereto.

SECTION 203. Purpose, Sale and Delivery. (A) The Note is issued for the purpose of paying a portion of the purchase price of the Property allocable to the Development as provided in Section 8 of the Option Agreement.

(B) The Note is hereby sold to the Seller of the Property at the price of par, on the terms and conditions provided in the Option Agreement. The Authorized Officers of the Agency are authorized and directed to execute and deliver the Note to the purchaser thereof upon satisfaction of the conditions to such purchase provided in the Option Agreement.

### ARTICLE III

#### APPLICATION OF REVENUES PAYMENT OF NOTE

SECTION 301. Revenue Fund. There is hereby established and created the "Highgate Housing Revenue Fund" (the "Revenue Fund") to be held by the Escrow Agent in accordance herewith separate and apart from all other funds and accounts of the Agency and the Escrow Agent.

SECTION 302. Application of Revenues. (A) The Agency shall pay, or shall cause to be paid, to the Escrow Agent all Revenues upon receipt thereof by the Agency or as otherwise provided in the Commitment Agreement and the Mortgage Loan. All such Revenues shall be deposited by the Escrow Agent upon receipt in the Revenue Fund. At any time, and from time to time, at its option, the Agency may also transfer to the Escrow Agent for

deposit in the Revenue Fund amounts on deposit in the General Fund.

(B) On each monthly payment date shown on Payment Schedule 1 attached to and incorporated in the Note as set forth in Exhibit A hereto, or on such earlier date or dates as the Agency shall direct in an Officer's Certificate, the Escrow Agent shall apply all amounts on deposit in the Revenue Fund as follows and in the following order of priority:

(1) An amount equal to the principal of and interest on the Note payable on such monthly payment date in accordance with said Payment Schedule 1 shall be paid to the registered Owner of the Note as provided therein or as otherwise directed by the registered Owner in a written direction theretofore delivered to the Escrow Agent; and

(2) All other amounts on deposit in the Revenue Fund shall be withdrawn therefrom and paid to the Agency for deposit in the General Fund.

(C) On or before each monthly payment date shown on Payment Schedule 1 attached to and incorporated in the Note, and on any other date requested by the Escrow Agent, the Agency shall deliver to the Escrow Agent an Officer's Certificate (upon which the Escrow Agent may conclusively rely) allocating the amounts in the Revenue Fund to be applied as provided in this Section 302.

SECTION 303. Payment and Prepayment of Note. (A) On or before each date on which any principal or interest on the Note shall be due and payable, the Agency shall, except to the extent the amount thereof or of any portion thereof shall have been paid by the Escrow Agent as provided in Section 302 hereof, withdraw from the General Fund, or from any other funds or moneys available to the Agency, and pay to the registered Owner of the Note the full amount payable on such date for principal of and interest on the Note.

(B) If at any time the Agency shall elect to prepay the Note in accordance with the terms thereof as set forth in Exhibit A hereto, the Agency shall deliver to the Escrow Agent a copy of the notice of prepayment delivered by the Agency to the Owner, specifying the date of prepayment, and, not less than one business day prior to the date set for prepayment, shall pay to the Escrow Agent for deposit in the Revenue Fund an amount which, together with any amount then on deposit in the Revenue Fund, shall be sufficient to pay the Note and all interest accrued and unpaid thereon to such date of prepayment. On such prepayment date the Escrow Agent shall apply the amounts on deposit in the Revenue Fund to the prepayment of the Note in accordance therewith and any balance remaining in the Revenue Fund following

such prepayment shall be paid to the Agency for deposit in the General Fund.

SECTION 304. Investment. Moneys held for the credit of the Revenue Fund under this Resolution shall, to the fullest extent practicable, be invested by the Escrow Agent at the direction of an Authorized Officer in Permitted Investments which shall mature or be redeemable at the option of the holder thereof on such dates and in such amounts as may be necessary to provide moneys to meet the payments from the Revenue Fund. Permitted Investments purchased as an investment of moneys in the Revenue Fund shall be deemed at all times to be a part of such Fund until transferred as provided in the Resolution. Interest and other income from investment of the Revenue Fund hereunder shall upon receipt be deposited in the Revenue Fund. In making investments hereunder, the Trustee shall be protected in relying on the directions of an Authorized Officer as to the nature, maturity, rate and amount of such investments.

#### ARTICLE IV

##### THE ESCROW AGENT

SECTION 401. Duties and Obligations. (A) The Howard Bank, N.A., is hereby appointed Escrow Agent hereunder. The Escrow Agent shall also be, and is hereby appointed, paying agent and registrar for the Note. The Escrow Agent shall signify its acceptance of the duties and responsibilities imposed upon it by this Resolution by executing and delivering to the Agency a written acceptance thereof.

(B) The Escrow Agent, and all of its officers, directors, employees and agents, shall not be liable or responsible for any action taken or omitted by it under this Resolution in good faith and in the reasonable belief that such action taken or omitted by it is authorized or within the discretion or rights or powers conferred upon it by this Resolution, except for its own negligence or willful default. The Escrow Agent shall have no responsibility in respect of the validity or sufficiency of this Resolution or the Note and shall not be liable or responsible for any acts taken by the Agency hereunder or because of the failure of the Agency to perform any act required of it by this Resolution. The Escrow Agent shall not be under any obligation or duty to perform any act hereunder which would involve it in expense or liability or to advance any of its own moneys, unless properly indemnified, or, except to the extent expressly provided herein, to account for the proper application of any moneys deposited with it or disbursed by it hereunder. The Escrow Agent shall be fully protected in acting upon any notice, consent, statement, opinion or other paper or document believed by it to be genuine and to have been signed or presented by the proper party. The Escrow Agent may consult with counsel, who may or may

not be counsel to the Agency or the Developer, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or omitted by it hereunder in good faith and in accordance herewith. To the extent permitted by law, the Agency hereby agrees to indemnify and hold harmless the Escrow Agent from and against any and all claims, damages (direct as opposed to consequential), losses, liabilities, costs or expenses whatsoever which the Escrow Agent may incur by reason of or in connection with the performance by the Escrow Agent of its responsibilities under this Resolution which are not due to its own negligence or willful default.

(C) All moneys held by the Escrow Agent, as such, at any time pursuant to the terms of this Resolution shall be and are hereby assigned, transferred and set over unto the Escrow Agent in trust for the purposes and under the terms and conditions of this Resolution.

SECTION 402. Resignation and Removal. (A) The Escrow Agent, or any successor thereto, may at any time resign and be discharged of its duties and obligations under this Resolution by giving not less than sixty (60) days' written notice to the Agency and the Owner of the Note, specifying the date when such resignation shall take effect. Such resignation shall take effect on the date specified in such notice provided a successor has been appointed by the Agency as provided herein.

(B) The Escrow Agent, or any successor thereto, may be removed at any time by the Agency upon not less than 30 days' written notice delivered to the Escrow Agent and the Owner of the Note, and upon the appointment of a successor by the Agency as provided herein.

(C) In case at any time the Escrow Agent, or any successor thereto, 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 the Escrow Agent or its property shall be appointed, or if any public officer shall take charge or control of the Escrow Agent or its property, a successor shall be appointed by the Agency upon written notice to the predecessor Escrow Agent and to the Owner of the Note.

SECTION 403. Compensation and Expenses. Unless otherwise provided by contract with the Escrow Agent, the Agency shall pay to the Escrow Agent from time to time reasonable compensation for all services rendered by it hereunder, and also reimbursement for all its reasonable expenses, charges, legal fees and other disbursements and those of its attorneys, agents and employees, incurred in and about the performance of its powers and duties hereunder.

ARTICLE V

MISCELLANEOUS

SECTION 501. Tax Covenants. (A) The Agency shall take all lawful action necessary to ensure that interest on the Note will remain excludable from gross income for federal income tax purposes and shall not use or permit the use of any proceeds of the Note or any other funds of the Agency, directly or indirectly, in any manner, and shall not take or permit to be taken any other action or actions, which would cause the interest on the Note to become includable in gross income for federal income tax purposes.

(B) Without limiting the generality of the foregoing, the Agency shall take, and require the Developer to take, any and all actions that may be required to cause the Note to be and remain issued and outstanding for the purpose of carrying out a "qualified residential rental project" within the meaning of Section 142(d) of the Code or required to comply with the provisions of Section 148(f) of the Code.

(C) Without limiting the generality of the foregoing, the Agency shall not use or permit the use of any proceeds of the Note or any other funds of the Agency, directly or indirectly, to acquire any securities or obligations, and shall not use or permit the use of any Revenues or any other amounts received by the Agency or the Escrow Agent with respect to the Mortgage Loan in any manner, and shall not otherwise take or permit to be taken any other action or actions, which would cause the Note to be an "arbitrage bond" within the meaning of Section 148 of the Code.

SECTION 502. Development Documents. (A) The Option Agreement Amendment and the Purchase Agreement Amendment, and the execution and delivery thereof by Authorized Officers of the Agency, are hereby approved in substantially the forms presented at this meeting, with such changes thereto as the Authorized Officers executing the same may approve prior to their execution and after consultation with counsel. By adoption of this Resolution, all other Development Documents, and the execution and delivery thereof by or on behalf of the Agency, are hereby ratified and approved.

(B) Subject to receipt of a Readiness Certificate (as defined in the Purchase Agreement, as amended) acceptable to the Executive Director, the Authorized Officers of the Agency are authorized to execute and deliver the Commitment Agreement (with such changes thereto as the Authorized Officers executing the same may approve prior to its execution and with such changes to the attachments thereto as such Authorized Officers shall deem appropriate in order to satisfy the requirements of the United States Department of Housing and Urban Development ("HUD"), to

purchase the Property in accordance with the terms of the Option Agreement, as amended, to sell the Property to Highgate Housing Limited Partnership in accordance with the Purchase Agreement, as amended, and generally to do any act and to execute any document reasonable or necessary in order to exercise the rights and perform the duties of the Agency under the Development Documents, to carry out all transactions contemplated thereby and to obtain any required consent of HUD.

(C) In their discretion, the Authorized Officers of the Agency may treat any Readiness Certificate that is otherwise satisfactory to them as valid, notwithstanding any failure by the parties to the Purchase Agreement to strictly comply with the terms thereof.

(D) The letter of the Executive Director to Bernard Gilhuly, Agent, dated March 1, 1991, containing the Agency's Notice of Exercise with respect to the Development, is hereby ratified.

SECTION 503. Amendment. (A) Without the consent of the Owner of the Note, this Resolution may be amended at any time and from time to time by a supplemental resolution adopted by the Agency (1) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision herein, (2) to insert such provisions clarifying matters or questions arising under this Resolution as are necessary or desirable and are not contrary to or inconsistent with this Resolution as theretofore in effect or (3) to make any other change herein which, in the judgement of the Escrow Agent, is not to the prejudice of the Escrow Agent or the Owner of the Note.

(B) Except as provided in Paragraph (A) of this section, this Resolution may only be amended with the prior written consent of the Owner of the Note. Notwithstanding the foregoing, no amendment of the Resolution making a change in the terms of maturity or prepayment of the Note, or the principal amount or prepayment price thereof or the rate of interest thereon, or the provisions of this Section 503, shall be effective without the prior written consent of the Owner of the Note.

SECTION 504. Defeasance. If the Agency shall pay or cause to be paid to the registered Owner of the Note the principal and interest thereon at the times and in the manner stipulated therein and herein, or if the payment of such principal and interest shall be otherwise made or forgiven as provided in the Note, then the Note and all other rights granted hereby or thereby, shall be discharged and satisfied.

SECTION 505. Authorization of Officers. The Chairman, Vice-Chairman, Executive Director and Secretary, Director of Finance and each other Authorized Officer are each hereby

authorized and directed to do all acts and things and to execute and deliver any and all documents, certificates, and other instruments necessary or desirable to effectuate the transactions contemplated by this Resolution.

SECTION 506. Effective Date. This Highgate Housing Resolution shall take effect upon its adoption.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont on March 28, 1991.

ALL of 4A  
Allan S. Hunt  
Executive Director and Secretary  
Vermont Housing Finance Agency



STATISTICAL REPORT PROGRAM ID: 89B  
 UNDERWRITING DATABASE  
 LTV 0% TO 100%  
 Effective for 01/01/89 thru 04/17/91  
 Loan Status: CC,UC,O

Report: 1587

Total Number of Loans: 593  
 Total Loan Amount: \$38,815,122

EXISTING:	\$28,450,496	74.8%	444 Loans
NEW CONSTRUCTION:	\$10,364,626	25.1%	149 Loans
NEW DETACHED HOUSING:	\$9,025,944	87.0%	130 Loans
NEW CONDOMINIUM:	\$1,338,682	12.9%	19 Loans

Funds Remaining to be Reserved: \$12,149- 0.0% 0 Loans (Est.)

Total Insured or Guaranteed Loans: 534  
 Loans Guaranteed by VHMGB: 526

	ACED =====	NON ACED =====	STATEWIDE =====
Avg. Purchase Price	\$69,218	\$77,885	\$72,477
Avg. Loan Amount	\$63,022	\$69,492	\$65,455
Avg. Borrower Income	\$27,452	\$29,350	\$28,166
Avg. Housing Debt-Income Ratio	27.0%	29.7%	28.0%
Avg. Total Debt	\$800.12	\$829.74	\$811.26
Avg. Total Debt-Income Ratio	35.0%	36.0%	35.4%
Total No. of Loans	370	223	593
% of Total Loan Amount	60.1%	39.9%	100.0%
First Time Homebuyers	84.3%	99.1%	89.8%
% Meeting Low Income Set Aside	36.4%	56.5%	44.0%

	Loans	% of Loans	\$ Amount	*Households	% of Hshlds	% DIFF
Addison	30	5.1%	\$1,972,158	5,000	5.7%	0.6-
Bennington	16	2.7%	\$1,073,537	6,300	7.2%	4.5-
Caledonia	55	9.3%	\$3,193,701	4,800	5.5%	3.8
Chittenden	143	24.0%	\$10,243,734	16,000	18.2%	5.8
Essex	7	1.2%	\$381,351	1,300	1.4%	0.2-
Franklin	81	13.7%	\$5,339,721	6,000	6.8%	6.9
Grand Isle	5	0.8%	\$326,130	900	1.0%	0.2-
Lamoille	31	5.2%	\$1,896,467	3,300	3.8%	1.4
Orange	17	2.9%	\$986,353	4,300	4.9%	2.0-
Orleans	42	7.1%	\$2,121,061	4,200	4.8%	2.3
Rutland	58	9.8%	\$4,039,522	10,000	11.4%	1.6-
Washington	54	9.1%	\$3,665,518	9,000	10.3%	1.2-
Windham	25	4.2%	\$1,694,601	7,100	8.1%	3.9-
Windsor	29	4.9%	\$1,881,268	9,600	11.0%	6.1-
TOTAL	593	100.0%	\$38,815,122	87,800	100.0%	

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

AS OF: 04/18/91  
PAGE NO. 1

Vermont Housing Finance Agency  
89B - \$41,999,311 MORTGAGE LOAN PURCHASE PROGRAM  
Status Report (with percent of pool proceeds approved)  
Rate : 8.700%  
Date : 04/18/91

Report: 1130  
PERSTATU

Lender	Funds Reserved	Percent Reserved	Prelim. Approval	% Prelim Approval	Loans Purchased	Loans to be Purchased	PERC		
BancBoston Mortgage Corporation	\$563,530	1.3%	\$0	0.0%	\$0	\$0	0.0%		
Bank of Vermont	\$3,330,004	7.9%	\$3,106,823	7.3%	\$2,678,733	\$428,090	12.8%		
Bradford National Bank	\$185,938	0.4%	\$185,938	0.4%	\$132,938	\$53,000	28.5%		
Caledonia National Bank of Danville, The	\$554,884	1.3%	\$492,284	1.1%	\$359,988	\$132,296	23.8%		
Chittenden Trust Company	\$8,228,208	19.5%	\$7,898,383	18.8%	\$6,996,578	\$901,805	10.9%		
Citizens Savings Bank and Trust	\$424,705	1.0%	\$424,705	1.0%	\$424,705	\$0	0.0%		
Commonwealth Mortgage Company, Inc	\$375,402	0.8%	\$375,402	0.8%	\$375,402	\$0	0.0%		
Community National Bank	\$1,434,717	3.4%	\$1,304,217	3.1%	\$1,064,817	\$239,400	16.6%		
Factory Point National Bank, The	\$237,793	0.5%	\$237,793	0.5%	\$81,644	\$156,149	65.6%		
Franklin-Lamoille Bank	\$846,870	2.0%	\$807,225	1.9%	\$737,225	\$70,000	8.2%		
Granite Savings Bank and Trust Company	\$245,237	0.5%	\$175,237	0.4%	\$175,237	\$0	0.0%		
Howard Bank, National Assn, The	\$435,238	1.0%	\$435,238	1.0%	\$435,238	\$0	0.0%		
Lyndonville Savings Bank & Trust Company	\$775,177	1.8%	\$675,177	1.6%	\$600,127	\$75,050	9.6%		
Marble Bank	\$1,189,766	2.8%	\$1,107,166	2.6%	\$837,236	\$269,930	22.6%		
Merchants Bank, The	\$1,848,836	4.4%	\$1,848,836	4.4%	\$1,505,288	\$343,548	18.5%		
National Bank of Middlebury, The	\$225,300	0.5%	\$225,300	0.5%	\$185,300	\$40,000	17.7%		
New England IBM Employees Fed Crdt Union	\$789,475	1.8%	\$789,475	1.8%	\$644,975	\$144,500	18.3%		
Northfield Savings Bank	\$308,475	0.7%	\$262,875	0.6%	\$262,875	\$0	0.0%		
Passumpsic Savings Bank	\$1,409,512	3.3%	\$1,378,112	3.2%	\$1,160,052	\$218,060	15.4%		
Peoples Trust Company of St Albans	\$480,834	1.1%	\$480,834	1.1%	\$264,234	\$216,600	45.0%		
Proctor Bank	\$522,955	1.2%	\$419,155	0.9%	\$419,155	\$0	0.0%		
Randolph National Bank	\$384,805	0.9%	\$309,805	0.7%	\$309,805	\$0	0.0%		
Statewide Funding Corporation	\$2,007,728	4.7%	\$1,828,748	4.3%	\$1,056,449	\$772,299	38.4%		
Summit Financial Center, Inc.	\$241,680	0.5%	\$148,580	0.3%	\$72,675	\$75,905	31.4%		
Union Bank	\$1,531,109	3.6%	\$1,403,396	3.3%	\$1,186,038	\$217,358	14.1%		
Valley Bank	\$61,773	0.1%	\$61,773	0.1%	\$61,773	\$0	0.0%		
Vermont Federal Bank, FSB	\$6,505,275	15.4%	\$6,150,495	14.6%	\$4,898,334	\$1,252,161	19.2%		
Vermont Mortgage Group, Inc	\$1,842,614	4.3%	\$1,790,114	4.2%	\$1,597,064	\$193,050	10.4%		
Vermont National Bank	\$5,023,620	11.9%	\$4,820,070	11.4%	\$4,253,870	\$566,200	11.2%		
TOTALS		644 Loans	\$42,011,460	100.0%	\$39,143,156	93.1%	\$32,777,755	\$6,365,401	15.1%

SINGLE FAMILY PROGRAM PURCHASE REPORT  
Purchase for March, 1991  
Total Purchases - Calendar Year 1991

Programs	# of Loans Purchased for Month	Amount of Loans Purchased for Month	Number of Purchases YTD	Amount of Purchases YTD	Remaining Funds
MOVE (by Interest Rate)					
8.4%	-0-	-0-	-0-	-0-	8,200,000
8.5%	-0-	-0-	-0-	-0-	2,900,000
8.7%	48	3,365,138	170	11,420,361	9,221,556
8.8%	3	120,640	21	11,225,878	1,752,218
*8.9%	2	153,032	5	375,604	3,840,037
9.1%	-0-	-0-	-0-	39,160	605,247
			TOTAL	197	13,051,003
HOUSE (by Interest Rate)					
7.7%	-0-	-0-	-0-	-0-	5,000,000
7.8%	-0-	-0-	-0-	-0-	4,901,200
7.9%	1	63,500	4	235,183	808,751
			TOTAL	4	235,183
MOBILE HOME ASSISTANCE	-0-	-0-	1	32,000	1,918,650

	Number Issued for Month	Amount Issued for Month	Number Issued Year-to-Date	Amount Year-to-Date	
Mortgage Plus	7	129,152	15	271,389 (authority)	2,474,411 (authority)
Farmers Home Rural Mortgage	1	10,000	5	80,000	
VEIC/HELP Loans	1	4,000	3	8,500	
CVPS	-0-	-0-	3	10,423	


\*Includes Builder Set-Aside





VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners  
FROM:  Samuel J. Falzone, Director of Multi-Family Management  
DATE: April 18, 1991  
RE: COUNTRY PARK RESTRUCTURING - PRESERVATION AGREEMENT

The original version of this memo was handed out at last month's Board meeting and Allan briefly reviewed the status of our negotiations. You requested additional time to review the content of the memo and took no action. Since then, we have continued to work on the issues of reaching an equitable option price discount, and our underwriting of the 50 additional units.

Background

In July 1989, Dan O'Brien sought and received VHFA approval to restructure Country Park Associates by buying out all of the limited partners' interest in his South Burlington property. The buy-out was completed using borrowed funds and VHFA's approval was conditional to the extent that no project funds would be used in the redemption of these interests.

During 1990, a series of discussions took place between Dan and VHFA staff in which he expressed his desire to build 50 additional units on the Country Park site and use project funds to repay the bank loan he had secured to buy out his limited partners. In our response, we indicated that this would be possible if he was willing to sign a Preservation Agreement and target a portion of the new units as affordable under the Low Income Housing Tax Credit program. Due to the unavailability of the 9% tax credits that Dan was seeking, and general uncertainty surrounding extension of the tax credit program, further negotiations came to a halt by late summer of 1990. Early this year we received a letter from Dan requesting that VHFA grant him relief from all restrictions on current and future cash assets and cash flow. In addition, he requested that we recognize a redefined equity position based on the current fair market value of his property. Dan now has the opportunity to do a conventional refinancing of this property which would remove all current restrictions on cash and restricted accounts. In an attempt to achieve our goals of preserving these existing Section 8 units as well as create additional affordable housing, we have been negotiating intensively with Dan since January in order to reach an agreement that would be both fair and mutually beneficial.

**Status of Negotiations**

This memo serves to bring the Board up to date on the status of the basic elements of the negotiations now on the table.

**What VHFA would get:**

1. A Preservation Agreement that would lock in all future 5 year HAP Contract terms until 2019.
2. An option to purchase should the borrower seek to sell the property to an unrelated party.
3. An option price discount that would allow us to acquire the development at a price that is supportable by the anticipated cash flow provided by the HAP contract rents during the remaining term of the contract (expires in 2019).
4. Construction of 50 additional housing units, of which 30 would be affordable under the tax credit program rents applicable to 60% of median income for Chittenden County.

**What Dan O'Brien would get:**

- A. Access to all Country Park surplus cash and a portion of the Project Cost Escrow, in order to repay the outstanding principal balance plus accrued interest on the bank note that enabled him to buy out the limited partners (estimated at \$739,692 as of 4/1/91).
- B. A tax credit allocation of 4% credits plus favorable financing terms from VHFA (7%) necessary in order to make the 50 new units financially feasible.
- C. Capping of the Replacement Reserve Account balance at the December 31, 1990 level with no further deposits required unless the reserve principal amount is reduced by more than 25%.
- D. Permission from VHFA to use surplus land at Country Park to build the new units.
- \*E. A redefined equity position based on the difference between the property's fair market value and outstanding debt. This new equity position would be recalculated every three (3) years by applying the cumulative Consumer Price Index over the period.

- \*F. An 8% (after tax) return on equity based on a redefined equity position as outlined above (maximum yearly distributions would increase from the current \$11,147 to an estimated \$140,000).
- \*G. The protection that if for two consecutive years the project's income was not sufficient to meet reasonable operating expenses, including 50% of the owners' increased return on equity as redefined, the owner may notify VHFA and VSHA of its intention not to renew the HAP contract by giving at least 365 days notice before the end of the then-current 5 year term.
- \* Final approval for the redefined equity position and increased return on equity detailed in E, F and G, above, would be contingent upon the construction of the 50 new units.

#### Unresolved Issues

Dan is seeking to extend the incentives described above to his Whitcomb Woods property in Essex Junction as part of the overall transaction to construct the new units at Country Park. This linkage may complicate an already complex set of negotiating issues.

Dan has also expressed his desire to pay his professional fees for working on this transaction out of Country Park's surplus cash. He has indicated that these fees amount to between \$40,000 and \$50,000.

The value of the discount, applied to the option price, needs to be adequate to insure the affordability of these units if Dan decides to sell the property at anytime during the 28 years remaining under the HAP Contract. We have been working on several discount models, using different assumptions, in an effort to identify how best to structure this critical component of the agreement.

HUD's long term commitment of funding for this property is projected to be totally drawn down by the year 2005 (14 years before the expiration of the HAP Contract and our mortgage). Thus far we have decided not to seek HUD approval for this preservation activity. The threat of future rent increase reductions imposed by HUD's rent comparability regulations could impact the incentives we are providing Dan and limit our ability to secure needed amendments from HUD under the HAP and Annual Contributions Contract. Because of the location of these units and the market rent parity that now exists, we do not believe that rent comparability would have an adverse impact on HUD's obligation to provide the increased rental subsidy amendments that will be required beginning in 1992.


#### Recommended Board Action

Allow staff to continue to negotiate with Dan O'Brien regarding Country Park.



VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners   
FROM: Mark Koppelkam, Multi-Family Development Underwriter  
DATE: April 19, 1991  
RE: WHITE RIVER JUNCTION - TEMPLETON COURT APARTMENTS  
(VERMONT HOUSING ENTERPRISES) COMMITMENT LETTER  
RESOLUTION

THE DEVELOPMENT

1. General Description

Attached is a Commitment Letter Resolution authorizing the Agency to issue a permanent loan not to exceed \$1,750,000 in tax exempt financing to Vermont Housing Enterprises (VHEI) for the purchase and renovation of an existing 36 unit family development (Templeton Court Apartments) in White River Junction. Please note that portions of this report have changed since the last VHFA Board meeting, and the new sections are highlighted for your benefit.

Templeton Apartments was built under the HUD Section 23 program, and the rent subsidies provided as part of that program will be expiring this summer. Thus, the apartments are presumably at some risk of being converted to market rate rentals or condominiums. We are aware that the owner has filed condominium papers with the Village.

The sponsor is a new nonprofit created by the Vermont State Housing Authority (VSHA). The sponsor's goal is to maintain these units as perpetually affordable to families with incomes below 50% of median income. The sponsor has a signed purchase and sale agreement which expires June 1, 1991.

Total development costs are currently estimated at \$2,070,150, or \$57,504 per unit. This figure is \$237,000 higher than that presented at the previous VHFA Board meeting, reflecting an energy conversion project as part of the renovation and higher allocations



for contingency, working capital and VHFA loan fees which are more in conformance with Agency standards.

The development currently has electric heat. The sponsor has received a 10 year, \$4,000/year interest write-down grant from the State Public Service Department to help pay for the conversion.

Actual and projected per unit costs at other VHFA financed developments are: St. Johnsbury (rehab) \$46,375; Northgate (rehab) \$58,540; Highgate (rehab) \$67,135; Pine Meadow (new construction, free land) \$72,000; Winchester (new construction) \$71,939.<sup>1</sup>

The proposed acquisition price is \$44,000 per unit. This compares to less than \$29,400/unit for Northgate, \$26,525/unit for Highgate and \$20,600/unit for St. Johnsbury. We should note that the Templeton appraisal indicates that the seller purchased the property in 1984 for \$515,000. Thus, the property has tripled in value in seven years.

The Housing and Conservation Board (HCB) considered the development at their April Board meeting. They were asked to approve a \$360,000 deferred payment loan. In general terms they approved, but asked that a review appraisal be done and that a possible renegotiation/reduction of price take place.

A summary of sources and uses of funds, rents, operating expenses and financial projections is attached. These projections incorporate VHFA's recommended changes to the proposal and reflect the energy conversion plan and Public Service Department subsidy.

Also attached is a location map of the development.

## 2. Financial Projections

Project finances are heavily dependent upon the approval of 35 project based Section 8 certificates. (Note: the 36th unit is being rented to an on-site manager.) Verbal approval of the project based certificates has already been given and written authority is expected any day. The project based certificates are 5 year in duration, and are typically re-authorized for 15 years. Despite 100% debt financing and relatively high operating

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<sup>1</sup> The Northgate and Winchester per unit costs include an adjustment for capitalized land leases, which is done for comparison purposes only. The Northgate and Highgate costs do not include any adjustment for favorable seller financing.

expenses (\$341 per unit per month, which result from the owner paying utility costs), the project has a 1.02 debt coverage ratio in year one.

The financial projections that are attached include a change to the proposed repayment of the loan from the Housing and Conservation Board (HCB), and this proposal has not yet been approved by HCB staff. It involves paying all excess cash to HCB from year one, and is far more favorable than the original deferred interest payment plan. The enclosed projections assume full repayment of the HCB loan by year 22, compared to a loan balance in excess of \$1.1 million in year 20 under the earlier plan.

The projected permanent sources of funds are:

	Amount	Percent
	=====	=====
Equity -	0	0.0
VHFA 1st Mortgage Loan	1,710,150	82.6
HCB Deferred Payment Loan	350,000	16.9
HCB Grant	10,000	0.5
	=====	=====
Total	\$2,070,150	100%

The sponsor has not pursued Low Income Housing Tax Credits (tax credits) as an alternative financing strategy because the buildings are not eligible for acquisition credits (because of a sale transaction in 1984), and the rehabilitation credits were not seen as worth the trouble and cost of syndication. VHFA's staff analysis is that tax credits would be a desirable approach, but only under the Housing Vermont model of direct private placement using about a 12% return and paying significant amounts of the excess cash to the limited partners. This would provide significant equity, thus lowering VHFA's loan to value. However, it would significantly delay repayment of the HCB loan. In any case Housing Vermont has indicated that it does not think it has adequate equity raising capacity at this time, particularly for a closing by June 1.

### 3. Unit Breakdown, Rents and Income Limits

The development has 8 two bedroom units, 11 three bedroom units and 16 four bedroom units. One other unit will be reserved for an on-site manager. The units are fair sized - 780, 1,008 and 1,100 square feet for the respective unit types. Projected rents, to be covered via Section 8 certificates are \$637, \$796 and \$892 for each unit type, and include all utilities.

#### 4. Site/Location

The development is located in a single family neighborhood in White River Junction (see attached location map).

#### 5. Renovation Plan

The architect for the renovations is Gossens Bachman Architects of Montpelier. Engineering and energy analysis has been done by KLR Engineering, Chennette Engineer, Inc and Energy Efficiency Associates. Further energy analysis was commissioned by VHFA from the Vermont Energy Investment Corporation (VEIC).

The development has three wood frame buildings, two of which have basements. The buildings are 20 years old, and are served by Village water and sewer. The buildings and interiors are spare, and the planned renovations are meant only to correct basic building and site deficiencies. The five areas of deficiencies identified by the sponsors consultants are:

- a) Run off from the shallow pitched, membrane covered roof has rotted the wood shingles, dormers and dormer windows as it runs down the building. It continues to travel down the walls to the foundation, there leaking into the basements and crawl spaces. In addition to replacing the rotted wood, the architects are suggesting the addition of new flashing and gutters.
- b) Due to the presence of ledge close to the surface and poor grading, some surface water drains into the basements. An engineer is recommending grading around each of the buildings, and in one case adding foundation drains. However, the ledge may make this problem very difficult to solve.
- c) The buildings have electric heat, and the windows and doors all need replacement to reduce heat loss.
- d) A structural support problem in the floor joists needs to be rectified.
- e) Miscellaneous improvements to the laundry area, adding a maintenance room, replacing play area equipment and adding some landscaping.

The proposed renovation plan now includes the cost of energy conversion work (i.e., replacing the electric heating with a central oil or propane system).

## 6. Appraisal

An appraisal was done for VSHA by Frank Bredice in June, 1990. His recommended value, based completely on market rate rents and costs, is \$1,550,000. This value is \$50,000 lower than an appraisal done one year earlier. The purchase and sale agreement is written for the appraised price. The appraisal assumed that no major repairs were needed. The architect's and engineer's reports recommending substantial repairs were completed in January 1991. The HCB has concurred with VHFA's earlier staff recommendation to have an outside review of the Bredice appraisal and that work is being done.

A second issue is that the requested VHFA loan now (with inclusion of the energy conversion work) equals 110.3% of purchase price and appraisal value. VHFA's multi-family housing rules limit loans to private nonprofit corporations to "the housing development cost or the security value of each project, whichever is less." Thus, the Board needs to make a finding that the security value of Templeton will equal at least an amount equal to the VHFA loan (\$1,170,150 at this time). The VHFA loan in relation to the acquisition price plus planned renovations (\$1,920,000) is 89.07%.

## 7. Market Demand and Rent Levels

The property has a recent history of a 6% vacancy rate. However, under the Section 23 program there was not a strong incentive to keep the development fully rented. The sponsor argues that the project based Section 8 certificates also permit coverage of one month's rent when a tenant moves out, thus significantly reducing the effective vacancy loss. The financial projections assume a 6% vacancy rate.

## 8. Management

The proposed management agent is VSHA. VSHA has managed this property for 20 years.

## 9. Environmental Concerns

No environmental assessment has been done for the property. Asbestos is not a likely concern given the electric heat system. As an existing property in a residential neighborhood that has been managed by VSHA for many years, there has been no evidence to suggest that any environmental hazards exist on the site.

## DISCUSSION

### Strengths

The primary strengths of this development include:

- a) The past and present involvement of the VSHA, and their familiarity with the development from a management perspective.
- b) The availability of project based Section 8 certificates make the financial feasibility fairly safe, assuming that the HCB approves a deferred payment loan.
- c) It is a pre-existing building, so there are current tenants and there is a history of market acceptance.
- d) The current tenants are not "at risk" regardless if this transaction occurs as they will get Section 8 vouchers and can move where they please. However, the units themselves are "at risk" as continuing affordable units. The 1986 AER Vermont Housing Needs Analysis indicated that there were less than 150 rent-assisted family units in the White River Junction labor market area. The potential loss of 35 assisted family rental units is significant.

### Weaknesses

The potential weaknesses of this development are:

- a) The acquisition price appears high and is a cause for concern. The sponsor feels that the best possible deal has been struck, but is willing to return to the seller with the results of the review appraisal, which is in progress.
- b) The project based Section 8 certificates will be approved under a 5 year contract with HUD. Without the certificates it is improbable that low income tenants could pay the projected rents. Thus, the longterm affordability of the units is heavily dependent upon HUD to continue those certificates beyond the 5 years, a condition which we cannot be certain of and will not know about until the deadline nears. Clearly there is the absolute expectation that the contract will be continued, and this has been the historical practice with HUD.
- c) This is not a mixed income development, which has been a general standard of the Agency.

- d) The presence of ledge may prevent the necessary grading to adequately drain surface runoff away from the buildings. Thus, this problem may never be fully solved. However, while important, it is not a critical structural problem.

The following two areas, previously considered weaknesses have been resolved, assuming full sponsor concurrence with the revised financial projections.

- a) The federal laws governing the use of tax exempt financing require that at least 15% of building costs must be spent on renovation. With the inclusion of the energy conversion work the planned renovation budget equals 17% of total development costs and 21.6% of the VHFA bond amount. Thus, this matter is no longer an issue so long as the energy conversion work is included.

- b) VHFA's staff concerns about the levels of contingency and working capital are addressed by the attached financial projections.

#### RECOMMENDED ACTION

Staff recommends approval of the attached Resolution Pertaining to Issuance of Commitment Letter for Templeton Courts Apartments authorizing the Executive Director to issue a Commitment Letter in an amount not to exceed \$1.75 million for a 36 unit family development located in White River Junction.

## INPUT DATA

Koppelkam

Project: Templeton/HFI

RUN DATE: 4/12/91

Total Units: 36 \*\*\*\*\*Assumptions\*\*\*\*\*  
 Restricted Units: 35 Income increase: 3.00%  
 Percent Restricted: 97.22% Expense increase: 4.00%  
 Avg Net Monthly Rent: 714 Appreciation: 2.50%  
 TDC 2,070,150 Vacancy Rate: 6.00%  
 Syn Equity Possible 296,120 Partner's Tax Rate: 34.00%  
 Depreciation Schedule: 27.5

	Amount	% of TDC		
Equity 1	0	0.00%		
Equity 2	0	0.00%	Interest	Term
VHFA	1,710,150	82.61%	9.00%	30
HCTF	350,000	16.91%	7.00%	Partially Deferred
Grant	10,000	0.00%	0.00%	0
=====				
	2,070,150			

Templeton/HFI

## USES

4/15/91

		Budget	Per Unit
Acquisition		1,550,000	43,056
Rehab		370,000	10,278
Appraisal		2,500	69
Contingency	10.00%	37,000	1,028
Arch/Engineering		5,000	139
Legal/Title		5,000	139
Permits/Fees		0	0
Taxes/Insurance		0	0
Closing		2,500	69
VHFA Transaction Costs		2,500	69
Permanent Loan Fee	25,652	25,650	713
		0	0
Working Capital	66,049	60,000	1,667
Developer's Fee	0.48%	10,000	278

=====

TOTAL DEVELOPMENT COST 2,070,150 57,504

=====

INCOME

## RENTS

Restricted Units (See assumptions below)

	Bedrooms	Type	Sq. Feet	Number	Rent
2	2 Br	Flat	780	8	637
				0	
3	3 Br	Flat	1,008	11	796
				0	
4	4 Br	Flat	1,100	8	796
4	4 Br	Flat	1,100	8	892
-----					
	Totals		34,928	35	328,272 (annual)

## Market Rate Units

	Bedrooms	Type	Sq. Feet	Number	Rent
1	1 Br	Flat		1	0
1	1 Br	Townhouse		0	
2	2 Br	Flat	0	0	
2	2 Br	Townhouse		0	
3	3 Br	Flat	0	0	
3	3 Br	Townhouse		0	
-----					
	Totals		0	1	0 (annual)

## All Units

Grand Totals	34,928	36	328,272
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Less Vacancy	(19,696)
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NET RENT	308,576
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OTHER INCOME

Laundry	3,000
Parking	0
Interest Income	0
Other	0
	=====

Total Other Income	3,000
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TOTAL INCOME	311,576
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EXPENSE BUDGET

	Annual	Per Unit Month
Administration	24,280	56
Utilities	44,500	103
Maintenance	36,000	83
Taxes	30,000	69
Insurance	2,500	6
Reserves	10,954	23
-----		
Total	147,280	341



Templeton/HFI

30 YEAR PRO FORMA

Templeton/HFI

Year	1	2	3	4	5	6	7	8
Gross Possible Rent	328,272	338,120	348,264	358,712	369,473	380,557	391,974	403,733
Less Vacancies	(19,696)	(20,287)	(20,896)	(21,523)	(22,168)	(22,833)	(23,518)	(24,224)
Plus Other Income	3,000	3,090	3,183	3,278	3,377	3,478	3,582	3,690
Total Actual Income	311,576	320,923	330,551	340,467	350,681	361,202	372,038	383,199
Less Operating Exp.	147,280	153,171	159,298	165,670	172,297	179,189	186,356	193,810
Net Operating Income	164,296	167,752	171,253	174,797	178,384	182,013	185,681	189,388
Less VHFA Debt Service	(165,123)	(165,123)	(165,123)	(165,123)	(165,123)	(165,123)	(165,123)	(165,123)
Cash Flow	(827)	2,629	6,130	9,674	13,261	16,890	20,558	24,265
Plus PS Subsidy	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Net Cash	3,173	6,629	10,130	13,674	17,261	20,890	24,558	28,265
VHFA DCR (before PS Subs	(0.99)	(1.02)	(1.04)	(1.06)	(1.08)	(1.10)	(1.12)	(1.15)
VHFA DCR (incl PS Subsid	1.02	1.04	1.06	1.08	1.10	1.13	1.15	1.17
CASH TO HCTF	3,173	6,629	10,130	13,674	17,261	20,890	24,558	28,265

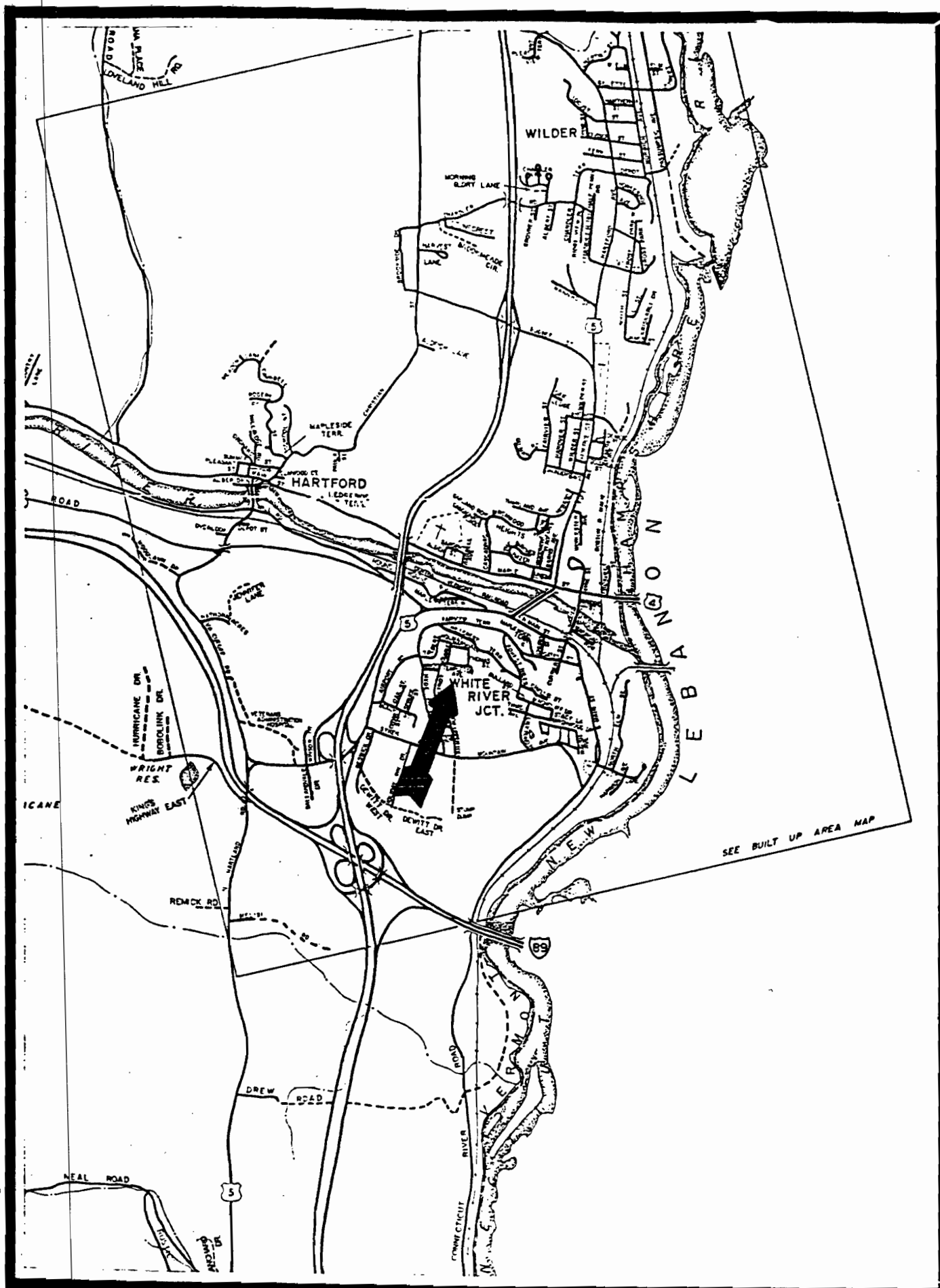
HCTF Partially Deferred & Compounded 7.00%

YEAR	1	2	3	4	5	6	7	8
BEGINNING BALANCE	350,000	371,327	390,692	407,910	422,790	435,124	444,693	451,263
PLUS ANNUAL INTEREST	24,500	25,993	27,348	28,554	29,595	30,459	31,128	31,588
LESS PAYMENTS MADE	(3,173)	(6,629)	(10,130)	(13,674)	(17,261)	(20,890)	(24,558)	(28,265)
ENDING BALANCE	371,327	390,692	407,910	422,790	435,124	444,693	451,263	454,586
Inflator								
PROJ. VALUE 2.50%	2,070,150	2,121,904	2,174,951	2,229,325	2,285,058	2,342,185	2,400,739	2,460,758
OUTSTANDING DEBT	2,069,794	2,076,378	2,079,619	2,079,208	2,074,818	2,066,094	2,052,655	2,034,092
DEBT/EQUITY RATIO	99.98%	97.85%	95.62%	93.27%	90.80%	88.21%	85.50%	82.66%

9	10	11	12	13	14	15	16	17	18
415,845	428,321	441,170	454,405	468,037	482,078	496,541	511,437	526,780	542,584
(24,951)	(25,699)	(26,470)	(27,264)	(28,082)	(28,925)	(29,792)	(30,686)	(31,607)	(32,555)
3,800	3,914	4,032	4,153	4,277	4,406	4,538	4,674	4,814	4,959
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394,695	406,536	418,732	431,294	444,232	457,559	471,286	485,425	499,987	514,987
201,563	209,625	218,010	226,731	235,800	245,232	255,041	265,243	275,853	286,887
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193,132	196,910	200,721	204,563	208,432	212,327	216,245	220,182	224,135	228,100
(165,123)	(165,123)	(165,123)	(165,123)	(165,123)	(165,123)	(165,123)	(165,123)	(165,123)	(165,123)
-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
28,009	31,787	35,598	39,440	43,309	47,204	51,122	55,059	59,012	62,977
4,000	4,000								
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
32,009	35,787	35,598	39,440	43,309	47,204	51,122	55,059	59,012	62,977
(1.17)	(1.19)	(1.22)	(1.24)	(1.26)	(1.29)	(1.31)	(1.33)	(1.36)	(1.38)
1.19	1.22	1.22	1.24	1.26	1.29	1.31	1.33	1.36	1.38
32,009	35,787	35,598	39,440	43,309	47,204	51,122	55,059	59,012	62,977

9	10	11	12	13	14	15	16	17	18
454,586	454,398	450,419	446,350	438,154	425,516	408,098	385,543	357,472	323,483
31,821	31,808	31,529	31,244	30,671	29,786	28,567	26,988	25,023	22,644
(32,009)	(35,787)	(35,598)	(39,440)	(43,309)	(47,204)	(51,122)	(55,059)	(59,012)	(62,977)
454,398	450,419	446,350	438,154	425,516	408,098	385,543	357,472	323,483	283,150
2,522,277	2,585,334	2,649,967	2,716,216	2,784,122	2,853,725	2,925,068	2,998,194	3,073,149	3,149,978
2,009,965	1,979,801	1,947,092	1,907,569	1,860,664	1,805,765	1,742,213	1,669,300	1,586,262	1,492,278
79.69%	76.58%	73.48%	70.23%	66.83%	63.28%	59.56%	55.68%	51.62%	47.37%

**LOCATION: TEMPLETON COURT APARTMENTS**



**RESOLUTION PERTAINING TO COMMITMENT LETTER/  
LETTER OF INTENT RE: TEMPLETON COURT  
APARTMENTS DEVELOPMENT, WHITE RIVER JUNCTION**

WHEREAS, a proposal has been presented to the Agency by Vermont Housing Enterprises, Inc., a non-profit corporation recently formed by the Vermont State Housing Authority, involving the acquisition and rehabilitation of the Templeton Court Apartments, a 36 unit apartment development in White River Junction (the "Development"); and

WHEREAS, the proposal contemplates that the Development will constitute "residential rental housing" within the meaning of section 142(d) of the Internal Revenue Code of 1986; and

WHEREAS, a Vermont non-profit corporation, Vermont Housing Enterprises, Inc., 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;

It is hereby DETERMINED:

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

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

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

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

5. The security value of the Development will equal at least the amount of the VHFA loan after the rehabilitation.

6. The sponsor is a financially responsible organization.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a combined letter of intent and Commitment

Letter (the "Commitment Letter") to provide a first mortgage for acquisition and rehabilitation, in an amount to be determined by the Executive Director, but not to exceed \$1,750,000, for the Templeton Court Apartments Development.

2. The Commitment Letter shall be issued to Vermont Housing Enterprises, Inc.
3. The commitment of the Agency shall be subject to receipt, on or before the date of the closing, of a commitment fee in an amount equal to one and a half percent (1.5%) of the principal amount of the mortgage loan.
4. The Commitment Letter shall provide that the interest rate to be charged on the mortgage loan shall be as determined by the Agency, but shall not exceed 9.5% per annum. The Commitment Letter shall also provide that the loan term will be determined by the Agency depending on the term of the bonds the proceeds of which will be used to provide funds for the mortgage loan (the "Bonds"), but that the loan shall be amortized over a period not to exceed 30 years, with a final payment due at the maximum term possible given the term of the Bonds.
5. The Commitment Letter shall require the Developer to demonstrate to the satisfaction of the Executive Director that a combination of deferred loan funds and below market interest rate funds are available in an amount at least equal to the difference between the total development cost as accepted by the Agency and the amount of the permanent financing commitment.
6. The Commitment Letter shall contain such other terms and conditions as the Executive Director shall deem necessary or appropriate, given the circumstances.
7. The Executive Director is authorized to make preliminary arrangements for the issuance and placement of tax-exempt bond anticipation notes and/or bonds of the Agency to provide proceeds for financing this loan.



VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA BOARD OF COMMISSIONERS  
FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE *RS*  
DATE: APRIL 18, 1991  
RE: SINGLE FAMILY BOND FINANCING

We have recently met with senior underwriters and legal counsel regarding the potential to convert a portion of the bonds that were issued last September to long-term fixed rate debt. When we issued the 1990 bonds, \$27.5 million was fixed rate debt which created mortgage funds of \$25 million at a rate of 8.95%. The remainder of the issue, \$82.5 million, was issued as convertible option bonds to be remarketed as fixed rate debt during certain specified intervals in the future. A \$40 million block of convertible debt became eligible for remarketing on April 1, 1991.

We are rapidly exhausting mortgage funds available for lending at competitive rates. A recent survey of lenders indicates that a 30 year fixed rate mortgage with two points being charged is generally available at between 9.375% and 9.5%. As stated earlier, the rate on the first portion of the 1990 financing is 8.95%. The small difference between conventional and VHFA rates has contributed to the delay in originating the first batch of funds from the 1990 issue at 8.95%. Since these funds are invested at 8%, we will not lose any money by putting the \$25 million of 8.95% mortgage funds "on the shelf" and issuing up to \$40 million of 1990 Series 2 Bonds.

Preliminary calculations performed by our actuary indicate that a full spread mortgage rate would be 8.5%. It appears that there would be no contribution required by the Agency. The actuary has advised that a substantial letter of credit would need to be obtained to satisfy the rating agencies to cover certain stress/disaster scenarios. Since the calculations are extremely complicated, due to the fact that three different bond series in a multitude of combinations need to be examined, we are unsure of the extent of the worst case scenario. The actuary will continue to crunch numbers and if there are any changes, we will disclose that information at the Board meeting.

Since the bonds that were originally issued were convertible option bonds, certain steps need to be taken to effectuate a conversion to long-term fixed rate debt. A notice must be sent to the underwriters to require them to perform various calculations which will give us an idea as to the parameters of the financing, such as bond cost and obtainable mortgage rate. This is being done informally at this time and creates the numbers as stated earlier in this memo. If VHFA is comfortable with the proforma calculations, a notice would be sent to the trustee to publish a call of the convertible option bonds. Once the call of the bonds is made by the trustee, we have only two choices: convert the bonds to fixed debt or retire the bonds. Based on the timing requirements of the documents, notice must be given 45 days prior to the conversion date. If we would like to issue for new mortgage funds by July 1st, we would need to trigger the notice to the trustee by May 17th.

Current economic forecasts are wide-ranging, but most of the predictions are that interest rates should reach the bottom about June 30th before heading up. If this were to happen (and given that traditional spreads maintain themselves between tax-exempt and other interest rate standards) we would be in an ideal position to effectively place mortgages at a reasonable differential to conventional mortgage rates.


#### **RECOMMENDED ACTION**

Authorize staff to pursue the "conversion" of the 1990 Series 2 Bonds as described above and trigger the notification to the trustee on May 17th if the market, economic conditions and assumptions regarding mortgage rate, Agency contribution and other financial factors are not significantly impacted.



VERMONT HOUSING FINANCE AGENCY  
M E M O R A N D U M

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE 

DATE: APRIL 18, 1991

RE: DEVELOPMENT LOAN NOTE RESOLUTION

Attached to this memo is a document entitled "Development Loan Note Resolution, Dalton Drive Development" which authorizes the issuance and sale of notes not to exceed \$4 million for the purpose of financing the development of the Fort Ethan Allen project.

This resolution formalizes the terms and conditions that were discussed at the March 28th Board meeting and allows us to issue notes to the Bank of Vermont that will mature not later than April 1, 1993 and will bear interest at a rate 1% above the then-applicable rate charged by the Federal Home Loan Bank through the New England Housing Fund. The notes can be issued at such times and in such denominations as the Agency deems necessary. The only other new point of substance is that the Bank has limited us from financing more than \$500,000 from sources other than the note proceeds for the project.

The negotiations with the Bank of Boston were very amicable and we owe special thanks to Kathy Cade in Boston and John Ewing and Wayne Hersey in Vermont.

**RECOMMENDED ACTION**

Approval of the "Development Loan Note Resolution, Dalton Drive Development" as attached.



VERMONT HOUSING FINANCE AGENCY

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DEVELOPMENT LOAN NOTE  
RESOLUTION

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DALTON DRIVE DEVELOPMENT

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Adopted April 25, 1991

RESOLUTION OF THE VERMONT HOUSING FINANCE AGENCY  
AUTHORIZING THE ISSUANCE AND SALE OF ITS DEVELOPMENT LOAN NOTES  
(DALTON DRIVE DEVELOPMENT)

Be It Resolved by the Vermont Housing Finance Agency and the Commissioners thereof as follows:

ARTICLE I

DETERMINATIONS, DEFINITIONS AND AUTHORITY

SECTION 101. Short Title. This resolution shall be and is hereinafter referred to as the "Dalton Drive Development Note Resolution" or the "Resolution".

SECTION 102. Authority For Resolution. This Dalton Drive Development Note Resolution is adopted pursuant to the Act and the Rules (hereinafter defined) and in accordance with the provisions thereof.

SECTION 103. Definitions. (A) All capitalized, undefined terms used in this Resolution shall have the meanings assigned to such terms in Paragraph (3) of Chapter One of the Rules (hereinafter defined). As used in this Resolution, the terms "Application for Disbursement," "Closing Date," "Collateral Assignment," "Construction Closing Documents," "Cost of Funds," "Development Contract," "Housing Development," "Housing Development Note," "Mortgage," "Net Proceeds of Sale," "Non-Housing Facilities," "Non-Housing Facilities Note," "Non-Housing Facilities Proceeds," "Property," "Purchase Price," "Rehabilitation" and "Total Development Cost" shall have the meanings given such term in the Agreement (hereinafter defined). In addition, the following words and phrases shall have the following meanings:

"Act" means the Vermont Housing Finance Agency Act, being No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended to the date of adoption of this Resolution;

"Agency" means the Vermont Housing Finance Agency, a body politic and corporate organized under the Act or any instrumentality of the State which shall hereafter succeed to its powers;

"Agreement" means the Dalton Drive Purchase and Finance Agreement between the Agency and the Sponsor in substantially the form presented at the meeting of the Agency at which this Resolution was adopted and any amendment thereto executed and delivered by the Agency under authorization of this Resolution or any other resolution of the Agency;

"Authorized Officer" means the Chairman, Vice Chairman, Executive Director and Secretary, and Director of Finance of the Agency and any other person authorized by resolution of the Agency to act as an Authorized Officer hereunder;

"Development" means the Housing Development and the Non-Housing Facilities and, as the context requires or permits, also means the acquisition by the Sponsor of the Property <sup>^</sup>, the Rehabilitation of the Housing Development, the carrying out of all or such portion of the Non-Housing Facilities Plan as the Agency may approve, and the sale or rental or all or a portion <sup>^</sup> of the Housing Development and the Non-Housing Facilities to the extent contemplated by, and as provided in, the Agreement;

"Development Contract" means the Amended Contract for Development Services effective as of January 1, 1990, between Preservation Investments, LTD., a Vermont corporation, and the Agency and any amendment thereto executed and delivered by the Agency under authorization of this Resolution or any other resolution of the Agency;

"Development Proceeds" means all receipts, revenue or other income derived by the Sponsor from its ownership of the Development including without limitation all <sup>^</sup> Net Proceeds of Sale and all Non-Housing Facilities Proceeds;

"Escrow Agent" means The Howard Bank, N.A., Burlington, Vermont, and any successor thereto as Escrow Agent hereunder;

"General Fund" means the fund so designated which was established and created by a resolution of the Agency adopted September 26, 1974 as such resolution may from time to time be amended;

The terms "herein", "hereunder", "hereby", "hereto", "hereof", and any similar terms, refer to this Resolution; the terms "heretofore" means before the date of adoption of this Resolution; and the term "hereafter" means after the date of adoption of this Resolution;

"Loan" means the loan from the Agency to the Sponsor authorized by Article II of this Resolution, constituting the Construction Loan as defined in the Agreement;

"Loan Account" means the account so designed and established under Section 301 of this Resolution;

"Loan Documents" means the Agreement, the Mortgage, the Promissory Notes, the Collateral Assignment and the Assignment of Rent, Profits and Bank Accounts;

"Non-Housing Facilities Plan" shall have the meaning given such term in the Development Contract;

"Notes" means any of the Vermont Housing Finance Agency Development Loan Notes (Dalton Drive Development) authorized and outstanding under Article II hereof;

"Note Payment Account" means the account so designated and established under Section 301 of this Resolution;

"Officer's Certificate" means a certificate signed by an Authorized Officer;

"Owner" or "noteowner", when used in reference to a Note, means the registered owner of such Note;

"Permitted Investments" means any of the following which at the time are legal investments for moneys of the Agency: (1) direct general obligations of the United States of America and obligations (including obligations of any federal agency or corporation) the payment of the principal and interest on which, by Act of the Congress of the United States or in the opinion of the Attorney General of the United States in office at the time such obligations were issued, are unconditionally guaranteed by the full faith and credit of the United States of America, or any other evidences of an ownership interest in obligations or in specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in this Clause (1); (2) any direct general obligations of any state of the United States of America or of any political subdivision of any such state; (3) bonds, debentures, participation certificates (representing a timely guaranty of principal and interest), notes or similar evidences of indebtedness of any of the following: Bank for Cooperatives, Federal Intermediate Credit Banks, Federal Financing Bank, Federal Land Banks, Federal Home Loan Bank System, Federal Farm Credit Bank, Federal National Mortgage Association (excluding "stripped" securities), Export-Import Bank of the United States, Farmers Home Administration, Federal Home Loan Mortgage Corporation, Resolution Funding Corporation, Government National Mortgage Association, Student Loan Marketing Association or Tennessee Valley Authority; (4) interest bearing time deposits, certificates of deposit or other similar banking arrangements with banks (which may include any Note Registrar or Paying Agent), provided such deposits are fully collateralized and secured by obligations described in Clauses (1) through (3) above which at all times have a market value (exclusive of accrued interest) at least equal to such deposits so secured, including interest; (5) shares of a diversified open-end management investment company as defined in the Investment Company Act of 1940, which is a money market fund, which is continuously and substantially invested in obligations described in Clauses (1) through (3) above; (6) repurchase agreements for obligations of the type specified in Clauses (1), (2) and (3) above, provided either (a) the repurchase agreement is an unconditional obligation of the provider thereof or (b) such repurchase agreements are fully collateralized and secured by such obligations which have a market value (exclusive of accrued interest) at least equal to the purchase price of such repurchase

agreements and provided further that such obligations are held by the Agency or a depository satisfactory to the Agency in such manner as may be required to provide a perfected first security interest in favor of the Agency in such obligations;

"Promissory Notes" means the Housing Development Note and the Non-Housing Facilities Note;

"Quick Assets", at any given date, means the sum of the cash and short-term investments held in (i) Unrestricted Fund Balances, plus (ii) other fund balances of the Agency to the extent that the Agency can, within 30 days of electing to do so, transfer such other fund balances to the General Fund and thereafter use them to pay the principal of and interest on the Notes then due, without violating any covenant, pledge, or restriction or any applicable law to which such other fund balances may be subject;

"Revenues" means all payments, proceeds, charges, rents and other income (including without <sup>a</sup> limitation income from investments in the Loan Account and the Note Payment Account) of any kind and from any source derived in cash by or for the account of the Agency from or related to the Development and under the Loan or otherwise, including, without limitation, payments and prepayments of principal and interest on the Loan;

"Rules" means the Agency's rules pertaining to Grants, Loans and Advances to Assist the Planning, Construction, Rehabilitation and Operating of Residential Housing; Mortgage Loans to Housing Sponsors for Single Family Developments adopted by the Agency on May 17, 1990 and effective June 4, 1990, as the same may be amended from time to time;

"Sponsor" means Dalton Drive Neighborhood, Inc., a Vermont non-profit corporation, and any successor thereto approved by the Agency;

"State" means the State of Vermont; and

"Unrestricted Fund Balances" means the balances outstanding to the credit of the General Fund which are not restricted under the terms of any bond resolution of the Agency or by any other resolution, agreement, or contract of any nature whatsoever or by any applicable law in a manner which restricts the availability of such balances to pay the Notes.

(B) Except as otherwise expressly provided in this Resolution, the terms "housing development costs," "housing sponsor," "mortgage," "mortgage loan," "persons and families of low and moderate income" and "residential housing" when used in this Resolution shall have the meanings given such terms in the Act.

SECTION 104. Parties Interested Herein. Nothing in this Resolution expressed or implied is intended or shall be construed to confer upon, or to give to, any person, other than the Agency, the Escrow Agent and the Owners of the Notes, any right, remedy or claim under or by reason of this Resolution or any covenant, stipulation, obligation, agreement or condition therein. All the covenants, stipulations, obligations, promises and agreements in this Resolution contained by and on behalf of the Agency shall be for the sole and exclusive benefit of the Agency, the Escrow Agent and the Owners of the Notes.

SECTION 105. Law Applicable. The laws of the State shall be applicable to the interpretation and construction of this Resolution.

SECTION 106. Severability of Invalid Provision. If any one or more of the provisions, covenants or agreements in this Resolution on the part of the Agency or the Escrow Agent to be performed should be contrary to law, then such provisions, covenants or agreements shall be deemed separable from the remaining provisions, covenants and agreements, and shall in no way affect the validity of the other provisions of this Resolution or of the Notes.

SECTION 107. Findings and Determinations. The Agency hereby finds and determines in accordance with Section 625 and Section 631 of the Act and Chapters Four and Five of the Rules that:

(1) The Development is a Mixed Use Development within the meaning of the Rules consisting of the Housing Development, constituting Residential Housing and a Single Family Development as defined thereunder, and the Non-Housing Facilities all or a portion of which are not designed primarily for the benefit of the occupants of the Housing Development;

(2) The Non-Housing Facilities constitute all or part of an existing structure or structures to be acquired and rehabilitated by the Sponsor in accordance with the Agreement;

(3) The Sponsor is a housing sponsor within the meaning of the Act and a Non-Profit Entity and an Eligible Borrower within the meaning of the Rules;

(4) The Housing Development is primarily for occupancy by persons and families of low and moderate income;

(5) The acquisition, construction and rehabilitation costs incurred or to be incurred by the Sponsor with respect to the Housing Development in accordance with the Agreement are for housing development costs within the meaning of the Act;

(6) 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;

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

(8) The Non-Housing Facilities are necessary in order to render the purchase of the dwelling units in the Housing Development economically feasible for persons and families of low and moderate income;

(9) There exists, or without the Development 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 of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families;

(10) The Sponsor will maintain or increase the supply of well planned, well-designed housing for persons or families of low and moderate income and is a financially responsible person;

(11) The Loan does not exceed the value of the Housing Development and the aggregate principal amount of the Notes is necessary to provide sufficient funds to accomplish the corporate purposes of the Agency with respect to the Development;

(12) The Loan can be issued bearing rates of interest which are less than the prevailing rates of interest on comparable mortgage loans available in the State without the assistance of the Agency; and

(13) The Agency will derive receipts, revenues or other income from the Loan or otherwise from or with respect to the Development to provide, together with all other available receipts, revenues and income of the Agency, for the payment of the Notes and the payment of all costs and expenses incurred by the Agency with respect to the Development.

## ARTICLE II

### THE LOAN AND THE NOTES

#### SECTION 201. Sale of Property; Authorization of Loan.

(A) The sale of the Property to the Sponsor, at the Purchase Price and on the terms and conditions provided in the Agreement,



is hereby authorized, ratified and approved. To temporarily finance <sup>^</sup> all or a portion of the <sup>^</sup> Total Development <sup>^</sup> Cost in anticipation of the receipt by the Sponsor of Development Proceeds or other permanent financing, the Agency hereby further authorizes the Loan in aggregate principal amount not exceeding the Total Development Cost. The Loan shall be dated, shall mature in one or more installments on the date or dates, not later than April 1, 1993, shall be subject to such terms of prepayment, shall bear interest at such rate or rates, not in excess of <sup>^</sup> one hundred and fifty basis points (1.50%) above the Agency's Cost of Funds, and shall other bear such terms and conditions, not inconsistent herewith or with the Agreement, as shall be determined by Authorized Officers of the Agency at or prior to the Closing Date in accordance with the Agreement.

(B) Notwithstanding anything herein to the contrary, the Agency covenants and agrees with the Owners of the Notes that without the prior written consent of the Owners of not less than a majority in aggregate principal amount of the Notes outstanding it will not disburse or agree to disburse to or for the account of the Sponsor any amount representing proceeds of the Loan (whether from the Loan Account hereunder, from the General Fund or from any other source) if such disbursement would cause the aggregate principal amount of the Loan outstanding and unpaid to exceed four million five hundred thousand dollars (\$4,500,000).

(C) The Agreement, and the execution and delivery thereof by Authorized Officers of the Agency, is hereby approved in substantially the form presented at this meeting, with such changes thereto, not inconsistent herewith, as the Authorized Officers executing the same may approve prior to their execution and after consultation with counsel to the Agency. By adoption of this Resolution, all Construction Loan Documents, including without limitation all Loan Documents, and the execution and delivery thereof, as appropriate, by or on behalf of the Agency by Authorized Officers thereof, are hereby ratified, authorized and approved.

SECTION 202. The Notes. (A) An issue of notes of the Agency, designated "Development Loan Notes (Dalton Drive Development)", is hereby authorized as herein provided in aggregate principal amount not exceeding <sup>^</sup> Four Million Dollars <sup>^</sup> (\$4,000,000) (the "Maximum Principal Amount") for the purpose of funding the Loan and paying costs of issuance of the Notes.

(B) The Notes may be issued in one or more series in such principal amounts as shall be determined by the Authorized Officers executing the same, provided that the aggregate principal amount of Notes outstanding at any time shall not exceed the Maximum Principal Amount. For purposes of the foregoing, any Note issued to pay or refund any other Note shall be included in the calculation of the principal amount of Notes outstanding and the Note to be so paid or refunded shall be



excluded from such calculation. The Notes shall be dated their date of delivery to the purchaser thereof and shall mature on such date or dates, not later than April 1, 1993 (the "Final Maturity Date") as shall be determined by the Authorized Officers executing the same, provided that any Note issued to mature prior to the Final Maturity Date may be renewed by the issue of additional Notes payable no later than the Final Maturity Date.

(C) The Notes shall bear interest at such rate or rates, not in excess of ten percent (10%) per annum, as shall be determined by the Authorized Officers executing the same prior to their delivery of the Notes, payable at maturity or on such date or dates prior thereto as such Authorized Officers shall determine to be in the best interests of the Agency. The Notes shall be issued in fully registered form in such denominations, not less than \$100,000, as the Authorized Officers executing the same shall determine, shall be subject to redemption prior to maturity and shall otherwise bear such terms and conditions, and shall be in substantially the form, set forth in Exhibit A attached to this Resolution.

**SECTION 203. General Obligations of Agency; Pledge.**

(A) The Notes shall be general obligations of the Agency payable out of any revenues or moneys of the Agency, subject only to agreements heretofore or hereafter made with holders of bonds, notes, or other obligations of the Agency, other than the Notes, pledging particular assets or revenues for the security thereof. The Agency shall not be obligated to pay the Notes or the interest thereon except from such revenues and moneys and any other assets pledged therefor and neither the faith and credit nor the taxing power of the State or of any political subdivision thereof is pledged to the payment of the principal of or interest on the Notes.

(B) As additional security for the payment of the principal of and interest on the Notes when due, the Agency hereby pledges to payment of the principal of or interest on the Notes and grants to the Owners of the Notes a security interest in (i) the Revenues and, (ii) subject to the provisions of the Resolution permitting the application of amounts held therein to the purposes and on the terms and conditions provided in this Resolution, all moneys and securities deposited and from time to time held in the Loan Account and the Note Payment Account created under this Resolution.

**SECTION 204. Negative Covenants.** (A) The Loan shall be held for the credit of the General Fund. So long as any Notes shall be outstanding and unpaid hereunder, the Agency covenants and agrees with the owners of the Notes that it will not create or permit to be created any lien, pledge, security interest or other encumbrance in or upon the Loan or any of the Loan Documents unless prior thereto the Agency shall grant to the registered Owners of the Notes a senior lien, pledge, security

interest or other encumbrance in or upon the Loan or such Loan Documents. The Agency further covenants and agrees that, so long as any Notes and the interest thereon shall be outstanding and unpaid hereunder, the Loan Documents shall require, and the Agency shall take all action reasonably necessary to cause, the Sponsor to pay to the Escrow Agent for deposit in the Loan Account as provided in Article III hereof all Development Proceeds as soon as practicable following receipt thereof by the Sponsor.

(B) Subject to the foregoing provisions of this Section 204, nothing in this Resolution shall be deemed to grant to the Owners of the Notes any pledge of or security interest in the Loan, the Development Contract or the Loan Documents or any interest in the Property. Without the consent of the Owners of the Notes the Agency may at any time and from time to time execute and deliver such amendments or supplements to the Loan, the Development Contract or the Loan Documents or any other contract or instrument securing the Loan or otherwise pertaining to the Development as the Agency shall determine is in its best interests, may release all or any part of the Property from the lien of the Loan and the Loan Documents and may sell or lease or permit the Sponsor to sell or lease all or any part of the Property or any interest therein, provided that all Revenues received by the Agency upon or in connection with any of the foregoing shall promptly upon their receipt by the Agency be deposited in the Loan Account as provided in Article III hereof.

(C) The Agency shall maintain at all times Quick Assets free and clear of all liens and encumbrances in an aggregate amount equal to at least \$1,000,000 in excess of all claims, charges, or liabilities, contingent or matured, which may be payable therefrom.

SECTION 205. Sale of Notes. The Notes shall be and are hereby sold to the Bank of Vermont at a purchase price of par and otherwise on the terms and conditions provided in this Resolution. At any time following adoption of this Resolution the Authorized Officers of the Agency are hereby authorized and directed to execute the Notes and to deliver them to or upon the order of such purchaser upon receipt by the Agency of the purchase price therefor.

### ARTICLE III

#### APPLICATION OF PROCEEDS AND REVENUES PAYMENT OF NOTES

SECTION 301. Establishment of Accounts. There is hereby established and created the "Dalton Drive Development Revolving Loan Account" (the "Loan Account") and the "Dalton Drive Development Note Payment Account" (the "Note Payment Account") to

be held by the Escrow Agent separate and apart from all other funds of the Agency, the Sponsor and the Escrow Agent.

SECTION 302. Loan Account; Application of Proceeds and Revenues. (A) The Agency shall deposit or cause the Escrow Agent to deposit in the Loan Account upon receipt thereof all proceeds derived from the sale of the Notes and all Revenues including without limitation all Development Proceeds paid to the Escrow Agent as provided in Section 204(A) hereof. Notwithstanding the foregoing, upon the direction of an Authorized Officer the proceeds of any Notes issued by the Agency to renew or pay any outstanding Notes or the interest thereon shall be deposited upon receipt in the Note Payment Account. From time to time, at its option, the Agency may also transfer moneys from the General Fund or any other lawful source to the Loan Account.

(B) Amounts on deposit in the Loan Account shall be applied by the Agency solely (i) to pay the costs of issuance of the Notes upon requisition by the Agency, (ii) to make the Loan and (iii), as provided in Section 303 hereof, to provide amounts sufficient to pay the principal of ~~the~~ and interest on the Notes when due. The Loan may be made in one or more installments and may be subject to prepayment in whole or in part as provided in the Loan Documents and shall otherwise be administered as set forth in Article VI of the Agreement~~s~~. The Escrow Agent shall disburse the proceeds of the Loan to or upon the order of the Sponsor upon receipt from the Agency of an Officer's Certificate specifying the amount to be disbursed and certifying that the Agency has approved one or more Applications for Disbursement therefor.

(C) Notwithstanding anything herein to the contrary, prior to the Closing Date the Agency may direct the Escrow Agent to transfer from the Loan Account to the Agency for deposit in the General Fund an amount not exceeding the aggregate of all unreimbursed Advances then or theretofore made by the Agency with respect to the Development as evidenced by an Officer's Certificate (upon which the Escrow Agent may conclusively rely) delivered to the Escrow Agent. Any such transfer shall be deemed to have been made for the benefit of the Sponsor in anticipation of the Loan and, on the Closing Date, shall be ~~the~~ charged to the principal amount of the Loan then outstanding and applied as a credit against the Purchase Price and other costs of the Rehabilitation all as provided in Article VI of the Agreement.

(D) When the entire principal amount of the Notes and the interest accrued and to accrue thereon to the maturity or redemption date thereof shall have been duly paid or provided for as provided in Section 302 hereof, any balance remaining on deposit in the Loan Account shall be paid to or upon the order of the Agency as directed in an Officer's Certificate delivered to the Escrow Agent.

SECTION 303. Note Payment Account; Payment of Notes.

(A) On each date on which any principal or interest on any Note shall be due and payable, whether at maturity or upon earlier redemption in accordance with the terms thereof as set forth in Exhibit A hereto, the Escrow Agent shall transfer from the Loan Account and deposit in the Note Payment Account an amount which, together with any amounts then on deposit in the Note Payment Account (including without limitation the proceeds of any renewal Notes) will be sufficient to pay the principal of and interest on the Notes then due. If following such transfer the amount on deposit in the Note Payment Account is insufficient to pay all such principal and interest the Agency shall pay to the Escrow Agent upon demand from the General Fund or any other lawful source an amount equal to the deficiency. The Escrow Agent shall apply the amounts so transferred to or deposited in the Note Payment Account to the payment of the Notes and interest due thereon on the maturity or redemption date thereof.

(B) When the entire principal amount of the Notes and the interest accrued and to accrue thereon to the maturity or redemption date thereof shall have been duly paid or provided for (by deposit in the Note Payment Account of an amount sufficient to make such payment) any balance in the Note Payment Account not required for such purpose shall be paid to or upon the order of the Agency as directed by an Authorized Officer.

SECTION 304. Investment. Moneys held for the credit of the Loan Account and the Note Payment Account under this Resolution shall, to the fullest extent practicable, be invested by the Escrow Agent at the direction of an Authorized Officer in Permitted Investments which shall mature or be redeemable at the option of the holder thereof on such dates and in such amounts as may be necessary to provide moneys to meet the payments from the respective account. Permitted Investments purchased as an investment of moneys in any account shall be deemed at all times to be a part of such account until transferred as provided in this Resolution. Interest and other income from investment of the Loan Account and the Note Payment Account hereunder shall upon receipt be deposited in the Loan Account. In making investments hereunder, the Trustee shall be protected in relying on the directions of an Authorized Officer as to the nature, maturity, rate and amount of such investments.

ARTICLE IV

THE ESCROW AGENT

SECTION 401. Duties and Obligations. (A) The Howard Bank, N.A., is hereby appointed Escrow Agent hereunder. The Escrow Agent shall also be, and is hereby appointed, paying agent and registrar for the Notes. The Escrow Agent shall signify its acceptance of the duties and responsibilities imposed upon it by

this Resolution by executing and delivering to the Agency a written acceptance thereof.

(B) The Escrow Agent, and all of its officers, directors, employees and agents, shall not be liable or responsible for any action taken or omitted by it under this Resolution in good faith and in the reasonable belief that such action taken or omitted by it is authorized or within the discretion or rights or powers conferred upon it by this Resolution, except for its own negligence or willful default. The Escrow Agent shall have no responsibility in respect of the validity or sufficiency of this Resolution or the Notes and shall not be liable or responsible for any acts taken by the Agency hereunder or because of the failure of the Agency to perform any act required of it by this Resolution. The Escrow Agent shall not be under any obligation or duty to perform any act hereunder which would involve it in expense or liability or to advance any of its own moneys, unless properly indemnified, or, except to the extent expressly provided herein, to account for the proper application of any moneys deposited with it or disbursed by it hereunder. The Escrow Agent shall be fully protected in acting upon any notice, consent, statement, opinion or other paper or document believed by it to be genuine and to have been signed or presented by the proper party. The Escrow Agent may consult with counsel, who may or may not be counsel to the Agency or the Sponsor, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or omitted by it hereunder in good faith and in accordance herewith. To the extent permitted by law, the Agency hereby agrees to indemnify and hold harmless the Escrow Agent from and against any and all claims, damages (direct as opposed to consequential), losses, liabilities, costs or expenses whatsoever which the Escrow Agent may incur by reason of or in connection with the performance by the Escrow Agent of its responsibilities under this Resolution which are not due to its own negligence or willful default.

(C) All moneys held by the Escrow Agent, as such, at any time pursuant to the terms of this Resolution shall be and are hereby assigned, transferred and set over unto the Escrow Agent in trust for the purposes and under the terms and conditions of this Resolution.

SECTION 402. Resignation and Removal. (A) The Escrow Agent, or any successor thereto, may at any time resign and be discharged of its duties and obligations under this Resolution by giving not less than sixty (60) days' written notice to the Agency and the Owners of the Notes, specifying the date when such resignation shall take effect. Such resignation shall take effect on the date specified in such notice provided a successor has been appointed by the Agency as provided herein.

(B) The Escrow Agent, or any successor thereto, may be removed at any time by the Agency upon not less than 30 days'

written notice delivered to the Escrow Agent and the Owners of the Notes, and upon the appointment of a successor by the Agency as provided herein.

(C) In case at any time the Escrow Agent, or any successor thereto, 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 the Escrow Agent or its property shall be appointed, or if any public officer shall take charge or control of the Escrow Agent or its property, a successor shall be appointed by the Agency upon written notice to the predecessor Escrow Agent and to the Owners of the Notes.

SECTION 403. Compensation and Expenses. Unless otherwise provided by contract with the Escrow Agent, the Agency shall pay to the Escrow Agent from time to time reasonable compensation for all services rendered by it hereunder, and also reimbursement for all its reasonable expenses, charges, legal fees and other disbursements and those of its attorneys, agents and employees, incurred in and about the performance of its powers and duties hereunder.

## ARTICLE V

### MISCELLANEOUS

SECTION 501. Default. If the Agency defaults in the payment of principal of or interest on the Notes when due, whether at maturity or upon earlier redemption, or in the performance of any covenant in this Resolution, then the registered owner of any Note shall have the right, by mandamus or other suit, action or proceeding at law or in equity, to bring suit upon the Notes; to enforce its rights under this Resolution and the Notes to compel performance by the Agency of its obligations under the Notes and this Resolution; to require the Agency to account as trustee of an express trust; or to enjoin any acts which may be unlawful or in violation of the rights of the registered owner of any Note. No remedy conferred by this Resolution upon the registered owner of any Note is intended to be exclusive of any other remedy, but each shall be in addition to every other remedy given under this Resolution or the Notes or provided at law or in equity or by the Act. No delay or omission of the registered owner of any Note to exercise any right or power or be construed to be a waiver of the default. The registered owner of any Note may waive any default and its consequences. No such waiver shall extend to any subsequent or other default.

SECTION 502. Amendment. (A) Without the consent of any of the Owners of the Notes, this Resolution may be amended at any time and from time to time by a supplemental resolution adopted



by the Agency (1) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision herein, (2) to insert such provisions clarifying matters or questions arising under this Resolution as are necessary or desirable and are not contrary to or inconsistent with this Resolution as theretofore in effect or (3) to make any other change herein which, in the judgment of the Escrow Agent, is not to the prejudice of the Escrow Agent or the Owners of the Notes.

(B) Except as provided in Paragraph (A) of this Section 502, this Resolution may only be amended with the prior written consent of the Owners of a majority in aggregate principal amount of all Notes outstanding. Notwithstanding the foregoing, no amendment of the Resolution making a change in the terms of maturity or prepayment of the Notes, or the principal amount or redemption price thereof or the rate of interest thereon, or the provisions of this Section 502, shall be effective without the prior written consent of the Owner of each Note affected thereby.

SECTION 503. Defeasance. If the Agency shall pay or cause to be paid to the registered Owners of the Notes the principal and interest thereon at the times and in the manner stipulated therein and herein, then the Notes and all other rights granted hereby or thereby shall be discharged and satisfied.

SECTION 504. Authorization of Officers. The Chairman, Vice-Chairman, Executive Director and Secretary, Director of Finance and each other Authorized Officer are each hereby authorized and directed to do all acts and things and to execute and deliver any and all documents, certificates, and other instruments necessary or desirable to effectuate the transactions contemplated by this Resolution.

SECTION 505. No Recourse. All covenants, stipulations, promises, agreements and obligations of the Agency contained in this Resolution shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Agency and not of any member, officer or employee of the Agency in his individual capacity, and no recourse shall be had for the payment of the principal of or interest on the Notes or for any claim based thereon or on this Resolution against any member, officer or employee of the Agency or any person executing said Notes.

SECTION 506. Effective Date. This Resolution shall take effect upon its adoption.

EXHIBIT "A"

[NOTE FORM]

No. \_\_\_\_\_  
\$ \_\_\_\_\_

VERMONT HOUSING FINANCE AGENCY  
DEVELOPMENT LOAN NOTE  
(DALTON DRIVE DEVELOPMENT)

Principal Sum: \$ \_\_\_\_\_

Note Date:

Interest Rate: \_\_\_\_\_ % Per Annum

Maturity Date:

The VERMONT HOUSING FINANCE AGENCY (herein called the "Agency"), a body politic and corporate of the State of Vermont, acknowledges itself indebted and for value received hereby promises to pay to \_\_\_\_\_, or registered assigns, on the Maturity Date (unless earlier redeemed as provided herein) the Principal Sum stated above with interest thereon, calculated on the basis of twelve 30-day months and a 360-day year, from the Note Date at the Interest Rate, payable [on \_\_\_\_\_] [on the Maturity Date].

The principal of and interest on this note are payable in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts. The principal of and interest on this note shall be payable by check or draft mailed by The Howard Bank, N.A., Burlington, Vermont, as paying agent of the Agency (together with any successor paying agent, the "Paying Agent") to the registered owner at its address appearing on the registration books of the Agency, provided that the registered owner of this note may make arrangements with the Paying Agent for payment of principal and interest by wire transfer. Upon final payment of this note, the registered owner hereof will, and by acceptance of this note hereby agrees, to cancel and return this note to the Paying Agent.

This note is one of a duly authorized issue of notes (the "Notes") issued in aggregate principal amount not to exceed \$ \_\_\_\_\_ under and by virtue of the Vermont Housing Finance Agency Act, being No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended (herein called the "Act"), and under and pursuant to a resolution of the Agency adopted April \_\_, 1991, entitled ("Dalton Drive Development Note Resolution" (herein called the "Resolution")) for the purpose of making the Loan described in the Resolution. Copies of the Resolution are on file at the office of the Agency in the City of Burlington, State



of Vermont, and reference to the Resolution and to the Act is made for a description of the pledge and covenants securing the Notes, the nature, manner and extent of enforcement of such pledge and covenants, the rights and remedies of the registered owners of the Notes with respect to such pledge and covenants, the terms and conditions upon which the Notes are and may be issued thereunder, and a statement of the rights, duties, immunities and obligations of the Agency.

This note is a general obligation of the Agency payable out of any of the Agency's revenues, moneys or assets, subject only to agreements heretofore or hereafter made with the holders of obligations of the Agency other than this note pledging particular revenues, moneys or assets for the payment thereof, and is also secured by a pledge of Revenues (as defined in the Resolution) and all moneys and securities on deposit from time to time in the Loan Account and the Note Payment Account established by the Resolution, subject to all provisions and conditions of the Resolution.

The Agency is not obligated to pay this note or the interest hereon except from the revenues, moneys or assets of the Agency pledged under the Resolution or as otherwise provided herein and therein 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 interest on this note.

The Notes are subject to redemption prior to maturity at the option of the Agency at any time upon not less than fifteen (15) days prior written notice to the registered owners of the Notes to be redeemed, in whole or in part (in a minimum principal amount of ~~at least~~ \$100,000) by lot at a redemption price equal to the principal amount redeemed (without premium) plus interest accrued to the redemption date. Upon any partial redemption of this note the registered owner hereof shall note on the reverse hereof the principal amount redeemed and the date of such redemption.

The ~~Notes~~ Notes are issuable solely in the form of fully registered notes in denominations of not less than \$100,000 ~~at least~~. Upon surrender hereof at the principal office of the Paying Agent, as Note Registrar, with a written instrument of transfer satisfactory to the Agency and the Note Registrar, duly executed by the registered owner hereof or his duly authorized attorney, this note may, at the option of the registered owner, be exchanged for an equal aggregate principal amount of fully registered notes of the same maturity, interest rate and tenor in any of the authorized denominations.

This note is transferable, only upon the registration books of the Agency, by the registered owner hereof in person or by his attorney duly authorized in writing, upon surrender hereof at the principal office of the Note Registrar together with a written

instrument of transfer satisfactory to the Agency and the Note Registrar duly executed by the registered owner or such duly authorized attorney, and thereupon the Agency shall issue in the name of the transferee a new registered note or notes of the same aggregate principal amount, maturity and interest rate as the surrendered note and in any of the authorized denominations. The Agency and the Paying Agent may treat and consider the person in whose name this note is registered as the holder and absolute owner hereof for the purpose of receiving payment of, or on account of, the principal amount hereof and interest due hereon and for all other purposes whatsoever.

No recourse shall be had for the payment of the principal amount of or the interest on this note or for any claim based thereon or on the Resolution against any commissioner of the Agency or any person executing this note.

This note shall not be entitled to any benefit under the Resolution or be valid or become obligatory for any purpose until this note shall have been duly authenticated by the Paying Agent by execution of the certificate of authentication provided on this note.

It is hereby certified and recited that all conditions, acts and things required by the Constitution or statutes of the State of Vermont or by the Act or the Resolution to exist, to have happened or to have been performed precedent to or in the issuance of this note exist, have happened and have been performed and that the issue of this note, together with all other indebtedness of the Agency, is within every debt and other limit prescribed by said Constitution or statutes.

IN WITNESS WHEREOF, the VERMONT HOUSING FINANCE AGENCY has caused this note to be signed in its name and on its behalf by the manual signature of its Authorized Officer, and its corporate seal to be affixed hereto or imprinted hereon and attested by the manual signature of its Authorized Officer.

VERMONT HOUSING FINANCE AGENCY

By \_\_\_\_\_  
Authorized Officer

[SEAL]

Attest:

\_\_\_\_\_  
Authorized Officer

P&D Draft 4/17/91

CERTIFICATE OF AUTHENTICATION

This note is one of the Notes described in the within-mentioned Resolution of the Vermont Housing Finance Agency.

THE HOWARD BANK, N.A.

By \_\_\_\_\_  
Authorized Officer

Date of Authentication:

Record of Partial Redemptions

<u>Redemption</u> <u>Date</u>	<u>Principal Amount</u> <u>Redeemed</u>	<u>Balance of</u> <u>Principal</u> <u>Outstanding</u>
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VERMONT HOUSING FINANCE AGENCY

May 13, 1991

Ms. Jean Gauthier  
Department of Administration  
Pavilion Office Building  
109 State Street  
Montpelier, VT 05602

Dear Ms. Gauthier:

The Vermont Housing Finance Agency will be having its regular monthly Board Meeting on Thursday, May 23, at 1:30 p.m., here at the office of the Vermont Housing Finance Agency, One Burlington Square, Burlington, Vermont.

If you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in cursive script that reads 'Barbara M. Parker'.

Barbara M. Parker  
Executive Assistant





VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners  
FROM: Allan S. Hunt, Executive Director  
DATE: May 2, 1991  
RE: RESCHEDULING THE UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been rescheduled. The meeting will be held at 1:30 p.m. Thursday, May 23, here at the office of the Vermont Housing Finance Agency, 1 Burlington Square, Burlington, Vermont.

The agenda and board packet will be mailed by May 17.

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Burlington May 23!



VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners  
FROM: Allan S. Hunt, Executive Director  
DATE: May 16, 1991  
RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held at 1:30 p.m. Thursday, May 23, here at the office of the Vermont Housing Finance Agency, One Burlington Square, Burlington, Vermont.

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

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Burlington May 23!



VERMONT HOUSING FINANCE AGENCY

**VHFA BOARD MEETING AGENDA**

**VERMONT HOUSING FINANCE AGENCY**

**One Burlington Square  
Burlington, Vermont**

**Thursday, May 23, 1991 at 1:30 p.m.**

1. Review and approval of minutes of April 25, 1991
2. Executive Director's Report
3. Single Family
  - A. MOVE 1989B Update [Lothrop//Encl.]
  - B. Comparison of Loan Programs [Lothrop//Encl.]
  - C. Conversion of Mortgage Revenue Bond Authority to Mortgage Credit Certificate Authority [Lothrop//Encl.]
4. Development
  - A. Energy Efficient Mortgage Program Recommendations [Pond/Crady//Encl.]
  - B. Coburn (Clarendon) Letter of Interest [Pond/Koppelkam//Encl.]
  - C. Brattleboro Mobile Home Park Letter of Interest [Pond/Koppelkam//Encl.]
5. Finance
  - A. General Fund Quarterly Report [Schoenbeck//Encl.]
  - B. General Fund Budget Adjustments [Schoenbeck//Encl.]
  - C. Highgate Bridge Loan [Schoenbeck//Encl.]
  - D. Single Family Bond Status [Schoenbeck//Encl.]
6. Legal
  - A. Multi-Family Update [Jarrett]
7. Communications
  - A. Leave of Absence [Hope//Encl.]
8. Other old or new business to come before the Board





VERMONT HOUSING FINANCE AGENCY

**BOARD MINUTES**

**Vermont Housing Finance Agency  
Office of the Agency of Development and Community Affairs  
Pavilion Office Building, 4th Floor  
109 State Street  
Montpelier, Vermont**

**Thursday, April 25, 1991**

**PRESENT:** Commissioners Shaw, Hebard, Rockford (designee of Johnson), Pelham (designee of McDougall), Seelig, Myette (via speakerphone)

Agency Staff: Mr. Hunt, Mr. Schoenbeck, Mr. Jarrett, Mr. Koppelkam, Mrs. Parker, Ms. Pond, Ms. Hope, Mr. Lothrop, Mr. Falzone

Guests: Ms. Cade (Bank of Boston); Mr. Williams (VSHA); Mr. Gurley (Chase Securities, Inc.--via speakerphone)

The meeting was called to order at 1:35 p.m.

Upon a motion duly made and seconded, the minutes of the March 28, 1991 meeting were unanimously accepted as written.

Mr. Lothrop reviewed the status of the MOVE (Mortgages for Vermonters) program, as detailed in the report included in the Board packet. Mr. Seelig observed that it would be helpful to have comparisons with activity during previous years or quarters included in the report from time to time; Mr. Shaw further requested that some indication be made as to what level of funds are actually available (less reservations and commitments). Strong reservations in the 1989B Single Family program have nearly exhausted the supply of funds available in that program.





## VHFA BOARD MINUTES

April 25, 1991

Page 2 of 4

In a related matter, the Board turned to Mr. Schoenbeck's memo of April 18 regarding "Single Family Bond Financing," as included in the Board packet. Mr. Schoenbeck briefly reviewed the scenarios being considered and explained that a letter of credit in an amount of \$1 million would need to be funded in order to issue \$40 million in 1990 Series 2 Single Family bonds. Current bond market pricing indicates a mortgage rate of 8.5% which would be more competitive with conventional mortgage market rates. Mr. Gurley observed that interest rates are expected to rise toward the end of 1991. According to Mr. Schoenbeck, it is anticipated that additional bonds would need to be issued approximately nine months after the 1990 Series 2 issuance. A motion was duly made and seconded to authorize staff to pursue the "conversion" of the 1990 Series 2 bonds for July 1 and trigger the notification to the trustee on May 17 as long as the market, economic conditions and assumptions regarding mortgage rate, Agency contribution and other financial factors are not significantly impacted; this motion carried unanimously.

Further discussion followed regarding what rate to offer borrowers in the interim (that is, after 1989B funds are depleted and prior to the issuance of 1990 Series 2 funds), during which it was suggested that funds available for recycling and having a mortgage rate of 7.8% and 8.8% could be blended to result in a mortgage rate of 8.35%. At the time of reservation of funds, borrowers would receive assurance that their final mortgage rate would not exceed 8.8%, with the ultimate rate determined by the date the loan is approved and the actual rates then in effect. A motion was further made, seconded and unanimously adopted to allow staff to proceed with an interim mortgage rate plan as outlined in the discussion.

As an update on Dalton Drive/Fort Ethan Allen, Mr. Hunt reported that construction bids for the rehabilitation of the buildings on Dalton Drive would be received by May 8. It is expected that the contract will be awarded to the lowest acceptable bid received. Coburn & Feeley was awarded the marketing contract based on the proposal submitted. Mr. Schoenbeck reviewed the drafts of the "Development Loan Note Resolution" for Dalton Drive and the Note Purchase Agreement as attached to his memo of April 18, included in the Board packet. The Dalton Drive Purchase and Finance Agreement between the Agency and Dalton Drive Neighborhood, Inc., was also provided and discussed as to its inclusion in the Development Loan Note Resolution. Proposed amendments to Pages 1 and 3 of the Note Purchase Agreement were detailed by Mr. Schoenbeck, as per his previous discussions with bond counsel. Mr. Pelham requested a copy of the revised development budget pro forma, and was advised by Mr. Hunt that, as had been noted at the March meeting, an accurate version of the pro forma budget for Dalton Drive would not be available until the construction bids were received. Following a brief discussion, a motion was made and seconded to approve

## VHFA BOARD MINUTES

April 25, 1991

Page 3 of 4

both the "Development Loan Note Resolution, Dalton Drive Development" and the \$4,000,000 Development Loan Notes (Dalton Drive Development) Loan Purchase Agreement," as amended and attached to these minutes; this motion passed with Mr. Shaw and Mr. Pelham abstaining.

Next, Mr. Williams joined the meeting for Mr. Koppelkam's review of the "White River Junction - Templeton Court Apartments (Vermont Housing Enterprises) Commitment Letter Resolution" as attached to his memo of April 19, included in the Board packet. A revised Resolution, indicating an interest rate change to 9.0%, was distributed to the Board. Mr. Williams assured the Board that vacancies which had been noted by Mr. Koppelkam during his site visit were due to the movement of tenants into more appropriately sized units, and that there have been no vacancy problems in the more than ten years the VSHA has been managing these apartments. According to Mr. Williams, another appraisal is underway, at an additional cost of \$3,000. The second appraisal will be compared with the first appraisal submitted in order to determine an appropriate and reasonable purchase price. Mr. Schoenbeck advised the Board that tax exempt note financing could be available for Templeton Court if a rehabilitation of up to 15% of the project is undertaken; such short term debt could be taken out with long term bonds. A motion was duly made, seconded and passed unanimously adopting the "Resolution Pertaining to Issuance of Commitment Letter for Templeton Court Apartments" as attached to these minutes, with such commitment contingent upon the Executive Director's satisfaction with the final purchase price. Mr. Williams then left the meeting.

Mr. Hunt then announced Mr. Falzone's promotion to Director of Multi-Family Management. Mr. Falzone then addressed the "Country Park Restructuring - Preservation Agreement" as detailed in his memo of April 18, included in the Board packet. Mr. Hunt reviewed the prepayment risks inherent in a multi-family development of this type. 50 additional units will be built and financed by sharing the balance of the savings resulting from refinancing high interest projects at a lower interest rate. The loan interest rate can be lowered, provided the owner agrees not to prepay the loan for an additional 20 or more years. Mr. Hunt further explained that the proposed financing would include a tax exempt mortgage with tax credits outside the state cap. Of primary importance is the definition of equity to increase cash flow; HUD approval may be needed prior to refunding. The proposal is precedent setting, but if the refinancing is linked to the construction of new units, such funding could be made available for other projects and to other owners within the same guidelines. Mr. Falzone estimated that there would probably be less than twelve other multi-family projects which would be eligible or likely to approach the Agency for such refinancing. Upon a motion duly made and seconded, it was agreed that staff continue negotiations with Country Park

**VHFA BOARD MINUTES**

**April 25, 1991**

**Page 4 of 4**

Associates to allow the immediate release of funds in exchange for a preservation agreement, and further to allow staff to offer Country Park Associates a reasonable discount on the mortgage rate for the new units; this motion passed unanimously, with specific instructions to staff that any negotiations regarding Whitcomb Woods should be separate and not a part of the Country Park transaction.

Mr. Jarrett next addressed several pending legal issues regarding multi-family projects. No Board action was necessary, but it was the general sense of the Board that staff should proceed with these legal actions and keep the Board apprised of these issues.

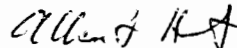
Several pieces of legislation of interest to the Agency were reviewed by Mr. Jarrett; no Board action was required.

Ms. Pond advised the Board that several issues would appear on the agenda for the May meeting, including (1) a final proposal on the Energy Efficient Mortgage; (2) kicking off the HOUSE (Homeownership Opportunities Using Shared Equity) program; and (3) Sugar Mae reinvestment report.

In his Executive Director's report, Mr. Hunt advised the Board that it appears HUD will be issuing approval for the Highgate Apartments, despite HUD's concern that Highgate rents are above area market rents. Rental subsidies and flex subsidy contracts will probably will not be signed by HUD until two or three months after the closing, which is expected to occur prior to the next Board meeting. Mr. Hunt also cautioned the Board that prospects for the permanent extension of Low Income Housing Tax Credits and Mortgage Revenue Bonds are extremely bleak based on comments made by U.S. Representative Rostenkowski, Chairman of the House Ways and Means Committee.

The next meeting was scheduled for Thursday, May 23, in Burlington. There being no further business and following a motion duly made and seconded, the meeting adjourned at 3:20 p.m.

Respectfully submitted,



Allan S. Hunt  
Secretary

RESOLUTION PERTAINING TO COMMITMENT LETTER/  
LETTER OF INTENT RE: TEMPLETON COURT  
APARTMENTS DEVELOPMENT, WHITE RIVER JUNCTION

WHEREAS, a proposal has been presented to the Agency by Vermont Housing Enterprises, Inc., a non-profit corporation recently formed by the Vermont State Housing Authority, involving the acquisition and rehabilitation of the Templeton Court Apartments, a 36 unit apartment development in White River Junction (the "Development"); and

WHEREAS, the proposal contemplates that the Development will constitute "residential rental housing" within the meaning of section 142(d) of the Internal Revenue Code of 1986; and

WHEREAS, a Vermont non-profit corporation, Vermont Housing Enterprises, Inc., 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;

It is hereby DETERMINED:

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

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

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

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

5. The security value of the Development will equal at least the amount of the VHFA loan after the rehabilitation.

6. The sponsor is a financially responsible organization.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a combined letter of intent and Commitment

Letter (the "Commitment Letter") to provide a first mortgage for acquisition and rehabilitation, in an amount to be determined by the Executive Director, but not to exceed \$1,750,000, for the Templeton Court Apartments Development.

2. The Commitment Letter shall be issued to Vermont Housing Enterprises, Inc.
3. The commitment of the Agency shall be subject to receipt, on or before the date of the closing, of a commitment fee in an amount equal to one and a half percent (1.5%) of the principal amount of the mortgage loan.
4. The Commitment Letter shall provide that the interest rate to be charged on the mortgage loan shall be as determined by the Agency, but shall not exceed 9.0% per annum. The Commitment Letter shall also provide that the loan term will be determined by the Agency depending on the term of the bonds the proceeds of which will be used to provide funds for the mortgage loan (the "Bonds"), but that the loan shall be amortized over a period not to exceed 30 years, with a final payment due at the maximum term possible given the term of the Bonds.
5. The Commitment Letter shall require the Developer to demonstrate to the satisfaction of the Executive Director that a combination of deferred loan funds and below market interest rate funds are available in an amount at least equal to the difference between the total development cost as accepted by the Agency and the amount of the permanent financing commitment.
6. The Commitment Letter shall contain such other terms and conditions as the Executive Director shall deem necessary or appropriate, given the circumstances.
7. The Executive Director is authorized to make preliminary arrangements for the issuance and placement of tax-exempt bond anticipation notes and/or bonds of the Agency to provide proceeds for financing this loan.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont on April 25, 1991.

*ccch d 49*  
\_\_\_\_\_  
Allan S. Hunt  
Executive Director and Secretary  
Vermont Housing Finance Agency

VERMONT HOUSING FINANCE AGENCY

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DEVELOPMENT LOAN NOTE  
RESOLUTION

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DALTON DRIVE DEVELOPMENT

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Adopted April 25, 1991

I hereby certify that the attached "Development Loan Note Resolution" is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont on April 25, 1991.

*ALL J H*  
\_\_\_\_\_  
Allan S. Hunt  
Executive Director and Secretary  
Vermont Housing Finance Agency

RESOLUTION OF THE VERMONT HOUSING FINANCE AGENCY  
AUTHORIZING THE ISSUANCE AND SALE OF ITS DEVELOPMENT LOAN NOTES  
(DALTON DRIVE DEVELOPMENT)

Be It Resolved by the Vermont Housing Finance Agency and the  
Commissioners thereof as follows:

ARTICLE I

DETERMINATIONS, DEFINITIONS AND AUTHORITY

SECTION 101. Short Title. This resolution shall be and is  
hereinafter referred to as the "Dalton Drive Development Note  
Resolution" or the "Resolution".

SECTION 102. Authority For Resolution. This Dalton Drive  
Development Note Resolution is adopted pursuant to the Act and  
the Rules (hereinafter defined) and in accordance with the  
provisions thereof.

SECTION 103. Definitions. (A) All capitalized, undefined  
terms used in this Resolution shall have the meanings assigned to  
such terms in Paragraph (3) of Chapter One of the Rules  
(hereinafter defined). As used in this Resolution, the terms  
"Application for Disbursement," "Closing Date," "Collateral  
Assignment," "Construction Closing Documents," "Cost of Funds,"  
"Development Contract," "Housing Development," "Housing  
Development Note," "Mortgage," "Net Proceeds of Sale,"  
"Non-Housing Facilities," "Non-Housing Facilities Note,"  
"Non-Housing Facilities Proceeds," "Property," "Purchase Price,"  
"Rehabilitation" and "Total Development Cost" shall have the  
meanings given such term in the Agreement (hereinafter defined).  
In addition, the following words and phrases shall have the  
following meanings:

"Act" means the Vermont Housing Finance Agency Act, being  
No. 260 of the Vermont Acts of 1973, Adjourned Session, as  
amended to the date of adoption of this Resolution;

"Agency" means the Vermont Housing Finance Agency, a body  
politic and corporate organized under the Act or any  
instrumentality of the State which shall hereafter succeed to its  
powers;

"Agreement" means the Dalton Drive Purchase and Finance  
Agreement between the Agency and the Sponsor in substantially the  
form presented at the meeting of the Agency at which this  
Resolution was adopted and any amendment thereto executed and  
delivered by the Agency under authorization of this Resolution or  
any other resolution of the Agency;

"Authorized Officer" means the Chairman, Vice Chairman, Executive Director and Secretary, and Director of Finance of the Agency and any other person authorized by resolution of the Agency to act as an Authorized Officer hereunder;

"Development" means the Housing Development and the Non-Housing Facilities and, as the context requires or permits, also means the acquisition by the Sponsor of the Property, the Rehabilitation of the Housing Development, the carrying out of all or such portion of the Non-Housing Facilities Plan as the Agency may approve, and the sale or rental or all or a portion of the Housing Development and the Non-Housing Facilities to the extent contemplated by, and as provided in, the Agreement;

"Development Contract" means the Amended Contract for Development Services effective as of January 1, 1990, between Preservation Investments, LTD., a Vermont corporation, and the Agency and any amendment thereto executed and delivered by the Agency under authorization of this Resolution or any other resolution of the Agency;

"Development Proceeds" means all receipts, revenue or other income derived by the Sponsor from its ownership of the Development including without limitation all Net Proceeds of Sale and all Non-Housing Facilities Proceeds;

"Escrow Agent" means The Howard Bank, N.A., Burlington, Vermont, and any successor thereto as Escrow Agent hereunder;

"General Fund" means the fund so designated which was established and created by a resolution of the Agency adopted September 26, 1974 as such resolution may from time to time be amended;

The terms "herein", "hereunder", "hereby", "hereto", "hereof", and any similar terms, refer to this Resolution; the terms "heretofore" means before the date of adoption of this Resolution; and the term "hereafter" means after the date of adoption of this Resolution;

"Loan" means the loan from the Agency to the Sponsor authorized by Article II of this Resolution, constituting the Construction Loan as defined in the Agreement;

"Loan Account" means the account so designed and established under Section 301 of this Resolution;

"Loan Documents" means the Agreement, the Mortgage, the Promissory Notes, the Collateral Assignment and the Assignment of Rent, Profits and Bank Accounts;

"Non-Housing Facilities Plan" shall have the meaning given such term in the Development Contract;



"Notes" means any of the Vermont Housing Finance Agency Development Loan Notes (Dalton Drive Development) authorized and outstanding under Article II hereof;

"Note Payment Account" means the account so designated and established under Section 301 of this Resolution;

"Officer's Certificate" means a certificate signed by an Authorized Officer;

"Owner" or "noteowner", when used in reference to a Note, means the registered owner of such Note;

"Permitted Investments" means any of the following which at the time are legal investments for moneys of the Agency: (1) direct general obligations of the United States of America and obligations (including obligations of any federal agency or corporation) the payment of the principal and interest on which, by Act of the Congress of the United States or in the opinion of the Attorney General of the United States in office at the time such obligations were issued, are unconditionally guaranteed by the full faith and credit of the United States of America, or any other evidences of an ownership interest in obligations or in specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in this Clause (1); (2) any direct general obligations of any state of the United States of America or of any political subdivision of any such state; (3) bonds, debentures, participation certificates (representing a timely guaranty of principal and interest), notes or similar evidences of indebtedness of any of the following: Bank for Cooperatives, Federal Intermediate Credit Banks, Federal Financing Bank, Federal Land Banks, Federal Home Loan Bank System, Federal Farm Credit Bank, Federal National Mortgage Association (excluding "stripped" securities), Export-Import Bank of the United States, Farmers Home Administration, Federal Home Loan Mortgage Corporation, Resolution Funding Corporation, Government National Mortgage Association, Student Loan Marketing Association or Tennessee Valley Authority; (4) interest bearing time deposits, certificates of deposit or other similar banking arrangements with banks (which may include any Note Registrar or Paying Agent), provided such deposits are fully collateralized and secured by obligations described in Clauses (1) through (3) above which at all times have a market value (exclusive of accrued interest) at least equal to such deposits so secured, including interest; (5) shares of a diversified open-end management investment company as defined in the Investment Company Act of 1940, which is a money market fund, which is continuously and substantially invested in obligations described in Clauses (1) through (3) above; (6) repurchase agreements for obligations of the type specified in Clauses (1), (2) and (3) above, provided either (a) the repurchase agreement is an unconditional obligation of the provider thereof or (b) such repurchase agreements are fully collateralized and secured by such obligations which have a market value (exclusive of accrued

interest) at least equal to the purchase price of such repurchase agreements and provided further that such obligations are held by the Agency or a depository satisfactory to the Agency in such manner as may be required to provide a perfected first security interest in favor of the Agency in such obligations;

"Promissory Notes" means the Housing Development Note and the Non-Housing Facilities Note;

"Quick Assets", at any given date, means the sum of the cash and short-term investments held in (i) Unrestricted Fund Balances, plus (ii) other fund balances of the Agency to the extent that the Agency can, within 30 days of electing to do so, transfer such other fund balances to the General Fund and thereafter use them to pay the principal of and interest on the Notes then due, without violating any covenant, pledge, or restriction or any applicable law to which such other fund balances may be subject;

"Revenues" means all payments, proceeds, charges, rents and other income (including without limitation income from investments in the Loan Account and the Note Payment Account) of any kind and from any source derived in cash by or for the account of the Agency from or related to the Development and under the Loan or otherwise, including, without limitation, payments and prepayments of principal and interest on the Loan;

"Rules" means the Agency's rules pertaining to Grants, Loans and Advances to Assist the Planning, Construction, Rehabilitation and Operating of Residential Housing; Mortgage Loans to Housing Sponsors for Single Family Developments adopted by the Agency on May 17, 1990 and effective June 4, 1990, as the same may be amended from time to time;

"Sponsor" means Dalton Drive Neighborhood, Inc., a Vermont non-profit corporation, and any successor thereto approved by the Agency;

"State" means the State of Vermont; and

"Unrestricted Fund Balances" means the balances outstanding to the credit of the General Fund which are not restricted under the terms of any bond resolution of the Agency or by any other resolution, agreement, or contract of any nature whatsoever or by any applicable law in a manner which restricts the availability of such balances to pay the Notes.

(B) Except as otherwise expressly provided in this Resolution, the terms "housing development costs," "housing sponsor," "mortgage," "mortgage loan," "persons and families of low and moderate income" and "residential housing" when used in this Resolution shall have the meanings given such terms in the Act.

SECTION 104. Parties Interested Herein. Nothing in this Resolution expressed or implied is intended or shall be construed to confer upon, or to give to, any person, other than the Agency, the Escrow Agent and the Owners of the Notes, any right, remedy or claim under or by reason of this Resolution or any covenant, stipulation, obligation, agreement or condition therein. All the covenants, stipulations, obligations, promises and agreements in this Resolution contained by and on behalf of the Agency shall be for the sole and exclusive benefit of the Agency, the Escrow Agent and the Owners of the Notes.

SECTION 105. Law Applicable. The laws of the State shall be applicable to the interpretation and construction of this Resolution.

SECTION 106. Severability of Invalid Provision. If any one or more of the provisions, covenants or agreements in this Resolution on the part of the Agency or the Escrow Agent to be performed should be contrary to law, then such provisions, covenants or agreements shall be deemed separable from the remaining provisions, covenants and agreements, and shall in no way affect the validity of the other provisions of this Resolution or of the Notes.

SECTION 107. Findings and Determinations. The Agency hereby finds and determines in accordance with Section 625 and Section 631 of the Act and Chapters Four and Five of the Rules that:

(1) The Development is a Mixed Use Development within the meaning of the Rules consisting of the Housing Development, constituting Residential Housing and a Single Family Development as defined thereunder, and the Non-Housing Facilities all or a portion of which are not designed primarily for the benefit of the occupants of the Housing Development;

(2) The Non-Housing Facilities constitute all or part of an existing structure or structures to be acquired and rehabilitated by the Sponsor in accordance with the Agreement;

(3) The Sponsor is a housing sponsor within the meaning of the Act and a Non-Profit Entity and an Eligible Borrower within the meaning of the Rules;

(4) The Housing Development is primarily for occupancy by persons and families of low and moderate income;

(5) The acquisition, construction and rehabilitation costs incurred or to be incurred by the Sponsor with respect to the Housing Development in accordance with the Agreement are for housing development costs within the meaning of the Act;

(6) 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;

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

(8) The Non-Housing Facilities are necessary in order to render the purchase of the dwelling units in the Housing Development economically feasible for persons and families of low and moderate income;

(9) There exists, or without the Development 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 of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families;

(10) The Sponsor will maintain or increase the supply of well planned, well-designed housing for persons or families of low and moderate income and is a financially responsible person;

(11) The Loan does not exceed the value of the Housing Development and the aggregate principal amount of the Notes is necessary to provide sufficient funds to accomplish the corporate purposes of the Agency with respect to the Development;

(12) The Loan can be issued bearing rates of interest which are less than the prevailing rates of interest on comparable mortgage loans available in the State without the assistance of the Agency; and

(13) The Agency will derive receipts, revenues or other income from the Loan or otherwise from or with respect to the Development to provide, together with all other available receipts, revenues and income of the Agency, for the payment of the Notes and the payment of all costs and expenses incurred by the Agency with respect to the Development.

## ARTICLE II

### THE LOAN AND THE NOTES

#### SECTION 201. Sale of Property; Authorization of Loan.

(A) The sale of the Property to the Sponsor, at the Purchase Price and on the terms and conditions provided in the Agreement, is hereby authorized, ratified and approved. To temporarily finance all or a portion of the Total Development Cost in anticipation of the receipt by the Sponsor of Development Proceeds or other permanent financing, the Agency hereby further

authorizes the Loan in aggregate principal amount not exceeding the Total Development Cost. The Loan shall be dated, shall mature in one or more installments on the date or dates, not later than April 1, 1993, shall be subject to such terms of prepayment, shall bear interest at such rate or rates, not in excess of one hundred and fifty basis points (1.50%) above the Agency's Cost of Funds, and shall otherwise bear such terms and conditions, not inconsistent herewith or with the Agreement, as shall be determined by Authorized Officers of the Agency at or prior to the Closing Date in accordance with the Agreement.

(B) Notwithstanding anything herein to the contrary, the Agency covenants and agrees with the Owners of the Notes that without the prior written consent of the Owners of not less than a majority in aggregate principal amount of the Notes outstanding it will not disburse or agree to disburse to or for the account of the Sponsor any amount representing proceeds of the Loan (whether from the Loan Account hereunder, from the General Fund or from any other source) if such disbursement would cause the aggregate principal amount of the Loan outstanding and unpaid to exceed four million five hundred thousand dollars (\$4,500,000).

(C) The Agreement, and the execution and delivery thereof by Authorized Officers of the Agency, is hereby approved in substantially the form presented at this meeting, with such changes thereto, not inconsistent herewith, as the Authorized Officers executing the same may approve prior to their execution and after consultation with counsel to the Agency. By adoption of this Resolution, all Construction Loan Documents, including without limitation all Loan Documents, and the execution and delivery thereof, as appropriate, by or on behalf of the Agency by Authorized Officers thereof, are hereby ratified, authorized and approved.

SECTION 202. The Notes. (A) An issue of notes of the Agency, designated "Development Loan Notes (Dalton Drive Development)", is hereby authorized as herein provided in aggregate principal amount not exceeding Four Million Dollars (\$4,000,000) (the "Maximum Principal Amount") for the purpose of funding the Loan and paying costs of issuance of the Notes.

(B) The Notes may be issued in one or more series in such principal amounts as shall be determined by the Authorized Officers executing the same, provided that the aggregate principal amount of Notes outstanding at any time shall not exceed the Maximum Principal Amount. For purposes of the foregoing, any Note issued to pay or refund any other Note shall be included in the calculation of the principal amount of Notes outstanding and the Note to be so paid or refunded shall be excluded from such calculation. The Notes shall be dated their date of delivery to the purchaser thereof and shall mature on such date or dates, not later than April 1, 1993 (the "Final Maturity Date") as shall be determined by the Authorized Officers executing the same, provided that any Note issued to mature prior

to the Final Maturity Date may be renewed by the issue of additional Notes payable no later than the Final Maturity Date.

(C) The Notes shall bear interest at such rate or rates, not in excess of ^ fifteen percent ^(15%) per annum, as shall be determined by the Authorized Officers executing the same prior to their delivery of the Notes, payable at maturity or on such date or dates prior thereto as such Authorized Officers shall determine to be in the best interests of the Agency. The Notes shall be issued in fully registered form in such denominations, not less than \$100,000, as the Authorized Officers executing the same shall determine, shall be subject to redemption prior to maturity and shall otherwise bear such terms and conditions, and shall be in substantially the form, set forth in Exhibit A attached to this Resolution.

SECTION 203. General Obligations of Agency; Pledge.

(A) The Notes shall be general obligations of the Agency payable out of any revenues or moneys of the Agency, subject only to agreements heretofore or hereafter made with holders of bonds, notes, or other obligations of the Agency, other than the Notes, pledging particular assets or revenues for the security thereof. The Agency shall not be obligated to pay the Notes or the interest thereon except from such revenues and moneys and any other assets pledged therefor and neither the faith and credit nor the taxing power of the State or of any political subdivision thereof is pledged to the payment of the principal of or interest on the Notes.

(B) As additional security for the payment of the principal of and interest on the Notes when due, the Agency hereby pledges to payment of the principal of or interest on the Notes and grants to the Owners of the Notes a security interest in (i) the Revenues and, (ii) subject to the provisions of the Resolution permitting the application of amounts held therein to the purposes and on the terms and conditions provided in this Resolution, all moneys and securities deposited and from time to time held in the Loan Account and the Note Payment Account created under this Resolution.

SECTION 204. Negative Covenants. (A) The Loan shall be held for the credit of the General Fund. So long as any Notes shall be outstanding and unpaid hereunder, the Agency covenants and agrees with the owners of the Notes that it will not create or permit to be created any lien, pledge, security interest or other encumbrance in or upon the Loan or any of the Loan Documents unless prior thereto the Agency shall grant to the registered Owners of the Notes a senior lien, pledge, security interest or other encumbrance in or upon the Loan or such Loan Documents. The Agency further covenants and agrees that, so long as any Notes and the interest thereon shall be outstanding and unpaid hereunder, the Loan Documents shall require, and the Agency shall take all action reasonably necessary to cause, the Sponsor to pay to the Escrow Agent for deposit in the Loan Account as provided in Article III hereof all Development



Proceeds as soon as practicable following receipt thereof by the Sponsor.

(B) Subject to the foregoing provisions of this Section 204, nothing in this Resolution shall be deemed to grant to the Owners of the Notes any pledge of or security interest in the Loan, the Development Contract or the Loan Documents or any interest in the Property. Without the consent of the Owners of the Notes the Agency may at any time and from time to time execute and deliver such amendments or supplements to the Loan, the Development Contract or the Loan Documents or any other contract or instrument securing the Loan or otherwise pertaining to the Development as the Agency shall determine is in its best interests, may release all or any part of the Property from the lien of the Loan and the Loan Documents and may sell or lease or permit the Sponsor to sell or lease all or any part of the Property or any interest therein, provided that all Revenues received by the Agency upon or in connection with any of the foregoing shall promptly upon their receipt by the Agency be deposited in the Loan Account as provided in Article III hereof.

(C) The Agency shall maintain at all times Quick Assets free and clear of all liens and encumbrances in an aggregate amount equal to at least \$1,000,000 in excess of all claims, charges, or liabilities, contingent or matured, which may be payable therefrom.

SECTION 205. Sale of Notes. The Notes shall be and are hereby sold to Bank of Vermont at a purchase price of par and otherwise on the terms and conditions provided in this Resolution. At any time following adoption of this Resolution the Authorized Officers of the Agency are hereby authorized and directed to execute the Notes and to deliver them to or upon the order of such purchaser upon receipt by the Agency of the purchase price therefor. The Note Purchase Agreement from the Bank of Vermont to the Agency, in substantially the form presented to this meeting, is hereby accepted and approved. The Chairman, Vice-Chairman, Executive Director and Director of Finance are each hereby authorized to execute the Note Purchase Agreement, with such changes, deletions or additions thereto, not inconsistent herewith, as the signing officer shall approve, and to deliver the same to the Bank of Vermont.

### ARTICLE III

#### APPLICATION OF PROCEEDS AND REVENUES PAYMENT OF NOTES

SECTION 301. Establishment of Accounts. There is hereby established and created the "Dalton Drive Development Revolving Loan Account" (the "Loan Account") and the "Dalton Drive Development Note Payment Account" (the "Note Payment Account") to be held by the Escrow Agent separate and apart from all other funds of the Agency, the Sponsor and the Escrow Agent.

SECTION 302. Loan Account; Application of Proceeds and Revenues. (A) The Agency shall deposit or cause the Escrow Agent to deposit in the Loan Account upon receipt thereof all proceeds derived from the sale of the Notes and all Revenues including without limitation all Development Proceeds paid to the Escrow Agent as provided in Section 204(A) hereof. Notwithstanding the foregoing, upon the direction of an Authorized Officer the proceeds of any Notes issued by the Agency to renew or pay any outstanding Notes or the interest thereon shall be deposited upon receipt in the Note Payment Account. From time to time, at its option, the Agency may also transfer moneys from the General Fund or any other lawful source to the Loan Account.

(B) Amounts on deposit in the Loan Account shall be applied by the Agency solely (i) to pay the costs of issuance of the Notes upon requisition by the Agency, (ii) to make the Loan and (iii), as provided in Section 303 hereof, to provide amounts sufficient to pay the principal of and interest on the Notes when due. The Loan may be made in one or more installments and may be subject to prepayment in whole or in part as provided in the Loan Documents and shall otherwise be administered as set forth in Article VI of the Agreement. The Escrow Agent shall disburse the proceeds of the Loan to or upon the order of the Sponsor upon receipt from the Agency of an Officer's Certificate specifying the amount to be disbursed and certifying that the Agency has approved one or more Applications for Disbursement therefor.

(C) Notwithstanding anything herein to the contrary, prior to the Closing Date the Agency may direct the Escrow Agent to transfer from the Loan Account to the Agency for deposit in the General Fund an amount not exceeding the aggregate of all unreimbursed Advances then or theretofore made by the Agency with respect to the Development as evidenced by an Officer's Certificate (upon which the Escrow Agent may conclusively rely) delivered to the Escrow Agent. Any such transfer shall be deemed to have been made for the benefit of the Sponsor in anticipation of the Loan and, on the Closing Date, shall be charged to the principal amount of the Loan then outstanding and applied as a credit against the Purchase Price and other costs of the Rehabilitation all as provided in Article VI of the Agreement.

(D) When the entire principal amount of the Notes and the interest accrued and to accrue thereon to the maturity or redemption date thereof shall have been duly paid or provided for as provided in Section 302 hereof, any balance remaining on deposit in the Loan Account shall be paid to or upon the order of the Agency as directed in an Officer's Certificate delivered to the Escrow Agent.

SECTION 303. Note Payment Account; Payment of Notes. (A) On each date on which any principal or interest on any Note shall be due and payable, whether at maturity or upon earlier redemption in accordance with the terms thereof as set forth in Exhibit A hereto, the Escrow Agent shall transfer from the Loan



Account and deposit in the Note Payment Account an amount which, together with any amounts then on deposit in the Note Payment Account (including without limitation the proceeds of any renewal Notes) will be sufficient to pay the principal of and interest on the Notes then due. If following such transfer the amount on deposit in the Note Payment Account is insufficient to pay all such principal and interest the Agency shall pay to the Escrow Agent upon demand from the General Fund or any other lawful source an amount equal to the deficiency. The Escrow Agent shall apply the amounts so transferred to or deposited in the Note Payment Account to the payment of the Notes and interest due thereon on the maturity or redemption date thereof.

(B) When the entire principal amount of the Notes and the interest accrued and to accrue thereon to the maturity or redemption date thereof shall have been duly paid or provided for (by deposit in the Note Payment Account of an amount sufficient to make such payment) any balance in the Note Payment Account not required for such purpose shall be paid to or upon the order of the Agency as directed by an Authorized Officer.

SECTION 304. Investment. Moneys held for the credit of the Loan Account and the Note Payment Account under this Resolution shall, to the fullest extent practicable, be invested by the Escrow Agent at the direction of an Authorized Officer in Permitted Investments which shall mature or be redeemable at the option of the holder thereof on such dates and in such amounts as may be necessary to provide moneys to meet the payments from the respective account. Permitted Investments purchased as an investment of moneys in any account shall be deemed at all times to be a part of such account until transferred as provided in this Resolution. Interest and other income from investment of the Loan Account and the Note Payment Account hereunder shall upon receipt be deposited in the Loan Account. In making investments hereunder, the Trustee shall be protected in relying on the directions of an Authorized Officer as to the nature, maturity, rate and amount of such investments.

#### ARTICLE IV

##### THE ESCROW AGENT

SECTION 401. Duties and Obligations. (A) The Howard Bank, N.A., is hereby appointed Escrow Agent hereunder. The Escrow Agent shall also be, and is hereby appointed, paying agent and registrar for the Notes. The Escrow Agent shall signify its acceptance of the duties and responsibilities imposed upon it by this Resolution by executing and delivering to the Agency a written acceptance thereof.

(B) The Escrow Agent, and all of its officers, directors, employees and agents, shall not be liable or responsible for any action taken or omitted by it under this Resolution in good faith and in the reasonable belief that such action taken or omitted by

it is authorized or within the discretion or rights or powers conferred upon it by this Resolution, except for its own negligence or willful default. The Escrow Agent shall have no responsibility in respect of the validity or sufficiency of this Resolution or the Notes and shall not be liable or responsible for any acts taken by the Agency hereunder or because of the failure of the Agency to perform any act required of it by this Resolution. The Escrow Agent shall not be under any obligation or duty to perform any act hereunder which would involve it in expense or liability or to advance any of its own moneys, unless properly indemnified, or, except to the extent expressly provided herein, to account for the proper application of any moneys deposited with it or disbursed by it hereunder. The Escrow Agent shall be fully protected in acting upon any notice, consent, statement, opinion or other paper or document believed by it to be genuine and to have been signed or presented by the proper party. The Escrow Agent may consult with counsel, who may or may not be counsel to the Agency or the Sponsor, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or omitted by it hereunder in good faith and in accordance herewith. To the extent permitted by law, the Agency hereby agrees to indemnify and hold harmless the Escrow Agent from and against any and all claims, damages (direct as opposed to consequential), losses, liabilities, costs or expenses whatsoever which the Escrow Agent may incur by reason of or in connection with the performance by the Escrow Agent of its responsibilities under this Resolution which are not due to its own negligence or willful default.

(C) All moneys held by the Escrow Agent, as such, at any time pursuant to the terms of this Resolution shall be and are hereby assigned, transferred and set over unto the Escrow Agent in trust for the purposes and under the terms and conditions of this Resolution.

SECTION 402. Resignation and Removal. (A) The Escrow Agent, or any successor thereto, may at any time resign and be discharged of its duties and obligations under this Resolution by giving not less than sixty (60) days' written notice to the Agency and the Owners of the Notes, specifying the date when such resignation shall take effect. Such resignation shall take effect on the date specified in such notice provided a successor has been appointed by the Agency as provided herein.

(B) The Escrow Agent, or any successor thereto, may be removed at any time by the Agency upon not less than 30 days' written notice delivered to the Escrow Agent and the Owners of the Notes, and upon the appointment of a successor by the Agency as provided herein.

(C) In case at any time the Escrow Agent, or any successor thereto, 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 the Escrow Agent or its property shall be appointed, or if any public

officer shall take charge or control of the Escrow Agent or its property, a successor shall be appointed by the Agency upon written notice to the predecessor Escrow Agent and to the Owners of the Notes.

SECTION 403. Compensation and Expenses. Unless otherwise provided by contract with the Escrow Agent, the Agency shall pay to the Escrow Agent from time to time reasonable compensation for all services rendered by it hereunder, and also reimbursement for all its reasonable expenses, charges, legal fees and other disbursements and those of its attorneys, agents and employees, incurred in and about the performance of its powers and duties hereunder.

## ARTICLE V

### MISCELLANEOUS

SECTION 501. Default. If the Agency defaults in the payment of principal of or interest on the Notes when due, whether at maturity or upon earlier redemption, or in the performance of any covenant in this Resolution, then the registered owner of any Note shall have the right, by mandamus or other suit, action or proceeding at law or in equity, to bring suit upon the Notes; to enforce its rights under this Resolution and the Notes to compel performance by the Agency of its obligations under the Notes and this Resolution; to require the Agency to account as trustee of an express trust; or to enjoin any acts which may be unlawful or in violation of the rights of the registered owner of any Note. No remedy conferred by this Resolution upon the registered owner of any Note is intended to be exclusive of any other remedy, but each shall be in addition to every other remedy given under this Resolution or the Notes or provided at law or in equity or by the Act. No delay or omission of the registered owner of any Note to exercise any right or power or be construed to be a waiver of the default. The registered owner of any Note may waive any default and its consequences. No such waiver shall extend to any subsequent or other default.

SECTION 502. Amendment. (A) Without the consent of any of the Owners of the Notes, this Resolution may be amended at any time and from time to time by a supplemental resolution adopted by the Agency (1) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision herein, (2) to insert such provisions clarifying matters or questions arising under this Resolution as are necessary or desirable and are not contrary to or inconsistent with this Resolution as theretofore in effect or (3) to make any other change herein which, in the judgment of the Escrow Agent, is not to the prejudice of the Escrow Agent or the Owners of the Notes.

(B) Except as provided in Paragraph (A) of this Section 502, this Resolution may only be amended with the prior

written consent of the Owners of a majority in aggregate principal amount of all Notes outstanding. Notwithstanding the foregoing, no amendment of the Resolution making a change in the terms of maturity or prepayment of the Notes, or the principal amount or redemption price thereof or the rate of interest thereon, or the provisions of this Section 502, shall be effective without the prior written consent of the Owner of each Note affected thereby.

SECTION 503. Defeasance. If the Agency shall pay or cause to be paid to the registered Owners of the Notes the principal and interest thereon at the times and in the manner stipulated therein and herein, then the Notes and all other rights granted hereby or thereby shall be discharged and satisfied.

SECTION 504. Authorization of Officers. The Chairman, Vice-Chairman, Executive Director and Secretary, Director of Finance and each other Authorized Officer are each hereby authorized and directed to do all acts and things and to execute and deliver any and all documents, certificates, and other instruments necessary or desirable to effectuate the transactions contemplated by this Resolution.

SECTION 505. No Recourse. All covenants, stipulations, promises, agreements and obligations of the Agency contained in this Resolution shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Agency and not of any member, officer or employee of the Agency in his individual capacity, and no recourse shall be had for the payment of the principal of or interest on the Notes or for any claim based thereon or on this Resolution against any member, officer or employee of the Agency or any person executing said Notes.

SECTION 506. Effective Date. This Resolution shall take effect upon its adoption.

## EXHIBIT "A"

[NOTE FORM]

No. \_\_\_\_\_

\$ \_\_\_\_\_

VERMONT HOUSING FINANCE AGENCY  
DEVELOPMENT LOAN NOTE  
(DALTON DRIVE DEVELOPMENT)

Principal Sum: \$ \_\_\_\_\_

Note Date: \_\_\_\_\_

Interest Rate: \_\_\_\_\_ % Per Annum

Maturity Date: \_\_\_\_\_

The VERMONT HOUSING FINANCE AGENCY (herein called the "Agency"), a body politic and corporate of the State of Vermont, acknowledges itself indebted and for value received hereby promises to pay to \_\_\_\_\_, or registered assigns, on the Maturity Date (unless earlier redeemed as provided herein) the Principal Sum stated above with interest thereon, calculated on the basis of twelve 30-day months and a 360-day year, from the Note Date at the Interest Rate, payable [on \_\_\_\_\_] [on the Maturity Date].

The principal of and interest on this note are payable in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts. The principal of and interest on this note shall be payable by check or draft mailed by The Howard Bank, N.A., Burlington, Vermont, as paying agent of the Agency (together with any successor paying agent, the "Paying Agent") to the registered owner at its address appearing on the registration books of the Agency, provided that the registered owner of this note may make arrangements with the Paying Agent for payment of principal and interest by wire transfer. Upon final payment of this note, the registered owner hereof will, and by acceptance of this note hereby agrees, to cancel and return this note to the Paying Agent.

This note is one of a duly authorized issue of notes (the "Notes") issued in aggregate principal amount not to exceed \$ \_\_\_\_\_ under and by virtue of the Vermont Housing Finance Agency Act, being No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended (herein called the "Act"), and under and pursuant to a resolution of the Agency adopted April \_\_, 1991, entitled ("Dalton Drive Development Note Resolution" (herein called the "Resolution")) for the purpose of making the Loan described in the Resolution. Copies of the Resolution are on file at the office of the Agency in the City of Burlington, State of Vermont, and reference to the Resolution and to the Act is made for a description of the pledge and covenants securing the Notes, the nature, manner and extent of enforcement of such

pledge and covenants, the rights and remedies of the registered owners of the Notes with respect to such pledge and covenants, the terms and conditions upon which the Notes are and may be issued thereunder, and a statement of the rights, duties, immunities and obligations of the Agency.

This note is a general obligation of the Agency payable out of any of the Agency's revenues, moneys or assets, subject only to agreements heretofore or hereafter made with the holders of obligations of the Agency other than this note pledging particular revenues, moneys or assets for the payment thereof, and is also secured by a pledge of Revenues (as defined in the Resolution) and all moneys and securities on deposit from time to time in the Loan Account and the Note Payment Account established by the Resolution, subject to all provisions and conditions of the Resolution.

The Agency is not obligated to pay this note or the interest hereon except from the revenues, moneys or assets of the Agency pledged under the Resolution or as otherwise provided herein and therein 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 interest on this note.

The Notes are subject to redemption prior to maturity at the option of the Agency at any time upon not less than fifteen (15) days prior written notice to the registered owners of the Notes to be redeemed, in whole or in part (in a minimum principal amount of \$100,000) by lot at a redemption price equal to the principal amount redeemed (without premium) plus interest accrued to the redemption date. Upon any partial redemption of this note the registered owner hereof shall note on the reverse hereof the principal amount redeemed and the date of such redemption.

The Notes are issuable solely in the form of fully registered notes in denominations of not less than \$100,000. Upon surrender hereof at the principal office of the Paying Agent, as Note Registrar, with a written instrument of transfer satisfactory to the Agency and the Note Registrar, duly executed by the registered owner hereof or his duly authorized attorney, this note may, at the option of the registered owner, be exchanged for an equal aggregate principal amount of fully registered notes of the same maturity, interest rate and tenor in any of the authorized denominations.

This note is transferable, only upon the registration books of the Agency, by the registered owner hereof in person or by his attorney duly authorized in writing, upon surrender hereof at the principal office of the Note Registrar together with a written instrument of transfer satisfactory to the Agency and the Note Registrar duly executed by the registered owner or such duly authorized attorney, and thereupon the Agency shall issue in the name of the transferee a new registered note or notes of the same aggregate principal amount, maturity and interest rate as the

surrendered note and in any of the authorized denominations. The Agency and the Paying Agent may treat and consider the person in whose name this note is registered as the holder and absolute owner hereof for the purpose of receiving payment of, or on account of, the principal amount hereof and interest due hereon and for all other purposes whatsoever.

No recourse shall be had for the payment of the principal amount of or the interest on this note or for any claim based thereon or on the Resolution against any commissioner of the Agency or any person executing this note.

This note shall not be entitled to any benefit under the Resolution or be valid or become obligatory for any purpose until this note shall have been duly authenticated by the Paying Agent by execution of the certificate of authentication provided on this note.

It is hereby certified and recited that all conditions, acts and things required by the Constitution or statutes of the State of Vermont or by the Act or the Resolution to exist, to have happened or to have been performed precedent to or in the issuance of this note exist, have happened and have been performed and that the issue of this note, together with all other indebtedness of the Agency, is within every debt and other limit prescribed by said Constitution or statutes.

IN WITNESS WHEREOF, the VERMONT HOUSING FINANCE AGENCY has caused this note to be signed in its name and on its behalf by the manual signature of its Authorized Officer, and its corporate seal to be affixed hereto or imprinted hereon and attested by the manual signature of its Authorized Officer.

VERMONT HOUSING FINANCE AGENCY

By \_\_\_\_\_  
Authorized Officer

[SEAL]

Attest:

\_\_\_\_\_  
Authorized Officer

CERTIFICATE OF AUTHENTICATION

This note is one of the Notes described in the within-mentioned Resolution of the Vermont Housing Finance Agency.

THE HOWARD BANK, N.A.

By \_\_\_\_\_  
Authorized Officer

Date of Authentication:

Record of Partial Redemptions

Redemption  
Date

Principal Amount  
Redeemed

Balance of  
Principal  
Outstanding



STATISTICAL REPORT PROGRAM ID: 89B  
 UNDERWRITING DATABASE  
 LTV 0% TO 100%  
 Effective for 01/01/89 thru 05/16/91  
 Loan Status: CC,UC,O

Report: 1587

Total Number of Loans: 604  
 Total Loan Amount: \$39,455,467

EXISTING:	\$28,482,208	73.8%	446 Loans
NEW CONSTRUCTION:	\$10,973,259	26.1%	158 Loans
NEW DETACHED HOUSING:	\$9,258,612	84.3%	134 Loans
NEW CONDOMINIUM:	\$1,714,647	15.6%	24 Loans

Funds Remaining to be Reserved: \$124,935 0.2% 1 Loans (Est.)

Total Insured or Guaranteed Loans: 543  
 Loans Guaranteed by VHMGB: 535

	ACED =====	NON ACED =====	STATEWIDE =====
Avg. Purchase Price	\$68,827	\$77,796	\$72,242
Avg. Loan Amount	\$62,712	\$69,569	\$65,323
Avg. Borrower Income	\$27,404	\$27,868	\$27,580
Avg. Housing Debt-Income Ratio	26.9%	29.8%	28.0%
Avg. Total Debt	\$797.81	\$837.82	\$813.04
Avg. Total Debt-Income Ratio	35.0%	36.3%	35.5%
Total No. of Loans	374	230	604
% of Total Loan Amount	59.4%	40.6%	100.0%
First Time Homebuyers	84.2%	99.1%	89.9%
% Meeting Low Income Set Aside	36.8%	55.6%	44.0%

	Loans	% of Loans	\$ Amount	*Households	% of Hshlds	% DIFF
Addison	31	5.1%	\$2,066,208	5,000	5.7%	0.6-
Bennington	17	2.8%	\$1,116,287	6,300	7.2%	4.4-
Caledonia	55	9.1%	\$3,169,433	4,800	5.5%	3.6
Chittenden	147	24.3%	\$10,558,699	16,000	18.2%	6.1
Essex	7	1.2%	\$381,351	1,300	1.4%	0.2-
Franklin	81	13.4%	\$5,339,721	6,000	6.8%	6.6
Grand Isle	5	0.8%	\$326,130	900	1.0%	0.2-
Lamoille	35	5.8%	\$2,077,280	3,300	3.8%	2.0
Orange	17	2.8%	\$986,308	4,300	4.9%	2.1-
Orleans	42	7.0%	\$2,121,061	4,200	4.8%	2.2
Rutland	58	9.6%	\$4,039,522	10,000	11.4%	1.8-
Washington	55	9.1%	\$3,711,118	9,000	10.3%	1.2-
Windham	24	4.0%	\$1,628,601	7,100	8.1%	4.1-
Windsor	30	5.0%	\$1,933,748	9,600	11.0%	6.0-
TOTAL	604	100.0%	\$39,455,467	87,800	100.0%	

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

AS OF: 05/16/91

Vermont Housing Finance Agency

Report: 1130

PAGE NO. 1

89B - \$41,999,311 MORTGAGE LOAN PURCHASE PROGRAM

PERSTATU

Status Report (with percent of pool proceeds approved)

Rate : 8.700%

Date : 05/16/91

Lender	Funds Reserved	Percent Reserved	Prelim. Approval	% Prelim Approval	Loans Purchased	Loans to be Purchased	PERC		
BancBoston Mortgage Corporation	\$564,880	1.3%	\$286,380	0.6%	\$0	\$286,380	50.6%		
Bank of Vermont	\$3,330,004	7.9%	\$3,106,823	7.3%	\$2,750,733	\$356,090	10.6%		
Bradford National Bank	\$185,938	0.4%	\$185,938	0.4%	\$132,938	\$53,000	28.5%		
Caledonia National Bank of Danville, The	\$554,751	1.3%	\$492,151	1.1%	\$410,338	\$81,813	14.7%		
Chittenden Trust Company	\$8,268,208	19.6%	\$8,088,483	19.2%	\$6,996,578	\$1,091,905	13.2%		
Citizens Savings Bank and Trust	\$424,705	1.0%	\$424,705	1.0%	\$424,705	\$0	0.0%		
Commonwealth Mortgage Company, Inc	\$375,402	0.8%	\$375,402	0.8%	\$375,402	\$0	0.0%		
Community National Bank	\$1,434,717	3.4%	\$1,304,217	3.1%	\$1,064,817	\$239,400	16.6%		
Factory Point National Bank, The	\$237,793	0.5%	\$237,793	0.5%	\$81,644	\$156,149	65.6%		
Franklin-Lamoille Bank	\$846,870	2.0%	\$807,225	1.9%	\$807,225	\$0	0.0%		
Granite Savings Bank and Trust Company	\$245,237	0.5%	\$175,237	0.4%	\$175,237	\$0	0.0%		
Howard Bank, National Assn, The	\$435,238	1.0%	\$435,238	1.0%	\$435,238	\$0	0.0%		
Lyndonville Savings Bank & Trust Company	\$775,177	1.8%	\$675,177	1.6%	\$675,177	\$0	0.0%		
Marble Bank	\$1,107,146	2.6%	\$1,107,146	2.6%	\$930,216	\$176,930	15.9%		
Merchants Bank, The	\$1,847,601	4.3%	\$1,847,601	4.3%	\$1,777,826	\$69,775	3.7%		
National Bank of Middlebury, The	\$225,300	0.5%	\$225,300	0.5%	\$225,300	\$0	0.0%		
New England IBM Employees Fed Crdt Union	\$789,475	1.8%	\$789,475	1.8%	\$725,725	\$63,750	8.0%		
Northfield Savings Bank	\$354,075	0.8%	\$308,475	0.7%	\$262,875	\$45,600	12.8%		
Passumpsic Savings Bank	\$1,353,977	3.2%	\$1,353,977	3.2%	\$1,220,017	\$133,960	9.8%		
Peoples Trust Company of St Albans	\$480,834	1.1%	\$480,834	1.1%	\$264,234	\$216,600	45.0%		
Proctor Bank	\$522,955	1.2%	\$419,155	0.9%	\$419,155	\$0	0.0%		
Randolph National Bank	\$384,805	0.9%	\$309,805	0.7%	\$309,805	\$0	0.0%		
Statewide Funding Corporation	\$2,007,083	4.7%	\$1,828,103	4.3%	\$1,160,037	\$668,066	33.2%		
Summit Financial Center, Inc.	\$242,630	0.5%	\$242,630	0.5%	\$148,580	\$94,050	38.7%		
Union Bank	\$1,531,929	3.6%	\$1,484,929	3.5%	\$1,275,771	\$209,158	13.6%		
Valley Bank	\$61,773	0.1%	\$61,773	0.1%	\$61,773	\$0	0.0%		
Vermont Federal Bank, FSB	\$6,535,430	15.5%	\$6,089,450	14.4%	\$5,571,070	\$518,380	7.9%		
Vermont Mortgage Group, Inc	\$1,842,614	4.3%	\$1,842,614	4.3%	\$1,653,014	\$189,600	10.2%		
Vermont National Bank	\$4,867,320	11.5%	\$4,796,820	11.4%	\$4,315,270	\$481,550	9.8%		
TOTALS		642 Loans	\$41,833,867	99.6%	\$39,782,856	94.7%	\$34,650,700	\$5,132,156	12.2%

Vermont Housing Finance Agency  
Delinquency Statistics Report  
SINGLE FAMILY PORTFOLIO  
EFFECTIVE: 03/31/91

Banks	Outstanding Loans	30 Days	60 Days	90+ Days	Total	Auth	FCL	REO	Grand Total
Bank of Vermont	379	13 3.43%	1 0.26%	2 0.53%	16 4.22%	0	0	0 0.00%	16 4.22%
Bennington Coop Savings & Loan Assn Inc	74	3 4.05%	0 0.00%	0 0.00%	3 4.05%	0	0	0 0.00%	3 4.05%
Bradford National Bank	62	0 0.00%	0 0.00%	1 1.61%	1 1.61%	0	0	0 0.00%	1 1.61%
Caledonia National Bank of Danville, Th	144	3 2.08%	3 2.08%	4 2.78%	10 6.94%	0	1	0 0.69%	13 9.03%
Chittenden Trust Company	1,069	45 4.21%	7 0.65%	10 0.94%	62 5.80%	0	0	0 0.00%	62 5.80%
Citizens Savings Bank	8	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0	0	0 0.00%	0 0.00%
Comfed Mortgage Co., Inc.	18	0 0.00%	3 16.67%	0 0.00%	3 16.67%	0	0	0 0.00%	3 16.67%
Commonwealth Mortgage Company, Inc	26	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0	0	0 0.00%	0 0.00%
Community National Bank	136	4 2.94%	0 0.00%	2 1.47%	6 4.41%	0	2	1 0.74%	9 6.15%
Factory Point National Bank, The	24	1 4.17%	0 0.00%	0 0.00%	1 4.17%	0	0	0 0.00%	1 4.17%
First Brandon National Bank	8	0 0.00%	1 12.50%	0 0.00%	1 12.50%	0	0	0 0.00%	1 12.50%
First Northern Mortgage Corporation	9	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0	0	0 0.00%	0 0.00%
First Twin-state Bank	165	3 1.82%	0 0.00%	1 0.61%	4 2.42%	0	0	0 0.00%	4 2.42%
First Vermont Bank and Trust Company	190	11 5.73%	2 1.05%	4 2.11%	17 8.95%	0	0	0 0.00%	17 8.95%
Franklin-Lamoille Bank	219	7 3.20%	1 0.46%	0 0.00%	8 3.65%	0	0	0 0.00%	9 4.11%
Granite Savings Bank and Trust Company	36	1 2.78%	1 2.78%	0 0.00%	2 5.56%	0	0	0 0.00%	2 5.56%
Green Mountain Bank	20	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0	0	0 0.00%	0 0.00%
Howard Bank, National Assn, The	511	38 7.44%	11 2.15%	9 1.76%	58 11.35%	0	0	0 0.00%	59 11.55%
Lomas & Nettleton Company, The	30	1 3.33%	0 0.00%	0 0.00%	1 3.33%	0	0	0 0.00%	1 3.33%
Lyndonville Savings Bank & Trust Compan	51	1 1.96%	1 1.96%	1 1.96%	3 5.88%	0	0	0 0.00%	3 5.88%
Marble Bank	233	11 4.72%	2 0.86%	1 0.43%	14 6.01%	0	0	0 0.00%	13 5.44%
Merchants Bank, The	301	7 2.33%	1 0.33%	2 0.66%	10 3.32%	0	0	0 0.00%	10 3.32%
National Bank of Middlebury, The	67	3 4.48%	0 0.00%	0 0.00%	3 4.48%	0	0	0 0.00%	3 4.48%
New England IBM Employees Fed Crdt Unio	79	1 1.27%	0 0.00%	0 0.00%	1 1.27%	0	0	0 0.00%	1 1.27%
Northfield Savings Bank	148	9 6.08%	2 1.35%	0 0.00%	11 7.43%	0	0	0 0.00%	11 7.43%
Passumpsic Savings Bank	170	8 4.71%	1 0.59%	4 2.35%	13 7.65%	0	1	0 0.59%	14 8.24%
Peoples Trust Company of St Albans	180	9 5.00%	4 2.22%	4 2.22%	17 9.44%	0	0	0 0.00%	17 9.44%
Proctor Bank	126	7 5.56%	1 0.79%	1 0.79%	9 7.14%	0	0	0 0.00%	9 7.14%
Randolph National Bank	78	1 1.28%	1 1.28%	0 0.00%	2 2.56%	0	0	0 0.00%	2 2.56%
Statewide Funding Corporation	40	1 2.50%	0 0.00%	0 0.00%	1 2.50%	0	0	0 0.00%	1 2.50%
Union Bank	152	2 1.32%	1 0.66%	0 0.00%	3 1.97%	0	0	0 0.00%	4 2.63%
Valley Bank	21	1 4.76%	0 0.00%	0 0.00%	1 4.76%	0	0	0 0.00%	1 4.76%
Vermont Federal Bank, FSB	934	41 4.33%	18 1.93%	12 1.28%	71 7.60%	0	0	0 0.00%	72 7.71%
Vermont Mortgage Group, Inc	143	3 2.10%	1 0.70%	0 0.00%	4 2.80%	0	0	0 0.00%	4 2.80%
Vermont National Bank	386	13 3.33%	5 1.30%	4 1.04%	22 5.70%	0	0	0 0.00%	22 5.70%
Wells River Savings Bank	22	1 4.55%	0 0.00%	1 4.55%	2 9.09%	0	0	0 0.00%	2 9.09%
Woodstock National Bank	14	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0	0	0 0.00%	0 0.00%
Overall Totals:	6,273	249 3.97%	68 1.08%	63 1.00%	380 6.06%	0	5	7 0.11%	392 6.25%
February 28, 1991	6,267	260 4.15%	68 1.09%	63 1.01%	391 6.24%	0	6	7 0.11%	404 6.45%

Banks	Outstanding Loans					30 Days		60 Days		90+ Days		Total		Auth		FCL		REO		Grand Total
	377	74	62	145	1,060	16	4,242	3	0.80%	2	0.53%	21	5.57%	0	0.00%	0	0.00%	0	0.00%	
Bank of Vermont																				
Bennington Coop Savings & Loan Assn Inc																				
Bradford National Bank																				
Caledonia National Bank of Danville, Th																				
Chittenden Trust Company																				
Citizens Savings Bank																				
Confed Mortgage Co., Inc.																				
Commonwealth Mortgage Company, Inc																				
Community National Bank																				
Factory Point National Bank, The																				
First Brandon National Bank																				
First Northern Mortgage Corporation																				
First Twin-state Bank																				
First Vermont Bank and Trust Company																				
Franklin-Lamoille Bank																				
Greene Savings Bank and Trust Company																				
Green Mountain Bank																				
Howard Bank, National Assn, The																				
Lomas & Nettleton Company, The																				
Lyndonville Savings Bank & Trust Compan																				
Marble Bank																				
Merchants Bank, The																				
National Bank of Middlebury, The																				
New England IBM Employees Fed Crdt Unio																				
Northfield Savings Bank																				
Passumpsic Savings Bank																				
Peoples Trust Company of St Albans																				
Proctor Bank																				
Randolph National Bank																				
Statewide Funding Corporation																				
Union Bank																				
Valley Bank																				
Vermont Federal Bank, FSB																				
Vermont Mortgage Group, Inc																				
Vermont National Bank																				
Wells River Savings Bank																				
Woodstock National Bank																				
Overall Totals:	6,271	240	3,832	67	1,072	51	0.81%	358	5.71%	0	0.00%	8	0.13%	371	5.92%	0	0.00%	0	0.00%	

STATISTICAL PROGRAM COMPARISON IDs: 89B, 89A  
SINGLE FAMILY DATABASE  
LTV 0% TO 100%  
Effective for 01/01/89 thru 12/31/90  
Loan Status: C,D,O,P

	89B	89A
Total Number of Loans:	459	709
Total Loan Amount:	\$30,104,296	\$43,275,360

	89B		89A	
EXISTING:	\$22,360,751	347 Loans	\$30,724,845	518 Loans
NEW CONSTRUCTION:	\$7,743,545	112 Loans	\$12,550,515	191 Loans
NEW DETACHED HOUSING:	\$6,836,864	99 Loans	\$9,841,118	148 Loans
NEW CONDOMINIUM:	\$906,681	13 Loans	\$2,709,397	43 Loans

	89B	89A
Total Insured or Guaranteed Loans:	410	611
Loans Guaranteed by VHMGB:	404	602

	89B STATEWIDE =====	89A STATEWIDE =====
Avg. Purchase Price	\$72,772	\$69,341
Avg. Loan Amount	\$65,586	\$61,037
Avg. Borrower Income	\$27,575	\$27,044
Avg. Housing Debt-Income Ratio	28.1%	27.0%
Avg. Total Debt	\$810.55	\$778.81
Avg. Total Debt-Income Ratio	35.4%	34.6%
Total No. of Loans	459	709
First Time Homebuyers	88.6%	88.0%
% Meeting Low Income Set Aside	44.6%	42.5%

	89B		89A		
	Loans	% of Loans	Loans	% of Loans	% of Hshlds
Addison	25	5.4%	37	5.2%	5.8%
Bennington	10	2.2%	27	3.8%	7.0%
Caledonia	44	9.6%	59	8.3%	5.8%
Chittenden	108	23.5%	121	17.1%	18.6%
Essex	6	1.3%	10	1.4%	1.2%
Franklin	69	15.0%	109	15.4%	7.0%
Grand Isle	5	1.1%	11	1.6%	1.2%
Lamoille	23	5.0%	41	5.8%	3.5%
Orange	14	3.1%	32	4.5%	4.7%
Orleans	32	7.0%	51	7.2%	4.7%
Rutland	41	8.9%	55	7.8%	11.6%
Washington	40	8.7%	77	10.9%	10.5%
Windham	20	4.4%	41	5.8%	8.1%
Windsor	22	4.8%	38	5.4%	10.5%
TOTAL	459	100.0%	709	100.0%	100.0%

Estimated number of households, \$15,000 to \$35,000 income.  
Source: CACI, 1989 Sourcebook of County Demographics



VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Douglas R. Lothrop, Director of Operations *DRL*

DATE: May 16, 1991

RE: Possible Conversion of 1991 Mortgage Revenue Bonding (MRB) Authority to Mortgage Credit Certificate (MCC) Authority

Background

At the November 15, 1990 meeting the Board authorized the conversion of the last of VHFA's 1990 (\$10.985 million) MRB authority to \$2.746 million in MCC authority.

This action was taken to allow VHFA to continue to offer our Mortgage Plus Program after December 31, 1990 when our previous MCC authority was going to expire.

Of the original \$2.746 million, VHFA has either issued or contemplated issuing \$1.238 million in certificates, or roughly half, as of May 9, 1991.

The threat of Sunset once more raises its head as of December 31, 1991. The information reaching us from our national trade association in reference to the possibility of an extension is not the most positive although crunch time is still several months away.

In order for VHFA to position itself to be able to react later this year based on our best information as to the prospect of Sunset, VHFA staff feels it would be best to convert as little MRB authority to MCC authority as possible. Staff does feel, however, that authorization from the Board to convert some amount to allow the uninterrupted continuance of the expanding Mortgage Plus Program is desirable.

Recommended Action

Approve the attached resolution allowing the conversion of \$10 million of 1991 volume cap MRB authority to \$2.5 million in MCC authority.

**RESOLUTION PERTAINING TO ELECTION OF VERMONT  
HOUSING FINANCE AGENCY TO CONVERT MORTGAGE REVENUE BOND  
AUTHORITY TO MORTGAGE CREDIT CERTIFICATE AUTHORITY**

WHEREAS, by a vote taken on January 30, 1991, the Emergency Board of the State allocated to the Agency \$55,000,000 of the State's 1991 private activity bond volume cap ("volume cap") as provided in Section 146 of the Internal Revenue Code of 1986, as amended (the "Code"); and

WHEREAS, the Agency has not yet used any of the 1991 volume cap allocated to the Agency; and

WHEREAS, the Agency wishes to continue its Mortgage Credit Certificate Program, which is reaching the end of the available authority; and

NOW THEREFORE, in order to make the Mortgage Credit Certificate Program continue to be available and to satisfy the requirements of Section 25 of the Code and regulations issued thereunder, it is hereby

**RESOLVED:**

1. The Vermont Housing Finance Agency hereby elects to utilize \$10,000,000 of its 1991 private activity volume cap for the purposes of issuing qualified mortgage bonds and mortgage credit certificates.
2. The Vermont Housing Finance Agency hereby elects not to issue \$10,000,000 principal amount of qualified mortgage bonds that it is otherwise authorized to issue during calendar year 1991.
3. The Executive Director, Director of Finance, and the Director of Operations are directed, and each of them is authorized, to take all steps necessary to the continuation of the Agency's Mortgage Credit Certificate Program including, but not limited to:
  - A. Preparation, execution, and delivery of a Mortgage Credit Certificate Election in such form as may be required by the Internal Revenue Service and consistent in content and effect with this Resolution.
  - B. Certification to the Governor as provided in the Code.
  - C. Preparation of any certificate required by the Code to be signed by the Governor.
  - D. Preparation and placement of the appropriate public notices.



VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Margaret A. Pond, Director of Development and  
Patricia A. Crady, Development Coordinator

DATE: May 15, 1991

RE: Preliminary Program Information and Goals for VHFA's Energy Efficient Mortgage Pilot Program

As you may recall, earlier this year we considered incorporating the Energy Efficient Mortgage into the MOVE Program by requiring that all MOVE Mortgages be Energy Efficient Mortgages. The steering committee formed to assist VHFA in developing the MOVE Energy Efficient Mortgage had a number of reservations, and felt that requiring energy standards on existing housing would place yet another obstacle in front of the lower income home buyer. Also, energy ratings have not yet been widely utilized for existing homes. Based on this input, staff decided that it would be best to develop an Energy Efficient Mortgage Program separate from MOVE to demonstrate to the market and mortgage lenders that energy use is an important component in determining affordability, and that energy efficiency should be viewed as a benefit to the home buyer and not an obstacle. If we are successful, we plan ultimately to incorporate energy efficiency requirements into MOVE.

The funding source for VHFA's Energy Efficient Mortgage Pilot Program (VHFA/EEM) will be recycled funds from a 1979 bond issue at an interest rate of 8.25%, probably with a loan term of 25 years. We have had a difficult time developing programs to utilize these funds because of a requirement that each mortgage be covered by mortgage pool insurance. In the past, MGIC provided this coverage, but we have found their underwriting guidelines and requirements to be overly restrictive. VHFA is close to finalizing a mortgage pool insurance contract with GEMICO which will provide greater flexibility than our previous policy with MGIC. GEMICO has recognized the increased affordability associated with energy efficient homes, and thus will allow higher qualifying ratios for these homes. The anticipated start date for the Energy Efficient Mortgage Pilot Program is September 3, 1991.

Because the funding for this program is from bonds issued in 1979, the mortgage term decreases each year. While the bonds have to be retired in 23 years, Roger believes that the cash flows for the bonds will probably support a 25 year loan term based on our VHFA



prepayment experience. The loan term still needs to be finalized as do a number of other program details. Some of the loan terms, features and requirements will be:

- All homes must receive a minimum of a FOUR STAR rating from Energy Rated Homes of Vermont. Property not rated FOUR STARS must be upgraded. The cost to upgrade the energy systems may be included in the loan;
- 5% minimum down payment: 3% must be from the borrowers own funds, 2% may be from a gift from a family member (For MOVE and HOUSE VHFA allows all funds for down payment and closing costs to be from a family gift);
- The requirement that the borrower not be qualified to obtain conventional fixed rate mortgage financing;
- No first-time home buyer requirement (the borrower may not own another residential property and we will have in place other asset limitation guidelines);
- In addition to mortgage pool insurance, all loans with down payments of less than 25% will be required to have primary mortgage insurance with GEMICO;

In order to have a successful pilot program utilizing 1979 recycled funds before it is no longer feasible to use these funds, and to demonstrate the importance of energy efficiency in the mortgage lending process, staff feels that we need to create a broad market separate from households currently served by VHFA. While we were able to negotiate some flexibility with GEMICO, other GEMICO requirements will make it difficult to target the typical VHFA borrower with these funds. Examples of more restrictive requirements include: source of funds and verification of funds for down payment and closing costs; a more conservative definition of satisfactory credit; use of income from a second job; and stricter property eligibility requirements.

The following is a comparative 1990 borrower profile for HOUSE, MOVE and MORTGAGE PLUS.

	<u>MOVE</u>	<u>MTG PLUS</u>	<u>HOUSE</u>
Number of Loans Purchased	944	118	13
Average Income	\$28,000	\$31,100	\$23,000
Average Purchase Price	\$72,000	\$75,000	\$61,600
Average Loan Amount	\$63,700	\$70,000	\$58,100

Staff would like to recommend the following goals for the VHFA Energy Efficient Mortgage Pilot Program:

#### **PROGRAM GOALS**

- Purchase \$10-12 million in Energy Efficient Mortgages utilizing 8.25% funds by February 1, 1993. (Final amount available at a 25 year loan term to be determined.)
- Promote the incorporation of Energy Efficiency into the Mortgage Lending Process both for VHFA and the conventional market by demonstrating the benefits of this practice.
- Promote Energy Efficient New Construction.
  - Of the total funds available, two-thirds will be targeted for new construction.
- Upgrade the Energy Efficiency of Existing Housing Stock.
  - Of the total funds available, one-third will be targeted for existing homes.

#### **TARGETING GOALS**

##### Statewide Income Limits

\$40,000 1-2 person households (116% of statewide median income)

\$45,000 3+ person households (130% of statewide median income)

##### Statewide Purchase Price Limits

\$99,000 existing homes (90% of the Safe Harbor Limits for existing homes)

\$115,000 new homes (90% of Safe Harbor Limits for new homes)

Geographic

Percentage of loans originated in each county to correspond to the estimated percentage of households in each county with incomes from \$25,000 to \$45,000. VHFA will give priority in marketing, outreach, and lender training to previously under served counties which include; Addison, Bennington, Windham and Windsor.

The following tables show the broad market created by the recommended income and purchase price limits.

Income LimitsMaximum Purchasing Power at 8.25%, 25  
year term, 5% down

\$40,000	1-2 person households	\$119,000
\$45,000	3+ person households	\$134,000

Purchase Price LimitsIncome Needed to Support

\$ 99,000	existing homes	\$33,300
\$115,000	new homes	\$38,000

**ACTION REQUESTED BY THE BOARD**

- Approval to continue with the development of an Energy Efficient Mortgage Pilot Program using 1979 recycled funds.
- Approval of the above program and targeting goals.



VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

**TO:** VHFA Board of Commissioners

**FROM:** Margaret A. Pond, Director of Development *MAP*  
Mark Koppelkam, Multi-Family Development Underwriter

**DATE:** May 17, 1991

**RE:** Clarendon: Coburn Mobile Home Park  
Request for Letter of Interest/Resolution

**PROJECT SUMMARY**

Staff recommends Board approval of a resolution authorizing the issuance of a letter of interest for permanent financing for the acquisition of and significant infrastructure improvements to an existing 46 unit mobile home park located in Clarendon. The sponsor is Housing Foundation Inc. (HFI).

This project was presented to the Board in June 1990, but was withdrawn by the sponsor when engineering studies were not providing a solution to very serious septic problems. The sponsor at that time was the Rutland County Community Land Trust (RCCLT). The tenants have agreed to permit HFI to continue pursuing an acquisition on their behalf.

The proposed acquisition price is \$300,000. An additional \$220,000 in water and septic repairs is being proposed. Over \$50,000 has been spent to date in engineering and consulting to solve the park's problems, and an additional \$25,000 will be spent in those areas to complete the development. While not under a formal Department of Health Order, parts of the septic system have completely failed and the park would likely be closed if not for continuing State efforts to save it. Closure would mean displacement of the 46 primarily low income households remaining. Four households have left voluntarily in the last year, and have not been replaced in order to free up additional land for a mound type septic field.

**THE PROJECT****1. Financing****Proposed Sources**

VHFA 1st Mortgage	264,000	39.5%
Town CDOP	200,000	29.9%
VHCB Gran	25,000	3.7%
VHCB Loan	175,000	26.1%
<u>Rental Rehab Grant</u>	<u>5,000</u>	<u>.7%</u>
<b>TOTAL</b>	<b>\$669,000</b>	<b>100.0%</b>

The development proposal contains financing from VHFA, CDOP (Block Grant), the Vermont Housing and Conservation Board (VHCB) and the Rental Rehab program. (For detailed sources and uses, see the attached spreadsheet summary). CDOP has already approved a \$200,000 deferred payment loan. VHCB will be considering this proposal at their May Board meeting. The VHCB loan is written @ 3% interest, and can be partially deferred based on cash flow.

The VHFA loan would likely be a stepped rate loan for 20 years, amortized over 25 years. If stepped, the initial rate would be 9.75%, stepped every five years to reach 12% in Year 15. If not stepped the rate would likely be 10.75%. Approximately \$127,000 (i.e., the VHFA loan balance at that time) would need to be refinanced at the end of year 20, which would cut VHFA debt service costs at that time roughly in half. The total loan to value ratio in Year 20, assuming a 2.5% annual appreciation in project value, is projected at 32%.

The source of capital for VHFA's proposed loan will presumably be proceeds of a privately-placed taxable bond with the state pension funds. No equity is being invested in the project by the sponsor.

**2. Financial Projections**

As can be seen on the attached comparison of operating costs at various mobile home parks, Coburn will be expensive to operate. State permit conditions are likely to include continual well testing, which will be costly. In addition the projections call for a large sum to be set aside annually (starting at \$9,600/year) to pay for the eventual sewer hookup to the City of Rutland's system.

Despite these high costs, the project can maintain a 1.05 debt coverage ratio based on the deferred loan terms of the CDOP and VHCB deferred payment loans. A preliminary run of the financial projections is attached.

### 3. Appraisal & Loan To Project Value

Three appraisals have now been done on the park. A May 1990 appraisal, done by the Sargeant Appraisal Service of Rutland, estimated the value of the park after infrastructure improvements to be \$650,000 or \$12,500/lot. An April 1988 appraisal done for the seller by Richard Dusablon, based on the assumption that "the condition of the site and its improvements are considered good," also established a value of \$650,000. Both of these earlier appraisals assumed that the park would be able to rent 52 lots.

A 1991 appraisal by Keller Navin Cable & O'Brien established a market value of \$635,000. This appraisal was based on 46 lots, and assumed market rents of \$175 per month with a 1% vacancy rate. The appraiser noted that there are "existing violations primarily with regards to the on-site septic sewer system," but did not deduct any amount from his estimate to reflect the needed repairs.

With an acquisition price of \$300,000 and estimated renovation costs (including associated engineering) of approximately \$300,000, purchase of this park is not unreasonable from an economic sense. The completed per unit cost of \$14,530 is significantly lower than the first three mobile home parks VHFA financed, which averaged \$18,700.

From a security perspective, VHFA's proposed \$264,000 loan represents a 40% loan to value after completion.

Zoning of the site is light commercial and residential. Permitted commercial uses include retail stores, motels, and summer camps. Other permitted uses include agricultural use, single family dwellings, churches, schools, etc. All three appraisals cited mobile home park as the highest and best use, although commercial use would be an alternative.

### 4. Lot Rent/Market Demand/Income Mix

The proposed new rent level is \$175/month. It is currently \$135/month, and according to the Dusablon appraisal was just \$80/month in 1988. Lot rents in Rutland County average \$150/month according to the latest appraisal, with two area parks charging \$200 per month. According to the sponsor, the residents have indicated a willingness to pay up to \$180/month if necessary to keep their park open.

Demand for mobile home park lots is very strong in the Rutland County area. Even after two years of living with a failing septic system and under the threat of park closure, all of the remaining lots in the park are rented.

This demand is in contrast to the rental market, where the 1986 AER study concluded that Rutland ranks low among the state's market areas in terms of rent levels and percentage of low income renters having high housing costs.

The income mix of the park is typical of many mobile home parks in the state. Of those households that provided income data to the sponsor:

- 9 households or 18% at or below 50% of median
- 19 households or 39% between 50% to 80% of median
- 11 households or 23% between 80% to 100% of median
- 10 households or 20% above median

#### 5. Location/Site

Coburn Mobile Home Park is situated on 6.5 acres, located along Route 7 in Clarendon. The park is buffered from the highway because it is at a lower grade. Access to the park is via a service road off of Route 7B. The neighborhood is a mixture of commercial and residential, and the park is only a five minute drive from employment and shopping in Rutland.

The site itself is very flat, and drains to a floodplain area to the west. The mobile homes are situated on fairly small lots. The park includes a small one room apartment in a concrete block building used by the former owner.

#### 6. Sponsor

The assumption is made that HFI is a capable and responsible developer and park manager. They have only been doing mobile home park work for a few years now, but are presumably learning the ropes and gaining some benefit from multiple park ownership.

#### 7. Infrastructure and Permits

Earlier engineering studies by the nonprofit group RCCLT did not come up with satisfactory solutions to the existing septic system failures and a problem with the water supply. HFI's consultant challenged some of the earlier assumptions and is convinced after rigorous on-site testing that both can be solved. (See attached letter from Peter Boemig of Southern Vermont Engineering.)

One alternative RCCLT had explored was hooking up to a Rutland City sewer line located across Route 7. However, City and Town impact fees were on the order of \$400,000. HFI's consultant has determined that long range (5-10 years) Town of Rutland plans include a sewer line to the rear of the park. The proposed development budget includes \$15,000 to pay for a right of way through a neighboring property to this line. In addition, the financial projections set aside \$9,600 (plus annual adjustments) per year to set up a fund to pay for

the sewer line connection. Although the new mound septic design has been designed for permanent use, this long range plan is an important underwriting factor.

The private water supply of the park is reported to be of adequate quality and quantity by the residents. State water tests have shown moderately high chloride, nitrite and nitrate levels, though the water still meets EPA standards. Testing by the current engineers revealed a cracked well casing, and repair of that casing (which is planned) should solve the apparent pollution problem.

Two permits are still needed - an indirect discharge permit and a public water supply permit. No Act 250 permit is needed.

The consultant also estimates that some \$15,000 in electrical work needs to be done as well.

#### 8. Timetable

The Purchase and Sales Contract was signed with HFI on January 30, 1991. The agreement calls for the transaction to be completed by June 1, 1991, and a verbal extension has been approved to August 1. The HFI consultant anticipates approval of the two required permits in July. Construction would begin in August and take two to three months.

#### 9. Discussion

This is a marginal park that has received a great deal of public sector attention (and money). Given a list of some fifty mobile home parks now for sale under the terms of Act 252 it would be hard to pick Coburn as a top priority except for the fact that it is nearest to closure by the state for environmental reasons. HFI secured the assistance of a sharp consultant who challenged some of the earlier assumptions and got the engineers to confirm his hypotheses. The problems now look like they can be solved. The consultant's work has also set a standard for good technical interactions with state regulators of mobile home parks as well, which will be helpful on other difficult sites.

Given a largely occupied and operating park, and a 40% loan to value ratio for the VHFA loan, the proposed loan looks fairly secure. The needed work is not of a risky or highly technical nature (once designed). One potential weakness is that the park does not have a recent track record of attracting new tenants. Fortunately turnover appears rather low.

Staff will be doing additional general diligence work prior to the next Board meeting, at which time a commitment letter resolution will likely be recommended.

One side recommendation is that HFI should work with the various towns now to get an agreement regarding future impact fees for hookup.



**RECOMMENDED ACTION**

Staff recommends approval of Resolution Pertaining to Letter of Interest for the Coburn Mobile Home Park, authorizing the Executive Director to issue a letter of interest toward providing up to \$300,000 in permanent taxable financing for the acquisition and renovation of this park.

TERMS OF FINANCING

DRAFT

Permanent Financing Rate Term

VHFA	\$264,727	39.53%	Variable	25
Rental Rehab	\$5,000	0.75%		
VHCB	\$175,000	26.13%	3.00%	25
VHCB Grant	\$25,000	3.73%		
CDOP Loan	\$200,000	29.86%	3.00%	25

Total Permanent Financing \$669,727 100.00%

Total Development Budget %TDC

Property Acquisition	300,000	44.75%
Easement to Sewer Line	15,000	2.24%
Water/Septic Repair	200,000	29.84%
Ventures Interest	600	0.09%
Contingency 20,000	20,000	2.98%
Ventures Report	4,847	0.72%
Closing Costs	1,500	0.22%
Permits/Fees	3,200	0.48%
Appraisal	1,500	0.22%
Engineering	48,210	7.19%
Consultants	20,000	2.98%
Legal and Title Fees	5,000	0.75%
Permanent Loan Fe 3,971	3,960	0.59%
VHFA Trans Costs	1,500	0.22%
Co-oping Costs	15,000	2.24%
Town Grant Admin	15,000	2.24%
Working Capital R 2,869	5,000	0.75%
Development Fee 1.49%	10,000	1.49%

Total Development Costs 670,317 100.00%

Per lot 14,572

PROJECT OPERATING PRO FORMA

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Gross Annual Income	96,600	99,498	102,483	105,557	108,724	111,986	115,345	118,806	122,370	126,041	129,822	133,717	137,729	141,860	146,116	150,500	155,015	159,665	164,455	169,389
Less Vacancy																				
Allowance:	3%	2,898	2,985	3,074	3,167	3,262	3,360	3,460	3,564	3,671	3,781	3,895	4,012	4,132	4,256	4,383	4,515	4,650	4,790	4,934
Other Income		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Adjusted Gross Income	93,702	96,513	99,408	102,391	105,462	108,626	111,885	115,242	118,699	122,260	125,928	129,705	133,597	137,605	141,733	145,985	150,364	154,875	159,521	164,307
Management Fee	8,280	8,611	8,956	9,314	9,686	10,074	10,477	10,896	11,332	11,785	12,256	12,747	13,257	13,787	14,338	14,912	15,508	16,129	16,774	17,445
Resident Manager	2,100	2,184	2,271	2,362	2,457	2,555	2,657	2,763	2,874	2,989	3,109	3,233	3,362	3,497	3,637	3,782	3,933	4,091	4,254	4,424
Audit/Legal	1,500	1,560	1,622	1,687	1,755	1,825	1,898	1,974	2,053	2,135	2,220	2,309	2,402	2,498	2,598	2,701	2,809	2,922	3,039	3,160
Electric	4,500	4,680	4,867	5,062	5,264	5,475	5,694	5,922	6,159	6,405	6,661	6,928	7,205	7,493	7,793	8,104	8,428	8,766	9,116	9,481
Septic system	6,800	7,072	7,355	7,649	7,955	8,273	8,604	8,948	9,306	9,679	10,066	10,468	10,887	11,322	11,775	12,246	12,736	13,246	13,776	14,327
Water	2,300	2,392	2,488	2,587	2,691	2,798	2,910	3,027	3,148	3,274	3,405	3,541	3,682	3,830	3,983	4,142	4,308	4,480	4,659	4,846
Snow Plow	2,000	2,080	2,163	2,250	2,340	2,433	2,531	2,632	2,737	2,847	2,960	3,079	3,202	3,330	3,463	3,602	3,746	3,896	4,052	4,214
Maintenance/repairs	6,000	6,240	6,490	6,749	7,019	7,300	7,592	7,896	8,211	8,540	8,881	9,237	9,606	9,990	10,390	10,806	11,238	11,687	12,155	12,641
Real Estate Taxes	8,000	8,320	8,653	8,999	9,359	9,733	10,123	10,527	10,949	11,386	11,842	12,316	12,808	13,321	13,853	14,408	14,984	15,583	16,207	16,855
Insurance	1,500	1,560	1,622	1,687	1,755	1,825	1,898	1,974	2,053	2,135	2,220	2,309	2,402	2,498	2,598	2,701	2,809	2,922	3,039	3,160
Replacement Reserve	3,000	3,120	3,245	3,375	3,510	3,650	3,796	3,948	4,106	4,270	4,441	4,618	4,803	4,995	5,195	5,403	5,619	5,844	6,077	6,321
Fund for Sewer Connection	9,600	9,984	10,383	10,799	11,231	11,680	12,147	12,633	13,138	13,664	14,210	14,779	15,370	15,985	16,624	17,289	17,981	18,700	19,448	20,226
Total Expenses	55,580	57,803	60,115	62,520	65,021	67,622	70,326	73,139	76,065	79,108	82,272	85,563	88,985	92,545	96,247	100,096	104,100	108,264	112,595	117,099
Net Operating Income	38,122	38,710	39,293	39,871	40,442	41,005	41,559	42,102	42,634	43,152	43,656	44,143	44,611	45,060	45,486	45,888	46,264	46,611	46,927	47,208
Debt Service																				
VHFA	28,309	28,309	28,309	28,309	28,309	29,898	29,898	29,898	29,898	29,898	31,358	31,358	31,358	31,358	31,358	32,742	32,742	32,742	32,742	32,742
VHCB	9,958	9,958	9,958	9,958	9,958	9,958	9,958	9,958	9,958	9,958	9,958	9,958	9,958	9,958	9,958	9,958	9,958	9,958	9,958	9,958
CDOP										14,850	14,850	14,850	14,850	14,850	14,850	14,850	14,850	14,850	14,850	14,850
Cash Flow	(145)	442	1,026	1,603	2,174	1,149	1,703	2,246	2,778	(11,554)	(12,510)	(12,023)	(11,555)	(11,106)	(10,680)	(11,662)	(11,286)	(10,939)	(10,624)	(10,342)
VHFA Interest Rate	9.75%					10.50%				11.25%						12.00%				
Debt Coverage Ratio	1.00	1.01	1.03	1.04	1.06	1.03	1.04	1.06	1.07	0.79	0.78	0.79	0.79	0.80	0.81	0.80	0.80	0.81	0.82	0.82

ASSUMPTIONS

Income Increase 3.00%  
Expense Increase 4.00%  
Note: VHCB and CDOP Notes supposedly have soft repayment terms, but need to be negotiated.  
Projections above assume full repayment, which does not appear to be feasible.

Units Rents Annual Rents  
46 \$175 \$96,600

5/14/91

C:\QUATTRO\MHP\MHPCOMP.MKQ  
KoppelkamMOBILE HOME PARK COMPARISONS  
OPERATING EXPENSE DETAIL PER LOT - ANNUAL

Park Name	Sandy Pines Trl-Park	Mountain View	Hunters	Riverside	French Hill	Town & Count	Fernwood	Coburns	Proposed	Proposed
	E. Mpllr	Brattleboro	Hinesburg	Grand Isle	Woodstock	Williston	Vergennes	Bolton	Clarendon	Brattleboro
Number of Lots	56	330	52	24	40	9	73	78	46	44
Avg Rent	200	155	160	190	125	195	180	195	175	225
Gross Annual Income	134,400	99,840	54,720	60,000	21,060	157,680	182,520	96,600	118,800	

## Per Lot Expenses - Annual

Management***	180	217	275	218	100	144	210	226	236	
Audit & Legal	27	29	63	38	22	27	19	33	23	
Trash	111	0	0	100	78	67	0	0	0	
Utilities	170	125	129	115	94	94	135	296	57	
Maintenance	21	61	104	30	89	41	32	130	23	
Taxes	214	115	149	120	187	79	91	174	170	
Insurance	15	69	31	53	169	30	19	33	23	
Misc	64	0	0	0	0	0	0	209	18	
Snow	64	29	42	120	42	21	13	43	45	
Replacement Reserv	71	96	83	100	62	64	70	65	80	

TOTAL 938 741 876 893 843 568 589 1208 675

OPER EXP/GROSS INC 39.09% 38.59% 38.44% 59.50% 36.04% 26.30% 25.16% 57.54% 25.01%

ADJUSTED RATIO\* 28.61% 22.29% 22.72% 38.33% 29.10% 16.66% 13.22% 43.69% 13.30%

PREVIOUS OWNER ADJ 24.00% 22.00% 16.00%

\* (Operating Expense - Replacement Reserve - Management)/Gross Income

The adjusted ratio is to enable better comparison with private sector data from appraisals.

\*\* Data from Keller Navin Cable &amp; O'Brien appraisal for Fernwood using 1989 expenses supplied by owners.

\*\*\* Note: Riverside, Hunters and Mountain View management costs include resident manager.

VHFA - Koppelkam 5/14/91 C:\QUATTRO\MHP\MHPCOMP.MKQ  
COMPARISON OF MOBILE HOME PARK COSTS

Year Acquired	1990	1986	1989	1989	1989	1990	1990	1991	1991
	Sandy Pines Trl-Park	Mountain View	Hunters	Riverside	French Hill	Town & Count	Fernwood	Projected	Projected
	E. Mpllr	Brattleboro	Hinesburg	Grand Isle	Woodstock	Williston	Vergennes	Bolton	Clarendon
Property Acquired	\$980,000	\$3,750,000	\$820,000	\$360,000	\$325,000	\$144,000	\$1,300,000	\$1,425,000	\$330,000
Development Costs	\$36,300	\$0	\$50,000	\$94,000	\$27,634	\$22,500	\$46,569	\$58,250	\$339,000
Total Development	\$1,016,300	\$3,750,000	\$870,000	\$454,000	\$352,634	\$166,500	\$1,346,569	\$1,483,250	\$669,000
									\$1,035,000

Plots 56 330 52 24 40 9 73 78 46 44

Property Acq Cost/L \$17,500 \$11,364 \$15,769 \$15,000 \$8,125 \$16,000 \$17,808 \$18,269 \$7,174 \$0

Development Cost/Lot \$648 \$0 \$962 \$3,917 \$691 \$2,500 \$638 \$747 \$7,370 \$23,523

Cost/Lot \$18,148 \$11,364 \$16,731 \$18,917 \$8,816 \$16,500 \$18,446 \$19,016 \$14,543 \$23,523

May 9, 1991

Mr. Paul Dettman  
Vermont State Housing Authority  
Tavern Motor Inn, 3rd Floor  
P.O. Box 397  
Montpelier, VT 05602-0397

RE: Colburn Mobile Home Park  
Clarendon, Vermont

Dear Paul:

As you are aware, our firm with assistance from Wagner, Heindel & Noyes, Inc., consulting geologists, has been conducting engineering and geologic studies at the Colburn Mobile Home Park in Clarendon at the Housing Authority's request. The purpose of the procedures is to determine if the site is capable of supporting a community subsurface sewage disposal system to service the park.

Testing to date has consisted of test pits, spot permeability tests, percolation tests, deep soil boring and monitor wells, seasonal ground water elevation monitoring, and a short-term test pumping of the existing well.

The testing has exceeded our early expectations in most cases. It appears, based upon the above information, that a sewage disposal system will be able to be built on the site to accommodate the existing units at the park. It should be noted that some units will need to be relocated to unoccupied sites in the park to provide space for the proposed facilities.

Further review of the testing as well as review of engineering plans by the Agency of Natural Resources and the Health Department will be required before a system can be constructed at the site.

If you have any questions in regard to the above, please do not hesitate to contact us.

Very truly yours,

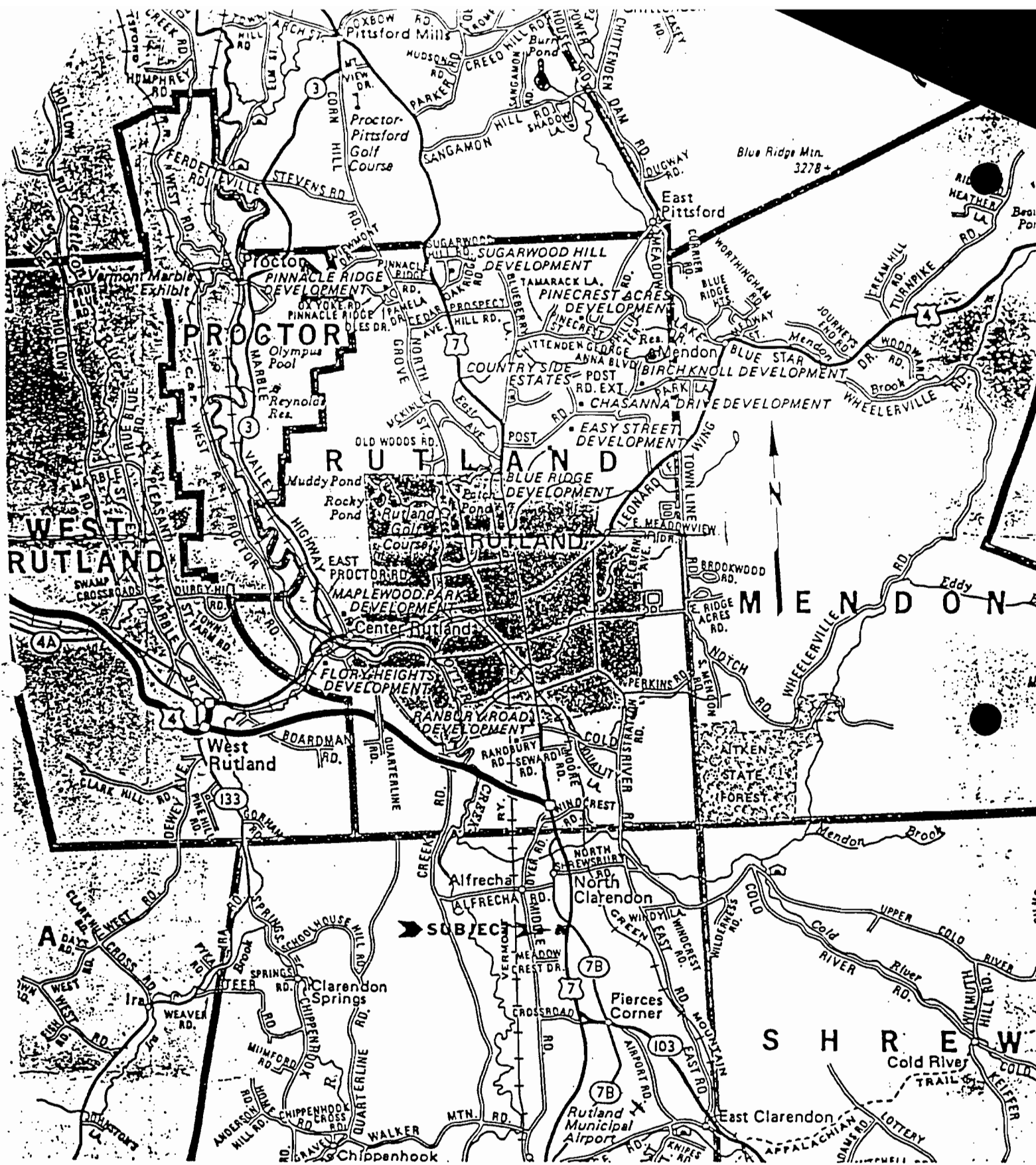
SOUTHERN VERMONT ENGINEERING



Peter R. Boemig, P.E.

car

cc: Michael Momaney



RESOLUTION PERTAINING TO LETTER OF INTEREST RE:  
COBURN MOBILE HOME PARK

WHEREAS, a proposal has been presented to the Agency by the Housing Foundation, Inc., a non-profit corporation, involving the acquisition of Coburn Mobile Home Park, a 46 unit mobile home park in Clarendon; and

WHEREAS, the sponsor 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;

It is hereby DETERMINED:

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

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

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

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

5. The sponsor is a financially responsible organization.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a letter of interest (the "Letter of Interest") to provide a first mortgage for permanent financing in an amount to be determined by the Executive Director, but not to exceed \$300,000, for the Coburn Mobile Home Park.

2. The Letter of Interest shall be issued to the Housing Foundation, Inc. as the housing sponsor.

3. The Letter of Interest shall state that it is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The letter of interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.
4. The Executive Director is authorized to make preliminary arrangements for the issuance and private placement of taxable bonds of the Agency to provide proceeds for financing this loan.





VERMONT HOUSING FINANCE AGENCY  
M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Margaret A. Pond, Director of Development *MAP*  
Mark Koppelkam, Multi-Family Development Underwriter

DATE: May 17, 1991

RE: Brattleboro: Deepwood Mobile Home Park  
Request for Letter of Interest/Resolution

**PROJECT SUMMARY**

Staff recommends Board approval of a resolution authorizing the issuance of a letter of interest for permanent financing for development of a new mobile home park in Brattleboro. Deepwood is a proposed 44 unit park located on 84 acres immediately adjacent to an existing cooperatively owned mobile home park (Tri-Park).<sup>1</sup> The sponsor is Housing Foundation Inc (HFI). The park will have town water and sewer.

The sponsor has requested construction financing from VHFA as well, but has been told that VHFA does not have the capacity for construction financing at this time.

The information submitted in support of this development is a bit preliminary, but staff wanted to give the VHFA Board an opportunity to review this development in the typical two stage process, while recognizing that the July meeting may be rescheduled.

**THE PROJECT**

1. Preliminary Financing

Sources

VHFA	\$800,334	75.1%
HFI Land Equity	80,000	7.5%
HFI Develop Equity	<u>185,788</u>	<u>17.4%</u>
<b>TOTAL</b>	<u><b>\$1,066,122</b></u>	<u><b>100.0 %</b></u>
 TDC	 \$24,230/lot	

<sup>1</sup> Tri-Park was previously owned by HFI, and prior to that by the same person (Don Record) with whom HFI has a development agreement for the new Deepwood development.

This project has a unique financing twist. No other government source of capital is being requested. HFI secured the land for free, giving the seller exclusive mobile home sale rights in return. In addition to getting the land, HFI secured a commitment for an average \$5,500 per home sold as additional revenue from the seller. Thus in the preliminary listing of sources of capital above I have given the "free land" a fairly arbitrary value as equity, and HFI's share of home sale proceeds (\$185,788) will also be left in the development as equity.

If necessary (once construction costs are known), the VHFA permanent loan would be a stepped rate loan for 20 years that is amortized over 25 years. If stepped, the initial rate would be 9.75%, stepped every five years to reach 12% in Year 15. If not stepped the rate would likely be 10.75%. Approximately \$364,400 would need to be refinanced at the end of year 20, which would cut debt service costs at that time roughly in half.

The source of capital for VHFA's loan will presumably be proceeds of a privately-placed taxable bond with the state pension funds.

## 2. Timetable

The Act 250 process has begun and is probably the critical limiting factor from a time perspective. The final permit is expected to be granted by June 1st. The site is part of a large deer yard, and the Agency of Natural Resources is requiring that a mitigation plan be written and implemented.

The sponsor is also wanting to make significant changes to the development agreement that was signed with the seller in 1989. From a construction perspective the development could probably be completed this year. However, depending upon progress on the various fronts, and a concern about the market absorption rate, it could become a two year development, or started and completed in 1992.

## 3. Affordability and Market Demand

This will not be a low income park. Because of the \$225/month lot rent, HFI's target market for these units will be 80%-100% of median income families. As an example, purchase of a new \$50,000 home to be put on the site, assuming 10% down and 10.5% financing over 25 years, would mean total monthly payments (financing plus lot rent) of \$650. A high end home costing \$70,000 would mean total monthly payments of \$819. HFI is expecting to use VHFA's single family mortgage programs as the primary financing source for home purchases in the park.

There is another small piece of land that is part of the proposal on which HFI plans to put three new lots. These may be targeted to lower income families.

Given that HFI previous owned and managed the neighboring park (Tri-Park), of which this new proposal is essentially an extension, good market demand/turnover information should be available. On the other hand the large difference in lot rents (\$155 at Tri-Park versus \$225 in Deepwood) means that the sponsor needs to provide broader mobile home market price and demand information.

The main section of Tri-Park, through which new residents must pass, is in great shape and very attractive.

4. Management

The physical connection with the existing park, and HFI's previous ownership and management of Tri-Park should mean that certain shared management functions can be worked out with the cooperative, lowering costs for everyone. Discussions along these lines have already taken place.

The local permits granted for the new park require several road and infrastructure improvements which will benefit both parks, and there will be continuing shared interest in roads, snow clearance and water system operation.

The implicit assumption is made that HFI has the requisite management experience and capacity to operate the new park. Mobile home park management is fairly new to HFI and VSHA, but clearly property management should be a strength.

**DISCUSSION**

5. Outstanding Issues

- a. The proposed site poses some development challenges in that it is hilly and has lots of ledge. The development consultant and various engineers have done numerous test borings and feel that they have significantly reduced construction risks as a result. VHFA approved a Ventures loan of \$50,000 to HFI in 1990 to pay for this pre-development work. VHFA has not yet initiated an independent engineering opinion to gauge either the technical quality of the engineering work done to date or the technical and financial risks relating to the resulting recommendations. Bids from contractors are due in the next two weeks, so costs will be available at that time. However, ledge work is always an unknown, and the proposed \$51,000 (7%) contingency seems a bit slim for this site.

- b. The development agreement with the previous owner is a clever way of raising project equity for HFI. The key issue is that HFI feels that this party does not have the capacity to market 44 new units in a short time span. Thus, the development agreement has to be re-opened to negotiations, and a third party marketer brought in. VHFA staff is also concerned about the exclusive nature of the sales arrangement, and would like to have this process opened up to the public markets.
- c. An appraisal of the property has not yet been done, nor an environmental assessment.
- d. It seems reasonable to require some level of pre-sales at this park as part of the financing approval. Banks appear to require 50%. Twenty-five percent would not seem unreasonable given the presumed strong demand.

#### **RECOMMENDED ACTION**

Staff recommends approval of Resolution Pertaining to a Letter of Interest for the Deepwood Mobile Home Park, authorizing the Executive Director to continue analysis and negotiations with the sponsor, and if the development continues to appear feasible proceed to permit VHFA Board consideration of a financing commitment at its next meeting.

5/14/91

TERMS OF FINANCING

Permanent Financing Rate Term

VHFA	\$800,334	75.07% Stepped	25
HFI - Land Equity	\$80,000	7.50%	
HFI - Development Equity	\$185,788	17.43%	
	\$0	0.00%	
	\$0	0.00%	

Total Permanent Financing \$1,066,122 100.00%

Total Development Budget %TDC

Property Acquisition	0	0.00%
Development Costs	206,560	19.37%
Construction Costs	735,100	68.95%
Contingency 7.00%	51,457	4.83%
3 Reservoir Rd Sites	42,000	3.94%
	0	0.00%
Closing Costs	1,500	0.14%
Permits/Fees	0	0.00%
Appraisal	2,000	0.19%
	0	0.00%
	0	0.00%
Legal and Title Fees	10,000	0.94%
Permanent Loan Fe 12,005	12,005	1.13%
VHFA Trans Costs	1,500	0.14%
	0	0.00%
	0	0.00%
Working Capital R 3,386	4,000	0.38%
Development Fee 0.00%	0	0.00%

=====  
 Total Development Costs 1,066,122 100.00%

Per lot 24,230

PROJECT OPERATING PRO FORM

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Gross Annual Income	118,800	122,364	126,035	129,816	133,710	137,722	141,853	146,109	150,492	155,007	159,657	164,447	169,380	174,462	179,696	185,087	190,639	196,358	202,249	208,317
Less Vacancy Allowance:	5%	5,940	6,118	6,302	6,491	6,686	6,886	7,093	7,305	7,525	7,750	7,983	8,222	8,469	8,723	8,985	9,254	9,532	9,818	10,112
Other Income	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Adjusted Gross Income	112,860	116,246	119,733	123,325	127,025	130,836	134,761	138,804	142,968	147,257	151,674	156,225	160,911	165,739	170,711	175,832	181,107	186,540	192,137	197,901
Management Fee	7,920	8,237	8,566	8,909	9,265	9,636	10,021	10,422	10,839	11,273	11,724	12,192	12,680	13,187	13,715	14,263	14,834	15,427	16,044	16,686
Resident Manager	2,460	2,558	2,661	2,767	2,878	2,993	3,113	3,237	3,367	3,501	3,641	3,787	3,939	4,096	4,260	4,430	4,608	4,792	4,984	5,183
Audi/Legal	1,000	1,040	1,082	1,125	1,170	1,217	1,265	1,316	1,369	1,423	1,480	1,539	1,601	1,665	1,732	1,801	1,873	1,948	2,026	2,107
Electric	1,500	1,560	1,622	1,687	1,755	1,825	1,898	1,974	2,053	2,135	2,220	2,309	2,402	2,498	2,598	2,701	2,809	2,922	3,039	3,160
Sewer system	500	520	541	562	585	608	633	658	684	712	740	770	801	833	866	900	936	974	1,013	1,053
Water	500	520	541	562	585	608	633	658	684	712	740	770	801	833	866	900	936	974	1,013	1,053
Snow Plow	2,000	2,080	2,163	2,250	2,340	2,433	2,531	2,632	2,737	2,847	2,960	3,079	3,202	3,330	3,463	3,602	3,746	3,896	4,052	4,214
Maintenance/repairs	1,000	1,040	1,082	1,125	1,170	1,217	1,265	1,316	1,369	1,423	1,480	1,539	1,601	1,665	1,732	1,801	1,873	1,948	2,026	2,107
Real Estate Taxes	7,500	7,800	8,112	8,436	8,774	9,125	9,490	9,869	10,264	10,675	11,102	11,546	12,008	12,488	12,988	13,507	14,047	14,609	15,194	15,801
Insurance	1,000	1,040	1,082	1,125	1,170	1,217	1,265	1,316	1,369	1,423	1,480	1,539	1,601	1,665	1,732	1,801	1,873	1,948	2,026	2,107
Replacement Reserve	3,528	3,669	3,816	3,969	4,127	4,292	4,464	4,643	4,828	5,021	5,222	5,431	5,648	5,874	6,109	6,354	6,608	6,872	7,147	7,433
Hydrant Fee	800	832	865	900	936	973	1,012	1,053	1,095	1,139	1,184	1,232	1,281	1,332	1,385	1,441	1,498	1,558	1,621	1,685
Total Expenses	29,708	30,896	32,132	33,417	34,754	36,144	37,590	39,094	40,657	42,284	43,975	45,734	47,563	49,466	51,445	53,502	55,643	57,868	60,183	62,590
Net Operating Income	83,152	85,349	87,601	89,908	92,271	94,691	97,171	99,710	102,310	104,973	107,699	110,491	113,348	116,273	119,266	122,330	125,465	128,672	131,954	135,310
Debt Service	85,585	85,585	85,585	85,585	85,585	90,388	90,388	90,388	90,388	90,388	94,803	94,803	94,803	94,803	94,803	98,987	98,987	98,987	98,987	98,987
VHFA																				

Cash Flow	(2,433)	(235)	2,016	4,323	6,686	4,303	6,783	9,322	11,922	14,585	12,897	15,688	18,545	21,470	24,464	23,343	26,478	29,685	32,967	36,324
	9.75%					10.50%					11.25%					12.00%				

Debt Coverage Ratio	0.97	1.00	1.02	1.05	1.08	1.05	1.08	1.10	1.13	1.16	1.14	1.17	1.20	1.23	1.26	1.24	1.27	1.30	1.33	1.37
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ASSUMPTIONS

Income Increase	3.00%
Expense Increase	4.00%

Rents	Units	Rents Annual Rents
# Mobile Homes	44	\$225 \$118,800

5/14/91

VHFA

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KoppelkamMOBILE HOME PARK COMPARISONS  
OPERATING EXPENSE DETAIL PER LOT - ANNUAL

Park Name	Sandy Pines Trl-Park	Mountain View	Hunters	Riverside	French Hill	Town & Count	Fernwood	Proposed	Proposed
	E. Mepler	Brattleboro	Hinesburg	Grand Isle	Woodstock	Williston	Vergennes	Bolton	Coburns
Number of Lots	56	330	52	24	40	9	73	78	46
Avg Rent	200	155	160	190	125	195	180	195	175
Gross Annual Income	134,400	99,840	54,720	60,000	21,060	157,680	182,520	96,600	118,800

## Per Lot Expenses - Annual

Management***	180	217	275	218	100	144	210	226	236
Audit & Legal	27	29	63	38	22	27	19	33	23
Trash	111	0	0	100	78	67	0	0	0
Utilities	170	125	129	115	94	94	135	296	57
Maintenance	21	61	104	30	89	41	32	130	23
Taxes	214	115	149	120	187	79	91	174	170
Insurance	15	69	31	53	169	30	19	33	23
Misc	64	0	0	0	0	0	0	209	18
Snow	64	29	42	120	42	21	13	43	45
Replacement Reserv	71	96	83	100	62	64	70	65	80

TOTAL 938 741 876 893 843 568 589 1208 675

OPER EXP/GROSS INC 39.09% 38.59% 38.44% 59.50% 36.04% 26.30% 25.16% 57.54% 25.01%

ADJUSTED RATIO\* 28.61% 22.29% 22.72% 38.33% 29.10% 16.66% 13.22% 43.69% 13.30%

PREVIOUS OWNER ADJ 24.00% 22.00% 16.00%

\* (Operating Expense - Replacement Reserve - Management)/Gross Income  
 The adjusted ratio is to enable better comparison with private sector data from appraisals.  
 \*\* Data from Keller Navin Cable & O'Brien appraisal for Fernwood using 1989 expenses supplied by owners.  
 \*\*\* Note: Riverside, Hunters and Mountain View management costs include resident manager.

VHFA - Koppelkam  
COMPARISON OF MOBILE HOME PARK COSTS  
5/14/91  
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Year Acquired	1990	1986	1989	1989	1989	1990	1990	1990	1991	1991
	Sandy Pines Trl-Park	Mountain View	Hunters	Riverside	French Hill	Town & Count	Fernwood	Proposed	Proposed	
	E. Mepler	Brattleboro	Hinesburg	Grand Isle	Woodstock	Williston	Vergennes	Bolton	Coburn	Brattleboro

Property Acquired \$980,000 \$3,750,000 \$820,000 \$360,000 \$325,000 \$144,000 \$1,300,000 \$1,425,000 \$330,000 \$0  
 Dvlmnt Costs \$36,300 \$0 \$50,000 \$94,000 \$27,634 \$22,500 \$46,569 \$58,250 \$339,000 \$1,035,000

Total Development \$1,016,300 \$3,750,000 \$870,000 \$454,000 \$352,634 \$166,500 \$1,346,569 \$1,483,250 \$669,000 \$1,035,000

#Lots 56 330 52 24 40 9 73 78 46 44

Property Acq Cost/L \$17,500 \$11,364 \$15,769 \$15,000 \$8,125 \$16,000 \$17,808 \$18,269 \$7,174 \$0  
 Dvlmnt Cost/Lot \$648 \$0 \$962 \$3,917 \$691 \$2,500 \$638 \$747 \$7,370 \$23,523

Cost/Lot \$18,148 \$11,364 \$16,731 \$18,917 \$8,816 \$18,500 \$18,446 \$19,016 \$14,543 \$23,523

**RESOLUTION PERTAINING TO LETTER OF INTEREST RE:  
DEEPWOOD MOBILE HOME PARK**

WHEREAS, a proposal has been presented to the Agency by the Housing Foundation, Inc., a non-profit corporation, involving the permanent financing of Deepwood Mobile Home Park, a 44 unit mobile home park to be constructed in Brattleboro; and

WHEREAS, the sponsor 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;

It is hereby DETERMINED:

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

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

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

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

5. The sponsor is a financially responsible organization.

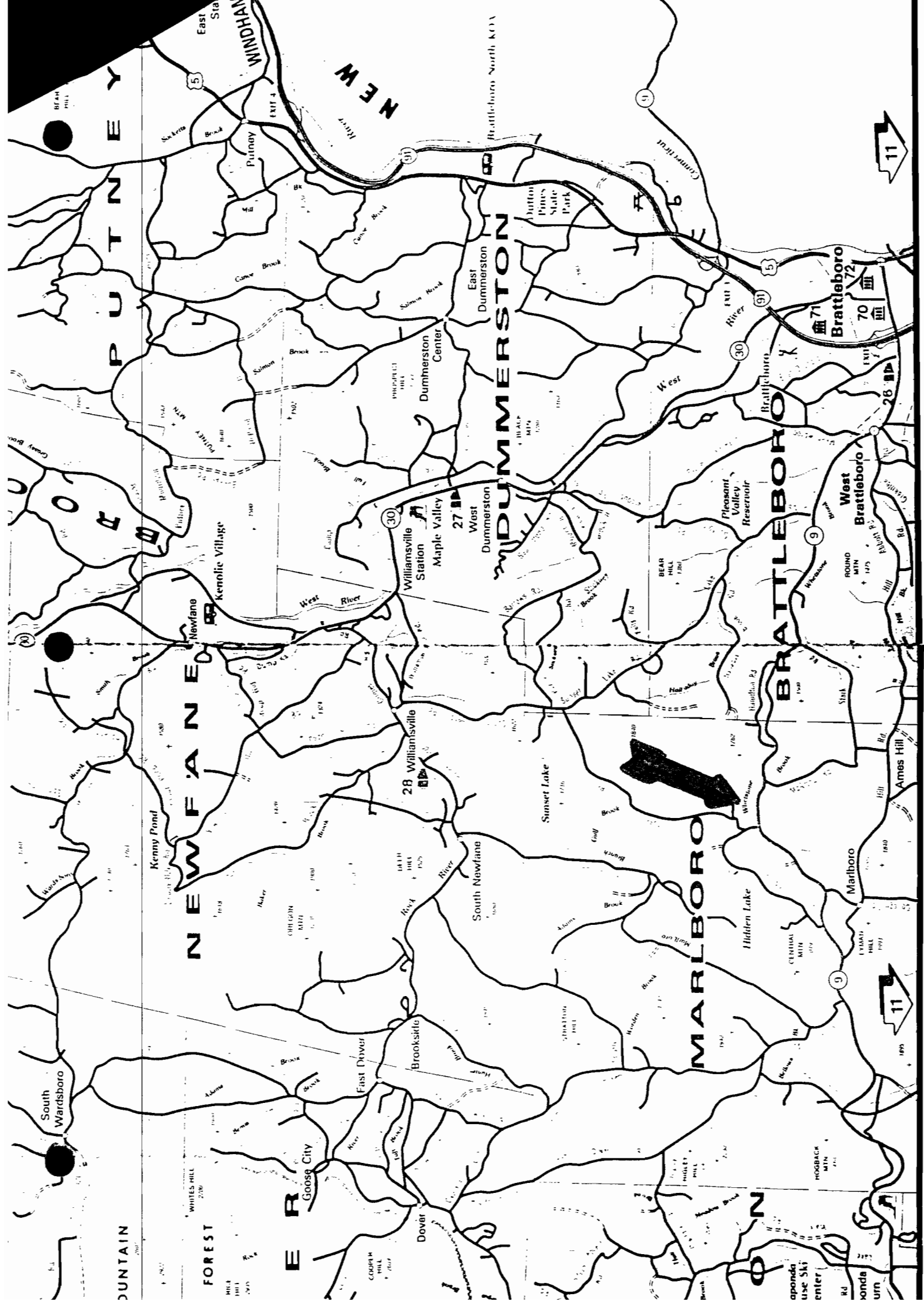
WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a letter of interest (the "Letter of Interest") to provide a first mortgage for permanent financing in an amount to be determined by the Executive Director, but not to exceed \$850,000, for the Deepwood Mobile Home Park.

2. The Letter of Interest shall be issued to the Housing Foundation, Inc. as the housing sponsor.



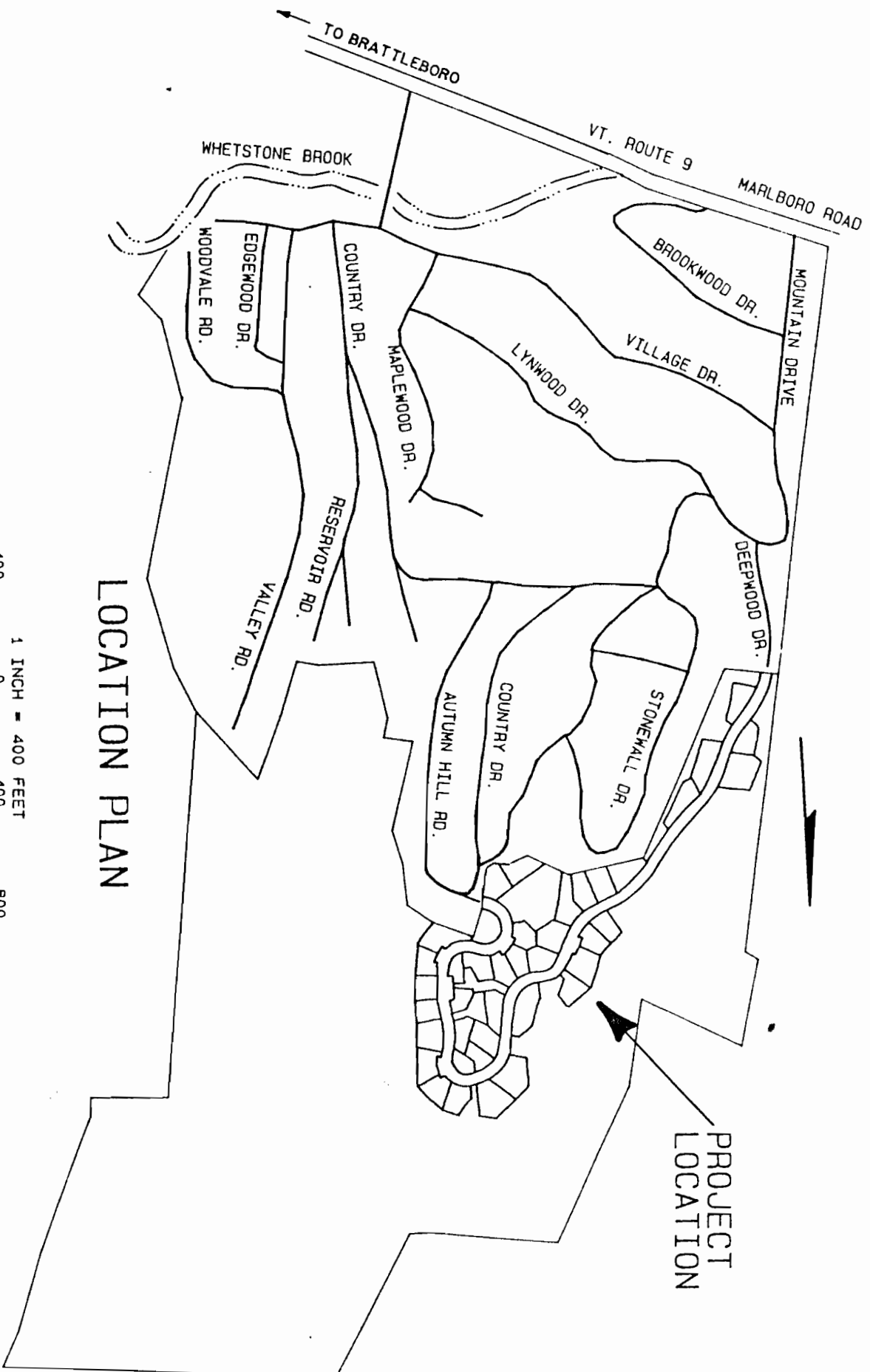
3. The Letter of Interest shall state that it is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The letter of interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.
4. The Executive Director is authorized to make preliminary arrangements for the issuance and private placement of taxable bonds of the Agency to provide proceeds for financing this loan.



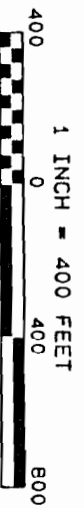
DEEPWOOD MOBILE HOME PARK (BRATTLEBORO)



DEEPMOOD MOBILE HOME PARK (BRATTLEBORO)



LOCATION PLAN





VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA BOARD OF COMMISSIONERS  
FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE *RAS*  
DATE: MAY 16, 1991  
RE: GENERAL FUND BUDGET UPDATE

Attached is the budget performance report for the period ending March 31, 1991 representing the first nine months of the fiscal year ending June 30, 1991.

In reviewing the budget performance report to date, we continue to be on target in most areas. There are a few specific differences which will be explained in the memo entitled "General Fund Budget Adjustment Requests." The main adjustment that was detailed in the last general fund update relates to interest income and expense. Internal short-term financing for the Fort has reduced the funds available for investment and reinvestment rates have dropped dramatically since December. Interest expense was incurred by borrowing \$1 million from the Housing and Conservation Trust Fund through the State Treasurer's office and a partial subsidy for the Derway note on the Northgate property. Following is a summary of the major areas of the budget.

**INCOME.** Single family fee income remains stronger than expected, especially considering the economy and the reported lack of activity in the real estate marketplace. Multi-Family fee income should recover significantly due to expected financial closings during the fourth quarter of FY91.

**FUND TRANSFERS.** The transfers of funds from the Programs to the General Fund have been collected as expected.

**EXPENSES.** Total expenses are at 71% of the annual budgeted amounts. Some minor adjustments are detailed in the accompanying memo.

We expect to end the year in an overall better position than projected in the original budget.

**RECOMMENDED ACTION**

No official action is necessary for this memo.

BUDGET PERFORMANCE REPORT  
VERMONT HOUSING FINANCE AGENCY  
MARCH 31, 1991

	CURRENT APPROVED BUDGET	ACTUAL YR TO DATE 3/31/91	% BUDGET RECOGNIZED TO DATE
INCOME			
SINGLE FAMILY FEES	413,650	435,127	105.19%
MULTI-FAMILY FEES	176,500	37,755	21.39%
PROJECT ADMIN FEES	115,000	110,345	95.95%
INTEREST INCOME	400,000	245,676	61.42%
MISCELLANEOUS	20,000	29,371	146.86%
TOTAL INCOME	1,125,150	858,274	76.28%
FUND TRANSFERS			
SINGLE FAMILY HOUSING	(25,000)	(25,000)	100.00%
SHAWMUT MTG PURCHASE	100,000	50,000	50.00%
HOWARD MTG PURCHASE	1,250,000	1,250,000	100.00%
HOWARD HOME MTG PURCH	400,000	187,000	46.75%
HOWARD MULTI-FAMILY	430,000	440,000	102.33%
CONN NATL MULTI-FAMILY	80,000	98,181	122.73%
HOUSING DEVELOP BDS-MF	10,000	10,000	100.00%
DIRECT PLACEMENT BONDS	10,000	10,000	100.00%
TOTAL TRANSFERS	2,255,000	2,020,181	89.59%
TOTAL INC & TFRS	3,380,150	2,878,455	85.16%
EXPENSES			
ADVERTISING & PROMOTION	48,000	21,460	44.71%
AUDIT	26,500	24,500	92.45%
ANNUAL REPORT	15,000	16,796	111.97%
COMMISSIONERS EXPENSES	4,000	3,027	75.68%
CONSULTING FEES	84,700	38,474	45.42%
DUES & SUBSCRIPTIONS	30,000	20,104	67.01%
INSURANCE	145,530	98,012	67.35%
INTEREST EXPENSE	5,000	18,640	372.80%
LEGAL	40,000	33,612	84.03%
MISCELLANEOUS	7,000	10,392	148.46%
OFFICE EXPENSES	35,000	21,569	61.63%
PENSION PLAN	88,000	54,500	61.93%
POSTAGE	22,000	10,774	48.97%
RENT	90,000	81,856	90.95%
REPAIRS & MAINTENANCE	37,500	25,025	66.73%
SALARIES & WAGES	1,175,524	815,884	69.41%
STAFF TRAVEL & TRAINING	106,209	47,331	44.56%
SUBSIDY-HOUSING VT, ERH	303,000	294,374	97.15%
TAXES-PAYROLL	85,920	58,599	68.20%
TELEPHONE	36,000	24,306	67.52%
TRUSTEE & CREDIT FEES	240,000	156,221	65.09%
DEPRECIATION	80,000	48,870	61.09%
TOTAL EXPENSES	2,704,883	1,924,326	71.14%
SURPLUS (DEFICIT)	675,267	954,129	141.30%



VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA BOARD OF COMMISSIONERS  
FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE *RAS*  
DATE: MAY 16, 1991  
RE: GENERAL FUND BUDGET ADJUSTMENT REQUESTS

Last December some adjustments were approved by the Board related to the Administration on Aging grant, Housing Vermont subsidy, the 1990 Single Family bond financing and the capital budget. Since December the Board approved a grant to the Vermont Development Credit Union and the hiring of a Deputy Director. These actions require adjustment to the budget and are detailed below. We have reviewed the budget and estimated expenses through the end of the year to make the recommendations that follow.

Advertising. Deferral of certain advertising and the inclusion of other costs appropriately charged to bond programs results in \$20,000 less than originally budgeted.

Contributions. Of the \$10,000 grant approved for the Vermont Development Credit Union, it is expected that \$5,000 will be expended during this fiscal year.

Annual Report. Costs exceeded original projections by \$1,800 to produce the annual report.

Consulting Fees. The reliance on outside consultants was less than expected in the area of multi-family projects and a savings of \$25,000 is expected to be realized from the original budget.

Dues & Subscriptions. Cutting back on outside publications and services is expected to save approximately \$4,000.

Interest. As explained in the General Fund Budget Update memo, borrowing for the short term needs of the Fort and Northgate projects require an increase of \$20,000 in this budget category.

Legal. During this current fiscal year, we have accessed Palmer & Dodge on a host of issues related to melding rates on single family programs, approval of financings and related resolutions on multi-family projects and other miscellaneous issues which are expected to increase legal expenses by \$10,000.

Miscellaneous. An extra \$4,000 has been charged to this category related to the disposition of computer equipment which had not been fully written off.

Office Expenses. A savings of \$3,000 is a direct result of conservative purchasing of office supplies, buying recycled paper products in bulk and less than full staffing levels throughout the year.

Rent. The full impact of the additional space leased in August and September was not factored into the original budget and requires an increase of \$18,000.

Salaries and Wages. Delays in replacing the data processing manager and not immediately filling vacant development positions have more than offset the hiring of the Deputy Director. We had also budgeted for a part-time underwriter who was not hired due to the slowdown in activity. Total savings in this category are expected to be \$39,000.

Staff Travel and Training. A concerted effort has been made to limit the number of staff attending conferences with high registration and travel costs, resulting in a savings of \$17,500.

#### **RECOMMENDED BOARD ACTION**

Approval of the adjustments to the operating budget items referenced above totalling a net decrease of \$49,700.



VERMONT HOUSING FINANCE AGENCY

**M E M O R A N D U M**

**TO: VHFA BOARD OF COMMISSIONERS**  
**FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE**  
**DATE: MAY 16, 1991**  
**RE: HIGHGATE BRIDGE LOAN FINANCING**

*RAS*

In connection with the closing of the Highgate project last week, Housing Vermont has approached us for the purpose of providing a "bridge loan" facility for them. The cash flow projections indicate that there will exist periods of time when there will be a gap between cash available and cash needed for rehabilitation expenses. This is identical to the situation that exists for the Northgate project and is largely connected to the timing of the receipt of equity infusions to the project.

Frank Kochman has prepared a resolution which authorizes loans to be made to Housing Vermont for the purposes of funding the fluctuating cash flow shortages incurred by Highgate Housing Limited Partnership. This resolution caps the bridge loan facility at \$625,000 through December 1992. Assuming that we are reimbursed for the purchase of the Dalton Drive project through the sale of notes to the Bank of Vermont, we should be able to facilitate these advances through the General Fund of the Agency. At some future point in time it may be necessary to sell notes to fund these and other short-term financing requests.

**RECOMMENDED ACTION**

Approval of the attached "Resolution Pertaining to Short-Term Credit Facility for Highgate Development."





VERMONT HOUSING FINANCE AGENCY  
RESOLUTION PERTAINING TO SHORT-TERM CREDIT FACILITY FOR HIGHGATE  
DEVELOPMENT

Pursuant to its Resolution of March 28, 1991, for the purpose of financing the acquisition of Highgate Apartments (the "Development"), the Agency has made a Mortgage Loan (the "Mortgage Loan") to Highgate Housing Limited Partnership (the "Partnership") relying, in part, on the letter of May 8, 1991 (the "Bridge Loan Commitment") from Housing Vermont and the Partnership to the Executive Director, a copy of which is attached hereto.

Pursuant to Chapter Two of the Agency's Rule entitled "Grants, Loans and Advances to Assist the Planning, Construction, Rehabilitation, and Operation of Residential Housing; Mortgage Loans to Housing Sponsors for Single Family Developments" (the "Rule"), and with capitalized terms unless otherwise defined having the same mere meaning as they have in the Bridge Loan Commitment, the Agency finds that the Advances described in the Bridge Loan Commitment will assist the planning, rehabilitation, and operation of Residential Housing primarily for persons and families of low and moderate income.

RESOLVED: Pursuant to paragraph 5 of Chapter Two of the Rule, and so long as the Mortgage Loan is not in default, the Executive Director and the Director of Finance are authorized to make loans to Housing Vermont on a revolving basis in an amount not to exceed \$625,000.00 of outstanding principal amount. Such loans shall be made in the form of Advances to the Partnership for the account of Housing Vermont, as described in the Bridge Loan Commitment, shall bear interest at 8% per annum, with interest payable monthly in arrears, shall be unconditionally due and payable in full on December 31, 1992, shall be unsecured, and shall otherwise conform to the terms of the Bridge Loan Commitment.

HOUSING VERMONT  
ONE BURLINGTON SQUARE  
BURLINGTON, VERMONT 05402

May 8, 1991

Allan S. Hunt, Executive Director  
Vermont Housing Finance Agency  
One Burlington Square  
Burlington, Vermont 05402

Re: Highgate Apartments Project -- Short Term Credit Facility

Dear Mr. Hunt:

In connection with the captioned project, based on the schedule of equity contributions ("Equity Contributions") anticipated by Highgate Housing Limited Partnership (the "Partnership") from Vermont National Bank, Northfield Savings Bank, The Howard Bank, and The Granite Bank (the "Investors"), the Partnership expects that it will need a revolving short-term credit facility of up to \$900,000.00 in order to make timely payment of liabilities to be incurred in connection with the rehabilitation aspect of the project.

In order to induce you to issue your Wraparound Promissory Note as described in your Highgate Housing Resolution dated March 28, 1991, we advise Vermont Housing Finance Agency ("VHFA") as follows:

1. Housing Vermont will set aside \$275,000.00 of funds (the "Gap Loan Set Aside") in Housing Vermont's Development Account for the purpose of making short-term loans ("Gap Loans") to the Partnership to be used by the Partnership in order to meet its rehabilitation expenditures in a timely way.
2. To the full extent of the Gap Loan Set Aside, Housing Vermont will make Gap Loans to the Partnership as needed, on a revolving basis; provided, however, that after the first contribution of equity received in fact from the Investors in an amount at least equal to \$175,000.00, the obligation of Housing Vermont to issue further Gap Loans shall be limited to a principal amount outstanding not exceeding \$100,000.00. Gap Loans will bear interest at 8% per annum. The proceeds of Gap Loans will be deposited in a timely manner into the Rehabilitation Escrow Account established pursuant to the Vermont Housing Finance Agency Regulatory Agreement (the "Regulatory Agreement"), and their use shall be governed by the terms thereof.
3. Gap Loans shall be a special obligation of the Partnership, with the interest thereon payable solely from funds allocated to Bridge Loan interest in the Partnership's rehabilitation budget as accepted by VHFA (the "Rehabilitation Budget"). Principal shall be payable solely from Equity Contributions.
4. In order to assure the availability of funds to cover any shortfall between the maximum amount of Gap Loans and the anticipated need of the Partnership for short-term credit, Housing Vermont authorizes VHFA to make

advances ("Advances") to the Partnership for Housing Vermont's account on a revolving basis in an aggregate outstanding amount not to exceed \$625,000.00 in excess of the aggregate amount of Gap Loans outstanding at any given time.

5. Advances will bear interest at 8% per annum. Interest shall be payable monthly by the Partnership to Housing Vermont to the extent of funds available and allocated to Bridge Loan interest in the Rehabilitation Budget. Interest shall be payable absolutely by Housing Vermont to VHFA on a monthly basis.

6. Except to the extent provided to the contrary in paragraph 7, below, Housing Vermont will apply any and all payments received by it from the Partnership first to repayment of the outstanding principal amount of Advances, if any, then to the repayment of Gap Loans.

7. Except with respect to the first \$175,000.00 of the initial Equity Contribution paid in to the Partnership, which shall be applied to the repayment of Gap Loans, Housing Vermont will immediately repay or cause the Partnership to repay to VHFA the principal amount of all Advances upon receipt by the Partnership of Equity Contributions to the full extent of such Equity Contributions. Provided, however, that nothing herein shall be construed to limit Housing Vermont's liability to you for repayments of Advances. Housing Vermont unconditionally promises to repay or cause the repayment of all Advances, with all interest earned thereon, on or before December 31, 1992. Without limiting the generality of the foregoing, and as between VHFA and Housing Vermont, Housing Vermont expressly agrees to bear the risk of non-receipt of sufficient Equity Contributions to repay the Advances and/or the Gap Loans.

8. The special obligation of the Partnership to repay Gap Loans and Advances to or for the benefit of Housing Vermont may be evidenced by a separate writing not inconsistent herewith, but shall not be secured by any interest in any property whatsoever of the Partnership.

9. Highgate Housing Limited Partnership will draw upon the short-term credit herein made available to it to the extent necessary to meet its obligations under the Rehabilitation Budget, and will abide by the terms hereof in every respect.

Very truly yours,

HOUSING VERMONT

By \_\_\_\_\_

Michael Richardson, President

HIGHGATE HOUSING LIMITED PARTNERSHIP

BY HIGHGATE HOUSING, INC., GENERAL PARTNER

By \_\_\_\_\_

Authorized Agent



VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE *RAS*

DATE: MAY 16, 1991

RE: SINGLE FAMILY BOND FINANCING

As discussed in last month's memo, we have been reviewing market numbers and rates for the purpose of pursuing a conversion of the 1990 Series 2 bonds. We have continued to fine tune the projections and now believe that we could deliver a mortgage rate of 8.45% with no VHFA contribution and a letter of credit of under \$1 million.

Current economic conditions have changed significantly since the last Board meeting. The discount and prime rates have been cut once again. Tax exempt rates have not responded at this point in time, which is somewhat expected due to a traditional lag in the marketplace. Economic forecasts as well as an informal poll conducted by Andy Gurley indicate that tax exempt rates should continue to fall until August at the earliest. Based on this information, we have decided to hold off on converting the Series 2 bonds for at least another month. This action should enable us to generate an even lower rate on the \$40 million Series 2 bonds while we continue to monitor the financial markets. We will restart the conversion process on May 24th and will have until June 17th to "trigger" the conversion.

Since we are running out of funds for mortgages on existing low rate pools and are proposing to delay the conversion, we will be accessing the 8.95% rate funds from the 1990 Series 1 program.

**RECOMMENDED ACTION**

Authorize staff to pursue the "conversion" of the 1990 Series 2 Bonds as described above and trigger the notification to the trustee on June 17th if the market, economic conditions and assumptions regarding mortgage rate, Agency contribution and other financial factors are not significantly impacted.



VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners  
FROM: Hollis Hope, *Hollis Hope* Director of Communications  
DATE: May 15, 1991  
RE: Leave of Absence

As some of you may be aware, I have been granted a one-year leave of absence to attend Harvard's Kennedy School of Government in pursuit of a Masters in Public Administration through the one-year, mid-career masters program. I am required to attend a preparatory summer session, which begins July 25, 1991. Thus, I will be departing the Agency soon after the July 4 holiday.

As a condition of my leave, Allan asked me to devise a staffing plan for the year, which we would like to share with you.

First, I am fortunate and pleased to have a very competent and resourceful staff of four. In preparation for my departure, I have restructured certain job descriptions and I am confident that they can carry on much of our ongoing marketing and outreach activities quite independently.

I have identified a strong candidate to replace me on a temporary, contractual basis to carry out the public relations, writing, editing and media work for which I am responsible. This individual will also provide guidance and supervision to the Communications staff, manage the budget, oversee the production of all VHFA publications as well as the design and implementation of advertising campaigns, participate in Core and program development activities and provide assistance and support to the Executive Director and senior staff members as necessary and appropriate. Certain Core staff have met with her and the reaction has been favorable.

Additionally, I have sent out a request for proposals to coordinate VHFA's single family advertising campaigns for FY92. Media selection, buying and placement is extremely time consuming as well as costly. We have done the majority of this work in-house for the last four years to monitor and control costs. To research this issue I contacted several colleagues at peer HFAs, Vermont state agencies, Champlain College and ad agencies.



This exercise has helped me to frame the scope of advertising and marketing services VHFA needs at this point in time. Based on my research, I believe that we can accomplish our advertising goals with the assistance of an outside contractor without incurring a significant increase in our advertising expenses.

We feel that this is a good opportunity to test some of our own assumptions about what are effective marketing techniques. Further, it may be unrealistic to assume that a temporary replacement for me can come up to speed quickly enough on VHFA's programs to be prepared to respond with marketing strategies when new VHFA initiatives or real estate market conditions demand them (the above-mentioned candidate has solid journalism and public relations background, with limited experience in marketing products and services).

The next year will no doubt be a time of growth and challenge for the Communications staff, which I think will be positive for each of them. Having someone new to fill my shoes will give the Agency a unique opportunity to take a fresh look at what we are doing (or not doing) to reach out effectively with VHFA's broad and diverse constituent groups.

I look forward to the coming year as a personal and professional challenge and I very much appreciate the willingness of VHFA to extend me this leave of absence. I have thoroughly enjoyed my tenure at VHFA and look forward to returning to the Agency next July with new skills, new vision and general rejuvenation.

No action is required. Please feel free to contact me if you like additional information with regard to this or other Communications issues. Thank you for your support.

575.hh



VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director  
Mark Koppelkam, Multi-Family Development Underwriter

DATE: May 23, 1991

RE: WHITE RIVER JUNCTION - TEMPLETON COURT APARTMENTS  
(VERMONT HOUSING ENTERPRISES) UPDATE REPORT

Project Summary

The VHFA Board approved a resolution to issue a commitment letter for Templeton Court Apartments at the April meeting. Since that time some further developments have occurred relating to appraisal value that the Board should take into consideration.

Templeton Court Apartments is a 36 unit family development in White River Junction. Built under the HUD Section 23 program, the rent subsidies provided as part of that program will be expiring this summer. The sponsor, Vermont Housing Enterprises Inc. is a new nonprofit. Their goal is to maintain these units as perpetually affordable to families with incomes below 50% of median income. The sponsor has a signed purchase and sale agreement which expires June 1, 1991.

Total development costs are currently estimated at \$1,942,650, or \$53,963 per unit. The acquisition is projected at \$1,380,000 (\$38,333/unit), and rehab (including contingency) at \$11,300 per unit. A \$40,000 rental loss reserve has been added to the development budget to make up for an anticipated two month delay in implementation of the new project based Section 8 certificates for all the units.

Key Issues

Both VHFA and the Vermont Housing and Conservation Board (VHCB) have expressed concern about the proposed purchase price, which was \$1.55 million at the time the VHFA Board approved its commitment letter in April. Since that time a review appraisal has been completed by Michael Keller of Keller, Navin, Cable & Davis, which

May 23, 1991

gave an estimated value of \$1.26 million. As a result of Keller's comments, the original appraiser (Frank Bredice) has written a new appraisal as well, which finds that the current value is \$1.2 million. During this time the sponsor has negotiated a lower acquisition price of \$1.4 million. This is a 9.7% reduction from the earlier agreed upon price.

The VHCB met on Monday May 20th and set an upper limit to the acquisition price of \$1.38 million, which is 15% above the latest appraisal by Frank Bredice.

The first issue for the VHFA Board is whether there is concern over the proposed purchase price given the new appraisal information.

The second issue is that VHFA's multi-family housing rules limit loans to private nonprofit corporations to "the housing development cost or the security value of each project, whichever is less." As part of the Commitment Letter resolution approved by the VHFA Board last month, the Board made a finding that "The security value of the development will equal at least the amount of the VHFA loan after the rehabilitation." This finding was made based on information presented in the written report that the requested VHFA loan would equal 110.3% of the purchase price and appraisal value.

Assuming a new purchase price of \$1.38 million, as mandated by the VHCB, and a VHFA loan now estimated at \$1,607,650, the VHFA loan equals 116.5% of the purchase price, and 134% of the appraisal value.

If the amount of the proposed renovation, \$407,000 (including contingency) is added to the new Bredice appraised value (\$1,200,000), assuming a dollar for dollar increase in value, the VHFA loan would equal that total (\$1,607,000). In the opinion of staff, it is questionable whether an appraiser would give full credit for the proposed improvements. Note that about \$100,000 in the proposed development budget is working capital and contingency that was added largely at VHFA's requests, and will not be spent unless there are unforeseen problems.

A full chronology of the purchase negotiations and appraisal process follows.

May 1989	First appraisal by Frank Bredice, sets value at \$1.6 million.
June 1990	Second appraisal by Frank Bredice, sets value at \$1.55 million.
January 1991	Purchase offer signed for \$1.55 million.
March 1991	VHFA Board approves letter of interest resolution to loan up to \$1.5 million in tax exempt financing, but expresses concern over purchase price.



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- April 1991            VHCB Board approves deferred payment loan of up to \$360,000, but asks for a review appraisal.
- April 1991            VHFA Board approves commitment letter resolution to loan up to \$1.75 million in tax exempt financing, still assuming a purchase price of \$1.55 million but asking for the results of the review appraisal.
- April 1991            Keller review appraisal establishes a value of \$1.26 million.
- May 1991             Bredice releases a new appraisal establishing a value of \$1.2 million.
- June 1991            Current purchase and sale agreement expires, Section 23 program expires.

RECOMMENDED ACTION

Approval of the attached resolution, endorsing the previously made commitment letter resolution and making a revised finding as to security value of the development. The new resolution also lowers the VHFA loan maximum from \$1,750,000 to \$1,650,000, and conditions approval on receipt of the HUD project based subsidies.

## INPUT DATA

Project: Templeton/HFI RUN DATE: 5/21/91

Total Units: 36 \*\*\*\*\*Assumptions\*\*\*\*\*

Restricted Units: 35 Income increase: 3.00%

Percent Restricted: 97.22% Expense increase: 4.00%

Tax Credit Rate N/A Appreciation: 2.50%

TDC 1,942,650 Vacancy Rate: 6.00%

Syn Equity Possible N/A

0.00% 335,000

	Amount	% of TDC	Interest	Term
Equity 1	0	0.00%		
Equity 2	0	0.00%		
VHFA	1,607,650	82.76%	9.00%	30
HCTF	325,000	16.73%	7.00%	Partially Deferred
HCTF Grant	10,000	0.51%	0.00%	0
	1,942,650	100.00%		

Templeton/HFI	USES	5/21/91
	Budget	Per Unit Per Sq.Ft.
Acquisition	1,380,000	38,333 39.51
Rehab	370,000	10,278 10.59
Appraisal	5,000	139 0.14
Contingency	10.00% 37,000	1,028 1.06
Arch/Engineering	5,000	139 0.14
Legal/Title	5,000	139 0.14
Permits/Fees	0	0 0.00
Taxes/Insurance	0	0 0.00
Closing	2,500	69 0.07
VHFA Transaction Costs	2,500	69 0.07
Permanent Loan Fee	24,115 25,650	713 0.73
Loss Reserve	40,000	1,111 1.15
Working Capital	62,090 60,000	1,667 1.72
Developer's Fee	0.51% 10,000	278 0.29
TOTAL DEVELOPMENT COST	1,942,650	53,963 56

**RESOLUTION PERTAINING TO TEMPLETON COURT  
APARTMENTS DEVELOPMENT, WHITE RIVER JUNCTION**

WHEREAS, a proposal has been presented to the Agency by Vermont Housing Enterprises, Inc., a non-profit corporation recently formed by the Vermont State Housing Authority, involving the acquisition and rehabilitation of the Templeton Court Apartments, a 36 unit apartment development in White River Junction (the "Development"); and

WHEREAS, this Development has previously been the subject of Agency resolutions dated March 28, 1991 and April 23, 1991; and

WHEREAS, the Agency has determined that the Development will assist in fulfilling the purposes of the Act and is financially feasible;

WHEREAS, the purchase price for the Development has been reduced following a new appraisal; and

WHEREAS, the acquisition cost, together with the costs of rehabilitation, will equal the projected amount of the Agency's loan; and

WHEREAS, an additional \$65,000 in reserves required by the Agency also constitute a portion of the security value of the Development

It is hereby DETERMINED:

1. The security value of the Development will equal at least the amount of the VHFA loan after the rehabilitation.

WHEREFORE, it is hereby RESOLVED:

1. The findings of the Agency's resolutions of March 28, 1991 and April 23, 1991 are reaffirmed.
2. The amount of the VHFA commitment, to be determined by the Executive Director is reduced to an amount not to exceed \$1,650,000, for the Templeton Court Apartments Development.
3. The Agency's commitment is conditioned upon evidence satisfactory to the Executive Director that sufficient HUD project-based subsidies have been awarded to the sponsor for the Development to make the Development feasible.



VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Margaret Pond, Director of Development  
Mark Koppelkam, Multi-Family Development Underwriter

DATE: May 23, 1991

RE: PROPOSED CONSTRUCTION FINANCING FOR NEW 44 UNIT  
SINGLE FAMILY DEVELOPMENT (REDROCKS) IN BURLINGTON

Project Summary

The Westlake Partnership has requested a \$353,500 construction loan from VHFA to support their proposed development of a new 44 unit single family condominium project in Burlington. The principals of the partnership are Charles Brush and John Giebink of Shelburne. The sole limited partner is John Gale, also of Shelburne. The total development cost at this time is \$4,269,270. Thus, VHFA's share of the development cost is 8.3%.

As proposed, VHFA would hold only a second mortgage, though this would likely be a recourse loan, a different situation than most of our multi-family financing, which is non-recourse.

The primary construction lender has not yet been identified. A local contractor, Munson, is also acting in a lending capacity (subordinate to VHFA), providing \$330,000. This approximately equals the amount of sitework anticipated. (See the attached development budget for the proposed sources and uses of funds).

The project has been fully approved by Act 250 and all local entities and is the first large condominium development to come under the new Burlington inclusionary zoning ordinances, which require a certain proportion of affordable units.. The project is the first part of a two phase development, the latter half of which will be 59 units on an adjacent 12 acre parcel. The financing request being made does not involve the second phase in any way, except that the sale price of the Phase II land (@ \$10,000/unit) is being shown as revenue to the Phase I projections.

This first phase (44 units total) includes 12 perpetually affordable units, which will be offered to the Burlington Community Land Trust at prices of \$80,000 (2 BR) and \$90,000 (3 BR). The Land Trust has received a \$30,000 grant from the Vermont Housing and Conservation Board to market these shared appreciation units. A purchase and sale agreement with the Land Trust has already been signed. 24 of the remaining 32 of the units are priced within our MOVE program limits, and the remaining 8 are price well within the Mortgage Plus program limits.

Because of the affordable units, the partnership is requesting subsidized interest loan capital from a local bank through the Federal Home Loan Bank Board program. Projected construction interest rates from the primary construction lender have been shown at 8.5% for one part, and 10% for another part. The VHFA loan is projected at 10%. All the loans show a 1% commitment fee.

The request offers three primary security features. The first is that the limited partner will be providing a \$500,000 guarantee. The second is that the construction will be phased such that after the first 16 units (12 of which are committed to the Land Trust), each building will not be built until there are 50% pre-sales.

Additional security is offered by the fact that the entire 17 acre site will be mortgaged for this first phase, and it has appraised value (\$1,040,000) substantially above the original purchase price (\$440,000, unpermitted) and the existing mortgage balance (\$530,000, which will be paid off at closing as part of this transaction). The appraisal was done by Michael O'Brien of Keller, Navin, Cable & O'Brien. Phase II has also been fully permitted, except for a sewer capacity approval from the City of Burlington, which will be granted once the City's new sewer plant is operational.

The partnership currently has \$245,000 of equity invested in the site which is not shown on the attached development budget. Only \$55,000 of this would be paid back at the construction closing.

### Concerns

The site has extensive ledge. The developers say they have done extensive engineering, and that the sitework costs have been developed with the assumption that the site is essentially 100% ledge. They have suggested that the site contractor/investor (Munson) will sign a guarantee against cost overruns due to ledge.

This proposal is still fairly preliminary, and additional underwriting and negotiation is needed in a number of areas.

Recommendation

Staff requests Board approval in concept of VHFA participation in construction financing of single family developments that include affordable units, even if the Agency's loan is not in first position as to payment. The source of funds to be used for these Agency loans would be from external sources (i.e. not the Agency's general fund), and would require the Agency to issue obligations, pledges and/or guarantees.

Staff also requests Board authority to proceed to negotiate terms and to make a construction loan on the proposed Redrocks development, not to exceed 10% of total development costs and based generally on the attached information, pending final approval of a Board subcommittee to be appointed by the Board chairman.

Project:

REDROCKS

RUN DATE: 5/22/91

Potential Revenue

Total Units: 44

Unit Type	Number	Price	Totals
2 BR Affordable	4	80,000	320,000
3 BR Affordable	4	90,000	360,000
3 BR Afford (int)	4	90,000	360,000
2 BR (Int)	10	98,000	980,000
2 BR (Ext)	14	103,000	1,442,000
2 BR	8	107,500	860,000
	44		4,322,000

Plus Phase II Land 590,000

Less Selling Expenses 200,560 (Commissions 3.04%)

Gross Sales 4,711,440

Net Profit 442,170

Note: Buydown Subsidy in selling expenses of \$64,000

## FINANCING SOURCES

## Deficit/(Surplus)

	Amount	% of TDC	Cstrct Int Rate	Projected Loan Maximums
Munson	330,000	7.73%	8.00%	236,000
Bank S& D	725,000	16.98%	8.50%	707,082
Bank Bldg	800,000	18.74%	10.00%	625,545
VHFA	353,500	8.28%	10.00%	353,000
Partners Equity	190,000	4.45%	N/A	
Sales Proceeds	1,870,770	43.82%	N/A	
	4,269,270	100.00%		1,921,627

## REDROCKS

## DEVELOPMENT BUDGET

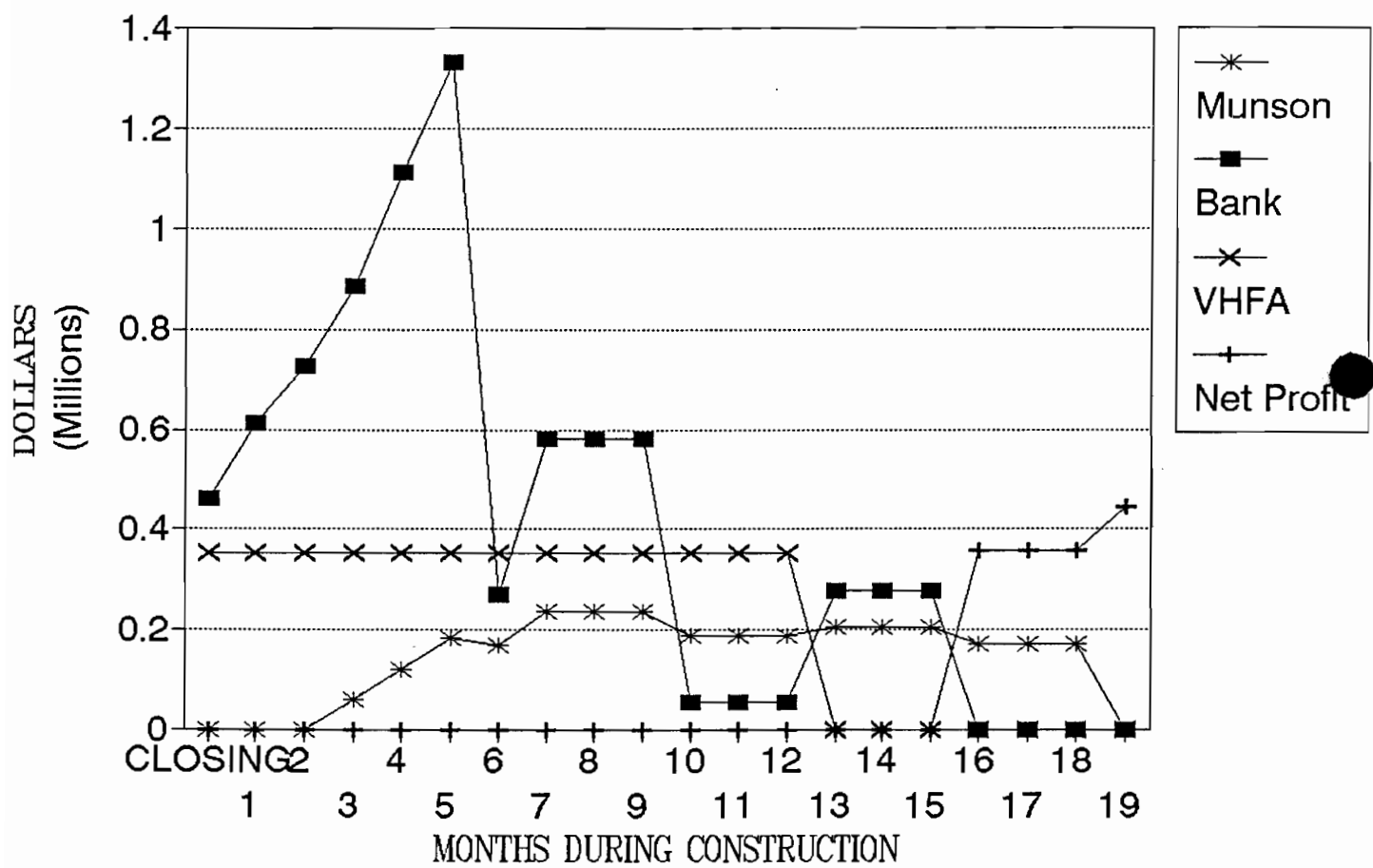
5/22/91

	Budget	Per Unit	
Land Acquisition	655,000	14,886	
Site Work	465,000	10,568	
Construction	2,595,000	58,977	
Bond Premium	0	0	
CONSTRUCTION CONTINGENCY	5.00%	0	
Arch/Engineering	136,000	3,091	
Other Professionals	28,000	636	
Inspections	1,300	30	
Legal/Accounting	22,000	500	
Permits/Fees/Transfer fe	155,500	3,534	
Insurance	11,000	250	
Taxes	12,500	284	
Construction Loan Interest	84,935	1,930	101,235
VHFA Construction Loan Fee (1%)	3,535	80	
Bank S&D Construction Loan Fee (1%)	7,250	165	
Bank Bldg Construction Loan Fee (1%)	8,000	182	
Marketing	32,200	732	
Working Capital	0	0	
Other Development Expense	2,000	45	
Developer's Fee	1.17%	50,050	1,138

TOTAL DEVELOPMENT COST 4,269,270 97,029

# REDROCKS CONDOS

## CUMULATIVE LOAN/CASH BALANCES





# VHFA MARKET SHARE

Homes Sold for a Price at or below VHFA Maximum Purchase Price Limit  
of All Primary Homes Sold in Vermont, and of



NOTE: Market Share represents VHFA-assisted purchases as a percent of all primary home purchases. VHFA purchase price limits were \$80,000 in 1987 and 1988, \$93,000 in 1989 and \$98,000 in 1990.

DATA SOURCE: VHFA and Vermont Department of Taxes



VERMONT HOUSING FINANCE AGENCY

June 17, 1991

Ms. Jean Gauthier  
Department of Administration  
Pavilion Office Building  
109 State Street  
Montpelier, VT 05602

Dear Ms. Gauthier:

The Vermont Housing Finance Agency will be having its regular monthly Board Meeting on Wednesday, June 26, at 1:30 p.m., here at the office of the Vermont Housing Finance Agency, One Burlington Square, Burlington, Vermont.

If you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in cursive script that reads 'Barbara M. Parker'.

Barbara M. Parker  
Executive Assistant



VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners  
FROM: Allan S. Hunt, Executive Director  
DATE: June 5, 1991  
RE: RESCHEDULING THE UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been rescheduled. The meeting will be held at 1:30 PM Wednesday, June 26, here at the office of the Vermont Housing Finance Agency, One Burlington Square, Burlington, Vermont.

There will be a groundbreaking ceremony the following day for the Whitney Hill elderly housing development in Williston. Invitations and specific information regarding the groundbreaking will be mailed to you shortly.

The agenda and board packet will be mailed by June 20.

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Burlington June 26!



VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners  
FROM: Allan S. Hunt, <sup>AS</sup>Executive Director  
DATE: June 20, 1991  
RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held at 1:30 p.m. Wednesday, June 26, here at the office of the Vermont Housing Finance Agency, One Burlington Square, Burlington, Vermont.

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

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Burlington June 26!



VERMONT HOUSING FINANCE AGENCY

**VHFA BOARD MEETING AGENDA**

**VERMONT HOUSING FINANCE AGENCY**

**One Burlington Square  
Burlington, Vermont**

**Wednesday, June 26, 1991 at 1:30 p.m.**

1. Review and approval of minutes of May 23, 1991
2. Executive Director's Report
  - A. Dalton Drive Update [Hunt//Encl.]
  - B. Mortgage Revenue Bond/  
Low Income Housing Tax Credit Status [Hunt]
3. Single Family
  - A. MOVE 1989B Update/Delinquency Discussion [Lothrop//Encl.]
4. Development
  - A. Statistical Evaluation of Single Family Programs [Pond/Markman//Encl.]
  - B. Reinvestment of Proceeds from Sugar Mae (Phase I) [Pond/Crady//Encl.]
  - C. Twin Pines Housing Trust--Request for  
Development Financing [Pond/Crady//Encl.]
  - D. Clarendon (Coburn) Commitment Letter [Pond/Koppelkam//Encl.]
5. Finance
  - A. Rating Agency Considerations [Schoenbeck//Encl.]
  - B. Green Acres Wood Chip Loan/Investment [Schoenbeck//Encl.]
  - C. Proposed FY92 Budget [Schoenbeck//Encl.]
6. Legal
  - A. Litigation Status [Jarrett//Encl.]
  - B. Proposed Templeton Court Closing Resolution [Jarrett//Encl.]
7. Other old or new business to come before the Board



VERMONT HOUSING FINANCE AGENCY

**BOARD MINUTES**

**Vermont Housing Finance Agency  
One Burlington Square  
Burlington, Vermont**

**Thursday, May 23, 1991**

**PRESENT:** Commissioners Shaw, Rockford (designee of Johnson), Erdman (designee of McDougall), Seelig, Myette, Ruse

Agency Staff: Mr. Hunt, Mr. Schoenbeck, Mr. Jarrett, Mr. Koppelkam, Mrs. Parker, Ms. Pond, Ms. Hope, Mr. Lothrop, Mr. Falzone, Ms. Crady, Mr. Francis

Guests: Mr. Dettman (VSHA); Mr. Faesy (ERH)

The meeting was called to order at 1:35 p.m.

Upon a motion duly made and seconded, the minutes of the April 25, 1991 meeting were unanimously accepted as written.

Mr. Hunt began his Executive Director's report by announcing that the closing for Highgate Apartments in Barre had been completed May 8. The next "Gates" project to be tackled will be the Westgate Apartments in Brattleboro, which have slightly different needs, with less financing anticipated. According to Mr. Hunt, HUD has completed five transactions for projects like these, of which two are Northgate and Highgate. As occurred in the Northgate transaction, no signed subsidy contract has been received, although written assurance has been given by HUD that a contract will be forthcoming within 60-90 days. Mr. Hunt thanked Mr. Kochman, Ms. Pond, Mr. Koppelkam and Mrs. Parker for their efforts in successfully completing the Highgate closing.

In an update on Dalton Drive, Mr. Hunt reported that of three contractor's bids received, two are well within or very close to the projected budget. Towny Anderson, of Preservation Investments, Ltd., is meeting with the primary contractors and a decision and recommendation is expected to be made within a week. The first group meeting was held with various lenders and Coburn & Feeley, the marketing firm selected for Dalton Drive, in attendance. A June 15 or July 1 closing is planned, to include a

## VHFA BOARD MINUTES

May 23, 1991

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groundbreaking ceremony. According to Mr. Hunt, the asbestos removal is continuing and sitework is underway. Mr. Hunt further assured the Board that a marketing plan would be in place within two weeks, and first occupancy is expected to occur by early fall.

Mr. Lothrop next introduced Mr. Faesy, of Energy Rated Homes of Vermont (ERH) to the Board. Mr. Faesy, representing the staff and Board of ERH, addressed the Board regarding the link between the Energy Efficient Mortgage and affordable housing. As the national model in the U.S., ERH wanted to express gratitude and support for Mr. Hunt's guidance and assistance, in the form of a plaque which Mr. Faesy presented. Mr. Faesy further acknowledged Mr. Hunt's activities in promoting the ERH program through lenders throughout the state, as well as through utilities and planners. In return, Mr. Hunt expressed his appreciation to Mr. Faesy and Mr. Lothrop for their time and efforts on behalf of ERH.

Returning to the agenda, Mr. Lothrop reported that delinquencies have dropped; a graph depicting the activity will be included in the next Board packet. Mr. Lothrop further reported that the number of properties owned by the Agency as the result of foreclosures or deeds in lieu of foreclosure is increasing, and most properties are in rough shape and are a challenge to sell.

The Board next reviewed a graph depicting "VHFA Market Share" which was distributed at the meeting. The Agency has been directly responsible for providing mortgages to 43 percent of the affordable housing market as well as 24 percent of the overall housing market in Vermont. Mr. Hunt further reminded the Board that most of the loans provided by the Agency are non-bankable; that is, loans which would not have been made by conventional lenders.

Mr. Lothrop further reviewed the comparison of activity between the MOVE 1989A and 1989B programs, as requested by Mr. Seelig at the April Board meeting. Mr. Seelig noticed that purchase prices do not appear to be dropping for the borrowers served by the Agency, despite the slowdown in the real estate market.

The "Possible Conversion of 1991 Mortgage Revenue Bonding (MRB) Authority to Mortgage Credit Certificate (MCC) Authority" was reviewed by Mr. Lothrop, as detailed in his memo of May 16, included in the Board packet. Following a brief discussion, a motion was duly made, seconded and unanimously approved to adopt the "Resolution Pertaining to Election of VHFA to Convert Mortgage Revenue Bond Authority to Mortgage Credit Certificate Authority" as attached to these minutes.

**VHFA BOARD MINUTES**

**May 23, 1991**

**Page 5 of 5**

Family Development (Redrocks) in Burlington." A discussion followed, centering on the implications of offering construction loans to private developers to produce affordable housing, which would also create economic development. Mr. Hunt pointed out to the Board that there are several positive points to be considered, such as the fact that this would involve a short term construction loan (vs. long term for mobile home parks); the relatively small amount of money requested could assure 12 perpetually affordable units and help to "jump-start" the local economy. While Mr. Seelig expressed his general support of the Agency encouraging developers along these lines, he advised the Board that further details should be required before any firm decision could be made. A motion was then made, seconded and passed unanimously authorizing the Chairman to create a subcommittee to review the Redrocks single family development in Burlington and work with staff to resolve issues.

Mr. Hunt then announced that Andrew F. Gurley, formerly of Chase Securities, Inc., would be joining PaineWebber Inc. as Managing Director effective June 1. The Board agreed to delay discussion on the implications of this action until the June Board meeting.

Ms. Hope invited the Board to attend the Lieutenant Governor's Third Annual Conference on Affordable Housing, to be held June 19 and 20 at the Sheraton Conference Center in South Burlington. Fannie Mae (Federal National Mortgage Association) has contributed \$2,500 to offset the cost of this conference, and the Agency will be a sponsor after donating \$1,000.

The next meeting was rescheduled to Thursday, June 27, *{later rescheduled to Wednesday, June 26}* in Burlington. There being no further business and following a motion duly made and seconded, the meeting adjourned at 3:40 p.m.

Respectfully submitted,

*ccca d. 40*

Allan S. Hunt  
Secretary



## VHFA BOARD MINUTES

May 23, 1991

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Next, the Board addressed the "Brattleboro: Deepwood Mobile Home Park Request for Letter of Interest/Resolution" as described in the memo from Ms. Pond and Mr. Koppelkam dated May 17, included in the Board packet. Mr. Hunt introduced Mr. Dettman, a representative of Housing Foundation Inc. (HFI) and Vermont State Housing Authority (VSHA) to the Board. Mr. Dettman offered a brief background on the development agreement for this project. According to Mr. Dettman, there are 80 undeveloped acres adjoining the property which were retained by the current owner at the original sale, subject to a development agreement in which the seller would be granted exclusive right to sell his company's mobile homes. The owner has now agreed to release ownership of the additional acreage. A lengthy discussion ensued, during which the Board discussed concerns including the exclusive development agreement; the construction and permanent financing aspect (the Agency is willing to offer permanent financing, but not construction financing, in order to minimize the risk to the Agency as the lender); the probability of lot rent differentials between the parks owned and managed by Tri-Park (which should not be a problem, according to Mr. Dettman, as such differences already exist in the three parks currently controlled by Tri-Park); and staff's discomfort with the lack of specifics for the mobile home park (no specific number of mobile homes, no entrance fee allowed by law). Mr. Seelig noted that staff should continue with negotiations regarding Deepwood, but cautioned that his support might ultimately be withheld if the final recommendation from staff is unchanged. A motion was then made and seconded to adopt the "Resolution Pertaining to Letter of Interest Re: Deepwood Mobile Home Park" as attached to these minutes; this motion was carried unanimously.

Ms. Pond then reviewed the "Clarendon: Coburn Mobile Home Park Request for Letter of Interest/Resolution" as discussed in the memo dated May 17, included in the Board packet. Following a brief discussion, a motion was made, seconded and unanimously adopted to implement the "Resolution Pertaining to Letter of Interest Re: Coburn Mobile Home Park" as attached to these minutes.

Mr. Koppelkam then distributed a memo regarding "White River Junction--Templeton Court Apartments (Vermont Housing Enterprises) Update Report" dated May 23. Following a brief review of the development including a discussion concerning the reduced purchase price as a result of an updated appraisal, a motion was made and seconded to adopt the "Resolution Pertaining to Templeton Court Apartments Development, White River Junction" as attached to these minutes; this motion was carried, with Mr. Seelig abstaining. Following this action, Mr. Dettman left the meeting.

Ms. Pond briefly reviewed the "Preliminary Program Information and Goals for VHFA's Energy Efficient Mortgage Pilot Program" as detailed in the memo dated May

## VHFA BOARD MINUTES

May 23, 1991

Page 4 of 5

15, included in the Board packet. A motion was then made and seconded to authorize staff to continue with the development of an Energy Efficient Mortgage Pilot Program using 1979 recycled funds, and further approving the targeting goals and program outlines in the above-referenced memo. This motion passed unanimously.

Mr. Schoenbeck reviewed the "General Fund Budget Update" and "General Fund Budget Adjustment Requests" detailed in his memos of May 16, included in the Board packet. Following a brief discussion, a motion was made, seconded and passed unanimously approving the adjustments to the operating budget items totalling a net *decrease* of \$49,700.

The "Highgate Bridge Loan Financing" was then addressed by the Board, in response to Mr. Schoenbeck's memo of May 16, included in the Board packet. A motion was duly made and seconded to authorize the "Resolution Pertaining to Short-Term Credit Facility for Highgate Development" as attached to these minutes; this motion was carried unanimously.

A brief discussion of the "Single Family Bond Financing" memo from Mr. Schoenbeck, dated May 16 and included in the Board packet, resulted in a motion to authorize staff to pursue the "conversion" of the 1990 Series 2 Bonds as described therein and trigger the notification to the trustee on June 17 if the market, economic conditions and assumptions regarding mortgage rate, Agency contribution and other financial factors are not significantly impacted; following a second, this motion was unanimously carried.

Mr. Jarrett updated the Board on legal issues regarding multi-family projects. In one instance, the Agency has filed a complaint against the owner of several multi-family projects, with a court hearing to appoint a receiver scheduled for the last week of May. In another unrelated case, a suit will be filed against a multi-family project owner in Orange County.

The Board turned next to Ms. Hope's anticipated "Leave of Absence" as described in her memo of May 15, included in the Board packet. Although no formal Board action was necessary, the Board wished Ms. Hope the best of luck and congratulated her on having the opportunity to pursue a Masters degree at Harvard's Kennedy School of Government.

Under other old or new business to come before the Board, Ms. Pond distributed her May 23 memo on the "Proposed Construction Financing for New 44 Unit Single

RESOLUTION PERTAINING TO ELECTION OF VERMONT HOUSING FINANCE AGENCY  
TO CONVERT MORTGAGE REVENUE BOND AUTHORITY  
TO MORTGAGE CREDIT CERTIFICATE AUTHORITY

WHEREAS, by a vote taken on January 30, 1991, the Emergency Board of the State allocated to the Agency \$55,000,000 of the State's 1991 private activity bond volume cap ("volume cap") as provided in Section 146 of the Internal Revenue Code of 1986, as amended (the "Code"); and

WHEREAS, the Agency has not yet used any of the 1991 volume cap allocated to the Agency; and

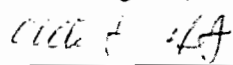
WHEREAS, the Agency wishes to continue its Mortgage Credit Certificate Program, which is reaching the end of the available authority;

NOW THEREFORE, in order to make the Mortgage Credit Certificate Program continue to be available and to satisfy the requirements of Section 25 of the Code and regulations issued thereunder, it is hereby

RESOLVED:

1. The Vermont Housing Finance Agency hereby elects to utilize \$10,000,000 of its 1991 private activity volume cap for the purposes of issuing qualified mortgage bonds and mortgage credit certificates.
2. The Vermont Housing Finance Agency hereby elects not to issue \$10,000,000 principal amount of qualified mortgage bonds that it is otherwise authorized to issue during calendar year 1991.
3. The Executive Director, Director of Finance, and the Director of Operations are directed, and each of them is authorized, to take all steps necessary to the continuation of the Agency's Mortgage Credit Certificate Program including, but not limited to:
  - A. Preparation, execution, and delivery of a Mortgage Credit Certificate Election in such form as may be required by the Internal Revenue Service and consistent in content and effect with this Resolution.
  - B. Certification to the Governor as provided in the Code.
  - C. Preparation of any certificate required by the Code to be signed by the Governor.
  - D. Preparation and placement of the appropriate public notices.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont on May 23, 1991.

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

RESOLUTION PERTAINING TO LETTER OF INTEREST RE:  
DEEPWOOD MOBILE HOME PARK

WHEREAS, a proposal has been presented to the Agency by the Housing Foundation, Inc., a non-profit corporation, involving the permanent financing of Deepwood Mobile Home Park, a 44 unit mobile home park to be constructed in Brattleboro; and

WHEREAS, the sponsor 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;

It is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income.
2. The costs of construction to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.
3. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and moderate income are able to afford within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of the residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families.
4. The housing sponsor undertaking the Development will maintain the supply of well-planned, well-designed permanent housing for persons and families of low and moderate income.
5. The sponsor is a financially responsible organization.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a letter of interest (the "Letter of Interest") to provide a first mortgage for permanent financing in an amount to be determined by the Executive Director, but not to exceed \$850,000, for the Deepwood Mobile Home Park.
2. The Letter of Interest shall be issued to the Housing Foundation, Inc. as the housing sponsor.

3. The Letter of Interest shall state that it is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The letter of interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.
4. The Executive Director is authorized to make preliminary arrangements for the issuance and private placement of taxable bonds of the Agency to provide proceeds for financing this loan.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont on May 23, 1991.

*Allan S. Hunt*

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

RESOLUTION PERTAINING TO LETTER OF INTEREST RE:  
COBURN MOBILE HOME PARK

WHEREAS, a proposal has been presented to the Agency by the Housing Foundation, Inc., a non-profit corporation, involving the acquisition of Coburn Mobile Home Park, a 46-unit mobile home park in Clarendon; and

WHEREAS, the sponsor 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;

It is hereby DETERMINED:

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

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

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

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

5. The sponsor is a financially responsible organization.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a letter of interest (the "Letter of Interest") to provide a first mortgage for permanent financing in an amount to be determined by the Executive Director, but not to exceed \$300,000, for the Coburn Mobile Home Park.

2. The Letter of Interest shall be issued to the Housing Foundation, Inc. as the housing sponsor.

3. The Letter of Interest shall state that it is not a commitment to finance and shall be conditional upon the

availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The letter of interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

4. The Executive Director is authorized to make preliminary arrangements for the issuance and private placement of taxable bonds of the Agency to provide proceeds for financing this loan.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont on May 23, 1991.

*Allan S. Hunt*

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

RESOLUTION PERTAINING TO TEMPLETON COURT  
APARTMENTS DEVELOPMENT, WHITE RIVER JUNCTION

WHEREAS, a proposal has been presented to the Agency by Vermont Housing Enterprises, Inc., a non-profit corporation recently formed by the Vermont State Housing Authority, involving the acquisition and rehabilitation of the Templeton Court Apartments, a 36 unit apartment development in White River Junction (the "Development"); and

WHEREAS, this Development has previously been the subject of Agency resolutions dated March 28, 1991 and April 25, 1991; and

WHEREAS, the Agency has determined that the Development will assist in fulfilling the purposes of the Act and is financially feasible;

WHEREAS, the purchase price for the Development has been reduced following a new appraisal; and

WHEREAS, the acquisition cost, together with the costs of rehabilitation, will equal the projected amount of the Agency's loan; and

WHEREAS, an additional \$65,000 in reserves required by the Agency also constitute a portion of the security value of the Development;

It is hereby DETERMINED:

1. The security value of the Development will equal at least the amount of the VHFA loan after the rehabilitation.

WHEREFORE, it is hereby RESOLVED:

1. The findings of the Agency's resolutions of March 28, 1991 and April 25, 1991 are reaffirmed.
2. The amount of the VHFA commitment, to be determined by the Executive Director is reduced to an amount not to exceed \$1,650,000, for the Templeton Court Apartments Development.
3. The Agency's commitment is conditioned upon evidence satisfactory to the Executive Director that sufficient HUD project-based subsidies have been awarded to the sponsor for the Development to make the Development feasible.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont on May 23, 1991.

*ALLAN S. HUNT*  
\_\_\_\_\_  
Allan S. Hunt  
Executive Director and Secretary  
Vermont Housing Finance Agency



RESOLUTION PERTAINING TO SHORT-TERM CREDIT FACILITY  
FOR HIGHGATE DEVELOPMENT

Pursuant to its Resolution of March 28, 1991, for the purpose of financing the acquisition of Highgate Apartments (the "Development"), the Agency has made a Mortgage Loan (the "Mortgage Loan") to Highgate Housing Limited Partnership (the "Partnership") relying, in part, on the letter of May 8, 1991 (the "Bridge Loan Commitment") from Housing Vermont and the Partnership to the Executive Director, a copy of which is attached hereto.

Pursuant to Chapter Two of the Agency's Rule entitled "Grants, Loans and Advances to Assist the Planning, Construction, Rehabilitation, and Operation of Residential Housing; Mortgage Loans to Housing Sponsors for Single Family Developments" (the "Rule"), and with capitalized terms unless otherwise defined having the same mere meaning as they have in the Bridge Loan Commitment, the Agency finds that the Advances described in the Bridge Loan Commitment will assist the planning, rehabilitation, and operation of Residential Housing primarily for persons and families of low and moderate income.

RESOLVED: Pursuant to paragraph 5 of Chapter Two of the Rule, and so long as the Mortgage Loan is not in default, the Executive Director and the Director of Finance are authorized to make loans to Housing Vermont on a revolving basis in an amount not to exceed \$625,000.00 of outstanding principal amount. Such loans shall be made in the form of Advances to the Partnership for the account of Housing Vermont, as described in the Bridge Loan Commitment, shall bear interest at 8% per annum, with interest payable monthly in arrears, shall be unconditionally due and payable in full on December 31, 1992, shall be unsecured, and shall otherwise conform to the terms of the Bridge Loan Commitment.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont on May 23, 1991.

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

HOUSING VERMONT  
ONE BURLINGTON SQUARE  
BURLINGTON, VERMONT 05402

May 8, 1991

Allan S. Hunt, Executive Director  
Vermont Housing Finance Agency  
One Burlington Square  
Burlington, Vermont 05402

Re: Highgate Apartments Project -- Short Term Credit Facility

Dear Mr. Hunt:

In connection with the captioned project, based on the schedule of equity contributions ("Equity Contributions") anticipated by Highgate Housing Limited Partnership (the "Partnership") from Vermont National Bank, Northfield Savings Bank, The Howard Bank, and The Granite Bank (the "Investors"), the Partnership expects that it will need a revolving short-term credit facility of up to \$900,000.00 in order to make timely payment of liabilities to be incurred in connection with the rehabilitation aspect of the project.

In order to induce you to issue your Wraparound Promissory Note as described in your Highgate Housing Resolution dated March 28, 1991, we advise Vermont Housing Finance Agency ("VHFA") as follows:

1. Housing Vermont will set aside \$275,000.00 of funds (the "Gap Loan Set Aside") in Housing Vermont's Development Account for the purpose of making short-term loans ("Gap Loans") to the Partnership to be used by the Partnership in order to meet its rehabilitation expenditures in a timely way.

2. To the full extent of the Gap Loan Set Aside, Housing Vermont will make Gap Loans to the Partnership as needed, on a revolving basis; provided, however, that after the first contribution of equity received in fact from the Investors in an amount at least equal to \$175,000.00, the obligation of Housing Vermont to issue further Gap Loans shall be limited to a principal amount outstanding not exceeding \$100,000.00. Gap Loans will bear interest at 8% per annum. The proceeds of Gap Loans will be deposited in a timely manner into the Rehabilitation Escrow Account established pursuant to the Vermont Housing Finance Agency Regulatory Agreement (the "Regulatory Agreement"), and their use shall be governed by the terms thereof.

3. Gap Loans shall be a special obligation of the Partnership, with the interest thereon payable solely from funds allocated to Bridge Loan interest in the Partnership's rehabilitation budget as accepted by VHFA (the "Rehabilitation Budget"). Principal shall be payable solely from Equity Contributions.

4. In order to assure the availability of funds to cover any shortfall between the maximum amount of Gap Loans and the anticipated need of the Partnership for short-term credit, Housing Vermont authorizes VHFA to make

advances ("Advances") to the Partnership for Housing Vermont's account on a revolving basis in an aggregate outstanding amount not to exceed \$625,000.00 in excess of the aggregate amount of Gap Loans outstanding at any given time.

5. Advances will bear interest at 8% per annum. Interest shall be payable monthly by the Partnership to Housing Vermont to the extent of funds available and allocated to Bridge Loan interest in the Rehabilitation Budget. Interest shall be payable absolutely by Housing Vermont to VHFA on a monthly basis.

6. Except to the extent provided to the contrary in paragraph 7, below, Housing Vermont will apply any and all payments received by it from the Partnership first to repayment of the outstanding principal amount of Advances, if any, then to the repayment of Gap Loans.

7. Except with respect to the first \$175,000.00 of the initial Equity Contribution paid in to the Partnership, which shall be applied to the repayment of Gap Loans, Housing Vermont will immediately repay or cause the Partnership to repay to VHFA the principal amount of all Advances upon receipt by the Partnership of Equity Contributions to the full extent of such Equity Contributions. Provided, however, that nothing herein shall be construed to limit Housing Vermont's liability to you for repayments of Advances. Housing Vermont unconditionally promises to repay or cause the repayment of all Advances, with all interest earned thereon, on or before December 31, 1992. Without limiting the generality of the foregoing, and as between VHFA and Housing Vermont, Housing Vermont expressly agrees to bear the risk of non-receipt of sufficient Equity Contributions to repay the Advances and/or the Gap Loans.

8. The special obligation of the Partnership to repay Gap Loans and Advances to or for the benefit of Housing Vermont may be evidenced by a separate writing not inconsistent herewith, but shall not be secured by any interest in any property whatsoever of the Partnership.

9. Highgate Housing Limited Partnership will draw upon the short-term credit herein made available to it to the extent necessary to meet its obligations under the Rehabilitation Budget, and will abide by the terms hereof in every respect.

Very truly yours,

HOUSING VERMONT

By \_\_\_\_\_

Michael Richardson, President

HIGHGATE HOUSING LIMITED PARTNERSHIP  
BY HIGHGATE HOUSING, INC., GENERAL PARTNER

By \_\_\_\_\_

Authorized Agent



VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director  
Emily Wadhams, Consultant

DATE: June 20, 1991

RE: CONTRACTOR SELECTION FOR DALTON DRIVE

As you know, three contractors (Wright and Morrissey, Kessel/Duff and Engelberth) submitted bids for the Dalton Drive project. As the high bidder, Wright and Morrissey was eliminated immediately. Preservation Investments, Limited then began the process of analyzing the two low bids building by building and by construction division. Both contractors were requested to submit additional information in order to assure staff that the bids were being accurately compared. After reviewing the bid submissions and holding follow-up meetings with Kessel/Duff and Engelberth, at the recommendation of Preservation Investments, Engelberth Construction has been selected as the general contractor for the Dalton Drive project, subject to negotiating a contract consistent with our budget.

Bid Submission

1. Engelberth's bid submission was excellent. It was clear, well organized and the only bid of the three submitted that was in complete accordance with the instructions of the RFP.
2. Engelberth prepared well for both pre-bid and follow-up meetings to discuss bid details. They exhibited a good grasp of the scope of work, the ability to administrate a project of this complexity, and the resources to meet the Phasing Schedule.

K/D brought considerable experience to the estimating and project analysis. However, the person that did the majority of the estimating will not be available to supervise Dalton Drive -- he is the superintendent for Highgate. The depth of resources K/D brings to Dalton Drive is weak compared to that offered by Engelberth.

### Cost Disparities

1. Although Kessel Duff's original bid proposal was considerably lower than Engelberth's, a series of clarifications and a comprehensive construction division analysis against the project scope of work and construction budget (prepared by Preservation Investments and North Hollow Construction) resulted in adjustments which substantially closed the margin between the two:

K/D	5/8/91 submittal (incomplete)	2,885,441
Engelberth	5/8/91 submittal	3,605,464

K/D	Final Adjustments 6/5/91*	3,193,794
Engelberth	Final Adjustments 5/30/91	3,218,669

DDN Budget, October 1990 (does not include prime paint, 2 paint coats exterior, or 77 new kitchens and bathrooms)	3,010,483
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\* Reflects PIL adjustments and K/D line item submittals

2. K/D's bid had several critical omissions. It did not comply with the phasing schedule described in the RFP, a schedule that was carefully constructed by Preservation Investments to keep project costs down while being flexible enough to respond to market needs. When K/D was asked to revise their cost based on the phasing schedule identified in the RFP, they added \$15,000 in general conditions to their cost, a figure that Preservation Investments believes is unreasonably low. In addition, K/D did not include the cost of asbestos removal in their bid as requested.
3. K/D included \$15,000 for plaster repair in the painting budget, even though they got plastering bids in the \$400K - \$500K range. Engelberth went out of state to find an experienced flat wall plasterer for considerably less (\$141,000) but realistic for the project scope.
4. K/D's line item budgets for roofing and porch repair (\$178,000) are substantially under the Project Construction Budget of \$312,000.

### Financials

1. Both contractors were asked to submit evidence of their ability to acquire a performance bond for the project. Engelberth submitted documentation immediately that satisfied the Agency's requirements. K/D's bonding company was less forthright in committing itself and asked for a considerable amount of

additional information including the amounts of all the bids and evidence of construction financing for the project. The Agency had concerns about K/D's bonding ability in light of the time it took them to satisfy the bond requirements for Highgate. The day before we were to announce the contractor, K/D came forward with a pledge from Bill Duff to personally back the bond or letter of credit. Although this did give us some comfort, it didn't override the other conditions that resulted in Engelberth's selection.

#### The Highgate Factor

K/D is the general contractor on Highgate, a \$3,000,000 rehabilitation which began in May. We were concerned about K/D's ability and staffing to handle two large and complex projects at the same time. K/D was also asked how much of their \$500,000 line of credit was pledged to the surety for Highgate. That information was not provided by the deadline for selecting the contractor.

#### Summary

The RFP to contractors stated that the Agency was not obligated to accept the low bid and that it reserved the right to negotiate with any bidder. After careful consideration and analysis of the two low bidders, we all feel strongly that Engelberth Construction has a better understanding of the scope of work of this project. They are willing to negotiate a contract price that will be within our budget. In addition, they have the financial strength, the organizational support and have demonstrated an attitude of cooperation, responsiveness and flexibility that will be of utmost importance in a project of this size and complexity.

AS OF: 06/19/91

PAGE NO. 1

Vermont Housing Finance Agency  
 89B - \$41,999,311 MORTGAGE LOAN PURCHASE PROGRAM  
 Status Report (with percent of pool proceeds approved)  
 Rate : 8.700%  
 Date : 06/19/91

Report: 1130

PERSTATU

Lender	Funds Reserved	Percent Reserved	Prelim. Approval	% Prelim Approval	Loans Purchased	Loans to be Purchased	PERC		
BancBoston Mortgage Corporation	\$564,880	1.3%	\$564,880	1.3%	\$0	\$564,880	100.0%		
Bank of Vermont	\$3,329,671	7.9%	\$3,106,490	7.3%	\$2,966,940	\$139,550	4.1%		
Bradford National Bank	\$185,938	0.4%	\$185,938	0.4%	\$132,938	\$53,000	28.5%		
Caledonia National Bank of Danville, The	\$554,751	1.3%	\$492,151	1.1%	\$442,338	\$49,813	8.9%		
Chittenden Bank	\$8,321,547	19.8%	\$8,141,822	19.3%	\$7,477,697	\$664,125	7.9%		
Citizens Savings Bank and Trust	\$424,705	1.0%	\$424,705	1.0%	\$424,705	\$0	0.0%		
Commonwealth Mortgage Company, Inc	\$375,402	0.8%	\$375,402	0.8%	\$375,402	\$0	0.0%		
Community National Bank	\$1,434,687	3.4%	\$1,304,187	3.1%	\$1,115,587	\$188,600	13.1%		
Factory Point National Bank, The	\$237,793	0.5%	\$237,793	0.5%	\$81,644	\$156,149	65.6%		
Franklin-Lamoille Bank	\$846,870	2.0%	\$807,225	1.9%	\$807,225	\$0	0.0%		
Granite Savings Bank and Trust Company	\$245,237	0.5%	\$175,237	0.4%	\$175,237	\$0	0.0%		
Howard Bank, National Assn, The	\$435,238	1.0%	\$435,238	1.0%	\$435,238	\$0	0.0%		
Lyndonville Savings Bank & Trust Company	\$775,177	1.8%	\$675,177	1.6%	\$675,177	\$0	0.0%		
Marble Bank	\$1,107,146	2.6%	\$1,107,146	2.6%	\$930,216	\$176,930	15.9%		
Merchants Bank, The	\$1,847,601	4.3%	\$1,847,601	4.3%	\$1,847,601	\$0	0.0%		
National Bank of Middlebury, The	\$225,300	0.5%	\$225,300	0.5%	\$225,300	\$0	0.0%		
New England IBM Employees Fed Crdt Union	\$789,475	1.8%	\$789,475	1.8%	\$789,475	\$0	0.0%		
Northfield Savings Bank	\$354,075	0.8%	\$308,475	0.7%	\$262,875	\$45,600	12.8%		
Passumpsic Savings Bank	\$1,353,972	3.2%	\$1,353,972	3.2%	\$1,322,572	\$31,400	2.3%		
Peoples Trust Company of St Albans	\$480,834	1.1%	\$480,834	1.1%	\$347,359	\$133,475	27.7%		
Proctor Bank	\$522,955	1.2%	\$419,155	0.9%	\$419,155	\$0	0.0%		
Randolph National Bank	\$457,805	1.0%	\$309,805	0.7%	\$309,805	\$0	0.0%		
Statewide Funding Corporation	\$2,006,636	4.7%	\$1,827,656	4.3%	\$1,353,243	\$474,413	23.6%		
Summit Financial Center, Inc.	\$242,630	0.5%	\$242,630	0.5%	\$148,580	\$94,050	38.7%		
Union Bank	\$1,492,429	3.5%	\$1,445,429	3.4%	\$1,275,771	\$169,658	11.3%		
Valley Bank	\$61,773	0.1%	\$61,773	0.1%	\$61,773	\$0	0.0%		
Vermont Federal Bank, FSB	\$6,535,430	15.5%	\$6,221,500	14.8%	\$5,723,250	\$498,250	7.6%		
Vermont Mortgage Group, Inc	\$1,842,581	4.3%	\$1,842,581	4.3%	\$1,709,981	\$132,600	7.1%		
Vermont National Bank	\$4,805,320	11.4%	\$4,734,820	11.2%	\$4,360,270	\$374,550	7.7%		
TOTALS		642 Loans	\$41,857,858	99.6%	\$40,144,397	95.5%	\$36,197,354	\$3,947,043	9.4%

STATISTICAL REPORT PROGRAM ID: 89B  
 UNDERWRITING DATABASE  
 LTV 0% TO 100%  
 Effective for 01/01/89 thru 06/19/91  
 Loan Status: CC,UC,O

Report: 150

Total Number of Loans: 609  
 Total Loan Amount: \$39,817,008

EXISTING:	\$28,513,708	73.3%	447 Loans
NEW CONSTRUCTION:	\$11,303,300	26.6%	162 Loans
NEW DETACHED HOUSING:	\$9,362,153	82.8%	135 Loans
NEW CONDOMINIUM:	\$1,941,147	17.1%	27 Loans

Funds Remaining to be Reserved: \$77,793 0.1% 1 Loans (Est.)

Total Insured or Guaranteed Loans: 546  
 Loans Guaranteed by VHMGB: 538

	ACED =====	NON ACED =====	STATEWIDE =====
Avg. Purchase Price	\$68,857	\$77,830	\$72,305
Avg. Loan Amount	\$62,718	\$69,647	\$65,380
Avg. Borrower Income	\$27,396	\$27,911	\$27,594
Avg. Housing Debt-Income Ratio	26.9%	29.7%	28.0%
Avg. Total Debt	\$797.13	\$839.01	\$813.22
Avg. Total Debt-Income Ratio	34.9%	36.3%	35.5%
Total No. of Loans	375	234	609
% of Total Loan Amount	59.1%	40.9%	100.0%
First Time Homebuyers	84.2%	99.1%	89.9%
% Meeting Low Income Set Aside	37.0%	55.1%	44.0%

	Loans	% of Loans	\$ Amount	*Households	% of Hshlds	% DIFF
Addison	32	5.3%	\$2,107,058	5,000	5.7%	0.4-
Bennington	17	2.8%	\$1,116,287	6,300	7.2%	4.4-
Caledonia	55	9.0%	\$3,169,428	4,800	5.5%	3.5
Chittenden	150	24.8%	\$10,814,399	16,000	18.2%	6.6
Essex	7	1.1%	\$381,351	1,300	1.4%	0.3-
Franklin	83	13.6%	\$5,445,306	6,000	6.8%	6.8
Grand Isle	5	0.8%	\$326,130	900	1.0%	0.2-
Lamoille	34	5.6%	\$2,037,717	3,300	3.8%	1.8
Orange	17	2.8%	\$986,308	4,300	4.9%	2.1-
Orleans	42	6.9%	\$2,121,031	4,200	4.8%	2.1
Rutland	58	9.5%	\$4,038,975	10,000	11.4%	1.9-
Washington	55	9.0%	\$3,710,669	9,000	10.3%	1.3-
Windham	24	3.9%	\$1,628,601	7,100	8.1%	4.2-
Windsor	30	4.9%	\$1,933,748	9,600	11.0%	6.1-
TOTAL	609	100.0%	\$39,817,008	87,800	100.0%	

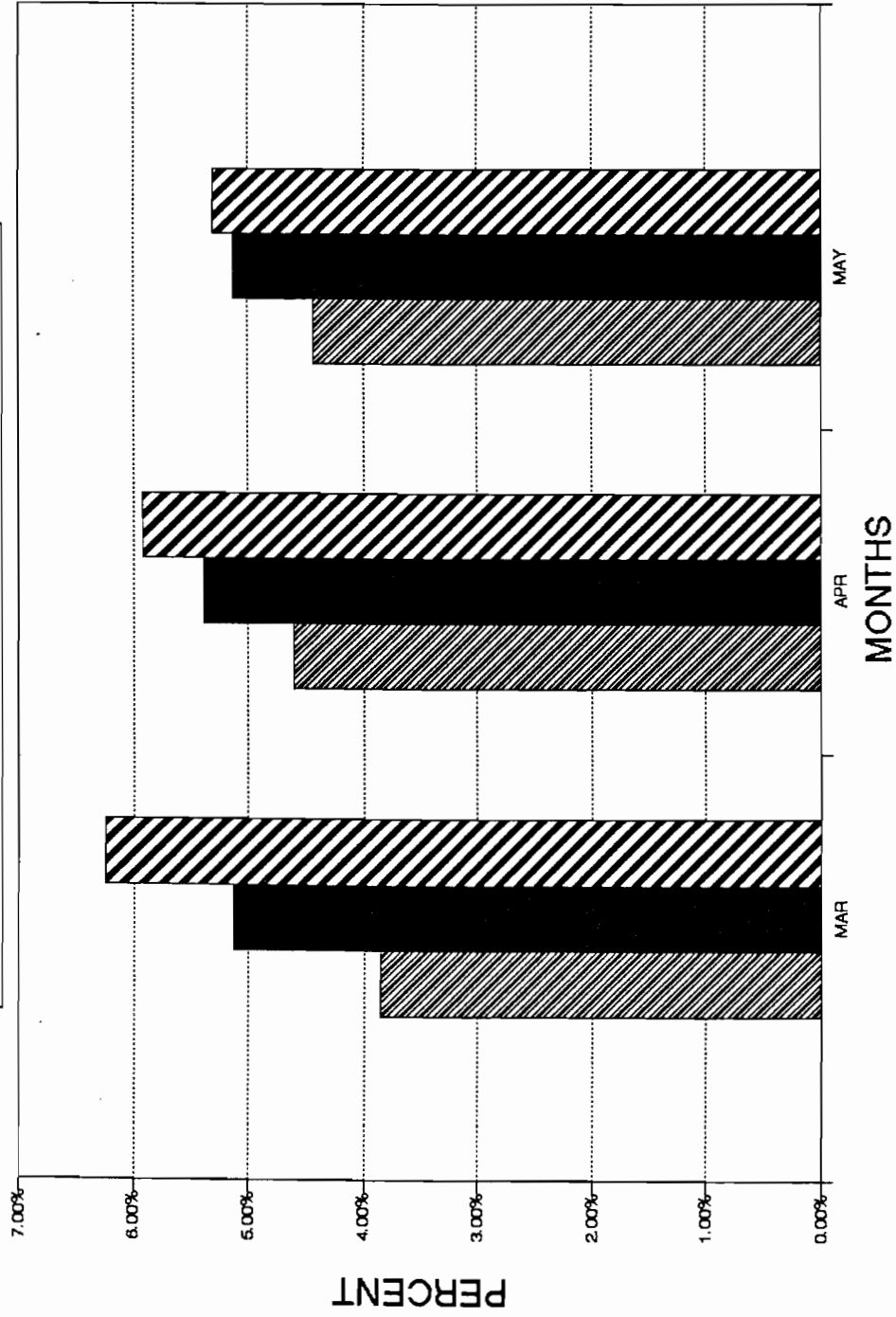
\* Estimated number of households, \$15,000 to \$35,000 income.  
 ource: CACI, 1990 Sourcebook of County Demographics



Vermont Housing Finance Agency  
Delinquency Statistics Report  
SINGLE FAMILY PORTFOLIO  
EFFECTIVE: 05/31/91

Banks	Outstanding					Grand				
	Loans	30 Days	60 Days	90+ Days	Total	Auth	FCL	REO	Total	Total
BancBoston Mortgage Corporation	1	0	0	0	0	0	0	0	0	0
Bank of Vermont	368	5	1	0	11	2	0	0	11	2
Bennington Coop Savings & Loan Assn Inc	72	1	1	0	2	1	0	0	2	1
Bradford National Bank	62	2	3	0	5	1	0	0	5	1
Caledonia National Bank of Danville, Th	144	6	4	1	11	1	0	0	11	1
Chittenden Trust Company	1,057	37	3	0	40	4	0	0	40	4
Citizens Savings Bank	8	0	0	0	0	0	0	0	0	0
Comfed Mortgage Co., Inc.	17	1	5	0	6	1	0	0	6	1
Commonwealth Mortgage Company, Inc	26	1	3	0	4	1	0	0	4	1
Community National Bank	136	3	2	1	6	3	0	0	6	3
Factory Point National Bank, The	23	2	8	0	10	2	0	0	10	2
First Brandon National Bank	7	1	0	0	1	1	0	0	1	1
First Northern Mortgage Corporation	9	1	1	0	2	1	0	0	2	1
First Twin-state Bank	163	2	1	0	3	2	0	0	3	2
First Vermont Bank and Trust Company	188	9	4	0	13	6	0	0	13	6
Franklin-Lamoille Bank	217	10	4	0	14	4	0	0	14	4
Granite Savings Bank and Trust Company	36	1	2	0	3	1	0	0	3	1
Green Mountain Bank	19	0	0	0	0	0	0	0	0	0
Howard Bank, National Assn, The	504	33	6	1	40	4	0	0	40	4
Lomas & Nettleton Company, The	28	1	3	0	4	1	0	0	4	1
Lyndonville Savings Bank & Trust Compan	51	0	0	0	0	0	0	0	0	0
Marble Bank	234	7	2	0	9	2	0	0	9	2
Merchants Bank, The	302	8	2	0	10	3	0	0	10	3
National Bank of Middlebury, The	68	2	2	0	4	2	0	0	4	2
New England IBM Employees Fed Crdt Unio	76	1	1	0	2	1	0	0	2	1
Northfield Savings Bank	147	6	4	0	10	4	0	0	10	4
Passumpsic Savings Bank	174	2	1	0	3	1	0	0	3	1
Peoples Trust Company of St Albans	179	9	5	0	14	5	0	0	14	5
Proctor Bank	121	7	5	0	12	7	0	0	12	7
Randolph National Bank	75	4	5	0	9	4	0	0	9	4
Statewide Funding Corporation	44	1	2	0	3	1	0	0	3	1
Union Bank	153	4	2	0	6	2	0	0	6	2
Valley Bank	22	1	4	0	5	1	0	0	5	1
Vermont Federal Bank, FSB	939	22	2	0	24	2	0	0	24	2
Vermont Mortgage Group, Inc	144	6	4	0	10	4	0	0	10	4
Vermont National Bank	390	8	2	0	10	2	0	0	10	2
Wells River Savings Bank	22	1	4	0	5	1	0	0	5	1
Woodstock National Bank	14	0	0	0	0	0	0	0	0	0
Overall Totals:	6,240	204	57	54	315	5	0	8	331	5
April 30, 1991	6,271	240	67	51	358	5	0	8	371	5

# SINGLE FAMILY DELINQUENCIES



1989 1990 1991



VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Stacy Markman, Research Analyst *SM*

DATE: June 18, 1991

RE: Statistical Evaluation of Single Family Programs

Attached are selected data items from the first of what is planned to be an annual evaluation of VHFA's single family programs. This evaluation, directed and reviewed by the Program Group, encompassed a wide range of concerns including historical activity levels; current borrower profiles by program; the effect of seasonal changes, rate and rate spread on activity; program activity by lender and county; and the impact of income and purchase price limit changes. In total, more than 40 data items were examined. The knowledge gained through this evaluation will be applied to improved program planning, operations and outreach.

Sixteen data presentations, displayed in the attached charts and graphs, have been selected for your review. The significance of these data and the Program Group's interpretation of some of the data trends, patterns and correlations will be discussed at the June 26 Board meeting. For Board members unable to attend, a summary of the discussion will be prepared and sent following the June 26 meeting.

Data presentations included in this report are as follows:

- 1) 1990 Single Family Programs: By program, the number of loans purchased, dollar volume of loans purchased, average loan amount and average program interest rate.
- 2) 1975-1990: VHFA Mortgages Purchased and Average VHFA Rate vs Conventional Rate.
- 3) Affordability Gap 1978-1990: Comparison by year of the average Vermont home price with the purchasing power of a Vermont family earning the median income.
- 4) Number of MOVE Loans Reserved By Month, July 1987 - May 1991.
- 5) Number of MOVE Loans Reserved By Month and Average MOVE Interest Rate, 7/87- 5/91.

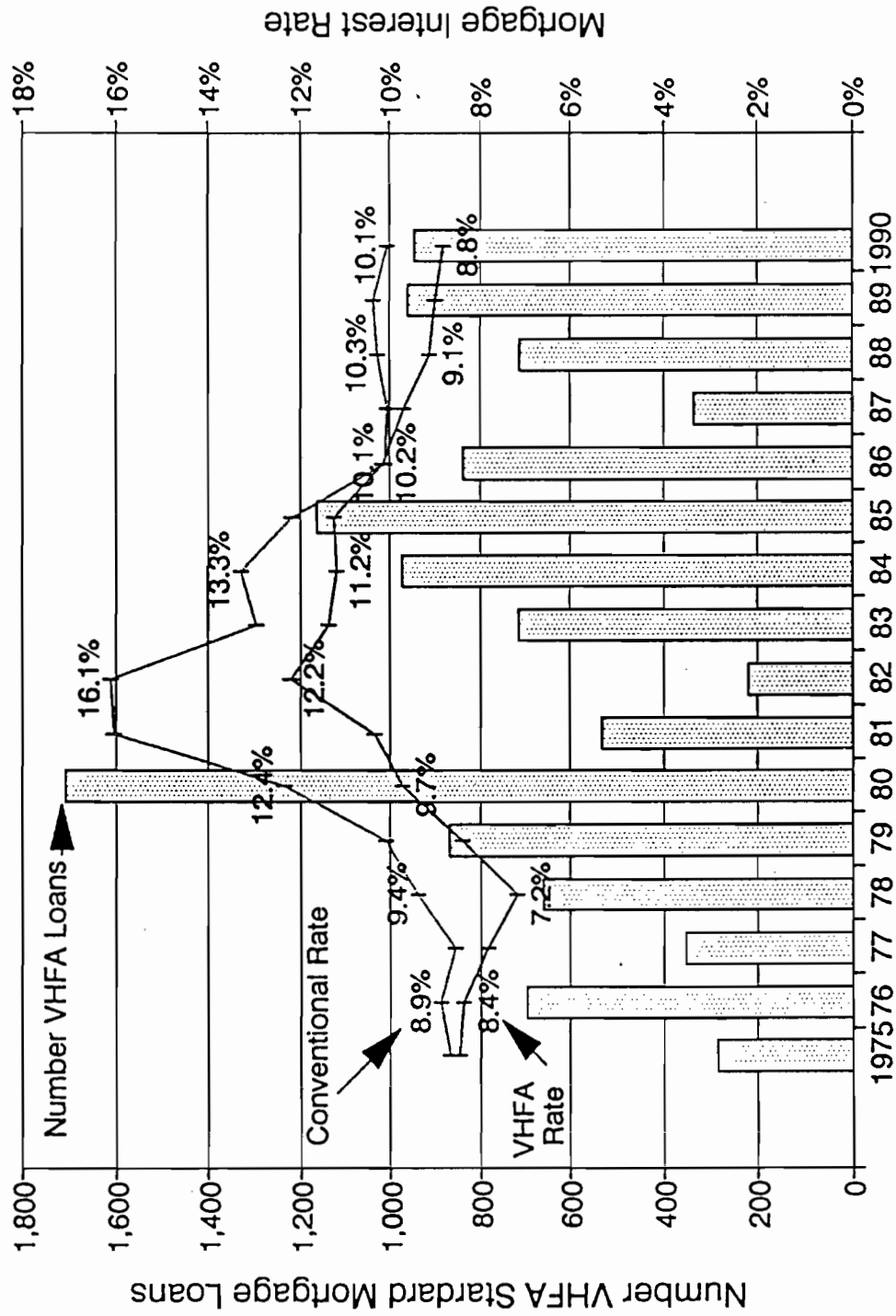
- 6) Number of MOVE Loans Reserved by Month and Rate Spread, 7/87-5/91:  
Compares the number of loans reserved with the average rate spread, by month, between the VHFA interest rate on MOVE loans reserved, and the average interest rate for a 30-year, fixed, conventional loan in Vermont (based on VHFA's weekly survey of seven Vermont lenders).
- 7) Hotline Calls in One Month vs Reservations in Following Month: Comparison of the number of calls received per month on VHFA's Hotline with the number of reservations received for MOVE programs the following month.
- 8) Indexed Hotline Calls in One Month vs Indexed Reservations in Following Month:  
Same data as above, presented in an indexed format, converting two data sets to same scale for ease of comparison.
- 9) Ratio of Reservations in One Month to Hotline Calls in Previous Month.
- 10) Comparative 1990 Borrower Profiles. By Program: Lists profile data for MOVE, MCCs, HOUSE and FmHA programs. Data includes average income, purchase price, monthly payment, down payment, age, and percent first time buyers.
- 11) Income Distribution, 1990 MOVE Borrowers: Number and percent of loans by \$5,000 increment categories.
- 12) MOVE Borrower Incomes in Relation to Median Income: Presents the percent of 1989 and 1990 MOVE borrowers with incomes at or below 80 percent and 100 percent of 1) state median and 2) the greater of area or state median.
- 13) Purchase Price Distribution 1990 MOVE Borrowers: Number and percent of loans by \$10,000 increment categories.
- 14) Mortgages for New vs Existing Homes, 1989 and 1990.
- 15) 1990 VHFA Market Share By County: Market Share represents VHFA-assisted purchases as a percent of 1) all primary homes sold in Vermont, and 2) primary homes sold for a price within VHFA's 1990 purchase price limit of \$98,000.
- 16) Effect of 1990 Income and Purchase Price Changes: Compares the average borrower income and purchase prices for 1989A MOVE Program loans committed during the six months before and the six months following VHFA's income and purchase price limit changes enacted April 2, 1990.

## 1990 SINGLE FAMILY PROGRAMS

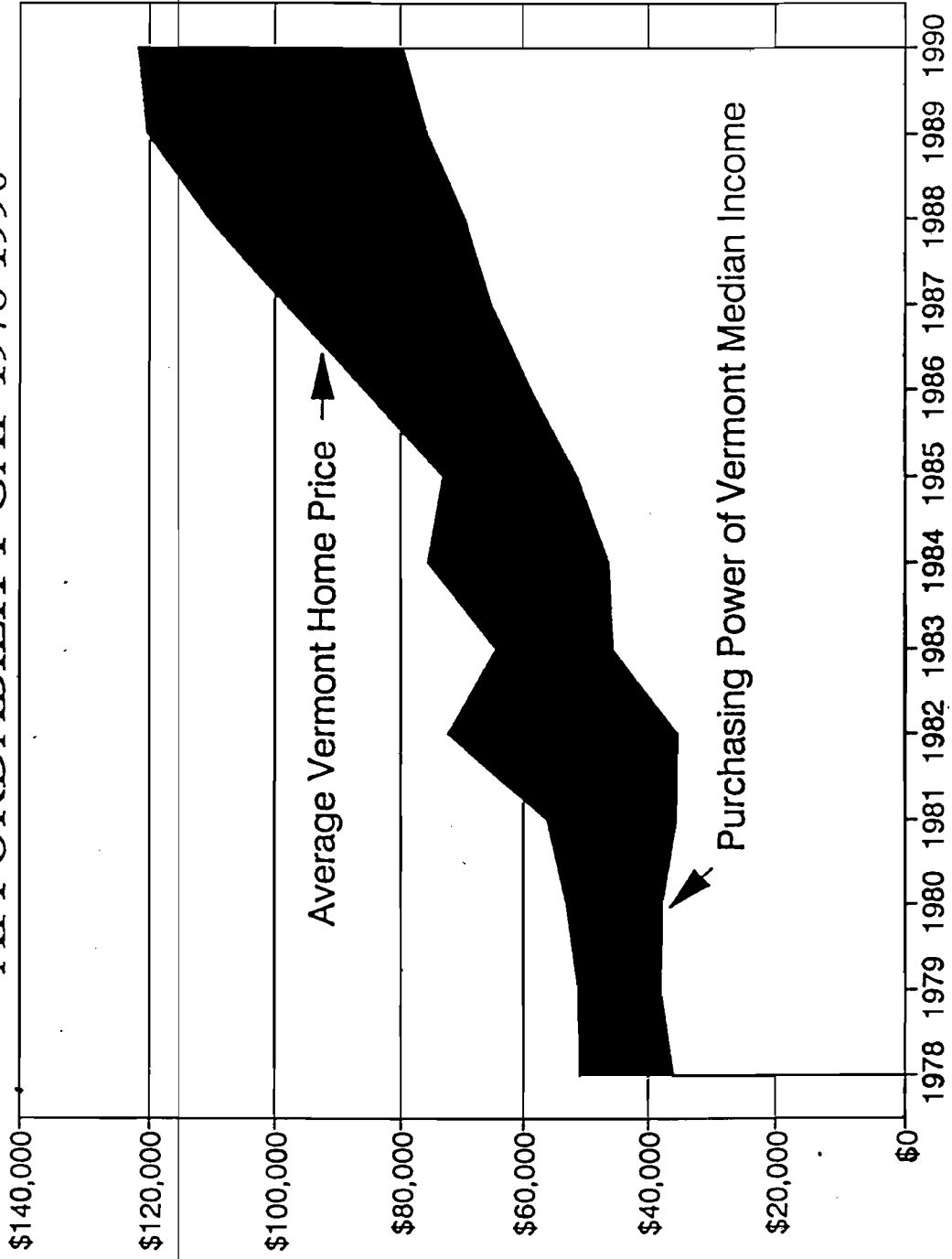
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	NUMBER LOANS PURCHASED	DOLLAR VOLUME VFHA LOANS	AVERAGE VFHA LOAN AMOUNT	AVERAGE RATE
1989B	300	\$19,602,693	\$65,342	8.70%
1989A	457	\$28,035,635	\$61,347	8.80%
1988B	165	\$11,124,164	\$67,419	8.90%
1988A	8	\$465,900	\$58,238	9.10%
1987A	4	\$252,377	\$63,094	9.70%
1985S (Recycled)	6	\$338,690	\$56,448	10.00%
Builders Set-Aside (88N)	3	\$232,600	\$77,533	8.90%
Energy Bonus Prg (89E)	1	\$45,975	\$45,975	8.70%
MOVE MORTGAGES	944	\$60,098,034	\$63,663	8.80%
Farmers Home Admin (Joint Loans)	26	\$325,600	\$12,523	7.75% (FmHA offers second mtg)
HOUSE	13	\$755,870	\$58,144	
1988L - 12				7.90%
1989L - 1				7.80%
Mobile Home Assistance Program (77R)	2	\$49,350	\$24,675	6.95%
New Homes Program (87N)	1	\$45,125	\$45,125	8.25%
ALL MORTGAGES	986	\$61,273,979	---	---
Vermont Energy Investment Corp (GF3)	10	\$41,530	\$4,153	9.45%
Central VT Public Service	2	\$10,563	\$5,282	8% bought down to 4% by CVPS
TOTAL SF LOANS	998	\$61,326,072	---	---
Mortgage Plus	118	---	---	---
TOTAL ASSISTED HOUSEHOLDS, 1990 SINGLE FAMILY PROGRAMS	1,116	\$61,326,072		

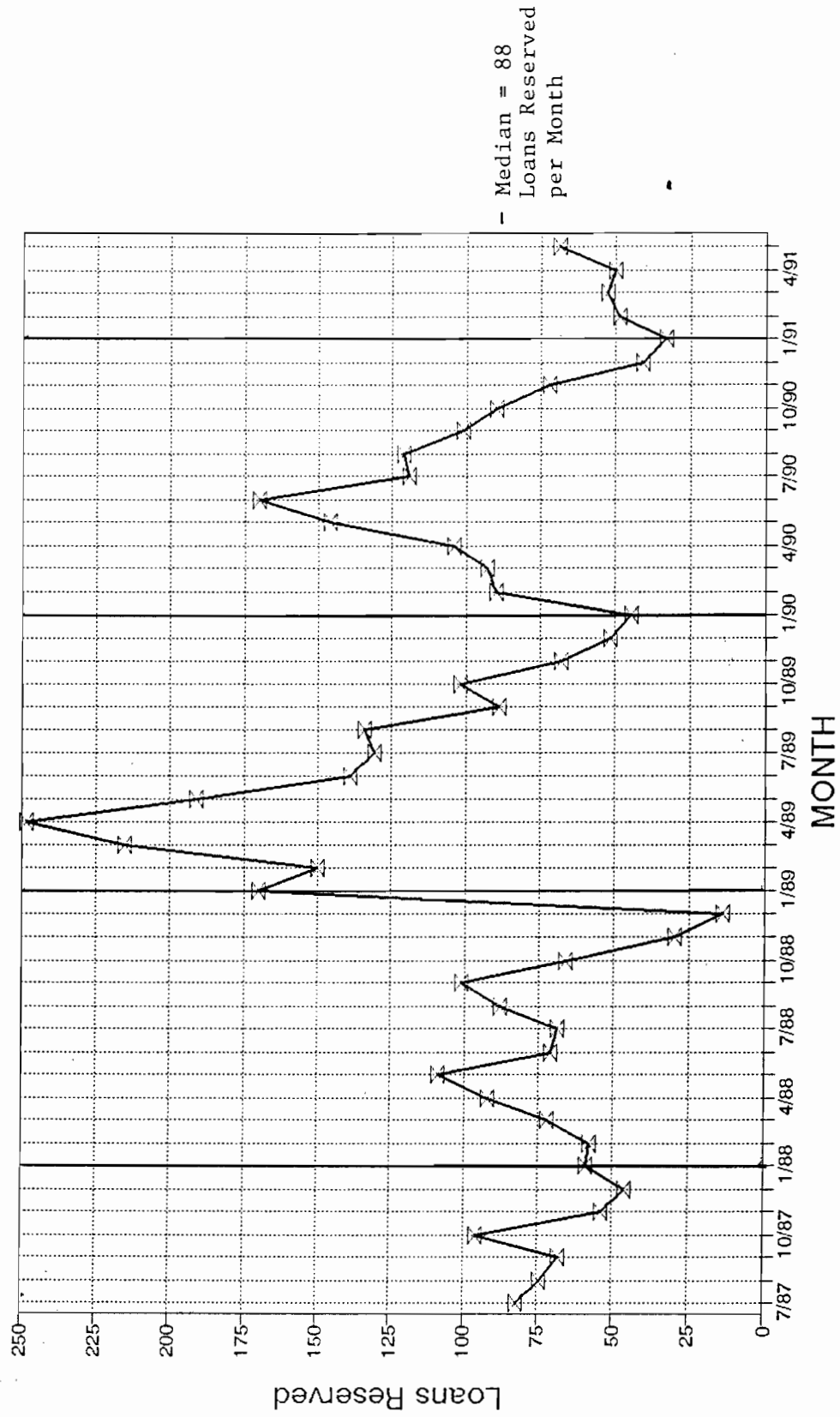
# 1975-1990: VHFA MORTGAGES PURCHASED and AVERAGE VHFA RATE vs CONVENTIONAL RATE



# AFFORDABILITY GAP 1978-1990

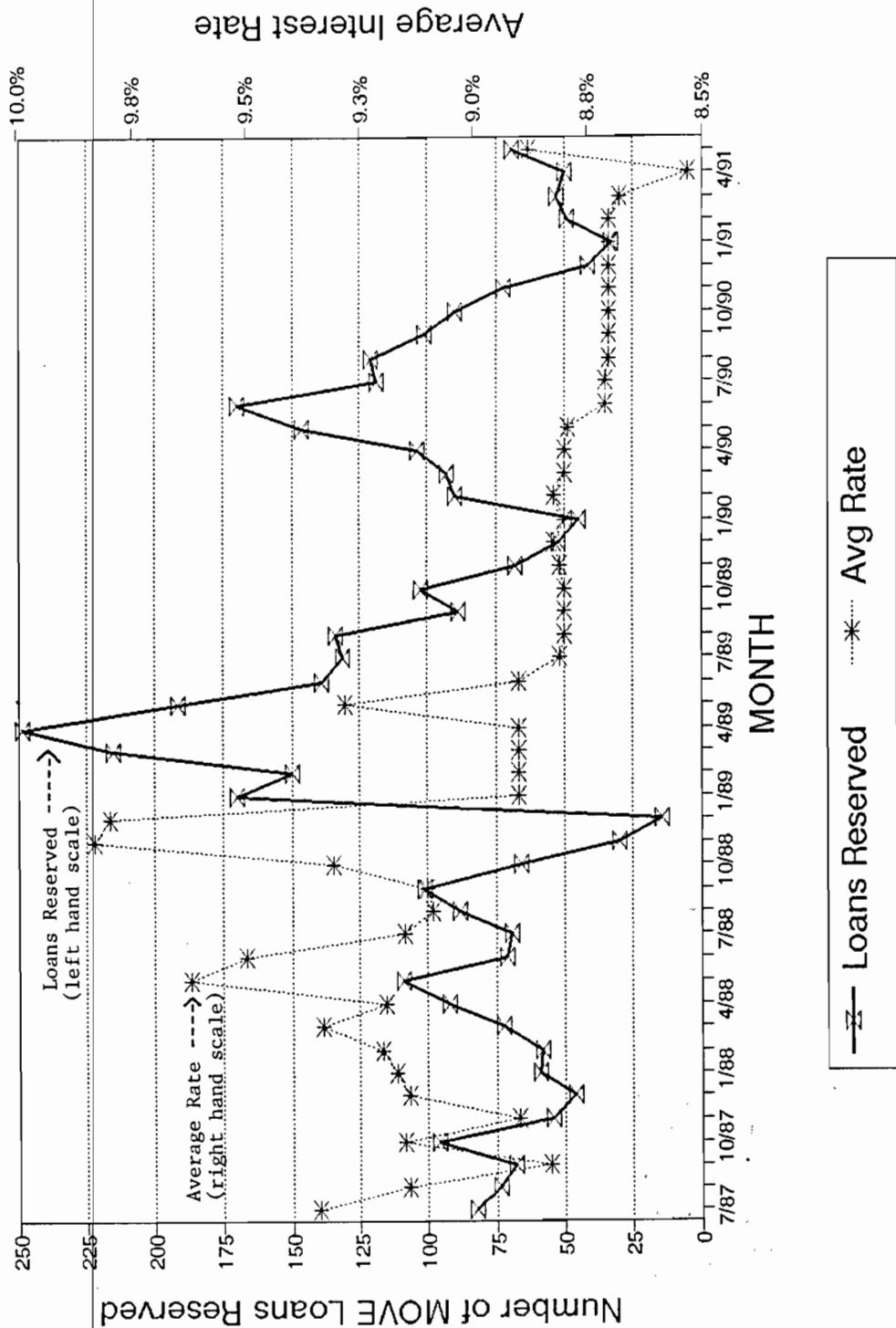


# NUMBER OF MOVE LOANS RESERVED BY MONTH July 1987 - May 1991

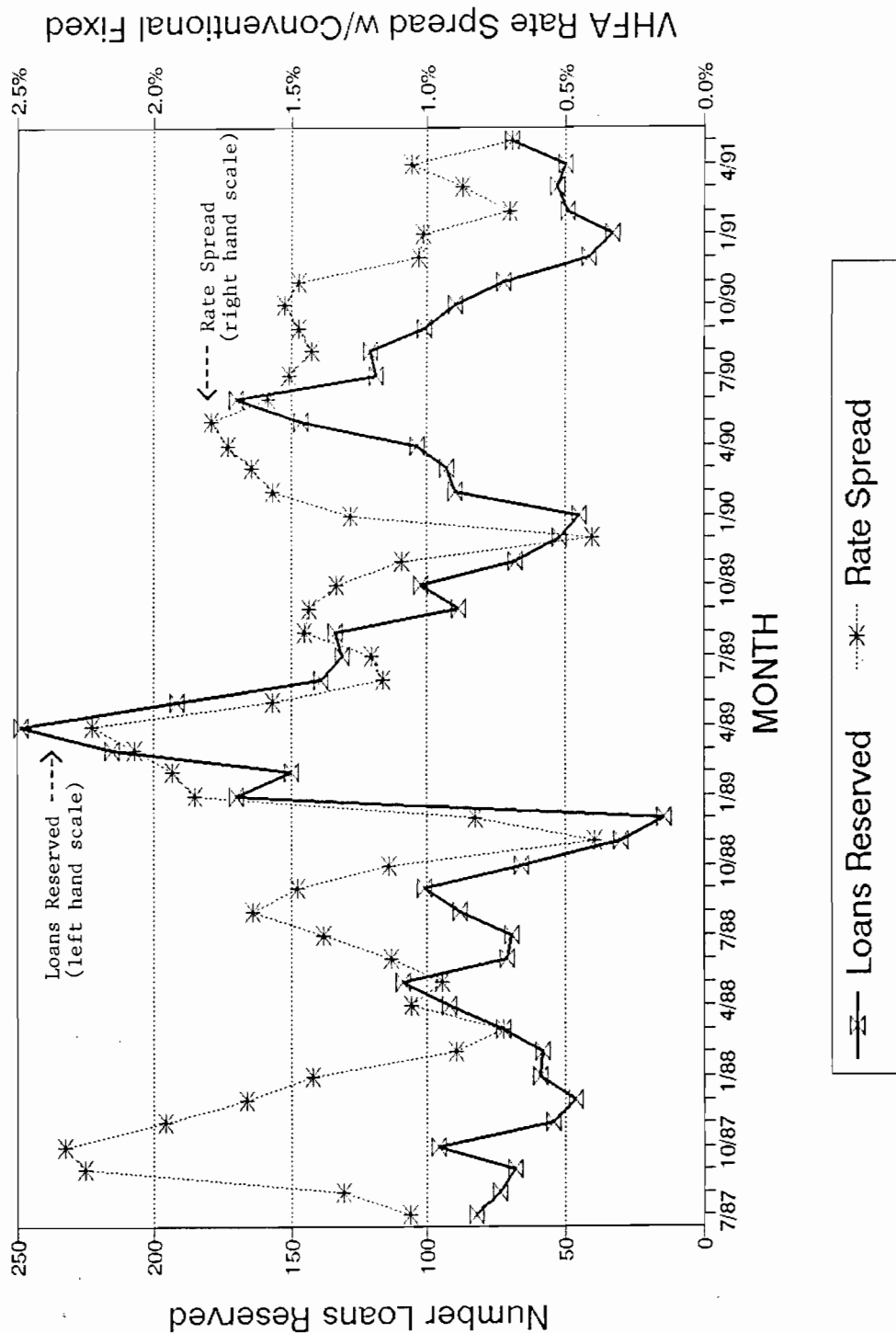




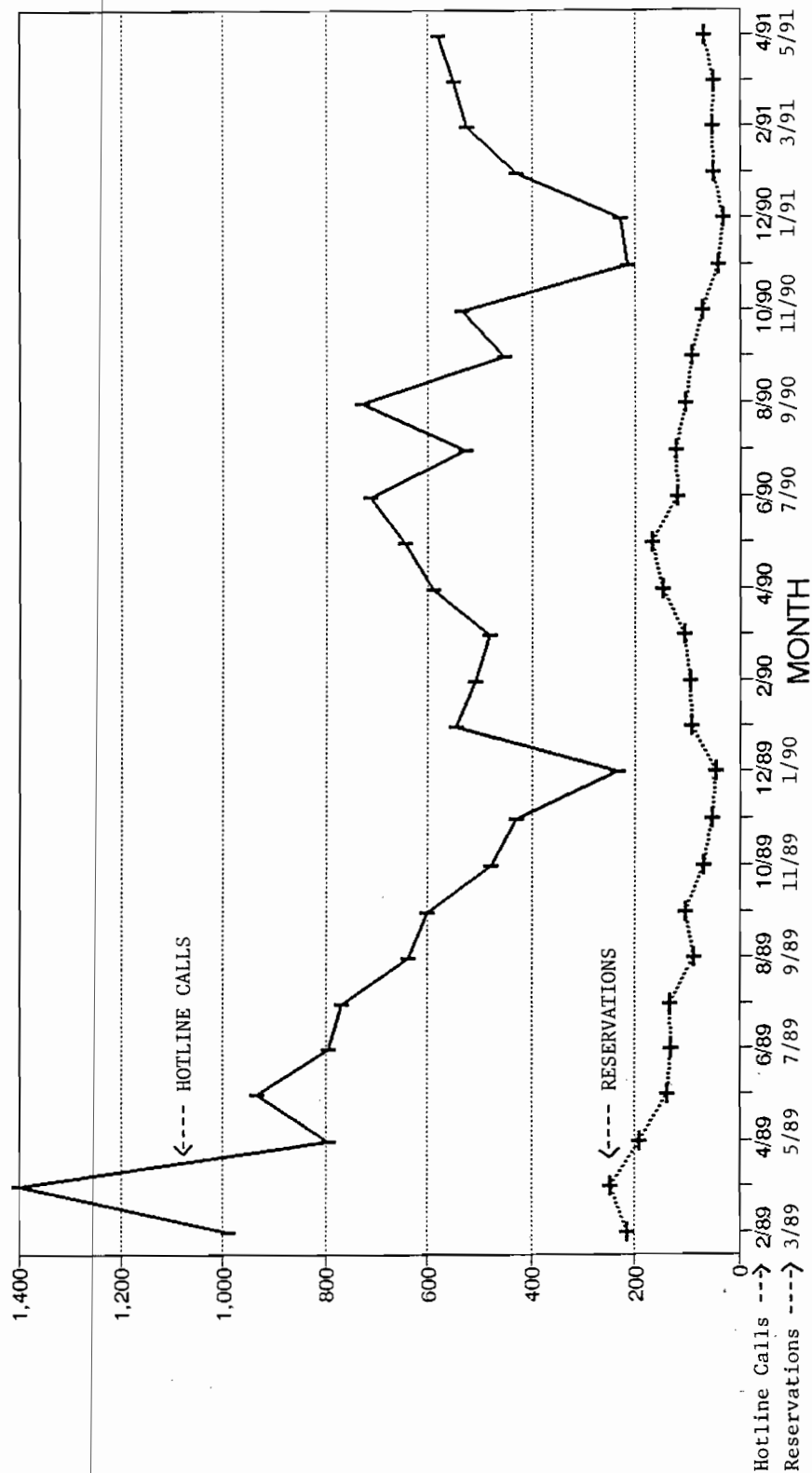
# NUMBER OF MOVE LOANS RESERVED BY MONTH & AVG MOVE INTEREST RATE, 7/87-5/91

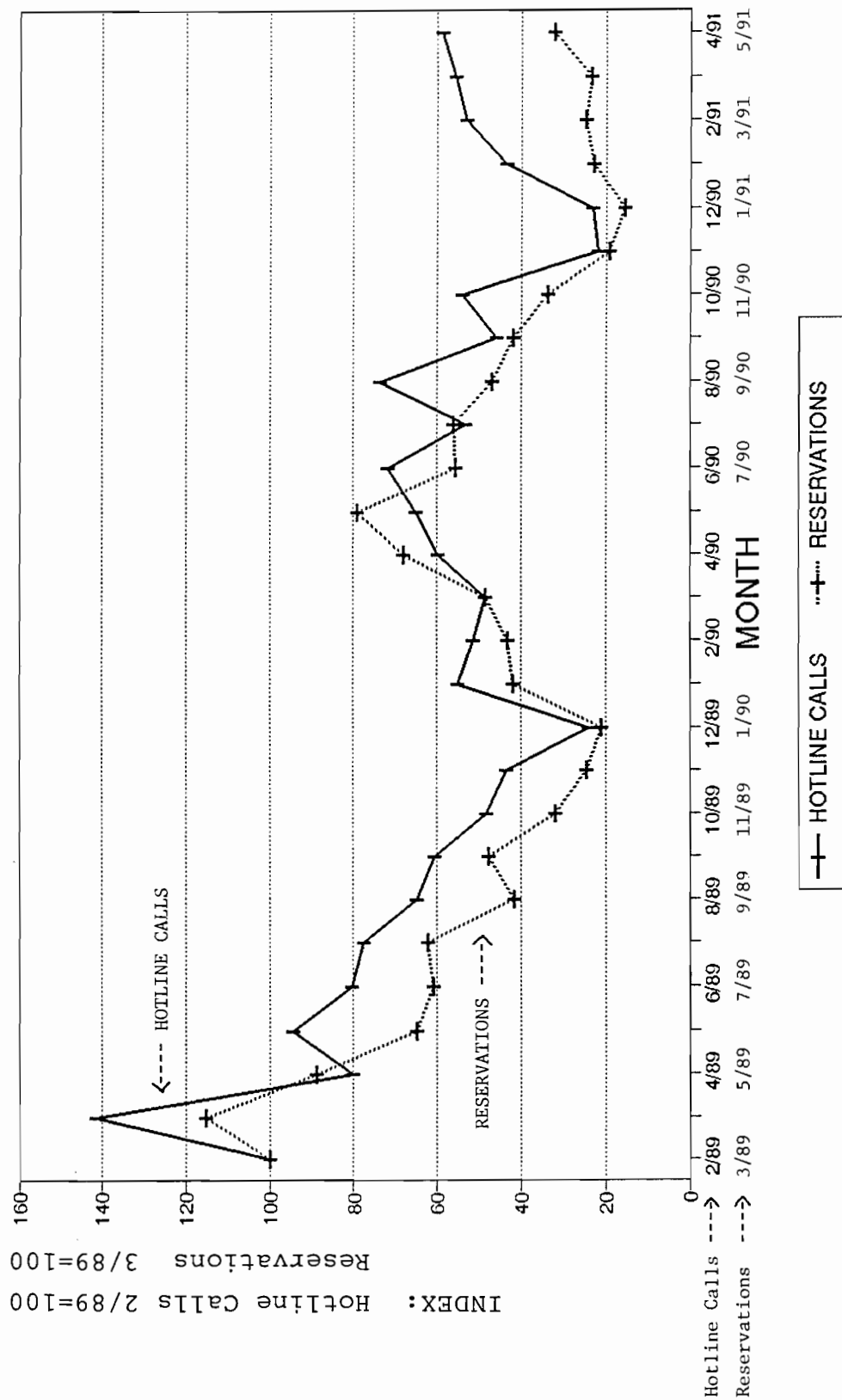


# LOANS RESERVED & RATE SPREAD 7/87-5/91, BY MONTH

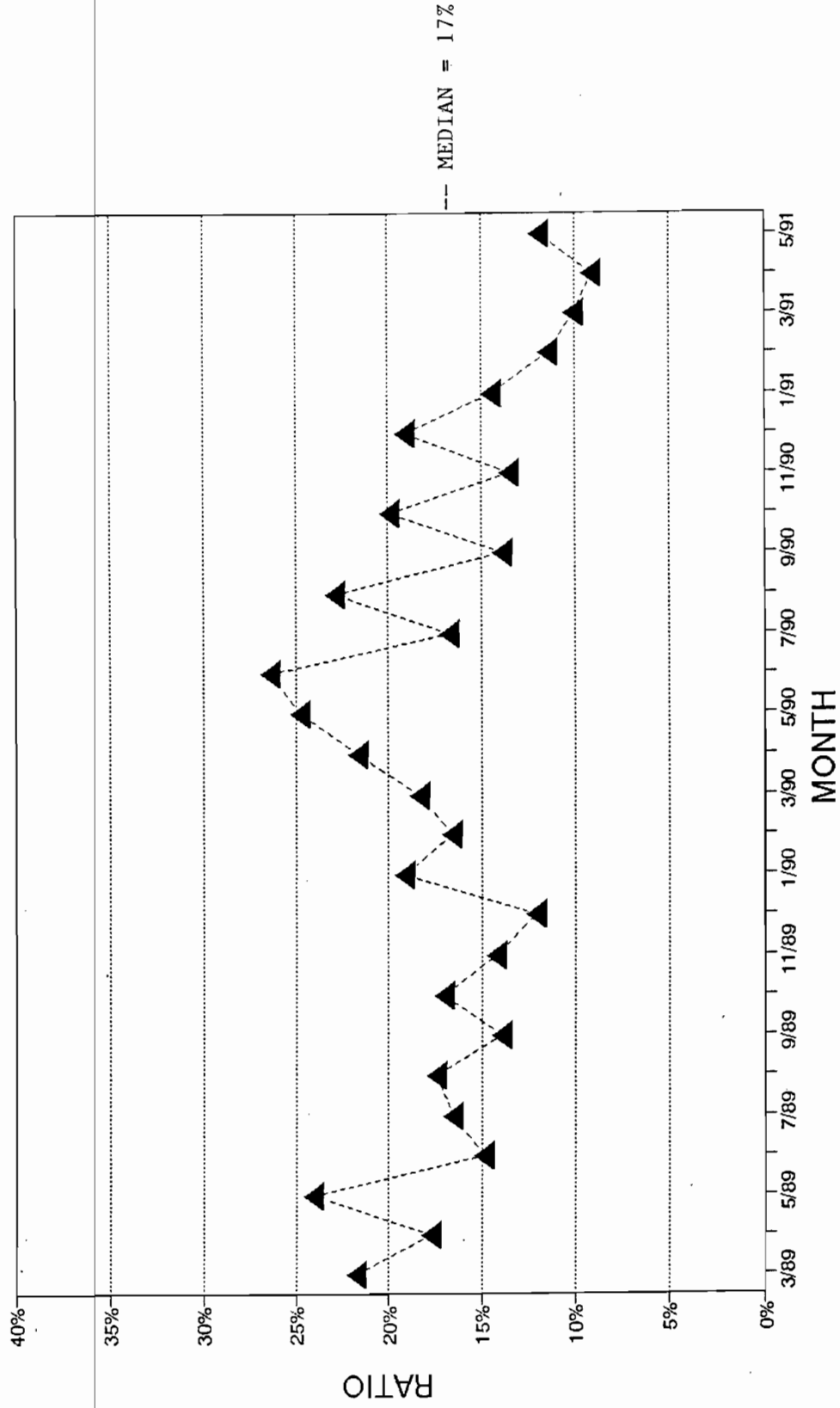


# HOTLINE CALLS IN ONE MONTH VS RESERVATIONS IN FOLLOWING MONTH



INDEXED HOTLINE CALLS IN ONE MONTH vs  
INDEXED RESERVATIONS IN FOLLOWING MONTH

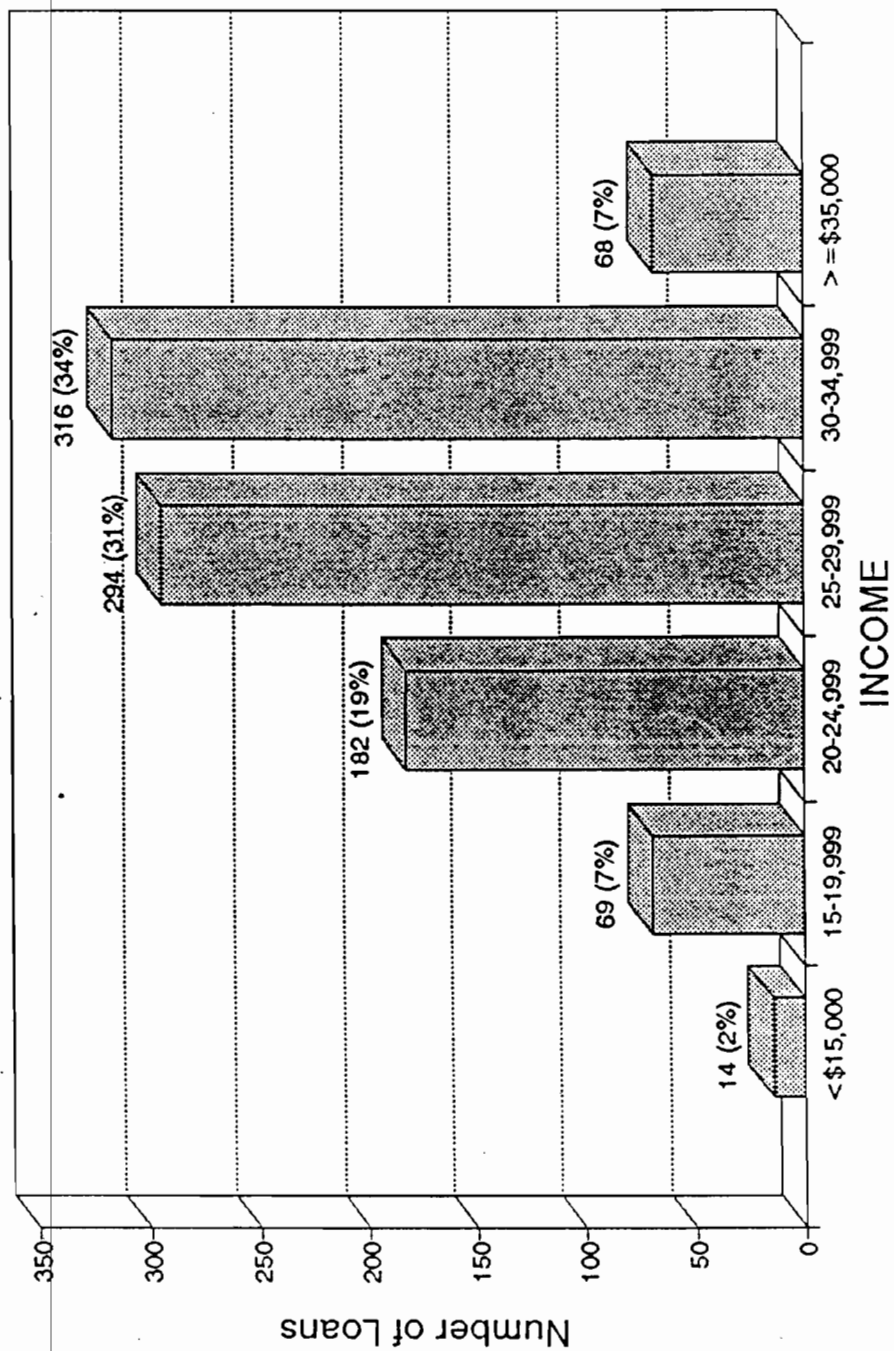
# RATIO OF RESERVATIONS IN ONE MONTH to HOTLINE CALLS IN PREVIOUS MONTH



# COMPARATIVE 1990 BORROWER PROFILE, BY PROGRAM

	MOVE	MCC's	HOUSE	FmHA
Number of Loans Purchased	944	118	13	26
Average Income	\$28,000	\$31,100	\$23,000	\$22,500
Average Purchase Price	\$72,000	\$75,000	\$61,600	\$86,300
Average Loan Amount	\$63,700	\$70,000	\$58,100	\$12,500
Average Monthly Payment	\$504	N/A	\$422	\$104
Average Down Payment	\$8,300	\$5,000	\$3,400	\$395
Average Percent Down Payment	11.5%	6.7%	5.5%	0.5%
Average Age	29	N/A	35	30
Percent First Time Homebuyers	89.8%	88.5%	100%	100%

# INCOME DISTRIBUTION 1990 MOVE BORROWERS



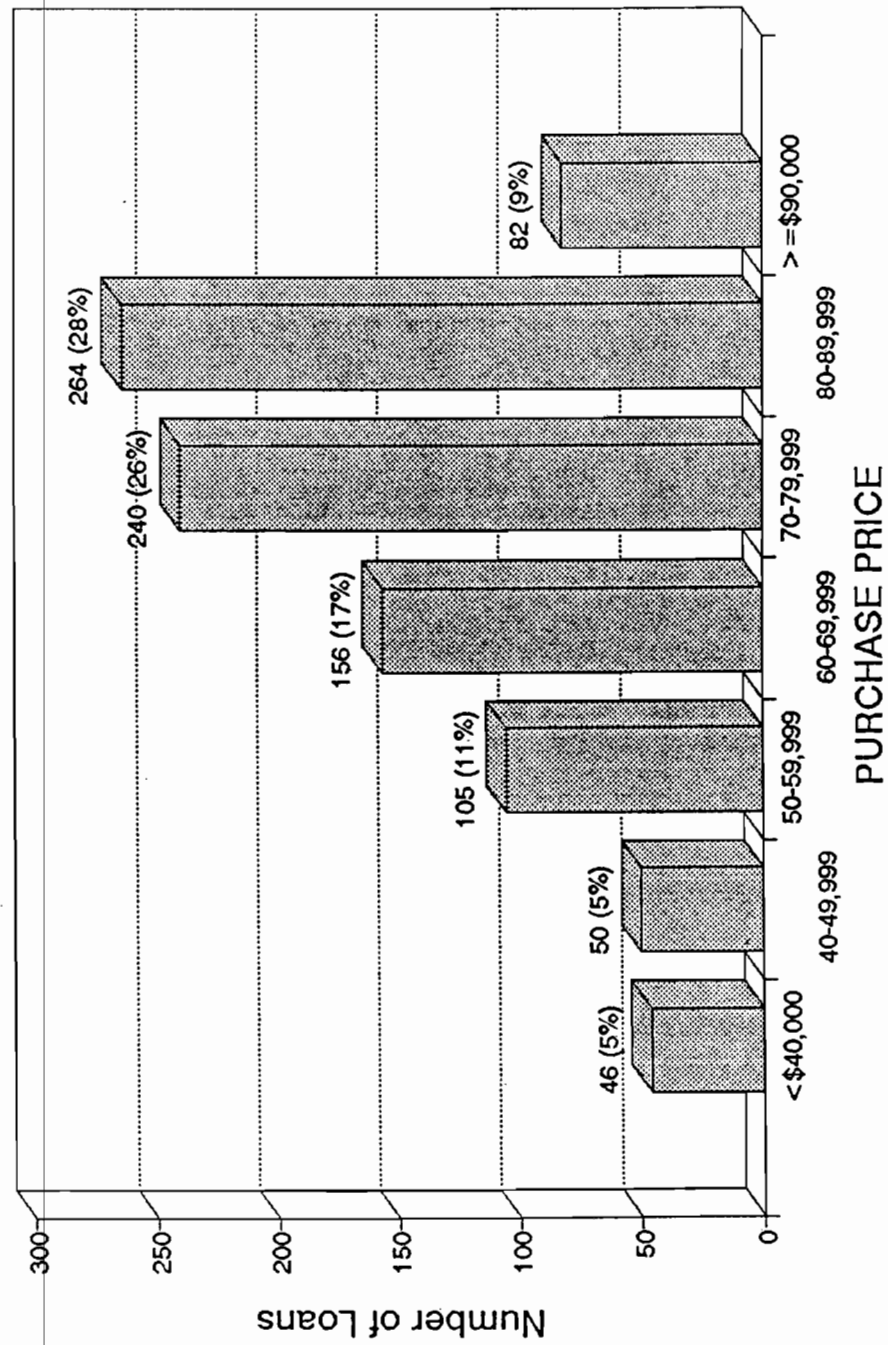
MOVE BORROWER INCOMES IN RELATION TO MEDIAN

Percent of Borrowers with Incomes at or BELOW 100% of State Median		Percent of Borrowers with Incomes at or BELOW 80% of State Median
1989	72% at or below \$31,600	27% at or below \$25,280
1990	79% at or below \$32,300	32% at or below \$25,840

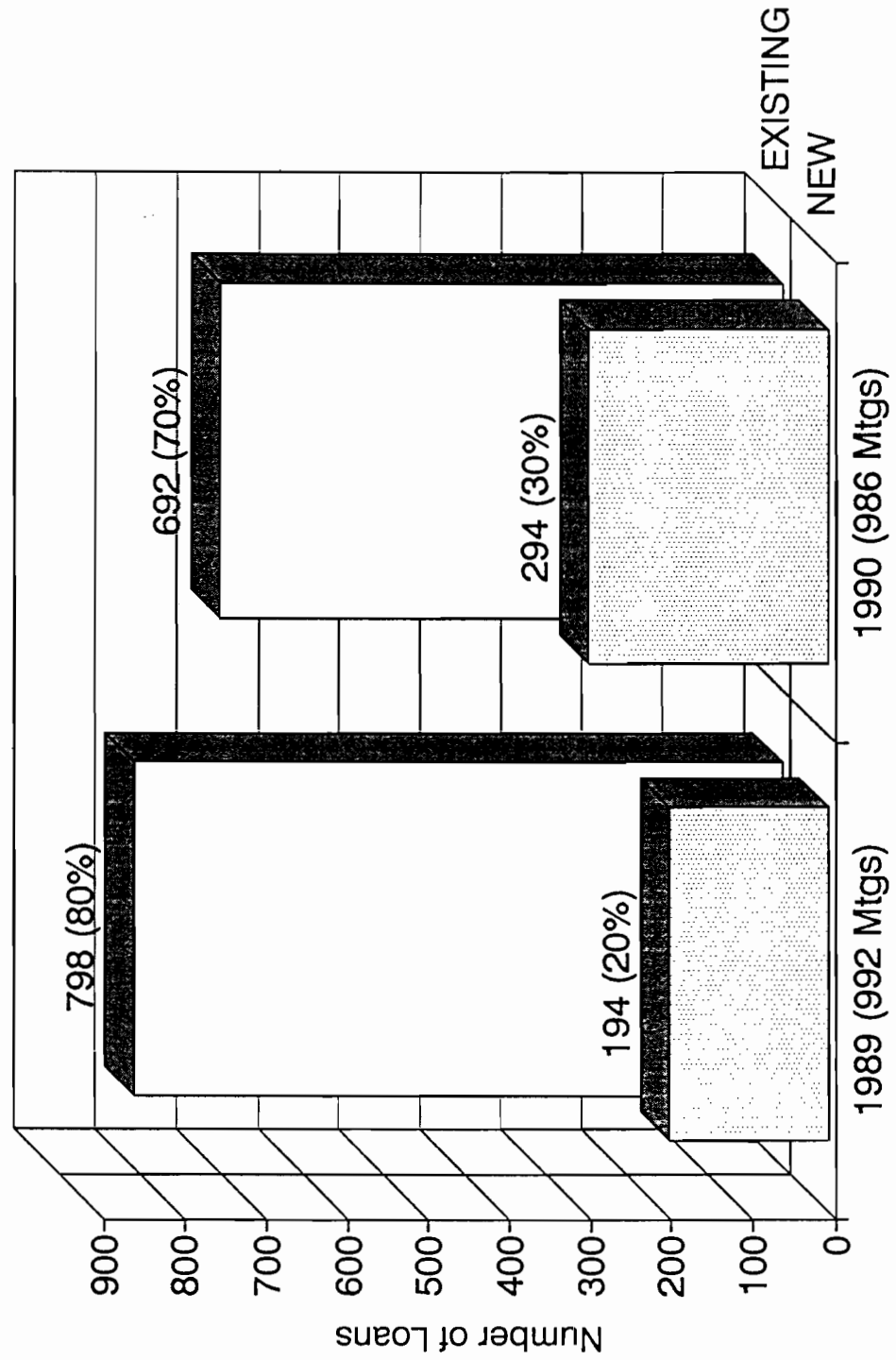
Percent of Borrowers with Incomes at or Below 100% of THE GREATER OF State or Area Median Income		Percent of Borrowers with Incomes at or Below 80% of THE GREATER OF State or Area Median Income
1990	87%	44%



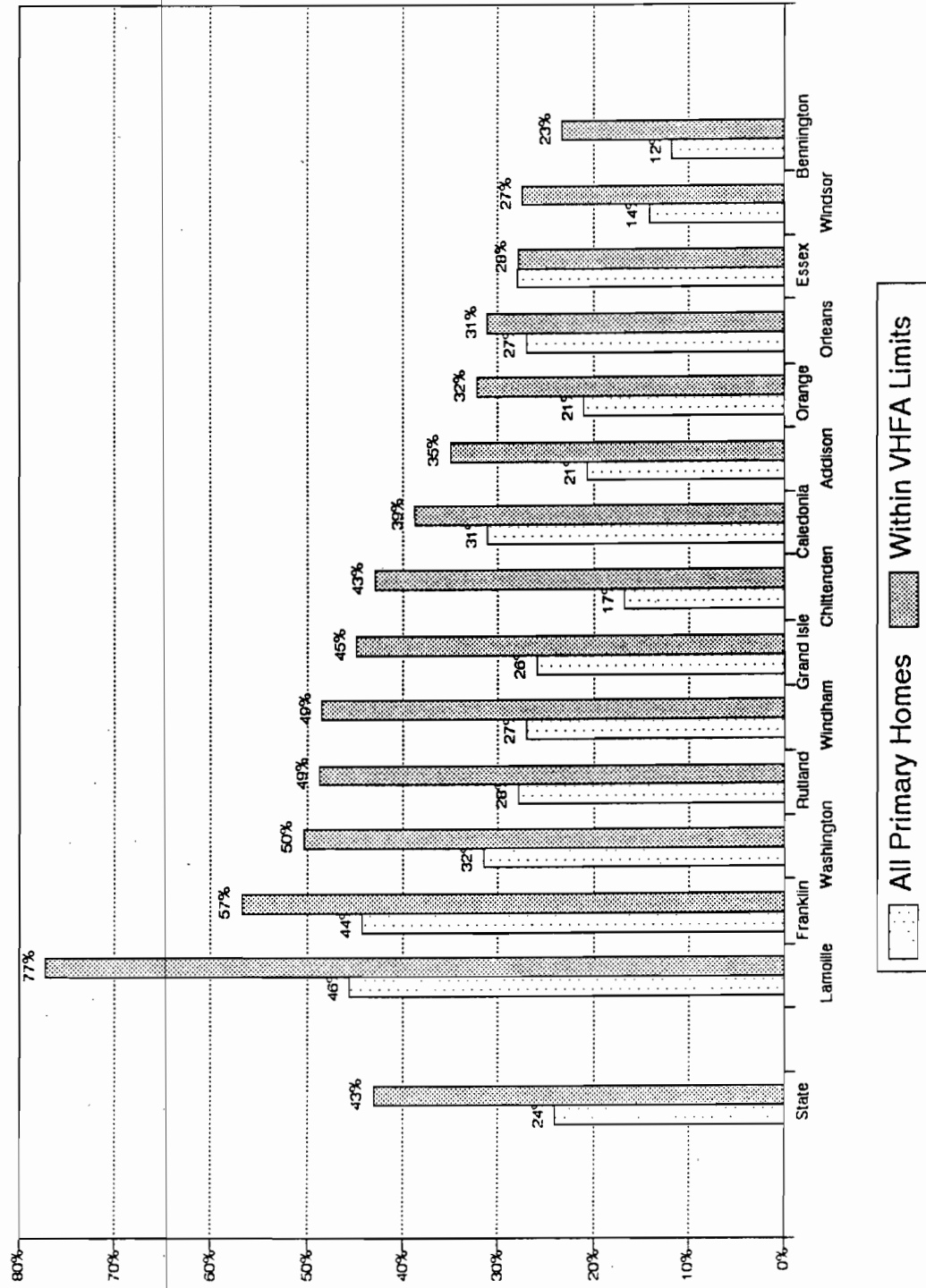
## PURCHASE PRICE DISTRIBUTION 1990 MOVE BORROWERS



# MORTGAGES for NEW vs EXISTING HOMES 1989 and 1990



# 1990 VHFA MARKET SHARE BY COUNTY



## EFFECT OF 1990 INCOME AND PURCHASE PRICE LIMITS CHANGES

### Income and Purchase Price Limit Changes (Effective April 2, 1990)

	<u>FROM</u>	<u>TO</u>	<u>PERCENT CHANGE</u>
INCOME LIMITS	1-2 Person \$31,600	\$32,300	2.2%
	3+ Person \$36,300	\$37,100	2.2%
PURCHASE PRICE LIMITS	Existing \$85,000	\$89,000	4.7%
	New \$93,000	\$98,000	5.4%

### Average Borrower Income and Purchase Price, 1989A Program (8.8%)

	Loans Committed 10/1/89 - 3/31/90 (6 months before limit change) <u>N=300</u>	Loans Committed 4/1/90 - 9/30/90 (6 months after limit change) <u>N=204</u>	<u>PERCENT CHANGE</u>
AVERAGE BORROWER INCOME	\$26,828	\$27,514	2.6%
AVERAGE PURCHASE PRICE	\$68,803	\$69,896	1.6%



VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Margaret Pond, Director of Development  
Patricia Crady, Development Coordinator *PAC*

DATE: June 17, 1991

RE: Reinvestment of Proceeds from Sugar Mae, Phase I

We are pleased to report that the six lenders participating in Sugar Mae, Phase I, have met the requirement to reinvestment proceeds of loans sold in March, 1990. Under the terms of the contract with VHFA, lenders were required to reinvest a minimum of 50% of the proceeds in activities that support the housing needs of low- to moderate-income families (including elderly).

Of the total of \$6.1 million in loans purchased under Phase I, \$4.8 million or 79% was reinvested in eligible activities. The average family income served was \$29,950 or 87% of 1991 Vermont State Median Income.

Attached is a breakdown by lender of the funds available for reinvestment and how the funds were reinvested.



SUGAR MA REINVESTMENT--for the period of April 1990 through March 1991

LENDER	TOTAL \$		TOTAL \$		% OF TOTAL		AVERAGE LOAN		AVERAGE INCOME		% OF 1991		COMMENTS
	LOANS SOLD	REINVESTED	AMOUNT	SERVED	STATE	MEDIAN							
Chittenden Bank	\$1,153,740	\$1,153,740	\$68,214	\$32,370	94%								Funds reinvested for mortgages CARE-A Program--ERH Ratings are required--MCCs are utilized whenever the borrower qualifies. (Average income served is for the entire CARE-A Program)
Marble Bank	\$ 620,690	\$ 398,400	\$66,400	\$29,900	87%								Fixed and adjustable residential mortgages--all loans utilized MCCs
Northfield Savings	\$2,408,860	\$1,500,000	N/A	N/A	N/A								Construction Loan to 29 unit Montpelier Elderly Housing Project
Proctor Bank	\$ 110,602	\$ 130,500	\$62,250	\$25,500	74%								Fixed and adjustable residential mortgages.
Union Bank	\$1,483,850	\$1,483,850	\$56,100	\$31,000	90%								Construction/Permanent Financing--both fixed and adjustable residential mortgages.
Vermont National	\$ 329,932	\$ 165,000	\$55,000	\$31,000	90%								Fixed and Adjustable Residential Mortgages
TOTALS	\$6,107,674	\$4,831,490	\$61,600	\$29,950	87%								



VERMONT HOUSING FINANCE AGENCY  
M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Margaret Pond, Director of Development and  
Patricia Crady, Development Coordinator

DATE: June 18, 1991

RE: Twin Pines Housing Trust--Request for Development Financing

**SUMMARY OF REQUEST**

Staff recommends Board approval of a resolution authorizing the issuance of a letter of interest for development financing for the development of Starlake Village in Norwich, Vermont. Twin Pines Housing Trust is the developer and the project will consist of 14 single family detached homes located on a 14 acre site. All homes will be cape style, manufactured homes and will sell for approximately \$59,000 with an unfinished second floor, and \$64,000 with the second floor completed. Through a ground lease, the homeowner will have exclusive use of the land around the house plus access to common land owned by Twin Pines Housing Trust. Appreciation is shared between the homeowner and the land trust with the homeowner's share being 25%.

The information submitted in support of this development is preliminary, but staff wanted to give the Board an opportunity to review this development in the typical two stage process. Assuming that the Board approves this recommendation, we will be seeking the approval of a resolution authorizing the issuance of a letter of commitment to provide development financing for this project at the next meeting.

**THE PROJECT**

Loan Request

\$185,550 to develop the site for the construction of 14 manufactured homes. (Note: Twin Pines Housing Trust has requested \$35,000 in predevelopment funds from Vermont Housing Ventures. The amount of the development loan could increase to \$220,550 if VHFA should decide to take out the Ventures loan with the development loan.) Also, as the request is based on estimates and not firm contracts, it is expected that the development costs and the amount of this loan request could change. VHFA has not yet identified a source of development loan funds for this project. Construction financing for individual homes will be provided by First Twin State Bank. Financing for home buyers will be provided through VHFA's HOUSE Program.

VHFA has requested and has not yet received an appraisal indicating the value of the land "as is" and after development of the infrastructure. We have also requested an appraisal of the homes to be constructed.

Sources and Uses - Based on Preliminary Budget

**Sources**

Housing Vermont	\$ 7,000
VHFA Ventures	\$ 35,000
VHFA Development Loan	\$185,550
Construction Financing (1st Twin State Bank)	\$668,500
Total	\$896,050

**Uses**

Planning/Marketing/Pre-development	\$ 50,500
Site Development	\$177,700
House Construction	\$667,850
Total	\$896,050

Cost Per Unit \$64,000

History of Project/Background of Twin Pines Housing Trust

Housing Vermont has been involved in the development of the Starlake Village project since the beginning, over two years ago. The project has evolved from a 30 unit LIHTC rental project to the current concept of 14 single-family, shared equity homes. Housing Vermont has re-evaluated their role in the development process due primarily to the growing strength and competence of Twin Pines Housing Trust and their new Executive Director, William Bittinger.

Housing Vermont will remain involved as a source of pre-development funds (up to \$15,000) and as a development consultant. This will allow Twin Pines Housing Trust to take control of the process and yet have access to Housing Vermont's staff for project advice. Housing Vermont expects to have a new Memo of Understanding with Twin Pines by the end of June.

Twin Pines Housing Trust was formed in 1990 as a result of a merger between Twin Pines Cooperative Housing Foundation and Twin State Housing Trust, both of which were established to address the problem of the lack of affordable housing opportunities for low- and moderate-income households in the Upper Connecticut River Valley. To date Twin



Pines Housing Trust has achieved the following (some of the activities were completed prior to the merger):

- the rehabilitation of 11 apartment units in White River Junction;
- the conversion of one building with three units to a limited equity cooperative;
- sponsorship of seven single family homes in the Town of Hartford, under development by the Hartford Housing Authority;
- a cooperative relationship with Habitat for Humanity in their four-unit Lebanon (NH) project with the Trust scheduled to retain land ownership of the properties;
- a joint venture relationship with E & G Partners of Norwich to develop, if feasible, 136 units of low, moderate, and middle income housing in White River Junction.

#### Current Status of the Project and Timetable for Development

The site is presently owned by Upper Valley Land Trust. There is an application pending with the Vermont Housing Conservation Board requested that they approve conveyance of the site to Twin Pines Housing Trust and ultimately will forgive \$100,000 in debt under a VHCB loan agreement with Upper Valley Land Trust. There is also an application pending with VHCB for \$35,000 to assist with development fees and as noted above, an application pending for a Vermont Housing Ventures loan for \$35,000.

Once the Ventures loan is approved, Twin Pines Housing Trust will move forward to obtain local and state Act 249 and 250 approvals and related permits necessary to commence construction. Twin Pines is projecting that they will start construction by September 1, 1991, and hope to complete the entire project by December 1991. Should permitting, marketing, or construction delays occur, Twin Pines is projecting a worst case (and we feel more realistic) completion date of July 1992.

Twin Pines has indicated that they are prepared to go forward with this project under the following conditions:

- A commitment for pre-development financing from Vermont Housing Ventures;
- All local and state permits necessary to commence construction;
- Vermont Housing Conservation Board approval of the conveyance of the 14 acre site, owned by Upper Valley Land Trust, to Twin Pines Housing Trust;
- Firm construction contract prices in accordance with the project pro forma;
- A written commitment from VHFA to provide development financing;
- A written commitment from a local lender to provide financing to construct the individual units;
- A minimum of eight pre-qualified buyers with signed purchase and sales agreements and five percent deposits held in escrow. (If VHFA were to commit to providing development financing, we would probably expand on this and require that the eight pre-qualified buyers have a commitment for HOUSE financing.)

Affordability and Market Demand

Based on the projected sale prices of \$59,000 and \$64,000 and a first year interest rate of 6.2% for VHFA's HOUSE Program, families would need a minimum income of \$21,000 in order to purchase a home. This amount is approximately 73% of the median income for Windsor County based on a family size of two, 65% of median income based on a family size of three, and 60% of median income based on a family size of four.

Based on data from the Vermont Department of Taxes, Property Transfer Tax System, the average sales price of all primary properties sold in 1990 in Windsor County (including mobile homes with land and excluding vacation homes), was approximately \$127,400. Norwich is at the high end of the Windsor County market. There should be a strong market demand for homes selling in the range of \$59,000 to \$64,000. This is the only project planned for low- to moderate-income families in Norwich. Twin Pines indicates that they currently have 14 deposits, but they have not yet been qualified for financing.

**ACTION REQUESTED BY THE BOARD**

Staff recommends approval of the attached Resolution Pertaining to a Letter of Interest to provide development financing to Twin Pines Housing Trust. The Resolution authorizes the Executive Director to issue a letter of interest toward providing up to \$225,000 in development financing for a 14 unit development known as Starlake Village in Norwich, Vermont.

RESOLUTION PERTAINING TO LETTER OF INTEREST RE:  
TWIN PINES HOUSING TRUST-STARLAKE VILLAGE

WHEREAS, a proposal has been presented to the Agency by the Twin Pines Housing Trust, a non-profit corporation, involving the development of Starlake Village, a 14 unit single family development in Norwich; and

WHEREAS, the sponsor 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;

It is hereby DETERMINED:

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

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

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

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

5. The sponsor is a financially responsible organization.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a letter of interest (the "Letter of Interest") to provide a first mortgage for development financing in an amount to be determined by the Executive Director, but not to exceed \$225,000, for the Starlake Village development.

2. The Letter of Interest shall be issued to the Twin Pines Housing Trust as the housing sponsor.

3. The Letter of Interest shall state that it is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The letter of interest may be used by the housing sponsor in support of applications for construction financing or for other purposes with the consent of the Agency.
4. The Executive Director is authorized to make preliminary arrangements for the financing of this loan.



VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Meg Pond, Director of Development  
Mark Koppelkam, Multi-Family Development Underwriter

DATE: June 19, 1991

RE: Clarendon: Coburn Mobile Home Park, Recommend Approval of Attached Resolution Pertaining to Combined Letter of Interest and Commitment Letter

Note: This report is largely identical to the Letter of Interest report presented at the May meeting of the Commissioners. Changes to that report are highlighted.

PROJECT SUMMARY

Staff recommends Board approval of a resolution authorizing the issuance of a commitment letter for up to \$300,000 in permanent financing for the acquisition of and significant infrastructure improvements to an existing 46 unit mobile home park located in Clarendon. The sponsor is Housing Foundation Inc. (HFI).

This project was presented to the Board in June 1990, but was withdrawn by the sponsor when engineering studies were not providing a solution to very serious septic problems. The sponsor at that time was the Rutland County Community Land Trust (RCCLT). The tenants have agreed to permit HFI to continue pursuing an acquisition on their behalf.

The proposed acquisition price is \$300,000. An additional \$220,000 in water and septic repairs is being proposed. Over \$50,000 has been spent to date in engineering and consulting to solve the park's problems, and an additional \$25,000 will be spent in those areas to complete the development. While not under a formal Department of Health order, parts of the septic system have completely failed and the park would likely be closed if not for continuing state efforts to save it. Closure would mean displacement of the 46 primarily low income households remaining. Four households have left voluntarily in the last year, and have not been replaced in order to free up additional land for a mound type septic field.



**THE PROJECT**1. FinancingProposed Sources

VHFA 1st Mortgage	\$264,700	39.5%
Town CDOP	200,000	29.9%
VHCB Grant	31,000	4.6%
VHCB Loan	169,000	25.2%
Rental Rehab Grant	<u>5,000</u>	<u>.7%</u>
<b>TOTAL</b>	<b>\$669,700</b>	<b>100.%</b>

The development proposal contains financing from VHFA, CDOP (Block Grant), the Vermont Housing and Conservation Board (VHCB) and the Rental Rehab program. (For detailed sources and uses, see the attached spreadsheet summary). CDOP has already approved a \$200,000 deferred payment loan. VHCB approved the loan proposal at their May Board meeting. The VHCB loan is written @ 3% interest, and can be partially deferred based on cash flow.

The VHFA loan would likely be a stepped rate loan for 20 years, amortized over 25 years. If stepped, the initial rate would be 9.75%, stepped every five years to reach 12% in Year 15. If not stepped the rate would likely be 10.75%. Approximately \$127,000 (i.e., the VHFA loan balance at that time) would need to be refinanced at the end of Year 20, which would cut VHFA debt service costs at that time roughly in half. The total loan to value ratio in Year 20, assuming a 2.5% annual appreciation in project value, is projected at 32%.

The source of capital for VHFA's proposed loan will presumably be proceeds of a privately-placed taxable bond with the state pension funds. No equity is being invested in the project by the sponsor.

2. Financial Projections

As can be seen on the attached comparison of operating costs at various mobile home parks, Coburn will be expensive to operate. State permit conditions are likely to include continual well testing, which will be costly. In addition, the projections call for a large sum to be set aside annually (starting at \$9,600/year) to pay for the eventual sewer hookup to the City of Rutland's system.

Despite these high costs, the project can maintain a 1.05 debt coverage ratio based on the deferred loan terms of the CDOP and VHCB deferred payment loans. A preliminary run of the financial projections is attached.

### 3. Appraisal & Loan To Project Value

Three appraisals have now been done on the park. A May 1990 appraisal, done by the Sargeant Appraisal Service of Rutland, estimated the value of the park after infrastructure improvements to be \$650,000 or \$12,500/lot. An April 1988 appraisal done for the seller by Richard Dusablon, based on the assumption that "the condition of the site and its improvements are considered good," also established a value of \$650,000. Both of these earlier appraisals assumed that the park would be able to rent 52 lots.

A 1991 appraisal by Keller Navin Cable & O'Brien established a market value of \$635,000. This appraisal was based on 46 lots, and assumed market rents of \$175 per month with a 1% vacancy rate. The appraiser noted that there are "existing violations primarily with regards to the on-site septic sewer system," but did not deduct any amount from his estimate to reflect the needed repairs.

With an acquisition price of \$300,000 and estimated renovation costs (including associated engineering) of approximately \$300,000, purchase of this park is not unreasonable from an economic sense. The completed per unit cost of \$14,530 is significantly lower than the first three mobile home parks VHFA financed, which averaged \$18,700.

From a security perspective, VHFA's proposed \$264,000 loan represents a 40% loan to value after completion.

Zoning of the site is light commercial and residential. Permitted commercial uses include retail stores, motels, and summer camps. Other permitted uses include agricultural use, single family dwellings, churches, schools etc. All three appraisals cited mobile home park as the highest and best use, although commercial use would be an alternative.

### 4. Lot Rent/Market Demand/Income Mix

The proposed new rent level is \$175/month. It is currently \$135/month, and according to the Dusablon appraisal was just \$80/month in 1988. Lot rents in Rutland County average \$150/month according to the latest appraisal, with two area parks charging \$200 per month. According to the sponsor, the residents have indicated a willingness to pay up to \$180/month if necessary to keep their park open.

Demand for mobile home park lots is very strong in the Rutland County area. Even after two years of living with a failing septic system and under the threat of park closure, all of the remaining lots in the park are rented. A VSHA survey of eight area mobile home parks

found only one vacancy, and that due to a recent move-out. VHFA calls to several park owners confirmed the tight market. One owner said she had not had a vacancy in the six years since they purchased the park, and another said she has openings only upon the death of a resident. A mobile home seller in Rutland we talked with said his business is definitely being hurt by the lack of available land.

This demand is in contrast to the rental market, where the 1986 AER study concluded that Rutland ranks low among the state's market areas in terms of rent levels and percentage of low income renters having high housing costs.

The income mix of the park is typical of many mobile home parks in the state. Of those households that provided income data to the sponsor:

- 9 households or 18% at or below 50% of median
- 19 households or 39% between 50% to 80% of median
- 11 households or 23% between 80% to 100% of median
- 10 households or 20% above median

#### 5. Location/Site

Coburn Mobile Home Park is situated on 6.5 acres, located along Route 7 in Clarendon. The park is buffered from the highway because it is at a lower grade. Access to the park is via a service road off of Route 7B. The neighborhood is a mixture of commercial and residential, and the park is only a five minute drive from employment and shopping in Rutland.

The site itself is very flat, and drains to a floodplain area to the west. The mobile homes are situated on fairly small lots. The park includes a small one room apartment in a concrete block building used by the former owner.

#### 6. Sponsor

The assumption is made that HFI is a capable and responsible developer and park manager. They have only been doing mobile home park work for a few years now, but are presumably learning the ropes and gaining some benefit from multiple park ownership. VHFA's management staff was very impressed with HFI management after their first inspection at HFI's Fernwood mobile home park (in Bolton).

#### 7. Infrastructure and Permits

Earlier engineering studies by the nonprofit group RCCLT did not come up with satisfactory solutions to the existing septic system failures and a problem with the water supply. HFI's consultant challenged some of the earlier assumptions and is convinced after rigorous on-site



testing that both can be solved. (See attached letter from Peter Boemig of Southern Vermont Engineering.)

One alternative RCCLT had explored was hooking up to a Rutland City sewer line located across Route 7. However, City and Town impact fees were on the order of \$400,000. HFI's consultant has determined that long range (5-10 years) Town of Rutland plans include a sewer line to the rear of the park. The proposed development budget includes \$15,000 to pay for a right of way through a neighboring property to this line. In addition, the financial projections set aside \$9,600 (plus annual adjustments) per year to set up a fund to pay for the sewer line connection. Although the new mound septic design has been designed for permanent use, this long range plan is an important underwriting factor.

The private water supply of the park is reported to be of adequate quality and quantity by the residents. State water tests have shown moderately high chloride, nitrite and nitrate levels, though the water still meets EPA standards. Testing by the current engineers revealed a cracked well casing, and repair of that casing (which is planned) should solve the apparent pollution problem.

Two permits are still needed - an indirect discharge permit and a public water supply permit. No Act 250 permit is needed.

The consultant also estimates that some \$15,000 in electrical work needs to be done as well.

#### 8. Timetable

The Purchase and Sales Contract was signed with HFI on January 30, 1991. The agreement calls for the transaction to be completed by June 1, 1991, and a verbal extension has been approved to August 1. The HFI consultant anticipates approval of the two required permits in July. Construction would begin in August and take two to three months.

#### 9. Discussion

This is a marginal park that has received a great deal of public sector attention (and money). Given a list of some 50 mobile home parks now for sale under the terms of Act 252 it would be hard to pick Coburn as a top priority except for the fact that it is nearest to closure by the state for environmental reasons. HFI secured the assistance of a sharp consultant who challenged some of the earlier assumptions and got the engineers to confirm his hypotheses. The problems now look like they can be solved. The consultant's work has also set a standard for good technical interactions with state regulators of mobile home parks as well, which will be helpful on other difficult sites.

Given a largely occupied and operating park, and a 40% loan to value ratio for the VHFA loan, the proposed loan looks fairly secure. The needed work is not of a risky or highly technical nature (once designed). One potential weakness is that the park does not have a recent track record of attracting new tenants. Fortunately (from a lender perspective) turnover appears low, and the availability of mobile home park sites remains very tight.

#### RECOMMENDED ACTION

Staff recommends approval of Resolution Pertaining to Combined Letter of Interest and Commitment Letter for the Coburn Mobile Home Park, authorizing the Executive Director to issue a commitment letter for up to \$300,000 in permanent taxable financing for the acquisition and renovation of this park.

RESOLUTION PERTAINING TO COMBINED LETTER  
OF INTENT AND COMMITMENT LETTER RE:  
COBURN MOBILE HOME PARK

WHEREAS, a proposal has been presented to the Agency by the Housing Foundation, Inc. ("HFI"), a non-profit corporation, involving the acquisition of Coburn Mobile Home Park ("Coburn"), a 46 unit mobile home park in Clarendon; and

WHEREAS, HFI is a housing sponsor within the meaning of the Vermont Housing Finance Agency Act (the "Act"); and

WHEREAS, HFI has received a commitment for a deferred loan in the amount of \$169,000 and a grant in the amount of \$31,000 from the Vermont Housing and Conservation Board; and

WHEREAS, the Agency has available to it a commitment from the State's pension funds to purchase taxable bonds issued by the Agency, the proceeds of which can be used to make a mortgage loan to HFI for the acquisition of Coburn; and

WHEREAS, the Agency has determined that the Development will assist in fulfilling the purposes of the Act and is financially feasible;

It is hereby DETERMINED:

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

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

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

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

5. The sponsor is a financially responsible organization.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a combined letter of intent and Commitment

Letter (the "Commitment Letter") to provide a first mortgage for permanent financing in an amount to be determined by the Executive Director, but not to exceed \$300,000, for the Coburn Mobile Home Park.

2. The Commitment Letter shall be issued to the Housing Foundation, Inc. as the housing sponsor.
3. The commitment of the Agency shall be subject to receipt, at the time of closing, of a commitment fee in an amount equal to one and a half percent (1.5%) of the principal amount of the mortgage loan and transaction costs.
4. The term of the mortgage loan shall be 20 years, the principal and interest payments will be calculated on a 25 year term and will not be fully amortizing, and the interest rate to be charged may be a graduated rate, which will be determined by the Executive Director.
5. The Commitment Letter shall require the Sponsor to demonstrate to the satisfaction of the Executive Director that equity funds and/or deferred loan funds are available in an amount at least equal to the difference between the total development cost as accepted by the Agency and the amount of the permanent financing commitment.
6. The Commitment Letter shall contain such other terms and conditions as the Executive Director shall deem necessary or appropriate.
7. The Executive Director is authorized to make preliminary arrangements for the issuance and private placement of taxable bonds of the Agency to provide proceeds for financing this loan.
8. Throughout the period of the loan, at least 51% of the pads in the park shall be rented to persons and families of low and moderate income, that is at or below 100% of median income. Income checking shall be required only before the closing and for new residents entering the park. Residents shall not be required to leave the park because their income increases beyond any applicable limit or because the occupancy mix is not met.
9. The Executive Director, the Director of Finance, the Director of Development, or any of them, are authorized to do all acts and things and to execute and deliver any and all documents or other instruments, in form satisfactory to counsel for the Agency, necessary or desirable for the purpose of effectuating the permanent loan to Housing Foundation, Inc. in an amount not to exceed \$300,000 for a 20 year term at the closing on the Development.

TERMS OF FINANCING

DRAFT

Permanent Financing Rate Term

VHFA	\$264,727	39.53% Variable	25
Rental Rehab	\$5,000	0.75%	
VHCB	\$175,000	26.13%	3.00% 25
VHCB Grant	\$25,000	3.73%	
CDOP Loan	\$200,000	29.86%	3.00% 25

Total Permanent Financing \$669,727 100.00%

Total Development Budget %TDC

Property Acquisition	300,000	44.75%
Easement to Sewer Line	15,000	2.24%
Water/Septic Repair	200,000	29.84%
Ventures Interest	600	0.09%
Contingency 20,000	20,000	2.98%
Ventures Report	4,847	0.72%
Closing Costs	1,500	0.22%
Permits/Fees	3,200	0.48%
Appraisal	1,500	0.22%
Engineering	48,210	7.19%
Consultants	20,000	2.98%
Legal and Title Fees	5,000	0.75%
Permanent Loan Fe 3,971	3,960	0.59%
VHFA Trans Costs	1,500	0.22%
Co-oping Costs	15,000	2.24%
Town Grant Admin	15,000	2.24%
Working Capital R 2,869	5,000	0.75%
Development Fee 1.49%	10,000	1.49%

Total Development Costs 670,317 100.00%

Per lot 14,572

Park Name	Sandy Pines Tri-Park	Mountain View	Hunters	Riverside	French Hill	Town & Count	Fernwood	Coburns	Proposed	Proposed
	E. McPlyr	Brattleboro	Hinesburg	Grand Isle	Woodstock	Williston	Vergennes	Bolton	Clarendon	Brattleboro
Number of Lots	56	330	52	24	40	9	73	78	46	44
Avg Rent	200	155	160	190	125	195	180	195	175	225
Gross Annual Income	134,400	99,840	54,720	60,000	21,060	157,680	182,520	96,600	118,800	

Per Lot Expenses - Annual

Management***	180	217	275	218	100	144	210	226	236	
Audit & Legal	27	29	63	38	22	27	19	33	23	
Trash	111	0	0	100	78	67	0	0	0	
Utilities	170	125	129	115	94	94	135	296	57	
Maintenance	21	61	104	30	89	41	32	130	23	
Taxes	214	115	149	120	187	79	91	174	170	
Insurance	15	69	31	53	169	30	19	33	23	
Misc	64	0	0	0	0	0	0	209	18	
Snow	64	29	42	120	42	21	13	43	45	
Replacement Reserv	71	96	83	100	62	64	70	65	80	

TOTAL	938	741	876	893	843	568	589	1208	675	
OPER EXP/GROSS INC	39.09%	38.59%	38.44%	59.50%	36.04%	26.30%	25.16%	57.54%	25.01%	
ADJUSTED RATIO*	28.61%	22.29%	22.72%	38.33%	29.10%	16.66%	13.22%	43.69%	13.30%	
PREVIOUS OWNER ADJ	24.00%	22.00%				16.00%				

\* (Operating Expense - Replacement Reserve - Management)/Gross Income  
The adjusted ratio is to enable better comparison with private sector data from appraisals.  
\*\* Data from Keller Navin Cable & O'Brien appraisal for Fernwood using 1989 expenses supplied by owners.  
\*\*\* Note: Riverside, Hunters and Mountain View management costs include resident manager.

VHFA - Koppelkam  
COMPARISON OF MOBILE HOME PARK COSTS  
5/14/91  
C:\QUATTRO\MHP\MHPCOMP.MKQ

Year Acquired	1990	1986	1989	1989	1990	1990	1991	1991
Property Acquisiti	\$980,000	\$3,750,000	\$820,000	\$360,000	\$325,000	\$144,000	\$1,300,000	\$1,425,000
Dvlpmt Costs	\$36,300	\$0	\$50,000	\$94,000	\$27,634	\$22,500	\$46,569	\$58,250
Total Development	\$1,016,300	\$3,750,000	\$870,000	\$454,000	\$352,634	\$166,500	\$1,346,569	\$1,483,250

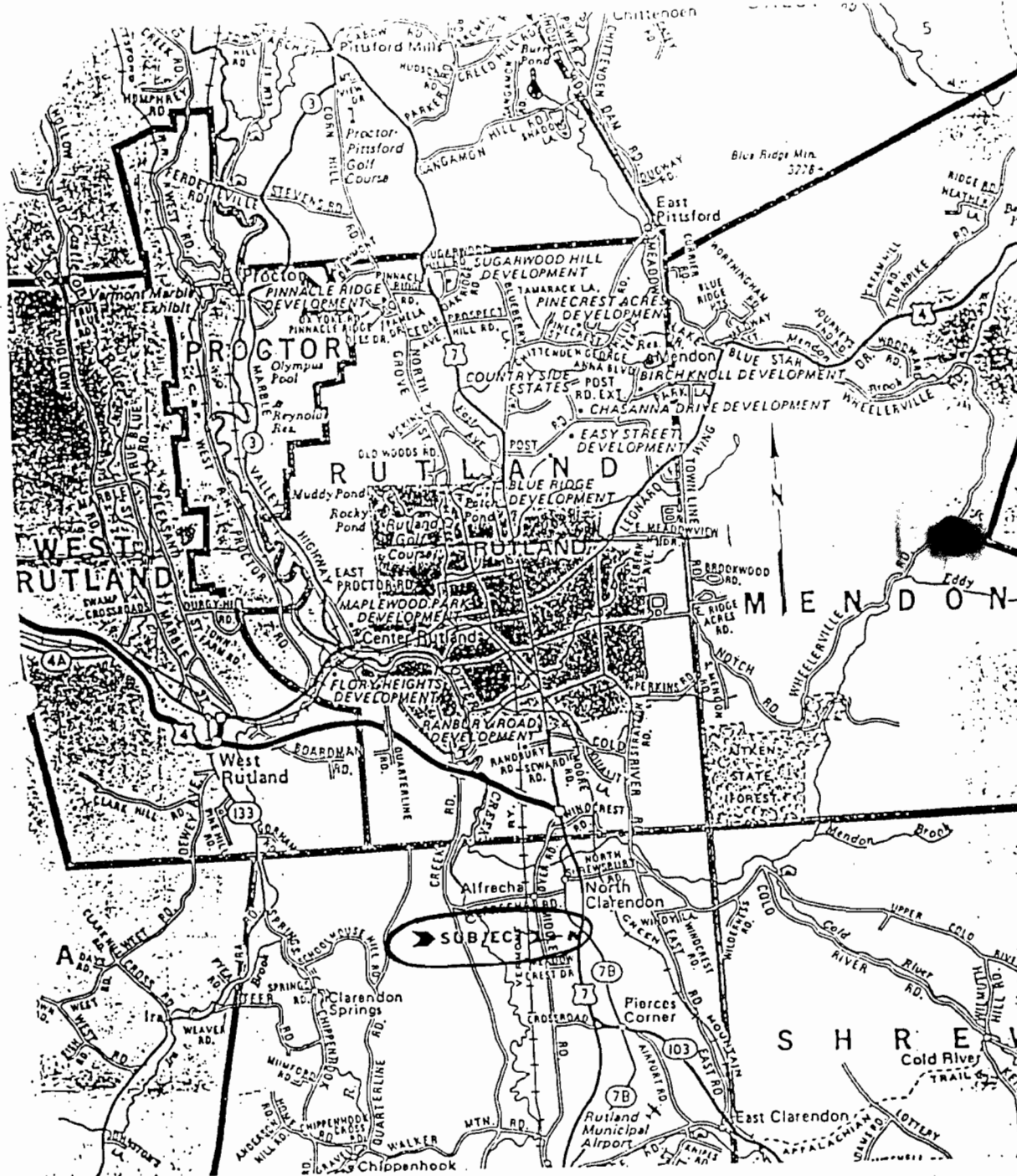
#lots	56	330	52	24	40	9	73	78	46	44
Property Acq Cost/L	\$17,500	\$11,364	\$15,769	\$15,000	\$6,125	\$16,000	\$17,808	\$18,269	\$7,174	\$0
Dvlpmt Cost/Lot	\$648	\$0	\$962	\$3,917	\$691	\$2,500	\$638	\$747	\$23,523	\$23,523
Total Cost/Lot	\$18,148	\$11,364	\$16,731	\$18,917	\$6,816	\$18,500	\$18,446	\$19,016	\$14,543	\$23,523

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Gross Annual Income	96,600	99,498	102,483	105,557	108,724	111,986	115,345	118,806	122,370	126,041	129,822	133,717	137,729	141,860	146,116	150,500	155,015	159,665	164,455	169,389
Less Vacancy Allowance:	3x 2,898	2,985	3,074	3,167	3,262	3,360	3,460	3,564	3,671	3,781	3,895	4,012	4,132	4,256	4,383	4,515	4,650	4,790	4,934	5,082
Other Income	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Adjusted Gross Income	93,702	96,513	99,408	102,391	105,462	108,626	111,885	115,242	118,699	122,260	125,928	129,705	133,597	137,605	141,733	145,985	150,364	154,875	159,521	164,307
Management Fee	8,280	8,611	8,956	9,314	9,686	10,074	10,477	10,896	11,332	11,785	12,256	12,747	13,257	13,787	14,338	14,912	15,508	16,129	16,774	17,445
Resident Manager	2,100	2,184	2,271	2,362	2,457	2,555	2,657	2,763	2,874	2,989	3,109	3,233	3,362	3,497	3,637	3,782	3,933	4,091	4,254	4,424
Audit/Legal	1,500	1,560	1,622	1,687	1,755	1,825	1,898	1,974	2,053	2,135	2,220	2,309	2,402	2,498	2,598	2,701	2,809	2,922	3,039	3,160
Electric	4,500	4,680	4,867	5,062	5,264	5,475	5,694	5,922	6,159	6,405	6,661	6,928	7,205	7,493	7,793	8,104	8,428	8,766	9,116	9,481
Septic system	6,800	7,072	7,355	7,649	7,955	8,273	8,604	8,948	9,306	9,679	10,066	10,468	10,887	11,322	11,775	12,246	12,736	13,246	13,776	14,327
Water	2,300	2,392	2,488	2,587	2,691	2,798	2,910	3,027	3,148	3,274	3,405	3,541	3,682	3,830	3,983	4,142	4,308	4,480	4,659	4,846
Snow Plow	2,000	2,080	2,163	2,250	2,340	2,433	2,531	2,632	2,737	2,847	2,960	3,079	3,202	3,330	3,463	3,602	3,746	3,896	4,052	4,214
Maintenance/repairs	6,000	6,240	6,490	6,749	7,019	7,300	7,592	7,896	8,211	8,540	8,881	9,237	9,606	9,990	10,390	10,806	11,238	11,687	12,155	12,641
Real Estate Taxes	8,000	8,320	8,653	8,999	9,359	9,733	10,123	10,527	10,949	11,386	11,842	12,316	12,808	13,321	13,853	14,408	14,984	15,583	16,207	16,855
Insurance	1,500	1,560	1,622	1,687	1,755	1,825	1,898	1,974	2,053	2,135	2,220	2,309	2,402	2,498	2,598	2,701	2,809	2,922	3,039	3,160
Replacement Reserve	3,000	3,120	3,245	3,375	3,510	3,650	3,796	3,948	4,106	4,270	4,441	4,618	4,803	4,995	5,195	5,403	5,619	5,844	6,077	6,321
Fund for Sewer Connection	9,600	9,984	10,383	10,799	11,231	11,680	12,147	12,633	13,138	13,664	14,210	14,779	15,370	15,985	16,624	17,289	17,981	18,700	19,448	20,226
Total Expenses	55,580	57,803	60,115	62,520	65,021	67,622	70,326	73,139	76,065	79,108	82,272	85,563	88,985	92,545	96,247	100,096	104,100	108,264	112,595	117,099
Net Operating Income	38,122	38,710	39,293	39,871	40,442	41,005	41,559	42,102	42,634	43,152	43,656	44,143	44,611	45,060	45,486	45,888	46,264	46,611	46,927	47,208
Debt Service																				
VHFA	28,309	28,309	28,309	28,309	28,309	29,898	29,898	29,898	29,898	29,898	31,358	31,358	31,358	31,358	31,358	32,742	32,742	32,742	32,742	32,742
VHCB	9,958	9,958	9,958	9,958	9,958	9,958	9,958	9,958	9,958	9,958	9,958	9,958	9,958	9,958	9,958	9,958	9,958	9,958	9,958	9,958
CDOP											14,850	14,850	14,850	14,850	14,850	14,850	14,850	14,850	14,850	14,850
Cash Flow	(145)	442	1,026	1,603	2,174	1,149	1,703	2,246	2,778	(11,554)	(12,510)	(12,023)	(11,555)	(11,100)	(10,680)	(11,662)	(11,286)	(10,939)	(10,624)	(10,342)
VHFA Interest Rate	9.75%					10.50%					11.25%					12.00%				
Debt Coverage Ratio	1.00	1.01	1.03	1.04	1.06	1.03	1.04	1.06	1.07	0.79	0.78	0.79	0.79	0.80	0.81	0.80	0.80	0.81	0.82	0.82

ASSUMPTIONS  
Note: VHCB and CDOP Notes supposedly have soft repayment terms, but need to be negotiated.  
Projections above assume full repayment, which does not appear to be feasible.

Rents Units Rents Annual Rents  
# Mobile Homes 46 \$175 \$96,600

# COBURN MOBILE HOME PARK LOCATION MAP







VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA BOARD OF COMMISSIONERS  
FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE *AS*  
DATE: JUNE 20, 1991  
RE: RATING AGENCY CONSIDERATIONS

Last week we were contacted by analysts from Standard and Poor's regarding the ratings on three individual bond indentures, which were rated based on the moral obligation of the State of Vermont. As you have undoubtedly heard, S&P has dropped the rating for the State to AA- from AA. This represents a half step drop based on the uncertain status of the budget and economy. Since these bond indentures are directly tied to the credit assigned to the State, we were informed that our bonds would be automatically downgraded the same one-half step, unless we applied for a rating based on the strength of the resolutions without the State credit.

The resolutions involved are the Insured Mortgage Program adopted in 1976, the Multi-Family Mortgage Program adopted in 1977 and the Multi-Family Housing Development Mortgage Program adopted in 1989. The older two resolutions have seasoned portfolios of loans and fairly strong financial positions. The recent resolution which was used to finance the Winchester project is unseasoned and would require significant Agency financial contributions to meet known rating agency criteria to maintain the A rating.

In preliminary discussions with S&P, it is our sense that we would be able to demonstrate that the older resolutions would qualify to maintain their A+ and A ratings. It is expected that the cost of the ratings could approximate a total of \$25,000. Since we are considering entering the market with a single family issue within the next couple of months a rating downgrade of these issues would not enhance the salability of new bonds issued.

The two older resolutions and the eight series of bonds issued under the indentures are currently on "credit watch" status subject to the review by S&P which they would like to undertake in the next 60 days. The "Winchester" resolution downgrade would not be appealed at this time due to the resources required to meet minimum requirements.

**RECOMMENDATION**

Approval to pursue the "stand alone" ratings on the Insured Mortgage Program and the Multi-Family Mortgage Program at a cost not to exceed \$25,000 for the ratings.



VERMONT HOUSING FINANCE AGENCY  
M E M O R A N D U M

TO: VHFA BOARD OF COMMISSIONERS  
FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE *RS*  
DATE: JUNE 18, 1991  
RE: PROSPECTIVE INVESTMENT - BARRE HOUSING AUTHORITY/  
VERMONT ENERGY INVESTMENT CORPORATION  
WOOD CHIP HEATING SYSTEM

The Vermont Energy Investment Corporation (VEIC), working on behalf of the Barre Housing Authority (BHA), has requested that VHFA participate in the financing of a wood chip heating plant at BHA's Green Acres 50-unit multi-family housing development in Barre. The project cost is estimated to be approximately \$210,000 with confirmed funding of grants of \$40,000 from the Vermont Department of Public Service and \$50,000 from the Vermont State Economic Opportunity Office. VEIC/BHA is seeking up to \$120,000 from VHFA at a reasonable interest rate for a term not to exceed ten years. The loan would be made to VEIC which would install and own the chip system and sell hot water to the Housing Authority. Repayment to VHFA would be made with revenues from the sale of hot water to BHA by VEIC. The collateral for this loan would be the wood chip system, so VHFA's security is questionable.

The installation of the wood chip heating plan is the culmination of a HUD-funded \$1.2 million dollar comprehensive program to modernize the Green Acres housing development. A wood chip system is proposed because of the potential for dramatic savings over electric heat and the stability of wood chip prices as compared to oil. The system being proposed can be easily retrofitted to burn any fluid or solid fuel.

**Recommendation:** Approval of this investment subject to finalization of details acceptable to the Vermont Housing Finance Agency.





VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA BOARD OF COMMISSIONERS  
FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE *RAS*  
DATE: JUNE 20, 1991  
RE: FISCAL YEAR JUNE 1992 BUDGET

The accompanying budget shows the current year approved budget, the proposed budget for FY92 as formulated by staff, and a dollar and percentage increase or decrease comparison between the two years. Our goal was to limit increases to no more than 5.5% over FY91, based on the inflation rate over the past year. This became somewhat more difficult since we gave back and the Board approved a \$50,000 net decrease in budget authority in May. An additional goal is to maintain an increase to the General Fund balance by showing a small surplus, which is accomplished based on the projected budget.

**Income.** We expect single family mortgage origination to remain strong during the coming fiscal year, exceeding the current year levels. Multi-Family financing is expected to remain at lower levels due to the fact that the next Gates project probably will not be closed within the fiscal year because of the provisions of the new affordable housing act. General market conditions have hurt the interest income earnings as we must invest short-term to have funds available for the myriad of financing commitments anticipated.

**Fund Balance Transfers.** The amounts indicated in this area of the budget represent transfers from existing bond programs to help supplement income in paying expenses. No extraordinary transfers are contemplated and the levels indicated are level funding the surpluses earned by the programs. The direct placement bonds have increased due to the takeouts available on the taxable bond program.

**Capital Budget.** The capital portion of the budget shows the largest decrease of 58% due to the fact that we purchased a new telephone system, performed substantial rehabilitation to the office space and upgraded individual computer facilities during the current budget year totalling \$162,000. The main items in this year's \$68,000 capital budget are a replacement copier and laser computer printers.



**Salaries and Wages.** The total salaries represent a 4.1% increase over current employee salary levels at June 30, 1991. The past fiscal year savings in salaries was mainly due to delayed hiring in replacement staff. We are starting the current fiscal year with an increase of four employees from beginning levels a year ago, to a total of 42 staff. No new staff positions are contemplated in the current budget. Related benefit costs for group insurance, pension plan and payroll taxes shadow the increase in salaries and wages.

**Advertising.** A significant amount of the advertising that will be done in the coming year is expected to be non-bond related and therefore chargeable to the General Fund. The main initiatives will be for the Energy Efficient Mortgage and procedure guides.

**Interest Expense.** The major item in this category is for the note for the owner of the Northgate project which amounts to \$45,000 for the year. This was shown outside the general fund in last year's budget.

**Legal Services.** Due to the increased incidence of litigation and since much of the creative financing we are doing needs legal approval, legal expense is expected to increase dramatically over last year. We also expect that some of the legal work that was charged to bond issues will continue to be required but paid from the general fund.

**Subsidy--Housing Vermont, ERH.** Last year's budget included the final takeout for the \$2 million commitment to Housing Vermont. The budget category now includes an annual \$30,000 membership fee to Housing Vermont and a remaining commitment to ERH of approximately \$10,000.

**Other Expenses.** Expenses other than those enumerated above are showing an 8.5% increase over the final approved budget for FY91.

The overall expense component of the budget increased only 2.29% over the FY91 budget. If you would like to discuss any areas of the budget prior to the Board meeting, please call upon Allan or myself at your convenience.

**Recommendation:** Approval of the operating budget as shown on the attached schedule and the capital budget as explained above.

PROPOSED BUDGET  
VERMONT HOUSING FINANCE AGENCY  
F/Y/E JUNE 30, 1992

	APPROVED FYE 6/30/91	PROPOSED FYE 6/30/92	\$ INCREASE (DECREASE)	PERCENT CHANGE
<b>INCOME</b>				
SINGLE FAMILY FEES	413,650	545,950	132,300	26.46%
MULTI-FAMILY FEES	176,500	125,000	(51,500)	-29.18%
PROJECT ADMIN FEES	115,000	120,000	5,000	4.35%
INTEREST INCOME	400,000	330,000	(70,000)	-17.50%
MISCELLANEOUS	20,000	44,500	24,500	122.50%
<b>TOTAL INCOME</b>	<b>1,125,150</b>	<b>1,165,450</b>	<b>40,300</b>	<b>3.33%</b>
<b>FUND TRANSFERS</b>				
S-F HOUSING	(25,000)	10,000	35,000	140.00%
SHAWMUT MTG PURCHASE	100,000	100,000	0	0.00%
HOWARD MTG PURCHASE	1,250,000	1,250,000	0	0.00%
HOWARD HOME MTG PURCH	400,000	375,000	(25,000)	-6.25%
HOWARD MULTI-FAMILY	430,000	430,000	0	0.00%
CONN NATL MULTI-FAMILY	80,000	80,000	0	0.00%
HOUSING DEVELOP BDS-MF	10,000	10,000	0	0.00%
DIRECT PLACEMENT BONDS	10,000	32,500	22,500	225.00%
<b>TOTAL TRANSFERS</b>	<b>2,255,000</b>	<b>2,287,500</b>	<b>32,500</b>	<b>1.44%</b>
<b>TOTAL INC &amp; TFRS</b>	<b>3,380,150</b>	<b>3,452,950</b>	<b>72,800</b>	<b>2.10%</b>
<b>EXPENSES</b>				
ADVERTISING & PROMOTION	28,000	50,050	22,050	78.75%
AUDIT	26,500	28,000	1,500	5.66%
ANNUAL REPORT	16,800	15,000	(1,800)	-10.71%
COMMISSIONERS EXPENSES	4,000	4,000	0	0.00%
CONSULTING FEES	59,700	51,500	(8,200)	-13.74%
DUES & SUBSCRIPTIONS	26,000	29,500	3,500	13.46%
INSURANCE	145,530	165,000	19,470	13.38%
INTEREST EXPENSE	25,000	48,000	23,000	92.00%
LEGAL	50,000	75,000	25,000	50.00%
MISCELLANEOUS	16,000	12,000	(4,000)	-25.00%
OFFICE EXPENSES	32,000	32,000	0	0.00%
PENSION PLAN	88,000	104,000	16,000	18.18%
POSTAGE	22,000	20,000	(2,000)	-9.09%
RENT	108,000	112,000	4,000	3.70%
REPAIRS & MAINTENANCE	37,500	42,000	4,500	12.00%
SALARIES & WAGES	1,136,524	1,273,018	136,494	12.01%
STAFF TRAVEL & TRAINING	88,709	98,650	9,941	11.21%
SUBSIDY-HOUSING VT, ERH	303,000	40,000	(263,000)	-86.80%
TAXES-PAYROLL	85,920	93,700	7,780	9.05%
TELEPHONE	36,000	36,000	0	0.00%
TRUSTEE & CREDIT FEES	240,000	255,000	15,000	6.25%
DEPRECIATION	80,000	80,000	0	0.00%
<b>TOTAL EXPENSES</b>	<b>2,655,183</b>	<b>2,664,418</b>	<b>9,235</b>	<b>0.35%</b>
<b>SURPLUS (DEFICIT)</b>	<b>724,967</b>	<b>788,532</b>	<b>63,565</b>	<b>7.83%</b>



VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners  
FROM: Glenn A. Jarrett, General Counsel <sup>645</sup>  
DATE: June 19, 1991  
RE: Lawsuit against A. Judson Babcock Developments

The purpose of this memo is to bring you up to date on the status of the Agency's suit against Judd Babcock and three partnerships that own the five multi-family developments on which the Agency declared default.

After the May board meeting we filed a Motion for Temporary Restraining Order. Such motions are usually heard without the other side present and are rarely granted, and ours was no exception. We did not have a hearing on it. However, the presiding judge set the motion for an early hearing on a preliminary injunction and our motion for the appointment of a receiver to run the developments.

The week before the hearing, the defendants filed their answer, several motions and a counterclaim. The counterclaim seeks \$10 million in damages for each defendant because of the Agency's alleged improper acts in invoking the collateral assignments of the Housing Assistance Payments contracts for each development. We forwarded the counterclaim to our insurance agent and the insurance company has sent the file to the Burlington law firm of Dinse, Erdmann & Clapp to defend the Agency. I have not yet spoken with the lawyer who will be handling the case.

The hearing was originally set for an hour on June 11, but was expanded to an entire day when another judge was assigned to it and his schedule was freed up. In a chambers conference before the hearing, the judge indicated clearly that he did not want to interfere with the owner's right to decide who would manage the developments. At this point the defendants' lawyer suggested that Babcock would step aside and let two employees of the management company, Rick Keefer and Mike Lorraine, who had been managing the developments for the last six months handle the management. This suggestion appealed to the judge, who asked me if we had any evidence to show these two individuals had been engaged in wrongdoing regarding the developments. Since we had not received any reports for the first part of 1991, I had no evidence to present. The judge "suggested" that for the next six weeks, Lorraine and Keefer manage the developments while we gained access to the books and records and "built our case."

Faced with the judge's strong suggestions about the near term management of the developments, we agreed to stipulate with defendants to allow Technical Planning and Management to continue to manage the developments for the time being without Judd Babcock's involvement, to pay over the HAP payments we have been holding, to give Agency staff and independent auditors hired by the Agency access to the books and records of the developments, and to relieve the Agency from any liability for working with the Vermont State Housing Authority to arrange financing in the event the Authority comes to an agreement with Babcock regarding the purchase of the developments. We are about to hire auditors who will go over the books and records of the developments to tell us if there have been any further violations of the Regulatory Agreements. If we have what, in our opinion, is sufficient evidence to indicate that Keefer and Lorraine should not be managing the developments, we will be able to go back to court to again seek the appointment of a receiver. The main case against Babcock and the partnerships is supposed to be heard in December. In my opinion, Babcock will attempt to sell the projects before December, since that trial may well result in a substantial judgment against him.

I will be happy to elaborate further on recent events or answer any questions at the Board meeting.



VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners  
FROM: <sup>GAS</sup> Glenn A. Jarrett, General Counsel  
DATE: June 19, 1991  
RE: Proposed Templeton Closing Resolution

The Templeton Court Apartments closing is tentatively scheduled for late July. If the Board does not meet in July, this meeting will be the last chance to authorize the appropriate Agency staff to do the acts and execute the documents necessary for the closing. A proposed resolution is attached.

RECOMMENDED ACTION:

Approval of the attached resolution.



RESOLUTION PERTAINING TO CLOSING FOR  
TEMPLETON COURT APARTMENTS DEVELOPMENT,  
WHITE RIVER JUNCTION

WHEREAS, a proposal has previously been presented to the Agency by Vermont Housing Enterprises, Inc., a non-profit corporation recently formed by the Vermont State Housing Authority, involving the acquisition and rehabilitation of the Templeton Court Apartments, a 36 unit apartment development in White River Junction (the "Development"); and

WHEREAS, the proposal contemplates that the Development will constitute "residential rental housing" within the meaning of section 142(d) of the Internal Revenue Code of 1986; and

WHEREAS, a Vermont non-profit corporation, Vermont Housing Enterprises, Inc., 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;

WHEREAS, the Agency has authorized the issuance of its Commitment Letter to make a permanent loan in an amount not to exceed \$1,650,000 to be amortized over a period not to exceed 30 years, with rate and term to be determined by the Executive Director; and

WHEREFORE, it is hereby RESOLVED:

1. The Commitment Letter of the Agency, other than as set forth in the preceding paragraph, is hereby ratified and the actions of Agency staff in negotiating the loan and preparing for the closing are hereby ratified.
2. The Executive Director, the Director of Finance, the Director of Development, or any of them, are authorized to do all acts and things and to execute and deliver any and all documents or other instruments, in form satisfactory to counsel for the Agency, necessary or desirable for the purpose of effectuating the permanent loan to Vermont Housing Enterprises, Inc., in an amount not to exceed \$1,650,000 for a term not to exceed 30 years at the closing on the Development.

RESOLUTION OF VERMONT HOUSING FINANCE AGENCY  
AUTHORIZING THE ISSUANCE OF ITS  
ENERGY IMPROVEMENT LOAN NOTES

Be it Resolved by the Vermont Housing Finance Agency  
and the Commissioners thereof as follows:

SECTION 101. Definitions.

In this Resolution unless a different meaning clearly appears from the context:

"Act" means the Vermont Housing Finance Agency Act, being No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended to the date of adoption of this Resolution.

"Agency" means the Vermont Housing Finance Agency, a body politic and corporate organized under the Act, or any instrumentality of the State which shall hereafter succeed to its powers.

"Authorized Officer" means the Chairman, Vice Chairman, Executive Director and Secretary and Director of Finance of the Agency, and any other person authorized by resolution of the Agency to act as an Authorized Officer under this Resolution.

"Note" or "Notes" means the Notes of the Agency authorized by this Resolution.

"Program" means the Agency's program of making energy improvement loans to homeowners pursuant to the Act.

"State" means the State of Vermont.

SECTION 102. Authority.

This Resolution is adopted pursuant to the Act and shall take effect upon its adoption. The Agency is duly authorized under the Act and all applicable laws to issue the Notes and to adopt this Resolution in the manner and to the extent provided herein. The Agency will at all times, to the extent permitted by law, defend, preserve and protect all the rights of the owner of the Notes hereunder against all claims and demands of all persons whomsoever.

SECTION 103. The Notes.

The Notes of the Agency, designated "Energy Improvement Loan Notes", are hereby authorized to be issued as herein provided in an aggregate principal amount not to exceed Two Hundred Fifty Thousand Dollars (\$250,000), the original principal amount of the Notes to

be determined upon their issuance by the Authorized Officers of the Agency executing the same. The Notes shall be in such denomination as the authorized officers of the Agency shall determine. The Notes shall be dated and shall bear interest from the date of issuance and shall mature, subject to prior redemption as herein and in the Note provided, one year from the date of issuance. Interest on the Notes shall be payable on October 1, January 1, April 1 and July 1. If any of the interest payment dates falls on a holiday or weekend, interest will be payable the next business day. The form of the Notes, the rate of interest payable thereon, and all other terms and conditions thereof shall be as set forth in Section 106 of this Resolution.

SECTION 104. Sale of the Notes.

The Notes are hereby sold to the Vermont Development Credit Union at the price of par on the terms and conditions provided herein.

SECTION 105. Obligation of the Notes.

The Notes shall be general obligations of the Agency payable out of any of the Agency's revenues, moneys or assets, subject only to agreements heretofore or hereafter made with the holders of obligations of the Agency other than the Notes pledging particular revenues, moneys or assets for the payment thereof. The Agency hereby covenants and agrees with the owners of the Notes that it will not grant to any person any lien on or pledge of the loans made pursuant to the Program unless the Agency shall simultaneously therewith grant to the owners of the Notes a prior and senior lien on or pledge of those loans. The Notes shall not constitute a debt or grant or loan of credit of the State and the State shall not be liable thereon nor shall the Notes be payable out of any funds other than those of the Agency. The Agency is not obligated to pay the Notes or the interest thereon except from the revenues or assets of the Agency pledged therefor under this Resolution and neither the faith nor credit nor taxing power of the State or any political subdivision thereof is pledged to the payment of the principal of or interest on the Notes.

SECTION 106. FORM OF THE NOTES.

The Notes shall be issued substantially in the following form:

VERMONT HOUSING FINANCE AGENCY  
VERMONT DEVELOPMENT CREDIT UNION NOTE  
ENERGY IMPROVEMENT LOANS

No. \_\_\_\_\_

\$\_\_\_\_,000

FOR VALUE RECEIVED, the Vermont Housing Finance Agency (herein called the "Agency"), a body politic and corporate of the State of Vermont, hereby promises to pay to Vermont Development Credit Union or its successors and assigns, on the First day of July 1992, the principal sum of \_\_\_\_\_ and No Dollars (\$\_\_\_\_,000), upon presentation and surrender hereof, and to pay interest on the principal balance hereof outstanding from time to time from the date hereof until final payment hereof at the annual rate provided below. The principal or redemption price of and interest on this Note are payable in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts and shall be payable by check or draft mailed to the owner.

The rate of interest on this Note is eight percent (8%) per annum.

Interest on the Notes shall be payable on October 1, January 1, April 1 and July 1. If any of the interest payment dates falls on a holiday or weekend, interest will be payable the next business day.

This Note is issued pursuant to No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended (the "Act") and under and pursuant to a resolution of the Agency adopted June 26, 1991 entitled "Resolution of Vermont Housing Finance Agency Authorizing the Issuance of its Energy Improvement Loan Notes" (the "Resolution"). This Note is a general obligation of the Agency, payable out of any of the Agency's revenues, moneys or assets, subject only to agreements heretofore or hereafter made with the holders of obligations of the Agency other than this Note pledging particular revenues, moneys or assets for the payment thereof.

The Agency is not obligated to pay this Note or the interest hereon except from the revenues or assets of the Agency pledged under the Resolution 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 this Note.

Copies of the Resolution are on file at the office of the Agency in the City of Burlington, Vermont, and reference to the Resolution and to the Act is made for a description of the covenants securing this Note the manner of enforcement of the covenants, the rights and remedies of the owner of this Note with respect thereto, and the terms and conditions upon which this Note is issued.

Principal and interest shall be payable at the Credit Union offices at 64 North Street, Burlington, Vermont 05401, or at such other place as the Note Holder may designate.

This Note may be prepaid in whole or in partial prepayments without penalty at any time. Any partial prepayment shall be applied against the principal amount outstanding.

Upon default in the payment of any installment of principal and/or interest for more than 15 days after the due date thereof, if the Agency fails to commence the curing thereof within 30 days after the occurrence of said default and thereafter to proceed promptly and with due diligence and in good faith to cure the same, then, or at any time thereafter during default, the Note Holder may, without notice, declare the entire debt then remaining unpaid, immediately due and payable. The Agency shall pay to the Note Holder a late charge of 5% of any installment not received by the Note Holder within ten (10) days after the installment is due. If this Note is referred to an attorney for collection, the Note Holder shall be entitled to collect all reasonable attorney's fees and expenses of suit.

The Agency waives presentment, demand for payments, protest and notice of dishonor of this Note, and authorizes the Note Holder without notice or further consent, to grant extensions of time in the payment of any monies payable to under this Note, and to waive compliance with any of the provisions of this Note.

IN WITNESS WHEREOF, the Vermont Housing Finance Agency has caused this Note to be executed in its name by the manual signature of an authorized officer of the Agency.

ATTEST:

VERMONT HOUSING FINANCE AGENCY

By: \_\_\_\_\_  
Authorized Officer

By: \_\_\_\_\_  
Authorized Officer

Note Date: \_\_\_\_\_, 19\_\_

SECTION 107. Default.

If the Agency defaults in the payment of principal of or interest on any Note when due, or in the performance of any covenant in this Resolution, then the owner of the Note shall have the right, by mandamus or other suit, action or proceedings at law or in equity, to bring suit upon the Note, to enforce its rights under the Resolution and the Note, to compel performance by the Agency of its obligations under the Note and the Resolution; to require the

Agency to account as trustee of an express trust; to require the Agency to effectuate the assignment of the loans made pursuant to the Program to such owner; or to enjoin any acts which may be unlawful or in violation of the rights of the owners of the Notes. No remedy conferred by the Resolution upon the owners of the Notes is intended to be exclusive of any other remedy, but each shall be in addition to every other remedy given under the Resolution or the Notes or provided at law or in equity or by the Act. No delay or omission of the owners of the Notes to exercise any right or power arising upon the happening of a default shall impair any right or power or be construed to be a waiver of the default. The owners of the Notes may waive any default and its consequences. No such waiver shall extend to any subsequent or other default.

SECTION 108. Amendment.

This Resolution may be amended by the Agency without the consent of the owners of the Notes to cure any ambiguity, supply any omission or cure or correct any defect or inconsistent provision herein or to insert such provisions clarifying matters or questions arising hereunder as are necessary or desirable and are not inconsistent with this Resolution as theretofore in effect. The Agency may also adopt a resolution amending, supplementing or otherwise modifying this Resolution without the consent of the owners of the Notes, provided no such resolution shall reduce the principal amount of the Notes or the rate of interest payable thereon or change the maturity date thereof or the dates for payment of interest thereon or the terms of redemption thereof or the security granted for the payment thereof without the express written consent of the owners of the Notes.

SECTION 109. Authorization of Officers.

The Chairman, Vice-Chairman, Executive Director, Director of Finance and all other Authorized Officers of the Agency are hereby authorized and directed to do all acts and things and to execute and deliver any and all documents, certificates, and other instruments necessary or desirable to effectuate the transactions contemplated by this Resolution.

SECTION 110. Severability.

If any provision of this Resolution is held invalid in any circumstances, that invalidity shall not affect any other provisions or circumstances.

1.1.1.

The first part of the report deals with the general situation of the country. It describes the geographical position, the climate, the population, and the main economic activities. The second part of the report deals with the specific situation of the region. It describes the local economy, the social conditions, and the political situation. The third part of the report deals with the specific situation of the district. It describes the local economy, the social conditions, and the political situation.

The fourth part of the report deals with the specific situation of the district. It describes the local economy, the social conditions, and the political situation. The fifth part of the report deals with the specific situation of the district. It describes the local economy, the social conditions, and the political situation. The sixth part of the report deals with the specific situation of the district. It describes the local economy, the social conditions, and the political situation.

Conclusion

The report concludes that the situation in the district is generally satisfactory. The local economy is growing, and the social conditions are improving. The political situation is stable.

Summ. and Concl.

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VERMONT HOUSING FINANCE AGENCY  
RESOLUTION PERTAINING TO DALTON DRIVE PROJECT  
JUNE 26, 1991

WHEREAS, pursuant to Development Loan Note Resolution - Dalton Drive Development, adopted April 25, 1991 (the "Resolution"), the Agency and Dalton Drive Neighborhood, Inc. have entered into a Purchase and Finance Agreement dated June 4, 1991 (the "Agreement"); and,

WHEREAS, the Executive Director has advised that the Development is not ready for a Construction Loan Closing (as defined in the Agreement) in accordance with the conditions of the Agreement, but the construction contract has been awarded to Engelberth Construction (the "Contractor") and the Contractor is ready to proceed expeditiously subject only to final negotiation of terms of the Construction Contract; and,

WHEREAS, pursuant to the Resolution, on June 6, 1991, the Agency issued its Development Loan Note (Dalton Drive Development) 1991 Series A, Note No. DD-1 in the principal amount of \$2,500,000.00, maturing on June 1, 1992; and,

WHEREAS, the Agency staff, Lake Champlain Housing Development Corporation, and Vermont Housing and Conservation Board are in the process of negotiating an agreement (the "Three Party Agreement") which contemplates the long-term affordability of between 25 and 40 of the units at the Development for persons and families having incomes not exceeding 85% of median income ("Lower Income Families"), which agreement would depend on a commitment of \$300,000.00 by the Agency to a Second Mortgage Pool and a guarantee by the Agency to assure permanently that, on resale, not less than 25 of the units will be affordable to Lower Income Families. It is therefore

RESOLVED:

1. The Executive Director is authorized in his discretion to cause the Agency to enter into a construction contract with Engelberth Construction for the rehabilitation of the Housing Development (as defined in the Resolution) and related work and to permit the commencement of work thereunder, provided only that:

a. Such contract shall be consistent with the project budget and shall be assignable in full to Dalton Drive Neighborhood, Inc. as of the Closing Date;

b. Engelberth shall provide 100% performance and payment bonds substantially as required by the Agreement or an irrevocable letter of credit in an amount equal to not less



than 25% of the Contract Sum and issued by a financial institution and having such other terms and conditions as are acceptable to the Executive Director.

c. The Architect shall have provided his design review opinion substantially as required by the Agreement.

d. The Executive Director shall satisfy himself that the Development, the Agency, and the Contractor, respectively, are insured substantially in accordance with the requirements of the Agreement.

e. The Executive Director shall satisfy himself, with or without the assistance of counsel, that the status of permits issued or to be issued with respect to the rehabilitation of the Housing Development is adequate to permit the commencement of the work under the construction contract with Engelberth and that any permit or amendment to permit needed in order to complete all of the work will be issued in time to avoid any delays under the construction contract.

2. Nothing herein shall be construed as a waiver of any substantive requirement of the sale of the Property to Dalton Drive Neighborhood, Inc. or the Construction Closing Documents incident to that sale and the Construction Loan (as defined in the Agreement).

3. The Executive Director in his discretion is authorized to enter into the Three Party Agreement with Lake Champlain Housing Development Corporation ("LCHDC") and Vermont Housing and Conservation Board ("VHCB"), having such particular terms as the Executive Director shall deem appropriate including, without limitation, but in no event exceeding as to financial commitment, (a) a promise to deposit \$300,000.00 with LCHDC subject only to a like deposit by VHCB for the purpose of funding a revolving second mortgage pool for Lower Income Families, it being understood that recovery of such \$300,000.00 by the Agency will be contingent on a variety of circumstances and that the same may not be recovered at all, and (b) the Agency's guarantee that it will use its funds to assure on a permanent basis that not less than 25 of the units shall remain affordable to Lower Income Families on resale.



VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners  
FROM: Allan S. Hunt, <sup>Asst</sup> Executive Director  
DATE: July 3, 1991  
RE: RESCHEDULING THE UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been rescheduled. There will be no meeting held in July. The Annual Meeting and election of officers will be held at 1:30 p.m. Thursday, August 22, at the office of the Department of Banking and Insurance, 89 Main Street, Montpelier, Vermont.

An agenda and board packet will be mailed to you prior to the meeting.

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Montpelier August 22!



VERMONT HOUSING FINANCE AGENCY

August 12, 1991

Ms. Jean Gauthier  
Department of Administration  
Pavilion Office Building  
109 State Street  
Montpelier, VT 05602

Dear Ms. Gauthier:

The Vermont Housing Finance Agency will be having its regular monthly Board Meeting on Thursday, August 22, at 1:30 p.m., at the office of the Commissioner of Banking and Insurance, 89 Main Street, Montpelier, Vermont.

If you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in cursive script that reads 'Barbara M. Parker'.

Barbara M. Parker  
Executive Assistant



VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners  
FROM: Allan S. Hunt, Executive Director  
DATE: August 16, 1991  
RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held at 1:30 p.m. Thursday, August 22, at the office of the Commissioner of Banking and Insurance, 89 Main Street, Montpelier, Vermont.

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

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Montpelier August 22!





VERMONT HOUSING FINANCE AGENCY

**VHFA BOARD MEETING AGENDA**

**OFFICE OF THE COMMISSIONER OF BANKING AND INSURANCE**  
89 Main Street  
Montpelier, Vermont

**Thursday, August 22, 1991 at 1:30 p.m.**

1. Review and approval of minutes of June 26, 1991
2. Annual Meeting and Election of Officers
3. Executive Director's Report  
A. Business Plan for Fiscal Year 1991-1992 [Hunt//Enclosure]
4. Single Family  
A. MOVE 1990 Series 1 Update/Delinquency Report [Lothrop//Encl.]  
B. Income Eligibility for Single Family Programs [Lothrop//Encl.]  
C. Planned Residential Development Procedures [Lothrop//Encl.]
5. Development  
A. 4 STAR Mortgage Program/Marketing Plan [Pond/Sullivan//Encl.]  
B. Participation Construction Financing Pilot Program Update [Pond/Crady//Encl.]  
C. Financing Request from Westlake Ltd. Partnership (Burlington--Redrocks) [Pond//Enclosure]
6. Finance  
A. 1990 Series 2 Single Family Bond Financing [Schoenbeck//Encl.]
7. Legal  
A. Litigation Status [Jarrett]
8. Other old or new business to come before the Board



VERMONT HOUSING FINANCE AGENCY

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

Wednesday, June 26, 1991

PRESENT: Commissioners Shaw, Hebard, Seelig, Erdman (designee of McDougall), Myette (via speakerphone)

Agency Staff: Mr. Hunt, Mr. Schoenbeck, Mr. Jarrett, Ms. Markman, Ms. Pond, Ms. Hope, Mrs. Parker, Mr. Lothrop, Ms. Crady, Mr. Francis

Guests: Ms. Pearson (VHMGB); Mr. Kochman (F.L. Kochman, Inc.); Mr. Gurley (PaineWebber Inc.)

The meeting was called to order at 1:40 p.m.

Upon a motion duly made and seconded, the minutes of the May 23, 1991 meeting were unanimously accepted as written.

In his Executive Director's report, Mr. Hunt informed the Board that Engelberth Construction had been selected as the construction contractor for Dalton Drive. The proposal that Engelberth presented was within the proposed budget, without requiring any material reduction in the scope of the project. The Board did not take formal action to ratify the selection of Engelberth, but it was generally agreed that the choice was appropriate. A three-party agreement is being drafted to be signed by Lake Champlain Housing Development Corporation (LCHDC), Vermont Housing and Conservation Board (VHCB) and the Agency. According to Mr. Hunt, all of the parties involved are eager to begin construction, even though the development is not ready for a construction loan closing. Following some discussion on the implications of beginning actual construction work on the renovation of the exteriors of the buildings prior to a construction loan closing, a resolution was distributed for the Board's review. Mr. Kochman assured the Board that the proposed resolution does not violate a previous resolution regarding financing for Dalton Drive. A motion was then made and seconded and the "Resolution Pertaining to Dalton Drive Project" as attached to these minutes was unanimously adopted. Mr. Hunt informed the Board that a groundbreaking ceremony would be scheduled for either late July or early August. The Towns of Colchester and

## VHFA BOARD MINUTES

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Essex have applied for a historic preservation grant to restore the gazebo; if this grant is awarded, funds budgeted for the gazebo restoration would be applied to other renovations at the Fort.

Continuing his Executive Director's report, Mr. Hunt reminded the Board that federal authorization to issue Mortgage Revenue Bonds (MRBs) and Low Income Housing Tax Credits (LIHTC) is due to expire at the end of December, 1991. While the Congressional delegation from Vermont unanimously supports an extension of this authority, it appears that such an extension could be in trouble on a national level. No Board action was necessary.

Mr. Lothrop reviewed the activity in the Mortgages for Vermonters (MOVE) 1989B program, and observed that this would probably be the last report before funds from the 1990 Series 1 bond issue are applied. As noted in the report, delinquencies have dropped for the third straight month. Ms. Erdman inquired as to the status of real estate owned by the Agency (REOs), as far as the number, condition and sale possibilities. The Board was assured by Mr. Lothrop that staff has been researching innovative methods of selling the properties. Mr. Hunt further reported that he has been honored by being the only state housing finance agency director invited to attend a meeting in July hosted by Freddie Mac (Federal Home Loan Mortgage Corporation), and at their expense, to discuss homeownership and delinquency counseling.

The "Statistical Evaluation of Single Family Programs," as detailed in her memo of June 18, included in the Board packet, was reviewed by Ms. Markman. It is anticipated that this evaluation will take place on an annual or semi-annual basis. The Board suggested further research as far as the market share and FmHA (Farmers Home) activity by county.

Ms. Pond reported on the "Reinvestment of Proceeds from Sugar Mae, Phase I," as detailed in her memo of June 17, included in the Board packet. Reinvestments are closer to 80 percent rather than the required 50 percent; no further development of Phase II has occurred.

Next, the Board turned to Ms. Pond's memo of June 18, the "Twin Pines Housing Trust--Request for Development Financing." Following a brief discussion in which the Board emphasized a preference for Vermont residents to obtain financing in this project, a motion was made and seconded to adopt the "Resolution Pertaining to Letter of Interest re: Twin Pines Housing Trust--Starlake Village" as attached to these minutes; this motion was carried unanimously.

The "Fiscal Year June 1992 Budget" was presented by Mr. Schoenbeck, and reviewed as attached to his memo of June 20, included in the Board packet. Ms. Erdman expressed concern at the overall budget increase. Mr. Hunt reminded the

## VHFA BOARD MINUTES

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Board that the Agency often picks up the slack when budget cutbacks are enacted by the State government. Mr. Seelig suggested that legal costs might be wrapped into the cost of issuance for the smaller bond sales which occur, but Mr. Schoenbeck explained that many of these bond sales are for mobile home parks, who cannot afford the legal costs involved in bond transactions. Mr. Seelig also pointed out that it was important for the Board and staff to consider the volume of activity and various accomplishments of the Agency when budget decisions are being made. A motion was then made and seconded to approve the operating and capital budgets for the fiscal year ending June 30, 1992; this motion was carried, with Ms. Erdman abstaining.

Ms. Pond then briefly reviewed her memo of June 19, included in the Board packet, regarding the "Clarendon: Coburn Mobile Home Park." After a motion was made and seconded, the "Resolution Pertaining to Combined Letter of Intent and Commitment Letter re: Coburn Mobile Home Park" was unanimously adopted as written and attached to these minutes.

Turning next to Mr. Schoenbeck's memo of June 20 regarding "Rating Agency Considerations," the Board acknowledged the need to have stand alone ratings for the Agency's issues, rather than having the ratings automatically downgraded based on a tie-in to the ratings for the State. Mr. Gurley reminded the Board of the need to maintain existing ratings in order to assure a positive perception on the part of investors, but admitted that it is disturbing to be charged such high a fee. Following a brief discussion, a motion was duly made, seconded and unanimously adopted to approve the pursuit of stand alone ratings on the Insured Mortgage Program and the Multi-Family Mortgage Program at a cost not to exceed \$25,000.

Mr. Schoenbeck then reviewed the "Prospective Investment--Barre Housing Authority/Vermont Energy Investment Corporation Wood Chip Heating System" as detailed in his memo of June 18, included in the Board packet. Mr. Seelig observed that such a heating system might also be appropriate for the Highgate apartment complex. A motion was made and seconded to approve the investment of up to \$120,000 subject to finalization of details acceptable to the Agency; this motion was unanimously carried.

As a further update to his June 19 memo regarding the "Lawsuit against A. Judson Babcock Developments," Mr. Jarrett informed the Board that the Agency's insurance company is prepared to pay for the defense of a counterclaim by Mr. Babcock, but is reserving its right to determine whether to pay the judgment until after a verdict is reached. Mr. Jarrett indicated that the owners of the developments are still pursuing a possible sale to a nonprofit affiliated with the Vermont State Housing Authority. No Board action was necessary.

The "Proposed Templeton Closing Resolution" as discussed in his memo of June 19, was reviewed by Mr. Jarrett, and a motion was made, seconded and carried



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unanimously to adopt the "Resolution Pertaining to Closing for Templeton Court Apartments Development, White River Junction," as attached to these minutes.

Turning to other business, the Board unanimously passed a motion reconfirming Andrew F. Gurley as senior manager and underwriter for the Agency's bond transactions, in light of his appointment as Managing Director for PaineWebber Inc.

Mr. Jarrett then distributed a resolution regarding energy improvement loan notes. According to Mr. Jarrett, while the Vermont Development Credit Union (VDCU) can not buy whole loans, passage of this resolution by the Agency would allow the VDCU to invest their funds in notes of the Agency. A motion was duly made, seconded and unanimously adopted for the "Resolution of VHFA Authorizing the Issuance of Its Energy Improvement Loan Notes," as attached to these minutes.

Next, Mr. Jarrett introduced the Vermont State Housing Authority's (VSHA) proposal regarding Mobile Acres mobile home park in Braintree, which includes a recreational vehicle (RV) parking area. The proposed purchase price is \$2,000,000 and financing in the amount of \$1,350,000 is being sought. As the project is currently planned, Housing Foundation Inc. (HFI) would own the mobile home park, which would become a cooperative with tenants managing the RV campground, while the owner continues to finance the campground portion of the property. This scenario would allow the lot rents to remain low. Financing from the Agency is being sought on the mobile home park only. Mr. Hunt observed that this opportunity might be worth exploring provided the residents of the mobile home park are aware that funding sources (pension fund availability) may be limited. Mr. Jarrett cautioned that the infrastructure and water supply systems would cause some difficulty in separating the mobile home park from the RV area. Although no formal action was taken, the Board encouraged staff to seek a written proposal from VSHA, HFI or the mobile home park residents, while advising that there is a possibility that funds may not be available, regardless of the Agency's interest in the project.

The next meeting, to be the Annual Meeting and Election of Officers, was rescheduled to Thursday, August 22, in Montpelier (no meeting will be held in July). There being no further business and following a motion duly made and seconded, the meeting adjourned at 3:45 p.m.

Respectfully submitted,



Allan S. Hunt  
Secretary

VERMONT HOUSING FINANCE AGENCY  
RESOLUTION PERTAINING TO DALTON DRIVE PROJECT  
JUNE 26, 1991

WHEREAS, pursuant to Development Loan Note Resolution - Dalton Drive Development, adopted April 25, 1991 (the "Resolution"), the Agency and Dalton Drive Neighborhood, Inc. have entered into a Purchase and Finance Agreement dated June 4, 1991 (the "Agreement"); and,

WHEREAS, the Executive Director has advised that the Development is not ready for a Construction Loan Closing (as defined in the Agreement) in accordance with the conditions of the Agreement, but the construction contract has been awarded to Engelberth Construction (the "Contractor") and the Contractor is ready to proceed expeditiously subject only to final negotiation of terms of the Construction Contract; and,

WHEREAS, pursuant to the Resolution, on June 6, 1991, the Agency issued its Development Loan Note (Dalton Drive Development) 1991 Series A, Note No. DD-1 in the principal amount of \$2,500,000.00, maturing on June 1, 1992; and,

WHEREAS, the Agency staff, Lake Champlain Housing Development Corporation, and Vermont Housing and Conservation Board are in the process of negotiating an agreement (the "Three Party Agreement") which contemplates the long-term affordability of between 25 and 40 of the units at the Development for persons and families having incomes not exceeding 85% of median income ("Lower Income Families"), which agreement would depend on a commitment of \$300,000.00 by the Agency to a Second Mortgage Pool and a guarantee by the Agency to assure permanently that, on resale, not less than 25 of the units will be affordable to Lower Income Families. It is therefore

RESOLVED:

1. The Executive Director is authorized in his discretion to cause the Agency to enter into a construction contract with Engelberth Construction for the rehabilitation of the Housing Development (as defined in the Resolution) and related work and to permit the commencement of work thereunder, provided only that:

a. Such contract shall be consistent with the project budget and shall be assignable in full to Dalton Drive Neighborhood, Inc. as of the Closing Date;

b. Engelberth shall provide 100% performance and payment bonds substantially as required by the Agreement or an irrevocable letter of credit in an amount equal to not less

than 25% of the Contract Sum and issued by a financial institution and having such other terms and conditions as are acceptable to the Executive Director.

c. The Architect shall have provided his design review opinion substantially as required by the Agreement.

d. The Executive Director shall satisfy himself that the Development, the Agency, and the Contractor, respectively, are insured substantially in accordance with the requirements of the Agreement.

e. The Executive Director shall satisfy himself, with or without the assistance of counsel, that the status of permits issued or to be issued with respect to the rehabilitation of the Housing Development is adequate to permit the commencement of the work under the construction contract with Engelberth and that any permit or amendment to permit needed in order to complete all of the work will be issued in time to avoid any delays under the construction contract.

2. Nothing herein shall be construed as a waiver of any substantive requirement of the sale of the Property to Dalton Drive Neighborhood, Inc. or the Construction Closing Documents incident to that sale and the Construction Loan (as defined in the Agreement).

3. The Executive Director in his discretion is authorized to enter into the Three Party Agreement with Lake Champlain Housing Development Corporation ("LCHDC") and Vermont Housing and Conservation Board ("VHCB"), having such particular terms as the Executive Director shall deem appropriate including, without limitation, but in no event exceeding as to financial commitment, (a) a promise to deposit \$300,000.00 with LCHDC subject only to a like deposit by VHCB for the purpose of funding a revolving second mortgage pool for Lower Income Families, it being understood that recovery of such \$300,000.00 by the Agency will be contingent on a variety of circumstances and that the same may not be recovered at all, and (b) the Agency's guarantee that it will use its funds to assure on a permanent basis that not less than 25 of the units shall remain affordable to Lower Income Families on resale.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont on June 26, 1991.

*ALLAN S. HUNT*

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

RESOLUTION PERTAINING TO LETTER OF INTEREST RE:  
TWIN PINES HOUSING TRUST--STARLAKE VILLAGE

WHEREAS, a proposal has been presented to the Agency by the Twin Pines Housing Trust, a non-profit corporation, involving the development of Starlake Village, a 14 unit single family development in Norwich; and

WHEREAS, the sponsor 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;

It is hereby DETERMINED:

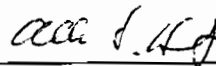
1. The Development is primarily for persons and families of low and moderate income.
2. The costs of site development to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.
3. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and moderate income are able to afford within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of the residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families.
4. The housing sponsor undertaking the Development will maintain the supply of well-planned, well-designed permanent housing for persons and families of low and moderate income.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a letter of interest (the "Letter of Interest") to provide a first mortgage for development financing in an amount to be determined by the Executive Director, but not to exceed \$225,000, for the Starlake Village development.
2. The Letter of Interest shall be issued to the Twin Pines Housing Trust as the housing sponsor.

3. The Letter of Interest shall state that it is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The letter of interest may be used by the housing sponsor in support of applications for construction financing or for other purposes with the consent of the Agency.
4. The Executive Director is authorized to make preliminary arrangements for the financing of this loan.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont on June 26, 1991.



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

RESOLUTION PERTAINING TO COMBINED LETTER OF INTENT  
AND COMMITMENT LETTER RE: COBURN MOBILE HOME PARK

WHEREAS, a proposal has been presented to the Agency by the Housing Foundation, Inc. ("HFI"), a non-profit corporation, involving the acquisition of Coburn Mobile Home Park ("Coburn"), a 46 unit mobile home park in Clarendon; and

WHEREAS, HFI is a housing sponsor within the meaning of the Vermont Housing Finance Agency Act (the "Act"); and

WHEREAS, HFI has received a commitment for a deferred loan in the amount of \$169,000 and a grant in the amount of \$31,000 from the Vermont Housing and Conservation Board; and

WHEREAS, the Agency has available to it a commitment from the State's pension funds to purchase taxable bonds issued by the Agency, the proceeds of which can be used to make a mortgage loan to HFI for the acquisition of Coburn; and

WHEREAS, the Agency has determined that the Development will assist in fulfilling the purposes of the Act and is financially feasible;

It is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income.
2. The costs of acquisition and rehabilitation to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.
3. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and moderate income are able to afford within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of the residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families.
4. The housing sponsor undertaking the Development will maintain the supply of well-planned, well-designed permanent housing for persons and families of low and moderate income.
5. The sponsor is a financially responsible organization.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a combined letter of intent and Commitment Letter (the "Commitment Letter") to provide a first mortgage for permanent financing in an amount to be determined by the Executive Director, but not to exceed \$300,000 for the Coburn Mobile Home Park.

2. The Commitment Letter shall be issued to the Housing Foundation, Inc. as the housing sponsor.
3. The commitment of the Agency shall be subject to receipt, at the time of closing, of a commitment fee in an amount equal to one and a half percent (1.5%) of the principal amount of the mortgage loan and transaction costs.
4. The term of the mortgage loan shall be 20 years, the principal and interest payments will be calculated on a 25 year term and will not be fully amortizing, and the interest rate to be charged may be a graduated rate, which will be determined by the Executive Director.
5. The Commitment Letter shall require the Sponsor to demonstrate to the satisfaction of the Executive Director that equity funds and/or deferred loan funds are available in an amount at least equal to the difference between the total development cost as accepted by the Agency and the amount of the permanent financing commitment.
6. The Commitment Letter shall contain such other terms and conditions as the Executive Director shall deem necessary or appropriate.
7. The Executive Director is authorized to make preliminary arrangements for the issuance and private placement of taxable bonds of the Agency to provide proceeds for financing this loan.
8. Throughout the period of the loan, at least 51% of the pads in the park shall be rented to persons and families of low and moderate income, that is at or below 100% of median income. Income checking shall be required only before the closing and for new residents entering the park. Residents shall not be required to leave the park because their income increases beyond any applicable limit or because the occupancy mix is not met.
9. The Executive Director, the Director of Finance, the Director of Development, or any of them, are authorized to do all acts and things and to execute and deliver any and all documents or other instruments, in form satisfactory to counsel for the Agency, necessary or desirable for the purpose of effectuating the permanent loan to Housing Foundation, Inc. in an amount not to exceed \$300,000 for a 20 year term at the closing on the Development.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont on June 26, 1991.

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

RESOLUTION PERTAINING TO CLOSING  
FOR TEMPLETON COURT APARTMENTS DEVELOPMENT,  
WHITE RIVER JUNCTION

WHEREAS, a proposal has previously been presented to the Agency by Vermont Housing Enterprises, Inc., a non-profit corporation recently formed by the Vermont State Housing Authority, involving the acquisition and rehabilitation of the Templeton Court Apartments, a 36 unit apartment development in White River Junction (the "Development"); and

WHEREAS, the proposal contemplates that the Development will constitute "residential rental housing" within the meaning of section 142(d) of the Internal Revenue Code of 1986; and

WHEREAS, a Vermont non-profit corporation, Vermont Housing Enterprises, Inc., 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 has authorized the issuance of its Commitment Letter to make a permanent loan in an amount not to exceed \$1,650,000 to be amortized over a period not to exceed 30 years, with rate and term to be determined by the Executive Director;

WHEREFORE, it is hereby RESOLVED:

1. The Commitment Letter of the Agency, other than as set forth in the preceding paragraph, is hereby ratified and the actions of Agency staff in negotiating the loan and preparing for the closing are hereby ratified.
2. The Executive Director, the Director of Finance, the Director of Development, or any of them, are authorized to do all acts and things and to execute and deliver any and all documents or other instruments, in form satisfactory to counsel for the Agency, necessary or desirable for the purpose of effectuating the permanent loan to Vermont Housing Enterprises, Inc., in an amount not to exceed \$1,650,000 for a term not to exceed 30 years at the closing on the Development.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont on June 26, 1991.

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



RESOLUTION OF VERMONT HOUSING FINANCE AGENCY  
AUTHORIZING THE ISSUANCE OF ITS  
ENERGY IMPROVEMENT LOAN NOTES

Be it Resolved by the Vermont Housing Finance Agency  
and the Commissioners thereof as follows:

SECTION 101. Definitions.

In this Resolution unless a different meaning clearly appears from the context:

"Act" means the Vermont Housing Finance Agency Act, being No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended to the date of adoption of this Resolution.

"Agency" means the Vermont Housing Finance Agency, a body politic and corporate organized under the Act, or any instrumentality of the State which shall hereafter succeed to its powers.

"Authorized Officer" means the Chairman, Vice Chairman, Executive Director and Secretary and Director of Finance of the Agency, and any other person authorized by resolution of the Agency to act as an Authorized Officer under this Resolution.

"Note" or "Notes" means the Notes of the Agency authorized by this Resolution.

"Program" means the Agency's program of making energy improvement loans to homeowners pursuant to the Act.

"State" means the State of Vermont.

SECTION 102. Authority.

This Resolution is adopted pursuant to the Act and shall take effect upon its adoption. The Agency is duly authorized under the Act and all applicable laws to issue the Notes and to adopt this Resolution in the manner and to the extent provided herein. The Agency will at all times, to the extent permitted by law, defend, preserve and protect all the rights of the owner of the Notes hereunder against all claims and demands of all persons whomsoever.

SECTION 103. The Notes.

The Notes of the Agency, designated "Energy Improvement Loan Notes", are hereby authorized to be issued as herein provided in an aggregate principal amount not to exceed Two Hundred Fifty Thousand Dollars (\$250,000), the original principal amount of the Notes to

be determined upon their issuance by the Authorized Officers of the Agency executing the same. The Notes shall be in such denomination as the authorized officers of the Agency shall determine. The Notes shall be dated and shall bear interest from the date of issuance and shall mature, subject to prior redemption as herein and in the Note provided, one year from the date of issuance. Interest on the Notes shall be payable on October 1, January 1, April 1 and July 1. If any of the interest payment dates falls on a holiday or weekend, interest will be payable the next business day. The form of the Notes, the rate of interest payable thereon, and all other terms and conditions thereof shall be as set forth in Section 106 of this Resolution.

SECTION 104. Sale of the Notes.

The Notes are hereby sold to the Vermont Development Credit Union at the price of par on the terms and conditions provided herein.

SECTION 105. Obligation of the Notes.

The Notes shall be general obligations of the Agency payable out of any of the Agency's revenues, moneys or assets, subject only to agreements heretofore or hereafter made with the holders of obligations of the Agency other than the Notes pledging particular revenues, moneys or assets for the payment thereof. The Agency hereby covenants and agrees with the owners of the Notes that it will not grant to any person any lien on or pledge of the loans made pursuant to the Program unless the Agency shall simultaneously therewith grant to the owners of the Notes a prior and senior lien on or pledge of those loans. The Notes shall not constitute a debt or grant or loan of credit of the State and the State shall not be liable thereon nor shall the Notes be payable out of any funds other than those of the Agency. The Agency is not obligated to pay the Notes or the interest thereon except from the revenues or assets of the Agency pledged therefor under this Resolution and neither the faith nor credit nor taxing power of the State or any political subdivision thereof is pledged to the payment of the principal of or interest on the Notes.

SECTION 106. FORM OF THE NOTES.

The Notes shall be issued substantially in the following form:

VERMONT HOUSING FINANCE AGENCY  
VERMONT DEVELOPMENT CREDIT UNION NOTE  
ENERGY IMPROVEMENT LOANS

No. \_\_\_\_\_

\$\_\_\_\_,000

FOR VALUE RECEIVED, the Vermont Housing Finance Agency (herein called the "Agency"), a body politic and corporate of the State of Vermont, hereby promises to pay to Vermont Development Credit Union or its successors and assigns, on the First day of July 1992, the principal sum of \_\_\_\_\_ and No Dollars (\$\_\_\_\_,000), upon presentation and surrender hereof, and to pay interest on the principal balance hereof outstanding from time to time from the date hereof until final payment hereof at the annual rate provided below. The principal or redemption price of and interest on this Note are payable in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts and shall be payable by check or draft mailed to the owner.

The rate of interest on this Note is eight percent (8%) per annum.

Interest on the Notes shall be payable on October 1, January 1, April 1 and July 1. If any of the interest payment dates falls on a holiday or weekend, interest will be payable the next business day.

This Note is issued pursuant to No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended (the "Act") and under and pursuant to a resolution of the Agency adopted June 26, 1991 entitled "Resolution of Vermont Housing Finance Agency Authorizing the Issuance of its Energy Improvement Loan Notes" (the "Resolution"). This Note is a general obligation of the Agency, payable out of any of the Agency's revenues, moneys or assets, subject only to agreements heretofore or hereafter made with the holders of obligations of the Agency other than this Note pledging particular revenues, moneys or assets for the payment thereof.

The Agency is not obligated to pay this Note or the interest hereon except from the revenues or assets of the Agency pledged under the Resolution 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 this Note.

Copies of the Resolution are on file at the office of the Agency in the City of Burlington, Vermont, and reference to the Resolution and to the Act is made for a description of the covenants securing this Note the manner of enforcement of the covenants, the rights and remedies of the owner of this Note with respect thereto, and the terms and conditions upon which this Note is issued.

Principal and interest shall be payable at the Credit Union offices at 64 North Street, Burlington, Vermont 05401, or at such other place as the Note Holder may designate.

This Note may be prepaid in whole or in partial prepayments without penalty at any time. Any partial prepayment shall be applied against the principal amount outstanding.

Upon default in the payment of any installment of principal and/or interest for more than 15 days after the due date thereof, if the Agency fails to commence the curing thereof within 30 days after the occurrence of said default and thereafter to proceed promptly and with due diligence and in good faith to cure the same, then, or at any time thereafter during default, the Note Holder may, without notice, declare the entire debt then remaining unpaid, immediately due and payable. The Agency shall pay to the Note Holder a late charge of 5% of any installment not received by the Note Holder within ten (10) days after the installment is due. If this Note is referred to an attorney for collection, the Note Holder shall be entitled to collect all reasonable attorney's fees and expenses of suit.

The Agency waives presentment, demand for payments, protest and notice of dishonor of this Note, and authorizes the Note Holder without notice or further consent, to grant extensions of time in the payment of any monies payable to under this Note, and to waive compliance with any of the provisions of this Note.

IN WITNESS WHEREOF, the Vermont Housing Finance Agency has caused this Note to be executed in its name by the manual signature of an authorized officer of the Agency.

ATTEST:

VERMONT HOUSING FINANCE AGENCY

By: \_\_\_\_\_ By: \_\_\_\_\_  
Authorized Officer Authorized Officer

Note Date: \_\_\_\_\_, 19\_\_

SECTION 107. Default.

If the Agency defaults in the payment of principal of or interest on any Note when due, or in the performance of any covenant in this Resolution, then the owner of the Note shall have the right, by mandamus or other suit, action or proceedings at law or in equity, to bring suit upon the Note, to enforce its rights under the Resolution and the Note, to compel performance by the Agency of its obligations under the Note and the Resolution; to require the

Agency to account as trustee of an express trust; to require the Agency to effectuate the assignment of the loans made pursuant to the Program to such owner; or to enjoin any acts which may be unlawful or in violation of the rights of the owners of the Notes. No remedy conferred by the Resolution upon the owners of the Notes is intended to be exclusive of any other remedy, but each shall be in addition to every other remedy given under the Resolution or the Notes or provided at law or in equity or by the Act. No delay or omission of the owners of the Notes to exercise any right or power arising upon the happening of a default shall impair any right or power or be construed to be a waiver of the default. The owners of the Notes may waive any default and its consequences. No such waiver shall extend to any subsequent or other default.

SECTION 108. Amendment.

This Resolution may be amended by the Agency without the consent of the owners of the Notes to cure any ambiguity, supply any omission or cure or correct any defect or inconsistent provision herein or to insert such provisions clarifying matters or questions arising hereunder as are necessary or desirable and are not inconsistent with this Resolution as theretofore in effect. The Agency may also adopt a resolution amending, supplementing or otherwise modifying this Resolution without the consent of the owners of the Notes, provided no such resolution shall reduce the principal amount of the Notes or the rate of interest payable thereon or change the maturity date thereof or the dates for payment of interest thereon or the terms of redemption thereof or the security granted for the payment thereof without the express written consent of the owners of the Notes.

SECTION 109. Authorization of Officers.

The Chairman, Vice-Chairman, Executive Director, Director of Finance and all other Authorized Officers of the Agency are hereby authorized and directed to do all acts and things and to execute and deliver any and all documents, certificates, and other instruments necessary or desirable to effectuate the transactions contemplated by this Resolution.

SECTION 110. Severability.

If any provision of this Resolution is held invalid in any circumstances, that invalidity shall not affect any other provisions or circumstances.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont on June 26, 1991.

RESOLUTIONS ADOPTED AT THE ANNUAL MEETING OF  
VERMONT HOUSING FINANCE AGENCY, AUGUST 22, 1991 **DRAFT**

RESOLVED, In addition to the officers specified as "Authorized Officers" under particular bond resolutions of the Agency, the Deputy Director shall be an "Authorized Officer" within the meaning of any and every bond resolution of the Agency whether now existing or to exist in the future.

RESOLVED, In the absence of the Executive Director and in the absence of the Deputy Director, the Director of Finance shall perform the duties of the Executive Director and shall have all the powers and authority incidental thereto.

RESOLVED, \_\_\_\_\_ is elected Vice Chairman of the Agency for the fiscal year commencing July 1, 1991 and until his successor be elected and qualified.

RESOLVED, Roger A. Schoenbeck is elected Treasurer of the Agency for the fiscal year commencing July 1, 1991 and until his successor be elected and qualified.

RESOLVED, the following persons shall be authorized to sign checks drawn against the Agency's General Fund:

Executive Director	_____	Allan S. Hunt
Deputy Director	_____	Jeffrey D. Francis
Director of Operations	_____	Douglas R. Lothrop
Director of Finance	_____	Roger A. Schoenbeck
Controller	_____	Timothy M. Gutchell

Any check in an amount over \$1,000 payable against the General Fund must be signed by at least two of the foregoing persons. Any payroll check shall be valid and negotiable when signed by any one of the foregoing persons.



VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners  
FROM: Jeff Francis, Deputy Director  
DATE: August 21, 1991  
RE: Fiscal Year 92 Business Plan

In reviewing the FY92 Business Plan, you may have noticed changes in format and content from previous years' Plans. The FY92 Plan includes expanded narratives, information about last year's results and goals for FY92 (where applicable). Additionally, the FY92 Plan groups programs and activities by category in order to provide clearer information about major areas of emphasis.

In the area of single family mortgages/homeownership, the MOVE and Mortgage Plus programs will be continued with targets for increasing our business in those programs significantly. The FY92 goal for MOVE is to purchase a minimum of 900 mortgages, up from 829 last year. Our goal for Mortgage Plus is to issue 300 mortgage credit certificates on mortgages totalling \$22 million, up from 121 certificates on mortgages totalling \$9 million in FY91. We will also strive for increased activity in the Down Payment Assistance Program with plans to provide 120 loans totalling 7.3 million dollars, up from 96 loans for 5.8 million dollars last year.

The promotion of energy conservation will be an ongoing emphasis, with the establishment of a major new initiative, the 4-STAR Mortgage Program. Additionally, the Home Energy/Improvement Loan Program will be continued as will our program with CVPS and The Chittenden Bank which makes capital available to finance energy conservation retrofits to existing homes.

We are well underway with our special initiative at Dalton Drive and are reviewing the Vermont Secondary Mortgage Market Program (Sugar Mae) to determine what potential exists for additional activity under that program.

Our efforts to support mobile home ownership and mobile home park development will be bolstered as we expand our Mobile Home Assistance Program (mobile home refinancing - 20 loans totalling \$550,000 up from 5 loans totalling \$133,000) and work to

identify additional sources of funds with which to finance acquisition and development of parks by nonprofits and other owners willing to assure long term affordability for residents.

In the multi-family area, we will continue our work to preserve existing affordable housing by negotiating preservation agreements and by supporting the acquisition of developments by nonprofits. Westgate in Brattleboro is expected to be our major preservation undertaking in the upcoming year. We will also continue to issue tax credits to stimulate new developments and are working to establish an innovative refinancing program under which owners with high interest rate Section 8 properties can refinance in return for extending the development's affordability. Savings generated through this program, if it is developed, would then be used to assist in financing new affordable rental production. If we are successful in this effort, we hope to refinance 16 developments (300 units) for a total of \$10 million.

VHFA's work with nonprofit housing providers will continue as we combine efforts with the Housing and Conservation Trust Fund to conduct the Nonprofit Training Series. We will also continue to support the delivery and servicing of mortgages through approved nonprofits as a method to increase homeownership opportunities for Vermont's lower income residents.

The aging in place initiative (TEAM Approach - Tenant Education and Assistance Model) being conducted by the multi-family staff will reach an important juncture this year. This program, which is being supported in large part through grants from the Robert Wood Johnson Foundation and the Agency on Aging, will be evaluated in the near future to determine whether VHFA will propose continuing the activity. If the program is to be sustained, new sources of funds with which to support it will need to be identified.

The FY92 business plan also references a number of programs slated to be analyzed during the upcoming year. These programs reflect the array of activities in which VHFA is involved and are being considered because we see potential opportunities in each to further achieve VHFA's organizational goals.

It is evident that FY92 will be a busy year for VHFA. As usual, staff will strive for excellence in our efforts to accomplish the mission of financing and promoting affordable housing opportunities for low and moderate income Vermonters.





VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners  
FROM: Allan S. Hunt, Executive Director  
DATE: August 12, 1991  
RE: FISCAL YEAR 1991-1992 BUSINESS PLAN

Attached is a draft Business Plan for the fiscal year July 1, 1991 through June 30, 1992. The Business Plan indicates four main areas of focus for staff effort, and offers brief descriptive paragraphs for each of the programs.

- > *Ongoing Programs:* Those programs which VHFA will continue to offer.
- > *Programs to Implement:* Programs which have already been researched and are nearing the final planning stages; these programs will be initiated at some point during the fiscal year.
- > *Programs/Initiatives to Analyze for Future Implementation:* Further research and planning to be completed before the final decision is made to introduce any of these programs.
- > *Internal Activities in Support of New Programs and Ongoing Programs:* Only a partial listing of staff efforts directly related to various programs.

The Business Plan is primarily an internal document, meant to offer guidelines enabling staff to prioritize workloads based on meeting Vermonters' needs for affordable housing. All of the Agency staff has reviewed and offered comments on this Plan, and quarterly reviews will be conducted during the fiscal year.

**VERMONT HOUSING FINANCE AGENCY**

**BUSINESS PLAN**

**FISCAL YEAR 1991-1992**

**(July 1, 1991 - June 30, 1992)**

*DRAFT OF 08/09/91*

## **MISSION**

VHFA's mission is to finance and promote affordable housing opportunities for low- and moderate-income Vermonters.

## **GOALS**

1. To provide low cost mortgage financing to individuals who are not able to qualify for conventional financing.
2. To encourage and stimulate additional affordable rental housing for low- and moderate-income Vermonters; and to encourage, where possible, mechanisms to ensure that this housing remains perpetually affordable.
3. To maintain a sound fiscal structure and meet all fiduciary requirements in a professional manner.
4. To heighten general awareness of housing needs for low- and moderate-income Vermonters, particularly with groups who can have an important impact on production of such housing, including the legislature, community officials and the business community.

## FISCAL YEAR 1991-1992

### ONGOING PROGRAMS

#### ***Single Family Mortgage***

Mortgages for Vermonters (MOVE)  
Mortgage Plus Program (Mortgage Credit Certificate--MCC)  
Rural Vermont Mortgage Program  
Homeownership Opportunities Using Shared Equity (HOUSE)  
Down Payment Assistance Program  
Home Energy Improvement Loan Program (HE/ILP)  
CVPS/VHFA/Chittenden Bank Energy Loans

#### ***Special Initiative--Homeownership***

Dalton Drive Affordable Housing  
Vermont Secondary Mortgage Market  
Mortgage Delivery/Servicing with Nonprofits Pilot

#### ***Special Initiative--Innovation***

Affordable Housing Demonstration

#### ***Mobile Home Refinancing***

Mobile Home Assistance Program  
Mobile Home Park Financing Program (Multi-Family)

#### ***Multi-Family***

Preservation  
Multi-Family Management  
Vermont Housing Ventures  
Construction Financing (Multi-Family)  
Low Income Housing Tax Credits (LIHTC)

#### ***Special Initiative--Aging in Place***

TEAM Approach (Tenant Education and Assistance Model)

#### ***Special Initiative--Nonprofit Capacity***

Nonprofit Training Series

### PROGRAMS TO IMPLEMENT

4 Star Mortgage (*Single Family Mortgage--Energy*)  
Section 8 Refinancing Rental Production Program (*Multi-Family Development*)

### PROGRAMS/INITIATIVES TO ANALYZE FOR FUTURE IMPLEMENTATION

Alternative Single Family Financing  
Home Improvement/Qualified Rehabilitation Loans  
Section 8 Rent Increases  
Homeownership Counseling  
Special Needs/Transitional Program  
Portfolio: Proactive Servicing (Single Family)  
LIHTC Compliance Monitoring

### INTERNAL ACTIVITIES IN SUPPORT OF NEW PROGRAMS AND ONGOING PROGRAMS

Housing Policies: Participate at State and Federal Level  
Mortgage Revenue Bond (MRB) and Low Income Housing Tax Credit (LIHTC)  
Extension Campaigns  
Housing Vermont: Funding  
Cash Flow: Analyze Alternative Programs  
Statewide Affordable Housing Conference  
Home Buyer Workshops  
Lender Training  
Computer Software/Hardware Search

FISCAL YEAR 1991-1992

ONGOING PROGRAMS

ACTIVITY

RESPONSIBILITY AND EXPLANATION/COMMENTS

Mortgages for Vermonters (MOVE)  
*Single Family Mortgage*

OPERATIONS: VHFA's primary homeownership delivery mechanism. Under this program, VHFA purchases mortgages originated by participating lenders following VHFA guidelines.  
*FY91 Activity: 829 mortgages purchased; total amount \$53,865,030*  
*FY92 Goals: 900 mortgages purchased; total amount \$58,500,000*

Mortgage Plus Program  
(Mortgage Credit Certificate--MCC)  
*Single Family Mortgage*

OPERATIONS: Provides a tax credit which directly reduces the federal income tax liability of the borrower(s). The amount paid in Vermont income tax is not affected.  
*FY91 Activity: 121 MCCs issued on mortgages totalling \$8,793,675*  
*FY92 Goals: 300 MCCs issued on mortgages totalling \$22,000,000*

Rural Vermont Mortgage Program  
*Single Family Mortgage*

FmHA/Operations/Finance: Uses VHFA funds from a previous bond issue in conjunction with FmHA funds to expand the supply of mortgage funds in rural areas of Vermont.  
*FY91 Activity: 26 mortgages were originated, with the VHFA share amounting to \$380,000.*  
*FY92 Goals: 30 mortgages purchased; total amount \$450,000*

Homeownership Opportunities  
Using Shared Equity (HOUSE)  
*Single Family Mortgage--*  
*Perpetual Affordability*

DEVELOPMENT/Operations: A program for nonprofit and municipal housing developers to promote shared appreciation to ensure long term affordability. Currently \$5 million in funds are available at a stepped interest rate beginning at 6.2% and ending at 7.7%.  
*FY91 Activity: 28 loans purchased*  
*FY92 Goals: 50 loans purchased*

Down Payment Assistance Program  
*Single Family Mortgage--*  
*Down Payment Assistance*

OPERATIONS/VHMGB: A pilot program where eligible borrowers may finance the down payment required for a mortgage up to the amount of the closing costs but not exceeding 100% loan-to-value. The purpose of the program is to reduce the funds needed to purchase a home.  
*FY91 Activity: 96 loans, total \$5,850,155*  
*FY92 Goals: 120 loans, total \$7,300,000*

ONGOING PROGRAMS (continued)

<u>ACTIVITY</u>	<u>RESPONSIBILITY AND EXPLANATION/COMMENTS</u>
Home Energy Improvement Loan Program (HE/ILP) <i>Single Family Mortgage--Energy</i>	<u>OPERATIONS/VEIC/Finance:</u> A guaranteed installment loan program to provide Vermonters with financing for energy conservation improvements on their homes. This is a pilot program using non-lender originators and VHFA servicing. <i>FY91 Activity: 11 loans, total \$43,180</i> <i>FY92 Goals: 20 loans, total \$90,000</i>
CVPS/VHFA/Chittenden Bank Energy Loans <i>Single Family Mortgage--Energy</i>	<u>OPERATIONS/Finance:</u> A public/private installment loan program to finance energy conservation retrofits on existing homes. VHFA supplies the capital, CVPS buys down the interest rate by 4%, and Chittenden Bank underwrites and obtains the guarantee for the loans. <i>FY91 Activity: 5 loans, total \$23,073</i> <i>FY92 Goals: 10 loans, total \$46,000</i>
Dalton Drive Affordable Housing <i>Special Initiative--Homeownership</i>	<u>EXECUTIVE DIRECTOR/Development/Operations:</u> An initiative to combine State resources to create affordable homeownership units from the 19 historical Fort buildings on Dalton Drive. <i>FY91 Activity: Pre-development</i> <i>FY92 Goal: 58 Units sold, total \$5,000,000</i>
Vermont Secondary Mortgage Market <i>Special Initiative--Homeownership</i>	<u>DEVELOPMENT/Finance/Operations:</u> A program to purchase nonconforming mortgages from Vermont lenders. Lenders agree to reinvest a percentage of the proceeds from each transaction. Lenders reinvest no less than 50% of the proceeds in activities supporting low- and moderate-income Vermonters. <i>FY91 Activity: None</i> <i>FY92 Goals: To be determined</i>
Mobile Home Assistance Program <i>Mobile Home Refinancing</i>	<u>DEVELOPMENT/Operations:</u> A program to assist eligible mobile home owners to refinance current housing debt with lower rate mortgage financing. This program is available to borrowers in mobile home parks with a long-term affordability mechanism. <i>FY91 Activity: 5 Loans; \$133,920 purchased</i> <i>FY92 Goals: 20 Loans; \$550,000 purchased</i>
Mobile Home Park Financing Program (Multi-Family) <i>Mobile Home Park Financing</i>	<u>DEVELOPMENT:</u> A program to provide financing for mobile home parks with long term affordability through investment in taxable VHFA bonds by Vermont's public pension funds. <i>FY91 Activity: \$2,380,000, 3 parks, 160 units</i> <i>FY92 Goals: \$1,065,000, 90 units</i>

ONGOING PROGRAMS (continued)

ACTIVITY

**Preservation**

*Multi-Family Preservation*

**Multi-Family Management**

*Multi-Family Management*

**Vermont Housing Ventures**

*Multi-Family Development*

**Construction Financing  
(Multi-Family)**

*Multi-Family Development*

**Low Income Housing Tax Credits  
(LIHTC)**

*Multi-Family Development*

RESPONSIBILITY AND EXPLANATION/COMMENTS

MULTI-FAMILY MANAGEMENT/Development/Finance:

Initiatives to preserve existing affordable housing rather than allow it to convert to market rate housing. Continue using the preservation options as approved by the Board to negotiate Preservation Agreements on Agency-financed Section 8 developments.

MULTI-FAMILY MANAGEMENT: Ongoing servicing and monitoring of 100 VHFA-financed developments (3,223 units) in compliance with Regulatory Agreements, HAP Contracts and HUD regulations. Serve as Contract Administrator for 18 developments, providing \$2.4 million in federal rental assistance payments on behalf of eligible residents.

DEVELOPMENT: A \$250,000 low-interest revolving fund for loans to nonprofits to cover pre-development expenses incurred in creating an affordable housing project.

*FY91 Activity: \$115,900*

*FY92 Goals: \$175,000*

FINANCE: A financing facility with Bank of Boston for short term loans for construction and/or interim funding of developments.

*FY91 Activity: \$2,600,000*

*FY92 Goals: \$2,500,000*

DEVELOPMENT: A federal program providing tax credit incentives for developing multi-family rental housing. Developments are income restricted: at least 20% of residents can earn no more than 50% of area median income; or a minimum of 40% of residents can earn no more than 60% of area median income.

*Calendar 1990 Activity: \$130,839; 110 units*

*Calendar 1991 Goals: \$1,281,358; 410 units*

ONGOING PROGRAMS (continued)

ACTIVITY

RESPONSIBILITY AND EXPLANATION/COMMENTS

**TEAM Approach**

(Tenant Education and  
Assistance Model)

*Special Initiative--Aging in Place*

MULTI-FAMILY MANAGEMENT/Communications: TEAM

addresses the issue of aging in place by working with residents, owners, managers and existing service provider agencies, to establish a viable statewide network of service coordination for all elderly residents of subsidized housing. Funding for this initiative is provided by VHFA, property owners, and grants from the Robert Wood Johnson Foundation and Administration on Aging.  
*FY91 Activity: 28 developments; 1,116 households*  
*FY92 Goals: 62 developments; 2,434 households*

**Nonprofit Training Series**

*Special Initiative--Nonprofit Capacity*

DEVELOPMENT/VHCB/Communications: Workshops for nonprofits (co-sponsored by VHCB) designed to enhance their ability to create more long-term affordable housing.  
*FY91 Activity: 7 Workshops/\$3,000 allocated*  
*FY92 Goals: 7 Workshops/\$3,500 allocated*

**Affordable Housing Demonstration**

*Special Initiative--Innovation*

DEVELOPMENT: A demonstration program to promote affordable housing developments by providing financing for model homes.

**Mortgage Delivery/Servicing  
with Nonprofits Pilot**

*Special Initiative--Homeownership*

DEVELOPMENT/Operations: Establish a mortgage delivery system through approved nonprofits in underserved areas. The goal is to provide better access to low income Vermont families. The servicing aspect could allow for direct servicing of mortgages by VHFA.  
*FY91 Activity: Made one \$10,000 Grant*  
*FY92 Activity: Make additional grant of up to \$10,000*



## PROGRAMS TO IMPLEMENT

### ACTIVITY

4 Star Mortgage  
Single Family Mortgage--Energy

Section 8 Refinancing  
Rental Production Program  
Multi-Family Development

### RESPONSIBILITY AND EXPLANATION/COMMENTS

DEVELOPMENT/Operations: A pilot program to consider energy efficiency in the underwriting process and to encourage energy improvements at the time of home purchase. The required mortgage insurance will be met by GEMICO under a tiered risk agreement in which VHFA shares a portion of the primary mortgage insurance risk. Will utilize \$10-12 million recycled 8.25% funds.  
*1992 Goals: \$5 million*

FINANCE/Development/Multi-Family Management: An initiative to refinance high interest rate Section 8 properties and use the savings to assist new affordable rental production and/or existing troubled properties.  
*FY92 Goals: Refinance 16 developments (300 units), \$10 million*

PROGRAMS/INITIATIVES TO ANALYZE FOR FUTURE IMPLEMENTATION

ACTIVITY

RESPONSIBILITY AND EXPLANATION/COMMENTS

Alternative Single Family  
Financing

DEVELOPMENT/Finance/Operations: Analyze and recommend alternatives to MOVE and Mortgage Plus. This initiative is driven by the ever-present possibility of elimination by the federal government of VHFA's authorization to issue mortgage revenue bonds.

Home Improvement/Qualified  
Rehabilitation Loans

OPERATIONS/Development/Finance: An initiative to provide financing to eligible borrowers for home improvements which add to the basic livability of an existing residential structure.

Section 8 Rent Increases

MULTI-FAMILY MANAGEMENT: Develop a method to control the cost of this program, using budget based rent increases as a means of preserving long term funding under the Annual Contributions Contracts.

Homeownership Counseling

ADMINISTRATION/Operations/Communications: Examine the feasibility and benefits of establishing and/or supporting the establishment of homeownership counseling programs to better prepare Vermont families for homeownership. Programs could be targeted to prospective first-time purchasers, to new homeowners, or to homeowners in default on their existing mortgages.

Special Needs/Transitional Program

DEVELOPMENT: Research viable options to expand housing availability for Vermont's special needs populations; transitional housing opportunities will be the focus.

PROGRAMS/INITIATIVES TO ANALYZE FOR FUTURE IMPLEMENTATION (Continued)

ACTIVITY

RESPONSIBILITY AND EXPLANATION/COMMENTS

Portfolio: Proactive Servicing  
(Single Family)

FINANCE/Operations: Provide direct billing to the lenders servicing our single family programs and conversion of lender reports to an exception only format.

LIHTC Compliance Monitoring

DEVELOPMENT/Multi-Family Management: Following the publication of regulations on monitoring by IRS, develop an appropriate method to assure compliance for all units that have been allocated tax credits. Decide on a fee structure to be charged as either a yearly operating expense or up front as part of the fee for new tax credit allocations.

1991 Activity: None

1992 Goals: 1,000 units impacted

INTERNAL ACTIVITIES IN SUPPORT OF NEW PROGRAMS AND ONGOING PROGRAMS

<u>ACTIVITY</u>	<u>RESPONSIBILITY AND EXPLANATION/COMMENTS</u>
Housing Policies: Participate at State and Federal Level	<u>DEVELOPMENT/Administration</u> : Participate in and keep abreast of all new State and Federal housing legislation, including CHAS and HOME which are elements of the Cranston-Gonzales National Affordable Housing Act of 1990.
Mortgage Revenue Bond (MRB) and Low Income Housing Tax Credit (LIHTC) Extension Campaigns	<u>COMMUNICATIONS/Operations/Executive Director</u> : Congressional authority to issue MRBs and LIHTC sunset December, 1991. Ongoing effort to promote continuation of MRBs and LIHTC.
Housing Vermont: Funding	<u>FINANCE</u> : Ongoing evaluation and monitoring of the funding agreement of \$2,000,000 for the development of new multi-family projects.
Cash Flow: Analyze Alternative Programs	<u>FINANCE</u> : A study to determine the most cost-effective way to generate timely, responsive cash flow data for the purpose of determining finances available and what-if scenarios.
Statewide Affordable Housing Conference	<u>COMMUNICATIONS/Development</u> : Support annual conference for nonprofit housing developers and others in the public and private sector.
Home Buyer Workshops	<u>COMMUNICATIONS/Operations</u> : A series of 7 home buyer workshops designed and implemented to reach potential VHFA borrowers. Forums serve to empower home buyers in a neutral, non-intimidating setting.
Lender Training	<u>OPERATIONS</u> : Designed to educate new lenders and update existing lenders on new and present programs. In FY91 the position of Training Coordinator was created to implement this activity. Between 09/30/90 and 05/01/91, 59 training sessions have been held, involving a total of 522 participants. FY92 Goals: 78 sessions; 600 participants.
Computer Software/Hardware Search	<u>OPERATIONS/All Departments</u> : Initiate the process of researching the possibilities for replacing and updating the computer system.

STATISTICAL REPORT PROGRAM ID: 901  
 UNDERWRITING DATABASE  
 LTV 0% TO 100%  
 Effective for 01/01/89 thru 08/14/91  
 Loan Status: CC,UC,O

Report: 1587

Total Number of Loans: 114  
 Total Loan Amount: \$7,606,554

EXISTING:	\$5,571,795	74.5%	85 Loans
NEW CONSTRUCTION:	\$2,034,759	25.4%	29 Loans
NEW DETACHED HOUSING:	\$1,833,509	90.1%	26 Loans
NEW CONDOMINIUM:	\$201,250	9.8%	3 Loans

Funds Remaining to be Reserved: \$9,529,996 38.1% 142 Loans (Est.)

Total Insured or Guaranteed Loans: 106  
 Loans Guaranteed by VHMGB: 105

	ACED =====	NON ACED =====	STATEWIDE =====
Avg. Purchase Price	\$69,963	\$78,493	\$73,255
Avg. Loan Amount	\$62,956	\$72,718	\$66,724
Avg. Borrower Income	\$33,191	\$28,054	\$31,208
Avg. Housing Debt-Income Ratio	25.9%	31.5%	28.1%
Avg. Total Debt	\$839.70	\$881.47	\$855.82
Avg. Total Debt-Income Ratio	35.0%	37.8%	36.1%
Total No. of Loans	70	44	114
% of Total Loan Amount	57.9%	42.1%	100.0%
First Time Homebuyers	81.4%	100.0%	88.5%
% Meeting Low Income Set Aside	28.5%	52.2%	37.7%

	Loans	% of Loans	\$ Amount	*Households	% of Hshlds	% DIFF
Addison	10	8.8%	\$693,924	5,000	5.7%	3.1
Bennington	1	0.9%	\$60,000	6,300	7.2%	6.3-
Caledonia	10	8.8%	\$543,420	4,800	5.5%	3.3
Chittenden	29	25.2%	\$2,193,948	16,000	18.2%	7.0
Essex	6	5.3%	\$285,170	1,300	1.4%	3.9
Franklin	17	14.9%	\$1,141,073	6,000	6.8%	8.1
Grand Isle	2	1.8%	\$131,550	900	1.0%	0.8
Lamoille	5	4.4%	\$339,416	3,300	3.8%	0.6
Orange	2	1.8%	\$155,700	4,300	4.9%	3.1-
Orleans	5	4.4%	\$304,700	4,200	4.8%	0.4-
Rutland	13	11.4%	\$906,976	10,000	11.4%	0.0
Washington	11	9.6%	\$678,252	9,000	10.3%	0.7-
Windham	1	0.9%	\$52,250	7,100	8.1%	7.2-
Windsor	2	1.8%	\$120,175	9,600	11.0%	9.2-
TOTAL	114	100.0%	\$7,606,554	87,800	100.0%	

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

AS OF: 08/14/91

PAGE NO. 1

Vermont Housing Finance Agency  
 901 - \$25,000,000 SINGLE FAMILY HOUSING BONDS SERIES 1  
 Status Report (with percent of pool proceeds approved)  
 Rate : 8.950%  
 Date : 08/14/91

Report: 1130

PERSTATU

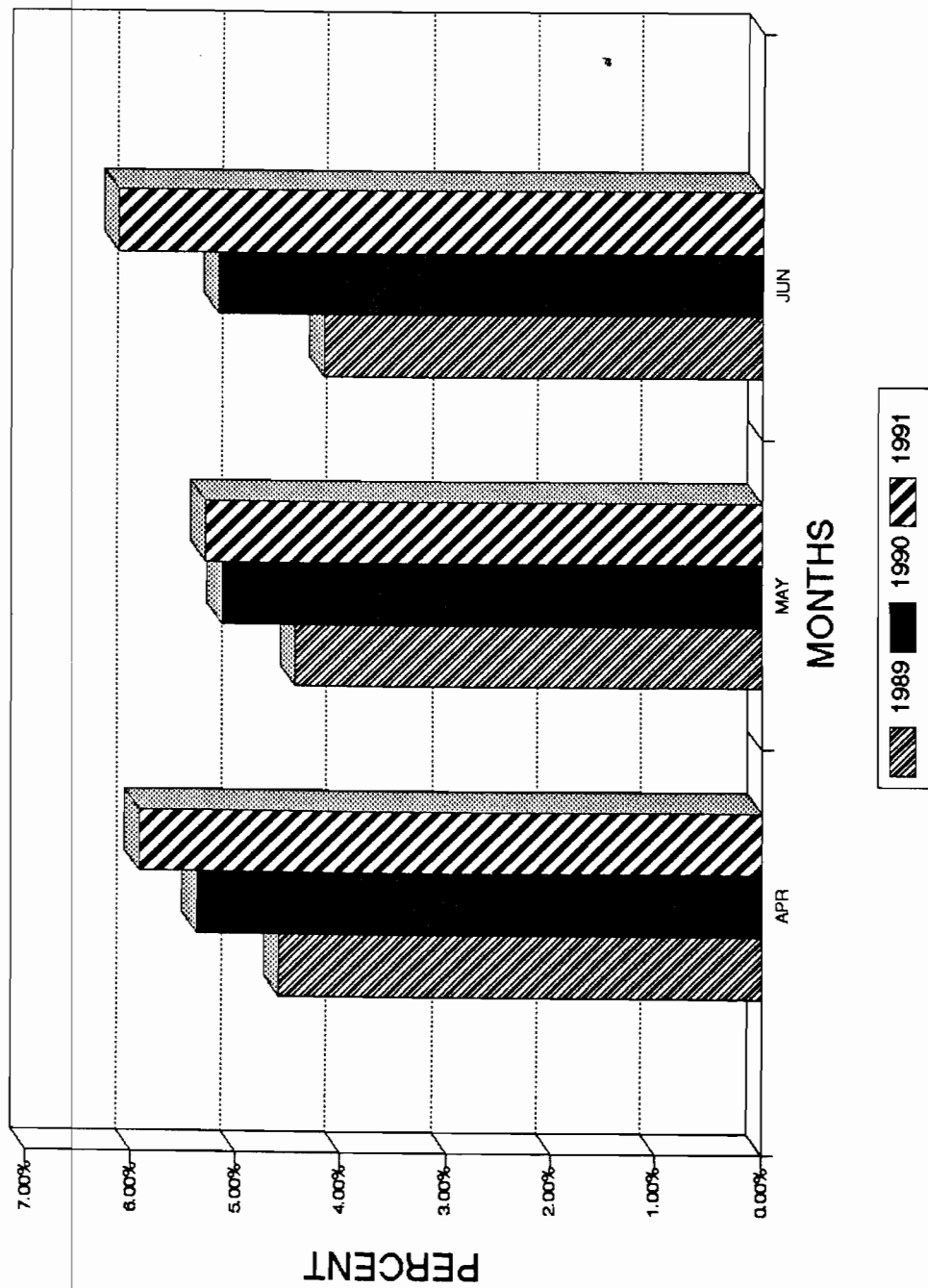
Lender	Funds Reserved	Percent Reserved	Prelim. Approval	% Prelim Approval	Loans Purchased	Loans to be Purchased	PERC	
BancBoston Mortgage Corporation	\$572,578	2.2%	\$287,950	1.1%	\$0	\$287,950	50.2%	
Bradford National Bank	\$74,000	0.2%	\$74,000	0.2%	\$0	\$74,000	100.0%	
Caledonia National Bank of Danville, The	\$142,545	0.5%	\$0	0.0%	\$0	\$0	0.0%	
Chittenden Bank	\$3,723,306	14.8%	\$2,437,526	9.7%	\$292,265	\$2,145,261	57.6%	
Citizens Savings Bank and Trust	\$87,170	0.3%	\$87,170	0.3%	\$0	\$87,170	100.0%	
Community National Bank	\$537,000	2.1%	\$377,150	1.5%	\$0	\$377,150	70.2%	
Factory Point National Bank, The	\$121,976	0.4%	\$79,226	0.3%	\$0	\$79,226	64.9%	
Franklin-Lamoille Bank	\$350,700	1.4%	\$234,750	0.9%	\$59,000	\$175,750	50.1%	
Granite Savings Bank and Trust Company	\$123,500	0.4%	\$57,000	0.2%	\$57,000	\$0	0.0%	
Kittredge Mortgage Corporation	\$194,250	0.7%	\$0	0.0%	\$0	\$0	0.0%	
Lyndonville Savings Bank & Trust Company	\$120,650	0.4%	\$37,050	0.1%	\$0	\$37,050	30.7%	
Marble Bank	\$45,600	0.1%	\$0	0.0%	\$0	\$0	0.0%	
Merchants Bank, The	\$514,091	2.0%	\$165,741	0.6%	\$66,025	\$99,716	19.3%	
Mortgage Sevice Center of New England	\$520,450	2.0%	\$60,000	0.2%	\$0	\$60,000	11.5%	
National Bank of Middlebury, The	\$69,295	0.2%	\$69,295	0.2%	\$69,295	\$0	0.0%	
New England IBM Employees Fed Crdt Union	\$72,000	0.2%	\$0	0.0%	\$0	\$0	0.0%	
Passumpsic Savings Bank	\$681,985	2.7%	\$458,895	1.8%	\$35,900	\$422,995	62.0%	
Peoples Trust Company of St Albans	\$93,728	0.3%	\$66,728	0.2%	\$0	\$66,728	71.1%	
Proctor Bank	\$91,705	0.3%	\$0	0.0%	\$0	\$0	0.0%	
Randolph National Bank	\$70,300	0.2%	\$0	0.0%	\$0	\$0	0.0%	
Statewide Funding Corporation	\$583,325	2.3%	\$177,650	0.7%	\$59,850	\$117,800	20.1%	
Summit Financial Center, Inc.	\$925,300	3.7%	\$389,430	1.5%	\$0	\$389,430	42.0%	
Union Bank	\$256,850	1.0%	\$202,700	0.8%	\$72,000	\$130,700	50.8%	
Vermont Federal Bank, FSB	\$2,437,198	9.7%	\$1,127,568	4.5%	\$289,641	\$837,927	34.3%	
Vermont Mortgage Group, Inc	\$1,032,613	4.1%	\$550,125	2.2%	\$303,375	\$246,750	23.8%	
Vermont National Bank	\$1,665,475	6.6%	\$755,600	3.0%	\$431,025	\$324,575	19.4%	
Wells River Savings Bank	\$322,250	1.2%	\$0	0.0%	\$0	\$0	0.0%	
TOTALS	231 Loans	\$15,429,840	61.7%	\$7,695,554	30.7%	\$1,735,376	\$5,960,178	38.6%

Vermont Housing Finance Agency  
Delinquency Statistics Report  
SINGLE FAMILY PORTFOLIO  
EFFECTIVE: 06/30/91

Banks	Outstanding Loans	30 Days	60 Days	90+ Days	Total	Auth	FCL	PEO	Grand Total
BancBoston Mortgage Corporation	369	0	0	0	0	0	0	0	0
Bank of Vermont	71	1	1	2	4	0	0	0	14
Bennington Coop Savings & Loan Assn Inc	71	1	1	2	4	0	0	0	14
Bradford National Bank	62	3	4	1	8	0	0	0	2
Caledonia National Bank of Danville, Th	144	5	3	2	10	0	0	0	4
Chittenden Trust Company	1,064	54	4	7	65	0	0	0	66
Citizens Savings Bank	9	0	0	0	0	0	0	0	0
Comfed Mortgage Co., Inc.	17	1	0	0	1	0	0	0	1
Commonwealth Mortgage Company, Inc	26	0	0	0	0	0	0	0	0
Community National Bank	135	7	1	2	10	0	0	0	14
Factory Point National Bank, The	24	1	0	0	1	0	0	0	1
First Brandon National Bank	7	0	0	0	0	0	0	0	0
First Northern Mortgage Corporation	9	1	0	0	1	0	0	0	1
First Twin-state Bank	162	3	0	0	3	0	0	0	3
First Vermont Bank and Trust Company	186	9	3	2	14	0	0	0	14
Franklin-Lamoille Bank	216	10	2	0	12	0	0	0	12
Granite Savings Bank and Trust Company	36	2	5	0	7	0	0	0	7
Green Mountain Bank	19	0	0	0	0	0	0	0	0
Howard Bank, National Assn, The	498	23	18	7	48	0	0	0	56
Loans & Refinancing Company, The	28	5	0	0	5	0	0	0	5
Lyndonville Savings Bank & Trust Compan	51	1	0	0	1	0	0	0	1
Marble Bank	233	8	5	2	15	0	0	0	15
Merchants Bank, The	307	9	2	0	11	0	0	0	11
National Bank of Middlebury, The	68	3	0	0	3	0	0	0	3
New England IBM Employees Fed Crdt Unio	75	1	0	0	1	0	0	0	1
Northfield Savings Bank	146	10	2	0	12	0	0	0	12
Pasumpsic Savings Bank	177	4	0	0	4	0	0	0	4
Peoples Trust Company of St Albans	178	7	5	1	13	0	0	0	13
Proctor Bank	121	6	0	0	6	0	0	0	6
Randolph National Bank	76	3	0	0	3	0	0	0	3
Statewide Funding Corporation	48	0	0	0	0	0	0	0	0
Union Bank	153	3	1	0	4	0	0	0	4
Valley Bank	22	1	0	0	1	0	0	0	1
Vermont Federal Bank, FSB	949	31	10	14	55	0	0	0	56
Vermont Mortgage Group, Inc	147	10	1	0	11	0	0	0	11
Vermont National Bank	397	5	5	5	15	0	0	0	16
Wells River Savings Bank	22	2	0	0	2	0	0	0	2
Woodstock National Bank	14	0	0	0	0	0	0	0	0
Overall Totals:	6,273	245	65	57	367	0	7	10	384

May 30, 1991 6,240 204 3.27 57 0.91% 54 0.87% 315 5.05 0 8 0.13% 8 0.13% 331 5.30%

# SINGLE FAMILY DELINQUENCIES







VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA BOARD OF COMMISSIONERS  
FROM: DOUGLAS R. LOTHROP, DIRECTOR OF OPERATIONS  
DATE: AUGUST 12, 1991  
RE: INCOME ELIGIBILITY FOR SINGLE FAMILY PROGRAMS

**BACKGROUND**

An issue has recently arisen that revolves around the question of whether both incomes of a married couple should be used in determining eligibility for participation in the VHFA Single Family Programs, when only one will be the actual borrower.

In the past when the inquiry was made, the VHFA response has been that both incomes must be used in determining eligibility. Recently, in borrowers' quest for VHFA financing, this issue has been challenged by participants as, guided by federal law and regulations, the Procedural Guides refer to the incomes of the "mortgagors."

The Vermont Statutes and the VHFA Single Family Rules were reviewed and no guidance was found. However, in a letter ruling issued by the Internal Revenue Service in 1986 the following was discovered: "For the purposes of applying the income requirements of section 143 (f), the "family income" of a mortgagor (or mortgagors) is the **mortgagor's annualized gross income.**" Section 143 of the Internal Revenue Service Code definitely states that only the incomes of the mortgagors **must** be used in determining eligibility, not the incomes of a mortgagor and spouse.

The MOVE Loan Origination Procedural Guide does state under the "Excessive Assets" section that a mortgagor may be within the income limits but still be **outside the intent** of the program.

The key phrase is "intent of the program." It is difficult to visualize explaining why a husband and wife whose combined earnings might be \$50K or \$60K would still be eligible and/or need the VHFA program.

A sidelight to this issue is how to handle a so-called "relationship loan" where the couple is not married but is living together.

Staff has contacted the Massachusetts, Michigan, New Jersey and New Hampshire Housing Finance Agencies on this subject and they all require both incomes for spouses in determining eligibility.

**RECOMMENDATION**

Staff recommends that incomes of both spouses be used in determining eligibility for VHFA Single Family Programs. Staff feels this is the intent of the programs. In the case of relationship loans, staff recommends following the directions outlined in the Internal Revenue Service Letter Ruling, requiring that only the income of the mortgagors be used for determining eligibility. Staff is not able to come up with a procedure that adequately, equitably or effectively deals with this situation other than following the Letter Ruling.

**REQUESTED BOARD ACTION**

The Board approve the staff recommendation as outlined above.



VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

**TO:** VHFA BOARD OF COMMISSIONERS  
**FROM:** DOUGLAS R. LOTHROP, DIRECTOR OF OPERATIONS  
**DATE:** AUGUST 12, 1991  
**RE:** PLANNED RESIDENTIAL DEVELOPMENT (PRD) PROCEDURES

Attached to this memo are PRD procedures to give guidance to staff in approving PRDs for eligibility for VHFA mortgage purchase programs.

The procedures are similar to the condominium procedures approved by the Board on December 14, 1988. The procedures encompass both new developments and existing developments.

The procedures have been written so as to provide for affordable units within the PRD, including no restriction as to the ability of borrowers to put manufactured housing on the land they purchase.

Unlike condominiums, VHFA staff has no way of knowing if a residence being considered for financing is in a PRD unless the appraisal points it out by referring to common land, etc. It is possible, therefore, that VHFA may have previously financed homes in a PRD that has not been approved for eligibility. In order to deal with this predicament equitably, the procedures allow that no commitments for financing will be canceled if this is discovered. However, no new commitments would be made until the PRD is approved for eligibility.

**REQUESTED BOARD ACTION**

Approval of the attached draft Planned Residential Development Procedures.

DRAFT

The Vermont Housing Finance Agency

Planned Residential Developments  
Eligibility Procedures

## Table of Contents

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## Preface

VHFA is dedicated to providing affordable housing to Vermont's low and moderate-income families. Planned Residential Developments provide one of the affordable types of home ownership as the maintenance on common elements may be shared by all; i.e., potable water systems, waste water disposal systems, etc.

The VHFA planned residential development procedures are designed to provide guidance for eligibility of planned residential developments for the financing by VHFA of individual residences.

VHFA recognizes that housing is a dynamic marketplace. These procedures will be reviewed periodically to assure that they are consistent with the goals, purpose and intent of VHFA and the Housing Policy of the State of Vermont.

## Definitions

Common Elements - any land, structure, or other tangible facility, owned in common by the owners of residences and other buildings constituting a Planned Residential Development (PRD) or a De minimis PRD association of such owners.

De Minimis PRD - a planned residential development that has a relatively minimal amount of common elements and improvements, and contains no multi dwelling units that represent the security for a single mortgage. The common elements should have little or no effect on the value of the property that secures the mortgage.

Eligible Planned Residential Development - a Planned Residential Development which is eligible for financing of individual residences by VHFA.

Planned Residential Development (PRD) - a Planned Residential Development is a project that contains substantial common elements and improvements that are owned and maintained by an owners association for the benefit and use of the individual residence owners.

Planned Unit Development (PUD) - Another term for Planned Residential Development

## General Guidelines

1. Fees:

The fee for application for eligibility of a PRD or a De minimus PRD will be \$275.00.

2. Documents:

All documents requested on VHFA form #S-XXX "Documentation Required for PRD Eligibility Review" as it is amended from time to time.

3. Other:

The term Eligible PRD, where used in this manual, includes a De minimis PRD and a PRD unless otherwise noted.

Only those developments that have a non-municipal common mechanical system, such as a potable water supply or a sewer/septic system, or where any or all of the residences contain a common or party wall, need be submitted to VHFA for eligibility.

4. Underwriting:

There is no minimum number of units required to be eligible, but the documents for all projects of six units or less must contain a dispute resolution procedure acceptable to VHFA.

VHFA does not generally restrict the number of residences it will finance in a project. However, it reserves the right to do so on a case-by-case basis. Before VHFA commits to finance residences in a project it must have been approved as an Eligible PRD.

Where VHFA finds that it has unknowingly financed residences in a PRD or De minimus PRD that is not eligible, VHFA will not commit to make or purchase any further mortgages on individual residences until eligibility has been attained. Mortgage commitments outstanding and mortgage applications with a date earlier than the date VHFA determines the PUD has not been approved for eligibility will not be canceled or restricted.

Projects must obtain a land use permit and any other State or local permits as required.



VHFA reserves the right to withdraw eligibility at any time if, in its judgment, there are material deficiencies in the project or financial condition of any homeowners association. The reasons that withdrawal of eligibility might occur would include, without limitation, lawsuits, liens, and attachments. Withdrawal of eligibility will not cancel any loan commitments outstanding.

All projects will be subject to a possible site inspection.

Any assessments due the owners' association must be paid through regular installments rather than by special assessment.

The budget must be consistent with the responsibilities of the owners' association, if any, and provide for replacement reserve funds.

The owners' association, if any, must carry the kinds of insurance normally carried for common elements; i.e. hazard, flood, liability, and fidelity.

There is no limit or restriction on occupancy of any residence according to race, sex, nationality, religion, creed, age, handicap, or sexual preference.

In the judgment of VHFA, in its capacity as an underwriter of residential mortgage loans,

- (a) no non-residential use included or planned to be included in the PRD materially impairs the marketability of residences in the PRD; and
- (b) no charter, bylaw, covenant, or other document or agreement pertaining to the PRD materially impairs the marketability of residences in the PRD.

There is no excessive limit or restriction on the type or size of the residence that may be erected on the land purchased by an individual owner. Excessive restrictions might include, but are not limited to, severe limitations as to size of dwelling, disallowing certain types of dwellings (manufactured housing), etc. The appropriateness of any restriction will be at the sole judgment of VHFA; however, eligibility for VHFA financing will not be unreasonably withheld.

5.

**Advertising:**

Eligibility for VHFA financing allows a developer or homeowner to advertise the project as "VHFA Eligible." Under no circumstances may the units be advertised as VHFA approved. Any such advertising may result in VHFA withdrawing the eligibility status.

## **New PRD or De minimus PRD**

This type of project includes:

- \* one that is proposed or under construction;
- \* an existing project that is subject to additional phasing or annexation;
- \* one that is still under the control of the developer;
- \* one that has been under the control of the unit owners for less than one year; and
- \* one that was not created by the conversion of existing residential buildings into a PRD or De minimus PRD.

Specific Requirements:

- \* All requirements listed under "General Guidelines" apply.
- \* The VHFA Energy Conservation Standards must be met.

## Existing PRD or De minimus PRD Developments

This includes projects where seventy percent of the residences included in the development have been sold, or are under contract to be sold to individuals and VHFA eligibility was not applied for previously or not granted in previous submissions.

### Requirements:

- \* All requirements listed under "General Guidelines" apply.
- \* Reason for any previous denial of eligibility, if any, has been corrected.
- \* Control of the owners' association, if any, must have been turned over to the individual owners, and the owners must have been in control for more than one year.
- \* No residence will be approved for financing by VHFA unless at least sixty percent of the construction of the Common Elements and public components pertaining to the eligible PRD have been completed. In addition, a satisfactory plan for the completion of the remaining forty percent of the Common Elements and public components pertaining to the eligible PRD must be submitted to VHFA at the time the request for eligibility is submitted, or at a later date as agreed to by VHFA in writing.
- \* The project may not be subject to additional phasing or annexation.



VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Margaret Pond, Director of Development and  
Patricia Crady, Development Coordinator *PC*

DATE: August 12, 1991

RE: 4 STAR Mortgage Program

At the May meeting, the Board approved program goals and targeting for a new VHFA Energy Efficient Mortgage financing program. We are pleased to report that program development is nearing completion and VHFA plans to introduce this new financing program called the 4 STAR Mortgage on September 30, 1991. Attached is a description of the program.

The 4 STAR Mortgage will be substantially different from other VHFA financing programs. This is due to the source of funds, which are recycled funds from prepayments of mortgages made from bonds issued in 1979. Federal regulations in place at the time the bonds were sold were less stringent than current regulations. Another element that differs from our current MOVE program is that the bond documents require mortgage pool insurance. As you know, VHFA has negotiated a special risk sharing mortgage pool insurance policy with GEMICO. One of the requirements of this policy is that GEMICO also provide the primary mortgage insurance. The requirements and guidelines for the 4 STAR Mortgage are a combination of VHFA and GEMICO requirements and guidelines. As of August 9, 1991, 22 lenders have indicated they will be participating.

We will be mailing contracts to lenders during the week of August 12th and lending manuals during the week of August 26th. Carrie Hoglund, Training Coordinator, will be training lenders during the month of September so they will be prepared to originate loans when the program starts on September 30, 1991.

Feedback from lenders, REALTORS and home builders has been very positive. Staff is excited about this program to promote energy efficiency in the mortgage lending process. We are hopeful that the 4 STAR Mortgage will demonstrate to home buyers, REALTORS, and lenders that an energy efficient home is a better investment.

Attached is a chart which shows the annual savings which could be realized by upgrading a home that was rated 2+ STAR by Energy Rated Homes of Vermont to an efficient 4 STAR level. For this example, we compared the affordability of the home without energy repairs, financed with a conventional fixed rate mortgage, with the same home improved to 4 STARS, financed with a 4 STAR Mortgage. Annual savings for interest and energy are estimated to be \$1,719. The 2+ STAR home financed with the conventional mortgage required an annual income of \$38,357 to qualify. The 4 STAR home was affordable to a family earning \$31,255.

We will be using similar examples in the marketing of this program to demonstrate what a good investment the \$250 rating fee is. The marketing plan for the 4 STAR Mortgage provides for aggressive outreach to potential home buyers, home builders and REALTORS with special focus in under served counties. Mary Sullivan, Interim Director of Communications, will be discussing the marketing plan with you at the August board meeting.

No Board action necessary.

## Save Energy and Money with a 4 STAR Mortgage

How much would a borrower save by upgrading an inefficient home that rated 2+ STARS to an efficient 4 STAR Level using VHFA's 4 STAR Mortgage program? Plenty! Here's how:

	Without Energy Improvements	With Energy Improvements
Purchase Price	\$88,000	\$92,000*
Loan Amount	\$83,600	\$87,400*
Interest Rate & Term	9.50% CONV, 25 yrs	8.25% 4 STAR, 25 yrs
Energy Rating	2+ STARS	4 STARS
Monthly Payment (includes taxes and insurance)	\$895	\$860
Monthly Energy Costs-estimated	\$191	\$89
Annual Income to Qualify	\$38,357	\$31,255
<b>Annual Savings</b>		
Energy	-----	\$1,224
Interest	-----	\$ 495
Total	-----	\$1,719

Assumptions: Property taxes--\$1.47 per \$100 of value, initial premium for mortgage insurance of .90%, annual renewal premium for mortgage insurance of .45%, housing debt to income ratio for 2+ STAR home of 28%, housing debt to income ratio for 4 STAR home of 33%.

\* Purchase Price and Mortgage amount includes an additional \$4,000 for energy improvements. Based on an actual 2+ STAR home sold in July of 1991, the \$4,000 of recommended repairs consisted of: replacing electric heating and hot water systems with an integrated, high-efficiency gas boiler (first floor only); installing an automatic setback thermostat and installing 3" thick, R-10 vinyl-faced fiberglass insulation to the interior of the basement walls.

**VERMONT HOUSING FINANCE AGENCY  
4 STAR MORTGAGE  
PROGRAM DESCRIPTION**

Vermont Housing Finance Agency (VHFA) has a long history of working with Vermonters to make homeownership affordable and possible for people of modest means, and particularly for first-time home buyers. Since 1974, through the sale of tax-exempt Mortgage Revenue Bonds (MRBs), and the issuance of Mortgage Credit Certificates (MCCs), VHFA has helped almost 15,000 Vermonters and their families achieve homeownership.

During the past few years, VHFA has initiated many changes to the way we do business in response to the intense need for affordable housing and to make financing easier and more accessible for home buyers. These changes include: reaching out to potential home buyers through Home Buyer Days; a toll-free information hot line for home buyers; the addition of a field representative to work with real estate sales professionals and home builders; and the implementation of a comprehensive training program for lenders.

Energy costs are an important component in determining whether housing is affordable. In 1987, VHFA worked with other organizations to create Energy Rated Homes of Vermont (ERH) and the Energy Efficient Mortgage (EEM). Energy Rated Homes of Vermont provides a uniform system of rating the energy efficiency of a home and provides a tool to incorporate energy efficiency in the mortgage underwriting process. The Energy Efficient Mortgage provides a way to upgrade the energy efficiency of a home at the time of purchase, the most cost effective time to do so, by allowing the cost of energy improvements to be included in the mortgage.

VHFA has developed a new financing program called the 4 STAR Mortgage which provides financing at an interest rate of 8.25% for families purchasing a home that is energy efficient and has received an energy rating of FOUR STARS or better from Energy Rated Homes of Vermont. Home buyers may also finance the purchase of a home that is not energy efficient by including in the mortgage the amount needed to upgrade the home energy systems to a rating of FOUR STARS. VHFA will allow lenders to stretch the allowable debt-to-income ratios when qualifying a borrower. Thus, a borrower may qualify for a higher mortgage loan amount.

VHFA has established a goal of purchasing up to \$12 million in 4 STAR Mortgages by February 3, 1993. Of the total funds available, two-thirds will be targeted for new homes, and one-third will be targeted for existing homes. VHFA plans to implement the 4 STAR Mortgage program by late September, 1991.



VHFA's 4 STAR Mortgage provides financing for home buyers purchasing a home that is energy efficient. To fund this program, VHFA will use recycled funds from prepayments of mortgages made from bonds sold in 1979. With these funds, there is a special requirement that each loan be eligible for mortgage pool insurance. In addition, loans with down payments of less than 25% must be covered by primary mortgage insurance.

Mortgage pool insurance differs from primary mortgage insurance. Primary mortgage insurance insures the lender against borrower default and is paid for by the borrower. Mortgage pool insurance provides additional protection for the bond holder in the event of a borrower default and a loss greater than what is covered under the primary mortgage insurance policy. Mortgage pool insurance is paid for by VHFA. Under a special shared risk policy VHFA has negotiated with General Electric Mortgage Insurance Companies (GEMICO), all primary mortgage insurance and mortgage pool insurance will be provided by GEMICO.

#### Loan Terms

- 8.25% fixed interest rate.
- 25 year loan term.
- 5% minimum down payment: 3% must be from the borrowers' own funds, 2% may be a gift from a relative.
- 2% loan origination fee: 1.50% is retained by the Lender and .50% is remitted to VHFA.
- Borrowers must occupy the home as a primary residence within 60 days of the loan closing date.
- Primary Mortgage Insurance is required for loans with down payments of less than 25%. All primary mortgage insurance will be provided by GEMICO.

NOTE: Because the funding for this program is from bonds issued before August 15, 1986, there is no federal recapture provision.

## Borrower Eligibility

A borrower is eligible for a 4 STAR Mortgage if:

- The borrower's annual gross household income does not exceed the following statewide limits:
  - \$40,000 1-2 Person Households
  - \$45,000 3+ Person Households
- The borrower is unable to obtain conventional fixed rate mortgage financing;
- As of the closing date, the borrower does not own another residential property (there is no first-time home buyer requirement);
- The borrower can demonstrate the ability to repay the loan;
- The borrower has an acceptable credit history.

The lender determines the borrower's eligibility using special VHFA/GEMICO underwriting guidelines. In the underwriting of the application, the lender determines the borrower's ability to repay the loan by verifying the borrower's employment and income, and willingness to repay the loan by verifying the borrower's past and present credit history. Each application is reviewed on a case-by-case basis.

GEMICO's requirements and guidelines differ from those applied by VHFA for its financing programs. Because of the risk-sharing nature of the mortgage pool insurance and primary mortgage insurance policy, VHFA and GEMICO have agreed to the following special underwriting guidelines:

- Credit profiles may be developed via rental receipts and utility payments for borrowers with no credit history;
- GEMICO has waived their PITI reserve requirement;
- Temporary buydowns with the borrower qualifying at the first year interest rate will be allowed. Maximum contribution of 2-1% on a 95% LTV and 3-2-1% on 90% and less LTV loans.

Qualifying Ratios - Ratios that compare the borrower's anticipated monthly housing expense and total monthly obligations (housing expense plus other debt) to the verified gross monthly income are used to determine the ability to meet such expenses. The following guidelines apply:

**Total Monthly Housing Expense** - The guideline for total monthly housing expense to income is 33%. Total monthly housing expense includes: principal and interest payment; 1/12 of annual property taxes; 1/12 of annual hazard insurance premium; 1/12 of the annual mortgage insurance premium; and any applicable monthly condominium, homeowners association fee, or monthly land rent.

**Total Monthly Debt** - The guideline for anticipated monthly housing expense plus all other obligations is 41%. Total monthly debt includes total monthly housing expense, monthly installment loan payments, monthly revolving account payments, and other monthly debt.

### Property Eligibility

Only homes rated **FOUR STARS** or better by Energy Rated Homes of Vermont, or homes which will be improved after purchase so they will rate **FOUR STARS** or better, are eligible for financing under the 4STAR program.

Purchase Price Limits - The purchase price limit may not exceed \$115,000 for a new home and \$99,000 for an existing home.

### Property Types

- New and existing single family detached and attached homes--including homes located in Planned Residential (PRD) and Condominium Developments.
- Manufactured Homes that are pre-built partially at a factory and transported to a permanent site for final construction.
- A two family home.

Mobile Homes or Modular Homes, commonly referred to as "single wides" and "double wides", which are transported, essentially complete, to their permanent sites are not eligible.

Homes on leased land must have a lease term of a minimum of 50 years or be perpetual. Lease agreements must be approved by VHFA and GEMICO.

Condominium and Planned Residential Developments and other types of attached single family homes must be reviewed and approved for eligibility by VHFA and GEMICO. GEMICO has agreed to allow flexibility on condominium concentrations.

The home must be sufficiently complete to provide adequate living space for the family who will live there. Parts of the home may be left for the borrower to finish, such as the second floor of a cape style home as long as the unfinished space does not affect the livability and marketability of the home.

## The Application Process

A borrower applies for a 4 STAR Mortgage with a participating lender. The lender determines preliminary eligibility and processes the borrower's application for financing based on eligibility criteria, underwriting guidelines, and procedures provided by VHFA, and gathers documentation to support information on the application.

An application for a 4 STAR Mortgage would be processed in the following manner.

1. The home buyer applies for a 4 STAR Mortgage with a participating lender. The lender determines eligibility under VHFA/EEM requirements and guidelines and reserves mortgage funds for the home buyer.
2. The lender processes the application verifying employment/income, funds for down payment, credit information, and orders an appraisal of the property. If the property does not already have an energy rating from Energy Rated Homes of Vermont, a rating is requested from an ERH trained appraiser.
3. The appraiser completes an ERH Energy Checklist to obtain information for analysis by Energy Rated Homes of Vermont. The appraiser waits for the energy rating to be performed, before completing the appraisal report.
4. ERH processes the information on the checklist and calculates an energy rating for the home. Also provided by ERH is information on annual energy costs and, if the home is not energy efficient, an estimate of the cost to upgrade the energy system with projected energy costs once improvements are complete. The original rating is sent to the home buyer. A copy is sent to the appraiser, the lender, and the real estate broker.
- 5a. If the home is currently rated FOUR STARS or better, the appraiser completes the appraisal report and sends it to the lender. The lender submits the application to VHFA for preliminary approval. VHFA submits the application to GEMICO for mortgage pool insurance and primary mortgage insurance (if the loan-to-value is greater than 75%). Once approved by VHFA and GEMICO, the lender closes the loan and sells the loan to VHFA.
- 5b. If the home is not currently rated FOUR STARS or better, the appraiser completes the appraisal report assuming that the home will be upgraded to FOUR STARS. The appraisal report must include the "as is" value and the value "upon completion" of the energy improvements. The lender may rely on the cost estimates provided by ERH. The lender increases the loan request to include energy improvements and submits the application to VHFA for preliminary approval. VHFA submits the application to GEMICO for mortgage pool insurance and primary mortgage insurance (if the loan-to-value is greater than 75%). NOTE: The Acquisition Cost,

which includes the purchase price plus improvements, may not exceed the maximum purchase price limits for this program which are \$99,000 for existing homes and \$115,000 for new homes.

Once approved by VHFA and GEMICO, the lender closes the loan and escrows the funds to complete the repairs. The home buyer arranges with local contractors to complete the required energy improvements. All repairs must be completed within 120 days of closing. The lender disburses funds from the escrow account as each improvement is complete. Upon completion of all energy improvements, the appraiser inspects the property. Any funds remaining in the escrow account are applied to the principal of the mortgage.

The lender may wait until the repairs have been completed to sell the loan to VHFA or may elect to sell the loan to VHFA before the repairs are completed. If VHFA purchases the loan and the repairs are not completed within 120 days of the loan closing date, the lender will be asked to repurchase the loan. Generally, in the contract signed with VHFA to participate in the program, a participating lender indicates whether the lender participating will wait until repairs are complete to sell the loan or will be selling loans with repair escrows.



VERMONT HOUSING FINANCE AGENCY

**M E M O R A N D U M**

TO: VHFA Board of Commissioners

FROM: Margaret Pond, Director of Development and  
Patricia Crady, Development Coordinator *PC*

DATE: August 14, 1991

RE: PARTICIPATION CONSTRUCTION FINANCING  
PILOT PROGRAM UPDATE

We would like to update you on the status of VHFA's Pilot Participation Construction Financing Pilot Program for homeownership projects and two homeownership developments currently under consideration by staff. Twin Pines Housing Trust's Starlake Village development was discussed with you in June. Another project, Acorn Knolls--a 22 unit PRD being developed in Manchester Center by Jeffrey Barnes and Douglas Velsor is also under consideration.

The following is an overview of each project and the current status.

**NORWICH (STARLAKE VILLAGE) -- TWIN PINES HOUSING TRUST**

In June, the Board approved the issuance of a letter of interest to Twin Pines Housing Trust to provide up to \$225,000 in site development financing for a 14 unit development known as Starlake Village in Norwich, Vermont. The project has received all local permits and is in the process of review for an Act 250 permit. They currently have 21 potential buyers who are working with First Twin-state Bank for pre-qualification.

Twin Pines Housing planned to submit the information we need to recommend a commitment at the August board meeting, but were unable to do so because of the time expended finalizing local permits and compiling information for Act 250. We hope to have the necessary information to recommend approval of the site development financing at the September board meeting.

**ACORN KNOLLS -- JEFFREY BARNES AND DOUGLAS VELSOR**

Acorn Knolls is an affordable housing development planned for a six acre site on Route 11 & 30 in Manchester, Vermont. If approved, it will be the first housing development under Manchester's Affordable Housing Regulations adopted this spring.

The project will be developed by Jeffrey Barnes and Douglas Velsor, local developer/architects, and consists of 22 units in 11 buildings. The basic unit will be 850 square feet and have two bedrooms and a full basement. There will be on-site water and sewer. The base price is estimated to be \$79,250. The developers are currently working with Olin Stephens of Regional Affordable Housing Corporation (RAHC) to make 8-10 units perpetually affordable. Bennington County has been designated as an under-served county by VHFA staff.

Factory Point National Bank in Manchester has indicated an interest in financing the site development and building construction and has requested VHFA's participation. The preliminary development costs are estimated to be \$1.5 million. Preliminary discussions indicate that VHFA and Factory Point would each participate 50% in a first mortgage. The developers are in the process of submitting an application to Factory Point National Bank and VHFA.

Under the MOVE Program, a unit selling for \$79,250 would be affordable to families earning 80-100% of the \$34,100 median income for Bennington County. Using HOUSE and a possible RAHC subsidy of \$6,500, the same unit would be affordable to families earning 60-75% of Bennington County median income.

We are interested in this project because of its affordability, perpetually affordable units, and its location in a county designated by VHFA as under-served. It will also be the first affordable housing development in Manchester and is a cooperative effort of the Town of Manchester, a for profit developer, a nonprofit organization and a local bank. We hope to have more information on the project and a recommendation at the September or October board meeting.


No Board action necessary.



VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Margaret A. Pond, Director of Development 

DATE: August 15, 1991

RE: FINANCING REQUEST FROM WESTLAKE LIMITED PARTNERSHIP  
BURLINGTON: REDROCKS

**History:**

At the May 1991 meeting, a request for construction financing was discussed for a new 44 unit single family condominium development, known locally as Redrocks (Phase IIIA). Attached is a copy of the memo.

The general partners of Westlake Limited Partnership are Charles Brush and John Giebink of Shelburne. The development is the first part of a two phase development, the latter half of which will be 59 units on an adjacent 12 acre parcel. The request to VHFA is for involvement in the first phase only, which is also where the most affordable units will be, with prices ranging from \$79,500 to \$110,000. This development is quite similar to the Taft Farms development in Williston in size of units, amenities, and pricing structure. It is estimated that the twelve HOUSE financed units would serve families in Chittenden County of incomes ranging from \$23,400 to \$26,200 (68%-76% of state median). In contrast, the majority of VHFA borrowers over the past year (August 1, 1990 - July 30, 1991) have had incomes at or above 80% of state median.

Due to the newness of the type of loan as well as the complexity of the request itself, a Board subcommittee was appointed to assist staff in reviewing the Redrocks development proposal and to develop guidelines for a "Participation Construction Financing Pilot Program." Chairman Shaw appointed Commissioners Erdman and Seelig to participate on the subcommittee along with himself.

Since the Board meeting, after further staff review and consultation with the Subcommittee, a letter was sent to the general partners, Charles Brush and John Giebink, outlining our position with regard to their request. In particular, VHFA requirements included: the need for a primary lender's commitment; at least a shared first mortgage position; a performance bond on the general contractor; a point and a half commitment fee; and bank references on the partners and Munson. Items of concern



were the preponderance of ledge on the site with a comparatively small contingency fund available; the relatively small number of affordable units (12 of 44) and the prices being on the high end of affordable; and the density of the HOUSE-financed units through the Burlington Community Land Trust in the first three buildings, thereby leading to possible future stigmatization of those buildings.

**New Financing Structure Request:**

On August 7th, staff met with Mr. Brush, Mr. Giebink, and Ms. Robin Willey, Vice President of the Vermont National Bank, to discuss a new financing structure. An updated budget will be sent to you prior to the board meeting; in the interim, please use the May 1991 budget (attached).

The primary new element was a commitment from the Small Business Administration to guarantee the building construction, on a building by building basis at 85% coverage of cost. This allowed the financing to be separated into two basic parts: one for land and infrastructure development, and one for building construction.

Vermont National made a commitment dated July 30, 1991, for the land and infrastructure loans, \$496,702 and \$353,500 respectively. Vermont National holds the note on the existing land loan. The commitment made on July 30th is contingent upon VHFA guaranteeing the infrastructure loan of \$353,500. Our guarantee would represent approximately 8% of the total development cost.

Vermont Federal Bank made a commitment dated August 15, 1991, for a building construction loan of \$2,595,000 in conjunction with the SBA guarantee. The timeline is tight, with the developers/general partners anxious to begin the site work to be able to get units on line for occupancy by January. Vermont National's commitment expires on September 1, 1991.

The VHFA guarantee would be collateralized by either cash or marketable securities on deposit with Vermont National. The funds or guarantee would be released on a pro rata basis as each unit sold. According to the schedule, release of VHFA's guarantee would begin in March of 1992 and end in March of 1993: the term of the guarantee, however would be for two years or until approximately September 1993.

**Concerns:**

The largest concern as of the writing of this memo is VHFA's security position. We are being asked to deposit \$353,500 in funds or marketable securities at Vermont National to be used as our guarantee of the infrastructure loan. Since we are not actually putting up funds in the form of a loan, this is not a participation agreement as originally conceived. While it is better not to have to provide the loan funds from a logistic and

cost standpoint, VHFA is second in position in the case of foreclosure, during the site development phase. At the end of the infrastructure phase and before the building phase, the loan to value ratio is a favorable 47%. Our proposal to Vermont National would be for VHFA to be on the first mortgage only to the extent our money has been drawn upon. We will apprise you of the status negotiation of this at the meeting.

The site for Redrocks IIIA is relatively flat. Engineering advice is that blasting will be needed on no more than one-third of the site to provide services to the buildings. The second phase, Redrocks IIIB, in which VHFA is not involved, is on the pinnacle ridge of Redrocks, similar to the existing Redrocks developments.

The issue of the density of the perpetually affordable units has not changed. The Burlington Community Land Trust (BCLT) does not think that the units will be stigmatized and has had no difficulty in selling the development thus far. The developers have been doing advance marketing and four of the twelve (BCLT) units have contracts on them.

VHFA's requirement for bonding for the general contractor has not been addressed in the proposal. The SBA only makes these guarantee commitments to entities that do **not** have bonding capacity. As stated earlier, the SBA guarantee is on a building by building basis, thereby staging the risk with each new building. Vermont National's commitment letter outlines the conditions where the subcontractors must obtain and submit payment and performance bonds in form, in amounts and with sureties acceptable to the bank. Further information on the SBA guarantee has been requested to better understand the arrangement and to gain greater comfort.

**Recommendation:** Support the VHFA making a guarantee of up to \$355,000 on the Vermont National's infrastructure loan, contingent upon satisfactory resolution of VHFA's security position and bonding concerns, and receipt of acceptable banking references.

## MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Margaret Pond, Director of Development  
Mark Koppelkam, Multi-Family Development Underwriter

DATE: May 23, 1991

RE: PROPOSED CONSTRUCTION FINANCING FOR NEW 44 UNIT  
SINGLE FAMILY DEVELOPMENT (REDROCKS) IN BURLINGTON

### Project Summary

The Westlake Partnership has requested a \$353,500 construction loan from VHFA to support their proposed development of a new 44 unit single family condominium project in Burlington. The principals of the partnership are Charles Brush and John Giebink of Shelburne. The sole limited partner is John Gale, also of Shelburne. The total development cost at this time is \$4,269,270. Thus, VHFA's share of the development cost is 8.3%.

As proposed, VHFA would hold only a second mortgage, though this would likely be a recourse loan, a different situation than most of our multi-family financing, which is non-recourse.

The primary construction lender has not yet been identified. A local contractor, Munson, is also acting in a lending capacity (subordinate to VHFA), providing \$330,000. This approximately equals the amount of sitework anticipated. (See the attached development budget for the proposed sources and uses of funds).

The project has been fully approved by Act 250 and all local entities and is the first large condominium development to come under the new Burlington inclusionary zoning ordinances, which require a certain proportion of affordable units.. The project is the first part of a two phase development, the latter half of which will be 59 units on an adjacent 12 acre parcel. The financing request being made does not involve the second phase in any way, except that the sale price of the Phase II land (@ \$10,000/unit) is being shown as revenue to the Phase I projections.

This first phase (44 units total) includes 12 perpetually affordable units, which will be offered to the Burlington Community Land Trust at prices of \$80,000 (2 BR) and \$90,000 (3 BR). The Land Trust has received a \$30,000 grant from the Vermont Housing and Conservation Board to market these shared appreciation units. A purchase and sale agreement with the Land Trust has already been signed. 24 of the remaining 32 of the units are priced within our MOVE program limits, and the remaining 8 are price well within the Mortgage Plus program limits.

Because of the affordable units, the partnership is requesting subsidized interest loan capital from a local bank through the Federal Home Loan Bank Board program. Projected construction interest rates from the primary construction lender have been shown at 8.5% for one part, and 10% for another part. The VHFA loan is projected at 10%. All the loans show a 1% commitment fee.

The request offers three primary security features. The first is that the limited partner will be providing a \$500,000 guarantee. The second is that the construction will be phased such that after the first 16 units (12 of which are committed to the Land Trust), each building will not be built until there are 50% pre-sales.

Additional security is offered by the fact that the entire 17 acre site will be mortgaged for this first phase, and it has appraised value (\$1,040,000) substantially above the original purchase price (\$440,000, unpermitted) and the existing mortgage balance (\$530,000, which will be paid off at closing as part of this transaction). The appraisal was done by Michael O'Brien of Keller, Navin, Cable & O'Brien. Phase II has also been fully permitted, except for a sewer capacity approval from the City of Burlington, which will be granted once the City's new sewer plant is operational.

The partnership currently has \$245,000 of equity invested in the site which is not shown on the attached development budget. Only \$55,000 of this would be paid back at the construction closing.

### Concerns

The site has extensive ledge. The developers say they have done extensive engineering, and that the sitework costs have been developed with the assumption that the site is essentially 100% ledge. They have suggested that the site contractor/investor (Munson) will sign a guarantee against cost overruns due to ledge.

This proposal is still fairly preliminary, and additional underwriting and negotiation is needed in a number of areas.

Recommendation

Staff requests Board approval in concept of VHFA participation in construction financing of single family developments that include affordable units, even if the Agency's loan is not in first position as to payment. The source of funds to be used for these Agency loans would be from external sources (i.e. not the Agency's general fund), and would require the Agency to issue obligations, pledges and/or guarantees.

Staff also requests Board authority to proceed to negotiate terms and to make a construction loan on the proposed Redrocks development, not to exceed 10% of total development costs and based generally on the attached information, pending final approval of a Board subcommittee to be appointed by the Board chairman.

Potential Revenue

Total Units:

44

Unit Type

Number

Price

Totals

2 BR Affordable

4

80,000

320,000

3 BR Affordable

4

90,000

360,000

3 BR Afford (int)

4

90,000

360,000

2 BR (Int)

10

98,000

980,000

2 BR (Ext)

14

103,000

1,442,000

2 BR

8

107,500

860,000

44

4,322,000

Plus Phase I Land

590,000

Less Selling Expenses

200,560 (Commissions 3.04%)

=====

Gross Sales

4,711,440

Net Profit

442,170

Note: Buydown Subsidy in selling expenses of \$64,000

## FINANCING SOURCES

## Deficit/(Surplus)

Amount

% of TDC Cstrct Int Rate

Projected Loan Maximums

Munson

330,000

7.73%

8.00%

236,000

Bank S&amp;D

725,000

16.98%

8.50%

707,082

Bank Bldg

800,000

18.74%

10.00%

625,545

VHFA

353,500

8.28%

10.00%

353,000

Partners Equity

190,000

4.45%

N/A

Sales Proceeds

1,870,770

43.82%

N/A

4,269,270

100.00%

1,921,627

## REDROCKS

## DEVELOPMENT BUDGET

5/22/91

Budget

Per Unit

Land Acquisition

655,000

14,886

Site Work

465,000

10,568

Construction

2,595,000

58,977

Bond Premium

0

0

CONSTRUCTION CONTINGENCY

5.00%

0

0

Arch/Engineering

136,000

3,091

Other Professionals

28,000

636

Inspections

1,300

30

Legal/Accounting

22,000

500

Permits/Fees/Transfer fee

155,500

3,534

Insurance

11,000

250

Taxes

12,500

284

Construction Loan Interest

84,935

1,930

101,235

VHFA Construction Loan Fee (1%)

3,535

80

Bank S&amp;D Construction Loan Fee (1%)

7,250

165

Bank Bldg Construction Loan Fee (1%)

8,000

182

Marketing

32,200

732

Working Capital

0

0

Other Development Expense

2,000

45

Developer's Fee

1.17% 50,050

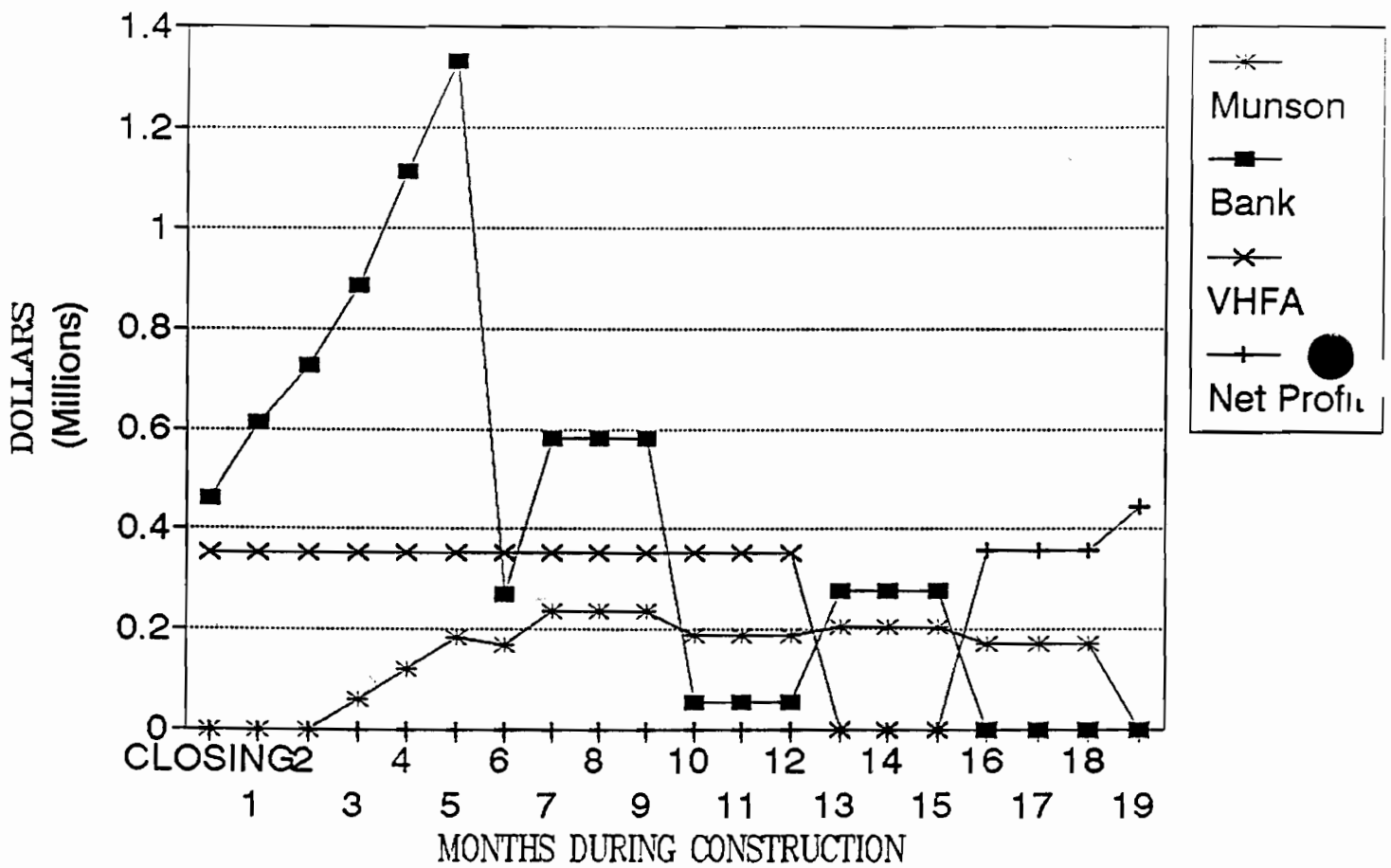
1,138

TOTAL DEVELOPMENT COST 4,269,270

97,029

# REDROCKS CONDOS

## CUMULATIVE LOAN/CASH BALANCES



REDROCKS UNIT DESCRIPTION

Keller Nav

Total Units: 44

Appraisal

Oct 1990

Unit Type	Number	Unit Price	Totals	
2 BR Affordab	4	79,500	318,000	87,000
3 BR Affordab	4	89,500	358,000	95,000
3 BR Afford (	4	89,500	358,000	95,000
2 BR (Int)	10	103,000	1,030,000	103,000
2 BR (Ext)	14	105,000	1,470,000	105,000
2 BR	8	110,000	880,000	110,000
=====				
	44		4,414,000	

SUMMARY OF FINANCING DURING CONSTRUCTION

CONSTRUCTION FINANCING LOAN SOURCES

	Amount	Construction Int Rate
Munson	285,000	10.50%
VNB	496,702	10.50%
VNB/VHFA	353,500	10.50%
VT Fed Loan	863,000	9.50%

COMBINED REDROCKS BUDGET

8/21/91

USES	Budget	Per Unit
Land Acquisition	496,702	11,289
Site Infrastructure	390,000	8,864
Site Contingency (7.7%)	30,000	682
Construction	2,225,000	50,568
Construction Contingency (9%)	200,000	4,545
Pre-Closing Interest	25,000	568
Arch/Engineering	195,000	4,432
Other Professionals	54,000	1,227
Inspections	2,000	45
Legal/Accounting	21,000	477
City of Burlington Permits	147,500	3,352
Other Permits	8,000	182
Insurance	11,000	250
Taxes	13,700	311
Construction Loan Interest	154,112	3,503
Loan Fees	14,719	335
Devel Reimbursables	60,000	1,364
Selling Expenses	10,480	238
Buydown Subsidies	108,800	2,473
Marketing	36,600	832
Other Development Expense	2,000	45
Net Cash Surplus	36,787	836
Developers Admin	36,400	827
=====		=====
TOTAL DEVELOPMENT COST	4,278,800	97,245

SOURCES

Unit Sales	4,414,000
Less Commissions	(135,200)
=====	
TOTAL SOURCES	4,278,800



## WESTLAKE LIMITED PARTNERSHIP: REDROCKS DEVELOPMENT

### Proposed Timetable and Project Summary

**August 91**

#### Preclosing

Permits approved  
Land owned by partnership, mortgage held by VNB  
VNB Loan Balance \$496,702  
Partners have spent \$293,000 to date

**September 91**

#### Closing

**February 92**

#### Sales Begin

First 12 units (8 affordable)

**June 92**

4 units sold

**September 92**

8 units sold

**December 92**

8 units sold

**March 93**

Next group of 8 units sold  
VNB/VHFA loan repaid in full  
VT Fed loan repaid in full

**June 93**

Last group of 4 units sold  
Munson and VNB loans repaid in full

## REDROCKS DEVELOPMENT

### SECURITY VALUE

#### Appraised Value

Before Infrastructure Improvements	IIIA	\$ 594,000
	IIIB	<u>\$ 742,500</u>
		\$1,336,500

After Infrastructure Improvements	IIIA	\$1,040,000
	IIIB	<u>\$ 742,500</u>
		\$1,782,500

VNB - Mortgage on Both Parcels of Land		
- Loan of		\$ 850,000

Munson Letter of Credit		<u>-125,000</u>
		\$ 725,000

$$\frac{725,000}{1,336,500} = 54\%$$

$$\frac{725,000}{1,782,500} = 40\%$$

**RESOLUTION PERTAINING TO COMMITMENT LETTER RE:  
WESTLAKE LIMITED PARTNERSHIP/RED ROCKS DEVELOPMENT**

WHEREAS, a proposal has been presented to the Agency by Westlake Limited Partnership, a limited partnership whose General Partners are Charles Brush and John Giebink, involving the construction of 44 condominium units in 8 buildings located in Burlington (the "Development"); and

WHEREAS, the proposal contemplates that at least 12 of the 44 units in the Development will be perpetually affordable and the remaining units would be priced at less than the Agency's 4 Star Mortgage limits; and

WHEREAS, the proposal seeks a deficiency guaranty by the Agency of up to \$353,500 of a loan of \$853,000 to be made by Vermont National Bank for land and infrastructure work to include a deposit of funds in that amount with Vermont National Bank; and

WHEREAS, the construction financing for the Development is to be provided by Vermont Federal Bank with a guarantee from the Small Business Administration; and

WHEREAS, the Agency has determined that the Development will assist in fulfilling the purposes of the Act and is financially feasible and that making the deficiency guaranty is appropriate in carrying out and effectuating the purposes and provisions of the Vermont Housing Finance Agency Act.

Therefore, it is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income.
2. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at 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.
3. The housing sponsor undertaking the Development will maintain the supply of well-planned, well-designed permanent housing for persons and families of low and moderate income, and the sponsors are financially responsible persons or institutions.

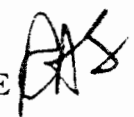
WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a letter of commitment (the "Commitment Letter") to provide a deficiency guaranty (the "Guaranty") in an amount to be determined by the Executive Director, but not to exceed \$355,000, for the Red Rocks Phase IIIA Development. The Commitment Letter shall include an offer to place funds in the amount of the guaranty on deposit with Vermont National Bank at terms, an interest rate and with collateralization satisfactory to the Agency.
2. The Commitment Letter shall be issued to Westlake Limited Partnership.
3. The commitment of the Agency shall be subject to receipt, on or before the date of the closing on the Land and Infrastructure Loan by Vermont National Bank (the "Loan") of a commitment fee in an amount equal to one and a half percent (1.5%) of the principal amount of the loan guarantee.
4. The Commitment Letter shall provide that the Agency's Guaranty shall provide that before the Agency's Guaranty is invoked, the holder of the Loan shall diligently take all legal steps to collect from the maker of the loan, including but not limited to, drawing on any credit enhancements and liquidating the Development property, and demonstrating to the satisfaction of the Agency that those steps have failed to provide sufficient funds to satisfy the Loan.
5. The Commitment Letter shall contain such other terms and conditions as the Executive Director shall deem necessary or appropriate, given the circumstances.



VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA BOARD OF COMMISSIONERS  
FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE   
DATE: AUGUST 15, 1991  
RE: SINGLE FAMILY BOND FINANCING

Since April we have been reviewing market numbers and rates for the purpose of pursuing a conversion of the 1990 Series 2 bonds which would make available \$40 million of mortgage funds. We have had several conference calls with the underwriting group regarding the advisability of going forward with the financing and the best timing to "trigger" the process. During this period, interest rates have continued a slow drift downward and projections now indicate that we could deliver a mortgage rate of 8.35% with no VHFA contribution and a letter of credit of under \$1 million.

The consensus of the underwriters is that interest rates should continue to decline for at least the next four to six weeks. The tricky part of the conversion of Series 2 Bonds is that we must notify the trustee 60 days prior to irrevocably calling the existing bonds. We currently have about an eight week supply of 8.95% funds remaining. We are also in the midst of working on the annual audit and a significant redemption of earlier bonds based on prepayments collected. Based on this information, we have decided to delay triggering the conversion of the Series 2 bonds until September 15th, with the expectation of a sale of bonds during the first week of October and a closing on the first of November. We would be able to monitor the markets and sell at any time during the first three weeks of October, when the timing looks best.

**RECOMMENDED ACTION**

Authorize staff to pursue the "conversion" of the 1990 Series 2 Bonds as described above and trigger the notification to the trustee on September 15th if the market, economic conditions and assumptions regarding mortgage rate, Agency contribution and other financial factors are not significantly impacted.



VERMONT HOUSING FINANCE AGENCY

September 9, 1991

Ms. Jean Gauthier  
Department of Administration  
Pavilion Office Building  
109 State Street  
Montpelier, VT 05602

Dear Ms. Gauthier:

The Vermont Housing Finance Agency will be having its regular monthly Board Meeting on Thursday, September 19, at 1:30 p.m., here at the office of the Vermont Housing Finance Agency, One Burlington Square, Burlington, Vermont.

If you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in cursive script that reads 'Barbara M. Parker'.

Barbara M. Parker  
Executive Assistant



VERMONT HOUSING FINANCE AGENCY  
M E M O R A N D U M

TO: VHFA Board of Commissioners  
FROM: Allan S. Hunt, <sup>Adm.</sup> Executive Director  
DATE: September 13, 1991  
RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held at 1:30 p.m. Thursday, September 19, here at the office of the Vermont Housing Finance Agency, One Burlington Square, Burlington, Vermont.

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

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Burlington September 19!



VERMONT HOUSING FINANCE AGENCY

**VHFA BOARD MEETING AGENDA**

**VERMONT HOUSING FINANCE AGENCY**

**One Burlington Square  
Burlington, Vermont**

**Thursday, September 19, 1991 at 1:30 p.m.**

1. Review and approval of minutes of August 22, 1991
2. Executive Director's Report
3. Single Family
  - A. MOVE 1990 Series 1 Update/Delinquency Report [Lothrop//Encl.]
  - B. Mortgage Revenue Bond: Possible Conversion  
of Additional 1991 Volume Cap to  
Mortgage Credit Certificate Authority [Lothrop//Encl.]
  - C. Discussion of Support for ERH of Vermont [Lothrop//Encl.]
4. Finance
  - A. Standard & Poor's Presentation [Schoenbeck//Encl.]
  - B. 1990 Series 2 and Series 3 Update [Schoenbeck]
5. Development
  - A. Lazy Brook (Starksboro) Mobile Home Park:  
Letter of Interest [Pond//Enclosure]
  - B. Upper Welden (St. Albans):  
Letter of Interest [Pond//Enclosure]
  - C. Colony Square (St. Albans):  
Letter of Interest [Pond//Enclosure]
  - D. Vermont Housing Ventures: Program Update [Pond//Enclosure]
6. Communications
  - A. 4 STAR Mortgage Marketing [Sullivan/]
7. Other old or new business to come before the Board





VERMONT HOUSING FINANCE AGENCY

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

**Thursday, August 22, 1991**

**PRESENT:** Commissioners Shaw, Hebard, Seelig, McDougall, Way (designee of Johnson), Myette (via speakerphone)

Agency Staff: Mr. Hunt, Mr. Schoenbeck, Mr. Jarrett, Ms. Pond, Mrs. Parker, Mr. Lothrop, Mr. Francis

Guests: Mr. Kochman (F.L. Kochman, Inc.); Mr. Libby (Vermont Housing and Conservation Board); Mr. Sassorossi (Lake Champlain Housing Development Corporation); Mr. Giebink, Mr. Brush (Westlake Limited Partnership)

Prior to the meeting being called to order, Mr. Kochman invited the Board to observe the signing of the "Three Party Agreement" for Dalton Drive, among Lake Champlain Housing Development Corporation (LCHDC), the Vermont Housing and Conservation Board (VHCB), and the Agency. This Agreement includes a commitment on the part of the Agency to deposit \$300,000.00 with LCHDC, subject to a like deposit by VHCB for the purpose of funding a revolving second mortgage pool for Lower Income Families, and the further guarantee by the Agency to assure on a permanent basis that not less than 25 of the units will remain affordable to lower income families at the time of resale. This Agreement was authorized by the "Resolution Pertaining to Dalton Drive Project" as adopted at the June 26, 1991 Board meeting. Following the signing of this Agreement, Mr. Kochman, Mr. Sassorossi and Mr. Libby left the meeting.

The meeting was then called to order at 1:45 p.m.

Upon a motion duly made and seconded, the minutes of the June 26, 1991 meeting were revised on the third page, fourth paragraph, to read: "Mr. Seelig *suggested that staff research whether* such a heating system might also be appropriate for the Highgate apartment complex." The minutes were unanimously accepted as revised.

The Annual Meeting and Election of Officers followed, during which Mr. Ruse was nominated as Vice Chairman of the Board and Mr. Schoenbeck was nominated as

## VHFA BOARD MINUTES

August 22, 1991

Page 2 of 4

Treasurer. A motion was made and seconded, unanimously electing Mr. Schoenbeck as Treasurer and Mr. Ruse as Vice Chairman, subject to Mr. Ruse's willingness to accept this responsibility, and further accepting the "Resolutions Adopted at the Annual Meeting of the Agency" as attached to these minutes.

In his Executive Director's report, Mr. Hunt first noted the untimely death of Governor Snelling and former Lieutenant Governor Dean's assuming the office of governor. Mr. Hunt has written to Governor Dean offering the Agency's support and assistance. Construction has begun on the buildings at Fort Ethan Allen (Dalton Drive) and a ceremonial groundbreaking will be held September 5, pending Governor Dean's confirmation of his availability on that date. Employees of the University of Vermont (UVM) will soon receive information regarding the purchase of units at Dalton Drive; for the first 90 days of the marketing of the housing units at Dalton Drive, 25 percent of the units will be reserved for UVM employees; after 90 days, the units will be made available on the open market. In July, the Joint Housing Committee held a meeting at the site and toured the buildings.

Mr. Francis reviewed the Business Plan for the 1991-1992 Fiscal Year, pointing out the improved narrative description as well as the inclusion of results for FY92 and goals for FY92. The Plan anticipates increased activity in nearly every program offered by the Agency. Mr. Seelig was impressed with the overall excellence of the Plan, and felt that it offered a good overview of the Agency's activities; he requested staff to further clarify how priorities are set for the use of funds available. Mr. Hunt observed that any topics listed under "Programs to Implement" would be subject to review and approval by the Board prior to actual implementation.

Mr. Lothrop reviewed the "MOVE 1990 Series 1 Update and Delinquency Report" as included in the Board packet, and assured the Board that future reports would clearly identify any program(s). Delinquencies, which had increased in June, have decreased for July and appear to be well under control. While the number of REOs (real estate owned, or properties which belong to the Agency following foreclosure) increased by two, two others were sold, and overall sales activity on REOs appears to be increasing.

The "Income Eligibility for Single Family Programs" was reviewed by Mr. Lothrop, as detailed in his memo of August 12, included in the Board packet. Following a brief discussion, a motion was duly made and seconded, recommending that incomes from both spouses must be considered for program eligibility; the income from one spouse can be allowed to carry the mortgage, provided that both incomes together would not disqualify the borrower(s) based on published income limits; this motion carried unanimously.

## VHFA BOARD MINUTES

August 22, 1991

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Mr. Lothrop next introduced the "Planned Residential Development (PRD) Procedures" detailed in his memo of August 12, included in the Board packet. A motion was made, seconded and unanimously adopted approving the "Planned Residential Procedures" as drafted and presented to the Board.

No Board action was necessary on the "4 STAR Mortgage Program" or the "Participation Construction Financing Pilot Program Update" as described Ms. Pond's memos which were included in the Board packet.

Next, Ms. Pond reviewed the "Financing Request from Westlake Limited Partnership (Burlington: Redrocks)" as related in her August 15 memo. Mr. Giebink and Mr. Brush, developers of the proposed project, joined the meeting at this time. According to Ms. Pond, all of the new units would be eligible for financing under the Agency's purchase price guidelines. Ms. Pond presented several flip charts detailing the proposed timetable and project summary as well as the proposed security value. Mr. Schoenbeck explained that Vermont National Bank (VNB) is requesting that the Agency deposit \$355,000 with VNB, to be considered collateral on this loan; in return for this deposit, the bank would support the loan being made to the project. Mr. McDougall strongly urged the Board to avoid authorizing a required deposit, as it would set a precedent and the need for a deposit would appear to be questioning the Agency's financial strength. After the developers left the meeting, a lengthy discussion centered on the financing options. Mr. Jarrett distributed a proposed resolution regarding a commitment letter. Further discussion resulted in a motion being made and seconded to revise and adopt the "Resolution Pertaining to Commitment Letter re: Westlake Limited Partnership/Red Rocks Development" as attached to these minutes; this motion carried unanimously.

The Board then addressed the issues of "Single Family Bond Financing" for 1990 Series 2 bonds as described in Mr. Schoenbeck's memo of August 15, included in the Board packet. After a motion was made and seconded, the Board voted unanimously to authorize staff to pursue the "conversion" of the 1990 Series 2 Bonds as described in Mr. Schoenbeck's memo, and trigger the notification to the trustee on September 15, 1991 if the market, economic conditions and assumptions regarding mortgage rate, Agency contribution and other financial factors are not significantly impacted.

Mr. Schoenbeck also informed the Board that he had been working closely with bond counsel regarding the availability of payoff funds from 1983 and 1989 bond issues, with the result that \$33 million in bonds will be redeemed October 1. The first cross-call of Agency bonds will strengthen VHFA's financial position. The cross-call process involves using funds collected on low rate issued debt to redeem bonds issued at higher rates. The Board was also informed that Standard & Poor's will be meeting with Agency staff September 18 and will have a presentation at the September Board meeting.

## VHFA BOARD MINUTES

August 22, 1991

Page 4 of 4

Turning to various legal matters, Mr. Jarrett updated the Board on the lawsuit involving Allen Apartments in Winooski. He indicated that a court-appointed master has nearly finished his report and appears to substantially agree with the Agency's conclusion about the amount of money diverted. The partners may be nearing a settlement that does not provide any immediate financial relief for the development. The Agency will start pressing its foreclosure claim if no progress is made toward providing money for the development. According to Mr. Jarrett, the Agency is about to bring suit against the owners of Chelsea Court (Chelsea) and Williamstown Square (Williamstown) regarding funds missing from the project accounts. Mr. Jarrett also noted that TP&M appears to be managing the Babcock properties adequately.

A subsequent suit has been recommended regarding Salmon Run apartments on Riverside Avenue in Burlington. Previously, the Board had authorized a lawsuit against the engineering firm involved. A motion was duly made, seconded and unanimously carried to allow the expansion of the suit against the architect for Salmon Run as well as the engineering firm.

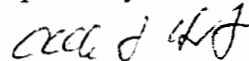
Mr. McDougall announced that John Mastropietro has been appointed the regional director of HUD in Boston, and will be in Vermont September 18.

The Annual Meeting of Housing Vermont (HVT) is to be held September 12; as a sustaining member of their Board, the Agency is authorized to recommend the appointment of three members of the HVT Board. A motion was made and seconded to authorize the renewal of Mark Snelling, if Governor Dean does not reappoint him as chairman; and to recommend the nominations of John Simson and David Tucker to the Board; should Governor Dean reappoint Mark Snelling, then the Agency would nominate Judd Levy. This motion carried unanimously.

Mr. Hunt advised the Board that negotiations regarding Westgate Apartments in Brattleboro have begun. Ms. Pond and Mr. Hunt will continue to meet with local representatives in hopes of forming a local consortium to work on the project.

The next meeting was scheduled for Thursday, September 19, in Burlington. There being no further business and following a motion duly made and seconded, the meeting adjourned at 3:50 p.m.

Respectfully submitted,



Allan S. Hunt  
Secretary

RESOLUTIONS ADOPTED AT THE ANNUAL MEETING OF  
VERMONT HOUSING FINANCE AGENCY, AUGUST 22, 1991

RESOLVED, in addition to the officers specified as "Authorized Officers" under particular bond resolutions of the Agency, the Deputy Director shall be an "Authorized Officer" within the meaning of any and every bond resolution of the Agency whether now existing or to exist in the future.

RESOLVED, in the absence of the Executive Director and in the absence of the Deputy Director, the Director of Finance shall perform the duties of the Executive Director and shall have all the powers and authority incidental thereto.

RESOLVED, Paul W. Ruse, Jr. is elected Vice Chairman of the Agency for the fiscal year commencing July 1, 1991 and until his successor be elected and qualified.

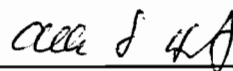
RESOLVED, Roger A. Schoenbeck is elected Treasurer of the Agency for the fiscal year commencing July 1, 1991 and until his successor be elected and qualified.

RESOLVED, the following persons shall be authorized to sign checks drawn against the Agency's General Fund:

Executive Director .....	Allan S. Hunt
Deputy Director .....	Jeffrey D. Francis
Director of Operations .....	Douglas R. Lothrop
Director of Finance .....	Roger A. Schoenbeck
Controller .....	Timothy M. Gutchell

Any check in an amount over \$1,000 payable against the General Fund must be signed by at least two of the foregoing persons. Any payroll check shall be valid and negotiable when signed by any one of the foregoing persons.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont on August 22, 1991.

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

**RESOLUTION PERTAINING TO COMMITMENT LETTER RE:  
WESTLAKE LIMITED PARTNERSHIP/RED ROCKS DEVELOPMENT**

WHEREAS, a proposal has been presented to the Agency by Westlake Limited Partnership, a limited partnership whose General Partners are Charles Brush and John Giebink, involving the construction of 44 condominium units in 8 buildings located in Burlington (the "Development"); and

WHEREAS, the proposal contemplates that at least 12 of the 44 units in the Development will be perpetually affordable and the remaining units would be priced at less than the Agency's 4 Star Mortgage limits; and

WHEREAS, the proposal seeks a deficiency guaranty by the Agency of up to \$353,500 of a loan of \$853,000 to be made by Vermont National Bank for land and infrastructure work to include a deposit of funds in that amount with Vermont National Bank; and

WHEREAS, the construction financing for the Development is to be provided by Vermont Federal Bank with a guarantee from the Small Business Administration; and

WHEREAS, the Agency has determined that the Development will assist in fulfilling the purposes of the Act and is financially feasible and that making the deficiency guaranty is appropriate in carrying out and effectuating the purposes and provisions of the Vermont Housing Finance Agency Act.

Therefore, it is hereby DETERMINED:

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

2. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at 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.

3. The housing sponsor undertaking the Development will maintain the supply of well-planned, well-designed permanent housing for persons and families of low and moderate income, and the sponsors are financially responsible persons or institutions.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, after review of updated appraisals and land use permits, in his discretion, to issue a letter of commitment (the "Commitment Letter") to provide a guaranty of collection (the "Guaranty") in an amount to be determined by the Executive Director, but not to exceed \$355,000, for the Red Rocks Phase IIIA Development.
2. The Commitment Letter shall be issued to Westlake Limited Partnership and/or Vermont National Bank.
3. The commitment of the Agency shall be subject to receipt, on or before the date of the closing on the Land and Infrastructure Loan by Vermont National Bank (the "Loan") of a commitment fee in an amount equal to one and a half percent (1.5%) of the principal amount of the loan guarantee.
4. The Commitment Letter shall provide that the Agency's Guaranty shall provide that before the Agency's Guaranty is invoked, the holder of the Loan shall diligently take all legal steps to collect from the maker of the loan, including but not limited to, drawing on any credit enhancements and liquidating the Development property, and demonstrating to the satisfaction of the Agency that those steps have failed to provide sufficient funds to satisfy the Loan.
5. The Commitment Letter shall require an indemnification from Westlake Limited Partnership and its general partners in the event the Agency's Guaranty is invoked.
6. The Commitment Letter shall contain such other terms and conditions as the Executive Director shall deem necessary or appropriate.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont on August 22, 1991.

*ALLAN S. HUNT*

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

## 1990 Series 1

AS OF: 09/10/91  
PAGE NO. 1

Vermont Housing Finance Agency  
901 - \$25,000,000 SINGLE FAMILY HOUSING BONDS SERIES 1  
Status Report (with percent of pool proceeds approved)  
Rate : 8.950%  
Date : 09/10/91

Report: 1130  
PERSTATU

Lender	Funds Reserved	Percent Reserved	Prelim. Approval	% Prelim Approval	Loans Purchased	Loans to be Purchased	PERC		
BancBoston Mortgage Corporation	\$778,728	3.1%	\$377,250	1.5%	\$148,200	\$229,050	29.4%		
Bradford National Bank	\$74,000	0.2%	\$74,000	0.2%	\$0	\$74,000	100.0%		
Caledonia National Bank of Danville, The	\$48,675	0.1%	\$48,675	0.1%	\$0	\$48,675	100.0%		
Chittenden Bank	\$4,031,996	16.1%	\$2,585,626	10.3%	\$1,006,311	\$1,579,315	39.1%		
Citizens Savings Bank and Trust	\$279,040	1.1%	\$87,170	0.3%	\$0	\$87,170	31.2%		
Community National Bank	\$627,383	2.5%	\$535,383	2.1%	\$65,000	\$470,383	74.9%		
Factory Point National Bank, The	\$121,976	0.4%	\$79,226	0.3%	\$50,000	\$29,226	23.9%		
Franklin-Lamoille Bank	\$423,700	1.6%	\$309,750	1.2%	\$234,750	\$75,000	17.7%		
Granite Savings Bank and Trust Company	\$123,500	0.4%	\$123,500	0.4%	\$57,000	\$66,500	53.8%		
Kittredge Mortgage Corporation	\$194,250	0.7%	\$90,000	0.3%	\$0	\$90,000	46.3%		
Lyndonville Savings Bank & Trust Company	\$125,875	0.5%	\$0	0.0%	\$0	\$0	0.0%		
Marble Bank	\$143,000	0.5%	\$0	0.0%	\$0	\$0	0.0%		
Merchants Bank, The	\$610,666	2.4%	\$331,791	1.3%	\$66,025	\$265,766	43.5%		
Mortgage Sevice Center of New England	\$575,950	2.3%	\$251,950	1.0%	\$0	\$251,950	43.7%		
National Bank of Middlebury, The	\$97,795	0.3%	\$69,295	0.2%	\$69,295	\$0	0.0%		
New England IBM Employees Fed Crdt Union	\$72,000	0.2%	\$72,000	0.2%	\$0	\$72,000	100.0%		
Northfield Savings Bank	\$119,700	0.4%	\$0	0.0%	\$0	\$0	0.0%		
Passumpsic Savings Bank	\$724,960	2.8%	\$600,410	2.4%	\$207,900	\$392,510	54.1%		
Peoples Trust Company of St Albans	\$206,421	0.8%	\$66,728	0.2%	\$0	\$66,728	32.3%		
Proctor Bank	\$91,705	0.3%	\$0	0.0%	\$0	\$0	0.0%		
Randolph National Bank	\$143,200	0.5%	\$143,200	0.5%	\$0	\$143,200	100.0%		
Statewide Funding Corporation	\$930,955	3.7%	\$553,780	2.2%	\$177,650	\$376,130	40.4%		
Summit Financial Center, Inc.	\$944,912	3.7%	\$572,087	2.2%	\$164,150	\$407,937	43.1%		
Union Bank	\$613,133	2.4%	\$270,958	1.0%	\$72,000	\$198,958	32.4%		
Vermont Federal Bank, FSB	\$2,723,350	10.8%	\$1,744,211	6.9%	\$918,339	\$825,872	30.3%		
Vermont Mortgage Group, Inc	\$1,081,059	4.3%	\$654,584	2.6%	\$378,134	\$276,450	25.5%		
Vermont National Bank	\$2,167,905	8.6%	\$1,194,505	4.7%	\$637,230	\$557,275	25.7%		
Wells River Savings Bank	\$374,500	1.4%	\$135,250	0.5%	\$0	\$135,250	36.1%		
TOTALS		281 Loans	\$18,450,334	73.8%	\$10,971,329	43.8%	\$4,251,984	\$6,719,345	36.4%



1990 SERIES 1  
 STATISTICAL REPORT PROGRAM ID: 901  
 UNDERWRITING DATABASE  
 LTV 0% TO 100%  
 Effective for 01/01/89 thru 09/10/91  
 Loan Status: CC,UC,O

Report.

Total Number of Loans: 161  
 Total Loan Amount: \$10,815,329

EXISTING:	\$8,152,670	76.3%	123 Loans
NEW CONSTRUCTION:	\$2,662,659	23.6%	38 Loans
NEW DETACHED HOUSING:	\$2,461,409	92.4%	35 Loans
NEW CONDOMINIUM:	\$201,250	7.5%	3 Loans
Funds Remaining to be Reserved:	\$6,501,587	26.0%	96 Loans (Est.)

Total Insured or Guaranteed Loans: 150  
 Loans Guaranteed by VHMGB: 147

	ACED =====	NON ACED =====	STATEWIDE =====
Avg. Purchase Price	\$70,520	\$78,480	\$73,437
Avg. Loan Amount	\$63,696	\$73,191	\$67,175
Avg. Borrower Income	\$31,767	\$28,605	\$30,608
Avg. Housing Debt-Income Ratio	26.5%	30.9%	28.1%
Avg. Total Debt	\$838.53	\$881.28	\$854.20
Avg. Total Debt-Income Ratio	35.0%	37.1%	35.8%
Total No. of Loans	102	59	161
% of Total Loan Amount	60.1%	39.9%	100.0%
First Time Homebuyers	86.2%	100.0%	91.3%
% Meeting Low Income Set Aside	24.5%	49.1%	33.5%

	Loans	% of Loans	\$ Amount	*Households	% of Hshlds	% DIFF
Addison	11	6.8%	\$772,307	5,000	5.7%	1.1
Bennington	3	1.9%	\$210,705	6,300	7.2%	5.3-
Caledonia	13	8.1%	\$707,193	4,800	5.5%	2.6
Chittenden	39	24.3%	\$2,950,585	16,000	18.2%	6.1
Essex	7	4.3%	\$331,170	1,300	1.4%	2.9
Franklin	19	11.8%	\$1,321,448	6,000	6.8%	5.0
Grand Isle	2	1.2%	\$131,550	900	1.0%	0.2
Lamoille	6	3.7%	\$429,466	3,300	3.8%	0.1-
Orange	8	5.0%	\$563,105	4,300	4.9%	0.1
Orleans	6	3.7%	\$358,883	4,200	4.8%	1.1-
Rutland	20	12.4%	\$1,315,905	10,000	11.4%	1.0
Washington	19	11.8%	\$1,209,437	9,000	10.3%	1.5
Windham	4	2.5%	\$260,400	7,100	8.1%	5.6-
Windsor	4	2.5%	\$253,175	9,600	11.0%	8.5-
TOTAL	161	100.0%	\$10,815,329	87,800	100.0%	

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

Vermont Housing Finance Agency  
Delinquency Statistics Report  
SINGLE FAMILY PORTFOLIO  
EFFECTIVE: 07/31/91

Banks	Outstanding Loans	30 Days	60 Days	90+ Days	Total	Auth	FCL	RED	Grand Total
BancBoston Mortgage Corporation	12	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0	0	0.00%	0 0.00%
Bank of Vermont	76	1 1.31%	2 0.55%	2 0.55%	5 1.41%	0	0	0.00%	5 1.41%
Bennington Coop Savings & Loan Assn Inc	71	3 4.23%	0 0.00%	0 0.00%	3 4.23%	0	0	0.00%	3 4.23%
Bradford National Bank	61	3 4.92%	1 1.64%	0 0.00%	4 6.56%	0	0	0.00%	4 6.56%
Caledonia National Bank of Danville, Th	141	3 2.13%	2 1.45%	2 1.42%	7 4.99%	0	1	0.71%	10 7.09%
Chittenden Trust Company	1,068	52 4.87%	5 0.47%	7 0.66%	64 5.99%	0	0	0.00%	65 6.09%
Citizens Savings Bank	9	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0	0	0.00%	0 0.00%
Comfed Mortgage Co., Inc.	17	1 5.88%	0 0.00%	0 0.00%	1 5.88%	0	0	0.00%	1 5.88%
Commonwealth Mortgage Company, Inc	26	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0	0	0.00%	0 0.00%
Community National Bank	136	7 5.15%	2 1.47%	1 0.74%	10 7.35%	0	1	0.74%	14 10.29%
Factory Point National Bank, The	26	1 3.85%	0 0.00%	0 0.00%	1 3.85%	0	0	0.00%	1 3.85%
First Brandon National Bank	7	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0	0	0.00%	0 0.00%
First Northern Mortgage Corporation	9	1 11.11%	0 0.00%	0 0.00%	1 11.11%	0	0	0.00%	1 11.11%
First Twin-state Bank	153	3 1.89%	1 0.54%	1 0.63%	5 3.05%	0	0	0.00%	5 3.05%
First Vermont Bank and Trust Company	185	9 4.32%	1 0.54%	2 1.08%	12 6.44%	0	0	0.00%	12 6.44%
Franklin-Lamoille Bank	217	6 2.76%	0 0.00%	0 0.00%	6 2.76%	0	0	0.00%	6 2.76%
Granite Savings Bank and Trust Company	37	2 5.41%	0 0.00%	0 0.00%	2 5.41%	0	0	0.00%	2 5.41%
Green Mountain Bank	19	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0	0	0.00%	0 0.00%
Howard Bank, National Assn, The	492	34 6.91%	10 2.03%	7 1.42%	51 10.37%	0	2	0.41%	53 10.98%
Lomas & Nettleton Company, The	28	1 3.57%	0 0.00%	0 0.00%	1 3.57%	0	0	0.00%	1 3.57%
Lyndonville Savings Bank & Trust Compan	53	0 0.00%	0 0.00%	1 1.89%	1 1.89%	0	0	0.00%	1 1.89%
Marble Bank	234	11 4.70%	2 0.85%	1 0.43%	14 5.98%	0	0	0.00%	14 5.98%
Merchants Bank, The	309	4 1.29%	5 1.62%	1 0.32%	10 3.24%	0	0	0.00%	10 3.24%
Mortgage Service Center of New England	1	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0	0	0.00%	0 0.00%
National Bank of Middlebury, The	70	0 0.00%	1 1.43%	0 0.00%	1 1.43%	0	0	0.00%	1 1.43%
New England IBM Employees Fed Crdt Unio	75	0 0.00%	1 1.33%	0 0.00%	1 1.33%	0	0	0.00%	1 1.33%
Northfield Savings Bank	145	11 7.59%	1 0.69%	0 0.00%	12 8.28%	0	0	0.00%	12 8.28%
Passumpsic Savings Bank	190	1 0.56%	4 2.22%	4 2.22%	9 4.70%	0	0	0.00%	9 4.70%
Peoples Trust Company of St Albans	179	7 3.91%	3 1.68%	3 1.68%	13 7.26%	0	0	0.00%	13 7.26%
Proctor Bank	120	8 6.67%	1 0.83%	1 0.83%	10 8.33%	0	0	0.00%	10 8.33%
Randolph National Bank	76	4 5.26%	1 1.32%	0 0.00%	5 6.58%	0	0	0.00%	5 6.58%
Statewide Funding Corporation	50	1 2.00%	0 0.00%	1 2.00%	2 4.00%	0	0	0.00%	2 4.00%
Union Bank	157	4 2.55%	2 1.27%	1 0.64%	7 4.46%	0	0	0.00%	7 4.46%
Valley Bank	22	2 9.09%	0 0.00%	0 0.00%	2 9.09%	0	0	0.00%	2 9.09%
Vermont Federal Bank, FSB	951	25 2.63%	10 1.05%	11 1.16%	46 4.84%	0	0	0.00%	46 4.84%
Vermont Mortgage Group, Inc	153	10 6.54%	2 1.31%	0 0.00%	12 7.84%	0	0	0.00%	12 7.84%
Vermont National Bank	413	8 1.94%	1 0.24%	7 1.69%	16 3.87%	0	0	0.00%	16 3.87%
Wells River Savings Bank	20	1 5.00%	0 0.00%	0 0.00%	1 5.00%	0	0	0.00%	1 5.00%
Woodstock National Bank	14	1 7.14%	0 0.00%	0 0.00%	1 7.14%	0	0	0.00%	1 7.14%
Overall Totals:	6,308	230 3.65%	56 0.89%	53 0.84%	339 5.37%	0	4	0.62%	356 5.64%
June 30, 1991	6,273	245 3.91%	65 1.04%	57 0.91%	367 5.85%	0	7	0.11%	384 6.12%



VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA BOARD OF COMMISSIONERS

FROM: DOUGLAS R. LOTHROP, <sup>DR</sup>DIRECTOR OF OPERATIONS

DATE: SEPTEMBER 6, 1991

RE: POSSIBLE CONVERSION OF 1991 MORTGAGE REVENUE BONDING (MRB) VOLUME CAP TO MORTGAGE CREDIT CERTIFICATE (MCC) AUTHORITY

Background

At the May 23, 1991 meeting the Board authorized the conversion of \$10 million of VHFA's 1991 MRB volume cap to \$2.5 million in MCC authority.

As of September 6, 1991, the remaining MCC authority is approximately \$1.2 million. The level of use over the past three months would indicate that the present authority will be gone in a month and a half.

The threat of Sunset as of December 31, 1991 continues to be with us. The information in reference to the possibility of an extension is sketchy as the end of the year is still several months away.

VHFA has been allocated a total of \$55 million from the 1991 Vermont private activity tax exempt bond volume cap of \$150 million. \$40 million has been allocated to other issuers, and the remaining \$55 million has not been allocated. It appears that should Sunset become a reality, VHFA could be allocated most of the non-allocated amount plus any unused amounts from the authority allocated to other issuers. Taking this into consideration along with the 1990 Series 2 and Series 3 convertible option bonds of \$82 million it would appear that VHFA would have sufficient bonding authority to keep both Mortgage Plus and MOVE in operation for at least one to two years.

Mortgage Plus, the VHFA MCC program, is rapidly gaining statewide usage by most lenders as evidenced by the attached graphs which illustrate the increased program usage in both number of certificates issued and certificate authority used. A total of 5 lenders originated Mortgage Plus certificates in 1990 while 11 lenders originated certificates in 1991 during the same 3 month period illustrated by the graphs.

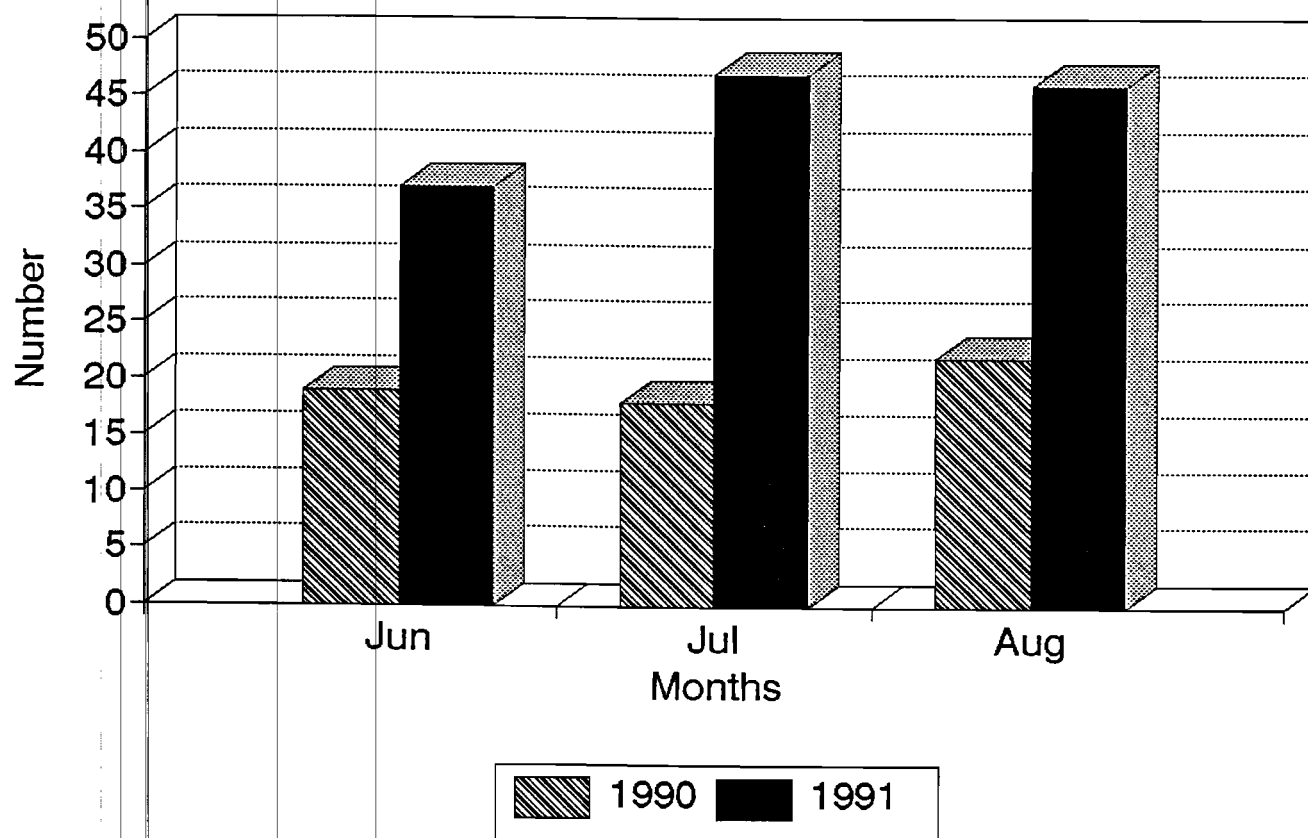
By this request, staff again is attempting to position VHFA to be able to react later this year based on our best information as to the prospect of Sunset. VHFA staff feels it would be prudent to convert a small amount of MRB volume cap to MCC authority at this time to assure the uninterrupted continuance of the growing Mortgage Plus Program.

Recommended Action

Approve the attached resolution allowing the conversion of \$10 million of 1991 volume cap MRB authority to \$2.5 million in MCC authority.

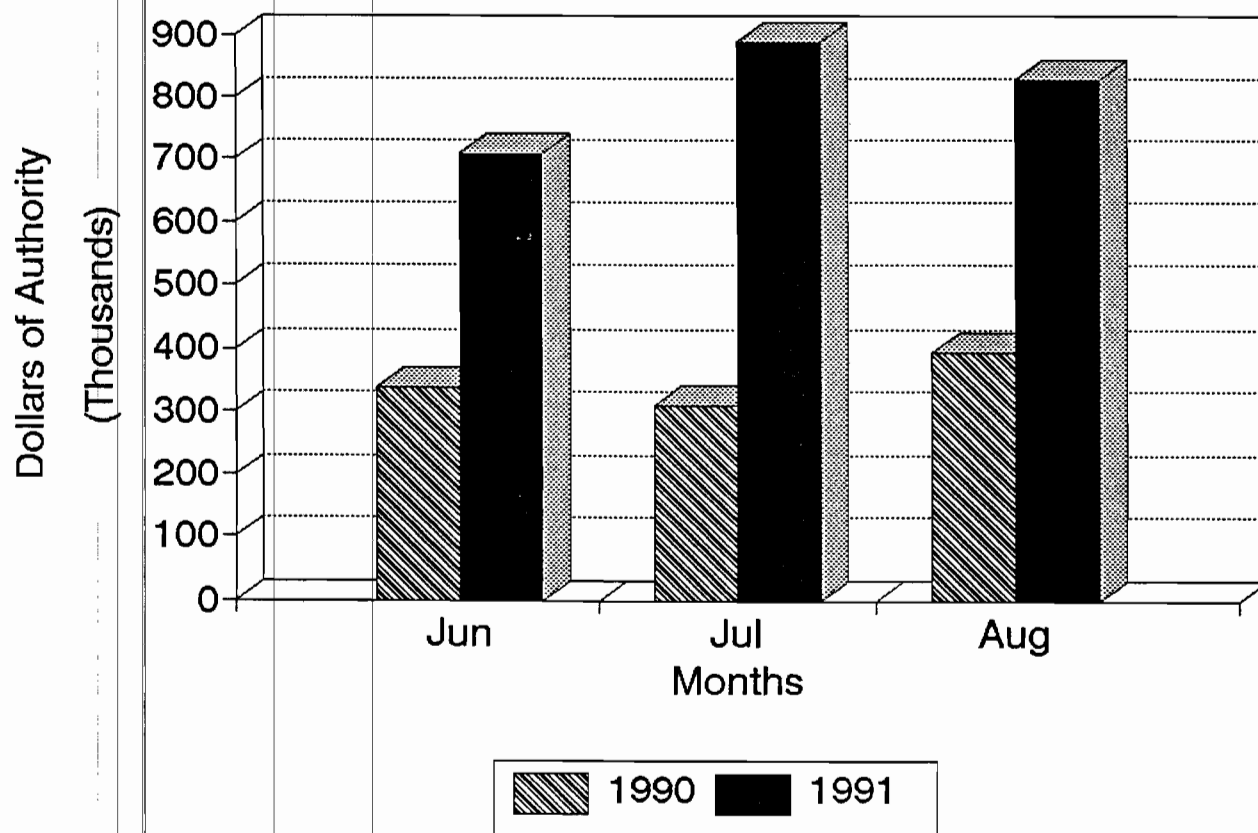
# Vermont Housing Finance Agency

## Mortgage Plus Comparison



# Vermont Housing Finance Agency

## Mortgage Plus Comparison



**RESOLUTION PERTAINING TO ELECTION OF VERMONT  
HOUSING FINANCE AGENCY TO CONVERT MORTGAGE REVENUE BOND  
AUTHORITY TO MORTGAGE CREDIT CERTIFICATE AUTHORITY**

WHEREAS, by a vote taken on January 30, 1991, the Emergency Board of the State allocated to the Agency \$55,000,000 of the State's 1991 private activity bond volume cap ("volume cap") as provided in Section 146 of the Internal Revenue Code of 1986, as amended (the "Code"); and

WHEREAS, the Agency has previously used \$10,000,000 of the 1991 volume cap allocated to the Agency; and

WHEREAS, the Agency wishes to continue its Mortgage Credit Certificate Program, which is reaching the end of the available authority; and

NOW THEREFORE, in order to make the Mortgage Credit Certificate Program continue to be available and to satisfy the requirements of Section 25 of the Code and regulations issued thereunder, it is hereby

**RESOLVED:**

1. The Vermont Housing Finance Agency hereby elects to utilize \$10,000,000 of its 1991 private activity volume cap for the purposes of issuing qualified mortgage bonds and mortgage credit certificates.
2. The Vermont Housing Finance Agency hereby elects not to issue \$10,000,000 principal amount of qualified mortgage bonds that it is otherwise authorized to issue during calendar year 1991.
3. The Executive Director, Director of Finance, and the Director of Operations are directed, and each of them is authorized, to take all steps necessary to the continuation of the Agency's Mortgage Credit Certificate Program including, but not limited to:
  - A. Preparation, execution, and delivery of a Mortgage Credit Certificate Election in such form as may be required by the Internal Revenue Service and consistent in content and effect with this Resolution.
  - B. Certification to the Governor as provided in the Code.
  - C. Preparation of any certificate required by the Code to be signed by the Governor.
  - D. Preparation and placement of the appropriate public notices, if any.



VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

**TO:** VHFA BOARD OF COMMISSIONERS  
**FROM:** DOUGLAS R. LOTHROP, <sup>ppr</sup>DIRECTOR OF OPERATIONS  
**DATE:** SEPTEMBER 9, 1991  
**RE:** DISCUSSION OF SUPPORT FOR ENERGY RATED HOMES OF VERMONT (ERH)

**BACKGROUND**

ERH was started in 1987 as an initiative by VHFA to upgrade the energy efficiency of Vermont homes. ERH is a residential rating system which indicates to an owner, or potential owner, a "Star" rating and cost of the energy that a particular dwelling will use. In addition, if the residence is not considered "energy efficient" measures and estimates for upgrading the property are furnished to the homeowner or buyer. It was, and still is, the hope that energy costs will be taken into consideration in the mortgage underwriting process, as are property taxes and homeowners insurance.

ERH is the most advanced residential energy rating system in place in the nation and is the model which many states are following in developing their own energy programs.

Initial funding for ERH has come from oil overcharge funds (\$545,000) and VHFA (\$100,000). In addition, \$38,000 in membership fees has been collected from builders, realtors and lenders, with the majority received from lenders, and \$59,000 has been collected from energy rating fees.

As outlined to the Board at the meeting held in April 1989, it was the intent of ERH to become self-supporting through compensation for services and membership fees. The plan placed heavy reliance on Vermont utilities becoming members of ERH and ordering ratings. To date only the Burlington Electric Department has become a member, and that was only for 1990.



Recently, there have been some significant changes in the energy efficiency environment that give encouragement to the role that ERH may play in the future. These are:

- \* The Vermont Association of Realtors has expressed an interest in playing a more proactive role in supporting energy efficiency in housing;
- \* A rating system will likely be an alternative compliance mechanism for an Act 250 permit;
- \* The Public Service Board is supporting the concept of the Vermont utilities using a rating system in their demand-side management plans;
- \* The 4-Star mortgage program will begin in late September which requires energy rating by ERH; and
- \* The increased activity on the national level in the use of energy ratings and the energy efficient mortgage may reduce some hurdles and provide encouragement for increased use of energy ratings and the energy efficient mortgage by local lenders.

Richard Faesy, President of ERH, will discuss each of the above with you at the meeting as well as update you on the increased growth of the rating activity at ERH.

#### **REQUEST**

ERH is requesting that the VHFA Board consider making them a no interest loan in the amount of \$75,000 to fund their general operations over the nine month period from September, 1991 through June of 1992, at which point it is estimated that energy rating activity will be at a level for ERH to be self-supporting. It should be noted, however, that repayment of the loan is in no way assumed.

Attached to this memo are two charts. The Chart entitled "Projected Sept 91 Through June 92" indicates the income and expenses over the period for which the request is being made. The chart entitled "FY 93 Budget" demonstrates the probable income and expenses for the next fiscal year.

#### **RECOMMENDATION**

Staff recommends that the Board approve the request from ERH for a deferred loan of up to \$75,000 for the purpose of assisting in the funding of their general operations over the remainder of FY 91, giving the Executive Director the authority to negotiate the loan terms.

# ENERGY RATED HOMES OF VERMONT

PROJECTED SEPT 91 THROUGH JUNE 92

# OF RATINGS	260
--------------	-----

## EXPENSES

ADMIN LABOR	\$36,902
ADMIN OVERHEAD	\$34,319
TELEPHONE	\$623
TRAVEL	\$291
MARKETING	\$4,980
LEGAL & ACCOUNTING	\$750
PRINTING/COPYING	\$3,735
LNDR/APPR TRAINING	\$1,000
EQUIPMENT	\$415
MISCELLANEOUS	\$830
TOTAL ADMIN. COST	\$83,843

RATING LABOR	\$18,590
RATING OVERHEAD	\$17,289
ERHA FEES	\$3,900
APPRAISER FEES	\$19,500
INCENTIVES	\$2,774
TOTAL RATING COST	\$62,053

TOTAL EXPENSES	\$145,896
----------------	-----------

AVG. RATING COST	\$239
TOTAL COST/RATING	\$561

## REVENUES

RATING FEES	\$65,000
TRAINING FEES	\$1,500
MEMBERSHIP FEES	\$4,500
<b>TOTAL REVENUES</b>	<b>\$71,000</b>

<b>REVENUES-EXPENSES</b>	<b>(\$74,896)</b>
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# ENERGY RATED HOMES OF VERMONT

FY 93 BUDGET

# OF RATINGS	550
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## EXPENSES

ADMIN LABOR	\$45,600
ADMIN OVERHEAD	\$42,408
TELEPHONE	\$750
TRAVEL	\$350
MARKETING	\$6,000
LEGAL & ACCOUNTING	\$2,000
PRINTING/COPYING	\$4,500
LNDR/APPR TRAINING	\$1,000
EQUIPMENT	\$500
MISCELLANEOUS	\$1,500
TOTAL ADMIN. COST	\$104,608
RATING LABOR	\$28,600
RATING OVERHEAD	\$26,598
ERHA FEES	\$8,250
APPRAISER FEES	\$41,250
INCENTIVES	\$500
TOTAL RATING COST	\$105,198
TOTAL EXPENSES	\$209,806
AVG. RATING COST	\$191
TOTAL COST/RATING	\$381

## REVENUES

RATING FEES	\$206,250
TRAINING FEES	\$2,000
MEMBERSHIP FEES	\$6,000
TOTAL REVENUE	\$214,250

REVENUE-EXPENSES	\$4,444
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VERMONT HOUSING FINANCE AGENCY

**MEMORANDUM**

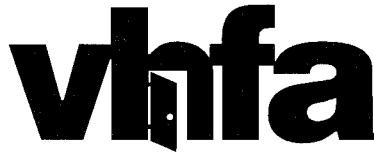
**TO: VHFA BOARD OF COMMISSIONERS**  
**FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE**  
**DATE: SEPTEMBER 12, 1991**  
**RE: STANDARD & POOR'S VISIT**

A handwritten signature in dark ink, appearing to be "RAS", is written over the "FROM" line of the memorandum.

Representatives from Standard & Poor's New York office will be visiting the offices of VHFA on September 18th and 19th, and will be attending the Board meeting. The expected visitors are: Thomas Gillis, Managing Director of the Mortgage Area of Structured Finance; Wendy Dolber, Vice President in the Tax-Exempt area; and Nancy Parkes, Rating Specialist and our direct contact at S&P.

The purpose of the visit is to meet with the management team of the Agency, free of the pressure of the rating process. S&P feels that there is considerable value in coming to our office to see how we operate on a daily basis. They will also be touring several multi-family developments in the Burlington area that are financed with bonds that they have recently rated. They have also asked to attend this month's Board meeting to make a short presentation.

Wendy Dolber will be discussing the significance of the moral obligation of the State of Vermont as a credit enhancement to our bonds, the impact of the recent downgrade to the State's rating, and the necessity for stand alone ratings on bond issues backed by the State. Nancy Parkes will be reviewing the general purpose of S&P visits to state housing agencies and the evaluation process and criteria utilized. The representatives from S&P will be pleased to entertain questions the Commissioners may have regarding any aspects of the rating process.



VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Margaret A. Pond, Director of Development  
Mark Koppelkam, Multi-Family Development Underwriter

DATE: September 12, 1991

RE: LAZY BROOK MOBILE HOME PARK, STARKSBORO  
REQUEST FOR LETTER OF INTEREST

PROJECT SUMMARY

Staff recommends VHFA Board approval of a letter of interest for permanent financing for the Lazy Brook Mobile Home Park in Starksboro. Lazy Brook is a 52 unit park. The purchase price being proposed is \$625,000, or \$12,019/lot. The sponsor is the Addison County Community Trust (ACCT).

THE PROJECT

1. Financing

Sources

VHFA	\$521,000
VHCB loan	150,000
VHCB grant	52,000
CDBG	<u>150,000</u>
Total	<b>\$873,000</b>

TDC \$16,788/lot

Uses

Acquisition	\$625,000
Site Improvements	135,000
Closing Costs	1,290
Legal & Title	4,500
VHFA Finance Fee	5,210
VHFA Transaction Costs	2,500
Working Capital	23,000
Appraisal	1,500
Clerk of Works	20,000
Development fee	<u>55,000</u>
Total	<b><u>\$873,000</u></b>

The VHFA loan as proposed is structured with a fixed interest rate of 10.75% amortized over 25 years. As it is a 20 year loan, approximately \$31,000 will need to be refinanced at the end of year 20. Assuming a 12% rate can be secured from some lender at that time, amortized over another 20 years, the new debt service on the balloon payment would be almost half the VHFA debt service up to that time.

The sponsor is requesting a \$150,000 loan and \$52,000 grant from the Vermont Housing and Conservation Board (VHCB), and a \$150,000 deferred payment loan from the State CDBG office. The VHCB Board is meeting Thursday September 12th, and the State CDBG Board meets October 8th.

## 2. Appraisal & Loan To Project Value

An appraisal was done at the request of the sponsor in May 1991 by Stephen D. Allen, who estimated the value of the Park to be \$600,000 or \$11,538/lot. The proposed purchase agreement calls for an acquisition price of \$625,000, or 4.1% over appraised value.

VHFA's multi-family rules state that the VHFA loan will be limited to no more than 95% of the total housing costs or security value of the project, whichever is less. As proposed VHFA's loan equals 86.8% of the appraised value, and 59.7% of the total development costs.

## 3. Lot Rent/Market Demand/Income Mix

The current rent is \$158/month. The proposed rents are \$180/month, and the vast majority of residents have signed a petition expressing a willingness to pay those rents. The attached comparison chart shows that \$180/month is essentially the going rate for mobile home parks.

Addison County has been relatively fast growing, adding 12.1% to its population from 1980 to 1990. The county is in the Burlington commuting radius, and the park could be expected to serve a low income population in that regional marketplace.

Mobile home park vacancy rates statewide are reported at 1%. There are no current vacancies at Lazy Brook. The historical vacancy rate and turnover rate are not known at this time. The financial projections use a 3% vacancy rate.

The park does have quite a few homes being advertised for sale at present. This is not unusual given the current recession, but it does not seem as common at the better maintained parks such as Otter Creek and Fernwood. Thus, it would appear to be a factor related to park quality, and it remains to be seen if the sponsor can turn around resident attitudes to make Lazy Brook a truly desirable place to live.



The income mix of the tenants surveyed to date (46 of 52) is as follows:

- 9 households or 20% at or below 50% of median
- 21 households or 46% between 50% to 80% of median
- 6 households or 13% between 80% to 100% of median
- 10 households or 22% greater than 100% of median

4. Location/Site

Lazy Brook Mobile Home Park is situated on 18 acres on Hinesburg Hollow Road in Starksboro. The overall setting is a beautiful wooded valley. The park is on a primary local road which connects Hinesburg and Huntington. The area has generally light and scattered single family residential uses. There is another 29 unit mobile home park one quarter of a mile to the south, Hillside, which the sponsor is also attempting to purchase (from a different seller) in the next year.

The Lazy Brook mobile park is, in the words of the appraiser, "fair to average in terms of its aesthetic character and level of maintenance." The homes are generally arranged parallel to the park roads (see attached site map), with crowded "alleyways" in the backyards of most of the units. Each home has a small yard area, and lot maintenance and landscaping is generally not stellar, with a few exceptions.

The actual parcel is irregular in shape, and will need to be surveyed as it is being split from a larger property.

The southern boundary of the parcel is shared with the seller, with the two being separated by the intermittent Lazy Brook creek. Relations with the seller have not been amicable, and there is apparently some conflict over the use and control of the common access road. The seller has a large and open metal shed barn bordering this access road, and an overhead sugarbush tap line that goes to a nearby sugaring house. Two young cows wandered onto the access road during the underwriting visit, and it did not seem to be an uncommon occurrence.

The developed portion of the site slopes moderately to the east, with the most level ground closest to the Hinesburg Hollow Road. The well is located in an open field between the road and the park, and the sponsor indicated that this area will become an official wellhead protection area.

The areas to the north is an undeveloped field that appears to be fairly wet, and to the west is undevelopable hills and woods.

## 5. Sponsors/Parties

ACCT was established in 1989 and has an approved 501(c)(3) designation. ACCT has completed six family homes under the land trust model, manages three Community Development Block Grant contracts for the Town of Middlebury, and operates a Homeshare program. ACCT sponsored the recently acquired Otter Creek (formerly Town & Country) mobile home park in Vergennes that VHFA financed.

ACCT has limited housing development and housing management experience, but have gotten additional support from the VHCB to improve their capacity with a separate grant of \$35,000. They have recently hired Kevin Cosgrove, who was a rehabilitation specialist with Lake Champlain Housing Development Corporation, to fill this need. ACCT's experience with the Vergennes mobile home park will be helpful.

Management responsibilities are proposed to be split with a resident association. ACCT may consider turning ownership over to a resident cooperative in the future.

## 6. Timetable

The Purchase and Sales Contract was signed on August 20, 1991 and calls for a November 30, 1991 closing. If the Letter of Interest Resolution is approved, VHFA staff would plan on bringing a commitment letter resolution to the Board at the November Board meeting.

## 7. Infrastructure

The park was developed as a mobile home park in 1963. The park is serviced by a private well. Although the well is located in a field below the park, there is no history of any contamination. Further water quality tests are being run at this time. It is known that at a minimum, greater storage capacity will be needed to meet State standards.

Each home has its own septic system, which is comprised of either a septic tank or just a minimal dry well without any leachfield. There have not been any reported failures, although recommended annual pumping has not been regularly practiced. The appraiser calls the existing septic system "substandard."

The current engineering feasibility work, being funded by VHFA's Ventures Loan program, is evaluating the complete water system and septic situation.

There are also some known electrical deficiencies (rewiring of all 52 units), and the sponsor has already received a bid of \$30,000 for this work.

The park roads are all graded gravel, and need work in the numerous areas that are not level. These areas also need to be sanded in winter. The park access road is shared with the seller, who will continue to be a neighbor. Relations with the seller have not been amicable, and there is apparently some conflict over the use and control of the access road.

None of the units are on a concrete slab, and none is proposed. New slab installation costs about \$2,000 per unit.

8. Environmental Assessment

A Phase I environmental assessment of the site has not yet been done. A waiver has been requested due to the site's nearly 30 years of use as a mobile home park, and the lack of any commercial land uses in the whole of Starksboro.

**DISCUSSION**

9. Strengths and Weaknesses

The primary strengths of this project include:

- a. The general location of the park is attractive, though it is strongly rural and fairly distant from stores and shops.
- b. The sponsor appears eager to take on a second mobile home park, and soon a third nearby. This will hopefully provide some management efficiencies and economies of scale.
- c. According to Ms. Kirby Dunn, a mobile home tenant organizer with CVOEO, the Lazy Brook residents are "pretty active" and "highly motivated" to participate in the park acquisition.

The potential weaknesses of this project include:

- a. There is only "soft equity" from VHCB and CDBG (both proposed) in the project, and the sponsor has essentially no assets.
- b. The preliminary financial projections as presented work comfortably. However, the proposed participation levels of VHCB and CDBG are not yet approved, and the infrastructure cost estimates are still very rough. A property tax hike resulting from the acquisition and townwide re-appraisal in 1993 is not projected, and could be a concern at that time.

- c. The sponsor has limited housing management experience, but has hired additional staff to assist in this area. The desired sharing of management responsibilities with residents needs to be thoughtfully considered in the contract documents.
- d. The seller does not appear to be cooperative. The seller will continue to be a very visible neighbor and share the sole access road to the park, regarding which there already seem to be problems.
- e. The park appears to have a fairly poor level of infrastructure, though the full extent and costs of this are still being measured and evaluated by engineers. The timing of a late November closing does not gel well with the need for lots of infrastructure improvements, which may have to wait until next summer.

**RECOMMENDED ACTION**

Staff recommends approval of Resolution Pertaining to Letter of Interest for the Lazy Brook Mobile Home Park, authorizing the Executive Director to issue a Letter of Interest to the sponsor to provide first mortgage financing in an amount not to exceed \$575,000.

Year Acquired	1990	1986	1989	1989	1989	1990	1991	1991	1991	1991	1992
Property Acquisiti	\$980,000	\$3,750,000	\$820,000	\$360,000	\$325,000	\$144,000	\$1,300,000	\$1,425,000	\$300,000	\$625,000	\$0
Dvlpmt Costs	\$36,300	\$0	\$50,000	\$94,000	\$27,634	\$22,500	\$84,625	\$58,250	\$370,317	\$248,000	\$1,035,000
Total Development	\$1,016,300	\$3,750,000	\$870,000	\$454,000	\$352,634	\$166,500	\$1,384,625	\$1,483,250	\$670,317	\$873,000	\$1,035,000
VHFA Financing	N/A	N/A	N/A	N/A	N/A	122,000	1,068,625	1,203,250	264,727	521,000	
1 of VHFA to Total						73.27%	77.18%	81.12%	39.49%	59.68%	
#lots	56	330	52	24	40	9	73	78	46	52	44
Property Acq Cost/L	\$17,500	\$11,364	\$15,769	\$15,000	\$8,125	\$16,000	\$17,808	\$18,269	\$6,522	\$12,019	\$0
Dvlpmt Cost/Lot	\$648	\$0	\$962	\$3,917	\$691	\$2,500	\$1,159	\$747	\$8,050	\$4,769	\$23,523
Total Cost/Lot	\$18,148	\$11,364	\$16,731	\$18,917	\$8,816	\$18,500	\$18,967	\$19,016	\$14,572	\$16,788	\$23,523

9/11/91  
VHFA  
MOBILE HOME PARK COMPARISONS  
OPERATING EXPENSE DETAIL PER LOT - ANNUAL  
C:\QUATTRO\VHFA\VHFCOMP.MKQ  
Koppelkam

Park Name	Sandy Pines Tri-Park	Mountain View	Hunters	Riverside	French Hill	Town & Count	Fernwood	Proposed	Proposed	Proposed
	E. McPlr Brattleboro	Hinesburg	Grand Isle	Woodstock	Milliston	Vergennes	Bolton	Coburns	Clarendon	Starbuck
Number of Lots	56	330	52	24	40	9	73	78	46	52
AVG Rent	200	155	160	190	125	195	180	195	175	180
Gross Annual Incom	134,400		99,840	54,720	60,000	21,060	157,680	182,520	96,600	112,320
Per Lot Expenses - Annual										
Management***	180		217	275	218	100	144	210	226	192
Audit & Legal	27		29	63	38	22	27	19	33	38
Trash	111		0	0	100	78	67	0	0	0
Utilities	170		125	129	115	94	94	135	296	168
Maintenance	21		61	104	30	89	41	32	130	58
Taxes	214		115	149	120	187	79	91	174	67
Insurance	15		69	31	53	169	30	19	33	35
Misc	64		0	0	0	0	0	0	209	0
Snow	64		29	42	120	42	21	13	43	29
Replacement Reserv	71		96	83	100	62	64	70	65	66
TOTAL	938		741	876	893	843	568	589	1208	653
OPER EXP/GROSS INC	39.09%		38.59%	38.44%	59.50%	36.04%	26.30%	25.16%	57.54%	30.25%
ADJUSTED RATIO*	28.61%		22.29%	22.72%	38.33%	29.10%	16.66%	13.22%	43.69%	18.29%

REVENUE OWNER ADJ 24.00% 22.00% 16.00%

Operating Expense - Replacement Reserve - Management/Gross Income  
Adjusted Ratio is to enable better comparison with private sector data from  
from Miller Havin Cable & O'Brien appraisal for Fernwood using 1989 expenses supplied by owners.

Lazy Brook MHP  
Starksboro

Prelim Financial Projections

9/10/91

SOURCES AND USES OF FINANCING

Permanent Financing		Rate	Term	Ann D/S	Comments
-----					
VHFA 1st Mortgage	\$521,000	59.68%	10.75%	25	\$60,150 Fixed 25
CDOP	\$150,000	17.18%	N/A		
VHCB-grant	\$52,000	5.96%	N/A		
VHCB loan	\$150,000	17.18%	3.00%	25	8,614
-----					
Total Permanent Financing	\$873,000	100.00%			
Per Unit	16,788				

Total Development Budget

Property Acquisition	\$625,000	\$12,019	/lot
Appraisal	\$1,500		
Legal and Title Fees	\$4,500		
VHFA Finance Fee (1%)	\$5,210		5,210
VHFA Transaction Costs	\$2,500		
Closing Costs	\$1,290		
Engineering	\$0		
Working capital	\$23,000		24,060
Clerk of Works	\$20,000		
Renovations	\$135,000		
Development fee	\$55,000		
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Total Development Costs \$873,000 \$16,788 /lot

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ASSUMPTIONS

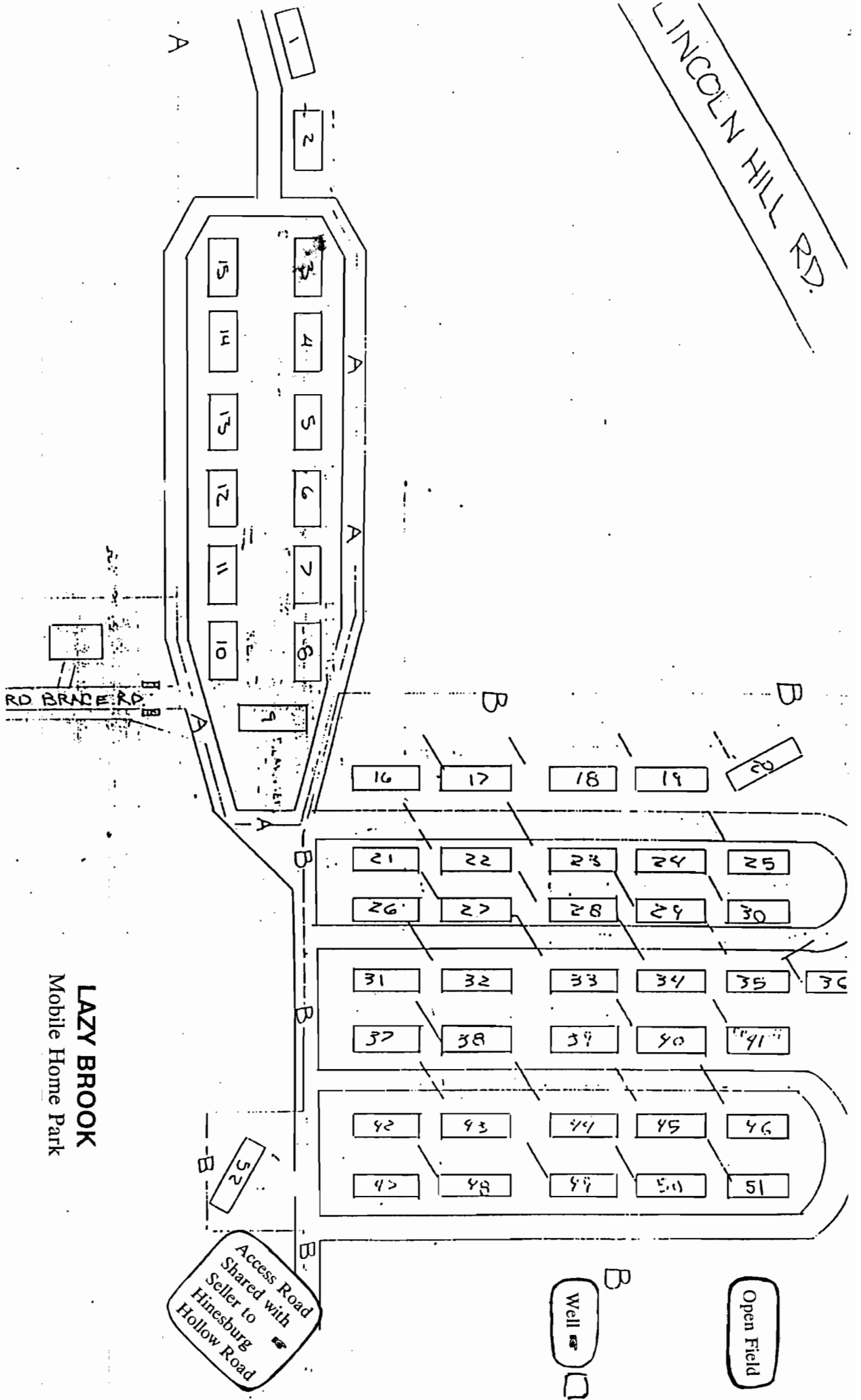
Oper cost/lot/month

Income Increase	3.00%
Expense Increase	4.00%
Replace. Reserve	3.00%

Rents*	Yr 1	
	Units	Rents Ann Rents
-----		
# Mobile Homes	52	\$180 \$112,320
-----		

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Gross Annual Income	112,320	115,690	119,160	122,735	126,417	130,210	134,116	138,139	142,284	146,552	150,949	155,477	160,141	164,946	169,894	174,991	180,241	185,648	191,217	196,954
Less Vacancy																				
Allowance:	3x	3,370	3,471	3,575	3,682	3,793	3,906	4,023	4,144	4,269	4,397	4,528	4,664	4,804	4,948	5,097	5,250	5,407	5,569	5,737
Other Income	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Adjusted Gross Income	108,950	112,219	115,585	119,053	122,625	126,303	130,092	133,995	138,015	142,156	146,420	150,813	155,337	159,997	164,797	169,741	174,833	180,078	185,481	191,045
Management	192	9,984	10,383	10,799	11,231	11,680	12,147	12,633	13,138	13,664	14,210	14,779	15,370	15,985	16,624	17,289	17,981	18,700	19,448	20,226
Audit/Legal	38	2,000	2,080	2,163	2,250	2,340	2,433	2,531	2,632	2,737	2,847	2,960	3,079	3,202	3,330	3,463	3,602	3,746	3,896	4,052
Utilities & water	168	8,745	9,095	9,459	9,837	10,230	10,640	11,065	11,508	11,968	12,447	12,945	13,463	14,001	14,561	15,144	15,749	16,379	17,034	17,716
Trash (Included above)	0																			
Maintenance--total	58	3,000	3,120	3,245	3,375	3,510	3,650	3,796	3,948	4,106	4,270	4,441	4,618	4,803	4,995	5,195	5,403	5,619	5,844	6,077
Real Estate Taxes	67	3,500	3,640	3,786	3,937	4,095	4,258	4,429	4,606	4,790	4,982	5,181	5,388	5,604	5,828	6,061	6,303	6,555	6,818	7,090
Insurance	35	1,800	1,872	1,947	2,025	2,106	2,190	2,278	2,369	2,463	2,562	2,664	2,771	2,882	2,997	3,117	3,242	3,371	3,506	3,646
Replacement Reserve	66	3,445	3,548	3,655	3,764	3,877	3,994	4,114	4,237	4,366	4,503	4,646	4,795	4,950	5,111	5,278	5,450	5,628	5,811	6,000
Other: Snow Plowing	29	1,500	1,560	1,622	1,687	1,755	1,825	1,898	1,974	2,053	2,135	2,220	2,309	2,402	2,498	2,598	2,701	2,809	2,922	3,039
Total Expenses	653	33,974	35,333	36,746	38,216	39,745	41,335	42,988	44,707	46,496	48,356	50,290	52,301	54,393	56,569	58,832	61,185	63,633	66,178	68,825
Net Operating Income	74,976	76,886	78,839	80,837	82,880	84,969	87,105	89,288	91,519	93,800	96,130	98,511	100,944	103,428	105,965	108,556	111,201	113,900	116,656	119,467
Debt Service: Primary	(60,150)	(60,150)	(60,150)	(60,150)	(60,150)	(60,150)	(60,150)	(60,150)	(60,150)	(60,150)	(60,150)	(60,150)	(60,150)	(60,150)	(60,150)	(60,150)	(60,150)	(60,150)	(60,150)	(60,150)
Debt Service: CDOP																				
Debt Service: HCTB	(8,536)	(8,536)	(8,536)	(8,536)	(8,536)	(8,536)	(8,536)	(8,536)	(8,536)	(8,536)	(8,536)	(8,536)	(8,536)	(8,536)	(8,536)	(8,536)	(8,536)	(8,536)	(8,536)	(8,536)
Cash Flow	6,291	8,200	10,153	12,151	14,194	16,283	18,419	20,602	22,834	25,114	27,445	29,826	32,258	34,742	37,279	39,870	42,515	45,215	47,970	50,781
Debt Coverage Ratio	1.09	1.12	1.15	1.18	1.21	1.24	1.27	1.30	1.33	1.37	1.40	1.43	1.47	1.51	1.54	1.58	1.62	1.66	1.70	1.74
Op Exp/Lot/Month	\$54	\$57	\$59	\$61	\$64	\$66	\$69	\$72	\$75	\$77	\$81	\$84	\$87	\$91	\$94	\$98	\$102	\$106	\$110	\$115
Monthly Lot rent	\$180	\$185	\$191	\$197	\$203	\$209	\$215	\$221	\$228	\$235	\$242	\$249	\$257	\$264	\$272	\$280	\$289	\$298	\$306	\$316

LINCOLN HILL RD



PROPERTY SKETCH



**RESOLUTION PERTAINING TO LETTER OF INTEREST RE:  
LAZY BROOK MOBILE HOME PARK**

WHEREAS, a proposal has been presented to the Agency by the Addison County Community Trust (ACCT), a non-profit corporation, involving the acquisition of Lazy Brook Mobile Home Park, a 52 unit mobile home park in Starksboro; and

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

WHEREAS, the Housing and Conservation Board is considering a \$52,000 grant and a deferred loan of \$150,000 for Lazy Brook; and

WHEREAS, the Sponsor has requested a \$150,000 deferred payment loan from the Community Development Block Grant program; and

WHEREAS, the Agency has determined that the Development will assist in fulfilling the purposes of the Act and is financially feasible;

It is hereby DETERMINED:

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

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

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

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

5. The sponsor is a financially responsible organization.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a letter of interest (the "Letter of Interest") to provide a first mortgage for permanent financing in an amount to be determined by the Executive Director, but not to exceed \$575,000, for the Lazy Brook Mobile Home Park.

2. The Letter of Interest shall be issued to the Addison County Community Trust as the housing sponsor.
3. The Letter of Interest shall state that it is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The letter of interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.
4. The Executive Director is authorized to make preliminary arrangements for the issuance and private placement of taxable bonds of the Agency to provide proceeds for financing this loan.
5. Throughout the period of the loan, at least 51% of the pads in the park shall be rented to persons and families of low and moderate income. Income checking shall be required only before the closing and for new residents entering the park. Residents shall not be required to leave the park because their income increases beyond any applicable limit or because the occupancy mix is not met.



VERMONT HOUSING FINANCE AGENCY

## MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Margaret A. Pond, Director of Development  
Mark Koppelkam, Multi-Family Development Underwriter

DATE: September 12, 1991

RE: ST. ALBANS: UPPER WELDEN (VERMONT HOUSING ENTERPRISES) LETTER OF INTEREST RESOLUTION

### THE DEVELOPMENT

#### 1. General Description

Attached is a Letter of Interest Resolution authorizing the Agency to issue a permanent loan not to exceed \$870,000 in tax exempt financing to Vermont Housing Enterprises (VHEI) for the purchase and renovation of an existing 40 unit low income elderly development in St. Albans known as Upper Welden. This financing request is for one of two properties under contract for sale to VHEI from the GBR partnership; the other is Colony Square and is discussed under separate memo to the Board. The development was built in 1972 by Paul Poquette and Omar Bruley, and has been managed by the Vermont State Housing Authority (VSHA) for the last eight years. The development was sold in 1984 to the GBR partnership through a contract for deed. The development was built under the HUD Section 23 program, and the rent subsidies provided as part of the Section 23 program will be expiring December 31, 1991.

The sponsor's goal is to maintain these units as perpetually affordable to elderly couples or individuals with incomes below 50% of median income. VHEI has an accepted offer to purchase this development for the appraised value, which is \$870,000, or \$21,750/unit. This is comparable to other recent VHFA financed developments. Acquisition prices for other recently financed developments were \$29,400/unit for Northgate, \$26,525/unit for Highgate; \$37,500 for Templeton and \$20,600/unit for St. Johnsbury.

Total development costs for Upper Welden are currently estimated at \$1,070,000, or \$26,750 per unit. Actual or projected per unit costs at other VHFA financed developments are: St. Johnsbury (rehab) \$46,375; Northgate (rehab) \$58,540; Templeton (rehab) \$53,104; Highgate (rehab) \$67,135; Pine Meadow (new construction, free land) \$72,000; Winchester (new construction) \$71,939.<sup>1</sup>

The Vermont Housing and Conservation Board (VHCB) will be considering the development at their September Board meeting. They are being asked to approve a \$200,000 low interest, deferred payment loan.

A summary of sources and uses of funds, rents, operating expenses and financial projections is attached.

Also attached is a location map of the development.

## 2. Financial Projections

Unlike the Colony Square development, Upper Weldon's financial projections are not necessarily dependent upon the renewal of the Section 8 certificates after the first five year term. According to the appraiser, market rents at Upper Weldon would be higher than those proposed for the Section 8 certificates. However, to maintain the development as an affordable housing resource, the certificates are needed to serve elders at 50% of median and below.

HUD approval of the project based certificates has not yet been given, but would be as a condition of closing. The project based certificates are five years in duration with renewal up to 15 years. The contract language relating to the renewal of the certificates does not give underwriting assurance. It is primarily for this reason that we have asked the sponsor to discuss with the owners their willingness to provide secondary financing. Negotiations are underway and we will update you at the Board meeting.

The sponsors' projections assumed a 3% vacancy loss, 4% annual increases in income, and 5% annual increases in expenses. If these are changed to 4% vacancy loss, and 3% and 4% annual increases respectively, there is a need to lower the VHCB payments for seven years, or two years longer than originally proposed. In the attached projections I have set the VHCB loan at 1% for seven years with a pre-set level of payments, then amortizing that loan at 3% over 25 years, with a balloon of \$20,687 due in Year 30. Neither VHCB or the sponsor have approved these revised projections.

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<sup>1</sup> The Northgate and Winchester per unit costs include an adjustment for capitalized land leases, which is done for comparison purposes only. The Northgate and Highgate costs do not include any adjustment for favorable seller financing.

The projected permanent sources of funds are:

	<u>AMOUNT</u>	<u>PERCENT</u>
Sponsor Equity	0	0.0
VHFA 1st Mortgage Loan	\$ 870,000	81.3
VHCB Deferred Payment Loan	<u>\$ 200,000</u>	<u>18.7</u>
Total	\$1,070,000	100.0

The sponsor has not pursued Low Income Housing Tax Credits (tax credits) as an alternative financing strategy because the buildings are not eligible for acquisition credits (due to a sale transaction in 1984), and the small amount of eligible rehabilitation credits are not seen as worth the trouble and cost of syndication.

The projections do meet VHFA standards for contingency, working capital and replacement reserve.

### 3. Unit Breakdown and Rents

All of the units in the development are one bedroom. One of the units will be reserved for an on-site manager. The units are fair sized. Projected rents, to be covered via Section 8 certificates are \$433 and include all utilities.

### 4. Site/Location

The development is located about one-half mile east of Main Street in a quiet, owner occupied residential neighborhood in St. Albans (see attached location map). The site is well landscaped with mature trees, a community garden and the wooded stream bed in back. The creek running through the back of the property is in the 100 year floodplain. However, that line does not extend into the building area, meaning the creek bed has the flood holding capacity.

There are only 18 parking spaces on-site for the 40 units, with capacity for four additional spaces. However, this limitation does not appear to be any problem for the current tenants.

### 5. Building Conditions and Renovation Plan

The development consists of one large wood frame two story building, with an expansive basement. Overall the building is in good to very good condition. There is a nice common community room, central laundry and tenant storage area in a ground level

area of the basement which has been finished. The buildings are served by City water and sewer.

The buildings were given a preliminary evaluation by Gossens Bachman Architects of Montpelier. This evaluation formed the basis for the proposed \$100,000 renovation budget. The buildings are structurally sound and generally in good condition. The plumbing, and electrical systems are fine. The heating system is sufficient, but may warrant replacement in the near future. The quality of the heating system and the building's energy conservation needs are being addressed in a separate evaluation by Vermont Energy Investment Corporation. The major exterior work included in the budget is replacement of the roofing.

The interior work planned as part of the renovation includes changes to four units to make them handicap accessible, new handrails in the common hallways and GFI electrical outlets. None of the units are currently accessible for the handicapped. Kitchen cabinets, appliances, bathrooms and fixtures are generally in very good condition in all the units.

#### 6. Appraisal

An appraisal was done for VSHA by Frank Bredice in March 1991. His recommended value, based on market rate rents and costs, is \$870,000. The purchase and sale agreement is written for the appraised price. The appraisal makes no mention of any renovation needs. The appraisal amount equals the proposed amount of the VHFA loan.

#### 7. Market Demand and Rent Levels

There are 175 subsidized elderly units in St. Albans (including the 40 at Upper Welden), and an additional 141 outside of St. Albans in Franklin County. Of a 1990 elderly population of 1,472 in St. Albans, the State Community Development office estimates that 30%, or approximately 440 individuals are of low and moderate income. Thus, there appears to be a need for these units.

The property has a recent history of a 1% to 4% vacancy rate. Project based Section 8 certificates permit coverage of one month's rent when a tenant moves out, thus significantly reducing the effective vacancy loss. The sponsor's financial projections assume a 3% vacancy rate, which I have amended to 4% to reflect a more conservative underwriting perspective and the generally soft rental market.

According to the City's Community Development Director, overall market demand for rental housing is definitely softer now than it has been for quite some time. The July employment statistics for St. Albans shows 8.5% unemployment, down from 12.8% in

January. The 1990 Census population figures for St. Albans show essentially no change from 1980. The Census shows 1,525 total rental units in St. Albans, with a 6.8% vacancy rate.

The 1990 U.S. Census reveals two interesting facts about the St. Albans elderly population: There are 1,472 individuals over 60 years of age, down 5.5% from 1980; and there are 290 individuals between the ages of 55 and 59, down 48% from 1980.

The general VSHA perspective on market demand is that Section 8 certificates are very valuable, and that people will move into such units almost regardless of the condition of the units.

#### 8. Management

The proposed management agent is VSHA. VSHA has managed this property for seven years, and has done tenant screening since the buildings were placed in service.

#### 9. Environmental Concerns

No environmental assessment is being done for the property. Asbestos is not a likely concern given that the building was built just 20 years ago. As an existing property in a residential neighborhood that has been managed by VSHA for many years, there has been no evidence to suggest that any environmental hazards exist on the site.

### DISCUSSION

#### Strengths

The primary strengths of this development include:

- a. The building, units and surrounding grounds are very pleasant, attractive, and in good to very good condition.
- b. The past and present involvement of the VSHA, and their familiarity with the development from a management perspective.
- c. The availability of project based Section 8 certificates makes the financial feasibility fairly safe, assuming that the VHCB approves a deferred payment loan.
- d. It is a pre-existing building, so there are current tenants and there is a history of market acceptance.
- e. City officials and local legislators are supportive of this acquisition.

- f. There are 175 subsidized elderly units in St. Albans (including the 40 at Upper Welden), and an estimated low and moderate income elderly population of 440. Thus, there appears to be a need for these units.

#### Weaknesses

The potential weaknesses of this development are:

- a. This is not a mixed income development, which has been a general standard of the Agency.
- b. This is a zero equity proposal. As proposed the VHFA loan constitutes 81.3% of total development cost, and 100% of appraised value.
- c. The overall St. Albans rental market is substantially weaker than it has been for many years.
- d. There are a number of fairly high quality subsidized senior housing developments in St. Albans that will compete with Upper Welden, some of which are more convenient to downtown shops and services. It is also clear that the City's elderly population is not growing.

#### OTHER COMMENTS

The current tenants are not "at risk" regardless if this transaction occurs as they will get Section 8 vouchers and can move where they please. The units themselves may be theoretically "at risk" as continuing affordable units, but given the style of housing, are always likely to be rental housing serving a primarily elderly population.

#### RECOMMENDED ACTION

Staff recommends approval of the attached Resolution Pertaining to Issuance of Letter of Interest for Upper Welden Apartments (Resolution attached) authorizing the Executive Director to issue a letter of interest and make preliminary arrangements toward providing up to \$870,000 of first mortgage permanent financing for the Development.



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INPUT DATA

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Project: Upper Welden - St Albans RUN DATE: 8/27/91

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Total Units: 40 \*\*\*\*\*Assumptions\*\*\*\*\*

Rental Apts: 39 Income increase: 3.00%

Percent Restricted: N/A Expense increase: 4.00%

Tax Credit Rate N/A Appreciation: 2.50%

TDC 1,070,000 Vacancy Rate: 4.00%

Syn Equity Possible N/A

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	Amount	% of TDC		
Equity	0	0.00%		
	0	0.00%	Interest	Term
VHFA	870,000	81.31%	9.00%	30
HCTF	200,000	18.69%	3.00%	30 See notes
Seller Note	0	0.00%	0.00%	0
=====				
	1,070,000	100.00%		

Note: The following items of information relate to the attached financial projections. Final loan terms and details are governed by various legal documents. Please consult the project's closing binder for specifics. HCTB loan 1% interest for 7 years with pre-set payments, then amortizing at 3% over 25 years, with a balloon payment due in Year 30 of \$20,687. Projections assume all units have project based Section 8 certificates. Projections assume owner pays all utilities except phone. For information about loss reserve and working capital, see the VHFA Development Description and/or Regulatory Agreement.

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Upper Welden - St Alb USES 8/27/91

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		Budget	Per Unit
Acquisition		870,000	21,750
Rehab	11.49%	100,000	2,500
Appraisal		2,500	63
Contingency	10.00%	10,000	250
Arch/Engineering		2,500	63
Legal/Title		5,000	125
Permits/Fees		0	0
Taxes/Insurance		0	0
Closing		500	13
VHFA Transaction Costs		2,500	63
Permanent Loan Fee	13,050	13,050	326
Loss Reserve		21,500	538
Working Capital	33,601	32,450	811
Developer's Fee	0.93%	10,000	250
=====			
TOTAL DEVELOPMENT COST		1,070,000	26,750

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Upper Welden - St Alb INCOME & EXPENSE BUDGET 8/27/91

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INCOME

RENTS

Restricted Units (See assumptions below)

	Bedrooms	Type	Sq. Feet	Number	Rent
1	1 Br	Flat		39	433
				0	
3	3 Br	Flat		0	
				0	
4	4 Br	Flat		0	
4	4 Br	Flat		0	
Totals			0	39	202,644 (annual)

Market Rate Units

	Bedrooms	Type	Sq. Feet	Number	Rent
1	1 Br	Flat		1	0
1	1 Br	Townhouse		0	
2	2 Br	Flat	0	0	
2	2 Br	Townhouse		0	
3	3 Br	Flat	0	0	
3	3 Br	Townhouse		0	
Totals			0	1	0 (annual)

All Units

Grand Total 0 40 202,644

Less Vacancy (8,106)

NET RENT 194,538

OTHER INCOME

Laundry	1,000
Parking	0
Interest Income	0
Other	0

Total Other Income 1,000

TOTAL INCOME 195,538

EXPENSE BUDGET

Annual Per Unit Month

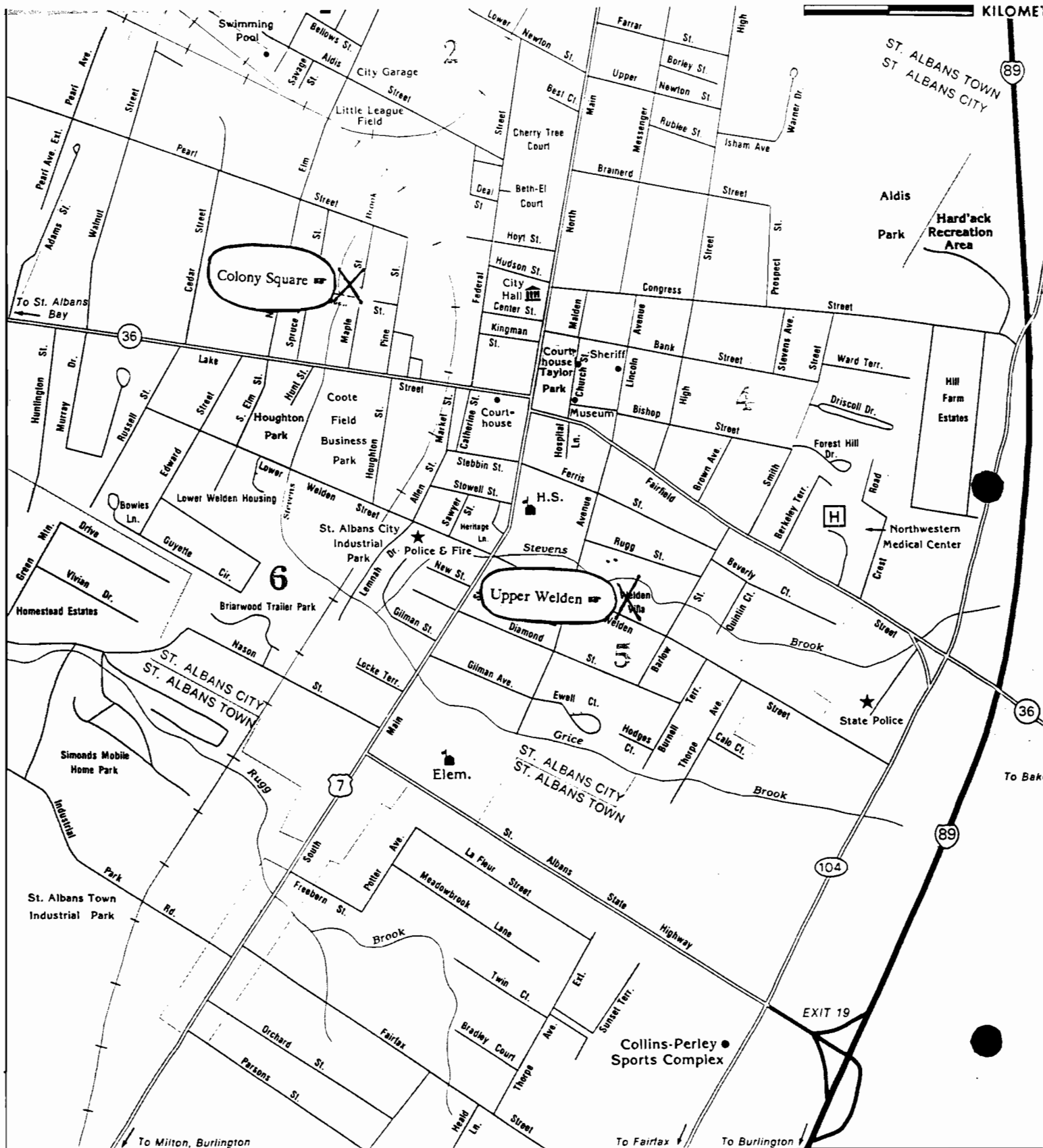
Admin/Management	19,300	40
Utilities	29,200	61
Maintenance	26,200	55
Taxes	25,000	52
Insurance	1,500	3
Collection Losses	0	0
Replacement Reserves	7,000	15

Total 108,200 225

Upper Welden - St Albans		30 YEAR PRO FORMA										Upper Welden - St Albans	
Year		1	2	3	4	5	6	7	8	9	10		
Gross Possible Rent		202,644	208,723	214,985	221,435	228,078	234,920	241,968	249,227	256,703	264,404		
Less Vacancies		(8,106)	(8,349)	(8,599)	(8,857)	(9,123)	(9,397)	(9,679)	(9,969)	(10,268)	(10,576)		
Plus Other Income		1,000	1,030	1,061	1,093	1,126	1,159	1,194	1,230	1,267	1,305		
-----													
Total Actual Income		195,538	201,404	207,447	213,670	220,080	226,682	233,483	240,487	247,702	255,133		
Less Operating Exp.		108,200	112,528	117,029	121,710	126,579	131,642	136,908	142,384	148,079	154,002		
-----													
Net Operating Income		87,338	88,876	90,417	91,960	93,501	95,041	96,575	98,104	99,623	101,131		
Less VHFA Debt Serv		(84,003)	(84,003)	(84,003)	(84,003)	(84,003)	(84,003)	(84,003)	(84,003)	(84,003)	(84,003)		
Less HCTF Debt Serv		0	(1,000)	(2,500)	(3,500)	(5,000)	(6,500)	(8,000)	(10,670)	(10,670)	(10,670)		
-----													
Cash Flow		3,336	3,874	3,915	4,457	4,499	4,538	4,573	3,431	4,950	6,458		
=====													
DCR		1.04	1.05	1.05	1.05	1.05	1.05	1.05	1.04	1.05	1.07		
11	12	13	14	15	16	17	18	19	20	21	22		
272,337	280,507	288,922	297,590	306,517	315,713	325,184	334,940	344,988	355,337	365,998	376,978		
(10,893)	(11,220)	(11,557)	(11,904)	(12,261)	(12,629)	(13,007)	(13,398)	(13,800)	(14,213)	(14,640)	(15,079)		
1,344	1,384	1,426	1,469	1,513	1,558	1,605	1,653	1,702	1,754	1,806	1,860		
-----													
262,787	270,671	278,791	287,154	295,769	304,642	313,781	323,195	332,891	342,877	353,164	363,759		
160,162	166,569	173,232	180,161	187,367	194,862	202,657	210,763	219,193	227,961	237,080	246,563		
-----													
102,625	104,102	105,559	106,994	108,402	109,780	111,125	112,432	113,697	114,916	116,084	117,196		
(84,003)	(84,003)	(84,003)	(84,003)	(84,003)	(84,003)	(84,003)	(84,003)	(84,003)	(84,003)	(84,003)	(84,003)		
(10,670)	(10,670)	(10,670)	(10,670)	(10,670)	(10,670)	(10,670)	(10,670)	(10,670)	(10,670)	(10,670)	(10,670)		
-----													
7,952	9,429	10,887	12,321	13,729	15,108	16,452	17,760	19,025	20,244	21,412	22,523		
=====													
1.08	1.10	1.11	1.13	1.15	1.16	1.17	1.19	1.20	1.21	1.23	1.24		
23	24	25	26	27	28	29	30						
388,287	399,935	411,934	424,292	437,020	450,131	463,635	477,544						
(15,531)	(15,997)	(16,477)	(16,972)	(17,481)	(18,005)	(18,545)	(19,102)						
1,916	1,974	2,033	2,094	2,157	2,221	2,288	2,357						
-----													
374,671	385,912	397,489	409,414	421,696	434,347	447,377	460,799						
256,425	266,682	277,350	288,443	299,981	311,980	324,460	337,438						
-----													
118,246	119,229	120,139	120,970	121,715	122,366	122,918	123,361						
(84,003)	(84,003)	(84,003)	(84,003)	(84,003)	(84,003)	(84,003)	(84,003)						
(10,670)	(10,670)	(10,670)	(10,670)	(10,670)	(10,670)	(10,670)	(10,670)						
-----													
23,574	24,557	25,467	26,298	27,042	27,694	28,245	28,688						
=====													
1.25	1.26	1.27	1.28	1.29	1.29	1.30	1.30						

# LOCATION MAP FOR TWO PROPOSED ST. ALBANS DEVELOPMENTS

## COLONY SQUARE AND UPPER WELDEN



**RESOLUTION PERTAINING TO LETTER OF INTEREST RE:  
UPPER WELDON APARTMENTS DEVELOPMENT**

WHEREAS, a proposal has been presented to the Agency by Vermont Housing Enterprises, Inc., a non-profit corporation recently formed by the Vermont State Housing Authority, involving the acquisition and rehabilitation of the Upper Weldon Apartments, a 40 unit apartment development in St. Albans (the "Development"); and

WHEREAS, the proposal contemplates that the Development will constitute "residential rental housing" within the meaning of section 142(d) of the Internal Revenue Code of 1986; and

WHEREAS, a Vermont non-profit corporation, Vermont Housing Enterprises, Inc., 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;

It is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income.
2. The rehabilitation costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.
3. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and moderate income are able to afford within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of the residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families.
4. The housing sponsor undertaking the Development will maintain the supply of well-planned, well-designed permanent housing for persons and families of low and moderate income.
5. The sponsor is a financially responsible organization.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a letter of interest (the "Letter of Interest") to provide a first mortgage for acquisition and rehabilitation, in an amount to be determined by the

Executive Director, but not to exceed \$870,000, for the Upper Weldon Apartments Development. The Letter of Interest shall be issued to Vermont Housing Enterprises, Inc.

2. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds from the issuance of new bonds or notes of the Agency and the satisfactory completion of such further requirements as the Agency may establish. The letter of interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, construction financing, or for other purposes with the consent of the Agency.
3. The Executive Director is authorized to make preliminary arrangements for the issuance and private placement or sale of tax-exempt or federally taxable bonds of the Agency to provide proceeds for financing this loan.



VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Margaret A. Pond, Director of Development  
Mark Koppelkam, Multi-Family Development Underwriter

DATE: September 12, 1991

RE: ST. ALBANS: COLONY SQUARE (VERMONT HOUSING ENTERPRISES) LETTER OF INTEREST RESOLUTION

THE DEVELOPMENT

1. General Description

Attached is a Letter of Interest Resolution authorizing the Agency to issue a permanent loan not to exceed \$480,000 in tax exempt financing to Vermont Housing Enterprises (VHEI) for the purchase and renovation of an existing 20 unit low income family development in St. Albans known as Colony Square. This financing request is for one of two properties under contract for sale to VHEI from the G.B.R. Associates partnership; the other property is Upper Weldon and is discussed under separate memo to the Board. The development was sold in 1984 to the G.B.R. Associates partnership through a contract for deed. The development was built in 1974 by Paul Poquette and Omar Bruley, and has been managed by the Vermont State Housing Authority (VSHA) for the last eight years. The development was built under the HUD Section 23 program, and the rent subsidies provided as part of the Section 23 program will be expiring December 31, 1991.

The sponsor's goal is to maintain these units as perpetually affordable to families with incomes below 50% of median income.

VHEI has an accepted offer to purchase this development for the appraised value, which is \$480,000, or \$24,000/unit. Relative to other recent VHFA financed developments, this is a fairly low acquisition price. Comparable acquisition prices for other recently financed developments were \$29,400/unit for Northgate, \$26,525/unit for Highgate; \$37,500 for Templeton and \$20,600/unit for St. Johnsbury.

Total development costs for Colony Square are currently estimated at \$652,500, or \$32,625 per unit. Actual or projected per unit costs at other VHFA financed developments are: St. Johnsbury (rehab) \$46,375; Northgate (rehab) \$58,540; Templeton

(rehab) \$53,104; Highgate (rehab) \$67,135; Pine Meadow (new construction, free land) \$72,000; Winchester (new construction) \$71,939.<sup>1</sup>

The Vermont Housing and Conservation Board (VHCB) will be considering the development at their September Board meeting. They are being asked to approve a \$200,000 low interest, deferred payment loan.

A summary of sources and uses of funds, rents, operating expenses and financial projections is attached. Also attached is a location map of the development.

## 2. Financial Projections

The development's financial projections are heavily dependent upon the approval of 19 project based Section 8 certificates. (Note: The 20th unit is being rented to an on-site manager.) Without the Section 8 certificates, rents would have to be significantly lowered (\$50/m for the 2 BR, and \$120/m for the 3 BR according to the appraisal) in order to compete in the market. The development could not sustain this level of reduced rental income. HUD approval of the project based certificates has not yet been approved, but would be as a condition of closing. The project based certificates are five years in duration, with renewal up to 15 years. The contract language relating to the renewal of the certificates does not give underwriting assurance for continued cash flow at the rent level needed beyond year five. It is primarily for this reason that we have asked the sponsor to discuss with the owners their willingness to provide secondary financing to mitigate VHFA's risk. Negotiations are underway at the writing of this memo--we will update you at the Board meeting.

The sponsors' projections assumed 4% annual increases in income, and 5% annual increases in expenses. If these are changed to 3% and 4% respectively, there is a need to lower the VHCB interest rates for a longer period of time. In the attached projections I have set the VHCB loan at 1% for eight years with a pre-set level of payments, then amortizing that loan at 2% over 25 years, with a balloon of \$26,343 due in Year 30. Neither VHCB or the sponsor have approved these revised projections.

Unless vacancies are significantly less than expected, this development will never generate much surplus cash, with debt coverage not exceeding 1.12 over the life of the mortgage.

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<sup>1</sup> The Northgate and Winchester per unit costs include an adjustment for capitalized land leases, which is done for comparison purposes only. The Northgate and Highgate costs do not include any adjustment for favorable seller financing.



The projected permanent sources of funds are:

	AMOUNT	PERCENT
Sponsor Equity	0	0.0
VHFA 1st Mortgage Loan	\$452,500	69.3
VHCB Deferred Payment Loan	<u>\$200,000</u>	<u>30.7</u>
Total	\$652,500	100.0

The sponsor has not pursued Low Income Housing Tax Credits (tax credits) as an alternative financing strategy because the buildings are not eligible for acquisition credits (due to a sale transaction in 1984), and the small amount of eligible rehabilitation credits are not seen as worth the trouble and cost of syndication.

The projections do meet VHFA standards for contingency, working capital and replacement reserve.

### 3. Unit Breakdown, Rents and Income Limits

The development has sixteen two-bedroom units and four three-bedroom units. One of the two bedroom units will be reserved for an on-site manager. The units are fair sized for the respective unit types. Projected rents, to be covered via Section 8 certificates are \$511 and \$638 for each unit type, and include all utilities.

### 4. Site/Location

The development is located in a low income multi-family residential neighborhood in St. Albans (see attached location map). The site is about one mile from Main Street. The appraisal noted that the neighborhood "appears to be in decline." According to City officials, no significant community improvement efforts are planned for this area. The City did apply for funds for additional low income housing in the neighborhood last year, but were not approved.

The development has little landscaping, and little is proposed. The sponsors claim that prior plantings have been destroyed by children. An expanded landscaping plan and play area are strongly recommended to improve the general look of the development as well as to provide a place for children to play.

There is a small creek along the back of the lot which is in the 100 year to 500 year floodplain. This is not considered a major underwriting concern. The creek is not fenced from the property in any way, which may be a safety concern for small children.

## 5. Building Conditions and Renovation Plan

The development has three wood frame buildings, each with a basement. The buildings are served by City water and sewer. There is a central laundry and tenant storage area in one of the basements.

The buildings were given a preliminary evaluation by Gossens Bachman Architects of Montpelier. This evaluation formed the basis for the proposed \$100,000 renovation budget. The buildings are structurally sound. Windows, exterior doors, stoops, and roofs need replacement. The plumbing and electrical systems are fine. The heating system is sufficient, but may warrant replacement in the near future. The quality of the heating system and the buildings' energy conservation needs are being addressed in a separate evaluation by Vermont Energy Investment Corporation.

Little interior work is planned as part of the renovation. The architect's report cited some trim, doors, vinyl tile and kitchen cabinets as marginal, but no funds are in the renovation budget for these improvements. The appraiser calls the condition of the units "average to below average." Kitchen appliances are generally in good condition, though many are older. The bathrooms and fixtures are also in good condition. The sponsors are already doing some needed interior capital work from their regular operating budget.

None of the units are currently accessible for the handicapped, and making any of the units accessible will be difficult and expensive. Thus, at present there are no plans to do this. If there were market units to be rented in this development, additional renovation work to that being planned would be a prerequisite.

## 6. Appraisal

An appraisal was done for VSHA by Frank Bredice in March, 1991. His recommended value, based completely on market rate rents and costs, is \$480,000. The purchase and sale agreement is written for the appraised price. The appraisal makes no mention of any renovation needs.

## 7. Market Demand and Rent Levels

There are only 56 subsidized (project attached) family units in St. Albans, including these 20 at Colony Square. Thus, this development constitutes an important low income family housing resource. A VHFA survey of the current vacancies for family subsidized units in developments in St. Albans indicated no vacancies and strong waiting lists.

The property has a recent history of a 6% vacancy rate. Project based Section 8 certificates also permit coverage of one month's rent when a tenant moves out, thus significantly reducing the effective vacancy loss. The financial projections assume a 6% vacancy rate.

According to the City's Community Development Director, overall market demand for rental housing is definitely softer now than it has been for quite some time. The July employment statistics for St. Albans shows 8.5% unemployment, down from 12.8% in January. The 1990 Census population figures for St. Albans show essentially no change from 1980. The Census shows 1,525 total rental units in St. Albans, with a 6.8% vacancy rate. The 1986 AER study found that the St. Albans labor market ranked highest in Vermont "as to the proportion of its renters who are in larger households, of low income, having an affordability or structural housing problem."

The general VSHA perspective on market demand is that Section 8 certificates are very valuable, and that people will move into such units almost regardless of the condition of the units.

#### 8. Management

The proposed management agent is VSHA. VSHA has fully managed this property for seven years and has done tenant screening since the buildings were put in service. An approved five to ten year management plan for ongoing development upgrading would be a prerequisite to closing.

#### 9. Environmental Concerns

No environmental assessment is being done for the property. Asbestos is not a likely concern given that the building was built just 20 years ago. As an existing property in a residential neighborhood that has been managed by VSHA for many years, there has been no evidence to suggest that any environmental hazards exist on the site.

### DISCUSSION

#### Strengths

The primary strengths of this development include:

- a. The past and present involvement of the VSHA, and their familiarity with the development from a management perspective.
- b. The availability of project based Section 8 certificates makes the financial feasibility fairly safe, assuming that the VHCB approves a deferred payment loan.

- c. It is a pre-existing building, so there are current tenants and there is a history of market acceptance.
- d. City officials and local legislators are supportive of this acquisition.
- e. There are only 56 subsidized (project attached) family units in St. Albans, including these 20 at Colony Square. Thus, this development constitutes an important low income family housing resource.

#### Weaknesses

The potential weaknesses of this development are:

- a. This is not a mixed income development, which has been a general standard of the Agency.
- b. As noted in the report, the appraiser's report indicates that the neighborhood "appears to be in decline."
- c. The longterm affordability of the units is heavily dependent upon HUD to continue the Section 8 certificates beyond the five years, a condition which we cannot be certain of and will not know about until the deadline nears. Clearly there is the absolute expectation that the contract will be continued. To strengthen the proposal, the sponsor is negotiating with the owner to provide enough secondary financing to mitigate VHFA's risk.
- d. This is a zero equity proposal. As proposed, the VHFA loan constitutes 69.3% of total development cost, and 94.3% of appraised value.
- e. This is a weak rental market in which the sponsor proposes buying "average to below average" rental property in a "declining" neighborhood. However, the development is serving a clearly identified very low income family population.

#### OTHER COMMENTS

The current tenants are not "at risk" regardless if this transaction occurs as they will get Section 8 vouchers and can move where they please. The units themselves may be theoretically "at risk" as continuing affordable units, but given the location and style of housing, are always likely to be low cost housing.

RECOMMENDED ACTION

Staff recommends approval of the attached Resolution Pertaining to Issuance of Letter of Interest for Colony Square Apartments (Resolution attached) authorizing the Executive Director to issue a letter of interest and make preliminary arrangements toward providing up to \$480,000 of first mortgage permanent financing for the Development.

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INPUT DATA

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Project: Colony Square - St Albans RUN DATE: 9/11/91

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Total Units: 20 \*\*\*\*\*Assumptions\*\*\*\*\*

Rental Apts: 19 Income increase: 3.00%

Percent Restricted: N/A Expense increase: 4.00%

Tax Credit Rate N/A Appreciation: 2.50%

TDC 652,500 Vacancy Rate: 6.00%

Syn Equity Possible N/A

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	Amount	% of TDC		
Equity	0	0.00%		
	0	0.00%	Interest	Term
VHFA	452,500	69.35%	9.00%	30
HCTF	200,000	30.65%	See Note	30
	0	0.00%	0.00%	0
	652,500	100.00%		

=====

Note: The following items of information relate to the attached financial projections. Final loan terms and details are governed by various legal documents. Please consult the project's closing binder for specifics. HCTB loan 1% interest for 8 years with pre-set payments, then amortizing at 2% over 25 years, with a balloon payment due in Year 30 of \$26,343. Projections assume all units have project based Section 8 certificates. Projections assume owner pays all utilities except phone. For information about loss reserve and working capital, see the VHFA Development Description and/or Regulatory Agreement.

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Colony Square - St Alban USES 9/11/91

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		Budget	Per Unit
Acquisition		480,000	24,000
Rehab	20.83%	100,000	5,000
Appraisal		2,500	125
Contingency	10.00%	10,000	500
Arch/Engineering		5,000	250
Legal/Title		5,000	250
Permits/Fees		0	0
Taxes/Insurance		0	0
Closing		500	25
VHFA Transaction Costs		2,500	125
Permanent Loan Fee	6,788	6,788	339
Loss Reserve		12,000	600
Working Capital	17,476	18,212	911
Developer's Fee	1.53%	10,000	500
TOTAL DEVELOPMENT COST		652,500	32,625

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## =====

## INCOME

## RENTS

Restricted Units (See assumptions below)

	Bedrooms	Type	Sq.Feet	Number	Rent
2	2 Br	Flat		15	511
				0	
3	3 Br	Flat		4	638
				0	
4	4 Br	Flat		0	
4	4 Br	Flat		0	

Totals	0	19	122,604	(annual)
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Market Rate Units

	Bedrooms	Type	Sq.Feet	Number	Rent
1	1 Br	Flat		1	433
1	1 Br	Townhouse		0	
2	2 Br	Flat	0	0	
2	2 Br	Townhouse		0	
3	3 Br	Flat	0	0	
3	3 Br	Townhouse		0	

Totals	0	1	5,196	(annual)
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All Units

Grand Totals	0	20	127,800
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Less Vacancy	(7,668)
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NET RENT	120,132
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## =====

## OTHER INCOME

Laundry	2,000
Parking	0
Interest Income	0
Other	0

Total Other Income	2,000
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TOTAL INCOME	122,132
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## =====

## EXPENSE BUDGET

Annual Per Unit Month

Administration	16,100	67
Utilities	15,200	63
Maintenance	20,000	83
Taxes	13,500	56
Insurance	1,500	6
Collection Losses	2,500	10
Replacement Reserves	5,000	21

Total	73,800	308
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## Colony Square - St Albans

## 30 YEAR PRO FORMA

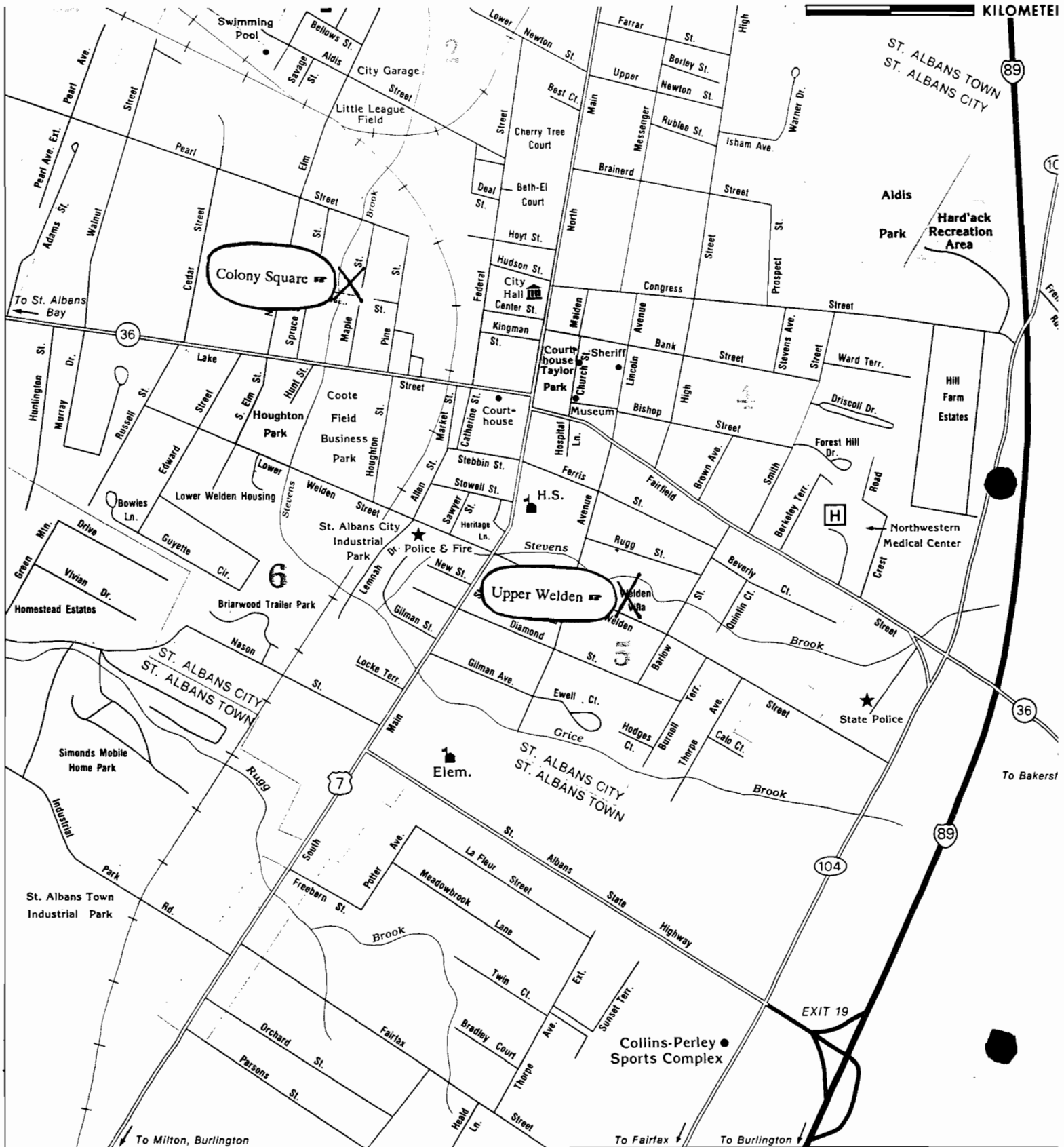
## Colony Square - St Albans

	Year	1	2	3	4	5	6	7	8	9
Gross Possible Rent		127,800	131,634	135,583	139,651	143,840	148,155	152,600	157,178	161,893
Less Vacancies		(7,668)	(7,898)	(8,135)	(8,379)	(8,630)	(8,889)	(9,156)	(9,431)	(9,714)
Plus Other Income		2,000	2,060	2,122	2,185	2,251	2,319	2,388	2,460	2,534
Total Actual Income		122,132	125,796	129,570	133,457	137,461	141,584	145,832	150,207	154,713
Less Operating Exp.		73,800	76,752	79,822	83,015	86,336	89,789	93,381	97,116	101,000
Net Operating Income		48,332	49,044	49,748	50,442	51,125	51,795	52,451	53,091	53,713
Less VHFA Debt Service		(43,691)	(43,691)	(43,691)	(43,691)	(43,691)	(43,691)	(43,691)	(43,691)	(43,691)
Less HCTF Debt Service		(2,500)	(3,000)	(3,500)	(4,500)	(5,000)	(5,500)	(6,500)	(7,000)	(9,054)
Cash Flow		2,141	2,353	2,557	2,251	2,434	2,604	2,260	2,400	967
Net Cash		2,141	2,353	2,557	2,251	2,434	2,604	2,260	2,400	967
DCR		1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.02
10	11	12	13	14	15	16	17	18	19	
166,750	171,753	176,905	182,212	187,679	193,309	199,108	205,081	211,234	217,571	
(10,005)	(10,305)	(10,614)	(10,933)	(11,261)	(11,599)	(11,946)	(12,305)	(12,674)	(13,054)	
2,610	2,688	2,768	2,852	2,937	3,025	3,116	3,209	3,306	3,405	
159,355	164,135	169,059	174,131	179,355	184,736	190,278	195,986	201,866	207,922	
105,040	109,242	113,612	118,156	122,882	127,798	132,910	138,226	143,755	149,505	
54,314	54,893	55,448	55,975	56,473	56,938	57,368	57,760	58,111	58,416	
(43,691)	(43,691)	(43,691)	(43,691)	(43,691)	(43,691)	(43,691)	(43,691)	(43,691)	(43,691)	
(9,054)	(9,054)	(9,054)	(9,054)	(9,054)	(9,054)	(9,054)	(9,054)	(9,054)	(9,054)	
1,569	2,148	2,702	3,229	3,727	4,192	4,623	5,015	5,365	5,671	
1,569	2,148	2,702	3,229	3,727	4,192	4,623	5,015	5,365	5,671	
1.03	1.04	1.05	1.06	1.07	1.08	1.09	1.10	1.10	1.11	
20	21	22	23	24	25	26	27	28	29	30
224,098	230,821	237,746	244,878	252,224	259,791	267,585	275,612	283,881	292,397	301,169
(13,446)	(13,849)	(14,265)	(14,693)	(15,133)	(15,587)	(16,055)	(16,537)	(17,033)	(17,544)	(18,070)
3,507	3,612	3,721	3,832	3,947	4,066	4,188	4,313	4,443	4,576	4,713
214,159	220,584	227,201	234,018	241,038	248,269	255,717	263,389	271,290	279,429	287,812
155,485	161,705	168,173	174,900	181,896	189,172	196,739	204,608	212,793	221,304	230,156
58,674	58,879	59,028	59,118	59,142	59,097	58,979	58,781	58,498	58,125	57,656
(43,691)	(43,691)	(43,691)	(43,691)	(43,691)	(43,691)	(43,691)	(43,691)	(43,691)	(43,691)	(43,691)
(9,054)	(9,054)	(9,054)	(9,054)	(9,054)	(9,054)	(9,054)	(9,054)	(9,054)	(9,054)	(9,054)
5,928	6,134	6,283	6,372	6,397	6,352	6,233	6,035	5,752	5,379	4,910
5,928	6,134	6,283	6,372	6,397	6,352	6,233	6,035	5,752	5,379	4,910
1.11	1.12	1.12	1.12	1.12	1.12	1.12	1.11	1.11	1.10	1.09



# LOCATION MAP FOR TWO PROPOSED ST. ALBANS DEVELOPMENTS

## COLONY SQUARE AND UPPER WELDEN



**RESOLUTION PERTAINING TO LETTER OF INTEREST RE:  
COLONY SQUARE APARTMENTS DEVELOPMENT**

WHEREAS, a proposal has been presented to the Agency by Vermont Housing Enterprises, Inc., a non-profit corporation recently formed by the Vermont State Housing Authority, involving the acquisition and rehabilitation of the Colony Square Apartments, a 20 unit apartment development in St. Albans (the "Development"); and

WHEREAS, the proposal contemplates that the Development will constitute "residential rental housing" within the meaning of section 142(d) of the Internal Revenue Code of 1986; and

WHEREAS, a Vermont non-profit corporation, Vermont Housing Enterprises, Inc., 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;

It is hereby DETERMINED:

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

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

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

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

5. The sponsor is a financially responsible organization.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a letter of interest (the "Letter of Interest") to provide a first mortgage for acquisition and rehabilitation, in an amount to be determined by the

Executive Director, but not to exceed \$480,000, for the Colony Square Apartments Development. The Letter of Interest shall be issued to Vermont Housing Enterprises, Inc.

2. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds from the issuance of new bonds or notes of the Agency and the satisfactory completion of such further requirements as the Agency may establish. The letter of interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, construction financing, or for other purposes with the consent of the Agency.
3. The Executive Director is authorized to make preliminary arrangements for the issuance and private placement or sale of tax-exempt or federally taxable bonds of the Agency to provide proceeds for financing this loan.

**SURVEY OF PROJECTS IN ST ALBANS**  
9/4/91

<u>PROJECT</u>	<u>MANAGEMENT AGENT</u>	<u>NUMBER ON WAITING LIST</u>	<u>1990 VACANCY RATE</u>
Bethel Court (E)	Richard Carr	23	0
Colony Square (F)	VSHA	8	
Fourwinds (E)	Emile Legere	45	0
Heritage Lane (E)	Poquette & Bruley	35	0
Hillcrest Views (F)	VSHA	5	
Hoyt Street (F)	Poquette & Bruley	15	0
Lake Street (E)	Jonathan Ziner	3	0
Lower Welden (F)	Nancy Cioffi	15	0
Welden Villa (E)	VSHA	15	



VERMONT HOUSING FINANCE AGENCY  
M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Margaret A. Pond, Director of Development *MA Pond*  
Mark Koppelkam, Multi-Family Development Underwriter

DATE: September 11, 1991

RE: VERMONT HOUSING VENTURES: PROGRAM UPDATE

Activity in the Vermont Housing Ventures revolving loan fund has continued in spite of the current recession. Since the report on program activity at the Board's January 1991 meeting, the Ventures loan committee has approved an additional commitment of \$130,850 to five different proposed developments. These developments comprise three mobile home parks (two in Starksboro, one in Clarendon), a residential rehabilitation at the YWCA in Burlington, and a land trust manufactured home development in Norwich.

We hear consistently that availability to these funds is critical to getting proposed developments started. Inherent in this program is the high risk nature of loaning predevelopment funds. Although we do not underwrite Ventures loans to our standard, we have been fortunate in our decisions thus far and have not experienced any significant losses (total loss to date is \$1,150). Over the past year and a half we have seen fund requests for mobile home parks increase as nonprofits have become involved in mobile home park acquisitions. We also have seen a balanced selection of applications from new and repeat borrowers. Due to the limitation on our funds to allocate to this program (\$250,000 from VHFA's General Fund) we have never aggressively promoted Ventures. Our activity to date is a result primarily of word of mouth.

In spring of 1990, the Board granted staff the ability to increase the Ventures fund lending authority by \$60,000, bringing the fund temporarily up to \$310,000. At the time, loan paybacks more than adequately covered the \$60,000 so that within less than four months the fund commitments were well under the \$250,000 mark.

Currently the fund temporarily needs an additional \$60,000 based on our outstanding commitments and our anticipated demand. At our most recent Ventures loan committee meeting in late August, we approved a request that brought the outstanding committed amount to \$264,860. Our payback schedule projects \$41,800 to \$142,000 in paybacks before 1992.

RECOMMENDATION

Staff recommends the Board approve a renewal to temporarily increase the Vermont Housing Ventures fund from \$250,000 to \$310,000.



VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners  
FROM: Glenn Jarrett *GJ*  
DATE: September 13, 1991  
RE: Shady Corner Homes Condominium

The developers of this six unit condominium development in St. Albans Town are requesting a waiver from VHFA's condominium policy that, in the event of a conversion, financing is only available for tenants wishing to purchase their units. The units have been rented out, as explained in the accompanying letter from the developers, which is, in effect, claiming a hardship. The units are quite affordable, being priced at \$65,000. The developers are willing to go through the notice procedures required for condominium conversion.

Normally, we would only approve two units for VHFA financing. A waiver is often given to small developments so that half of the units (three, in this case) can be eligible for our financing.

STAFF RECOMMENDATION:

Approval of the waivers sought, given the claimed hardship and the small size of the development.

RECEIVED

SEP 10 1991

September 9, 1991

VHFA

VHFA  
Ann-Marie Plank  
P.O. Box 408  
Burlington, VT 05402-0408

Re: Shady Corner Homes Condominium

Dear Ms. Plank

This letter is a request to waive the condominium procedures adopted by the board in order to get financing approved to buyers other than existing tenants.

This project was originally set up to sell, but complications with the town forced us to rent them in order to pay our mortgage and other costs.

We are more than willing and are going to give existing tenants first option to buy the homes, but would also like the general public to have the option if they so choose. We have had a very hard time renting these homes and have had one vacant since February of this year. Although previous tenants references were fine, some did extensive damage to the homes.

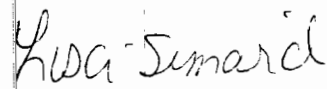
We can not continue to rent these homes because of expenses, and also because of tenants who live there two months, vacate the homes giving no notice, and leave \$2,000 worth of damage.

We would greatly appreciate your waiving the normal condominium procedures and allow people to purchase these homes thru VHFA financing like was originally intended.

Thank you for considering our letter.

Sincerely,

  
Robert Simard

  
Lisa Simard



VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Jeff Francis, Deputy Director

DATE: September 19, 1991

RE: Request from the Department of Housing and Community Affairs for financial contribution for CHAS development

VHFA has received a request from the Department of Housing and Community Affairs asking for a financial contribution to assist in meeting the costs of developing Vermont's Comprehensive Housing Affordability Strategy. The five year affordable housing strategy must be completed by year's end in order for the State to be eligible to receive funds under the recently passed National Affordable Housing Act. An effort is underway to develop the plan, lead by the Department of Housing and Community Affairs working with a 15 person advisory group. VHFA is represented on the advisory committee and has an opportunity for additional input on the CHAS process through direct communications to the staff of DHCA.

The budget amount for the development of the CHAS has been set by DHCA at \$99,173. (See attached budget). Given its financial constraints, DHCA is asking for a contribution from VHFA, as well as from the Vermont State Housing Authority and the Vermont Housing and Conservation Trust Fund to cover \$34,700 of the total budget cost. DHCA has not yet heard from VSHA or VHCTF in response to its request.

RECOMMENDED ACTION

In recognition of the importance of developing the Comprehensive Housing Assistance Strategy and in acknowledging the financial constraints under which DHCA is currently operating, it is recommended that the VHFA Board of Commissioners authorize the contribution of sum not to exceed \$15,000 in support of the CHAS development process with the terms and conditions of the contribution to be determined by the Executive Director.



CHAS Budget  
1991-92

PERSONNEL

DHCA Staff

Commissioner 1/5 time @ \$48,000	\$ 9,600
Housing Director 1/2 time @ \$30,000	15,000
Housing Coordinator 1/3 time @ \$34,000	11,220
Admin. Assistant 1/5 time @ \$24,000	4,800
Systems Specialist 1/4 time @ \$24,000	6,000
CD Resource Specialist 1/8 time @ \$30,000	3,750

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\$50,370

Benefits @ 28%

14,103

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\$64,473

Consultants

* Woolf @ \$ 6,200	6,200
* Holmes @ \$15,000	15,000

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\$21,200

Subtotal \$85,673

OTHER

* Public Hearing Notices	3,000
* Printing and Publications	5,000
* Postage	500
* Travel/Mileage/Board Costs	3,000
Telephone	2,000

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\$13,500

Subtotal \$13,500

TOTAL \$99,173



VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners  
FROM: Allan S. Hunt, <sup>Asst</sup> Executive Director  
DATE: October 2, 1991  
RE: RESCHEDULING THE UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been rescheduled. There will be no meeting in October. The next meeting will be held at 1:30 p.m. Thursday, November 7, here at the office of the Vermont Housing Finance Agency, One Burlington Square, Burlington, Vermont.

The Board packet and agenda will be mailed to you on November 1.

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Burlington November 7!



VERMONT HOUSING FINANCE AGENCY

October 28, 1991

Ms. Jean Gauthier  
Department of Administration  
Pavilion Office Building  
109 State Street  
Montpelier, VT 05602

Dear Ms. Gauthier:

The Vermont Housing Finance Agency will be having its regular monthly Board Meeting on Thursday, November 7, at 1:30 p.m., at the office of the Commissioner of Banking, Insurance and Securities, 89 Main Street, Montpelier, Vermont.

If you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in cursive script that reads 'Barbara M. Parker'.

Barbara M. Parker  
Executive Assistant





VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners  
FROM: Allan S. Hunt, Executive Director  
DATE: November 1, 1991  
RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held at 1:30 p.m. Thursday, November 7, at the office of the Commissioner of Banking, Insurance and Securities, 89 Main Street, Montpelier, Vermont.

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

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Montpelier November 7!





VERMONT HOUSING FINANCE AGENCY

**VHFA BOARD MEETING AGENDA**

VERMONT HOUSING FINANCE AGENCY

One Burlington Square  
Burlington, Vermont

Thursday, November 7, 1991 at 1:30 p.m.

1. Review and approval of minutes of September 19, 1991
2. Administration
  - A. Executive Director's Report [Hunt]
  - B. Barre Neighborhood Housing [Francis//Enclosure]
3. Operations
  - A. MOVE 1990 Series 1 Update/Delinquency Report [Lothrop//Enclosure]
4. Development
  - A. Lazy Brook (Starksboro) Letter of Commitment [Pond//Enclosure]
  - B. Upper Welden (St. Albans) Letter of Commitment [Pond//Enclosure]
  - C. Colony Square (St. Albans) Letter of Commitment [Pond//Enclosure]
  - D. Weathervane (Lincoln) Letter of Commitment [Pond//Enclosure]
  - E. Tax Credit Status/Plan [Pond]
5. Finance
  - A. 1990 Series 2 Bonds [Schoenbeck//Encl.]
  - B. Review of 1991 Audit [Schoenbeck//Encl.]
  - C. Discussion of End of Year Bond Issue [Schoenbeck//Encl.]
6. Legal
  - A. Whitney Hill Bond Resolution [Jarrett//Enclosure]
  - B. Litigation Update [Jarrett]
  - C. Legislative Preview [Jarrett]
7. Other old or new business to come before the Board





VERMONT HOUSING FINANCE AGENCY

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

**Thursday, September 19, 1991**

**PRESENT:** Commissioners Shaw, Ruse, Hebard, Rockford (designee of Mr. Johnson), Shouldice (designee of McDougall), Myette

Agency Staff: Mr. Hunt, Mr. Schoenbeck, Mr. Jarrett, Mr. Koppelkam, Mrs. Parker, Mr. Lothrop, Mr. Francis

Guests: Ms. Parkes, Ms. Dolber (Standard & Poor's); Mr. Irvin (PaineWebber); Ms. Pearson (VHMGB); Mr. Faesy (ERH)

The meeting was called to order at 1:40 p.m.

Mr. Schoenbeck introduced Ms. Nancy Parkes and Ms. Wendy Dolber, of the New York office of Standard & Poor's Corporation (S&P). Mr. Schoenbeck advised the Board that S&P is reviewing the resolutions relating to the 1976 Single Family Insured Mortgage Program and the 1977 Multi-Family Mortgage Bonds. According to Mr. Schoenbeck, these are both strong programs with reasonable fund balances. Ms. Dolber then addressed the Board, who explained that the visit is part of a formal review process conducted every other year by S&P. Based on the information gathered during their meetings with staff, an article will be published describing the activities of the Agency in relation to the ratings S&P issues. Ms. Dolber outlined the difference between ratings based on moral obligation bonds vs. stand alone ratings, and reminded the Board that some Agency bonds have been placed on credit watch as a result of the lowering of the State's credit rating. Mr. Ruse pointed out that the State's downgrade was based on the length of carryover of the deficit payoff rather than any problems directly related to the bond issues. Since a bond issue backed by the moral obligation of the State is automatically subject to downgrade when the State's rating falls, a stand alone rating can be requested; Ms. Dolber cautioned that such a request for such analysis should be done as soon as possible after a downgrade. Ms. Dolber assured the Board that S&P has been very impressed with the management oversight at the Agency. In further explanation of the S&P visit, Ms. Parkes stressed the importance of surveillance in order to provide detailed information to the public and to gain a more thorough understanding of the

## VHFA BOARD MINUTES

September 19, 1991

Page 2 of 5

Agency and how it functions. A strong emphasis of their research is on loan originations and delinquencies as well as systems controls. Ms. Parkes further advised the Board that while S&P will conduct on-site visits every other year, representatives of the Agency will be expected to visit S&P in New York in the interim years. In conducting their review of the Agency, S&P will take into consideration the stability of the State government and of the Agency's Board, as well as the considerable length of tenure of key staff members. Following this discussion, Ms. Dolber and Ms. Parkes left the meeting; no Board action was necessary.

Upon a motion duly made and seconded, the minutes of the August 26, 1991 meeting were unanimously accepted as written. At this point, Mr. Shouldice joined the meeting and was introduced to the Board.

Mr. Lothrop reported on the 1990 Series 1 MOVE program activity, as detailed in the report included in the Board packet. Reservations were \$1.2 million for the week, which is encouraging in light of falling conventional interest rates.

The "Possible Conversion of 1991 Mortgage Revenue Bonding (MRB) Volume Cap to Mortgage Credit Certificate (MCC) Authority," as detailed in his memo of September 6, included in the Board packet, was reviewed by Mr. Lothrop. A motion was duly made and seconded to adopt the "Resolution Pertaining to Election of VHFA to Convert Mortgage Revenue Bond Authority to Mortgage Credit Certificate Authority" as attached to these minutes; this motion passed unanimously.

Next followed "The Discussion of Support for Energy Rated Homes of Vermont (ERH)" as described in Mr. Lothrop's memo of September 9, included in the Board packet. In his review of the history of ERH, Mr. Faesy informed the Board that more than 1,100 ratings have been performed to date, with over 500 turned into Energy Efficient Mortgages (EEM). According to Mr. Faesy, ERH remains a model throughout the country and serves as a model for a national EEM structure contemplated by the Department of Energy in Washington, D.C. To date, Vermont is the only state that has tied energy efficiency to mortgages. As shown in the attachments to Mr. Lothrop's memo, a deferred loan of \$75,000 would enable ERH to span a funding gap anticipated until the utility companies sign on. Mr. Hunt emphasized that an important issue is to have the program on the street long enough to have it ingrained into mortgage marketing, and one means would be by wrapping the fee into the cost of the mortgage. Applying the program to existing housing is more difficult, unless a property is being refinanced. Mr. Hunt further explained that the \$75,000 recommended for ERH is not viewed as recoverable; however, should there be any revenue generated, some form of repayment is expected. Mr. Faesy assured the Board that updates would be offered from

## VHFA BOARD MINUTES

September 19, 1991

Page 3 of 5

time to time. Following further discussion, a motion was duly made and seconded to approve the request from ERH for a deferred loan of up to \$75,000 for the purpose of assisting in the funding of ERH's general operations over the remainder of FY91, with the Executive Director authorized to negotiate the specific terms of the loan; this motion passed unanimously.

Mr. Schoenbeck updated the Board on the status of 1990 Series 2 and Series 3 bond issues. The recent drop in the prime lending rate as well as a cut in federal rates has given staff some concern regarding the issuance of Series 3. However, Series 2 has been activated, based on Board actions taken at previous meetings. Current plans call for pricing to take place during the first week of October, which will necessitate a Board conference call. As proposed, Series 2 will be \$40 million with an anticipated mortgage rate of approximately 8.2%. No Board action was required, but Mr. Hunt acknowledged Mr. Schoenbeck's long hours of especially hard work since the beginning of September, in dealing with the auditors, rating agencies, the first cross-call of bonds, and the negotiations for Series 2 and 3.

The "Lazy Brook Mobile Home Park, Starksboro, Request for Letter of Interest" was the next agenda topic addressed, as detailed in the memo dated September 12, included in the Board packet. A brief discussion followed regarding the access road, during which Mr. Jarrett assured the Board that he would have discussions with the attorney for the buyer to ensure that access is included in the deed. A motion was duly made and seconded to adopt the "Resolution Pertaining to Letter of Interest re: Lazy Brook Mobile Home Park," as attached to these minutes; this motion carried unanimously.

Mr. Koppelkam then introduced a discussion of "St. Albans: Upper Welden (Vermont Housing Enterprises) Letter of Interest Resolution" as well as "St. Albans" Colony Square (Vermont Housing Enterprises) Letter of Interest Resolution," as described in his memos of September 12, included in the Board packet. Mr. Hunt cautioned the Board that the federal government is trying to limit the ultimate budget authority for the Colony Square project, and will issue a five-year commitment only, with the potential for renewal for two additional five-year terms. Mr. Jarrett assured the Board that the loan closing would not take place until the HUD subsidy commitments are in hand, as has been the procedure in other similar loan closings. Mr. Williams distributed a "Survey of Projects in St. Albans" which describes selected multi-family structures and reflects the number of potential renters on waiting lists as well as the vacancy rates for 1990. Mr. Hunt observed that St. Albans has the greatest percentage of subsidized housing for the elderly in the state of Vermont. The "Resolution Pertaining to Letter of Interest re: Upper Welden Apartments Development" and the



## VHFA BOARD MINUTES

September 19, 1991

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"Resolution Pertaining to Letter of Interest re: Colony Square Apartments Development" were both revised to delete the phrase "recently formed by the Vermont State Housing Authority" appearing in the first paragraphs of each. A motion was then made, seconded, and passed unanimously adopting both Resolutions as revised and as attached to these minutes.

The Board acknowledged receipt of the "Vermont Housing Ventures: Program Update" as included in the Board packet, and a motion was duly made and seconded to approve a renewal to temporarily increase the Vermont Housing Ventures fund from \$250,000 to \$310,000; this motion carried unanimously.

Mr. Hunt then introduced Ms. Sullivan, who is the interim director of communications while Ms. Hope is on a leave of absence at Harvard. The 4-STAR Mortgage Program was reviewed by Ms. Sullivan, who noted that this is the first program in the country to link mortgages and energy ratings. Gov. Dean is expected to announce the 4-STAR Mortgage Program at a weekly press conference and may do a public service announcement as well. No Board action was necessary. The Board complimented staff on the excellent article regarding Dalton Drive which appeared in the Burlington Free Press. At this time, Mr. Ruse expressed his regrets and left the meeting.

Mr. Jarrett's memo of September 13 regarding "Shady Corner Homes Condominium" was reviewed next, as included in the Board packet. A motion was made and seconded to waive, in the case of Shady Corner Homes Condominiums, the Agency's condominium policy requiring that, in the event of a conversion, financing would only be available for tenants wishing to purchase their units. The motion was carried unanimously.

In a review of other legal matters, Mr. Jarrett informed the Board that five projects throughout Vermont (which belong to a multi-family project owner who is currently involved in legal actions brought against him by the Agency) may be acquired by Housing Foundation, Inc. or, possibly, the Vermont State Housing Authority. According to Mr. Hunt, the acquisition of these properties by VSHA or any related entity would be done at the lowest possible purchase price, so as not to appear to reward the owner for his improper actions; purchase of the properties would avoid the necessity of foreclosure. Four of the properties would be eligible for Low Income Housing Tax Credits in 1991. The Board unanimously approved a motion which was made and seconded to support VSHA in their efforts to purchase these properties.

## VHFA BOARD MINUTES

September 19, 1991

Page 5 of 5

Turning next to other business, Mr. Francis distributed his memo of September 19, "Request from the Department of Housing and Community Affairs for Financial Contribution for CHAS Development." A motion was made and seconded authorizing the contribution of up to \$15,000 in support of the CHAS (Comprehensive Housing Affordability Strategy) development process, with the terms and conditions of the contribution to be determined by the Executive Director; this motion passed unanimously, with Mr. Shouldice abstaining.

Mr. Schoenbeck presented a request from Housing Vermont for funding of up to \$800,000 as a bridge facility through the end of the calendar year. This funding would be directly related to the Whitney Hill financing which was approved by the Board previously, and is expected to be repaid via equity in the project. After a motion was made and seconded it was unanimously agreed to authorize additional funding of up to \$800,000 to Housing Vermont, with the terms and conditions to be determined by the Executive Director.

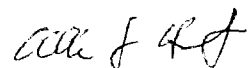
As an update to a discussion on the Westlake Limited Partnership/Redrocks development in Burlington, Mr. Jarrett noted that the Agency will not be required to deposit \$355,000 with Vermont National Bank (VNB) in connection with this project. Instead, the Agency will identify an existing account for VNB which contains an amount greater than or equal to the required amount, but a separate account will not be opened for this transaction.

Mr. Hunt reported that the Dalton Drive ceremony was well attended, and that 25 calls had been received from prospective borrowers before noon on the day after the article appeared in the Free Press.

According to Mr. Hunt, at Housing Vermont's annual meeting John Simson, David Tucker and Judd Levy were appointed to serve on the board, and Gov. Dean reappointed Mark Snelling as chairman of Housing Vermont's board.

The next meeting was scheduled for Thursday, October 17 *{later rescheduled to Thursday, November 7}*, in Burlington. There being no further business and following a motion duly made and seconded, the meeting adjourned at 3:40 p.m.

Respectfully submitted,



Allan S. Hunt  
Secretary

**RESOLUTION PERTAINING TO LETTER OF INTEREST RE:  
LAZY BROOK MOBILE HOME PARK**

WHEREAS, a proposal has been presented to the Agency by the Addison County Community Trust (ACCT), a non-profit corporation, involving the acquisition of Lazy Brook Mobile Home Park, a 52 unit mobile home park in Starksboro; and

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

WHEREAS, the Housing and Conservation Board is considering a \$52,000 grant and a deferred loan of \$150,000 for Lazy Brook; and

WHEREAS, the Sponsor has requested a \$150,000 deferred payment loan from the Community Development Block Grant program; and

WHEREAS, the Agency has determined that the Development will assist in fulfilling the purposes of the Act and is financially feasible;

It is hereby DETERMINED:

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

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

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

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

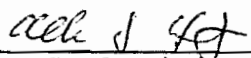
5. The sponsor is a financially responsible organization.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a letter of interest (the "Letter of Interest") to provide a first mortgage for permanent financing in an amount to be determined by the Executive Director, but not to exceed \$575,000, for the Lazy Brook Mobile Home Park.

2. The Letter of Interest shall be issued to the Addison County Community Trust as the housing sponsor.
3. The Letter of Interest shall state that it is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The letter of interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.
4. The Executive Director is authorized to make preliminary arrangements for the issuance and private placement of taxable bonds of the Agency to provide proceeds for financing this loan.
5. Throughout the period of the loan, at least 51% of the pads in the park shall be rented to persons and families of low and moderate income. Income checking shall be required only before the closing and for new residents entering the park. Residents shall not be required to leave the park because their income increases beyond any applicable limit or because the occupancy mix is not met.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont on September 19, 1991.

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

**RESOLUTION PERTAINING TO LETTER OF INTEREST RE:  
UPPER WELDEN APARTMENTS DEVELOPMENT**

WHEREAS, a proposal has been presented to the Agency by Vermont Housing Enterprises, Inc., a non-profit corporation, involving the acquisition and rehabilitation of the Upper Welden Apartments, a 40 unit apartment development in St. Albans (the "Development"); and

WHEREAS, the proposal contemplates that the Development will constitute "residential rental housing" within the meaning of section 142(d) of the Internal Revenue Code of 1986; and

WHEREAS, a Vermont non-profit corporation, Vermont Housing Enterprises, Inc., 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;

It is hereby DETERMINED:

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

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

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

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

5. The sponsor is a financially responsible organization.

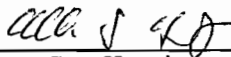
WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a letter of interest (the "Letter of Interest") to provide a first mortgage for acquisition and rehabilitation, in an amount to be determined by the

Executive Director, but not to exceed \$870,000, for the Upper Welden Apartments Development. The Letter of Interest shall be issued to Vermont Housing Enterprises, Inc.

2. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds from the issuance of new bonds or notes of the Agency and the satisfactory completion of such further requirements as the Agency may establish. The letter of interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, construction financing, or for other purposes with the consent of the Agency.
3. The Executive Director is authorized to make preliminary arrangements for the issuance and private placement or sale of tax-exempt or federally taxable bonds of the Agency to provide proceeds for financing this loan.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont on September 19, 1991.

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

**RESOLUTION PERTAINING TO LETTER OF INTEREST RE:  
COLONY SQUARE APARTMENTS DEVELOPMENT**

WHEREAS, a proposal has been presented to the Agency by Vermont Housing Enterprises, Inc., a non-profit corporation, involving the acquisition and rehabilitation of the Colony Square Apartments, a 20 unit apartment development in St. Albans (the "Development"); and

WHEREAS, the proposal contemplates that the Development will constitute "residential rental housing" within the meaning of section 142(d) of the Internal Revenue Code of 1986; and

WHEREAS, a Vermont non-profit corporation, Vermont Housing Enterprises, Inc., 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;

It is hereby DETERMINED:

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

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

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

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

5. The sponsor is a financially responsible organization.

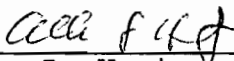
WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a letter of interest (the "Letter of Interest") to provide a first mortgage for acquisition and rehabilitation, in an amount to be determined by the

Executive Director, but not to exceed \$480,000, for the Colony Square Apartments Development. The Letter of Interest shall be issued to Vermont Housing Enterprises, Inc.

2. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds from the issuance of new bonds or notes of the Agency and the satisfactory completion of such further requirements as the Agency may establish. The letter of interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, construction financing, or for other purposes with the consent of the Agency.
3. The Executive Director is authorized to make preliminary arrangements for the issuance and private placement or sale of tax-exempt or federally taxable bonds of the Agency to provide proceeds for financing this loan.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont on September 19, 1991.

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



RESOLUTION PERTAINING TO ELECTION OF VERMONT HOUSING FINANCE AGENCY  
TO CONVERT MORTGAGE REVENUE BOND AUTHORITY  
TO MORTGAGE CREDIT CERTIFICATE AUTHORITY

WHEREAS, by a vote taken on January 30, 1991, the Emergency Board of the State allocated to the Agency \$55,000,000 of the State's 1991 private activity bond volume cap ("volume cap") as provided in Section 146 of the Internal Revenue Code of 1986, as amended (the "Code"); and

WHEREAS, the Agency has previously used \$10,000,000 of the 1991 volume cap allocated to the Agency; and


WHEREAS, the Agency wishes to continue its Mortgage Credit Certificate Program, which is reaching the end of the available authority;

NOW THEREFORE, in order to make the Mortgage Credit Certificate Program continue to be available and to satisfy the requirements of Section 25 of the Code and regulations issued thereunder, it is hereby

RESOLVED:

1. The Vermont Housing Finance Agency hereby elects to utilize \$10,000,000 of its 1991 private activity volume cap for the purposes of issuing qualified mortgage bonds and mortgage credit certificates.
2. The Vermont Housing Finance Agency hereby elects not to issue \$10,000,000 principal amount of qualified mortgage bonds that it is otherwise authorized to issue during calendar year 1991.
3. The Executive Director, Director of Finance, and the Director of Operations are directed, and each of them is authorized, to take all steps necessary to the continuation of the Agency's Mortgage Credit Certificate Program, including, but not limited to:
  - A. Preparation, execution, and delivery of a Mortgage Credit Certificate Election in such form as may be required by the Internal Revenue Service and consistent in content and effect with this Resolution.
  - B. Certification to the Governor as provided in the Code.
  - C. Preparation of any certificate required by the Code to be signed by the Governor.
  - D. Preparation and placement of the appropriate public notices, if any.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont on September 19, 1991.

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



VERMONT HOUSING FINANCE AGENCY

**BOARD MINUTES  
CONFERENCE CALL**

**Vermont Housing Finance Agency  
One Burlington Square  
Burlington, Vermont**

**Friday, October 4, 1991**

**PRESENT:** (Via Speakerphone) Commissioners Hebard, Rockford (designee of Mr. Johnson), Myette, Seelig

Agency Staff: Mr. Schoenbeck, Mr. Francis, Mr. Lothrop

Others Participating (via Speakerphone): Mr. St. Onge, Mr. Bannard (Palmer & Dodge); Ms. Crost (Orrick, Herrington); Mr. Gurley, Mr. Irvin (PaineWebber); Mr. Clancy (Trepp & Co.); Mr. Sylvester (Shearson Lehman)

The meeting was called to order at 1:15 p.m. Board members were identified by roll call. It was further agreed that all votes would be conducted by roll call.

A motion was made by Mr. Myette and seconded by Mr. Seelig to appoint Mr. Hebard as temporary chairman for this meeting, in the absence of the Chairman and Vice Chairman; this motion carried unanimously.

Each of the commissioners present acknowledged receipt of the following documents prior to the meeting: Mr. Schoenbeck's memo of October 2 entitled "1990 Series 2 Bond Financing;" the "Fourth Supplemental Single Family Housing Bond Resolution" marked as P&D Draft No. 2 dated 09/30/91; the "Reimbursement Agreement" marked as Draft 10/01/91; the "Supplemental Remarketing Agreement" marked as 8928m and 8929m on each page; and the "Resolution Authorizing VHFA 1991 Mortgage Purchase Program."

Mr. Gurley discussed sales orders and pricing by the underwriters, as well as market and economic conditions and the various factors leading to a decision to sell the bonds at this time, rather than waiting until the third week of October (as had been discussed at earlier Board meetings). He further explained institutional and retail demand for the bonds in the marketplace. According to Mr. Gurley, other recent financings that have been sold include Maine State Housing Authority, South Dakota Housing Development Authority and Rhode Island Housing and Mortgage Finance

**VHFA BOARD CONFERENCE CALL MINUTES**

**October 4, 1991**

**Page 2 of 2**

Corporation, and he compared their long bond rates and underwriting costs with the current VHFA financing. In his description, Mr. Gurley pointed out that based on these comparative offerings, the Series 2 bond pricing is extremely competitive.

Mr. Sylvester discussed the sale of bonds in Vermont. According to Mr. Sylvester, while most Vermont brokers were content with the allocation of bonds, in future financings additional notice and allocation of bonds should be considered by the underwriters.

Other details of the financing were reviewed by Mr. Schoenbeck, including the guaranteed investment contract with Prudential Insurance and letters of credit with Sanwa Bank.

The Board expressed its appreciation for the diligence and hard work expended by Mr. Gurley and the other underwriters, as well as Agency staff in negotiating this latest bond issue.

Following a brief discussion, Mr. Myette made a motion which was seconded by Mr. Seelig, that the "Fourth Supplemental Single Family Housing Bond Resolution" be adopted in substantially the form presented which incorporates the Reimbursement Agreement and the Supplemental Remarketing Agreement, and as attached to these minutes, with such changes or modifications as are approved by the Chairman, Executive Director, Deputy Director or Director of Finance; this motion carried unanimously.

A motion was then made by Mr. Seelig, seconded by Mr. Rockford and unanimously approved adopting the "Resolution Authorizing VHFA 1991 Mortgage Purchase Program" as attached to these minutes.

There being no further business and following a motion duly made and seconded, the meeting adjourned at 2:05 p.m.

Respectfully submitted,



Allan S. Hunt  
Secretary

FORM OF VOTE:

That the following Resolution is hereby adopted in substantially the form presented with such changes or modifications as are approved by the Chairman, Executive Director, Deputy Director or Director of Finance: "Fourth Supplemental Single Family Housing Bond Resolution."

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont on October 4, 1991.



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

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VERMONT HOUSING FINANCE AGENCY

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FOURTH SUPPLEMENTAL SINGLE FAMILY HOUSING  
BOND RESOLUTION

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Adopted October \_\_, 1991

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FOURTH SUPPLEMENTAL SINGLE FAMILY HOUSING  
BOND RESOLUTION

Whereas, on September 20, 1990, the Vermont Housing Finance Agency (the "Agency") adopted its Single Family Housing Bond Resolution (the "Resolution") and its Second Supplemental Single Family Housing Bond Resolution (the "Second Supplemental Resolution") pertaining to the Agency's \$40,000,000 Single Family Housing Bonds, Series 2 (the "Series 2 Bonds"); and

Whereas, in accordance with Section 203 of the Second Supplemental Resolution, the Agency has elected to convert the Series 2 Bonds from Convertible Option Bonds to Converted Option Bonds on November 1, 1991; and

Whereas, Section 305(C) of the Second Supplemental Resolution requires that on or before the Conversion Date, the Agency shall obtain, and thereafter maintain in full force and effect, a Portfolio Credit Facility insuring or securing the Agency on a portfolio basis against loss arising out of default on Loans held under the Resolution and allocable to the Series 2 Bonds to the extent, in such amount and with such terms and conditions as the Agency shall determine necessary to satisfy the conditions provided in Section 203(A)(6) of the Second Supplemental Resolution; and

Whereas, Section 305(C) of the Second Supplemental Resolution further provides that on or before the Conversion Date the Agency shall adopt a Supplemental Resolution setting forth the terms and conditions of such Portfolio Credit Facility, if any, and providing for the application of all amounts received by the Agency or the Trustee on account thereof.

Now, Therefore, Be It Resolved by the Vermont Housing Finance Agency, and the Commissioners thereof, as follows:

ARTICLE I

Definitions and Authority

Section 101. Short Title. This resolution is hereinafter sometimes referred to as the "Fourth Supplemental Resolution."

Section 102. 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 the

Recitals hereto, in Section 101 of the Resolution and in Section 102 of the Second Supplemental Resolution.

(B) In this Fourth Supplemental Resolution unless a different meaning clearly appears from the context:

"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 2 Tender Bonds is adjusted to the Adjusted Interest Rate as determined in accordance with Section 201(A)(2) hereof.

"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 201(A)(4) hereof.

"Adjustment Option Period" means the period commencing on May 1, 1992 and ending on May 1, 1993, inclusive.

"Adjusted Rate Bonds" means all Series 2 Tender Bonds on which the interest rate has been adjusted to the Adjusted Interest Rate on the Adjustment Date and any Series 2 Bonds authenticated and delivered under the Resolution thereafter upon transfer of, or in exchange or substitution for, any such Bonds.

"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 2 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 201(A)(6) 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 2 Tender Bonds will not cause such Agency to change the 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 2 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 2 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 such certificate is sufficient to satisfy the criteria which are necessary under Section 143(g) and Section 148(a) of the Code to support the conclusion of Bond Counsel that adjustment of the interest rate on the Series 2 Tender Bonds on the Adjustment Date will not cause the Series 2 Bonds to be "arbitrage bonds" within the meaning of Section 143(g) or Section 148(a) of the Code and that no matters have come to the attention of such counsel which make unreasonable or incorrect the representations made in such certificate.

"Bank" means The Sanwa Bank Limited, and any successor thereto under the Loan Loss Letter of Credit or the Contingency Account Letter of Credit.

"Funded Loan Loss Claim Fund Requirement" means, at any date of computation, an amount equal to the Series 2 Loan Loss Claim Fund Requirement or the Series 2 Home Improvement Loan Loss Claim Fund Requirement, as applicable, less the stated and unpaid amounts, if any, of all Loan Loss Claim Fund Deposits in full force and effect held for the account of the Series 2 Loan Loss Claim Fund or the Series 2 Home Improvement Loan Loss Claim Fund, as applicable.

"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 2 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 2 Loan



Loss Claim Fund or the Series 2 Home Improvement Loan Loss Claim Fund, as applicable.

"Loan Loss Claim Fund Deposits" means (x) the Series 2 Loan Loss Letter of Credit, (y) any extension of the Loan Loss Letter of Credit or (z) any one or more of the following to the extent its deposit in the Series 2 Loan Loss Claim Fund or the Series 2 Home Improvement Loan Loss Claim Fund will not adversely affect the then current 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 2 Loan Loss Claim Fund or the Series 2 Home Improvement Loan Loss Claim Fund and providing for the payment of sums available to pay Loan Loss Claim Fund Withdrawals.

"Loan Loss Claim Fund Withdrawals" means amounts withdrawn from the Series 2 Loan Loss Claim Fund or the Home Improvement Loan Loss Claim Fund, as applicable, pursuant to Section 302(B) or Section 303(B) hereof on account of a Loan Loss.

"Notice Date" means the Business Day which is forty-five (45) days prior to the Adjustment Date.

"Pro-Forma Adjusted Interest Rate" shall have the meaning given such term in Section 201(A)(1) hereof.

"Pro-Forma Tender Bonds" shall have the meaning given such term in Section 201(A)(1) hereof.

"Remarketing Agent" means the "Remarketing Agent" as that term is defined in the Supplemental Remarketing Agreement.

"Remarketing Projection of Revenues" means a Projection of Revenues satisfying the requirements of Section 201(A)(6) 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 201(A)(5) hereof.

"Reoffering Memorandum" means the Reoffering Memorandum of the Agency describing the Series 2 Converted Option

Bonds, in preliminary form dated September 30, 1991 and in final form substantially as presented at this meeting and included in the minutes hereof.

"Series 2 Contingency Account" means the account in the Redemption Fund so designated and created pursuant to Section 301(C) hereof.

"Series 2 Contingency Account Letter of Credit" means the irrevocable letter of credit issued by the Bank pursuant to the Series 2 Reimbursement Agreement to be held for the credit of the Series 2 Contingency Account and any extension thereof or substitute letter of credit therefor deposited with the Trustee pursuant to Section 305 hereof.

"Series 2 Converted Option Bonds" means the Series 2 Bonds following their conversion from convertible option bonds to converted option bonds on November 1, 1991, in accordance with the provisions of the Resolution, the Second Supplemental Resolution and this Fourth Supplemental Resolution.

"Series 2 Home Improvement Loan Loss Claim Fund" means the fund so designated and created pursuant to Section 301(A) hereof.

"Series 2 Home Improvement Loan Loss Claim Fund Requirement" means, as of any date of computation, (1) an amount at least equal to (x) ten percent (10%) of the sum of (i) the aggregate unpaid principal amount of all Home Improvement Loans purchased under the Resolution from amounts on deposit in the Series 2 Purchase Account plus (ii) the aggregate amount, if any, then held in the Series 2 Purchase Account in accordance with Section 306(A) hereof which is reserved for the purchase of Home Improvement Loans, less (y) the aggregate amount of all Loan Loss Claim Fund Withdrawals that have been theretofore made from the Series 2 Home Improvement Loan Loss Claim Fund, or (2) such lesser amount as each Nationally Recognized Credit Rating Agency confirms to the Agency will not adversely affect the credit ratings then assigned to any Bonds Outstanding;

"Series 2 Loan Loss Claim Fund Requirement" means, as of any date of computation, (1) an amount at least equal to (x) one and eighty-five hundredths percent (1.85%) of the sum of (i) the aggregate unpaid principal amount of all Loans, other than Home Improvement Loans, purchased under the Resolution from amounts on deposit in the Series 2 Program Account plus (ii) the aggregate amount, if any, then held in the Series 2 Program Account which may be applied to the purchase of such Loans, less (y) the aggregate amount of

all Loan Loss Claim Fund Withdrawals that have been theretofore made from the Series 2 Loan Loss Claim Fund, or (2) such lesser amount as each Nationally Recognized Credit Rating Agency confirms to the Agency will not adversely affect the credit ratings then assigned to any Bonds Outstanding.

"Series 2 Loan Loss Claim Fund" means the fund so designated and created pursuant to Section 301(A) hereof.

"Series 2 Loan Loss Letter of Credit" means the irrevocable letter of credit issued by the Bank pursuant to the Series 2 Reimbursement Agreement to be held for the credit of the Series 2 Loan Loss Claim Fund and the Series 2 Home Improvement Loan Loss Claim Fund and any extension thereof or substitute letter of credit therefor issued by the Bank in accordance with the Series 2 Reimbursement Agreement and deposited with the Trustee pursuant to Section 302 or Section 303 hereof.

"Series 2 Reimbursement Agreement" means the Reimbursement Agreement relating to the Series 2 Loan Loss Letter of Credit and the Series 2 Contingency Account Letter of Credit dated as of October \_\_, 1991 between the Agency and the Bank, as amended from time to time in accordance therewith.

"Series 2 Tender Bonds" means the Series 2 Converted Option Bonds selected in accordance with Section 201(A) (3) hereof for mandatory tender on the Adjustment Date and exchange for or remarketing as Adjusted Rate Bonds.

"Series 2 Tender Bonds Proceeds Subaccount" means the Series 2 Program Account - Tender Bonds Proceeds Subaccount established pursuant to Section 301(B) hereof.

"Supplemental Remarketing Agreement" means the Supplemental Remarketing Agreement dated as of November 1, 1991 between the Agency and the Remarketing Agent, amending the Remarketing Agreement to provide for the adjustment of the interest rate on the Series 2 Converted Option Bonds.

Section 103. Authority. This Fourth Supplemental Resolution supplements the Resolution and is adopted pursuant to Section 701 of the Resolution and Section 305(C) of the Second Supplemental Resolution and in accordance with the Act.

ARTICLE II

Certain Provisions Applicable to the  
Series 2 Converted Option Bonds

Section 201. Adjustment of Interest Rate on Series 2 Converted Option Bonds. (A) Notwithstanding anything in the Second Supplemental Resolution to the contrary, pursuant to Section 203 and Section 401(B) of the Second Supplemental Resolution the Agency hereby determines that all or part of the Series 2 Converted Option Bonds may be called for mandatory tender on the Adjustment Date and exchanged for or remarketed as an equal Principal Amount of Series 2 Converted Option Bonds bearing interest at the Adjusted Interest Rate as determined in accordance with this Section 201.

(1) If at any time and from time to time during the Adjustment Option Period (but not less than fifty-four (54) days prior to the end of the Adjustment Option Period) any amount attributable to the Series 2 Converted Option Bonds remains on deposit in the Series 2 Program Account and the Agency has determined (i) that the rate of interest to be borne by Loans allocable to Series 2 Converted Option Bonds bearing interest at the rates determined upon conversion thereof in accordance with Section 203 of the Second Supplemental Resolution either (x) exceeds that rate which the Agency reasonably determines is the maximum rate which eligible Borrowers can then afford or (y) exceeds the maximum rate at which Mortgage Lenders are willing, in the judgment of the Agency, to commit to sell Loans to the Agency or (ii) that Loans made by or on behalf of the Agency, directly or indirectly, with the proceeds of Series 2 Converted Option Bonds bearing interest at the rates determined upon conversion thereof in accordance with Section 203 of the Second Supplemental Resolution 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 Remarketing Agent a certificate of an Authorized Officer directing the Remarketing Agent to determine and certify to the Agency a Pro-Forma Adjusted Interest Rate (as hereinafter determined) as of a date (the "Certification Date") specified in such Certificate (which date shall be not less than five (5) days after the date of such certificate). The certificate of an Authorized Officer shall also specify a Principal Amount of Series 2 Converted Option Bonds (not in excess of the amount then on deposit in the Series 2 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 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 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.

(2) If on or after any Certification Date (i) 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 one-half of one percent ( $1/2$  of 1%) lower than the yield on the Series 2 Converted Option Bonds (calculated as of the Conversion Date) and (ii) the Agency determines that the rate of interest to be borne by Loans allocable to proceeds of Series 2 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 2 Bonds to become "arbitrage bonds" within the meaning of Section 143(g) or Section 148(a) of the Code and (iii) the Agency determines that Loans made by or on behalf of the Agency, directly or indirectly, with proceeds allocable to Series 2 Converted Option 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 (iv) 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 Remarketing Agent to call a Principal Amount of Series 2 Converted Option 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. Such certificate shall also constitute a certificate of an Authorized Officer pursuant to Section 303(F) of the Second Supplemental Resolution to redeem such Series 2 Converted Option Bonds on the Adjustment Date as provided in Section 204(D) and Section 303(F) of the Second Supplemental Resolution to the extent the conditions provided in Paragraphs (A)(4) or (7) of this Section 201 shall occur. The certificate of an Authorized Officer delivered to the Trustee shall also specify the Adjustment Date after which 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 forty-eight (48) days after the date such certificate is delivered to the Trustee.

(3) If the Agency shall have elected to call a Principal Amount of Series 2 Converted Option Bonds for tender on the Adjustment Date and exchange for or remarketing as Adjusted Rate Bonds as provided in Paragraph (2) of this Section 201, the Trustee shall select the Outstanding Series 2 Converted Option Bonds (hereinafter referred to as "Series 2 Tender Bonds") to be tendered (in aggregate Principal Amount equal to the Principal Amount of Series 2 Converted Option Bonds specified by the Agency pursuant to Paragraph (A)(2) of this Section 201). If less than all Series 2 Converted Option Bonds are to be tendered, Series 2 Converted Option 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 2 Converted Option Bonds of each maturity Outstanding bears to the aggregate Principal Amount of all Series 2 Converted Option Bonds of all maturities Outstanding. If less than all Series 2 Converted Option Bonds of any particular maturity are to be tendered, the Trustee shall select by lot the Series 2 Converted Option 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 2 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). In addition to the purposes provided in this Section 201, the notice of tender shall also constitute a notice of redemption of the Series 2 Tender Bonds on the Adjustment Date pursuant to Section 204(D) and Section 303(F) of the Second Supplemental Resolution to the extent the conditions provided in Paragraphs (A)(4) or (7) of this Section 201 shall occur. Each such notice shall state in effect:

(i) the Principal Amount of Series 2 Tender Bonds owned by such Holder and the bond numbers and maturity dates thereof;

(ii) the calendar date on which the Adjustment Date will occur and that, unless the conditions provided in Paragraph (4) or Paragraph (7) of this Section 201(A) shall occur, Series 2 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 2 Tender Bonds for which they were exchanged;

(iii) that the Holders of Series 2 Tender Bonds will no longer be entitled to receive interest on such Bonds after the Adjustment Date, except in the case of Series 2 Tender Bonds retained as provided in Section 201(B)(3) hereof and not



purchased (in which case such Bonds shall, from and after the Adjustment Date, bear interest at the Adjusted Interest Rate);

(iv) that each Series 2 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 2 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 (3) of Section 201(B);

(v) the date by which a Holder making the election described in Section 201(B)(3) hereof must notify the Trustee of such election and the address and telecopier number to which a Holder making the election may deliver notice of such election;

(vi) that if the Series 2 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);

(vii) that, whether or not each Bondholder elects to direct the Agency and the Trustee not to purchase any or all of his Series 2 Tender Bonds in accordance with Section 201(B)(3), unless such Bonds are registered in the name of the Bond Depository or its nominee, he 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 2 Tender Bonds); and

(viii) that if no adjustment of interest rate takes place as a result of a failure by or inability of the 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 his Series 2 Tender Bonds, all Series 2 Tender Bonds will be subject to mandatory redemption on the Adjustment Date pursuant to Section 204(D) and Section 303(F) of the Second Supplemental Resolution.

(4) On the Calculation Date the Remarketing Agent shall determine and announce to the Trustee and the Agency, in addition to those matters set forth in Paragraph (5) of this Section 201(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 lowest rate which, in the

judgment of the 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 Remarketing Agent shall fail or be unable to set the Adjusted Interest Rate on the Calculation Date, all Series 2 Tender Bonds shall be subject to mandatory redemption on the Adjustment Date pursuant to Section 204(D) and Section 303(F) of the Second Supplemental Resolution. The 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, telecopier or in writing or by wire sent on the same day or by next-day delivery service. Subject to Paragraph (7) of this Section 201(A), as soon as possible after the Calculation Date the Trustee shall notify Bondholders who elected not to have their Series 2 Tender Bonds purchased pursuant to subparagraph (B)(3) 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 (i) an Arbitrage Projection Certificate, (ii) a Remarketing Projection of Revenues satisfying the provisions of Paragraph (6) of this Section 201(A), (iii) an Adjustment Rating Certificate and (iv) a certificate of an Authorized Officer to the effect that the balance on deposit in the Bond Reserve Fund, the Series 2 Loan Loss Claim Fund and the Series 2 Home Improvement Loan Loss Claim Fund as of the Adjustment Date will not be less than the Bond Reserve Fund Requirement, the Series 2 Loan Loss Claim Fund Requirement and the Series 2 Home Improvement Loan Loss Claim Fund Requirement, respectively, calculated as of the Adjustment Date.

(5) On the Certification Date and on the Calculation Date, the 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 201 and 203(A)(5) of the Second Supplemental Resolution for the Series 2 Converted Option 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 Remarketing Agent pursuant to Section 203(A)(5) of the Second Supplemental Resolution 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 2 Converted Option Bonds of such maturity.

(6) 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 (5) of this Section 201(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 2 Tender Bonds, and to pay all Program Expenses allocable to such Bonds, will be greater following adjustment of the Series 2 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 2 Tender Bonds in accordance with Section 201(B) hereof. A copy of the Remarketing Projection of Revenues, together with a schedule of Investment Obligations in which the proceeds of the Series 2 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 2 Bonds not later than ten (10) 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 303(F) of the Second Supplemental Resolution. No moneys, other than Revenues, and no other amounts, Reserve Deposits or Loan Loss Claim Fund Deposits, other than amounts, Reserve Deposits and 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 2 Bonds, shall be assumed in such Remarketing Projection of Revenues to be available to pay the Series 2 Bonds unless at or prior to such Adjustment Date the Agency shall have deposited such moneys, Reserve Deposits or 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, 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 2 Bonds Outstanding.

(7) If on or prior to the second Business Day immediately preceding the Adjustment Date either (i) the Agency shall fail to deliver to the Trustee the Arbitrage Projection Certificate, Adjustment Rating Certificate or Remarketing Projection of Revenues described in paragraph (4) of this Section 201(A) or (ii) either (x) 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 (y) 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 (z) 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 of Vermont without the assistance of the Agency, the Series 2 Tender Bonds 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 204(D) and Section 303(F) of the Second Supplemental Resolution.

(B)(1) Subject to Paragraph (B)(3) of this Section 201, all Series 2 Tender Bonds shall be subject to mandatory tender for purchase on the Adjustment Date. Subject to the following sentence, any Series 2 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 304(C) hereof at a purchase price equal to the Principal Amount thereof plus accrued interest, if any, thereon to the Adjustment Date, and without premium. There shall not be purchased from such moneys:

(i) Series 2 Tender Bonds purchased with remarketing proceeds as contemplated by subparagraph (2) hereof;

(ii) Series 2 Tender Bonds with respect to which the Trustee shall have received directions from the Holder thereof in accordance with subparagraph (3) hereof not to purchase the same; or

(iii) Series 2 Tender Bonds issued in exchange for or upon the transfer of Series 2 Tender Bonds referred to in the preceding subclauses (i) or (ii).

(2) In lieu of purchase from moneys held in the Debt Service Fund in accordance with Section 304(C) hereof, the purchase price of Series 2 Tender Bonds subject to purchase on the Adjustment Date may be paid from the proceeds of purchase of

the Adjusted Rate Bonds for which such Series 2 Tender Bonds are exchanged on the Adjustment Date purchased by a person or persons designated by the Remarketing Agent (who may but need not be the Remarketing Agent) at par plus accrued interest, if any. Adjusted Rate Bonds shall be sold to the person or persons designated by the 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 Remarketing Agent, acting pursuant to the Remarketing Agreement, shall notify the Trustee in writing no later than the close of business on the fifth 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.

(i) Any Series 2 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 2 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 Bond Resolution, but shall have only the right to receive the purchase price thereof.

(ii) For all Series 2 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 2 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.

(3) Any Holder of Series 2 Tender Bonds who has received notice that his Series 2 Tender Bonds will be exchanged for Adjusted Rate Bonds may direct in writing by mail or by telex or telecopier 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 thirty-first (31) 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 his Series 2 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 2 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 2 Tender Bonds for an amount of Adjusted Rate Bonds equal in Principal Amount to the Series 2 Tender Bonds tendered for exchange and of the same maturity as the Series 2 Tender Bonds so exchanged. The Trustee and the Bond Depository may agree to other arrangements for evidencing the exchange of Series 2 Tender Bonds for Adjusted Rate Bonds in the case of Series 2 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 thirtieth (30) 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 2 Tender Bonds with respect to which notices were so received and the maturity dates thereof.

(4) Unless otherwise agreed to by the Trustee with respect to Series 2 Tender Bonds registered in the name of the Bond Depository or its nominee, the direction of a Holder of Series 2 Tender Bonds described in subparagraph (3) of this Section 201(B) shall be substantially in the form of Exhibit A hereto and shall state:

(i) the maturity date or dates of the Adjusted Rate Bonds for which the Holder's Series 2 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 201(A)(4) or Section 201(A)(7) hereof shall occur, his Series 2 Tender Bonds shall be subject to mandatory redemption pursuant to Section 204(D) and Section 303(F) of the Second Supplemental Resolution despite direction to the contrary; and

(ii) that such person is the owner of the Series 2 Tender Bonds to be exchanged for Adjusted Rate Bonds.

Section 202. Reoffering Memorandum. The distribution of the preliminary Reoffering Memorandum by the Executive Director or the Director of Finance is hereby ratified and confirmed in all respects. The final Reoffering Memorandum is hereby approved and the Chairman, the Vice Chairman and the Executive Director are each hereby authorized to permit the distribution of the final Reoffering Memorandum, with such changes, omissions, insertions and revisions as they shall deem advisable, and to sign and deliver such final Reoffering Memorandum to the Remarketing Agents.

ARTICLE III

Establishment of Accounts and  
Application of Series 2 Converted Option Bond Proceeds

Section 301. Establishment of Funds and Accounts. (A) In accordance with Section 502 of the Resolution and Section 305(C) of the Second Supplemental Resolution, the following separate funds are hereby established:

- (1) "Series 2 Loan Loss Claim Fund"; and
- (2) "Series 2 Home Improvement Loan Loss Claim Fund".

The foregoing funds shall be held by the Trustee and shall be deemed to be Additional Security for the Series 2 Bonds within the meaning and with the effect given by Section 207 of the Resolution, and the moneys, Investment Obligations and Series 2 Loan Loss Letter of Credit held in which Funds shall be used for the purposes and as provided in Sections 302 and 303, respectively, of this Fourth Supplemental Resolution.

(B) In accordance with Section 502 of the Resolution, there is also hereby established in the Series 2 Program Account a separate subaccount designated the "Series 2 Tender Bonds Proceeds Subaccount," moneys in which shall be used solely for the purposes and as authorized by Section 304 hereof. Except as provided in Section 304 hereof, amounts on deposit in the Series 2 Tender Bonds Proceeds Subaccount shall be considered for all purposes of the Resolution as on deposit in the Series 2 Program Account.

(C) 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 2 Contingency Account," the amounts in which shall be used for the purposes and as authorized by Section 305 of this Fourth Supplemental Resolution. The Series 2 Contingency Account shall be deemed to be Additional Security for the Series 2 Bonds within the meaning and with the effect given by Section 207 of the Resolution.

(D) In accordance with Section 502 of the Resolution and Section 301(C) of the Second Supplemental Resolution, a separate account is hereby established in the Program Fund designated the "Series 2 Cost of Issuance Account," moneys in which shall be used for the purposes and as authorized by Section 505(A) of the Resolution.

(E) In accordance with Section 502 of the Resolution and Section 301(C) of the Second Supplemental Resolution, a separate account is hereby established in the Program Fund designated the

"Series 2 Capitalized Interest Account," moneys in which shall be used for the purposes and as authorized by Section 505(B) of the Resolution.

(F) On the Conversion Date the Agency shall pay to the Trustee the amount of \$\_\_\_\_\_ which amount, together with the amount then on deposit in the Series 2 Convertible Option Bond Proceeds Account, shall be applied by the Trustee on the Conversion Date pursuant to Section 303(B) of the Second Supplemental Resolution as follows:

(1) To the Bond Reserve Fund, an amount sufficient to cause the amount therein to equal the Bond Reserve Fund Requirement calculated at the Conversion Date;

(2) To the Series 2 Capitalized Interest Account, the amount of \$325,000 (or such greater or lesser amount as shall be specified in a certificate of an Authorized Officer delivered to the Trustee on or before the Conversion Date);

(3) To the Series 2 Program Account, the amount of \$37,275,000 (or such greater or lesser amount as shall be specified in a certificate of an Authorized Officer delivered to the Trustee on or before the Conversion Date); and

(4) To the Series 2 Cost of Issuance Account, the balance of such moneys remaining after the foregoing deposits.

(G) On the Conversion Date, the Agency shall deliver to the Trustee the Series 2 Loan Loss Letter of Credit, in an aggregate stated amount equal to the sum of the Series 2 Loan Loss Claim Fund Requirement and the Series 2 Home Improvement Loan Loss Claim Fund Requirement, to be held by the Trustee for the credit of the Series 2 Loan Loss Claim Fund, as provided in Section 302 hereof, and the Series 2 Home Improvement Loan Loss Claim Fund, as provided in Section 303 hereof.

(H) Upon the authentication and delivery of the Series 2 Bonds, the Agency shall deliver the Series 2 Contingency Account Letter of Credit to the Trustee in a stated amount of \$500,000. The Series 2 Contingency Account Letter of Credit shall have an initial term of at least five (5) years from its date and shall be held by the Trustee for the credit of the Series 2 Contingency Account.

Section 302. Application of Series 2 Loan Loss Claim Fund.

(A) The Trustee shall deposit in the Series 2 Loan Loss Claim Fund (i) all amounts drawn on the Series 2 Loan Loss Letter of Credit in accordance with this Section 302, (ii) any amount

deposited therein from the Revenue Fund pursuant to Section 307 of this Fourth Supplemental Resolution, (iii) all interest and other earnings on investment or deposit of amounts on deposit in the Series 2 Loan Loss Claim Fund and (iv) 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 2 Loan Loss Claim Fund, including, without limitation, amounts drawn on the portion of the Series 2 Loan Loss Letter of Credit allocable to the Series 2 Loan Loss Claim Fund, shall be used solely for the purposes provided in Paragraphs (B) and (C) of this Section 302.

(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 and specifying the amount of such Loan Loss, the Trustee shall withdraw from the Series 2 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 305(B) hereof shall occur and the amount on deposit in or held for the credit of the Series 2 Contingency Account shall be insufficient for the purposes of such account, the Agency may direct the Trustee to draw the amount of the deficiency from the Series 2 Loan Loss Claim Fund provided following such drawing the amount on deposit in the Series 2 Loan Loss Claim Fund, together with the stated and unpaid amount of the Series 2 Loan Loss Letter of Credit allocable to the Series 2 Loan Loss Claim Fund, shall be not less than the Series 2 Loan Loss Claim Fund Requirement. If at any time the amount on deposit in the Debt Service Fund is insufficient to pay all Principal Installments and interest then due on the Series 2 Bonds (after application to such purpose of all amounts available therefor in any other fund or account under the Resolution other than the Series 2 Home Improvement Loan Loss Claim Fund), the Trustee shall withdraw the amount of the deficiency from the Series 2 Loan Loss Claim Fund. Any amounts withdrawn from the Series 2 Loan Loss Claim Fund in accordance with this Paragraph (C) shall be deposited in the Revenue Fund and, upon such deposit, shall constitute Revenues for all purposes of the Resolution.

(D) Withdrawals from the Series 2 Loan Loss Claim Fund pursuant to Paragraphs (B) or (C) of this Section 302 shall be made by the Trustee, first, from cash and Investment Obligations, if any, on deposit in the Series 2 Loan Loss Claim Fund and second, from amounts drawn on the portion of the Series 2 Loan Loss Letter of Credit allocable to the Series 2 Loan Loss Claim



Fund or, if applicable, any substitute Loan Loss Claim Fund Deposit allocable to the Series 2 Loan Loss Claim Fund. If at the time of making any withdrawal the amount of cash and Investment Obligations on deposit in the Series 2 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 2 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 2 Loan Loss Letter of Credit (or, if applicable, any substitute Loan Loss Claim Fund Deposit allocable to the Series 2 Loan Loss Claim Fund) 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 2 Loan Loss Letter of Credit allocable to the Series 2 Loan Loss Claim Fund.

(E) Notwithstanding the foregoing provisions of this Section 302, nothing in the Resolution or this Fourth Supplemental Resolution shall obligate the Agency to deposit in the Series 2 Loan Loss Claim Fund an amount which would cause the balance in the Series 2 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 2 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 (x) one and eighty-five hundredths percent (1.85%) of the sum of (i) the aggregate original principal amount of all Loans (other than Home Improvement Loans) purchased under the Resolution from amounts on deposit in the Series 2 Program Account plus (ii) the aggregate amount, if any, then held in the Series 2 Program Account which may be applied to the purchase of such Loans, or (y) such lesser amount as each Nationally Recognized Credit Rating Agency confirms to the Agency will not adversely affect the credit ratings then assigned to any Bonds Outstanding.

(F) Subject to Paragraph (G) of this Section 302, if at any time the amount of cash and Investment Obligations on deposit in the Series 2 Loan Loss Claim Fund exceeds the Series 2 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.

(G) If at any time (i) the amount of cash and Investment Obligations in the Series 2 Loan Loss Claim Fund exceeds the Funded Loan Loss Claim Fund Requirement, and/or (ii) the stated



and unpaid amount of the portion of the Series 2 Loan Loss Letter of Credit allocable to the Series 2 Loan Loss Claim Fund exceeds the Series 2 Loan Loss Claim Fund Requirement, the Agency may direct the Trustee to notify the Bank of a reduction in the stated amount of the Series 2 Loan Loss Letter of Credit in accordance with the Series 2 Reimbursement Agreement; provided that if any such excess has resulted from a decrease in the Series 2 Loan Loss Claim Fund Requirement other than through operation of Section 305(C) hereof or due to the payment of Loan Loss Claim Fund Withdrawals in accordance with this Section 302, 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 2 Loan Loss Letter of Credit will not adversely affect the credit ratings then assigned to any Bonds Outstanding.

(H) If the Trustee shall receive a notice from the Bank pursuant to the Series 2 Reimbursement Agreement to the effect that an Event of Default has occurred and is continuing under the Series 2 Reimbursement Agreement and the Bank has elected to direct the Trustee to make a drawing of an amount equal to the lesser of the Series 2 Loan Loss Claim Fund Requirement or the stated and unpaid amount of the Series 2 Loan Loss Letter of Credit allocable to the Series 2 Loan Loss Claim Fund, the Trustee shall make such drawing and shall deposit the amount so drawn in the Series 2 Loan Loss Claim Fund.

(I) Not less than five (5) Business Days prior to the date of expiration of the Series 2 Loan Loss Letter of Credit, and not less than five (5) Business Days prior to the expiration date of any substitute Loan Loss Claim Fund Deposit allocable to the Series 2 Loan Loss Claim Fund, the Agency shall deposit with the Trustee either an extension of the Series 2 Loan Loss Letter of Credit or a new substitute Loan Loss Claim Fund Deposit to be held for the credit of the Series 2 Loan Loss Claim Fund in either case in a stated amount available to be drawn thereunder not less than the lesser of (i) an amount equal to the Series 2 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 2 Loan Loss Claim Fund at such date (after application of any such amount as provided in Paragraph (G) of this Section 302) and (ii) the stated amount of the Series 2 Loan Loss Letter of Credit or such expiring substitute Loan Loss Claim Fund Deposit allocable to the Series 2 Loan Loss Claim Fund at such date. If the Agency shall fail to deposit such extension of the Series 2 Loan Loss Letter of Credit or substitute Loan Loss Claim Fund Deposit with the Trustee, not less than three (3) Business Days prior to the expiration date of the Series 2 Loan Loss Letter of Credit or, if applicable, the substitute Loan Loss Claim Fund Deposit, the Trustee shall draw on the Series 2 Loan

Loss Letter of Credit or such substitute Loan Loss Claim Fund Deposit and deposit in the Series 2 Loan Loss Claim Fund an amount sufficient to cause the Funded Loan Loss Claim Fund Requirement to equal the Series 2 Loan Loss Claim Fund Requirement as of such date or, if less, the full amount then available to be drawn under the Series 2 Loan Loss Letter of Credit or such expiring substitute Loan Loss Claim Fund Deposit for the account of the Series 2 Loan Loss Claim Fund.

(J) Notwithstanding anything herein or in the Resolution to the contrary, the Series 2 Loan Loss Claim Fund Requirement shall be reduced to zero (0) 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 2 Bonds are Outstanding under the Resolution, against loss arising out of default on Loans purchased or made from moneys in the Series 2 Program Account 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 2 Loan Loss Claim Fund requirement will not adversely affect the credit ratings then assigned to any Bonds Outstanding.

Section 303. Application of Series 2 Home Improvement Loan Loss Claim Fund. (A) The Trustee shall deposit in or hold for the credit of the Series 2 Home Improvement Loan Loss Claim Fund (i) all amounts drawn on the Series 2 Loan Loss Letter of Credit in accordance with this Section 303, (ii) any amount deposited therein from the Revenue Fund pursuant to Section 307 of this Fourth Supplemental Resolution, (iii) all interest and other earnings on investment or deposit of amounts on deposit in the Series 2 Home Improvement Loan Loss Claim Fund and (iv) 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 2 Home Improvement Loan Loss Claim Fund, including, without limitation, amounts drawn on the portion of the Series 2 Loan Loss Letter of Credit allocable to the Series 2 Home Improvement Loan Loss Claim Fund, shall be used solely for the purposes provided in Paragraphs (B) and (C) of this Section 303.

(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 Home Improvement Loan allocable to the Series 2 Bonds and specifying the amount of such Loan Loss, the

Trustee shall withdraw from the Series 2 Home Improvement 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 applicable to such Home Improvement Loans 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 305(B) hereof shall occur and the amount on deposit in or held for the credit of the Series 2 Contingency Account and, as provided in Section 302(C) hereof, in the Series 2 Loan Loss Claim Fund shall be insufficient for the purposes of the Series 2 Contingency Account, the Agency may direct the Trustee to draw the amount of the deficiency from the Series 2 Home Improvement Loan Loss Claim Fund provided following such drawing the amount on deposit in the Series 2 Home Improvement Loan Loss Claim Fund, together with the stated and unpaid amount of the Series 2 Loan Loss Letter of Credit allocable to the Series 2 Home Improvement Loan Loss Claim Fund, shall be not less than the Series 2 Home Improvement Loan Loss Claim Fund Requirement. If at any time the amount on deposit in the Debt Service Fund is insufficient to pay all Principal Installments and interest then due on the Series 2 Bonds (after application to such purpose of all amounts available therefor in any other fund or account under the Resolution), the Trustee shall withdraw the amount of the deficiency from the Series 2 Home Improvement Loan Loss Claim Fund. Any amounts withdrawn from the Series 2 Home Improvement Loan Loss Claim Fund in accordance with this Paragraph (C) shall be deposited in the Revenue Fund and, upon such deposit, shall constitute Revenues for all purposes of the Resolution.

(D) Withdrawals from the Series 2 Home Improvement Loan Loss Claim Fund pursuant to Paragraphs (B) or (C) of this Section 303 shall be made by the Trustee, first, from cash and Investment Obligations on deposit in the Series 2 Home Improvement Loan Loss Claim Fund and second, from amounts drawn on the portion of the Series 2 Loan Loss Letter of Credit allocable to the Series 2 Home Improvement Loan Loss Claim Fund or, if applicable, any substitute Loan Loss Claim Fund Deposit allocable to the Series 2 Home Improvement Loan Loss Claim Fund. If at the time of making any withdrawal from the Series 2 Home Improvement Loan Loss Claim Fund the amount of cash and Investment Obligations on deposit in the Series 2 Home Improvement 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 2 Home Improvement Loan Loss Claim Fund not later than the close of business on the Business Day next succeeding the day on which such notice is received by the Agency an amount equal to such deficiency, the

Trustee shall draw on the Series 2 Loan Loss Letter of Credit (or, if applicable, any substitute Loan Loss Claim Fund Deposit allocable to the Series 2 Home Improvement Loan Loss Claim Fund) 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 2 Loan Loss Letter of Credit allocable to the Series 2 Home Improvement Loan Loss Claim Fund.

(E) Notwithstanding the foregoing, nothing in the Resolution, the Second Supplemental Resolution or this Fourth Supplemental Resolution shall obligate the Agency to deposit in the Series 2 Home Improvement Loan Loss Claim Fund an amount which would cause the balance in the Series 2 Home Improvement 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 2 Home Improvement Loan Loss Claim Fund Requirement. Unless otherwise directed by the Agency, no Loan Loss Claim Fund Withdrawal shall be made by the Trustee from the Series 2 Home Improvement Loan Loss Claim Fund 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 from the Series 2 Home Improvement Loan Loss Claim Fund, would exceed an amount equal to ten percent (10%) of the sum of (i) the aggregate original principal amount of all Home Improvement Loans purchased under the Resolution from amounts on deposit in the Series 2 Purchase Account plus (ii) the aggregate amount, if any, then held in the Series 2 Purchase Account in accordance with Section 305 hereof which is reserved for the purchase of such Home Improvement Loans, or (iii) such lesser amount as each Nationally recognized Credit Rating Agency confirms to the Agency will not adversely affect the credit ratings then assigned to any Bonds Outstanding.

(F) Subject to Paragraph (G) of this Section 303, if at any time the amount of cash and Investment Obligations on deposit in the Series 2 Home Improvement Loan Loss Claim Fund exceeds the Series 2 Home Improvement 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.

(G) If at any time (i) the amount of cash and Investment Obligations in the Series 2 Home Improvement Loan Loss Claim Fund exceeds the Series 2 Funded Loan Loss Claim Fund Requirement applicable thereto, and/or (ii) the stated and unpaid amount of the portion of the Series 2 Loan Loss Letter of Credit allocable to the Series 2 Home Improvement Loan Loss Claim Fund exceeds the Series 2 Home Improvement Loan Loss Claim Fund Requirement, the Agency may direct the Trustee to notify the Bank of a reduction

in the stated amount of the Series 2 Letter of Credit in accordance with the Series 2 Reimbursement Agreement; provided that if any such excess has resulted from a decrease in the Series 2 Loan Loss Claim Fund Requirement other than through operation of Section 305 hereof or due to the payment of Loan Loss Claim Fund Withdrawals in accordance with this Section 303, 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 2 Loan Loss Letter of Credit will not adversely affect the credit ratings then assigned to any Bonds Outstanding.

(H) If the Trustee shall receive a notice from the Bank pursuant to the Series 2 Reimbursement Agreement to the effect that an Event of Default has occurred and is continuing under the Series 2 Reimbursement Agreement and the Bank has elected to direct the Trustee to make a drawing of an amount equal to the lesser of the Series 2 Home Improvement Loan Loss Claim Fund Requirement or the stated and unpaid amount of the Series 2 Loan Loss Letter of Credit allocable to the Series 2 Home Improvement Loan Loss Claim Fund, the Trustee shall make such drawing and shall deposit the amount so drawn in the Series 2 Home Improvement Loan Loss Claim Fund.

(I) Not less than five (5) Business Days prior to the date of expiration of the Series 2 Loan Loss Letter of Credit, and not less than five (5) Business Days prior to the expiration date of any substitute Loan Loss Claim Fund Deposit allocable to the Series 2 Home Improvement Loan Loss Claim Fund, the Agency shall deposit with the Trustee either an extension of the Series 2 Loan Loss Letter of Credit or a new substitute Loan Loss Claim Fund Deposit to be held for the credit of the Series 2 Home Improvement Loan Loss Claim Fund in either case in a stated amount available to be drawn thereunder not less than the lesser of (i) an amount equal to the Series 2 Home Improvement Loan Loss Claim Fund Requirement calculated at such date less the aggregate amount of cash and Investment Obligations on deposit in the Series 2 Home Improvement Loan Loss Claim Fund at such date (after application of any such amount as provided in Paragraph (G) of this Section 303) and (ii) the stated amount of the Series 2 Loan Loss Letter of Credit or such expiring substitute Loan Loss Claim Fund Deposit allocable to the Series 2 Home Improvement Loss Claim Fund at such date. If the Agency shall fail to deposit such extension of the Series 2 Loan Loss Letter of Credit or substitute Loan Loss Claim Fund Deposit with the Trustee, not less than three (3) Business Days prior to the expiration date of the Series 2 Loan Loss Letter of Credit or, if applicable, the substitute Loan Loss Claim Fund Deposit, the Trustee shall draw on the Series 2 Loan Loss Letter of Credit or such expiring substitute Loan Loss Claim Fund Deposit and deposit

in the Series 2 Home Improvement Loan Loss Claim Fund an amount sufficient to cause the Series 2 Funded Loan Loss Claim Fund Requirement for such fund to equal the Series 2 Home Improvement Loss Claim Fund Requirement as of such date or, if less, the full amount then available to be drawn under the Series 2 Loan Loss Letter of Credit or such expiring substitute Loan Loss Claim Fund Deposit for the account of the Series 2 Home Improvement Loan Loss Claim Fund.

Section 304. Application of Series 2 Tender Bond Proceeds Subaccount. 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 201(A)(2) hereof to the effect that the Agency has elected to call a Principal Amount of Series 2 Converted Option Bonds for exchange for or remarketing as Adjusted Rate Bonds on the Adjustment Date, the Trustee shall withdraw from the Series 2 Program Account and deposit in the Series 2 Tender Bonds Proceeds Subaccount an amount equal to the Principal Amount of Series 2 Converted Option Bonds so certified. Until the Adjustment Date, the amount so deposited shall be applied solely as provided in Paragraph (B) and (C) of this Section 304.

(B) Notwithstanding anything in Section 504 of the Bond Resolution to the contrary, if the conditions specified in Section 201(A)(4) or Section 201(A)(7) hereof shall have occurred, the Trustee shall transfer from the Series 2 Tender Bonds Proceeds Subaccount to the Series 2 Special Redemption Account in the Redemption Fund the entire balance on deposit in the Series 2 Tender Bonds Proceeds Subaccount for application to the redemption of all Series 2 Tender Bonds in accordance with Section 201(A) hereof and Section 204(D) and Section 303(F) of the Second Supplemental Resolution.

(C) Notwithstanding anything in Section 504 of the Resolution to the contrary, if on the Adjustment Date any Series 2 Tender Bonds have not been remarketed as Adjusted Rate Bonds in accordance with Section 201(B)(2) hereof, the Trustee shall transfer from the Series 2 Tender Bonds Proceeds Subaccount to the Debt Service Fund an amount equal to the Principal Amount of all such Series 2 Tender Bonds not so remarketed. The amount so transferred shall be applied on the Adjustment Date to the purchase of Series 2 Tender Bonds as provided in Section 201(B)(1) hereof.

(D) Notwithstanding anything herein to the contrary, on the Adjustment Date, but only upon compliance with Paragraph (B) and (C) of this Section 304, the Trustee shall transfer the entire balance then remaining in the Series 2 Tender Bonds Proceeds Subaccount to the Series 2 Program Account for application



thereafter as provided in Section 504 of the Resolution, Section 303 of the Second Supplemental Resolution and Section 306 hereof.

Section 305. Application of Series 2 Contingency Account.

(A) Notwithstanding anything in the Resolution to the contrary, in connection with the purchase or redemption of the Series 1 Bonds or the Series 2 Bonds pursuant to Section 509(C) of the Resolution and Section 204(C) of the First Supplemental Resolution or Section 204(D) of the Second Supplemental Resolution, the Agency shall direct the Trustee to transfer to the Revenue Fund all or any portion of the amount on deposit in the Series 2 Contingency Account, or may otherwise 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 in the Revenue Fund, the Debt Service Fund and the applicable Special Redemption Account on the redemption date of such Bonds 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 Series 2 Contingency Account Letter of Credit for the credit of the Series 2 Contingency Account as security for the payment to the Trustee for deposit in the Revenue Fund of amounts, if any, described in Paragraph (A) of this Section 305. The Agency hereby instructs the Trustee to give notice to the Bank and to draw upon the Series 2 Contingency Account Letter of Credit 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 2 Contingency Account Letter of Credit and amounts on deposit in or held for the credit of the Series 2 Loan Loss Claim Fund and the Series 2 Home Improvement Loan Loss Claim Fund), after consideration of any other amounts deposited in the Revenue Fund pursuant to Paragraph (A) of this Section 305 and pursuant to Section 305 of the First Supplemental Resolution, is insufficient to pay the Principal Amount of any Series 1 Bonds or Series 2 Bonds to be redeemed at any time pursuant to Section 509(C) of the Resolution and Section 204(C) of the First Supplemental Resolution or Section 204(D) of the Second Supplemental Resolution, as stated in the certificate of an Authorized Officer delivered to the Trustee pursuant to Section 509(F) of the Resolution and the Principal Installments and interest otherwise due on such Bonds on the redemption date of such Bonds. Any such certificate shall include instructions to the Trustee to draw upon the Contingency Account Letter of Credit 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 the Series 2 Contingency Account Letter of Credit is held under the Resolution for the account of the Series 2 Bonds, the Agency may direct the Trustee to reduce the stated amount thereof or to cancel the Series 2 Contingency Account Letter of Credit and return it to the Bank 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 ratings then assigned to any Bonds Outstanding.

(D) If the Trustee shall receive a notice from the Bank pursuant to the Series 2 Reimbursement Agreement to the effect that an Event of Default has occurred and is continuing under the Series 2 Reimbursement Agreement and the Bank has elected to direct the Trustee to make a drawing of an amount equal to the stated and unpaid amount of the Series 2 Contingency Account Letter of Credit, the Trustee shall make such drawing and shall deposit the amount so drawn in the Series 2 Contingency Account.

(E) Subject to the provisions of Paragraph (C) of this Section 305, not less than five (5) Business Days prior to the date of expiration of the Series 2 Contingency Account Letter of Credit the Agency shall deposit with the Trustee an extension thereof or a substitute letter of credit therefor (the deposit of which will not adversely affect the 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 Series 2 Contingency Account Letter of Credit. If the Agency shall fail to deposit such extension or substitute letter of credit, not less than three (3) Business Days prior to the expiration date of the Series 2 Contingency Account Letter of Credit the Trustee shall draw upon the Series 2 Contingency Account Letter of Credit the full amount then available to be drawn thereunder and shall deposit such amount in the Series 2 Contingency Account. If at any time thereafter the Agency shall certify to the Trustee in accordance with Paragraph (C) of this Section 305 that all or a portion of the amount on deposit in the Series 2 Contingency Account is not required for the purposes of such account, the Trustee shall pay the surplus in the Series 2 Contingency Account (as determined by the Agency) or the entire balance therein, as appropriate, to the Agency.

(F) Interest or other income derived from the investment or deposit of moneys, if any, in the Series 2 Contingency Account shall be transferred by the Trustee to the Agency.

Section 306. Application of Certain Amounts in Series 2 Program Account. (A) Amounts deposited in the Series 2 Program Account in accordance with Section 301(F) hereof shall be applied



to the purchase or making of Loans as provided herein and in Section 504 of the Resolution. Subject to Paragraph (B) of this Section 306, from the proceeds of the Series 2 Bonds originally deposited in the Series 2 Program Account, the Agency may reserve \$1,000,000 (or such lesser amount as the Agency may from time to time specify in a certificate of an Authorized Officer delivered to the Trustee) for the purchase or making of Home Improvement Loans. Notwithstanding anything in the Resolution to the contrary, except as otherwise provided herein amounts deposited in the Series 2 Program Account as provided herein and in the Resolution shall be applied solely to the purchase or making of Mortgage Loans, Cooperative Housing Loans and Home Improvement Loans. No amount on deposit in the Series 2 Program Account shall be applied to the purchase or making of Loan Securities or Residential Housing Loans.

(B) The Agency covenants that (1) no more than a total of \$1,000,000 of the amount originally deposited in the Series 2 Program Account shall be applied to the purchase or making of Cooperative Housing Loans and Loans for the construction of Residential Housing and (2) no more than \$1,000,000 of the amount originally deposited in the Series 2 Program Account shall be applied to the purchase of Home Improvement Loans. Notwithstanding anything herein or in the Resolution to the contrary, the Agency shall not purchase or make any Home Improvement Loans or Cooperative Housing Loans from amounts on deposit in the Series 2 Program Account until the Agency shall have furnished 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.

Section 307. 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 2 Bonds Outstanding, after satisfying the requirements of Clauses (1) through (6), inclusive, of Section 506(B), the Trustee shall apply any balance on deposit in the Revenue Fund attributable to the Series 2 Bonds first, to the Series 2 Loan Loss Claim Fund to the extent the amount therein is less than the Series 2 Funded Loan Loss Claim Fund Requirement calculated at such Interest Payment Date, and second, to the Series 2 Home Improvement Loan Loss Claim Fund to the extent the amount therein is less than the Series 2 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 2 Bonds that may be applied to the payment or reimbursement of Program Expenses in any one Fiscal Year shall not exceed \$20,000 in the aggregate 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 ratings then assigned to any Bonds Outstanding by any Nationally Recognized Credit Rating Agency.

#### ARTICLE IV

##### Miscellaneous

Section 401. Authorization of Officers. The Chairman, Vice Chairman or any other Commissioner of the Agency, Executive Director, Deputy Director, Treasurer, Director of Finance, Director of Operations and Secretary of the Agency are hereby authorized and directed to do all acts and things and to execute and deliver any and all documents, certificates and other instruments necessary or desirable to effectuate the transactions contemplated by this Fourth Supplemental Resolution, the Resolution and the Reoffering Memorandum.

Section 402. Reimbursement Agreement. The Series 2 Reimbursement Agreement is hereby approved in substantially the form presented to this meeting with such changes, omissions, insertions and revisions thereto as the Chairman, Vice-Chairman, or any other Commissioner, Treasurer, Executive Director, Deputy Director or Director of Finance executing the same may deem advisable, the execution thereof by such person to be conclusive evidence of their approval of all such changes, omissions, insertions and revisions. Each of said officers are, and each of them is, hereby authorized and directed to execute the Series 2 Reimbursement Agreement and to deliver the same to the Bank.

Section 403. Supplemental Remarketing Agreement. The Supplemental Remarketing Agreement is hereby approved in substantially the form presented to this meeting with such changes, omissions, insertions and revisions thereto, consistent with the provisions of Section 201 hereof, as the Chairman, Vice-Chairman or any other Commissioner, Treasurer, Executive Director, Deputy Director or Director of Finance executing the same may deem advisable, the execution thereof by such person to be conclusive evidence of their approval of all such changes, omissions, insertions and revisions. Each of said officers are, and each of them is, hereby authorized and directed to execute the Supplemental Remarketing Agreement and to deliver the same to the Remarketing Agent.

Section 404. Effective Date. This Fourth Supplemental Resolution shall take effect immediately.

EXHIBIT A

VERMONT HOUSING FINANCE AGENCY  
SINGLE FAMILY HOUSING BONDS  
Series 2  
Series 2 Tender Bonds Selected  
For Tender on \_\_\_\_\_, 19\_\_

TO: The Howard Bank, N.A.  
Burlington, Vermont 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 2 Tender Bonds and to exchange such Bonds for Adjusted Rate Bonds as described below.

The principal amount or amounts of Series 2 Tender Bonds which we have elected to retain in exchange for Adjusted Rate Bonds and the maturity date or dates thereof are listed below:

MATURITY

AMOUNT

We acknowledge that if certain conditions described in the Agency's Fourth Supplemental Single Family Housing Bond Resolution shall occur on or prior to the Adjustment Date, such

P&D DRAFT No. 2  
9/30/91

Series 2 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., nominee of  
THE DEPOSITORY TRUST COMPANY

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Name

RESOLUTION AUTHORIZING  
VERMONT HOUSING FINANCE AGENCY  
1991 MORTGAGE PURCHASE PROGRAM

WHEREAS, pursuant to its Single Family Housing Bond Resolution adopted September 20, 1990 (the "General Resolution"), Vermont Housing Finance Agency has this date adopted its Fourth Supplemental Resolution Authorizing the Issuance and Sale of \$40,000,000 Single Family Housing Bonds, Series 2 (the "Supplemental Resolution", together with the General Resolution hereinafter called the "Resolutions"); and

WHEREAS, the staff of the Agency has proposed the creation of the 1991 Mortgage Purchase Program (the "1991 Program") and has presented the Mortgage Loan Application and Commitment Agreement dated as of October 7, 1991 (the "Commitment Agreement") incorporating the Mortgage Loan Purchase and Servicing Agreement referenced therein (the "Purchase Agreement") and the Mortgage Purchase Program Procedural Guide, as amended (the "Procedural Guide"), both of which were approved by Resolution of the Board of Commissioners adopted September 20, 1990;

NOW THEREFORE, with all terms herein and not otherwise defined having the same meaning as they have in the Fourth Supplemental Resolution, it is hereby RESOLVED:

1. Subject to the terms and conditions of the Supplemental Resolution, monies in the Series 2 Program Account established under and pursuant to the Resolutions (the "Program Account") shall be used to purchase Mortgage Loans from Mortgage Lenders in an aggregate amount equal to the portion of the proceeds of the Series 2 Bonds required to be deposited into the Program Account.
2. The Agency's 1991 Program is hereby approved.
3. The form of the Commitment Agreement is hereby approved and the Executive Director and the Director of Operations, or either of them, is authorized to execute and deliver the same to Mortgage Lenders participating in the 1991 Program.


I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont on October 4, 1991.

*Allan S. Hunt*

\_\_\_\_\_  
Allan S. Hunt  
Secretary



VERMONT HOUSING FINANCE AGENCY

TO: VHFA BOARD OF COMMISSIONERS  
FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE   
DATE: OCTOBER 2, 1991  
RE: 1990 SERIES 2 BOND FINANCING

The telephone conference call scheduled for Friday, October 4, at 1:00 PM is for the purpose of approving the bond financing based on the prices obtained today by the underwriters. It appears that we will be able to obtain a mortgage rate of 8.15% based on the pricing. In approving the financing you are also accepting the enclosed documents. Normally this is done at a full Board meeting and the documents are available for review at the meeting.

Enclosed are several documents related to the proposed sale of the 1990 Series 2 Single Family Housing Bonds. The remarketing memorandum is the document that potential investors receive prior to ordering bonds; the Series resolution is the legal document authorizing this particular bond issue; the reimbursement agreement is our agreement with the Sanwa Bank regarding the letter of credit pledged to this issue; finally, the supplemental remarketing agreement is the contract with the underwriters to remarket the bonds.

The perception of the underwriters, led by Andy Gurley of PaineWebber, is that the market is in a great position at the moment for us to market the bonds and we should sell, based on potential uncertainty over the next two weeks related to economic number releases and to the possible large increase in supply of bonds over that period. As you may remember, we must sell by October 17th and we agreed with the State of Vermont not to issue during the second week of October, which only allows us to sell the third week.

The Letter of Credit required would be \$771,000 for loan loss coverages and an additional \$500,000 for a worst case loss scenario. The cost for these Letters of Credit is expected to be approximately \$7,000 per year. These letters of credit replace cash that would otherwise have to be put up from the General Fund to cover potential losses.

There is some comfort in this type of financing because the rate seems to be excellent; built into the financing is the ability for us to go back to the Bondholders and reduce the interest rate on their bonds or alternatively call their bonds to be remarketed if they are not happy with the new proposed rate.

If you have any questions either prior to or during the call, please do not hesitate to ask.



## REIMBURSEMENT AGREEMENT

REIMBURSEMENT AGREEMENT, dated as of October 1, 1991 between VERMONT HOUSING FINANCE AGENCY (the "Agency") and THE SANWA BANK, LIMITED, acting through its BOSTON BRANCH (the "Bank").

WHEREAS, on November 1, 1991 the Agency is converting to a fixed interest rate its \$40,000,000 aggregate principal amount of Single Family Housing Bonds, Series 2, dated September 1, 1990, (the "Bonds") pursuant to the Single Family Housing Bond Resolution, adopted by the Agency on September 20, 1990 (the "General Resolution"), the Second Supplemental Single Family Housing Bond Resolution adopted by the Agency on September 20, 1990 (the "Second Supplemental Resolution") and the Fourth Supplemental Single Family Housing Bond Resolution on October \_\_, 1991 (the "Fourth Supplemental Resolution") (the General Resolution, the Second Supplemental Resolution and the Fourth Supplemental Resolution are collectively referred to herein as the "Resolution"); and

WHEREAS, the Agency desires the Bank to issue and deliver for the account of the Agency in favor of The Howard Bank, N.A. as Trustee under the Resolution (the "Trustee") two irrevocable letters of credit substantially in the form of EXHIBIT A (the "Contingency Letter of Credit") and EXHIBIT B (the "Loan Loss Letter of Credit"); the aforescribed letters of credit, collectively the "Letters of Credit" and individually a "Letter of Credit", in the respective amounts of [\$650,000], in the case of the Contingency Letter of Credit, and [\$875,000], in the case of the Loan Loss Letter of Credit, and under which the Trustee shall be authorized from time to time to draw amounts in accordance with the terms and conditions set forth therein and as provided in Section 305(B) of the Fourth Supplemental Resolution, in the case of the Contingency Letter of Credit, and Sections 302(B) and 302(C), with respect to the Mortgage Loan Portion, and 303(B) and 303(C), with respect to the Home Improvement Loan Portion, of the Fourth Supplemental Resolution in the case of the Loan Loss Letter of Credit.

NOW, THEREFORE, in consideration of the premises and in order to induce the Bank to issue the Letters of Credit, the Agency and the Bank hereby agree as follows:

§1. DEFINITIONS.

Unless otherwise expressly provided herein, capitalized terms used in this Agreement shall have the same meaning given to them in the Resolution. The following terms shall have the meanings assigned to them below:

§1.01. Act. Chapter 25 of Title 10 of the Vermont Statutes Annotated, as the same may from time to time be amended.

§1.02. Additional Security. Any letter of credit, line of credit, surety bond, insurance policy, guarantee or similar obligations or any other agreement, instrument or undertaking providing security for or further securing, directly or indirectly, the obligations and liabilities secured by, or credit support for which is provided by, the Letters of Credit.

§1.03. Agency. See preamble.

§1.04. Agreement. This Reimbursement Agreement, as the same may from time to time be amended.

§1.05. Bank. See preamble.

§1.06. Bank Obligations. Any and all obligations of the Agency to the Bank pursuant to the terms of this Agreement, including, without limitation, the obligations of the Agency to the Bank under the Letters of Credit, the Notes and the Reimbursement Obligations.

§1.07. Bonds. See preamble.

§1.08. Business Day. Any day except a Saturday, Sunday or other day on which banks in Boston, Massachusetts are authorized or permitted to close.

§1.09. Contingency Letter of Credit. See preamble.

§1.10. Contingency Note. See definition of Notes.

§1.11. Date of Issuance. The Business Day on which the Bank issues the Letters of Credit pursuant to Section 2.01 hereof.

§1.12. Default. Any Event of Default or any event, circumstance, or condition which, with the giving of notice or the passage of time or both, would constitute an Event of Default.

§1.13. Event of Default. Any event described in Section 7 hereof.

§1.13A. First Supplemental Resolution. The First Supplemental Single Family Housing Bond Resolution adopted by the Agency on September 20, 1990.

§1.14. Fourth Supplemental Resolution. See preamble.



§1.15. General Fund. The Agency's general operating fund which accounts for revenues and normal operating expenses of the Agency, created by resolution of the Agency adopted September 26, 1974.

§1.16. General Resolution. See preamble.

§1.17. Home Improvement Loan Portion. That portion of the Loan Loss Letter of Credit designated as the Home Improvement Loan Portion in said Letter of Credit.

§1.18. Letters of Credit. See preamble.

§1.19. Loan Loss Letter of Credit. See Preamble.

§1.20. Loan Loss Note. See definition of Notes.

§1.21. Mortgage Loan Portion. That portion of the Loan Loss Letter of Credit designated as the Mortgage Loan Portion in said Letter of Credit.

§1.22. Notes. The promissory notes of the Agency, substantially in the form of EXHIBIT C (the "Contingency Note", to evidence Advances made with respect to the Contingency Letter of Credit) and EXHIBIT D (the "Loan Loss Note", to evidence Advances made with respect to the Loan Loss Letter of Credit) to this Agreement, evidencing the obligation of the Agency to reimburse the Bank for all amounts described in clause (i) of Section 2.02 of this Agreement.

§1.23. Overdue Interest Rate. The Prime Rate plus 3%.

§1.24. Person. A corporation, association, partnership, trust, organization, business, individual or government or any governmental agency or political subdivision thereof.

§1.25. Prime Rate. The rate of interest announced from time to time by the Bank as its Prime Rate.

§1.26. Quick Assets. At any given date, the sum of the cash and short-term investments held in (i) Unrestricted Fund Balances, plus (ii) other fund balances of the Agency to the extent that the Agency can, within 30 days of electing to do so, transfer such other fund balances to the General Fund and thereafter use them to satisfy Bank Obligations, without violating any covenant, pledge, or restriction or any applicable law to which such other fund balances may be subject.

§1.27. Reimbursement Obligation. See Section 2.02.

§1.28. Related Documents. See Section 2.07(a).

§1.29. Resolution. See preamble.

§1.29A. Fourth Supplemental Resolution. See preamble.

§1.30. Single Family Housing Bonds. The meaning given in the Resolution as in effect upon the date hereof.

§1.31. Supplemental Resolutions. The Second Supplemental Resolution and the Fourth Supplemental Resolution, together.

§1.32. Trustee. See preamble.

§1.33. Unrestricted Fund Balances. The balances outstanding to the credit of the General Fund which are not restricted under the terms of any bond resolution of the Agency or by any other resolution, agreement, or contract of any nature whatsoever or by any applicable law in a manner which restricts the availability of such balances to pay the Bank Obligations.

§1.34. All terms of an accounting character not specifically defined herein shall have the meanings assigned thereto by accounting principles generally accepted in the United States of America consistent with those applied in the preparation of the Agency's audited financial statements referred to in Section 4.06.

§1.35. Any defined term used in the plural preceded by the definite article shall be taken to encompass all members of the relevant class. Any defined term used in the singular preceded by "any" shall be taken to indicate any number of the members of the relevant class.

§1.36. The terms "Funds", "Accounts", "Revenue Fund", "Proceeds Account", "Principal Amount", "Loan Loss Claim Fund Withdrawal", "Investment Obligations", "Revenues", "Costs of the Program", "Sinking Fund Installments", "Debt Service", "Series 2 Bonds", "Series 3 Bonds" and "Costs of Issuance" shall have the meaning given in the First Supplemental Resolution. The terms "Series 2 Contingency Account" and "Series 2 Special Redemption Account" shall have the meaning given in the Second Supplemental Resolution. The terms "Series 2 Loan Loss Claim Fund" and "Series 2 Home Improvement Loan Loss Claim Fund" shall have the meaning given in the Fourth Supplemental Resolution.

## §2. LETTER OF CREDIT FACILITY.

§2.01. Issuance of the Letter of Credit. (a) In order to fulfill its obligations under the Fourth Supplemental

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71,088  
Resolution, the Agency hereby makes its request to the Bank for the issuance of, and hereby authorizes the Bank to issue, the Letters of Credit on November 1, 1991. Upon the terms and conditions contained in this Agreement, the Bank agrees to issue on November 1, 1991 (i) the Contingency Letter of Credit in the amount of \$6650,000 and (ii) the Loan Loss Letter of Credit in the aggregate amount of \$875,000, of which \$275,000 is to constitute the Mortgage Loan Portion and \$100,000 is to constitute the Home Improvement Loan Portion, both Letters of Credit in favor of the Trustee and for the account of the Agency.

Rider 5A  
(b) The Contingency Letter of Credit authorizes the Trustee to draw on the Bank, upon the terms and subject to the conditions set forth therein, ~~(i) in the event of a redemption of Bonds pursuant to Section 204(D) of the Second Supplemental Resolution but only (ii) to the extent that the amount allocable to the Bonds on deposit and available therefor in all Funds and Accounts under the Resolution (other than amounts available under the Contingency Letter of Credit and amounts on deposit in or held for the credit of the Series 2 Loan Loss Claim Fund or the Series 2 Home Improvement Loan Loss Claim Fund or amounts on deposit in or held for the account of the Series 1 Contingency Account or the Series 1 Loan Loss Claim Fund)~~, after consideration of amounts, if any, deposited in the Revenue Fund pursuant to Section 305(A) of the Second Supplemental Resolution, is insufficient to pay the Principal Amount of the Bonds to be then redeemed pursuant to Section ~~204(D) of the Second Supplemental Resolution~~. No amounts drawn under the Contingency Letter of Credit shall be utilized for the purposes of funding in whole or in part a redemption or purchase of Series 2 Tender Bonds or bonds of any other series authorized pursuant to the General Resolution or any other payment with respect to such bonds of such any other series.

(c) The Loan Loss Letter of Credit authorizes the Trustee to draw on the Bank, upon the terms and subject to the conditions set forth therein,

- (1) with respect to the Mortgage Loan Portion, (x) (A) if, at the time of making any Loan Loss Claim Fund Withdrawal pursuant to Section 302(B) of the Fourth Supplemental Resolution, the amount of cash, Investment Obligations and Additional Security (other than the Loan Loss Letter of Credit) on deposit in the Series 2 Loan Loss Claim Fund, plus all amounts which are otherwise available therefor pursuant to the Resolution, is less than the Loan Loss Claim Fund Withdrawal to be made therefrom or (B) if at any time the conditions described in Section 305(B) of the Fourth Supplemental Resolution shall occur and the

except as otherwise provided in the Resolution

if any

amounts on deposit in or held for or available to (pursuant to the terms of the Resolution), and after giving effect to available drawings under the Contingency Letter of Credit (to the extent permitted to be made under the Fourth Supplemental Resolution), the credit of the Series 2 Contingency Account shall be insufficient for the purposes of such account, then

(y) to the extent of the amount of the deficiency, after taking into account funding by the Agency pursuant to Section 302(D) of the Fourth Supplemental Resolution and otherwise consistent with and pursuant to the terms thereof (including without limitation the order of application of funds and accounts), and

- (ii) with respect to the Home Improvement Loan Portion, (x) (A) if, at the time of making any Loss Claim Fund Withdrawal pursuant to Section 303(B) of the Fourth Supplemental Resolution, the amount of cash, Investment Obligations and Additional Security (other than the Loan Loss Letter of Credit) on deposit in the Series 2 Home Improvement Loan Loss Claim Fund plus all amounts which are otherwise available therefor pursuant to the Resolution is less than the Loan Loss Claim Fund Withdrawal to be made therefrom or (B) if at any time the conditions described in Section 305(B) of the Fourth Supplemental Resolution shall occur and the amounts on deposit in or held for or available to (pursuant to the terms of the Resolution), and after giving effect to available drawings under the Contingency Letter of Credit and available drawings under the Mortgage Loan Portion of the Loan Loss Letter of Credit (in both cases to the extent permitted to be made under the First Supplemental Resolution), the credit of the Series 2 Contingency Account shall be insufficient for the purposes of such account, then

(y) to the extent of the amount of the deficiency, after taking into account funding by the Agency pursuant to Section 303(D) of the Fourth Supplemental Resolution and otherwise consistent with the terms thereof (including without limitation the order of application of funds and accounts).

No amounts drawn under the Loan Loss Letter of Credit shall be utilized for the purposes of funding in whole or in part a redemption or purchase of Series 2 Tender Bonds or bonds of any other series authorized pursuant to the General Resolution or any other payment with respect to all such bonds of such other series [except as otherwise provided in the Resolution]

§2.02. Reimbursement of Payments Under Letters of Credit. The Agency hereby irrevocably and unconditionally agrees to reimburse the Bank (i) for any amounts paid by the Bank in honoring drawings under the Letters of Credit (each of which shall hereafter be referred to as an "Advance"); (ii) for the costs of transferring funds and other costs and expenses of the Bank, not exceeding \$100, incurred in connection with effecting such draw and (iii) in the case of any transfer of any of the Letters of Credit, \$1,000 for each transfer of each Letter of Credit payable therewith as a condition to such transfer (clauses (i), (ii) and (iii) being together the "Reimbursement Obligations"). Each Advance shall be payable in eight equal quarterly installments of principal (each installment to be equal to one-eighth (1/8) of the principal amount of such Advance) on the first day of each December, March, June and September of each year commencing on the first of such dates occurring after the relevant drawing is made. Such amounts shall bear interest from the date on which the Bank honors a drawing until payment is due at a fluctuating rate per annum equal to the Prime Rate, which interest shall be payable on the same day that installments of principal are due, and thereafter, at a fluctuating rate per annum equal to the Overdue Interest Rate, which interest shall be payable on demand. Amounts referred to in clause (ii) hereinabove shall be payable on demand. The Agency's obligation to pay Advances shall be evidenced by the Notes, dated the Date of Issuance. The Bank is hereby irrevocably authorized by the Agency to endorse on the schedule forming a part of the Notes appropriate notations evidencing the date, maturity date and amount of each Advance and the date and amount of each payment of principal made by the Agency with respect thereto, and shall make such endorsements upon a Note before such Note is transferred. The Bank is hereby irrevocably authorized by the Agency to attach to and make a part of the Notes a continuation of any such schedule as and when required. No failure on the part of the Bank to make any endorsement of a notation as provided in this Section 2.02 shall in any way affect any Advance or the rights of such Bank or the Bank Obligations of the Agency with respect thereto.

§2.03. Fees for Letters of Credit. (a) Upon the Date of Issuance, the Agency shall pay to the Bank a closing fee equal to one-tenth of one (1/10%) percent of the aggregate Stated Amount (as such term is defined in the Letters of Credit) as issued of the Letters of Credit.

(b) As consideration for the issuance of the Contingency Letter of Credit, the Agency shall pay to the Bank, an annual fee, payable in advance on the Date of Issuance and thereafter on each November 1 after the date hereof, commencing

November 1, 1992, and as long as the Contingency Letter of Credit remains outstanding and has not been ruled by a court of competent jurisdiction in a final ruling not subject to appeal to be invalid or unenforceable against the Bank, in an amount equal to .60% of the Stated Amount (as defined in the Contingency Letter of Credit) in effect at the opening of business of the Bank on such date.

(c) As consideration for the issuance of the Loan Loss Letter of Credit, the Agency shall pay to the Bank an annual fee, payable in advance on the Date of Issuance and thereafter on each November 1 after the date hereof commencing November 1, 1992, and as long as the Loan Loss Letter of Credit remains outstanding and has not been ruled by a court of competent jurisdiction in a final ruling not subject to appeal to be invalid or unenforceable against the Bank, in an amount equal to .50% of the Stated Amount (as defined in the Loan Loss Letter of Credit) in effect at the opening of business of the Bank on such date.

§2.04. Interest on Payments under Letter of Credit. The Agency agrees to pay, on demand, interest to the Bank on any and all amounts remaining unpaid by the Agency hereunder (except as otherwise provided in Section 2.02) from the date such amounts become due and payable until payment in full at a fluctuating rate per annum equal to the Overdue Interest Rate.

§2.05. Increased Costs. If after the date hereof, any change in any applicable law or regulation or in the interpretation thereof by any court or administrative or governmental authority charged with the administration thereof shall either (i) impose, modify, or deem applicable any reserve, capital allocation, special deposit, insurance, or similar requirement against any Letter of Credit or against any category of liabilities or assets of the Bank which would include a Letter of Credit or (ii) impose on the Bank any other condition applicable to this Agreement or any Letter of Credit, and the result of any event referred to in clause (i) or (ii) above shall be to increase the cost to the Bank of issuing or maintaining such Letter of Credit (which increase may be the result of any reasonable allocation of the aggregate of such cost increases resulting from such events), then, upon demand by the Bank, the Agency shall immediately pay to the Bank, from time to time as specified by the Bank, additional amounts which shall be sufficient to compensate the Bank for such increased cost. The Bank's determination of the amount of such costs and the allocation (if any) of such costs, if done in good faith shall, in the absence of manifest error, be conclusive. Notwithstanding the foregoing, the Agency shall have no liability for any such increased cost with respect to a Letter of Credit incurred by the Bank after the later of (i) the date

on which such Letter of Credit expires or (ii) the date on which all Advances made by the Bank pursuant to this Agreement are repaid in full together with interest properly accrued thereon.

§2.06. Payment to Bank.

(a) All payments to be made by the Agency to the Bank under this Section 2 or Section 14 hereof shall be made in lawful currency of the United States of America, in funds immediately available to the Bank at its Boston Branch at One Financial Center, Boston, Massachusetts 02111 or at such other office or by such wire transfer to an account with a bank or branch of a bank located in the United States of America, as the Bank may designate in a written notice to the Agency.

(b) Whenever any payment shall be due on any day which is not a Business Day, the date for payment thereof shall be extended to the next succeeding Business Day and interest thereon shall be payable for such extended time.

(c) All interest due to the Bank under this Section 2 shall be computed on the basis of a year of 360 days and paid for the actual number of days elapsed.

(d) All payments to be made by the Agency under this Section 2 or Section 14, whether of Reimbursement Obligations, interest or any other amount or any other Bank Obligation, shall be made without set-off or counterclaim and free and clear of and without reduction for or on account of, any present or future taxes, deductions, withholdings, restrictions or conditions of any nature whatsoever.

§2.07. Obligations Absolute. The Bank Obligations shall be absolute, unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement, under all circumstances whatsoever, including without limitation the following circumstances:

(a) any lack of validity or enforceability of any Letter of Credit, the Bonds, the Resolution, or any other agreement or instrument relating thereto (collectively the "Related Documents");

(b) any amendment or waiver of or any consent to or departure from any of the Related Documents;

(c) the existence of any claim, set-off, defense or other right which the Agency may have at any time against the Trustee, any beneficiary or any transferee of any Letter of Credit (or any persons or entities for whom the Trustee, any



such beneficiary or any such transferee may be acting), the Bank, or any other person or entity, whether in connection with this Agreement, the transactions contemplated in the WHEREAS clauses to this Agreement or any unrelated transaction;

(d) any statement or any other document presented under any Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect whatsoever;

(e) payment by the Bank under a Letter of Credit against presentation of a demand for payment which does not comply with the terms of such Letter of Credit provided that such payment shall not have constituted gross negligence or willful misconduct of the Bank; or

(f) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing.

§2.08. Certain Provisions Relating to Termination or Reduction of Letters of Credit.

(a) No Letter of Credit may be terminated by the Agency prior to November 1, 1994. No single Letter of Credit may be terminated by the Agency unless both Letters of Credit are so terminated.

(b) In the event that any Letter of Credit shall be terminated, or its Stated Amount reduced as contemplated under Section 2.09 hereof, prior to November 1, 1995, and on said date of termination or reduction Bonds are still outstanding and Additional Security is provided by or on behalf of the Agency in whole or partial substitution of such Letter of Credit, the Agency shall pay to the Bank, simultaneously with such termination or reduction, a fee equal to (i) .30% of the Stated Amount (as in effect at the opening of business of the Bank upon the date of termination or reduction) of the Contingency Letter of Credit and (ii) .25% of the Stated Amount (as in effect at the opening of business of the Bank upon the date of termination or reduction) of the Loan Loss Letter of Credit.

(c) In the event that any Letter of Credit shall be terminated, or its Stated Amount reduced as contemplated under Section 2.09 hereof, on or after November 1, 1995 but prior to its scheduled expiration date, and on said date of termination or reduction Bonds are still outstanding and Additional Security is provided by or on behalf of the Agency in whole or partial substitution of such Letter of Credit, the Agency shall pay to the Bank, simultaneously with such termination or reduction, a fee equal to (i) .15% of the Stated Amount (as in



effect at the opening of business of the Bank upon the date of termination or reduction) of the Contingency Letter of Credit and (ii) .125% of the Stated Amount (as in effect at the opening of business of the Bank upon the date of termination or reduction) of the Loan Loss Letter of Credit.

(d) No fee under subsections (b) or (c) shall be required if:

(i) the Letters of Credit shall be terminated by the Agency within sixty (60) days after the Bank gives notice of increased costs to be applicable for any period commencing after the date of such notice for which the Agency shall be required to pay compensation to the Bank under Section 2.05 (an "Increased Cost Notice") hereof;

(ii) the Agency gives notice to the Bank, within sixty (60) days after the Bank gives an Increased Cost Notice to the Agency, that the Agency shall terminate the Letter of Credit upon the next succeeding anniversary of the Date of Issuance of the Letters of Credit, and the Agency confirms such termination no earlier than sixty (60) days nor later than thirty (30) days prior to the intended date of termination and the Letters of Credit are so terminated on such anniversary date; or

(iii) if the Bank's credit rating is lowered by Moody's Investors Service, Inc. or Standard & Poor's Corporation below an "A" rating.

(e) In the event a Letter of Credit is terminated as permitted by this Agreement, a pro rata portion of the commitment fee paid to the Bank shall be refunded to the Agency in proportion to the unexpired portion of the period for which such fee was paid, less any termination fee due pursuant to this §2.08 and any other outstanding Bank Obligations.

§2.09. Reduction of Stated Amount of Letters of Credit. The Stated Amount of each Letter of Credit may be reduced (in addition to reduction due to any drawing thereunder), but not more than once during any twelve-month calendar period as to each Letter of Credit, upon the submission to the Bank of an executed certificate in the form of ANNEX B to the applicable Letter of Credit, together with the original of the applicable Letter of Credit, provided that at the time of such submission or reduction no drawing shall be pending thereunder. The applicable Letter of Credit shall be amended by the Bank to indicate such reduction and shall be returned to the Trustee in the regular course of the Bank's business. In no event shall the Bank be required to reduce the Stated Amount of either Letter of Credit, as contemplated by this Section 2.09, if at

the time of such reduction the Stated Amount of such Letter of Credit is, or as a result of such reduction the Stated Amount of such Letter of Credit shall be, less than \$75,000.

§3. CONDITIONS PRECEDENT TO ISSUANCE OF THE LETTERS OF CREDIT.

§3.01. The obligation of the Bank to issue the Letters of Credit is subject to the conditions precedent that the Bank shall have received on or before the Date of Issuance the following, each dated such date, in form and substance satisfactory to the Bank:

(a) A certified copy of the Resolution;

(b) A certified copy of a resolution of the Agency approving this Agreement, the form and content of the Letters of Credit and the other matters contemplated hereby and thereby, and certified copies of all documents evidencing other necessary action by the Agency;

(c) Certified copies of any other governmental authorizations and approvals, if any, necessary for the Agency to enter into this Agreement and the transactions contemplated herein and therein;

(d) The opinion of Palmer & Dodge, bond counsel for the Agency, addressed to the Bank and in substantially the form of EXHIBIT E hereto;

(e) A favorable opinion of counsel for the Agency, addressed to the Bank and in substantially the form of EXHIBIT F hereto;

(f) A certificate signed by a duly authorized officer of the Agency stating: (a) that there is no pending or threatened action or proceeding before any court, governmental agency or arbitrator against, or directly involving or affecting the Agency: (i) seeking to restrain or enjoin the issuance or delivery of this Agreement, the Notes, the Letters of Credit or the Bonds; (ii) in any way contesting or affecting any authority for or the validity of this Agreement, the Notes, the Letters of Credit or the Bonds; or (iii) which may materially and adversely affect its existence, condition or operations; and (b) that no forfeiture, dissolution or legislative measures adversely affecting the Agency have been instituted by the Agency, or against it or on its behalf;

(g) A certificate signed by a duly authorized officer of the Agency stating that:

(i) The representations and warranties contained in Section 4 hereof are correct on and as of the Date of Issuance as though made on and as of such Date; and

(ii) All conditions precedent to the issuance of the Bonds have occurred and the Agency has duly executed, issued and delivered the Bonds;

(h) An executed copy of this Agreement and the Notes; and

(i) An agreement executed by the Trustee that the Trustee will draw on the Letters of Credit as directed pursuant to the notices contemplated by ANNEX E to each of the Letters of Credit.

(j) Such other documents, instruments, approvals or opinions as the Bank may reasonably request.

§3.02. The obligation of the Bank to issue the Letters of Credit is subject to the further conditions precedent that the issuance of the Letters of Credit shall not, in the reasonable opinion of the Bank, subject the Bank to any penalty or special tax or be prohibited by any law, governmental order or regulation; no Default shall exist and be continuing; and the representations and warranties contained in Section 4 hereof shall be true and correct on the Date of Issuance.

#### §4. REPRESENTATIONS AND WARRANTIES.

The Agency represents and warrants to the Bank that:

§4.01. Organization. The Agency is a body politic and corporate constituting a public instrumentality of the State of Vermont duly created and validly existing under the laws of the State of Vermont; has its headquarters in Burlington; and has full power and authority to execute, deliver and perform all transactions contemplated by this Agreement, the Bonds and Resolution. There is no enacted or pending legislation or other governmental action under which the existence of the Agency will or might be terminated prior to the termination of the Letters of Credit and the final payment of all Bank Obligations.

§4.02. Authorization; Binding Obligations. The Agency has all necessary power and authority to enter into and perform this Agreement, to execute, deliver and perform its obligations under the Notes and to execute, sell, deliver and perform the Bonds. The execution, delivery and performance of this Agreement, the Notes, and the Bonds and all actions contemplated thereby or in connection therewith, have been duly and validly authorized by all necessary action, corporate and

otherwise, and such execution, delivery and performance do not contravene the laws creating the Agency or governing its operations in any respect or constitute a default under or contravene any judgment, order, decree, ordinance, regulation, agreement or instrument binding on it. This Agreement and the Notes have been duly executed and delivered by the Agency and constitute the valid and legally binding general obligations of the Agency enforceable in accordance with their respective terms, and the Bonds, when executed and delivered, will constitute valid and legally binding special obligations of the Agency enforceable in accordance with their terms, except as enforcement of this Agreement, the Notes or the Bonds may be limited by the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally, and subject to the exercise of judicial discretion in accordance with general equitable principles.

§4.03. Funds. The balances in the General Fund, as shown in the financial statements referred to in Section 4.06 as not restricted under the terms of the various bond resolutions of the Agency, are available to pay the Reimbursement Obligation, interest thereon and all other Bank Obligations and the rights of the Bank against such balances as a result of this Agreement, the Notes or the Letters of Credit will rank at least pari passu in priority with all other unsecured obligations of the Agency. The Agency has good and marketable title to such balances, free and clear of all liens, charges, security interests and other encumbrances except as disclosed in the financial statements referred to in Section 4.06. The amount of such balances as of March 31, 1991 was equal to or greater than \$\_\_\_\_\_.

§4.04. Litigation and Governmental Action. There is no pending or threatened action or proceeding before any court, governmental agency or arbitrator against or directly involving or affecting the Agency: (i) seeking to restrain or enjoin the issuance and delivery of this Agreement, the Letters of Credit, the Notes or the Bonds or the collection of receipts or assets of the Agency pledged or to be pledged to pay the principal of and interest on the Bonds, (ii) in any way contesting or affecting any authority for or the validity of this Agreement, the Letters of Credit, the Notes or the Bonds or (iii) in any way affecting the existence of the Agency or the titles of its officers to their respective offices. No forfeiture, dissolution or other proceedings or legislative measures adversely affecting the Agency have been instituted by the Agency or against it or on its behalf.

§4.05. Governmental Approvals. All approvals, permits, consents or authorizations of, or registrations or filings

with, any governmental or public agency, authority or person which are required in connection with the execution, delivery and performance by the Agency of this Agreement and the Notes have been, or will prior to the Date of Issuance be, obtained or made. No authority or proceedings for the issuance of the Bonds, this Agreement, the Notes or the Letters of Credit have been repealed, revoked or rescinded,

§4.06. Financial Statements. The financial statements of the Agency for the fiscal quarter of the Agency ended March 31, 1990 fairly present the financial condition of the Agency as of such dates and the results of the Agency's operations for the nine month fiscal period ended on such date, all in accordance with generally accepted accounting principles. Since March 31, 1990, there has been no material adverse change in the financial condition or operations of the Agency or its prospects of satisfying its obligations hereunder when the same become due and payable.

§4.07. Other Information. No information, exhibit or report, including, without limitation, the financial statements, cash flow projections and the Preliminary Official Statement and Official Statement prepared and delivered in connection with the Bonds, furnished by or on behalf of the Agency to the Bank in connection with the preparation and negotiation of this Agreement contains or will contain any untrue statement of a material fact. There are no facts that the Agency has not disclosed to the Bank in writing that, individually or in the aggregate, materially adversely affect, or so far as the Agency can now foresee, will materially adversely affect, its operations, affairs, properties, prospects or conditions, financial or otherwise.

#### §5. AFFIRMATIVE COVENANTS OF THE AGENCY.

So long as any amounts remain available to be drawn under any Letter of Credit or remain outstanding under the Notes or the Agency shall have any obligation to pay any amount to the Bank hereunder or to pay or perform any Bank Obligation, unless the Bank shall otherwise consent in writing:

§5.01. Compliance with Agreements. The Agency shall perform and comply with all terms, covenants and conditions of this Agreement, the Notes, all other Bank Obligations, the Bonds, and the Resolution.

§5.02. Maintain Existence. The Agency shall take all action within its powers to preserve and maintain its existence, rights and privileges. Pursuant to Section 636 of

the Act, by execution and delivery of this Agreement by the Agency, the State of Vermont does hereby pledge to and agree with the Bank that the State will not limit or restrict the rights vested in the Agency by the Act to perform its obligations hereunder, under the Notes or any of the Bank Obligations and to fulfill the terms of this Agreement, the Notes and the Bank Obligations or in any way impair the rights and remedies of the Bank until the Notes, together with interest thereon, and interest on any unpaid installments of interest, and all the Bank Obligations are fully met, performed, paid and discharged.

§5.03. Financial Statements; Other Information. The Agency shall furnish to the Bank the following:

(i) as soon as possible and in any event within ten days after the occurrence of each Default hereunder or any default under the Resolution, a statement of the Agency or the Trustee setting forth details of such occurrence and the action which the Agency proposes to take with respect thereto;

(ii) as soon as available and in any event within seven days after such notices are required to be filed: (a) copies of each of the notices which are required to be given to holders of the Bonds under the Resolution by the Trustee; (b) copies certified by an Authorized Officer (as defined in the First Supplemental Resolution) of the Agency of all resolutions amending, supplementing or modifying the Resolution; and (c) certified copies of all Annual Budgets and other accounts and reports required to be filed with the Trustee pursuant to Sections 608, 609 and 610 of the General Resolution;

(iii) as soon as available to the Agency, but in any event within 90 days after the end of each of its fiscal years, financial statements of the books and accounts of the Agency and for each such fiscal year audited by KPMG Peat Marwick or another firm of independent certified public accountants acceptable to the Bank;

(iv) as soon as available to the Agency, but in any event within 60 days after the end of each of the first three fiscal quarters, unaudited interim financial statements, if any, of the books and accounts of the Agency for the period then ended;

(v) promptly, such other information and data with respect to the Agency as may be reasonably requested by the Bank solely for the purpose of evaluating the Agency's credit and its compliance with this Agreement;

(vi) the Bank may at any reasonable time and from time to time visit and inspect any of the properties of the Agency and examine its books of account (and make copies thereof and extracts therefrom);

(vii) a certificate executed by the Agency's Director of Finance, to be delivered with the financial statements required under Subsections (iii) and (iv) hereinabove, in such form as the Bank may reasonably require certifying the Agency's compliance with the covenants of this Reimbursement Agreement and that no Event of Default has occurred and no Default is continuing;

(viii) a certificate executed by the Agency's Director of Finance, to be delivered with the financial statements required under Subsections (iii) and (iv) hereinabove, in such form and as of such date as the Bank may reasonably require showing delinquencies with respect to all loans funded or purchased by the Agency whether pursuant to or in connection with the General Resolution or otherwise; and

(ix) promptly upon the Bank's request from time to time, a certificate executed by the Agency's Director of Finance, in such form and as of such date as the Bank may reasonably require, showing delinquencies with respect to Mortgage Loans, Home Improvement Loans and Cooperative Housing Loans (as such terms are defined in the Resolution) funded or purchased pursuant to the First Supplemental Resolution and the Bonds.

§5.04. Fund Balances. The Agency agrees that the amounts shown in the financial statements furnished to the Bank pursuant to Section 5.03 (iii) and (iv) hereof as balances in the General Fund and all other funds will be reported in accordance with generally accepted accounting principles consistently applied and, in any event, will not be as of the date of such statements restricted under the terms of any bond resolution of the Agency or by any other resolution, agreement or contract or by any applicable law in a manner which restricts the availability of such amounts to pay the Bank Obligations or be subject to any contingent claim in respect of a letter of credit issued for the Agency's account or in respect of any guaranty by the Agency except to the extent that such restrictions or contingent claims have been previously disclosed to the Bank in EXHIBIT G hereto.

§5.05. Certain Financial Covenants. (a) In addition to the requirements set forth in subsection (b) below, the Agency shall maintain at all times Quick Assets free and clear of all liens and encumbrances in an aggregate amount equal to at least

\$1,000,000 in excess of all claims, charges, or liabilities, contingent or matured, which may be payable therefrom.

(b) In addition to the requirement set forth in subsection (a) above, the Agency shall maintain at all times Quick Assets free and clear of all liens and encumbrances in an aggregate amount equal to at least the Stated Amount of the Loan Loss Letter of Credit as from time to time in effect plus the amount of all outstanding Bank Obligations.

§5.06. Redemption of Bonds. The Agency agrees that if it uses any of the moneys or funds deposited in or available to the Series 2 Special Redemption Account or the Trustee draws on the Contingency Letter of Credit or the Loan Loss Letter of Credit in order to redeem or purchase Bonds, then, not less than ten (10) Business Days before any such redemption or purchase (other than a redemption or purchase of Series 2 Tender Bonds or pursuant to redemption from Sinking Fund Installments pursuant to Section 204(E) of the Second Supplemental Resolution) or drawing under the Contingency Letter of Credit or the Loan Loss Letter of Credit, whichever occurs earlier, the Agency shall deliver to the Bank a certificate of an Authorized Officer of the Agency certifying (in such detail as the Bank may require and whose calculations (including without limitation the assumptions upon which the same are based, the discount rate and methodology) shall in all instances be reasonably satisfactory to the Bank) (a) that the net present value, taking into account the redemption and purchase of such Bonds, of anticipated Revenues (but only with respect to those Revenues generated with respect to the First Supplemental Resolution and the Bonds, as contrasted to those generated with respect to any other bonds issued in connection with the Resolution or otherwise) in excess of anticipated Costs of the Program and Debt Service (but only with respect to those Costs of the Program and Debt Service related to or incurred with respect to the First Supplemental Resolution and the Bonds, as contrasted to those related to or incurred with respect to any other bonds issued in connection with the Resolution or otherwise) which is at least as great as that which would be obtained had such redemption or repurchase not occurred, together with (b) a copy of the officer's certificate (and all attachments thereto) described in Section 509(F) and 509(G) of the General Resolution in connection with a redemption or purchase of Bonds.

#### §6. NEGATIVE COVENANTS OF THE AGENCY.

So long as any amounts remain available to be drawn under the Letters of Credit or remain outstanding under the Notes or the Agency shall have any obligation to pay any amount to the Bank hereunder, or to pay or perform any Bank Obligation, the



Agency agrees that without the prior written consent of the Bank, it will not:

§6.01. Other Agreements. Enter into or consent to any amendment or waiver of the Resolution or the Bonds that would directly or indirectly materially affect the rights or responsibilities of the Bank under any of such documents, the Letters of Credit, the Notes or hereunder.

§7. EVENTS OF DEFAULT.

The following events shall constitute Events of Default under this Agreement:

§7.01. Payment of (i) the fees pursuant to section 2.03 or (ii) the Reimbursement Obligations shall not be made when the same becomes due and payable;

§7.02. The Agency shall fail to perform or observe any of the covenants contained in Sections 2.08, 2.09 5.02, 5.03(i), 5.04, 5.05, 5.06 or 6.01 hereof, or the State of Vermont shall fail to honor its pledge contained in Section 5.02 hereof or in Section 636 of the Act;

§7.03. The Agency shall fail to perform or observe any of the covenants or agreements contained herein, or with respect to any Bank Obligations, other than those referred to in Sections 7.01 and 7.02, and such failure shall continue unremedied for a period of 30 days after the date on which written notice of such failure, requiring the Agency to remedy the same, has been given to the Agency by the Bank;

§7.04. Any representation or warranty made by the Agency pursuant to Section 4 hereof or in any other certificate or document delivered in connection herewith, the Notes or the Letters of Credit shall prove to have been incorrect in any material respect when made;

§7.05. Principal of or interest on any of the Bonds shall not be paid when due or any other Event of Default under the Resolution shall have occurred and be continuing;

§7.06. Any provision of this Agreement or any of the Notes shall at any time for any reason cease to be valid and binding on the Agency, or shall be declared to be null and void, or the validity or enforceability thereof shall be contested by the Agency or, with the acquiescence or consent of the Agency, by any governmental agency or authority, or the Agency shall deny that it has any or further liability or obligation under this Agreement or the Notes;

§7.07. (i) The Agency shall apply for or consent to the appointment of a receiver, trustee, liquidator or custodian or the like of itself or of its property, or admit in writing its inability to pay its debts generally as they become due, or make a general assignment for the benefit of creditors, or be adjudicated a bankrupt or insolvent, or commence a voluntary case under the Federal bankruptcy laws of the United States of America or file a voluntary petition or answer seeking reorganization, an arrangement with creditors or an order for relief or seeking to take advantage of any insolvency proceeding; or action shall be taken by the Agency for the purpose of effecting any of the foregoing; or (ii) if, without the application, approval or consent of the Agency, a proceeding shall be instituted in any court of competent jurisdiction seeking in respect of the Agency an adjudication in bankruptcy, reorganization, dissolution, winding up, liquidation, composition or arrangement with creditors, readjustment of debts, appointment of a trustee, receiver, liquidator or custodian or the like of the Agency or of all or any substantial part of its assets, or other like relief in respect thereof under any bankruptcy or insolvency law and (A) such proceeding continues for sixty (60) days without dismissal thereof or (B) the Agency fails to in good faith and by diligent and appropriate proceedings and responses timely controvert and defend the material allegations made by the plaintiff, creditor or other petitioner in such proceedings or (c) the court or other jurisdictional body enters an order for relief, or makes an order or finding that the Agency is insolvent, or makes an order or other finding substantially granting the relief sought in such proceeding by the plaintiff, creditor or other petitioner; or

§7.08. The Agency shall fail to pay when due any principal or interest on indebtedness of the Agency for borrowed money or any other obligation of the Agency represented by bonds, notes, debentures or like instruments constituting either a general obligation of the Agency or a limited or special obligation of the Agency (each an "Agency Obligation"), which payment default shall be in an aggregate amount in excess of \$1,000,000, or any event shall occur as a result of which any holder or holders (or a trustee on behalf of such holders) of any Agency Obligation, the outstanding aggregate principal amount of which exceeds \$1,000,000, shall have the right to accelerate the maturity of such indebtedness.

#### §8. REMEDIES.

If any Event of Default shall have occurred and be continuing and in every such event:

(a) The Bank may declare, by notice to the Agency, all amounts then outstanding hereunder and under the Notes to be

immediately due and payable, whereupon such amounts shall be immediately due and payable without any further, demand, presentment or notice, all of which are expressly waived and in the case of an Event of Default under Section 7.07 all such amounts shall be automatically and immediately due and payable without notice;

(b) The Bank may inform the Trustee that an Event of Default has occurred and may direct the Trustee to draw on one or both of the Letters of Credit (which notice may be in the form of ANNEX E to each of the Letters of Credit or by other notice as the Bank may select); and

(c) The Bank may exercise any other right which the Bank may have at law (including Section 635 of the Act) or in equity or by agreement.

§9. NO WAIVER; REMEDIES.

No failure on the part of the Bank to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

§10. RIGHT OF SET-OFF, COLLATERAL, WAIVERS.

Upon the occurrence and during the continuance of any Event of Default and regardless of the adequacy of any collateral held by the Bank with respect to Bank Obligations or otherwise, the Bank is hereby authorized at any time and from time to time, without notice to the Agency (any such notice being expressly waived by the Agency), to set-off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held, and other indebtedness at any time owing, by the Bank to or for the credit or the account of the Agency against any and all of the Bank Obligations. The Bank shall notify the Agency promptly after any such set-off and application; provided, however, that the failure to give such notice shall not affect the validity of such set-off and application. The rights of the Bank under this section are in addition to and without limitation of any other rights, powers, privileges, remedies and other interests (including, without limitation, other rights of set-off and security interests) that the Bank may have.

**§11. INDEMNIFICATION.**

The Agency hereby agrees to indemnify and hold harmless the Bank from and against any and all claims, damages, losses, liabilities, costs or expenses whatsoever which the Bank may incur (or which may be claimed against the Bank by any Person or entity whatsoever) by reason of or in connection with the execution and delivery or transfer of, or payment or failure to pay under, any Letter of Credit, including those arising from or based upon information furnished by the Agency, the Trustee or their respective agents or employees and alleged to have contained any material misstatements or to have been materially misleading or to have omitted material information; provided, however, that the Agency shall not be required to indemnify the Bank for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by (a) the willful misconduct or gross negligence of the Bank in determining whether a demand for payment presented under a Letter of Credit complied with the Letter of Credit or (b) the Bank's willful failure to pay under a Letter of Credit after the presentation to it by the Trustee of a demand for payment strictly complying with the terms and conditions of such Letter of Credit. Nothing in this Section 11 is intended to limit the Reimbursement Obligation contained in Section 2.02.

**§12. CONTINUING OBLIGATION; ASSIGNMENT.**

All covenants, agreements, representations and warranties of the Agency made or incorporated herein and in certificates delivered by the Agency pursuant hereto shall be deemed to have been material and relied on by the Bank, notwithstanding any investigation made by the Bank or on its behalf, and shall survive the execution and delivery to the Bank hereof and of the Letters of Credit. This Agreement and the Notes are continuing obligations and shall (a) be binding upon the Agency, its successors and assigns and (b) inure to the benefit of and be enforceable by the Bank and its successors, transferees and assigns; provided, however, that the Agency may not assign all or any part of this Agreement without the prior written consent of the Bank.

**§13. LIABILITY OF THE BANK.**

§13.01. The Bank may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary. The Bank may honor, as complying with the terms of the Letters of Credit and this Agreement, any documents otherwise in order signed or issued by a successor trustee under the Resolution. Any action, inaction or omission on the part of the Bank under or in connection with the Letters of

Credit or related instruments or documents, if in good faith and in conformity with such laws, regulations or commercial or banking customs as the Bank may deem to be applicable, shall be binding upon the Agency, shall not place the Bank under any liability to the Agency, and shall not affect, impair or prevent the vesting of any of the rights or powers of the Bank hereunder. Nothing in this Section 13.01 is intended or shall be construed to limit the Reimbursement Obligations contained in Section 2.02.

§13.02. If the Agency requests or consents to any modification or extension of any Letter of Credit or waives failure of any draft, certificate or other document to comply with the terms of the Letters of Credit, the Bank shall be deemed to have relied and be entitled to rely on such request, consent or waiver with respect to any action taken or omitted by the Bank pursuant thereto, and such modification, extension or waiver shall be binding upon the Agency.

§14. COSTS, EXPENSES AND TAXES.

The Agency agrees to pay on demand all costs and expenses, if any, in connection with the preparation, execution and delivery of this Agreement and any other documents which may be delivered herewith (including, without limitation, fees of counsel in an aggregate amount not exceeding \$12,000 plus counsel's normal and ordinary disbursements) and all costs and expenses, if any, in connection with the Bank's administration, waiver, amendment or enforcement of this Agreement, the Letters of Credit (and the transfer thereof), the Notes or any other Related Documents or in connection with the protection or preservation of its rights thereunder. In addition, the Agency shall pay any and all stamp and other taxes and fees payable or determined to be payable in connection with the execution and delivery of this Agreement and the Notes and such other documents and agrees to save the Bank harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes and fees.

§15. NOTICES.

Any notice or other communication in connection with this Agreement shall be deemed to be delivered if in writing (or in the form of a telegram or telex) addressed as provided below and if either (a) actually delivered at said address or (b) in the case of a letter, three business days shall have elapsed after the same shall have been deposited in the United States mails, postage prepaid and registered or certified:

If to the Agency to:

Vermont Housing Finance Agency  
P.O. Box 408  
Burlington, VT 05402

Attention: Executive Director

If to the Bank to:

The Sanwa Bank, Limited  
Boston Branch  
One Financial Center, Suite 2812  
Boston, MA 02111

Attention: Loan Administration

and in any case at such other address as the addressee shall have specified by written notice. All periods of notice shall be measured from the date of delivery thereof.

**§16. GOVERNING LAW.**

This Agreement and the rights and obligations of the parties hereunder shall be construed, interpreted and determined in accordance with the substantive laws of The Commonwealth of Massachusetts.

**§17. AMENDMENTS, ETC.**

No amendment or waiver of any provision of this Agreement nor consent to any departure by the Agency therefrom shall in any event be effective unless the same shall be in writing and signed by the Bank, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

**§18. TRANSFER OF LETTER OF CREDIT.**

The Letter of Credit may be transferred and assigned and each successor Letter of Credit may be successively transferred and assigned, all in accordance with the terms of such Letter of Credit.

**§19. SEVERABILITY.**

Any provision of this Agreement which is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or non-authorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

§20. TABLE OF CONTENTS; TITLE AND HEADINGS.

Any table of contents, the titles of the Sections and the headings of the Sections are not parts of this Agreement and shall not be deemed to affect the meaning or construction of any of its provisions.

§21. COUNTERPARTS.

This Agreement may be executed in several counterparts, each of which when executed and delivered is an original, but all of which together shall constitute one instrument. In making proof of this Agreement, it shall not be necessary to produce or account for more than one such counterpart.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day first set forth above by their respective officers hereunto duly authorized.

VERMONT HOUSING FINANCE AGENCY

By \_\_\_\_\_  
Its

THE SANWA BANK, LIMITED  
acting through its BOSTON BRANCH

By \_\_\_\_\_  
Its

7157x

EXHIBITS TO REIMBURSEMENT AGREEMENT

EXHIBIT A	-	CONTINGENCY LETTER OF CREDIT
EXHIBIT B	-	LOAN LOSS LETTER OF CREDIT
EXHIBIT C	-	CONTINGENCY NOTE
EXHIBIT D	-	LOAN LOSS NOTE
EXHIBIT E	-	BOND COUNSEL OPINION
EXHIBIT F	-	AGENCY COUNSEL OPINION
EXHIBIT G	-	CERTAIN RESTRICTIONS

7157x



EXHIBIT A TO REIMBURSEMENT AGREEMENT

THE CONTINGENCY LETTER OF CREDIT

IRREVOCABLE LETTER OF CREDIT

THE SANWA BANK, LIMITED  
BOSTON BRANCH  
ONE FINANCIAL CENTER  
BOSTON, MASSACHUSETTS 02111

November 1, 1991

Letter of Credit No. 670/259/00083

The Howard Bank, N.A., as Trustee  
111 Main Street  
Burlington, Vermont 05401

Attention: William S. Wolff  
Trust Department

Ladies and Gentlemen:

We, The Sanwa Bank, Limited, acting through our Boston Branch (the "Bank"), hereby open our irrevocable Letter of Credit in your favor in the original amount of \$\_\_\_\_\_ (\_\_\_\_\_ Dollars) for the account of Vermont Housing Finance Agency (the "Agency"), One Burlington Square, P.O. Box 408, Burlington, Vermont 05402. Such amount, as reduced in accordance with the provisions of this Letter of Credit, is herein called the "Stated Amount."

This Letter of Credit is issued to you as Trustee under the Single Family Housing Bond Resolution adopted by the Agency on September 20, 1990 (the "General Resolution"), the First Supplemental Single Family Housing Bond Resolution adopted by the Agency on September 20, 1990 (the "First Supplemental Resolution"), and the Fourth Supplemental Single Family Housing Bond Resolution adopted by the Agency on October \_\_, 1991 (the "Fourth Supplemental Resolution") (the General Resolution, the First Supplemental Resolution and the Fourth Supplemental Resolution, collectively, the "Resolution"), relating to the Vermont Housing Finance Agency \$40,000,000 Single Family Housing Bonds, Series 2, dated September 1, 1990 (individually a "Bond" and collectively the "Bonds").

Subject to the further provisions of this Letter of Credit, this Letter of Credit is payable against your demands for payment in the form of ANNEX A hereto with the amounts and other information inserted therein and executed as contemplated by said ANNEX. Multiple drawings are permitted under this Letter of Credit.

The Stated Amount available will be reduced automatically from time to time by the amount of any prior demands made and honored hereunder. Demands for payment hereunder shall not exceed the Stated Amount in effect at the time of such demand, and the aggregate of all demands made and honored hereunder shall not exceed the initial Stated Amount.

The Stated Amount available may also be reduced from time to time, but no more often than once during any twelve calendar month period, upon the submission to the Bank of an executed certificate in the form of ANNEX B hereto, together with the original of this Letter of Credit; provided that at the time of such submission or reduction no drawing shall be pending hereunder. The Letter of Credit shall be amended by us to indicate such reduction and shall be returned to you in the regular course of our business. In no event shall the Stated Amount be reduced under this paragraph if at the time of such reduction the Stated Amount is, or as a result of such reduction shall be, less than \$75,000. A reduction pursuant to this paragraph is herein referred to as a "Voluntary Reduction."

Demand for payment under this Letter of Credit may be made by you prior to the expiration hereof at any time during the Bank's business hours at its branch in Boston, Massachusetts, on a day (herein called a "Business Day") on which the Bank's Boston branch office is open for the purpose of conducting commercial banking business. Any demand for payment hereunder and all other communications to the Bank relating to this Letter of Credit shall be in writing and addressed and presented to The Sanwa Bank, Limited, Boston Branch, at One Financial Center, Boston, Massachusetts 02111, Attention: Loan Administrator (or at any other office of the Bank as may be designated by us in a written notice to you), and shall make specific reference to this Letter of Credit by number. Provided that a demand for payment conforms to the terms and conditions hereof, payment shall be made to you of the amount demanded, in immediately available funds, not later than 2:00 P.M., Boston time, on the second Business Day after it is received.

This Letter of Credit, including the ANNEXES attached hereto, sets forth in full the terms of our undertaking, and this undertaking shall not in any way be modified, amended or amplified by reference to any document, instrument or agreement referred to herein (except the Uniform Customs hereinafter defined) or in which this Letter of Credit is referred to or to which this Letter of Credit relates and any such reference shall not be deemed to incorporate herein by reference any document, instrument or agreement.

This Letter of Credit is transferable only in its entirety and only to a subsequent Trustee under the Resolution

(notwithstanding the provisions of the Uniform Customs, as defined below) and may be successively transferred. No transfer will be recognized until this original Letter of Credit and an executed transfer document in the form of ANNEX C hereto are presented to us along with a transfer fee of \$1,000.

Except as otherwise expressly stated herein, this Letter of Credit is subject to the Uniform Customs and Practice for Documentary Credits (1983 Revision), International Chamber of Commerce Publication No. 400 and any subsequent revisions thereof approved by the International Chamber of Commerce (the "Uniform Customs"). This Letter of Credit shall, as to matters not governed by the Uniform Customs, be governed by and construed in accordance with the laws of The Commonwealth of Massachusetts, without regard to principles of conflicts of law.

This Letter of Credit shall expire on Bank's close of business at its offices in Boston, Massachusetts, on the earliest to occur of: (a) [October 31, 1996]; (b) the date on which the Stated Amount is less than \$75,000 immediately following a Voluntary Reduction; or (c) five days after the date on which the Bank shall have received written notice in the form of ANNEX D hereto from you; or if any of the foregoing days is not a Business Day, on the first Business Day after such date.

Very truly yours,

THE SANWA BANK, LIMITED  
acting through its BOSTON BRANCH

By \_\_\_\_\_  
Its \_\_\_\_\_

ANNEX A

(Letterhead of Trustee)

\_\_\_\_\_, 19\_\_

The Sanwa Bank, Limited  
Boston Branch  
One Financial Center  
Boston, Massachusetts 02111

Attention: Loan Administrator  
Letter of Credit No. 670/259/00083

Ladies and Gentlemen:

We refer to your Letter of Credit No. 670/259/00083 (the "Letter of Credit"). Terms defined in the Letter of Credit have the same meanings when used herein and capitalized terms used herein but not otherwise defined herein or in the Letter of Credit have the meanings given to them in the Reimbursement Agreement between you and the Vermont Housing Finance Agency, dated as of October 1, 1991 (the "Reimbursement Agreement").

1. We are the Trustee or a duly appointed successor Trustee under the Resolution. As Trustee, in trust for the holders of the Bonds described below, we hereby make demand for payment under the Letter of Credit. The undersigned as Trustee is entitled to make this drawing pursuant to the Letter of Credit and the Resolution.

2. [If a notice has not, as of the date of this certificate, been received by the Trustee in the form of ANNEX E to the Letter of Credit: The amount for which payment is hereby demanded is \$\_\_\_\_\_ (the "Drawing Amount"). We are in receipt of a certificate delivered to us pursuant to Sections 509(F) and 509(G) of the General Resolution in connection with a redemption of Bonds authenticated under the First Supplemental Resolution or the Second Supplemental Resolution in the aggregate principal amount of \$\_\_\_\_\_ pursuant to Section 204(C) of the First Supplemental Resolution or Section 204(D) of the Second Supplemental Resolution, payment for which redemption is required on <indicate date: \_\_\_\_\_, \_\_\_\_> (the Bonds

being redeemed for which payment is so required, the "Redeemed Bonds"). The Drawing Amount is equal to the amount by which the amount allocable to the Bonds on deposit and available therefor in all Funds and Accounts under the Resolution (other than amounts available under the Letter of Credit and amounts on deposit in or held for the credit of the Series 2 Loan Loss Claim Fund and the Series 2 Home Improvement Loan Loss Claim Fund or amounts on deposit in or held for the account of the Series 1 Loan Loss Claim Fund), after consideration of amounts, if any, deposited in the Revenue Fund pursuant to Section 305(A) of the Second Supplemental Resolution, is insufficient to pay the Principal Amount of the Bonds to be redeemed pursuant to Section 204(C) of the First Supplemental Resolution or Section 204(D) of the Second Supplemental Resolution.]

OR

[If a notice has, as of the date of this certificate, been received by the Trustee in the form of ANNEX E to the Letter of Credit: The amount for which payment is hereby demanded is \$\_\_\_\_\_ (the "Drawing Amount").]

3. No part of the proceeds of the drawing hereunder shall be utilized for the purposes of funding, in whole or in part, a redemption or purchase of Series 2 Tender Bonds or bonds of any other series authorized pursuant to the General Resolution or any other payment with respect to all such bonds of such other series, except as otherwise permitted by the Resolution.

4. The amount of this demand does not exceed the Stated Amount of the Letter of Credit on the date hereof and, together with all prior demands heretofore honored by you, does not exceed the initial Stated Amount of the Letter of Credit.

5. Upon receipt of the amount demanded under this Letter of Credit, we will immediately deposit amounts drawn hereunder in accordance with the ~~First Supplemental~~ Resolution.

Please [deposit] [wire transfer] the amount hereby demanded [in our account number \_\_\_\_\_ with \_\_\_\_\_] [to our account # \_\_\_\_\_ at \_\_\_\_\_].

TRUSTEE: \_\_\_\_\_

By \_\_\_\_\_  
Its authorized officer

ANNEX B

(Letterhead of Trustee)

\_\_\_\_\_, 19\_\_\_\_.

The Sanwa Bank, Limited  
Boston Branch  
One Financial Center  
Boston, Massachusetts 02111

Attention: Loan Administrator  
Letter of Credit No. 670/259/00083

Ladies and Gentlemen:

We refer to your Letter of Credit No. 670/259/00083 (the "Letter of Credit"). Terms defined in the Letter of Credit have the same meanings when used herein.

1. We are the Trustee or a duly appointed successor Trustee under the Resolution.

2. In accordance with the Letter of Credit, we hereby submit to you a request that the Stated Amount of the Letter of Credit be reduced to \_\_\_\_\_ DOLLARS effective as of \_\_\_\_\_, 19\_\_\_\_ which date is no less than five (5) Business Days nor more than ten (10) Business Days after the date of this certificate.

3. At the date hereof no drawing is pending under the Letter of Credit.

4. The original of the Letter of Credit accompanies this certificate.

TRUSTEE: \_\_\_\_\_

By \_\_\_\_\_  
Its authorized officer

ANNEX C

(Letterhead of Trustee)

\_\_\_\_\_, 19\_\_

The Sanwa Bank, Limited  
Boston Branch  
One Financial Center  
Boston, Massachusetts 02111

Attention: Loan Administrator  
Letter of Credit No. 670/259/00083

Ladies and Gentlemen:

For value received, the undersigned beneficiary hereby  
irrevocably transfers to:

\_\_\_\_\_  
(Name of Transferee Beneficiary)

\_\_\_\_\_  
(Address)

all rights of the undersigned beneficiary to draw under the  
above Letter of Credit in its entirety. The undersigned  
represents and warrants to you that the above-named transferee  
is the duly appointed successor trustee under the Resolution.

By this transfer, all rights of the undersigned beneficiary  
in such Letter of Credit are transferred to the transferee and  
the transferee shall have the sole rights as beneficiary  
thereof, including sole rights relating to any amendments,  
whether increases or extensions or other amendments and whether  
now existing or hereafter made. All amendments are to be  
advised directly to the transferee without necessity of any  
consent of or notice to the undersigned beneficiary.

The original of said Letter of Credit is returned herewith,  
and we ask you to endorse the transfer on the reverse thereof,  
and forward it directly to the transferee with your customary  
notice of transfer.

Enclosed is remittance of \$1,000 in payment of your  
transfer fee and in addition thereto we agree to pay to you on  
demand any expenses which may be incurred by you in connection

with this transfer.

Signature Authenticated

Very truly yours

[Bank]: \_\_\_\_\_

[Trustee]: \_\_\_\_\_

By: \_\_\_\_\_  
Its Authorized Officer)

By: \_\_\_\_\_  
Its Authorized Officer

Signature Authenticated

[Bank]: \_\_\_\_\_

[Transferee]: \_\_\_\_\_

By: \_\_\_\_\_  
Its Authorized Officer

By: \_\_\_\_\_  
Its Authorized Officer



ANNEX D

(Letterhead of Trustee)

\_\_\_\_\_, 19\_\_

The Sanwa Bank, Limited  
Boston Branch  
One Financial Place  
Boston, Massachusetts 02111

Attention: Loan Administrator  
Letter of Credit No. 670/259/00083

Ladies and Gentlemen:

We refer to your Letter of Credit No. 670/259/00083 (the "Letter of Credit"). Terms defined in the Letter of Credit shall have the same meanings when used herein. We hereby certify that we are the Trustee or a duly appointed successor trustee under the Resolution.

We hereby notify you that all of the Bonds have been redeemed, retired, discharged or paid in full pursuant to the terms of Section <\_\_\_\_\_> of the General Resolution and that your Letter of Credit No. 670/259/00083 is hereby cancelled. The Original Letter of Credit accompanies this written notice.

Very truly yours,

[Insert name of Beneficiary], as  
Trustee

By: \_\_\_\_\_  
Its authorized officer

ANNEX E

[Letterhead of The Sanwa Bank, Limited]

\_\_\_\_\_, 19\_\_

To: [Name of Beneficiary of Letter of Credit]

Re: The Sanwa Bank, Limited Letter of Credit No. 670/259/00083

Gentlemen:

An Event of Default has occurred under that certain Reimbursement Agreement dated as of October 1, 1991 by The Sanwa Bank, Limited, acting through its Boston Branch, and the Vermont Housing Finance Agency. The undersigned hereby directs you to draw under the Letter of Credit in the full Stated Amount thereof.

Very truly yours,

THE SANWA BANK, LIMITED  
acting through its BOSTON BRANCH

By \_\_\_\_\_

Its \_\_\_\_\_

EXHIBIT B TO REIMBURSEMENT AGREEMENT

THE LOAN LOSS LETTER OF CREDIT

IRREVOCABLE LETTER OF CREDIT

THE SANWA BANK, LIMITED  
BOSTON BRANCH  
ONE FINANCIAL CENTER  
BOSTON, MASSACHUSETTS 02111

November 1, 1991

Letter of Credit No. 670/259/00084

The Howard Bank, N.A., as Trustee  
111 Main Street  
Burlington, Vermont 05401

Attention: William S. Wolff  
Trust Department

Ladies and Gentlemen:

We, The Sanwa Bank, Limited, acting through our Boston Branch (the "Bank"), hereby open our irrevocable Letter of Credit in your favor in the original aggregate amount of \$ \_\_\_\_\_ ( \_\_\_\_\_ Dollars) for the account of Vermont Housing Finance Agency (the "Agency"), One Burlington Square, P.O. Box 408, Burlington, Vermont 05402. Such amount, as reduced in accordance with the provisions of this Letter of Credit, is herein called the "Stated Amount." Of the Stated Amount, the amount of \$ \_\_\_\_\_ shall constitute the "Mortgage Loan Portion" and the amount of \$ \_\_\_\_\_ shall constitute the "Home Improvement Loan Portion."

This Letter of Credit is issued to you as Trustee under the Single Family Housing Bond Resolution adopted by the Agency on September 20, 1990 (the "General Resolution"), the First Supplemental Single Family Housing Bond Resolution adopted by the Agency on September 20, 1990 (the "First Supplemental Resolution") and the Fourth Supplemental Single Family Housing Bond Resolution adopted by the Agency on October \_\_, 1991 (the "Fourth Supplemental Resolution") (the General Resolution, the First Supplemental Resolution, and the Fourth Supplemental Resolution, collectively, the "Resolution"), relating to the \$40,000,000 Vermont Housing Finance Agency Single Family Housing Bonds, Series 2, dated September 1, 1990 (individually a "Bond" and collectively the "Bonds").

Subject to the further provisions of this Letter of Credit, this Letter of Credit is payable against your demands for payment (i) in the form of ANNEX A-1 hereto to the extent of and with respect to the Mortgage Loan Portion (each such demand with respect to the Mortgage Loan Portion, a "Mortgage Loan Drawing") and (ii) in the form of ANNEX A-2 hereto to the extent of and with respect to the Home Improvement Loan Portion (each such demand with respect to the Home Improvement Loan Portion, a "Home Improvement Loan Drawing") with in all cases the amounts and other information inserted therein and executed as contemplated by said ANNEX A-1 in the case of a Mortgage Loan Drawing and ANNEX A-2 in the case of a Home Improvement Loan Drawing. Multiple drawings are permitted under this Letter of Credit and with respect to each of the Mortgage Loan Portion and the Home Improvement Loan Portion. Amounts available under the Mortgage Loan Portion are available only for Mortgage Loan Drawings and amounts available under the Home Improvement Loan Portion are available only for Home Improvement Loan Drawings.

The Stated Amount (and the Mortgage Loan Portion and the Home Improvement Loan Portion thereof) available will be reduced automatically from time to time by the amount of any prior demands made and honored hereunder: (i) the Mortgage Loan Portion by the amount of Mortgage Loan Drawings and (ii) the Home Improvement Loan Portion by the amount of Home Improvement Loan Drawings. Demands for payment hereunder shall not exceed the Stated Amount in effect at the time of such demand, and the aggregate of all demands made and honored hereunder shall not exceed the initial Stated Amount; Mortgage Loan Drawings shall not exceed the Mortgage Loan Portion in effect at the time of such demand, and the aggregate of all Mortgage Loan Drawings made and honored shall not exceed the initial Mortgage Loan Portion; Home Improvement Loan Drawings shall not exceed the Home Improvement Loan Portion in effect at the time of such demand, and the aggregate of all Home Improvement Loan Drawings made and honored shall not exceed the initial Home Improvement Loan Portion.

The Stated Amount, the Mortgage Loan Portion and Home Improvement Loan Portion available may also be reduced from time to time, but no more often than once during any twelve calendar month period, upon the submission to the Bank of an executed certificate in the form of ANNEX B hereto, together with the original of this Letter of Credit; provided that at the time of such submission or reduction no drawing shall be pending hereunder. The Letter of Credit shall be amended by us to indicate such reduction and shall be returned to you in the regular course of our business. In no event shall the Stated Amount be reduced under this paragraph if at the time of such

reduction the Stated Amount is, or as a result of such reduction shall be, less than \$75,000. A reduction pursuant to this paragraph is herein referred to as a "Voluntary Reduction.

"Demand for payment under this Letter of Credit may be made by you prior to the expiration hereof at any time during the Bank's normal business hours at its branch in Boston, Massachusetts on a day (herein called a "Business Day") on which the Bank's Boston branch office is open for the purpose of conducting commercial banking business. Any demand for payment hereunder and all other communications to the Bank relating to this Letter of Credit shall be in writing and addressed and presented to The Sanwa Bank, Limited, Boston Branch, at One Financial Center, Boston, Massachusetts 02111, Attention: Loan Administrator (or at any other office of the Bank as may be designated by us in a written notice to you), and shall make specific reference to this Letter of Credit by number. Provided that a demand for payment conforms to the terms and conditions hereof, payment shall be made to you of the amount demanded, in immediately available funds, not later than 2:00 P.M., Boston time, on the second Business Day after it is received.

This Letter of Credit, including the ANNEXES attached hereto, sets forth in full the terms of our undertaking, and this undertaking shall not in any way be modified, amended or amplified by reference to any document, instrument or agreement referred to herein (except the Uniform Customs hereinafter defined) or in which this Letter of Credit is referred to or to which this Letter of Credit relates and any such reference shall not be deemed to incorporate herein by reference any document, instrument or agreement.

This Letter of Credit is transferable only in its entirety and only to a subsequent Trustee under the Resolution (notwithstanding the provisions of the Uniform Customs, as defined below) and may be successively transferred. No transfer will be recognized until this original Letter of Credit and an executed transfer document in the form of ANNEX C hereto are presented to us along with a transfer fee of \$1,000.

Except as otherwise expressly stated herein, this Letter of Credit is subject to the Uniform Customs and Practice for Documentary Credits (1983 Revision), International Chamber of Commerce Publication No. 400 and any subsequent revisions thereof approved by the International Chamber of Commerce (the "Uniform Customs"). This Letter of Credit shall, as to matters not governed by the Uniform Customs, be governed by and construed in accordance with the laws of The Commonwealth of Massachusetts, without regard to principles of conflicts of law.

This Letter of Credit shall expire on Bank's close of business at its offices in Boston, Massachusetts, on the earliest to occur of: (a) [October 31, 1996]; (b) the date on which the Stated Amount is less than \$75,000 immediately following a Voluntary Reduction; or (c) five days after the date on which the Bank shall have received written notice in the form of ANNEX D hereto from you.

Very truly yours,

THE SANWA BANK, LIMITED  
acting through its BOSTON BRANCH

By \_\_\_\_\_  
Its \_\_\_\_\_

ANNEX A-1

(Letterhead of Trustee)

\_\_\_\_\_, 19\_\_

The Sanwa Bank, Limited  
Boston Branch  
One Financial Center  
Boston, Massachusetts 02111

Attention: Loan Administrator  
Letter of Credit No. 670/259/00084

Ladies and Gentlemen:

We refer to your Letter of Credit No. 670/259/00084 (the "Letter of Credit"). Terms defined in the Letter of Credit have the same meanings when used herein and capitalized terms not defined herein or in the Letter of Credit have the meanings given to them in the Reimbursement Agreement between you and the Vermont Housing Finance Agency, dated as of October 1, 1991 (the "Reimbursement Agreement").

1. We are the Trustee or a duly appointed successor Trustee under the Resolution. As Trustee, in trust for the holders of the Bonds described below, we hereby make demand for payment under the Letter of Credit with respect to the Mortgage Loan Portion thereof. This is a Mortgage Loan Drawing. The undersigned as Trustee is entitled to make this drawing pursuant to the Letter of Credit and the Resolution.

2. [If a notice has, as of the date of this certificate, been received by the Trustee in the form of ANNEX E to the Letter of Credit: The amount for which payment is hereby demanded is \$\_\_\_\_\_ (the "Drawing Amount"). [Include only the sentence of the following two which is appropriate: (In connection with a Loan Loss Claim Fund Withdrawal pursuant to Section 302(B) of the Fourth Supplemental Resolution to be made upon the date hereof, the amount of cash, Investment Obligations, and Additional Security (as such term is defined in the Reimbursement Agreement), other than the Letter of Credit, on deposit in the Series 2 Loan Loss Claim Fund is less than the said Loan Loss Claim Fund Withdrawal to be made therefrom.) or (The conditions described in Section [302(C)] of the Fourth Supplemental Resolution have occurred and the amount on deposit in or held for or available to (pursuant to the terms of the Resolution), and after giving effect to available

11/14/68

drawings under the Contingency Letter of Credit, as such term is defined in the Reimbursement Agreement hereinabove referenced (to the extent permitted to be made under the Fourth Supplemental Resolution), the credit of the Series 2 Contingency Account is insufficient for the purposes of such account. ~~X~~ The Drawing Amount is equal to the amount of the deficiency described in the preceding sentence after taking into account funding by the Agency pursuant to Section 302(D) of the Fourth Supplemental Resolution.]

OR

[If a notice has, as of the date of this certificate, been received by the Trustee in the form of ANNEX E to the Letter of Credit: The amount for which payment is hereby demand is \$\_\_\_\_\_ (the "Drawing Amount").]

3. No part of the proceeds of the drawing hereunder shall be utilized for the purposes of funding, in whole or in part, a redemption or purchase of Series 2 Tender Bonds or bonds of any other series authorized pursuant to the General Resolution or any other payment with respect to all such bonds of such other series, except as otherwise provided in the Resolution.

4. The amount of this demand does not exceed the Mortgage Loan Portion of the Stated Amount of the Letter of Credit on the date hereof and (i) together with all prior Mortgage Loan Drawings and Home Improvement Loan Drawings heretofore honored by you, does not exceed the initial Stated Amount of the Letter of Credit and (ii) together with all Mortgage Loan Drawings heretofore honored by you, does not exceed the initial Mortgage Loan Portion of the Letter of Credit.

5. Upon receipt of the amount demanded under this Letter of Credit, we will immediately deposit amounts drawn hereunder in accordance with the ~~First Supplemental~~ Resolution.

Please [deposit] [wire transfer] the amount hereby demanded [in our account number \_\_\_\_\_ with \_\_\_\_\_] [to our account # \_\_\_\_\_ at \_\_\_\_\_].

TRUSTEE: \_\_\_\_\_

By \_\_\_\_\_  
Its authorized officer



ANNEX A-2

(Letterhead of Trustee)

\_\_\_\_\_, 19\_\_

The Sanwa Bank, Limited  
Boston Branch  
One Financial Center  
Boston, Massachusetts 02111

Attention: Loan Administrator  
Letter of Credit No. 670/259/00084

Ladies and Gentlemen:

We refer to your Letter of Credit No. 670/259/00084 (the "Letter of Credit"). Terms defined in the Letter of Credit have the same meanings when used herein. "Loan Loss Claim Fund Withdrawal", "Series 1 Home Improvement Loan Loss Claim Fund", "Series 1 Contingency Account" and "Series 1 Tender Bonds" when used herein have the meanings ascribed to those terms in the First Supplemental Resolution.

1. We are the Trustee or a duly appointed successor Trustee under the Resolution. As Trustee, in trust for the holders of the Bonds described below, we hereby make demand for payment under the Letter of Credit with respect to the Home Improvement Loan Portion thereof. This is a Home Improvement Loan Drawing. The undersigned as Trustee is entitled to make this drawing pursuant to the Letter of Credit and the Resolution.

2. [If a notice has not, as of the date of this certificate, been received by the Trustee in the form of ANNEX E to the Letter of Credit: The amount for which payment is hereby demanded is \$\_\_\_\_\_ (the "Drawing Amount"). [Include only the sentence of the following two which is appropriate: (In connection with a Loan Loss Claim Fund Withdrawal pursuant to Section 303(B) of the First Supplemental Resolution to be made upon the date hereof, the amount of cash, Investment Obligations and Additional Security (as such term is defined in the Reimbursement Agreement dated as of September 20, 1990 between the Agency and the Bank), other than the Letter of Credit, on deposit in the Series 1 Home Improvement Loan Loss Claim Fund, plus all amounts which are otherwise available therefor pursuant to the Resolution, is less than the said Loan Loss Claim Fund Withdrawal to be made therefrom.) or (The conditions described in Section [303(C)] of the First Supplemental Resolution have occurred and the amount on deposit in or held for or available to (pursuant to the

Order B8A

terms of the Resolution), and after giving effect to available drawings under the Contingency Letter of Credit (as such term is defined in the aforesaid Reimbursement Agreement) and available drawings under the Mortgage Loan Loss Portion of the Letter of Credit (in both cases to the extent permitted to be made under the Fourth Supplemental Resolution), the credit of the Series 2 Contingency Account is insufficient for the purposes of said account. The Drawing Amount is equal to the amount of the deficiency described in the preceding sentence.

OR

[If a notice has, as of the date of this certificate, been received by the Trustee in the form of ANNEX E to the Letter of Credit: The amount for which payment is hereby demanded is \$\_\_\_\_\_ (the "Drawing Amount").]

3. No part of the proceeds of the drawing hereunder shall be utilized for the purposes of funding, in whole or in part, a redemption or purchase of Series 2 Tender Bonds or bonds of any other series authorized pursuant to the General Resolution or any other payment with respect to all such bonds of such other series, except as otherwise provided in the Resolution.

4. The amount of this demand does not exceed the Home Improvement Loan Portion of the Stated Amount of the Letter of Credit on the date hereof and, (i) together with all prior Mortgage Loan Drawings and Home Improvement Loan Drawings heretofore honored by you, does not exceed the initial Stated Amount of the Letter of Credit and (ii) together with all Home Improvement Loan Drawings heretofore honored by you, does not exceed the initial Home Improvement Loan Portion of the Letter of Credit.

5. Upon receipt of the amount demanded under this Letter of Credit, we will immediately deposit amounts drawn hereunder in accordance with the ~~First Supplemental~~ Resolution.

Please [deposit] [wire transfer] the amount hereby demanded [in our account number \_\_\_\_\_ with \_\_\_\_\_] [to our account # \_\_\_\_\_ at \_\_\_\_\_].

TRUSTEE: \_\_\_\_\_

By \_\_\_\_\_  
Its authorized officer

ANNEX B

(Letterhead of Trustee)

\_\_\_\_\_, 19\_\_\_\_.

The Sanwa Bank, Limited  
Boston Branch  
One Financial Center  
Boston, Massachusetts 02111

Attention: Loan Administrator  
Letter of Credit No. 670/259/00084

Ladies and Gentlemen:

We refer to your Letter of Credit No. 670/259/00084 (the "Letter of Credit"). Terms defined in the Letter of Credit have the same meanings when used herein.

1. We are the Trustee or a duly appointed successor Trustee under the Resolution.

2. In accordance with the Letter of Credit, we hereby submit to you a request that the Stated Amount of the Letter of Credit be reduced to \_\_\_\_\_ (\$\_\_\_\_\_) DOLLARS [include only the clause or clauses which is or are applicable: (the Mortgage Loan Portion thereof to be reduced to \_\_\_\_\_ (\$\_\_\_\_\_) DOLLARS) and/or (the Home Improvement Loan Portion thereof to be reduced to \_\_\_\_\_ (\$\_\_\_\_\_) DOLLARS)]. Said reduction is to be effective as of \_\_\_\_\_, 19\_\_\_\_ which date is no less than five (5) Business Days nor more than ten (10) Business Days after the date of this certificate.

3. At the date hereof no drawing is pending under the Letter of Credit.

4. The original of the Letter of Credit accompanies this certificate.

TRUSTEE: \_\_\_\_\_

By \_\_\_\_\_  
Its authorized officer

ANNEX C

(Letterhead of Trustee)

\_\_\_\_\_, 19\_\_

The Sanwa Bank, Limited  
Boston Branch  
One Financial Center  
Boston, Massachusetts 02111

Attention: Loan Administrator  
Letter of Credit No. 670/259/00084

Ladies and Gentlemen:

For value received, the undersigned beneficiary hereby  
irrevocably transfers to:

\_\_\_\_\_  
(Name of Transferee Beneficiary)

\_\_\_\_\_  
(Address)

all rights of the undersigned beneficiary to draw under the  
above Letter of Credit in its entirety. The undersigned  
represents and warrants to you that the above-named transferee  
is the duly appointed successor trustee under the Resolution.

By this transfer, all rights of the undersigned beneficiary  
in such Letter of Credit are transferred to the transferee and  
the transferee shall have the sole rights as beneficiary  
thereof, including sole rights relating to any amendments,  
whether increases or extensions or other amendments and whether  
now existing or hereafter made. All amendments are to be  
advised directly to the transferee without necessity of any  
consent of or notice to the undersigned beneficiary.

The original of said Letter of Credit is returned herewith,  
and we ask you to endorse the transfer on the reverse thereof,  
and forward it directly to the transferee with your customary  
notice of transfer.

Enclosed is remittance of \$1,000 in payment of your  
transfer fee and in addition thereto we agree to pay to you on

demand any expenses which may be incurred by you in connection with this transfer.

Signature Authenticated

Very truly yours

[Bank]: \_\_\_\_\_

[Trustee]: \_\_\_\_\_

By: \_\_\_\_\_  
Its Authorized Officer)

By: \_\_\_\_\_  
Its Authorized Officer

Signature Authenticated

[Bank]: \_\_\_\_\_

[Transferee]: \_\_\_\_\_

By: \_\_\_\_\_  
Its Authorized Officer

By: \_\_\_\_\_  
Its Authorized Officer

ANNEX D

(Letterhead of Trustee)

\_\_\_\_\_, 19\_\_

The Sanwa Bank, Limited  
Boston Branch  
One Financial Place  
Boston, Massachusetts 02111

Attention: Loan Administrator  
Letter of Credit No. 670/259/00084

Ladies and Gentlemen:

We refer to your Letter of Credit No. 670/259/00084 (the "Letter of Credit"). Terms defined in the Letter of Credit shall have the same meanings when used herein. We hereby certify that we are the Trustee or a duly appointed successor trustee under the Resolution.

We hereby notify you that all of the Bonds have been redeemed, retired, discharged or paid in full pursuant to the terms of Section <\_\_\_\_> of the General Resolution and that your Letter of Credit No. 670/259/00084 is hereby cancelled. The Original Letter of Credit accompanies this written notice.

Very truly yours,

[Insert name of Beneficiary], as  
Trustee

By: \_\_\_\_\_  
Its authorized officer

ANNEX E

[Letterhead of The Sanwa Bank, Limited]

\_\_\_\_\_, 19\_\_\_\_

To: [Name of Beneficiary of Letter of Credit]

Re: The Sanwa Bank, Limited Letter of Credit No. 670/259/00084

Ladies and Gentlemen:

An Event of Default has occurred under that certain Reimbursement Agreement dated as of October 1, 1991 by The Sanwa Bank Limited, acting through its Boston Branch, and the Vermont Housing Finance Agency. The undersigned hereby directs you to draw on the Letter of Credit in the full Stated Amount thereof.

Very truly yours,

THE SANWA BANK, LIMITED,  
acting through its BOSTON BRANCH

By \_\_\_\_\_

Its \_\_\_\_\_

8260x

EXHIBIT C TO REIMBURSEMENT AGREEMENT

VERMONT HOUSING FINANCE AGENCY

PROMISSORY NOTE

November 1, 1991  
Boston, Massachusetts

FOR VALUE RECEIVED, the VERMONT HOUSING FINANCE AGENCY (the Agency") hereby promises to pay to THE SANWA BANK, LIMITED (the "Bank"), or order, at the branch office of the Bank in Boston, Massachusetts, now located at One Financial Center, Boston, MA, or at such other place as to which the Bank shall give written notice to the undersigned, the sum of \_\_\_\_\_

Dollars (\$\_\_\_\_\_), or if less the aggregate principal amount of all payments made by the Bank in honoring that certain Contingency Letter of Credit (as such term is defined below) issued by the Bank pursuant to the Reimbursement Agreement (as such term is defined below) (each such payment is hereinafter referred to as an "Advance"), as shown in the Schedule attached hereto (the "Note Schedule"), together with interest on the principal amount of each Advance, at a fluctuating rate per annum equal to the Prime Rate (as such term is defined below). The principal amount of each Advance as shown on the Note Schedule shall be payable in eight equal quarterly installments of principal (each installment to be equal to 1/8th of the principal amount of such Advance) on the first day of each December, March, June and September commencing on the first of such dates occurring after the date of the Advance as shown on the Note Schedule, and interest with respect to such principal amount shall be payable in arrears on the same day as principal is due. In any event the amount of each Advance shall be paid in full on the Maturity Date of the Advance as shown on the Note Schedule and all amounts remaining unpaid hereunder shall be paid in full on September 1, 1998. Interest shall be computed on the basis of a 360-day year and paid for the actual number of days elapsed. All payments shall be made in lawful currency of the United States of America in immediately available funds.

Overdue payments of principal (whether at stated maturity, by acceleration or otherwise), and, to the extent permitted by law, overdue interest, shall bear interest, payable on demand and compounded monthly, at a rate per annum equal to three Percent (3%) above the Prime Rate. The term "Prime Rate" shall mean the rate of interest announced from time to time by the Bank as its Prime Rate. The interest rate on this Note shall change as the Prime Rate changes, and any change in such interest rate resulting from a change in the Prime Rate shall



become effective as of the beginning of the day during which such change in the Prime Rate occurs.

The undersigned may prepay all or any part of the principal amount of this Note at any time without premium or penalty. All such prepayments will be applied to installments due in the inverse order of their maturity.

This Note is issued pursuant to, and entitled to the benefits of, and is subject to, the provisions of, and is referred to as the Contingency Note in, that certain Reimbursement Agreement dated as of October 1, 1991 by and between the undersigned and the Bank (herein, as the same may from time to time be amended or extended, referred to as the "Reimbursement Agreement"), but neither this reference to the Reimbursement Agreement nor any provision thereof shall affect or impair the absolute and unconditional obligation of the undersigned maker of this Note to pay the principal of and interest on this Note as herein provided.

In case an Event of Default (as defined in the Reimbursement Agreement) shall occur, the aggregate unpaid principal of and accrued interest on this Note may become or may be declared to be due and payable in the manner and with the effect provided in the Reimbursement Agreement.

It is hereby certified that every requirement of law relating to the issue hereof has been duly complied with and that this Note is within every debt and other limit prescribed by law or by the Agency. This Note is a general obligation of the Agency payable out of any revenues or moneys of the Agency, including its general funds, subject only to any agreement with the holders of particular notes or bonds pledging any particular revenues or monies of the Agency. Neither the State of Vermont nor any political subdivision thereof shall be liable on this Note, and this Note shall not be a debt or a liability or obligation of the State of Vermont or any political subdivision thereof or a pledge of the faith and credit of the State of Vermont or of any political subdivision. No member, officer, agent or employee of the Agency shall be liable personally on this Note by reason of the issuance thereof.

The parties hereunder, including, to the extent permitted by law, the undersigned, hereby waive presentment, demand, notice of dishonor, protest and all other demands and notices in connection with the delivery, acceptance, performance and enforcement of this Note.

Notwithstanding any payment or prepayment of this Note, this Note and the obligations of the Agency hereunder shall remain in full force and effect and shall not be deemed to be

terminated or discharged as long as the Contingency Letter of Credit referenced above has not been terminated or the Agency remains liable with respect to Advances under the Agreement.

The undersigned agrees to pay all charges of the Bank in connection with the collection or enforcement of this Note, including reasonable attorneys' fees.

This instrument shall have the effect of an instrument executed under seal.

VERMONT HOUSING FINANCE AGENCY

By \_\_\_\_\_  
Its Authorized \_\_\_\_\_

NOTE SCHEDULE TO PROMISSORY NOTE IN THE ORIGINAL FACE  
PRINCIPAL AMOUNT OF \$\_\_\_\_\_  
MADE BY VERMONT HOUSING FINANCE AGENCY  
DATED NOVEMBER 1, 1991

<u>Date of Advance</u>	<u>Principal Amount of Advance</u>	<u>Maturity Date</u>	<u>Date and Amount of Principal Payment Received</u>	<u>Notation made by</u>
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EXHIBIT D TO REIMBURSEMENT AGREEMENT

VERMONT HOUSING FINANCE AGENCY

PROMISSORY NOTE

November 1, 1991  
Boston, Massachusetts

FOR VALUE RECEIVED, the VERMONT HOUSING FINANCE AGENCY (the Agency") hereby promises to pay to THE SANWA BANK, LIMITED (the "Bank"), or order, at the branch office of the Bank in Boston, Massachusetts, now located at One Financial Center, Boston, MA, or at such other place as to which the Bank shall give written notice to the undersigned, the sum of \_\_\_\_\_

Dollars (\$\_\_\_\_\_), or if less the aggregate principal amount of all payments made by the Bank in honoring that certain Loan Loss Letter of Credit (as such term is defined below) issued by the Bank pursuant to the Reimbursement Agreement (as such term is defined below) (each such payment is hereinafter referred to as an "Advance"), as shown in the Schedule attached hereto (the "Note Schedule"), together with interest on the principal amount of each Advance, at a fluctuating rate per annum equal to the Prime Rate (as such term is defined below). The principal amount of each Advance as shown on the Note Schedule shall be payable in eight equal quarterly installments of principal (each installment to be equal to 1/8th of the principal amount of such Advance) on the first day of each December, March, June and September commencing on the first of such dates occurring after the date of the Advance as shown on the Note Schedule, and interest with respect to such principal amount shall be payable in arrears on the same day as principal is due. In any event the amount of each Advance shall be paid in full on the Maturity Date of the Advance as shown on the Note Schedule and all amounts remaining unpaid hereunder shall be paid in full on September 1, 1998. Interest shall be computed on the basis of a 360-day year and paid for the actual number of days elapsed. All payments shall be made in lawful currency of the United States of America in immediately available funds.

Overdue payments of principal (whether at stated maturity, by acceleration or otherwise), and, to the extent permitted by law, overdue interest, shall bear interest, payable on demand and compounded monthly, at a rate per annum equal to three Percent (3%) above the Prime Rate. The term "Prime Rate" shall mean the rate of interest announced from time to time by the Bank as its Prime Rate. The interest rate on this Note shall change as the Prime Rate changes, and any change in such interest rate resulting from a change in the Prime Rate shall

become effective as of the beginning of the day during which such change in the Prime Rate occurs.

The undersigned may prepay all or any part of the principal amount of this Note at any time without premium or penalty. All such prepayments will be applied to installments due in the inverse order of their maturity.

This Note is issued pursuant to, and entitled to the benefits of, and is subject to, the provisions of, and is referred to as the Loan Loss Note in, that certain Reimbursement Agreement dated as of October 1, 1991 by and between the undersigned and the Bank (herein, as the same may from time to time be amended or extended, referred to as the "Reimbursement Agreement"), but neither this reference to the Reimbursement Agreement nor any provision thereof shall affect or impair the absolute and unconditional obligation of the undersigned maker of this Note to pay the principal of and interest on this Note as herein provided.

In case an Event of Default (as defined in the Reimbursement Agreement) shall occur, the aggregate unpaid principal of and accrued interest on this Note may become or may be declared to be due and payable in the manner and with the effect provided in the Reimbursement Agreement.

It is hereby certified that every requirement of law relating to the issue hereof has been duly complied with and that this Note is within every debt and other limit prescribed by law or by the Agency. This Note is a general obligation of the Agency payable out of any revenues or moneys of the Agency, including its general funds, subject only to any agreement with the holders of particular notes or bonds pledging any particular revenues or monies of the Agency. Neither the State of Vermont nor any political subdivision thereof shall be liable on this Note, and this Note shall not be a debt or a liability or obligation of the State of Vermont or any political subdivision thereof or a pledge of the faith and credit of the State of Vermont or of any political subdivision. No member, officer, agent or employee of the Agency shall be liable personally on this Note by reason of the issuance thereof.

The parties hereunder, including, to the extent permitted by law, the undersigned, hereby waive presentment, demand, notice of dishonor, protest and all other demands and notices in connection with the delivery, acceptance, performance and enforcement of this Note.

Notwithstanding any payment or prepayment of this Note, this Note and the obligations of the Agency hereunder shall remain in full force and effect and shall not be deemed to be

terminated or discharged as long as the Loan Loss Letter of Credit referenced above has not been terminated or the Agency remains liable with respect to Advances under the Agreement.

The undersigned agrees to pay all charges of the Bank in connection with the collection or enforcement of this Note, including reasonable attorneys' fees.

This instrument shall have the effect of an instrument executed under seal.

VERMONT HOUSING FINANCE AGENCY

By \_\_\_\_\_  
Its Authorized \_\_\_\_\_

Rider 5A

(i) the amount on deposit and available therefor in all Funds and Accounts under the Resolution (other than amounts available under the Contingency Letter of Credit and amounts on deposit in or held for the credit of the Series 2 Loan Loss Claim Fund and the Series 2 Home Improvement Loan Loss Claim Fund), after consideration of any other amounts deposited in the Revenue Fund pursuant to Section 305(A) of the Fourth Supplemental Resolution and pursuant to Section 305 of the First Supplemental Resolution, is insufficient to pay the Principal Amount of any Series 1 Bonds or Series 2 Bonds to be redeemed at any time pursuant to Section 509(C) of the Resolution and Section 204(C) of the First Supplemental Resolution or Section 204(D) of the Second Supplemental Resolution and the Principal Installments and interest otherwise due on such Bonds on the redemption date of such Bonds or (ii) the Agency fails to provide an extension of the Contingency Letter of Credit or substitute therefor in accordance with Section 305(E) of the Fourth Supplemental Resolution.

Rider 6A

or (iii) with respect to the Mortgage Loan Portion or the Home Improvement Loan Portion, if the Agency fails to provide an extension of the Loan Loss Letter of Credit or substitute therefor allocable to either the Mortgage Loan Portion or the Home Improvement Loan Portion in accordance with Section 302(I) or Section 303(I), respectively, of the Fourth Supplemental Resolution.

Rider A-5A

Pursuant to Section 305(E) of the Fourth Supplemental Resolution, the Agency has failed to deposit an extension of the Letter of Credit or substitute therefor in the Series 2 Contingency Account and the Letter of Credit shall expire on \_\_\_\_\_, which is not less than three Business Days from the date hereof.

OR

Rider B-6A

or (Pursuant to Section 302(I) of the Fourth Supplemental Resolution, the Agency has failed to deposit an extension to the Letter of Credit or substitute therefor in the Series 2 Loan Loss Claim Fund and the Letter of Credit shall expire on \_\_\_\_\_, which is not less than three Business Days from the date hereof.)

Rider B-8A

or (Pursuant to Section 303(I) of the Fourth Supplemental Resolution, the Agency has failed to deposit an extension to the Letter of Credit or substitute therefor in the Series 2 Home Improvement Loan Loss Claim Fund and the Letter of Credit shall expire on \_\_\_\_\_, which is not less than three Business Days from the date hereof.)



## SUPPLEMENTAL REMARKETING AGREEMENT

This Supplemental Remarketing Agreement (the "Supplemental Agreement") dated as of October \_\_, 1991 among the Vermont Housing Finance Agency (the "Agency"), and PaineWebber Incorporated, Bear, Stearns & Co., Inc., Goldman Sachs & Co., Lehman Brothers and the First National Bank of Boston (collectively, the "Agent"), acting jointly and severally, for whom PaineWebber Incorporated is the authorized representative, supplements the Remarketing Agreement dated as of May 23, 1991 among the Agency and the Agent, each relating to the Agency's \$40,000,000 Single Family Housing Bonds, Series 2, dated September 1, 1990 (the "Bonds" or the "Series 2 Bonds"). Capitalized terms not otherwise defined herein shall have the meanings set forth in the Fourth Supplemental Resolution (as hereinafter defined).

### A. REPRESENTATIONS AND AGREEMENTS RELATING TO THE CONVERSION OF THE SERIES 2 ON THE CONVERSION DATE.

1. Representations and Warranties of the Agency.  
The Agency represents and warrants to the Agent that:

(a) The Agency has furnished to the Agent for use in remarketing the Bonds on or prior to the Conversion Date the Agency's Preliminary Reoffering Memorandum dated September 30, 1991 (the "Preliminary Reoffering Memorandum"). The Agency ratifies the use-by the Agent, prior to the date hereof, of the Preliminary Reoffering Memorandum in connection with the public offering of the Converted Option Bonds.

(b) Since the date of the Agency's most recent statement of financial condition, there has not occurred any material adverse change in the financial condition or general affairs of the Agency, except as set forth in or contemplated by the Reoffering Memorandum.

(c) Both as of the date of the Reoffering Memorandum and at all times subsequent thereto up to and including a date 25 days following the "End of the Underwriting Period" (hereinafter defined in Section C6) (i) the statements and information contained in the Reoffering Memorandum (hereinafter defined) (other than the public offering prices or yields of the Bonds shown on the cover of the Reoffering Memorandum, the stabilization clause on the inside front cover thereof, the information under the caption "Remarketing" and any other statements and information therein furnished in writing to the Agency by the Agent and statements and information relating to the book entry system) are and will be true, correct and

complete in all material respects, and (ii) the Reoffering Memorandum does not and will not omit any statement or information that is necessary to make the statements and information therein (other than the public offering prices or yields of the Bonds shown on the cover of the Reoffering Memorandum, or the stabilization clause on the inside front cover thereof, or the information under the caption "Remarketing"), in the light of the circumstances under which they were made, not misleading in any material respect.

(d) Between the date of this Supplemental Agreement and the Conversion Date, the Agency will not, without the prior consent of the Agent, issue any bonds, notes or other obligations for borrowed money except for such borrowings as may be described in or contemplated by the Reoffering Memorandum, and, except in the ordinary course of its business of conducting its programs as described in or contemplated by the Reoffering Memorandum and except as otherwise described in or contemplated by the Reoffering Memorandum, will not incur any liabilities, direct or contingent, and there will not have been any adverse change of a material nature in the financial position or in the results of operations of the Agency as disclosed in the Reoffering Memorandum.

(e) The adoption by the Agency of the Fourth Supplemental Single Family Housing Bond Resolution, adopted on October \_\_, 1991 (the "Fourth Supplemental Resolution"), the execution of the Commitment Agreements, the Purchase and Servicing Agreements, the Series 2 Reimbursement Agreement and this Supplemental Agreement, and compliance with the terms and provisions thereof and hereof, under the circumstances contemplated thereby and hereby, do not and will not in any material respect conflict with the by-laws of the Agency or any existing law, court order or consent decree to which the Agency is subject, and, such execution, delivery and compliance does not and will not constitute on the part of the Agency a breach or default under any agreement or other instrument to which the Agency is a party.

## 2. Certain Agreements of the Agency.

The Agency agrees with the Agent that:

(a) The Agency will at its expense, within five (5) business days after the date hereof, furnish the Agent such number of copies of the Reoffering Memorandum as the Agent may reasonably request. The Reoffering Memorandum will be substantially in the form of the Preliminary Reoffering Memorandum, with only such changes as have been approved by the Agent, and will be executed by the Executive Director of the Agency (such Reoffering

Memorandum, including the cover page and all appendices attached thereto being herein called the "Reoffering Memorandum," except that if the Reoffering Memorandum has been amended with the Agent's approval between the date thereof and the Conversion Date, the term "Reoffering Memorandum " shall refer to the Reoffering Memorandum as so amended). As soon as practicable after receipt thereof, the Agent shall deliver the Reoffering Memorandum and any supplement or amendment thereto, to a nationally recognized municipal securities information repository. You authorize the use of copies of the Reoffering Memorandum and the Resolution in connection with the public offering of the Converted Option Bonds.

(b) If between the date of this Supplemental Agreement and a date 25 days following the End of the Underwriting Period (i) any event shall occur or any pre-existing fact or condition shall become known which might or would cause the Reoffering Memorandum, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Agency shall promptly notify the Agent thereof, and (ii) if in the reasonable opinion of the Agent, such event, fact or condition requires the preparation and publication of a supplement or amendment to the Reoffering Memorandum, the Agency will supplement or amend the Reoffering Memorandum so that the Reoffering Memorandum as so supplemented or amended will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that any such amendment or supplement shall be subject to the approval of the Agent and its counsel. The Agency will furnish to the Agent such number of copies of the Reoffering Memorandum, as so amended, or such supplement, as the Agent may reasonably request.

(c) Prior to or simultaneously with the execution of this Supplemental Agreement, the Agency shall cause to be delivered to the Agent from KPMG Peat Marwick a letter substantially in the form set forth in Exhibit A hereto.

### 3. Remarketing.

(a) In the event that there shall have occurred any outbreak or escalation of hostilities or other national or international calamity or crisis, the effect of such

outbreak, escalation, calamity or crisis on the financial markets of the United States being such as, in the reasonable opinion of the Agent, would affect materially and adversely the ability of the Agent to remarket the Bonds; or there shall be in force a general suspension of trading on the New York Stock Exchange or minimum or maximum prices for trading shall have been fixed and be in force, or maximum ranges for prices for securities shall have been required and be in force on the New York Stock Exchange, whether by virtue of a determination by that Exchange or by order of the Securities and Exchange Commission or any other governmental authority having jurisdiction; or legislation shall be introduced in or enacted by the Congress of the United States or enacted by the State of Vermont, or shall have been reported out of committee of either body of the Congress of the United States or be pending in committee of either body or be reported out of or pending in a joint committee of Congress or legislation pending in the Congress of the United States shall be amended, or a decision shall be rendered by a court of the United States or the State of Vermont, including the Tax Court of the United States, or a ruling shall be made or a regulation shall be proposed or made or a press release or other form of notice shall be issued by the Treasury Department of the United States or the Internal Revenue Service or other federal or Vermont authority having jurisdiction, with respect to federal or Vermont taxation upon revenues or other income of the general character to be derived by the Agency or by any similar body, or upon interest on obligations of the general character of the Bonds, that may have the purpose or effect, directly or indirectly, of changing the federal income tax consequences or Vermont tax consequences of any of the transactions contemplated in connection herewith, and that, in the reasonable opinion of the Agent, affects materially and adversely the market for, or sale of, the Converted Option Bonds by the Agent at the contemplated offering prices or yields; or any event shall have occurred, or any condition shall exist that, in the reasonable opinion of the Agent, either (A) makes untrue or incorrect in any material respect any statement or information contained in the Reoffering Memorandum or (B) is not reflected in the Reoffering Memorandum but should be reflected therein to make the statements and information contained therein not misleading in any material respect; or a general banking moratorium shall have been declared by federal or New York or Vermont authorities having jurisdiction and be in force; or there shall be established any new restriction on transactions in securities materially adversely affecting the market for the Bonds or

any securities of the general character of the Bonds (including the imposition of any limitation on interest rates) or the extension of credit by, or the charge to the net capital requirements of underwriters established by the New York Stock Exchange, the Securities and Exchange Commission, any other Federal or state agency or the Congress of the United States, or by Executive Order that, in the reasonable judgment of the Agent, would materially adversely affect the market price of the Bonds or the marketability of the Bonds which in the Agent's judgment makes it impracticable or inadvisable to proceed with solicitation of offers to purchase the Series 2 Bonds; or any actual or proposed decision, rule or regulation of the Securities and Exchange Commission or other governmental agency or court shall have been made or issued that would make the Bonds or securities of the general character of the Bonds subject to the registration requirements of the Securities Act of 1933 or require the qualification of the Resolution under the Trust Indenture Act of 1939, as amended; or there shall have occurred any of the events contemplated by Section 2(a), whether the Agent learns thereof from the Agency or otherwise, and so long as such situation continues to exist, the Agent shall have the right to suspend its efforts to solicit offers to purchase the Series 2 Bonds.

(b) As compensation for its services hereunder, the Agency shall pay to the Agent on the Conversion Date a fee equal to \$\_\_\_\_\_. The Agency shall pay any expenses incident to the performance of its obligations hereunder including but not limited to: (i) the fees and disbursements of Bond Counsel; (ii) the cost of preparing and printing the Preliminary Reoffering Memorandum and the Reoffering Memorandum; (iii) the fees of rating agencies; and (iv) the fees and disbursements of any other counsel, experts or consultants retained by the Agency. The Agent shall pay: (i) all advertising expenses in connection with the public offering of the Converted Option Bonds; (ii) the cost of preparing the Blue Sky Memorandum and this Supplemental Agreement; (iii) all other expenses incurred by them or any of them in connection with their public offering and distribution of the Converted Option Bonds, including the fees and disbursements of counsel retained by them; and (iv) all expenses incurred by them in connection with their performance in the capacity of Agent for the Converted Option Bonds.

4. Documents to be delivered at or prior to the Conversion Date. At or prior to the Conversion Date, the Agent shall receive the following documents:

(a) the opinion of Bond Counsel dated the Conversion Date, in substantially the form included as Appendix VI to the Reoffering Memorandum as to compliance with the Second Supplemental Resolution and confirmation of opinion dated September 27, 1990;

(b) the opinion of Bond Counsel, dated the Conversion Date and addressed to the Agent, to the effect that adoption of the Fourth Supplemental Resolution and the remarketing of the Bonds pursuant to the terms of the Resolution do not constitute a "reissuance" of the Bonds for federal income tax purposes;

(c) the opinion of Bond Counsel, dated the Conversion Date, addressed to the Agency and to the Agent, to the effect that (i) this Supplemental Agreement has been duly authorized, executed and delivered by the Agency and, assuming due authorization, execution and delivery by the Agent, constitutes a binding agreement of the Agency in accordance with its terms; (ii) the Agency has duly approved the Reoffering Memorandum and has duly ratified the distribution of the Preliminary Reoffering Memorandum; (iii) the statements contained in the Reoffering Memorandum under the headings entitled: "Introductory Statement" (except for the fifth sentence of the second paragraph), "The Agency" (as to the subheading "Purpose and Powers" only), "Single Family Mortgage Purchase Program" (as to the first paragraph only under the subheading "Mortgage Insurance Requirements"), "Security for the Bonds", "The Series 2 Bonds", "Book-Entry System" (insofar as such statements purport to summarize certain provisions of the Resolution), "Summary of Certain Provisions of the General Resolution," "Pledge and Agreement of the State," "Tax Exemption," "Certain Federal Income Tax Matters" and Appendix IV - "Definitions of Certain Terms" are correct and do not omit any matter that, in their opinion, should be included or referred to therein and that is not included elsewhere in the Reoffering Memorandum; (iv) the Resolution and the Series 2 Bonds conform as to form and tenor with the terms and provisions thereof as summarized and set out in the Reoffering Memorandum; (v) based upon the examinations that they have made as Bond Counsel, and without having undertaken to determine independently the accuracy or completeness of the statements contained in the Reoffering Memorandum, nothing has come to their attention that would lead them to believe that the Reoffering Memorandum contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under

which they were made, not misleading, it being understood that in rendering such opinion Bond Counsel is not required to express an opinion with respect to financial statements and other financial and statistical data included in the Reoffering Memorandum, or in the second paragraph of the inside front cover of the Reoffering Memorandum or in the second paragraph of the inside front cover of the Reoffering Memorandum; (vi) under existing laws, the Converted Option Bonds may be offered and sold without registration under the Securities Act of 1933, as amended, and the Fourth Supplemental Resolution is not required to be qualified under the Trust Indenture Act of 1939, as amended; and (vii) under existing law, the adjustment of the interest rate on all or a portion of the Converted Option Bonds in accordance with the provisions of the Fourth Supplemental Resolution would not constitute a "reissuance" of the Bonds for federal income tax purposes;

(d) the opinion of Glenn A. Jarrett, General Counsel of the Agency, dated the Conversion Date and addressed to the Agency and the Agent, to the effect that, with respect to matters of Vermont law only, (i) the Agency is a body politic and corporate of the State of Vermont, duly organized, validly existing and in good standing under the laws of the State of Vermont and has the power to enter into the transactions contemplated by the Reoffering Memorandum; (ii) this Supplemental Agreement, the Commitment Agreements and the Purchase and Servicing Agreements have been duly authorized, executed and delivered by the Agency and, assuming due authorization, execution and delivery by the other parties to the same, constitute binding agreements of the Agency in accordance with their terms; (iii) the Agency has duly approved the Reoffering Memorandum and has duly ratified the distribution of the Preliminary Reoffering Memorandum; (iv) the information in the Reoffering Memorandum with respect to the Commitment Agreements and the Purchase and Servicing Agreements is correct and does not omit any statement that, in his opinion, should be included or referred to therein, and the Commitment Agreements and the Purchase and Servicing Agreements conform as to form and tenor with the terms, provisions and descriptions thereof as summarized and set out in the Reoffering Memorandum; (v) based upon the examinations that he has made as counsel for the Agency but without having undertaken to determine independently the accuracy or completeness of the statements contained in the Reoffering Memorandum, nothing has come to his attention that would lead him to believe that the Reoffering Memorandum (except for Appendices I, II, V and VI as to which he need express no opinion) contains any

untrue statement of a material fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, it being understood that in rendering such opinion counsel for the Agency shall not be required to express an opinion with respect to financial statements and other financial data included in the Reoffering Memorandum; (vi) under the Act, the Series 2 Bonds and the interest thereon and the income therefrom are exempt from all Vermont taxation, franchise fees and special assessments of every kind, except for transfer, inheritance and estate taxes; (vii) to the best of his knowledge, other than as disclosed in the Reoffering Memorandum, there is no action, suit, proceeding, investigation at law or in equity before or by any court, judicial board or body, pending or threatened, against or affecting the Agency, wherein an unfavorable decision, ruling or finding would affect materially and adversely the transactions contemplated by the Reoffering Memorandum or the validity of the Resolution, the Series 2 Bonds, the Mortgage Loans, the Commitment Agreements, the Purchase and Servicing Agreements, the Remarketing Agreement, or this Supplemental Agreement; and (viii) the adoption of the Fourth Supplemental Resolution, the execution of the Commitment Agreements, the Purchase and Servicing Agreements, the Series 2 Reimbursement Agreement and this Supplemental Agreement, and compliance with the terms and provisions thereof and hereof, under the circumstances contemplated thereby and hereby, do not and will not in any material respect conflict with the by-laws of the Agency or any existing law, court order or consent decree to which the Agency is subject, and, to the best of his knowledge after due inquiry, such execution, delivery and compliance does not and will not constitute on the part of the Agency a breach of or default under any agreement or other instrument to which the Agency is a party; it being understood that in rendering such opinion General Counsel of the Agency is entitled to rely on the opinion of the Vermont Department of Taxes with respect to the opinion expressed in clause (vii), need render no opinion as to the requirement of registration of the Series 2 Bonds under the Securities Act of 1933, as amended, or under the similar provisions of any state statute or regulation, and need render no opinion as to any matter of federal law;

(e) the opinion of Orrick, Herrington & Sutcliffe, New York, New York, counsel for the Agent, dated the Conversion Date and addressed to the Agent, to the effect that (i) without having undertaken to determine independently the accuracy or completeness of the



statements contained in the Reoffering Memorandum, but on the basis of their conferences with the representatives of the Agency, counsel for the Agency, Bond Counsel and the Agent and their examination of certain documents referred to in the Reoffering Memorandum, no information has come to their attention that would cause them to believe that the Reoffering Memorandum contains or contained an untrue statement of a material fact or omits or omitted to state any material fact required to be stated therein or that is necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; it being understood that in rendering such opinion counsel for the Agent is not required to express an opinion with respect to financial statements and other financial, statistical or numerical data included in the Reoffering Memorandum;

(f) a certificate, dated the date of Closing, signed by the Chairman and the Executive Director or the Director of Finance of the Agency and in form and substance satisfactory to the Agent, to the effect that (i) the representations, agreements and warranties of the Agency contained herein and in the Remarketing Agreement are each true and correct in all material respects as of the Conversion Date; (ii) the Remarketing Agreement, the General Resolution and the Second Supplemental Resolution are in full force and effect as of the Conversion Date; (iii) the Series 2 Reimbursement Agreement, the Commitment Agreements, the Purchase and Servicing Agreements and this Supplemental Agreement have been duly executed by the Agency and, assuming due execution by the other parties thereto, constitute binding agreements of the Agency that are in full force and effect; (iv) no litigation is pending or, to their knowledge, threatened (a) to restrain or enjoin the remarketing of the Converted Option Bonds or the making of loans with the proceeds of the Series 2 Bonds, (b) in any way contesting or affecting any authority for the issuance or validity of the Bonds or the remarketing of the Converted Option Bonds as contemplated herein, any proceedings of the Agency taken with respect to the issuance or resale of the Bonds, the pledge or application of any money or security provided for the payment of the Bonds or the validity of the Resolution, the Commitment Agreements, the Purchase and Servicing Agreements, the Series 2 Reimbursement Agreement, the Remarketing Agreement or this Supplemental Agreement, or (c) in any way contesting the existence or powers of the Agency; and (v) to the best of their knowledge, no event affecting the Agency has occurred since the date of the Reoffering Memorandum that should be disclosed in the Reoffering

Memorandum for the purpose for which it is to be used or that is necessary to be disclosed therein to make the statements and information therein not misleading in any material respect;

(h) a letter of KPMG Peat Marwick, dated the Conversion Date and addressed to the Agency and the Agent to the effect that such accountants reaffirm, as of a date not more than five business days prior to the Conversion Date, the statements made in the letter furnished by such accountants pursuant to paragraph A2(c) hereof;

(i) two copies of the Preliminary Reoffering Memorandum, and two certified copies of the Reoffering Memorandum, the Fourth Supplemental Resolution and this Supplemental Agreement;

(j) a letter of Bond Counsel, dated the Conversion Date and addressed to the Agent, with respect to the Bonds, to the effect that their final approving opinion on the Converted Option Bonds may be relied upon by the Agent to the same extent as if such opinion was addressed to the Agent;

(k) a letter from Moody's Investors Service to the effect that it has assigned a rating of "A-1" to the Series Bonds and a letter from Standard & Poor's Corporation to the effect that it has assigned a rating of "A+" to the Series 2 Bonds;

(l) a certified copy of each of the Conversion Projection of Revenues, the Arbitrage Projection Certificate, the Conversion Rating Certificate and the Certificate of the Agency with regard to the balance or deposit in the Bond Reserve Fund, all delivered in accordance with Section 203(A)(4) of the Second Supplemental Resolution;

(m) a certificate of the Agency directing the call of Bonds for tender and exchange, delivered in accordance with Section 203(A)(2) of the Second Supplemental Resolution;

(n) copy of form of Conversion Notice mailed pursuant to Section 203(A)(3) of the Second Supplemental Resolution to Holders of the Bonds;

(o) a copy of the amendment to the Series 1 Loan Loss Claim Fund Letter of Credit;

(p) a copy of the Series 2 Contingency Account Letter of Credit and the Series 2 Loan Loss Letter of Credit, each issued by The Sanwa Bank Limited (Boston Branch) (the "Letter of Credit Bank") and an opinion, addressed to and in form satisfactory to the Agent, of counsel to the Bank to the effect that the Letters of Credit issued in accordance with the terms of the Series 2 Reimbursement Agreement constitute the legal, valid and binding obligations of the Bank enforceable against the Bank in accordance with their terms, except as its enforceability may be limited by applicable bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting the enforcement of the rights of creditors generally and general principles of equity and a certificate, signed by an authorized officer of the Bank, to the effect that the information in the Reoffering Memorandum with respect to the Bank is true and correct in all material respects;

(q) a copy of the Series 2 Reimbursement Agreement between the Agency and the Letter of Credit Bank; and

(r) such additional legal opinions, certificates, proceedings, instruments and other documents as the Agent or Bond Counsel may reasonably request to evidence compliance by the Agency with legal requirements, the truth and accuracy, as of the Conversion Date, of the representations of the Agency herein and in the Reoffering Memorandum, and the due performance or satisfaction by the Agency at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the Agency.

If the Agency shall be unable to satisfy the conditions to the Agents' obligations contained in this Supplemental Agreement with respect to the Bonds or if the Agent's obligations shall be terminated for any reason permitted by this Supplemental Agreement, this Supplemental Agreement shall terminate and neither the Agent nor the Agency shall have any further obligation hereunder.

**B. REPRESENTATIONS AND AGREEMENTS RELATING TO AN ADJUSTMENT OF THE SERIES 2 BONDS ON AN ADJUSTMENT DATE.**

1. Representations and Warranties of the Agency.  
The Agency represents and warrants that:

(a) The Agency will furnish to the Agent for use in remarketing the Bonds on or prior to the Adjustment Date

the Agency's Reoffering Memorandum that describes the Bonds and the Reoffering Memorandum is accurate in all material respects and does not omit to state a material fact necessary to make the statements therein not misleading.

(b) Since the date of the Agency's most recent statement of financial condition, there will not have occurred any material adverse change in the financial condition or general affairs of the Agency, except as set forth or contemplated by the Reoffering Memorandum.

2. Certain Agreements of the Agency. The Agency agrees with the Agent that:

(a) The Agency will notify the Agent at its convenience but in any event prior to the Certification Date: (i) any fact or occurrence as a result of which the Reoffering Memorandum would be or become misleading or any representation or warranty of the Agency herein would become false, (ii) any material adverse change in the financial condition or general affairs of the Agency or the financial condition of the Resolution except as set forth in or contemplated in the Reoffering Memorandum, (iii) any reduction in or withdrawal of the ratings on the Bonds or any suggestion by either Moody's or S&P that it is considering a possible reduction in or withdrawal of its respective rating on the Bonds, (iv) any adverse change, or threatened adverse change, in the Federal or Vermont income tax treatment of income earned on the Bonds for holders of the Bonds, (v) any event of default under the Resolution or any event which, with notice or lapse of time or both, would constitute such an event of default, or (vi) any change in the dates for the redemption or purchase of the Bonds or any other change in the terms thereof.

(b) The Agency will at its expense, within five (5) days after the Certification Date, furnish the Agent such number of copies of the Reoffering Memorandum as the Agent may reasonably request. As soon as practicable after receipt thereof, the Agent shall deliver the Reoffering Memorandum and any supplement or amendment thereto, to a nationally recognized municipal securities information repository. If any event occurs, subsequent to the date hereof and prior to such delivery or subsequent to such delivery and within 25 days following the End of the Underwriting Period (hereinafter defined in Section C7) relating to the Adjustment Date, as a result of which the Reoffering Memorandum, as then amended or supplemented, would, in the judgment of the Agent, include an untrue statement of a material fact or omit to state a material

fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Agency will amend or supplement the Reoffering Memorandum to correct such statement or supply such omitted fact prior to delivery thereof to the Agent or as promptly thereafter as possible, as applicable; provided, however, that any such amendment or supplement shall be subject to the approval of the Agent and its counsel. The Agency will furnish to the Agent such number of copies of the Reoffering Memorandum, as so amended, or such supplement, as the Agent may reasonably request.

(c) The Agency will furnish the Agent copies of all reports and financial statements relating to the financial affairs and condition of the Agency or the financial condition of the Resolution promptly after they are made available to the public by the Agency and such additional information concerning the operations and financial condition of the Agency or the Resolution as the Agent may from time to time reasonably request.

### 3. Remarketing; Pricing.

(a) Pursuant to Section \_\_\_\_ of the Fourth Supplemental Resolution, the Agency has appointed the Agent as its exclusive Agent for the remarketing of the Bonds. In reliance on the representations contained herein and subject to the terms hereof, in the event of a mandatory tender and remarketing of Converted Option Bonds called for tender on any Adjustment Date and remarketed as Bonds bearing interest at the Adjusted Interest Rate pursuant to the provisions of Section 201 of the Fourth Supplemental Resolution, the Agent agrees to use its best efforts to purchase, at a price of 100% of the principal amount thereof plus accrued interest, if any, thereon, the Converted Option Bonds that it has been advised by the Trustee are to be purchased pursuant to Section 201(B) of the Fourth Supplemental Resolution and to perform the other obligations of the Agent as set forth in Sections 201(A)(1), 201(A)(4), 201(A)(5) and 201(B) of the Fourth Supplemental Resolution with respect to determination of the Pro-Forma Adjusted Interest Rate on the Certification Date, determination of the Adjusted Interest Rate on the Calculation Date and determination of the Schedule of Principal Installments (including Sinking Fund Installments, if any) for the Adjusted Rate Bonds on the Certification Date and the Calculation Date, all as such actions are described in the Fourth Supplemental Resolution.

(b) In the event that there shall have occurred any outbreak or escalation of hostilities or other national or international calamity or crisis, the effect of such outbreak, escalation, calamity or crisis on the financial markets of the United States being such as, in the reasonable opinion of the Agent, would affect materially and adversely the ability of the Agent to remarket the Bonds; or there shall be in force a general suspension of trading on the New York Stock Exchange or minimum or maximum prices for trading shall have been fixed and be in force, or maximum ranges for prices for securities shall have been required and be in force on the New York Stock Exchange, whether by virtue of a determination by that Exchange or by order of the Securities and Exchange Commission or any other governmental authority having jurisdiction; or a general banking moratorium shall have been declared by federal or New York or Vermont authorities having jurisdiction and be in force; or there shall be established any new restriction on transactions in securities materially adversely affecting the market for the Bonds or any securities of the general character of the Bonds (including the imposition of any limitation on interest rates) or the extension of credit by, or the charge to the net capital requirements of underwriters established by the New York Stock Exchange, the Securities and Exchange Commission, any other Federal or state agency or the Congress of the United States, or by Executive Order that, in the reasonable judgment of the Agent, would materially adversely affect the market price of the Adjusted Rate Bonds or the marketability of the Bonds which in the Agent's judgment makes it impracticable or inadvisable to proceed with solicitation of offers to purchase the Adjusted Rate Bonds; or any actual or proposed decision, rule or regulation of the Securities and Exchange Commission or other governmental agency or court shall have been made or issued that would make the Bonds or securities of the general character of the Bonds subject to the registration requirements of the Securities Act of 1933 or require the qualification of the Resolution under the Trust Indenture Act of 1939, as amended; or there shall have occurred any of the events contemplated by Section B 2(a), whether the Agent learns thereof from the Agency or otherwise, and so long as such situation continues to exist, the Agent shall have the right to suspend its efforts to solicit offers to purchase the Adjusted Rate Bonds.

(c) As compensation for its services in connection with the remarketing of Adjusted Rate Bonds hereunder, the Agency shall pay to the Agent a fee to be

mutually agreed upon. Such fee shall be payable on the Adjustment Date. The Agency also agrees to pay the reasonable out-of-pocket expenses of the Agent (including, without limitation, the fees and disbursements of counsel and any costs incurred in the preparation, reproduction and delivery of documents) incurred in connection with the performance of its obligation hereunder.

4. Documents to be delivered at or prior to the Adjustment Date. At or prior to the Adjustment Date, the Agent shall receive:

(a) the opinion of Bond Counsel as to compliance with the Second Supplemental Resolution and the Fourth Supplemental Resolution and confirmation of their opinions dated September 27, 1990 and November 1, 1991; and

(b) such additional legal opinions, certificates, proceedings, instruments and other documents as the Agents or Bond Counsel may reasonably request to evidence compliance by the Agency with legal requirements, the truth and accuracy, as of the Adjustment Date, of the representations of the Agency herein and in the Reoffering Memorandum and the due performance or satisfaction by you at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the Agency.

If the Agency shall be unable to satisfy the conditions to the Agents' obligations contained in this Supplemental Agreement with respect to the Bonds or if the Agents' obligations shall be terminated for any reason permitted by this Supplemental Agreement, this Supplemental Agreement shall terminate and neither the Agents nor the Agency shall have any further objection hereunder.

5. The Agent.

(a) The Agent will be acting solely as the Agency's agent in the re-sale or exchange of the Series 2 Tender Bonds, and the Agent's responsibility is limited to the use of its best efforts to solicit offers to purchase the Series 2 Tender Bonds.

(b) The Agent, in its individual capacity, either as principal or agent, may buy, sell, own, hold and deal in any of the Bonds, and may join in any action which any holder of Bonds may be entitled to take, with the like effect as if it did not act in any capacity hereunder. The Agent, in its individual capacity, either as principal or agent, may also engage in or be interested in any financial

or other transaction with the Agency and may act as depository, trustee or agent for any committee or body of holders of Bonds or other obligations of the Agency as freely as if it did not act in any capacity hereunder.

(c) The Agent shall incur no liability to the Agency or any other person for its action as Agent pursuant to the terms of this Supplemental Agreement except for its willful misconduct or gross negligence. In setting the various interest rates relating to the Series 2 Tender Bonds referred to above, the Agent shall not be liable for any error made in good faith.

C. GENERAL PROVISIONS.

1. Intention of Parties. It is the express intention of the parties hereto that no purchase, sale or transfer of any Bonds, as herein provided, or the setting of interest rates in respect thereof, shall constitute or be construed to be the extinguishment of any Bond or the indebtedness represented thereby or the reissuance of any Bond or the refunding of any indebtedness represented thereby. This Supplemental Agreement is made solely for the benefit of the Agency and the Agent (including the successors or assigns thereof) and no other person, partnership, association or corporation shall acquire or have any rights hereunder or by virtue hereof. All representations and agreements of the Agency in this Supplemental Agreement shall remain operative and in full force and effect regardless of any investigation made by or on behalf of any of the Agent and shall survive any remarketing of the Converted Option Bonds.

2. Amendments.

(a) The Agency agrees not to amend the Resolution insofar as it relates to this Supplemental Agreement or the rights and duties of the Agent hereunder without the prior written consent of the Agent.

(b) This Supplemental Agreement may not be amended except by a writing signed by each of the parties hereto.

3. Term. Unless previously terminated, this Supplemental Agreement shall remain in full force and effect until the earlier of the Adjustment Date, if any, pursuant to the Fourth Supplemental Resolution, or May 1, 1993. The Agency may terminate this Agreement at any time by giving at least five business days' prior written notice to the Agent and the Trustee. The Agent may terminate this Agreement at any time by



giving at least ten business days' prior written notice to the Agency and the Trustee. The representations, warranties and agreements of the Agency set forth herein shall remain in full force and effect regardless of any investigation (or any statement as to the results thereof) made by or on behalf of the Agent and shall survive the termination or expiration of this Agreement.

4. Blue Sky Qualification of Securities. The Agency agrees to cooperate with the Agent in the qualification of the Series 2 Bonds for reoffering and resale and the determination of the eligibility of the Series 2 Bonds for investment under the laws of such jurisdictions as the Agent shall designate and will use its best efforts to continue any such qualification in effect so long as required for the distribution of the Series 2 Bonds by the Agent, provided that the Agency shall not be required to qualify to do business in any jurisdiction where it is not now so qualified or to take any action which would subject it to general or special service of process in any jurisdiction where it is not now so subject. It is understood and agreed that the Agency shall not be responsible for compliance with or the consequences of failure to comply with applicable "Blue Sky" laws; provided, however, the inability of the Agent to remarket the Series 2 Bonds because of the failure of the Agency to cooperate with the Agent shall not be a default hereunder by the Agent.

5. Notices. Unless otherwise provided herein, all notices, certificates, requests or other communications hereunder shall be deemed given when delivered in writing by hand or sent by facsimile transmission, tested telex or registered mail, postage prepaid, addressed as follows:

If to the Agency:	Vermont Housing Finance Agency One Burlington Square P.O. Box 408 Burlington, Vermont 05402 Attention: Mr. Allan S. Hunt Executive Director
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If to the Agent:	PaineWebber Incorporated 1285 Avenue of the Americas New York, New York 10019 Attention: Mr. Andrew F. Gurley
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Each of the above parties may, by written notice given hereunder to the others, designate any further or different addresses to which, or means by which, subsequent notices, certificates, requests or other communications shall be sent.

6. End of the Underwriting Period. For purposes of this Supplemental Agreement, the End of the Underwriting Period shall mean the earlier of (a) the Conversion Date or the Adjustment Date, as the case may be, unless the Agency has been notified in writing to the contrary by the Agent on or prior to each such Conversion Date or Adjustment Date, or (b) the date on which the "End of the Underwriting Period" for the Bonds has occurred under Rule 15c2-12 of the Securities and Exchange Commission promulgated under the Securities Exchange Act of 1934 (the "Rule").

The Agency may request from the Agent from time to time, and the Agent shall provide to the Agency upon such request, such information as may be reasonably required by it in order to determine whether the "End of the Underwriting Period" for the Bonds has occurred under the Rule with respect to the unsold balances of Bonds that are held by the Agent for sale to the public within the meaning of the Rule. If there remains any unsold balance of Bonds for sale to the public within the meaning of the Rule, then the Agent shall promptly notify the Agency in writing that, in its opinion, the End of the Underwriting Period for the Bonds under the Rule has occurred on a date which shall be set forth in such notification. The Agency shall be entitled to treat as the End of the Underwriting Period for the Bonds, the date specified by the Agent in such notification.

7. Governing Law. This Supplemental Agreement shall be governed by and construed in accordance with the laws of the State of New York.

8. Counterparts. This Supplemental Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same instrument.

9. This Supplemental Agreement supplements the Remarketing Agreement dated May 23, 1991 and, in accordance with Section 6(b) thereof, all parties thereto have agreed to so supplement such Agreement and evidence such agreement by their signatures hereto. Except as supplemented by the terms hereof, the Remarketing Agreement shall remain in full force and effect in accordance with the terms thereof.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Agreement to be duly executed as of the day and year first above written.

Vermont Housing Finance  
Agency

By: \_\_\_\_\_  
Title:

PaineWebber Incorporated

By: \_\_\_\_\_  
Title:

Exhibit A  
to the  
Supplemental Remarketing Agreement

PROPOSED FORM OF ACCOUNTANT'S LETTER  
[LETTERHEAD OF KPMG PEAT MARWICK]

October \_\_, 1991

Vermont Housing Finance Agency  
P.O. Box 408  
Burlington, Vermont 05402

PaineWebber Incorporated  
Bear, Stearns & Co. Inc.  
Goldman, Sachs & Co.  
Lehman Brothers  
The First National Bank of Boston  
c/o PaineWebber Incorporated  
1285 Avenue of the Americas  
New York, New York 10019

Ladies and Gentlemen:

We have examined the balance sheet of various programs of the Vermont Housing Finance Agency (the "Agency") as of June 30, 1991, and related statements of revenues, expenses, and changes in fund balance and changes in financial position for the year then ended, which are included in the [Preliminary] Reoffering Memorandum of the Agency, dated September 30, 1991 (the "Reoffering Memorandum"), relating to the reoffering on the Conversion Date of the Agency's \$40,000,000 aggregate principal amount of Single Family Housing Bonds, Series 2 (the "Bonds"); our report with respect thereto is included in such Reoffering Memorandum. In connection with the Reoffering Memorandum:

1. We are independent certified public accountants with respect to the Agency within the meaning of Rule 101 of the Rules of Conduct of the Code of Professional Ethics of the American Institute of Certified Public Accountants.

2. We hereby consent to the use of our report dated September 27, 1991, included in the Reoffering Memorandum and to the reference to our firm in the Reoffering Memorandum under the heading "Financial Statements of the Agency."

3. We have not examined any financial statements of the various programs of the Agency as of any date or for any period subsequent to June 30, 1991; although we have made an examination for the year ended June 30, 1991, the purpose (and therefore the scope) of such examination was to enable us to express our opinion on the financial statements as of June 30, 1991 and for the year then ended, but not on the financial statements for any interim period within that year or for any period subsequent to June 30, 1991.

4. For purposes of this letter we have read the 1990 and 1991 minutes of the meetings of the Commissioners of the Agency as set forth in the minute books of the Agency as of \_\_\_\_\_, 1991, officials of the Agency having advised us that the minutes of all such meetings through that date were set forth therein, and have carried out other procedures to \_\_\_\_\_, 1991 [insert date within 5 days of the date of pricing or conversion, whichever is appropriate] (our work did not extend to the period from October \_\_, 1991 to October \_\_, 1991).

5. Agency officials have advised us that no financial statements as of any date or for any period subsequent to June 30, 1991 are available; accordingly, the procedures carried out by us with respect to changes in financial statement items after June 30, 1991 do not constitute an examination made in accordance with generally accepted audited standards. Also they would not necessarily reveal matters of significance with respect to the comments in the following paragraphs. We have made inquiries of the Director of Finance of the Agency, the officer of the Agency responsible for accounting and financial matters, as to whether (i) there was any change at \_\_\_\_\_, 1991, [insert date within five days of pricing or conversion, whichever is appropriate] in the debt of the Agency or any decrease in total assets as compared with the amounts shown in the June 30, 1991 audited balance sheets included in the Reoffering Memorandum or (ii) during the period from June 30, 1991 to \_\_\_\_\_, 1991, [insert date within five days of pricing or Conversion, whichever is appropriate] there were any decreases in the amount of total revenues or excess of revenues over expenses as compared with the corresponding period for the preceding year.

On the basis of these inquiries and our reading of the minutes described in paragraph 4 above, nothing came to our

attention that caused us to believe that there was any such change or decrease subsequent to June 30, 1991, except in all instances for changes or decreases which the Reoffering Memorandum discloses have occurred or may occur [except as follows:]

6. For the purposes of this letter, we have also read the following information set forth in the Reoffering Memorandum on the indicated pages and under the indicated captions and have performed the additional procedures stated below with respect to such information. Our examination of the financial statements for the period referred to in the introductory paragraph of this letter comprised audit tests and procedures deemed necessary for the purpose of expressing an opinion on such financial statements taken as a whole. For neither the period referred to therein nor any other period did we perform audit tests for the purpose of expressing an opinion on individual balances or accounts or summaries of selected transactions such as those enumerated below and, accordingly, we express no opinion thereon:

<u>Item</u>	<u>Page</u>	<u>Description</u>
		<u>"Introductory Statement"</u>
A	[2]	The dollar amount in the fifth sentence of the second paragraph.
B	[9]	<u>"Outstanding Indebtedness"</u> The dollar amounts in the first sentence of the first paragraph.
C	[19]	<u>"Bond Reserve Fund"</u> The dollar amount in the second sentence of the second paragraph.
		<u>Appendix I "Certain Information Relating to the Agency's Existing Single Family Mortgage Programs"</u>
D	[I-1]	The tables under the heading "Portfolio of Loans Outstanding under the Insured Mortgage Bond Program," "Portfolio of Loans Outstanding Under the Mortgage Purchase Bond Program," "Portfolio of Loans Outstanding Under the Home Mortgage Purchase Bond Program" and "Delinquency Statistics."

[Procedures to follow]

7. It should be understood that we make no representations as to questions of legal interpretation or as to the sufficiency for your purposes of the procedures enumerated in the preceding paragraph; also, such procedures would not necessarily reveal any material misstatement of the amounts listed above. Further, we have addressed ourselves solely to the foregoing data as set forth in the Reoffering Memorandum and make no representations as to the adequacy of disclosure or as to whether any material facts have been omitted.

8. This letter is solely for the information of, and assistance to, the Agents in conducting and documenting their investigation of the affairs of the Agency in connection with the offering of the securities covered by the Reoffering Memorandum and is not to be used, circulated, quoted or otherwise referred to within or without the Agents' group for any purpose, including but not limited to the purchase or sale of securities, nor is it to be filed with or referred to as a whole or in part in the Reoffering Memorandum or any other document, except that reference may be made to it in the Supplemental Remarketing Agreement or in any listing of documents to be delivered on the Conversion Date pertaining to the offering of the securities covered by the Reoffering Memorandum.

Very truly yours,

RESOLUTION AUTHORIZING  
VERMONT HOUSING FINANCE AGENCY  
1991 MORTGAGE PURCHASE PROGRAM

WHEREAS, pursuant to its Single Family Housing Bond Resolution adopted September 20, 1990 (the "General Resolution"), Vermont Housing Finance Agency has this date adopted its Fourth Supplemental Resolution Authorizing the Issuance and Sale of \$40,000,000 Single Family Housing Bonds, Series 2, (the "Supplemental Resolution", together with the General Resolution hereinafter called the "Resolutions"); and

WHEREAS, the staff of the Agency has proposed the creation of the 1991 Mortgage Purchase Program (the "1991 Program") and has presented the Mortgage Loan Application and Commitment Agreement dated as of October 7, 1991 (the "Commitment Agreement") incorporating the Mortgage Loan Purchase and Servicing Agreement referenced therein (the "Purchase Agreement") and the Mortgage Purchase Program Procedural Guide, as amended (the "Procedural Guide"), both of which were approved by Resolution of the Board of Commissioners adopted September 20, 1990;

NOW THEREFORE, with all terms herein and not otherwise defined having the same meaning as they have in the Fourth Supplemental Resolution, it is hereby RESOLVED:

1. Subject to the terms and conditions of the Supplemental Resolution, monies in the Series 2 Program Account established under and pursuant to the Resolutions (the "Program Account") shall be used to purchase Mortgage Loans from Mortgage Lenders in an aggregate amount equal to the portion of the proceeds of the Series 2 Bonds required to be deposited into the Program Account.
2. The Agency's 1991 Program is hereby approved.
3. The form of the Commitment Agreement is hereby approved and the Executive Director and the Director of Operations, or either of them, is authorized to execute and deliver the same to Mortgage Lenders participating in the 1991 Program.





VERMONT HOUSING FINANCE AGENCY

**M E M O R A N D U M**

**TO:** VHFA Board of Commissioners

**FROM:** Jeff Francis, Deputy Director

**DATE:** November 1, 1991

**RE:** FUNDING REQUEST--HOMEOWNERSHIP COUNSELING PILOT  
BARRE NEIGHBORHOOD HOUSING SERVICES, INC.

Barre Neighborhood Housing Services, Inc. (BNHS) is requesting financial support for the development of a homeownership counseling pilot. BNHS is a private, nonprofit partnership established in 1984 with a primary mission of neighborhood revitalization. There are three full time staff members employed by BNHS, which operates under the supervision of a board of directors comprised of neighborhood residents as well as business and city officials. BNHS has engaged a consultant (Jane Milner, formerly employed as a housing specialist by the Greater Burlington Industrial Corporation) to develop the homeownership counseling program.

BNHS is developing its pilot in response to a general awareness that many Vermonters of low and moderate income do not understand the requirements for and responsibilities of homeownership. The pilot, which will be developed to serve prospective home purchasers in central Vermont, will provide education on topics such as personal financial management, credit repairs, working with bankers and realtors, and selecting a home. BNHS intends to develop specific program components for prospective buyers with incomes below 80% of median. The program is being developed with assistance from local bankers, realtors and consumers.

VHFA staff recognizes the importance of preparing prospective home purchasers and acknowledges the need to establish a program of the type proposed. Of particular interest are the components of the BNHS pilot which would serve individuals and families with incomes less than 80% of median. A viable model could be utilized by other nonprofits in Vermont to assist prospective home buyers to prepare to purchase low cost homes by methods such as shared appreciation mortgages.

Currently, VHFA staff is conducting research on homeownership counseling programs being delivered in other states. Staff anticipates that a comprehensive program to be targeted to VHFA borrowers on a statewide basis will be proposed at some point during

this fiscal year. We believe that the efforts of BNHS will complement any VHFA effort, particularly with regard to service to lower income home buyers.

To date, BNHS has raised \$15,000 through contributions from its national affiliate, Neighborhood Reinvestment (\$10,000) and the Vermont Housing and Conservation Trust Fund (\$5,000). The preliminary budget is \$32,500 and BNHS is seeking to raise that amount through a variety of sources.

**RECOMMENDED BOARD ACTION:**

Award a grant to Barre Neighborhood Housing Services, Inc., in an amount not to exceed \$5,000, for the cost of the development of BNHS' homeownership counseling program, the terms of conditions of said grant to be established by the Executive Director.

STATISTICAL REPORT PROGRAM ID: 901  
 UNDERWRITING DATABASE  
 LTV 0% TO 100%  
 Effective for 01/01/89 thru 10/30/91  
 Loan Status: CC,UC,O

Report: 1587

Total Number of Loans: 234  
 Total Loan Amount: \$15,656,223

EXISTING:	\$11,784,159	76.4%	179 Loans
NEW CONSTRUCTION:	\$3,872,064	23.5%	55 Loans
NEW DETACHED HOUSING:	\$3,436,164	88.7%	49 Loans
NEW CONDOMINIUM:	\$435,900	11.2%	6 Loans

Funds Remaining to be Reserved: \$5,048,579 20.1% 75 Loans (Est.)

Total Insured or Guaranteed Loans: 221  
 Loans Guaranteed by VHMGB: 218

	ACED =====	NON ACED =====	STATEWIDE =====
Avg. Purchase Price	\$69,466	\$77,307	\$72,280
Avg. Loan Amount	\$64,087	\$71,942	\$66,906
Avg. Borrower Income	\$28,725	\$28,566	\$28,668
Avg. Housing Debt-Income Ratio	26.9%	30.7%	28.2%
Avg. Total Debt	\$842.48	\$871.10	\$852.76
Avg. Total Debt-Income Ratio	35.2%	37.0%	35.8%
Total No. of Loans	150	84	234
% of Total Loan Amount	61.4%	38.6%	100.0%
First Time Homebuyers	85.3%	98.8%	90.1%
% Meeting Low Income-Set Aside	24.6%	52.3%	34.6%

	Loans	% of Loans	\$ Amount	*Households	% of Hshlds	% DIFF
Addison	13	5.6%	\$873,486	5,000	5.7%	0.1-
Bennington	4	1.7%	\$280,055	6,300	7.2%	5.5-
Caledonia	19	8.1%	\$1,048,737	4,800	5.5%	2.6
Chittenden	56	23.8%	\$4,165,392	16,000	18.2%	5.6
Essex	9	3.8%	\$480,128	1,300	1.4%	2.4
Franklin	24	10.3%	\$1,658,607	6,000	6.8%	3.5
Grand Isle	3	1.3%	\$186,470	900	1.0%	0.3
Lamoille	13	5.6%	\$922,786	3,300	3.8%	1.8
Orange	11	4.7%	\$786,517	4,300	4.9%	0.2-
Orleans	11	4.7%	\$604,611	4,200	4.8%	0.1-
Rutland	25	10.7%	\$1,631,306	10,000	11.4%	0.7-
Washington	32	13.7%	\$2,064,004	9,000	10.3%	3.4
Windham	6	2.6%	\$416,371	7,100	8.1%	5.5-
Windsor	8	3.4%	\$537,753	9,600	11.0%	7.6-
TOTAL	234	100.0%	\$15,656,223	87,800	100.0%	

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

AS OF: 10/30/91

PAGE NO. 1

Vermont Housing Finance Agency  
 901 - \$25,000,000 SINGLE FAMILY HOUSING BONDS SERIES 1  
 Status Report (with percent of pool proceeds approved)  
 Rate : 8.950%  
 Date : 10/30/91

Report: 1130

PERSTATU

Lender	Funds Reserved	Percent Reserved	Prelim. Approval	% Prelim Approval	Loans Purchased	Loans to be Purchased	PERC
BancBoston Mortgage Corporation	\$987,135	3.9%	\$790,385	3.1%	\$360,035	\$430,350	43.5%
Bradford National Bank	\$151,900	0.6%	\$151,900	0.6%	\$151,900	\$0	0.0%
Caledonia National Bank of Danville, The	\$90,675	0.3%	\$48,675	0.1%	\$48,675	\$0	0.0%
Chittenden Bank	\$4,177,455	16.7%	\$3,636,630	14.5%	\$1,481,110	\$2,155,520	51.5%
Citizens Savings Bank and Trust	\$363,998	1.4%	\$363,998	1.4%	\$45,023	\$318,975	87.6%
Community National Bank	\$834,561	3.3%	\$804,561	3.2%	\$197,478	\$607,083	72.7%
Factory Point National Bank, The	\$79,226	0.3%	\$79,226	0.3%	\$50,000	\$29,226	36.8%
Franklin-Lamoille Bank	\$469,650	1.8%	\$309,750	1.2%	\$309,750	\$0	0.0%
Granite Savings Bank and Trust Company	\$207,500	0.8%	\$207,500	0.8%	\$123,500	\$84,000	40.4%
Kittredge Mortgage Corporation	\$249,512	0.9%	\$90,000	0.3%	\$0	\$90,000	36.0%
Lyndonville Savings Bank & Trust Company	\$84,075	0.3%	\$0	0.0%	\$0	\$0	0.0%
Marble Bank	\$302,299	1.2%	\$165,325	0.6%	\$0	\$165,325	54.6%
Merchants Bank, The	\$539,291	2.1%	\$331,791	1.3%	\$170,525	\$161,266	29.9%
Mortgage Sevice Center of New England	\$575,370	2.3%	\$393,370	1.5%	\$0	\$393,370	68.3%
National Bank of Middlebury, The	\$145,995	0.5%	\$69,295	0.2%	\$69,295	\$0	0.0%
New England IBM Employees Fed Crdt Union	\$72,000	0.2%	\$72,000	0.2%	\$72,000	\$0	0.0%
Northfield Savings Bank	\$175,750	0.7%	\$175,750	0.7%	\$57,000	\$118,750	67.5%
Passumpsic Savings Bank	\$897,389	3.5%	\$600,584	2.4%	\$322,944	\$277,640	30.9%
Peoples Trust Company of St Albans	\$159,655	0.6%	\$123,549	0.4%	\$0	\$123,549	77.3%
Randolph National Bank	\$214,450	0.8%	\$143,200	0.5%	\$0	\$143,200	66.7%
Statewide Funding Corporation	\$1,318,100	5.2%	\$849,995	3.3%	\$231,770	\$618,225	46.9%
Summit Financial Center, Inc.	\$1,016,237	4.0%	\$801,587	3.2%	\$403,712	\$397,875	39.1%
Union Bank	\$583,374	2.3%	\$460,373	1.8%	\$72,000	\$388,373	66.5%
Vermont Federal Bank, FSB	\$2,710,291	10.8%	\$2,346,191	9.3%	\$1,582,167	\$764,024	28.1%
Vermont Mortgage Group, Inc	\$991,093	3.9%	\$656,993	2.6%	\$598,193	\$58,800	5.9%
Vermont National Bank	\$2,308,370	9.2%	\$2,105,545	8.4%	\$1,216,895	\$888,650	38.4%
Wells River Savings Bank	\$245,160	0.9%	\$135,250	0.5%	\$0	\$135,250	55.1%
TOTALS							
301 Loans	\$19,950,511	79.8%	\$15,913,423	63.6%	\$7,563,972	\$8,349,451	41.8%

Vermont Housing Finance Agency  
Delinquency Statistics Report  
SINGLE FAMILY PORTFOLIO  
EFFECTIVE: 09/30/91


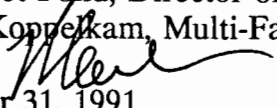
Banks	Outstanding Loans	30 Days	60 Days	90+ Days	Total	Auth	FCL	REO	Grand Total
BancBoston Mortgage Corporation	22	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0	0	0 0.00%	0 0.00%
Bank of Vermont	363	7 1.93%	1 0.28%	2 0.55%	10 2.75%	0	0	0 0.00%	10 2.75%
Bennington Coop Savings & Loan Assn Inc	68	1 1.47%	2 2.94%	0 0.00%	3 4.41%	0	0	0 0.00%	3 4.41%
Bradford National Bank	62	2 3.23%	0 0.00%	1 1.61%	3 4.84%	0	0	0 0.00%	3 4.84%
Caledonia National Bank of Danville, Th	140	5 3.57%	3 2.14%	1 0.71%	9 6.43%	0	1	0 0.00%	12 8.57%
Chittenden Trust Company	1,082	59 5.36%	6 0.55%	9 0.83%	73 6.75%	0	0	1 0.09%	74 6.84%
Citizens Savings Bank	10	1 10.00%	0 0.00%	0 0.00%	1 10.00%	0	0	0 0.00%	1 10.00%
Comfed Mortgage Co., Inc.	17	1 5.88%	0 0.00%	0 0.00%	1 5.88%	0	0	0 0.00%	1 5.88%
Commonwealth Mortgage Company, Inc	25	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0	0	0 0.00%	0 0.00%
Community National Bank	142	3 2.11%	1 0.70%	2 1.41%	6 4.23%	0	0	4 2.82%	10 7.04%
Factory Point National Bank, The	27	2 7.41%	0 0.00%	0 0.00%	2 7.41%	0	0	0 0.00%	2 7.41%
First Brandon National Bank	6	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0	0	0 0.00%	0 0.00%
First Northern Mortgage Corporation	9	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0	0	0 0.00%	0 0.00%
First Twin-state Bank	157	9 5.73%	0 0.00%	0 0.00%	9 5.73%	0	0	0 0.00%	9 5.73%
First Vermont Bank and Trust Company	183	9 4.92%	1 0.55%	3 1.64%	13 7.10%	0	0	0 0.00%	13 7.10%
Franklin-Lamoille Bank	217	11 5.07%	0 0.00%	1 0.46%	12 5.53%	0	0	0 0.00%	12 5.53%
Granite Savings Bank and Trust Company	38	1 2.63%	0 0.00%	1 2.63%	2 5.26%	0	0	0 0.00%	2 5.26%
Green Mountain Bank	19	4 21.05%	1 5.26%	1 5.26%	6 31.58%	0	0	0 0.00%	6 31.58%
Howard Bank, National Assn, The	486	31 6.38%	6 1.23%	8 1.65%	45 9.26%	0	4	0 0.00%	50 10.29%
Lozas & Nettleton Company, The	27	3 11.11%	1 3.70%	0 0.00%	4 14.81%	0	0	0 0.00%	4 14.81%
Lyndonville Savings Bank & Trust Compan	54	1 1.85%	0 0.00%	2 3.70%	3 5.56%	0	0	0 0.00%	3 5.56%
Marble Bank	237	12 5.06%	1 0.42%	3 1.27%	16 6.75%	0	0	0 0.00%	17 7.17%
Merchants Bank, The	310	8 2.58%	2 0.65%	1 0.32%	11 3.55%	0	0	0 0.00%	11 3.55%
Mortgage Service Center of New England	4	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0	0	0 0.00%	0 0.00%
National Bank of Middlebury, The	70	3 4.29%	0 0.00%	1 1.43%	4 5.71%	0	0	0 0.00%	4 5.71%
New England IBM Employees Fed Crdt Unio	75	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0	0	0 0.00%	0 0.00%
Northfield Savings Bank	142	11 7.75%	2 1.41%	1 0.70%	14 9.86%	0	0	0 0.00%	14 9.86%
Passumpsic Savings Bank	185	4 2.16%	2 1.08%	5 2.70%	11 5.95%	0	1	0 0.00%	13 7.03%
Peoples Trust Company of St Albans	177	9 5.08%	3 1.69%	1 0.56%	13 7.34%	0	0	0 0.00%	13 7.34%
Proctor Bank	121	10 8.26%	2 1.65%	1 0.83%	13 10.74%	0	0	0 0.00%	13 10.74%
Randolph National Bank	77	5 6.49%	0 0.00%	0 0.00%	5 6.49%	0	0	0 0.00%	5 6.49%
Statewide Funding Corporation	55	1 1.82%	0 0.00%	1 1.82%	2 3.64%	0	0	0 0.00%	2 3.64%
Union Bank	157	4 2.55%	1 0.64%	1 0.64%	6 3.82%	0	0	0 0.00%	7 4.46%
Valley Bank	22	1 4.55%	1 4.55%	0 0.00%	2 9.09%	0	0	0 0.00%	2 9.09%
Vermont Federal Bank, FSB	963	21 2.18%	12 1.25%	5 0.52%	38 3.95%	0	1	0 0.00%	40 4.15%
Vermont Mortgage Group, Inc	160	7 4.38%	3 1.88%	1 0.63%	11 6.88%	0	0	0 0.00%	11 6.88%
Vermont National Bank	431	8 1.86%	1 0.23%	4 0.93%	13 3.02%	0	1	0 0.00%	15 3.42%
Wells River Savings Bank	21	1 4.76%	0 0.00%	0 0.00%	1 4.76%	0	0	0 0.00%	1 4.76%
Woodstock National Bank	14	1 7.14%	0 0.00%	0 0.00%	1 7.14%	0	0	0 0.00%	1 7.14%
Overall Totals:	6,375	255 4.00%	52 0.82%	55 0.88%	363 5.69%	0	8	0 0.13%	384 6.02%
	6,374	246 3.86%	60 0.94%	51 0.80%	357 5.60%	0	6	0 0.09%	376 5.90%



VERMONT HOUSING FINANCE AGENCY

## MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Margaret Pond, Director of Development   
Mark Koppeckam, Multi-Family Underwriter 

DATE: October 31, 1991

RE: Starksboro, Lazy Brook Mobile Home Park  
Recommended Approval of Commitment Letter Resolution

Note: This report contains much of the information in the Letter of Interest report presented at the September 1991 meeting of the Commissioners. Substantial changes to that earlier report are highlighted in grey.

### PROJECT SUMMARY

Staff recommends VHFA Board approval of the attached Commitment Letter Resolution for permanent financing (not to exceed \$550,000) for the Lazy Brook Mobile Home Park in Starksboro. Lazy Brook is a 52 unit park. The purchase price being proposed is \$625,000, or \$12,019 per lot. The total development cost is \$948,050, or \$18,232 per lot. This amount is \$75,000 (8.6%) higher than the development cost known at the time of the September VHFA Board meeting, due to higher estimates for improvements. The sponsor is the Addison County Community Trust (ACCT).



**THE PROJECT****1. Financing****SOURCES**

VHFA		\$526,000
VHCB	loan	180,000
VHCB	grant	42,000
CDBG		<u>200,000</u>
Total		<u>\$948,050</u>

TDC \$18,232/lot

**USES**

Acquisition	\$625,000
Site Improvements	199,500
Closing Costs	1,290
Legal & Title	4,500
VHFA Finance Fee	5,260
VHFA Transaction Costs	2,500
Working Capital	23,000
Appraisal	1,500
Contingency	5,500
Co-op Organizing	5,000
Clerk of Works	20,000
Development fee	<u>55,000</u>

Total \$948,050

The VHFA loan as proposed is structured with a fixed interest rate of 10.75% amortized over 25 years. As it is a 20 year loan, approximately \$234,000 will need to be refinanced at the end of year 20. Assuming a 12% rate can be secured from some lender at that time, amortized over another 15 years, the new debt service on the balloon payment would be almost half the VHFA debt service up to that time.

The sponsor has secured a \$180,000 loan and \$42,000 grant from the Vermont Housing and Conservation Board (VHCB), and a \$200,000 deferred payment loan from the Department of Community Affairs. The loan agreements for both loans have not yet been completed, nor repayment plans agreed to.

**2. Appraisal & Loan To Project Value**

An appraisal was done at the request of the sponsor in May 1991 by Stephen D. Allen, who estimated the value of the Park to be \$600,000 or \$11,538/lot. The appraisal did note certain deficiencies with the park, such as the electrical and septic systems.

The proposed purchase agreement calls for an acquisition price of \$625,000, or 4.1% over appraised value. VHFA's multi-family rules state that the VHFA loan will be limited to no more than 95% of the total housing costs or security value of the project,

which ever is less. As proposed VHFA's loan equals 87.7% of the appraised value, and 55.5% of the total development costs.

VHFA's agreement with the Pension Funds (the source of the taxable financing) is that loan to value would not exceed 85%. This standard is not quite met (by \$16,000) for the VHFA loan as proposed. However, the loan as proposed is at a fixed rate, as opposed to the stepped rate that has been used on some other VHFA/pension funds financed parks. This means that the Pension Fund (and VHFA) would get a marginally higher return on their loan.

### 3. Lot Rent/Market Demand/Income Mix

The current rent is \$158/month. The proposed rents are \$180/month, and the vast majority of residents have signed a petition expressing a willingness to pay those rents. The attached comparison chart shows that \$180/month is essentially the going rate for mobile home parks throughout Vermont.

Addison County has been relatively fast growing, adding 12.1% to its population from 1980 to 1990. The county is in the Burlington commuting radius, and the park could be expected to serve a low income population in that regional marketplace.

Mobile home park vacancy rates statewide are reported at 1%. There are no current vacancies at Lazy Brook. The historical vacancy rate and turnover rate are not known at this time. The financial projections use a 3% vacancy rate.

The park does have quite a few homes being advertised for sale at present. This is not unusual given the current recession, but it does not seem as common at the better maintained parks such as Otter Creek and Fernwood. Thus, it would appear to be a factor related to park quality, and it remains to be seen if the new sponsors can make this a more attractive neighborhood for the residents.

The income mix of the tenants surveyed to date (46 of 52) is as follows:

- 9 households or 20% at or below 50% of median
- 21 households or 46% between 50% to 80% of median
- 6 households or 13% between 80% to 100% of median
- 10 households or 22% greater than 100% of median

### 4. Location/Site

Lazy Brook Mobile Home Park is situated on 18 acres on Hinesburg Hollow Road in Starksboro. The overall setting is a beautiful wooded valley. The park is on a primary local road which connects Hinesburg and Huntington. The area has generally light and



scattered single family residential uses. There is another 29 unit mobile home park ¼ of a mile to the south, Hillside, which the sponsor is also attempting to purchase (from a different seller) in the next year.

The Lazy Brook mobile park is, in the words of the appraiser, "fair to average in terms of it's aesthetic character and level of maintenance." The homes are generally arranged parallel to the park roads (see attached site map), with crowded "alleyways" in the backyards of most of the units. Each home has a small yard area, and lot maintenance and landscaping is generally not stellar, with a few exceptions.

The southern boundary of the parcel is shared with the seller, with the two being separated by the intermittent Lazy Brook creek. Relations with the seller have apparently improved since the early negotiations. The seller is in the process of building a new access road for the park, so any issues surrounding use of a common access road will be moot. However, there are minor concerns now about what constitutes an acceptable road.

The seller has a large and open metal shed barn bordering this access road, and an overhead sugarbush tap line that goes to a nearby sugaring house. Two young cows wandered onto the access road during the underwriting visit, and it did not seem to be an uncommon occurrence.

The developed portion of the site slopes moderately to the east, with the most level ground closest to the Hinesburg Hollow Road. The well is located in an open field between the road and the park, and the sponsor indicated that this area will become an official wellhead protection area.

The areas to the north is an undeveloped field that appears to be fairly wet, and to the west is undevelopable hills and woods.

## 5. Sponsors/Parties

ACCT was established in 1989 and has an approved 501(c)(3) designation. ACCT has completed six family homes under the land trust model, manages three Community Development Block Grant contracts for the Town of Middlebury, and operates a Homeshare program. ACCT sponsored the recently acquired Otter Creek (formerly Town & Country) mobile home park in Vergennes that VHFA financed.

ACCT has limited housing development and housing management experience, but has received additional support from the VHCB to improve their capacity with a separate grant of \$35,000. ACCT has recently hired Kevin Cosgrove, who was a rehabilitation specialist with Lake Champlain Housing Development Corporation, and Scott Atherton

as a fulltime business manager. ACCT's experience with the Vergennes mobile home park will be helpful.

Management responsibilities are proposed to be split with a resident association. ACCT may consider turning ownership over to a resident cooperative in the future.

6. Timetable

The Purchase and Sales Contract was signed on August 20, 1991 and calls for a November 30, 1991 closing.

7. Infrastructure

The park was developed as a mobile home park in 1963. The park is serviced by a private well, and each home has its own septic system. VHFA financed an engineering feasibility study (through the Ventures Loan Fund) to evaluate the water supply and waste system and prepare estimates for improvements. Their findings and recommendations are listed below:

- Although the well is located in a field below the park (and its septic systems), there is no history of any contamination. Water quality tests show that the water is of good quality and meets existing State and Federal standards.
- There are actually two wells, one shallow and one deep. No well logs were available. The deep well (80 feet) was apparently dug around 1980 to provide added capacity. According to the well diggers, there are glacial/gravel soils for 40 feet, then a clay layer, then sand. It would appear that the clay layer may separate aquifer layers. This cannot be confirmed without extensive hydro-geologic study, so over the long run this will remain an underwriting risk. The engineers recommend separating the two wells, as the water supply is currently mixed.
- Many of the homes have low water pressure, which is part a capacity problem, but also a function of small diameter water supply lines. While there are some measures being taken in the planned renovation to improve the water pressure, the development cannot afford a full upgrade to larger diameter supply lines that would absolutely solve the problem. While these lines can be replaced over time, it will be costly and take a long time.
- Larger pumps and storage capacity are needed to provide adequate chlorine contact time.

- The engineer suggested three alternative water supply options. The financial projections assume an option that costs \$113,000. If the well tests find adequate capacity, the sponsor may be able to save \$40,000.
- The septic systems servicing each home are simply cesspools--there are no leach fields. Five homeowners report "problems," and the development budget has funds to replace these five systems. The engineer recommends an annual pumping of each system, plus gradual installation of leach fields as necessary. The soils are generally very good for septic systems, but maintenance by the seller has not been adequate. There is also money in the development budget for a one-time pumping of each system.
- The park cannot afford to install enough capacity (or a new distribution system) for a fire protection system. This has not been an issue that VHFA has considered before. We will likely ask the sponsor to develop a set of standards for separation spaces between homes, and in particular out-buildings. This park in particular has many homes and out-buildings in close proximity.

There are also some known electrical deficiencies (rewiring of all 52 units), and the sponsor has already received a bid of \$30,000 for this work.

The park roads are all graded gravel, and need work in the numerous areas that are not level. These areas also need to be sanded in winter.

None of the units are on a concrete slab, and none is proposed. New slab installation costs about \$2,000 per unit. The primary purpose of a slab is to reduce moisture infiltration into the home from the ground.

#### 8. Environmental Assessment

A Phase I environmental assessment of the site has not yet been done. A waiver has been requested due to the site's nearly 30 years of use as a mobile home park, and the lack of any commercial land uses in the whole of Starksboro.

### DISCUSSION

#### 9. Strengths and Weaknesses

The primary strengths of this project include:

- a. The general location of the park is attractive, though it is strongly rural and fairly distant from stores and shops.

- b. The sponsor appears eager to take on a second mobile home park, and soon a third nearby. This will hopefully provide some management efficiencies and economies of scale. The sponsor has hired a good management team that will hopefully excel at the mobile home park trade.
- c. According to Ms. Kirby Dunn, a mobile home tenant organizer with CVOEO, the Lazy Brook residents are "pretty active" and "highly motivated" to participate in the park acquisition.
- d. The attached financial projections work comfortably, with a 1.06 debt coverage ratio in Year 1. While the loan repayment plans for the VHCB and CDBG monies are not yet agreed upon, there should not be any major hurdles left as far as financial feasibility. Overall, the risk of financial problems is lessened substantially by acquiring an up-and-running park (versus the rent-up risk of a new construction development).
- e. The park infrastructure has been evaluated by engineers to the extent possible, and the costs of acquisition and the needed renovation are feasible. Potential regulatory obstacles to park acquisition, operation and renovations appear to be minimal at this time. VHFA will require that the sponsor develop a written longterm plan for improving that portion of the infrastructure of the park, including water lines and septic systems, that will not be done as part of the initial renovation work.

The potential weaknesses of this project include:

- a. Though the park is very fortunate to have a good quality well and good soils for septic capacity, the cost of infrastructure improvements makes the park fairly high priced for its condition and location. The total cost per unit (see attached comparison chart) will be about \$18,232 per unit, compared to \$18,967 per unit for the Town & Country mobile home park in Vergennes (which has town sewer and water, paved roads and concrete pads for every unit), and \$19,106 for Fernwood in Bolton, which is very well maintained and spacious. While the proposed infrastructure budget does solve most of the immediate problems, a large amount of low priority infrastructure work does remain and there is not too much money in the operating budget to accomplish it. (The annual contribution to the replacement reserve account is \$3,400.) As noted earlier, if well tests prove that there is a significantly greater capacity than at present, the costs of that portion of the work could be cut \$40,000.

- b. There are major regulatory changes occurring in the area of water supply. Though the sponsor's engineering study has tried to incorporate the necessary work to meet these anticipated guidelines, the fact is that small water supply systems can be hard hit by these new requirements.
- c. There is only "soft equity" from VHCB and CDBG (both proposed) in the project, and the sponsor has little net worth. The VHFA portion of the total sources of financing is 55.5%, down from 60% in the earlier projections.
- d. A property tax hike resulting from the acquisition and townwide re-appraisal in 1993 is not incorporated into the financial projections, and tax increases could be an operating cost concern at that time.
- e. The desired sharing of management responsibilities with residents needs to be thoughtfully considered, as does any transition to a cooperatively owned park.

#### **RECOMMENDED ACTION**

Staff recommends approval of the attached Resolution Authorizing Issuance of a Commitment Letter for VHFA financing (up to \$550,000) the acquisition of and improvements to the Lazy Brook Mobile Home Park.

Lazy Brook MHP  
Starksboro

VHFA Financial Projections

9/28/91

SOURCES AND USES OF FINANCING

Permanent Financing		Rate	Term	Ann D/S	Comments
-----					
VHFA 1st Mortgage	\$526,000	55.48%	10.75%	25	\$60,727 Fixed 25
COOP	\$200,000	21.10%	N/A		
VHCB-grant	\$37,000	3.90%	N/A		
VHCB grant - CVOEO	\$5,000	0.53%	N/A		
VHCB loan	\$180,000	18.99%	3.00%	25	10,337 No defer
-----					
Total Permanent Financing	\$948,050	100.00%			
Per Unit	18,232				

Total Development Budget

Property Acquisition 625,000 \$12,019 /lot

Rehab Work

Electrical	30,000
Road	5,000
Well testing & ring	6,000
Pump system	113,000
Backflow preventers	14,000
Replace 5 septic	25,000
Septic maintenance	6,500
-----	

Rehab subtotal	199,500	
Contingency	2.76%	5,500
Appraisal		1,500
Legal and Title Fees		4,500
VHFA Finance Fee (1%)		5,260
VHFA Transaction Costs		2,500
Closing Costs		1,290
Working capital	(24,291)	23,000
Clerk of Works		20,000
Co-op organizing		5,000
Development fee	5.80%	55,000
-----		

Total Development Costs \$948,050

ASSUMPTIONS

Oper cost/lot/month

Income Increase	3.00%
Expense Increase	4.00%
Replace. Reserve	3.00%

Rents*	Yr 1		
	Units	Rents	Ann Rents
-----			
# Mobile Homes	52	\$180	\$112,320
-----			

9/28/91

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Gross Annual Income	112,320	115,690	119,160	122,735	126,417	130,210	134,116	138,139	142,284	146,552	150,949	155,477	160,141	164,946	169,894	174,991	180,241	185,648	191,217	196,954
Less Vacancy																				
Allowance:	3X																			
Other Income	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Adjusted Gross Income	108,950	112,219	115,585	119,053	122,625	126,303	130,092	133,995	138,015	142,156	146,420	150,813	155,337	159,997	164,797	169,741	174,833	180,078	185,481	191,045
Management	192	9,984	10,383	10,799	11,231	11,680	12,147	12,633	13,138	13,664	14,210	14,779	15,370	15,985	16,624	17,289	17,981	18,700	19,448	20,226
Audit/Legal	38	2,000	2,080	2,163	2,250	2,340	2,433	2,531	2,632	2,737	2,847	2,960	3,079	3,202	3,330	3,463	3,602	3,746	3,896	4,052
Utilities & Water	168	8,745	9,095	9,459	9,837	10,230	10,640	11,065	11,508	11,968	12,447	12,945	13,463	14,001	14,561	15,144	15,749	16,379	17,034	17,716
Trash (included above)	0																			
Maintenance--Total	58	3,000	3,120	3,245	3,375	3,510	3,650	3,796	3,948	4,106	4,270	4,441	4,618	4,803	4,995	5,195	5,403	5,619	5,844	6,077
Real Estate Taxes	67	3,500	3,640	3,786	3,937	4,095	4,258	4,429	4,606	4,790	4,982	5,181	5,388	5,604	5,828	6,061	6,303	6,555	6,818	7,090
Insurance	35	1,800	1,872	1,947	2,025	2,106	2,190	2,278	2,369	2,463	2,562	2,664	2,771	2,882	2,997	3,117	3,242	3,371	3,506	3,646
Replacement Reserve	66	3,445	3,548	3,655	3,764	3,877	3,994	4,114	4,237	4,406	4,583	4,766	4,957	5,155	5,361	5,575	5,799	6,030	6,272	6,523
Other: Snow Plowing	29	1,500	1,560	1,622	1,687	1,755	1,825	1,898	1,974	2,053	2,135	2,220	2,309	2,402	2,498	2,598	2,701	2,809	2,922	3,039
Total Expenses	653	33,974	35,333	36,746	38,216	39,745	41,335	42,988	44,707	46,496	48,356	50,290	52,301	54,393	56,569	58,832	61,185	63,633	66,178	68,825
Net Operating Income		74,976	76,886	78,839	80,837	82,880	84,969	87,105	89,288	91,519	93,800	96,130	98,511	100,944	103,428	105,965	108,556	111,201	113,900	116,656
Debt Service: Primary		(60,727)	(60,727)	(60,727)	(60,727)	(60,727)	(60,727)	(60,727)	(60,727)	(60,727)	(60,727)	(60,727)	(60,727)	(60,727)	(60,727)	(60,727)	(60,727)	(60,727)	(60,727)	(60,727)
Debt Service: CDOP																				
Debt Service: MCR		(10,243)	(10,243)	(10,243)	(10,243)	(10,243)	(10,243)	(10,243)	(10,243)	(10,243)	(10,243)	(10,243)	(10,243)	(10,243)	(10,243)	(10,243)	(10,243)	(10,243)	(10,243)	(10,243)
Cash Flow		4,006	5,916	7,869	9,867	11,910	13,999	16,134	18,318	20,549	22,830	25,160	27,541	29,973	32,458	34,995	37,586	40,230	42,930	45,685
Debt Coverage Ratio		1.06	1.08	1.11	1.14	1.17	1.20	1.23	1.26	1.29	1.32	1.35	1.39	1.42	1.46	1.49	1.53	1.57	1.60	1.64
Op Exp/Lot/Month	\$54	\$57	\$59	\$61	\$64	\$66	\$69	\$72	\$75	\$77	\$81	\$84	\$87	\$91	\$94	\$98	\$102	\$106	\$110	\$115
Monthly Lot Rent	\$180	\$185	\$191	\$197	\$203	\$209	\$215	\$221	\$228	\$235	\$242	\$249	\$257	\$264	\$272	\$280	\$289	\$298	\$306	\$316

Year Acquired	1990	1986	1989	1989	1989	1990	1991	1991	1991
Sandy Pines Tri-Park									
E. Mylar Brattleboro									
Mountain View Hunters									
Grand Isle Woodstock									
Riverside French Hill									
Town & Count Vergennes									
Fernwood Bolton									
Projected Coburn									
Projected Lazy Brook									
Projected Starbuck									
Property Acquired	\$980,000	\$3,750,000	\$820,000	\$360,000	\$325,000	\$144,000	\$1,300,000	\$1,425,000	\$300,000
Development Costs	\$36,300	\$0	\$50,000	\$94,000	\$27,634	\$22,500	\$84,625	\$58,250	\$370,317
Total Development	\$1,016,300	\$3,750,000	\$870,000	\$454,000	\$352,634	\$166,500	\$1,384,625	\$1,483,250	\$670,317
VHFA Financing	N/A	N/A	N/A	N/A	N/A	122,000	1,068,625	1,203,250	264,727
% of VHFA to Total						73.27%	77.18%	81.12%	39.49%
#Lots	56	330	52	24	40	9	73	78	46
Property Acq Cost/L	\$17,500	\$11,364	\$15,769	\$15,000	\$8,125	\$16,000	\$17,808	\$18,269	\$6,522
Devlpm Cost/Lot	\$648	\$0	\$962	\$3,917	\$691	\$2,500	\$1,159	\$747	\$8,050
Total Cost/Lot	\$18,148	\$11,364	\$16,731	\$18,917	\$8,816	\$18,500	\$18,967	\$19,016	\$14,572
									\$18,232

9/29/91  
VHFA  
MOBILE HOME PARK COMPARISONS  
OPERATING EXPENSE DETAIL PER LOT - ANNUAL

C:\QUATTRO\MEP\MEPCOMP.WKQ  
Koppelkam

Park Name	Sandy Pines Tri-Park	Mountain View	Hunters	Riverside	French Hill	Town & Count	Fernwood	Projected	Projected
	E. Mylar Brattleboro	Hinesburg	Grand Isle	Woodstock	Williston	Vergennes	Bolton	Coburn	Starbuck
Number of Lots	56	330	52	24	40	9	73	78	46
Avg Rent	200	155	160	190	125	195	180	195	175
Gross Annual Income	134,400		99,840	54,720	60,000	21,060	157,680	182,520	96,600
Per Lot Expenses - Annual									
Management***	180		217	275	218	100	144	210	226
Audit & Legal	27		29	63	38	22	27	19	33
Trash	111		0	0	100	78	67	0	0
Utilities	170		125	129	115	94	94	135	296
Maintenance	21		61	104	30	89	41	32	130
Taxes	214		115	149	120	187	79	91	174
Insurance	15		69	31	53	169	30	19	33
Misc	64		0	0	0	0	0	0	209
Snow	64		29	42	120	42	21	13	43
Replacement Reserv	71		96	83	100	62	64	70	65
TOTAL	938		741	876	893	843	568	589	1208
OPER EXP/GROSS INC	39.09%		38.59%	38.44%	59.50%	36.04%	26.30%	25.16%	57.54%
ADJUSTED RATIO*	28.61%		22.29%	22.72%	38.33%	29.10%	16.66%	13.22%	43.69%
PREVIOUS OWNER ADJ	24.00%		22.00%				16.00%		

\* (Operating Expense - Replacement Reserve - Management)/Gross Income  
The adjusted ratio is to enable better comparison with private sector data from appraisals.  
\*\* From Keller Nevin Cable & O'Brien appraisal for Fernwood using 1986 expenses supplied by owners.  
\*\*\* Diversified Hunters and Mountain View management costs include replacement manager.



RESOLUTION OF VERMONT HOUSING FINANCE AGENCY  
AUTHORIZING THE ISSUANCE OF ITS  
HOUSING PROJECT BONDS (FEDERALLY TAXABLE  
ISSUE) LAZY BROOK MOBILE HOME PARK

Be it Resolved by the Vermont Housing Finance Agency  
and the Commissioners thereof as follows:

ARTICLE I  
DEFINITIONS AND AUTHORITY

SECTION 101. Definitions.

(A) In this Resolution unless a different meaning clearly appears  
from the context:

"Act" means the Vermont Housing Finance Agency Act, being  
No. 260 of the Vermont Acts of 1973, Adjourned Session,  
as amended to the date of adoption of this Resolution.

"Agency" means the Vermont Housing Finance Agency, a body  
politic and corporate organized under the Act, or any  
instrumentality of the State which shall hereafter  
succeed to its powers.

"Anniversary Date" means the date the first scheduled  
amortizing payment was due on the Permanent Loan.

"Authorized Officer" means the Chairman, Vice Chairman,  
Executive Director and Secretary, Deputy Director and  
Director of Finance of the Agency, and any other person  
authorized by resolution of the Agency to act as an  
Authorized Officer under this Resolution.

"Bond" or "Bonds" means the Bonds of the Agency  
authorized by this Resolution.

"Bond Date" means the date the Bond is originally issued  
hereunder.

"Bond Fund" means the Housing Project (Federally Taxable  
Issue) Bond Fund established under Section 301 of this  
Resolution.

"Commitment Letter" means the Commitment Letter relating  
to the Permanent Loan dated as of November 7, 1991,  
issued by the Agency and accepted by the Sponsor.

"Costs of Issuance" means any items of expense payable or reimbursable directly or indirectly by the Agency and related to the authorization, sale and issuance of the Bonds.

"Development" means the Lazy Brook Mobile Home Park as more fully described in the Commitment Letter and the Three Party Agreement.

"General Account" means the account so designated and established under Section 301 of this Resolution.

"General Fund" means the fund so designated and created by a resolution of the Agency adopted September 26, 1974 as amended from time to time.

"Loan Account" means the account so designated and established under Section 301 of this Resolution.

"Permanent Loan" means a permanent mortgage loan made by or on behalf of Agency to the Sponsor with the proceeds of the Bonds.

"Permanent Loan Amount" means the amount of the Permanent Loan established pursuant to paragraph 3 of the Commitment Letter.

"Program" means the Agency's program of making mortgage loans to housing sponsors pursuant to the Act.

"Project Fund" means the fund established under Section 301 of this Resolution.

"Recovery Payments" means any moneys received or recovered by the Agency, less the expenses necessarily incurred by the Agency in connection with the collection of such amount, from (i) condemnation of the Development, (ii) proceedings taken in the event of default by the Sponsor under the Permanent Loan, (iii) any claim settlement for hazard insurance or other insurance applicable to the Development or the Permanent Loan, (iv) the sale or other disposition of the Development, or (v) the sale or other disposition of the Permanent Loan after default for the purpose of realizing the Agency's interest therein.

"Revenues" means and includes all payments, proceeds, charges, fees, rents, investment earnings and all other income (including without limitation all payments of principal and interest received by or on behalf of the Agency on the Permanent Loan and all Recovery Payments)

derived by or for the account of the Agency from or related to the Development and the Permanent Loan.

"Sinking Fund Account" means the account so designated and established under Section 301 of the Resolution.

"Sponsor" means Housing Foundation, Inc., a non-profit corporation organized and existing under the laws of the State.

"State" means the State of Vermont.

"Three Party Agreement" means the agreement so denominated among the Sponsor, the purchaser of the Bond, and the Agency, in substantially the form presented at this meeting.

- (B) Except as otherwise expressly provided in this Resolution, the terms "housing development costs," "housing sponsor," "mortgage," "mortgage loan," and "residential housing" when used in this Resolution shall have the meanings given such terms in the Act.

#### SECTION 102. Authority.

This Resolution is adopted pursuant to the Act and shall take effect upon its adoption. The Agency is duly authorized under the Act and all applicable laws to issue the Bonds and to adopt this Resolution in the manner and to the extent provided herein. The Agency will at all times, to the extent permitted by law, defend, preserve and protect all the rights of the registered owner of the Bonds hereunder against all claims and demands of all persons whomsoever.

### ARTICLE II AUTHORIZATION OF THE BOND; FINDINGS; TERMS AND SALE OF THE BONDS

#### SECTION 201. The Bonds.

- (A) The Bonds of the Agency, designated "Housing Project Bond (Federally Taxable Issue) Lazy Brook Mobile Home Park" are hereby authorized to be issued as herein provided in an aggregate principal amount not to exceed Five Hundred Fifty Thousand Dollars (\$550,000), the original principal amount of the Bonds to be determined upon their issuance by the Authorized Officers of the Agency executing the same. The Bonds shall be in such denomination as the authorized officers of the Agency shall determine. The Bonds shall be dated and shall bear interest from the Bond Date and shall mature, subject to prior redemption as provided herein and in the

provided, twenty years from the Anniversary Date. Interest on the Bonds shall be payable on March 1, 1992 and semi-annually thereafter on March 1 and September 1 of each year. The form of the Bonds, the rate or rates of interest payable thereon, the terms of redemption thereof prior to maturity and all other terms and conditions thereof shall be as set forth in Article IV of this Resolution.

- (B) The Agency hereby ratifies and confirms the Commitment Letter and approves the Permanent Loan on the terms and conditions provided herein, in the Commitment Letter and in the Three Party Agreement. The Agency hereby determines that:
- (1) the Permanent Loan does not exceed the value of the Development as determined by the Agency and the principal amount of the Bonds is necessary to provide sufficient funds to be used and expended for the Program in respect of the Development;
  - (2) the Permanent Loan can be issued bearing interest at a rate that will be less than the prevailing rate of interest on comparable mortgage loans available in the State without the assistance of the Agency;
  - (3) the Agency will derive receipts, revenues or other income from the Permanent Loan 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 for which the Bonds are issued;
  - (4) the Development is primarily for occupancy by persons and families of low and moderate income within the meaning of the Act;
  - (5) the acquisition, construction and or rehabilitation costs incurred or to be incurred by the Sponsor are for housing development costs within the meaning of the Act;
  - (6) there exists or without the Development 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 investments are unable, without assistance, to provide an adequate supply of residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families; and
  - (7) the Sponsor is a housing sponsor as defined in the Act, the Sponsor will maintain or increase the supply of well-planned, well-designed permanent, temporary

transitional or emergency housing for persons of low and moderate income and the Sponsor is a financially responsible person.

- (C) The purposes for which the Bonds are being issued are to provide funds to make the Permanent Loan and to pay Costs of Issuance in the amount determined by or pursuant to Article III hereof.

SECTION 202. Sale of the Bonds.

- (A) The Bonds are hereby sold to the State Teachers' Retirement System of Vermont and the Vermont State Employees' Retirement System at the price of par on the terms and conditions provided herein and in the Three Party Agreement. The Three Party Agreement, in substantially the form presented at this meeting and included in the minutes thereof, and its execution and delivery by Authorized Officers of the Agency is hereby approved with such changes therein and thereto not inconsistent herewith as may be approved by the Authorized Officers executing the same prior to the execution and delivery thereof.

ARTICLE III  
ESTABLISHMENT OF FUNDS AND ACCOUNTS;  
APPLICATION OF BOND PROCEEDS; OBLIGATION OF THE BONDS

SECTION 301. Funds and Accounts.

- (A) The Housing Project (Federally Taxable Issue) Project Fund (the "Project Fund") is hereby established to be held and administered together with all accounts therein by the Agency as provided in this Resolution. On or prior to the Bond Date the Agency shall establish within the Project Fund a separate account designated the "Lazy Brook Loan Account" (the "Loan Account"), the amounts in which shall be applied as provided in this Article III.
- (B) The Housing Project (Federally Taxable Issue) Bond Fund (the "Bond Fund") is hereby established to be held and administered together with all accounts therein by the Agency as provided in this Resolution. On or prior to the Bond Date the Agency shall establish within the Bond Fund the following separate accounts to be applied as provided in this Article III:
- (1) Lazy Brook General Account (the "General Account");
  - (2) Lazy Brook Sinking Fund Account (the "Sinking Fund Account");

- (3) Lazy Brook Special Redemption Account (the "Special Redemption Account").

SECTION 302. Application of Bond Proceeds.

- (A) The proceeds of the Bonds shall be deposited in the Loan Account. Moneys in the Loan Account shall be used solely as follows:
  - (1) an amount not exceeding the Permanent Loan Amount shall be used to make the Permanent Loan; and
  - (2) amounts in the Loan Account in excess of the Permanent Loan Amount shall be applied by the Agency to defray Costs of Issuance of the Bonds within six (6) months of the Bond Date.
- (B) Notwithstanding anything herein to the contrary, if the Permanent Loan is not made within six (6) months of the Bond Date, or in any event if any balance remains on deposit in the Loan Account on the date which is six (6) months after the Bond Date, the entire balance on deposit in the Loan Account shall be transferred to the Special Redemption Account for application to the redemption of the Bonds as provided in Section 303 of this Resolution.

SECTION 303. Application of Revenues.

- (A) The Agency shall deposit all Revenues in the Bond Fund upon receipt and shall immediately allocate the same to accounts therein as follows:
  - (1) Revenues constituting scheduled repayments of principal on the Permanent Loan and Revenues constituting permitted prepayments of the outstanding principal of the Permanent Loan - to the Sinking Fund Account;
  - (2) Revenues constituting Recovery Payments and excess moneys in the Loan Account under Section 302(B) hereof - to the Special Redemption Account; and
  - (3) all other Revenues - to the General Account.
- (B) On September 1, 1992 and each succeeding September 1 thereafter, all amounts deposited in the Sinking Fund Account under Section 303(A)(1) shall be applied to the redemption of the outstanding principal of the Bonds, except that, in the event that the Agency receives a prepayment of the outstanding principal of the Permanent Loan under Section 303(A)(1) on the tenth anniversary of the Bond Date, or at any time thereafter, all as provided in the Permanent Loan, the Bonds shall be

subject to redemption at the option of the Agency in whole or in part, from the amount deposited in said Account.

- (C) All amounts deposited in the Special Redemption Account shall be promptly applied to the redemption of the outstanding principal of the Bonds. At any time not later than the interest payment date for the Bonds next succeeding the date of any deposit into said Account under Section 303(A)(2), the amount so deposited shall be applied to the redemption of the outstanding principal of the Bonds.
- (D) Moneys in the General Account shall be used solely as follows:
  - (1) on each interest payment date of the Bonds, to pay the interest on the Bond then due;
  - (2) on the redemption date of any portion of the principal of the Bonds being redeemed hereunder to pay any interest then payable on the principal amount of the Bonds to be redeemed;
  - (3) at any time, to reimburse the Agency for any expense reasonably incurred by it in connection with the financing of the Development, including but not limited to Costs of Issuance in excess of the amount available therefor in the Loan Account and expenses incurred in connection with the protection of the Agency's security for the Permanent Loan; and
  - (4) on each interest payment date, after payment of the interest on the Bonds then due and provided an Authorized Officer of the Agency determines that such transfer will not materially impair the Agency's ability to make future payments from the General Account sufficient for the purposes of paragraphs (1) and (2) of this Section 303(D), to transfer funds to the Agency's General Fund free of the pledge herein made.
- (E) Whenever funds in any account in the Project Fund are required to be applied to a payment on account of principal of the Bonds, the Agency may at its election hold back such amount not exceeding \$100 as will facilitate payment of principal on the Bonds in rounded amounts. Payments from the Project Fund shall be deemed to have been made on the date of the Agency's check therefor and not on the date of any prior mailing of said check.

#### SECTION 304. Transfers from General Fund.

From time to time, at its option, the Agency may transfer moneys from the General Fund to the General Account.

SECTION 305. Investment.

Moneys in the funds and accounts established hereunder may be invested by the Agency, until needed for their respective purposes, in any manner permitted by the Act. Moneys in two or more of such funds and accounts may be invested on a commingled basis for the account of such funds and accounts pro rata in proportion to the moneys invested on behalf of each such fund or account. Interest and other income earned upon the investment or deposit of amounts in the Loan Account shall be deposited in such Account. Interest and other income earned upon the investment or deposit of amounts on deposit in the General Account, the Sinking Fund Account and the Special Redemption Account shall be deposited in the General Account.

SECTION 306. Obligation of The Bonds.

The Bonds shall be general obligations of the Agency payable out of any of the Agency's revenues, moneys or assets, subject only to agreements heretofore or hereafter made with the holders of obligations of the Agency other than the Bonds pledging particular revenues, moneys or assets for the payment thereof. The Agency hereby covenants and agrees with the registered owners of the Bonds that it will not grant to any person any lien on or pledge of the Permanent Loan or of any of the Revenues or moneys or investments in any of the accounts created hereunder or any proceeds thereof unless the Agency shall simultaneously therewith grant to the registered owners of the Bonds a prior and senior lien on or pledge of the Permanent Loan and such Revenues, moneys and investments and the proceeds thereof. The Bonds shall not constitute a debt or grant or loan of credit of the State and the State shall not be liable thereon nor shall the Bonds be payable out of any funds other than those of the Agency. The Agency is not obligated to pay the Bonds or the interest thereon except from the revenues or assets of the Agency pledged therefor under this Resolution and neither the faith nor credit nor taxing power of the State or any political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds.

ARTICLE IV  
FORM OF THE BONDS

The Bonds shall be issued substantially in the following form:



VERMONT HOUSING FINANCE AGENCY  
HOUSING PROJECT BOND  
(Federally Taxable Issue)  
Lazy Brook Mobile Home Park

No. \_\_\_\_

\$\_\_\_\_,000

NOTE: THE HOLDER OF THIS BOND BY ACCEPTANCE HEREOF AGREES TO RESTRICTIONS ON TRANSFER AND TO INDEMNIFICATION PROVISIONS SET FORTH BELOW.

The Vermont Housing Finance Agency (herein called the "Agency"), a body politic and corporate of the State of Vermont, for value received hereby promises to pay to Vermont State Retirement System, or registered assigns, on the Tenth day of December 2011, the principal sum of \_\_\_\_\_ and No Dollars (\$\_\_\_\_,000), upon presentation and surrender hereof, and to pay interest on the principal balance hereof outstanding from time to time from the date of original delivery of this bond (the "Bond Date") until final payment hereof at the annual rate provided below, which interest rate will change periodically on a day which is a specified anniversary of the date the first scheduled amortizing payment was due (the "Anniversary Date") such interest payments to be made semi-annually on the first day of March and September in each year commencing March 1, 1992. The principal or redemption price of and interest on this Bond are payable in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts and shall be payable by check or draft mailed to the registered owner at his address appearing on the registration books of the Agency kept for that purpose at the offices of the Agency; provided that the registered owner of this bond by acceptance hereof agrees that whenever any payment on account of principal shall occur, such owner shall promptly note the date and amount thereof on the Schedule of Payments and Prepayments endorsed hereon and further agrees that this bond shall be surrendered to the Agency upon final payment hereof.

The annual rate of interest on this bond shall be as follows:

1. From the Bond Date to but excluding the fifth Anniversary Date - 9.00% per annum;
2. From the fifth Anniversary Date to but excluding the tenth Anniversary Date - 9.75% per annum;
3. From the tenth Anniversary Date to but excluding the fifteenth Anniversary Date - 10.50% per annum;
4. From the fifteenth Anniversary Date to the earlier of final maturity or redemption hereof, a rate equal to 11.25% per annum.

This bond is issued pursuant to No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended (the "Act") and under and pursuant to a resolution of the Agency adopted November 7, 1991 entitled "Resolution of Vermont Housing Finance Agency Authorizing the Issuance of its Housing Project Bond (Federally Taxable Issue) Lazy Brook Mobile Home Park" (the "Resolution"). This bond is a general obligation of the Agency payable out of any of the Agency's revenues, moneys or assets, subject only to agreements heretofore or hereafter made with the holders of obligations of the Agency other than this bond pledging particular revenues, moneys or assets for the payment thereof.

The Agency is not obligated to pay this bond or the interest hereon except from the revenues or assets of the Agency pledged under the Resolution 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 this bond.

Copies of the Resolution are on file at the office of the Agency in the City of Burlington, Vermont, and reference to the Resolution and to the Act is made for a description of the covenants securing this bond, the manner of enforcement of the covenants, the rights and remedies of the registered owner of this bond with respect thereto, and the terms and conditions upon which this bond is issued.

This bond may not be transferred except to a transferee capable of making representations comparable to those made by the original owner hereof in the Three Party Agreement described in the Resolution to the reasonable satisfaction of the Agency. Furthermore, before any transfer of this bond by the registered owner or his or its legal representative will be recognized or given effect by the Agency, the registered owner shall note hereon the date to which interest has been paid as well as the amounts of all principal payments and prepayments hereon, and shall notify the Agency of the name and address of the transferee and shall afford the Agency the opportunity of verifying the notation as to payment of interest and principal. By the acceptance hereof the owner of this bond and each transferee shall be deemed to have agreed to indemnify and hold harmless the Agency against all losses, claims, damages or liabilities arising out of any failure on the part of the owner or of any such transferee to comply with the requirements of the preceding sentence. Subject to the foregoing, this bond is transferable only upon the books of the Agency at the offices of the Agency by the registered owner hereof in person or by his or its agent duly authorized in writing, upon surrender hereof together with a written instrument of transfer satisfactory to the Agency duly executed by the registered owner or his or its duly authorized agent, and upon the payment of the charges described in the Resolution, the Agency shall issue in the name of the transferee a new substitute registered bond with the same date and

in the same form and amount as this bond, endorsed to show the principal amount of the predecessor bond or bonds paid to the delivery date of such substitute bond.

This bond is subject to redemption at a redemption price equal to the portion of the principal amount hereof to be redeemed plus accrued interest on such portion to the redemption date as follows:

1. in whole or in part on September 1, 1992 and on each September 1 thereafter without notice through application of moneys in the Sinking Fund Account as required by the Resolution;
2. in whole or in part at any time upon notice through application of moneys in the Special Redemption Account as required by the Resolution; and
3. in whole or in part at the election of the Agency upon notice, through application of moneys deposited in the Sinking Fund Account in the event of the prepayment of the outstanding principal amount of the Permanent Loan as described in the Resolution. In the event of a prepayment before the end of the seventeenth year, the Agency will pass through amounts of prepayment charges it receives from the Sponsor according to the following schedule:

Years 1-5	10.0%
Year 6	9.5%
Year 7	9.0%
Year 8	8.5%
Year 9	8.0%
Year 10	7.5%
Year 11	7.0%
Year 12	6.5%
Year 13	6.0%
Year 14	5.5%
Year 15	5.0%
Year 16	4.5%
Year 17	4.0%
Years 18-20	no premium

Any notice required hereunder shall be given by certified letter, return receipt requested, mailed to the registered owner at his address appearing on the registration books of the Agency not less than five days prior to the redemption date. Any redemption shall be accomplished by mailing, two days prior to the redemption date, the Agency's check (dated as of the redemption date) for the redemption price to the registered owner in the same manner as is hereinabove provided for notice of redemption.

No recourse shall be had for the payment of the principal or redemption price of or the interest on this bond or for any claim

based hereon or on the Resolution against any member or officer of the Agency or any person executing this bond.

It is hereby certified and recited that all conditions, acts and things required by the Constitution or statutes of the State of Vermont or the Resolution to exist, to have happened or to have been performed precedent to or in the issuance of this bond, exist, have happened and have been performed and that the issue of this bond, together with all other indebtedness of the Agency, is within every debt and other limit prescribed by law.

IN WITNESS WHEREOF, the Vermont Housing Finance Agency has caused this bond to be executed in its name by the manual signature of an authorized officer of the Agency, and its corporate seal (or facsimile thereof) to be affixed, imprinted, engraved or otherwise reproduced hereon and attested by the manual signature of an authorized officer of the Agency.

ATTEST:

VERMONT HOUSING FINANCE AGENCY

By: \_\_\_\_\_ By: \_\_\_\_\_  
Authorized Officer Authorized Officer

Bond Date: \_\_\_\_\_, 19\_\_

Schedule of Payments and Prepayments of Principal

<u>Principal</u> <u>Amount Paid</u>	<u>Date Paid</u>	<u>Balance Due</u>	<u>Authorized</u> <u>Signature and</u> <u>Title</u>
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(NOTICE: The within bond may not be transferred until this schedule has been verified by the Agency.)

ARTICLE V  
MISCELLANEOUS

SECTION 501. Default.

If the Agency defaults in the payment of principal of or interest on any Bond when due, or in the performance of any covenant in this Resolution, then the registered owner of the Bond shall have the right, by mandamus or other suit, action or proceedings at law or in equity, to bring suit upon the Bond, to enforce its rights under the Resolution and the Bond, to compel performance by the Agency of its obligations under the Bond and the Resolution; to require the Agency to account as trustee of an express trust; to require the Agency to effectuate the assignment of the Permanent Loan to such

owner; or to enjoin any acts which may be unlawful or in violation of the rights of the registered owners of the Bonds. No remedy conferred by the Resolution upon the registered owners of the Bonds is intended to be exclusive of any other remedy, but each shall be in addition to every other remedy given under the Resolution or the Bonds or provided at law or in equity or by the Act. No delay or omission of the registered owners of the Bonds to exercise any right or power arising upon the happening of a default shall impair any right or power or be construed to be a waiver of the default. The registered owners of the Bonds may waive any default and its consequences. No such waiver shall extend to any subsequent or other default.

SECTION 502. Defeasance.

If the Agency shall pay or cause to be paid to the registered owners of the Bonds the principal, redemption price and interest thereon at the times and in the manner stipulated therein and herein, then all obligations of the Agency hereunder and under the Bonds and all other rights granted hereby shall be discharged and satisfied.

SECTION 503. Transfer.

The Bonds may be transferred in whole but not in part to new owners, subject to the restrictions on transfer and upon compliance with the provisions for transfer described in the form of the Bonds and payment of a transfer fee of \$100.00 for each substitute Bond issued as a result of a request for transfer.

SECTION 504. Amendment.

This Resolution may be amended by the Agency without the consent of the registered owners of the Bonds to cure any ambiguity, supply any omission or cure or correct any defect or inconsistent provision herein or to insert such provisions clarifying matters or questions arising hereunder as are necessary or desirable and are not inconsistent with this Resolution as theretofore in effect. The Agency may also adopt a resolution amending, supplementing or otherwise modifying this Resolution without the consent of the registered owners of the Bonds to incorporate the provisions hereof in a resolution of the Agency of general application to bonds issued to finance the Program the interest on which is not excludable from federal income taxes; provided no such resolution shall reduce the principal amount of the Bonds or the rate of interest payable thereon or change the maturity date thereof or the dates for payment of interest thereon or the terms of redemption thereof or the security granted for the payment thereof without the express written consent of the registered owners of the Bonds. Except as hereinabove provided in this Section 504, this Resolution

and the Bonds may be amended by the Agency only with the prior written consent of the registered owners of the Bonds.

SECTION 505. Authorization of Officers.

The Chairman, Vice-Chairman, Executive Director, Deputy Director, Director of Finance and all other Authorized Officers of the Agency are hereby authorized and directed to do all acts and things and to execute and deliver any and all documents, certificates, and other instruments necessary or desirable to effectuate the transactions contemplated by this Resolution, including the transaction involving the loan of the proceeds of the Bonds for the acquisition, construction and/or rehabilitation of the Development.

SECTION 506. Severability.

If any provision of this Resolution is held invalid in any circumstances, that invalidity shall not affect any other provisions or circumstances.

**RESOLUTION PERTAINING TO COMBINED  
LETTER OF INTENT AND COMMITMENT LETTER RE:  
LAZY BROOK MOBILE HOME PARK**

WHEREAS, a proposal has been presented to the Agency by the Addison County Community Trust (ACCT), a non-profit corporation, involving the acquisition of Lazy Brook Mobile Home Park ("Lazy Brook"), a 52 unit mobile home park in Starksboro; and

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

WHEREAS, the Housing and Conservation Board has approved a \$42,000 grant and a deferred loan of \$180,000 for Lazy Brook; and

WHEREAS, the Sponsor has received approval for a \$200,000 deferred payment loan from the Community Development Block Grant program; and

WHEREAS, the Agency has available to it a commitment from the State's pension funds to purchase taxable bonds issued by the Agency, the proceeds of which can be used to make a mortgage loan to ACCT for the acquisition of Lazy Brook; and

WHEREAS, the Agency has determined that the Development will assist in fulfilling the purposes of the Act and is financially feasible;

It is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income.
2. The costs of acquisition to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.
3. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and moderate income are able to afford within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of the residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families.
4. The housing sponsor undertaking the Development will maintain the supply of well-planned, well-designed permanent housing for persons and families of low and moderate income.
5. The sponsor is a financially responsible organization.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a combined letter of intent and commitment letter (the "Commitment Letter") to provide a first mortgage for permanent financing in an amount to be determined by the Executive Director, but not to exceed \$550,000, for the Lazy Brook Mobile Home Park.
2. The Commitment Letter shall be issued to the Addison County Community Trust as the housing sponsor.
3. The commitment of the Agency shall be subject to receipt, at the time of closing, of a commitment fee in an amount equal to one percent (1.0%) of the principal amount of the mortgage loan and transaction costs.
4. The term of the mortgage loan shall be 20 years, the principal and interest payments will be calculated on a 25 year term and will not be fully amortizing, and the interest rate to be charged may be a graduated rate, to be determined by the Executive Director.
5. The Commitment Letter shall require the Sponsor to demonstrate to the satisfaction of the Executive Director that equity funds and/or deferred loan funds are available in an amount at least equal to the difference between the total development cost as accepted by the Agency and the amount of the permanent financing commitment.
6. The Commitment Letter shall contain such other terms and conditions as the Executive Director shall deem necessary or appropriate. and the Executive Director is authorized to make arrangements for the issuance and private placement of taxable bonds of the Agency to provide proceeds for financing this loan.
7. Throughout the period of the loan, at least 51% of the pads in the park shall be rented to persons and families of low and moderate income, that is, at or below 100% of median income. Income checking shall be required only before the closing and for new residents entering the park. Residents shall not be required to leave the park because their income increases beyond any applicable limit or because the occupancy mix is not met.
9. The Executive Director, the Director of Finance, the Director of Development, or any of them, are authorized to do all acts and things and to execute and deliver any and all documents or other instruments, in form satisfactory to counsel for the Agency, necessary or desirable for the purpose of effectuating the permanent loan to Addison County Community Trust.


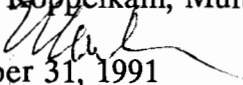




VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Margaret A. Pond, Director of Development   
Mark Koppelkam, Multi-Family Development Underwriter 

DATE: October 31, 1991

RE: ST. ALBANS/UPPER WELDEN (VERMONT HOUSING ENTERPRISES) COMMITMENT LETTER RESOLUTION

Note: This report is largely identical to the Letter of Interest report presented at the September 1991 meeting of the Commissioners. Changes to that report are highlighted in grey.

THE DEVELOPMENT

1. General Description

Attached is a Commitment Letter Resolution authorizing the Agency to issue a permanent loan not to exceed \$870,000 in tax exempt financing to Vermont Housing Enterprises (VHEI) for the purchase and renovation of an existing 40 unit low income elderly development in St. Albans known as Upper Welden. The development was built in 1972 by Paul Poquette and Omar Bruley, and has been managed by the Vermont State Housing Authority (VSHA) for the last eight years. The development was built under the HUD Section 23 program, and the rent subsidies provided as part of the Section 23 program will be expiring December 31, 1991.

The sponsor's goal is to maintain these units as perpetually affordable to elderly couples or individuals with incomes below 50% of median income. VHEI has an accepted offer to purchase this development for the appraised value, which is \$870,000, or \$21,750/unit. Relative to other recent VHFA financed developments, this is a comparable acquisition price. Acquisition prices for other recently financed developments were \$29,400/unit for Northgate, \$26,525/unit for Highgate; \$37,500 for Templeton and \$20,600/unit for St. Johnsbury.

Total development costs for Upper Welden are currently estimated at \$1,070,000, or \$26,750 per unit. Actual or projected per unit costs at other VHFA financed developments are: St. Johnsbury (rehab) \$46,375; Northgate (rehab) \$58,540; Templeton

(rehab) \$53,104; Highgate (rehab) \$67,135; Pine Meadow (new construction, free land) \$72,000; Winchester (new construction) \$71,939.<sup>1</sup>

The Vermont Housing and Conservation Board (VHCB) approved a deferred payment loan of \$175,000 for the development at their September Board meeting. They in turn requested that the City of St. Albans invest \$25,000 in a low interest loan using community development funds, and these have been approved. VHFA had asked the sponsors to secure some level of seller financing as well, as a way of lowering VHFA's risk. The sponsor did get agreement from the seller for \$150,000 for both developments (Upper Welden and Colony Square) at a 9% rate over 20 years with a 10 year balloon. We have applied \$40,000 of that seller financing to this development in this analysis.

A summary of sources and uses of funds, rents, operating expenses and financial projections is attached.

Also attached is a location map of the development.

## 2. Financial Projections

Unlike Colony Square, this development's financial projections are not necessarily dependent upon the approval of 39 project based Section 8 certificates. (Note: the 40th unit is being rented to an on-site manager.) According to the appraiser, market rents at Upper Welden would be higher than that proposed for the Section 8 certificates. It would be likely be difficult for most existing residents to pay these rent levels without subsidies, but purely from an underwriting perspective this development could be self-sustaining without the certificates. In this scenario the development would likely have to rent to non-elderly as well.

HUD approval of the project based certificates has not yet been secured, but would be as a condition of closing. The project based certificates are five years in duration, and are typically re-authorized for a total of fifteen years.

The attached projections incorporate a number of assumptions, particularly about repayment schedules, that have not yet been approved by the sponsors or VHCB. The development finances have not changed substantially since originally proposed. VHFA's loan share has been reduced from 81.3% of total development cost to 77.6% as a result of the seller financing. However, renovation bids have not yet been received, so VHFA's share may increase (up to the \$870,000 maximum authorized by the resolution).

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<sup>1</sup> The Northgate and Winchester per unit costs include an adjustment for capitalized land leases, which is done for comparison purposes only. The Northgate and Highgate costs do not include any adjustment for favorable seller financing.

The projected permanent sources of funds are:

	Amount	Percent
Sponsor Equity	0	0.0
VHFA 1st Mortgage Loan	\$830,000	77.6
City CDBG Def Pymt Loan	\$25,000	2.3
Seller Financing	\$40,000	3.7
VHCB Deferred Payment Loan	<u>\$175,000</u>	<u>16.4</u>
<b>Total</b>	<u><b>1,070,000</b></u>	<u><b>100.0</b></u>

The projections do meet VHFA standards for contingency, working capital and replacement reserve.

### 3. Unit Breakdown and Rents

All of the units in the development are one bedroom. One of the units will be reserved for an on-site manager. The units are fair sized. Projected rents, to be covered via Section 8 certificates are \$433 and include all utilities.

### 4. Site/Location

The development is located about a half mile east of Main Street in a quiet, owner occupied residential neighborhood in St. Albans (See attached location map). The site is well landscaped with mature trees, a community garden and the wooded stream bed in back. The creek running through the back of the property is in the 100 year floodplain. However, that line does not extend into the building area, meaning the creek bed has the flood holding capacity.

There are only 18 parking spaces on-site for the 40 units, with capacity for four additional spaces. However, this limitation does not appear to be any problem for the current tenants.

### 5. Building Conditions and Renovation Plan

The development consists of one large wood frame two story building, with an expansive basement. Overall, the building is in good to very good condition. There is a nice common community room, central laundry and tenant storage area in a ground level area of the basement which has been finished. The buildings are served by City water and sewer.

The buildings were given a preliminary evaluation by Gossens Bachman Architects of Montpelier. This evaluation formed the basis for the proposed \$100,000 renovation budget. The buildings are structurally sound and generally in good condition. The plumbing, electrical systems are fine. The major exterior work included in the budget is replacement of the roofing.

The interior work planned as part of the renovation includes changes to four units to make them handicap accessible, new handrails in the common hallways and GFI electrical outlets. None of the units are currently accessible for the handicapped. Kitchen cabinets, appliances, bathrooms and fixtures are generally in very good condition in all the units.

The heating system is sufficient, but may warrant replacement in the near future. The quality of the heating system and the building's energy conservation needs were specifically addressed in a separate evaluation by Vermont Energy Investment Corporation. That evaluation recommends installation of new boilers and an attached domestic hot water system, as well as installation of automatic set-back thermostats and fluorescent hall exit lamp fixtures, and doing thorough blower door tests.

A recent fire inspection report done by the Department of Labor & Industry also mandated full sprinkling of the basement.

## 6. Appraisal

An appraisal was done for VSHA by Frank Bredice in March 1991. His recommended value, based on market rate rents and costs, is \$870,000. The purchase and sale agreement is written for the appraised price. The appraisal makes no mention of any renovation needs. The proposed VHFA loan amount equals 95.4% of the appraisal amount.

## 7. Market Demand and Rent Levels

There are 175 subsidized elderly units in St. Albans (including the 40 at Upper Welden), and an additional 141 outside of St. Albans in Franklin County. Of a 1990 elderly population of 1,472 in St. Albans, the State Community Development office estimates that 30%, or approximately 440 individuals are of low and moderate income. Thus there appears to be a need for these units.

The property has a recent history of a 1% to 4% vacancy rate. Project based Section 8 certificates permit coverage of one month's rent when a tenant moves out, thus significantly reducing the effective vacancy loss. The sponsor's financial projections assumed a 3% vacancy rate, which I have amended to 4% to reflect a more conservative underwriting perspective and the generally soft rental market.

According to the City's Community Development Director, overall market demand for rental housing is definitely softer now than it has been for quite some time. The July employment statistics for St. Albans shows 8.5% unemployment, down from 12.8% in January. The 1990 Census population figures for St. Albans show essentially no change from 1980. The Census shows 1,525 total rental units in St. Albans, with a 6.8% vacancy rate.

The 1990 U.S. Census reveals two interesting facts about the St. Albans elderly population. There are 1,472 individuals over 60 years of age, down 5.5% from 1980. There are 290 individuals between the ages of 55 and 59, down 48% from 1980.

The general VSHA perspective on market demand is that Section 8 certificates are very valuable, and that people will move into such units almost regardless of the condition of the units.

#### 8. Management

The proposed management agent is VSHA. VSHA has managed this property for eight years.

#### 9. Environmental Concerns

No environmental assessment is being done for the property. Asbestos is not a likely concern given that the building was built just 20 years ago. As an existing property in a residential neighborhood that has been managed by VSHA for many years, there has been no evidence to suggest that any environmental hazards exist on the site.

### DISCUSSION

#### Strengths

The primary strengths of this development include:

- a. The building, units and surrounding grounds are very pleasant, attractive, and in good to very good condition.
- b. The past and present involvement of the VSHA, and their familiarity with the development from a management perspective.
- c. The availability of project based Section 8 certificates makes the financial feasibility fairly safe, assuming that the VHCB approves a deferred payment loan.

- d. It is a pre-existing building, so there are current tenants and there is a history of market acceptance.
- e. City officials are supportive of this acquisition.
- f. There are 175 subsidized elderly units in St. Albans (including the 40 at Upper Welden), and an estimated low and moderate income elderly population of 440. Thus, there appears to be a need for these units.

### Weaknesses

The potential weaknesses of this development are:

- a. This is not a mixed income development, which has been a general standard of the Agency.
- b. This is a zero equity proposal. As proposed the VHFA loan constitutes 77.6% of total development cost, and 95.4% of appraised value.
- c. The overall St. Albans rental market is substantially weaker than it has been for many years.
- d. There are a number of fairly high quality subsidized senior housing developments in St. Albans that will compete with Upper Welden, some of which are more convenient to downtown shops and services. It is also clear that the City's elderly population is not growing.
- e. There are no monies in the operating budget for supportive services for the elderly.

### Other Comments

The current tenants are not "at risk" regardless of the success of this transaction as they will get Section 8 vouchers and can move where they please. The units themselves may be theoretically "at risk" as continuing affordable units, but given the style of housing, are always likely to be rental housing serving a primarily elderly population.

### RECOMMENDED ACTION

Staff recommends approval of the attached Resolution Pertaining to Issuance of Commitment Letter for Upper Welden Apartments (Resolution attached) authorizing the Executive Director to issue a commitment letter and make preliminary arrangements toward providing up to \$870,000 of first mortgage permanent financing for the Development.

Project: Upper Welden - St Albans RUN DATE: 10/25/91

Total Units: 40 \*\*\*\*\*Assumptions\*\*\*\*\*  
Rental Apts: 39 Income increase: 3.00%  
Percent Restricted: N/A Expense increase: 4.00%  
Tax Credit Rate N/A Appreciation: 2.50%  
TDC 1,070,000 Vacancy Rate: 4.00%  
Syn Equity Possible N/A

Summary  
Pro Forma  
Rent & Exp  
Dev Bud  
HCTF  
LTV

0  
Amount % of TDC  
Equity 0 0.00% Interest Term  
City CDBG 25,000 2.34% 3.00% 25  
VHFA 830,000 77.57% 9.00% 30  
HCTF 175,000 16.36% 3.00% 30 See notes  
Seller Note 40,000 3.74% 9.00% 20  
=====
1,070,000 100.00%

Note: The following items of information relate to the attached financial projections. Final loan terms and details are governed by various legal documents. Please consult the project's closing binder for specifics.  
HCTB loan 1% interest for 15 years with payments set at a level which enables the project to achieve a 1.05 DCR. Then at year 15, 9% over 10 years.  
Seller financing at 9% over 20 years, with a balloon payment due in 10 yrs.  
Refinancing of seller balloon in Yr 11 assumed at 11% 10 years  
City CDBG financing - no payments 1 yr, then 3% over 25 yrs  
Projections assume all units have project based Section 8 certificates  
Projections assume owner pays all utilities except phone  
For information about loss reserve and working capital,  
see the VHFA Development Description and/or Regulatory Agreement

Upper Welden - St Alb USES 10/25/91

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Budget Per Unit  
Acquisition 870,000 21,750  
Rehab 11.49% 100,000 2,500  
Appraisal 2,500 63  
Contingency 10.00% 10,000 250  
Arch/Engineering 2,500 63  
Legal/Title 5,000 125  
Permits/Fees 0 0  
Taxes/Insurance 0 0  
Closing 500 13  
VHFA Transaction Costs 2,500 63  
Permanent Loan Fee 12,450 13,050 326  
Loss Reserve 21,500 538  
Working Capital 32,056 32,450 811  
Developer's Fee 0.93% 10,000 250  
=====

TOTAL DEVELOPMENT COST 1,070,000 26,750

# Upper Welden - St Albans INCOME & EXPENSE BUDGET

10/25/91

## INCOME

### RENTS

Restricted Units (See assumptions below)

Bedrooms	Type	Sq. Feet	Number	Rent
1	1 Br	Flat	39	433
3	3 Br	Flat	0	
4	4 Br	Flat	0	
4	4 Br	Flat	0	

Totals 1,909,366 39 202,644 (annual)

### Market Rate Units

Bedrooms	Type	Sq. Feet	Number	Rent
1	1 Br	Flat	1	0
1	1 Br	Townhouse	0	
2	2 Br	Flat	0	0
2	2 Br	Townhouse	0	0
3	3 Br	Flat	0	0
3	3 Br	Townhouse	0	0

Totals 0 1 0 (annual)

### All Units

Grand Tot 1,909,366 40 202,644

Less Vacancy (8,106)

NET RENT 194,538

### OTHER INCOME

Laundry	1,000
Parking	0
Interest Income	0
Other	0

Total Other Income 1,000

TOTAL INCOME 195,538

## EXPENSE BUDGET

	Annual	Per Unit	Month
Admin/Management	19,300	40	
Utilities	29,200	61	
Maintenance	26,200	55	
Taxes	25,000	52	
Insurance	1,500	3	
Collection Losses	0	0	
Replacement Reserves	7,000	15	
Total	108,200	225	



Upper Welden - St Albans 30 YEAR PRO FORMA Upper Welden - St Albans

Year	1	2	3	4	5	6	7	8	9	10
Gross Possible Rent	202,644	208,723	214,985	221,435	228,078	234,920	241,968	249,227	256,703	264,404
Less Vacancies	(8,106)	(8,349)	(8,599)	(8,857)	(9,123)	(9,397)	(9,679)	(9,969)	(10,268)	(10,576)
Plus Other Income	1,000	1,030	1,061	1,093	1,126	1,159	1,194	1,230	1,267	1,305
Total Actual Income	195,538	201,404	207,447	213,670	220,080	226,682	233,483	240,487	247,702	255,133
Less Operating Exp.	108,200	112,528	117,029	121,710	126,579	131,642	136,908	142,384	148,079	154,002
Net Operating Income	87,338	88,876	90,417	91,960	93,501	95,041	96,575	98,104	99,623	101,131
Less VHFA Debt Serv	(80,140)	(80,140)	(80,140)	(80,140)	(80,140)	(80,140)	(80,140)	(80,140)	(80,140)	(80,140)
Less HCTF Debt Serv	(0)	(0)	(230)	(1,699)	(3,167)	(4,633)	(6,095)	(7,550)	(8,997)	(10,433)
Less City CDBG DS	0	(1,423)	(1,423)	(1,423)	(1,423)	(1,423)	(1,423)	(1,423)	(1,423)	(1,423)
Less Seller DS	(4,319)	(4,319)	(4,319)	(4,319)	(4,319)	(4,319)	(4,319)	(4,319)	(4,319)	(4,319)
Cash Flow	2,879	2,995	4,306	4,379	4,452	4,526	4,599	4,672	4,744	4,816
DCR	1.03	1.03	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05

11	12	13	14	15	16	17	18	19	20	21	22
272,337	280,507	288,922	297,590	306,517	315,713	325,184	334,940	344,988	355,337	365,998	376,978
(10,893)	(11,220)	(11,557)	(11,904)	(12,261)	(12,629)	(13,007)	(13,398)	(13,800)	(14,213)	(14,640)	(15,079)
1,344	1,384	1,426	1,469	1,513	1,558	1,605	1,653	1,702	1,754	1,806	1,860
262,787	270,671	278,791	287,154	295,769	304,642	313,781	323,195	332,891	342,877	353,164	363,759
160,162	166,569	173,232	180,161	187,367	194,862	202,657	210,763	219,193	227,961	237,080	246,563
102,625	104,102	105,559	106,994	108,402	109,780	111,125	112,432	113,697	114,916	116,084	117,196
(80,140)	(80,140)	(80,140)	(80,140)	(80,140)	(80,140)	(80,140)	(80,140)	(80,140)	(80,140)	(80,140)	(80,140)
(11,478)	(12,885)	(14,273)	(15,639)	(16,980)	(12,873)	(12,873)	(12,873)	(12,873)	(12,873)	(12,873)	(12,873)
(1,423)	(1,423)	(1,423)	(1,423)	(1,423)	(1,423)	(1,423)	(1,423)	(1,423)	(1,423)	(1,423)	(1,423)
(4,696)	(4,696)	(4,696)	(4,696)	(4,696)	(4,696)	(4,696)	(4,696)	(4,696)	(4,696)	(0)	(0)
4,887	4,957	5,027	5,095	5,162	10,648	11,993	13,300	14,566	15,785	21,649	22,760
1.05	1.05	1.05	1.05	1.05	1.11	1.12	1.13	1.15	1.16	1.23	1.24

23	24	25	26	27	28	29	30
388,287	399,935	411,934	424,292	437,020	450,131	463,635	477,544
(15,531)	(15,997)	(16,477)	(16,972)	(17,481)	(18,005)	(18,545)	(19,102)
1,916	1,974	2,033	2,094	2,157	2,221	2,288	2,357
374,671	385,912	397,489	409,414	421,696	434,347	447,377	460,799
256,425	266,682	277,350	288,443	299,981	311,980	324,460	337,438
118,246	119,229	120,139	120,970	121,715	122,366	122,918	123,361
(80,140)	(80,140)	(80,140)	(80,140)	(80,140)	(80,140)	(80,140)	(80,140)
(12,873)	(12,873)	(12,873)	(0)	(0)	(0)	(0)	(0)
(1,423)	(1,423)	(1,423)	(1,423)	(0)	(0)	(0)	(0)
(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
23,811	24,794	25,704	39,407	41,574	42,226	42,777	43,220
1.25	1.26	1.27	1.48	1.52	1.53	1.53	1.54

Inflator	1	2	3	4	5	6	7	8	9	
PROJ. VALU	2.50X1,070,000	1,096,750	1,124,169	1,152,273	1,181,080	1,210,607	1,240,872	1,271,894	1,303,691	1,336,283
OUTSTANDING DEBT	1,001,079	996,644	991,415	984,096	974,614	962,891	948,845	932,389	913,431	891,874
DEBT/EQUITY RATIO	93.56%	90.87%	88.19%	85.40%	82.52%	79.54%	76.47%	73.31%	70.06%	66.74%

VHFA Loan Balance	824,329	818,127	811,343	803,922	795,805	786,927	777,216	766,594	754,975	742,267
HCTF Loan Balance	176,750	178,518	180,073	180,174	178,809	175,964	171,629	165,795	158,456	149,607
City Loan Balance	25,000	24,318	23,615	22,891	22,145	21,376	20,584	19,768	18,927	18,060
Seller Loan Balance	39,251	38,432	37,535	36,555	35,483	34,310	33,027	31,624	30,089	28,410

	1,001,079	996,644	991,415	984,096	974,614	962,891	948,845	932,389	913,431	891,874
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	11	12	13	14	15	16	17	18	19	20	21	22
1,369,690	1,403,933	1,439,031	1,475,007	1,511,882	1,549,679	1,588,421	1,628,132	1,668,835	1,710,556	1,753,320	1,797,153	
867,991	841,298	811,675	778,996	743,125	715,888	686,096	653,509	617,865	578,878	536,233	489,588	
63.37%	59.92%	56.40%	52.81%	49.15%	46.20%	43.19%	40.14%	37.02%	33.84%	30.58%	27.24%	

728,366	713,162	696,531	678,340	658,443	636,679	612,874	586,835	558,354	527,202	493,127	455,855	
139,625	128,136	115,144	100,656	84,682	79,209	73,222	66,674	59,511	51,676	43,107	33,734	
17,167	16,247	15,299	14,322	13,315	12,278	11,209	10,107	8,972	7,803	6,598	5,356	
26,758	24,914	22,856	20,561	17,999	15,142	11,954	8,397	4,428	0	0	0	
867,991	841,298	811,675	778,996	743,125	715,888	686,096	653,509	617,865	578,878	536,233	489,588	

	23	24	25	26	27	28	29	30
1,842,081	1,888,133	1,935,337	1,983,720	2,033,313	2,084,146	2,136,250	2,189,656	
438,568	382,761	321,720	268,369	210,013	146,184	76,367	0	
23.81%	20.27%	16.62%	13.53%	10.33%	7.01%	3.57%	0.00%	
415,087	370,495	321,720	268,369	210,013	146,184	76,367	0	
23,481	12,266	0	0	0	0	0	0	
4,077	2,758	1,400	0	0	0	0	0	
0	0	0	0	0	0	0	0	
438,568	382,761	321,720	268,369	210,013	146,184	76,367	0	

## DEBT 2 - HCTF

PRINCIPAL

84,682

INTEREST

9.00%

Note: Debt 2 starts in Year 16. See Debt 3 for Yrs 1-15.

TERM

10

MONTHLY PAYMENT

1,073

ANNUAL PAYMENT

12,873

YEAR

1

2

3

4

5

6

7

8

9

10

11

12

13

14

15

BEGINNING BALANCE

84,682

79,209

73,222

66,674

59,511

51,676

43,107

33,734

23,481

12,266

12,266

12,266

12,266

12,266

12,266

ENDING BALANCE

79,209

73,222

66,674

59,511

51,676

43,107

33,734

23,481

12,266

12,266

12,266

12,266

12,266

12,266

12,266

PRINCIPAL

5,473

5,987

6,548

7,163

7,835

8,569

9,373

10,253

11,214

12,266

12,266

12,266

12,266

12,266

12,266

INTEREST

7,399

6,886

6,324

5,710

5,038

4,303

3,499

2,620

1,658

606

12,873

12,873

12,873

12,873

12,873

TOTAL PAID

12,873

12,873

12,873

12,873

12,873

12,873

12,873

12,873

12,873

12,873

12,873

12,873

12,873

12,873

12,873

## DEBT 3 - HCTF (Year 1 - 15 )

Pre-set payments

PRINCIPAL

175,000

INTEREST

1.00%

YEAR

1

2

3

4

5

6

7

8

9

10

11

12

13

14

15

BEGINNING BALANCE

175,000

176,750

178,518

180,073

180,174

178,809

175,964

171,629

165,795

158,456

149,607

139,625

128,136

115,144

100,656

INTEREST

(1,280)

(1,238)

230

1,699

3,167

4,633

6,095

7,550

8,997

10,433

11,478

12,885

14,273

15,639

16,980

LESS PAYMENTS

(0)

(0)

(230)

(1,699)

(3,167)

(4,633)

(6,095)

(7,550)

(8,997)

(10,433)

(11,478)

(12,885)

(14,273)

(15,639)

(16,980)

END BALANCE

176,750

178,518

180,073

180,174

178,809

175,964

171,629

165,795

158,456

149,607

139,625

128,136

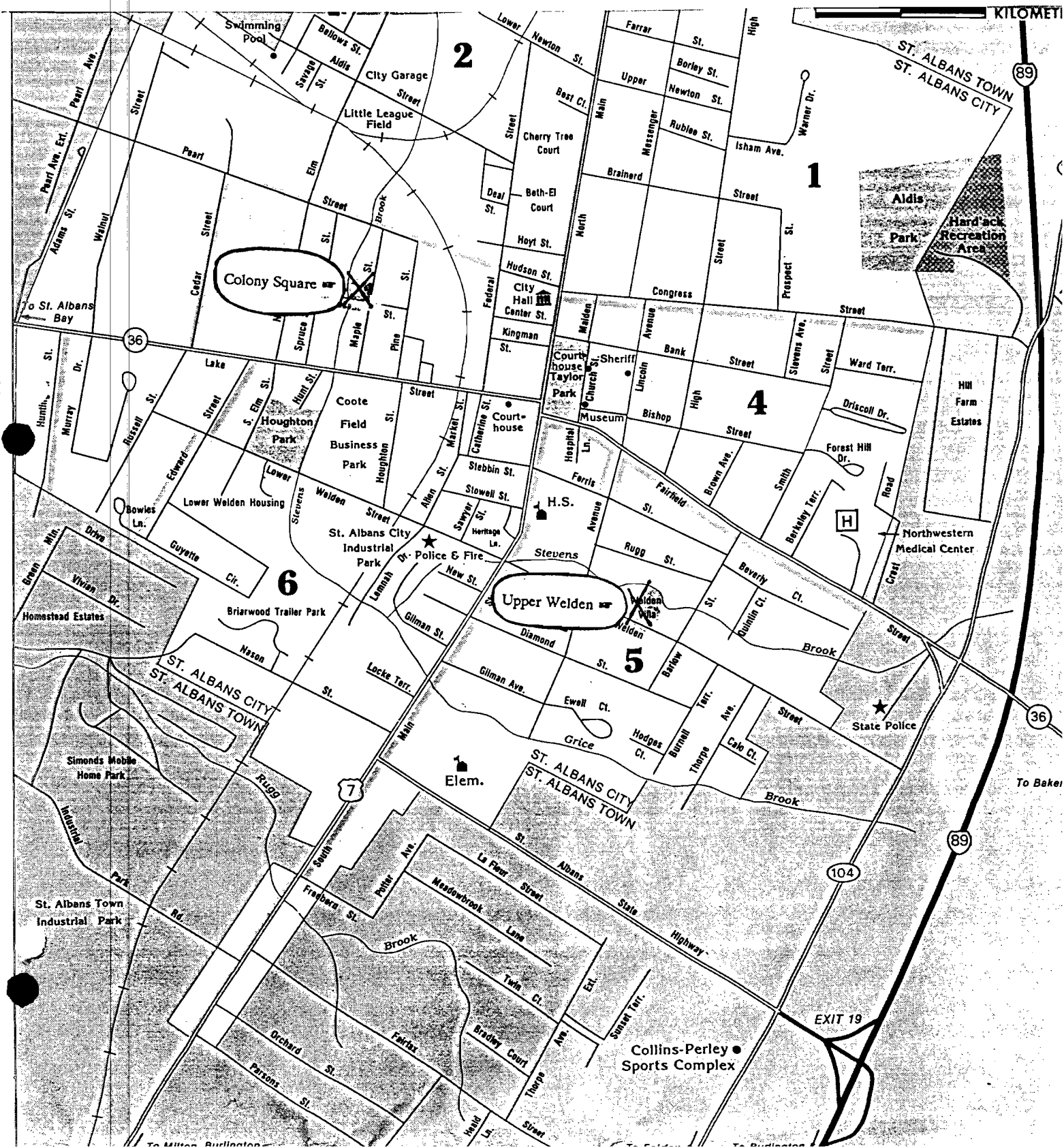
115,144

100,656

84,682

# LOCATION MAP FOR TWO PROPOSED ST. ALBANS DEVELOPMENTS

## COLONY SQUARE AND UPPER WELDEN



RESOLUTION PERTAINING TO COMMITMENT LETTER/  
LETTER OF INTENT RE: UPPER WELDEN  
APARTMENTS DEVELOPMENT, ST. ALBANS

WHEREAS, a proposal has been presented to the Agency by Vermont Housing Enterprises, Inc., a Vermont non-profit corporation involving the acquisition and rehabilitation of the Upper Welden Apartments, a 40 unit apartment development in St. Albans (the "Development"); and

WHEREAS, the proposal contemplates that the Development will constitute "residential rental housing" within the meaning of section 142(d) of the Internal Revenue Code of 1986; and

WHEREAS, a Vermont non-profit corporation, Vermont Housing Enterprises, Inc., will qualify as a housing sponsor within the meaning of the Vermont Housing Finance Agency Act (the "Act"); and

WHEREAS, the Vermont Housing and Conservation Board has approved a deferred payment loan of \$175,000 for the development and the City of St. Albans has approved a deferred loan of \$25,000; and

WHEREAS, the sellers have agreed to provide seller financing in an amount of at least \$40,000; and

WHEREAS, the Agency has determined that the Development will assist in fulfilling the purposes of the Act and is financially feasible;

It is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income.
2. The acquisition and rehabilitation costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.
3. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and moderate income are able to afford within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of the residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families.
4. The housing sponsor undertaking the Development will maintain the supply of well-planned, well-designed permanent housing for persons and families of low and moderate income.
5. The security value of the Development will equal at least the amount of the VHFA loan after the rehabilitation.

6. The sponsor is a financially responsible organization.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a combined letter of intent and Commitment Letter (the "Commitment Letter") to provide a first mortgage for acquisition and rehabilitation, in an amount to be determined by the Executive Director, but not to exceed \$870,000, for the Colony Square Apartments Development.
2. The Commitment Letter shall be issued to Vermont Housing Enterprises, Inc.
3. The commitment of the Agency shall be subject to receipt, on or before the date of the closing, of a commitment fee in an amount equal to one and a half percent (1.5%) of the principal amount of the mortgage loan.
4. The Commitment Letter shall provide that the interest rate to be charged on the mortgage loan shall be as determined by the Agency, but shall not exceed 9.5% per annum. The Commitment Letter shall also provide that the loan term will be determined by the Agency depending on the term of the bonds the proceeds of which will be used to provide funds for the mortgage loan (the "Bonds"), but that the loan shall be amortized over a period not to exceed 30 years, with a final payment due at the maximum term possible given the term of the Bonds.
5. The Commitment Letter shall require the Developer to demonstrate to the satisfaction of the Executive Director that a combination of deferred loan funds and below market interest rate funds are available in an amount at least equal to the difference between the total development cost as accepted by the Agency and the amount of the permanent financing commitment.
6. The Commitment Letter shall require the housing sponsor to demonstrate the availability of HUD project-based subsidies to provide sufficient operating income for the development and shall contain such other terms and conditions as the Executive Director shall deem necessary or appropriate, given the circumstances.
7. The Executive Director is authorized to make preliminary arrangements for the issuance and placement of tax-exempt bond anticipation notes and/or bonds of the Agency to provide proceeds for financing this loan or to use proceeds from the prepayment of multi-family mortgages held by the Agency.



VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Margaret A. Pond, Director of Development *MA Pond*  
Mark Koppelkam, Multi-Family Development Underwriter

DATE: October 31, 1991

RE: LINCOLN (WEATHERVANE UNITED): COMMITMENT LETTER  
RESOLUTION

THE DEVELOPMENT

Background

Attached is a combined Letter of Interest/Commitment Letter Resolution authorizing the VHFA to issue a permanent loan not to exceed \$120,000 in tax exempt financing to Weathervane United. The financing is for the new construction of four units for lower income elderly to be located in Lincoln.

The sponsor originally rehabilitated six units in two buildings for the elderly on this site in 1985, financed primarily by VHFA from General Fund monies. Despite very low rents and a spare operating budget, the development is of very high quality and the operation and management have been excellent.

The current proposal is to build four units in a new building on the same lot as the existing two buildings. This effort is being taken on because the waiting list for the six units has become quite long, and the sponsor feels that there is a growing need for more affordable units to serve the elderly in the area.

The total development cost is \$194,121 or \$48,530 per unit. This compares favorably with other new construction projects that VHFA has financed over the past several years: New construction costs or projections for other developments were \$50,041 per unit for Heineberg (Burlington), \$71,939 per unit for Winchester (Colchester), and \$64,731 for Whitney Hill (Williston).

Sources and Uses:

For detail please see the attached comprehensive financial projections. The summary of sources and uses is as follows:

<u>Sources</u>		<u>Uses</u>	
Grants	\$45,500	Land Acquisition	0
VHFA	\$108,671	Construction	\$165,000
HCTF Loan	<u>\$40,000</u>	Contingency	\$13,271
<b>Total</b>	<b><u>\$194,121</u></b>	Cost Estimate	\$350
		Architect/Engineering	\$5,000
		Legal/Title	\$1,000
		Permits/Fees	\$600
		Taxes and Insurance	\$400
		Closing	\$2,000
		Transaction Costs	\$750
		Permanent Loan Fee	\$1,608
		Working Capital	\$4,142
		Developer's Fee	<u>0</u>
		<b>Total</b>	<b><u>\$194,121</u></b>

The proposed VHFA loan represents 56% of the total development cost. The Vermont Housing and Conservation Trust Fund committed \$40,000 as a deferred loan at their August 1991 meeting. The balance of the financing comes from private grants, secured through local fundraising, which are in hand.

Financial Projections and Rents

As with the existing six units, the cash flow projections are very tight. This is due to the sponsor's strong desire to keep the rents as low as possible. The proposed rents of \$395 for the (three) one bedroom units and \$457 for the (one) two bedroom unit are well below the HUD Fair Market Rents for Addison County of \$455 for one bedroom and \$537 for two bedrooms. These proposed rents represent an increase of 2.75% over the rents in the existing six units. In the past, Weathervane has attempted to secure Section 8 vouchers for eligible residents; currently there is one certificate being utilized. There are discussions taking place with the Vermont State Housing Authority to secure project based certificates for the new units, but no decision has been made to date.



The existing development has a six year history of a 1% vacancy rate. The new projections use this vacancy rate as an operating assumption. The waiting list has nearly 20 names on it with five or six individuals/families being ready to move at any time.

### Site

The new construction will take place on the same land as the two existing buildings. VHFA will have to release a portion of the land currently subject to its mortgage in order to permit the new mortgage to cover the land and building. The site is a large lot in the town of Lincoln that lends itself well to this development plan. The landscaping is expected to be spare but adequate and will be primarily donated, as with the earlier phase.

### Design

The proposed design is for a two story dwelling with two units downstairs and two units upstairs. The building's first floor will be partially nestled against a north slope to take advantage of the land configuration. This allows for direct separate entrances into each unit without any need for stairs. One unit has been designed for full wheelchair accessibility; all units have extra wide doors and hardware to better serve the elderly resident.

### Value

No appraisal has been performed. VHFA staff has indicated to the sponsor that an appraisal is unnecessary given that it is just four units and involves new construction. VHFA and VHCB are requiring that a cost estimate be performed by an independent cost estimator prior to the signing of a construction contract. The contractor has been selected and is a local business person known by the Weathervane board. The independent cost estimate will verify that the contractor's proposed price is fair and reasonable.

### Environmental Concerns

No environmental assessment has been done for the property. Staff has done an on-site inspection and there are no obvious environmental hazards.

### Water and Sewage Systems

A new well is planned and has been included in the budget. The onsite leach field has met the percolation test required, and will be located close to the center of the existing lot.

Proposal Strengths

The primary strengths of this proposal are:

1. The strong and continuing commitment from the nonprofit sponsor, which was created specifically to provide affordable housing in Lincoln for its elders.
2. The existing development was rehabilitated well. It has an excellent record of sponsor management, a very low vacancy rate, great maintenance and good budgeting. Additional units will provide some management economies of scale. In the worst case, cash flow or cash reserves from the existing development can bolster the new development.
3. Roughly 25% of the development financing is coming from fundraising efforts already successfully completed by the local nonprofit.

Proposal Weaknesses

The primary weaknesses of this proposal are:

1. The construction job is not going through the bidding process, which could raise concerns about cost. A cost estimate is being required to address this concern.
2. The cash flow is very tight. The proposed maintenance budget is quite low compared to other VHFA financed developments, and no replacement reserve line item is budgeted. Given the fact that it is a new construction project, there is some justification for a small maintenance budget in the first few years. The sponsor also uses extensive voluntary management and maintenance. The existing six units have always had a tight budget and in spite of that have saved over \$5,000 toward project reserves since 1985. Replacement reserve funds for the new building (\$600 per year) are targeted to come from rental of a small commercial space in one of the existing buildings, which is leased annually at a rate of \$1,800.

Recommended Action

Staff recommends approval of the attached Resolution pertaining to combined Letter of Interest and Commitment Letter regarding Weathervane United Development authorizing the Executive Director to issue a Commitment Letter and make arrangements toward providing up to \$120,000 of tax exempt financing for first mortgage permanent financing for the proposed development of four new units.

31-Oct-91

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New Construction INPUT DATA

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Project: Weathervane United, Inc RUN DATE: 10/7/91

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Total Units: 4 \*\*\*\*\*Assumptions\*\*\*\*\*

Restricted Units: 0 Income increase: 2.75%

Percent RestrictedN/A Expense increase: 3.50%

Tax Credit Rate N/A Appreciation: 2.50%

TDC 194,121 Vacancy Rate: 1.00%

Syn Equity PossiblN/A

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	Amount	% of TDC		
Equity	0	0.00%		
Grants	45,500	23.44%	Interest	Term
First Mor	107,271	55.26%	8.50%	25
HCTF Loan	40,000	20.61%	1.00%	25 deferred
		0.00%	0.00%	0
=====				
	192,771	99.30%		

=====

EXPENSE BUDGET

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	Annual	Per Unit	Month	
Administration	96	2		
Utilities	4,800	100		
Maintenance	200	4		
Taxes	3,168	66		
Insurance	720	15		
Reserves		0		591
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Total	8,984	187		

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NET OPERATING INCO 10,523

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Weathervane United USES 10/7/91

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		Budget	Per Unit
Acquisition		0	0
New construction		165,000	41,250
Cost estimate		350	88
Contingency	8.04%	13,271	3,318
Arch/Engineering		5,000	1,250
Legal/Title		1,000	250
Permits/Fees		600	150
Taxes/Insurance		400	100
Closing		2,000	500
Transaction Costs		750	188
Permanent Loan Fee	1,609	1,608	402
Loss Reserve		0	0
Working Capital	4,146	4,142	1,036
Developer's Fee	0.00%	0	0

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TOTAL DEVELOPMENT 194,121 48,530

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Weatherlane UnitedINCOME & EXPENSE BUDGET 10/7/91

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INCOME

RENTS

Restricted Units (See assumptions below)

Bedrooms	Type	Sq.Feet	Number	Rent
2	2 Br Flat		0	
			0	
3	3 Br Flat		0	
			0	
4	4 Br Flat		0	
4	4 Br Flat		0	
-----				
Totals		0	0	0 (annual)

Market Rate Units

Bedrooms	Type	Sq.Feet	Number	Rent
1	1 Br Flat		3	395
1	1 Br Townhouse		0	
2	2 Br Flat	0	1	457
2	2 Br Townhouse		0	
3	3 Br Flat	0	0	
3	3 Br Townhouse		0	
-----				
Totals		0	4	19,704 (annual)

All Units

Grand Tot 0 4 19,704

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Less Vacancy (197)

NET RENT 19,507

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OTHER INCOME

Laundry	0
Parking	0
Interest Income	0
Other	0
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Total Other Income 0

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TOTAL INCOME 19,507

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Weatherlane United, Inc      25 YEAR PRO FORMA      Weatherlane United, Inc

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	Year	1	2	3	4	5	6	7	8	9	10	11
Gross Possible Ren	19,704	20,246	20,803	21,375	21,962	22,566	23,187	23,825	24,480	25,153	25,845	
Less Vacancies	(197)	(202)	(208)	(214)	(220)	(226)	(232)	(238)	(245)	(252)	(258)	
Plus Other Incom	0	0	0	0	0	0	0	0	0	0	0	
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Total Actual Incom	19,507	20,043	20,595	21,161	21,743	22,341	22,955	23,586	24,235	24,902	25,586	
Less Operating E	8,984	9,298	9,624	9,961	10,309	10,670	11,044	11,430	11,830	12,244	12,673	
-----												
Net Operating Inco	10,523	10,745	10,971	11,200	11,434	11,671	11,912	12,156	12,405	12,657	12,914	
Less 1st Mort De	(10,365)	(10,365)	(10,365)	(10,365)	(10,365)	(10,365)	(10,365)	(10,365)	(10,365)	(10,365)	(10,365)	
Less HCTF	0	0	0	0	0	0	(505)	(609)	(713)	(819)	(925)	
-----												
Cash Flow	158	380	605	835	1,068	1,305	1,041	1,182	1,327	1,473	1,623	
Plus Oper Subsidy	0	0	0	0	0	0	0	0	0	0	0	
=====												
Net Cash	158	380	605	835	1,068	1,305	1,041	1,182	1,327	1,473	1,623	
=====												
DCR(before Oper Su	1.02	1.04	1.06	1.08	1.10	1.13	1.10	1.11	1.12	1.13	1.14	

	12	13	14	15	16	17	18	19	20	21	22	23	24	25
26,556	27,286	28,036	28,807	29,599	30,413	31,250	32,109	32,992	33,899	34,832	35,789	36,774	37,785	
(266)	(273)	(280)	(288)	(296)	(304)	(312)	(321)	(330)	(339)	(348)	(358)	(368)	(378)	
0	0	0	0	0	0	0	0	0	0	0	0	0	0	
-----														
26,290	27,013	27,756	28,519	29,303	30,109	30,937	31,788	32,662	33,560	34,483	35,432	36,406	37,407	
13,116	13,575	14,051	14,542	15,051	15,578	16,123	16,688	17,272	17,876	18,502	19,149	19,820	20,513	
-----														
13,174	13,437	13,705	13,977	14,252	14,531	14,814	15,100	15,390	15,684	15,981	16,282	16,586	16,894	
(10,365)	(10,365)	(10,365)	(10,365)	(10,365)	(10,365)	(10,365)	(10,365)	(10,365)	(10,365)	(10,365)	(10,365)	(10,365)	(10,365)	
(1,033)	(1,141)	(1,250)	(1,359)	(1,470)	(1,581)	(1,692)	(1,804)	(1,809)	(1,809)	(1,809)	(1,809)	(1,809)	(1,809)	
-----														
1,775	1,931	2,090	2,252	2,417	2,585	2,757	2,931	3,216	3,510	3,807	4,108	4,412	4,719	
0	0	0	0	0	0	0	0	0	0	0	0	0	0	
=====														
1,775	1,931	2,090	2,252	2,417	2,585	2,757	2,931	3,216	3,510	3,807	4,108	4,412	4,719	
=====														
1.16	1.17	1.18	1.19	1.20	1.22	1.23	1.24	1.26	1.29	1.31	1.34	1.36	1.39	

**RESOLUTION PERTAINING TO COMBINED LETTER OF INTEREST  
AND COMMITMENT LETTER RE: WEATHERVANE UNITED DEVELOPMENT**

WHEREAS, a proposal has been presented to the Agency by Weathervane United, a non-profit corporation, involving the construction of four new apartment units at a development in Lincoln (the "Development"); and

WHEREAS, the proposal contemplates that the Development will constitute "residential rental housing" within the meaning of section 142(d) of the Internal Revenue Code of 1986; and

WHEREAS, a Vermont non-profit corporation, Weathervane United, will qualify as a housing sponsor within the meaning of the Vermont Housing Finance Agency Act (the "Act"); and

WHEREAS, the proposed development will be constructed on land already subject to a mortgage of the Agency; and

WHEREAS, the Agency has determined that the Development will assist in fulfilling the purposes of the Act and is financially feasible;

It is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income.
2. The acquisition and rehabilitation costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.
3. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and moderate income are able to afford within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of the residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families.
4. The housing sponsor undertaking the Development will maintain the supply of well-planned, well-designed permanent housing for persons and families of low and moderate income.
5. The security value of the Development will equal at least the amount of the VHFA loan after the rehabilitation.
6. The sponsor is a financially responsible organization.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a combined letter of intent and Commitment

Letter (the "Commitment Letter") to provide a first mortgage for construction and a permanent loan, in an amount to be determined by the Executive Director, but not to exceed \$120,000, for the Weathervane United Apartment Development.

2. The Commitment Letter shall be issued to Weathervane United.
3. The commitment of the Agency shall be subject to receipt, on or before the date of the closing, of a commitment fee in an amount equal to one and a half percent (1.5%) of the principal amount of the mortgage loan.
4. The Commitment Letter shall provide that the interest rate to be charged on the mortgage loan shall be as determined by the Agency, but shall not exceed 8.5% per annum. The Commitment Letter shall also provide that the loan term will be determined by the Agency depending on the term of the bonds the proceeds of which will be used to provide funds for the mortgage loan (the "Bonds"), but that the loan shall be amortized over a period not to exceed 30 years, with a final payment due at the maximum term possible given the term of the Bonds.
5. The Commitment Letter shall require the Developer to demonstrate to the satisfaction of the Executive Director that a combination of equity and deferred loan funds are available in an amount at least equal to the difference between the total development cost as accepted by the Agency and the amount of the permanent financing commitment.
6. The Commitment Letter shall contain such other terms and conditions as the Executive Director shall deem necessary or appropriate, given the circumstances.
7. The Executive Director, the Deputy Director, the Director of Finance and the Director of Development, or any of them, are authorized to take all necessary steps and execute all documents required to effectuate this loan, including the partial release of a portion of the land subject to an existing first mortgage of the Agency or the use of some other mechanism to transfer the land for the proposed development to a new mortgage.
8. The Executive Director, in his discretion, may modify the term of the existing loan to the housing sponsor.



VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners  
FROM: <sup>GAS</sup> Glenn A. Jarrett, General Counsel  
DATE: November 1, 1991  
RE: Whitney Hill Bond Resolution

The Whitney Hill development in Williston is nearing completion and we anticipate a permanent closing early in November. The source of funding for the permanent loan will be a taxable bond of the Agency that the Municipal Employees' Pension Fund will purchase.

Roger negotiated the terms of the bond with the Treasurer's Office. The bond will be for 20 years with a rate beginning at 9.75% per year and adjusted every five years based on a Treasury Bond. The sponsor will be paying the Agency 10.5% per year. We have told the sponsor that if the Agency's rate on the bond is reduced, we will consider reducing the rate of the loan.

The enclosed bond resolution authorizes the sale of a bond of up to \$1,470,000 to the pension fund and authorizes the Executive Director, Deputy Director, or the Director of Finance to issue the bond and close the loan.

RECOMMENDED ACTION:

Approval of the attached resolution.



RESOLUTION OF VERMONT HOUSING FINANCE AGENCY  
AUTHORIZING THE ISSUANCE OF ITS  
HOUSING PROJECT BOND (FEDERALLY TAXABLE  
ISSUE) WHITNEY HILL DEVELOPMENT

Be it Resolved by the Vermont Housing Finance Agency  
and the Commissioners thereof as follows:

ARTICLE I  
DEFINITIONS AND AUTHORITY

SECTION 101. Definitions.

- (A) In this Resolution unless a different meaning clearly appears from the context:

"Act" means the Vermont Housing Finance Agency Act, being No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended to the date of adoption of this Resolution.

"Agency" means the Vermont Housing Finance Agency, a body politic and corporate organized under the Act, or any instrumentality of the State which shall hereafter succeed to its powers.

"Authorized Officer" means the Chairman, Vice Chairman, Executive Director and Secretary, Deputy Director and Director of Finance of the Agency, and any other person authorized by resolution of the Agency to act as an Authorized Officer under this Resolution.

"Bond" means the Bond of the Agency authorized by this Resolution.

"Bond Date" means the date the Bond is originally issued hereunder.

"Bond Fund" means the fund so designated and established under Section 301 of this Resolution.

"Commitment Letter" means the Commitment Letter relating to the Permanent Loan dated as of April 26, 1991 issued by the Agency and accepted by the Sponsor.

"Costs of Issuance" means any items of expense payable or reimbursable directly or indirectly by the Agency and related to the authorization, sale and issuance of the Bond.

"Development" means the Whitney Hill Development as more fully described in the Commitment Letter and the Three Party Agreement.

"General Account" means the account so designated and established under Section 301 of this Resolution.

"General Fund" means the fund so designated and created by a resolution of the Agency adopted September 26, 1974 as amended from time to time.

"Loan Account" means the account so designated and established under Section 301 of this Resolution.

"Permanent Loan" means a permanent mortgage loan made by or on behalf of Agency to the Sponsor with the proceeds of the Bond.

"Permanent Loan Amount" means the amount of the Permanent Loan established pursuant to paragraph 3 of the Commitment Letter.

"Program" means the Agency's program of making mortgage loans to housing sponsors pursuant to the Act.

"Project Fund" means the fund so designated and established under Section 301 of this Resolution.

"Recovery Payments" means any moneys received or recovered by the Agency, less the expenses necessarily incurred by the Agency in connection with the collection of such amount, from (i) condemnation of the Development, (ii) proceedings taken in the event of default by the Sponsor under the Permanent Loan, (iii) any claim settlement for hazard insurance or other insurance applicable to the Development or the Permanent Loan, (iv) the sale or other disposition of the Development, or (v) the sale or other disposition of the Permanent Loan after default for the purpose of realizing the Agency's interest therein.

"Revenues" means and includes all payments, proceeds, charges, fees, rents, investment earnings and all other income (including without limitation all payments of principal and interest received by or on behalf of the Agency on the Permanent Loan and all Recovery Payments) derived by or for the account of the Agency from or related to the Development and the Permanent Loan.

"Sinking Fund Account" means the account so designated and established under Section 301 of the Resolution.

"Sponsor" means Whitney Hill Homestead Limited Partnership, a limited partnership organized and existing under the laws of the State.

"State" means the State of Vermont.

"Three Party Agreement" means the agreement so denominated among the Sponsor, the purchaser of the Bond, and the Agency, in substantially the form presented at this meeting.

- (B) Except as otherwise expressly provided in this Resolution, the terms "housing development costs," "housing sponsor," "mortgage," "mortgage loan," and "residential housing" when used in this Resolution shall have the meanings given such terms in the Act.

#### SECTION 102. Authority.

This Resolution is adopted pursuant to the Act and shall take effect upon its adoption. The Agency is duly authorized under the Act and all applicable laws to issue the Bond and to adopt this Resolution in the manner and to the extent provided herein. The Agency will at all times, to the extent permitted by law, defend, preserve and protect all the rights of the registered owner of the Bond hereunder against all claims and demands of all persons whomsoever.

### ARTICLE II AUTHORIZATION OF BOND; FINDINGS; TERMS AND SALE OF BOND

#### SECTION 201. The Bond.

- (A) A Bond of the Agency, designated "Housing Project Bond (Federally Taxable Issue) Whitney Hill Development" is hereby authorized to be issued as herein provided in a principal amount not to exceed One Million Four Hundred Seventy Thousand Dollars (\$1,470,000), the original principal amount of the Bond to be determined upon its issuance by the Authorized Officers of the Agency executing the same. The Bond shall be dated and shall bear interest from the Bond Date and shall mature, subject to prior redemption as provided herein and in the Bond, twenty years from the Bond Date. Interest on the Bond shall be payable on March 1, 1992 and semi-annually thereafter on September 1 and March 1 of each year. The form of the Bond, the rate or rates of interest payable thereon, the terms of redemption thereof prior to maturity and all other terms and conditions thereof shall be as set forth in Article IV of this Resolution.

- (B) The Agency hereby ratifies and confirms the Commitment Letter and approves the Permanent Loan on the terms and conditions provided herein, in the Commitment Letter and in the Three Party Agreement. The Agency hereby determines that:
- (1) the Permanent Loan does not exceed the value of the Development as determined by the Agency and the principal amount of the Bond is necessary to provide sufficient funds to be used and expended for the Program in respect of the Development;
  - (2) the Permanent Loan can be issued bearing interest at a rate that will be less than the prevailing rate of interest on comparable mortgage loans available in the State without the assistance of the Agency;
  - (3) the Agency will derive receipts, revenues or other income from the Permanent Loan sufficient to provide, together with all other available receipts, revenues and income of the Agency, for the payment of the Bond and the payment of all costs and expenses incurred by the Agency with respect to the Program for which the Bond are issued;
  - (4) the Development is primarily for occupancy by persons and families of low and moderate income within the meaning of the Act;
  - (5) the acquisition, construction and or rehabilitation costs incurred or to be incurred by the Sponsor are for housing development costs within the meaning of the Act;
  - (6) there exists, or without the Development 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 investments are unable, without assistance, to provide an adequate supply of residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families; and
  - (7) the Sponsor is a housing sponsor as defined in the Act, the Sponsor will maintain or increase the supply of well-planned, well-designed permanent, temporary transitional or emergency housing for persons of low and moderate income and the Sponsor is a financially responsible person.
- (C) The purposes for which the Bond are being issued are to provide funds to make the Permanent Loan and to pay Costs of Issuance in the amount determined by or pursuant to Article III hereof.

SECTION 202. Sale of the Bond.

- (A) The Bond is hereby sold to the Vermont Municipal Employees Retirement System at the price of par on the terms and conditions provided herein and in the Three Party Agreement. The Three Party Agreement, in the form presented at this meeting and included in the minutes thereof, and its execution and delivery by Authorized Officers of the Agency is hereby ratified.

ARTICLE III  
ESTABLISHMENT OF FUNDS AND ACCOUNTS;  
APPLICATION OF BOND PROCEEDS; OBLIGATION OF BOND

SECTION 301. Funds and Accounts.

- (A) The Housing Project (Federally Taxable Issue) Project Fund (the "Project Fund") is hereby established to be held and administered together with all accounts therein by the Agency as provided in this Resolution. On or prior to the Bond Date the Agency shall establish within the Project Fund a separate account designated the "Whitney Hill Loan Account" (the "Loan Account"), the amounts in which shall be applied as provided in this Article III.
- (B) The Housing Project (Federally Taxable Issue) Bond Fund (the "Bond Fund") is hereby established to be held and administered together with all accounts therein by the Agency as provided in this Resolution. On or prior to the Bond Date the Agency shall establish within the Bond Fund the following separate accounts to be applied as provided in this Article III:
- (1) Whitney Hill General Account (the "General Account");
  - (2) Whitney Hill Sinking Fund Account (the "Sinking Fund Account");
  - (3) Whitney Hill Special Redemption Account (the "Special Redemption Account").

SECTION 302. Application of Bond Proceeds.

- (A) The proceeds of the Bond shall be deposited in the Loan Account. Moneys in the Loan Account shall be used solely as follows:
- (1) an amount not exceeding the Permanent Loan Amount shall be used to make the Permanent Loan; and
  - (2) amounts in the Loan Account in excess of the Permanent Loan Amount shall be applied by the Agency to defray

Costs of Issuance of the Bond within six (6) months of the Bond Date.

- (B) Notwithstanding anything herein to the contrary, if the Permanent Loan is not made within six (6) months of the Bond Date, or in any event if any balance remains on deposit in the Loan Account on the date which is six (6) months after the Bond Date, the entire balance on deposit in the Loan Account shall be transferred to the Special Redemption Account for application to the redemption of the Bond as provided in Section 303 of this Resolution.

SECTION 303. Application of Revenues.

- (A) The Agency shall deposit all Revenues in the Bond Fund upon receipt and shall immediately allocate the same to accounts therein as follows:
  - (1) Revenues constituting scheduled repayments of principal on the Permanent Loan and Revenues constituting permitted prepayments of the outstanding principal of the Permanent Loan - to the Sinking Fund Account;
  - (2) Revenues constituting Recovery Payments and excess moneys in the Loan Account under Section 302(B) hereof - to the Special Redemption Account; and
  - (3) all other Revenues - to the General Account.
- (B) On September 1, 1992 and each succeeding September 1 thereafter, all amounts deposited in the Sinking Fund Account under Section 303(A)(1) shall be applied to the redemption of the outstanding principal of the Bond, except that, in the event that the Agency receives a prepayment of the outstanding principal of the Permanent Loan under Section 303(A)(1) all as provided in the Permanent Loan, the Bond shall be subject to redemption at the option of the Agency in whole, but not in part, from the amount deposited in said Account.
- (C) All amounts deposited in the Special Redemption Account shall be promptly applied to the redemption of the outstanding principal of the Bond. At any time not later than the interest payment date for the Bond next succeeding the date of any deposit into said Account under Section 303(A)(2), the amount so deposited shall be applied to the redemption of the outstanding principal of the Bond.
- (D) Moneys in the General Account shall be used solely as follows:
  - (1) on each interest payment date of the Bond, to pay the interest on the Bond then due;

- (2) on the redemption date of any portion of the principal of the Bond being redeemed hereunder to pay any interest then payable on the principal amount of the Bond to be redeemed;
  - (3) at any time, to reimburse the Agency for any expense reasonably incurred by it in connection with the financing of the Development, including but not limited to Costs of Issuance in excess of the amount available therefor in the Loan Account and expenses incurred in connection with the protection of the Agency's security for the Permanent Loan; and
  - (4) on each interest payment date, after payment of the interest on the Bond then due and provided an Authorized Officer of the Agency determines that such transfer will not materially impair the Agency's ability to make future payments from the General Account sufficient for the purposes of paragraphs (1) and (2) of this Section 303(D), to transfer funds to the Agency's General Fund free of the pledge herein made.
- (E) Whenever funds in any account in the Project Fund are required to be applied to a payment on account of principal of the Bond, the Agency may at its election hold back such amount not exceeding \$100 as will facilitate payment of principal on the Bond in rounded amounts. Payments from the Project Fund shall be deemed to have been made on the date of the Agency's check therefor and not on the date of any prior mailing of said check.

SECTION 304. Transfers from General Fund.

From time to time, at its option, the Agency may transfer moneys from the General Fund to the General Account.

SECTION 305. Investment.

Moneys in the funds and accounts established hereunder may be invested by the Agency, until needed for their respective purposes, in any manner permitted by the Act. Moneys in two or more of such funds and accounts may be invested on a commingled basis for the account of such funds and accounts pro rata in proportion to the moneys invested on behalf of each such fund or account. Interest and other income earned upon the investment or deposit of amounts in the Loan Account shall be deposited in such Account. Interest and other income earned upon the investment or deposit of amounts on deposit in the General Account, the Sinking Fund Account and the Special Redemption Account shall be deposited in the General Account.

SECTION 306. Obligation of Bond.

The Bond shall be a general obligation of the Agency payable out of any of the Agency's revenues, moneys or assets, subject only to agreements heretofore or hereafter made with the holders of obligations of the Agency other than the Bond pledging particular revenues, moneys or assets for the payment thereof. The Agency hereby covenants and agrees with the registered owners of the Bond that it will not grant to any person any lien on or pledge of the Permanent Loan or of any of the Revenues or moneys or investments in any of the accounts created hereunder or any proceeds thereof unless the Agency shall simultaneously therewith grant to the registered owners of the Bond a prior and senior lien on or pledge of the Permanent Loan and such Revenues, moneys and investments and the proceeds thereof. The Bond shall not constitute a debt or grant or loan of credit of the State and the State shall not be liable thereon nor shall the Bond be payable out of any funds other than those of the Agency. The Agency is not obligated to pay the Bond or the interest thereon except from the revenues or assets of the Agency pledged therefor under this Resolution and neither the faith nor credit nor taxing power of the State or any political subdivision thereof is pledged to the payment of the principal of or interest on the Bond.

ARTICLE IV  
FORM OF BOND

The Bond shall be issued in substantially the following form:

VERMONT HOUSING FINANCE AGENCY  
HOUSING PROJECT BOND  
(Federally Taxable Issue)  
Whitney Hill Housing Development

No. 1

\$1,470,000.00

NOTE: THE HOLDER OF THIS BOND BY ACCEPTANCE HEREOF AGREES TO RESTRICTIONS ON TRANSFER AND TO INDEMNIFICATION PROVISIONS SET FORTH BELOW.

The Vermont Housing Finance Agency (herein called the "Agency"), a body politic and corporate of the State of Vermont, for value received hereby promises to pay to the Vermont Municipal Employees' Retirement System, or registered assigns, on the 15th day of December, 2011, the principal sum of ONE MILLION FOUR HUNDRED THOUSAND SEVENTY (\$1,470,000) AND 00/100 DOLLARS, upon presentation and surrender hereof, and to pay interest on the principal balance hereof outstanding from time to time from the date of original delivery of this bond (the "Bond Date") until final payment hereof at the annual rate provided below, such interest payments to be made semi-annually on the first day of March and September in each



year commencing March 1, 1992. The principal or redemption price of and interest on this Bond are payable in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts and shall be payable by check or draft mailed to the registered owner at his address appearing on the registration books of the Agency kept for that purpose at the offices of the Agency; provided that the registered owner of this bond by acceptance hereof agrees that whenever any payment on account of principal shall occur, such owner shall promptly note the date and amount thereof on the Schedule of Payments and Prepayments endorsed hereon and further agrees that this bond shall be surrendered to the Agency upon final payment hereof.

The annual rate of interest on this bond shall be adjusted every five years based on the following schedule:

The initial rate of interest on this bond will be 9.75% per annum. The index for each adjustment to the interest rate will be based on the difference at the Bond Date between 9.75% and the yield of the 9.875% coupon United States Treasury Bond maturing in November, 2015, (the "Initial Markup"). If the aforesaid Treasury Bond yield is unavailable for any reason at the anniversary of the Bond Date, the parties will agree on a substitute bond to be used for interest rate adjustments.

The interest rate will be adjusted on the fifth, tenth and fifteenth anniversary of the Bond Date by adding the Initial Markup to the yield of the 9.875% coupon United States Treasury Bond maturing in November, 2015, as of the particular anniversary.

This bond is issued pursuant to No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended (the "Act") and under and pursuant to a resolution of the Agency adopted November 7, 1991 entitled "Resolution of Vermont Housing Finance Agency Authorizing the Issuance of its Housing Project Bond (Federally Taxable Issue) Whitney Hill Housing Development" (the "Resolution"). This bond is a general obligation of the Agency payable out of any of the Agency's revenues, moneys or assets, subject only to agreements heretofore or hereafter made with the holders of obligations of the Agency other than this bond pledging particular revenues, moneys or assets for the payment thereof.

The Agency is not obligated to pay this bond or the interest hereon except from the revenues or assets of the Agency pledged under the Resolution 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 this bond.

Copies of the Resolution are on file at the office of the Agency in the City of Burlington, Vermont, and reference to the Resolution and to the Act is made for a description of the covenants securing

this bond, the manner of enforcement of the covenants, the rights and remedies of the registered owner of this bond with respect thereto, and the terms and conditions upon which this bond is issued.

This bond may not be transferred except to a transferee capable of making representations comparable to those made by the original owner hereof in the Three Party Agreement described in the Resolution to the reasonable satisfaction of the Agency. Furthermore, before any transfer of this bond by the registered owner or his or its legal representative will be recognized or given effect by the Agency, the registered owner shall note hereon the date to which interest has been paid as well as the amounts of all principal payments and prepayments hereon, and shall notify the Agency of the name and address of the transferee and shall afford the Agency the opportunity of verifying the notation as to payment of interest and principal. By the acceptance hereof the owner of this bond and each transferee shall be deemed to have agreed to indemnify and hold harmless the Agency against all losses, claims, damages or liabilities arising out of any failure on the part of the owner or of any such transferee to comply with the requirements of the preceding sentence. Subject to the foregoing, this bond is transferable only upon the books of the Agency at the offices of the Agency by the registered owner hereof in person or by his or its agent duly authorized in writing, upon surrender hereof together with a written instrument of transfer satisfactory to the Agency duly executed by the registered owner or his or its duly authorized agent, and upon the payment of the charges described in the Resolution, the Agency shall issue in the name of the transferee a new substitute registered bond with the same date and in the same form and amount as this bond, endorsed to show the principal amount of the predecessor bond or bonds paid to the delivery date of such substitute bond.

This bond is subject to redemption at a redemption price equal to the portion of the principal amount hereof to be redeemed plus accrued interest on such portion to the redemption date as follows:

1. in whole or in part on September 1, 1992 and on each September 1 thereafter without notice through application of moneys in the Sinking Fund Account as required by the Resolution;
2. in whole or in part at any time upon notice through application of moneys in the Special Redemption Account as required by the Resolution; and
3. in whole (but not in part) on or after the fifth anniversary of the Bond Date at the election of the Agency upon notice, through application of moneys deposited in the Sinking Fund Account.

Any notice required hereunder shall be given by certified letter, return receipt requested, mailed to the registered owner at his address appearing on the registration books of the Agency not less than five days prior to the redemption date. Any redemption shall be accomplished by mailing, two days prior to the redemption date, the Agency's check (dated as of the redemption date) for the redemption price to the registered owner in the same manner as is hereinabove provided for notice of redemption.

No recourse shall be had for the payment of the principal or redemption price of or the interest on this bond or for any claim based hereon or on the Resolution against any member or officer of the Agency or any person executing this bond.

It is hereby certified and recited that all conditions, acts and things required by the Constitution or statutes of the State of Vermont or the Resolution to exist, to have happened or to have been performed precedent to or in the issuance of this bond, exist, have happened and have been performed and that the issue of this bond, together with all other indebtedness of the Agency, is within every debt and other limit prescribed by law.

IN WITNESS WHEREOF, the Vermont Housing Finance Agency has caused this bond to be executed in its name by the manual signature of an authorized officer of the Agency, and its corporate seal (or facsimile thereof) to be affixed, imprinted, engraved or otherwise reproduced hereon and attested by the manual signature of the general counsel of the Agency.

ATTEST:

VERMONT HOUSING FINANCE AGENCY

By: \_\_\_\_\_ By: \_\_\_\_\_  
General Counsel Authorized Officer

Bond Date: \_\_\_\_\_, 19\_\_

Schedule of Payments and Prepayments of Principal

<u>Principal Amount Paid</u>	<u>Date Paid</u>	<u>Balance Due</u>	<u>Authorized Signature and Title</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(NOTICE: The within bond may not be transferred until this schedule has been verified by the Agency.)

ARTICLE V  
MISCELLANEOUS

SECTION 501. Default.

If the Agency defaults in the payment of principal of or interest on any Bond when due, or in the performance of any covenant in this Resolution, then the registered owner of the Bond shall have the right, by mandamus or other suit, action or proceedings at law or in equity, to bring suit upon the Bond, to enforce its rights under the Resolution and the Bond, to compel performance by the Agency of its obligations under the Bond and the Resolution; to require the Agency to account as trustee of an express trust; to require the Agency to effectuate the assignment of the Permanent Loan to such owner; or to enjoin any acts which may be unlawful or in violation of the rights of the registered owners of the Bond. No remedy conferred by the Resolution upon the registered owner of the Bond is intended to be exclusive of any other remedy, but each shall be in addition to every other remedy given under the Resolution or the Bond or provided at law or in equity or by the Act. No delay or omission of the registered owners of the Bond to exercise any right or power arising upon the happening of a default shall impair any right or power or be construed to be a waiver of the default. The registered owner of the Bond may waive any default and its consequences. No such waiver shall extend to any subsequent or other default.

SECTION 502. Defeasance.

If the Agency shall pay or cause to be paid to the registered owners of the Bond the principal, redemption price and interest thereon at the times and in the manner stipulated therein and herein, then all obligations of the Agency hereunder and under the Bond and all other rights granted hereby shall be discharged and satisfied.

SECTION 503. Transfer.

The Bond may be transferred in whole but not in part to new owners, subject to the restrictions on transfer and upon compliance with

the provisions for transfer described in the form of the Bond and payment of a transfer fee of \$100.00 for each substitute bond issued as a result of a request for transfer.

SECTION 504. Amendment.

This Resolution may be amended by the Agency without the consent of the registered owner of the Bond to cure any ambiguity, supply any omission or cure or correct any defect or inconsistent provision herein or to insert such provisions clarifying matters or questions arising hereunder as are necessary or desirable and are not inconsistent with this Resolution as theretofore in effect. The Agency may also adopt a resolution amending, supplementing or otherwise modifying this Resolution without the consent of the registered owner of the Bond to incorporate the provisions hereof in a resolution of the Agency of general application to bonds issued to finance the Program the interest on which is not excludable from federal income taxes; provided no such resolution shall reduce the principal amount of the Bond or the rate of interest payable thereon or change the maturity date thereof or the dates for payment of interest thereon or the terms of redemption thereof or the security granted for the payment thereof without the express written consent of the registered owner of the Bond. Except as hereinabove provided in this Section 504, this Resolution and the Bond may be amended by the Agency only with the prior written consent of the registered owner of the Bond.

SECTION 505. Authorization of Officers.

The Chairman, Vice-Chairman, Executive Director, Deputy Director, Director of Finance and all other Authorized Officers of the Agency are hereby authorized and directed to do all acts and things and to execute and deliver any and all documents, certificates, and other instruments necessary or desirable to effectuate the transactions contemplated by this Resolution, including the making of the permanent mortgage loan with the proceeds of the Bond.

SECTION 506. Severability.

If any provision of this Resolution is held invalid in any circumstances, that invalidity shall not affect any other provisions or circumstances.



VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

**TO:** VHFA BOARD OF COMMISSIONERS  
**FROM:** ROGER A. SCHOENBECK, DIRECTOR OF FINANCE *RAS*  
**DATE:** NOVEMBER 1, 1991  
**RE:** FISCAL YEAR JUNE 30, 1991 AUDIT RESULTS

Enclosed are the audited financial statements for the fiscal year ended June 30, 1991 as prepared by our auditors, Peat Marwick Main & Company. In addition to the audit, the auditors have prepared additional letters addressing internal controls and compliance with standards. There are no exceptions noted in either report.

I have also enclosed the final budget report for the General Fund for the fiscal year ended June 30, 1991, comparing final audited results with the approved budget. These numbers do not directly compare to the audit due to the accounting requirement that mandates that current fee income and related direct expenses must be prorated over the life of the relevant loans. This adjustment had the effect of decreasing the surplus for the year by \$343,632. A brief overview of the results of operations for the past year follows:

- o Total assets increased from \$572 million to \$674 million for the year, due in large part to the issuance of the \$110 million single family bond financing.
- o Agency total revenues exceeded expenses for the year in the amount of \$2.2 million compared to \$2.8 million in fiscal year 1990. Continued erosion in short term interest rates and recognition of losses on the redemption of bonds due to rapid prepayments of mortgage loans were the chief contributors to the drop in excess revenues for the year.
- o The General Fund balance increased from \$3.9 million to \$4.5 million which is consistent with the budgeted increase of \$675,000.
- o Actual expenses were approximately \$140,000 less than the budget. Successful efforts kept wages, staff travel and training and trustee fees below budget. Fee income and fund transfers were in line with projected amounts.

If you have any questions regarding the contents of the audited financials, the special reports, the final budget comparison report or the contents of this memo, feel free to contact me at your earliest convenience.

BUDGET PERFORMANCE REPORT  
VERMONT HOUSING FINANCE AGENCY  
JUNE 30, 1991

	APPROVED BUDGET FYE 6/91	AUDITED FINAL FYE 6/91	VARIANCE	PERCENT VARIANCE
<b>INCOME</b>				
SINGLE FAMILY FEES	413,650	512,765	99,115	23.96%
MULTI-FAMILY FEES	176,500	98,134	(78,366)	-44.40%
PROJECT ADMIN FEES	115,000	110,569	(4,431)	-3.85%
INTEREST INCOME	400,000	381,484	(18,516)	-4.63%
MISCELLANEOUS	20,000	27,317	7,317	36.59%
TOTAL INCOME	1,125,150	1,130,269	5,119	0.45%
<b>FUND TRANSFERS</b>				
SINGLE FAMILY HOUSING	(25,000)	(19,119)	5,881	23.52%
SHAWMUT MTG PURCHASE	100,000	100,000	0	0.00%
HOWARD MTG PURCHASE	1,250,000	1,250,000	0	0.00%
HOWARD HOME MTG PURCH	400,000	414,500	14,500	3.62%
HOWARD MULTI-FAMILY	430,000	440,000	10,000	2.33%
CONN NATL MULTI-FAMILY	80,000	94,728	14,728	18.41%
HOUSING DEVELOP BDS-MF	10,000	20,000	10,000	100.00%
DIRECT PLACEMENT BONDS	10,000	10,000	0	0.00%
TOTAL TRANSFERS	2,255,000	2,310,109	55,109	2.44%
TOTAL INC & TFRS	3,380,150	3,440,378	60,228	1.78%
<b>EXPENSES</b>				
ADVERTISING & PROMOTION	28,000	27,958	42	0.15%
AUDIT	26,500	24,500	2,000	7.55%
ANNUAL REPORT	16,800	16,796	4	0.02%
COMMISSIONERS EXPENSES	4,000	2,739	1,261	31.52%
CONSULTING FEES	59,700	47,436	12,264	20.54%
DUES & SUBSCRIPTIONS	26,000	25,947	53	0.20%
INSURANCE	145,530	131,247	14,283	9.81%
INTEREST EXPENSE	25,000	83,674	(58,674)	-234.70%
LEGAL	50,000	44,643	5,357	10.71%
MISCELLANEOUS	16,000	15,497	503	3.14%
OFFICE EXPENSES	32,000	28,671	3,329	10.40%
PENSION PLAN	88,000	90,387	(2,387)	-2.71%
POSTAGE	22,000	15,120	6,880	31.27%
RENT	108,000	81,286	26,714	24.74%
REPAIRS & MAINTENANCE	37,500	37,600	(100)	-0.27%
SALARIES & WAGES	1,136,524	1,103,263	33,261	2.93%
STAFF TRAVEL & TRAINING	88,709	64,736	23,973	27.02%
SUBSIDY-HOUSING VT, ERH	303,000	300,031	2,969	0.98%
TAXES-PAYROLL	85,920	81,615	4,305	5.01%
TELEPHONE	36,000	34,087	1,913	5.31%
TRUSTEE & CREDIT FEES	240,000	190,823	49,177	20.49%
DEPRECIATION	80,000	67,326	12,674	15.84%
TOTAL EXPENSES	2,655,183	2,515,382	139,801	5.27%
SURPLUS (DEFICIT)	724,967	924,996	200,029	27.59%
=====				
FEE DEFERRAL		343,642		
=====				
AUDIT BASED SURPLUS		581,354		
=====				



VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

**TO: VHFA BOARD OF COMMISSIONERS**  
**FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE**  
**DATE: NOVEMBER 1, 1991**  
**RE: SINGLE FAMILY BOND FINANCING**

A handwritten signature in black ink, appearing to be "RAS", is written over the "FROM" line of the memorandum.

We have been discussing for the last several months the potential for the Sunset of Mortgage Revenue Bond authority. We have been dealing with this issue for the last seven years and have issued several series of bonds based on the possibility that we would not be able to issue due to the loss of authority. This time it appears to be very serious!! If authorization is terminated, there is a good chance that issuance authority will either be dramatically changed or permanently dropped.

There are several issues to be addressed if we would like to do a last issue before sunset. We would want to capture additional bonding authority from the State since we only have \$55 million of current authority; we would be forced into doing a convertible option financing similar to the issue completed in September of 1990; we would need to find a vehicle to invest our funds in until we needed the money to purchase mortgages, without costing a substantial amount of money; and finally, we would need to close the bond financing by the end of December.

Andy Gurley of PaineWebber should be at the Board meeting and may be able to provide additional information regarding the proposed market, schedule and concerns from the underwriter community perspective.






VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE 

DATE: NOVEMBER 1, 1991

RE: 1990 SERIES 2 BOND FINANCING

Attached to this memo is a pricing book prepared by PaineWebber regarding the 1990 Series 2 Bond financing which officially closed today. As mentioned during the conference call on October 4th, the mortgage rate came in at 8.15% and the total bond cost to VHFA was 7.19%. This appears to be a very favorable rate compared to other housing activity in the marketplace done about the same time. The rating agencies provided the expected ratings of A1 and A+, although Standard & Poor's will be putting this issue on Creditwatch due to the fact that we have money invested with Citibank from the first series of bonds and S&P has recently downgraded Citibank. There are several outstanding issues regarding bills for the ratings on this financing which we will be addressing with both rating agencies promptly. Prudential Insurance is providing the Guaranteed Investment Contract on this financing at the rate of 7.24% covering the Bond Reserve fund and the collection account for the next 35 years. Transamerica Insurance has agreed to provide a rate of 7.5% on the Acquisition of Mortgages account. Sanwa Bank is providing two letters of credit: \$771,000 as required for loan loss coverage and an additional \$630,000 for a worst case loss scenario. The cost for these letters of credit is at the same rate as the last issue. As discussed in the conference call, the only negative aspect had to do with the inadequate distribution of bonds to Vermont brokers.

The pricing book contains some interesting information you may want to review, and Andy Gurley will be available at the Board meeting to answer any questions you may have regarding the financing.

	\$40,000,000 Vermont Housing Finance Agency	\$30,000,000 So. California Home Finance Authority	\$8,870,000 New York State Housing Finance Agency	\$99,995,000 South Dakota Housing Dev Authority	\$188,841,000 Rhode Island Hsg & Mtg Fin Corporation	\$20,000,000 Oakland, CA Housing Authority
	2-Oct-91	30-Sep-91	26-Sep-91	25-Sep-91	24-Sep-91	30-Sep-91
	A1/A+	NA/AAA	Aa/NA	Aa/AA-	A1/AA+	NR/A+
	PaineWebber	Lehman Brothers	PaineWebber	Bear Stearns	Goldman Sachs	Lehman Brothers
	AMT	AMT	Non-AMT (1)	Non-AMT (1)	AMT	AMT
1992						
1993	5.100%		5.300%	5.200%	5.300%	6.000%
1994	5.300%		5.500%	5.400%	5.500%	6.200%
1995	5.500%	5.600%	5.700%	5.600%	5.700%	6.400%
1996	5.700%	5.800%	5.900%	5.800%	5.900%	6.500%
1997	5.850%	6.000%	6.100%	5.900%	6.000%	
1998	6.000%	6.100%	6.200%	6.000%	6.100%	
1999	6.100%	6.200%	6.300%	6.100%	6.200%	
2000	6.200%	6.300%	6.400%	6.200%	6.300%	
2001	6.300%	6.400%	6.500%	6.300%	6.400%	
2002	6.400%	6.500%	6.600%		6.500%	
2003	6.500%			6.850%	6.850%	
2004					6.950%	
2005						
2006						
2007				7.000%		
2008			6.900%			6.600%
2009				7.050%		
2010						
2011	7.200%					
2012						
2013		6.250%				
2014						
2015						
2016						
2017				7.100%		
2018						
2019						
2020						
2021						
2022						
2023			7.000%		6.800% (2)	
2024		6.900%			7.100% (2)	7.100%
2025					(also includes pars and inflows maturing in 2024)	
2026				7.150%		
2027	7.300%					
2028						
2029						
2030						
Management Fee	\$2.50		\$3.00	\$1.90		
Takedown	7.44	2.35	7.37	7.41	\$2.00	3.68
Underwriters Fee	0.00	7.66	0.00	0.25	7.54	7.44
Expenses	2.65	0.00	3.56	1.11	0.25	0.48
Gross Spread	\$12.59	2.54	\$13.93	\$10.67	0.77	4.15
		12.55			\$10.56	15.75

(1) VHFA's issue was subject to the AMT. Non-AMT issues generally have yields that are 25 to 50 basis points lower than AMT issues, all other things being equal

(2) Includes pars and inflows (a.k.a. RIB SAVRS) which could not have been done as a remarketing for VHFA's issue and which also imposes additional "hidden" costs on the issuer including a reduction in allowable mortgage yield - bond yield spread

Series 3C
\$2.00
6.74
0.25
0.77
<u>\$9.76</u>

Series 8
\$2.00
7.50
0.00
0.77
<u>\$10.27</u>

## The Municipal Market

By Nicholas Boyle

### Municipals Flat Before Jobs Data; Retail Placement Continues Brisk

Tax-exempts ended the day flat to 1/4-point lower on the bid side as dealers and traders dug in their heels before tomorrow's September employment data.

Participants voiced considerable optimism for the market, despite the roughly month-long price increases. Among reasons for the continued bull run are the impressive placement of the last week's huge volume, and various economic perceptions.

In new-issues, Tuesday's \$164.63 million Rhode Island general obligation issue seemed in danger of becoming "the issue" haunting the market, one trader said. "You know, where you think it's gone, and you turn around, and suddenly it's everywhere?"

But J.P. Morgan Securities succeeded in almost cleaning its plate. Yesterday morning the account had an unsold balance of about \$47 million; by the afternoon, only \$14

million was left.

On the broader economy, M-2 shrank better than expected and an easing of monetary policy appears all but given.

"Municipalities keep selling deals, they keep getting priced aggressively, and they get done," said one trader. "Even if tomorrow's numbers are really ugly, I don't think it will succeed in changing the direction of this market. We will continue to roll along."

In general, cash levels in the market continue at extraordinary levels. Adding to the much-reported maturation of certificates of deposit, another trader noted that Oct. 1 coupons are also boosting the money available for tax-exempt investment.

"The coupons clipped [on Oct. 1] are waiting out there. They have to reinvest it, and this just keeps the market moving," he said. "There's money out there, the problem is getting people to work reinvesting it."

In the negotiated new-issue market, Lehman Brothers priced two Saddleback Valley School District — Orange County, Calif. — issues with maximum yields of 7.75%. The unrated bonds total \$20.32 million for two separate districts.

The issues' serials are priced identically, with a 5.7% coupon in 1993, going out to a 7.5% coupon in 2006. The bonds are callable in 1999 at a premium and again in 2001 at par.

In competitive bidding, Merrill Lynch & Co. won a \$12.19 million Middle Country Central School District — Suffolk County, N.Y. — Series B issue at a net interest cost of 6.3741%. AMBAC Indemnity Corp. insured the deal to give it two triple-A's.

The noncallable issue was priced with a maximum yield of 6.5% in 2009, and serials were priced from 4.5% in 1992 out to 6.45% in 2006.

Two other Lehman Brothers deals were priced earlier in the week but only published yesterday. One was the \$72.2 million Dallas-Fort Worth International Airport revenue bonds with a maximum yield of 6.882% in the Series A 2021 term. The series is subject to the AMT and callable in 2000.

The other Lehman Brothers deal was the \$58 million Orange County, Fla., Health Facilities Authority revenue issue in a Series A serials, select auction variable-rates, and residual interest bonds.

The serials were priced to yield from 5.35% in 1996 to 5.90% in 2000. The SAVRs were a \$26.35 million 2021 term with a 2001 call that were not reoffered. And the RIBs followed the SAVRs in structure. The entire deal is insured by MBIA.

Dollar bonds were 1/4 weaker. New Jersey Turnpike Authority 6.90s of 2014 were flat quoted at 99 1/4-100 to yield 6.89%, while Triborough Bridge and Tunnel Authority 6 1/2s of 2017 also were unchanged at 99-99 1/4 to yield 6.88%. New York LGAC 7s of 2021 were quoted at 99 1/4-1/2 to yield 7.03%. And the bid side for East Bay California 6 1/4s of 2016 were firmer at 98 1/4, locked, to yield 6.81%.

In other news, New York City officials are eyeing Oct. 9 for the negotiated sale of \$1.25 billion of revenue anticipation notes. PaineWebber Inc. will be senior manager and bookrunner.

The short-term market scored small gains. In late trading, Los Angeles notes were quoted at least five basis points lower in yield, at 4.28% bid, 4.25% offered. March New York State Trans were quoted at 5.02% bid, 5.00% offered. Pennsylvania paper weakened a little to 4.40% bid, 4.37% offered. And Texas notes were quoted at 4.31% bid, 4.27% offered in late cash trading.

Yesterday's debt futures trading settled lower, with the December municipal contract closing down one tick at 94.19. The MOB spread narrowed a bit to negative 165. □

# Treasury Bills Rise Sharply on Rumor That They Will Be Allowed for Use as Banks' Reserves at Fed

By MATT REES  
And SHARON R. KING

Staff Reporters of THE WALL STREET JOURNAL  
NEW YORK—Bond prices ended mixed in quiet trading as long-term Treasury bonds posted modest losses for the second consecutive day while prices of short-term securities advanced.

The bond market's bellwether security, the 8.125% 30-year Treasury bond, ended about ¼ point lower, a loss of about \$1.25 for a bond with a \$1,000 face amount. The issue's yield, which moves in the opposite direction of its price, rose to 7.85% from 7.82% on Wednesday. Prices of tax-exempt municipals, investment-grade corporates and mortgage-backed securities also put in a mixed performance.

The big gainers in trading yesterday were Treasury bills, which rose sharply on rumors that the Federal Reserve may allow banks to hold reserves at the Fed in interest-bearing bills, rather than cash. Late in the day, the Federal Reserve said the rumors were "unfounded." However, the denial came too late in the day to have much effect on trading activity in the bill sector.

[Federal Reserve Statistics on Page C12]

Banks currently hold reserves either in cash or in accounts with the Fed that pay no interest. Fed Chairman Alan Greenspan has publicly indicated his support for paying interest on reserves, but there are legal impediments, and such a change would widen the federal deficit.

Some administration officials have been flirting with the notion of allowing banks to hold some of their reserves in Treasury bills as one response to the credit crunch. Interest that banks receive on the Treasury bills would fatten their profits, helping them meet stringent new capital standards without pulling back on loans. But the Treasury bill solution may present some legal problems and could also pose technical problems for the Fed. As a result, officials said such a change is unlikely to be made soon, if at all.

Trading activity was quiet for most of the day as investors stayed on the sidelines ahead of today's potentially market moving employment report.

The consensus estimate of economists surveyed by Dow Jones Capital Markets Report is that the employment data will show that non-farm payrolls rose 37,000 in September, after a 34,000 gain in August. However, due to other factors in the report, the unemployment rate is forecast to have risen to 6.9% from 6.8% in August.

Prices of most bonds, long-term and short-term, opened higher yesterday. But while short-term bonds retained their gains, long-term bonds slowly moved lower as auto makers released stronger-than-expected car-sales data for late September.

U.S.-built cars sold in late September at a seasonally adjusted annual rate of 7.2 million vehicles, up from the 6.0 million-vehicle pace set in the previous 30 days. The Sept. 21-30 selling rate was also far ahead of the mid-September pace, but down from the 8.2 million-vehicle pace from a year earlier. For all of September, domestic cars sold at a 6.3 million-vehicle annual pace.

Prices of long-term bonds firmed slightly late in the day after the Federal Reserve released the latest money supply data. The money supply measure known as M2, the aggregate most closely tracked by the Fed, declined \$3 billion in the latest week. M2 now is growing at a 2.4% annualized rate from a fourth-quarter 1990 base, just below the Fed's 2.5% to 3.5% target bands.

M1 rose \$1.2 billion in the week, while M3 plummeted \$6.8 billion.

## Treasury Securities

Treasuries ended mixed in quiet trading. The benchmark 30-year Treasury bond ended at a price of 103 5/32 to yield 7.84% compared with 103 10/32 to yield 7.82%.

The latest two-year notes ended modestly higher at a price of 100 10/32 to yield 5.94% compared with 100 7/32 to yield 5.99% on Wednesday.

Treasury bill rates tumbled yesterday. The average discount rate on three-month bills ended at 5.02% for a bond-equivalent yield of 5.15%, down from a rate of 5.09% to yield 5.22%. The average discount rate on six-month bills ended at 5.09% for a

## Corporate & Junk Bond

The junk bonds of RJR Nabisco Holdings Corp. jumped after the food and tobacco giant said it will shed some more of its heavy debt load through the issuance of equity.

The news caught investors by surprise and pushed prices of some RJR Nabisco high-yield bonds almost five points higher. The euphoria also swept through the broader market, driving most actively traded high-yield bonds up by ¼ point.

Among the biggest winners were RJR Nabisco's 17.375% convertible pay-in-kind debentures, due in 2009, which rocketed 4 points to 165 ½ and the company's 15% subordinated pay-in-kind debentures, maturing in 2001, which shot up 2 ¼ points to 121 ¼. Pay-in-kind securities pay interest in the form of additional securities.

Also advancing were RJR Nabisco's zero-coupon bonds, which chalked up two points to end at 82.

The move yesterday is the latest chapter in RJR Nabisco's long-running recapitalization plan. As part of the most recent plan, RJR Nabisco, the largest single issuer of junk bonds, will offer common stock in exchange for as much as \$3 billion in market value of its convertible preferred stock. It will also issue about \$1.88 billion of preferred equity redemption cumulative stock.

RJR's chief financial officer, Karl von der Heyden, indicated that more refinancing is in store. "We'll look at the whole balance sheet, including the (pay-in-kind issues) and converting debentures." He said that RJR is likely to retire its high high-cost junk bonds when they can be called in 1993 and 1994 and "may buy some in the market," before then.

Mr. von der Heyden also said that RJR may switch the payment on its 15% payment-in-kind junk bonds to cash interest. Doing so will slightly lessen RJR's interest expense.

Separately, Moody's Investors Service Inc. and Standard & Poor's Corp., the two major credit rating agencies, both said they are reviewing the company's credit ratings for possible upgrade.

## Municipal Securities

Actively traded municipal bonds finished narrowly mixed.

The New York Local Government Assistance Corp.'s 7% securities of 2021 finished ¼ higher at 99 ½, to yield 7.02%.

Meanwhile, the Dallas-Fort Worth International Airport 7.5% issues of 2025 ended ¼ lower at 100 ¼ at 7.43%.

In secondary municipal action, rumors about a bond offering set for next week moved Denver's airport system revenue

bonds as much as ¼ point higher.

Denver's bellwether issue, the 8.75% issue of 2023, was ¼ higher on the day at 104 to yield 8.34%.

Some dealers attributed the gains in the bonds to rumors that long-term bonds in Denver's \$500 million offering next week could carry yields lower than those seen on existing issues.

Wednesday, Denver received welcome news about the coming offering, when Moody's Investors Service Inc. confirmed

its Baa-1 rating on the bonds. Last week Standard & Poor's Corp. affirmed the bonds' triple-B-minus rating.

Next week's offering is expected to consist of serial, term and zero-coupon bonds. The bonds have a final maturity of Nov. 15, 2025.

## Mortgage & Asset-Backed Securities

Investors seeking value and safety in a high-priced mortgage securities market have been selling high-coupon issues and buying less-expensive low-coupon issues.

The handful of actively traded issues that remain at prices below 100 are gaining in popularity. These issues are not only less pricey but face a reduced chance of early prepayment in coming months.

Steadily rising prices and continued prospects for declining interest rates mean a greater risk of early prepayments on many higher-coupon mortgage securities.

Because investors are paid back at par in these instances, there is a hesitancy about buying or holding big quantities of premium-priced, high-coupon issues.

The penchant for low-coupon issues has reportedly resulted in sizable amounts of swaps trading in recent days. There is talk that investors have been unloading 9.5% issues and 9% issues in favor of 8% securities. Speculation is that several billion dollars of such transactions have taken place in the past few sessions.

This talk would seem to be borne out by the price changes in those securities yesterday. While Government National Mortgage Association 9.5% issues fell 5/32 to 105 6/32 and the agency's 9% issues were down 3/32 at 103 6/32, Ginnie Mae 8% securities were up 2/32 to 98 30/32.

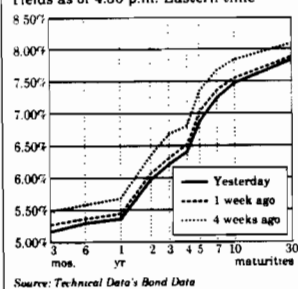
Stepped-up buying of the lower-coupon issues has caused the prices of still-discounted 8% issues to rise closer to the price of 9% issues. The narrowing price differential is called a price compression.

In other secondary market activity, Ginnie Mae 8.5% issues for October delivery were down 2/32 at 101 5/32. Federal Home Loan Mortgage Corp. Gold 8.5% securities were off 2/32 at 100 24/32 and Federal National Mortgage Association 8.5% securities were 2/32 lower at 100 16/32.

No new real estate mortgage investment conduit offerings were announced.

## Treasury Yield Curve

Yields as of 4:30 p.m. Eastern time



## YIELD COMPARISONS

Based on Merrill Lynch Bond Indexes, priced as of mid-afternoon Eastern time.

	10/3	10/2	9/29	9/26
Corp. Govt. Master	7.34%	7.35%	8.92%	7.34%
Treasury 1-10yr	6.52	6.54	8.33	6.52
10+ yr	7.96	7.96	9.21	7.92
Agencies 1-10yr	6.77	6.78	8.63	6.77
10+ yr	8.22	8.22	9.49	8.20
Corporate				
1-10 yr High Qlty	7.86	7.87	9.22	7.84
Med Qlty	8.41	8.43	10.27	8.41
10+ yr High Qlty	8.72	8.71	10.02	8.70
Med Qlty	9.19	9.19	10.57	9.18
Yankee bonds (1)	8.45	8.46	9.74	8.45
Current-coupon mortgages				
GNMA 8.00%	8.25	8.26	9.83	8.25
FHLM 8.00%	8.36	8.36	9.96	8.36
FHLM 8.00%	8.31	8.33	9.99	8.31
High-yield corporates	13.56	13.56	18.26	13.56
New 100-coupon				
10-yr G.O. (AA)	5.85	5.85	7.85	5.85
20-yr G.O. (AA)	6.45	6.45	7.45	6.45
30-yr revenue (A)	6.88	6.90	7.75	6.88
Note: High quality rated AAA-AA; medium quality A-BBB/Baa; high yield, BB/Ba-C.				
(1) Dollar-denominated, SEC-registered bonds of foreign issuers sold in the U.S.				

bond-equivalent yield of 5.29%, compared with a rate of 5.15% to yield 5.35% on Wednesday.

# Short-Term Treasuries Post Gains

## Traders Await Data On September Jobs

By Reuters

Treasury bill prices rose yesterday on hopes that the Federal Reserve would cut interest rates soon to stimulate the faltering economic recovery.

But while the short-term market benefited from the prospect of an expected rate cut, the long-term market languished; the 30-year Treasury bond closed slightly lower.

The 8½ percent 30-year Treasury bond closed down 3/32, or 94 cents for \$1,000 face amount, at 103 11/32. It yielded 7.83 percent, up from 7.82 percent on Wednesday.

The three-month bill rose, sending its yield down 8 basis points, or hundredths of a percentage point, to close at 5.01 percent. The six-month bill gained to cut its yield 7 basis points, to 5.08 percent.

### Employment Data

Traders are betting that the Fed will cut interest rates as early as today, if the September employment report scheduled for this morning proves especially weak. The figures will provide the first official look at the economy's performance last month, and economists are projecting a slight rise in the unemployment rate to 6.9 percent for September from 6.8 percent in August.

The focus of any Fed interest rate cut would likely be the Federal funds rate, the amount banks charge one another for short-term loans. The target rate is now believed to be 5¼ percent, and it could be cut to a target of 5 percent — the lowest since 1977.

The prospects of a Fed easing were bolstered by the weak money supply figures released yesterday, which showed that M-2 money supply in the week ended Sept. 23 fell by \$3 billion.

M-2 is a broad measure of money in circulation, including cash, traveler's checks, checking accounts, bank deposits and Eurodollars. A decline in the money supply tends to show a slowing economy.

"The money supply is one of the main factors that has influenced Fed policy making in the last couple of months," said Jim Winder, an economist at Merrill Lynch. "The latest numbers are weaker than most people were looking for."

Adding to the sense of a sluggish recovery, the Labor Department reported yesterday on initial jobless claims in late September, and economists said they were at recessionary levels.

Factory orders fell 1.9 percent in

## Federal Reserve

Monetary Aggregates\* Average in billions of dollars.

	One week ended Sept 23	Sept 16	Annual growth rate 3 mos.	6 mos.	12 mos.
M-1.....	870.7	869.5	8.9%	7.4%	8.0%
M-2.....	3,392.7	R 3,395.7	-0.1	2.5	2.8
M-3.....	4,136.7	R 4,143.5	-2.5	-0.1	1.1
Monetary Base (St. Louis)	343.4	346.1	8.2	5.4	8.3

Reserve Data Average in millions of dollars.

	2 weeks ended Oct 2	2 weeks ended Sept 16	Avg. 3 months ended Sept
Total Reserves.....	51,319	R 51,204	50,831
Borrowed Reserves.....	383	828	872
Extended Credits.....	41	498	216
Required Reserves.....	50,220	R50,486	49,953
Excess Reserves.....	1,098	R719	978

	Week ended Oct 2	Sept 25
Borrowed Reserves.....	344	422
Extended Credit.....	1	61

Other Data in millions of dollars.

	Sept 26	Sept 19
Financial Co. Commercial Paper.....	398,217	R394,803
Non-Financial Co. Commercial Paper.....	134,868	R137,278
Fed Holdings of Gov't Securities for Int'l Accounts ...	249,899	251,964

R Revised. \*Seasonally adjusted. N.A. Not available.

## Key Rates

In percent	Yesterday	Previous Day	Year Ago
PRIME RATE	8.00	8.00	10.00
DISCOUNT RATE	6.00	5.00	7.00
FEDERAL FUNDS*	8.12	5.00	9.00
3-MO. TREAS. BILLS	5.02	5.08	7.13
6-MO. TREAS. BILLS	5.08	5.15	7.14
7-YR. TREAS. NOTES	7.22	7.24	8.51
30-YR. TREAS. BOND	7.83	7.82	8.78
TELEPHONE BONDS	8.95	8.93	9.85
MUNICIPAL BONDS**	8.88	8.88	7.76

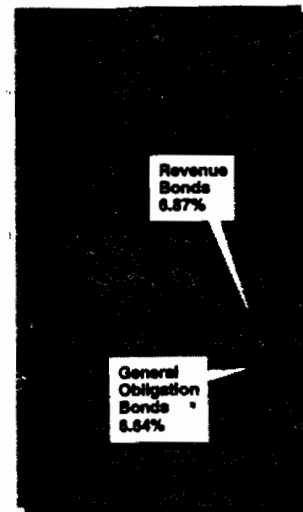
\*Estimated daily average, source Teleterm  
\*\*Municipal Bond Index, The Bond Buyer  
Salomon Brothers and Teleterm for Treasury bill-weather bonds, notes and bills

August after a big July surge, the Government reported yesterday.

The White House has also voiced increasing concern about the health of the economy, adding another element of pressure on the Fed for easier rates, economists said.

Corporate bonds were aided by the RJR Nabisco Holdings decision to retire \$1.8 billion of high-interest preferred stock with a new issue of common stock.

The move will leave the company with less than \$15 billion in debt, lowering its overall borrowing costs. In response to the plan, all the big rating agencies said they might upgrade RJR's debt to an investment grade



The New York Times

from its present junk bond status. In intermediate maturities, the 8½ percent two-year Treasury note ended 3/32 higher at 100 10/32, yielding 5.96 percent. The 10-year 7½ percent note was 1/32 higher at 102 25/32, yielding 7.47 percent.



VERMONT HOUSING FINANCE AGENCY

December 2, 1991

Ms. Jean Gauthier  
Department of Administration  
Pavilion Office Building  
109 State Street  
Montpelier, VT 05602

Dear Ms. Gauthier:

The Vermont Housing Finance Agency will be having its regular monthly Board Meeting on Friday, December 13, at 2:30 p.m., here at the office of the Vermont Housing Finance Agency, One Burlington Square, Burlington, Vermont.

If you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in cursive script that reads 'Barbara M. Parker'.

Barbara M. Parker  
Executive Assistant



VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners  
FROM: Allan S. Hunt, <sup>Chair</sup> Executive Director  
DATE: December 6, 1991  
RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held at 2:30 p.m. Friday, December 13, here at the office of the Vermont Housing Finance Agency, One Burlington Square, Burlington, Vermont. That evening, the annual Holiday Party will be held at The Windjammer/Econolodge on Williston Road in South Burlington. By now should each have received an invitation for the party.

If you haven't already heard, both Mortgage Revenue Bonds and Low Income Housing Tax Credits were extended by Congress for six months. The president has signed or is expected to sign the bill shortly.

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

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Burlington at 2:30 December 13!



# WASHINGTON



John T. McEvoy, *Executive Director*

Barbara J. Thompson, *Director of Government Affairs*

November 27, 1991

## **CONGRESS GRANTS SIX MONTH EXTENSION FOR MRBs, TAX CREDIT IN END OF SESSION MARATHON**

The morning of November 27, the House of Representatives unanimously approved, 420-0, the Tax Extender Act of 1991 (H.R. 3909), legislation providing a six-month extension of the 12 expiring tax provisions, including Mortgage Revenue Bonds (MRBs) and the Low Income Housing Tax Credit (Tax Credit). Earlier in the day, the Senate agreed by unanimous consent to consider the bill passed by the Senate upon its approval by the House. The bill will now be sent to the President, who is expected to sign it.

The bill extends the sunset date for all twelve of the expiring provisions from December 31, 1991 to June 30, 1992, and pays for the extensions through a speedup of estimated corporate taxes. No programmatic changes were included in the bill because of the need to keep it clean of extraneous amendments. Although the extensions are for six months only, the bill does not reduce either the private activity bond cap for MRBs or the \$1.25 per capita allocation of the Tax Credit.

Our Capitol Hill sources indicate that before the six-month extension period ends, Congress will likely pass a major tax bill, providing another vehicle for extensions. Ways and Means Chairman Rostenkowski (D-IL) and Finance Chairman Bentsen (D-TX) stated during committee and floor consideration of the bill that this would be the last temporary extension of the expiring provisions. Both intend to review each of the expiring provisions early next year to decide which to make permanent and which to eliminate.

The success in passing a "clean" extender bill this year was due in part to a number of significant letter-writing campaigns waged by Members of the House and Senate during the final weeks of the session. At the forefront of those efforts were the Danforth (R-MO) and Rangel (D-NY) letters, pledging Senators and members of the Ways and Means Committee not to offer amendments to any clean extender bill that might come before them. Senator Danforth persuaded 78 of his colleagues to join with him on his letter, 75 of whom committed within 24 hours of the letter's circulation. The

# Update

letter made it possible for Majority Leader Mitchell (D-ME) to obtain the unanimous consent agreement which was his condition for moving the bill in the Senate. In a similar effort, Representative Rangel (D-NY) succeeded in getting 17 of his Ways and Means Committee colleagues to take the "no amendment pledge," giving Chairman Rostenkowski the assurance he needed that a clean extender bill could be reported from his Committee. Rangel then followed up the letter with a personalized note to every member of the Committee asking them to support a clean bill in Committee.

Other Members were inspired to show their support by writing to Chairman Rostenkowski as the session drew to a close without much hope for extension. House delegations from the Northwest states joined together to ask specifically for extension of MRBs and the Tax Credit, as did their colleagues on the House Urban Caucus.

Although MRBs and the Tax Credit received six-month extensions, the permanent extension bills introduced by the programs' lead sponsors early this year are still important because they will remain the cosponsorship vehicles for permanent extension in the second session of this Congress. Because permanent extension is now the goal for next year, NCSHA and its member HFAs will continue to push for the highest possible cosponsorship totals for both bills. At the end of the session, House MRB cosponsorship remains at 391. The House Tax Credit bill gained further support in the final weeks before adjournment and now has 328 cosponsors. Senate MRB cosponsorship remains at 89 and Senate Tax Credit cosponsorship at 85.

#### **BILL TO FUND INSULAR AREAS UNDER HOME CLEARED**

On November 26, Congress passed a bill to amend the HOME allocation process for the insular areas of Guam, the Northern Mariana Islands, the Virgin Islands, and American Samoa. For FY 92, the insular areas will be funded from a reallocation of funds from any states which choose not to participate in HOME. For future years, the insular areas will be funded off the top of the HOME appropriation by a formula to be developed by HUD. The Administration has indicated that it would support a set-aside for the insular areas of .2 percent of the total appropriation.

#### **USE OF FMHA WITH THE TAX CREDIT EASED**

On November 26, Congress passed an amendment to the Farmers Home Section 515 program to resolve a conflict between Farmers Home regulations and Tax Credit requirements. Farmers Home regulations allow units to be rented to tenants who do not meet the income restrictions when vacancies of at least six months threaten the financial viability of the project. Tax Credit covenants do not

permit this. As a result, Farmers Home has directed its state directors not to close Section 515 projects with Tax Credit restrictive covenants. The amendment directs Farmers Home to not deny or delay closing of financing for Section 515 projects with the Tax Credit on the basis of the relaxed income restrictions regulation.

#### **RTC, FDIC LEGISLATION PENDING**

Legislation to recapitalize the FDIC Banking Insurance Fund was pending at press time. Efforts to include in the conference report Congressman Frank's (D-MA) new FDIC affordable housing program, which would be essentially identical to the RTC affordable housing program, appeared likely to succeed.

RTC funding legislation was also pending at press time. Affordable housing amendments added to the legislation by the House Banking Committee last week appeared likely to be dropped in favor of a stripped-down funding bill. Details will be provided in next week's *Washington Update*.

#### **GSE LEGISLATION POSTPONED**

Senate Banking Committee consideration of legislation to ensure the financial health of the Federal National Mortgage Association (FNMA) and the Federal Home Loan Mortgage Corporation (FHLMC) has been postponed until the second session of the 102nd Congress. NCSHA will continue to work with Banking Committee staff to ensure that the legislation increases the activity of FNMA and FHLMC in affordable housing.



VERMONT HOUSING FINANCE AGENCY

**M E M O R A N D U M**

**TO:** VHFA Board of Commissioners  
**FROM:** Allan S. Hunt, Executive Director  
**DATE:** December 12, 1991  
**RE:** PROPOSED BOARD MEETING SCHEDULE FOR 1992

I would like to propose the following schedule for Board Meetings during 1992:

January 16	1:30	Montpelier
February 20	1:30	Burlington
March 19	1:30	Montpelier
April 16	1:30	Montpelier
May 21	1:30	Burlington
June 18	1:30	Burlington
July 16	1:30	Burlington
August 20	1:30	Montpelier
September 17	1:30	Montpelier
October 15	1:30	Burlington
November 19	1:30	Montpelier
December 17	1:30	Burlington

Please advise if there are any scheduling conflicts.



VERMONT HOUSING FINANCE AGENCY  
VHFA BOARD MEETING AGENDA

VERMONT HOUSING FINANCE AGENCY  
One Burlington Square  
Burlington, Vermont

Friday, December 13, 1991 at 2:30 p.m.

1. Review and approval of minutes of November 7, 1991
2. Administration
  - A. Executive Director's Report [Hunt]
  - B. Comprehensive Housing Assistance Strategy Update [Francis//Enclosure]
3. Operations
  - A. MOVE 1990 Series 1 Update/Delinquency Report [Lothrop//Enclosure]
  - B. MCC Authority Conversion [Lothrop//Enclosure]
  - C. Data Processing Presentation [Lothrop//Enclosure]
4. Development
  - A. Hardscrabble (Williston) Letter of Interest [Pond//Enclosure]
  - B. Hillside MHP (Starksboro) Letter of Interest [Pond//Enclosure]
  - C. Windemere MHP (Colchester) Letter of Interest [Pond//Enclosure]
5. Finance
  - A. Multi-Family Refinancing [Schoenbeck//Encl.]
  - B. Financial Statement Update (General Fund) [Schoenbeck//Encl.]
6. Legal
  - A. Litigation Update [Jarrett]
  - B. Whitney Hill Bond Resolution [Jarrett/Enclosure]
7. Other old or new business to come before the Board



VERMONT HOUSING FINANCE AGENCY

**BOARD MINUTES**

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

Thursday, November 7, 1991

PRESENT: Commissioners Shaw, Ruse, Seelig, Rockford (designee of Mr. Johnson), Mullikin Drake (designee of McDougall), Myette (via speakerphone)

Agency Staff: Mr. Hunt, Mr. Schoenbeck, Mr. Jarrett, Mr. Koppelkam, Mrs. Parker, Mr. Lothrop, Mr. Francis, Ms. Pond

Guests: Mr. Gurley, Mr. Irvin (PaineWebber); Sen. Ready; Ms. Clancy (Policy Research and Coordination); Mr. Dettmann (VSHA)

The meeting was called to order at 1:35 p.m.

Upon a motion duly made and seconded, the minutes of the September 19, 1991 meeting and the minutes for the October 4, 1991 meeting were unanimously accepted as written.

Mr. Hunt introduced to the Board Ms. Mullikin Drake, the new commissioner of Housing and Community Affairs and designee of Mr. McDougall; also, Ms. Clancy of the Governor's office of Policy Research and Coordination was introduced. In his Executive Director's report, Mr. Hunt noted that he had attended the National Council of State Housing Agencies (NCSHA) annual conference in Seattle, where a major topic of discussion was the potential for an extension of the Mortgage Revenue Bond (MRB) authority as well as the Low Income Housing Tax Credit (LIHTC) program; both programs are currently due to sunset as of December 31, 1991. According to Mr. Hunt, the Federal Home Loan Bank (FHLB) is considering ways that state housing agencies may be able to access FHLB funds; however, their FHA insurance requirement may be cause for concern. Turning to Dalton Drive, Mr. Hunt noted that to date, reservations have been received for 23 of the units at Dalton Drive. The model unit and sales office is expected to be completed by November 15. So far, the construction is on schedule and within budget guidelines, although there have been some minor problems with the contractor's lack of flexibility.

## VHFA BOARD MINUTES

November 7, 1991

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The "Funding Request--Homeownership Counseling Pilot Barre Neighborhood Housing Services, Inc.," as described in his memo of November 1, included in the Board packet, was reviewed by Mr. Francis. Following a brief discussion, a motion was made to award a grant to Barre Neighborhood Housing Services, Inc. (BNHS), in an amount not to exceed \$5,000, for the cost of the development of BNHS' homeownership counseling program, with the terms and conditions of this grant to be established by the Executive Director; following a second, this motion carried unanimously.

Mr. Lothrop reported on the 1990 Series 1 MOVE program activity, as detailed in the report included in the Board packet. Comparisons with the 1989B MOVE program will be available at the next Board meeting. Mr. Lothrop also reviewed the report on delinquencies. No Board action was necessary.

Next, Ms. Pond reviewed the "Starksboro, Lazy Brook Mobile Home Park Recommended Approval of Commitment Letter Resolution," as detailed in her memo of October 31, included in the Board packet. A lengthy discussion followed during which concerns were raised regarding the proximity of farm animals to the water supply and the potential to create individual septic systems on adjacent land rather than a community septic system. Mr. Hunt also raised the policy question of having the Agency purchase this mobile home park at a price higher than the appraised value and spend approximately \$200,000 to upgrade the septic systems, which would probably not be required for another buyer. Ms. Ready cautioned the Board that the electrical system also needs to be brought up to code at a cost of nearly \$35,000. Mr. Hunt noted that better code enforcement is one way to deal with improving the quality of infrastructure in mobile home parks; if buyers knew that the liability for upgrading the infrastructure existed, the responsibility to upgrade the park would fall on the seller rather than the buyer. A motion was duly made and seconded to: (1) amend the "Resolution Pertaining to Combined Letter of Intent and Commitment Letter re: Lazy Brook Mobile Home Park" as attached to these minutes to indicate that the loan from VHCB is not a deferred loan, and further that financing would be contingent on the access road meeting standards to be set by the Agency; (2) further, to approve the "Three Party Agreement" as drafted and attached to these minutes; and (3) to authorize the "Resolution of VHFA Authorizing the Issuance of its Housing Project Bonds (Federally Taxable Issue) Lazy Brook Mobile Home Park" as attached to these minutes; this motion carried, with Mr. Ruse abstaining. Ms. Ready then left the meeting.

The "St. Albans/Upper Welden (Vermont Housing Enterprises) Commitment Letter Resolution" was discussed next, as described in Ms. Pond's memo of October 31. Mr. Dettmann informed the Board that research was being conducted as far as replacing the sprinklers and the boiler. After a brief discussion, a motion was made and seconded to amend the "Resolution Pertaining to Commitment Letter/Letter of Intent re: Upper

## VHFA BOARD MINUTES

November 7, 1991

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Welden Apartments Development, St. Albans," as attached to these minutes, to reflect the need for enough funding to cover roofing, sprinkler, and boiler costs, and drop the phrase "sellers have agreed to provide." This motion carried unanimously, and Mr. Dettmann left the meeting.

Ms. Pond then reviewed the "Lincoln (Weathervane United): Commitment Letter Resolution" as drafted and attached to her memo of October 31, included in the Board packet. Upon a motion duly made and seconded, it was unanimously agreed to adopt the "Resolution Pertaining to Combined Letter of Interest and Commitment Letter re: Weathervane United Development" as attached to these minutes.

The status of the LIHTC program was discussed by Ms. Pond, who noted that under the current program, unused tax credits can not be carried forward from 1991. Although regulations will not be available until 1992, a compliance program needs to be in effect before the end of this year. Monitoring of the LIHTC program is difficult without regulations; the program would require verification that current occupants remain income eligible. No Board action was necessary.

Mr. Schoenbeck reported that the 1990 Series 2 Single Family Bonds closed successfully November 1, resulting in an 8.15% mortgage rate with an A+ rating from Standard & Poor's and A1 from Moody's. However, S&P has placed both the 1990 Series 1 and Series 2 on credit watch since Citibank was downgraded by S&P and the Agency has an investment agreement with Citibank on those bond series. Mr. Gurley explained the implications of having a bond series on credit watch and suggested that since S&P's billed amount for the ratings is excessive, the Board might want to consider not having bond series rated by S&P in the future. Mr. Schoenbeck reminded the Board that staff has received nothing in writing from S&P as a result of their visit to the Agency in September. Mr. Gurley reviewed the pricing books for the Series 2 Single Family Bonds and admitted that the distribution of bonds in Vermont had been mishandled by PaineWebber; future bond sales may include a set aside for Vermont distributors in order to avoid a repetition of this problem. Mr. Ruse commended Mr. Gurley for doing an excellent job overall, and the Board acknowledged Mr. Schoenbeck's efforts. No Board action was required.

The possibility of an end of year bond issue was discussed by Mr. Schoenbeck, who cautioned the Board that such an issue might be advisable since MRBs have not been extended to date. Mr. Schoenbeck reviewed the various "recycled" funds which would be available, in addition to mortgage proceeds that are currently on hand. According to Mr. Irvin, the cost for issuing \$100 million in bonds



## VHFA BOARD MINUTES

November 7, 1991

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would be nearly \$300,000, while the cost to issue \$50 million in bonds would be a disproportionate \$200,000; however, the risk would be in having to call the bonds that were issued or never converting the bonds and therefore absorbing the issuance costs. While no formal vote was taken, the general sense of the Board indicated that staff should continue to investigate the possibilities and keep the Board informed regarding anticipated cost, market rates, etc.

Mr. Schoenbeck reviewed the "Fiscal Year June 30, 1991 Audit Results" and final budget report as detailed in his memo of November 1, included in the Board packet. No Board action was necessary.

Turning to legal matters, a motion was made and seconded to adopt the "Resolution of VHFA Authorizing the Issuance of Its Housing Project Bond (Federally Taxable Issue) Whitney Hill Development" as attached to these minutes; this motion carried unanimously. In an unrelated matter, Mr. Jarrett informed the Board that a previously adopted resolution for Coburn Mobile Home Park reflected incorrectly a commitment fee of 1.5%. A motion was made and seconded and unanimously carried correcting the commitment fee for Coburn Mobile Home Park to 1%. Mr. Jarrett also reported that in a litigation matter which is pending regarding a property in Winooski, the master's report had not yet been finalized, although it was due a few months ago; however, no Board action was required.

Mr. Seelig suggested the following be considered as future agenda items: Accessibility (state regulations; impact, especially on rehab projects); General Fund Balance; refinancing; what resources are available to VHFA: how are they utilized; how are priorities determined.

Mr. Hunt announced to the Board that the annual Holiday Party will take place at the Windjammer/Econolodge on Williston Road in South Burlington on Friday, December 13 starting at 6:00. The next meeting was scheduled for Friday, December 13, in Burlington. There being no further business and following a motion duly made and seconded, the meeting adjourned at 3:45 p.m.

Respectfully submitted,



Allan S. Hunt  
Secretary

RESOLUTION OF VERMONT HOUSING FINANCE AGENCY  
AUTHORIZING THE ISSUANCE OF ITS  
HOUSING PROJECT BOND (FEDERALLY TAXABLE  
ISSUE) WHITNEY HILL DEVELOPMENT

Be it Resolved by the Vermont Housing Finance Agency  
and the Commissioners thereof as follows:

ARTICLE I  
DEFINITIONS AND AUTHORITY

SECTION 101. Definitions.

(A) In this Resolution unless a different meaning clearly appears from the context:

"Act" means the Vermont Housing Finance Agency Act, being No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended to the date of adoption of this Resolution.

"Agency" means the Vermont Housing Finance Agency, a body politic and corporate organized under the Act, or any instrumentality of the State which shall hereafter succeed to its powers.

"Authorized Officer" means the Chairman, Vice Chairman, Executive Director and Secretary, Deputy Director and Director of Finance of the Agency, and any other person authorized by resolution of the Agency to act as an Authorized Officer under this Resolution.

"Bond" means the Bond of the Agency authorized by this Resolution.

"Bond Date" means the date the Bond is originally issued hereunder.

"Bond Fund" means the fund so designated and established under Section 301 of this Resolution.

"Commitment Letter" means the Commitment Letter relating to the Permanent Loan dated as of April 26, 1991 issued by the Agency and accepted by the Sponsor.

"Costs of Issuance" means any items of expense payable or reimbursable directly or indirectly by the Agency and related to the authorization, sale and issuance of the Bond.

"Development" means the Whitney Hill Development as more fully described in the Commitment Letter and the Three Party Agreement.

"General Account" means the account so designated and established under Section 301 of this Resolution.

"General Fund" means the fund so designated and created by a resolution of the Agency adopted September 26, 1974 as amended from time to time.

"Loan Account" means the account so designated and established under Section 301 of this Resolution.

"Permanent Loan" means a permanent mortgage loan made by or on behalf of Agency to the Sponsor with the proceeds of the Bond.

"Permanent Loan Amount" means the amount of the Permanent Loan established pursuant to paragraph 3 of the Commitment Letter.

"Program" means the Agency's program of making mortgage loans to housing sponsors pursuant to the Act.

"Project Fund" means the fund so designated and established under Section 301 of this Resolution.

"Recovery Payments" means any moneys received or recovered by the Agency, less the expenses necessarily incurred by the Agency in connection with the collection of such amount, from (i) condemnation of the Development, (ii) proceedings taken in the event of default by the Sponsor under the Permanent Loan, (iii) any claim settlement for hazard insurance or other insurance applicable to the Development or the Permanent Loan, (iv) the sale or other disposition of the Development, or (v) the sale or other disposition of the Permanent Loan after default for the purpose of realizing the Agency's interest therein.

"Revenues" means and includes all payments, proceeds, charges, fees, rents, investment earnings and all other income (including without limitation all payments of principal and interest received by or on behalf of the Agency on the Permanent Loan and all Recovery Payments) derived by or for the account of the Agency from or related to the Development and the Permanent Loan.

"Sinking Fund Account" means the account so designated and established under Section 301 of the Resolution.

"Sponsor" means Whitney Hill Homestead Limited Partnership, a limited partnership organized and existing under the laws of the State.

"State" means the State of Vermont.

"Three Party Agreement" means the agreement so denominated among the Sponsor, the purchaser of the Bond, and the Agency, in substantially the form presented at this meeting.

- (B) Except as otherwise expressly provided in this Resolution, the terms "housing development costs," "housing sponsor," "mortgage," "mortgage loan," and "residential housing" when used in this Resolution shall have the meanings given such terms in the Act.

#### SECTION 102. Authority.

This Resolution is adopted pursuant to the Act and shall take effect upon its adoption. The Agency is duly authorized under the Act and all applicable laws to issue the Bond and to adopt this Resolution in the manner and to the extent provided herein. The Agency will at all times, to the extent permitted by law, defend, preserve and protect all the rights of the registered owner of the Bond hereunder against all claims and demands of all persons whomsoever.

### ARTICLE II AUTHORIZATION OF BOND; FINDINGS; TERMS AND SALE OF BOND

#### SECTION 201. The Bond.

- (A) A Bond of the Agency, designated "Housing Project Bond (Federally Taxable Issue) Whitney Hill Development" is hereby authorized to be issued as herein provided in a principal amount not to exceed One Million Four Hundred Seventy Thousand Dollars (\$1,470,000), the original principal amount of the Bond to be determined upon its issuance by the Authorized Officers of the Agency executing the same. The Bond shall be dated and shall bear interest from the Bond Date and shall mature, subject to prior redemption as provided herein and in the Bond, twenty years from the Bond Date. Interest on the Bond shall be payable on March 1, 1992 and semi-annually thereafter on September 1 and March 1 of each year. The form of the Bond, the rate or rates of interest payable thereon, the terms of redemption thereof prior to maturity and all other terms and conditions thereof shall be as set forth in Article IV of this Resolution.
- (B) The Agency hereby ratifies and confirms the Commitment Letter and approves the Permanent Loan on the terms and conditions provided herein, in the Commitment Letter and in the Three Party Agreement. The Agency hereby determines that:

- (1) the Permanent Loan does not exceed the value of the Development as determined by the Agency and the principal amount of the Bond is necessary to provide sufficient funds to be used and expended for the Program in respect of the Development;
  - (2) the Permanent Loan can be issued bearing interest at a rate that will be less than the prevailing rate of interest on comparable mortgage loans available in the State without the assistance of the Agency;
  - (3) the Agency will derive receipts, revenues or other income from the Permanent Loan sufficient to provide, together with all other available receipts, revenues and income of the Agency, for the payment of the Bond and the payment of all costs and expenses incurred by the Agency with respect to the Program for which the Bond are issued;
  - (4) the Development is primarily for occupancy by persons and families of low and moderate income within the meaning of the Act;
  - (5) the acquisition, construction and or rehabilitation costs incurred or to be incurred by the Sponsor are for housing development costs within the meaning of the Act;
  - (6) there exists, or without the Development 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 investments are unable, without assistance, to provide an adequate supply of residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families; and
  - (7) the Sponsor is a housing sponsor as defined in the Act, the Sponsor will maintain or increase the supply of well-planned, well-designed permanent, temporary transitional or emergency housing for persons of low and moderate income and the Sponsor is a financially responsible person.
- (C) The purposes for which the Bond are being issued are to provide funds to make the Permanent Loan and to pay Costs of Issuance in the amount determined by or pursuant to Article III hereof.

#### SECTION 202. Sale of the Bond.

- (A) The Bond is hereby sold to the Vermont Municipal Employees Retirement System at the price of par on the terms and conditions provided herein and in the Three Party Agreement. The Three Party Agreement, in the form presented at

this meeting and included in the minutes thereof, and its execution and delivery by Authorized Officers of the Agency is hereby ratified.

ARTICLE III  
ESTABLISHMENT OF FUNDS AND ACCOUNTS;  
APPLICATION OF BOND PROCEEDS; OBLIGATION OF BOND

SECTION 301. Funds and Accounts.

- (A) The Housing Project (Federally Taxable Issue) Project Fund (the "Project Fund") is hereby established to be held and administered together with all accounts therein by the Agency as provided in this Resolution. On or prior to the Bond Date the Agency shall establish within the Project Fund a separate account designated the "Whitney Hill Loan Account" (the "Loan Account"), the amounts in which shall be applied as provided in this Article III.
- (B) The Housing Project (Federally Taxable Issue) Bond Fund (the "Bond Fund") is hereby established to be held and administered together with all accounts therein by the Agency as provided in this Resolution. On or prior to the Bond Date the Agency shall establish within the Bond Fund the following separate accounts to be applied as provided in this Article III:
  - (1) Whitney Hill General Account (the "General Account");
  - (2) Whitney Hill Sinking Fund Account (the "Sinking Fund Account");
  - (3) Whitney Hill Special Redemption Account (the "Special Redemption Account").

SECTION 302. Application of Bond Proceeds.

- (A) The proceeds of the Bond shall be deposited in the Loan Account. Moneys in the Loan Account shall be used solely as follows:
  - (1) an amount not exceeding the Permanent Loan Amount shall be used to make the Permanent Loan; and
  - (2) amounts in the Loan Account in excess of the Permanent Loan Amount shall be applied by the Agency to defray

Costs of Issuance of the Bond within six (6) months of the Bond Date.
- (B) Notwithstanding anything herein to the contrary, if the Permanent Loan is not made within six (6) months of the Bond Date, or in any event if any balance

remains on deposit in the Loan Account on the date which is six (6) months after the Bond Date, the entire balance on deposit in the Loan Account shall be transferred to the Special Redemption Account for application to the redemption of the Bond as provided in Section 303 of this Resolution.

SECTION 303. Application of Revenues.

- (A) The Agency shall deposit all Revenues in the Bond Fund upon receipt and shall immediately allocate the same to accounts therein as follows:
  - (1) Revenues constituting scheduled repayments of principal on the Permanent Loan and Revenues constituting permitted prepayments of the outstanding principal of the Permanent Loan - to the Sinking Fund Account;
  - (2) Revenues constituting Recovery Payments and excess moneys in the Loan Account under Section 302(B) hereof - to the Special Redemption Account; and
  - (3) all other Revenues - to the General Account.
- (B) On September 1, 1992 and each succeeding September 1 thereafter, all amounts deposited in the Sinking Fund Account under Section 303(A)(1) shall be applied to the redemption of the outstanding principal of the Bond, except that, in the event that the Agency receives a prepayment of the outstanding principal of the Permanent Loan under Section 303(A)(1) all as provided in the Permanent Loan, the Bond shall be subject to redemption at the option of the Agency in whole, but not in part, from the amount deposited in said Account.
- (C) All amounts deposited in the Special Redemption Account shall be promptly applied to the redemption of the outstanding principal of the Bond. At any time not later than the interest payment date for the Bond next succeeding the date of any deposit into said Account under Section 303(A)(2), the amount so deposited shall be applied to the redemption of the outstanding principal of the Bond.
- (D) Moneys in the General Account shall be used solely as follows:
  - (1) on each interest payment date of the Bond, to pay the interest on the Bond then due;
  - (2) on the redemption date of any portion of the principal of the Bond being redeemed hereunder to pay any interest then payable on the principal amount of the Bond to be redeemed;

- (3) at any time, to reimburse the Agency for any expense reasonably incurred by it in connection with the financing of the Development, including but not limited to Costs of Issuance in excess of the amount available therefor in the Loan Account and expenses incurred in connection with the protection of the Agency's security for the Permanent Loan; and
  - (4) on each interest payment date, after payment of the interest on the Bond then due and provided an Authorized Officer of the Agency determines that such transfer will not materially impair the Agency's ability to make future payments from the General Account sufficient for the purposes of paragraphs (1) and (2) of this Section 303(D), to transfer funds to the Agency's General Fund free of the pledge herein made.
- (E) Whenever funds in any account in the Project Fund are required to be applied to a payment on account of principal of the Bond, the Agency may at its election hold back such amount not exceeding \$100 as will facilitate payment of principal on the Bond in rounded amounts. Payments from the Project Fund shall be deemed to have been made on the date of the Agency's check therefor and not on the date of any prior mailing of said check.

#### SECTION 304. Transfers from General Fund.

From time to time, at its option, the Agency may transfer moneys from the General Fund to the General Account.

#### SECTION 305. Investment.

Moneys in the funds and accounts established hereunder may be invested by the Agency, until needed for their respective purposes, in any manner permitted by the Act. Moneys in two or more of such funds and accounts may be invested on a commingled basis for the account of such funds and accounts pro rata in proportion to the moneys invested on behalf of each such fund or account. Interest and other income earned upon the investment or deposit of amounts in the Loan Account shall be deposited in such Account. Interest and other income earned upon the investment or deposit of amounts on deposit in the General Account, the Sinking Fund Account and the Special Redemption Account shall be deposited in the General Account.

#### SECTION 306. Obligation of Bond.

The Bond shall be a general obligation of the Agency payable out of any of the Agency's revenues, moneys or assets, subject only to agreements heretofore or hereafter made with the holders of obligations of the Agency other than the Bond pledging particular revenues, moneys or assets for the payment thereof. The Agency hereby covenants and agrees with the registered owners of the Bond that it will not grant to any person any



lien on or pledge of the Permanent Loan or of any of the Revenues or moneys or investments in any of the accounts created hereunder or any proceeds thereof unless the Agency shall simultaneously therewith grant to the registered owners of the Bond a prior and senior lien on or pledge of the Permanent Loan and such Revenues, moneys and investments and the proceeds thereof. The Bond shall not constitute a debt or grant or loan of credit of the State and the State shall not be liable thereon nor shall the Bond be payable out of any funds other than those of the Agency. The Agency is not obligated to pay the Bond or the interest thereon except from the revenues or assets of the Agency pledged therefor under this Resolution and neither the faith nor credit nor taxing power of the State or any political subdivision thereof is pledged to the payment of the principal of or interest on the Bond.

#### ARTICLE IV FORM OF BOND

The Bond shall be issued in substantially the following form:

VERMONT HOUSING FINANCE AGENCY  
HOUSING PROJECT BOND  
(Federally Taxable Issue)  
Whitney Hill Housing Development

No. 1

\$1,470,000.00

NOTE: THE HOLDER OF THIS BOND BY ACCEPTANCE HEREOF AGREES TO RESTRICTIONS ON TRANSFER AND TO INDEMNIFICATION PROVISIONS SET FORTH BELOW.

The Vermont Housing Finance Agency (herein called the "Agency"), a body politic and corporate of the State of Vermont, for value received hereby promises to pay to the Vermont Municipal Employees' Retirement System, or registered assigns, on the \_\_\_th day of December, 2011, the principal sum of ONE MILLION FOUR HUNDRED THOUSAND SEVENTY (\$1,470,000) AND 00/100 DOLLARS, upon presentation and surrender hereof, and to pay interest on the principal balance hereof outstanding from time to time from the date of original delivery of this bond (the "Bond Date") until final payment hereof at the annual rate provided below, such interest payments to be made semi-annually on the first day of March and September in each year commencing March 1, 1992. The principal or redemption price of and interest on this Bond are payable in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts and shall be payable by check or draft mailed to the registered owner at his address appearing on the registration books of the Agency kept for that purpose at the offices of the Agency; provided that the registered owner of this bond by acceptance hereof agrees that whenever any payment on account of principal shall occur, such owner shall promptly note the date and amount thereof on the

Schedule of Payments and Prepayments endorsed hereon and further agrees that this bond shall be surrendered to the Agency upon final payment hereof.

The annual rate of interest on this bond shall be adjusted every five years based on the following schedule:

The initial rate of interest on this bond will be 9.75% per annum. The index for each adjustment to the interest rate will be based on the difference at the Bond Date between 9.75% and the yield of the 9.875% coupon United States Treasury Bond maturing in November, 2015, (the "Initial Markup"). If the aforesaid Treasury Bond yield is unavailable for any reason at the anniversary of the Bond Date, the parties will agree on a substitute bond to be used for interest rate adjustments.

The interest rate will be adjusted on the fifth, tenth and fifteenth anniversary of the Bond Date by adding the Initial Markup to the yield of the 9.875% coupon United States Treasury Bond maturing in November, 2015, as of the particular anniversary.

This bond is issued pursuant to No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended (the "Act") and under and pursuant to a resolution of the Agency adopted November 7, 1991 entitled "Resolution of Vermont Housing Finance Agency Authorizing the Issuance of its Housing Project Bond (Federally Taxable Issue) Whitney Hill Housing Development" (the "Resolution"). This bond is a general obligation of the Agency payable out of any of the Agency's revenues, moneys or assets, subject only to agreements heretofore or hereafter made with the holders of obligations of the Agency other than this bond pledging particular revenues, moneys or assets for the payment thereof.

The Agency is not obligated to pay this bond or the interest hereon except from the revenues or assets of the Agency pledged under the Resolution 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 this bond.

Copies of the Resolution are on file at the office of the Agency in the City of Burlington, Vermont, and reference to the Resolution and to the Act is made for a description of the covenants securing this bond, the manner of enforcement of the covenants, the rights and remedies of the registered owner of this bond with respect thereto, and the terms and conditions upon which this bond is issued.

This bond may not be transferred except to a transferee capable of making representations comparable to those made by the original owner hereof in the Three Party Agreement described in the Resolution to the reasonable satisfaction of the Agency. Furthermore, before any transfer of this bond by the registered owner or his or its legal representative will be recognized or given effect by the Agency, the registered owner shall note hereon the date to which interest has been paid as well as the amounts

of all principal payments and prepayments hereon, and shall notify the Agency of the name and address of the transferee and shall afford the Agency the opportunity of verifying the notation as to payment of interest and principal. By the acceptance hereof the owner of this bond and each transferee shall be deemed to have agreed to indemnify and hold harmless the Agency against all losses, claims, damages or liabilities arising out of any failure on the part of the owner or of any such transferee to comply with the requirements of the preceding sentence. Subject to the foregoing, this bond is transferable only upon the books of the Agency at the offices of the Agency by the registered owner hereof in person or by his or its agent duly authorized in writing, upon surrender hereof together with a written instrument of transfer satisfactory to the Agency duly executed by the registered owner or his or its duly authorized agent, and upon the payment of the charges described in the Resolution, the Agency shall issue in the name of the transferee a new substitute registered bond with the same date and in the same form and amount as this bond, endorsed to show the principal amount of the predecessor bond or bonds paid to the delivery date of such substitute bond.

This bond is subject to redemption at a redemption price equal to the portion of the principal amount hereof to be redeemed plus accrued interest on such portion to the redemption date as follows:

1. in whole or in part on September 1, 1992 and on each September 1 thereafter without notice through application of moneys in the Sinking Fund Account as required by the Resolution;
2. in whole or in part at any time upon notice through application of moneys in the Special Redemption Account as required by the Resolution; and
3. in whole (but not in part) on or after the fifth anniversary of the Bond Date at the election of the Agency upon notice, through application of moneys deposited in the Sinking Fund Account.

Any notice required hereunder shall be given by certified letter, return receipt requested, mailed to the registered owner at his address appearing on the registration books of the Agency not less than five days prior to the redemption date. Any redemption shall be accomplished by mailing, two days prior to the redemption date, the Agency's check (dated as of the redemption date) for the redemption price to the registered owner in the same manner as is hereinabove provided for notice of redemption.

No recourse shall be had for the payment of the principal or redemption price of or the interest on this bond or for any claim based hereon or on the Resolution against any member or officer of the Agency or any person executing this bond.

It is hereby certified and recited that all conditions, acts and things required by the Constitution or statutes of the State of Vermont or the Resolution to exist, to have

happened or to have been performed precedent to or in the issuance of this bond, exist, have happened and have been performed and that the issue of this bond, together with all other indebtedness of the Agency, is within every debt and other limit prescribed by law.

IN WITNESS WHEREOF, the Vermont Housing Finance Agency has caused this bond to be executed in its name by the manual signature of an authorized officer of the Agency, and its corporate seal (or facsimile thereof) to be affixed, imprinted, engraved or otherwise reproduced hereon and attested by the manual signature of the general counsel of the Agency:

ATTEST:

VERMONT HOUSING FINANCE AGENCY

By: \_\_\_\_\_  
General Counsel

By: \_\_\_\_\_  
Authorized Officer

Bond Date: \_\_\_\_\_, 19\_\_

Schedule of Payments and Prepayments of Principal

<u>Principal Amount Paid</u>	<u>Date Paid</u>	<u>Authorized Signature and</u>	
		<u>Balance Due</u>	<u>Title</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

(NOTICE: The within bond may not be transferred until this schedule has been verified by the Agency.)

ARTICLE V

## MISCELLANEOUS

### SECTION 501. Default.

If the Agency defaults in the payment of principal of or interest on any Bond when due, or in the performance of any covenant in this Resolution, then the registered owner of the Bond shall have the right, by mandamus or other suit, action or proceedings at law or in equity, to bring suit upon the Bond, to enforce its rights under the Resolution and the Bond, to compel performance by the Agency of its obligations under the Bond and the Resolution; to require the Agency to account as trustee of an express trust; to require the Agency to effectuate the assignment of the Permanent Loan to such owner; or to enjoin any acts which may be unlawful or in violation of the rights of the registered owners of the Bond. No remedy conferred by the Resolution upon the registered owner of the Bond is intended to be exclusive of any other remedy, but each shall be in addition to every other remedy given under the Resolution or the Bond or provided at law or in equity or by the Act. No delay or omission of the registered owners of the Bond to exercise any right or power arising upon the happening of a default shall impair any right or power or be construed to be a waiver of the default. The registered owner of the Bond may waive any default and its consequences. No such waiver shall extend to any subsequent or other default.

### SECTION 502. Defeasance.

If the Agency shall pay or cause to be paid to the registered owners of the Bond the principal, redemption price and interest thereon at the times and in the manner stipulated therein and herein, then all obligations of the Agency hereunder and under the Bond and all other rights granted hereby shall be discharged and satisfied.

### SECTION 503. Transfer.

The Bond may be transferred in whole but not in part to new owners, subject to the restrictions on transfer and upon compliance with the provisions for transfer described in the form of the Bond and payment of a transfer fee of \$100.00 for each substitute bond issued as a result of a request for transfer.

### SECTION 504. Amendment.

This Resolution may be amended by the Agency without the consent of the registered owner of the Bond to cure any ambiguity, supply any omission or cure or correct any defect or inconsistent provision herein or to insert such provisions clarifying matters or questions arising hereunder as are necessary or desirable and are not inconsistent with this Resolution as theretofore in effect. The Agency may also adopt a resolution amending, supplementing or otherwise modifying this Resolution without the consent of the registered owner of the Bond to incorporate the provisions hereof in a resolution of

the Agency of general application to bonds issued to finance the Program the interest on which is not excludable from federal income taxes; provided no such resolution shall reduce the principal amount of the Bond or the rate of interest payable thereon or change the maturity date thereof or the dates for payment of interest thereon or the terms of redemption thereof or the security granted for the payment thereof without the express written consent of the registered owner of the Bond. Except as hereinabove provided in this Section 504, this Resolution and the Bond may be amended by the Agency only with the prior written consent of the registered owner of the Bond.

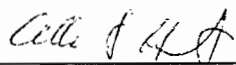
SECTION 505. Authorization of Officers.

The Chairman, Vice-Chairman, Executive Director, Deputy Director, Director of Finance and all other Authorized Officers of the Agency are hereby authorized and directed to do all acts and things and to execute and deliver any and all documents, certificates, and other instruments necessary or desirable to effectuate the transactions contemplated by this Resolution, including the making of the permanent mortgage loan with the proceeds of the Bond.

SECTION 506. Severability.

If any provision of this Resolution is held invalid in any circumstances, that invalidity shall not affect any other provisions or circumstances.

*I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont on November 7, 1991.*

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

### THREE PARTY AGREEMENT

This Agreement is made this \_\_\_\_ day of \_\_\_\_\_, 19\_\_, by and among the Vermont State Employees Retirement System, the Vermont State Teachers' Retirement System, both having their principal office at Montpelier, Vermont (hereinafter collectively called the "Buyer"); the Addison County Community Trust, a Vermont nonprofit corporation having its principal office at Middlebury, Vermont (hereinafter called "Borrower"); and the Vermont Housing Finance Agency, having its principal office at One Burlington Square, Burlington, Vermont (hereinafter called "Agency").

In consideration of the promises hereinafter set forth, it is agreed by and among the parties hereto as follows:

1. Upon acquisition of a certain mobile home park located in Starksboro, Vermont (the "Development"), and otherwise subject to the terms and conditions of the Agency's commitment letter to the Borrower or Borrower's representative dated as of November 12, 1991 (the "Commitment Letter"), Agency agrees to make a Construction and a Permanent Loan (the "Loans") to Borrower in an amount not to exceed the lesser of (a) the security value of the Development as determined by the Agency, or (b) FIVE HUNDRED SEVENTY-FIVE THOUSAND (\$575,000) AND 00/100 DOLLARS. The Loans shall conform in all respects to the requirements of the Commitment Letter. The Loans shall be evidenced and secured by a Note, Mortgage and Security Agreement covering all realty and personalty, and be subject to the conditions of the Regulatory Agreement. The Development shall have no encumbrances or defects in title that would adversely impair in any way the security of the Agency therein.
2. The parties hereby agree that, notwithstanding any date set forth in any other document of prior date between the parties, the agreement of the Agency to make the Permanent Loan upon completion of the Development by the Borrower shall continue in force until June 30, 1992, which date shall be the expiration date of the Agency Commitment and any Agency responsibility or liability, unless further extended in writing by the Agency.
3. The Borrower agrees for the benefit of the Agency and the Bank to accept the Loans to be made by the Agency pursuant to the terms of the Commitment Letter, and the Borrower further consents and agrees that it will not accept a first mortgage loan from any lender other than the Agency during the term of this Agreement or any extension hereof.
4. Agency hereby acknowledges that the Agency Commitment Letter is in full force and is unmodified except as set forth in this Agreement.
5. The parties hereby acknowledge that the Agency Commitment Letter and all of its terms are an express condition of this document. Furthermore, the Borrower agrees to accept and approve for purposes of the Loans the form of the following documents attached to the Commitment Letter:

**LAZY BROOK THREE PARTY AGREEMENT**

- (a) Promissory Note
  - (b) Mortgage Deed
  - (c) Regulatory Agreement
  - (d) Absolute Assignment of Leases and Rents
6. Subject to the terms of the Commitment Letter, at the time of the first requisition for the Construction Loan (or at such earlier date as the Buyer may request on 30 days' notice to the Agency) and prior to the expiration of the Agency Commitment, the Agency agrees to issue to the Buyer (and/or to another investor acceptable to the Agency in its sole and absolute discretion, but subject to the consent of the Buyer) and the Buyer agrees to purchase from the Agency, at its face value, the Agency's Bond in an amount established pursuant to the Commitment Letter. For the protection of the Agency, the Buyer represent as follows:
- (a) The Buyer is a sophisticated investor in securities of the general type of the Agency's Bonds.
  - (b) The Buyer has examined the Agency's audited financial statements for the most recent period for which audited statements are available, has been offered access to all prior audited financial statements of the Agency and the current books of account of the Agency and has availed itself of such access to the extent it deems necessary.
  - (c) The Buyer represents that it is purchasing the Bond for its own account for investment and does not currently intend to sell or otherwise distribute the Bonds or any interest or participation therein. The Buyer understands that the extent and nature of the information furnished in this transaction is based upon the foregoing.
  - (d) As between the Buyer and the Agency and all counsel for and representatives of the Agency, the Buyer has assumed responsibility for obtaining the information relating to the Bond that it deems necessary for its investment decision, and has not looked to the Agency, its counsel, or its other representatives to provide or review that information.
7. The Agency represents to the Buyer and the Borrower that, under current law, and subject to compliance with such law, it is able to issue bonds in such form, that the interest thereon will be subject to federal income tax, but exempt from Vermont income tax.
8. Notice shall be deemed delivered when mailed registered mail, return receipt requested, to the Borrower at P.O. Box 256, Middlebury, Vermont 05753, to the Agency at P.O. Box 408, Burlington, Vermont 05402-0408, or the Buyer c/o State Treasurer, 133 State Street, Montpelier, Vermont 05602 (or to such other place as a party may designate in writing).



9. This Agreement is not assignable.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be signed by their duly authorized agents all as of the date and year first above mentioned.

ADDISON COUNTY COMMUNITY TRUST

By: \_\_\_\_\_  
(Borrower)

Its \_\_\_\_\_

STATE TEACHERS' RETIREMENT SYSTEM

By: \_\_\_\_\_  
(Buyer)

Its \_\_\_\_\_

STATE EMPLOYEES' RETIREMENT SYSTEM

By: \_\_\_\_\_  
(Buyer)

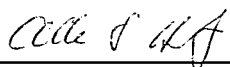
Its: \_\_\_\_\_

VERMONT HOUSING FINANCE AGENCY

By: \_\_\_\_\_  
(Agency)

Its \_\_\_\_\_

*I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont on November 7, 1991.*

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

RESOLUTION OF VERMONT HOUSING FINANCE AGENCY  
AUTHORIZING THE ISSUANCE OF ITS  
HOUSING PROJECT BONDS (FEDERALLY TAXABLE  
ISSUE) LAZY BROOK MOBILE HOME PARK

Be it Resolved by the Vermont Housing Finance Agency  
and the Commissioners thereof as follows:

ARTICLE I  
DEFINITIONS AND AUTHORITY

SECTION 101. Definitions.

(A) In this Resolution unless a different meaning clearly appears from the context:

"Act" means the Vermont Housing Finance Agency Act, being No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended to the date of adoption of this Resolution.

"Agency" means the Vermont Housing Finance Agency, a body politic and corporate organized under the Act, or any instrumentality of the State which shall hereafter succeed to its powers.

"Anniversary Date" means the date the first scheduled amortizing payment was due on the Permanent Loan.

"Authorized Officer" means the Chairman, Vice Chairman, Executive Director and Secretary, Deputy Director and Director of Finance of the Agency, and any other person authorized by resolution of the Agency to act as an Authorized Officer under this Resolution.

"Bond" or "Bonds" means the Bonds of the Agency authorized by this Resolution.

"Bond Date" means the date the Bond is originally issued hereunder.

"Bond Fund" means the Housing Project (Federally Taxable Issue) Bond Fund established under Section 301 of this Resolution.

"Commitment Letter" means the Commitment Letter relating to the Permanent Loan dated as of November 7, 1991, issued by the Agency and accepted by the Sponsor.

"Costs of Issuance" means any items of expense payable or reimbursable directly or indirectly by the Agency and related to the authorization, sale and issuance of the Bonds.

"Development" means the Lazy Brook Mobile Home Park as more fully described in the Commitment Letter and the Three Party Agreement.

"General Account" means the account so designated and established under Section 301 of this Resolution.

"General Fund" means the fund so designated and created by a resolution of the Agency adopted September 26, 1974 as amended from time to time.

"Loan Account" means the account so designated and established under Section 301 of this Resolution.

"Permanent Loan" means a permanent mortgage loan made by or on behalf of Agency to the Sponsor with the proceeds of the Bonds.

"Permanent Loan Amount" means the amount of the Permanent Loan established pursuant to paragraph 3 of the Commitment Letter.

"Program" means the Agency's program of making mortgage loans to housing sponsors pursuant to the Act.

"Project Fund" means the fund established under Section 301 of this Resolution.

"Recovery Payments" means any moneys received or recovered by the Agency, less the expenses necessarily incurred by the Agency in connection with the collection of such amount, from (i) condemnation of the Development, (ii) proceedings taken in the event of default by the Sponsor under the Permanent Loan, (iii) any claim settlement for hazard insurance or other insurance applicable to the Development or the Permanent Loan, (iv) the sale or other disposition of the Development, or (v) the sale or other disposition of the Permanent Loan after default for the purpose of realizing the Agency's interest therein.

"Revenues" means and includes all payments, proceeds, charges, fees, rents, investment earnings and all other income (including without limitation all payments of principal and interest received by or on behalf of the Agency on the Permanent Loan and all Recovery Payments) derived by or for the account of the Agency from or related to the Development and the Permanent Loan.

"Sinking Fund Account" means the account so designated and established under Section 301 of the Resolution.

"Sponsor" means Addison County Community Trust, a non-profit corporation organized and existing under the laws of the State.

"State" means the State of Vermont.

"Three Party Agreement" means the agreement so denominated among the Sponsor, the purchaser of the Bond, and the Agency, in substantially the form presented at this meeting.

- (B) Except as otherwise expressly provided in this Resolution, the terms "housing development costs," "housing sponsor," "mortgage," "mortgage loan," and "residential housing" when used in this Resolution shall have the meanings given such terms in the Act.

SECTION 102. Authority.

This Resolution is adopted pursuant to the Act and shall take effect upon its adoption. The Agency is duly authorized under the Act and all applicable laws to issue the Bonds and to adopt this Resolution in the manner and to the extent provided herein. The Agency will at all times, to the extent permitted by law, defend, preserve and protect all the rights of the registered owner of the Bonds hereunder against all claims and demands of all persons whomsoever.

ARTICLE II  
AUTHORIZATION OF THE BOND;  
FINDINGS; TERMS AND SALE OF THE BONDS

SECTION 201. The Bonds.

- (A) The Bonds of the Agency, designated "Housing Project Bond (Federally Taxable Issue) Lazy Brook Mobile Home Park" are hereby authorized to be issued as herein provided in an aggregate principal amount not to exceed Five Hundred Fifty Thousand Dollars (\$550,000), the original principal amount of the Bonds to be determined upon their issuance by the Authorized Officers of the Agency executing the same. The Bonds shall be in such denomination as the authorized officers of the Agency shall determine. The Bonds shall be dated and shall bear interest from the Bond Date and shall mature, subject to prior redemption as provided herein and in the Bond, twenty years from the Anniversary Date. Interest on the Bonds shall be payable on March 1, 1992 and semi-annually thereafter on March 1 and September 1 of each year. The form of the Bonds, the rate or rates of interest payable thereon, the terms of redemption thereof prior to maturity and all other terms and conditions thereof shall be as set forth in Article IV of this Resolution.
- (B) The Agency hereby ratifies and confirms the Commitment Letter and approves the Permanent Loan on the terms and conditions provided herein, in the Commitment Letter and in the Three Party Agreement. The Agency hereby determines that:
- (1) the Permanent Loan does not exceed the value of the Development as determined by the Agency and the principal amount of the Bonds is necessary to provide sufficient funds to be used and expended for the Program in respect of the Development;
  - (2) the Permanent Loan can be issued bearing interest at a rate that will be less than the prevailing rate of interest on comparable mortgage loans available in the State without the assistance of the Agency;

- (3) the Agency will derive receipts, revenues or other income from the Permanent Loan 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 for which the Bonds are issued;
  - (4) the Development is primarily for occupancy by persons and families of low and moderate income within the meaning of the Act;
  - (5) the acquisition, construction and or rehabilitation costs incurred or to be incurred by the Sponsor are for housing development costs within the meaning of the Act;
  - (6) there exists or without the Development 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 investments are unable, without assistance, to provide an adequate supply of residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families; and
  - (7) the Sponsor is a housing sponsor as defined in the Act, the Sponsor will maintain or increase the supply of well-planned, well-designed permanent, temporary transitional or emergency housing for persons of low and moderate income and the Sponsor is a financially responsible person.
- (C) The purposes for which the Bonds are being issued are to provide funds to make the Permanent Loan and to pay Costs of Issuance in the amount determined by or pursuant to Article III hereof.

SECTION 202. Sale of the Bonds.

- (A) The Bonds are hereby sold to the State Teachers' Retirement System of Vermont and the Vermont State Employees' Retirement System at the price of par on the terms and conditions provided herein and in the Three Party Agreement. The Three Party Agreement, in substantially the form presented at this meeting and included in the minutes thereof, and its execution and delivery by Authorized Officers of the Agency is hereby approved with such changes therein and thereto not inconsistent herewith as may be approved by the Authorized Officers executing the same prior to the execution and delivery thereof.

ARTICLE III  
ESTABLISHMENT OF FUNDS AND ACCOUNTS;  
APPLICATION OF BOND PROCEEDS; OBLIGATION OF THE BONDS

SECTION 301. Funds and Accounts.

- (A) The Housing Project (Federally Taxable Issue) Project Fund (the "Project Fund") is hereby established to be held and administered together with all accounts therein by the Agency as provided in this Resolution. On or prior to the Bond Date the Agency shall establish within the Project Fund a separate account designated the "Lazy Brook Loan Account" (the "Loan Account"), the amounts in which shall be applied as provided in this Article III.
- (B) The Housing Project (Federally Taxable Issue) Bond Fund (the "Bond Fund") is hereby established to be held and administered together with all accounts therein by the Agency as provided in this Resolution. On or prior to the Bond Date the Agency shall establish within the Bond Fund the following separate accounts to be applied as provided in this Article III:
- (1) Lazy Brook General Account (the "General Account");
  - (2) Lazy Brook Sinking Fund Account (the "Sinking Fund Account");
  - (3) Lazy Brook Special Redemption Account (the "Special Redemption Account").

#### SECTION 302. Application of Bond Proceeds.

- (A) The proceeds of the Bonds shall be deposited in the Loan Account. Moneys in the Loan Account shall be used solely as follows:
- (1) an amount not exceeding the Permanent Loan Amount shall be used to make the Permanent Loan; and
  - (2) amounts in the Loan Account in excess of the Permanent Loan Amount shall be applied by the Agency to defray  
Costs of Issuance of the Bonds within six (6) months of the Bond Date.
- (B) Notwithstanding anything herein to the contrary, if the Permanent Loan is not made within six (6) months of the Bond Date, or in any event if any balance remains on deposit in the Loan Account on the date which is six (6) months after the Bond Date, the entire balance on deposit in the Loan Account shall be transferred to the Special Redemption Account for application to the redemption of the Bonds as provided in Section 303 of this Resolution.

#### SECTION 303. Application of Revenues.

- (A) The Agency shall deposit all Revenues in the Bond Fund upon receipt and shall immediately allocate the same to accounts therein as follows:
- (1) Revenues constituting scheduled repayments of principal on the Permanent Loan and Revenues constituting permitted prepayments of the outstanding principal of the Permanent Loan - to the Sinking Fund Account;

- (2) Revenues constituting Recovery Payments and excess moneys in the Loan Account under Section 302(B) hereof - to the Special Redemption Account; and
  - (3) all other Revenues - to the General Account.
- (B) On September 1, 1992 and each succeeding September 1 thereafter, all amounts deposited in the Sinking Fund Account under Section 303(A)(1) shall be applied to the redemption of the outstanding principal of the Bonds, except that, in the event that the Agency receives a prepayment of the outstanding principal of the Permanent Loan under Section 303(A)(1) on the tenth anniversary of the Bond Date, or at any time thereafter, all as provided in the Permanent Loan, the Bonds shall be subject to redemption at the option of the Agency in whole or in part, from the amount deposited in said Account.
- (C) All amounts deposited in the Special Redemption Account shall be promptly applied to the redemption of the outstanding principal of the Bonds. At any time not later than the interest payment date for the Bonds next succeeding the date of any deposit into said Account under Section 303(A)(2), the amount so deposited shall be applied to the redemption of the outstanding principal of the Bonds.
- (D) Moneys in the General Account shall be used solely as follows:
- (1) on each interest payment date of the Bonds, to pay the interest on the Bond then due;
  - (2) on the redemption date of any portion of the principal of the Bonds being redeemed hereunder to pay any interest then payable on the principal amount of the Bonds to be redeemed;
  - (3) at any time, to reimburse the Agency for any expense reasonably incurred by it in connection with the financing of the Development, including but not limited to Costs of Issuance in excess of the amount available therefor in the Loan Account and expenses incurred in connection with the protection of the Agency's security for the Permanent Loan; and
  - (4) on each interest payment date, after payment of the interest on the Bonds then due and provided an Authorized Officer of the Agency determines that such transfer will not materially impair the Agency's ability to make future payments from the General Account sufficient for the purposes of paragraphs (1) and (2) of this Section 303(D), to transfer funds to the Agency's General Fund free of the pledge herein made.
- (E) Whenever funds in any account in the Project Fund are required to be applied to a payment on account of principal of the Bonds, the Agency may at its election hold back such amount not exceeding \$100 as will facilitate payment of principal on the Bonds in rounded amounts. Payments from the Project Fund shall be deemed to

have been made on the date of the Agency's check therefor and not on the date of any prior mailing of said check.

SECTION 304. Transfers from General Fund.

From time to time, at its option, the Agency may transfer moneys from the General Fund to the General Account.

SECTION 305. Investment.

Moneys in the funds and accounts established hereunder may be invested by the Agency, until needed for their respective purposes, in any manner permitted by the Act. Moneys in two or more of such funds and accounts may be invested on a commingled basis for the account of such funds and accounts pro rata in proportion to the moneys invested on behalf of each such fund or account. Interest and other income earned upon the investment or deposit of amounts in the Loan Account shall be deposited in such Account. Interest and other income earned upon the investment or deposit of amounts on deposit in the General Account, the Sinking Fund Account and the Special Redemption Account shall be deposited in the General Account.

SECTION 306. Obligation of The Bonds.

The Bonds shall be general obligations of the Agency payable out of any of the Agency's revenues, moneys or assets, subject only to agreements heretofore or hereafter made with the holders of obligations of the Agency other than the Bonds pledging particular revenues, moneys or assets for the payment thereof. The Agency hereby covenants and agrees with the registered owners of the Bonds that it will not grant to any person any lien on or pledge of the Permanent Loan or of any of the Revenues or moneys or investments in any of the accounts created hereunder or any proceeds thereof unless the Agency shall simultaneously therewith grant to the registered owners of the Bonds a prior and senior lien on or pledge of the Permanent Loan and such Revenues, moneys and investments and the proceeds thereof. The Bonds shall not constitute a debt or grant or loan of credit of the State and the State shall not be liable thereon nor shall the Bonds be payable out of any funds other than those of the Agency. The Agency is not obligated to pay the Bonds or the interest thereon except from the revenues or assets of the Agency pledged therefor under this Resolution and neither the faith nor credit nor taxing power of the State or any political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds.

ARTICLE IV  
FORM OF THE BONDS

The Bonds shall be issued substantially in the following form:



VERMONT HOUSING FINANCE AGENCY  
HOUSING PROJECT BOND  
(Federally Taxable Issue)  
Lazy Brook Mobile Home Park

No. \_\_\_\_

\$\_\_\_\_,000

NOTE: THE HOLDER OF THIS BOND BY ACCEPTANCE HEREOF AGREES TO RESTRICTIONS ON TRANSFER AND TO INDEMNIFICATION PROVISIONS SET FORTH BELOW.

The Vermont Housing Finance Agency (herein called the "Agency"), a body politic and corporate of the State of Vermont, for value received hereby promises to pay to Vermont State \_\_\_\_\_ Retirement System, or registered assigns, on the Tenth day of December 2012, the principal sum of \_\_\_\_\_ and No Dollars (\$\_\_\_\_,000), upon presentation and surrender hereof, and to pay interest on the principal balance hereof outstanding from time to time from the date of original delivery of this bond (the "Bond Date") until final payment hereof at the annual rate provided below, such interest payments to be made semi-annually on the first day of March and September in each year commencing March 1, 1992. The principal or redemption price of and interest on this Bond are payable in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts and shall be payable by check or draft mailed to the registered owner at his address appearing on the registration books of the Agency kept for that purpose at the offices of the Agency; provided that the registered owner of this bond by acceptance hereof agrees that whenever any payment on account of principal shall occur, such owner shall promptly note the date and amount thereof on the Schedule of Payments and Prepayments endorsed hereon and further agrees that this bond shall be surrendered to the Agency upon final payment hereof.

The annual rate of interest on this bond shall be 10.0% per annum.

This bond is issued pursuant to No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended (the "Act") and under and pursuant to a resolution of the Agency adopted November 7, 1991 entitled "Resolution of Vermont Housing Finance Agency Authorizing the Issuance of its Housing Project Bond (Federally Taxable Issue) Lazy Brook Mobile Home Park" (the "Resolution"). This bond is a general obligation of the Agency payable out of any of the Agency's revenues, moneys or assets, subject only to agreements heretofore or hereafter made with the holders of obligations of the Agency other than this bond pledging particular revenues, moneys or assets for the payment thereof.

The Agency is not obligated to pay this bond or the interest hereon except from the revenues or assets of the Agency pledged under the Resolution 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 this bond.

Copies of the Resolution are on file at the office of the Agency in the City of Burlington, Vermont, and reference to the Resolution and to the Act is made for a description of the covenants securing this bond, the manner of enforcement of the covenants, the rights and

remedies of the registered owner of this bond with respect thereto, and the terms and conditions upon which this bond is issued.

This bond may not be transferred except to a transferee capable of making representations comparable to those made by the original owner hereof in the Three Party Agreement described in the Resolution to the reasonable satisfaction of the Agency. Furthermore, before any transfer of this bond by the registered owner or his or its legal representative will be recognized or given effect by the Agency, the registered owner shall note hereon the date to which interest has been paid as well as the amounts of all principal payments and prepayments hereon, and shall notify the Agency of the name and address of the transferee and shall afford the Agency the opportunity of verifying the notation as to payment of interest and principal. By the acceptance hereof the owner of this bond and each transferee shall be deemed to have agreed to indemnify and hold harmless the Agency against all losses, claims, damages or liabilities arising out of any failure on the part of the owner or of any such transferee to comply with the requirements of the preceding sentence. Subject to the foregoing, this bond is transferable only upon the books of the Agency at the offices of the Agency by the registered owner hereof in person or by his or its agent duly authorized in writing, upon surrender hereof together with a written instrument of transfer satisfactory to the Agency duly executed by the registered owner or his or its duly authorized agent, and upon the payment of the charges described in the Resolution, the Agency shall issue in the name of the transferee a new substitute registered bond with the same date and in the same form and amount as this bond, endorsed to show the principal amount of the predecessor bond or bonds paid to the delivery date of such substitute bond.

This bond is subject to redemption at a redemption price equal to the portion of the principal amount hereof to be redeemed plus accrued interest on such portion to the redemption date as follows:

1. in whole or in part on September 1, 1992 and on each September 1 thereafter without notice through application of moneys in the Sinking Fund Account as required by the Resolution;
2. in whole or in part at any time upon notice through application of moneys in the Special Redemption Account as required by the Resolution; and
3. in whole or in part at the election of the Agency upon notice, through application of moneys deposited in the Sinking Fund Account in the event of the prepayment of the outstanding principal amount of the Permanent Loan as described in the Resolution.

Any notice required hereunder shall be given by certified letter, return receipt requested, mailed to the registered owner at his address appearing on the registration books of the Agency not less than five days prior to the redemption date. Any redemption shall be accomplished by mailing, two days prior to the redemption date, the Agency's check (dated as of the redemption date) for the redemption price to the registered owner in the same manner as is hereinabove provided for notice of redemption.

No recourse shall be had for the payment of the principal or redemption price of or the

interest on this bond or for any claim based hereon or on the Resolution against any member or officer of the Agency or any person executing this bond.

It is hereby certified and recited that all conditions, acts and things required by the Constitution or statutes of the State of Vermont or the Resolution to exist, to have happened or to have been performed precedent to or in the issuance of this bond, exist, have happened and have been performed and that the issue of this bond, together with all other indebtedness of the Agency, is within every debt and other limit prescribed by law.

IN WITNESS WHEREOF, the Vermont Housing Finance Agency has caused this bond to be executed in its name by the manual signature of an authorized officer of the Agency, and its corporate seal (or facsimile thereof) to be affixed, imprinted, engraved or otherwise reproduced hereon and attested by the manual signature of an authorized officer of the Agency.

ATTEST:

VERMONT HOUSING FINANCE AGENCY

By: \_\_\_\_\_ By: \_\_\_\_\_  
Authorized Officer Authorized Officer

Bond Date: \_\_\_\_\_, 19\_\_

Schedule of Payments and Prepayments of Principal

<u>Principal</u> <u>Amount Paid</u>	<u>Date Paid</u>	<u>Authorized</u> <u>Signature and</u> <u>Balance Due</u>	<u>Title</u>
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(NOTICE: The within bond may not be transferred until this schedule has been verified by the Agency.)

ARTICLE V  
MISCELLANEOUS

SECTION 501. Default.

If the Agency defaults in the payment of principal of or interest on any Bond when due, or in the performance of any covenant in this Resolution, then the registered owner of the Bond shall have the right, by mandamus or other suit, action or proceedings at law or in equity, to bring suit upon the Bond, to enforce its rights under the Resolution and the Bond, to compel performance by the Agency of its obligations under the Bond and the Resolution; to require the Agency to account as trustee of an express trust; to require the Agency to effectuate the assignment of the Permanent Loan to such owner; or to enjoin any acts which may be unlawful or in violation of the rights of the registered owners of the Bonds. No

remedy conferred by the Resolution upon the registered owners of the Bonds is intended to be exclusive of any other remedy, but each shall be in addition to every other remedy given under the Resolution or the Bonds or provided at law or in equity or by the Act. No delay or omission of the registered owners of the Bonds to exercise any right or power arising upon the happening of a default shall impair any right or power or be construed to be a waiver of the default. The registered owners of the Bonds may waive any default and its consequences. No such waiver shall extend to any subsequent or other default.

#### SECTION 502. Defeasance.

If the Agency shall pay or cause to be paid to the registered owners of the Bonds the principal, redemption price and interest thereon at the times and in the manner stipulated therein and herein, then all obligations of the Agency hereunder and under the Bonds and all other rights granted hereby shall be discharged and satisfied.

#### SECTION 503. Transfer.

The Bonds may be transferred in whole but not in part to new owners, subject to the restrictions on transfer and upon compliance with the provisions for transfer described in the form of the Bonds and payment of a transfer fee of \$100.00 for each substitute Bond issued as a result of a request for transfer.

#### SECTION 504. Amendment.

This Resolution may be amended by the Agency without the consent of the registered owners of the Bonds to cure any ambiguity, supply any omission or cure or correct any defect or inconsistent provision herein or to insert such provisions clarifying matters or questions arising hereunder as are necessary or desirable and are not inconsistent with this Resolution as theretofore in effect. The Agency may also adopt a resolution amending, supplementing or otherwise modifying this Resolution without the consent of the registered owners of the Bonds to incorporate the provisions hereof in a resolution of the Agency of general application to bonds issued to finance the Program the interest on which is not excludable from federal income taxes; provided no such resolution shall reduce the principal amount of the Bonds or the rate of interest payable thereon or change the maturity date thereof or the dates for payment of interest thereon or the terms of redemption thereof or the security granted for the payment thereof without the express written consent of the registered owners of the Bonds. Except as hereinabove provided in this Section 504, this Resolution

and the Bonds may be amended by the Agency only with the prior written consent of the registered owners of the Bonds.

#### SECTION 505. Authorization of Officers.


The Chairman, Vice-Chairman, Executive Director, Deputy Director, Director of Finance and all other Authorized Officers of the Agency are hereby authorized and directed to do all acts and things and to execute and deliver any and all documents, certificates, and other instruments necessary or desirable to effectuate the transactions contemplated by this

Resolution, including the transaction involving the loan of the proceeds of the Bonds for the acquisition, construction and/or rehabilitation of the Development.

SECTION 506. Severability.

If any provision of this Resolution is held invalid in any circumstances, that invalidity shall not affect any other provisions or circumstances.

*I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont on November 7, 1991.*

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

**RESOLUTION PERTAINING TO COMMITMENT LETTER/LETTER OF INTENT  
RE: UPPER WELDEN APARTMENTS DEVELOPMENT, ST. ALBANS**

WHEREAS, a proposal has been presented to the Agency by Vermont Housing Enterprises, Inc., a Vermont non-profit corporation involving the acquisition and rehabilitation of the Upper Welden Apartments, a 40 unit apartment development in St. Albans (the "Development"); and

WHEREAS, the proposal contemplates that the Development will constitute "residential rental housing" within the meaning of section 142(d) of the Internal Revenue Code of 1986; and

WHEREAS, a Vermont non-profit corporation, Vermont Housing Enterprises, Inc., will qualify as a housing sponsor within the meaning of the Vermont Housing Finance Agency Act (the "Act"); and

WHEREAS, the Vermont Housing and Conservation Board has approved a deferred payment loan of \$175,000 for the development and the City of St. Albans has approved a deferred loan of \$25,000; and

WHEREAS, the Agency has determined that the Development will assist in fulfilling the purposes of the Act and is financially feasible;

It is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income.
2. The acquisition and rehabilitation costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.
3. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and moderate income are able to afford within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of the residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families.
4. The housing sponsor undertaking the Development will maintain the supply of well-planned, well-designed permanent housing for persons and families of low and moderate income.
5. The security value of the Development will equal at least the amount of the VHFA loan after the rehabilitation.
6. The sponsor is a financially responsible organization.

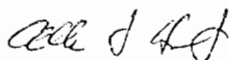
WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a combined

letter of intent and Commitment Letter (the "Commitment Letter") to provide a first mortgage for acquisition and rehabilitation, in an amount to be determined by the Executive Director, but not to exceed \$900,000, for the Colony Square Apartments Development.

2. The Commitment Letter shall be issued to Vermont Housing Enterprises, Inc.
3. The commitment of the Agency shall be subject to receipt, on or before the date of the closing, of a commitment fee in an amount equal to one and a half percent (1.5%) of the principal amount of the mortgage loan.
4. The Commitment Letter shall provide that the interest rate to be charged on the mortgage loan shall be as determined by the Agency, but shall not exceed 9.5% per annum. The Commitment Letter shall also provide that the loan term will be determined by the Agency depending on the term of the bonds the proceeds of which will be used to provide funds for the mortgage loan (the "Bonds"), but that the loan shall be amortized over a period not to exceed 30 years, with a final payment due at the maximum term possible given the term of the Bonds.
5. The Commitment Letter shall require the Developer to demonstrate to the satisfaction of the Executive Director that a combination of deferred loan funds and below market interest rate funds are available in an amount at least equal to the difference between the total development cost as accepted by the Agency and the amount of the permanent financing commitment.
6. The Commitment Letter shall require the housing sponsor to demonstrate the availability of HUD project-based subsidies to provide sufficient operating income for the development and shall contain such other terms and conditions as the Executive Director shall deem necessary or appropriate, given the circumstances.
7. The Executive Director is authorized to make preliminary arrangements for the issuance and placement of tax-exempt bond anticipation notes and/or bonds of the Agency to provide proceeds for financing this loan or to use proceeds from the prepayment of multi-family mortgages held by the Agency.

*I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont on November 7, 1991.*



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

**RESOLUTION PERTAINING TO COMBINED LETTER OF INTENT AND  
COMMITMENT LETTER RE: LAZY BROOK MOBILE HOME PARK**

WHEREAS, a proposal has been presented to the Agency by the Addison County Community Trust (ACCT), a non-profit corporation, involving the acquisition of Lazy Brook Mobile Home Park ("Lazy Brook"), a 52 unit mobile home park in Starksboro; and

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

WHEREAS, the Housing and Conservation Board has approved a \$42,000 grant and a loan of \$180,000 for Lazy Brook; and

WHEREAS, the Sponsor has received approval for a \$200,000 deferred payment loan from the Community Development Block Grant program; and

WHEREAS, the Agency has available to it a commitment from the State's pension funds to purchase taxable bonds issued by the Agency, the proceeds of which can be used to make a mortgage loan to ACCT for the acquisition of Lazy Brook; and

WHEREAS, the Agency has determined that the Development will assist in fulfilling the purposes of the Act and is financially feasible;

It is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income.
2. The costs of acquisition to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.
3. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and moderate income are able to afford within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of the residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families.
4. The housing sponsor undertaking the Development will maintain the supply of well-planned, well-designed permanent housing for persons and families of low and moderate income.
5. The sponsor is a financially responsible organization.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a combined letter of intent and commitment letter (the "Commitment Letter") to provide a first mortgage for permanent financing in an amount to be determined by the



Executive Director, but not to exceed \$550,000, for the Lazy Brook Mobile Home Park.

2. The Commitment Letter shall be issued to the Addison County Community Trust as the housing sponsor.
3. The commitment of the Agency shall be subject to receipt, at the time of closing, of a commitment fee in an amount equal to one percent (1.0%) of the principal amount of the mortgage loan and transaction costs.
4. The term of the mortgage loan shall be 20 years, the principal and interest payments will be calculated on a 25 year term and will not be fully amortizing, and the interest rate to be charged will be at a rate of 10.75% per annum.
5. The Commitment Letter shall require the Sponsor to demonstrate to the satisfaction of the Executive Director that equity funds and/or deferred loan funds are available in an amount at least equal to the difference between the total development cost as accepted by the Agency and the amount of the permanent financing commitment.
6. The Commitment Letter shall contain such other terms and conditions as the Executive Director shall deem necessary or appropriate; including, but not limited to, that the road to the park must be completed in a form that satisfies the Agency; and the Executive Director is authorized to make arrangements for the issuance and private placement of taxable bonds of the Agency to provide proceeds for financing this loan.
7. Throughout the period of the loan, at least 51% of the pads in the park shall be rented to persons and families of low and moderate income, that is, at or below 100% of median income. Income checking shall be required only before the closing and for new residents entering the park. Residents shall not be required to leave the park because their income increases beyond any applicable limit or because the occupancy mix is not met.
8. The Executive Director, the Director of Finance, the Director of Development, or any of them, are authorized to do all acts and things and to execute and deliver any and all documents or other instruments, in form satisfactory to counsel for the Agency, necessary or desirable for the purpose of effectuating the permanent loan to Addison County Community Trust.

*I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont on November 7, 1991.*

*Allan S. Hunt*

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

**RESOLUTION PERTAINING TO COMBINED LETTER OF INTEREST  
AND COMMITMENT LETTER RE: WEATHERVANE UNITED DEVELOPMENT**

WHEREAS, a proposal has been presented to the Agency by Weathervane United, a non-profit corporation, involving the construction of four new apartment units at a development in Lincoln (the "Development"); and

WHEREAS, the proposal contemplates that the Development will constitute "residential rental housing" within the meaning of section 142(d) of the Internal Revenue Code of 1986; and

WHEREAS, a Vermont non-profit corporation, Weathervane United, will qualify as a housing sponsor within the meaning of the Vermont Housing Finance Agency Act (the "Act"); and

WHEREAS, the proposed development will be constructed on land already subject to a mortgage of the Agency; and

WHEREAS, the Agency has determined that the Development will assist in fulfilling the purposes of the Act and is financially feasible;

It is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income.
2. The acquisition and rehabilitation costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.
3. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and moderate income are able to afford within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of the residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families.
4. The housing sponsor undertaking the Development will maintain the supply of well-planned, well-designed permanent housing for persons and families of low and moderate income.
5. The security value of the Development will equal at least the amount of the VHFA loan after the rehabilitation.
6. The sponsor is a financially responsible organization.


WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a combined letter of intent and Commitment Letter (the "Commitment Letter") to provide a first mortgage for construction and a permanent loan, in an amount to be

determined by the Executive Director, but not to exceed \$120,000, for the Weathervane United Apartment Development.

2. The Commitment Letter shall be issued to Weathervane United.
3. The commitment of the Agency shall be subject to receipt, on or before the date of the closing, of a commitment fee in an amount equal to one and a half percent (1.5%) of the principal amount of the mortgage loan.
4. The Commitment Letter shall provide that the interest rate to be charged on the mortgage loan shall be as determined by the Agency, but shall not exceed 8.5% per annum. The Commitment Letter shall also provide that the loan term will be determined by the Agency depending on the term of the bonds the proceeds of which will be used to provide funds for the mortgage loan (the "Bonds"), but that the loan shall be amortized over a period not to exceed 30 years, with a final payment due at the maximum term possible given the term of the Bonds.
5. The Commitment Letter shall require the Developer to demonstrate to the satisfaction of the Executive Director that a combination of equity and deferred loan funds are available in an amount at least equal to the difference between the total development cost as accepted by the Agency and the amount of the permanent financing commitment.
6. The Commitment Letter shall contain such other terms and conditions as the Executive Director shall deem necessary or appropriate, given the circumstances.
7. The Executive Director, the Deputy Director, the Director of Finance and the Director of Development, or any of them, are authorized to take all necessary steps and execute all documents required to effectuate this loan, including the partial release of a portion of the land subject to an existing first mortgage of the Agency or the use of some other mechanism to transfer the land for the proposed development to a new mortgage.
8. The Executive Director, in his discretion, may modify the term of the existing loan to the housing sponsor.

*I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont on November 7, 1991.*

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



VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA BOARD OF COMMISSIONERS

FROM: JEFFREY FRANCIS, DEPUTY DIRECTOR

DATE: DECEMBER 5, 1991

RE: COMPREHENSIVE HOUSING ASSISTANCE STRATEGY UPDATE

The Vermont Department of Housing and Community Affairs (DHCA) has been working since late July to develop Vermont's 5 year Comprehensive Housing Assistance Strategy (CHAS). The document is required to make Vermont eligible to receive up to \$3.5 million dollars annually in federal funds for affordable housing under the recently enacted HOME legislation. Federal regulations require that the CHAS include a needs assessment, information about market and inventory conditions, a section on existing resources and programs, and a description of strategies to address Vermont's affordable housing needs.

To assist in its efforts, the Department enlisted the help of a 15 person advisory group made up of individuals knowledgeable about affordable housing. I have been representing VHFA on that committee.

To date, the advisory group has met seven times to discuss an array of topics pertaining to the development of the CHAS. The group has listened to presentations on data collected by DHCA for inclusion in the CHAS and has reviewed a report prepared by a consultant on Vermont's existing housing delivery system, and current housing policies. The group has also examined Vermont's existing housing infrastructure. Perhaps most importantly, the committee has grappled with the difficult questions of what Vermont's housing priorities should be and how resources should be allocated to address them. Discussion has been lively on these topics. Although the committee has engaged in a significant amount of debate, decisive action has only been taken on a few issues. Some of the decisions reached by the Advisory Group include:

1. Voted to advise adhering to the federal utilization guidelines as a base and not to make utilization of HOME funds in Vermont more restricted than prescribed by HUD.
2. Agreed that any new programs designed and funds awarded should reflect priority for uses to benefit very low or lowest income groups.

3. Voted against setting aside any HOME funds for a rental assistance program.
4. Voted to make a general recommendation that the City of Burlington be awarded \$500,000 of the State's \$3.5 allocation this year.
5. Set the following priorities for the HOME allocation;
  - a. serve the lowest incomes possible
  - b. use the funds for the acquisition and rehab of multi-unit housing
  - c. use the funds for acquisition and rehab of units for homeless and other persons with special needs
  - d. make mixed income projects a priority
  - e. focus on long term affordability
  - f. leverage the funds as much as possible
  - g. improve accessibility to housing for the disabled population.

The Advisory Group has also accepted a subcommittee report addressing the relationship of Vermont's four major housing agencies. The report recommends against any mergers but does call for better coordination in considering applications, underwriting projects, monitoring applicants and soliciting public input into programs and policies. Work in this area is already underway. Copies of the subcommittee report are available upon request.

While it is unclear at this point whether the CHAS will include any specific program recommendations, I have taken the position that HOME funds should leverage other dollars and that the economic impact of the use of the funds should be a prominent program consideration. Others on the advisory committee have echoed that sentiment; however, the group has not adopted it as a priority consideration.

The draft CHAS is being provided to members of the Advisory Group on December 13 with the next meeting of the Group to be held on December 19. A public hearing on the draft will be held on January 21 in Montpelier. The CHAS will then be reviewed by the Governor, finalized and submitted to HUD in February. Please let me know if you would like a draft of the CHAS and/or if you have any questions or comments about the process or the document.

STATISTICAL PROGRAM COMPARISON IDs: 89B, 901  
 UNDERWRITING DATABASE  
 LTV 0% TO 100%  
 Effective for 01/01/88 thru 12/04/91  
 Loan Status: CC,UC,O

	89B	901
Total Number of Loans:	610	251
Total Loan Amount:	\$39,863,024	\$16,787,805

	89B	901
EXISTING:	\$28,652,124 449 Loans	\$12,555,731 191 Loans
NEW CONSTRUCTION:	\$11,210,900 161 Loans	\$4,232,074 60 Loans
NEW DETACHED HOUSING:	\$9,349,493 135 Loans	\$3,717,799 53 Loans
NEW CONDOMINIUM:	\$1,861,407 26 Loans	\$514,275 7 Loans

	89B	901
Total Insured or Guaranteed Loans:	547	239
Loans Guaranteed by VHMGB:	539	235

	89B	901
	STATEWIDE	STATEWIDE
	=====	=====
Avg. Purchase Price	\$72,315	\$72,080
Avg. Loan Amount	\$65,349	\$66,883
Avg. Borrower Income	\$27,603	\$28,846
Avg. Housing Debt-Income Ratio	28.0%	28.0%
Avg. Total Debt	\$813.55	\$853.39
Avg. Total Debt-Income Ratio	35.5%	35.7%
Total No. of Loans	610	251
First Time Homebuyers	89.8%	90.0%
% Meeting Low Income Set Aside	43.9%	33.4%

	89B		901		
	Loans	% of Loans	Loans	% of Loans	% of Hshlds
Addison	32	5.2%	15	6.0%	5.8%
Bennington	17	2.8%	5	2.0%	7.0%
Caledonia	57	9.3%	23	9.2%	5.8%
Chittenden	149	24.6%	58	23.3%	18.6%
Essex	7	1.1%	10	4.0%	1.2%
Franklin	83	13.6%	26	10.4%	7.0%
Grand Isle	5	0.8%	3	1.2%	1.2%
Lamoille	34	5.6%	14	5.6%	3.5%
Orange	17	2.8%	12	4.8%	4.7%
Orleans	41	6.7%	11	4.4%	4.7%
Rutland	58	9.5%	26	10.4%	11.6%
Washington	55	9.0%	33	13.1%	10.5%
Windham	24	3.9%	7	2.8%	8.1%
Windsor	31	5.1%	8	3.2%	10.5%
TOTAL	610	100.0%	251	100.0%	100.0%

Estimated number of households, \$15,000 to \$35,000 income.  
 Source: CACI, 1989 Sourcebook of County Demographics

STATISTICAL REPORT PROGRAM ID: 89M  
 UNDERWRITING DATABASE  
 LTV 0% TO 100%  
 Effective for 01/01/89 thru 12/04/91  
 Loan Status: CC,UC,O

Report: 1587

Total Number of Loans: 28  
 Total Loan Amount: \$1,590,010

EXISTING:	\$1,144,916	75.0%	21 Loans
NEW CONSTRUCTION:	\$445,094	25.0%	7 Loans
NEW DETACHED HOUSING:	\$297,844	66.9%	5 Loans
NEW CONDOMINIUM:	\$147,250	33.0%	2 Loans

Funds Remaining to be Reserved: \$14,145- 0.2% 0 Loans (Est.)

Total Insured or Guaranteed Loans: 26  
 Loans Guaranteed by VHMGB: 26

	ACED =====	NON ACED =====	STATEWIDE =====
Avg. Purchase Price	\$53,585	\$76,875	\$62,735
Avg. Loan Amount	\$47,812	\$70,655	\$56,786
Avg. Borrower Income	\$24,187	\$24,843	\$24,445
Avg. Housing Debt-Income Ratio	22.8%	32.0%	26.4%
Avg. Total Debt	\$639.70	\$762.09	\$687.78
Avg. Total Debt-Income Ratio	31.9%	38.0%	34.3%
Total No. of Loans	17	11	28
% of Total Loan Amount	51.1%	48.9%	100.0%
First Time Homebuyers	82.3%	100.0%	89.2%
% Meeting Low Income Set Aside	64.7%	72.7%	67.8%

	Loans	% of Loans	\$ Amount	*Households	% of Hshlds	% DIFF
Addison	3	10.7%	\$195,790	5,000	5.7%	5.0
Bennington	0	0.0%	\$0	6,300	7.2%	7.2-
Caledonia	5	17.9%	\$211,988	4,800	5.5%	12.4
Chittenden	8	28.6%	\$581,416	16,000	18.2%	10.4
Essex	3	10.7%	\$139,275	1,300	1.4%	9.3
Franklin	1	3.6%	\$46,800	6,000	6.8%	3.2-
Grand Isle	0	0.0%	\$0	900	1.0%	1.0-
Lamoille	0	0.0%	\$0	3,300	3.8%	3.8-
Orange	0	0.0%	\$0	4,300	4.9%	4.9-
Orleans	3	10.7%	\$122,392	4,200	4.8%	5.9
Rutland	2	7.1%	\$118,305	10,000	11.4%	4.3-
Washington	3	10.7%	\$174,044	9,000	10.3%	0.4
Windham	0	0.0%	\$0	7,100	8.1%	8.1-
Windsor	0	0.0%	\$0	9,600	11.0%	11.0-
TOTAL	28	100.0%	\$1,590,010	87,800	100.0%	

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

STATISTICAL REPORT PROGRAM ID: 79E  
 UNDERWRITING DATABASE  
 LTV 0% TO 100%  
 Effective for 01/01/89 thru 12/04/91  
 Loan Status: CC,UC,O

Report

Total Number of Loans: 8  
 Total Loan Amount: \$605,560

EXISTING:	\$0	0.0%	0 Loans
NEW CONSTRUCTION:	\$605,560	100.0%	8 Loans
NEW DETACHED HOUSING:	\$405,595	66.9%	5 Loans
NEW CONDOMINIUM:	\$199,965	33.0%	3 Loans

Funds Remaining to be Reserved: \$10,756,355 89.6% 142 Loans (Est.)

Total Insured or Guaranteed Loans: 8  
 Loans Guaranteed by VHMGB: 0

	ACED =====	NON ACED =====	STATEWIDE =====
Avg. Purchase Price	\$90,411	\$78,764	\$83,132
Avg. Loan Amount	\$81,958	\$71,937	\$75,695
Avg. Borrower Income	\$36,352	\$34,401	\$35,133
Avg. Housing Debt-Income Ratio	27.0%	25.8%	26.2%
Avg. Total Debt	\$1,016.00	\$1,070.00	\$1,049.75
Avg. Total Debt-Income Ratio	33.3%	37.6%	36.0%
Total No. of Loans	3	5	8
% of Total Loan Amount	40.6%	59.4%	100.0%
First Time Homebuyers	100.0%	80.0%	87.5%
% Meeting Low Income Set Aside	0.0%	20.0%	12.5%

	Loans	% of Loans	\$ Amount	*Households	% of Hshlds	% DIFF
Addison	1	12.5%	\$74,820	5,000	5.7%	6.8
Bennington	0	0.0%	\$0	6,300	7.2%	7.2-
Caledonia	0	0.0%	\$0	4,800	5.5%	5.5-
Chittenden	4	50.0%	\$284,865	16,000	18.2%	31.8
Essex	0	0.0%	\$0	1,300	1.4%	1.4-
Franklin	1	12.5%	\$72,200	6,000	6.8%	5.7
Grand Isle	0	0.0%	\$0	900	1.0%	1.0-
Lamoille	0	0.0%	\$0	3,300	3.8%	3.8-
Orange	0	0.0%	\$0	4,300	4.9%	4.9-
Orleans	0	0.0%	\$0	4,200	4.8%	4.8-
Rutland	2	25.0%	\$173,675	10,000	11.4%	13.6
Washington	0	0.0%	\$0	9,000	10.3%	10.3-
Windham	0	0.0%	\$0	7,100	8.1%	8.1-
Windsor	0	0.0%	\$0	9,600	11.0%	11.0-
TOTAL	8	100.0%	\$605,560	87,800	100.0%	

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



AS OF: 12/04/91

PAGE NO. 1

Vermont Housing Finance Agency  
 89M - \$4,919,442 HOME MORTGAGE PURCHASE PROGRAM  
 Status Report (with percent of pool proceeds approved)

Report: 1130

PERSTATU

Rate : 7.800%

Date : 12/04/91

Lender	Funds Reserved	Percent Reserved	Prelim. Approval	% Prelim Approval	Loans Purchased	Loans to be Purchased	PERC
BancBoston Mortgage Corporation	\$347,150	7.0%	\$213,750	4.3%	\$0	\$213,750	61.5%
Caledonia National Bank of Danville, The	\$135,963	2.7%	\$77,063	1.5%	\$0	\$77,063	56.6%
Chittenden Bank	\$852,600	17.3%	\$57,950	1.1%	\$0	\$57,950	6.7%
Citizens Savings Bank and Trust	\$403,967	8.2%	\$177,700	3.6%	\$0	\$177,700	43.9%
Community National Bank	\$229,042	4.6%	\$122,392	2.4%	\$0	\$122,392	53.4%
Franklin-Lamoille Bank	\$83,755	1.7%	\$46,800	0.9%	\$0	\$46,800	55.8%
Granite Savings Bank and Trust Company	\$65,325	1.3%	\$65,325	1.3%	\$0	\$65,325	100.0%
Green Mountain Bank	\$107,350	2.1%	\$0	0.0%	\$0	\$0	0.0%
Kittredge Mortgage Corporation	\$109,150	2.2%	\$73,150	1.4%	\$0	\$73,150	67.0%
Merchants Bank, The	\$343,025	6.9%	\$200,100	4.0%	\$0	\$200,100	58.3%
Mortgage Service Center of New England	\$173,770	3.5%	\$0	0.0%	\$0	\$0	0.0%
Passumpsic Savings Bank	\$28,500	0.5%	\$0	0.0%	\$0	\$0	0.0%
Peoples Trust Company of St Albans	\$127,015	2.5%	\$0	0.0%	\$0	\$0	0.0%
Statewide Funding Corporation	\$180,569	3.6%	\$43,219	0.8%	\$0	\$43,219	23.9%
Summit Financial Center, Inc.	\$242,291	4.9%	\$85,866	1.7%	\$0	\$85,866	35.4%
Union Bank	\$258,270	5.2%	\$30,000	0.6%	\$0	\$30,000	11.6%
Vermont Federal Bank, FSB	\$489,280	9.9%	\$174,390	3.5%	\$0	\$174,390	35.6%
Vermont Mortgage Group, Inc	\$332,951	6.7%	\$81,755	1.6%	\$0	\$81,755	24.5%
Vermont National Bank	\$336,250	6.8%	\$140,550	2.8%	\$75,050	\$65,500	19.4%
Wells River Savings Bank	\$87,364	1.7%	\$0	0.0%	\$0	\$0	0.0%
<b>TOTALS</b>							
	82 Loans						
	\$4,933,587	100.2%	\$1,590,010	32.3%	\$75,050	\$1,514,960	30.7%

AS OF: 12/04/91  
PAGE NO. 1

Vermont Housing Finance Agency  
79E - \$12,000,000 4 STAR MORTGAGE-MTG PURCHASE PROGRAM  
Status Report (with percent of pool proceeds approved)  
Rate : 8.250%  
Date : 12/04/91

Report: 1130  
PERSTAT

Lender	Funds Reserved	Percent Reserved	Prelim. Approval	% Prelim Approval	Loans Purchased	Loans to be Purchased	PERC
BancBoston Mortgage Corporation	\$59,375	0.4%	\$59,375	0.4%	\$0	\$59,375	100.0%
Chittenden Bank	\$308,850	2.5%	\$141,975	1.1%	\$0	\$141,975	45.9%
Marble Bank	\$144,000	1.2%	\$0	0.0%	\$0	\$0	0.0%
Merchants Bank, The	\$168,435	1.4%	\$73,435	0.6%	\$0	\$73,435	43.5%
National Bank of Middlebury, The	\$62,960	0.5%	\$0	0.0%	\$0	\$0	0.0%
Passumpsic Savings Bank	\$68,250	0.5%	\$0	0.0%	\$0	\$0	0.0%
Summit Financial Center, Inc.	\$173,200	1.4%	\$72,200	0.6%	\$0	\$72,200	41.6%
Vermont Federal Bank, FSB	\$258,575	2.1%	\$258,575	2.1%	\$0	\$258,575	100.0%
TOTALS							
16 Loans	\$1,243,645	10.3%	\$605,560	5.0%	\$0	\$605,560	48.6%

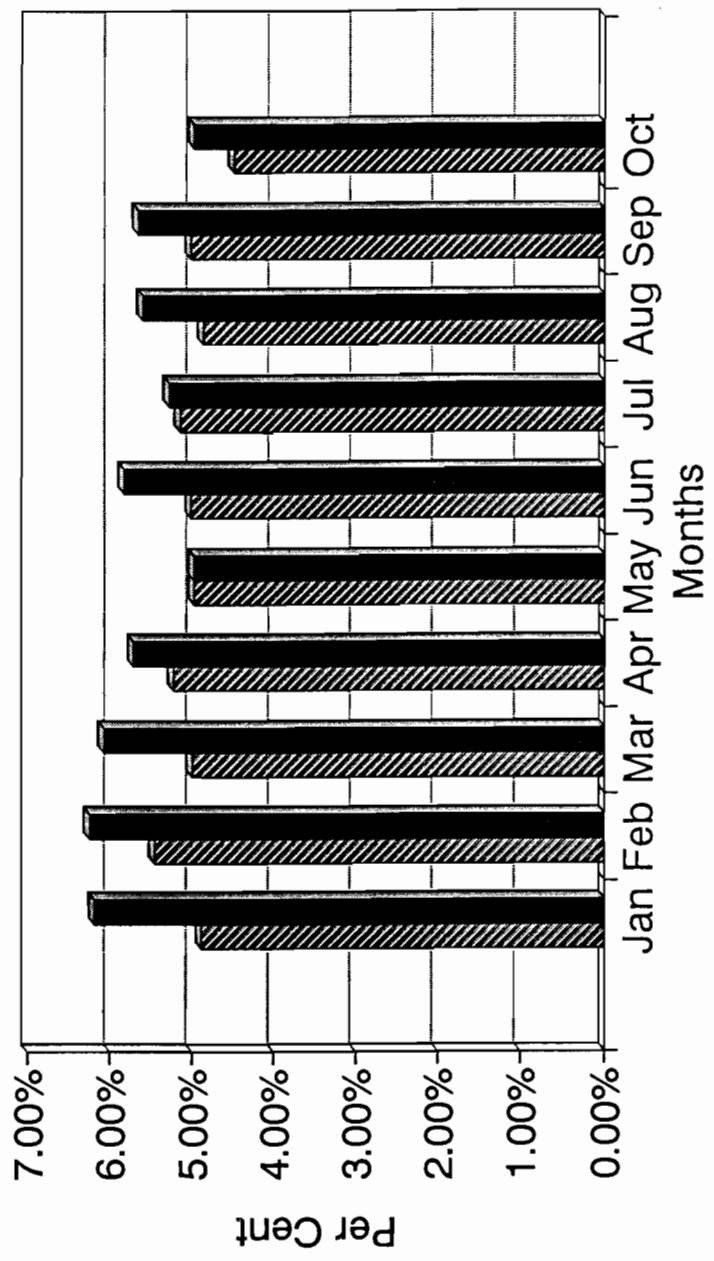
Vermont Housing Finance Agency  
Delinquency Statistics Report  
SINGLE FAMILY PORTFOLIO  
EFFECTIVE: 10/31/91

Report: 1261  
DELROTB

Banks	Outstanding Loans	30 Days	60 Days	90+ Days	Total	Auth	FCL	PEO	Grand Total
BancBoston Mortgage Corporation	27	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%
Bank of Vermont	360	12 3.33%	1 0.28%	1 0.28%	14 3.89%	0 0.00%	0 0.00%	0 0.00%	14 3.89%
Bennington Coop Savings & Loan Assn Inc	66	0 0.00%	0 0.00%	1 1.52%	1 1.52%	0 0.00%	0 0.00%	0 0.00%	1 1.52%
Bradford National Bank	63	2 3.17%	0 0.00%	1 1.59%	3 4.76%	0 0.00%	0 0.00%	0 0.00%	3 4.76%
Caledonia National Bank of Danville, Th	141	6 4.26%	2 1.42%	2 1.42%	10 7.09%	0 0.00%	1 0.71%	2 1.42%	13 9.22%
Chittenden Trust Company	1,084	41 3.78%	8 0.74%	8 0.74%	57 5.26%	0 0.00%	1 0.09%	1 0.09%	59 5.44%
Citizens Savings Bank	13	1 7.69%	0 0.00%	0 0.00%	1 7.69%	0 0.00%	0 0.00%	0 0.00%	1 7.69%
Comfed Mortgage Co., Inc.	16	2 12.50%	0 0.00%	0 0.00%	2 12.50%	0 0.00%	0 0.00%	0 0.00%	2 12.50%
Commonwealth Mortgage Company, Inc	25	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%
Community National Bank	145	5 3.45%	0 0.00%	2 1.38%	7 4.83%	0 0.00%	0 0.00%	4 2.76%	11 7.59%
Factory Point National Bank, The	27	2 7.41%	0 0.00%	0 0.00%	2 7.41%	0 0.00%	0 0.00%	0 0.00%	2 7.41%
First Brandon National Bank	6	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%
First Northern Mortgage Corporation	9	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%
First Twin-state Bank	155	6 3.87%	0 0.00%	0 0.00%	6 3.87%	0 0.00%	0 0.00%	0 0.00%	6 3.87%
First Vermont Bank and Trust Company	179	12 6.70%	1 0.56%	2 1.12%	15 8.38%	0 0.00%	0 0.00%	0 0.00%	15 8.38%
Franklin-Lamoille Bank	215	7 3.26%	0 0.00%	0 0.00%	7 3.26%	0 0.00%	0 0.00%	0 0.00%	7 3.26%
Granite Savings Bank and Trust Company	38	2 5.26%	0 0.00%	0 0.00%	2 5.26%	0 0.00%	0 0.00%	0 0.00%	2 5.26%
Green Mountain Bank	19	2 10.53%	0 0.00%	0 0.00%	2 10.53%	0 0.00%	0 0.00%	0 0.00%	2 10.53%
Howard Bank, National Assn, The	479	25 5.22%	10 2.09%	9 1.88%	44 9.19%	0 0.00%	4 0.84%	1 0.21%	49 10.23%
Lomas & Nettleton Company, The	26	0 0.00%	1 3.85%	0 0.00%	1 3.85%	0 0.00%	0 0.00%	0 0.00%	1 3.85%
Lyndonville Savings Bank & Trust Compan	54	0 0.00%	0 0.00%	1 1.85%	1 1.85%	0 0.00%	1 1.85%	0 0.00%	2 3.70%
Marble Bank	237	9 3.80%	0 0.00%	2 0.84%	11 4.64%	0 0.00%	0 0.00%	1 0.42%	12 5.06%
Merchants Bank, The	306	4 1.31%	1 0.33%	2 0.65%	7 2.29%	0 0.00%	0 0.00%	0 0.00%	7 2.29%
Mortgage Service Center of New England	6	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%
National Bank of Middlebury, The	69	1 1.45%	0 0.00%	1 1.45%	2 2.90%	0 0.00%	0 0.00%	0 0.00%	2 2.90%
New England IBM Employees Fed Crdt Unio	74	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%	0 0.00%
Northfield Savings Bank	138	6 4.35%	5 3.62%	1 0.72%	12 8.70%	0 0.00%	0 0.00%	0 0.00%	12 8.70%
Passumpsic Savings Bank	189	6 3.17%	0 0.00%	6 3.17%	12 6.35%	0 0.00%	1 0.53%	1 0.53%	14 7.41%
Peoples Trust Company of St Albans	174	7 4.02%	4 2.30%	0 0.00%	11 6.32%	0 0.00%	0 0.00%	0 0.00%	11 6.32%
Proctor Bank	119	6 5.04%	1 0.84%	1 0.84%	8 6.72%	0 0.00%	0 0.00%	0 0.00%	8 6.72%
Randolph National Bank	79	2 2.53%	2 2.53%	0 0.00%	4 5.06%	0 0.00%	0 0.00%	0 0.00%	4 5.06%
Statewide Funding Corporation	60	5 8.33%	0 0.00%	1 1.67%	6 10.00%	0 0.00%	0 0.00%	0 0.00%	6 10.00%
Union Bank	159	3 1.89%	1 0.63%	1 0.63%	5 3.14%	0 0.00%	0 0.00%	0 0.00%	5 3.14%
Valley Bank	22	1 4.55%	1 4.55%	0 0.00%	2 9.09%	0 0.00%	0 0.00%	0 0.00%	2 9.09%
Vermont Federal Bank, FSB	973	21 2.16%	7 0.72%	6 0.62%	34 3.49%	0 0.00%	1 0.10%	0 0.00%	35 3.70%
Vermont Mortgage Group, Inc	158	5 3.16%	2 1.27%	2 1.27%	9 5.70%	0 0.00%	0 0.00%	0 0.00%	9 5.70%
Vermont National Bank	446	11 2.47%	2 0.45%	4 0.90%	17 3.81%	0 0.00%	0 0.00%	2 0.45%	19 4.26%
Wells River Savings Bank	23	1 4.35%	0 0.00%	0 0.00%	1 4.35%	0 0.00%	0 0.00%	0 0.00%	1 4.35%
Woodstock National Bank	14	1 7.14%	0 0.00%	0 0.00%	1 7.14%	0 0.00%	0 0.00%	0 0.00%	1 7.14%
Overall Totals:	6,393	214 3.35%	49 0.77%	55 0.86%	318 4.97%	0 0.00%	9 0.14%	14 0.22%	341 5.33%
September 30, 1991	6,375	255 4.00%	52 0.82%	56 0.88%	363 5.69%	0 0.00%	8 0.13%	15 0.20%	384 6.02%

# VERMONT HOUSING FINANCE AGENCY

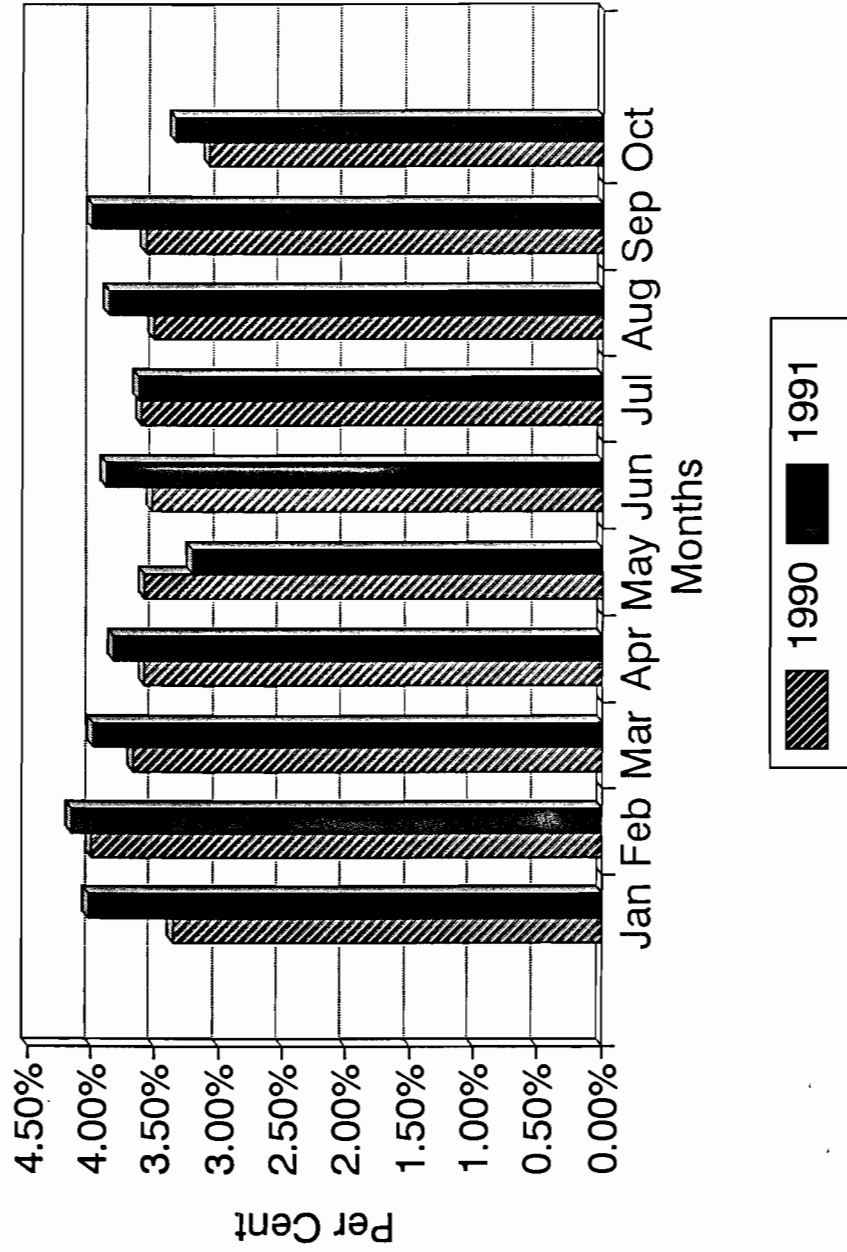
## Total Delinquency Comparison



1990 1991

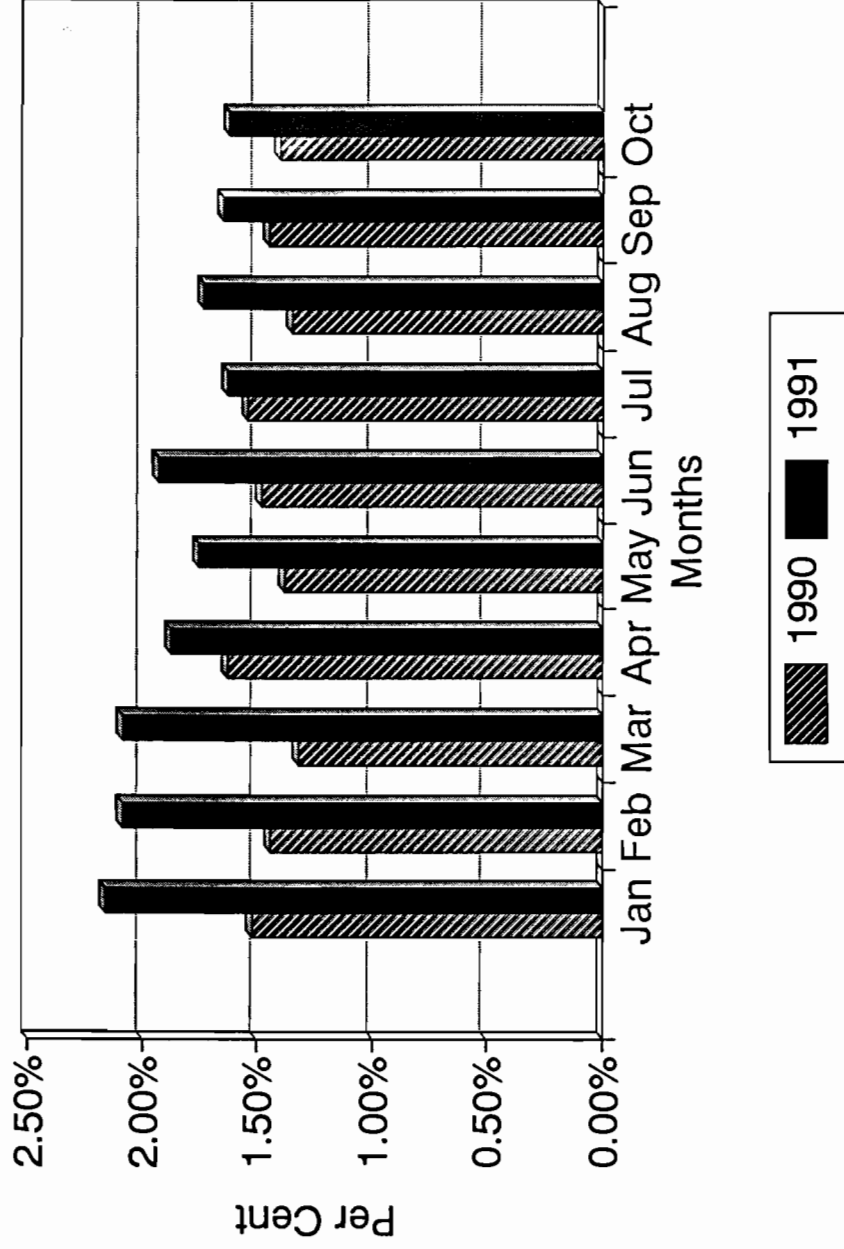
# VERMONT HOUSING FINANCE AGENCY

## 30 Day Delinquency Comparison



# VERMONT HOUSING FINANCE AGENCY

## 60/90 Day Delinquency Comparison





VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA BOARD OF COMMISSIONERS  
FROM: DOUGLAS R. LOTHROP, DIRECTOR OF OPERATIONS  
DATE: DECEMBER 6, 1991  
RE: POSSIBLE CONVERSION OF 1991 MORTGAGE REVENUE BONDING  
VOLUME CAP TO MORTGAGE CREDIT CERTIFICATE AUTHORITY

Background

The threat of Mortgage Revenue Bond (MRB) sunset as of December 31, 1991 has been eliminated. Unprecedented support of the extension of MRB authority in Congress and hard work by the National Council of State Housing Agencies (NCSHA) has led to a temporary extension of six months.

VHFA has been allocated a total of \$55 million from the 1991 Vermont tax exempt bonding volume cap of \$150 million. Of the remaining \$95 million in volume cap, \$40 million has been allocated to other issuers, and the remaining \$55 million has not been allocated. VHFA has converted \$20 million of its present allocation to MCC authority leaving a total of \$35 million in unallocated authority. Additionally, VHFA will have access to the full volume cap of \$150 million in 1992. We have requested the Governor convene a meeting of the Emergency Board to allocate some or all of the remaining \$55 million to VHFA for use next year. This should keep MOVE in operation for at least two to four years after June 30, 1992.

Mortgage Plus, the VHFA Mortgage Credit Certificate (MCC) program, has gained statewide usage by most lenders as evidenced by lenders incorporating the Mortgage Plus program in their affordable housing initiatives. The attached graph illustrates the increased program usage in certificate authority used as compared to the same period in 1990.

Over the period of June through September of 1991, the average MCC authority reservation was \$655,000 (approximately \$2.6 million in mortgages) per month. The conversion rate of MRB authority to MCC authority is 4 to 1 which means that roughly \$35 million in MRB authority converted to MCC authority would level fund the MCC program for a 13 month period.

This request positions VHFA to offer both a viable MOVE and Mortgage Plus programs for a period of at least one year from the end of 1991 while the further extension of MRB authority is considered by the Congress.

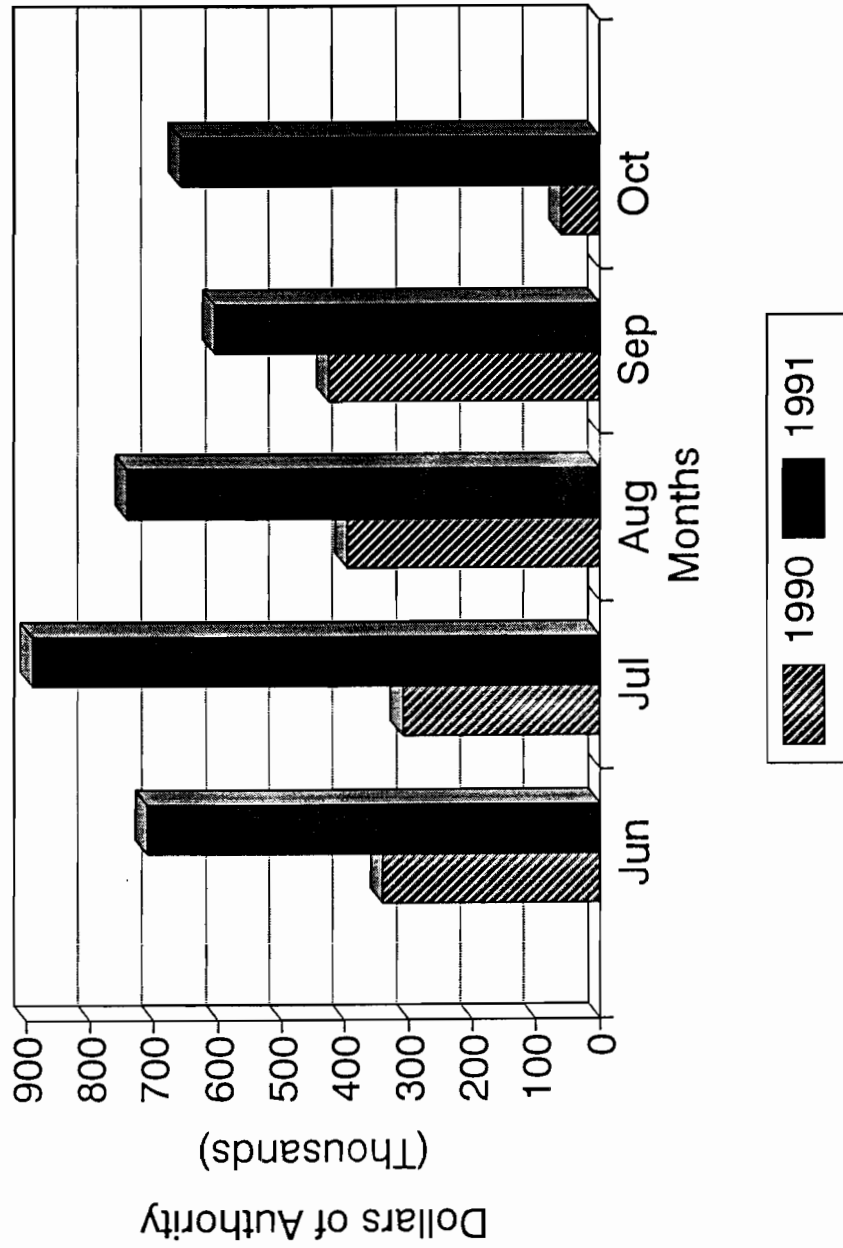
Recommended Action

Approve the attached resolution authorizing the conversion of up to \$35 million of 1991 volume cap MRB authority to MCC authority.



# Vermont Housing Finance Agency

## Mortgage Plus Comparison



**RESOLUTION RELATING TO  
VERMONT HOUSING FINANCE AGENCY  
ELECTION TO ALLOCATE AND CARRYFORWARD  
1991 PRIVATE ACTIVITY BOND  
VOLUME CAP ALLOCATION**

WHEREAS, the Vermont Housing Finance Agency (the "Agency") has been allocated 1991 private activity bond volume cap by the State of Vermont and the Agency's 1991 volume cap exceeds the aggregate amount of tax-exempt private activity bonds issued by the Agency during 1991; and




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

WHEREAS, the Agency desires to elect to utilize most of its volume cap for qualified mortgage bonds and mortgage credit certificates; and

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

NOW, THEREFORE, it is hereby RESOLVED:

1. Vermont Housing Finance Agency elects to treat all the 1991 volume cap that has been allocated to it prior to December 1, 1991 for the purposes of issuing qualified mortgage bonds or mortgage credit certificates.
2. The Vermont Housing Finance Agency hereby elects not to issue \$35,000,000 principal amount of qualified mortgage bonds that it is otherwise authorized to issue during calendar year 1991 for the purpose of issuing mortgage credit certificates.
3. If the Vermont Housing Finance Agency is allocated any additional volume cap by the State of Vermont on or after December 1, 1991, it elects to allocate \$10,000,000 of such additional volume cap for the purpose of issuing exempt facility bonds for qualified residential rental projects and the remainder of such additional volume cap for the purposed of issuing qualified mortgage bonds or mortgage credit certificates.
4. The Executive Director, Director of Finance, and the Director of Operations are directed, and each of them is authorized, to take all steps necessary to the continuation of the Agency's Mortgage Credit Certificate Program including, but not limited to:
  - A. Preparation, execution, and delivery of a Mortgage Credit Certificate Election in such form as may be required by the Internal Revenue Service and consistent in content and effect with this Resolution.

- 
- B. Certification to the Governor as provided in the Code.
  - C. Preparation of any certificate required by the Code to be signed by the Governor.
  - D. Preparation and placement of any appropriate public notices.
- 
- 



VERMONT HOUSING FINANCE AGENCY  
M E M O R A N D U M

TO: VHFA BOARD OF COMMISSIONERS  
FROM: <sup>DOE</sup> DOUGLAS R. LOTHROP, DIRECTOR OF OPERATIONS  
DATE: DECEMBER 6, 1991  
RE: VHFA COMPUTER SUPPORT

An essential component of VHFA's operating capacity is its data processing system. The computer hardware and software used by VHFA have served us reasonably well over the past 10 years. However, due to significant advancements in computer technology during that period, both the hardware and software have become outdated. Currently, VHFA is facing several issues relative to its data processing system. These include: (1) both hardware and software will soon become cost prohibitive to operate and maintain; (2) the current systems are a combination of several diverse components, making maintenance difficult and internal information sharing impossible; (3) the software, initially written beginning in 1982 is written in an older language which prohibits adaptability; and (4) as the VHFA's needs changed during the last decade the software was changed using a "band-aid" approach making the databases hard to maintain.

The Hewlett-Packard 3000 Classic Model 48 mini computer is over 13 years old and is of a technology which defies maintenance support at a cost effective price. Recently VHFA was informed that a component of the computer, the master console, would not be supported or carried under maintenance contract after April 30, 1992. The other components of the computer are subject to the same treatment.

Jim Gandini and Paul Heintz, of the VHFA data processing staff, have interviewed all departments at VHFA to obtain an indication of what staff sees would be needed and expected from a new computer system. A Requirements Document has been drafted for the purpose of determining if software already exists in the market place that might meet VHFA's needs. It has been established that the hardware is available. The hardware selected would be determined by the software selected or to be written.

I have attached a Computer Solutions Search Schedule (CSSS) which outlines the activities which VHFA needs to accomplish. The draft of the Requirements Document is in the hands of staff for finalization. Although it would appear that the process outlined in CSSS is behind schedule the market survey (#3) has been occurring concurrently with the formation of the Requirements Document. The mailing of the Requirements Document to selected vendors (#4) will be slightly behind schedule by approximately a week.

It is so early in the process that an accurate estimate of the cost of new software and hardware is difficult. However, preliminary work conducted by Jim and Paul, indicates that the cost will be between \$300,000 and \$400,000. As we continue our work on this project we will be developing a comprehensive cost/benefit analysis for internal review and review by the Board.

Jim will be at the Board Meeting to answer questions relative to this process.

REQUESTED BOARD ACTION

Authorization from the Board for staff to continue the Computer Solutions Search with updates to the Board on the progress staff makes and a final presentation for Board approval.

October 18, 1991

## Tentative Computer Solutions Search Schedule

- \*1. Interviews with various Departments:
  - a. Research needs and desires
  - b. Compile information
  - c. Anticipated completion date - 8/31/91
- \*2. Develop "Requirements Documents":
  - a. Similar to an RFP
  - b. Covers such detail as; Overview, Expectations, Data base items, etc.
  - c. Anticipated completion date - 10/31/91
- #3. Market survey:
  - a. Research
  - b. Trade magazines
  - c. Inside sources
- \*4. Mail requirements to selected vendors:
  - a. anticipated mailing date - 11/30/91
- #\*5. Select vendors to give presentations:
  - a. possibly 4/5 vendors
  - b. Take place in January/February - 1992

#\*6. Final presentation of vendors selected as finalists:

- a. Take place in March
- b. Anticipate two vendors

\*7. Vendor selection:

- a. Anticipated completion - 3/31/91



VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Margaret A. Pond, Director of Development  
Mark Koppelkam, Multi-Family Development Underwriter

DATE: December 5, 1991

RE: WILLISTON: HARDCRABBLE FARMS SENIOR HOUSING:  
LETTER OF INTEREST

THE DEVELOPMENT

1. General Description

Attached is a resolution authorizing a Letter of Interest to provide for up to \$6.0 million in construction and permanent taxable or tax-exempt bond financing for a proposed new 98 unit elderly development in Williston.

The sponsor is a general partnership in which the sole general partner will be the Winooski Housing Authority (WHA) or its nonprofit subsidiary. The development manager is Allen Hebert, who has been working under contract with the Winooski Housing Authority. The land on which the development is located is owned by the Pecor family. The land will be released to the development, and Ray Pecor has verbally agreed to provide up to \$500,000 in credit enhancements.

Total development costs are currently estimated at \$6,830,000, or \$69,693 per unit. Equity will come from the syndication of Low Income Housing Tax Credits, which will need to be allocated in 1992. The development manager will be leaving some portion of his fee in as a longterm deferred payment debt.

A decision about whether to proceed with tax-exempt versus taxable financing has not been reached, though tax-exempt appears more likely at this time. This report assumes tax exempt financing for purposes of the financial projections. One significant difference is that in the case of taxable financing, VHFA's share of the financing is approximately 70%, compared to approximately 83% in the case of tax-exempt financing. A final decision will depend upon the relative rates and costs of a bond sale, the availability of taxable funds at a doable rate, and the availability of tax credits in 1992.



The developer has all needed State and local permits in place, and is hoping to begin construction in May 1992.

A summary of sources and uses of funds, rents, operating expenses and financial projections for each of the two options is attached.

Also attached is a site plan of the development. The development is located just behind (to the northeast of) Tafts Corners, between Highways 2 and 2A.

## 2. Financial Projections

The projected permanent sources and the development budget, which assume tax exempt bond financing at an 8.75% rate, are shown on the Attachments. The financial projections assume a 4% vacancy rate, annual rent increases of 3%, and expense increases of 4%. As shown, the development does not reach breakeven for nine years.

In order to cover the shortfalls, the current structure of the financing requires that approximately \$253,000 be set aside in a project sinking fund, and \$179,000 be set aside as a credit enhancement. The sinking fund covers anticipated cash flow losses during the first three years of the development. The credit enhancement ensures that a 1.05 debt coverage ratio can be achieved. However, since no cash is needed above breaking even (via normal operations and application of the sinking fund), the credit enhancement can be in the form of a letter of credit. This structure is very similar to that used at the Winchester (Colchester), Pine Meadow (Middlebury) and Whitney Hill (Williston) developments.

Generally speaking, the projections are quite tight, and work largely because the sponsor has lined up a direct placement for the tax credits, as opposed to using a national syndicator. The direct placement can nearly double the amount of equity raised per dollar of tax credit allocated. VHFA has not yet seen evidence of this arrangement.

The sponsor has some flexibility with both the land lease structure and the developer fee, in terms of leaving a part of it in as a longterm deferred payment debt. Not surprisingly, the finances work much better at mortgage interest rates below 8.75%. Another option is to lower the percentage of rent restricted units from the current 50%.

From a risk perspective, the most critical element is the security required, to cover the deficit escrow in case of a slow rent-up. At this point, the only identified source to fund the deficit escrow is Ray Pecor.

### 3. Unit Breakdown, Rents and Income Limits

At this time the development is projected to include a mix of 49 rent restricted/tax credit and 49 market rate units. The Winooski Housing Authority has committed twenty project based Section 8 certificates to the development, which can be counted as rent-restricted units. Eighty-eight of the units are one bedrooms, with the other ten units being two bedrooms. Unit sizes will be about 575 to 600 sq. ft. for the 1 BR, and 650 sq. ft. for the 2 BR. These are typical for elderly developments, and are about the size of the units at Whitney Hill (Williston) and Heineberg (Burlington). Projected rents are shown on the attached financial summary. Ten percent of the units will be handicapped accessible, and all will meet HUD's new accessibility codes.

Current income limits for Chittenden County for the rent restricted units are \$17,400 for a family of 1, \$19,850 for a family of two, and \$22,350 for three. Rent maximums for the rent restricted units are \$466 for a one bedroom and \$559 for a two bedroom. The sponsor intends to pay all utilities, including heat and electricity.

### 4. Site/Location

The site is about four acres in size, and is located just behind Tafts Corners, between Highways 2 and 2A. It is to the rear of an existing 110 acre horsefarm, and backs to Allen Brook. The site is fairly open, and has good views to the Green Mountains. A proposed 29 acre park will be located on the other side of Allen Brook. The area already has a nice network of walkways, which will be complemented by this and other future developments.

Access will be via Highway 2. The developer is being required by the town to build a section of a four lane roadway as part of this project. When completed, the new roadway would serve provide access to Highway 2A, and act as a bypass around Taft Corners.

Residents will have easy pedestrian access to numerous restaurants, retail and banking services. Walmart is building nearby, and of course the large Pyramid Mall is pending for a site across Highway 2.

### 5. Design and Permits

The architect for the development is Weimann Lamphere. The engineering firm is Civil Engineering of Shelburne. Elevations of the proposed development will be shown at the Board meeting, though they are quite preliminary.

The design features two connected three story wood frame buildings. The buildings will be sprinklered. There will be a common secured entrance and various community spaces, including a multi-purpose use/dining area. There will be laundry facilities provided in the building.

Heating will likely be provided through a gas heat hot water system with auxiliary cogeneration. An energy analysis of the development will be conducted by Vermont Energy Investment Corporation (VEIC).

The Act 250 and all local zoning and utility permits have been approved. The site will have municipal water and sewer.

#### 6. Market Demand and Rent Levels

The sponsors have just commenced a detailed market study. Their market strategy is to attract senior tenants from a regional area by providing a package of services to complement the units. These services could include up to three daily meals, limited medical visitations etc. All these services would be extra, paid for by tenants above the rent.

Compared to the 44 unit Whitney Hill senior development in Williston, which VHFA is financing, the proposed Hardscrabble facilities should provide more potential for good "aging-in-place" services. The sponsors original development concept included a congregate care facility, and that remains a longterm goal.

The nearby Whitney Hill development will be completed in December 1991 and has had a fairly strong rent up (37 of 44 apartments to date). The sponsors report that the majority of renters have been Williston residents.

The Whitney Hill sponsors commissioned a market study from the UVM Center for Rural Studies that was completed in summer 1990. The Center directly surveyed (via letter) every Williston household (2,450) and found strong interest in the proposed development among the elderly, particularly those over the age of 65. The Center estimated that thirty persons would be interested in immediate occupancy from Williston alone. That study appears to have been quite accurate.

However, the implication is that the Williston market is probably tapped out, and that this development is absolutely reliant upon a regional market. That may be a large challenge for a 98 unit development.

Hardscrabble's forty-nine market units appear to be priced at the high end of the rental market at prices of \$645 for the one bedroom units, and \$695 for the two bedroom units. These rents include all utilities. This compares to rents at Whitney Hill of \$550 and

\$580 for the one bedroom units, and \$630 and \$675 for the two bedroom units. The sponsor feels that the service component of the development will warrant the higher rents.

7. Management

A management agent has not yet been selected. We have expressed our position that experienced, professional management is critical, and the sponsor appears to agree.

8. Environmental Concerns

A Phase I environmental assessment will be conducted. At this time there is no known environmental hazard concern.

## DISCUSSION

### Strengths

The primary strengths of this development include:

- a. The involvement of Ray Pecor infers the financial capability to defer certain costs (i.e., land lease payments) if necessary to ensure project viability, as well as providing a source of credit enhancements.
- b. Compared to Whitney Hill, this facility has a better capacity to deal with the "aging-in-place" issue.
- c. The development is getting a direct placement of tax credit equity, which improves the development's economic feasibility.
- d. The regional economic down-turn should mean low construction bids, which should assist the development financially.
- e. The sponsor's original concept for this development included a congregate care facility. It was dropped because of questionable eligibility using tax exempt bonds. However, it remains a longterm goal of the developer, and would clearly complement this facility.

Weaknesses

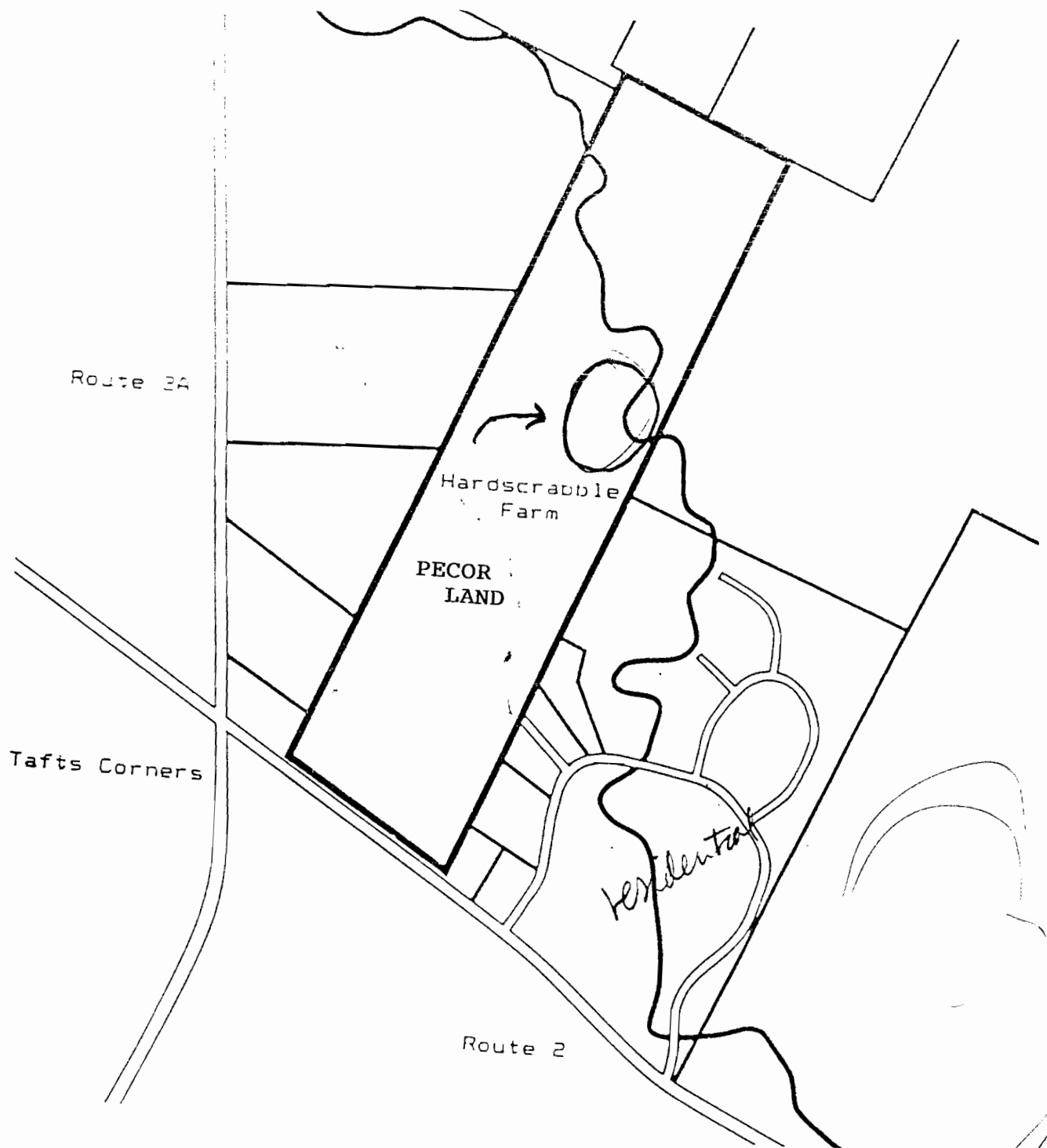
The potential weaknesses of this development are:

- a. The sponsor has not yet done a thorough market analysis. The key question is whether seniors will move from towns other than Williston (which is tapped out by the Whitney Hill development) and pay comparatively high rents for the provision of certain services.
- b. The weak regional economy may make seniors less willing to sell homes to make the move to a rental unit at this time. At Whitney Hill the sponsors argued that many seniors unfortunately do not have the luxury of deferring this decision.
- c. The development manager has limited experience with multi-family or elderly development. However, the sponsor seems amenable to bringing in well qualified professionals as needed to get the job done.
- d. The weak economy can lead to contractor and subcontractor stresses during construction, with extremely tight profit margins and bankruptcies due to cash flow problems. VHFA is being asked to provide construction financing.
- e. VHFA's has not yet conducted a detailed architectural or energy review of the plans for the development as they are still preliminary. The environmental assessment, which is the responsibility of the sponsor, has also not been started.

**RECOMMENDED ACTION**

Staff recommends approval of the attached Resolution Pertaining to Letter of Interest for the Hardscrabble Farms development, authorizing the Executive Director to issue a Letter on Interest in an amount not to exceed \$6.0 million for a 98 unit mixed income elder development located in Williston. Further Agency consideration of the financing approval (i.e., bringing a Commitment Letter resolution to the VHFA Board) will be, at a minimum, contingent upon receipt of satisfactory market study, architectural, engineering, and Phase I environmental assessments.





Hardscrabble Farm Site Map

89 ↓

Project: HARDCRABBLE FARMS

RUN DATE: 11/7/91

## \*\*\*\*\*Unit Information\*\*\*\*\*

## \*\*\*\*\*Assumptions\*\*\*\*\*

Total Res Units: 98 Increase LIHTC 3.00%

Res Restricted Units: 49 Increase Market 3.00%

Percent Restricted: 50.00%Expense increase: 4.00%

Avg Net Monthly Rent: 582 Vacancy Rate: 4.00%

TDC 6,832,369 Partner's Tax Rate: 34.00%

TDC/unit 69,718 Depreciation Schedule: 27.5

## \*\*\*\*\*LIHTC SUMMARY\*\*\*\*\*

Sinking Fund Needed 253,614 Percent Alloc. Needed 100.00%

Credit Enhancement 178,996 Gross Syndication 967,942

Tax Credit Percentage 8.96%

Tax Credit Percentage 3.76%

Annual Credit Amount 119,594

(0)

## FINANCING SOURCES

Amount	% of TDC	Interest	Term	Per Unit
Equity \$968,000	14.17%	N/A	N/A	
HEBERT \$100,000	1.46%	5.00%	30	
Res 1st MORT \$5,684,369	83.20%	8.75%	30	
EARNINGS \$80,000	1.17%			
	0.00%	10.00%	30	
	0.00%			
\$6,832,369	100.00%			

## HARDCRABBLE FARMS

## DEVELOPMENT BUDGET

11/7/91

## Residential

	Budget	Per Unit
Acquisition	0	0
Land	0	0
Site Work	675,000	6,898
Construction	3,726,000	38,020
Dev/Construction Management	0	0
Bond Premium(*)	44,010	449
Contingency	5,000	2,245
Arch/Engineering	272,040	2,776
Lease Enhancement	0	0
Title & Recording	0	0
Appraisal	5,000	51
Legal/Accounting	85,000	867
Permits/Fees	55,000	561
Taxes/Insurance	25,000	255
Construction loan Interest	309,173	3,173
Construction loan Fees	28,875	907
Permanent loan Fee (1.5%)	85,266	878
Marketing / Management	15,000	153
Letter of Credit	0	0
Pre-Construction Expenses	150,000	1,531
Clerk of Works	20,000	204
Working Capital(40% of DS	214,651	2,194
Syndication Exp(10% of Eq	53,817	0
Oper Def	253,614	2,612
Soft Cost Contingency	36,394	371
Developer's Fee	8,01%	5,582
	547,000	
TOTAL DEVELOPMENT COSTS	6,832,369	69,718



HARDSCRABBLE FARMS																
=====																
Year	PRO FORMA				12-Nov-91				PRO FORMA							
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
Residential Rent	713,028	734,419	756,451	779,145	802,519	826,595	851,393	876,935	903,243	930,340	958,250	986,998	1,016,607	1,047,106	1,078,519	
Less Res Vacancy	(28,521)	(29,377)	(30,258)	(31,166)	(32,101)	(33,064)	(34,056)	(35,077)	(36,130)	(37,214)	(38,330)	(39,480)	(40,664)	(41,884)	(43,141)	
Plus Other Income	7,900	8,137	8,381	8,633	8,892	9,158	9,433	9,716	10,007	10,308	10,617	10,935	11,264	11,601	11,949	
-----																
Total Actual Income	692,407	713,179	734,574	756,612	779,310	802,689	826,770	851,573	877,120	903,434	930,537	958,453	987,207	1,016,823	1,047,328	
Less Operating Exp.	230,795	240,027	249,628	259,613	269,998	280,797	292,029	303,710	315,859	328,493	341,633	355,298	369,510	384,291	399,662	
Less Prop Lease	0	0	0	0	0	12,801	13,313	13,846	14,399	14,975	15,574	16,197	16,845	17,519	18,220	
-----																
Net Operating Income	461,612	473,152	484,947	496,999	509,313	509,091	521,428	534,017	546,862	559,965	573,330	586,957	600,851	615,013	629,445	
Less 1st Mort DS	536,627	536,627	536,627	536,627	536,627	536,627	536,627	536,627	536,627	536,627	536,627	536,627	536,627	536,627	536,627	
Less Hebert DS	0	0	0	0	0	0	0	0	0	0	10,493	10,493	10,493	10,493	10,493	
-----																
Cash Flow	(75,016)	(63,475)	(51,681)	(39,629)	(27,315)	(27,537)	(15,200)	(2,610)	10,235	23,338	26,209	39,837	53,731	67,893	82,325	
Oper Subsidy	75,016	63,475	51,681	39,629	27,315	27,537	15,200	2,610	0	0	0	0	0	0	0	
-----																
Net Cash	0	0	0	0	0	0	0	0	10,235	23,338	26,209	39,837	53,731	67,893	82,325	
-----																
DCR (before subsidy)	86.02%	88.17%	90.37%	92.62%	94.91%	94.87%	97.17%	99.51%	101.91%	104.35%	104.79%	107.28%	109.82%	112.41%	115.05%	
DCR (after subsidy)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	101.91%	104.35%	104.79%	107.28%	109.82%	112.41%	115.05%	
Credit Enhanc	26,831	26,831	26,831	26,831	26,831	26,831	26,831	26,831	16,597	3,493	1,147	0	0	0	0	
DCR (with cr enhance)	105.00%	105.00%	105.00%	105.00%	105.00%	105.00%	105.00%	105.00%	105.00%	105.00%	105.00%	107.28%	109.82%	112.41%	115.05%	

INCOME

RENTS

Restricted Units (See assumptions below)

Bedrooms	Type	Sq. Feet	Number	Rent	Utilities Annual	Total Annual Rent
1 Br		0	29	466	70	162,168
1 Br	Handicap	0	0	0	70	0
1 Br	Project Base	0	20	690	70	165,600
Totals		0	49	1,156		327,768

Market Rate Units

Bedrooms	Type	Sq. Feet	Number	Rent	Utilities Annual	Total Annual Rent
1 Br	Flat	0	0	0	70	0
1 Br	Flat	0	39	645	70	301,860
1 Br	HC Flat	0	0	0	70	0
1 Br	Flat	0	0	0	70	0
2 Br	Flat	0	10	695	92	83,400
Totals		0	49	1,340		385,260

EXPENSE BUDGET

	Per Unit Per Month	
Administratn	61,744	53
Management Fe	10,000	9
Utilities	60,000	51
Maintenance	45,000	38
Taxes	24,500	21
Insurance	6,989	6
Reserves	22,562	19
Property Leas	0	0
Total	230,795	196
		20,535

All Units

Grand Totals	0	98	2,496	713,028
Less Vacancy		4.00%		(28,521)

NET RENT

684,507

OTHER INCOME

Laundry 3,900  
Parking 0  
Interest Income 4,000  
Total Other Income 7,900

TOTAL INCOME

692,407

RESOLUTION PERTAINING TO LETTER OF INTEREST RE:  
HARDSCRABBLE FARMS (WILLISTON) DEVELOPMENT

WHEREAS, a proposal has been presented to the Agency by the Winooski Housing Authority and a group including Allen Hebert, the development manager, and Ray Pecor, a local businessman, involving the construction of a 98 unit elderly apartment development in Williston (the "Development"); and

WHEREAS, the Development will be located on leased land, which ground lease will be subordinate to the Agency's mortgage;

WHEREAS, the proposal contemplates that the Development will constitute "residential rental housing" within the meaning of section 142(d) of the Internal Revenue Code of 1986; and

WHEREAS, a to-be-formed limited partnership with either the Winooski Housing Authority or a subsidiary as the general partner 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;

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 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 housing for persons and families of low and moderate income.
5. The sponsor is a financially responsible organization.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a letter of interest (the "Letter of Interest") to provide a first mortgage for construction and

permanent loans, in an amount to be determined by the Executive Director, but not to exceed \$6,000,000, for the Hardscrabble Farms Apartments Development. The Letter of Interest shall be issued to Winooski Housing Authority and Allen Hebert as a representative of the development team. Further Agency action will be conditioned upon receipt of a satisfactory market study and adequate evidence of intent to subordinate the ground lease to the Agency's mortgage,

2. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds from the issuance of new bonds or notes of the Agency and the satisfactory completion of such further requirements as the Agency may establish. The letter of interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, construction financing, or for other purposes with the consent of the Agency.
3. The Executive Director is authorized to make preliminary arrangements for the issuance and private placement or sale of tax-exempt or federally taxable bonds of the Agency to provide proceeds for financing this loan.



VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Margaret A. Pond, Director of Development  
Mark Koppelkam, Multi-Family Development Underwriter

DATE: December 5, 1991

RE: STARKSBORO: HILLSIDE MANOR MOBILE HOME PARK  
REQUEST FOR LETTER OF INTEREST

PROJECT SUMMARY

Staff recommends VHFA Board approval of a Letter of Interest for permanent financing for the Hillside Manor Mobile Home Park in Starksboro. Hillside is a 29 unit park. The purchase price being proposed is \$314,000, or \$10,828/lot. The total development cost is \$517,000 (\$17,828 per lot). The sponsor is the Addison County Community Trust (ACCT).

THE PROJECT

1. Financing

Sources:

VHFA	\$257,000
VHCB loan	100,000
VHCB grant	50,000
CD	<u>110,000</u>
Total	<u>\$517,000</u>

TDC \$17,828/lot

Uses:

Acquisition	\$314,000
Infrastructure Rehab	119,000
Finance & Closing	9,000
Legal & Title	5,000
Replacement Reserve	11,500
Working Capital	11,868
Appraisal	1,500
Clerk of Works	15,000
Contingency	6,632
Development Fee	<u>30,000</u>
Total Development Costs	<u>\$517,000</u>

The VHFA loan as proposed is structured with a fixed interest rate of 10.75% amortized over 25 years, but with a 20 year term.

The sponsor is requesting a \$100,000 low interest deferred payment loan and \$50,000 grant from the Vermont Housing and Conservation Board (VHCB), and a \$110,000 grant from the Community Development (CD) Program (\$100,000 for acquisition of the park and \$10,000 to contract with the Trust to administer the grant). The VHCB will consider the request at their January Board meeting. The CD program will consider the request in January.

## 2. Appraisal & Loan To Project Value

An appraisal was done at the request of the sponsor in July 1991 by Stephen D. Allen, who estimated the value of the Park to be \$340,000 or \$11,724/lot. The appraisal uses only a comparative approach--no income capitalization method or replacement cost methods are used. The signed purchase agreement calls for an acquisition price of \$314,000.

VHFA's multi-family rules state that the VHFA loan will be limited to no more than 95% of the total housing costs or security value of the project, which ever is less. As proposed VHFA's loan equals 75.6% of the appraised value, and 49.7% of the total development costs.

The park was acquired by the present owner in 1987 for \$216,000.

## 3. Lot Rent/Market Demand/Income Mix

The current rent is \$175/month with a \$15 discount for prompt payment. The proposed rents are \$180/month. This level would equal the rent at ACCT's other mobile home parks--Lazy Brook MHP and Otter Creek MHP.

Addison County has been relatively fast growing, adding 12.1% to its population from 1980 to 1990. The county is in the Burlington commuting radius, and the park could be expected to serve a low income population in that regional marketplace.

Mobile home park vacancy rates statewide are reported at 1%. There are no current vacancies at Hillside. The historical vacancy rate and turnover rate are not known at this time. The financial projections use a 3% vacancy rate.

The income mix of the tenants surveyed to date:

<u>Income Category</u>	<u># of Households</u>	<u>% of Total Responses</u>
Below 50% of median	5	17%
Between 50% and 80% of median	11	38%
Between 80% and 100% of median	9	31%
Non Respondents	4	14%
	29	100%

4. Location/Site

Hillside Manor Mobile Home Park is situated on 21 acres on Big Hollow Road and Ruby Brace Road in Starksboro. Both Big Hollow Road and Ruby Brace road are town gravel roads. The overall setting is part wooded and part meadow, with a brook running around and through the park. The main park entrance road is moderately sloping and needs winter sanding. There are steep drops to the brook.

A large part of the parcel is currently vacant and appears to have further housing development potential. The sponsor has no plans at present for this adjoining land. The site is one quarter mile down the road from Lazy Brook mobile home park, which the sponsor plans to acquire in January 1992.

The Hillside Manor mobile park is, in the words of the appraiser, "fair to average in terms of it's aesthetic character and level of maintenance." About half of the homes are arranged parallel to the park roads while the others are perpendicular (see attached site map). Each home has a small yard area, and lot maintenance and landscaping is the responsibility of the individual residents.

5. Sponsors/Parties

ACCT was established in 1989 and has an approved 501(c)(3) designation. ACCT has completed six family homes under the land trust model, manages three Community Development Block Grant contracts for the Town of Middlebury, and operates a Homeshare program. ACCT sponsored the recently acquired Otter Creek (formerly Town & Country) mobile home park in Vergennes that VHFA financed. They are also scheduled to close in January 1992 on Lazy Brook mobile home park in Starksboro.

ACCT has limited housing development and housing management experience. They have recently hired Kevin Cosgrove, who was a rehabilitation specialist with Lake Champlain Housing Development Corporation and Scott Atherton as a full-time business manager to improve their capacity. ACCT's experience with Otter Creek and Lazy Brook mobile home parks will be helpful.

Management responsibilities are proposed to be split with a resident association. ACCT may consider turning ownership over to a resident cooperative in the future. A complete management plan and a five year improvement plan, specific to Hillside, will be a condition of closing.

6. Timetable

The Purchase and Sales Contract was signed on August 30, 1991, and calls for a March 1, 1992 closing. If the Letter of Interest Resolution is approved, VHFA staff would plan on bringing a commitment letter resolution to the Board at the January Board meeting.

7. Infrastructure

The park is serviced by a private well and individual septic systems. The appraiser states, "It is assumed that the water system, including the well, and distribution network are functionally adequate and safe to continue serving park residents basic needs." The appraisal assumed that the existing electrical system is substandard, and that repairs are needed to the septic and water systems. An engineering assessment of the park is in progress and is expected shortly.

The existing water supply system was installed in 1968. A 1989 inspection by the Vermont Department of Health found numerous major deficiencies with the water system. The cited deficiencies included inadequate chlorination, storage capacity and water pressure, and a comment that the source is too close to the stream. The park roads are gravel and are in adequate condition. None of the units are on a concrete slab, and none is proposed. New slab installation costs about \$2,000 per unit.

8. Environmental Assessment

A Phase I environmental assessment of the site has not yet been done, but shall be performed prior to acquisition as a condition of financing. No problems are expected as the park has been in use some 30 years.

## DISCUSSION

9. Strengths and Weaknesses

The primary strengths of this project include:

- a. The general location of the park is attractive, though it is strongly rural and fairly distant from stores and shops.
- b. The sponsor appears eager to take on a second (Lazy Brook) and third (Hillside) mobile home park. This will presumably provide some management efficiencies and economies of scale. The sponsor has hired a good management team that will hopefully excel at the mobile home park trade.
- c. Vacant land attached to the park may offer additional housing opportunities.



The potential weaknesses of this project include:

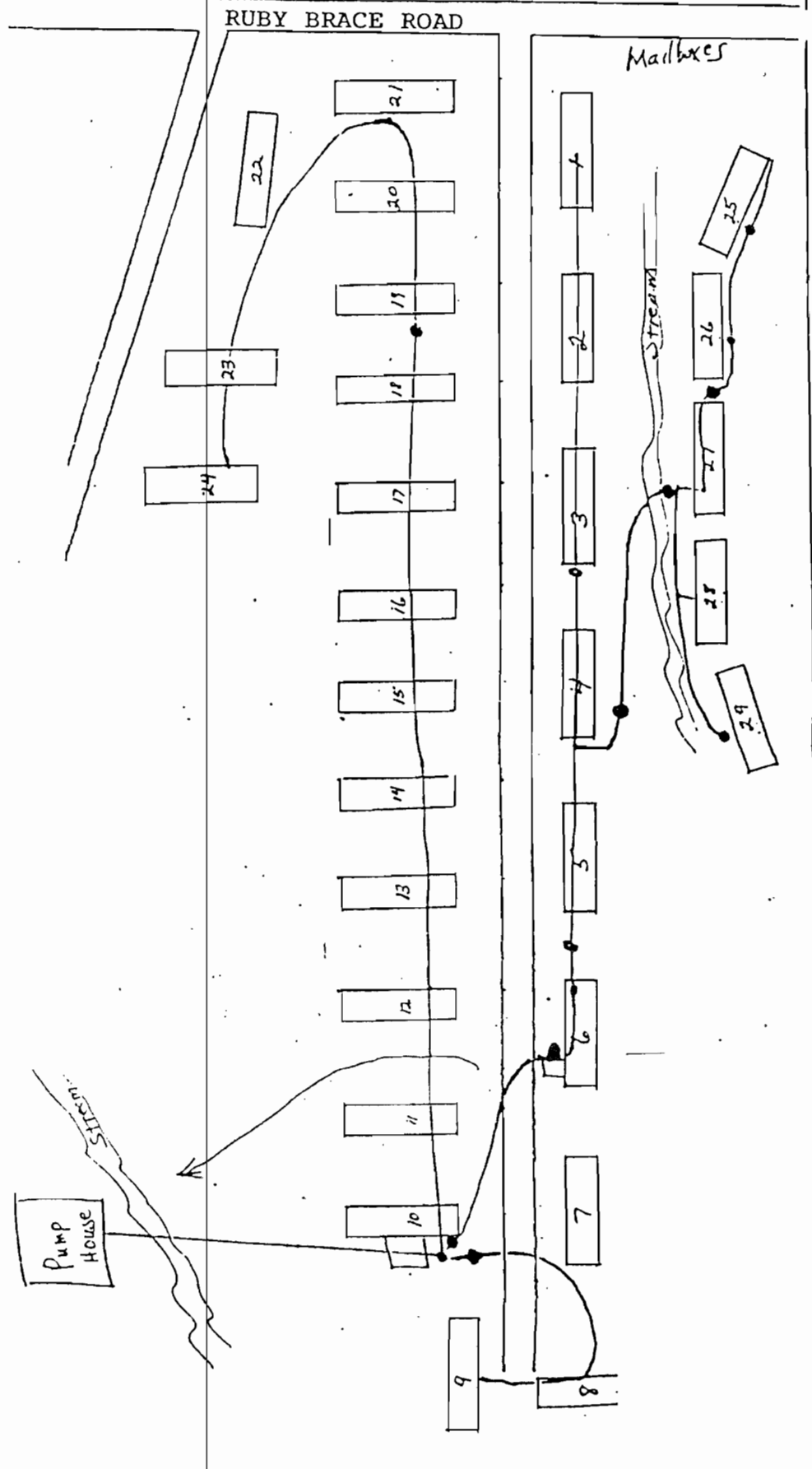
- a. There is only "soft equity" from VHCB and CDBG (both proposed) in the project, and the sponsor has little net worth. The VHFA portion of the total sources of financing is 49.7%.
- b. The preliminary engineering analysis has not yet been completed, and is clearly critical to evaluating the feasibility.
- c. There appear to be some potential water source quality problems. Solving those and securing the necessary approvals from the Department of Health may prove to be a lengthy and costly process.

#### **RECOMMENDED ACTION**

Staff recommends approval of Resolution Pertaining to Letter of Interest for the Hillside Manor Mobile Home Park. Further Agency consideration of the financing approval (i.e., bringing a Commitment Letter resolution to the VHFA Board) will be, at a minimum, contingent upon receipt of satisfactory engineering and Phase I environmental assessments.

HILLSIDE MANOR MOBILE HOME PARK  
STARKSBORO

PROPERTY SKETCH



Hillside Manor MHP  
Starksboro

VHFA Financial Projections

C:\QUATTRO\MHP\HILLSID  
12/4/91

SOURCES AND USES OF FINANCING

Permanent Financing		Rate	Term	Ann D/S
VHFA 1st Mortgage	\$257,000	49.71%	10.75%	25
CD	\$110,000	21.28%	N/A	
VHCB-grant	\$50,000	9.67%	N/A	
		0.00%		
VHCB loan	\$100,000	19.34%	3.00%	30
Total Permanent Financing	517,000	100.00%		
Per Unit	17,828			

Total Development Budget

Property Acquisition	314,000	\$10,828	/lot
Infrastructure Repair			
Electrical	17,000		
Road	2,000		
Septic/Water	100,000		
Rehab subtotal	119,000		
Contingency	5.57%	6,632	
Appraisal		1,500	
Legal and Title Fees		5,000	
VHFA Finance Fees (1%)		2,570	
VHFA Transaction Costs		2,500	
Other Closing/Misc		3,930	2,570
Working capital	(11,868)	11,868	
Clerk of Works		15,000	
Co-op Organizing		5,000	
Development fee	5.80%	30,000	

Total Development Costs                   \$517,000  
=====

ASSUMPTIONS

Oper cost/lot/month	
Income Increase	3.00%
Expense Increase	4.00%
Replace. Reserve	4.00%

Rents*	Yr 1	
	Units	Rents Ann Rents
# Mobile Homes	29	\$180 \$62,640

## PROJECT OPERATING PRO FORMA

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Gross Annual Income	62,640	64,519	66,455	68,448	70,502	72,617	74,795	77,039	79,350	81,731
Less Vacancy Allowance:	3%	1,879	1,936	1,994	2,053	2,115	2,179	2,244	2,311	2,381
Other Income	0	0	0	0	0	0	0	0	0	0
Adjusted Gross Income	60,761	62,584	64,461	66,395	68,387	70,438	72,552	74,728	76,970	79,279
Management	192	5,568	5,791	6,022	6,263	6,514	6,774	7,045	7,327	7,620
Audit/Legal	103	3,000	3,120	3,245	3,375	3,510	3,650	3,796	3,948	4,106
Utilities & water	141	4,079	4,242	4,412	4,588	4,772	4,963	5,161	5,368	5,582
Trash (included above)	0									
Maintenance--total	103	3,000	3,120	3,245	3,375	3,510	3,650	3,796	3,948	4,106
Real Estate Taxes	96	2,792	2,904	3,020	3,141	3,266	3,397	3,533	3,674	3,821
Insurance	62	1,800	1,872	1,947	2,025	2,106	2,190	2,278	2,369	2,463
Replacement Reserve	86	2,500	2,600	2,704	2,812	2,925	3,042	3,163	3,290	3,421
Other: Snow Plowing	52	1,500	1,560	1,622	1,687	1,755	1,825	1,898	1,974	2,053
Total Expenses	836	24,239	25,209	26,217	27,266	28,356	29,490	30,670	31,897	33,173
Net Operating Income	36,522	37,375	38,244	39,129	40,031	40,948	41,882	42,831	43,797	44,779
Debt Service: Primary	(29,671)	(29,671)	(29,671)	(29,671)	(29,671)	(29,671)	(29,671)	(29,671)	(29,671)	(29,671)
Debt Service: CDOP	0	0	0	0	0	0	0	0	0	0
Debt Service: HCTB	(5,059)	(5,059)	(5,059)	(5,059)	(5,059)	(5,059)	(5,059)	(5,059)	(5,059)	(5,059)
Cash Flow	1,792	2,645	3,514	4,399	5,300	6,218	7,151	8,101	9,067	10,049
Debt Coverage Ratio	1.05	1.08	1.10	1.13	1.15	1.18	1.21	1.23	1.26	1.29
Op Exp/Lot/Month	\$70	\$72	\$75	\$78	\$81	\$85	\$88	\$92	\$95	\$99
Monthly Lot rent	\$180	\$185	\$191	\$197	\$203	\$209	\$215	\$221	\$228	\$235

## C:\DATA\QUATTRO\MIP\MIPCOMP.WKQ

	Sandy Pines	Tril-Park	Mountain View	Hunters	Riverside	French Hill	Tom & Count	Fernwood	Projected	Projected	Projected	Projected
	E. Mcltr	Brattloboro	Hinesburg	Grand Isle	Woodstock	Milliston	Verennes	Bolton	Coburn	Lazy Brook	Windmere	Hillside
Year Acquired	1990	1986	1989	1989	1989	1990	1991	1991	1991	1991	1992	1992
Property Acquisitl	\$980,000	\$3,750,000	\$820,000	\$360,000	\$325,000	\$144,000	\$1,300,000	\$1,425,000	\$300,000	\$625,000	\$1,400,000	\$314,000
Dvlpmt Costs	\$36,300	\$0	\$50,000	\$94,000	\$27,634	\$22,500	\$84,625	\$58,250	\$370,317	\$248,000	\$233,162	\$203,000
Total Development	\$1,016,300	\$3,750,000	\$870,000	\$454,000	\$352,634	\$166,500	\$1,384,625	\$1,483,250	\$670,317	\$873,000	\$1,633,162	\$517,000
VHFA Financing	N/A	N/A	N/A	N/A	N/A	122,000	1,068,625	1,203,250	264,727	521,000	1,263,162	257,000
% of VHFA to Total						73.27%	77.18%	81.12%	39.49%	59.68%	77.34%	49.71%
#lots	56	330	52	24	40	9	73	78	46	52	85	29
Property Acq Cost/L	\$17,500	\$11,364	\$15,769	\$15,000	\$8,125	\$16,000	\$17,808	\$18,269	\$6,522	\$12,019	\$16,471	\$10,828
Dvlpmt Cost/lot	\$648	\$0	\$962	\$3,917	\$691	\$2,500	\$1,159	\$747	\$8,050	\$4,769	\$2,743	\$7,000
Total Cost/lot	\$18,148	\$11,364	\$16,731	\$18,917	\$8,816	\$18,500	\$18,967	\$19,016	\$14,572	\$16,788	\$19,214	\$17,828

MOBILE HOME PARK COMPARISONS  
OPERATING EXPENSE DETAIL PER LOT - ANNUAL

Park Name	Sandy Pines Trl-Park E. Mclpir	Brentleboro Mineburg	Mountain View Hunters	Riverside Woodstock	French Hill Town & Count Williston Vergennes	Farmwood Bolton	Proposed Coburns Clarendon	Proposed Lazy Brook Starksboro	Proposed Windmere Colchester	Proposed Hillside Starksboro
Number of Lots	56	330	52	24	9	78	46	52	85	29
Avg Rent	200	160	190	125	195	180	175	180	210	180
Gross Annual Income	134,400	99,840	54,720	60,000	21,060	157,680	182,520	96,600	112,320	62,640

## Per Lot Expenses - Annual

	180	217	275	218	100	144	210	226	192	210	192
Management***	180	217	275	218	100	144	210	226	192	210	192
Audit & Legal	27	29	63	38	22	27	19	33	38	18	103
Trash	111	0	0	100	78	67	0	0	0	0	0
Utilities	170	125	129	115	94	94	135	296	168	241	141
Maintenance	21	61	104	30	89	41	32	130	58	88	103
Taxes	214	115	149	120	187	79	91	174	67	141	96
Insurance	15	69	31	53	169	30	19	33	35	16	62
Misc	64	0	0	0	0	0	0	209	0	0	0
Show	64	29	42	120	42	21	13	43	29	0	52
Replacement Reserv	71	96	83	100	62	64	70	65	66	76	86

TOTAL	938	741	876	893	843	568	589	1208	653	769	836
OPER EXP/GROSS INC	39.09%	38.59%	38.44%	59.50%	36.04%	26.30%	25.16%	57.54%	30.25%	31.33%	38.70
ADJUSTED RATIO*	28.61%	22.29%	22.72%	38.33%	29.10%	16.66%	13.22%	43.69%	18.29%	20.01%	25.82
PREVIOUS OWNER ADJ	24.00%	22.00%				16.00%					

- \* (Operating Expense - Replacement Reserve - Management)/Gross Income  
The adjusted ratio is to enable better comparison with private sector data from appraisals.
- \*\* Data from Keller Navin Cable & O'Brien appraisal for Ferwood using 1989 expenses supplied by owners.
- \*\*\* Note: Riverside, Hunters and Mountain View management costs include resident manager.

**RESOLUTION PERTAINING TO  
LETTER OF INTEREST RE:  
HILLSIDE MOBILE HOME PARK**

WHEREAS, a proposal has been presented to the Agency by the Addison County Community Trust (ACCT), a non-profit corporation, involving the acquisition of Hillside Mobile Home Park ("Hillside"), a 29 unit mobile home park in Starksboro; and

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

WHEREAS, the Sponsor has applied for a Housing and Conservation Board loan of \$100,000 and a grant of \$50,000 for Hillside; and

WHEREAS, the Sponsor has applied for a \$110,000 deferred payment loan from the Community Development Block Grant program; and

WHEREAS, the Agency has available to it a commitment from the State's pension funds to purchase taxable bonds issued by the Agency, the proceeds of which can be used to make a mortgage loan to ACCT for the acquisition of Hillside; and

WHEREAS, the Agency has determined that the Development will assist in fulfilling the purposes of the Act and is financially feasible;

It is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income.
2. The costs of acquisition to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.
3. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and moderate income are able to afford within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of the residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families.
4. The housing sponsor undertaking the Development will maintain the supply of well-planned, well-designed permanent housing for persons and families of low and moderate income.
5. The sponsor is a financially responsible organization.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, upon receipt of a satisfactory engineering report, to issue a letter of interest (the "Letter of Interest") to provide a first mortgage for permanent financing in an amount to be determined by the Executive Director, but not to exceed \$275,000, for the Hillside Mobile Home Park.
2. The Letter of Interest shall be issued to the Addison County Community Trust as the housing sponsor. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds from the issuance of new bonds or notes of the Agency and the satisfactory completion of such further requirements as the Agency may establish. The letter of interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, construction financing, or for other purposes with the consent of the Agency.
3. The Executive Director is authorized to make preliminary arrangements for the issuance and private placement of federally taxable bonds of the Agency to provide proceeds for financing this loan.



VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Margaret A. Pond, Director of Development  
Mark Koppelkam, Multi-Family Development Underwriter

DATE: December 6, 1991

RE: COLCHESTER: WINDEMERE MOBILE HOME PARK  
REQUEST FOR LETTER OF INTEREST

PROJECT SUMMARY

The Housing Foundation Inc. is requesting a loan of up to \$1,300,000 to acquire and renovate Windemere, an 85 unit park in Colchester. The purchase price being proposed is \$1,400,000, or \$16,470 per unit. The development budget includes \$170,000 for electrical codework, water, sewer, road and stormwater basin repairs. The total development cost at present is \$1,633,162, or \$19,240/lot, which would make this the most expensive park acquired to date. Lot rents were raised in September 1991 to \$210 per month, which would be also the highest of all the parks VHFA has financed to date.

THE PROJECT

1. Financing

Sources:

VHFA	\$1,263,162
VHCB loan	345,000
VHCB grant	<u>25,000</u>
Total	<u>\$1,633,162</u>

TDC \$19,214/lot

Uses:

Acquisition	\$1,400,000
Rehab Work	170,000
Finance & Closing	14,635
Legal & Title	5,000
Engineering	3,500
Co-op Contract	15,000
Working Capital	13,527
Appraisal	1,500
Development fee	<u>10,000</u>
Total Development Costs	<u>\$1,633,162</u>



The VHFA loan as proposed is structured with a stepped interest rate, starting at 9.75% and increasing .75% every five years to a final interest rate of 12.0%. The stepped rate structure yields approximately 10.75% over the term of the loan. The loan is for 20 years but is amortized over 25 years; approximately \$570,000 will need to be refinanced at the end of year 20. Assuming a refinancing at that time using a 12% rate over 15 years, the debt service on the remaining balance would be significantly less (approximately 60%) than the VHFA debt service paid up to that time.

The sponsor is requesting a 3% interest deferred payment \$345,000 loan and \$25,000 grant (\$10,000 to cover acquisition cost and \$15,000 for development of a limited equity cooperative) from the Vermont Housing and Conservation Board (VHCB). The VHCB Board will be considering this request at its December 9th meeting. VHCB staff is recommending a loan amount of \$260,000 and a grant amount of \$25,000. We would propose limiting VHCB debt service payments so that the debt coverage ratio (for all debt) does not drop below 1.05.

The projections assume 4% annual increases in income, and 5% annual increases in expenses. The amount of working capital shown in the development budget also needs to be increased, but can be met with a Letter of Credit if needed.

## 2. Appraisal and Loan to Project Value

An appraisal was done at the request of the sponsor in May 1991 by Richard P. Navin, who estimated the value of the park to be \$1,400,000 or \$16,471/lot. The appraiser did not account in any way for numerous infrastructure deficiencies (see section on infrastructure below). In fact, he compares it equally with a premier quality park VHFA financed last year--Town & Country in Vergennes, which had zero utility problems.

In August 1991, the sponsor requested that Richard P. Navin perform an update income capitalization analysis of Windemere to reflect the September 1991 rental increase (from \$190 to \$210) and some changes in the expense data. Based on the income capitalization analysis, that value increased by \$85,000, for a new total of \$1,485,000 (\$17,471/lot). The appraiser did not address an overall new value (combining the income capitalization method with the comparative method), but says that a recent sale of a park in Colchester "lends general support to the value estimation as per the income capitalization approach." This appraisal update did not address the infrastructure deficiencies either.

Two of the four comparables used in the appraisal were nonprofit purchases of two premier quality (though not urban) parks financed by VHFA (Fernwood in Bolton and Town & Country in Vergennes). Since we have current data on both these parks, we can see that the appraisal report uses old operating expense data (from the former owners), and thus skews the cap rate. Using the same capitalization rate (11%) used by the appraiser and

correcting for the operating expense data, our analysis of acquisition value is \$1,317,775 or \$15,503/lot.

According to the sponsor, an appraisal by Frank Bredice was done for the seller, Martin Lavin, established a value of \$1,625,000.

The purchase agreement calls for an acquisition price of \$1,400,000. VHFA's multi-family rules state that the VHFA loan will be limited to no more than 95% of the total housing costs or security value of the project, whichever is less. Based on our analysis of value (maximum of \$1,317,775), the current request for a VHFA loan of \$1,263,162 exceeds our loan to value threshold of 85% on mobile home parks. A reduction in the acquisition price and possible seller financing would reduce the risk and we will be working with HFI over the next week to determine if this is a possibility. For this memo, we have not amended HFI's original proforma, because of the uncertainties related to the situation. We anticipate that we will be distributing an amended Sources and Uses and Cash Flow at the Board meeting.

According to the May 1991 appraisal, a partnership (of which Mr. Lavin was a partner), purchased the property in 1986 for \$595,000. Since that time, the property has changed hands twice, and now Mr. Lavin is the sole owner. Thus, the property has supposedly increased in value 130% over six years, a 21% annual return before capital gains taxes are paid.

### 3. Lot Rent/Market Demand/Income Mix

The current rent is \$210/month and is proposed not to change.

Mobile home park vacancy rates statewide are reported at 1%, and that is the vacancy rate VHFA has assumed in all of its mobile home park financings. There are no current vacancies at Windemere. The historical vacancy rate and turnover rate are not known at this time. The financial projections use a 1% vacancy rate. The park currently has 8-10 homes being advertised for sale. The sponsors attribute this to typical level of turnover, with some influence from the current recession.

The income mix of the tenants surveyed to date (76 of 85) is as follows:

<u>Income Category</u>	<u># of Households</u>	<u>% of Total</u>
Below 50% of median	25	29%
Between 50% to 80% of median	29	34%
Between 80% to 100% of median	15	18%
Greater than 100% of median	7	8%
Non Respondents	<u>9</u>	<u>11%</u>
Totals	85	100%

#### 4. Location/Site

Windemere Mobile Home Park is situated on a level area of 6.5 acres on Johnson Ave in Colchester. Windemere is located close to urban services and on a bus line. The property is slightly irregular in shape, and is bordered on two sides by Camp Johnson, one side by residential condominiums, and fronts the street on the final side. The park roads are paved, but the mobile home parking areas are primarily gravel. None of the homes has concrete pads.

#### 5. Sponsors/Parties

Housing Foundation, Inc. (HFI) is a nonprofit corporation associated with the Vermont State Housing Authority. HFI was created to purchase and preserve affordable housing. HFI has purchased seven mobile home parks to date (in Bolton, East Montpelier, Grand Isle, Springfield, Woodstock, Hinesburg and Brattleboro), and is hoping to close on another in January (Coburn in Clarendon).

HFI has been and will continue to work with Champlain Valley Office of Economic Opportunity during the acquisition and renovation. HFI will assume all management responsibilities (via the Vermont State Housing Authority), while Champlain Valley Office of Economic Opportunity will do cooperative organizing with the goal of eventual resident acquisition of the park.

#### 6. Timetable

The purchase and sale agreement was signed on August 28, 1991, and calls for a January 2, 1992, closing. If the Letter of Interest is approved, VHFA staff would plan on bringing a commitment letter resolution to the Board at the January 1992 Board meeting.

#### 7. Infrastructure

The park was developed over 30 years ago as a mobile home park. Over the years, certain portions of the infrastructure have become seriously deficient. Engineers Construction, Inc. (ECI) inspected the park in June 1991 and cites numerous deficiencies in a summary report. ECI identified serious problems in the electrical system (which likely needs to be completely replaced), sewers and storm drainage system ("minimal" at present). The sewer system can not fully be accessed as there are no existing manholes or cleanout points-- these will have to be installed as part of the renovation work. The storm basin in one area "belch(es) sewage" during heavy storms, and the observed sewer lines are half the thickness of normal sewer pipe ("leachfield grade"). ECI's cost estimate is \$2,000 per unit (\$170,000, which equals the proposed renovation budget), but noted that "For a margin I would use \$3,000 per unit." That recommendation would yield a budget of \$255,000.

At HFI's request a state inspector with Labor and Industry did an "off-the-record" inspection. He concentrated on the electrical system, and agreed that full replacement is necessary. The appraisal report notes that a storm drainage system was "reportedly" installed in 1984. Clearly it was not done very well.

8. Environmental Assessment

An environmental assessment of the park has not yet been completed. A Phase I assessment will be performed prior to a Letter of Commitment being issued.

**DISCUSSION**

9. Strengths and Weaknesses

The primary strengths of this project include:

- a. The general location of the park is attractive. It has numerous large older growth trees and is in a generally quiet location. It is located on the bus line and is close to shop and stores. This is the most urban mobile home park that VHFA has considered.
- b. The seller owns at least four large parks throughout the state. The sponsor is working with the seller to put together a package deal to purchase one park a year in an effort to preserve affordable housing for low- to moderate-income buyers.
- c. The park has gained support from the residents of the park as well as the town. The residents of the park are organized in a tenant's association and have legislative support. The VHCB application indicated that the town manager, David Timmons, has been concerned with the care and management of the property.
- d. The sponsor clearly has housing management experience, and currently owns seven mobile home parks. However, these are all fairly recent acquisitions, and all are in very different parts of the state. Fair evaluation of HFI (and VSHA's) mobile home park management capacity will take some time.

The potential weaknesses of this project include:

- a. The density of the park is very high (13.08 units per acre) and would not meet current zoning requirements.

- b. Though more in-depth costing of the renovation work can be done, the bottom line is that there will be numerous unknowns until a lot of digging is done. The engineer's "margin recommendation" is \$85,000 above the projected renovation cost, indicating both uncertainty and high costs relating to that uncertainty.
- c. Based on our analysis of the May 1991 appraisal, the known infrastructure problems and the risk of assuming unknown infrastructure problems, it is our opinion that the acquisition price should be reduced. More information about the infrastructure situation should be available in the next two weeks.

#### 10. Policy Issues

Mobile home park appraisals are using data that discount professional management and replacement reserve accounts. Not surprisingly we are seeing many parks with seriously failing infrastructure, water supply systems that will not meet either current or the new 1993 standards, and discontent tenants. State code enforcement efforts are not adequately addressing the problems, and tenant advocates then call for nonprofit acquisition.

Nonprofit buyers could get hurt three ways by this problem--first, by having to pay relatively high acquisition costs; second, by having to scrape by for decades on very little cash flow (given a market rent ceiling and their own innate bias against raising lot rents); and third, by having to absorb the risk of doing infrastructure improvements to hidden systems regarding which there are rarely any written records, and which cannot be fully evaluated prior to purchase.

The continuing acquisition of these parks at fairly premium prices by nonprofits is starting to set the market pace. Worse, by having started with the premium quality parks (Vergennes and Bolton) without having set standards for what constitutes unacceptable density levels or quality of infrastructure for the lower quality parks, the proposed park acquisitions threaten to artificially inflate the overall mobile home park market. This may produce results that are contrary to one of the primary public purpose goals of keeping housing costs down.

#### **RECOMMENDED ACTION**

Staff recommends approval of the attached Resolution with Conditions Pertaining to Letter of Interest for the Windemere Mobile Home Park.

12/5/91

## SOURCES AND USES OF FINANCING

## Amortization

Permanent Financing	Rate	Term	Ann D/S	Comments
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VHFA 1st Mortgage*	\$1,263,162	77.34% Stepped	25	\$135,078 20 year term
VHCB-grant	\$25,000	1.53% N/A		
VHCB loan	\$345,000	21.12% 3.00%	30	19,813 Deferred payment
Lavin	\$0	0.00%		

Total Permanent Financing	\$1,633,162	100.00%		
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Per Unit	19,214
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Total Development Budget	
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Property Acquisition	1,400,000	\$16,471 /lot
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## Rehab Work

Electrical	65,400
Sewer Repairs	17,200
Storm Drainage Basins	10,200
Water Line	40,120
Repair Roadway & Paveme	10,700
Other	26,380

Rehab subtotal	170,000
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Contingency	0.00%
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Appraisal	1,500
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Engineering	3,500
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Legal and Title Fees	5,000
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Finance and Closing	14,635
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Working capital	(54,031) 13,527
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Co-op Contract	15,000
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Development fee	0.61% 10,000
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Total Development Costs	\$1,633,162
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## ASSUMPTIONS

Oper cost/lot/month	
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Income Increase	3.00%
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Expense Increase	5.00%
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Replace. Reserve	5.00%
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\* VHFA loan stepped every 5 years, starts at 9.75% - avg rate 10.75

VHCB loan - no payments for 2 yrs, accrued interest with partial payments

(limited by 1.05 DCR) for 10 yrs then amortized over 20 yrs. Accrual and amort. at 3%.

Rents*	Units	Yr 1 Rents	Ann Rents
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# Mobile Homes	85	\$210	\$214,200
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12/5/91

Windomere HHP  
PROJECT OPERATING PRO FORMA

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Gross Annual Income	214,200	220,626	227,245	234,062	241,084	248,317	255,766	263,439	271,342	279,482	287,867	296,503	305,398	314,560	321,997	333,717	343,728	356,040	364,661	375,601
Less Vacancy Allowance:	2,142	2,206	2,272	2,341	2,411	2,483	2,558	2,634	2,713	2,795	2,879	2,965	3,054	3,146	3,240	3,337	3,437	3,540	3,647	3,756
Other Income	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Adjusted Gross Income	212,058	218,420	224,972	231,722	238,673	245,833	253,208	260,805	268,629	276,688	284,988	293,538	302,344	311,414	320,757	330,379	340,293	350,500	361,015	371,845
Management & Res Manager	210	17,820	18,711	19,647	20,629	21,660	22,743	23,881	25,075	26,328	27,645	29,027	30,478	32,002	33,602	35,282	37,047	38,899	40,844	42,886
Audit/legal	18	1,500	1,575	1,654	1,736	1,823	1,914	2,010	2,111	2,216	2,327	2,443	2,566	2,694	2,828	2,970	3,118	3,274	3,438	3,610
Utilities & water	241	20,497	21,522	22,598	23,728	24,914	26,160	27,468	28,841	30,283	31,798	33,387	35,057	36,810	38,650	40,583	42,612	44,742	46,979	49,323
Maintenance--total	88	7,500	7,875	8,269	8,682	9,116	9,572	10,051	10,553	11,081	11,635	12,217	12,828	13,469	14,142	14,849	15,592	16,372	17,190	18,050
Real Estate Taxes	141	12,000	12,600	13,230	13,892	14,586	15,315	16,081	16,885	17,729	18,616	19,547	20,524	21,550	22,628	23,759	24,947	26,194	27,504	28,879
Insurance	16	1,360	1,428	1,499	1,574	1,653	1,736	1,823	1,914	2,009	2,110	2,215	2,326	2,442	2,564	2,693	2,827	2,969	3,117	3,273
Replacement Reserve	76	6,426	6,747	7,085	7,439	7,811	8,201	8,611	9,042	9,494	9,969	10,467	10,991	11,540	12,117	12,723	13,359	14,027	14,729	15,465
Total Expenses	789	67,103	70,458	73,981	77,680	81,564	85,642	89,924	94,421	99,142	104,099	109,304	114,769	120,507	126,533	132,859	139,502	146,477	153,801	161,491
Net Operating Income		144,955	147,962	150,991	154,041	157,109	160,191	163,284	166,386	169,487	172,589	175,685	178,769	181,837	184,882	187,887	190,877	193,813	196,698	199,523
Debt Service: VHA Primary Loan		(135,078)	(135,078)	(135,078)	(135,078)	(135,078)	(135,078)	(135,078)	(135,078)	(135,078)	(135,078)	(135,078)	(135,078)	(135,078)	(135,078)	(135,078)	(135,078)	(135,078)	(135,078)	(135,078)
Debt Service: VNCB		0	0	(8,723)	(11,628)	(14,550)	(17,488)	(20,448)	(23,428)	(26,428)	(29,448)	(32,488)	(35,548)	(38,628)	(41,728)	(44,848)	(47,988)	(51,148)	(54,328)	(57,528)
Cash Flow		9,877	12,883	7,190	7,335	7,481	7,628	7,775	7,923	8,071	8,219	8,367	8,515	8,663	8,811	8,959	9,107	9,255	9,403	9,551
Debt Coverage Ratio		1.07	1.10	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.01	1.03	1.05	1.07	1.08	1.08	1.06	1.09	1.11	1.12
Op Exp/Lot/Month		\$66	\$69	\$73	\$76	\$80	\$84	\$88	\$93	\$97	\$102	\$107	\$113	\$118	\$124	\$130	\$137	\$144	\$151	\$158
Monthly Lot Rent		\$210	\$216	\$223	\$229	\$236	\$243	\$251	\$258	\$266	\$274	\$282	\$291	\$299	\$308	\$318	\$327	\$337	\$347	\$358

11/21/91

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Year Acquired	1990	1986	1989	1989	1989	1990	1991	1991	1991	1991	1991	1992	1992
Property Acquired	\$980,000	\$3,750,000	\$820,000	\$360,000	\$325,000	\$144,000	\$1,300,000	\$1,425,000	\$300,000	\$625,000	\$1,400,000	\$314,000	\$314,000
Devlpt Costs	\$36,300	\$0	\$30,000	\$94,000	\$27,634	\$22,500	\$84,625	\$58,250	\$370,317	\$248,000	\$233,162	\$203,000	\$203,000
Total Development	\$1,016,300	\$3,750,000	\$850,000	\$454,000	\$352,634	\$166,500	\$1,384,625	\$1,483,250	\$670,317	\$873,000	\$1,633,162	\$517,000	\$517,000
VHFA Financing	N/A	N/A	N/A	N/A	N/A	122,000	1,068,625	1,203,250	264,727	521,000	1,263,162	257,000	257,000
% of VHFA to Total						73.27X	77.18X	81.12X	39.49X	59.68X	77.34X	49.71X	49.71X
Plots	56	330	52	24	40	9	73	78	46	52	85	29	29
Property Acq Cost/L	\$17,500	\$11,364	\$15,769	\$15,000	\$8,125	\$16,000	\$17,808	\$18,269	\$6,522	\$12,019	\$16,471	\$10,828	\$10,828
Devlpt Cost/Lot	\$648	\$0	\$962	\$3,917	\$691	\$2,500	\$1,159	\$747	\$8,050	\$4,769	\$2,743	\$7,000	\$7,000
Total Cost/Lot	\$18,148	\$11,364	\$16,731	\$18,917	\$8,816	\$18,500	\$18,967	\$19,016	\$14,572	\$16,788	\$19,214	\$17,828	\$17,828

MOBILE HOME PARK COMPARISONS  
OPERATING EXPENSE DETAIL PER LOT - ANNUAL

Park Name	Sandy Pines Trl-Park	Mountain View	Hunters	Riverside	French Hill Town & Count	Farmwood	Proposed	Proposed	Proposed	Proposed	Proposed	Proposed	Proposed
	E. Muplr Brattleboro	Hinesburg	Grand Isle	Woodstock	Williston	Vergennes	Bolton	Coburns	Clarendon	Starkboro	Starkboro	Starkboro	Starkboro
Number of Lots	56	330	52	24	40	9	73	78	46	52	85	29	29
Avg Rent	200	153	160	190	125	195	180	195	175	180	210	180	180
Gross Annual Income	134,400		99,840	54,720	60,000	21,060	157,600	102,520	96,600	112,320	214,200	62,640	62,640
Per Lot Expenses - Annual													
Management***	180		217	275	218	100	144	210	226	192	210	192	192
Audit & Legal	27		29	63	38	22	27	19	33	38	18	103	103
Trash	111		0	0	100	78	67	0	0	0	0	0	0
Utilities	170		125	129	115	94	135	135	296	168	241	141	141
Maintenance	21		61	104	30	89	41	32	130	58	88	103	103
Taxes	214		115	149	120	187	79	91	174	67	141	96	96
Insurance	15		69	31	53	169	30	19	33	35	16	62	62
Misc	64		0	0	0	0	0	0	209	0	0	0	0
Snow	64		29	42	120	42	21	13	43	29	0	52	52
Replacement Reserv	71		96	83	100	62	64	70	65	66	76	86	86
TOTAL	938	741	876	893	843	843	568	589	1208	653	789	836	836
OPER EXP/GROSS INC	39.09X	38.59X	38.44X	59.50X	36.04X	26.30X	25.16X	57.54X	30.25X	31.33X	36.70X		
ADJUSTED RATIO*	28.61X	22.29X	22.72X	38.33X	29.10X	16.66X	13.22X	43.69X	18.29X	20.01X	25.82X		
PREVIOUS OTHER ADJ	24.00X	22.00X				16.00X							

Operating Expense - Replacement Reserve - Management/Gross Income  
The adjusted ratio is to enable better comparison with private sector data from the following sources: Miller, Raylin Cable & O'Brien appraisals for 1989 expenses supplied by owners.  
Note: Replacement Reserve, Hunters and Mountain View management costs include resident maintenance.



**RESOLUTION PERTAINING TO  
LETTER OF INTEREST RE:  
WINDEMERE MOBILE HOME PARK**

WHEREAS, a proposal has been presented to the Agency by the Housing Foundation, Inc., ("HFI"), a non-profit corporation, involving the acquisition of the Windemere Mobile Home Park ("Windemere"), a 85 unit mobile home park in Colchester; and

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

WHEREAS, the Sponsor has applied for a Housing and Conservation Board loan of \$345,000 and a grant of \$25,000 for Windemere; and

WHEREAS, the Agency has available to it a commitment from the State's pension funds to purchase taxable bonds issued by the Agency, the proceeds of which can be used to make a mortgage loan to HFI for the acquisition of Windemere; and

WHEREAS, the Agency has determined that the Development will assist in fulfilling the purposes of the Act and is financially feasible;

It is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income.
2. The costs of acquisition to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.
3. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and moderate income are able to afford within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of the residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families.
4. The housing sponsor undertaking the Development will maintain the supply of well-planned, well-designed permanent housing for persons and families of low and moderate income.
5. The sponsor is a financially responsible organization.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a letter of interest (the "Letter of Interest") to provide a first mortgage for permanent financing in an amount to be determined by the Executive Director, but not to exceed \$1,300,000, for the Windemere Mobile Home Park. Further Agency action will be conditioned upon receipt of a satisfactory engineering report and a reduction of the purchase price to no more than \$1,317,775.
2. The Letter of Interest shall be issued to the Housing Foundation, Inc. as the housing sponsor. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds from the issuance of new bonds or notes of the Agency and the satisfactory completion of such further requirements as the Agency may establish. The letter of interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, construction financing, or for other purposes with the consent of the Agency.
3. The Executive Director is authorized to make preliminary arrangements for the issuance and private placement of federally taxable bonds of the Agency to provide proceeds for financing this loan.

Winchester MHP  
Colchester

# VHFA Financial Projections

12/12/91 C:\QUATTRO\WINDMR2.WKQ

## SOURCES AND USES OF FINANCING

		Amortization				
Permanent Financing		Rate		Term	Ann D/S	Comments
<hr/>						
						Fixed Rate
VHFA 1st Mortgage*	\$1,190,000	76.43%	10.75%	25	\$137,387	20 year term balloon
VHCB-grant	\$25,000	1.61%	N/A			
VHCB loan	\$260,000	16.70%	3.00%	30	14,931	Deferred payment
Seller	\$81,900	5.26%	9.00%	25		

Total Permanent Financing \$1,556,900 100.00%

\$0

Per Unit 18,316

Total Development Budget

Property Acquisition 1,315,000 \$15,471 /lot

### Rehab Work

Electrical 65,400  
Sewer Repairs 17,200  
Storm Drainage Basins 10,200  
Water Line 40,120  
Repair Roadway & Pavement 10,700  
Other 26,380

Rehab subtotal 170,000

Contingency 5.00% 8,500

Appraisal 1,500

Engineering 3,500

Legal and Title Fees 5,000

VHFA Financing Fee (1%) 11,900

VHFA Transaction Costs 2,500

Closing 1,000

Working capital (13,739) 13,000

Co-op Contract 15,000

Development fee 0.64% 10,000

Total Development Costs \$1,556,900

### ASSUMPTIONS

Oper cost/lot/month

Income Increase 3.00%

Expense Increase 5.00%

Replace. Reserve 5.00%

VHCB loan - no payments for 5 yrs, accrued interest, then amortized over 24 years at 3%.

Rents*	Units	Yr 1	
		Rents	Ann Rents
# Mobile Homes	85	\$210	\$214,200

12/12/91

Windemere MHP  
PROJECT OPERATING PRO FORMA

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Gross Annual Income	214,200	220,626	227,245	234,062	241,004	248,317	255,766	263,439	271,342	279,482	287,867	296,503	305,398	314,560	323,997
Less Vacancy															
Allowance:	1%	2,142	2,206	2,272	2,341	2,411	2,483	2,558	2,634	2,713	2,879	2,965	3,054	3,146	3,240
Other Income	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Adjusted Gross Income	212,058	218,420	224,972	231,722	238,673	245,833	253,283	260,805	268,629	276,688	284,988	293,538	302,344	311,414	320,757
Management & Res Manager	210	17,820	18,711	19,647	20,629	21,660	22,743	23,881	25,075	26,328	27,645	29,027	30,478	32,002	33,602
Audit/Legal	18	1,500	1,575	1,654	1,736	1,823	1,914	2,010	2,111	2,216	2,327	2,443	2,566	2,694	2,828
Utilities & water	241	20,497	21,522	22,598	23,728	24,914	26,160	27,468	28,841	30,283	31,798	33,387	35,057	36,810	38,650
Maintenance--total	88	7,500	7,875	8,269	8,682	9,116	9,572	10,051	10,553	11,081	11,635	12,217	12,828	13,469	14,142
Real Estate Taxes	141	12,000	12,600	13,230	13,892	14,586	15,315	16,081	16,885	17,729	18,616	19,547	20,524	21,550	22,628
Insurance	16	1,360	1,428	1,499	1,574	1,653	1,736	1,823	1,914	2,009	2,110	2,215	2,326	2,442	2,564
Replacement Reserve	76	6,426	6,747	7,085	7,439	7,811	8,201	8,611	9,042	9,494	9,969	10,467	10,991	11,540	12,117
Total Expenses	789	67,103	70,458	73,981	77,680	81,564	85,642	89,924	94,421	99,142	104,099	109,304	114,769	120,507	126,533
Net Operating Income		144,955	147,962	150,991	154,041	157,109	160,191	163,284	166,384	169,487	172,589	175,685	178,769	181,837	184,882
Debt Service: VIFA Primary Loan		(137,387)	(137,387)	(137,387)	(137,387)	(137,387)	(137,387)	(137,387)	(137,387)	(137,387)	(137,387)	(137,387)	(137,387)	(137,387)	(137,387)
Debt Service: Seller		(8,248)	(8,248)	(8,248)	(8,248)	(8,248)	(8,248)	(8,248)	(8,248)	(8,248)	(8,248)	(8,248)	(8,248)	(8,248)	(8,248)
Debt Service: VHCB		0	0	0	0	0	(17,633)	(17,633)	(17,633)	(17,633)	(17,633)	(17,633)	(17,633)	(17,633)	(17,633)
Cash Flow		7,568	10,575	13,604	16,655	19,722	5,171	8,264	11,364	14,467	17,569	20,665	23,749	26,817	29,862
Debt Coverage Ratio		1.06	1.08	1.10	1.12	1.14	1.03	1.05	1.07	1.09	1.11	1.13	1.15	1.17	1.19
Op Exp/Lot/Month		\$66	\$69	\$73	\$76	\$80	\$84	\$88	\$93	\$97	\$102	\$107	\$113	\$118	\$124
Monthly Lot rent		\$210	\$216	\$223	\$229	\$236	\$243	\$251	\$258	\$266	\$274	\$282	\$291	\$299	\$308



VERMONT HOUSING FINANCE AGENCY  
M E M O R A N D U M

TO: VHFA BOARD OF COMMISSIONERS  
FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE  
DATE: DECEMBER 6, 1991  
RE: MULTI-FAMILY REFINANCING PROGRAM

Last month Allan and I travelled to New York to meet with the underwriting group who are working with us on the refinancing of the high rate mortgages associated with the multi-family developments financed between 1981 and 1983.

Preliminary calculations indicate that substantial savings can be realized by refinancing the 1981 and 1982 issues, which are subject to maximum earnings regulations and HUD signoff. These savings could be dedicated to new project financing as well as a reduction in the debt load now being paid by the current owners. We have received preliminary verbal approval from HUD on our original proposal but we are still waiting for written verification. PaineWebber has brought into the working group Peter Canzano of Arter Hadden Haynes & Miller, a Washington, D.C., law firm that has been very successful in negotiating with HUD on behalf of other State Housing Agencies. Allan and I had met him and another member of his firm at a housing conference sponsored by Nuveen in Chicago and Peter was also present at the New York meeting. We were quite impressed with his thoughts and perspective and past successful dealings with HUD. Peter and his firm have offered to serve as Special Counsel in the refinancing transaction at a cost not to exceed \$30,000 plus expenses. They would only be paid upon the completion of the refinancing and the fees paid are expected to be deducted from the proceeds realized and therefore not a General Fund expense. We also expect that the work that Peter does will reduce Palmer & Dodge's involvement and related fees.

**RECOMMENDED ACTION**

Approve the restructuring of the working group to include Arter Hadden Haynes & Miller for the multi-family refinancing transactions.



VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

**TO:** VHFA BOARD OF COMMISSIONERS  
**FROM:** ROGER A. SCHOENBECK, DIRECTOR OF FINANCE  
**DATE:** DECEMBER 5, 1991  
**RE:** BUDGET PERFORMANCE REPORT

Attached is the budget performance report for the period ended September 30, 1991 representing the first three months of the fiscal year ending June 30, 1992.

**BUDGET ADJUSTMENTS.** The first column entitled "current approved budget" has been adjusted to reflect Board actions undertaken so far this year. The adjustments are \$75,000 for Energy Rated Homes, \$15,000 contribution for the CHAS process to DHCA and \$5,000 to Barre Neighborhood Housing. These adjustments totalling \$95,000 are charged to the Subsidy account. As of September 30, 1991 no expenditures had been made for these adjustments.

**INCOME.** We are about where we expect to be in the income area; interest income will probably not meet projections for the year based on the continued deterioration of short term rates.

**FUND TRANSFERS.** The transfers of funds from the Programs to the General Fund have been collected as expected.

**EXPENSES.** Total expenses are at 23% of the annual budgeted amounts and most line items are within expected ranges. Seasonal timing explains most variations.

If you have any questions relative to the budget performance report, feel free to contact me at your convenience, or bring your questions to the Board meeting.

BUDGET PERFORMANCE REPORT  
VERMONT HOUSING FINANCE AGENCY  
SEPTEMBER 30, 1991

	CURRENT APPROVED BUDGET	ACTUAL YR TO DATE SEP 30, 1991	% BUDGET RECOGNIZED TO DATE
INCOME			
SINGLE FAMILY FEES	545,950	122,167	22.38%
MULTI-FAMILY FEES	125,000	29,080	23.26%
PROJECT ADMIN FEES	120,000	55,285	46.07%
INTEREST INCOME	330,000	82,011	24.85%
MISCELLANEOUS	44,500	12,384	27.83%
TOTAL INCOME	1,165,450	300,927	25.82%
FUND TRANSFERS			
SINGLE FAMILY HOUSING	10,000	0	0.00%
SHAWMUT MTG PURCHASE	100,000	0	0.00%
HOWARD MTG PURCHASE	1,250,000	500,000	40.00%
HOWARD HOME MTG PURCH	375,000	0	0.00%
HOWARD MULTI-FAMILY	430,000	215,000	50.00%
CONN NATL MULTI-FAMILY	80,000	53,640	67.05%
HOUSING DEVELOP BDS-MF	10,000	0	0.00%
DIRECT PLACEMENT BONDS	32,500	0	0.00%
TOTAL TRANSFERS	2,287,500	768,640	33.60%
TOTAL INC & TFRS	3,452,950	1,069,567	30.98%
EXPENSES			
ADVERTISING & PROMOTION	50,050	10,394	20.77%
AUDIT	28,000	18,500	66.07%
ANNUAL REPORT	15,000	1,435	9.57%
COMMISSIONERS EXPENSES	4,000	818	20.45%
CONSULTING FEES	51,500	5,812	11.29%
DUES & SUBSCRIPTIONS	29,500	6,742	22.85%
INSURANCE	165,000	41,668	25.25%
INTEREST EXPENSE	48,000	11,642	24.25%
LEGAL	75,000	10,754	14.34%
MISCELLANEOUS	12,000	1,106	9.22%
OFFICE EXPENSES	32,000	9,452	29.54%
PENSION PLAN	104,000	23,578	22.67%
POSTAGE	20,000	3,549	17.74%
RENT	112,000	27,570	24.62%
REPAIRS & MAINTENANCE	42,000	7,529	17.93%
SALARIES & WAGES	1,273,018	318,881	25.05%
STAFF TRAVEL & TRAINING	98,650	10,790	10.94%
SUBSIDY-HVT, ERH, ETC.	135,000	30,000	22.22%
TAXES-PAYROLL	93,700	21,794	23.26%
TELEPHONE	36,000	8,680	24.11%
TRUSTEE & CREDIT FEES	255,000	46,242	18.13%
DEPRECIATION	80,000	19,500	24.37%
TOTAL EXPENSES	2,759,418	636,436	23.06%
SURPLUS (DEFICIT)	693,532	433,131	62.45%



VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners  
FROM: Glenn A. Jarrett, General Counsel  
DATE: December 6, 1991  
RE: Whitney Hill Bond Resolution

Housing Vermont has located a new buyer for the Agency's federally taxable bond for Whitney Hill. The Bank of Vermont has agreed to buy the Agency's bond with money from the Federal Home Loan Bank's Community Investment Fund. The Bank is insisting on certain conditions and covenants in connection with its purchase of the bond. We do not yet have enough detail on these conditions to incorporate them into a new bond resolution for the Board's consideration. I hope to have the new bond resolution available at the meeting on December 13.

RECOMMENDED ACTION:

Withdrawal of the Housing Project Bond (Federally Taxable Issue) Resolution Whitney Hill Development passed at the November 7, 1991 Board meeting and consideration of a new bond resolution to be presented at the December 13 meeting.



# DRAFT

## THREE PARTY AGREEMENT

This Agreement is made this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, by and between the Bank of Vermont, having its principal office at Burlington, Vermont (hereinafter called the "Buyer"); the Whitney Hill Homestead Limited Partnership, a Vermont limited partnership, having its principal office at Burlington, Vermont (hereinafter called "Borrower"); and the Vermont Housing Finance Agency, having its principal office at One Burlington Square, Burlington, Vermont (hereinafter called "Agency").

In consideration of the promises hereinafter set forth, it is agreed by and among the parties hereto as follows:

1. Upon the completion of a certain elderly housing development located in Williston, Vermont (the "Development"), and otherwise subject to the terms and conditions of the Agency's commitment letter to the Borrower or Borrower's representative dated as of April 26, 1991 (the "Commitment Letter"), Agency agrees to make a Permanent Loan (the "Loan") to Borrower in an amount not to exceed the lesser of (a) the security value of the Development as determined by the Agency, or (b) ONE MILLION ~~FOUR HUNDRED SEVENTY TWO~~ HUNDRED FIFTY THOUSAND (\$1,250,000) ~~(\$1,470,000)~~ AND 00/100 DOLLARS. The Loan shall be amortized over 25 years, but have a balloon payment of all principal and accrued interest due after 15 years, shall be prepayable in accordance with the terms of the revised Promissory Note, shall have a revised amount of the Sinking Fund, and conform in all other respects to the requirements of the Commitment Letter. The Loan shall be evidenced and secured by a Note, Mortgage and Security Agreement covering all realty and personalty, and be subject to the conditions of the Regulatory Agreement. The Development shall have no encumbrances or defects in title that would adversely impair in any way the security of the Agency therein.
2. The parties hereby agree that, notwithstanding any date set forth in any other document of prior date between the parties, the agreement of the Agency to make the Permanent Loan upon completion of the Development by the Borrower shall continue in force until July 26, 1992, which date shall be the expiration date of the Agency Commitment and any Agency responsibility or liability, unless further extended in writing by the Agency.
3. The Borrower agrees for the benefit of the Agency and the Bank to accept the Loan to be made by the Agency pursuant to the terms of the Commitment Letter, and the Borrower further consents and agrees that it will not accept a first mortgage

loan from any lender other than the Agency during the term of this Agreement or any extension hereof.

4. Agency hereby acknowledges that the Agency Commitment Letter is in full force and is unmodified except as set forth in this Agreement.
5. The parties hereby acknowledge that the Agency Commitment Letter and all of its terms are an express condition of this document. Furthermore, the Borrower agrees to accept and approve for purposes of the Loan the form of the following documents attached to the Commitment Letter, except insofar as they must be revised in accordance with this Agreement:
  - (a) Permanent Note
  - (b) Mortgage Deed
  - (c) Regulatory Agreement
  - (d) Absolute Assignment of Leases and Rents
  - (e) Four Party Agreement

Borrower also agrees to execute a Collateral Assignment of Mortgage Payments in form satisfactory to the Buyer and the Agency.

6. Subject to the terms of the Commitment Letter, prior to the expiration of the Agency Commitment, upon three business days notice to the Buyer, the Agency agrees to issue to the Buyer (and/or to another investor acceptable to the Agency in its sole and absolute discretion, but subject to the consent of the Buyer) and the Buyer agrees to purchase from the Agency, at its face value, the Agency's Bond in an amount established pursuant to the Commitment Letter. For the protection of the Agency, the Buyer represent as follows:
  - (a) The Buyer is a sophisticated investor in securities of the general type of the Agency's Bonds.
  - (b) The Buyer has examined the Agency's audited financial statements for the most recent period for which audited statements are available, has been offered access to all prior audited financial statements of the Agency and the current books of account of the Agency and has availed itself of such access to the extent it deems necessary.
  - (c) The Buyer represents that it is purchasing the Bond for its own account for investment and does not currently intend to sell or otherwise distribute the Bonds or any interest or participation therein. The Buyer understands that the extent and nature of the

understands that the extent and nature of the information furnished in this transaction is based upon the foregoing.

(d) As between the Buyer and the Agency and all counsel for and representatives of the Agency, the Buyer has assumed responsibility for obtaining the information relating to the Bond that it deems necessary for its investment decision, and has not looked to the Agency, its counsel, or its other representatives to provide or review that information.

7. The Agency represents to the Buyer and the Borrower that, under current law, and subject to compliance with such law, it is able to issue bonds in such form, that the interest thereon will be subject to federal income tax, but exempt from Vermont income tax.

8. Notice shall be deemed delivered when mailed registered mail, return receipt requested, to the Borrower at c/o Housing Vermont, One Burlington Square, Burlington Vermont 05401, to the Agency at P.O. Box 408, Burlington, Vermont 05402-0408, or the Buyer ~~e/o State Treasurer, 133 State Street, Montpelier,~~ at 149 Bank Street, Burlington Vermont 05602-05401 (or to such other place as a party may designate in writing).

9. This Agreement is not assignable.

10. One half of any outside counsel fees necessarily incurred by Bank of Vermont or Bank of Boston for the review of the Agency's Bond Resolution and this Three Party Agreement, up to a maximum of \$3,500, shall be paid by the Borrower. Such payment may be included in the Loan provided that the entire Loan amount does not exceed the maximum Loan amount permitted in Paragraph 1 of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be signed by their duly authorized agents all as of the date and year first above mentioned.

WHITNEY HILL HOMESTEAD LIMITED PARTNERSHIP

By: H.V. 1991, Inc.  
Its General Partner

By: \_\_\_\_\_  
Its Duly Authorized Agent

Its \_\_\_\_\_

WHITNEY HILL THREE PARTY AGREEMENT

~~MUNICIPAL EMPLOYEES RETIREMENT SYSTEM~~  
~~BANK OF VERMONT~~

By: \_\_\_\_\_  
(Buyer)

Its \_\_\_\_\_

# DRAFT

## RESOLUTION OF VERMONT HOUSING FINANCE AGENCY AUTHORIZING THE ISSUANCE OF ITS HOUSING PROJECT BOND (FEDERALLY TAXABLE ISSUE) WHITNEY HILL DEVELOPMENT

Be it Resolved by the Vermont Housing Finance Agency  
and the Commissioners thereof as follows:

### ARTICLE I DEFINITIONS AND AUTHORITY

#### SECTION 101. Definitions.

(A) In this Resolution unless a different meaning clearly appears from the context:

"Act" means the Vermont Housing Finance Agency Act, being No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended to the date of adoption of this Resolution.

"Agency" means the Vermont Housing Finance Agency, a body politic and corporate organized under the Act, or any instrumentality of the State which shall hereafter succeed to its powers.

"Authorized Officer" means the Chairman, Vice Chairman, Executive Director and Secretary, Deputy Director and Director of Finance of the Agency, and any other person authorized by resolution of the Agency to act as an Authorized Officer under this Resolution.

"Bond" means the Bond of the Agency authorized by this Resolution.

"Bond Date" means the date the Bond is originally issued hereunder.

"Bond Fund" means the fund so designated and established under Section 301 of this Resolution.

"Commitment Letter" means the Commitment Letter relating to the Permanent Loan dated as of April 26, 1991 issued by the Agency and accepted by the Sponsor.

"Costs of Issuance" means any items of expense payable or reimbursable directly or indirectly by the Agency and related to the authorization, sale and issuance of the Bond.

"Development" means the Whitney Hill Development as more fully described in the Commitment Letter and the Three Party Agreement.

"General Account" means the account so designated and established under Section 301 of this Resolution.

"General Fund" means the fund so designated and created by a resolution of the Agency adopted September 26, 1974 as amended from time to time.

"Loan Account" means the account so designated and established under Section 301 of this Resolution.

"Permanent Loan" means a permanent mortgage loan made by or on behalf of Agency to the Sponsor with the proceeds of the Bond.

"Permanent Loan Amount" means the amount of the Permanent Loan established pursuant to paragraph 3 of the Commitment Letter.

"Program" means the Agency's program of making mortgage loans to housing sponsors pursuant to the Act.

"Project Fund" means the fund so designated and established under Section 301 of this Resolution.

"Recovery Payments" means any moneys received or recovered by the Agency, less the expenses necessarily incurred by the Agency in connection with the collection of such amount, from (i) condemnation of the Development, (ii) proceedings taken in the event of default by the Sponsor under the Permanent Loan, (iii) any claim settlement for hazard insurance or other insurance applicable to the Development or the Permanent Loan, (iv) the sale or other disposition of the Development, or (v) the sale or other disposition of the Permanent Loan after default for the purpose of realizing the Agency's interest therein.

"Revenues" means and includes all payments, proceeds, charges, fees, rents, investment earnings and all other income (including without limitation all payments of principal and interest received by or on behalf of the Agency on the Permanent Loan and all Recovery Payments) derived by or for the account of the Agency from or related to the Development and the Permanent Loan.

"Sinking Fund Account" means the account so designated and established under Section 301 of the Resolution.

"Sponsor" means Whitney Hill Homestead Limited Partnership, a limited partnership organized and existing under the laws of the State.

"State" means the State of Vermont.

"Three Party Agreement" means the agreement so denominated among the Sponsor, the purchaser of the Bond, and the Agency, in substantially the form presented at this meeting.

- (B) Except as otherwise expressly provided in this Resolution, the terms "housing development costs," "housing sponsor," "mortgage," "mortgage loan," and "residential housing" when used in this Resolution shall have the meanings given such terms in the Act.

#### SECTION 102. Authority.

This Resolution is adopted pursuant to the Act and shall take effect upon its adoption. The Agency is duly authorized under the Act and all applicable laws to issue the Bond and to adopt this Resolution in the manner and to the extent provided herein. The Agency will at all times, to the extent permitted by law, defend, preserve and protect all the rights of the registered owner of the Bond hereunder against all claims and demands of all persons whomsoever.

### ARTICLE II AUTHORIZATION OF BOND; FINDINGS; TERMS AND SALE OF BOND

#### SECTION 201. The Bond.

- (A) A Bond of the Agency, designated "Housing Project Bond (Federally Taxable Issue) Whitney Hill Development" is hereby authorized to be issued as herein provided in a principal amount not to exceed One Million Four Hundred Seventy Thousand Two Hundred Fifty Thousand Dollars ~~(\$1,470,000)~~ (\$1,250,000), the original principal amount of the Bond to be determined upon its issuance by the Authorized Officers of the Agency executing the same. The Bond shall be dated and shall bear interest from the Bond Date and shall mature, subject to prior redemption as provided herein and in the Bond, ~~fifteen~~ twenty years from the Bond Date. Interest on the Bond shall be payable on March 1, 1992 and semi-annually thereafter on September 1 and March 1 of each year. The form of the Bond, the rate or rates of interest payable thereon, the terms of redemption thereof prior to maturity and all other terms and conditions thereof shall be as set forth in Article IV of this Resolution.

(B) The Agency hereby ratifies and confirms the Commitment Letter and approves the Permanent Loan on the terms and conditions provided herein, in the Commitment Letter and in the Three Party Agreement. The Agency hereby determines that:

- (1) the Permanent Loan does not exceed the value of the Development as determined by the Agency and the principal amount of the Bond is necessary to provide sufficient funds to be used and expended for the Program in respect of the Development;
- (2) the Permanent Loan can be issued bearing interest at a rate that will be less than the prevailing rate of interest on comparable mortgage loans available in the State without the assistance of the Agency;
- (3) the Agency will derive receipts, revenues or other income from the Permanent Loan sufficient to provide, together with all other available receipts, revenues and income of the Agency, for the payment of the Bond and the payment of all costs and expenses incurred by the Agency with respect to the Program for which the Bond are issued;
- (4) the Development is primarily for occupancy by persons and families of low and moderate income within the meaning of the Act;
- (5) the acquisition, construction and or rehabilitation costs incurred or to be incurred by the Sponsor are for housing development costs within the meaning of the Act;
- (6) there exists, or without the Development 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 investments are unable, without assistance, to provide an adequate supply of residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families; and
- (7) the Sponsor is a housing sponsor as defined in the Act, the Sponsor will maintain or increase the supply of well-planned, well-designed permanent, temporary transitional or emergency housing for persons of low and moderate income and the Sponsor is a financially responsible person.

(C) The purposes for which the Bond are being issued are to provide funds to make the Permanent Loan and to pay Costs of Issuance in the amount determined by or pursuant to Article III hereof.



SECTION 202. Sale of the Bond.

- (A) The Bond is hereby sold to the Bank of Vermont at the price of par on the terms and conditions provided herein and in the Three Party Agreement. The Three Party Agreement, in the form presented at this meeting and included in the minutes thereof, and its execution and delivery by Authorized Officers of the Agency is hereby ratified.

ARTICLE III  
ESTABLISHMENT OF FUNDS AND ACCOUNTS;  
APPLICATION OF BOND PROCEEDS; OBLIGATION OF BOND

SECTION 301. Funds and Accounts.

- (A) The Housing Project (Federally Taxable Issue) Project Fund (the "Project Fund") is hereby established to be held and administered together with all accounts therein by the Agency as provided in this Resolution. On or prior to the Bond Date the Agency shall establish within the Project Fund a separate account designated the "Whitney Hill Loan Account" (the "Loan Account"), the amounts in which shall be applied as provided in this Article III.
- (B) The Housing Project (Federally Taxable Issue) Bond Fund (the "Bond Fund") is hereby established to be held and administered together with all accounts therein by the Agency as provided in this Resolution. On or prior to the Bond Date the Agency shall establish within the Bond Fund the following separate accounts to be applied as provided in this Article III:
- (1) Whitney Hill General Account (the "General Account");
  - (2) Whitney Hill Sinking Fund Account (the "Sinking Fund Account");
  - (3) Whitney Hill Special Redemption Account (the "Special Redemption Account").

SECTION 302. Application of Bond Proceeds.

- (A) The proceeds of the Bond shall be deposited in the Loan Account. Moneys in the Loan Account shall be used solely as follows:
- (1) an amount not exceeding the Permanent Loan Amount shall be used to make the Permanent Loan; and
  - (2) amounts in the Loan Account in excess of the Permanent Loan Amount shall be applied by the Agency to defray Costs of Issuance of the Bond within six (6) months of the Bond Date.

- (B) Notwithstanding anything herein to the contrary, if the Permanent Loan is not made within six (6) months of the Bond Date, or in any event if any balance remains on deposit in the Loan Account on the date which is six (6) months after the Bond Date, the entire balance on deposit in the Loan Account shall be transferred to the Special Redemption Account for application to the redemption of the Bond as provided in Section 303 of this Resolution.

SECTION 303. Application of Revenues.

- (A) The Agency shall deposit all Revenues in the Bond Fund upon receipt and shall immediately allocate the same to accounts therein as follows:
- (1) Revenues constituting scheduled repayments of principal on the Permanent Loan and Revenues constituting permitted prepayments of the outstanding principal of the Permanent Loan - to the Sinking Fund Account;
  - (2) Revenues constituting Recovery Payments and excess moneys in the Loan Account under Section 302(B) hereof - to the Special Redemption Account; and
  - (3) all other Revenues - to the General Account.
- (B) On September 1, 1992 and each succeeding September 1 thereafter, all amounts deposited in the Sinking Fund Account under Section 303(A)(1) shall be applied to the redemption of the outstanding principal of the Bond, except that, in the event that the Agency receives a prepayment of the outstanding principal of the Permanent Loan under Section 303(A)(1) all as provided in the Permanent Loan, the Bond shall be subject to redemption at the option of the Agency in whole, but not in part, from the amount deposited in said Account.
- (C) All amounts deposited in the Special Redemption Account shall be promptly applied to the redemption of the outstanding principal of the Bond. At any time not later than the interest payment date for the Bond next succeeding the date of any deposit into said Account under Section 303(A)(2), the amount so deposited shall be applied to the redemption of the outstanding principal of the Bond.
- (D) Moneys in the General Account shall be used solely as follows:
- (1) on each interest payment date of the Bond, to pay the interest on the Bond then due;
  - (2) on the redemption date of any portion of the principal of the Bond being redeemed hereunder to pay any interest

then payable on the principal amount of the Bond to be redeemed;

- (3) at any time, to reimburse the Agency for any expense reasonably incurred by it in connection with the financing of the Development, including but not limited to Costs of Issuance in excess of the amount available therefor in the Loan Account and expenses incurred in connection with the protection of the Agency's security for the Permanent Loan; and
  - (4) on each interest payment date, after payment of the interest on the Bond then due and provided an Authorized Officer of the Agency determines that such transfer will not materially impair the Agency's ability to make future payments from the General Account sufficient for the purposes of paragraphs (1) and (2) of this Section 303(D), to transfer funds to the Agency's General Fund free of the pledge herein made.
- (E) Whenever funds in any account in the Project Fund are required to be applied to a payment on account of principal of the Bond, the Agency may at its election hold back such amount not exceeding \$100 as will facilitate payment of principal on the Bond in rounded amounts. Payments from the Project Fund shall be deemed to have been made on the date of the Agency's check therefor and not on the date of any prior mailing of said check.

#### SECTION 304. Transfers from General Fund.

From time to time, at its option, the Agency may transfer moneys from the General Fund to the General Account.

#### SECTION 305. Investment.

Moneys in the funds and accounts established hereunder may be invested by the Agency, until needed for their respective purposes, in any manner permitted by the Act. Moneys in two or more of such funds and accounts may be invested on a commingled basis for the account of such funds and accounts pro rata in proportion to the moneys invested on behalf of each such fund or account. Interest and other income earned upon the investment or deposit of amounts in the Loan Account shall be deposited in such Account. Interest and other income earned upon the investment or deposit of amounts on deposit in the General Account, the Sinking Fund Account and the Special Redemption Account shall be deposited in the General Account.

#### SECTION 306. Obligation of Bond.

The Bond shall be a general obligation of the Agency payable out of any of the Agency's revenues, moneys or assets, subject only to agreements heretofore or hereafter made with the holders of obligations of the Agency other than the Bond pledging particular revenues, moneys or assets for the payment thereof. The Agency hereby covenants and agrees with the registered owner of the Bond that it will not grant to any person any lien on or pledge of the Permanent Loan or of any of the Revenues or moneys or investments in any of the accounts created hereunder or any proceeds thereof unless the Agency shall simultaneously therewith grant to the registered owner of the Bond a prior and senior lien on or pledge of the Permanent Loan and such Revenues, moneys and investments and the proceeds thereof. The Bond shall not constitute a debt or grant or loan of credit of the State and the State shall not be liable thereon nor shall the Bond be payable out of any funds other than those of the Agency. The Agency is not obligated to pay the Bond or the interest thereon except from the revenues or assets of the Agency pledged therefor under this Resolution and neither the faith nor credit nor taxing power of the State or any political subdivision thereof is pledged to the payment of the principal of or interest on the Bond.

#### SECTION 307. PLEDGE OF THE AGENCY.

Subject to this Article III, the Mortgage Loan and the documents evidencing the Mortgage Loan and the rights incident thereto, all Revenues, Recovery Payments, and all moneys, securities and Funds or Accounts held or set aside or to be held or set aside by any Fiduciary is hereby made, and the same are hereby pledged, to secure the payment of the principal and interest on the Bond. The pledge hereby made shall be valid and binding from and after the time of the delivery by the Agency of the Bond. The Mortgage Loan, the Revenues, Recovery Payments, and other moneys, securities, and Funds and Accounts so pledged and then or thereafter received by the Agency shall immediately be subject to the lien of such pledge without any physical delivery or further act. The registered owner of the Bond may have a collateral assignment of the mortgage payments, exercisable upon any default of the Agency.

#### SECTION 308. COVENANTS OF THE AGENCY.

(A) Funds. The balances in the General Fund as shown in the financial statements referred to in Paragraph B of this Section that are not restricted under the terms of the various bond resolutions of the Agency are available to pay the Bond and interest thereon. The Agency has good and marketable title to such balances, free and clear of all liens, charges, security interests and other encumbrances except as disclosed in the financial statements referred to in Paragraph B. The

amount of such balances as of June 30, 1991 is equal to or greater than \$4,537,546.

(B) Financial Statements. The financial statements of the Agency for the fiscal year ended June 30, 1991 fairly present the financial condition of the Agency as of such dates and the results of the Agency's operations for the periods ended on such dates, all in accordance with generally accepted accounting principles. Since June 30, 1991, there has been no material adverse change in the financial condition or operations of the Agency or its prospects of satisfying its obligations hereunder when the same become due and payable.

(C) Maintain Existence. The Agency shall take all action within its powers to preserve and maintain its existence, rights and privileges. Pursuant to Section 636 of the Act, by execution and delivery of this Agreement by the Agency, the State of Vermont does hereby pledge to and agree with the registered owner of the Bond that the state will not limit or restrict the rights vested in the Agency by the Act to perform its obligations hereunder and under the Note and to fulfill the terms of this Agreement and the Note or in any way impair the rights and remedies of the registered owner of the Bond until the Note, together with interest thereon, and interest on any unpaid installments of interest, are fully met, paid and discharged.

(D) Financial Statements; Other Information. The Agency shall furnish to the registered owner of the Bond the following:

(i) as soon as possible and in any event within ten days after the occurrence of each Default hereunder or any default under the Resolution, a statement of the Agency setting forth details of such occurrence and the action which the Agency proposes to take with respect thereto;

(ii) as soon as available and in any event within seven days after such notices are required to be filed, copies certified by an Authorized Officer of the Agency of all resolutions amending, supplementing or modifying this Resolution;

(iii) as soon as available to the Agency, but in any event within 90 days after the end of each of its fiscal years, financial statements of the books and accounts of the Agency for the fiscal year ended June 30, 1992, and for each fiscal year thereafter, audited by KPMG Peat Marwick or another firm of independent certified public accountants acceptable to the registered owner of the Bond;



(iv) as soon as available to the Agency, but in any event within 60 days after the end of each of the first three fiscal quarters, unaudited interim financial statements, if any, of the books and accounts of the Agency for the period then ended; and

(v) promptly, such other information and data with respect to the Agency as may be reasonably requested by the registered owner of the Bond solely for the purpose of evaluating the Agency's credit and its compliance with this Agreement.

(E) Fund Balances. The Agency agrees that the amounts shown in the financial statements furnished to the registered owner of the Bond pursuant to Paragraphs (A) and (B) as balances in the General Fund and all other funds are reported in accordance with generally accepted accounting principles consistently applied and, in any event, are not, as of the date of such audited statements, restricted under the terms of any bond resolution of the Agency or by any other resolution, agreement or contract in a manner which restricts the availability of such amounts to pay the registered owner of the Bond.

(F) Minimum Quick Assets. The Agency shall maintain at all times Quick Assets free and clear of all liens and encumbrances in an aggregate amount equal to at least \$1,000,000 in excess of all claims, charges, or liabilities, contingent or matured, which may be payable therefrom.

#### ARTICLE IV FORM OF BOND

The Bond shall be issued in substantially the following form:

VERMONT HOUSING FINANCE AGENCY  
HOUSING PROJECT BOND  
(Federally Taxable Issue)  
Whitney Hill Housing Development

No. 1 (\$1,250,000) \$1,470,000.00

NOTE: THE HOLDER OF THIS BOND BY ACCEPTANCE HEREOF AGREES TO RESTRICTIONS ON TRANSFER AND TO INDEMNIFICATION PROVISIONS SET FORTH BELOW.

The Vermont Housing Finance Agency (herein called the "Agency"), a body politic and corporate of the State of Vermont, for value received hereby promises to pay to the Bank of Vermont, or registered assigns, on the \_\_\_th day of January, 2007, the principal

sum of ONE MILLION FOUR HUNDRED THOUSAND SEVENTY (\$1,470,000) TWO HUNDRED FIFTY THOUSAND (\$1,250,000) AND 00/100 DOLLARS, upon presentation and surrender hereof, and to pay interest on the principal balance hereof outstanding from time to time from the date of original delivery of this bond (the "Bond Date") until final payment hereof at the annual rate provided below, such interest payments to be made semi-annually on the first day of March and September in each year commencing March 1, 1992. The principal or redemption price of and interest on this Bond are payable in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts and shall be payable by check or draft mailed to the registered owner at his address appearing on the registration books of the Agency kept for that purpose at the offices of the Agency; provided that the registered owner of this bond by acceptance hereof agrees that whenever any payment on account of principal shall occur, such owner shall promptly note the date and amount thereof on the Schedule of Payments and Prepayments endorsed hereon and further agrees that this bond shall be surrendered to the Agency upon final payment hereof.

The annual rate of interest on this bond shall be 141 basis points above the Federal Home Loan Bank Community Investment Program Rate in effect on the Bond Date, or that date, not more than two business days prior to the Bond Date, when the Buyer of the Bond borrows an advance from the Federal Home Loan Bank for the purpose of purchasing this Bond.

~~adjusted every five years based on the following schedule:~~

~~The initial rate of interest on this bond will be 9.75% per annum. The index for each adjustment to the interest rate will be based on the difference at the Bond Date between 9.75% and the yield of the 9.875% coupon United States Treasury Bond maturing in November, 2015, (the "Initial Markup"). If the aforesaid Treasury Bond yield is unavailable for any reason at the anniversary of the Bond Date, the parties will agree on a substitute bond to be used for interest rate adjustments.~~

~~The interest rate will be adjusted on the fifth, tenth and fifteenth anniversary of the Bond Date by adding the Initial Markup to the yield of the 9.875% coupon United States Treasury Bond maturing in November, 2015, as of the particular anniversary.~~

This bond is issued pursuant to No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended (the "Act") and under and pursuant to a resolution of the Agency adopted November 7, December 13, 1991 entitled "Resolution of Vermont Housing Finance Agency Authorizing the Issuance of its Housing Project Bond (Federally Taxable Issue) Whitney Hill Housing Development" (the "Resolution"). This bond is a general obligation of the Agency payable out of any of the Agency's revenues, moneys or assets,

subject only to agreements heretofore or hereafter made with the holders of obligations of the Agency other than this bond pledging particular revenues, moneys or assets for the payment thereof.

The Agency is not obligated to pay this bond or the interest hereon except from the revenues or assets of the Agency pledged under the Resolution 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 this bond.

Copies of the Resolution are on file at the office of the Agency in the City of Burlington, Vermont, and reference to the Resolution and to the Act is made for a description of the covenants securing this bond, the manner of enforcement of the covenants, the rights and remedies of the registered owner of this bond with respect thereto, and the terms and conditions upon which this bond is issued.

This bond may not be transferred except to a transferee capable of making representations comparable to those made by the original owner hereof in the Three Party Agreement described in the Resolution to the reasonable satisfaction of the Agency. Furthermore, before any transfer of this bond by the registered owner or his or its legal representative will be recognized or given effect by the Agency, the registered owner shall note hereon the date to which interest has been paid as well as the amounts of all principal payments and prepayments hereon, and shall notify the Agency of the name and address of the transferee and shall afford the Agency the opportunity of verifying the notation as to payment of interest and principal. By the acceptance hereof the owner of this bond and each transferee shall be deemed to have agreed to indemnify and hold harmless the Agency against all losses, claims, damages or liabilities arising out of any failure on the part of the owner or of any such transferee to comply with the requirements of the preceding sentence. Subject to the foregoing, this bond is transferable only upon the books of the Agency at the offices of the Agency by the registered owner hereof in person or by his or its agent duly authorized in writing, upon surrender hereof together with a written instrument of transfer satisfactory to the Agency duly executed by the registered owner or his or its duly authorized agent, and upon the payment of the charges described in the Resolution, the Agency shall issue in the name of the transferee a new substitute registered bond with the same date and in the same form and amount as this bond, endorsed to show the principal amount of the predecessor bond or bonds paid to the delivery date of such substitute bond.

This bond is subject to redemption at a redemption price equal to the portion of the principal amount hereof to be redeemed plus accrued interest on such portion to the redemption date as follows:



1. in whole or in part on September 1, 1992 and on each September 1 thereafter without notice through application of moneys in the Sinking Fund Account as required by the Resolution;
2. in whole or in part at any time upon notice through application of moneys in the Special Redemption Account as required by the Resolution; and
3. in whole (but not in part) on or after the fifth anniversary of the Bond Date at the election of the Agency upon notice, through application of moneys deposited in the Sinking Fund Account in the event of the prepayment of the outstanding principal amount of the Permanent Loan as described in the Resolution. In the event of a prepayment before the maturity of the Bond, the Agency will pass through amounts of prepayment charges it receives from the Sponsor according to the following formula, to be applied when current advance rates of the Federal Home Loan Bank Board Community Investment Program are lower than the rate for the advance when disbursed:

A. The difference between the original contract rate and the current rate, multiplied by:

B. A present value factor computed using the following formula:

$$\left( 1 - \frac{1}{(1+A/12)^T} \right) / A, \text{ where}$$

A= the current advance rate, and

T= the remaining maturity (in months),

C. Multiplied by the amount being prepaid, equals the prepayment fee.

Any notice required hereunder shall be given by certified letter, return receipt requested, mailed to the registered owner at his address appearing on the registration books of the Agency not less than five days prior to the redemption date. Any redemption shall be accomplished by mailing, two days prior to the redemption date, the Agency's check (dated as of the redemption date) for the redemption price to the registered owner in the same manner as is hereinabove provided for notice of redemption.

No recourse shall be had for the payment of the principal or redemption price of or the interest on this bond or for any claim based hereon or on the Resolution against any member or officer of the Agency or any person executing this bond.

It is hereby certified and recited that all conditions, acts and things required by the Constitution or statutes of the State of Vermont or the Resolution to exist, to have happened or to have been performed precedent to or in the issuance of this bond, exist, have happened and have been performed and that the issue of this bond, together with all other indebtedness of the Agency, is within every debt and other limit prescribed by law.

IN WITNESS WHEREOF, the Vermont Housing Finance Agency has caused this bond to be executed in its name by the manual signature of an authorized officer of the Agency, and its corporate seal (or facsimile thereof) to be affixed, imprinted, engraved or otherwise reproduced hereon and attested by the manual signature of the general counsel of the Agency.

ATTEST: VERMONT HOUSING FINANCE AGENCY

By: \_\_\_\_\_ By: \_\_\_\_\_  
General Counsel Authorized Officer

Bond Date: \_\_\_\_\_, 19\_\_

Schedule of Payments and Prepayments of Principal

<u>Principal Amount Paid</u>	<u>Date Paid</u>	<u>Balance Due</u>	<u>Authorized Signature and Title</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

(NOTICE: The within bond may not be transferred until this schedule has been verified by the Agency.)

ARTICLE V  
MISCELLANEOUS

SECTION 501. Default.

If the Agency defaults in the payment of principal of or interest on any Bond when due, or in the performance of any covenant in this Resolution, then the registered owner of the Bond shall have the right, by mandamus or other suit, action or proceedings at law or in equity, to bring suit upon the Bond, to enforce its rights under the Resolution and the Bond, to compel performance by the Agency of its obligations under the Bond and the Resolution; to require the Agency to account as trustee of an express trust; to require the Agency to effectuate the assignment of the Permanent Loan to such owner; or to enjoin any acts which may be unlawful or in violation of the rights of the registered owners of the Bond. No remedy conferred by the Resolution upon the registered owner of the Bond is intended to be exclusive of any other remedy, but each shall be in addition to every other remedy given under the Resolution or the Bond or provided at law or in equity or by the Act. No delay or omission of the registered owners of the Bond to exercise any right or power arising upon the happening of a default shall impair any right or power or be construed to be a waiver of the default. The registered owner of the Bond may waive any default and its consequences. No such waiver shall extend to any subsequent or other default.

SECTION 502. Defeasance.

If the Agency shall pay or cause to be paid to the registered owners of the Bond the principal, redemption price and interest thereon at the times and in the manner stipulated therein and herein, then all obligations of the Agency hereunder and under the Bond and all other rights granted hereby shall be discharged and satisfied.

SECTION 503. Transfer.

The Bond may be transferred in whole but not in part to new owners, subject to the restrictions on transfer and upon compliance with the provisions for transfer described in the form of the Bond and payment of a transfer fee of \$100.00 for each substitute bond issued as a result of a request for transfer.

SECTION 504. Amendment.

This Resolution may be amended by the Agency without the consent of the registered owner of the Bond to cure any ambiguity, supply any omission or cure or correct any defect or inconsistent provision herein or to insert such provisions clarifying matters or questions arising hereunder as are necessary or desirable and are not inconsistent with this Resolution as theretofore in effect. The Agency may also adopt a resolution amending, supplementing or

otherwise modifying this Resolution without the consent of the registered owner of the Bond to incorporate the provisions hereof in a resolution of the Agency of general application to bonds issued to finance the Program the interest on which is not excludable from federal income taxes; provided no such resolution shall reduce the principal amount of the Bond or the rate of interest payable thereon or change the maturity date thereof or the dates for payment of interest thereon or the terms of redemption thereof or the security granted for the payment thereof without the express written consent of the registered owner of the Bond. Except as hereinabove provided in this Section 504, this Resolution and the Bond may be amended by the Agency only with the prior written consent of the registered owner of the Bond.

SECTION 505. Authorization of Officers.

The Chairman, Vice-Chairman, Executive Director, Deputy Director, Director of Finance and all other Authorized Officers of the Agency are hereby authorized and directed to do all acts and things and to execute and deliver any and all documents, certificates, and other instruments necessary or desirable to effectuate the transactions contemplated by this Resolution, including the making of the permanent mortgage loan with the proceeds of the Bond.

SECTION 506. Severability.

If any provision of this Resolution is held invalid in any circumstances, that invalidity shall not affect any other provisions or circumstances.

C:\QUATTRO\HF1\PLAIN

VHFA

INPUT DATA

Project: Vergennes - Plainfield RUN DATE: 12/12/91

Total Units: 13 \*\*\*\*\*Assumptions\*\*\*\*\*  
 Income increase: 2.50%  
 Expense increase: 5.00%  
 Appreciation: 2.50%  
 TDC 480,000 Vacancy Rate: 4.00%  
 DS Yr20 Bal, 10YR, 11% 52,964  
 Old TDC 561,000 Yr 20 Bal 311,915

	Amount	% of TDC		
Equity 1	0	0.00%		
Equity 2	0	0.00%	Interest	Term
Exist VHFA	0	0.00%	9.50%	30
New VHFA	480,000	100.00%	9.50%	30
Debt 3	0	0.00%	0.00%	0
=====				
0	480,000			

Vergennes - Plainfield USES 12/12/91

	Budget	Per Unit
Acquisition	445,000	34,231
Rehab	0	0
Appraisal	0	0
Contingency	4,300	331
Arch/Engineering	0	0
Legal/Title	5,000	385
Permits/Fees	0	0
Syndication Expense	0	0
Taxes/Insurance	0	0
Closing	1,000	77
Replacement Reserve	0	0
Permanent Loan Fee (1.5%)	7,200	554
VHFA Transaction Costs	2,500	192
Working Capital	19,373	769
Developer's Fee	1.04% 5,000	385
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TOTAL DEVELOPMENT COST	480,000	36,923

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INCOME

## RENTS

Restricted Units (See assumptions below)

	Bedrooms	Type	Sq. Feet	Number	Rent
0	0 Br	Flat		1	663
1	1 Br	Flat		7	733
2	2 Br	Flat		3	741
				0	
3	3 Br	Flat		2	807

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Totals	0	13	115,572 (annual)
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Market Rate Units

	Bedrooms	Type	Sq. Feet	Number	Rent
1	1 Br	Flat		0	
1	1 Br	Townhouse		0	
2	2 Br	Flat	0	0	
2	2 Br	Townhouse		0	
3	3 Br	Flat	0	0	
3	3 Br	Townhouse		0	

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Totals	0	0	0 (annual)
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All Units

Grand Totals	0	13	115,572
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Less Vacancy	(4,623)
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NET RENT	110,949
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OTHER INCOME

Laundry	500
Parking	0
Interest Income	0
Other	0

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Total Other Income	500
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TOTAL INCOME	111,449
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EXPENSE BUDGET

	Annual	Per Unit Month
Administration	11,166	72
Collection Losses	500	3
Utilities	18,250	117
Maintenance	13,200	85
Taxes	9,780	63
Insurance	1,500	10
Reserves	3,300	21
Total	57,696	370

Vergennes - Plainfield 30-YEAR PRO FORM Vergennes - Plainfield

Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Gross Possible Rent	115,572	118,461	121,423	124,458	127,570	130,759	134,028	137,379	140,813	144,334	147,942	151,640	155,431	159,317	163,300
Less Vacancies	(4,623)	(4,738)	(4,837)	(4,978)	(5,103)	(5,230)	(5,361)	(5,495)	(5,633)	(5,773)	(5,918)	(6,066)	(6,217)	(6,373)	(6,532)
Plus Other Income	500	513	525	538	552	566	580	594	609	624	640	656	672	689	706
Total Actual Income	111,449	114,235	117,091	120,019	123,019	126,094	129,247	132,478	135,790	139,185	142,664	146,231	149,887	153,634	157,475
Less Operating Exp.	57,696	60,581	63,610	66,790	70,130	73,636	77,318	81,184	85,243	89,505	93,981	98,680	103,614	108,794	114,234
Net Operating Income	53,753	53,655	53,481	53,228	52,889	52,458	51,929	51,294	50,547	49,679	48,684	47,551	46,273	44,839	43,241
Less VHFA Debt Service	(48,433)	(48,433)	(48,433)	(48,433)	(48,433)	(48,433)	(48,433)	(48,433)	(48,433)	(48,433)	(48,433)	(48,433)	(48,433)	(48,433)	(48,433)
Cash Flow	5,320	5,221	5,048	4,795	4,456	4,025	3,495	2,861	2,113	1,246	250	(882)	(2,160)	(3,594)	(5,193)
DCR	1.11	1.11	1.10	1.10	1.09	1.08	1.07	1.06	1.04	1.03	1.01	0.98	0.96	0.93	0.89