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VERMONT HOUSING FINANCE AGENCY

BOARD CONFERENCE CALL MINUTES
Vermont Housing Finance Agency
164 Saint Paul Street
Burlington, Vermont
Thursday, January 15, 1998

PRESENT: Chairman White

VIA SPEAKERPHONE: Commissioners Canney, Smith (Designee of Douglas), Randall, Seelig

AGENCY STAFF: Mr. Hunt, Mr. Schoenbeck, Mr. Jarrett, Mr. Lothrop, and Ms. Gent

The meeting was called to order at 11:01 a.m. Participants were identified by roll call.

Mr. Schoenbeck noted that since we issued $65 million Single Family bonds last June, mortgage rates have been falling. To date, we have purchased about $12 million in mortgages and have commitments on another $6 million. This would leave about $45 million of "unexpended proceeds" that could be remarketed. Currently, bond rates are approximately 55 basic points lower than when we issued the bonds. This would mean that if we remarket the bonds at the current lower rate, we would be able to change our rate of 7.2% to 6.65%. We are required to use Paine Webber to remarket the bonds and pay them for their services.

Mr. Schoenbeck addressed the interest rate adjustment feature costs. The estimated costs would be about $100,000 of fixed costs between us and the underwriters and a potential of an additional $250,000 of fees and commissions if all outstanding bonds have to be remarketed. If 60% of the bondholders retain the bonds, as was the case the last time the Agency remarketed, we would save $150,000 of the potential costs.

There was further discussion about the Agency's ability to temporarily give up the 25 basis point additional charge designed to create additional revenue for losses. Ms Canney and other Commissioners thought this move would make the Agency's rates more competitive with conventional lenders.

After further discussion, a motion was made by Mr. Seelig to (1) give Mr. Hunt, Mr. Schoenbeck, Chairman White and Mr. Douglas (or Mr. Smith) the authority to make decisions to remarket and (2), to reduce the current rate on the Agency's mortgages to 6.95% to make the Agency's rate more competitive with conventional rates and the motion carried unanimously after being seconded by Ms. Canney.

Respectfully Submitted,
Allan S Hunt

Allan S. Hunt, Secretary

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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EQUAL HOUSING OPPORTUNITY

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, Development Coordinator PAC

DATE: February 6, 1998

RE: Bridge Financing Request for Officer's Row Affordable Units

SUMMARY OF REQUEST

VHFA staff have been working with Lake Champlain Housing Development Corporation (LCHDC) and the Burlington Community Land Trust (BCLT) to transfer the administration of the second mortgage pool and the affordable units at Officer's Row from LCHDC to BCLT. LCHDC and BCLT initiated an initial discussion with VHFA about a transfer in December 1996. At that time, the Board approved a resolution to give authority to the Executive Director to renegotiate the agreement between LCHDC, VHFA, and the Vermont Housing and Conservation Board (VHCB). VHCB has preliminarily approved the transfer and we expect to be able to complete changes to all agreements and documents for final approval by all parties by April 1, 1998. At the December 1996 meeting, the Board also approved a resolution to provide up to $200,000 in zero percent financing to LCHDC to assist them to acquire affordable units at Officer's Row (see attached memo). The loan matured on December 31, 1997. LCHDC and BCLT again request that VHFA make available $200,000 in zero percent financing to assist during the transition period from LCHDC and BCLT. The source of funding for this request would be VHFA General Funds. The term of the loan would be one year. The borrower will be either LCHDC or BCLT.

STATUS OF OFFICER'S ROW

LCHDC currently owns two units at Officer's Row. Unit 502D was purchased by LCHDC on September 1, 1995, using funds in the second mortgage pool. Unit 601F was purchased by LCHDC on January 13, 1998, using some of the remaining funds in the second mortgage pool and approximately $15,000 in LCHDC's funds. LCHDC did not want to liquidate the second mortgage pool because those funds must also cover the carrying costs (monthly association fee, insurance, real estate taxes, and utilities) of the units owned by LCHDC.

LCHDC, BCLT, VHCB, and VHFA expect to transfer the administration of the second mortgage pool and affordable units to BCLT by April 1, 1998. BCLT requested changes to the terms of the second mortgage, appreciation formula, fees, and other requirements that would allow BCLT to administer the affordability and market Officer's Row units similar to HOMELAND resales. The changes would become effective on any resales. The only change for current owners would be a new administrator. (Attached is a table that outlines the current requirements and the new requirements that have been approved by VHCB, VHFA, BCLT, and LCHDC.)

BOARD ACTION REQUESTED

Staff requests approval of the attached Resolution to advance funds to LCHDC or BCLT in an amount not to exceed $200,000 at zero percent interest (0%) to assist them to acquire units at Officer's Row, and remarket the units to lower-income households. The term of this loan would be one year.

VERMONT HOUSING FINANCE AGENCY
RESOLUTION AUTHORIZING
BRIDGE FINANCING FOR
LAKE CHAMPLAIN HOUSING DEVELOPMENT CORP.
FOR OPTION PURCHASES OF OFFICERS' ROW UNITS

RESOLVED:

Pursuant to § 621(5) of the Vermont Housing Finance Agency Act, the Executive Director is authorized to enter into an agreement for bridge financing, in the maximum amount of $200,000 at zero percent interest, with Lake Champlain Housing Development Corp. or Burlington Community Land Trust, Inc., substantially in accordance with the provisions and conditions in the attached Memorandum of Patricia A. Crady directed to the "VHFA Board of Commissioners" and dated February 6, 1998. The bridge loan will have a term of twelve months. The Executive Director, the Deputy Director and the Director of Finance are authorized to take all necessary steps and execute all documents necessary to implement the bridge loan authorized herein.

In addition, the Executive Director is authorized to execute new agreements between Lake Champlain Housing Development Corp., the Vermont Housing and Conservation Board and VHFA to include a transfer of responsibilities from Lake Champlain Housing Development Corp. to Burlington Community Land Trust, Inc., and new versions of the Housing Subsidy Covenant and related documents for future buyers of units at Dalton Drive.

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ATTACHMENT

THREE PARTY AGREEMENT OTHER DOCUMENTS	CURRENT REQUIREMENT	NEW REQUIREMENTS
Resale Price	Market Value	Market Value
Second Mortgage	Due at Resale	Due at Resale
Interest Rate on Second Mortgage	5% per annum -- unpaid interest is capitalized; borrowers have the option to pay interest and principal payments	0% interest
Appreciation Share	50% to Owner -- 50% to Second Mortgage Pool	25% to Owner -- 75% to Second Mortgage Pool
Determination of Second Mortgage Amount	Maximum Amounts based on income and family size; households below 75% of median income are eligible for a larger second mortgage; annual adjustment allowed based on CPI. The maximum amount of second mortgage is determined by calculating the amount necessary to bridge the gap between the sale price of the unit and the maximum mortgage that is affordable to the buyer. Current maximums are: family size / 75% of median / 85% of median 1 / $19,570 / $13,810 2 / $23,010 / $17,250 3 / $28,780 / $22,440 4 / $34,540 / $28,780	Initial second mortgage amounts would be based upon the bedroom size of the unit: 1BR $12,000; 2BR $17,000; 3BR $25,000. Second mortgage amounts for subsequent buyers would increase by 75% of the appreciation minus the development fee. If there is not sufficient appreciation to pay the development fee, the balance remaining in the second mortgage pool will be tapped to cover part of the development fee so the second mortgage amount available to the next buyer will not decrease and impact affordability.
Administration/Development Fees	An annual administration fee is paid to LCHDC -- this fee is adjusted annually based on the CPI. Effective 1/1/97 this fee was $11,450. The documents allow LCHDC to receive a loan fee (paid by the buyer); however, this fee has never been assessed because it cannot be financed and buyers have not had resources to pay this additional closing cost.	BCLT would receive a $3,500 development for each unit that is marketed; BCLT would also receive an annual fee of $100 for each unit that is still on the old system -- As long as there are any units in the old system, there will be a minimum annual fee of $500.
Option Period	120 Days	180 Days
Purchase Price Exceeds VHFA Maximum	Not addressed in 3 Party Agreement	Second mortgage funds will be used to reduce the purchase price to the maximum allowable by VHFA for existing homes.
Reporting Requirement	Quarterly	Annual report of balance in second mortgage pool, balance of second mortgage loans outstanding, and summary of activity and annual review of affordability of units and impact of the new structure on affordability.
Other Expenses/Fees Deducted from the Second Mortgage Pool	NONE	The second mortgage pool will cover any monthly carrying costs for units in which BCLT may have to take title (taxes, insurance, utilities, association fees, etc.) *Payment of carrying costs from the second mortgage pool will be an exception and not the rule. BCLT has an excellent track record in marketing limited appreciation property.*

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, Development Coordinator PAC

DATE: December 4, 1996

RE: Lake Champlain Housing Development Corporation -- Bridge Financing Request for Officers' Row Affordable Units

SUMMARY OF REQUEST

At the July 1996 meeting, the Board approved a resolution to provide up to $65,000 in zero percent financing to Lake Champlain Housing Development Corporation (LCHDC) to assist them in the remarketing of a unit at Officers' Row. LCHDC did not accept this commitment because they were successful in marketing the unit to another lower income buyer during their option period. LCHDC currently owns one unit and has exercised their option to purchase an additional two units to keep them affordable. LCHDC has again requested assistance in the form of zero percent (0%) financing in a total amount not to exceed $200,000, which LCHDC could access should they need to take title to an Officers' Row unit. LCHDC cannot pay interest on these funds because the carrying costs cannot be passed on to the new buyer. There are uncommitted funds remaining in the second mortgage pool of approximately $140,000; however, only $72,700 is currently available because LCHDC used second mortgage funds to purchase the unit that they presently own. The source of funding for this request would be VHFA General Funds or Multifamily Refunding Savings. The term of the bridge loan would be for one year.

The Burlington Community Land Trust (BCLT) has indicated an interest in assuming the responsibility of the administration of the second mortgage pool and the remarketing of the affordable units at Officers' Row. VHFA staff is working with LCHDC and BCLT to identify changes prior to submitting a proposal for consideration by VHCB and VHFA. Staff requests approval for the Executive Director to renegotiate the agreement between LCHDC, VHCB, and VHFA, which may include the transfer of responsibility for the affordable units to BCLT, and to make any changes to the Housing Subsidy Covenant and related documents for subsequent buyers.

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MARKETING OF UNITS AT OFFICERS' ROW

LCHDC administers the second mortgage pool and monitors affordability of 29 units at the Officers' Row condominium project developed by VHFA. To ensure affordability of the units, LCHDC has an option to purchase units at their appraised value. Once the owner sends LCHDC the appraisal and a notice that the owner intends to sell, LCHDC has 60 days to determine if it will exercise its right of first refusal. If LCHDC exercises its right, it has another 60 days to sell the unit to another income eligible buyer.

LCHDC has been successful in selling some units before they have to purchase them; however, in other cases the units did not sell and funds available in the second mortgage pool were used to purchase the units. LCHDC has also had to take title to units because they could not be marketed while they were occupied (due to poor housekeeping habits or owners who were not willing to show their unit to prospective buyers).

When this project was first developed, VHFA believed that LCHDC would not have to take title to units to keep them affordable, and would be successful in selling the units to a new buyer during their option period by maintaining a waiting list of potential buyers. This has not been the case because potential buyers are unwilling to wait to purchase a home if other options are available. One such option has been BCLT's very successful Homeland Program that provides grants of $12,500 to assist lower-income buyers to purchase a home of their choice. LCHDC has initiated discussions with BCLT to determine the feasibility of either working collaboratively or having BCLT take over the administration of the second mortgage pool and affordability of units at Officers' Row. LCHDC has limited experience working with potential home buyers and marketing units with limited equity, while the primary focus of BCLT has been assisting lower-income households to purchase a home via the Community Land Trust model. BCLT has also been very successful in marketing resales, and is one of the three pilot Homeownership Centers. Units at Officers' Row could be a valuable resource to the Homeownership Center due to a reduction in funding for the Homeland Program.

The outcome of LCHDC and BCLT's discussions may require changes to the agreements between VHCB, VHFA, and LCHDC, and the agreement with future homeowners. One such change that has been discussed is to the Housing Subsidy Covenant whereby LCHDC's option period would not start until the unit is in a marketable condition to show potential buyers (marketable condition would have to be defined). Another option is to change the agreements that currently allow LCHDC to charge a loan origination fee on the second mortgage of $620. LCHDC has not assessed this fee because the buyers they work with usually have a difficult time coming up with funds for other closing costs, and cannot afford the additional fee. If this fee was eligible for financing with the second mortgage, additional funds would be available to offset any expenses should LCHDC have to purchase a unit to preserve its affordability. Any changes must be approved by the Boards of all organizations.

BOARD ACTION REQUESTED

Staff requests approval of the attached Resolution to advance funds to LCHDC in an amount not exceed $200,000 at zero percent interest (0%) to assist them to acquire units at Officers' Row, and remarket the units to lower-income households. The term of the bridge loan would be one year. Staff also requests approval for the Executive Director to renegotiate the agreement currently in place between LCHDC, VHCB, and VHFA, which may include a transfer of responsibilities to BCLT, and changes to the Housing Subsidy Covenant and related documents for subsequent buyers.

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VERMONT HOUSING FINANCE AGENCY
RESOLUTION AUTHORIZING
BRIDGE FINANCING FOR
LAKE CHAMPLAIN HOUSING DEVELOPMENT CORP.
FOR OPTION PURCHASES OF DALTON DRIVE UNITS

RESOLVED:

Pursuant to § 621(5) of the Vermont Housing Finance Agency Act, the Executive Director is authorized to enter into an agreement for bridge financing, in the maximum amount of $200,000 at zero percent interest, with Lake Champlain Housing Development Corp., substantially in accordance with the provisions and conditions in the attached Memorandum of Patricia A. Crady directed to the "VHFA Board of Commissioners" and dated December 4, 1996. The bridge loan will have a term of twelve months. The Executive Director, the Deputy Director and the Director of Finance are authorized to take all necessary steps and execute all documents necessary to implement the bridge loan authorized herein. In addition, the Executive Director is authorized to renegotiate the existing agreements between Lake Champlain Housing Development Corp., the Vermont Housing and Conservation Board and VHFA, which may include a transfer of responsibilities from Lake Champlain Housing Development Corp. to Burlington Community Land Trust, Inc., and the Housing Subsidy Covenant and related documents for future buyers of units at Dalton Drive.

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Development Officer Creid

DATE: January 30, 1998

RE: Health Property Partners, Level III Community Care Home, Hartford: Letter of Interest for Construction and Permanent Financing

Executive Summary

At the November 1997 meeting, the Board approved guidelines for financing assisted living facilities, specifically pertaining to overall project affordability, affordability of rents, and cash distributions. Since then staff has been proceeding with a proposal from Health Property Partners, a private for profit developer, to finance an assisted living facility (ALF) in Hartford using tax-exempt bonds. Recent events have resulted in the project going forward instead as a Level III Community Care Home (Level III) utilizing **taxable** bonds, for the following reasons. First, the definition of "Residential Housing" in the VHFA Statute has not been updated to include "assisted living", which will take legislative action. We are doubtful that that change can be accomplished this year. Second, the Internal Revenue Service issued a Private Letter Ruling in October 1997, that determined that an ALF in Colorado was a nonresidential health care facility, not a residential facility. This raises questions about whether such a facility could qualify for tax-exempt private activity bond financing and "out-of-cap" housing credit. Since it may take some time for a clarification from the Treasury Department and/or the IRS, the developer plans to obtain licensing for the project as a Level III Community Care Home utilizing taxable financing.

The developer, a to-be formed limited partnership sponsored by Health Property Partners (HPP), proposes to construct a 60-unit mixed income Level III Community Care Home in Hartford. The project is applying for approximately $5,100,000 in taxable construction and permanent financing.

The Development

Projected Funding Sources

VHFA First Mortgage (taxable bond)	$5,100,000
Developer Equity	$ 324,000
Total	$5,424,000

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An appraisal has been ordered and should be completed by the end of January (and in time for the Board meeting).

Project Description, Unit Breakdown and Rents

The project consists of 24 zero-bedroom units (efficiencies) and 36 one-bedroom units, for a total of 60 units. It will be licensed as a Level III Community Care Home, which is defined as *a residential care home licensed to provide room, board, personal care, general supervision, medication management, and nursing overview as defined by...regulations*. The main differences between Level IIIs and ALFs are that ALFs have private rooms with private baths, while Level IIIs have some double occupancy rooms and shared baths (although the proposed facility will have private rooms with private baths). ALFs provide for more consumer choice while Level IIIs are more structured in terms of services provided, and ALFs allow residents to stay longer in the facility as they age and their needs increase. VHFA has financed two Level III Community Care Homes to date, in 1986 and 1987.

The proposed facility will provide three meals per day, housekeeping, personal care, medical assistance, laundry, transportation, and 24 hour per day nursing supervision. Units will be furnished and include private baths and kitchens. Six units will be affordable to households at 43% of area median income; six units will be affordable to households at 57% of area median income; seven units will be affordable to households at 80% of median income; twelve units will be affordable to households at 94% of median income, and twenty nine units are market. (The affordability of the units is calculated using 85% of gross income for housing and service costs. The 85% guideline was discussed and approved at the November Board meeting.) All residents will have access to all services. A breakdown of unit sizes and rents follows:

Br Size	# Units	Sq Ft	Rent	Unit Type
0-Br	6	352	$900/mo ($30/day)	<100% Median (43%)
0-Br	6	352	$1,200/mo ($39/day)	<100% Median (57%)
0-Br	7	352	$1700/mo ($56/day)	<100% Median (80%)
0-Br	5	352	$1,900/mo ($62/day)	<100% Median (90%)
1-Br	7	528	$2,000/mo ($66/day)	<100% Median (95%)
1-Br	29	528	$3,200/mo ($105/day)	Market

Sponsor, Management and Market

Health Property Partners, whose principals are Jack Heaton and Francis Murphy, is developing the project. It will be owned by a to-be-formed limited partnership sponsored by HPP. Mr. Heaton and Mr. Murphy have over ten years of experience in housing development, including development of "assisted living". In 1987 HPP developed Equinox Terrace, a 74 bed (and expanding) Community Care Home in Manchester, and recently a 75-bed ALF in Scarborough, Maine. THM Property Management Services, HPP's company, will manage the project once it is completed.

A market study was completed by Atlantic Retirement Communities in July 1997, and supports the project in scope, demographics and location. It defines the primary market area within a 15 mile radius of Hartford, and includes the Woodstock, Norwich, Hanover area. An estimated 3,829 people age 75 and older currently live in the market area; 70% are single persons – the target market for such a facility. This age segment is expected to increase by 33% between 1990 and 2002. The market area includes other residential care facilities, but the market study states that most others provide shared rather than private bathing facilities. Also, there is no entry fee for this development, which distinguishes it from assisted living competitors in the area.

Site and Environmental Concerns

The site is a 10 +/- acre parcel on Route 5 in the Village of Wilder, Town of Hartford and County of Windsor. It is 1.1 miles to Interstate 91 and 1.5 miles from the center of Norwich. It is flat and partially wooded, and located in an area of mixed commercial uses including a florist shop, a lawyer's office, a self-storage unit, and near a condominium project and a single family residence. It is close to a health clinic and four miles to a hospital.

A Level I Environmental Site Assessment was completed by Clay Point Associates, Inc. in September 1997, and found no environmental problems or concerns.

Discussion

We are proposing to issue a taxable bond to finance this development in order to avoid the barriers currently presented by tax-exempt financing and out-of-cap housing credit.

Strengths

a) The sponsor and its management company have considerable experience in developing and managing facilities such as the one proposed.

b) By utilizing taxable debt, the project will not use financial resources that are in short supply and high demand.

Weaknesses

a) The level of affordability isn't as deep or broad as many projects VHFA finances; however, the project meets the minimum 51% overall project affordability, will serve six residents at 43% of area median income, and a total of nineteen (32% of the development) below 80% of area median income. It also creates a mixed income development, in which the market units subsidize the affordable units, rather than requiring an external subsidy.

b) Although we have financed two Level III Community Care Homes in the past, this is a relatively new area for VHFA. Therefore, in order to properly review assumptions and costs, we will obtain independent reviews of both the development and operating budgets for cost reasonableness and adequacy.

Recommended Board Action

Staff recommends Board approval of the attached Resolution to provide a Letter of Interest to provide construction and permanent financing in the amount of approximately $5,100,000 with a loan term of 30 years and amortization period of 30 years, and an interest rate of no more than one and one half points above the cost of the bond. The Letter of Interest shall include the following conditions:

1. Sponsor must provide an appraisal acceptable to VHFA staff which provides a value sufficient to enable VHFA to make the loan within the parameters of VHFA's statutes and multifamily rules on loan-to-value ratio;

2. VHFA reserves the right to withdraw its Letter of Interest if interest rates rise to the point that the long-term financial feasibility of the development is threatened, or if the bond cannot be sold for any reason at terms that makes the project feasible;

3. Sponsor must provide final plans and specifications and an itemized construction budget for approval by VHFA or its agent; the cost of any construction budget review and construction inspections by an agent working on VHFA's behalf will be paid for out of the project's capital budget;

4. VHFA (or its agent) shall review the operating budget for adequacy and cost reasonableness and approve if acceptable;

5. Sponsor shall provide a written statement from the Town of Hartford as to estimated amount of property taxes to be assessed.

6. Sponsor shall provide meaningful personal guarantees throughout the construction period until project completion and breakeven occupancy in a form satisfactory to VHFA;

7. If interest rates fall such that the loan interest rate to the sponsor is lower than 8.5% (as shown in the budget dated 1/30/98), then VHFA reserves the right to reconsider the underwriting assumptions, including but not limited to the rent levels, loan amount, and loan terms.

RESOLUTION PERTAINING TO LETTER OF INTEREST RE: HEALTH PROPERTY PARTNERS (HARTFORD)

WHEREAS, a proposal has been presented to the Agency by Health Property Partners, (the "Housing Sponsor") on behalf of a to-be-formed limited partnership involving the construction of a 60 unit Level III Community Care Home located in Hartford, as referenced in a staff memorandum dated January 30, 1998 (the "Development"); and

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

WHEREAS, 31 of the 60 units in the Housing Sponsor's proposal would be affordable to households earning less than 100 percent of median income; and

WHEREAS, the maximum amount of the mortgage loan will not exceed $5,100,000; and

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

It is hereby DETERMINED:

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

2. The construction costs incurred by the Housing Sponsor are for housing development costs within the meaning of the Act.

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

4. The Housing Sponsor undertaking the Development will 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.

6. The Housing Sponsor is expected to qualify as a financially responsible organization.

WHEREFORE, it is hereby RESOLVED:

2. The Executive Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a first mortgage loan to a to-be-formed limited partnership for the construction and long term financing of the

Development in Hartford in an amount not to exceed $5,100,000. The loan will be amortized and paid over a period of 30 years. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. 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.

2. The Letter of Interest shall include the following conditions:

   a. Sponsor must provide an appraisal acceptable to VHFA staff which provides a value sufficient to enable VHFA to make the loan within the parameters of VHFA's statutes and multifamily rules on loan-to-value ratio;

   b. VHFA reserves the right to withdraw its Letter of Interest if interest rates rise to the point that the long-term financial feasibility of the development is threatened, or if the bond cannot be sold for any reason at terms that makes the project feasible;

   c. Sponsor must provide final plans and specifications and an itemized construction budget for approval by VHFA or its agent; the cost of any construction budget review and construction inspections by an agent working on VHFA's behalf will be paid for out of the project's capital budget;

   d. VHFA (or its agent) shall review the operating budget for adequacy and cost reasonableness and approve if acceptable;

   e. Sponsor shall provide a written statement from the Town of Hartford as to estimated amount of property taxes to be assessed.

   f. Sponsor and its principals shall provide meaningful personal guarantees throughout the construction period until project completion and breakeven occupancy in a form satisfactory to VHFA;

   g. If interest rates fall such that the loan interest rate to the sponsor is lower than 8.5% (as shown in the budget dated 1/30/98), then VHFA reserves the right to reconsider the underwriting assumptions, including but not limited to the rent levels, loan amount, and loan terms.

Heaton Level III Community Care Home - Hartford					RUN DATE:	30-Jan-98	
			Increase Services			2.00%	
Total Residential Units:		60	Increase Restricted			1.00%	
Restricted Units:		31	Increase Market			2.00%	
Percent Restricted:		51.67%	Expense increase:			2.50%	
Avg Net Monthly Rent:		2,182	Vacancy Rate:			7.00%	
Total Dev Costs		5,424,000	Partner's Tax Rate:			34.00%	
TDC/Unit		90,400	Depreciation Schedule:			27.5	
FINANCING SOURCES							
		Amount	% of TDC		Interest	Amortization	Term
First Mortgage		5,100,000		94.03%	8.50%	30	30
Developers Equity		324,000		5.97%	N/A	N/A	
		5,424,000		100.00%			
Per Unit Cost =		90,400					
	Gap	0					

Heaton Level III Community Care Home -		DEVELOPMENT BUDGET			
			Budget	Per Unit	Per s.f.
ACQUISITION & CONSTRUCTION					
Land			450,000	7,500	17.51
Purchase of Building(s)				0	0.00
Sitework			250,000	4,167	9.73
Construction			2,900,000	48,333	112.86
Furniture & Equipment			350,000		13.62
OFF SITE IMPROVEMENTS					0.00
BOND					0.00
General Requirements		0.00%			0.00
Contractor Overhead		0.00%			0.00
Contractor Profit	0.0%	0.00%			0.00
Construction Contingency		0.00%			0.00
APPLIANCES					0.00
Subtotal			3,950,000	65,833	153.72
PROFESSIONAL SERVICES					
Architect & Engineering			100,000	1,667	3.89
Architect Fee - Supervision				0	0.00
Attorney & Permits			125,000	2,083	4.86
SURVEY/ENGINEERING					0.00
ACCOUNTING					0.00
Legal - Title & Recording					0.00
Subtotal			225,000	3,750	8.76
INTERIM COSTS					
Construction Insurance					0.00
Construction Interest			150,000	2,500	5.84
Construction Loan Origination Fee					0.00
Taxes					0.00
Subtotal			150,000	2,500	5.84
OTHER SOFT COSTS					
Property Appraisal					0.00
Market Study					0.00
Environmental Report					0.00
SEWER & WATER FEES					0.00
PERMITS/FEES - STATE					0.00
PERMITS/FEES - LOCAL					0.00
Tax Credit Fees					0.00
Marketing (RENT UP)					0.00
Subtotal			0	0	0.00
FINANCING FEES & EXPENSES					
Credit Report					0.00
Permanent Loan Origination Fee			75,000	1,250	2.92
Credit Enhancement					0.00
Cost of Issuance					0.00
Title & Recording					0.00
Transaction Cost			5,000		0.19
Construction Inspections			5,000		0.19
Subtotal			85,000	1,417	3.31
SYNDICATION COSTS					
Organizational (Partnership)				0	0.00
Bridge Loan Interest				0	0.00
Tax Opinion				0	0.00
Subtotal			0	0	0.00
DEVELOPER'S FEES					
Developer's Overhead & Profit			564,000	9,400	21.95
Consultant Fees				0	0.00
Subtotal		12.79%	564,000	9,400	21.95
PROJECT RESERVES					
Rent-up (Deficit Escrow) Reserve				0	0.00
Replacement Reserve				0	0.00
Working Capital			450,000	7,500	17.51
"Pre-Opening"				0	0.00
Subtotal			450,000	7,500	17.51
TOTAL DEVELOPMENT COSTS			5,424,000	90,400	211.08

Heaton Level III Community Care Ho		Rental Income			30-Jan-98				
Restricted Units						Total			
Bedrooms	Type	Square Feet	Number	Rent	Utilities	Annual Rent	Afford to:	Median/ 1 Pers	Daily Rate
0 BR	<100%	352	6	900	included	64,800	43%	29,800	30
0 BR	<100%	352	6	1,200	included	86,400	57%	29,800	39
0 BR	<100%	352	7	1,700	included	142,800	80%	29,800	56
0 BR	<100%	352	5	1,900	included	114,000	90%	29,801	62
1 BR	<100%	528	7	2,000	included	168,000	95%	29,800	66
	Totals	10,384	31			576,000			
Market Rate Units						Total			
Bedrooms	Type	Square Feet	Number	Rent	Utilities	Annual Rent	Afford to:	Median/ 1 Pers	Daily Rate
1 BR	Market	528	29	3,200	included	1,113,600	152%	29,800	105
	Totals	15,312	29			1,113,600			
All Units									
	Grand Totals	25,696	60			1,689,600			
		Less Vacancy	7%			(118,272)			
		Vacancy Year One	40%						
					NET RENT	1,571,328			
		OTHER INCOME							
		Interest Income				0			
		Parking				0			
		Total Other Income				0			
					TOTAL INCOME	1,571,328			

NOTE: 1) These median incomes assume"housing cost" is 85% of residents income (not 30%)

2) 51% of all units serve residents below median income.

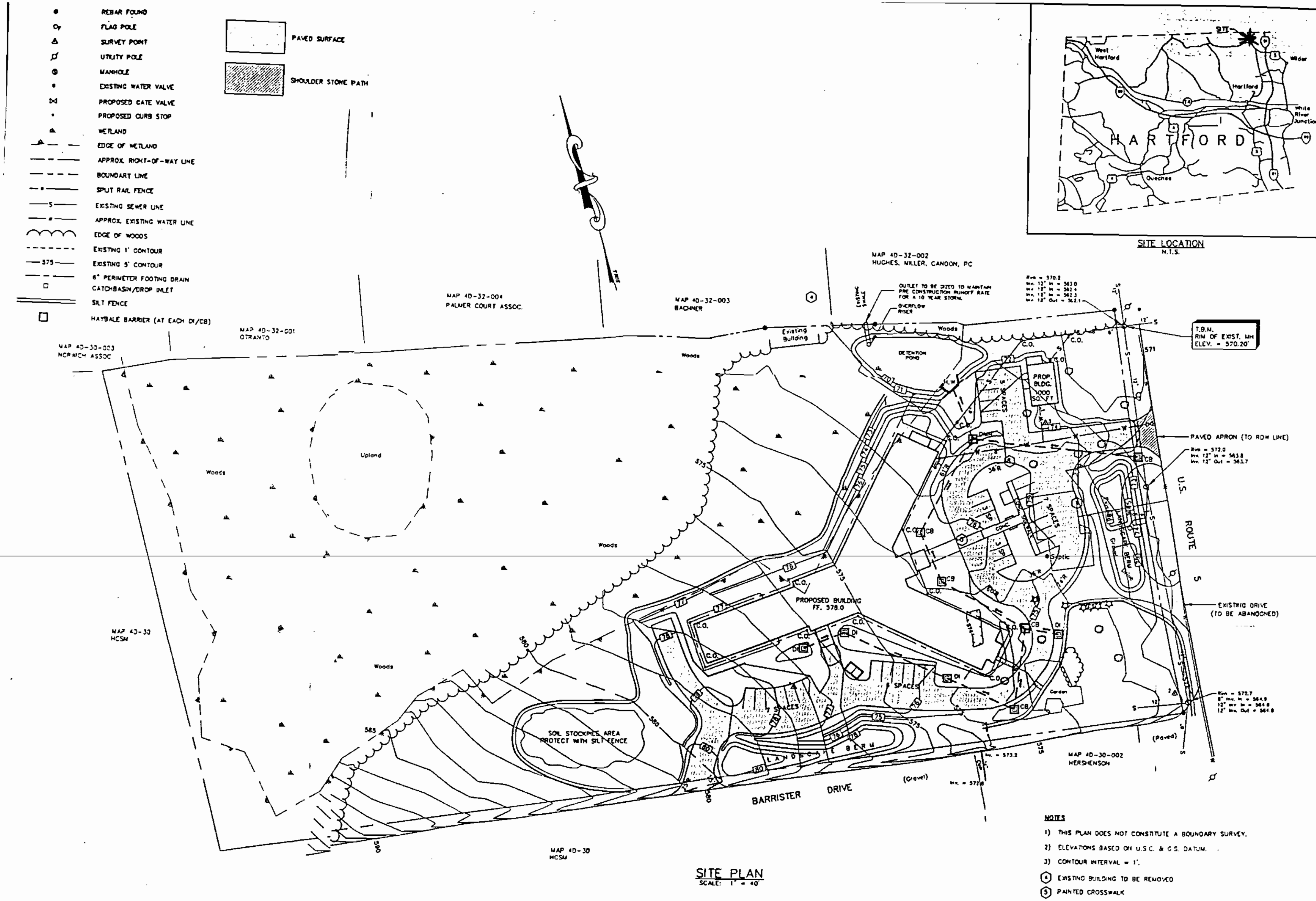
Heaton Level III Community Ca	EXPENSE BUDGET		
			Per Unit
	Annual	Monthly	Per Month
Administration			
Management Fee	79,352	6,613	110
Marketing	0	0	0
Residential Care	402,303	33,525	559
Legal	0	0	0
Advertising	23,108	1,926	32
Dietary	171,477	14,290	238
Office PayrollTaxes	0	0	0
Amenities	30,441	2,537	42
Compliance Monitoring	0	0	0
General and Administrative	93,075	7,756	129
TOTAL ADMINISTRATIVE	799,756	66,646	1,111
Utilities			
Water/Sewer	13,359	1,113	19
Electric	29,565	2,464	41
Fuel	27,156	2,263	38
Cable	4,161	347	6
Estimate for Kitchens	12,045	1,004	17
TOTAL UTILITIES	86,286	7,191	120
Maintenance			
Maintenance Payroll	31,755	2,646	44
Supplies	0	0	0
Trash Removal	6,132	511	9
Snow/Grounds	0	0	0
Repairs	0	0	0
Paint/Decorating	0	0	0
Exterminating	0	0	0
Contract Maintenance	11,388	949	16
Housekeeping	33,945	2,829	47
Service Lease	0	0	0
Other	0	0	0
TOTAL MAINTENANCE	83,220	6,935	116
Taxes	78,000	6,500	108
Insurance	11,826	986	16
Replacement Reserves	29,753	2,479	41
Other	0	0	0
Total	1,088,841	90,737	1,512
Year 1Total Expenses	851,753		
Year 1 Advertising			
Year 1 Management Fee	50,103		
Year 1 Reserves	20,041		
Year 2 Total Expenses	939,101		
Year 2 Management Fee	79,352		
Year 2 Reserves	30,982		

30-Jan-98	Real Estate Only	RE		
				Per Unit
		Annual	Monthly	Per Month
	Administration			
5.1%	Management Fee	80,669	6,722	112
	Marketing		0	0
	Residential Care		0	0
	Legal		0	0
	Advertising	10,406	867	14
	Dietary		0	0
	Office PayrollTaxes		0	0
	Amenities		0	0
	Compliance Monitoring		0	0
	General and Administrative		0	0
	TOTAL ADMINISTRATIVE	91,075	7,590	126
	Utilities			
	Water/Sewer	13,359	1,113	19
	Electric	29,565	2,464	41
	Fuel	27,156	2,263	38
	Cable	4,161	347	6
	Estimate for Kitchens	12,045	1,004	17
	TOTAL UTILITIES	86,286	7,191	120
	Maintenance			
	Maintenance Payroll	31,755	2,646	44
	Supplies		0	0
	Trash Removal	6,132	511	9
	Snow/Grounds		0	0
	Repairs		0	0
	Paint/Decorating		0	0
	Exterminating		0	0
	Contract Maintenance	11,388	949	16
	Housekeeping	33,945	2,829	47
	Service Lease		0	0
	Other		0	0
	TOTAL MAINTENANCE	83,220	6,935	116
	Taxes	78,000	6,500	108
	Insurance	5,913	493	8
	Replacement Reserves	29,753	2,479	41
	Other		0	0
	Total	374,247	31,187	520
	Year 1Total Expenses	248,821		
	Year 1 Reserves	20,041		
	Year 2 Total Expenses	259,009		
	Year 2 Reserves	30,982		

	Services Only	Services		
				Per Unit
		Annual	Monthly	Per Month
	Administration			
5%	Management Fee		0	0
	Marketing		0	0
	Residential Care	402,303	33,525	559
	Legal		0	0
	Advertising	12,702	1,059	18
	Dietary	171,477	14,290	238
	Office PayrollTaxes		0	0
	Amenities	30,441	2,537	42
	Compliance Monitoring		0	0
	General and Administrative	93,075	7,756	129
	TOTAL ADMINISTRATIVE	709,998	59,167	986
	Utilities			
	Water/Sewer		0	0
	Electric		0	0
	Fuel		0	0
	Cable		0	0
	Estimate for Kitchens		0	0
	TOTAL UTILITIES	0	0	0
	Maintenance			
	Maintenance Payroll		0	0
	Supplies		0	0
	Trash Removal		0	0
	Snow/Grounds		0	0
	Repairs		0	0
	Paint/Decorating		0	0
	Exterminating		0	0
	Contract Maintenance		0	0
	Housekeeping		0	0
	Service Lease		0	0
	Other		0	0
	TOTAL MAINTENANCE	0	0	0
	Taxes		0	0
	Insurance	5,913	493	8
	Replacement Reserves		0	0
	Other		0	0
	Total	715,911	59,659	994
	Year 1Total Expenses	602,932		
	Year 1 Reserves			
	Year 2 Total Expenses	680,092		
	Year 2 Reserves			

30-Jan-98		Heaton Level III Community Care Hom	Cash Flow Projection													
		Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Restricted Residential Rental Income			576,000	581,760	587,578	593,453	599,388	605,382	611,436	617,550	623,725	629,963	636,262	642,625	649,051	655,542	662,097
Market Residential Rental Income			1,113,600	1,124,736	1,147,231	1,170,175	1,193,579	1,217,450	1,241,799	1,266,635	1,291,968	1,317,807	1,344,164	1,371,047	1,398,468	1,426,437	1,454,966
Less Res Vacancy			(675,840)	(119,455)	(121,437)	(123,454)	(125,508)	(127,598)	(129,726)	(131,893)	(134,099)	(136,344)	(138,630)	(140,957)	(143,326)	(145,739)	(148,194)
Plus Other Income			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Actual Income			1,013,760	1,587,041	1,613,372	1,640,175	1,667,459	1,695,234	1,723,509	1,752,292	1,781,595	1,811,426	1,841,796	1,872,715	1,904,193	1,936,240	1,968,869
Less Rental Operating Expenses			298,924	338,361	374,247	383,603	393,193	403,023	413,098	423,426	434,011	444,862	455,983	467,383	479,067	491,044	503,320
Less Reserves			20,041	30,982	29,753	30,497	31,259	32,041	32,842	33,663	34,504	35,367	36,251	37,157	38,086	39,039	40,014
Less Services Operating Expenses			602,932	680,092	715,911	730,229	748,485	767,197	786,377	806,036	826,187	846,842	868,013	889,713	911,956	934,755	958,124
Net Operating Income			91,863	537,606	493,461	495,846	494,522	492,974	491,192	489,168	486,892	484,356	481,549	478,461	475,083	471,403	467,410
Less Primary Debt Service			470,575	470,575	470,575	470,575	470,575	470,575	470,575	470,575	470,575	470,575	470,575	470,575	470,575	470,575	470,575
Cash Flow			(378,712)	67,031	22,886	25,271	23,947	22,398	20,617	18,592	16,317	13,781	10,974	7,886	4,508	828	(3,165)
Oper Subsidy			378,712	0	0	0	0	0	0	0	0	0	0	0	0	0	3,165
Net Cash			0	67,031	22,886	25,271	23,947	22,398	20,617	18,592	16,317	13,781	10,974	7,886	4,508	828	0
DCR			19.52%	114.24%	104.86%	105.37%	105.09%	104.76%	104.38%	103.95%	103.47%	102.93%	102.33%	101.68%	100.96%	100.18%	99.33%
Cumulative Replacement Reserve			20,041	51,023	80,776	111,273	142,532	174,573	207,415	241,077	275,582	310,949	347,200	384,357	422,444	461,482	501,497
Cumulative Cash Flow																	
Beginning Balance			450,000	142,819	167,133	194,076	219,963	244,561	267,624	288,892	308,098	324,960	339,183	350,461	358,474	362,886	366,515
Interest		2.0%	4,500	1,428	1,671	1,941	2,200	2,446	2,676	2,889	3,081	3,250	3,392	3,505	3,585	3,629	3,665
Withdrawals			(378,712)	0	0	0	0	0	0	0	0	0	0	0	0	0	(3,165)
Ending Balance Before Distributions			75,788	144,247	168,805	196,016	222,163	247,007	270,300	291,781	311,179	328,209	342,575	353,966	362,059	366,515	367,015
Distributions (10% of Equity)			(32,400)	(32,400)	(32,400)	(32,400)	(32,400)	(32,400)	(32,400)	(32,400)	(32,400)	(32,400)	(32,400)	(32,400)	(32,400)	(32,400)	(32,400)
Ending Balance			43,388	111,847	136,405	163,616	189,763	214,607	237,900	259,381	278,779	295,809	310,175	321,566	329,659	334,115	334,615

30-Jan-98									PRO FORM	30-Jan-98					
	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
Restricted Residential Rental Incom	668,718	675,405	682,159	688,981	695,871	702,829	709,858	716,956	724,126	731,367	738,681	746,068	753,528	761,064	768,674
Market Residential Rental Income	1,484,065	1,513,747	1,544,022	1,574,902	1,606,400	1,638,528	1,671,299	1,704,725	1,738,819	1,773,595	1,809,067	1,845,249	1,882,154	1,919,797	1,958,193
Less Res Vacancy	(150,695)	(153,241)	(155,833)	(158,472)	(161,159)	(163,895)	(166,681)	(169,518)	(172,406)	(175,347)	(178,342)	(181,392)	(184,498)	(187,660)	(190,881)
Plus Other Income	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Actual Income	2,002,089	2,035,911	2,070,348	2,105,411	2,141,112	2,177,462	2,214,475	2,252,163	2,290,539	2,329,615	2,369,406	2,409,924	2,451,184	2,493,200	2,535,986
Less Rental Operating Expenses	515,903	528,801	542,021	555,571	569,460	583,697	598,289	613,247	628,578	644,292	660,400	676,910	693,832	711,178	728,958
Less Reserves	41,015	42,040	43,091	44,168	45,273	46,405	47,565	48,754	49,973	51,222	52,502	53,815	55,160	56,539	57,953
Less Services Operating Expenses	982,077	1,006,629	1,031,795	1,057,590	1,084,029	1,111,130	1,138,908	1,167,381	1,196,566	1,226,480	1,257,142	1,288,570	1,320,785	1,353,804	1,387,649
Net Operating Income	463,094	458,441	453,442	448,082	442,349	436,231	429,713	422,782	415,423	407,621	399,362	390,629	381,407	371,678	361,426
Less Primary Debt Service	470,575	470,575	470,575	470,575	470,575	470,575	470,575	470,575	470,575	470,575	470,575	470,575	470,575	470,575	470,575
Cash Flow	(7,482)	(12,134)	(17,133)	(22,493)	(28,226)	(34,344)	(40,862)	(47,793)	(55,152)	(62,954)	(71,213)	(79,946)	(89,168)	(98,897)	(109,149)
Oper Subsidy	7,482	12,134	17,133	22,493	28,226	34,344	40,862	47,793	55,152	62,954	71,213	79,946	89,168	98,897	109,149
Net Cash	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
DCR	98.41%	97.42%	96.36%	95.22%	94.00%	92.70%	91.32%	89.84%	88.28%	86.62%	84.87%	83.01%	81.05%	78.98%	76.81%
Cumulative Replacement Reserve	542,511	584,552	627,643	671,811	717,084	763,489	811,053	859,807	909,780	961,001	1,013,504	1,067,319	1,122,479	1,179,019	1,236,972
Cumulative Cash Flow															
Beginning Balance	367,015	363,204	354,702	341,116	322,034	297,028	265,654	227,449	181,930	128,597	66,929	(3,615)	(83,596)	(173,600)	(274,233)
Interest	3,670	3,632	3,547	3,411	3,220	2,970	2,657	2,274	1,819	1,286	669	(36)	(836)	(1,736)	(2,742)
Withdrawals	(7,482)	(12,134)	(17,133)	(22,493)	(28,226)	(34,344)	(40,862)	(47,793)	(55,152)	(62,954)	(71,213)	(79,946)	(89,168)	(98,897)	(109,149)
Ending Balance Before Distributions	363,204	354,702	341,116	322,034	297,028	265,654	227,449	181,930	128,597	66,929	(3,615)	(83,596)	(173,600)	(274,233)	(386,124)
Distributions (10% of Equity)	(32,400)	(32,400)	(32,400)	(32,400)	(32,400)	(32,400)	(32,400)	(32,400)	(32,400)	(32,400)	0	0	0	0	0
Ending Balance	330,804	322,302	308,716	289,634	264,628	233,254	195,049	149,530	96,197	34,529	(3,615)	(83,596)	(173,600)	(274,233)	(386,124)



NO	REVISIONS	DATE
1	GRADING	10/23/97

SITE PLAN
FOR
ASSISTED CARE FACILITY
IN

WOODLAND SERVICES
ENVIRONMENTAL PLANNING
P.O. BOX 1323, 1115 LINCOLN AVE.
MANCHESTER, VERMONT 05255

BRUNO ASSOCIATES INC. P.C.
ENGINEERS, PLANNERS, SURVEYORS
PO BOX 387, THE MILL BUILDING
WOODSTOCK, VERMONT 05091

SURVEYED: BH, SL
DESIGNED: JB
DRAWN: KH
CHECKED: JMB
DATE: 9/8/97

ASSISTED CARE FACILITY

SITE PLAN

1

VERMONT HOUSING FINANCE AGENCY

BOARD MINUTES
Vermont Housing Finance Agency
164 Saint Paul Street
Burlington, Vermont

Thursday, February 12, 1998 at 10:00 a.m.

PRESENT: Chairman White; Commissioners Candon (designee of Costle), Canney, Randall, Seelig, Smith (designee of Douglas), Douglas

Agency Staff: Mr. Hunt, Mr. McNamara, Mr. Lothrop, Mr. Schoenbeck, Mr. Jarrett, Ms. Gent, Ms. Caragher, Mr. Falzone, Ms. Reid, Ms. Crady

Chairman White called the meeting to order at 12:50 p.m. Upon a motion duly made by Mr. Seelig and seconded by Ms. Randall, the minutes of December 18, 1997 and January 15, 1998 were unanimously approved as written.

Ms. Crady reviewed her memo "Bridge Financing Request for Officer's Row Affordable Units, included in the Board packet. Ms. Crady indicated that staff has been working with Lake Champlain Housing Development Corporation (LCHDC) and the Burlington Community Land Trust (BCLT) to transfer the administration of the second mortgage pool and the affordable units of Officer's Row from LCHDC to BCLT. In December 1996, the Board approved a resolution to give authority to the Executive Director to renegotiate the agreement between LCHDC, VHFA and the Vermont Housing and Conservation Board (VHCB). VHCB has preliminarily approved the transfer and we hope to be able to complete changes for final approval by April 1, 1998. At the December 1996 meeting, the Board also approved a resolution to provide up to $200,000 in zero percent financing to LCHDC to assist them to acquire affordable units at Officer's Row. The loan matured on December 31, 1997 and LCHDC and BCLT are requesting that VHFA make available $200,000 in zero percent financing to assist them during the transition period from LCHDC to BCLT. The source of funding for this would be our General Fund.

After a brief discussion, Mr. Candon made a motion to approve the "Vermont Housing Finance Agency Resolution Authorizing Bridge Financing For Lake Champlain Housing Development Corp. For Option Purchases Of Officers' Row Units," and carried unanimously after being seconded by Ms. Randall.

Next, Ms. Reid discussed her memo " Health Property Partners, Level III Community Care Home, Hartford: Letter of Interest for Construction and Permanent Financing," included in the Board packet. Ms. Reid noted that staff had been proceeding with a proposal from Health Property Partners, a private for profit developer, to finance an assisted living facility in Hartford using tax-exempt bonds. Due to the following reasons, the project is now moving forward as a Level III Community Care Home: (1) the definition of "Residential Housing" in the VHFA Statute has not been updated to include "assisted living" and (2) the Internal Revenue Service issued a Private Letter Ruling in October 1997 that determined that an assisted living facility in Colorado was a nonresidential health care facility, not a residential facility. The developer is planning to get licensing for the project as a Level III Community Care Home utilizing taxable financing.

The developer is proposing to construct a 60-unit mixed income Level III Community Care Home in Hartford on a 10 acre parcel, which includes 24 zero-bedroom units (efficiencies) and 36 one-bedroom units. Staff is proposing that VHFA issue a taxable bond to finance this development. The project appraised at $8.4 million, which is higher than anticipated. The sponsor and its management company have substantial experience in developing and managing facilities such as this one and by utilizing taxable debt, the project will not use financial resources that are in short supply and high demand. Although the level of affordability isn't as comprehensive as many projects VHFA finances, the project does meet the 51% overall project affordability test, will serve six residents at 43% of area median income, and a total of nineteen below 80% of area median income. After further discussion, Mr. Seelig made a motion to approve the "Resolution Pertaining To Letter Of Interest Re: Health Property Partners (Hartford)," and carried unanimously after being seconded by Ms. Randall.

Next, the memo " Single Family Program Activity Report For December, 1997," was reviewed by Mr. Lothrop. He noted that when comparing VHFA activity for 1996 and 1997, the Agency did considerably less business in 1997. Mr. Lothrop indicated a few reasons for this: (1) the Agency purchased a substantial amount of loans in January that slid into this year's purchase; (2) the average size loan was considerably higher in 1997 than in 1996 and (3) the Agency has had a fallout with reservations because some lenders are sending us VHFA loan packages before underwriting or reviewing them first. The Agency has had a lot of rejections this past year for loans over the income limit, which could have been avoided if the lender had reviewed the loan prior to sending it to VHFA. Mr. Candon indicated that the lender should be evaluating the needs of the customers and then searching for the best option. Ms. Randall suggested that possibly a submission sheet should be required as a cover to the loan submission package, requiring them to do something relative to income. No Board action is required.

"Quarterly Report of the Results of the Single Family Mortgage Loan Quality Control Process – October 1, 1997 through December 31, 1997," was discussed next by Mr. Lothrop. A total of 145 loans were guaranteed by VHMGB during this period, with 92 of the total loans purchased by VHFA and 53 conventional. Seventeen loans were randomly selected by the computer to participate in the quality control process, of which 11 were VHFA purchases and the other six were conventional. There was only one finding on the loans reviewed – we requested that the original appraiser respond to the review appraiser's comment on two loans. All responded satisfactorily. No Board action is required.

Mr. Lothrop updated the Board on the Servicing Activity for December 1997. He indicated that the number of loans under a payment arrangement and negotiating workout in the foreclosures as well as the 90-day accounts has increased drastically from 22 on 1/1/97 to 84 on

12/31/97. Mr. Lothrop also indicated that the Agency sold three REOs in December and 5 properties are under contract. No Board action is required.

Next, Mr. Lothrop updated the Board on Loan Servicing. Mr. Lothrop mentioned a few of the accomplishments the Servicing department has made over the past year: (1) increased monitoring of delinquencies resulting in more timely interventions and increased loan workouts; (2) contracted with Asset Disposition Management, Inc and the Harold Lewis Group to assist VHFA in selling REO properties and (3) instituted lenders reporting delinquencies within five business days after the end of the month. A future project staff is working on implementing is adapting the use of secondary market delinquency loan rating to determine which loans need the most collection attention so staff efforts are put to the best use.

Both VHFA and VHMGB adopted a method of underwriting mortgage loans, using credit scores as a tool, at their previous Board meetings. Under this underwriting method, less staff will provide for less staff time being spent on loans with credit scores of 680 or higher and allow more time to be spent reviewing loans with credit scores less than 680. An analysis of loans originated in the past two years preliminarily indicates that by following the new underwriting methods delinquencies should be effected positively. Mr. Lothrop cautioned that a conclusive analysis would have to be done over a longer origination period.

Next, Mr. Lothrop discussed his handout "Borrowers' Own Funds and Credit Score Analysis," dated February 4, 1998. Mr. Lothrop indicated that VHMGB instituted a policy that the borrower must invest 3% of their own funds into the mortgage transaction. An analysis was produced that shows the number of loans originated by credit score range and the delinquencies attributed to those ranges. Even though the analysis was based on only a year and a half of loans underwritten, it indicates that requiring a minimum of 3% of the borrowers' own funds in their own transaction should affect delinquencies positively. When using the table format that Freddie Mac uses, it appears that the 3% borrower own funds requirement has the effect of reducing the percentage of borrowers in the credit score category that Freddie Mac says is the most susceptible to foreclosure and increases the borrowers in the middle category. No Board action is required.

Mr. Schoenbeck discussed his memo " Single Family Bond Remarketing," included in the Board packet. The bond market hasn't moved much, and we are currently still looking at a mortgage rate of 6.70% or 6.75%. We have recently begun talking with Fannie Mae about their interest in purchasing our bonds and committing to a rate in advance. Although they have expressed an interest, the premium charge to commit to a forward rate is as much as 10 basis points. They also would require some minimum guaranteed amount of bonds for purchase. Right now that doesn't seem to be a workable solution. We are also reviewing an option to refund the bonds instead of remarketing, which would eliminate our exposure time to changing rates. If this were to happen, we would issue bonds to replace the bonds that we would call and use the proceeds of the new issue to call the old bonds. Staff will continue to explore options to reduce the mortgage rate on the Single Family Mortgage program in a low risk, cost efficient manner.

Ms. Gent reviewed her memo " Outreach, Advertising and Public Relations Results for FY98 Year to Date," included in the Board packet. Ms. Gent began by providing the Board with a review of the activities for the year to date. Lender and nonprofit training is designed to educate lenders and housing nonprofit staff who participate in one or more of our homeownership programs. The Board was encouraged to attend VHFA's 7th annual Home Buyer Fair, to be held March 14th in Colchester. Vermont Homeownership 2000, an activity conducted during the first half of the fiscal year, was a brainstorming session held across the state with our affordable homeownership partners. Over 100 lenders, real estate professionals, nonprofit staff members, and others participated in five sessions. Other training that was done follows: one VHFA lender session was held as an overview of the YESS program; a VHFA Real Estate Financing Options class was taught in Burlington with 19 participants; a VHFA breakfast seminar was given in Morrisville for 7 non-MLS real estate brokers. Staff also coordinated a two-day training session for all four Homeownership Centers on improved screening, intake and processing procedures. Spring outreach activities for lenders and real estate professionals include the following: eight spring lender VHFA/VHMGB information sessions will be scheduled around Vermont; three Real Estate Financing Options classes are scheduled for real estate professionals. Outreach also involves consumer education, which is meant to reach potential VHFA borrowers through media communications, instruction and materials, which will meet their needs as cost effectively as possible. VHFA presented information in a two-week homebuyer education class in Springfield offered by the Rockingham Area Community Land Trust Homeownership Center, which ten potential homebuyers attended. VHFA also conducted a two-part home buyer class in Burlington with a session planned in Brattleboro in March.

Advertising is one of the most important tools in promoting VHFA's programs. The goal for FY98 fall advertising campaign was to increase the number of calls to the Helpline for the months of September through November. The number of calls did increase by 12%. Another goal was to increase the advertising in Bennington, Windham and Windsor counties. The three counties did show an increase in response. The response to media was stronger for both print and radio in the fall 1997 compared to the previous year. The print advertisement began on February 1st and the radio ads began on February 2nd.

VHFA has increased public relations activities in the last two years in an effort to enhance information as part of our outreach and overall dissemination plan. Highlights of the public relations activities initiated in the first half of FY98 include: Allan Hunt wrote a commentary carried in 6 newspapers discussing the benefits of Act 60 for affordable housing; numerous ribbon-cuttings received good media coverage; and media coverage of the opening of the HIV/AIDS housing facility at 600 Dalton Drive continued throughout 1997.

Mr. Jarrett then briefly discussed title insurance. Some of the title insurance companies have recently came out with a new product, which provides greater protection for both homeowners and lenders especially in the areas of subdivision permits and zoning problems. The agency has never required title insurance before because staff felt that the problems we encountered were not often covered by title insurance. Mr. Jarrett indicated that he would like the Board to consider requiring title insurance, and that it could be discussed more extensively in a future meeting when we have more information.

Mr. Jarrett also wanted to make the Board aware that the agency was served with a class action complaint. Fortunately they are not seeking damages. It deals with the State's foreclosure laws and seeks to have the federal court declare part of Vermont's foreclosure statute that deals with notice to tenants unconstitutional. In this particular case, the plaintiff had been living in the mobile home with her family, but moved out for a four-month period, then moved back in. It was during the time when she wasn't living there that VHFA brought the foreclosure complaint, so she wasn't named in the complaint. We couldn't find the owner and had to serve him by publication in the newspaper. After the Sheriff served the writ of possession on the plaintiff we had given her two months extra time. We have worked out a stipulation with Legal Aid that will allow the plaintiff to stay in the home until April 1, 1998 without paying rent. After further discussion, the Board agreed that letting this matter go would be a mistake, staff should participate and present our case.

Next, Mr. Hunt gave his report. Mr. Hunt stated that the Pines Senior Housing Project has won another national award. He then indicated that the legislature has been slow for VHFA so far. The septic bill continues to wind its way through the legislature, while the utility de-regulation bill probably won't be acted upon this session. Lastly, Mr. Hunt mentioned that the Housing Credit Allocation Plan has been signed by the Governor and we expect to have a significant number of applications in before the deadline on March 6th.

Mr. McNamara then handed out the meeting schedule for the balance of the year. Mr. McNamara indicated that we have tried to stay to the third Thursday in each month; in some months we have pushed it back to the fourth Thursday. All meetings are scheduled at 1:00 p.m. on Thursdays.

Chairman White then turned the discussion to the Employee Survey. The Board members expressed their interest and commitment to help solve the issues that the employees possess. Ms. Randall pointed out that perhaps the Board needs some clarification on what their role is, since the Board has never had to discuss a matter similar to this one before. Mr. Seelig noted that the Board couldn't manage VHFA, but could help lead them in the right direction. Chairman White also stated that the employee survey would be an agenda item for the foreseeable future. Many Board members commented on the importance of this issue, and how the staff has their full attention and support.

At this time a motion to go into Executive Session for the purpose of discussing the Executive Director's evaluation pursuant to 1 VSA Section 313(a)(3) was made by Mr. Douglas and seconded by Ms. Canney. The motion to come out of Executive Session was made by Mr. Candon and seconded by Mr. Douglas. No formal action was taken after coming out of Executive Session.

There being no further business, following a motion made and seconded, the meeting adjourned at 3:05 p.m.

Respectfully Submitted,

Allan S. Hunt, Secretary

VERMONT HOUSING FINANCE AGENCY
RESOLUTION AUTHORIZING
BRIDGE FINANCING FOR
LAKE CHAMPLAIN HOUSING DEVELOPMENT CORP.
FOR OPTION PURCHASES OF OFFICERS' ROW UNITS

RESOLVED:

Pursuant to § 621(5) of the Vermont Housing Finance Agency Act, the Executive Director is authorized to enter into an agreement for bridge financing, in the maximum amount of $200,000 at zero percent interest, with Lake Champlain Housing Development Corp. or Burlington Community Land Trust, Inc., substantially in accordance with the provisions and conditions in the attached Memorandum of Patricia A. Crady directed to the "VHFA Board of Commissioners" and dated February 6, 1998. The bridge loan will have a term of twelve months. The Executive Director, the Deputy Director and the Director of Finance are authorized to take all necessary steps and execute all documents necessary to implement the bridge loan authorized herein.

In addition, the Executive Director is authorized to execute new agreements between Lake Champlain Housing Development Corp., the Vermont Housing and Conservation Board and VHFA to include a transfer of responsibilities from Lake Champlain Housing Development Corp. to Burlington Community Land Trust, Inc., and new versions of the Housing Subsidy Covenant and related documents for future buyers of units at Officers' Row.

I hereby certify that the foregoing is a true of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont, on February 12, 1998.

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

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RESOLUTION PERTAINING TO LETTER OF INTEREST RE: HEALTH PROPERTY PARTNERS (HARTFORD)

WHEREAS, a proposal has been presented to the Agency by Health Property Partners, (the "Housing Sponsor") on behalf of a to-be-formed limited partnership involving the construction of a 60 unit Level III Community Care Home located in Hartford, as referenced in a staff memorandum dated January 30, 1998 (the "Development"); and

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

WHEREAS, 31 of the 60 units in the Housing Sponsor's proposal would be affordable to households earning less than 100 percent of median income; and

WHEREAS, the maximum amount of the mortgage loan will not exceed $5,100,000; and

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

It is hereby DETERMINED:

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

2. The construction costs incurred by the Housing Sponsor are for housing development costs within the meaning of the Act.

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

4. The Housing Sponsor undertaking the Development will 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.

6. The Housing Sponsor is expected to qualify as a financially responsible organization.

WHEREFORE, it is hereby RESOLVED:

2. The Executive Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a first mortgage loan to a to-be-formed limited partnership for the construction and long term financing of the Development in Hartford in an amount not to exceed $5,100,000. The loan will be amortized and paid over a period of 30 years. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. 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.

2. The Letter of Interest shall include the following conditions:

   a. Sponsor must provide an appraisal acceptable to VHFA staff which provides a value sufficient to enable VHFA to make the loan within the parameters of VHFA's statutes and multifamily rules on loan-to-value ratio;

   b. VHFA reserves the right to withdraw its Letter of Interest if interest rates rise to the point that the long-term financial feasibility of the development is threatened, or if the bond cannot be sold for any reason at terms that makes the project feasible;

   c. Sponsor must provide final plans and specifications and an itemized construction budget for approval by VHFA or its agent; the cost of any construction budget review and construction inspections by an agent working on VHFA's behalf will be paid for out of the project's capital budget;

   d. VHFA (or its agent) shall review the operating budget for adequacy and cost reasonableness and approve if acceptable;

   e. Sponsor shall provide a written statement from the Town of Hartford as to estimated amount of property taxes to be assessed.

   f. Sponsor and its principals shall provide meaningful personal guarantees throughout the construction period until project completion and breakeven occupancy in a form satisfactory to VHFA;

   g. If interest rates fall such that the loan interest rate to the sponsor is lower than 8.5% (as shown in the budget dated 1/30/98), then VHFA reserves the right to reconsider the underwriting assumptions, including but not limited to the rent levels, loan amount, and loan terms.

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, February 12, 1998.

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

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BOARD MINUTES

Associated General Contractors of Vermont/Vermont Board of Realtors
148 State Street
Montpelier, VT 05601

Thursday, March 19, 1998 at 2:45 p.m.

PRESENT: Chairman White; Commissioners Candon (designee of Costle), Canney, Randall, Seelig, Smith (designee of Douglas)

Staff: Mr. Hunt, Mr. McNamara, Mr. Schoenbeck, Mr. Lothrop, Mr. Falzone, Mr. Jarrett, Ms. Caragher, Ms. Gent

Chairman White called the meeting to order at 2:50 p.m. Upon a motion duly made by Ms. Canney and seconded by Mr. Candon, the minutes of February 12, 1998 were unanimously approved as written.

Mr. Lothrop briefly reviewed his memo " Single Family Program Activity Report For January, 1998," included in the Board packet. He indicated that the amount of business currently coming to VHFA compared to last year is down but, when comparing February's numbers to last year, there is not as much of a difference.

Mr. Lothrop then discussed the Delinquency Statistical Report, included in the Board packet. Delinquencies have increased this month: one factor contributing to this is Vermont National Bank's posting problems. Ms. Randall suggested that, because Banknorth Mortgage Company has a very successful loss mitigation program, perhaps they would be willing to hold an educational seminar or do some mentoring to assist other lenders. It was also mentioned that perhaps these delinquency reports should be mailed, not only to the servicing managers of each lending institution, but also to the president.

Next, Mr. Lothrop discussed his memo "Servicing Activity for January, 1998," included in the Board packet. Of the 129 loans that are 90 day accounts, 96 loans are in a workout plan. Research tells us that 70% of those workout plans will be successful, and will not fall into foreclosure. Chairman White asked if we have utilized any Homeownership Centers for post purchase counseling. Mr. Lothrop indicated that we have utilized their services a few times, and that once the centers have had more training, we will utilize them more often. Mr. Hunt also indicated that he has met with the Homeownership Centers and discussed this possibility and will be meeting with them again before long. Mr. Lothrop announced that Peter Barry, our Loan Modification Foreclosure Specialist, may be leaving VHFA in July or August to pursue a different career. It is one intention of staff to hire an individual now with the anticipation that the person will be well trained to replace Peter. In the meantime, the new person hired will assist

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in selling our current portfolio of REO properties. The Servicing Department will also be reviewing other job responsibilities within the department to insure the most efficient operation.

Mr. Schoenbeck reviewed his memo " General Fund Budget Performance," included in the Board packet. Total expenses are 49% of budget within the expense constraints for the fiscal year. Legal expenses have been higher than projected and the subsidy payments for the Guarantee Board now total $117,500 compared to the annual allocation budgeted of $73,000. Through December 31, 1997, we have expended 55% of the approved capital budget for this fiscal year. Mr. Schoenbeck asked whether the Board is interested in greater involvement with our budgetary process and through the creation and interaction of a budget committee as we discussed last year. Chairman White indicated that a budget committee would make sense. Mr. Schoenbeck stated that at the April Board meeting, we will update the Board as to where the Agency is and determine what budget amendments may be required.

Next, Mr. Schoenbeck discussed his memo "December 31, 1997 Financials," included in the Board packet. Mr. Schoenbeck indicated that the results continue to be promising. We have noticed an acceleration of prepayments of single family mortgages, which resulted in a reduction in total assets. Revenues exceeded expenses by $1.9 million for the six months ending December 31, 1997, compared to $2 million for the same period last year and $775,000 for the three months ending September 30. Foreclosure losses were about $670,000 for the current six month period compared to $300,000 for the six month period ending December 1996. This still remains an area of concern.

Mr. Schoenbeck gave an update on the bond remarketing. He indicated that we are 5 to 10 basis points away from where we were at our conference call with the Board in January. We would be able to offer a mortgage rate of 6.75% or 6.80% if we were remarketing today. If we continue to offer a mortgage rate of 6.95% and all our mortgages stayed out for 30 years, the Agency would lose $2.4 million from originally projected earnings. If the mortgages stayed out for 11 years, the Agency would lose $1.2 million. One idea Mr. Schoenbeck suggested was to have a interest rate for the first year of 6.20% and then raise it to 7.20%. This would hopefully motivate homebuyers to use our program, and at the same time, wouldn't cost the Agency much money. Chairman White asked if we could offer a fixed payment for the borrower to eliminate a big jump in their mortgage payments, or perhaps shorten the term. Equity would be built more quickly by this method. Ms. Randall suggested that a 7.25% interest rate with no points would be very competitive. She also noted that a no point program works better and requires less money down. Mr. Schoenbeck responded that eliminating points would cost $400,000. Ms. Canney suggested that a menu of choices would be preferable. Chairman White suggested that staff looks into these and other options and come up with some suggestions. After staff has developed some additional suggestions, Chairman White asked that they be sent to the Board members so that they can discuss and review further.

Mr. Jarrett then briefly discussed his memo " VHMGB Memorandum of Understanding," included in the Board packet. The original Memorandum of Understanding with VHMGB expired at the end of last year. Since then, staff has been working on language in an Amended and Restated Memorandum of Understanding. This new agreement has been made shorter and also allows either party to terminate their agreement after they have given 60 days notice. After a brief discussion, a motion was made by Mr. Seelig to approve the Amended and Restated Memorandum of Understanding as presented at this meeting, with authorization for the Executive Director to sign and make changes approved by legal counsel, and carried unanimously after being seconded by Mr. Candon.

Next, Mr. Jarrett reviewed his memo "Housing Vermont Funding Agreement," included in the Board packet. Last year, Housing Vermont asked if the Agency would consider amending the Funding Agreement to simplify it and eliminate many parts of the original Agreement that were no longer necessary. Peter Richardson, President of Housing Vermont, has approved this draft to the Agreement. This Agreement will apply to new Housing Vermont developments, but the original Funding Agreement will continue to apply to past development deals. After further discussion, a motion was made to approve the Amended and Restated Funding Agreement as presented at this meeting, with the authority for the Executive Director to sign and make changes approved by legal counsel, and carried unanimously after being seconded by Ms. Canney.

Mr. Jarrett updated the Board on our Vermont Legal Aid class action case. The Plaintiffs have amended their federal court complaint and brought a new action in state court, adding two banks as defendants. The Agency has to respond within the next two weeks. Also, in the amended complaint the Plaintiffs ask for damages. Mr. Jarrett noted that we are unsure what the damages could be considering the tenant has been living there rent-free for the past four months. Mr. Jarrett will keep the Board updated as we continue through the process.

Mr. Jarrett also updated the Board on Winchester Place. The pending lawsuit apparently was settled in a 12-hour mediation last Friday.

Next, in his Director's Report, Mr. Hunt discussed two federal bills that have been introduced: (1) S.1251, which would raise the per capita amount of private activity bonds that each state can issue from \$50 per capita to \$75 per capita; and (2) S.1252, which would raise the amount of Low Income Housing Tax Credits each state could utilize from \$1.25 per capita to \$1.75 per capita. Both of these bills will have a great impact on VHFA. The major issue is whether the two bills will move through congress this year. Mr. Hunt then announced our two newest hires; Leslie Black-Plumeau who will be joining VHFA as Research Analyst and Patricia Myette who will be our Director of Information Technology. Mr. Hunt acknowledged that he is very happy to have them both on board and that they will be a great addition to our team. Next, he informed the Board that the National Council of State Housing Agencies (NCSHA) Boards will be holding its annual conference in Vermont this year. It will be held at the Stoweflake in Stowe from August 23rd – 25th. Mr. Hunt encouraged the Board to participate in this conference. Mr. Hunt updated the Board on Tax Credits indicating that we have received 10 Tax Credit applications totaling just over \$1 million, with approximately \$640,000 available (this number includes our commitment to Applegate).

Mr. McNamara gave a brief update on information technology. Sherri Mullin (our present Data Processing Manager) will be stepping back and working only 30 hours when Pat Myette begins employment with us. Mr. McNamara indicated that the NT Servers are up and running and Microsoft Outlook has now been installed on each employee's computer. We did replace 20 desktops and have updated the rest. We have moved everyone to Microsoft 97 this year instead of waiting until next year. Staff also now has access to the internet through a ISDN line. Each employee also has outside e-mail capability. Mitas will be visiting us between April 28th–30th and will be working on implementing a VHMGB monthly payment program. Ms. Randall asked that the Board be given a year 2000 technology plan on a quarterly basis once Pat has settled in.

Lastly, Chairman White asked if there were any comments or concerns regarding the focus groups. Mr. Lothrop indicated that at the Communications Focus Group meeting, employees asked what time frame exists for a reply from the Board. Chairman White indicated that he believed it to be 90 days after he has received the recommendation. Ms. Randall also suggested that the Board should discuss what their role is as we move forward. Chairman White agreed and noted that they will have that discussion soon.

There being no further business, following a motion made by Mr. Seelig and seconded by Mr. Candon, the meeting adjourned at 4:20 p.m.

Respectfully Submitted,

Allan S. Hunt, Secretary

VERMONT HOUSING FINANCE AGENCY

BOARD CONFERENCE CALL MINUTES
Vermont Housing Finance Agency
164 Saint Paul Street
Burlington, Vermont
Thursday, April 9, 1998

VIA SPEAKERPHONE: Chairman White, Commissioners Seelig, Douglas, Candon (designee of Costle), Brown (designee of Shouldice), Canney, Randall, Mr. Schoenbeck

AGENCY STAFF: Mr. Hunt, Mr. Lothrop, Mr. Jarrett, Ms. Caragher, Mr. McNamara, Ms. Gent

The meeting was called to order at 11:02 a.m. Participants were identified by roll call.

Mr. Lothrop reviewed his memo "Suggested Interest Rate adjustments to the MOVE Program," dated April 7, 1998. Based on last month's Board meeting discussion, staff has been considering what can to be done to increase the activity of the MOVE program. While discussing possible proposals, staff has considered the cost to VHFA, the effect the changes will have in the marketplace, and the desirability of having multiple offerings for borrowers. After several discussions, staff is recommending the following three interest rate options to the Board: (1) Staff recommends that we offer a no point option that carries a fixed rate of 7.20%. This option will cost VHFA approximately $100,000 for every $10 million in mortgage money originated. This would allow a borrower to obtain a VHFA mortgage with less cash up front than currently is required and would also require VHFA to pay the lenders one point up front. Staff feels that this option will be very well received within the market; (2) Staff is further recommending an option that would allow a borrower to obtain a rate of 6.20% for the first three years of the mortgage. After the first three years, the rate would be 7.20%. This would give a borrower the chance to qualify at a lower interest rate, while re-establishing the 25 bp for potential loan losses after the three-year period. This option will cost VHFA approximately $128,475 for every $10 million in mortgage money originated. There would be a 1 point origination fee with this option; and (3) VHFA would continue to offer a 6.95% interest rate with 1 point. We would cap this option by adding $5 million to the amount we have in the pipeline (as of April 3, we have $6.9 million in the pipeline) once additional options are offered to the borrowers.

Mr. Schoenbeck was asked how the bond market was acting and he indicated that rates have been bouncing around quite a lot. The 30-year treasury yield is sometimes a good indicator. At this point, we could not remarket our bonds because we would not meet the 50 bp trigger target. If we could, and rates stayed the same, we could look at possibly 6.70%. The cost of doing a new issue would be higher and we would have to pay a commission on all of the bonds sold. If in the interim rates moved against us, we would be out of mortgage funds.

Chairman White asked the Board's thought of these options. Ms. Randall indicated that she felt that these options are marketable and would be accepted. Ms. Randall also commented, that while the programs are competitive, the difficulty rests on the marketing side and assuring that the lenders are aware of the programs. Ms. Canney asked what type of campaign we would use to market these programs. Ms. Gent noted that we would have to modify the ads to highlight our rates. Ms. Randall suggested that staff could possibly hang posters up at the upcoming Home Show to help market these new options for borrowers. Ms. Gent agreed that it is a great idea and she will look into doing that immediately. After further discussion, a motion was made by Mr. Douglas to approve the recommended MOVE mortgage options and carried unanimously after being seconded by Ms. Canney.

Next, Mr. Lothrop discussed his memo " Possible use for Interest On Real Estate Trust Accounts (IORTA) Funds," dated April 2, 1998. In 1994, the General Assembly passed, and the Governor signed into law, a bill that mandated the interest on certain real estate trust accounts be remitted to VHFA to be used for downpayment assistance and closing costs. The law stated that these funds are to be targeted toward Vermont families at or below 90% of median income. Presently, there is $170,000 in IORTA funds available that are not obligated for a specific program. VHFA is also receiving $5,000 - $6,000 in IORTA funds per month. In today's market, the seller of the property pays all or most of the borrower's closing costs. This would help sell our REOs and help reduce our loan losses. The memo also indicated that, if another lender is trying to sell an REO to a borrower, the funds could be available to that institution.

A possible use of a portion of these IORTA funds is to provide closing costs subsidies for eligible purchasers of VHFA REO properties. Staff is recommending the following requirements for use with these funds:

- The maximum subsidy on any single transaction would be 3% of the purchase price;
- There must be a real estate agent involved as the sellers agent;
- The purchaser must make the dwelling the purchasers' primary residence within 90 days;
- The purchase price may not be less than 5% of the current listing price; and
- The funds will be targeted to borrowers at or below 90% of the higher of the area or state median income. However, upon occasion the income may be higher than this.

Ms. Randall suggested that we might create some problems by opening these funds up to other institutions. Chairman White agreed with Ms. Randall, indicating that he also has concerns with making these funds available.

After further discussion, it was the consensus of the Board to eliminate the possibility of other lenders using these funds. The Board also agreed that nonprofits or real estate agents must be involved as the seller's agent. The Board expressed concerns about the targeted income percentage and suggested that staff present them with a report of the income of the borrowers that utilize the program. A motion was made by Ms. Canney to approve the use of up to $75,000 in IORTA funds for the use in the initiative outlined above with the amended changes, and carried unanimously after being seconded by Mr. Candon.

Chairman White then asked Mr. Douglas, Ms. Canney and Ms. Randall to participate as members of a Budget Committee. Mr. Schoenbeck indicated he would meet with the committee to discuss the current years budget and the FY99 budget.

Chairman White indicated that we would be having a special Board meeting May 7th. We will be reviewing two separate items: (1) Evenson Dodge will be here to present a special summary to the Board regarding the financial review report that they are currently working on for us; and (2) There will be a discussion of the Joint Committee on Tax Credit recommendations for the allocation of the tax credits. The meeting will be held in Burlington from 12:00 p.m. – 4:00 p.m. with a working lunch.

There being no further business, the meeting adjourned at 11:55 a.m.

Sincerely,

Allan S. Hunt, Secretary

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Development Officer CReid

DATE: April 17, 1998

RE: Health Property Partners, Level III Community Care Home, Hartford: Letter of Commitment for Construction and Permanent Financing

Executive Summary

At the February 1998 meeting, the Board approved a Letter of Interest to finance a Level III Community Care Home in the amount of $5,100,000. The 60-unit new construction project is located in Hartford and is being developed by Upper Valley Terraces Limited Partnership, whose principals are Jack Heaton and Frank Murphy of Health Property Partners.

Status of Conditions of Letter of Interest

1. Sponsor must provide an appraisal acceptable to VHFA staff which provides a value sufficient to enable VHFA to make the loan within the parameters of VHFA's statutes and multifamily rules on loan-to-value ratio:

The Sponsor obtained an appraisal from Mr. Jerry Walls of Concord (N.H.) Realty Advisors, which valued the property at unrestricted market rates (at staff request) in the amount of $8,460,000. Using the restricted rates, the value drops dramatically (to half of the loan amount), as the high value attributed to the project is largely due to the market rental income and value of the business (rates are higher due to services rather than to real estate expenses). The appraiser comes well recommended. The appraisal supports the higher requested loan amount (discussed later in this memo), and using market rates, provides VHFA a loan-to-value ratio of 61%.

2. VHFA reserves the right to withdraw its Letter of Interest if interest rates rise to the point that the long-term financial feasibility of the development is threatened, or if the bond cannot be sold for any reason at terms that makes the project feasible:

The rate the project is being underwritten at is now 9% (up from 8.5% from the February Board meeting), and the project appears viable at 9%, with the same rent schedule but with a slightly

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lower debt coverage ratio – 110%. Staff is still reviewing options on how best to finance this project but anticipate using a taxable bond.

3. Sponsor must provide final plans and specifications and an itemized construction budget for approval by VHFA or its agent; the cost of any construction budget review and construction inspections by an agent working on VHFA's behalf will be paid for out of the project's capital budget:

Final plans and specifications are not completed yet. VHFA will hire a construction inspector (the cost of which is included in the development budget) to review plans, specifications and the construction budget, to inspect the property during the construction process and review and approve requisitions.

4. VHFA (or its agent) shall review the operating budget for adequacy and cost reasonableness and approve if acceptable:

In addition to Management Department review, VHFA hired as a consultant a well-regarded developer from New Jersey who has worked on mixed income assisted living developments. Staff is now comfortable with the adequacy and cost reasonableness of the operating budget. In addition, the consultant who performed the market study (also a reputable firm) was asked to review certain assumptions for reasonableness (i.e. rent-up assumptions, income and expense trending), and those assumptions met with her approval.

5. Sponsor shall provide a written statement from the Town of Hartford as to estimated amount of property taxes to be assessed:

An estimate from the Town has not yet been received but is expected soon.

6. Sponsor shall provide meaningful personal guarantees throughout the construction period until project completion and breakeven occupancy in a form satisfactory to VHFA;

The developer is the general contractor, and will subcontract with Cheshire Builders of N.H. with whom they have worked before on several similar developments. The general contractor will have a payment and performance bond to ensure that the work will be completed as planned and per specifications. The contingency amount has been increased, to 6.5% of hard construction costs. Therefore VHFA staff is not requiring a Letter of Credit through the construction period.

The lease up reserve has also been increased, in order to cover expenses during the rent up period. It has been sized according to a more conservative lease up schedule, specifically the outer time period cited in the market study.

This latter change has resulted in the developer requesting a higher loan amount, to $5,200,000. The loan to value ratio, as stated earlier, is 61%, and the debt coverage ratio has decreased, but is acceptable to staff at 110%.

7. If interest rates fall such that the loan interest rate to the sponsor is lower than 8.5% (as shown in the budget dated 1/30/98), then VHFA reserves the right to reconsider the underwriting assumptions, including but not limited to the rent levels, loan amount, and loan terms.

Currently we are assuming a 9% rate.

Update on Other Issues

- Department of Aging & Disabilities (DAD): At the February Board meeting, the Board requested feedback from the DAD stating their comments on the need for such a development, and the DAD's commitment to the project. The DAD's Senior Planner responded that there is clearly a need for affordable alternatives to nursing homes such as the proposed project, and that demographic data supports the need for subsidized units. In addition, studies indicate that consumers "overwhelmingly" prefer a living arrangement with privacy, such as the proposed (private room, bath, and kitchen). The DAD also recognizes that "the public rates will never allow for a 100% public funded project", and that "it is on the backbone of such public-private projects that… residential alternatives will prosper." Unfortunately, the DAD has no financial resources to assist developments such as this. Beginning this spring/summer, medicaid waivers will be combined into a pool, and consumers who are eligible for them can choose how (and where) they want to use them, either home care, enhanced residential care, or in an assisted living facility. Therefore, since the potential financial assistance is consumer-based, rather than project-based, it is not income VHFA can count on in underwriting the project.

- Tax Liability: At the November 1997 Board Meeting, the Board approved allowing owners' tax liability to be paid out of cash flow in addition to distributions (10% of equity), as this has been raised as a problem for many existing VHFA owners. The owner in this case will receive substantial tax benefits in the early years of the project (largely due to depreciation). These tax benefits will be accrued over time to offset tax liability; therefore tax liability will not be an expense of the project until later years (see attached 30-year cash flow).

- Term of Affordability: Residential developments that VHFA finances generally have a 15 year minimum affordability provision, due to Housing Credit and Tax Exempt Bond restrictions. However, this development is being financed with taxable bond financing, and has no specific affordability provision. Bond financing generally contains a 10-year prepayment lock-out, and after discussions with the developer, we are proposing a minimum 10-year affordability provision for this loan. A minimum ten-year affordability provision would mirror the prepayment lock-out period, and would enable the developer to sell at market value rather than at the restricted value. There is a significant difference between the appraised value as a market rent project and as a restricted rent project. If the affordability restrictions remained beyond a prepayment lock-out, the owner would have difficulty opting out of the property since the value with the restricted rents is lower than the loan amount. While ten years is a shorter affordability period than VHFA generally prefers, this project is using taxable financing and no soft money, and therefore is not competing with the scarce resources that other projects are.

- Rent Structure/Marketing: This is a mixed income project, with 51% of the units affordable to households below 100% of area median income. The actual rents charged may differ from the rent schedule in the attached budget. The owners will attempt to rent the units based on the rent schedule, and to serve a broad spectrum of households at different levels of income. The Regulatory Agreement will, in addition to stating that 51% of the development will serve households below 100% of area median income, state that it is a goal of the project to serve 6 households below 50% of median, 6 households below 60% of median, 7 households below 80% of median, and 12 households below 95% of median. In order to ensure that the affordable units will have rents that remain affordable and serve households at different levels of income, a residual receipts account will be established for rental income collected in excess of the gross rental income projected for the 31 affordable units. This fund will remain with the project, and may later be used to subsidize affordable units whose occupants have spent down their assets and have difficulty paying.

  In order to avoid difficulties with marketing a multi-tiered rent structure for similar units with identical services, the developer has proposed publicly advertising the project at the market rents, with a statement that there is financial assistance available for eligible (i.e. lower income) applicants. However, in direct outreach to agencies such as Area Agency on Aging and Visiting Nurses Association, specific income and rent information will be provided to assist with referrals and to ensure that low income elders in need of this type of housing will know they can apply. The market study consultant has stated that the affordable units will rent up right away; it is the market units that may take longer to rent up. The financial feasibility of the project relies in part on filling enough market units in a timely manner, as the higher rents are subsidizing the lower rents. This proposed marketing process should also allow some confidentiality between residents having different incomes.

There was some concern raised among Board members at the February meeting regarding the market rents. Both the appraiser and the market study consultant confirmed that the market rents were well within the going range, and there is no entry fee in this facility, which is a benefit over some of the other facilities.

<u>Recommended Board Action</u>

Staff recommends Board approval of the attached Resolution to provide a Letter of Commitment to provide construction and permanent financing in the amount of up to $5,200,000 with a loan term of up to 30 years and amortization period of 30 years, and an interest rate of no more than one and one half points above the cost of the bond. The Loan will carry affordability restrictions for at least ten years. The Letter of Commitment shall include the conditions from the Letter of Interest (except for the conditions pertaining to receipt of an acceptable appraisal, and review and approval of the operating budget, both of which have been met), with one addition:

1. If interest rates fall such that the loan interest rate to the sponsor is lower than 9% (as shown in the budget dated 4/17/98), then VHFA reserves the right to reconsider the underwriting assumptions, including but not limited to rent levels and loan amount.

RESOLUTION PERTAINING TO COMMITMENT LETTER
RE: HEALTH PROPERTY PARTNERS (HARTFORD)

WHEREAS, a proposal has been presented to the Agency by Health Property Partners, (the "Housing Sponsor") on behalf of a to-be-formed limited partnership involving the construction of a 60 unit Level III Community Care Home located in Hartford, as referenced in a staff memorandum dated April 17, 1998 (the "Development"); and

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

WHEREAS, 31 of the 60 units in the Housing Sponsor's proposal would be affordable to households earning less than 100 percent of median income; and

WHEREAS, the maximum amount of the mortgage loan will not exceed $5,200,000; and

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

It is hereby DETERMINED:

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

2. The construction costs to be incurred by the Housing Sponsor are for housing development costs within the meaning of the Act.

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

4. The Housing Sponsor undertaking the Development will increase 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.

6. The Housing Sponsor is expected to qualify as a financially responsible organization.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director may, in his discretion, issue a Commitment Letter for loans for the construction and long-term financing of the Development, in an amount not to exceed $5,200,000. The term of the construction loan shall be one year, with an

interest rate to be determined based on the Agency's cost of funds plus an override. Interest only shall be payable on the construction loan until the closing of the term loan.

2. The term loan shall be amortized over a period of up to 30 years, but all principal and accrued interest shall be due not more than 30 years from the date of the term loan. The interest rate shall be determined by the Executive Director based on the Agency's cost of funds plus an override. The Commitment Letter may be issued to Health Property Partners as a representative of the to-be-formed limited partnership. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, the following conditions, and such further requirements as the Agency may establish:

   a. VHFA reserves the right to withdraw its Commitment if interest rates rise to the point that the long-term financial feasibility of the development is threatened, or if the bond cannot be sold for any reason at terms that makes the project feasible;

   b. Sponsor must provide final plans and specifications and an itemized construction budget for approval by VHFA or its agent; the cost of any construction budget review and construction inspections by an agent working on VHFA's behalf will be paid for out of the project's capital budget;

   c. Sponsor shall provide a written statement from the Town of Hartford as to estimated amount of property taxes to be assessed.

   d. Sponsor and its principals shall provide sufficient security throughout the construction period until project completion and breakeven occupancy in a form satisfactory to VHFA;

   e. If interest rates fall such that the loan interest rate to the sponsor is lower than 9.0% (as shown in the budget dated 4/17/98), then VHFA reserves the right to reconsider the underwriting assumptions, including but not limited to the rent levels, loan amount, and loan terms.

3. The Executive Director is authorized to take all necessary steps to either carry out a taxable bond financing to provide proceeds with which to make the authorized loans or to structure a transaction with the Federal Home Loan Bank of Boston to provide such proceeds.

4. The Executive Director, Deputy Director and Director of Finance are authorized to execute any and all documents necessary to effectuate the closing of these loans.

Heaton Level III Community Care Home - Hartford					RUN DATE:	17-Apr-98	
			Increase Services			2.00%	
Total Residential Units:		60	Increase Restricted			1.00%	
Restricted Units:		31	Increase Market			2.00%	
Percent Restricted:		51.67%	Expense increase:			2.50%	
Avg Net Monthly Rent:		2,182	Vacancy Rate:			7.00%	
Total Dev Costs		5,524,000	Partner's Tax Rate:			48.75%	
TDC/Unit		92,067	Long Term Depreciation Schedule:			27.5	
			Short Term Depreciation Schedule:			7	
FINANCING SOURCES							
		Amount	% of TDC		Interest	Amortization	Term
First Mortgage		5,200,000		94.13%	9.00%	30	30
Developers Equity		324,000		5.87%	N/A	N/A	
		5,524,000		100.00%			
Per Unit Cost =		92,067					
	Gap	0					

Heaton Level III Community Care Home -		DEVELOPMENT BUDGET			
			Budget	Per Unit	Per s.f.
ACQUISITION & CONSTRUCTION					
Land			450,000	7,500	17.51
Purchase of Building(s)				0	0.00
Sitework			0	0	0.00
Construction			3,050,000	50,833	118.70
Furniture & Equipment			243,845	4,064	9.49
OFF SITE IMPROVEMENTS					0.00
BOND					0.00
General Requirements		0.00%			0.00
Contractor Overhead		0.00%			0.00
Contractor Profit	0.0%	0.00%			0.00
Construction Contingency		6.56%	200,000		7.78
APPLIANCES					0.00
Subtotal			3,943,845	65,731	153.48
PROFESSIONAL SERVICES					
Architect & Engineering			100,000	1,667	3.89
Architect Fee - Supervision				0	0.00
Attorney & Permits			125,000	2,083	4.86
SURVEY/ENGINEERING					0.00
ACCOUNTING					0.00
Legal - Title & Recording					0.00
Subtotal			225,000	3,750	8.76
INTERIM COSTS					
Construction Insurance					0.00
Construction Interest			153,155	2,553	5.96
Construction Loan Origination Fee					0.00
Taxes					0.00
Subtotal			153,155	2,553	5.96
OTHER SOFT COSTS					
Property Appraisal					0.00
Market Study					0.00
Environmental Report					0.00
SEWER & WATER FEES					0.00
PERMITS/FEES - STATE					0.00
PERMITS/FEES - LOCAL					0.00
Tax Credit Fees					0.00
Marketing (RENT UP)					0.00
Subtotal			0	0	0.00
FINANCING FEES & EXPENSES					
Credit Report					0.00
Permanent Loan Origination Fee			78,000	1,300	3.04
Credit Enhancement				0	0.00
Cost of Issuance				0	0.00
Title & Recording				0	0.00
Transaction Cost			5,000	83	0.19
Construction Inspections			5,000	83	0.19
Subtotal			88,000	1,467	3.42
SYNDICATION COSTS					
Organizational (Partnership)				0	0.00
Bridge Loan Interest				0	0.00
Tax Opinion				0	0.00
Subtotal			0	0	0.00
DEVELOPER'S FEES					
Developer's Overhead & Profit			564,000	9,400	21.95
Consultant Fees				0	0.00
Subtotal		12.79%	564,000	9,400	21.95
PROJECT RESERVES					
Rent-up (Deficit Escrow) Reserve			550,000	9,167	21.40
Replacement Reserve				0	0.00
Working Capital				0	0.00
"Pre-Opening"				0	0.00
Subtotal			550,000	9,167	21.40
TOTAL DEVELOPMENT COSTS			5,524,000	92,067	126.19

Heaton Level III Community Care Ho			Rental Income		17-Apr-98				
Restricted Units						Total			
Bedrooms	Type	Square Feet	Number	Rent	Utilities	Annual Rent	Afford to:	Median/ 1 Pers	Daily Rate
0 BR	<100%	352	6	900	included	64,800	43%	29,800	30
0 BR	<100%	352	6	1,200	included	86,400	57%	29,800	39
0 BR	<100%	352	7	1,700	included	142,800	80%	29,800	56
0 BR	<100%	352	5	1,900	included	114,000	90%	29,801	62
1 BR	<100%	528	7	2,000	included	168,000	95%	29,800	66
	Totals	10,384	31			576,000			
Market Rate Units						Total			
Bedrooms	Type	Square Feet	Number	Rent	Utilities	Annual Rent	Afford to:	Median/ 1 Pers	Daily Rate
1 BR	Market	528	29	3,200	included	1,113,600	152%	29,800	105
	Totals	15,312	29			1,113,600			
All Units									
	Grand Totals	25,696	60			1,689,600			
		Less Vacancy	7%			(118,272)			
		Vacancy Year One	45%						
					NET RENT	1,571,328		43,775	Gross Sq Ft
		OTHER INCOME							Includes common areas
		Interest Income				0			
		Parking				0			
		Total Other Income				0			
					TOTAL INCOME	1,571,328			

NOTE: 1) These median incomes assume"housing cost" is 85% of residents income (not 30%)
2) 51% of all units serve residents below median income.

Heaton Level III Community Ca	EXPENSE BUDGET			Real Estate Only	RE			Services Only	Services			
			Per Unit				Per Unit				Per Unit	
	Annual	Monthly	Per Month		Annual	Monthly	Per Month		Annual	Monthly	Per Month	
Administration				Administration				Administration				
Management Fee	81,197	6,766	113	Management Fee	28,419	2,368	39	Management Fee	52,778	4,398	73	3%
Marketing	0	0	0	Marketing		0	0	Marketing		0	0	
Residential Care	391,743	32,645	544	Residential Care		0	0	Residential Care	391,743	32,645	544	
Legal	0	0	0	Legal		0	0	Legal		0	0	
Advertising	23,011	1,918	32	Advertising	10,666	889	15	Advertising	12,345	1,029	17	
Dietary	166,976	13,915	232	Dietary		0	0	Dietary	166,976	13,915	232	
Office PayrollTaxes	0	0	0	Office PayrollTaxes		0	0	Office PayrollTaxes		0	0	
Amenities	29,641	2,470	41	Amenities		0	0	Amenities	29,641	2,470	41	
Compliance Monitoring	0	0	0	Compliance Monitoring		0	0	Compliance Monitoring		0	0	
General and Administrative	90,632	7,553	126	General and Administrative		0	0	General and Administrative	90,632	7,553	126	
TOTAL ADMINISTRATIVE	783,200	65,267	1,088	TOTAL ADMINISTRATIVE	39,085	3,257	54	TOTAL ADMINISTRATIVE	744,115	62,010	1,033	
Utilities				Utilities				Utilities				
Water/Sewer	13,359	1,113	19	Water/Sewer	13,359	1,113	19	Water/Sewer		0	0	
Electric	29,565	2,464	41	Electric	29,565	2,464	41	Electric		0	0	
Fuel	27,156	2,263	38	Fuel	27,156	2,263	38	Fuel		0	0	
Cable	4,161	347	6	Cable	4,161		0	Cable		0	0	
Estimate for Kitchens	9,889	824	14	Estimate for Kitchens	9,889	824	14	Estimate for Kitchens		0	0	
TOTAL UTILITIES	84,130	7,011	117	TOTAL UTILITIES	84,130	7,011	117	TOTAL UTILITIES	0	0	0	
Maintenance				Maintenance				Maintenance				
Maintenance Payroll	31,755	2,646	44	Maintenance Payroll	31,755	2,646	44	Maintenance Payroll		0	0	
Supplies	2,650	221	4	Supplies	2,650	221	4	Supplies		0	0	
Trash Removal	6,132	511	9	Trash Removal	6,132	511	9	Trash Removal		0	0	
Snow/Grounds	0	0	0	Snow/Grounds		0	0	Snow/Grounds		0	0	
Repairs	0	0	0	Repairs		0	0	Repairs		0	0	
Paint/Decorating	0	0	0	Paint/Decorating		0	0	Paint/Decorating		0	0	
Exterminating	0	0	0	Exterminating		0	0	Exterminating		0	0	
Contract Maintenance	11,388	949	16	Contract Maintenance	11,388	949	16	Contract Maintenance		0	0	
Housekeeping	33,054	2,755	46	Housekeeping	33,054	0	0	Housekeeping		0	0	
Service Lease	0	0	0	Service Lease		0	0	Service Lease		0	0	
Other	0	0	0	Other		0	0	Other		0	0	
TOTAL MAINTENANCE	84,979	7,082	118	TOTAL MAINTENANCE	84,979	7,082	118	TOTAL MAINTENANCE	0	0	0	
Taxes	79,950	6,663	111	Taxes	79,950	6,663	111	Taxes		0	0	
Insurance	34,840	2,903	48	Insurance	17,420	1,452	24	Insurance	17,420	1,452	24	
Replacement Reserves	31,487	2,624	44	Replacement Reserves	31,487	2,624	44	Replacement Reserves		0	0	
Other	0	0	0	Other		0	0	Other		0	0	
Total	1,098,586	91,549	1,526	Total	337,051	28,088	468	Total	761,535	63,461	1,058	
Year 1Total Expenses	759,281			Year 1Total Expenses	246,275			Year 1Total Expenses	513,006			
Year 1 Advertising												
Year 1 Management Fee	40,671											
Year 1 Reserves	16,355			Year 1 Reserves	16,355			Year 1 Reserves				
Year 2 Total Expenses	939,101			Year 2 Total Expenses	259,009			Year 2 Total Expenses	680,092			
Year 2 Management Fee	77,454											
Year 2 Reserves	30,982			Year 2 Reserves	30,982			Year 2 Reserves			Total Sq Ft	

17-Apr-98		Heaton Level III Community Care Hom	Cash Flow Projection													
	Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Restricted Residential Rental Income		576,000	581,760	587,578	593,453	599,388	605,382	611,436	617,550	623,725	629,963	636,262	642,625	649,051	655,542	662,097
Market Residential Rental Income		1,113,600	1,135,872	1,158,589	1,181,761	1,205,396	1,229,504	1,254,094	1,279,176	1,304,760	1,330,855	1,357,472	1,384,622	1,412,314	1,440,560	1,469,372
Less Res Vacancy		(760,320)	(120,234)	(122,232)	(124,265)	(126,335)	(128,442)	(130,587)	(132,771)	(134,994)	(137,257)	(139,561)	(141,907)	(144,296)	(146,727)	(149,203)
Plus Other Income		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Actual Income		929,280	1,597,398	1,623,935	1,650,950	1,678,449	1,706,444	1,734,943	1,763,955	1,793,491	1,823,561	1,854,173	1,885,339	1,917,070	1,949,375	1,982,266
Less Rental Operating Expenses		260,510	286,118	305,564	313,203	321,033	329,059	337,285	345,717	354,360	363,219	372,300	381,607	391,148	400,926	410,949
Less Reserves		16,355	30,982	31,487	32,274	33,081	33,908	34,756	35,625	36,515	37,428	38,364	39,323	40,306	41,314	42,347
Less Services Operating Expenses		539,442	730,437	761,535	776,766	792,301	808,147	824,310	840,796	857,612	874,764	892,260	910,105	928,307	946,873	965,810
Net Operating Income		112,973	549,861	525,350	528,707	532,034	535,330	538,592	541,817	545,004	548,149	551,250	554,304	557,309	560,262	563,160
Less Primary Debt Service		502,085	502,085	502,085	502,085	502,085	502,085	502,085	502,085	502,085	502,085	502,085	502,085	502,085	502,085	502,085
Cash Flow		(389,112)	47,776	23,265	26,622	29,950	33,246	36,507	39,733	42,919	46,064	49,165	52,220	55,225	58,178	61,075
Oper Subsidy		389,112	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash		0	47,776	23,265	26,622	29,950	33,246	36,507	39,733	42,919	46,064	49,165	52,220	55,225	58,178	61,075
DCR		23%	110%	105%	105%	106%	107%	107%	108%	109%	109%	110%	110%	111%	112%	112%
Replacement Reserve Deposit		16,355	30,982	31,487	32,274	33,081	33,908	34,756	35,625	36,515	37,428	38,364	39,323	40,306	41,314	42,347
Interest on Replacement Reserve Acct	3%	245	491	929	945	968	992	1,017	1,043	1,069	1,095	1,123	1,151	1,180	1,209	1,239
Cumulative Replacement Reserves		16,600	48,073	80,489	113,708	147,757	182,658	218,431	255,098	292,682	331,206	370,693	411,166	452,652	495,175	538,761
Cumulative Cash Flow																
Beginning Balance		550,000	135,342	153,608	147,484	144,627	145,074	148,859	156,015	166,574	180,565	198,015	218,950	243,393	271,365	302,885
Plus Deposits		0	47,776	23,265	26,622	29,950	33,246	36,507	39,733	42,919	46,064	49,165	52,220	55,225	58,178	61,075
Interest	2%	6,853	2,889	3,011	2,921	2,897	2,939	3,049	3,226	3,471	3,786	4,170	4,623	5,148	5,743	6,409
Withdrawals		(389,112)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance Before Distributions		167,742	186,008	179,884	177,027	177,474	181,259	188,415	198,974	212,965	230,415	251,350	275,793	303,765	335,285	370,369
Distributions to Owner		(32,400)	(32,400)	(32,400)	(32,400)	(32,400)	(32,400)	(32,400)	(32,400)	(32,400)	(32,400)	(32,400)	(32,400)	(32,400)	(32,400)	(32,400)
Distributions to Owner for Tax Liability		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance		135,342	153,608	147,484	144,627	145,074	148,859	156,015	166,574	180,565	198,015	218,950	243,393	271,365	302,885	337,969
Net Operating Income		112,973	549,861	525,350	528,707	532,034	535,330	538,592	541,817	545,004	548,149	551,250	554,304	557,309	560,262	563,160
Plus Reserves		16,355	30,982	31,487	32,274	33,081	33,908	34,756	35,625	36,515	37,428	38,364	39,323	40,306	41,314	42,347
Plus Interest on Replacement Reserve Acct		245	491	929	945	968	992	1,017	1,043	1,069	1,095	1,123	1,151	1,180	1,209	1,239
Less Amortized Fees		(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)
Less Interest Expense		(466,558)	(463,226)	(459,580)	(455,593)	(451,232)	(446,462)	(441,244)	(435,537)	(429,294)	(422,466)	(414,997)	(406,828)	(397,892)	(388,118)	(377,427)
Less Long Term Depreciation		(153,742)	(153,742)	(153,742)	(153,742)	(153,742)	(153,742)	(153,742)	(153,742)	(153,742)	(153,742)	(153,742)	(153,742)	(153,742)	(153,742)	(153,742)
Less Short Term Depreciation		(34,835)	(34,835)	(34,835)	(34,835)	(34,835)	(34,835)	0	0	0	0	0	0	0	0	0
Taxable Income (Loss)		(527,262)	(72,169)	(92,091)	(83,944)	(75,425)	(66,508)	(22,321)	(12,494)	(2,148)	8,765	20,298	32,509	45,462	59,225	73,877
Cumulative Tax Income/(Loss)		(527,262)	(599,430)	(691,521)	(775,466)	(850,891)	(917,398)	(939,719)	(952,213)	(954,360)	(945,596)	(925,298)	(892,789)	(847,327)	(788,102)	(714,225)
Tax Liability/(Benefit)		(257,040)	(35,182)	(44,894)	(40,923)	(36,770)	(32,422)	(10,881)	(6,091)	(1,047)	4,273	9,895	15,848	22,163	28,872	36,015
Cumulative Tax Liability/(Benefit)		(257,040)	(292,222)	(337,117)	(378,040)	(414,809)	(447,232)	(458,113)	(464,204)	(465,251)	(460,978)	(451,083)	(435,234)	(413,072)	(384,200)	(348,185)
Distributions to Owner		32,400	32,400	32,400	32,400	32,400	32,400	32,400	32,400	32,400	32,400	32,400	32,400	32,400	32,400	32,400
Distributions to Pay Owner's Taxes	48.75%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

17-Apr-98								PRO FORM	17-Apr-98					
	16	17	18	19	20	21	22	23	24	25	26	27	28		30
Restricted Residential Rental Income	668,718	675,405	682,159	688,981	695,871	702,829	709,858	716,956	724,126	731,367	738,681	746,068	753,528	761,064	768,674
Market Residential Rental Income	1,498,759	1,528,734	1,559,309	1,590,495	1,622,305	1,654,751	1,687,846	1,721,603	1,756,035	1,791,156	1,826,979	1,863,518	1,900,789	1,938,805	1,977,581
Less Res Vacancy	(151,723)	(154,290)	(156,903)	(159,563)	(162,272)	(165,031)	(167,839)	(170,699)	(173,611)	(176,577)	(179,596)	(182,671)	(185,802)	(188,991)	(192,238)
Plus Other Income	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Actual Income	2,015,754	2,049,850	2,084,565	2,119,913	2,155,903	2,192,550	2,229,865	2,267,860	2,306,550	2,345,946	2,386,063	2,426,915	2,468,515	2,510,877	2,554,017
Less Rental Operating Expenses	421,223	431,754	442,548	453,611	464,952	476,575	488,490	500,702	513,220	526,050	539,201	552,681	566,498	580,661	595,177
Less Reserves	43,405	44,490	45,603	46,743	47,911	49,109	50,337	51,595	52,885	54,207	55,562	56,951	58,375	59,835	61,330
Less Services Operating Expenses	985,127	1,004,829	1,024,926	1,045,424	1,066,333	1,087,659	1,109,413	1,131,601	1,154,233	1,177,317	1,200,864	1,224,881	1,249,379	1,274,366	1,299,854
Net Operating Income	565,999	568,777	571,490	574,135	576,708	579,206	581,626	583,962	586,212	588,372	590,436	592,401	594,263	596,016	597,656
Less Primary Debt Service	502,085	502,085	502,085	502,085	502,085	502,085	502,085	502,085	502,085	502,085	502,085	502,085	502,085	502,085	502,085
Cash Flow	63,914	66,692	69,405	72,050	74,623	77,122	79,541	81,878	84,128	86,287	88,352	90,317	92,178	93,931	95,571
Oper Subsidy	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash	63,914	66,692	69,405	72,050	74,623	77,122	79,541	81,878	84,128	86,287	88,352	90,317	92,178	93,931	95,571
DCR	113%	113%	114%	114%	115%	115%	116%	116%	117%	117%	118%	118%	118%	119%	119%
Replacement Reserve Deposit	43,405	44,490	45,603	46,743	47,911	49,109	50,337	51,595	52,885	54,207	55,562	56,951	58,375	59,835	61,330
Interest on Replacement Reserve Acct	1,270	1,302	1,335	1,368	1,402	1,437	1,473	1,510	1,548	1,587	1,626	1,667	1,709	1,751	1,795
Cumulative Replacement Reserves	583,437	629,229	676,166	724,277	773,590	824,137	875,947	929,052	983,485	1,039,278	1,096,467	1,155,085	1,215,169	1,276,755	1,339,880
Cumulative Cash Flow															
Beginning Balance	337,969	376,629	418,876	464,717	514,156	567,193	532,377	487,627	431,758	363,473	281,352	183,837	69,227	131,007	195,807
Plus Deposits	63,914	66,692	69,405	72,050	74,623	77,122	79,541	81,878	84,128	86,287	88,352	90,317	92,178	93,931	95,571
Interest	7,146	7,955	8,836	9,789	10,813	10,996	10,200	9,194	7,952	6,448	4,652	2,531	2,002	3,268	4,594
Withdrawals	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance Before Distributions	409,029	451,276	497,117	546,556	599,593	655,310	622,118	578,698	523,838	456,209	374,355	276,685	163,407	228,207	295,972
Distributions to Owner	(32,400)	(32,400)	(32,400)	(32,400)	(32,400)	(32,400)	(32,400)	(32,400)	(32,400)	(32,400)	(32,400)	(32,400)	(32,400)	(32,400)	(32,400)
Distributions to Owner for Tax Liability	0	0	0	0	0	(90,533)	(102,091)	(114,540)	(127,965)	(142,457)	(158,118)	(175,058)	0	0	0
Ending Balance	376,629	418,876	464,717	514,156	567,193	532,377	487,627	431,758	363,473	281,352	183,837	69,227	131,007	195,807	263,572
Net Operating Income	565,999	568,777	571,490	574,135	576,708	579,206	581,626	583,962	586,212	588,372	590,436	592,401	594,263	596,016	597,656
Plus Reserves	43,405	44,490	45,603	46,743	47,911	49,109	50,337	51,595	52,885	54,207	55,562	56,951	58,375	59,835	61,330
Plus Interest on Replacement Reserve Acct	1,270	1,302	1,335	1,368	1,402	1,437	1,473	1,510	1,548	1,587	1,626	1,667	1,709	1,751	1,795
Less Amortized Fees	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)
Less Interest Expense	(365,733)	(352,943)	(338,952)	(323,649)	(306,911)	(288,602)	(268,576)	(246,671)	(222,711)	(196,504)	(167,839)	(136,484)	(102,188)	(64,675)	(23,643)
Less Long Term Depreciation	(153,742)	(153,742)	(153,742)	(153,742)	(153,742)	(153,742)	(153,742)	(153,742)	(153,742)	(153,742)	(153,742)	(153,742)	0	0	0
Less Short Term Depreciation	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Taxable Income (Loss)	89,499	106,185	124,033	143,155	163,669	185,709	209,418	234,955	262,492	292,219	324,344	359,094	550,458	591,226	635,438
Cumulative Tax Income/(Loss)	(624,725)	(518,541)	(394,507)	(251,353)	(87,684)	98,025	307,443	542,398	804,890	1,097,110	1,421,454	1,780,547	2,331,005	2,922,231	3,557,669
Tax Liability/(Benefit)	43,631	51,765	60,466	69,788	79,789	90,533	102,091	114,540	127,965	142,457	158,118	175,058	268,348	288,223	309,776
Cumulative Tax Liability/(Benefit)	(304,554)	(252,789)	(192,322)	(122,534)	(42,746)	47,787	149,879	264,419	392,384	534,841	692,959	868,017	1,136,365	1,424,588	1,734,364
Distributions to Owner	32,400	32,400	32,400	32,400	32,400	32,400	32,400	32,400	32,400	32,400	32,400	32,400	32,400	32,400	32,400
Distributions to Pay Owner's Taxes	0	0	0	0	0	90,533	102,091	114,540	127,965	142,457	158,118	175,058	268,348	288,223	309,776

VERMONT HOUSING FINANCE AGENCY
DELINQUENCY STATISTICAL REPORT
SINGLE FAMILY PORTFOLIO
EFFECTIVE: MARCH, 1998

Lenders	Loans	30	Days	60	Days	90+	Days	Auth	FCL	Delinq		REO	
ALBANK, FSB	438	21	4.79%	11	2.51%	7	1.60%	4	0.91%	43	9.82%	3	0.68%
Banknorth Mortgage Co.	785	30	3.82%	2	0.25%	11	1.40%	5	0.64%	48	6.11%	6	0.76%
Bennington Co-op S&L Assoc.	56	1	1.79%	0	0.00%	1	1.79%	0	0.00%	2	3.57%	0	0.00%
Brattleboro Savings & Loan	27	1	3.70%	1	3.70%	0	0.00%	0	0.00%	2	7.41%	0	0.00%
Chittenden Bank	945	44	4.66%	9	0.95%	9	0.95%	11	1.16%	73	7.72%	9	0.95%
Citizens Savings Bank	116	5	4.31%	0	0.00%	0	0.00%	1	0.86%	6	5.17%	1	0.86%
Community National Bank	321	11	3.43%	3	0.93%	4	1.25%	1	0.31%	19	5.92%	2	0.62%
Connecticut River Bank	5	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Factory Point Nat. Bank	35	1	2.86%	1	2.86%	2	5.71%	0	0.00%	4	11.43%	0	0.00%
First Brandon Nat. Bank	1	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
First Nationwide Mortgage	8	1	12.50%	0	0.00%	0	0.00%	0	0.00%	1	12.50%	0	0.00%
GMAC Mortgage	7	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Granite Bank (NH)	2	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Graystone Mortgage Company	555	38	6.85%	11	1.98%	22	3.96%	3	0.54%	74	13.33%	18	3.24%
Heritage Family Credit Union	3	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Lyndonville Savings Bank	60	1	1.67%	2	3.33%	0	0.00%	0	0.00%	3	5.00%	0	0.00%
Mascoma Savings Bank	1	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Merchants Bank	288	7	2.43%	2	0.69%	1	0.35%	4	1.39%	14	4.86%	3	1.04%
Mortgage Service Ctr. of NE	88	8	9.09%	1	1.14%	1	1.14%	1	1.14%	11	12.50%	4	4.55%
New England Federal CU	48	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Northfield Savings Bank	133	6	4.51%	1	0.75%	0	0.00%	1	0.75%	8	6.02%	0	0.00%
Passumpsic Savings Bank	169	14	8.28%	3	1.78%	2	1.18%	0	0.00%	19	11.24%	3	1.78%
Peoples Trust Co.	98	4	4.08%	1	1.02%	2	2.04%	0	0.00%	7	7.14%	0	0.00%
Randolph National Bank	38	3	7.89%	0	0.00%	1	2.63%	0	0.00%	4	10.53%	0	0.00%
Union Bank	177	9	5.08%	3	1.69%	4	2.26%	0	0.00%	16	9.04%	2	1.13%
Vermont Development CU	60	4	6.67%	0	0.00%	2	3.33%	0	0.00%	6	10.00%	1	1.67%
Vermont National Bank	1916	114	5.95%	30	1.57%	48	2.51%	19	0.99%	211	11.01%	20	1.04%
Wells River Savings Bank	29	1	3.45%	0	0.00%	2	6.90%	0	0.00%	3	10.34%	0	0.00%
Totals	6409	324	5.06%	81	1.26%	119	1.86%	50	0.78%	574	8.96%	72	1.12%
Totals Previous Month	6466	375	5.80%	108	1.67%	134	2.07%	49	0.76%	666	10.30%	74	1.14%
Totals Same Mo. Last Yr.	6316	309	4.89%	89	1.41%	69	1.09%	51	0.81%	518	8.20%	61	0.97%

Lenders	1997 Jun	Jul	Aug	Sep	Oct	Nov	Dec	1998 Jan	Feb	Mar
Large Servicer 400+										
Albank	8.24%	9.19%	8.54%	10.29%	11.86%	10.24%	12.28%	13.00%	10.99%	9.82%
Banknorth Mortgage Co.	8.57%	7.54%	8.06%	8.13%	8.83%	8.91%	8.16%	7.90%	8.45%	6.11%
Chittenden Bank	8.65%	9.32%	8.66%	7.64%	8.30%	9.20%	10.39%	9.10%	10.15%	7.72%
Graystone Mortgage Company	11.76%	11.72%	14.29%	14.29%	12.75%	17.75%	15.72%	12.52%	16.17%	13.33%
Vermont National Bank	7.14%	7.10%	6.81%	6.66%	8.40%	9.60%	7.24%	10.41%	11.50%	11.01%
Vermont Federal Bank	8.29%	8.05%	8.29%	11.39%	12.28%	13.00%	13.08%			
Average	8.78%	8.82%	9.11%	9.73%	10.40%	11.45%	11.15%	10.59%	11.45%	9.60%
Medium Servicers 399-50										
Bennington Co-op S&L Assoc.	1.92%	1.92%	3.85%	3.85%	1.92%	3.57%	1.82%	7.41%	3.51%	3.57%
Citizens Savings Bank	3.60%	5.41%	4.42%	4.39%	3.54%	5.26%	5.26%	3.48%	6.09%	5.17%
Community National Bank	5.84%	5.77%	6.96%	8.49%	6.65%	8.20%	8.81%	9.69%	7.79%	5.92%
Lyndonville Savings Bank	5.26%	3.51%	1.75%	3.51%	3.51%	10.53%	7.02%	5.26%	5.00%	5.00%
Merchants Bank	7.12%	7.17%	7.88%	7.41%	8.16%	8.53%	7.56%	8.28%	8.65%	4.86%
Mortgage Service Ctr. of NE	14.44%	8.99%	8.99%	10.11%	8.99%	12.36%	13.48%	10.11%	12.36%	12.50%
National Bank of Middlebury	12.50%	9.23%	12.31%	12.31%	13.85%	13.85%	12.31%	12.50%	9.38%	
Northfield Savings Bank	3.91%	6.25%	6.30%	5.51%	7.87%	10.85%	9.30%	6.87%	7.52%	6.02%
Passumpsic Savings Bank	9.20%	8.05%	8.05%	8.05%	7.51%	9.36%	9.83%	9.94%	9.36%	11.24%
Peoples Trust Co.	8.08%	7.29%	6.19%	8.08%	9.09%	7.92%	5.94%	5.00%	9.09%	7.14%
Union Bank	10.00%	7.06%	9.36%	9.36%	8.62%	11.36%	10.80%	9.14%	9.09%	9.04%
Average	7.44%	6.42%	6.91%	7.37%	7.25%	9.25%	8.38%	7.97%	7.99%	7.27%
Small Servicers 49-										
Brattleboro Savings & Loan	4.00%	4.00%	4.00%	8.33%	3.85%	3.85%	3.85%	7.41%	3.70%	7.41%
Connecticut River Bank	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Factory Point Nat. Bank	0.00%	5.71%	2.86%	8.33%	5.71%	8.33%	11.11%	8.57%	11.43%	11.43%
First Brandon Nat. Bank	10.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
First Nationwide Mortgage	0.00%	10.00%	0.00%	10.00%	0.00%	10.00%	22.22%	11.11%	11.11%	12.50%
Fleet Mortgage	17.39%	19.15%	17.02%	17.39%						
GMAC Mortgage	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Granite Bank (NH)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Heritage Family Credit Union	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Mascoma Savings Bank						0.00%	0.00%	0.00%	0.00%	0.00%
New England Federal CU	0.00%	0.00%	0.00%	2.08%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Randolph National Bank	2.50%	2.50%	5.13%	7.89%	7.89%	7.89%	7.89%	10.53%	10.53%	10.53%
Vermont Devvelopment CU	12.50%	14.29%	14.29%	14.29%	13.21%	12.73%	15.79%	11.86%	11.86%	10.00%
Wells River Savings Bank	6.67%	6.67%	6.45%	6.45%	6.67%	6.67%	13.33%	13.33%	10.00%	10.34%
Average	4.45%	5.09%	4.56%	6.29%	2.95%	3.92%	6.03%	4.94%	4.65%	5.06%
Total VHFA Delinquency	8.21%	8.09%	8.38%	9.07%	9.69%	10.55%	10.36%	9.61%	10.30%	8.96%

VERMONT HOUSING FINANCE AGENCY
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SINGLE FAMILY PORTFOLIO
EFFECTIVE: MARCH, 1998

Lenders	Loans	30	Days	60	Days	90+	Days	Auth	FCL	Delinq		REO	
Large Servicer 400+													
Albank	438	21	4.79%	11	2.51%	7	1.60%	4	0.91%	43	9.82%	3	0.22%
Banknorth Mortgage Co.	785	30	3.82%	2	0.25%	11	1.40%	5	0.64%	48	6.11%	6	0.63%
Chittenden Bank	945	44	4.66%	9	0.95%	9	0.95%	11	1.16%	73	7.72%	9	1.05%
Graystone Mortgage Company	555	38	6.85%	11	1.98%	22	3.96%	3	0.54%	74	13.33%	18	3.54%
Vermont National Bank	1916	114	5.95%	30	1.57%	48	2.51%	19	0.99%	211	11.01%	20	1.36%
Totals	4639	247	5.32%	63	1.36%	97	2.09%	42	0.91%	449	9.68%	56	1.21%
Average	928	49	5.21%	13	1.45%	19	2.08%	8	0.85%	90	9.60%	11	1.36%
Medium Servicers 399-50													
Bennington Co-op S&L Assoc.	27	1	3.70%	1	3.70%	0	0.00%	0	0.00%	2	7.41%	0	0.00%
Citizens Savings Bank	116	5	4.31%	0	0.00%	0	0.00%	1	0.86%	6	5.17%	1	0.86%
Community National Bank	321	11	3.43%	3	0.93%	4	1.25%	1	0.31%	19	5.92%	2	0.62%
Lyndonville Savings Bank	60	1	1.67%	2	3.33%	0	0.00%	0	0.00%	3	5.00%	0	0.00%
Merchants Bank	288	7	2.43%	2	0.69%	1	0.35%	4	1.39%	14	4.86%	3	1.04%
Mortgage Service Ctr. of NE	88	8	9.09%	1	1.14%	1	1.14%	1	1.14%	11	12.50%	4	4.55%
Northfield Savings Bank	133	6	4.51%	1	0.75%	0	0.00%	1	0.75%	8	6.02%	0	0.00%
Passumpsic Savings Bank	169	14	8.28%	3	1.78%	2	1.18%	0	0.00%	19	11.24%	3	1.78%
Peoples Trust Co.	98	4	4.08%	1	1.02%	2	2.04%	0	0.00%	7	7.14%	0	0.00%
Union Bank	177	9	5.08%	3	1.69%	4	2.26%	0	0.00%	16	9.04%	2	1.13%
Totals	1477	66	4.47%	17	1.15%	14	0.95%	8	0.54%	105	7.11%	15	1.02%
Average	148	7	4.66%	2	1.50%	1	0.82%	1	0.45%	11	7.43%	2	1.00%
Small Servicers 49-													
Brattleboro Savings & Loan	27	1	3.70%	1	3.70%	0	0.00%	0	0.00%	2	7.41%	0	0.00%
Connecticut River Bank	5	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Factory Point Nat. Bank	35	1	2.86%	1	2.86%	2	5.71%	0	0.00%	4	11.43%	0	0.00%
First Brandon Nat. Bank	1	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
First Nationwide Mortgage	8	1	12.50%	0	0.00%	0	0.00%	0	0.00%	1	12.50%	0	0.00%
GMAC Mortgage	7	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Granite Bank (NH)	2	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Heritage Family Credit Union	3	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Mascoma Savings Bank	1	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
New England Federal CU	48	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Randolph National Bank	38	3	7.89%	0	0.00%	1	2.63%	0	0.00%	4	10.53%	0	0.00%
Vermont Development CU	60	4	6.67%	0	0.00%	2	3.33%	0	0.00%	6	10.00%	1	1.67%
Wells River Savings Bank	29	1	3.45%	0	0.00%	2	6.90%	0	0.00%	3	10.34%	0	0.00%
Totals	264	11	4.17%	2	0.76%	7	2.65%	0	0.00%	20	7.58%	1	0.38%
Average	20	1	2.95%	0	0.52%	1	1.52%	-	0.00%	2	4.98%	0	0.15%

vhfa

VERMONT HOUSING FINANCE AGENCY

BOARD MINUTES
State Treasurer's Office
133 State Street
Montpelier, Vermont

Thursday, April 23rd 1998

PRESENT: Chairman White; Commissioners, Canney, Randall, Seelig, Douglas, Brown (designee for Shouldice)

Staff: Mr. Hunt, Mr. McNamara, Ms. Gent, Ms. Caragher, Mr. Falzone, Mr. Jarrett, Mr. Lothrop, Mr. Schoenbeck, Ms. Reid, Ms. Myette, Ms. Black-Plumeau

Other: Mr. Cole (AG Edwards)

Chairman White called the meeting to order at 1:45 p.m. Upon a motion duly made by Mr. Seelig and seconded by Mr. Douglas, the minutes of March 19th and April 9th 1998 were unanimously approved as written with one minor change.

Ms. Reid reviewed her memo " Health Property Partners, Level III Community Care Home, Hartford: Letter of Commitment for Construction and Permanent Financing," included in the Board packet. At the February 1998 meeting, the Board approved a Letter of Interest to finance a Level III Community Care Home in the amount of $5,100,000. The project is located in Hartford, Vermont and is being developed by Upper Valley Terraces Limited Partnership, whose principals are Jack Heaton and Frank Murphy of Health Property Partners. Since the February Board meeting there have been a few changes: (1) The rate the project is being underwritten at is now 9% (up from 8.5%) and the project appears feasible at 9%, with the same rent schedule but with a lower debt coverage ratio- 110%; and (2) The lease up reserve has increased in order to cover expenses during the rent up period. This change has resulted in the developer requesting a higher loan amount of $5,200,000.

The Board had a few concerns regarding the development of this project: (1) In the Letter of Commitment it stated that "Sponsor shall provide meaningful personal guarantees throughout the construction period until project completion and breakeven occupancy in a form satisfactory to VHFA" – where are their personal guarantees? Chairman White expressed concerns that there are no meaningful personal guarantees on the payment of this loan and there is no equity (other than the developer fees) in this deal. Ms. Reid responded by indicating that in working further with the budget, we increased the construction contingency and staff felt comfortable with it between 5% – 10% of hard construction costs. The developer will also be the general contractor and as such will provide a payment and performance bond for VHFA through the construction

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period. Mr. Jarrett indicated that the developers were willing to sign the personal guarantee forms, but we were told that there were not many assets to back up their guarantees; (2) Another concern was whether or not there are any conditions saying that the developers can only earn their fees when the work is done. Ms. Reid noted that they get paid when construction is complete and; (3) The ten year affordability provision for this loan was a concern among the Board members; most of the Board felt that ten years was a short time span. Most people are moving to the development for stability, and the Board asked what could insure that the people still living there in ten years could stay even if they couldn't afford the market rent. Ms. Reid noted that if the owners receive more income then projected on the affordable units, the excess income would be put into a residual receipts account which would offset the affordable rents after year ten.

The Board agreed that staff should negotiate with the developers that the twelve lowest income tenants residing in the development in year ten should be able to stay there at the same rents until there is turnover, regardless of how long it is. There should be no displacement for the twelve affordable units. If the developers do not agree to this, then staff would have the flexibility of negotiating an additional five years of affordability and tenant protection for the twelve units.

During this discussion, it was brought to the Board's attention that Jack Heaton's construction company had filed bankruptcy ten years ago. VHFA did not suffer any losses from his bankruptcy and staff believes it was for reorganization purposes. The Board expressed concern, and Mr. Hunt addressed their concern by indicating that he believes it is not unprecedented and that VHFA has had several successful developers who have had their corporation go bankrupt or out of business. The Board requested that staff obtain information, to their satisfaction, regarding the bankruptcy. After further discussion, a motion was made by Mr. Seelig to approve the "Resolution Pertaining to Commitment Letter Re: Health Property Partners (Hartford)," with the following changes: (1) The twelve lowest-income tenants who are living at the project at year ten are protected from any rent increases until there is turnover and that tenants of all affordable units moving into the project sign a disclosure form which explains this to them; and (2) Staff should try to negotiate a right of first refusal with the developers. The motion carried unanimously after being seconded by Mr. Brown.

Next, Mr. Lothrop reviewed Single Family Program Activity for February 1998. The activity for February is slower than last year, and the figures for April show that we have done $2.2 million in reservations so far as compared to $7.9 million last year. One week ago, we instituted rate changes and, of those rate changes, we have done: 21 loans at $1.3 million at 6.95% (which is the most expensive option); 4 loans for $254,000 at 0 points for 7.20%; and we haven't done any at the 6.20% for three year option.

Mr. Lothrop discussed the delinquency figures next. The total delinquencies for March dropped by 1.34% from the previous month. Mr. Lothrop indicated that there are a lot of loans in a workout plan, and he feels that the procedures the Servicing Department has put into place are finally starting to pay dividends. An interesting feature that Mr. Lothrop pointed out was that in the total loan category we dropped 173 total loans between January and February and 157 total loans between February and March due to prepayments.

Mr. Lothrop briefly touched on the REO Disposition Report. He pointed out that VHFA has a lot of properties currently under contract. As of right now, we have 72 REOs and 26 of those are under contract to be sold. It seems that our REOs are starting to sell, and if we can dispose of the other REOs while the selling season is here, then we will be in good shape going into the winter season.

Next, Mr. Lothrop discussed his memo "Change to VHFA Condominium and Planned Unit Development (PUD) procedures. Allowing for Spot Loans in non-approved projects." Lenders and real estate agents have asked staff whether VHFA would purchase loans on a "spot" basis in non-VHFA approved condo projects and/or PUDs. Both Fannie Mae and Freddie Mac use spot loan approval. By allowing spot loans, VHFA would limit its risk by the number of properties that we will actually finance in any project. Mr. Seelig asked why some condominium associations are not currently approved by VHFA. Mr. Lothrop answered by indicating that when the condominiums were originally built, the developers opted not to come and get VHFA approval.

Some advantages to allowing spot loans in condominiums and PUDs are as follows: staff would have more time to evaluate those projects that present greater risk; our process would more resemble the secondary market; and less documentation could result in quicker turn-around for borrowers. The one major disadvantage is the lack of pertinent information that could affect our risk. After further discussion, Mr. Seelig made a motion to incorporate "Spot Lending" in the current VHFA condominium and PUD procedures as outlined in this memorandum, and the motion carried unanimously after being seconded by Ms. Canney.

Lastly, Mr. Lothrop discussed his memo "Possible use of 0% funds to assist with VHFA distressed properties and in the sale of VHFA REOs," included in the Board packet. Staff has been researching possible uses of the multifamily refunding proceeds. One use would be to use 0% funds to assist a qualified buyer to purchase a VHFA REO. We would reduce the amount of amortizing debt the borrower would have to carry and, as part of the sale, VHFA would offer the borrower a non-amortizing second mortgage that would be paid when the borrower sells the property. Another use would be to use the 0% money to pay for needed repairs/improvements to make the dwelling livable. VHFA would make a 0% non-amortizing second mortgage for the amount up to $10,000 for repairs and/or improvements needed to make the property habitable. It was the general agreement of the Board that there doesn't need to be a loan committee for these approvals, maybe just a recording tool of some kind. After further discussion, Mr. Seelig made a motion to approve the use of up to $250,000 of the 0% multifamily refunding proceeds as outlined in this memorandum, subject to bond counsel approval, and the motion carried unanimously after being seconded by Ms. Canney.

Ms. Gent and Ms. Black-Plumeau reviewed their memo "Homeownership Centers: Summary Report and Evaluation of Year Two & Request for Support for Year Three," included in the Board packet. Ms. Gent indicated that we are now in our third calendar year of the pilot program. We have four Homeownership Centers currently operating, and all are fully operational and provide pre-purchase education, counseling, and technical assistance to residents in certain counties around Vermont. Staff is asking for total funding in the amount of $80,000 for the calendar year 1998. $20,000 would go to each of the four Centers. Since approximately

$40,000 has already been included in the FY98 budget, the FY99 budget request for the rest of 1998 is $40,000.

Ms. Gent gave a brief overview of the activities of year two: (1) Expanded consumer activity as well as strengthening and development of partnerships, intensive staff training and program marketing/outreach initiatives; (2) Marcia Mattoon, VHFA's Outreach Program Manager, held training sessions and visited each Center throughout the year to provided one-on-one guidance for Center staff; and (3) The Homeownership Centers participated in the Homeownership 2000 Brainstorming Sessions held between July and November 1997. These gave the Centers an opportunity to expand their contact base with lenders and real estate professionals in their geographic areas. Also, in February 1998, the Homeownership Centers made a proposal for a "Loan Intervention Program" with VHFA. The initial proposal included provisions which fall outside the range of loan intervention activities being considered by VHFA. Currently, staff is preparing a proposal for the centers to consider which better reflects the Agency's goals.

Ms. Black-Plumeau briefly reviewed goals for the Homeownership Center evaluation that will take place year three. Ms. Gent explained that VHFA remains concerned about the performance of the Centers as they expand their programs, and staff will be monitoring developments closely during year three. A few specific goals for year three follow: the Homeownership Centers will each use the customer intake process developed in November 1997; a cost recovery plan and related marketing plan will be developed and implemented for the Centers; and the Centers will offer a full range of pre-purchase and post-purchase education services as specified in the contracts.

After further discussion, Ms. Randall made a motion to approve the staff's request for operating support for the Homeownership Centers for year three of the Homeownership Center pilot project in the amount of $30,000 for calendar year 1998 through June 1999, and the motion carried unanimously after being seconded by Mr. Brown.

Mr. Jarrett gave a brief update on the litigation involving Winchester Place. To date, not all of the defendants have signed on to the settlement papers. We have received one check from them, but the second check has not yet come in. Our lawyers have asked the court for a status conference, which is scheduled for May 4th.

Mr. Jarrett then mentioned that as far as the class action goes, two other lenders have been brought into the action; First Vermont Bank and Key Bank. They both have now responded to most of the plaintiff's allegations in both the Federal and the State court suits. There are hearings set for both courts in the near future. Staff should have a clearer picture once the hearings have concluded.

Mr. Falzone then reviewed his memo "HUD-held Note Sale/Purchase," included in the Board packet. Mr. Falzone indicated that currently there are three HUD-held notes in Vermont; Highgate Apartments in Barre; Westgate Apartments in West Brattleboro; and Mountain View Apartments in Springfield. Housing Vermont owns Highgate and Mountain View and VHFA has Premium Note obligations on Westgate relating to the purchase of Northgate. Staff sees an opportunity to purchase debt on these properties and better control the future affordability for them. Mr. Falzone indicated that staff would like to submit a formal proposal to HUD that would indicate our interest in purchasing the three HUD-held notes for a price in the $1.3 million range and allow staff to continue the work related to the ownership transfer of Westgate Apartments. Mr. Falzone also indicated that if we were successful in our bid to purchase these notes, it would allow staff to focus on placing Westgate into nonprofit ownership. Staff has been consulting with David Smith of Recapitalization Advisors, Inc who has already provided staff with insight on how we could improve our offer to HUD. After further discussion, a motion was made by Mr. Douglas to approve the recommended Board action, and the motion carried unanimously after being seconded by Ms. Randall.

Mr. Schoenbeck reviewed his memo "General Fund Budget Adjustment Requests," included in the Board packet. Mr. Schoenbeck briefly discussed a few of the adjustments that have been made to the budget to balance us through the end of the fiscal year. The Vermont Home Mortgage Guarantee Board is expected to incur approximately $15,000 more in the area of consulting to provide suggestions for future operations. A more important item is the subsidy expense area where we originally budgeted $73,000 as the cash subsidy payment portion of our annual $300,000 contribution of increasing their capital position. Since VHFA activity has been slow, we will need to increase the subsidy by $150,000 for the year. Due to additional funds available from the bond programs, we can reduce the general fund advertising budget by $19,000. The class action suit, legal publication notices and work by Kutak Rock require an increase in legal expense of $10,000. After Mr. Schoenbeck's brief overview, a motion was made by Mr. Seelig to approve the adjustments made to the operating budget, and the motion carried unanimously after being seconded by Mr. Douglas.

Mr. Schoenbeck mentioned that the three members of the Board that are serving on the Budget Committee (Ms. Randall, Ms. Canney and Mr. Douglas) have received a four-page outline of the budget process. The committee will be meeting in the very near future to come up with some recommendations for the Board on the actual budget.

Mr. Hunt noted that he did not have his written Executive Director's Report with him, but that we would be mailing it to the Board on May 1st. He briefly indicated that staff has been doing a lot of work on identifying a potential consultant for the Vermont Home Mortgage Guarantee Board. We do have four organizations that we have talked to and that we think would do a great job for us. All four of the organizations have received the Request for Proposal, and we should be receiving their responses in mid May.

Mr. Hunt decided to defer his memo "Lender of Last Resort," until the May 7th Board Meeting due the time frame of today's meeting. Chairman White suggested that the Board looks over the memo in the meantime and they could act on it on May 7th.

Next, Chairman White indicated that were some complaints from staff on the nature on how the Personnel Focus Group was going forward, but that things seem to be going better. The Communications Focus Group was also having problems with procedure, but things are moving along much smoother with that group also. Chairman White noted that it is premature to discuss the issues that the focus groups are currently discussing, should wait until they are completely done their work. Both groups are working hard to meet their 90-day window. It may extend into June, but the groups are hoping they can wrap this up in May.

Mr. Falzone indicated that the owner of our SouthMeadow project would like to prepay his loan due to the low interest rates. He could significantly reduce his debt service cost if he was able to prepay now, rather than wait the four additional years required by his mortgage documents. Staff has been negotiating with the owner in an attempt to secure extended affordability for up to 30 units. This extended affordability would provide five to ten years beyond the existing 20-year restrictions at rent levels comparable to the tax credit program. After further discussion, a motion was made by Ms. Randall to give staff the flexibility to negotiate with the owner and protect affordability, and carried unanimously after being seconded by Mr. Seelig.

Lastly, Mr. McNamara announced that the Green Mountain Habitat for Humanity Subchapter at the University of Vermont (UVM), has been chosen by Oprah Winfrey's "Angels" to do one of her 205 houses throughout the United States. Ms. Gent has discussed this with our advertising consultant, who believes that it could be a major public relations opportunity for the Agency. They need a $35,000 sponsor committed by tomorrow. The theory is we would make a commitment to get it done, and then go out and find the partners. Mr. McNamara sees the partners to be the VHFA, City of Burlington, UVM, Vermont Housing and Conservation Board (VHCB) and perhaps the Home Builders Association of Northern Vermont. Mr. Seelig added that VHCB's Board has given them funds for strictly Habitat projects, and he believes that funds may still be available. A motion was made by Mr. Seelig to sponsor this project; the motion carried unanimously after being seconded by Mr. Douglas.

At this time a motion to go into Executive Session for the purpose of discussing the Executive Director's evaluation pursuant to 1 VSA Section 313 (a)(3) was made. The motion to come out of Executive Session was made by Mr. Seelig and seconded by Mr. Douglas. No formal action was taken after coming out of Executive Session.

There being no further business, following a motion made and seconded, the meeting adjourned at 4:05 p.m.

Sincerely,

Allan S. Hunt, Secretary

RESOLUTION PERTAINING TO COMMITMENT LETTER
RE: HEALTH PROPERTY PARTNERS (HARTFORD)

WHEREAS, a proposal has been presented to the Agency by Health Property Partners, (the "Housing Sponsor") on behalf of a to-be-formed limited partnership involving the construction of a 60 unit Level III Community Care Home located in Hartford, as referenced in a staff memorandum dated April 17, 1998 (the "Development"); and

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

WHEREAS, 31 of the 60 units in the Housing Sponsor's proposal would be affordable to households earning less than 100 percent of median income; and

WHEREAS, the maximum amount of the mortgage loan will not exceed $5,200,000; and

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

It is hereby DETERMINED:

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

2. The construction costs to be incurred by the Housing Sponsor are for housing development costs within the meaning of the Act.

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

4. The Housing Sponsor undertaking the Development will increase 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.

6. The Housing Sponsor is expected to qualify as a financially responsible organization.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director may, in his discretion, issue a Commitment Letter for loans for the construction and long-term financing of the Development, in an amount not to exceed $5,200,000. The term of the construction loan shall be one year, with an

interest rate to be determined based on the Agency's cost of funds plus an override. Interest only shall be payable on the construction loan until the closing of the term loan.

2. The term loan shall be amortized over a period of up to 30 years, but all principal and accrued interest shall be due not more than 30 years from the date of the term loan. The interest rate shall be determined by the Executive Director based on the Agency's cost of funds plus an override. The Commitment Letter may be issued to Health Property Partners as a representative of the to-be-formed limited partnership. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, the following conditions, and such further requirements as the Agency may establish:

   a. VHFA reserves the right to withdraw its Commitment if interest rates rise to the point that the long-term financial feasibility of the development is threatened, or if the bond cannot be sold for any reason at terms that makes the project feasible;

   b. Sponsor must provide final plans and specifications and an itemized construction budget for approval by VHFA or its agent; the cost of any construction budget review and construction inspections by an agent working on VHFA's behalf will be paid for out of the project's capital budget;

   c. Sponsor shall provide a written statement from the Town of Hartford as to estimated amount of property taxes to be assessed.

   d. Sponsor and its principals shall provide sufficient security throughout the construction period until project completion and breakeven occupancy in a form satisfactory to VHFA;

   e. If interest rates fall such that the loan interest rate to the sponsor is lower than 9.0% (as shown in the budget dated 4/17/98), then VHFA reserves the right to reconsider the underwriting assumptions, including but not limited to the rent levels, loan amount, and loan terms.

3. The Executive Director is authorized to take all necessary steps to either carry out a taxable bond financing to provide proceeds with which to make the authorized loans or to structure a transaction with the Federal Home Loan Bank of Boston to provide such proceeds.

4. The Executive Director, Deputy Director and Director of Finance are authorized to execute any and all documents necessary to effectuate the closing of these loans.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, April 23, 1998.

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

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VERMONT HOUSING FINANCE AGENCY
BOARD MINUTES
164 Saint Paul Street
Burlington, Vermont

Thursday, May 7 1998 at 12:30 p.m.

PRESENT: Chairman White; Commissioners Candon (designee of Costle), Canney, Randall, Grimes (designee of Shouldice), Seelig (via telephone), Douglas.

Staff: Mr. Hunt, Mr. McNamara, Ms. Gent, Ms. Caragher, Mr. Jarrett, Mr. Lothrop, Mr. Falzone, Mr. Schoenbeck, Mr. Erdelyi, Ms. Reid, Ms. Crady, Ms. Myette, Ms. Black-Plumeau, Mr. Gutchell, Mr. Baker, Ms. Joachim, Ms. Santerre, Ms. Boucher, Ms. Cunningham.

Other: Mr. Dodge (Evensen Dodge), Mr. Broderick (Housing Vermont), Mr. Brush (Green Mountain Development Group, Inc.), Mr. Giebink (Green Mountain Development Group, Inc.), Mr. Rendall (Legal Counsel for Green Mountain Development Group, Inc), Mr. Richardson (Capital Ideas, Inc.), Ms. Leriche (Lamoille Housing Partnership), Ms. Winchell (Central Vermont Community Land Trust), Senator Maynard (Rutland), Ms. Owen (Cathedral Square Corp.), Ms. Houghton (Burlington Community Land Trust).

Chairman White called the meeting to order at 12:30 p.m. The first item on the agenda was the presentation of the 1998 Financial Study prepared by Evensen Dodge. Mr. Hans was here from Evensen Dodge to present it to the Board.

During Mr. Han's presentation, the Board asked several questions and discussed issues raised by the study. Mr. Hans was requested to prepare an analysis of two additional areas: (1) the impact on the Study if single family program volume dropped to $30 million per year and; (2) a review consistent with the 1993 Study to indicate the Agency's financial position if no future bond offerings were to occur. Mr. Hans indicated that could be done and we could provide the additional data prior to the next Board meeting. After the presentation was completed, Chairman White thanked Mr. Hans on behalf of the Commissioners for his presentation and the valuable study.

Next, the Board considered the 1998 Housing Tax Credit Allocation, including the Joint Committee on Tax Credits (JCTC) recommendations. Chairman White asked Mr. Jarrett, VHFA Legal Counsel, to begin by briefly highlighting the process so the Board is reminded of its area of responsibility. Mr. Jarrett began by stating that the tax credit allocation process involves several different organizations. The Agency of Commerce and Community Development is the state housing credit agency and

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VHFA is the issuing authority under two executive orders issued by Governor Kunin; a Memorandum of Understanding between the two agencies and rules that were promulgated through the Administrative Procedures Act. In the Executive Order are the rules governing the JCTC and its role in the tax credit process. VHFA has the responsibility of reviewing and approving credit applications in compliance with the policies of DCA and the requirements of the federal law. Over the years, the JCTC has taken an advisory role in the allocation process and has made recommendations to VHFA. In the final assessment, it is the VHFA Board that has the responsibility to allocate the credits. If a shortage of credits exists, as it currently does, VHFA is to allocate the credit available according to the priorities established by the Allocation Plan.

Mr. Erdelyi then gave an overview on the supply and demand for the 1998 allocation. Applications for the ten projects we received represents $907,000 in credits. After reviewing the applications and adjusting the credit requests based on cost limits and credit rates, the amount of credit staff would recommend for all ten applications (if there were enough credits for every application) is $891,000. Mr. Erdelyi indicated that staff worked with the applicant from one of those ten applications (Lakeview Apartments in Newport, Vermont) and came up with an alternate plan to fund that outside of the state ceiling. That request was for $35,900. After subtracting $35,900 from the $891,000 the total for the nine remaining projects is $855,000, which is the demand for this round.

The available credit is estimated to be roughly $746,000 in credits. Last year we forward committed $107,000 in 1998 credits to the Applegate project in Bennington. That leaves approximately $639,000, which is the amount of credits available for this round. With $639,000 in available credits and $855,000 in applications, the difference is $216,000 in credit or about 30% more than the ceiling. Last year, the demand exceeded the supply by a factor of 3 to 1 (the demand was $2.1 million and the supply was $700,000).

Next, Mr. Erdelyi briefly reviewed what took place during the JCTC meeting last week. The JCTC discussed staff's ranking and considered it in light of the State Consolidated Plan priorities. The committee elected to use this year's credits and $105,000 of next year's credits to fund all of the projects in full, with the exception of the Maples proposal. The Maples project was asking for $220,000 in credits and the recommendation from the committee was to reserve only $110,000 in credits. The committee did forward commit $105,000 from next year's credits for McAuley and Park Place II projects.

Chairman White noted that staff had recommended all of the projects, except for Montpelier, Hardwick and Bennington. Ms. Randall stated that after reviewing the projects, there appeared to be a number of conditions, varying from very minor to more complete. Ms. Randall also expressed her concern regarding the completion of tax credit projects – are there projects that we are allocating tax credits for that will not use them? It has happened before in the past, and her concern is that it could happen again. Mr. Erdelyi answered by indicating that last year we did have a project that didn't use all of their tax credits. This year JCTC made a recommendation that two of the projects using next year's allocations have until December 1999 instead of December 1998 to use their credits. All of the other projects look feasible for incurring 10% of the costs and getting an allocation for this year.

Next, Mr. Giebink (Green Mountain Development Group, Inc.) addressed the Board regarding the Maples project. Mr. Giebink introduced himself and his partner Mr. Brush, and then briefly discussed their concerns. Mr. Giebink indicated that Vermont has in place both an enabling regulation and an Allocation Plan. The Allocation Plan is reviewed annually and amendments are made to that plan when deemed necessary. From a developer's standpoint, based on the Allocation Plan, the developers submit projects because they believe they have best combined the needs of the community with the criteria set forth in the plan. Mr. Giebink stated his concern is that JCTC overruled VHFA staff recommendations for allocating tax credits this year. Each project was ranked according to how it met the criteria, and then it was placed in one of three groups; the Maples project received three stars (out of a possible four). Under the state regulation and the Allocation Plan, the projects that received the three or four stars should receive a reservation of 1998 credits. Under the plan, VHFA has the discretion to then determine where to commit 1998 and 1999 credits. Mr. Giebink stated that he believes that the Allocation Plan is not being followed and added that if changes need to be made in the Allocation Plan, than it should be done so that developers know what needs to be done differently when developing projects.

Ms. Leriche (Lamoille Housing Partnership and Hardwick project) briefly stated that, in terms of the credits being allocated, the Hardwick project would use these credits. The current owners of the building have extended the contract once and revised the contract with the Lamoille Housing Partnership. Ms. Leriche indicated that she is sure that they will lose the purchase and sales agreement because the owners are getting impatient. This is the last piece of funding needed to proceed and, if all goes well, they will be ready to close next Monday. Ms. Leriche indicated that the Lamoille Housing Partnership is very eager to do this project and the entire community is involved and very excited. In terms of the construction schedule, Ms. Leriche noted that the plan is to complete this project by November 1998, therefore, a tax credit allocation this year is absolutely necessary.

Next, Ms. Winchell (Central Vermont Community Land Trust) addressed the Board regarding three buildings they have on two separate properties. The larger of the two properties is eleven units of housing in downtown on the edge of a mixed income and mixed tenure residential area. Most of the homes are owner-occupied, even those which have apartments in them. Ms. Winchell noted that the owner has made it very clear that if we don't get an allocation of tax credits for this year, he has other constraints that will force him to cancel the sale.

Mr. Broderick (Housing Vermont) addressed the Board next by stating that the JCTC was created for a reason. The Committee reviews staff's summaries and represent the state's central housing policy makers and the state's understanding of what has been put into the plan. Mr. Broderick indicated that the committee should meet to review the tax credit allocation. He indicated that the fact that we could have had three or four elderly projects in Rutland County this year is why we have the JCTC: to consider need, what the priorities are and make recommendations that are in the publics' interest. Mr. Broderick also added that the three projects that scored low are scattered sites, downtown, historic rehabilitations, with very low income family tenants living in them.

Mr. Brush (Green Mountain Development Group, Inc.) addressed the Board and indicated that he strongly disagreed with what Mr. Broderick had just presented to the Board. He indicated that it is not right to expect developers to spend as much as $50,000 with no assurance of a fair process.

Senator Maynard (Rutland) addressed the Board next. He indicated that he came to find out whether the process was fair or unfair. Rutland has a great opportunity to have the Maples project where it is conveniently located by the bus line and next to a medical center. Senator Maynard expressed his concern by stating that if there was something wrong with the system, than he would hope that the process would be changed and new criteria would be added.

Next, Ms. Grimes commented on her perspective. As far as process, the Allocation Plan does rely on the State Consolidated Plan priorities. The only disagreement she has is in the letter from the Green Mountain Development Group, Inc. They made a very strong position that VHFA is to allocate the available supply in accordance with the priorities set by the Allocation Plan. Her differences with the staff recommendation center on need and Consolidated Plan priorities. With Brandon and Maples in the same market area, she is not convinced that the market can support both projects. She indicated that staff has made recommendations to the JCTC and now the JCTC has made recommendations to the VHFA Board; the Board must decide how to proceed.

Chairman White asked what the Allocation Plan mentions regarding geography. Mr. Erdelyi indicated that one of the required elements in the plan was geographical targeting in some way. Mr. Erdelyi also stated that both last year and this year in the plan, we looked at each town where the proposal came from, which is the fourth piece of the evaluation process. Ms. Grimes stated that, when looking at the language in the plan, it states that the project is in a location that has been under-served historically and having its affordable housing needs met. When the committee discussed the geographic targeting in the Allocation Plan, we looked at the need to keep in mind the geographic needs of the state. Mr. Seelig indicated that the committee wasn't trying to discriminate geographically, so much as to look at the questions relative of need and how these projects ranked against need.

Mr. McNamara then stated that we have made changes to the Allocation Plan. For example, last year we did fund the Park Place project in Burlington. One of the primary arguments that was made for that project was that it was a significant burned out building in a downtown area. Last year, that was not in the Allocation Plan, but the JCTC recommended it last year and the Board supported it. Mr. McNamara indicated that he feels that what came out of the JCTC did add value to this process. Mr. McNamara went on to indicate that unlike last year, when four projects were left out at the end of the process (Cora B. Whitney, The Maples, McAuley and Brandon), this year only half of one project is left in the pipeline (the Maples).

After further discussion, a motion was made by Ms. Randall that $215,000 be committed from 1999 credits rather than $105,000 and that the Maples project be funded for the full $220,000 in credits. The motion carried unanimously after being seconded by Mr. Douglas.

Staff ranking of programs in the Strategic Plan was discussed next. After reviewing the first few programs on the list, the Board agreed that they had no major changes to make to the staff ranking, and that it wasn't necessary to go down the entire list to review each item separately. The Board recognized that VHFA can not currently finance 3-4 unit owner occupied homes, so the Housing Council will take up that topic and look for other financing resources. Chairman White indicated that there would be time set aside at the next Board meeting to discuss Strategic Plan.

The Strategic Plan discussion led into the memo "Lender of Last Resort" included in the Board packet. Mr. Hunt indicated that this policy went into effect quite some time ago when there was concern about VHFA competing with lenders. In the past, there was a concern about running out of mortgage money, so VHFA decided to target the most needy. The negative factor of this policy is that it limits our market and leaves us with the riskier loans. The policy also allows lenders to question whether we will buy the loan from them, which may motivate them to send it somewhere else. Staff believes that this is driving away good business and that it would be in the Agency's best interest to eliminate the policy. After further discussion, Ms. Canney made a motion to eliminate the policy, which limits the program to only those persons who are financially unable to compete successfully in the normal housing market, and the motion carried unanimously after being seconded by Mr. Douglas.

There being no further business, following a motion made by Ms. Canney and seconded by Mr. Candon, the meeting adjourned at 4:05 p.m.

Sincerely,

Allan S. Hunt, Secretary

RESOLUTION REGARDING
LOW INCOME HOUSING TAX CREDIT
PROJECT RESERVATIONS

WHEREAS, on November 18, 1993 the Board agreed with a staff recommendation that the Board consider and approve staff recommendations on specific Low Income Housing Tax Credit (LIHTC) project reservations after such recommendations had been presented to and considered by the Joint Committee on Tax Credits (JCTC); and

WHEREAS, the JCTC met on April 28, 1998 and considered recommendations for reservations of tax credits for 10 proposed projects; and

WHEREAS, the Agency staff recommended all but three of the projects to the JCTC for reservations, but expressed concern to the JCTC regarding the "readiness to proceed" and "need and demand" criteria for the Park Village proposal in Brandon, and sought guidance from the JCTC because of these concerns. The JCTC modified the staff's recommendations to fully fund all of the applications except the Maples in Rutland, which would receive $110,000 in credits; and

WHEREAS, staff has prepared a memorandum dated April 30, 1998 containing a description of the projects (the "Memorandum"), and

NOW, THEREFORE, it is hereby RESOLVED:

1. The Board has considered the projects discussed in the Memorandum.

2. The Agency approves the reservation for the projects recommended by the JCTC in the amounts listed:

Pearl/Union SRO	Burlington	$55,000
Cora B. Whitney Apts.	Bennington	73,399
Park Place II	Burlington	75,000
The Maples	Rutland	220,000
Park Village Apts.	Brandon	171,851
McAuley Square	Burlington	88,000
Slapp Hill Housing	Hardwick	47,500
Barre and Bailey Streets	Montpelier	50,000
Bennington Arts	Bennington	73,000

subject to the payment of applicable reservation fees, and subject to the conditions discussed in the Memorandum.

3. All ($88,000) of the McAuley Square credits, $110,000 of the Maples credits and $17,575 of the Park Place II credits will be advance binding commitments from the 1999 Housing Credit ceiling.

4. Lakeview Housing in Newport, which was seeking $35,900 in credits, will attempt to secure out of cap credits by seeking tax-exempt bond funding. If that attempt is unsuccessful, Lakeview Housing will receive $35,900 in an advance binding commitment from the 1999 ceiling.

5. The Agency staff may increase or decrease LIHTC allocations by up to five percent, if appropriate, based upon changes in development costs.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont, May 7, 1998.

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

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MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Joseph A. Erdelyi, Multifamily Development Underwriter JE

DATE: June 12, 1998

RE: Barre & Bailey Street Apartments, Montpelier Combined Letter of Interest/ Commitment Letter for permanent financing

EXECUTIVE SUMMARY

Central Vermont Community Land Trust and Housing Vermont are endeavoring to purchase and rehabilitate 15 units of rental housing and 1,300 square feet of commercial space in three existing buildings in Montpelier. All other funding has been committed and they are seeking $85,000 in debt financing from VHFA.

THE DEVELOPMENT

Projected Funding Sources

First Mortgage – VHFA	$84,449	6.34%
VHCB –Deferred	$260,000	19.51%
HOME – Deferred	$362,890	27.23%
VHCB - Lead Loan – Deferred	$14,000	1.05%
VHCB - Grant w/feasibility	$5,100	0.38%
Historic Equity	$141,924	10.65%
Tax Credit Equity	$464,136	34.83%
TOTAL SOURCES	$1,332,499	100.00%

The sponsors have received appraisals on all of the buildings which in the aggregate show a value of $422,000, which would provide VHFA with a Loan-To-Value Ratio of 20%.

The development has already received a commitment for a Ventures loan from VHFA in the amount of $25,350 of which $7,640 has been spent on pre-development expenses.

Mailing Address: PO Box 408, Burlington, Vermont 05402-0408
Delivery Address: 164 Saint Paul Street, Burlington, Vermont 05401-4364
802 / 864-5743 • 800 / 339-5866 • TDD: 800 / 586-5832
FAX: 802 / 864-5746 • Underwriting FAX: 802 / 863-5422 • home@vhfa.org

Unit Breakdown and Rents

There are 15 rental apartments currently; the sponsor plans to do renovations including structural work, re-roofing, replacing all doors and windows, lead paint and asbestos abatement, some electrical and plumbing, and some unit reconfiguration and upgraded finishes. Nine of the 15 units will be HOME-assisted under the proposed financing, and 13 of the units have VHCB restrictions on rent and tenant incomes. Eleven units are restricted under the tax credit program, and the rent restrictions are well below the maximum levels permitted under the tax credit program. There will be two handicapped-accessible units in the project. The unit size and rent breakdown is as follows:

Size	#	Proposed Rents	Current Rents
0 BR	3	$329-$350	$377-$382
1 BR	8	$362-$406	$385-$485
2 BR	2	$433-$500	$519-$539
3 BR	2	$523	$614-$634

These rents include heat and hot water, with the exception of one unit. Tenants pay for electricity.

Sponsor, Management and Market

The property has a history of full occupancy; currently there are two vacant units, which are being kept vacant to facilitate the rehabilitation and keep relocation costs down. Community Property Management (CPM), the property management arm of CVCLT, will manage the property through the construction phase. Housing Vermont has not yet decided whether to allow CPM to continue to manage the property as a tax credit development on a trial basis when the work is complete, or to contract with other property management. Housing Vermont intends to make this determination by late fall. VHFA's Regulatory Agreement gives VHFA the right to replace management if the property is not being effectively managed.

Site and Environmental Concerns

The three buildings are located on two sites (see attached map); the lots are small, with approximately six total on-site parking spaces and adequate street parking available. The sponsor has expressed its intention to have a Capital Needs Assessment done, as VHFA now requires. The buildings are located within close walking distance to numerous facilities and services in downtown Montpelier. One of the lots is adjacent to the Winooski River and in a floodplain, and the sponsor has flood insurance on the other buildings they own that are adjacent to this lot. VHFA will require flood insurance as a condition of its loan. The two buildings on the corner of Bailey Ave. and Baldwin Street are on the edge of a mixed commercial/residential area where conversions of use have recently occurred. There is the potential that these units would be lost to the rental housing stock through conversion to office space if they are not acquired and renovated by the sponsor.

The sponsor has requested that VHFA accept a "Transaction Screen" in lieu of a Phase One Environmental Site Assessment (ESA). This screen lists the previous owners and in this way may identify potential environmental hazards. Staff have a concern that whatever is done meet the appropriate level of inquiry necessary to qualify for the "innocent landowner" defense of the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA). A condition on the VHFA loan will be that the sponsor either obtain a Level One ESA or provide a legal opinion satisfactory to VHFA that the Transaction Screen meet this standard.

DISCUSSION

The sponsor has requested financing from the Section 8 recycled funds, because of the low interest rate of 7.22%. Because these funds are from tax exempt bonds and the project is "mixed-use" (commercial and residential), VHFA's <u>Rules on Grants, Loans and Advances to Assist the Planning, Construction, Rehabilitation and Operation of Residential Housing; Mortgage Loans to Housing Sponsors for Single Family Developments</u> require that any scattered site development have lots that are contiguous. Given that the project needs this level of debt financing and the tax-exempt rate for financial feasibility, staff is recommending that the Board grant a waiver from this rule.

Strengths

a. The population served at this development is very low income. The property has a history of low vacancy rates, which demonstrates the strong need for this housing. The proposed financing would improve the physical condition of the units and preserve the affordability with use restriction covenants.

b. This project has received funding commitments from all of the funding sources shown except for the debt and the sponsors have site control in the form of a Purchase and Sales Agreement. The project demonstrates financial feasibility for at least the term of the debt financing.

Weaknesses

a. This project is expensive to develop, at around $89,000 per unit residential cost. While this is not out of line with the cost of other downtown rehabilitation projects, (particularly when the unit count is small and there are some larger-sized units in the project), staff have expressed to Housing Vermont concern about high costs of this type of development, and we expect to work together to address the issue in the near future. All of the funding needed to do this development has been secured except for the debt, and VHFA will have a first position mortgage with a very low loan-to-value ratio.

b. VHFA has financed three other developments with CVCLT in recent years with mixed results. Housing Vermont's experience will enhance the strength of the development and gives staff greater confidence in undertaking this proposal from CVCLT. In addition, CVCLT has recently merged with Barre Neighborhood Housing Services and is under new leadership. By helping CVCLT and Housing Vermont acquire and rehabilitate this development, the ability of this community-based non profit to continue to successfully own and operate affordable housing in the central Vermont area is enhanced.

RECOMMENDED BOARD ACTION

Staff recommends Board approval of the attached Resolution to provide a Letter of Interest to provide permanent financing in an amount of up to $85,000, loan term and amortization period of 20 years, and interest rate of 7.22%. Staff further recommends that the Board authorize the Executive Director to issue a Commitment Letter upon satisfaction of certain conditions. The proposed source of funds is Section 8 recycled funds and VHFA General Funds. The letter shall include the following conditions:

1. Sponsor must provide a Level I Environmental Site Assessment and testing for lead and asbestos, with satisfactory remediation measures being incorporated into the work specifications; in lieu of a Level One ESA the sponsor may provide a Transaction Screen, if it is accompanied by a legal opinion satisfactory to VHFA that the Transaction Screen qualify VHFA for the "innocent landowner" defense of the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA)

2. Sponsor must provide final plans and specifications for VHFA approval by permanent loan closing;

3. Sponsor must provide VHFA with a copy of the Capital Needs Assessment (CNA) that is being done, which will follow VHFA's accepted format for CNAs;

4. Sponsor must fund operating cash/working capital account by permanent loan closing in the amount of $7,000;

5. Sponsor must provide evidence of competitive bidding by permanent loan closing, with bids approximately at budgeted levels, to maintain the overall financial feasibility.

RESOLUTION PERTAINING TO
LETTER OF INTEREST AND COMMITMENT LETTER
RE: BARRE AND BAILEY STREETS (MONTPELIER)

WHEREAS, a proposal has been presented to the Agency by Central Vermont Community Land Trust, Inc., of Montpelier and Housing Vermont, (the "Sponsors") involving the acquisition and rehabilitation of a scattered site, mixed use development on Barre and Bailey Streets in Montpelier, with three buildings on two sites currently containing 15 rental apartments and a commercial space (the "Development"); and

WHEREAS, the proposal contemplates a permanent mortgage loan of up to $85,000 with an amortization period of 20 years, with an interest rate of 7.22% per annum, with the funds coming from the Agency's recycled Section 8 proceeds and the General Fund; and

WHEREAS, the Sponsor has obtained commitments for a deferred loan of $260,000 and a lead paint loan of $14000 from the Vermont Housing and Conservation Board and a HOME deferred loan of $362,890; and

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

WHEREAS, the Board has been presented with a memorandum dated June 12, 1998 from Joseph Erdelyi (the "Memorandum"); and

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

WHEREAS, based on the Memorandum, the Agency determines that a waiver of paragraph 2 of Chapter Four of the Agency's Rules on Grants, Loans and Advances to Assist the Planning, Construction, Rehabilitation and Operation of Residential Housing, Mortgage Loans to Housing Sponsors for Single Family Developments is justified because strict adherence to the rule requiring scattered site, mixed-use developments to be contiguous would cause undue hardship to the Sponsor;

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, temporary, transitional or emergency housing for persons and families of low and moderate income.

5. The security value of the Development will equal at least the amount of the Agency's loan after the rehabilitation.

6. The Sponsors are financially responsible organizations and qualify as a housing sponsor within the meaning of the Act.

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

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director may, in his discretion, issue a Letter of Interest for a loan for the acquisition and rehabilitation of the Development, in an amount to be determined by the Executive Director, but not to exceed $85,000. The loan shall bear interest at a rate of 7.22% per annum and shall be amortized over a period of 20 years.

2. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. 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 may, in his discretion, issue a Commitment Letter for a loan for the acquisition and/or rehabilitation of the Development, in an amount to be determined by the Executive Director, but not to exceed $85,000. The term of the loan shall be 20 years. The loan shall bear interest at a rate of 7.22% per annum. The Commitment Letter may be issued to Central Vermont Community Land Trust, Inc. and/or Housing Vermont or a to-be-formed limited partnership. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish, including but not limited to the submission of the following in form and content acceptable to the Agency:

    a) Sponsor must provide a Level I Environmental Site Assessment and testing for lead and asbestos, with satisfactory remediation measures being incorporated into the work specifications; in lieu of a Level One ESA the sponsor may provide a Transaction Screen, if it is accompanied by a legal opinion satisfactory to VHFA that the Transaction Screen qualify VHFA for the "innocent landowner" defense of the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA)

b) Sponsor must provide final plans and specifications for VHFA approval by permanent loan closing;

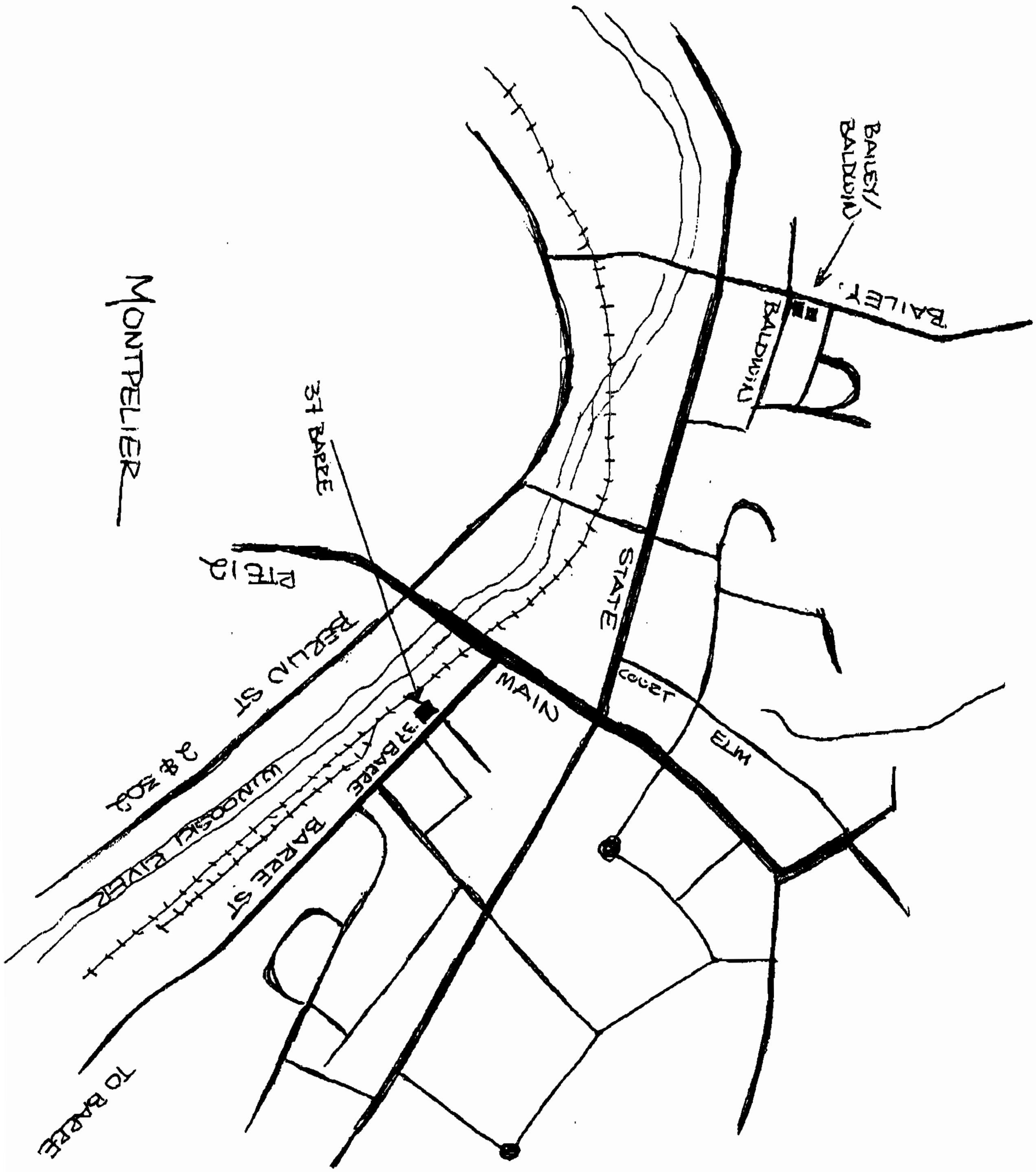
c) Sponsor must provide VHFA with a copy of the Capital Needs Assessment (CNA) that is being done, which will follow VHFA's accepted format for CNAs;

d) Sponsor must fund operating cash/working capital account by permanent loan closing in the amount of $7,000;

e) Sponsor must provide evidence of competitive bidding by permanent loan closing, with bids approximately at budgeted levels, to maintain the overall financial feasibility.

4. The commitment of the Agency shall be subject to receipt, on or before the date of the closing, of a commitment fee in an amount equal to one percent (1.0%) of the principal amount of the first mortgage loan.

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


MONTPELIER
37 BARRE
RTE 12
BERLIN ST
WINOOSKI RIVER
BARRE ST
37 BARRE
TO BARRE
MAIN
STATE
COURT
ELM
BAILEY/ BALDWIN
BAILEY
BALDWIN

10-Jun-98 **Barre and Bailey Streets HLP**

Total Residential Units:	15	Increase in Income from Rental Units:	1.50%
Housing Credit Restricted Units:	11	Increase in Income from Other Sources:	1.50%
Percent Restricted:	73.33%	Increase in Income from Commercial:	1.50%
Total Development Cost:	1,332,499	Expense increase:	3.00%
Total Development Cost per Unit:	88,833	Vacancy Rate:	5%
Total Development Cost Per SF:	130	Partner's Tax Rate:	35%
		Long Depreciation Schedule:	27.5 years
Max Credit Potential:	55,810	Short Depreciation Schedule:	7 years
Credit Amount Allocated:	50,000	Sponsor's Total Estimated Yield:	121.21%
		Sponsor's Estimated Yield - Housing Credits Only:	89.47%

LIHTC - 9%	8.36%	(May '98)
LIHTC - 4%	3.58%	

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term
First Mortgage - VHFA	84,449	6.34%	7.22%	20	20
VHCB -Deferred	260,000	19.51%	0.00%	0	30
HOME - Deferred	362,890	27.23%	6.88%	30	30
VHCB - Lead Loan - Deferred	14,000	1.05%	0.00%	0	30
VHCB - Grant w/feasibility	5,100	0.38%	N/A	N/A	
Historic Equity	141,924	10.65%	N/A	N/A	
Tax Credit Equity	464,136	34.83%	N/A	N/A	
TOTAL SOURCES	1,332,499	100.00%			

USES

Acquisition	406,210	30.48%
Construction Hard Costs	661,094	49.61%
Soft Costs	265,195	19.90%
TOTAL USES	1,332,499	100%
Gap	0	

PER UNIT COST LIMIT CALCULATION

	per unit limits	number of units	
0 Br	73,380	3	220,140
1 Br	78,380	8	627,040
2 Br	83,380	2	166,760
3 Br	88,380	2	176,760
4 Br	93,380	0	0
Maximum cost allowed under the per unit cost limits			1,190,700
Projected total cost, excluding cash accounts			1,207,945
		(over)/under	(17,245)

General Partner's Capital Contribution	6,061	1%
Limited Partner's Capital Contribution	599,999	99%
Total Equity	606,060	

APPLICABLE FRACTION CALCULATION

Tax Credit Restricted Units	11
Total Units	15
Unit Fraction	73.33%
Tax Credit Square Footage	7,494
Total Residential Square Footage	10,251
Square Footage Fraction	73.11%
Applicable Fraction	73%

10-Jun-98 **Barre and Bailey Streets HLP**

No.	Item	Total Budget	Commercial Budget	Budget	Per Unit	Per s.f.	First Mortgage - VHFA $84,449, 7.5%, 20/20	VHCB - Deferred $260,000, 0% due in 30 years	HOME - Deferred $362,890, 6.88% simple interest, due in 30 yrs	VHCB - Lead Loan - Deferred $14,000, 0% due in 30 years	VHCB - Grant w/feasibility grant	Tax Credit Equity and Historic Equity	TOTAL SOURCES
	ACQUISITION												
1	Land	78,137	2,897	75,240	5,016	7.34	-	72,343	-	-	-	2,897	75,240
2	Purchase of Building(s)	339,863	13,197	326,666	21,778	31.87	-	187,657	141,906	-	-	(2,897)	326,666
3	Demolition (without replacement)	0		0	0	0.00	-	-	-	-	-	-	0
4	Property Appraisal	1,350	152	1,198	80	0.12	-	-	-	-	1,199	-	1,199
5	Legal - Title and Recording	3,500	394	3,106	207	0.30	-	-	-	-	-	3,106	3,106
	Subtotal - Acquisition	422,850	16,640	406,210	27,081	39.63							
	CONSTRUCTION HARD COSTS												
6	Rehabilitation	525,000	54,452	470,548	31,370	45.90	84,449	-	180,010	14,000	-	192,089	470,548
7	New Building(s)	0		0	0	0.00	-	-	-	-	-	-	0
8	Accessory Buildings	0		0	0	0.00	-	-	-	-	-	-	0
9	Sitework	15,010	973	14,037	936	1.37	-	-	-	-	-	14,037	14,037
10	Commercial Space Costs (if any)	0		112,130	7,475	10.94	-	-	-	-	152	111,979	112,131
11	General Requirements	0		0	0	0.00	-	-	-	-	-	-	0
12	Contractor Overhead	0		0	0	0.00	-	-	-	-	-	-	0
13	Contractor Profit	0		0	0	0.00	-	-	-	-	-	-	0
14	Construction Contingency	58,176	6,547	51,629	3,442	5.04	-	-	-	-	-	51,629	51,629
15	Construction Management	0		0	0	0.00	-	-	-	-	-	-	0
16	Construction Bond Fee	0		0	0	0.00	-	-	-	-	-	-	0
17	Hazardous Materials Abatement	0		0	0	0.00	-	-	-	-	-	-	0
18	Off-Site Improvements	0		0	0	0.00	-	-	-	-	-	-	0
19	Furnishings, Fixtures, & Equipment	12,750		12,750	850	1.24	-	-	-	-	-	12,750	12,750
20	Other (__________)	0		0	0	0.00	-	-	-	-	-	-	0
	Subtotal - Hard Costs	610,936	61,972	661,094	44,073	64.49							
	SOFT COSTS												
21	Architectural	50,395	5,672	44,723	2,982	4.36	-	-	40,974	-	3,749	-	44,723
22	Engineering	0		0	0	0.00	-	-	-	-	-	-	0
23	Legal/Accounting	11,500	1,294	10,206	680	1.00	-	-	-	-	-	10,206	10,206
24	Relocation	14,000	1,576	12,424	828	1.21	-	-	-	-	-	12,424	12,424
25	Environmental Assessment	6,000	675	5,325	355	0.52	-	-	-	-	-	5,324	5,324
26	Energy Assessment	0		0	0	0.00	-	-	-	-	-	-	0
27	Permits/Fees	3,879	337	3,542	236	0.35	-	-	-	-	-	3,542	3,542
28	Independent Market Study	0		0	0	0.00	-	-	-	-	-	-	0
29	Construction Period Insurance	4,000	450	3,550	237	0.35	-	-	-	-	-	3,550	3,550
30	Construction Interest	19,250	2,166	17,084	1,139	1.67	-	-	-	-	-	17,084	17,084
31	Construction Loan Origination Fee	0		0	0	0.00	-	-	-	-	-	-	0
32	Taxes During Construction	7,500	844	6,656	444	0.65	-	-	-	-	-	6,656	6,656
33	Clerk of the Works	9,000	1,013	7,987	532	0.78	-	-	-	-	-	7,988	7,988
34	Marketing	500	56	444	30	0.04	-	-	-	-	-	443	443
35	Tax Credit Fees	2,950	332	2,618	175	0.26	-	-	-	-	-	2,618	2,618
36	Soft Cost Contingency	4,789	539	4,250	283	0.41	-	-	-	-	-	4,249	4,249
37	Permanent Loan Origination Fee	0		0	0	0.00	-	-	-	-	-	-	0
38	Lender's Counsel's Fee	0		0	0	0.00	-	-	-	-	-	-	0
39	Other (rent loss)	15,000	1,688	13,312	887	1.30	-	-	-	-	-	13,312	13,312
	SYNDICATION COSTS												
40	Organizational (Partnership)	0		0	0	0.00	-	-	-	-	-	-	0
41	Bridge Loan Fees and Expenses	0		0	0	0.00	-	-	-	-	-	-	0
42	Syndication Consultant	0		0	0	0.00	-	-	-	-	-	-	0
43	Tax Opinion	0		0	0	0.00	-	-	-	-	-	-	0
	DEVELOPER'S FEES												
44	HVT Fees	58,750	6,612	52,138	3,476	5.09	-	-	-	-	-	52,138	52,138
45	CVCLT Fees	60,000	6,753	53,247	3,550	5.19	-	-	-	-	-	53,248	53,248
46	Consultant Fees	31,200	3,511	27,689	1,846	2.70	-	-	-	-	-	27,688	27,688
	RESERVES												
47	Working Capital	0		0	0	0.00	-	-	-	-	-	-	0
48	Rent-up (Deficit Escrow) Reserve	0		0	0	0.00	-	-	-	-	-	-	0
49	Other Operating Reserves	0		0	0	0.00	-	-	-	-	-	-	0
50	Sinking Fund	0		0	0	0.00	-	-	-	-	-	-	0
51	Replacement Reserves	0		0	0	0.00	-	-	-	-	-	-	0
	Subtotal - Soft Costs	298,713	33,518	265,195	17,680	25.87							
	TOTAL DEVELOPMENT COSTS	1,332,499	112,130	1,332,499	88,833	130	84,449	260,000	362,890	14,000	5,100	606,060	1,332,499

10-Jun-98 **Barre and Bailey Streets HLP**

HC Restricted Units Bedrooms	Type	Average Square Feet	Number	Average Rent	Utilities	Total Annual Rent
0 Br		377	2	329		7,896
1 Br		573	6	391		28,152
2 Br		896	2	467		11,209
3 Br		1,512	1	524		6,287
4+ Br						
	Totals	7,494	11			53,544

Non-HC Restricted Units Bedrooms	Type	Square Feet	Number	Rent	Utilities	Total Annual Rent
0 Br		434	1	350		4,200
1 Br		595	2	406		9,744
2 Br		0	0	0		0
3 Br		1,134	1	523		6,276
	Totals	2,757	4			20,220
All Units						
	Grand Totals	10,251	15			73,764
		Less Vacancy	5.00%			(3,688)
					NET RENT	70,076

OTHER INCOME

		Laundry	600
		Parking	0
Commercial SF:	1,300	Commercial Space Income	6,900
		less commercial vacancy	(345)
		TOTAL INCOME	77,231

10-Jun-98 **Barre and Bailey Streets HLP**

	Annual	Monthly	Per Unit Per Month	
Administration				
Management Fee	8,640	720	48	11.2%
Supportive Services	0	0	0	
Audit/Accounting	3,000	250	17	
Legal	1,500	125	8	
Compliance Monitoring	264	22	1	
Marketing	0	0	0	
Other	1,940	162	11	
TOTAL ADMINISTRATIVE	15,344	1,279	85	
Utilities				
Electricity	1,500	125	8	
Fuel	3,000	250	17	
Water and Sewer	7,000	583	39	
Fire Alarm / Emergency	0	0	0	
Other	0	0	0	
TOTAL UTILITIES	11,500	958	64	
Maintenance				
Maintenance / Janitor Payroll	7,500	625	42	
Janitor Supplies	0	0	0	
Exterminating	0	0	0	
Trash Removal	1,650	138	9	
Snow Removal	900	75	5	
Grounds	0	0	0	
Repairs Material	250	21	1	
Repairs Contract	1,000	83	6	
HVAC Repairs / Maintenance	0	0	0	
Elevator Contract / Repairs	0	0	0	
Painting and Decorating	0	0	0	
Other	0	0	0	
TOTAL MAINTENANCE	11,300	942	63	
				per unit month
Real Estate Taxes	13,500	1,125	75	excl. ds & res.
Property Insurance	5,000	417	28	315
Replacement Reserves	4,950	413	28	
Primary Debt Service	7,991	666	44	
Other "must pay" debt service	0	0	0	
Other	0	0	0	
Total	69,585	5,799	387	

10-Jun-98

Barre and Bailey Streets HLP

	Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Operating Income																					
Gross Rent		73,764	74,870	75,994	77,133	78,290	79,465	80,657	81,867	83,095	84,341	85,606	86,890	88,194	89,516	90,859	92,222	93,605	95,010	96,435	97,881
Other Income		7,500	7,613	7,727	7,843	7,960	8,080	8,201	8,324	8,449	8,575	8,704	8,835	8,967	9,102	9,238	9,377	9,517	9,660	9,805	9,952
Vacancy and other losses		(4,033)	(4,124)	(3,800)	(3,857)	(3,915)	(3,973)	(4,033)	(4,093)	(4,155)	(4,217)	(4,280)	(4,345)	(4,410)	(4,476)	(4,543)	(4,611)	(4,680)	(4,750)	(4,822)	(4,894)
Total Operating Income		77,231	78,359	79,921	81,119	82,336	83,571	84,825	86,097	87,389	88,699	90,030	91,380	92,751	94,142	95,554	96,988	98,443	99,919	101,418	102,939
Operating Expenses																					
Total Expenses (excl. Reserves)		56,644	58,343	60,094	61,896	63,753	65,666	67,636	69,665	71,755	73,908	76,125	78,409	80,761	83,184	85,679	88,250	90,897	93,624	96,433	99,326
Reserves		4,950	5,024	5,100	5,176	5,254	5,333	5,413	5,494	5,576	5,660	5,745	5,831	5,918	6,007	6,097	6,189	6,281	6,376	6,471	6,568
Total Operating Expense		61,594	63,368	65,193	67,073	69,007	70,998	73,048	75,159	77,331	79,567	81,869	84,239	86,679	89,191	91,776	94,438	97,178	100,000	102,904	105,894
Net Operating Income		15,637	14,991	14,727	14,047	13,329	12,573	11,776	10,938	10,058	9,132	8,160	7,141	6,072	4,952	3,778	2,550	1,264	(80)	(1,486)	(2,955)
Less Primary Debt Service		7,991	7,991	7,991	7,991	7,991	7,991	7,991	7,991	7,991	7,991	7,991	7,991	7,991	7,991	7,991	7,991	7,991	7,991	7,991	7,991
Less Secondary Debt Service		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Annual Cash Flow		7,646	7,000	6,736	6,056	5,338	4,582	3,785	2,947	2,066	1,141	169	(850)	(1,919)	(3,040)	(4,213)	(5,442)	(6,727)	(8,072)	(9,477)	(10,946)
Operating Subsidies / Sinking Fund		0	0	0	0	0	0	0	0	0	0	0	850	1,919	3,040	4,213	5,442	6,727	8,072	9,477	10,946
Net Cash		7,646	7,000	6,736	6,056	5,338	4,582	3,785	2,947	2,066	1,141	169	0	0	0	0	0	0	0	0	0
DCR		195.68%	187.60%	184.29%	175.78%	166.80%	157.33%	147.37%	136.88%	125.86%	114.28%	102.12%	89.36%	75.98%	61.96%	47.28%	31.91%	15.82%	-1.01%	-18.60%	-36.98%
Cumulative Cash Flow																					
Beginning Balance		0	7,722	14,869	21,822	28,156	33,829	38,794	43,005	46,412	48,963	50,605	51,282	50,945	49,535	46,991	43,248	38,238	31,894	24,141	14,905
Deposits		7,646	7,000	6,736	6,056	5,338	4,582	3,785	2,947	2,066	1,141	169	0	0	0	0	0	0	0	0	0
Interest	2.0%	76	147	216	279	335	384	426	460	485	501	508	513	509	495	470	432	382	319	241	149
Withdrawals		0	0	0	0	0	0	0	0	0	0	0	(850)	(1,919)	(3,040)	(4,213)	(5,442)	(6,727)	(8,072)	(9,477)	(10,946)
Ending Balance		7,722	14,869	21,822	28,156	33,829	38,794	43,005	46,412	48,963	50,605	51,282	50,945	49,535	46,991	43,248	38,238	31,894	24,141	14,905	4,109
Cumulative Replacement Reserves																					
Beginning Balance		0	4,950	10,074	15,325	20,706	11,220	16,718	22,352	28,124	34,037	25,094	31,147	37,348	43,698	50,203	41,863	48,532	55,362	62,355	69,514
Deposits		4,950	5,024	5,100	5,176	5,254	5,333	5,413	5,494	5,576	5,660	5,745	5,831	5,918	6,007	6,097	6,189	6,281	6,376	6,471	6,568
Interest	2.0%	50	100	152	205	260	166	221	278	337	397	308	370	433	497	563	481	548	617	688	761
Withdrawals	(15,000)	0	0	0	0	(15,000)	0	0	0	0	(15,000)	0	0	0	0	(15,000)	0	0	0	0	(15,000)
Ending Balance		4,950	10,074	15,325	20,706	11,220	16,718	22,352	28,124	34,037	25,094	31,147	37,348	43,698	50,203	41,863	48,532	55,362	62,355	69,514	61,843

VERMONT HOUSING FINANCE AGENCY

BORED Minutes!
State Treasurer's Office
133 State Street, Conference #1
Montpelier, Vermont

Thursday, June 18th, 1998 at 1:00 p.m.

PRESENT: Chairman White; Commissioners Candon (designee of Costle), Canney, Randall, Seelig, Douglas

Staff: Mr. Hunt, Mr. McNamara, Mr. Lothrop, Mr. Schoenbeck, Mr. Falzone, Mr. Erdelyi, Mr. Jarrett, Ms. Caragher, Ms. Gent, Ms. Myette, Ms. Crady, Ms. Santucci, Mr. Barry

Other: Mr. Broderick (Housing Vermont), Mr. Hahn (Central Vermont Community Land Trust)

Chairman White called the meeting to order at 1:15 p.m. A motion was made by Mr. Seelig to approve the minutes of April 23rd and May 7th with the following changes to the May 7th minutes: Mr. Seelig and Ms. Randall left the meeting after the tax credit discussion; and Mr. Richardson (Capital Ideas, Inc.) addressed the Board during the tax credit discussion indicating that the market study performed on Brandon shows a great need for the project. Mr. Richardson also noted that the study showed a need for 153 family units versus the 10 that are being proposed; and the need for 62 elderly units versus the 29 being proposed. The motion carried unanimously after being seconded by Ms. Randall.

Mr. Seelig had a question regarding the lender of last resort policy, which was discussed at the May 7th Board meeting. He asked if we deleted the lender of last resort from our policy and whether we replaced it with anything. Chairman White indicated that we did delete the lender of last resort from our policy and Mr. Hunt added that a couple of sentences were deleted from our Procedural Guide.

Mr. Erdelyi discussed his memo "Barre & Bailey Street Apartments, Montpelier Combined Letter of Interest/Commitment Letter for Permanent Financing," included in the Board packet. Central Vermont Community Land Trust (CVCLT) and Housing Vermont are attempting to purchase and rehabilitate 15 units of rental housing and 1,300 square feet of commercial space in three existing buildings in Montpelier. All other funding has been committed and they are seeking $85,000 in debt financing from VHFA. Mr. Erdelyi indicated that this loan would use up the last of the old Section 8 recycled money. The sponsor plans to do renovations including structural work, re-roofing, replacing all doors and windows, etc. The residents served at this development are very low income and the property has a history of low vacancy rates. The proposed financing would improve the physical condition of the units. The project also demonstrates financial feasibility for at least the term of the debt financing.

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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Mr. Erdelyi indicated that he would like to correct the section in his memo where he mentioned that CVCLT recently "merged" with Barre Neighborhood Housing Services by noting that CVCLT has taken over the assets and liabilities of the Barre Neighborhood Housing Services.

Mr. Hahn (Executive Director, CVCLT) then addressed the Board. The merger with Barre Neighborhood Housing Services is scheduled to be completed during a meeting taking place later this evening. Mr. Hahn noted that this merger is an exciting landmark for consolidation within central Vermont. CVCLT has applied to Neighborhood Reinvestment and has made it through the first cut. They will be doing an on-site assessment scheduled for later this summer. In terms of the Montpelier project, they are progressing very smoothly and the real estate closing is scheduled for July 30th. He also mentioned that, because currently there is a very good market for construction, they will be going out to bid in August and perhaps asking contractors to bid an early fall start as opposed to a late fall start.

Mr. Candon mentioned that he hadn't seen the deferred piece under the Projected Funding Sources on the first page of the memo before, and questioned whether that has been standard. Mr. Erdelyi answered by indicating that it was a summary from a spreadsheet and that it is not a regular amortizing principal and interest loan. Mr. Candon also asked what the definition of a "transaction screen" was. Mr. Broderick indicated that it looks at the activity on the property and the neighboring property, at a reduced cost. Mr. Candon asked if it was a good process, and Mr. Broderick said that he believes it is a good process, but that it does involve ongoing research. After further discussion, a motion was made by Mr. Candon to approve the "Resolution Pertaining to Letter of Interest and Commitment Letter Re: Barre and Bailey Streets (Montpelier)" and to authorize the Executive Director to issue a Commitment Letter upon satisfaction of certain conditions. The motion carried unanimously after being seconded by Ms. Randall.

Next, Mr. Lothrop reviewed his memo "Single Family Program Activity Report for April 98," included in the Board packet. Mr. Lothrop stated that the activity for this month seems to be good so far and we are running steady at approximately $1 million in reservations per week. As of June 17, 1998 we are at $2.6 million in reservations as compared to $5.4 million for June 1997, and we still have half of the month left. It is conceivable that we can match what we did last June. Mr. Lothrop also noted, however, that the overall activity in the program is down significantly from last year.

Mr. Lothrop discussed his memo "Servicing Activity for April 1998," included in the Board packet. Mr. Lothrop noted that, with the exception of loans in foreclosure (which remains the same), the numbers have decreased. On the delinquency report, the delinquencies dropped 8 basis points from the previous month. For the month of May, they did increase slightly. Ms. Randall asked what reactions, if any, Mr. Lothrop received regarding the mailing that went out to the CEOs. Mr. Lothrop indicated that the mailing has not gone out to the CEOs yet. It is scheduled to be sent in July for the June numbers.

Mr. Lothrop briefly reviewed the Property Disposition Report. He noted that in May the numbers of sales were approximately the same as in April. Activity on the REOs is brisk. We presently are down to 46 REOs from a high of 72. Ms. Canney asked how our programs (for borrowers buying our REOs) are being utilized. Mr. Lothrop noted that the IORTA funds seem to have the most effect with people purchasing REOs. We had a couple of potential candidates for the 0% down program, but one of them came in over the income limit and the other candidate didn't qualify credit-wise. Currently we have not committed any.

Mr. Lothrop then discussed the memo "Request for Proposal (RFP) to provide sub-servicing services to VHFA," included in the Board packet. VHFA negotiated and signed the first sub-servicing agreement with Graystone Mortgage Corporation (GMC) in 1995. After three years, staff feels it is time to solicit proposals to assure that VHFA is paying for the best possible service. Staff would also like to see if additional services could be provided for the same cost or close to the same cost. Mr. Hunt asked how many loans we currently sub-service. Mr. Lothrop noted that we currently sub-service 536 loans. Following a brief discussion, a motion was made by Ms. Canney to move forward with the RFP for sub-servicing services, and the motion carried unanimously after being seconded by Mr. Douglas. Mr. Hunt noted that it might be useful to wait until Mortgage Dynamics Inc (MDI) has done the first part of their report; they may be able to broaden our list of potential sub-servicers, and help us fine-tune our guidelines. The Board agreed with his suggestion.

Next, Mr. Falzone reviewed his Director's Report. Mr. Falzone pointed out the two most significant items in the Report; (1) staff continues to make good progress using the residential energy efficiency program that has been funded by the Department of Energy; and (2) Parsons Hill (Castleton) is our largest concern at this point. Many tenants have chosen to move out and some have stopped paying their rent. There have been a lot of turnover costs and the property's funds have been exhausted in terms of existing reserves and operating cash. We have put forth a proposal in which we will agree to advance the owners funds to keep the property going and to meet their operating expenses until it reaches stable occupancy. We have not received a strong commitment to go ahead with this proposal which was sent out a month ago.

Mr. Falzone indicated that Winchester (in terms of cash flow and operating deficit loans) continues to require $250,000 in loans that we are making jointly with the Merchants Bank. Mr. Candon asked what our dollar exposure is on the Castleton property. Mr. Falzone noted there is a $450,000 outstanding principal balance on the loan. Mr. Falzone stated that the biggest problem we are facing is that they could declare bankruptcy. If this occurred, VHFA might be forced to foreclose on the owner of the property, which would be difficult to remarket. Mr. Falzone noted that we would probably put it into receivership and have an interim manager. Staff is focusing on having the owner get new tenants to occupy the vacant units, which is why we are offering them an advance. We have not heard back from them and we have not yet received their June mortgage payment. Mr. Candon asked what the value of the property was and Mr. Falzone replied that the property is worth somewhere in the $500,000 range.

Mr. Candon asked whether we have provided a Notice of Intent to Declare Default to Abenaki Acres and Mr. Jarrett indicated that we have. Mr. Candon also questioned whether Mellishwood Apartments in Woodstock received a re-appraisal or if they are trying to go through the property needs assessment in order to offset the taxes. Mr. Falzone stated that they are trying to have the property looked at with provisions that are provided under Act 60, which gives special consideration if there is long term affordability and preservation, etc.

Mr. Falzone gave an overview of his memo "Revised Preservation Strategy," included in the Board packet. Under our existing multifamily preservation program, we have successfully entered into 26 Preservation Agreements covering 544 units of VHFA financed Section 8 housing. Currently, VHFA has had twenty prepayments of Section 8 multifamily properties, with six of these occurring in the last two years. Mr. Falzone stated that the issue facing us today is controlling affordability and keeping the portfolio within VHFA. More importantly, we need to keep the portfolio intact as it represents both an important asset to VHFA and a source of income. Mr. Falzone stated that VHFA's main objective is to try and keep housing affordable for as long as possible while providing some relief for what is now a large tax liability that these partnerships are facing. Staff is asking for the ability to offer additional general fund loans for the purpose of restructuring the ownership and dealing with partnership tax liability. Mr. Falzone noted that, by improving the preservation incentives, we could successfully compete with outside lenders and keep these loans in our portfolio.

Mr. Seelig asked whether, when we make loans today, do we have a provision that states that borrowers can't prepay their loan? Mr. Jarrett responded that generally we prohibit borrowers from prepaying their loans. Mr. Seelig also asked, as an owner, what is VHFA offering today that is different from what we offered in the past? Mr. Falzone stated that, for the first time, we are offering additional advances under the first mortgage with additional general fund loans. We also would like to change the amortization with a balloon payment, which is something we have never offered. Ms. Randall asked whether the negotiations of preservation agreements have come to the Board in the past. Mr. Falzone replied by stating that the Board has given staff the authority to negotiate preservation agreements on two separate occasions. Ms. Randall noted that staff should have the latitude to negotiate Preservation Agreements and the Board should give staff the flexibility to do so. Mr. Falzone added that he has been serving on a national preservation task force through NCSHA and noted that we are doing much of what the task force is recommending. After further discussion, a motion was made by Mr. Douglas to authorize the Executive Director to negotiate and sign Preservation Agreements with owners using the additional incentives outlined in the memo. The motion carried unanimously after being seconded by Ms. Randall.

Next, Mr. Schoenbeck handed out the March 31, 1998 Financials. On the income statement, the surplus for the year is $2,383,000, which is consistent to what we were expecting, with one exception: our property disposition and loan loss expenses this year are $1,447,000. This quarter we recognized $800,000 in loan losses. Mr. Schoenbeck indicated that, if we hadn't recognized so many loan losses, our surplus would have been much higher. Mr. Schoenbeck clarified to the Board how the loan losses are calculated: the loan losses are not necessarily disposed of properties and that losses are recognized during the time we hold the properties in addition to when we actually dispose of the properties. We have only purchased $36 million worth of mortgages for the fiscal year, which is significantly lower than in the past. Ms. Randall stated that she believes it would be wise to bring in someone to VHFA for one year to work solely on property disposition and loss mitigation in our portfolio. Ms. Randall is very concerned that this situation will not change in the next twelve months. Mr. Lothrop indicated that he believes it is a reasonable suggestion to look into, but would rather wait for the consultant's report to see what they suggest. Ms. Randall mentioned that we couldn't add another piece of work to what staff currently does, but a new employee could review all loans that are 30 days past due and deal directly with lenders to solve the problem. Mr. Hunt indicated that currently we have two employees who call lenders once a month and, if a lender fails to contact past due borrowers, then these two employees attempt to make contact. Mr. Hunt also noted that a number of our REOs are being contracted out to two firms and presently one of the firms, the Harold Lewis Group, is doing an exceptional job.

Ms. Canney believes that we should try to have the Homeownership Centers help us out, in return for our support of the Homeownership Centers. Mr. Hunt indicated that we did receive a proposal from the Homeownership Centers, which staff didn't feel was realistic, for post intervention work. Staff has developed a response to that proposal and it lays out specific roles to get them involved. Ms. Randall expressed concern regarding VHFA transferring the risk to another place that we ultimately don't control. Ms. Randall also stated that, in her opinion, we should hire the best collector we can and have them collect loans for us. Ms. Randall feels that, as a Board, regarding the $800,000 in loan losses, we have a fiscal responsibility to deal with mitigating some of our losses. Mr. Seelig asked if the level of staff was increased or if we did some rearranging within departments. Mr. Hunt indicated that we did rearrange staff within departments.

Ms. Canney indicated that staff should develop some alternatives to help stop some of these losses. Mr. Candon asked how other HFAs deal with their recoveries. Mr. Hunt stated that a lot of the agencies are FHA insured, which has both good and bad consequences. Some of the agencies that don't have FHA insurance are experiencing what we are finding now. Chairman White expressed his concern with our delinquencies and noted that we need to continue to look for ways to mitigate losses. Chairman White also indicated that maybe we will need to make adjustments in the budget to accommodate that objective.

Mr. Schoenbeck noted that, on the financial statements, $970,000 is the amount the servicers are retaining for mortgage servicing in the single-family portfolio for the nine month period. Currently, lenders are earning $1.3 million per year for servicing. Part of our Strategic Planning discussions have been about self-servicing loans; $1.3 million is the pool of money that is available for that. We cannot take that $1.3 million away at this point from the lenders, but there are ways to purchase the servicing back. If we could use that $1.3 million, there are a lot of things we could do in-house to assist in servicing the portfolio. Mr. Schoenbeck also noted that the value of the 70 REOs that we were holding at the end of March is $4.8 million.

Next, Mr. Schoenbeck reviewed his memo "Proposed Fiscal Year June 1999 Budget," included in the Board packet. Mr. Douglas began the discussion by stating that this year Chairman White appointed a budget committee, consisting of Ms. Randall, Ms. Canney and Mr. Douglas. The committee met with Mr. Schoenbeck to review the proposed budget and found the process to be very helpful. The two changes that the committee made to the budget are: (1) to include a $16,000 pool for incentive or recognition under salary and wages; and (2) to add an additional $20,000 for consulting purposes. Mr. Schoenbeck explained that, since the committee met, we have added $75,000 to the budget for VHMGB consulting fees. This increase caused a 2% increase in our expenses, although VHMGB will be billed back for the consulting agreement. Mr. Schoenbeck also noted that after staff addressed the Year 2000 compliance issue, we felt we should add $25,000 to the budget for consulting fees to assure we are year 2000 compliant. Mr. Schoenbeck indicated that the committee was concerned about the advertising and annual report increase, but he noted that we expect to spend more than the prior year, given that 1999 is VHFA's 25th Anniversary. Chairman White asked whether the committee has approved these changes. Mr. Douglas indicated that the budget committee feels comfortable with these changes. Mr. Douglas made a motion to approve the operating and capital budgets as presented and the motion carried unanimously after being seconded by Ms. Randall.

Following the motion, Mr. Seelig indicated that at the last Board meeting he had expressed interest in both supporting and possibly expanding Homeownership Centers. Since that time he has spoken to Neighborhood Reinvestment and they are very interested in evaluating whether they should add to their network of support in central Vermont. Mr. Seelig noted that the budget shows $120,000 for the homeownership centers; he thought that the annual cost was only $80,000. Ms. Gent indicated that we also included money for the first part of 1998. Ms. Crady noted that the funds in the budget are for the calendar year 1998 and the first six months of 1999. Mr. Seelig then asked whether we want to create a contingency line for additional staff if necessary and for possible expansion of the homeownership centers. Mr. Schoenbeck indicated that he would rather wait to make the budget adjustment when we have an actual number and bring it to the Board at that time.

Next, Chairman White asked that we hear from the Focus Groups. Ms. Crady and Ms. Gent represented the Communications Focus Group. Ms. Gent began by noting that the group started meeting back in February 1998 due to the Employee Survey completed in the October 1997. The group included representation from each department in the Agency. The discussions were very spirited at times and included a range of both sensitive and general topics. Ms. Gent stated that the final recommendations that have been presented to the Board are what the group believes to be a constructive plan to help develop an implementation plan. Ms. Crady thanked the Board, Mr. Hunt, Mr. McNamara, and all other staff members who allowed their employees to spend time meeting with these focus groups. Ms. Crady indicated that it was a tremendous team effort and a great process. Ms. Crady also noted that VHFA should continue building strong indepartmental teams. Chairman White noted that, at the last Communications Focus Group meeting he attended, he recognized that there was a need for cross department communications. Chairman White noted that, in terms of process, the Board would review these recommendations thoroughly and respond to the group in ninety days. On behalf of himself and the Board, Chairman White thanked the members of the focus group by expressing his appreciation for all their hard work. Mr. Hunt asked how many hours were spent during the process and Ms. Crady replied that it took approximately twenty hours. Mr. Douglas asked if the consultant was part of the process, and Ms. Gent indicated that she was. Mr. Seelig noted that a number of items seem to be easily implemented and that it might be helpful to get updates on those items that have been dealt with at regular Board meetings.

Next, representing the Personnel Focus Group, were Mr. Barry and Ms. Santucci. Mr. Barry and Ms. Santucci began by introducing themselves to the Board. Mr. Barry noted that there were ten staff members in the focus group and, for some, it was the first time working with staff from a different department. Mr. Barry also thought that overall, it was a good process and that it can only enhance the work climate in the Agency. It was mentioned that the focus group only addressed items that were mentioned three or more times on the Employee Survey. Ms. Santucci agreed with Mr. Barry and stated that it was both a learning process and a very helpful experience. Chairman White and the Board thanked the group for their efforts and indicated that they would review the recommendations and respond in ninety days.

Mr. Schoenbeck then discussed the Evensen Dodge update. Evensen Dodge prepared this updated report based on a request from the Board at the May 7th meeting. Mr. Schoenbeck explained that in the report it states that positive financial activity over the past 5 years has added 10 additional years of financial stability to FY2022, which is significant. Mr. Schoenbeck also thought a surprising finding was that even if our activity on single family programs were to fall to $30 million per year, it would not have a significant impact on our funding into the future.

Mr. Schoenbeck reviewed the "Single Family Series 9 Options" as described in his memo, included in the Board packet. Staff spoke with the Board in January and February regarding a potential remarketing of bonds. At that time, it was decided not to proceed due to the high costs and uncertainty of rate changes in the bond market. In the last few weeks, the bond market has moved in our favor, which has made us review our remarketing options. Staff did take the steps necessary to institute a remarketing and PaineWebber has responded to show that we have met the target of ½ point under the rates that the bonds were originally issued a year ago. Therefore we are eligible to remarket if we so elect. Mr. Schoenbeck received a report this morning from Mr. Feery (Paine Webber) showing that the market has moved back a little. Mr. Feery believes they could place bonds at the rates they put on the certificates, which would give us a 6.65% mortgage rate. Mr. Schoenbeck explained that we are currently negotiating with FannieMae to see if we can lock something in to enable us to guarantee what kind of a rate we would get. That is a condition of how we would move forward. The Board did authorize $5 million to be put into the 6.95% pool, which is a ¼ point less than we are allowed to earn, but that money has been used up. We made reservations of about $½ million more than what was committed. Staff believes that if we could get the lock in with Fannie Mae, we would get a lower rate and it wouldn't cost us as much as giving up the quarter point with the 6.95% rate.

Chairman White asked how the Board left the remarketing of bonds at the last meeting when it was first discussed. Mr. Schoenbeck indicated that both the Board and staff agreed that we were uncomfortable remarketing at that point and that it would be tabled until further discussion. Mr. Seelig asked if staff thought it was likely to get a lock in from FannieMae. Mr. Schoenbeck believes that we can work something out with FannieMae. FannieMae has said that they need to know how many bonds we would be purchasing, but on a remarketing we can't guarantee that because everyone has the option to keep their bonds or put them back. The bonds FannieMae is interested in are the long bonds, which were sold to a couple of institutional investors. PaineWebber believes they can talk to these institutions and get a sense for whether they are going to retain their bonds or not. With the right financial incentive, we believe we can give FannieMae a commitment that, if they don't get as much as expected, we would pay them a fee.

Mr. Schoenbeck explained that, once we get the approval to move forward with this, we would begin incurring costs with underwriters, lawyers, etc. Staff wants to make sure that the Board is comfortable with this before proceeding any further because, if we start negotiating with FannieMae, things should start moving fairly quickly. Ms. Randall asked what the rate would be. Mr. Schoenbeck stated it would be 6.65% with 1 point, which is 55 basis points under what we currently offer.

Mr. Schoenbeck mentioned that our three year 6.20% program hasn't received any activity thus far. Mr. Hunt explained that, after meeting with the Vermont Bankers Association yesterday, the reason for no activity is that that program is not currently set up on their computer systems. He believes that several of the major banks are presently working on getting the program up and running on their computer systems. Ms. Canney added that the feedback she has received regarding the program is that it isn't being utilized because sellers are agreeing to pay the closing costs and, if it includes one point to get the house sold, they are willing to do it. Both Mr. Hunt and Ms. Canney believe that we should continue to offer this program. Mr. Schoenbeck pointed out that we need some direction from the Board as to how we are going to continue our money since the Board had just approved a certain limit on funds at the 6.95% rate, which are exhausted. Part of that recommendation would be to continue until we have a new program because staff doesn't want to end the 6.95% rate even though it is somewhat costly to the Agency.

Ms. Canney questioned whether our monthly VHMGB insurance payment option program had begun. Mr. Schoenbeck noted that it has been put into effect. Ms. Canney also asked how it is being received by the lenders. Mr. Lothrop indicated that a few have used it and he believes that most of the lenders are still analyzing it. Some lenders that Ms. Canney has spoken to are not aware that this is available. Ms. Randall feels that we should come up with a way to notify other lenders, outside the Vermont Bankers Association, of our monthly VHMGB billing to try and convince them that VHFA is an option. Mr. Candon mentioned that he attended a Vermont Mortgage Bankers Association meeting this past week and there were a number of bankers as well as licensed lenders in that group that we should consider. After further discussion, Mr. Seelig made a motion to: (1) continue to negotiate with FannieMae on the remarketed bonds and to assure the lock-in with FannieMae before proceeding; (2) explore options to reduce the mortgage rate on the Single Family Mortgage program in a low risk, cost efficient manner; and (3) the current pricing on our mortgages will stay the same. The motion carried unanimously after being seconded by Ms. Canney.

Next, Mr. Jarrett reviewed his memo "Title Insurance," included in the Board packet. Mr. Jarrett noted that he has reviewed the new enhanced title policies that are being offered in Vermont by all of the major title insurance companies. The major area in which these new policies provide expanded coverage are municipal permits. Mr. Jarrett explained that after studying these policies, he believes that the cost to the VHFA borrower would be significant and at this time he cannot recommend that VHFA make title insurance mandatory. Ms. Canney asked why some lenders require it even though VHFA doesn't? Mr. Jarrett indicated that they require it because, in the case where VHFA asks them to buy back a loan, the title insurance would help the lender out. Mr. Jarrett noted that he would continue to monitor this issue as the lending community gains experience with the new policies.

Mr. Jarrett then gave a brief litigation update. Mr. Jarrett explained that the Winchester lawsuit has been settled and the final lawyer has signed the settlement agreement and sent it out to his client. In one week, we should have all the signed documents in hand and then the money will be released to Winchester. The other lawsuit is the legal class action suit. The judge did deny the motions to dismiss and stated that he felt that the statute was unconstitutional and tenants should have the opportunity to be heard. The judge denied Legal Aid's motion to have the case treated as a class action. We have not heard from the judge in the state court action. Last week we received a letter from the plaintiff's lawyer offering to settle with VHFA if we would pay $2,500 in attorney fees plus $5,000 for damages and agree to go through the landlord tenant act procedures in future foreclosures.

We have sent a letter to the individual plaintiff saying, under the provisions of the landlord tenant law, they have 60 days to vacate. Mr. Jarrett does not believe there are any damages; in addition, the tenant has been living there rent-free for the past seven months. Ms. Randall suggested that we counter offer and give the tenant $2,000 and have her vacate the house by August 15. Mr. Lothrop noted that, as outlined in the in the plaintiff's settlement offer, he doesn't agree with requiring VHFA to abide by the tenants law in all other cases, because if we did that, the losses on our REOs would increase.

Ms. Canney asked if there were any rules against the law to offer incentives to the tenants to vacate. Mr. Jarrett indicated that there are no rules against it and that landlords often do that. Ms. Canney then asked if VHFA has a policy in place to offer those incentives. Mr. Jarrett answered that we don't have a policy in place because every time we have had a tenant move in after the complaint was brought, they vacated before the foreclosure was finished. Mr. Jarrett briefly gave an overview of his meeting last week with the other defendants. It was made clear that the other defendants want to get out also. We have agreed with the other defendants and the Bankers Association to come up with ideas that will be discussed at a meeting in September.

Mr. Jarrett briefly mentioned the U.S. Supreme Court decision on the case regarding IOLTA funds. IOLTA is based on a theory that the people putting money into an IOLTA account (interest bearing account) do not have a property interest in that money. The Supreme Court said that such people do have a property interest in that money. Mr. Jarrett expressed concern because even though the case is not over, it certainly casts a shadow on our continued ability to obtain money under the IORTA program.

Next, Mr. Jarrett discussed his memo "Request for Proposals for Bond Counsel Services," which was handed out at the meeting. It has been five years since our last RFP for bond counsel. Mr. Jarrett indicated that he had spoken to Chairman White a few months ago and had agreed to postpone the RFP from the spring of this year to the summer, due to the budget, strategic planning, etc. Staff would like to send the RFP out at the end of June with responses due on July 31, 1998. Interviews would take place in August and the final selection should be completed by September. Mr. Jarrett explained that, in line with the current state policy, the contract would be for two years. After a brief discussion, Mr. Seelig made a motion to approve the RFP in the form presented, and the motion carried unanimously after being seconded by Mr. Candon.

In his Executive Director's Report, Mr. Hunt reminded the Board of the NCSHA Conference coming up in August and indicated that we are holding two rooms at the Stoweflake Inn & Resort for Sunday, August 23 and Monday, August 24th for anyone interested in attending. Mr. Hunt asked that, if anyone would like to attend, to please let either him or Kari Caragher know as soon as possible. Chairman White is planning to attend on Sunday night. Mr. Hunt has invited the Governor to speak on Monday, but has not heard back as to whether he will be available. There is also a letter from the Governor and other information being sent out to a number of state boards, which will hopefully attract more attendance.

Mr. Hunt indicated that we have heard from HUD regarding the proposal we submitted to them for the three project notes. They have thanked us for the proposal but do not want to sell the properties to us because all the projects are performing well. Mr. Hunt noted that hopefully this is not the end of it, and that maybe there is more that staff can do. Staff is going to try and have a dialog with HUD at some point to discuss this further.

Mr. Hunt explained that the letter he sent to Charlie Brush, included in the Board packet, was to thank him for his help in getting the homebuilders to support a small state setaside for tax credits. Mr. Brush was able to get the National Association of Homebuilders to support it. We still do not know whether there will be a bill to support the tax credit increase this year.

Mr. Douglas asked whether there were any issues from the Sprawl Conference that we should consider and are we part of the problem and/or solution? Mr. Hunt answered that he believes we should keep a consideration when we are approving projects and that we should take a hard look at new construction tax credit projects that are built in a non-central area. This creates a larger awareness for the cost of Sprawl and also helps to get agencies to not support the effort without giving it a lot of thought. Mr. Seelig added that one of the things that came up at the conference was to eventually have a dialog with people about what kind of incentives we need to create to get people to develop where we want them to develop. He also mentioned that the speaker from Maryland talked about creating incentives to get people to buy homes in existing neighborhoods and, if that takes off, there could be a role for VHFA to play. Mr. McNamara noted that, during the recent tax credit process, he believes it was evident that the cost (costs of infrastructure are not included in rural areas) to rehabilitate units in downtown areas can be higher than building further out in more rural areas; but that infrastructure costs to build in rural areas are usually not accounted for. Mr. Hunt added that it is very costly to build downtown and we are not able to produce a lot of units because of that high cost; therefore we are not meeting our goals and mandates in trying to serve as many people as possible.

Mr. McNamara briefly updated the Board on Year 2000. He explained that he and Pat Myette have been working on this and just had the first meeting earlier this week with members from almost every department. At the meeting, they asked each department to analyze any particular software programs that they might have and any needs so that an inventory can be developed showing how deep the problems and needs are. Mr. McNamara noted that we do realize that we have to certify virtually everything in this Agency from the elevator to our computer systems. Ms. Myette noted that one positive issue is that Mitas is year 2000 compliant and always has been. Chairman White asked if we were planning to test Mitas verify certification that they are in fact year 2000 compliant. Ms. Myette stated that we would be testing them to assure that they are. Mr. McNamara also added that we would be reporting on this monthly to the Board. Ms. Randall added that, in that report, she would like areas highlighted where we might have an exposure and where we might have to make some investments. In closing, Mr. Douglas noted that we really do need to take this issue seriously.

There being no further business, following a motion made by Mr. Douglas and seconded by Mr. Candon, the meeting adjourned at 3:50 p.m.

Sincerely,

Allan S. Hunt

Allan S. Hunt, Secretary

RESOLUTION PERTAINING TO
LETTER OF INTEREST AND COMMITMENT LETTER
RE: BARRE AND BAILEY STREETS (MONTPELIER)

WHEREAS, a proposal has been presented to the Agency by Central Vermont Community Land Trust, Inc., of Montpelier and Housing Vermont, (the "Sponsors") involving the acquisition and rehabilitation of a scattered site, mixed use development on Barre and Bailey Streets in Montpelier, with three buildings on two sites currently containing 15 rental apartments and a commercial space (the "Development"); and

WHEREAS, the proposal contemplates a permanent mortgage loan of up to $85,000 with an amortization period of 20 years, with an interest rate of 7.22% per annum, with the funds coming from the Agency's recycled Section 8 proceeds and the General Fund; and

WHEREAS, the Sponsor has obtained commitments for a deferred loan of $260,000 and a lead paint loan of $14,000 from the Vermont Housing and Conservation Board and a HOME deferred loan of $362,890; and

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

WHEREAS, the Board has been presented with a memorandum dated June 12, 1998 from Joseph Erdelyi (the "Memorandum"); and

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

WHEREAS, based on the Memorandum, the Agency determines that a waiver of paragraph 2 of Chapter Four of the Agency's Rules on Grants, Loans and Advances to Assist the Planning, Construction, Rehabilitation and Operation of Residential Housing, Mortgage Loans to Housing Sponsors for Single Family Developments is justified because strict adherence to the rule requiring scattered site, mixed-use developments to be contiguous would cause undue hardship to the Sponsor;

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, temporary, transitional or emergency housing for persons and families of low and moderate income.

5. The security value of the Development will equal at least the amount of the Agency's loan after the rehabilitation.

6. The Sponsors are financially responsible organizations and qualify as a housing sponsor within the meaning of the Act.

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

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director may, in his discretion, issue a Letter of Interest for a loan for the acquisition and rehabilitation of the Development, in an amount to be determined by the Executive Director, but not to exceed $85,000. The loan shall bear interest at a rate of 7.22% per annum and shall be amortized over a period of 20 years.

2. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. 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 may, in his discretion, issue a Commitment Letter for a loan for the acquisition and/or rehabilitation of the Development, in an amount to be determined by the Executive Director, but not to exceed $85,000. The term of the loan shall be 20 years. The loan shall bear interest at a rate of 7.22% per annum. The Commitment Letter may be issued to Central Vermont Community Land Trust, Inc. and/or Housing Vermont or a to-be-formed limited partnership. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish, including but not limited to the submission of the following in form and content acceptable to the Agency:

   a) Sponsor must provide a Level I Environmental Site Assessment and testing for lead and asbestos, with satisfactory remediation measures being incorporated into the work specifications; in lieu of a Level One ESA the sponsor may provide a Transaction Screen, if it is accompanied by a legal opinion satisfactory to VHFA that the Transaction Screen qualify VHFA for the "innocent landowner" defense of the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA)

b) Sponsor must provide final plans and specifications for VHFA approval by permanent loan closing;

c) Sponsor must provide VHFA with a copy of the Capital Needs Assessment (CNA) that is being done, which will follow VHFA's accepted format for CNAs;

d) Sponsor must fund operating cash/working capital account by permanent loan closing in the amount of $7,000;

e) Sponsor must provide evidence of competitive bidding by permanent loan closing, with bids approximately at budgeted levels, to maintain the overall financial feasibility.

4. The commitment of the Agency shall be subject to receipt, on or before the date of the closing, of a commitment fee in an amount equal to one percent (1.0%) of the principal amount of the first mortgage loan.

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

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on June 18, 1998.

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

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Cynthia L. Reid, Development Officer CReid

DATE: July 14, 1998

RE: Lakeview Housing, Newport: Letter of Interest and Commitment for Interim Financing

Executive Summary

Lakeview Housing Limited Partnership, consisting of Gilman Housing Trust (GHT) and Housing Vermont (HVT), and a to-be-determined limited partner, is seeking to acquire and rehab 16 units of rental housing in three buildings in Newport. Currently two of the properties are owned by GHT and the third is owned by a partnership consisting of GHT, HVT and a New Hampshire nonprofit called AHEAD. The three properties are located in or near the downtown, and all are in need of rehab. The project is seeking permanent low interest financing and rental assistance from Rural Development (RD) which will greatly enhance affordability. The proposal presented in this memo is for VHFA to provide $1,000,000 in interim tax-exempt financing until the year following the end of the construction period (from Fall 1998 to January 2000). RD will then take out the interim financing with its permanent loan. By utilizing tax-exempt financing on an interim basis, the project will be able to benefit from Housing Credits outside of the State's cap.

The Development

Projected Funding Sources	Amount	% of TDC
RD First Mortgage	$800,000	56%
Equity (Housing & Historic Credit)	454,129	32%
VHCB Deferred Loan	71,405	5%
VHCB Grant & Feasibility	20,700	1%
AHP Grant	80,000	5.5%
REEP (energy conversion grant)	8,000	0.5%
Total Sources	$1,434,234	100%

All of the funding is committed except for the RD loan; RD expects to issue a commitment letter to the limited partnership in early August. The Housing Credits automatically come with the tax-exempt financing being proposed. RD has ordered an appraisal and expects to have it available by the first week of August.

Mailing Address: PO Box 408, Burlington, Vermont 05402-0408
Delivery Address: 164 Saint Paul Street, Burlington, Vermont 05401-4364
802 / 864-5743 • 800 / 339-5866 • TDD: 800 / 586-5832
FAX: 802 / 864-5746 • Underwriting FAX: 802 / 863-5422 • home@vhfa.org

Project Description, Unit Breakdown and Rents

The project consists of three buildings totaling 16 apartments. The Governor Prouty Inn at 115 West Main Street contains six elderly apartments, and was the former home of Governor Winston Prouty; 2 Field Avenue houses six family units and is in the downtown; 68 Highland Avenue is on the edge of Newport and has four family apartments. The proposed rehabilitation includes an energy conversion (electric to oil), re-roofing, electrical and plumbing upgrades, installation of a sprinkler system, fire rating, window repairs, interior and exterior upgrades and installation of a second means of egress in one of the buildings. All of the units will be restricted under the tax credit program, and all will receive RD rental assistance upon the permanent closing. There will be three handicapped accessible units. The unit size and breakdown is as follows:

Size	#	Proposed Rents
0 BR	2	$380
1 BR	9	$455
2 BR	2	$565
3 BR	3	$695

Because all units will have RD rental assistance, tenants will pay 30% of their income for rent. Rents include all utilities. This is an occupied project and will remain largely occupied through construction. Until the RD rental assistance comes into effect (at the permanent closing), tenants will pay their current rents. Current rents range in affordability to tenants from 40% - 45% of area median income, and are as follows:

Size	#	Current Avg Rents
0 BR	2	$275
1 BR	9	$358
2 BR	2	$410
3 BR	3	$490

As units turnover (during the period between the construction completion and permanent closing), rents affordable to households at 50% of area median income will be charged. This is in order to charge a standard rent (currently the rents range greatly), and assist the cash flow during the construction period. HVT and GHT anticipate little turnover (none among the elderly and little among the family units).

Sponsor, Management and Market

The property has a history of high occupancy. Two of the properties are managed by GHT and one (Governor Prouty Inn) is managed by North Country Management Corporation (NCMC), which is owned by a partnership of GHT, HVT and AHEAD. When the limited partnership takes ownership of the three properties this fall, NCMC will become the sole manager. During a site visit to the properties, VHFA staff were impressed by the quality of management of NCMC.

NCMC manages 520 units of housing in Northern Vermont and New Hampshire and currently manages four other Housing Credit properties.

A market study was commissioned for this project from Planning Decisions (formerly Market Decisions) of Maine. The study concluded that the development is a "very safe proposition" as it does not create new units (and there is an estimated demand for 155 units), it will have rental assistance, enhance the living conditions for the current tenants, and "improve the overall downtown neighborhood quality."

Site and Environmental Concerns

The buildings are located on three separate small lots sited in the city (see attached map). All three are serviced by municipal water/sewer. Two of the buildings are within close walking distance of the downtown.

Level I Environmental Site Assessments have been completed on each property. The reports cited some solid waste at two of the properties, some petroleum staining on the soil of a former garage, a stored 55 gallon drum in a trash room, and a possible underground storage tank at a third (the tank has not been found but is apparently still listed with the Vermont Waste Management Division). VHFA's loan will be conditioned on the remediation of these issues, including the resolution of the underground storage tank.

Discussion

VHFA staff has worked with the sponsor and with RD on this proposal to utilize interim tax-exempt financing and thus benefit from out-of-cap Housing Credits. The RD permanent loan will take out the interim financing once the construction is complete and the tax-exempt financing and Housing Credit conditions have been met. At this time VHFA does not have a purchaser for the short-term tax-exempt bond, although staff does not anticipate a problem in identifying an investor. It is staff's intention to issue a single bond for this project and the North Bennington project.

Strengths

a. The project utilizes tax-exempt financing and out-of-cap Housing Credits, both of which are not widely used, and therefore the project does not compete for limited resources with other affordable housing projects.

b. The condition of the units and their affordability will be enhanced by the rehabilitation and the project-based RD rental assistance.

c. The GHT/HVT development team has much experience. In addition, this is an opportunity for VHFA to do business in the Northeast Kingdom.

Weaknesses

a. This will be the first deal in which we use this type of financing structure, with interim tax-exempt financing, a permanent RD takeout, and out-of-cap Credits. However, the Joint Committee on Tax Credits and the VHFA Board of Commissioners both approved a forward commitment of 1999 Housing Credits should this structure be unsuccessful.

b. This structure adds cost to the project (and thus adds cost per unit), however we are working with Housing Vermont on the cost issue, and this structure allows less resources to be used rather than competing with other affordable housing developments for scarce resources.

Recommended Board Action

Staff recommends Board approval of the attached Resolution to provide a Letter of Interest and Commitment to provide interim financing in the amount of up to $1,000,000 with a loan term of up to 18 months, interest only payments on the principal amount advanced, and an interest rate of no more than three quarters of a point above the cost of the bond. The Letter of Interest and Commitment shall include the following conditions:

1. Sponsor must provide a commitment of $800,000 in permanent financing from RD;

2. Sponsor must address all of the Environmental Site Assessment findings in the rehab scope of work, including resolving whether or not there is an underground storage tank, and if so, provide for its removal;

3. Outstanding issues with RD must be resolved to VHFA's satisfaction, including obtaining assurance that the RD loan commitment can be assigned to VHFA as a new general partner, should either of the current general partners be unable to perform;

4. Sponsor must provide an appraisal satisfactory to VHFA prior to closing which demonstrates adequate value in the project;

5. Sponsor must provide final plans and specifications for VHFA approval by VHFA loan closing;

6. Sponsor must provide evidence of competitive bidding by loan closing, with bids approximately at budgeted levels, to maintain overall feasibility.

RESOLUTION PERTAINING TO COMBINED LETTER OF INTEREST AND COMMITMENT LETTER RE: INTERIM FINANCING (NEWPORT)

WHEREAS, a proposal has been presented to the Agency by Lakeview Housing Limited Partnership (the "Sponsor"), a limited partnership whose general partners are Gilman Housing Trust and Housing Vermont, involving the acquisition and rehabilitation of 16 units of rental housing (10 family and 6 elderly) located in three buildings in Newport, Vermont (the "Development"); and

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia L. Reid dated July 14, 1998 containing information and recommendations about the Development (the "Memorandum");

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 or increase the supply of well-planned, well-designed permanent, temporary, transitional or emergency housing for persons and families of low and moderate income.

5. The security value of the Development will equal at least the amount of the Agency's loan.

6. The Sponsor and its general partners are financially responsible organizations and the proposed ownership entity is expected to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a first mortgage loan in the approximate amount of $1,000,000 as interim tax-exempt financing to the Lakeview Housing Limited Partnership for the acquisition and rehabilitation of three buildings totaling 16 apartments located at 115 West Main Street, 2 Field Avenue and 68 Highland Avenue, all in Newport, Vermont. The term of the loan will be approximately 18 months, with interest only payments due until the maturity date of the loan and an interest rate of not more than 75 basis points above the Agency's cost of funds. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. 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.

2. The Letter of Interest shall include the following conditions. Any documents submitted in satisfaction of these conditions must be satisfactory to the Agency in form and content:

   a) Sponsor must provide VHFA with a commitment for not less than $800,000 in term financing from Rural Development;

   b) Sponsor must address the Environmental Site Assessment findings in the rehab scope of work, including resolving whether or not there is an underground storage tank, and if so, provide for its removal;

   c) Outstanding issues with RD must be resolved to VHFA's satisfaction, including obtaining assurance that the RD loan commitment can be assigned to VHFA as a new general partner, should either of the current general partners be unable to perform;

   d) Sponsor must provide an appraisal satisfactory to VHFA prior to closing which demonstrates adequate value in the project;

   e) Sponsor must provide final plans and specifications for VHFA approval by VHFA loan closing;

   f) Sponsor must provide evidence of competitive bidding by loan closing, with bids approximately at budgeted levels, to maintain overall feasibility.

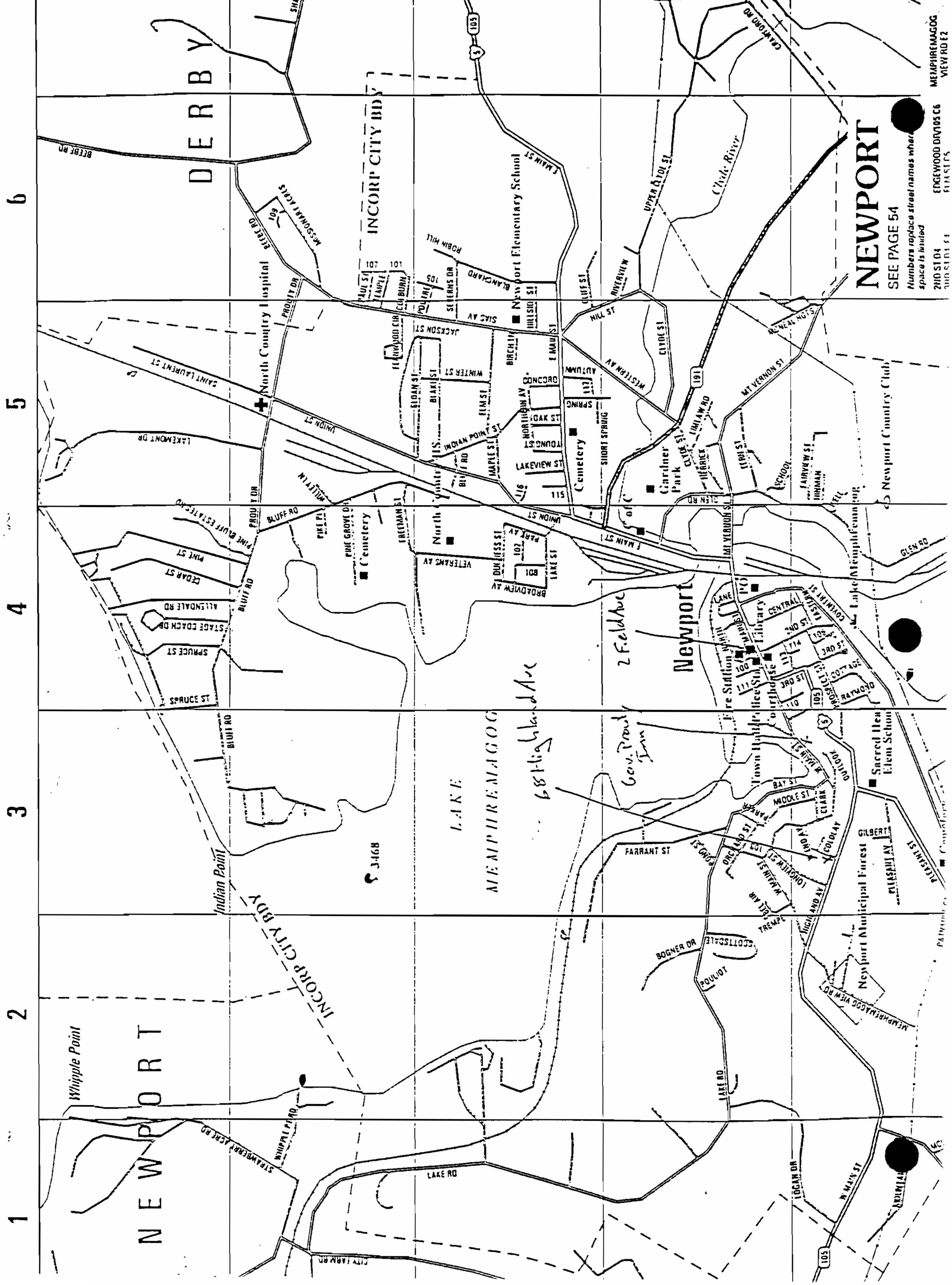
3. The Executive Director may, in his discretion, issue a Commitment Letter for an interim loan for the acquisition and rehabilitation of the Development, in an amount not to exceed $1,000,000.

4. The loan shall be due and payable approximately 18 months from the date the loan is made, interest only payments shall be due before maturity, and the interest rate

shall not exceed 75 basis points above the Agency's cost of funds. The source of funds shall be tax-exempt bond proceeds. The Commitment Letter may be issued to Housing Vermont and the Gilman Land Trust as representatives of the limited partnership. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.

5. The Executive Director, Deputy Director and Director of Finance are hereby authorized to take all necessary steps and execute any and all documents required to effectuate this loan.

LAKEVIEW HOUSING



17-Jul-98	**Lakeview HLP Newport**					
Total Residential Units:	16	Increase in Income from Rental Units:			1.00%	
Housing Credit Restricted Units:	16	Increase in Income from Other Sources:			1.00%	
Percent Restricted:	100.00%	Increase in Income from Commercial:			N/A	
Total Development Cost:	1,451,398	Expense increase:			2.50%	
Total Development Cost per Unit:	90,712	Vacancy Rate:			2%	
Total Development Cost Per SF:	102	Partner's Tax Rate:			35%	
		Long Depreciation Schedule:			27.5	years
Max Credit Potential:	37,299	Short Depreciation Schedule:			7	years
Credit Amount Allocated:	35,900	Sponsor's Estimated Yield:			121.03%	
LIHTC - 9%	8.35%		(July '98)			
LIHTC - 4%	3.58%					
SOURCES						
		% of Total Development Cost		Interest Rate	Amortization	Term
First Mortgage - RD	800,000		55.12%	1.00%	50	30
VHCB -Deferred	71,405		4.92%	7.00%	0	30
VHCB - Grant w/feasibility	20,700		1.43%	N/A	N/A	
AHP	80,000		5.51%	N/A	N/A	
REEP	8,000		0.55%	N/A	N/A	
Tax Credit Equity	471,293		32.47%	N/A	N/A	
TOTAL SOURCES	1,451,398		100.00%			
VHFA Construction Loan	1,000,000			6.75%	N/A	1.5
USES						
Acquisition	309,339		21.31%			
Construction Hard Costs	799,254		55.07%			
Soft Costs	342,805		23.62%			
TOTAL USES	1,451,398		100%			
Gap	0					
PER UNIT COST LIMIT CALCULATION						
	per unit limits		number of units			
0 Br	73,380		2	146,760		
1 Br	78,380		9	705,420		
2 Br	83,380		2	166,760		
3 Br	88,380		3	265,140		
4 Br	93,380		0	0		
Maximum cost allowed under the per unit cost limits			16	1,284,080		
Projected total cost, excluding cash accounts				1,390,783	Excess Cost	
		(over)/under		(106,703)	Ratio	92.33%
General Partner's Capital Contribution				4,345	1%	
Limited Partner's Capital Contribution				430,153	99%	
Total Equity				434,498		
APPLICABLE FRACTION CALCULATION						
		Tax Credit Restricted Units		16		
		Total Units		16		
		Unit Fraction		100.00%		
		Tax Credit Square Footage		14,270		
		Total Residential Square Footage		14,270		
		Square Footage Fraction		100.00%		
		Applicable Fraction		100%		

16-Jul-98	**Lakeview HLP Newport**	Budget	Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Other
	ACQUISITION						
1	Land	44,453					
2	Purchase of Building(s)	259,402	259,402		259,402	0	
3	Demolition (without replacement)	0			0	0	
4	Property Appraisal	2,000	2,000		2,000	2,000	
5	Legal - Title and Recording	3,484	3,484		3,484	0	
	Subtotal - Acquisition	309,339	264,886		264,886	2,000	
	CONSTRUCTION HARD COSTS						
6	Rehabilitation	657,140		657,140	657,140	657,140	
7	New Building(s)	0		0	0	0	
8	Accessory Buildings	0		0	0	0	
9	Sitework	39,000		39,000	39,000	0	
10	Commercial Space Costs (if any)	0					
11	General Requirements	0		0	0	0	
12	Contractor Overhead	0		0	0	0	
13	Contractor Profit	0		0	0	0	
14	Construction Contingency	69,614		69,614	69,614	69,614	
15	Construction Management	0		0	0	0	
16	Construction Bond Fee	0		0	0	0	
17	Hazardous Materials Abatement	20,000		20,000	20,000	20,000	
18	Off-Site Improvements	0		0	0	0	
19	Furnishings, Fixtures, & Equipment	12,500		12,500	0	0	
20	Cost Estimating/Inspecting	1,000		1,000	1,000	1,000	
	Subtotal - Hard Costs	799,254		799,254	786,754	747,754	
	SOFT COSTS						
21	Architectural	44,000		44,000	44,000	44,000	
22	Constr Estimating/Inspection	0		0	0	0	
23	Legal/Accounting	15,000		13,500	15,000	13,500	
24	Relocation	16,000		16,000	16,000	16,000	
25	Environmental Assessment	0		0	0	0	
26	Energy Assessment	0		0	0	0	
27	Permits/Fees	4,793		4,793	4,793	4,793	
28	Independent Market Study	2,750		2,750	2,750	2,750	
29	Construction Period Insurance	6,762		6,086	6,762	6,086	
30	Construction Interest	38,250		28,688	38,250	28,688	
31	Construction Loan Origination Fee	0		0	0	0	
32	Taxes During Construction	0		0	0	0	
33	Clerk of the Works	9,000		9,000	9,000	9,000	
34	Marketing	1,600			2,000		
35	Tax Credit Fees	1,285		1,285	1,285	1,285	
36	Soft Cost Contingency	4,750		4,750	4,750	4,750	
37	Permanent Loan Origination Fee	0					
38	Lender's Counsel's Fee	0		0	0	0	
39	Other (rent loss)	10,000		0	10,000	0	
	SYNDICATION COSTS						
40	Organizational (Partnership)	0					
41	Bridge Loan Fees and Expenses	0					
42	Syndication Consultant	0					
43	Tax Opinion	0					
	DEVELOPER'S FEES						
44	Developer's Fees	62,000		62,000	62,000	62,000	
45	Other Partnership Fees	64,000		64,000	64,000	64,000	
46	Consultant Fees	2,000		2,000	2,000	2,000	
	RESERVES						
47	Working Capital	28,615					
48	Rent-up (Deficit Escrow) Reserve	32,000					
49	Other Operating Reserves	0					
50	Sinking Fund	0					
51	Replacement Reserves	0					
	Subtotal - Soft Costs	342,805		258,851	282,590	258,851	
	TOTALS	1,451,398	264,886	1,058,105	1,334,230	1,008,605	
LESS:	Amount of Non-qualified Financing		0	49,247	167,130	7,000	
LESS:	Historic tax Credit (Residential Portion)			167,300			
TIMES:	Excess Cost Ratio	92%		776,993		20%	Historic Cre
	Total Eligible Basis		264,886	776,993			
TIMES:	Adjusted for QCT/DDA	100.00%		776,993		153,430	Annual Hist
TIMES:	Applicable Fraction	100.00%	264,886	776,993			
	Total Qualified Basis		264,886	776,993	1,167,100	Long Term Depreciable Basi	
TIMES:	Applicable Percentage		3.58%	3.58%	27.5	Depreciation Schedule	
	Total Annual Credit Qualified		9,483	27,816	42,440	Annual Depreciation	
	Total Tax Credits Requested	36,181		37,299	12,500	Short Term Depreciable Basi	
	Estimated Net Syndication Proceeds (**excluding historic credit equity**)	340,878			7	Depreciation Schedule	
	Estimated Yield - Housing Credit Syndication	95.17%			1,786	Annual Depreciation	
	Equity Gap	340,878					
	Credits Needed to fill Equity Gap	36,181					
							176,800
	Building by Bulding Basis x Fraction =	36,532					291,443
	Building by Bulding Equity Gap =	36,209					468,243

17-Jul-98 Lakeview HLP Newport

		Budget	Per Unit	Per s.f.	RD - First Mortgage	VHCB Deferred	AHP	VHCB Grant/Feas	REEP Grant	Tax Credit Equity	TOTAL SOURCES
					Terms:____	Terms:____	Terms:____	Terms:____	Terms: Grant_	Terms:____	
	ACQUISITION										
1	Land	44,453	2,778	3.12		0	44,453	0		0	44,453
2	Purchase of Building(s)	259,402	16,213	18.18	109,330	71,405		15,000		63,667	259,402
3	Demolition (without replacement)	0	0	0.00						0	0
4	Property Appraisal	2,000	125	0.14				400		1,600	2,000
5	Legal - Title and Recording	3,484	218	0.24						3,484	3,484
	Subtotal - Acquisition	309,339	19,334	21.68							
	CONSTRUCTION HARD COSTS										
6	Rehabilitation	657,140	41,071	46.05	597,000		24,266		8,000	27,874	657,140
7	New Building(s)	0	0	0.00						0	0
8	Accessory Buildings	0	0	0.00						0	0
9	Sitework	39,000	2,438	2.73			6,414			32,586	39,000
10	Commercial Space Costs (if any)	0	0	0.00						0	0
11	General Requirements	0	0	0.00						0	0
12	Contractor Overhead	0	0	0.00						0	0
13	Contractor Profit	0	0	0.00						0	0
14	Construction Contingency	69,614	4,351	4.88	68,900					714	69,614
15	Construction Management	0	0	0.00						0	0
16	Construction Bond Fee	0	0	0.00						0	0
17	Hazardous Materials Abatement	20,000	1,250	1.40				651		19,349	20,000
18	Off-Site Improvements	0	0	0.00						0	0
19	Furnishings, Fixtures, & Equipment	12,500	781	0.88			4,117			8,383	12,500
20	Cost Estimating/Inspecting	1,000	63	0.07						1,000	1,000
	Subtotal - Hard Costs	799,254	49,953	56.01							
	SOFT COSTS										
21	Architectural	44,000	2,750	3.08	12,770			3,836		27,394	44,000
22	Constr Estimating/Inspection	0	0	0.00						0	0
23	Legal/Accounting	15,000	938	1.05						15,000	15,000
24	Relocation	16,000	1,000	1.12						16,000	16,000
25	Environmental Assessment	0	0	0.00						0	0
26	Energy Assessment	0	0	0.00						0	0
27	Permits/Fees	4,793	300	0.34						4,793	4,793
28	Independent Market Study	2,750	172	0.19						2,750	2,750
29	Construction Period Insurance	6,762	423	0.47						6,762	6,762
30	Construction Interest	38,250	2,391	2.68						38,250	38,250
31	Construction Loan Origination Fee	0	0	0.00						0	0
32	Taxes During Construction	0	0	0.00						0	0
33	Clerk of the Works	9,000	563	0.63						9,000	9,000
34	Marketing	1,600	100	0.11			750			850	1,600
35	Tax Credit Fees	1,285	80	0.09						1,285	1,285
36	Soft Cost Contingency	4,750	297	0.33						4,750	4,750
37	Permanent Loan Origination Fee	0	0	0.00						0	0
38	Lender's Counsel's Fee	0	0	0.00						0	0
39	Other (rent loss)	10,000	625	0.70						10,000	10,000
	SYNDICATION COSTS										
40	Organizational (Partnership)	0	0	0.00						0	0
41	Bridge Loan Fees and Expenses	0	0	0.00						0	0
42	Syndication Consultant	0	0	0.00						0	0
43	Tax Opinion	0	0	0.00						0	0
	DEVELOPER'S FEES										
44	Developer's Fees	62,000	3,875	4.34						62,000	62,000
45	Other Partnership Fees	64,000	4,000	4.48						64,000	64,000
46	Consultant Fees	2,000	125	0.14				1,463		537	2,000
	RESERVES										
47	Working Capital	28,615	1,788	2.01						28,615	28,615
48	Rent-up (Deficit Escrow) Reserve	32,000	2,000	2.24						32,000	32,000
49	Other Operating Reserves	0	0	0.00						0	0
50	Sinking Fund	0	0	0.00						0	0
51	Replacement Reserves	0	0	0.00						0	0
	Subtotal - Soft Costs	342,805	21,425	24.02							
	TOTAL DEVELOPMENT COSTS	1,451,398	90,712	102	788,000	71,405	80,000	21,350	8,000	482,643	1,451,398

16-Jul-98	**Lakeview HLP Newport**					
HC Restricted Units		Average		Average		Total
Bedrooms	Type	Square Feet	Number	Rent	Utilities	Annual Rent
0 Br		488	2	380		9,120
1 Br		734	9	455		49,140
2 Br		945	2	565		13,560
3 Br		1,600	3	695		25,020
4+ Br			0	0		0
	Totals	14,270	16			96,840
Non-HC Restricted Units						Total
Bedrooms	Type	Square Feet	Number	Rent	Utilities	Annual Rent
0 Br			0	0		0
1 Br			0	0		0
2 Br			0	0		0
3 Br			0	0		0
4+ Br			0	0		0
	Totals	0	0			0
All Units						
	Grand Totals	14,270	16			96,840
		Less Vacancy	2.00%			(1,937)
					NET RENT	94,903
		OTHER INCOME				
		Laundry				1,350
		Parking				0
		Commercial Space Income				0
		Other				0
					TOTAL INCOME	96,253

		Check all Applicable								A					B						C					
Building #	Unit #	HOME Unit	Lead Paint Unit	Project Based Assistance	Tax Credit Unit	VHCB Restricted	Accessible	Adaptable	Unrestricted	Number of Bedrooms	Proposed Square Footage	Proposed Rent	Utility Allowance for Tenant-Paid Utilities	Gross Rent (Rent + Tenant-Paid Utilities)	OCCUPIED BY: Income level of residents to be served:						AFFORDABLE TO: Units affordable to residents at:					
															<30%	<50%	<60%	<80%	<100%	>100%	30%	50%	60%	65%	80%	100%+
Prouty	1			1	1		1			1	825	455	0	455		1					1					
	2			1	1					1	825	455	0	455		1					1					
	3			1	1					1	825	455	0	455		1					1					
	4			1	1					1	825	455	0	455		1					1					
	5			1	1					0	575	380	0	380		1					1					
	6			1	1					1	825	455	0	455		1					1					
Field Ave.	1			1	1	1	1			1	620	455	0	455		1					1					
	2			1	1	1				1	620	455	0	455		1					1					
	3			1	1	1				0	400	380	0	380		1					1					
	4			1	1	1				2	890	565	0	565		1					1					
	5			1	1	1				1	620	455	0	455		1					1					
	6			1	1	1				1	620	455	0	455		1					1					
Highland	1			1	1	1				2	1,000	565	0	565		1					1					
	2			1	1	1	1			3	1,600	695	0	695		1					1					
	3			1	1	1				3	1,600	695	0	695		1					1					
	4			1	1	1				3	1,600	695	0	695		1					1					
Total # Units	16	0	0	16	16	10	3	0	0	Totals:	14,270	8,070	Total # Units:		0	16	0	0	0	0	16	0	0	0	0	0

16-Jul-98	**Lakeview HLP Newport**			
			Per Unit	
	Annual	Monthly	Per Month	
Administration				
Management Fee	9,408	784	49	9.8%
Supportive Services	0	0	0	
Audit/Accounting	3,750	313	20	
Legal	960	80	5	
Compliance Monitoring	384	32	2	
Marketing	0	0	0	
Other	1,728	144	9	
TOTAL ADMINISTRATIVE	16,230	1,353	85	
Utilities				
Electricity	6,720	560	35	
Fuel	9,408	784	49	
Water and Sewer	2,880	240	15	
Fire Alarm / Emergency	0	0	0	
Other	0	0	0	
TOTAL UTILITIES	19,008	1,584	99	
Maintenance				
Maintenance / Janitor Payroll	10,560	880	55	
Janitor Supplies	0	0	0	
Exterminating	0	0	0	
Trash Removal	1,920	160	10	
Snow Removal	0	0	0	
Grounds	2,688	224	14	
Repairs Material	0	0	0	
Repairs Contract	0	0	0	
HVAC Repairs / Maintenance	0	0	0	
Elevator Contract / Repairs	0	0	0	
Painting and Decorating	1,536	128	8	
Other	192	16	1	
TOTAL MAINTENANCE	16,896	1,408	88	
				per unit month
Real Estate Taxes	7,645	637	40	excl. ds & res.
Property Insurance	2,496	208	13	324
Replacement Reserves	4,800	400	25	
Primary Debt Service	20,338	1,695	106	
Other "must pay" debt service	0	0	0	
Other	0	0	0	
Total	87,413	7,284	455	

16-Jul-98		Lakeview HLP Newport														
	Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Operating Income																
Gross Rent		96,840	97,808	98,786	99,774	100,772	101,780	102,798	103,826	104,864	105,912	106,972	108,041	109,122	110,213	111,315
Other Income		1,350	1,364	1,377	1,391	1,405	1,419	1,433	1,447	1,462	1,476	1,491	1,506	1,521	1,536	1,552
Vacancy and other losses		(1,937)	(1,956)	(1,976)	(1,995)	(2,015)	(2,036)	(2,056)	(2,077)	(2,097)	(2,118)	(2,139)	(2,161)	(2,182)	(2,204)	(2,226)
Total Operating Income		96,253	97,216	98,188	99,170	100,161	101,163	102,175	103,196	104,228	105,271	106,323	107,387	108,461	109,545	110,641
Operating Expenses																
Total Expenses (excl. Reserves)		62,275	63,832	65,428	67,063	68,740	70,458	72,220	74,025	75,876	77,773	79,717	81,710	83,753	85,847	87,993
Reserves		4,800	4,848	4,896	4,945	4,995	5,045	5,095	5,146	5,198	5,250	5,302	5,355	5,409	5,463	5,517
Total Operating Expense		67,075	68,680	70,324	72,009	73,735	75,503	77,315	79,172	81,074	83,023	85,019	87,065	89,162	91,310	93,510
Net Operating Income		29,178	28,536	27,864	27,161	26,427	25,660	24,860	24,025	23,155	22,248	21,304	20,321	19,299	18,235	17,130
Less Primary Debt Service		20,338	20,338	20,338	20,338	20,338	20,338	20,338	20,338	20,338	20,338	20,338	20,338	20,338	20,338	20,338
Less Secondary Debt Service		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Annual Cash Flow		8,840	8,197	7,525	6,822	6,088	5,321	4,521	3,686	2,816	1,910	965	(17)	(1,040)	(2,103)	(3,208)
Operating Subsidies / Sinking Fund		0	0	0	0	0	0	0	0	0	0	0	17	1,040	2,103	3,208
Net Cash		8,840	8,197	7,525	6,822	6,088	5,321	4,521	3,686	2,816	1,910	965	0	0	0	0
DCR		143.46%	140.30%	137.00%	133.54%	129.93%	126.16%	122.23%	118.12%	113.85%	109.39%	104.75%	99.92%	94.89%	89.66%	84.23%
Cumulative Cash Flow																
Beginning Balance		7,154	15,637	23,647	31,145	38,090	44,440	50,150	55,174	59,464	62,970	65,639	67,417	68,248	68,073	66,832
Interest	2.0%	143	313	473	623	762	889	1,003	1,103	1,189	1,259	1,313	1,348	1,365	1,361	1,337
Withdrawals for Operating Losses		0	0	0	0	0	0	0	0	0	0	0	(17)	(1,040)	(2,103)	(3,208)
Withdrawals for Owner's Distribution		(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)
Ending Balance		15,637	23,647	31,145	38,090	44,440	50,150	55,174	59,464	62,970	65,639	67,417	68,248	68,073	66,832	64,460
Cumulative Replacement Reserves																
Beginning Balance		0	4,800	9,744	14,835	20,078	1,474	6,548	11,775	17,156	22,697	4,401	9,791	15,342	21,058	26,942
Interest	2.0%	0	96	195	297	402	29	131	235	343	454	88	196	307	421	539
Withdrawals*		0	0	0	0	(24,000)	0	0	0	0	(24,000)	0	0	0	0	(24,000)
Ending Balance		4,800	9,744	14,835	20,078	1,474	6,548	11,775	17,156	22,697	4,401	9,791	15,342	21,058	26,942	8,998
	* = assumes $1,500 per unit is used every 5 years.															
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
Net Operating Income		29,178	28,536	27,864	27,161	26,427	25,660	24,860	24,025	23,155	22,248	21,304	20,321	19,299	19,300	19,301
Plus Reserves		4,800	4,848	4,896	4,945	4,995	5,045	5,095	5,146	5,198	5,250	5,302	5,355	5,409	5,410	5,411
Less Interest Expense		(12,942)	(12,817)	(12,691)	(12,564)	(12,436)	(12,306)	(12,175)	(12,043)	(11,910)	(11,775)	(11,639)	(11,501)	(11,362)	(11,222)	(11,080)
Less Long Depreciation		(42,440)	(42,440)	(42,440)	(42,440)	(42,440)	(42,440)	(42,440)	(42,440)	(42,440)	(42,440)	(42,440)	(42,440)	(42,440)	(42,440)	(42,440)
Less Short Depreciation		(1,786)	(1,786)	(1,786)	(1,786)	(1,786)	(1,786)	0	0	0	0	0	0	0	0	0
Taxable Income (Loss)		(23,189)	(23,659)	(24,157)	(24,684)	(25,240)	(25,827)	(24,661)	(25,312)	(25,997)	(26,717)	(27,472)	(28,265)	(29,094)	(28,952)	(28,808)
Cash Flow		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings		8,116	8,281	8,455	8,639	8,834	9,040	8,631	8,859	9,099	9,351	9,615	9,893	10,183	10,133	10,083
Plus Tax Credits		35,900	35,900	35,900	35,900	35,900	35,900	35,900	35,900	35,900	35,900					
After Tax Cash Flow		44,016	44,181	44,355	44,539	44,734	44,940	44,531	44,759	44,999	45,251	9,615	9,893	10,183	10,133	10,083
Total Years	15															
Reinvestment Rate	12.00%															
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Current After Tax Cash Flows		44,016	44,181	44,355	44,539	44,734	44,940	44,531	44,759	44,999	45,251	9,615	9,893	10,183	10,133	10,083
Future Value of Cash Flows at Yr 15:		239,293	215,916	193,542	173,524	155,610	139,576	123,489	110,822	99,479	89,317	16,946	15,566	14,306	12,711	11,293
Discount Rate:	6.00%															
Capital Contribution Number:	1	2	3	4												
Date of Capital Contribution:	01-Sep-98	01-Jun-99	01-Sep-99													
Amount of Capital Contribution:	21,508	258,092	150,553	0												
Present Value of Contributions:	21,508	246,613	141,669	0												
Cash Flows	(409,789)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,611,389
IRR:	9.56%															
Equity Yield:	115.30%															

vhfa
VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Joe Erdelyi, Multifamily Development Underwriter

DATE: July 14, 1998

RE: Homestead Greene, North Bennington: Letter of Interest and Commitment for Interim Financing

Executive Summary

Staff are seeking the Board's approval to provide $975,000 in short-term tax-exempt bond financing to Homestead Greene, a 17 unit new construction elderly development in North Bennington. The US Department of Agriculture, Rural Housing Service, Rural Development Division (RD) will be providing subsidized permanent financing and rental assistance under its 515 program. This type of subsidized financing would only enable the development to receive the lesser "4%" Housing Credit, and our proposal will enable the sponsors, Jack Heaton and Frank Murphy, to receive this credit outside the State's competitive allocation process. These credits are in addition to the State's annual credit ceiling, and thus are a resource for providing affordable housing that the State often cannot utilize. This loan would utilize the State's "volume cap" of tax-exempt bonds it can issue, but because of the small state minimum there is not fierce competition for tax-exempt bond authority at this time, and VHFA currently has an allocation of bond authority sufficient to do both this loan and the Newport loan.

The Development

Permanent Funding Sources	Amount	% of TDC
RD First Mortgage	$994,250	67%
Housing Credit Equity	414,050	28%
Deferred Developer Fees	68,331	5%
Total Sources	$1,476,631	100%

The sponsor has received a reservation of funds from RD. Staff have reviewed an appraisal (done by an RD staff appraiser) which valued the land and buildings with the rental assistance and subsidized financing. This appraised value as of September 1997 was $1,025,000, which would give RD a loan-to-value ratio of 97%. Our multifamily rules limit the LTV ratio to for-profit borrowers to 95% of security value. In this case, the maximum loan amount we could make

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would be approximately $975,000. Staff recommend that the sponsor fill any gap with either deferred developer fees, additional tax credit equity, or a combination of the two.

Staff have considered requiring a more recent appraisal that also would provide a "market" value of the development. However, it is entirely on the strength of the RD takeout commitment that we are recommending a loan of this size.

Project Description, Unit Breakdown and Rents

The project consists of four buildings totaling 17 one-bedroom apartments. All of the units will be restricted under the tax credit program, and all will receive RD rental assistance upon the permanent closing. There will be one handicapped accessible unit, but all will be adaptable. The unit size and breakdown is as follows:

Size	#	Contract Rents
1 BR	17	$785

Because all units will have RD rental assistance, tenants will pay 30% of their income for rent. Rents include all utilities (gas heat and hot water, electricity).

Sponsor, Management and Market

The site is adjacent to Homestead Mews, a 22-unit Section 8 elderly development that VHFA financed in 1982 and was also developed by Jack Heaton. The project is well maintained and has a waiting list of tenants. (Homestead Mews is currently served by an on-site septic system; with the construction of Homestead Greene, both projects will be connected to municipal sewer and achieve some cost savings over joining the municipal system individually. Some of the cash reserves of Homestead Mews will be used towards this cost.) THM, Inc., Jack Heaton's management company, will be the property manager. They have a history of managing senior housing, and currently manage 19 properties. Bennington is one of the few communities in the State in which the Consolidated Plan specifically identifies a need for more elderly housing.

The Board expressed concern at its discussion of the Hartford Level III Community Care Home regarding a prior bankruptcy filing of Wooden Indian Inc., a development company owned by Jack Heaton. VHFA's general counsel has talked to the first mortgage lender on the development involved, who reports that they were made whole in the process, and continued to do business with him afterwards.

RD required a market analysis, which was done in June 1997 by Douglas J. Kennedy and Associates. The study concludes that there is a real need for 50 elderly units, that elderly in Bennington have a high propensity to rent, and that a hypothetical project of 20 to 25 units could expect to be 50% - 75% rented upon construction completion and fully rented within three to four months. RD has a list of 45 communities in the State where they believe the strongest need to be for their type of assisted housing, and Bennington is on that list. Because of the deep rental subsidy, the project is likely to achieve and maintain full occupancy. One consideration of the

Housing Credit Allocation Plan is the impact this development might have on the existing housing stock in the community. Given that the households served are very low income and that there are 17 newly created units in a community of 16,000 people, staff feel there will be little or no net negative impact.

Site and Environmental Concerns

The site is in the village of North Bennington, approximately four miles northwest of Bennington and is served by municipal water and sewer (see attached map). The land consists of an 8.5 acre portion of a larger (49 acre) site known as the Colvin Farm, and the site has approximately 516 feet of frontage on Vermont Route 67. There are no buildings on the site. The sponsor has told staff that a Level I Environmental Site Assessment has been commissioned but is not yet completed. RD also does its own environmental review and has made a finding of no significant impact. VHFA's loan will be conditioned on the remediation of any hazardous conditions found in the Level I ESA.

Discussion

VHFA staff have worked with the sponsor and with RD on this proposal to utilize interim tax-exempt financing and thus benefit from out-of-cap Housing Credits. The Allocation Plan (portions of which apply to out-of-cap credits as well) requires that the sponsor provide an option to a non-profit to purchase the property at the end of the initial 15 year compliance period at a specified formula price, and the sponsor has verbally agreed to this. This ownership is designed to ensure that affordable housing created by the Housing Credit program remain as affordable housing over the long term. With this RD 515 financing, there is already a prohibition on prepayment by RD that is intended to accomplish the same objective.

VHFA hopes to utilize a single bond for both this loan and the Newport loan since they have approximately the same term and are both using short-term tax-exempt funds. At this time we do not have a purchaser for such a bond, but staff do not anticipate a problem in finding an investor. (Private placement of this bond would keep intermediary costs down and possibly help to achieve a lower rate.)

Strengths

a. The project utilizes tax exempt financing and out-of-cap Housing Credits, both of which have historically not been widely used, and therefore the project does not compete for limited resources with other affordable housing projects.

b. Because of the rental assistance and subsidized financing, this development will serve very low income seniors, a group that VHFA usually cannot reach in great numbers with the debt and Housing Credit programs we currently administer.

c. Because of the Housing Credits, this development will ultimately come into non-profit ownership, ensuring its permanence as affordable housing.

d. This model of using short-term tax-exempt financing has the blessing of many tax accountants and attorneys, including those at the IRS and our own bond counsel. By successfully implementing this model we will relieve pressure from the competitive tax credit allocation rounds and be able to produce more housing with the limited resources we have.

Weaknesses

a. This development, in conjunction with the Newport development, has a financing structure that is entirely dependant on the RD loan commitment. Without the RD financing and rental assistance, the project would not only fail to be financially feasible in the long term, but also the value of the development would be substantially reduced, almost certainly to a level below our financing amount. However, RD 515 financing is a well-established program with a long history of producing affordable housing in Vermont. RD closely oversees all aspects of development, including appraisal, environmental, and construction specification and inspection. The sponsors have developed 11 other projects under this program successfully, and staff are confident that RD will provide the funding if the project is built to their satisfaction.

b. This financing structure may add cost to the project. The project will require an "internal" rent subsidy, because the rental assistance will not be provided until the RD permanent loan has closed, which will occur after the first calendar year of occupancy in which credits are claimed. (The tax-exempt financing needs to be out for this period to qualify the development for the credits.) We are, however, endeavoring to get RD to agree to a two phase closing: the first closing would be for some nominal amount at construction completion, and would enable the tenants to receive the rental assistance upon move-in. The second closing would occur at the end of the first year of the credit compliance period, and would take out the VHFA financing. Whichever method is used, the project will be financially feasible over the long term. The latter method would allow the project to show a lower capital (development) budget.

c. By doing two loans simultaneously with one sponsor (Homestead Greene and Hartford Community Care), VHFA may be increasing its risk should problems arise with the sponsor. However, the sponsor has developed projects using both debt and Housing Credits with VHFA successfully in the past. In addition, our standard construction requirements are that the contractor provide either a performance and payment bond or an irrevocable letter of credit in VHFA's favor in the amount of 25% of the construction contract. (While this is <u>in addition to</u> the developer's personal guarantee, it is generally good security during construction). The sponsor is acting as general contractor on the Hartford development, but is hiring an unrelated contractor on this one. Finally, we have told the sponsor and RD that we need to have the RD commitment be assignable to VHFA or its designee. RD has agreed in principle to allowing VHFA to replace the sponsors as general partner so long as the actual partnership remains in place, which would accomplish the same objective.

Recommended Board Action

Staff recommends Board approval of the attached Resolution to provide a Letter of Interest and Commitment to provide interim financing in the amount of up to $975,000 with a loan term of up to 18 months, interest only payments on the principal amount advanced, and an interest rate of no more than one and one-half points above the cost of the bond. The Letter of Interest and Commitment shall include the following conditions:

1. Sponsor must address the Environmental Site Assessment findings (if any) in the construction specifications/scope of work;

2. Outstanding issues with RD must be resolved to VHFA's satisfaction, including obtaining assurance that the RD loan commitment will remain in effect in the event that VHFA replace the sponsor(s) as new general partners, should the current general partners fail to satisfy the terms of the partnership agreement or any of VHFA's loan documents;

3. Sponsor must provide final plans and specifications for VHFA approval prior to VHFA loan closing;

4. Sponsor must receive all required local approvals and Act 250 approval, with any special conditions imposed addressed in the construction specifications and development budget;

5. Sponsor must provide personal guarantees of completion of the construction satisfactory to VHFA.

6. Sponsor must provide VHFA with evidence that a right of first refusal/option to purchase consistent with Vermont's Allocation Plan has been executed with a qualified non-profit satisfactory to VHFA.

RESOLUTION PERTAINING TO COMBINED LETTER OF INTEREST AND COMMITMENT LETTER RE: INTERIM FINANCING (NORTH BENNNINGTON)

WHEREAS, a proposal has been presented to the Agency by Jack Heaton and Frank Murphy (the "Sponsors") involving the construction of 17 units of elderly rental housing in North Bennington, Vermont (the "Development"); and

WHEREAS, the Sponsors will be forming a limited partnership, which is expected to qualify as a housing sponsor within the meaning of the Vermont Housing Finance Agency Act (the "Act"); and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Joseph Erdelyi dated July 14, 1998 containing information and recommendations about the Development (the "Memorandum");

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 increase the supply of well-planned, well-designed permanent, temporary, transitional or emergency housing for persons and families of low and moderate income.

5. The security value of the Development will equal at least the amount of the Agency's loan.

6. The Sponsor and its general partners are financially responsible organizations and the proposed ownership entity is expected to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a first mortgage loan in the maximum amount of $975,000 as interim tax-exempt financing to a to-be-formed limited partnership for the construction of 17 apartments located on the Colvin Farm in North

Bennington, Vermont. The term of the loan will be approximately 18 months, with interest only payments due until the maturity date of the loan and an interest rate of not more than 150 basis points above the Agency's cost of funds. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. 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.

2. The Letter of Interest shall include the following conditions. Any documents submitted in satisfaction of these conditions must be satisfactory to the Agency in form and content:

   a) Sponsor must provide VHFA with a commitment for not less than $990,000 in term financing from Rural Development;

   b) Sponsor must address the Environmental Site Assessment findings (if any) in the construction specifications/scope of work;

   c) Outstanding issues with RD must be resolved to VHFA's satisfaction, including obtaining assurance that the RD loan commitment will remain in effect in the event that VHFA replace the sponsor(s) as new general partners, should the current general partners fail to satisfy the terms of the partnership agreement or any of VHFA's loan documents;

   d) Sponsor must provide final plans and specifications for VHFA approval prior to VHFA loan closing;

   e) Sponsor must receive all required local approvals and Act 250 approval, with any special conditions imposed addressed in the construction specifications and development budget;

   f) Sponsor must provide personal guarantees of completion of the construction satisfactory to VHFA.

   g) Sponsor must provide VHFA with evidence that a right of first refusal/option to purchase consistent with Vermont's Allocation Plan has been executed with a qualified non-profit satisfactory to VHFA.

3. The Executive Director may, in his discretion, issue a Commitment Letter for an interim loan for the acquisition and rehabilitation of the Development, in an amount not to exceed $975,000.

4. The loan shall be due and payable approximately 18 months from the date the loan is made, interest only payments shall be due before maturity, and the interest rate shall not

exceed 150 basis points above the Agency's cost of funds. The source of funds shall be tax-exempt bond proceeds. The Commitment Letter may be issued to Jack Heaton and Frank Murphy as representatives of the limited partnership. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.

5. The Executive Director, Deputy Director and Director of Finance are hereby authorized to take all necessary steps and execute any and all documents required to effectuate this loan.

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17-Jul-98 **Homestead Greene**

Total Residential Units:	17	Increase in Income from Rental Units:	1.00%
Housing Credit Restricted Units:	17	Increase in Income from Other Sources:	1.00%
Percent Restricted:	100.00%	Increase in Income from Commercial:	1.00%
Total Development Cost:	1,476,631	Expense increase:	2.50%
Total Development Cost per Unit:	86,861	Vacancy Rate:	2%
Total Development Cost Per SF:	108	Partner's Tax Rate:	49%
		Long Depreciation Schedule:	27.5 years
Max Credit Potential:	59,150	Short Depreciation Schedule:	7 years
Credit Amount Allocated:	59,150	Sponsor's Estimated Yield:	70.00%
LIHTC - 9%	8.35%	(July '98)	
LIHTC - 4%	3.58%		

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term
First Mortgage	994,250	67.33%	1.00%	50	30
Deferred Developer's Fees	68,331	4.63%	5.00%	N/A	
Other Equity					
Tax Credit Equity	414,050	28.04%	N/A	N/A	
TOTAL SOURCES	1,476,631	100.00%			

USES

Acquisition	58,500	3.96%
Construction Hard Costs	1,058,156	71.66%
Soft Costs	359,975	24.38%
TOTAL USES	1,476,631	100%
Gap	0	

PER UNIT COST LIMIT CALCULATION

	per unit limits	number of units	
0 Br	73,380	0	0
1 Br	78,380	17	1,332,460
2 Br	83,380	0	0
3 Br	88,380	0	0
4 Br	93,380	0	0
Maximum cost allowed under the per unit cost limits			1,332,460
Projected total cost, excluding cash accounts			1,405,131
	(over)/under		(72,671)

General Partner's Capital Contribution	4,141	1.00%
Limited Partner's Capital Contribution	409,910	99.00%
Total Equity	414,050	

APPLICABLE FRACTION CALCULATION

Tax Credit Restricted Units	17
Total Units	17
Unit Fraction	100.00%
Tax Credit Square Footage	13,716
Total Residential Square Footage	13,716
Square Footage Fraction	100.00%
Applicable Fraction	100.00%

17-Jul-98 **Homestead Greene**

#			Budget	Per Unit	Per s.f.	Debt Terms:____	Equity Terms:____	Def Fee Terms:____	TOTAL SOURCES
	ACQUISITION								
1	Land		55,000	3,235	4.01		55,000		55,000
2	Purchase of Building(s)			0	0.00				0
3	Demolition (without replacement)			0	0.00				0
4	Property Appraisal		2,500	147	0.18		2,500		2,500
5	Legal - Title and Recording		1,000	59	0.07		1,000		1,000
	Subtotal - Acquisition		58,500	3,441	4.27				
	CONSTRUCTION HARD COSTS								
6	Rehabilitation			0	0.00				0
7	New Building(s)		679,408	39,965	49.53	672,327	7,081		679,408
8	Accessory Buildings			0	0.00				0
9	Sitework		201,000	11,824	14.65	201,000			201,000
10	Commercial Space Costs (if any)			0	0.00				0
11	General Requirements	6.0%	52,824	3,107	3.85	52,824			52,824
12	Contractor Overhead	1.8%	15,600	918	1.14	15,600			15,600
13	Contractor Profit	6.0%	52,824	3,107	3.85	52,824			52,824
14	Construction Contingency			0	0.00				0
15	Construction Management			0	0.00				0
16	Construction Bond Fee		2,500	147	0.18		2,500		2,500
17	Hazardous Materials Abatement			0	0.00				0
18	Off-Site Improvements		40,000	2,353	2.92		40,000		40,000
19	Furnishings, Fixtures, & Equipment		14,000	824	1.02		14,000		14,000
20	Other (______________)			0	0.00				0
	Subtotal - Hard Costs		1,058,156	62,244	77.15				
	SOFT COSTS								
21	Architectural		30,000	1,765	2.19		30,000		30,000
22	Engineering		20,000	1,176	1.46		20,000		20,000
23	Legal/Accounting		4,000	235	0.29		4,000		4,000
24	Relocation			0	0.00				0
25	Environmental Assessment		2,500	147	0.18		2,500		2,500
26	Energy Assessment			0	0.00				0
27	Permits/Fees		10,000	588	0.73		10,000		10,000
28	Independent Market Study		3,500	206	0.26		3,500		3,500
29	Construction Period Insurance		2,000	118	0.15		2,000		2,000
30	Construction Interest		23,000	1,353	1.68		23,000		23,000
31	Construction Loan Origination Fee		4,875	287	0.36		4,875		4,875
32	Taxes During Construction		600	35	0.04		600		600
33	Clerk of the Works			0	0.00				0
34	Marketing			0	0.00				0
35	Tax Credit Fees		3,000	176	0.22		3,000		3,000
36	Soft Cost Contingency			0	0.00				0
37	Permanent Loan Origination Fee			0	0.00				0
38	Lender's Counsel's Fee		5,000	294	0.36		5,000		5,000
39	Other (construction inspector)		5,000	294	0.36				0
	SYNDICATION COSTS								
40	Organizational (Partnership)			0	0.00				0
41	Bridge Loan Fees and Expenses			0	0.00				0
42	Syndication Consultant			0	0.00				0
43	Tax Opinion			0	0.00				0
	DEVELOPER'S FEES								
44	Developer's Fees	14.2%	175,000	10,294	12.76		111,869	63,131	175,000
45	Other Partnership Fees			0	0.00				0
46	Consultant Fees			0	0.00				0
	RESERVES								
47	Working Capital		22,000	1,294	1.60		22,000		22,000
48	Rent-up (Deficit Escrow) Reserve		49,500	2,912	3.61		49,500		49,500
49	Other Operating Reserves			0	0.00				0
50	Sinking Fund			0	0.00				0
51	Replacement Reserves			0	0.00				0
	Subtotal - Soft Costs		359,975	21,175	26.24				
	TOTAL DEVELOPMENT COSTS		1,476,631	86,861	108	994,575	413,925	63,131	1,471,631

1,471,631

17-Jul-98 **Homestead Greene**

		Budget	Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Other
	ACQUISITION						
1	Land	55,000					
2	Purchase of Building(s)	0					
3	Demolition (without replacement)	0					
4	Property Appraisal	2,500					
5	Legal - Title and Recording	1,000					
	Subtotal - Acquisition	58,500					
	CONSTRUCTION HARD COSTS						
6	Rehabilitation	0					
7	New Building(s)	679,408		679,408	679,408		
8	Accessory Buildings	0					
9	Sitework	201,000		201,000	201,000		
10	Commercial Space Costs (if any)	0					
11	General Requirements	52,824		52,824	52,824		
12	Contractor Overhead	15,600		15,600	15,600		
13	Contractor Profit	52,824		52,824	52,824		
14	Construction Contingency	0					
15	Construction Management	0					
16	Construction Bond Fee	2,500		2,500	2,500		
17	Hazardous Materials Abatement	0					
18	Off-Site Improvements	40,000		40,000	40,000		
19	Furnishings, Fixtures, & Equipment	14,000		14,000	14,000		
20	Other (________________)	0					
	Subtotal - Hard Costs	1,058,156					
	SOFT COSTS						
21	Architectural	30,000		30,000	30,000		
22	Engineering	20,000		20,000	20,000		
23	Legal/Accounting	4,000		4,000	4,000		
24	Relocation	0					
25	Environmental Assessment	2,500		2,500	2,500		
26	Energy Assessment	0					
27	Permits/Fees	10,000		10,000	10,000		
28	Independent Market Study	3,500		3,500	3,500		
29	Construction Period Insurance	2,000		2,000	2,000		
30	Construction Interest	23,000		23,000	23,000		
31	Construction Loan Origination Fee	4,875		4,875	4,875		
32	Taxes During Construction	600		600	600		
33	Clerk of the Works	0					
34	Marketing	0					
35	Tax Credit Fees	3,000					
36	Soft Cost Contingency	0					
37	Permanent Loan Origination Fee	0					
38	Lender's Counsel's Fee	5,000		5,000	5,000		
39	Other (construction inspector)	5,000		5,000	5,000		
	SYNDICATION COSTS						
40	Organizational (Partnership)	0					
41	Bridge Loan Fees and Expenses	0					
42	Syndication Consultant	0					
43	Tax Opinion	0					
	DEVELOPER'S FEES						
44	Developer's Fees	175,000		175,000	175,000		
45	Other Partnership Fees	0					
46	Consultant Fees	0					
	RESERVES						
47	Working Capital	22,000					
48	Rent-up (Deficit Escrow) Reserve	49,500					
49	Other Operating Reserves	0					
50	Sinking Fund	0					
51	Replacement Reserves	0					
	Subtotal - Soft Costs	359,975					
	TOTALS	1,476,631	0	1,343,631	1,329,631	0	
LESS:	Amount of Non-qualified Financing						
LESS:	Adjustment for per unit cost limits			72,671			
LESS:	Historic tax Credit (Residential Portion)			0	0	20% Historic Credit Rate	
	Total Eligible Basis		0	1,270,960		0 Annual Historic Credit	
TIMES:	Adjusted for QCT/DDA	130.0%		1,652,248			
TIMES:	Applicable Fraction	100.00%	0	1,652,248			
	Total Qualified Basis		0	1,652,248	1,329,631	Long Term Depreciable Basis	
TIMES:	Applicable Percentage		3.58%	3.58%	27.5	Depreciation Schedule	
	Total Annual Credit Qualified		0	59,150	48,350	Annual Depreciation	

Total Tax Credits Requested	59,150
Estimated Net Syndication Proceeds (**excluding historic credit equity**)	414,050
Estimated Yield - Housing Credit Syndication	70.00%
Equity Gap	414,050
Credits Needed to fill Equity Gap	59,747

14,000	Short Term Depreciable Basis
7	Depreciation Schedule
2,000	Annual Depreciation

17-Jul-98

Homestead Greene

	Check all Applicable									A					B						C					
Building #	Unit #	HOME Unit	Lead Paint Unit	Project Based Assistance	Tax Credit Unit	VHCB Restricted	Accessible	Adaptable	Unrestricted	Number of Bedrooms	Proposed Square Footage	Proposed Rent	Utility Allowance for Tenant-Paid Utilities	Gross Rent (Rent + Tenant-Paid Utilities)	OCCUPIED BY: Income level of residents to be served:						AFFORDABLE TO: Units affordable to residents at:					
															<30%	<50%	<60%	<80%	<100%	>100%	30%	50%	60%	65%	80%	100%+
1	1				1		1			1	762	785		785		1						1				
1	2				1			1		1	762	785		785		1						1				
1	3				1			1		1	762	785		785		1						1				
1	4				1			1		1	762	785		785		1						1				
2	5				1			1		1	762	785		785		1						1				
2	6				1			1		1	762	785		785		1						1				
2	7				1			1		1	762	785		785		1						1				
2	8				1			1		1	762	785		785		1						1				
3	9				1			1		1	762	785		785		1						1				
3	10				1			1		1	762	785		785		1						1				
3	11				1			1		1	762	785		785		1						1				
3	12				1			1		1	762	785		785		1						1				
3	13				1			1		1	762	785		785		1						1				
4	14				1			1		1	953	785		785		1						1				
4	15				1			1		1	953	785		785		1						1				
4	16				1			1		1	953	785		785		1						1				
4	17				1			1		1	953	785		785		1						1				
Total # Units	17									Totals:	13,716	13,345		Total # Units:	0	17	0	0	0	0	0	17	0	0	0	0

17-Jul-98 **Homestead Greene**

HC Restricted Units Bedrooms	Type	Average Square Feet	Number	Average Rent	Utilities	Total Annual Rent
0 Br			0	0		0
1 Br		807	17	785		160,140
2 Br			0	0		0
3 Br			0	0		0
4+ Br			0	0		0
	Totals	13,716	17			160,140

Non-HC Restricted Units Bedrooms	Type	Square Feet	Number	Rent	Utilities	Total Annual Rent
0 Br			0	0		0
1 Br			0	0		0
2 Br			0	0		0
3 Br			0	0		0
4+ Br			0	0		0
	Totals	0	0			0
All Units						
	Grand Totals	13,716	17			160,140
	Less Vacancy		2.00%			(3,203)
					NET RENT	156,937

OTHER INCOME

Laundry	0
Parking	0
Commercial Space Income	0
Other	400
TOTAL INCOME	157,337

17-Jul-98 **Homestead Greene**

	Annual	Monthly	Per Unit Per Month	
Administration				
Management Fee	9,180	765	45	5.8%
Supportive Services		0	0	
Audit/Accounting	2,375	198	12	
Legal	100	8	0	
Compliance Monitoring		0	0	
Marketing	500	42	2	
Other	700	58	3	
TOTAL ADMINISTRATIVE	12,855	1,071	63	
Utilities				
Electricity	6,400	533	31	
Fuel	10,000	833	49	
Water and Sewer	3,000	250	15	
Fire Alarm / Emergency		0	0	
Other		0	0	
TOTAL UTILITIES	19,400	1,617	95	
Maintenance				
Maintenance / Janitor Payroll	7,500	625	37	
Janitor Supplies		0	0	
Exterminating		0	0	
Trash Removal	2,800	233	14	
Snow Removal	3,500	292	17	
Grounds	3,000	250	15	
Repairs Material	500	42	2	
Repairs Contract	1,500	125	7	
HVAC Repairs / Maintenance		0	0	
Elevator Contract / Repairs		0	0	
Painting and Decorating	1,000	83	5	
Other	1,200	100	6	
TOTAL MAINTENANCE	21,000	1,750	103	
				per unit month
Real Estate Taxes	18,000	1,500	88	excl. ds & res.
Property Insurance	1,500	125	7	357
Replacement Reserves	10,000	833	49	
Primary Debt Service	25,277	2,106	124	
Other "must pay" debt service		0	0	
Other	2,700	225	13	
Total	110,732	9,228	543	

17-Jul-98 **Homestead Greene** PRO FOR 17-Jul-98

Year		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Operating Income																
Gross Rent		160,140	161,741	163,359	164,992	166,642	168,309	169,992	171,692	173,409	175,143	176,894	178,663	180,450	182,254	184,077
Other Income		400	404	408	412	416	420	425	429	433	437	442	446	451	455	460
Vacancy and other losses	2%	(3,203)	(3,235)	(3,267)	(3,300)	(3,333)	(3,366)	(3,400)	(3,434)	(3,468)	(3,503)	(3,538)	(3,573)	(3,609)	(3,645)	(3,682)
Total Operating Income		157,337	158,911	160,500	162,105	163,726	165,363	167,017	168,687	170,374	172,077	173,798	175,536	177,291	179,064	180,855
Operating Expenses																
Total Expenses (excl. Reserves)		75,455	77,341	79,275	81,257	83,288	85,370	87,505	89,692	91,935	94,233	96,589	99,003	101,479	104,016	106,616
Reserves		10,000	10,100	10,201	10,303	10,406	10,510	10,615	10,721	10,829	10,937	11,046	11,157	11,268	11,381	11,495
Total Operating Expense		85,455	87,441	89,476	91,560	93,694	95,881	98,120	100,414	102,763	105,170	107,635	110,160	112,747	115,396	118,111
Net Operating Income		71,882	71,469	71,024	70,545	70,031	69,482	68,897	68,273	67,610	66,908	66,163	65,376	64,545	63,668	62,744
Less Primary Debt Service		25,277	25,277	25,277	25,277	25,277	25,277	25,277	25,277	25,277	25,277	25,277	25,277	25,277	25,277	25,277
Less Secondary Debt Service		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Annual Cash Flow		46,605	46,192	45,747	45,268	44,755	44,206	43,620	42,996	42,334	41,631	40,886	40,099	39,268	38,391	37,467
Operating Subsidies / Sinking Fund		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash		46,605	46,192	45,747	45,268	44,755	44,206	43,620	42,996	42,334	41,631	40,886	40,099	39,268	38,391	37,467
DCR		284.38%	282.74%	280.98%	279.09%	277.06%	274.89%	272.57%	270.10%	267.48%	264.70%	261.75%	258.64%	255.35%	251.88%	248.23%
Cumulative Cash Flow																
Beginning Balance		0	38,313	73,080	104,566	133,012	158,637	181,644	220,237	264,100	308,179	352,439	396,841	441,345	485,908	530,486
Plus: Deposits		46,605	46,192	45,747	45,268	44,755	44,206	43,620	42,996	42,334	41,631	40,886	40,099	39,268	38,391	37,467
Plus: Interest	2.0%	383	1,114	1,776	2,376	2,916	3,403	4,019	4,843	5,723	6,606	7,493	8,382	9,273	10,164	11,055
Less: Withdrawals for operating losses		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Less: Withdrawls for distribution		(3,977)	(3,977)	(3,977)	(3,977)	(3,977)	(3,977)	(3,977)	(3,977)	(3,977)	(3,977)	(3,977)	(3,977)	(3,977)	(3,977)	(3,977)
Less. Withdrawls for payment of def fee		(4,699)	(8,562)	(12,060)	(15,221)	(18,068)	(20,625)	(5,069)	0	0	0	0	0	0	0	0
Ending Balance		38,313	73,080	104,566	133,012	158,637	181,644	220,237	264,100	308,179	352,439	396,841	441,345	485,908	530,486	575,032
Cumulative Replacement Reserves																
Beginning Balance		0	10,100	20,506	31,224	42,262	2,907	13,582	24,579	35,905	47,568	8,844	20,180	31,857	43,883	56,265
Deposits		10,000	10,100	10,201	10,303	10,406	10,510	10,615	10,721	10,829	10,937	11,046	11,157	11,268	11,381	11,495
Interest	2.0%	100	306	517	735	1,239	165	382	605	835	1,339	290	520	757	1,001	1,505
Withdrawals	51,000	0	0	0	0	(51,000)	0	0	0	0	(51,000)	0	0	0	0	(51,000)
Ending Balance		10,100	20,506	31,224	42,262	2,907	13,582	24,579	35,905	47,568	8,844	20,180	31,857	43,883	56,265	18,265
Deferred Developer Fee																
Beginning Balance		68,331	67,049	61,839	52,871	40,293	24,240	4,827	0	0	0	0	0	0	0	0
Interest	5.0%	3,417	3,352	3,092	2,644	2,015	1,212	241	0	0	0	0	0	0	0	0
Payment to owner from cash flow		(4,699)	(8,562)	(12,060)	(15,221)	(18,068)	(20,625)	(5,069)	0	0	0	0	0	0	0	0
Ending Balance		67,049	61,839	52,871	40,293	24,240	4,827	0	0	0	0	0	0	0	0	0

Year	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
Operating Income															
Gross Rent	185,918	187,777	189,655	191,551	193,467	195,401	197,355	199,329	201,322	203,335	205,369	207,422	209,497	211,592	213,707
Other Income	464	469	474	478	483	488	493	498	503	508	513	518	523	529	534
Vacancy and other losses	(3,718)	(3,756)	(3,793)	(3,831)	(3,869)	(3,908)	(3,947)	(3,987)	(4,026)	(4,067)	(4,107)	(4,148)	(4,190)	(4,232)	(4,274)
Total Operating Income	182,664	184,490	186,335	188,198	190,080	191,981	193,901	195,840	197,799	199,776	201,774	203,792	205,830	207,888	209,967
Operating Expenses															
Total Expenses (excl. Reserves)	109,281	112,013	114,814	117,684	120,626	123,642	126,733	129,901	133,149	136,477	139,889	143,387	146,971	150,646	154,412
Reserves	11,610	11,726	11,843	11,961	12,081	12,202	12,324	12,447	12,572	12,697	12,824	12,953	13,082	13,213	13,345
Total Operating Expense	120,891	123,739	126,657	129,646	132,707	135,844	139,057	142,348	145,720	149,175	152,714	156,339	160,053	163,858	167,757
Net Operating Income	61,773	60,751	59,678	58,553	57,373	56,138	54,844	53,492	52,078	50,602	49,061	47,453	45,777	44,030	42,210
Less Primary Debt Service	25,277	25,277	25,277	25,277	25,277	25,277	25,277	25,277	25,277	25,277	25,277	25,277	25,277	25,277	483,297
Less Secondary Debt Service	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Annual Cash Flow	36,496	35,474	34,401	33,276	32,096	30,861	29,567	28,215	26,801	25,325	23,784	22,176	20,500	18,753	(441,087)
Operating Subsidies / Sinking Fund	0	0	0	0	0	0	0	0	0	0	0	0	0	0	441,087
Net Cash	36,496	35,474	34,401	33,276	32,096	30,861	29,567	28,215	26,801	25,325	23,784	22,176	20,500	18,753	0
DCR	244.38%	240.34%	236.10%	231.65%	226.98%	222.09%	216.97%	211.62%	206.03%	200.19%	194.09%	187.73%	181.10%	174.19%	8.73%
Cumulative Cash Flow															
Beginning Balance	575,032	619,496	663,826	707,968	751,866	795,458	838,684	881,476	923,766	965,483	1,006,551	1,046,892	1,086,424	1,125,061	1,162,715
Plus: Deposits	36,496	35,474	34,401	33,276	32,096	30,861	29,567	28,215	26,801	25,325	23,784	22,176	20,500	18,753	0
Plus: Interest	11,945	12,833	13,718	14,598	15,473	16,341	17,202	18,052	18,892	19,720	20,534	21,333	22,115	22,878	27,431
Less: Withdrawals for operating losses	0	0	0	0	0	0	0	0	0	0	0	0	0	0	(441,087)
Less: Withdrawls for distribution	(3,977)	(3,977)	(3,977)	(3,977)	(3,977)	(3,977)	(3,977)	(3,977)	(3,977)	(3,977)	(3,977)	(3,977)	(3,977)	(3,977)	(3,977)
Less. Withdrawls for payment of def fee	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance	619,496	663,826	707,968	751,866	795,458	838,684	881,476	923,766	965,483	1,006,551	1,046,892	1,086,424	1,125,061	1,162,715	745,082
Cumulative Replacement Reserves															
Beginning Balance	18,265	30,361	42,819	55,647	68,853	31,683	44,648	57,999	71,743	85,891	49,669	63,626	77,995	92,785	108,005
Deposits	11,610	11,726	11,843	11,961	12,081	12,202	12,324	12,447	12,572	12,697	12,824	12,953	13,082	13,213	13,345
Interest	486	732	985	1,245	1,749	763	1,026	1,297	1,576	2,080	1,133	1,416	1,708	2,008	2,512
Withdrawals	0	0	0	0	(51,000)	0	0	0	0	(51,000)	0	0	0	0	(51,000)
Ending Balance	30,361	42,819	55,647	68,853	31,683	44,648	57,999	71,743	85,891	49,669	63,626	77,995	92,785	108,005	72,862
Deferred Developer Fee															
Beginning Balance	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Interest	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Payment to owner from cash flow	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Net Operating Income		71,882	71,469	71,024	70,545	70,031	69,482	68,897	68,273	67,610	66,908	66,163	65,376	64,545	63,668	62,744
Plus Reserves		10,000	10,100	10,201	10,303	10,406	10,510	10,615	10,721	10,829	10,937	11,046	11,157	11,268	11,381	11,495
Less Interest Expense		(13,289)	(13,070)	(12,653)	(12,047)	(11,258)	(10,295)	(9,161)	(8,756)	(8,590)	(8,422)	(8,253)	(8,082)	(7,909)	(7,734)	(7,558)
Less Long Depreciation		(48,168)	(48,168)	(48,168)	(48,168)	(48,168)	(48,168)	(48,168)	(48,168)	(48,168)	(48,168)	(48,168)	(48,168)	(48,168)	(48,168)	(48,168)
Less Short Depreciation		(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	0	0	0	0	0	0	0	0	0
Taxable Income (Loss)		18,425	18,331	18,403	18,633	19,011	19,530	22,182	22,071	21,681	21,254	20,788	20,283	19,736	19,146	18,513
Cash Flow		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings		(8,982)	(8,936)	(8,972)	(9,084)	(9,268)	(9,521)	(10,814)	(10,759)	(10,570)	(10,361)	(10,134)	(9,888)	(9,621)	(9,334)	(9,025)
Plus Tax Credits		59,150	59,150	59,150	59,150	59,150	59,150	59,150	59,150	59,150	59,150					
After Tax Cash Flow		50,168	50,214	50,178	50,066	49,882	49,629	48,336	48,391	48,580	48,789	(10,134)	(9,888)	(9,621)	(9,334)	(9,025)
Total Years	15															
Reinvestment Rate	12.00%															
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Current After Tax Cash Flows		50,168	50,214	50,178	50,066	49,882	49,629	48,336	48,391	48,580	48,789	(10,134)	(9,888)	(9,621)	(9,334)	(9,025)
Future Value of Cash Flows at Yr 15:		274,596	245,399	218,953	195,058	173,518	154,141	134,040	119,813	107,396	96,300	(17,860)	(15,559)	(13,517)	(11,708)	(10,108)

Original Basis	1,338,631
Less Depreciation	(734,526)
Basis at Sale	604,105
Sales Price	746,198
Gain	142,093
Exit Tax	69,270

	10%	70%	20%													
Discount Rate:	6.00%															
Capital Contribution Number:	1	2	3	4												
Date of Capital Contribution:	01-Sep-98	01-Jun-99	01-Sep-99	17-Jul-98												
Amount of Capital Contribution:	(41,405)	(289,835)	(82,810)	0												
Present Value of Contributions:	(41,405)	(276,944)	(77,923)	0												
Cash Flows	(396,272)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,650,462
IRR:	9.98%															
Equity Yield.	68%															

vhfa

VERMONT HOUSING FINANCE AGENCY

BOARD MINUTES
Vermont Housing Finance Agency
164 Saint Paul Street
Burlington, Vermont

Thursday, July 23rd, 1998 at 1:30 p.m.

PRESENT: Chairman White; Commissioners Candon (designee of Costle), Canney, Randall, Douglas, Brown (designee of Shouldice)

Staff: Mr. Hunt, Mr. McNamara, Mr. Falzone, Ms. Gent, Ms. Caragher, Ms. Loller, Mr. Schoenbeck, Mr. Lothrop, Mr. Erdelyi, Ms. Reid

Other: Mr. Dillon (Housing Vermont), Mr. Toth (Salomon Smith Barney), Mr. Sohn (Salomon Smith Barney), Mr. Gurley (PaineWebber), Mr. Irvin (PaineWebber), Mr. Dormitzer (PaineWebber)

Chairman White called the meeting to order at 1:35 p.m. A motion was made by Mr. Douglas to approve the minutes of June 18th with two changes: on page four, second paragraph, seventh sentence; change the word "wise" to "should consider" and in the tenth sentence; add that Ms. Randall mentioned that we may not be able to add the additional burden to staff. The motion carried unanimously after being seconded by Ms. Randall.

Ms. Reid reviewed her memo "Lakeview Housing, Newport: Letter of Interest and Commitment for Interim Financing," included in the Board packet. Lakeview Housing Limited Partnership, consisting of Gilman Housing Trust (GHT), Housing Vermont (HVT) and a to-be-determined limited partner, is seeking to acquire and rehab 16 units of rental housing in three buildings in Newport. The proposal involves using interim tax-exempt financing through the construction period so that the project can qualify for out of cap tax credits. All of the units are occupied and will stay occupied through the construction period. The project is seeking permanent low interest financing and rental assistance from Rural Development (RD) which will greatly enhance affordability. Ms. Reid indicated that there may exist a possibility for RD to close a portion of their loan when construction is completed and thus begin the rental assistance early and not wait until the permanent take out which looks like it will be in January 2000. Ms. Reid indicated she does not have any updates to give the Board and that we are waiting for the appraisal, which we should have in a couple weeks.

Staff is proposing that VHFA provide $1,000,000 in interim tax-exempt financing until the year following the end of the construction period (from fall 1998 to January 2000). RD will then take out the interim financing with its permanent loan. All of the funding is committed except for the RD loan for which RD is expecting to issue a commitment letter to the limited partnership in early August. Ms. Reid noted that VHFA needs a permanent commitment from RD before proceeding. Mr. Dillon (Housing Vermont) indicated that he anticipates a commitment letter for permanent financing by August 6th. Ms. Randall asked if staff expects the clean up costs to be a concern. Ms. Reid answered no; the issues were all minor. After a brief discussion, a motion was made by Mr.

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Douglas to approve the "Resolution Pertaining to Combined Letter of Interest and Commitment Letter Re: Interim Financing (Newport)." The motion carried unanimously after being seconded by Mr. Brown.

Mr. Erdelyi discussed his memo "Homestead Greene, North Bennington: Letter of Interest and Commitment for Interim Financing," included in the Board packet. Staff is proposing to provide $975,000 in short-term tax-exempt bond financing to Homestead Greene, a 17 unit new construction elderly development in North Bennington. Staff has come up with a way to work with the RD 515 program with tax-exempt funds in order to decrease the demand on the housing credits that we currently have. Rural Development will be providing subsidized permanent financing and rental assistance under its 515 program. This type of financing would enable the development to receive the lesser "4%" Housing Credit, and the proposal would enable the sponsors to receive this credit outside the State's allocation process. The sponsor has received a reservation of funds from RD using their funds from last year. Staff has reviewed the appraisal, and the value as of September 1997, was $1,025,000, which gives RD a loan-to-value of 97%. Our multifamily rules limit the LTV ratio to 95% of security value, which produced the proposed loan amount of $975,000.

Mr. Candon asked what the mechanics on the bonding would be and how it would work. Mr. Erdelyi indicated that staff hopes to find someone who will buy a single VHFA bond from which we can make both of these loans (Newport and North Bennington). By privately placing that bond it would save on some costs and possibly achieve a better rate. Mr. Schoenbeck noted that he does not think that short term bond will be difficult to place. Mr. Schoenbeck also noted that there is a large demand for short-term tax exempt bonds in Vermont. After further discussion, a motion was made by Mr. Douglas to approve the "Resolution Pertaining to Combined Letter of Interest and Commitment Letter Re: Interim Financing (North Bennington)." The motion carried unanimously after being seconded by Ms. Randall.

Next, Mr. Lothrop briefly reviewed his memo "Single Family Program Activity Report for May 1998," included in the Board packet. As compared to last year, we are doing significantly less activity. So far through the month of July, we have done $3 million in reservations as compared to $6.8 million in July 1997. Mr. Lothrop then handed out graphs for the Board to review. The graphs show periodic interest rates from April through July that display conventional rates compared to our rates and the activity by interest rates.

Mr. Lothrop discussed the "Servicing Activity for May 1998," included in the Board packet. Mr. Lothrop indicated at the last Board meeting that delinquencies had gone up slightly for the month of May. However, for the month of June, the delinquencies did decrease slightly to 8.8%. For the month of May, we sold 16 REOs with 15 still under contract. Currently, our REOs are down to 45 and of those 45, 12 of them are under contract. The number of REOs in our portfolio is decreasing. Ms. Randall asked what we pay for commission on the sale of REOs. Mr. Lothrop indicated that it is 6%. It was then asked how we list the REOs. Mr. Lothrop indicated that we list them in the MLS. Ms. Randall then asked if we use the same individual to list the properties and how that process works. Mr. Lothrop noted that most of the time we use the same agents as they have always done a good job for us, although in the southern part of the state we have a management company that both manages the properties and sells the properties for us. They select agents based on their knowledge and track record.

{Ms. Canney arrived}

"VHFA mandatory escrow requirement" was reviewed by Mr. Lothrop next. Mr. Lothrop indicated that the Mortgage Committee of the Vermont Bankers Association requested that VHFA reconsider its requirement that escrows be established on all new loans reserved after March 17, 1997. VHFA initiated the escrow requirement at the suggestion of the Mortgage Committee's sub-committee. Apparently, some lenders are having some difficulty administering mandatory escrow accounts. Staff has reviewed the request of the committee and believes that, due to the uncertainties of Act 60, the losses that VHFA has taken lately, etc., we should continue the escrow requirement for the time being. Staff is suggesting that VHFA allow participating lenders to have potential borrowers opt for a voluntary escrow on loans purchased by VHFA. If the escrow were to be terminated without VHFA written consent, then the loan would have to be repurchased by the lender. Mr. Lothrop indicated that the smaller banks are aware of this and are OK with the process. Ms. Randall believes that we should be disclosing this to everyone and not just a select few. Ms. Randall believes that the VHFA policy should state that,unless other arrangements are made, escrows for taxes and insurance are mandatory. After a brief discussion,a motion was made by Ms. Randall to reaffirm the current VHFA policy of requiring tax and insurance escrows on all mortgage loans purchased by VHFA, to be revisited again in 12 months. The motion carried unanimously after being seconded by Ms. Canney.

Next, Mr. Schoenbeck introduced representatives from Smith Barney and Paine Webber. They were present at the Board meeting to review and discuss Mr. Schoenbeck's memo "Single Family Series 9 Options." Last month, staff proposed a plan of action to negotiate a pre-sale to Fannie Mae of remarketed bonds to produce a lower mortgage rate on our Series 9 bonds and receive some protection from rising rates during the two week remarketing period. Mr. Gurley indicated that we ran into some legal issues and now cannot proceed with that plan, but we have come up with another option that lessens our risk. Paine Webber proposed this option called a swaption (a combined swap option hedge vehicle). The swaption would work by purchasing insurance policy from a reinsurance firm that would reimburse us if rates on treasuries increased by more than 25 basis point between the time we notified existing bondholders of the remarketing and the time we remarketed the bonds (the two week window). The reimbursement would be an upfront payment to us by the swap agent of the present value calculation of the increased interest cost over the remaining term. The cost of the swaption would be $20,000. Swaptions are priced only on a taxable interest rate market.

The discussion continued as to the benefits and shortcomings of the "swaption." It was agreed that it was far from a perfect hedge, but was meant to give the Agency some protection in the most likely negative market conditions. The most likely case where we would benefit from the swaption is when we least needed it, i.e. rising taxable rates and stable tax-exempt rates. PaineWebber and Salomon Smith Barney representatives agreed that it was extremely unlikely that the swaption was necessary in today's financial market.

Ms. Randall made a motion to remarket our current bonds without the swaption. The motion carried unanimously after being seconded by Mr. Brown.

Further discussion then ensued regarding an interim rate reduction. Mr. Schoenbeck indicated that the financial proformas indicated that, if bonds were remarketed at today's market rates, we would be able to reduce mortgage rates by 45-50 basis points. Mr. Lothrop stated the rate options for the MOVE program that we have currently: 6.95% with 1 point; 6.20% for 3 years increasing to 7.20% at one point and; 7.20% with no points. After further discussion, Ms. Canney made a motion to approve the staff's recommendation that each of the rates be reduced by 25 basis points, except for the 6.20% for 3 years increasing to 7.20% with one point, which will be modified to 6.20% for 3 years increasing to 7.20% with no points. The motion carried unanimously after being seconded by Mr. Brown.

Ms. Gent reviewed her memo "Advertising and Public Relations Activities for FY98 & FY99," included in the Board packet. The goal for the FY98 advertising campaign was to maintain the same level of calls to the Helpline and related program activity as occurred during FY97. The FY98 budget was $103,000 plus an extra $10,000 to allow our statewide advertising campaign to remain intact. Ms. Gent indicated that, in the fall of 1997, we had a 12% increase in the Helpline calls as compared to last year. The mail-in coupon has been very successful thus far, and the number of coupons we receive seems to be steadily increasing. In the spring, our Helpline calls decreased by 8%. Our calls went from 4,600 to 4,000 which represents a 13% decrease overall. In the spring we also revised our radio ads, which did not prove to be successful. We will be revising our radio ads for the fall campaign. Ms. Canney indicated that she has had consumers tell her that when they call the Helpline they get voicemail, and instead of leaving a message they hang up. We also provided funds for Homeownership Centers and nonprofits last year and will continue to do that.

Ms. Gent stated that the FY98 advertising results were disappointing. She also stated that our interest rates have not been favorable when compared with the conventional rates and that a great deal of competition currently exists in the marketplace. Ms. Randall suggested that perhaps we could try working with a partner in marketing. General discussion ensued around possibly forming a formal group consisting of mortgage brokers, bankers and originators. The group could meet regularly for brainstorming session to discuss outreach efforts. Ms. Canney suggested that perhaps the radio ads could focus more on actual numbers rather than what our current rate is.

Ms. Gent indicated that we had 30 public relative events and activities last year. In FY99, we have our 25th anniversary coming up along with the Housing Credit Program, our collaboration with Green Mountain Habitat's Oprah House and the House Next Door, etc.

Next, Ms. Gent reviewed her memo "Community-Based Outreach for FY98 & FY99," included in the Board packet. From July 1997 through June 1998, the Communications Department completed a total of 52 outreach events for over 1,500 consumers, real estate professionals, nonprofit providers, and lenders. Of the events, 28% were for real estate professionals, 18% were for consumers, and 3% were "other" outreach. Between July and November 1997, we held breakfast brainstorming sessions in five locations around the state, called Vermont Homeownership 2000. These sessions included lenders, real estate professionals, nonprofit housing providers and our sponsoring partners.

We had a total of 241 lenders attend our 12 lender training sessions, of which 8 sessions were to announce program changes. Our goal for lender training was met for the year. The real estate outreach was popular this year. We had 186 participants in 8 events, which exceeded our goal by 3 sessions. We also plan to have five more sessions this year. Staff spent more time than anticipated with the Homeownership Centers. The need for specific and consistent processes, ongoing training and technical support required that VHFA provide special staff and capital support. Ms. Gent indicated that no specific goals for FY99 have been set, but VHFA will continue to provide resource support and staff for the Homeownership Centers, in the form of additional training, one-on-one sessions and finding additional resource as needed.

A total of 92 consumers received direct education from us in FY98 through multiple formats. Three "Home Buying Basics" classes were taught in Bennington, Brattleboro and Burlington. We also taught consumer education at two Homeownership Centers. We have increased consumer education goals for FY99 by proposing 9 adult education classes, primarily in the areas without Homeownership Centers. We also held 2 Home Buyers Fairs in FY98: in Colchester and in Chester. We had 625 attendees in Colchester and 40 in Chester. Ms. Gent indicated that the Home Buyers Fair is costly to the Agency and asked if the Board thinks it is worth having again. Ms. Randall asked how many lenders and vendors participated at the fair in Colchester and what do we charge each vendor. Ms. Gent indicated there were 7 or 8 lenders of the 26 vendors and we charge $200 - $400 to participate in the fair. Ms. Randall suggested that if we gave them an option to participate for free, we might get more partners to be vendors and that could prove to be valuable. Ms. Canney suggested that perhaps VHFA could participate in other fairs or homeshows held throughout the state. Mr. Douglas asked if we received any business from the Home Buyers Fair. Ms. Gent indicated that at least 10% of the Home Buyers Fair participants purchased homes using VHFA financing. The Board agreed that we should continue to hold our Home Buyers Fair.

Next, Chairman White briefly indicated that in Mr. Jarrett's memo "Annual Meeting," it names Mr. Seelig as the Vice Chairman and Roger as the Treasurer. Ms. Randall made a motion to approve the "Resolution Adopted at the Annual Meeting of Vermont Housing Finance Agency, July 23, 1998." The motion carried unanimously after being seconded by Ms. Canney.

Chairman White mentioned to the Board that he had met with staff and had thanked them for all of their time and effort with the Focus Groups and also noted that the Board would be responding back to them within 90 days. Chairman White noted that there are 2 or 3 issues that the Board needs to review and discuss. He suggested that he prepare an outline of these issues and mail them out to the Board members for review before the next Board meeting.

In terms of issues relating to Mr. Hunt's departure, Chairman White noted that he would like to appoint a Search Committee that will meet to seek a replacement for Mr. Hunt. Chairman White appointed Ms. Randall, Mr. Seelig, and Mr. Douglas to the committee and indicated that he will be chairing it. He will also be appointing 2 staff members to join the committee. The first Search Committee meeting is scheduled to be one week from today and Joan Palmer from Palmer and Associates will be present to assist us with the advertising. Ms. Palmer will be the repository of the resumes as they come in so that she may do some initial review before providing them to the Search Committee. Chairman White asked that the Board meeting scheduled for September 17th be changed to September 24th so that it gives the Search Committee an additional week. Chairman White is hopeful that he will be presenting the new candidate to the Board and staff at the September 24th Board meeting.

In terms of advertising this position, Governor Dean has suggested that we look within Vermont first before making a nation wide search. The Board agreed and Chairman White noted that we would advertise in Vermont and in the Housing Finance Agencies publication. The Search Committee will inform the Board members and staff of all potential candidates so, if they have input on a candidate, it will allow them to discuss it with the Search Committee.

Chairman White has scheduled 3 Search Committee meetings; July 20th at 10:00 a.m., August 20th at 10:00 a.m. and September 3rd at 10:00 a.m. All meetings will be held here at the VHFA office. Chairman White is hoping to conduct interviews on September 14, 15 and 16. Staff and CORE members will have the opportunity to meet the candidates when they are here for their interview.

Chairman White asked that someone make a motion to accept Mr. Hunt's resignation. Mr. Douglas made a motion to accept Mr. Hunt's resignation with all the terms and conditions as presented, with regret and gratitude for his many years of service to the Agency. The motion carried unanimously after being seconded by Mr. Candon.

{Chairman White left the meeting}

In his Executive Director's Report, Mr. Hunt stated that the majority of his focus for the last month has been working with the consultants (Mortgage Dynamics, Inc.) that we hired to work on the VHMGB program. The consultants have had several visits here, interviewed several staff and have been out interviewing numerous lenders across the state. We should be receiving a draft report from them next week and then we will proceed from there. Mr. Hunt mentioned that the consultants would be contacting Mr. Douglas to discuss some issues with him and to also get some feedback. Mr. Hunt has been impressed with their knowledge thus far and believes that they have a good handle on how lenders are thinking today and what Freddie Mac and Fannie Mae are all about. Mr. Hunt believes that this report will not only shed light on VHMGB issues, but will have a similar impact on VHFA. It was mentioned that there should be a joint meeting of both VHFA and VHMGB Board members when the consultants present the final report. Mr. Hunt said there would be and he noted that he believes that the meeting will prove to be both important and beneficial.

Mr. Hunt mentioned that he attended an Executive Director's Retreat a couple weeks ago. The problems that we are facing here are the problems that are being faced by a lot by housing finance agencies around the country. Mr. Hunt believes that the problems are magnified here because we are a small state. There is a large concern with what Fannie Mae ultimately has in mind for housing finance agencies, considering they have already begun to take the best part of our market. All housing finance agencies are concerned and are striving to keep their projects viable and financially viable, especially since the best part of their market is being taken by other organizations.

Mr. McNamara briefly reviewed the FY98 Business Plan results. Mr. McNamara indicated that if anyone had any questions or concerns regarding the information in the business plan, to let him know and he would address their concern. Mr. Douglas asked if there were any concerns that the Board should look at. Mr. McNamara noted that the business plan ties into the strategic plan and that the strategic plan still is not yet complete.

Mr. Candon asked if we were going to discuss the Federal Court case regarding IOLTA funds and asked if we had been contacted by anyone. Mr. Hunt does not believe that we have been contacted, but will ask Mr. Jarrett next week when he returns from vacation.

Mr. McNamara discussed his memo "Habitat for Humanity Oprah House," included in the Board packet. At the April Board meeting a resolution was approved for VHFA to sponsor the "Oprah House." The amount of $35,000 was authorized, with funding partners to be sought to reduce VHFA's share. As we proceeded, we realized that the Habitat for Humanity would actually be doing two houses on adjacent lots. Aside from the labor, which is mostly donated, each house costs approximately $60,000. Vermont Housing and Conservation Trust Fund has funded $10,000 towards each lot. VHFA has raised $19,000 from 3 different sources. An additional funding of $3,500 per house is expected from the City of Burlington Housing Trust Fund later this summer and Burlington Electric has agreed to waive their hook-up fees ($1,000 each) as well as provide energy efficient materials/training. The Gas Company has waived their fees and the Department of Public Works cannot waive their excavation fee, but are actively looking to reduce their costs as much as possible.

Mr. McNamara indicated that the publicity that VHFA will receive would be better than originally anticipated. People have gotten very excited about this project and Channel 5 has done a very good PSA piece that will run regularly throughout the program that will identify VHFA as the primary sponsor of this project. While fundraising will continue until the gap is filled, staff would like the Board to indicate a specific amount that VHFA will contribute to this project. Mr. Douglas asked what the project's time frame is. Mr. McNamara indicated that they are actively moving ahead with completion and occupancy by the end of the year.

Mr. Brown believes that, considering we committed $35,000 to the project and have raised $19,000 thus far, that would leave the Agency responsible for the additional $16,000. With the cost of the VHFA sign ($700),VHFA's contribution totals $16,700. This is the amount that Mr. Brown believes we should contribute. After further discussion, a motion was made by Mr. Brown to contribute $16,700 to the "Oprah House." The motion carried unanimously after being seconded by Ms. Randall.

There being no further business, following a motion made by Mr. Candon and seconded by Mr. Brown, the meeting adjourned at 3:55 p.m.

Sincerely,

Allan S. Hunt, Secretary

BOARD MINUTES

Vermont Housing Finance Agency
164 Saint Paul Street
Burlington, Vermont

Thursday, August 20, 1998 at 11:30 a.m.

PRESENT: Chairman White, Commissioners Randall and Seelig

Staff: Mr. Hunt, Mr. Jarrett, Mr. Lothrop, Ms. Gent, Mr. Schoenbeck, Ms. Caragher

Via telephone: Commissioners Canney and Douglas, Mr. Gurley (PaineWebber), Mr. Amsden (Kutak Rock), Ms. Crost (Orrick, Herrington & Sutcliffes), Mr. Hans (Evensen Dodge), Mr. Dormitzer (PaineWebber)

The meeting was called to order by Chairman White at 11:30 a.m. Participants were identified by roll call.

Mr. Schoenbeck began by reviewing his memo "Single Family Series 9 Remarketing," included in the Board packet. Of the $25 million of bonds called for remarketing, approximately $7 million of bonds are being retained by the current owners. PaineWebber was able to premarket the returned bonds with maturities in 2029 and 2037 to FannieMae at rates consistent with the certificate that was prepared showing rates 50 basis points lower than what the bonds were originally sold for in June 1997. These long maturities account for all but $2 million of bonds available for remarketing. Staff is anticipating that VHFA will be able to offer a one-point mortgage at 6.45% - 6.50% or a no-point mortgage rate at 6.70% - 6.75%.

Mr. Gurley recapped Mr. Schoenbeck's memo and indicated that he believes VHFA made the right decision to premarket the returned bonds to FannieMae. Ms. Randall asked how long it would take to market the $25 million with the new rates. Mr. Lothrop indicated that we should have it reserved by May or June 1999. Mr. Hunt added that currently the market is very active and, with our new advertising campaign kicking off in the fall, it should really help get the money reserved. The Board was concerned about rates dropping in the next few months and what effect that would have on VHFA if rates did drop. Mr. Gurley reassured the Board by indicating that he does not believe that rates will drop dramatically at this point.

Mr. Schoenbeck mentioned that the "Supplemental Remarketing Agreement," included in the Board packet, was accurate, excluding some minor changes that will need to be made. After further discussion, Mr. Seelig made a motion to adopt the "Thirteenth Supplemental Single Family Housing Bond Resolution," which by reference incorporates the acceptance and adoption of both the preliminary reoffering memorandum and the supplemental remarketing agreement, which is now called the

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"Supplemental Remarketing and Purchase Agreement." The motion carried unanimously after being seconded by Ms. Randall.

After the motion was made, a brief discussion then ensued. Mr. Douglas asked if there is a limit to the number of times we can remarket. Mr. Gurley indicated that there is not a limit to the number of times we remarket, but there is a time limit. Ms. Canney asked that the Board be updated at monthly meetings regarding where staff sees VHFA in the market and what we are doing to remain competitive within the market.

Chairman White asked when our rates would be announced to the public. Mr. Lothrop indicated the rates would be effective Monday, August 24th, but lenders would be notified tomorrow, August 21st.

Ms. Canney asked whether the new rate was for new reservations or if it could be used on older reservations also. Mr. Lothrop stated that the new rate would be for new reservations only. Mr. Schoenbeck stated that the funds for the older reservations are based on the old rates and, because we haven't lowered our cost of funds on those mortgages, VHFA would take a loss since bonds were not remarketed for those particular mortgages. Ms. Canney expressed her concern regarding this and Chairman White suggested that we add it to the agenda for the next Board meeting.

Before the underwriters ended their call, Chairman White thanked them for all their good work.

Next, Mr. Jarrett's memo "Bond Counsel RFP, " was briefly discussed. The Agency received four responses to our Request for Proposals. After reviewing the proposals, Mr. Jarrett did not find a great difference between the qualifications of the firms. As for price, Kutak Rock (our current bond counsel) is much less expensive than the other firms. Staff is pleased with the work and service we receive from Kutak Rock and believe that, because their fees are less expensive, we should keep them as our bond counsel for a two-year period.

Mr. Douglas asked if Kutak Rock's current rates were the same as stated in the memo. Mr. Jarrett indicated that the rates are the same as in the memo, and they have held those rates for the last five years. After further discussion, Mr. Seelig made a motion to keep Kutak Rock as the Agency's bond counsel for a two-year period. The motion carried unanimously after being seconded by Ms. Randall.

Chairman White asked that if any Board member had changes, comments, or questions regarding the draft for the focus groups that he mailed to them and to please get back to him before the next scheduled Board meeting. If he does not hear from anyone, he will assume that his draft is adequate. Chairman White mentioned that, earlier this morning, the Search Committee met to review several resumes that were submitted for the Executive Director position. The position will be advertised again next week, which will hopefully produce a second pool of resumes to be reviewed at the next Search Committee Meeting next month. Chairman White is hopeful that the committee can choose applicants to interview at the next meeting.

Lastly, Ms. Gent reminded the Board that the NHSCB Conference in Stowe is happening this weekend. Mr. Hunt indicated that participation is expected to be the highest it has ever been.

There being no further business, following a motion made by Ms. Randall and seconded by Mr. Seelig, the meeting adjourned at 12:00 p.m.

Sincerely,

Allan S. Hunt, Secretary

RESOLUTIONS ADOPTED AT THE ANNUAL MEETING OF VERMONT HOUSING FINANCE AGENCY, JULY 23, 1998

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, Gustave Seelig is elected Vice Chairman of the Agency for the fiscal year commencing July 1, 1998 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, 1998 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	[signature]	Allan S. Hunt
Deputy Director	[signature]	Michael F. McNamara
Director of Single Family Operations	[signature]	Douglas R. Lothrop
Director of Finance	[signature]	Roger A. Schoenbeck
Controller	[signature]	Timothy M. Gutchell

Any check in an amount over $1,000 payable against the General Fund must be signed by at least two of the foregoing persons. Any payroll check shall be valid and negotiable when signed by any one of the foregoing persons.

RESOLVED, all actions taken in the resolution entitled "Resolutions Adopted at the Annual Meeting of the Vermont Housing Finance Agency, August 6, 1997" not inconsistent with the resolutions contained herein are deemed to be ratified and will continue in force until changed by affirmative action of the Board of Commissioners.

RESOLVED, that the individuals whose titles are listed below be and hereby are authorized to execute documents of the following character for all of the Agency's single family loan programs, whether secured or unsecured:

The Agency's Director of Single Family Operations, Assistant Director of Single Family Operations, Loan Servicing Manager, Real Estate Disposition Specialist and Foreclosure Specialist:

A. Listing Agreements with real estate brokers for the sale of real estate owned by the Agency;

B. Deeds, property transfer tax returns, and other documents necessary or convenient for the transfer of real estate owned by the Agency;

C. Endorsements to property insurance claim checks pertaining to property on which the Agency holds a valid lien, in amounts up to $10,000 for the Foreclosure Specialist, the Real Estate Disposition Specialist and without limit for the Loan Servicing Manager, Assistant Director of Single Family Operations and Director of Single Family Operations;

D. Preparation and execution of claim forms to primary and pool insurers on property on which the Agency holds a valid lien;

E. Consent to actions of the following character:

1. Release and addition of signers of notes held by the Agency;

2. Creation of easements and rights of way and the partial release of mortgages held by the Agency for purposes of permitting the creation of easements and rights of way over property on which the Agency holds a valid lien; and

F. In addition to the individuals whose titles are listed above, the Agency's Loan Servicing Specialists are authorized to give authorizations to lenders and other appropriate persons for actions of the following character:

1. Foreclosure or other acquisition of title to property on which the Agency has a valid lien;

2. Necessary repairs and improvements to real estate owned by the Agency;

3. Actions necessary to make property in which the Agency has an interest secure;

4. Forbearance and modification agreements with delinquent borrowers;

5. Affidavits of amounts due and other affidavits required in foreclosure actions; and

6. Acknowledgment of receipt of liens junior to the lien of the Agency.

G. The Director of Single Family Operations, the Assistant Director of Single Family Operations and the Loan Servicing Manager are hereby authorized to execute Purchase and Sales Contracts for real estate owned by the Agency.

RESOLVED, that the Agency's Loan Servicing Manager, Real Estate Disposition Specialist and any other employee designated by the Executive Director or the Director of Single Family Operations be, and hereby is, authorized to sign any documents in connection with real estate auctions approved by the Agency that are necessary for the sale of Agency-owned property in an auction.

Assistant Director of Single Family Operations	Jacklyn R. Santerre	Jacklyn R. Santerre
Loan Servicing Manager	Cynthia J. Cunningham	Cynthia J. Cunningham
Real Estate Disposition Specialist	Linda C. Wilson	Linda C. Wilson
Foreclosure Specialist	Pauline Thibault	Pauline Thibault
Loan Servicing Specialist	[signature]	Judith Smith
Loan Servicing Specialist	[signature]	Darren Keniston

RESOLVED, that the Director of Single Family Operations and the Assistant Director of Single Family Operations are hereby authorized to execute any and all agreements with lenders for the Agency's mortgage programs;

RESOLVED, that the Executive Director, Deputy Director, Director of Finance, Director of Single Family Operations and Deputy Director of Single Family Operations are hereby authorized to sign mortgage discharges;

RESOLVED, that the following employees of Vermont Housing Finance Agency are hereby authorized to have access to all safekeeping vault boxes of the Agency for the purposes of safekeeping and retrieving any and all books, papers and documents of the Agency:

Director of Finance: Roger A. Schneckenburger
(Signature)

Controller: Timothy M. Ortolf
(Signature)

Lender Accounting Coordinator: Susan VB. Joachim
(Signature)

Portfolio Accountant: Martha C. Fleming
(Signature)

Investment/Portfolio Assistant: Lisa Merry
(Signature)

RESOLVED, that the Director of Multi-Family Management be and hereby is authorized to execute documents of the following character relating to the Agency's multi-family portfolio:

A. Endorsements to property insurance claim checks on multi-family properties on which the Agency has a mortgage;

B. Mortgagor's requests to use restricted project funds including, but not limited to, project cost escrows, replacement reserve accounts, residual receipt accounts, deficit escrows and working capital, whether cash or letter of credit;

C. Authorizations of annual distributions to owners based on annual financial statements;

D. Requests of owners to undertake major capital improvements and utility conversions;

E. ACC and HAP Contract amendment renewals;

F. UCC-1, UCC-3 forms;

G. Housing Credit Reports of Non-Compliance (Form 8823).

Director of
Multi-Family Management S. Falzone Samuel J. Falzone

The names of all personnel of the Agency listed herein are included only for purposes of identification. The power to appoint persons to these or other positions within the Agency belongs to the Executive Director.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held in Burlington, Vermont, on July 23, 1998.

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

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RESOLUTION PERTAINING TO COMBINED LETTER OF INTEREST AND COMMITMENT LETTER RE: INTERIM FINANCING (NEWPORT)

WHEREAS, a proposal has been presented to the Agency by Lakeview Housing Limited Partnership (the "Sponsor"), a limited partnership whose general partners are Gilman Housing Trust and Housing Vermont, involving the acquisition and rehabilitation of 16 units of rental housing (10 family and 6 elderly) located in three buildings in Newport, Vermont (the "Development"); and

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia L. Reid dated July 14, 1998 containing information and recommendations about the Development (the "Memorandum");

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 or increase the supply of well-planned, well-designed permanent, temporary, transitional or emergency housing for persons and families of low and moderate income.

5. The security value of the Development will equal at least the amount of the Agency's loan.

6. The Sponsor and its general partners are financially responsible organizations and the proposed ownership entity is expected to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a first mortgage loan in the approximate amount of $1,000,000 as interim tax-exempt financing to the Lakeview Housing Limited Partnership for the acquisition and rehabilitation of three buildings totaling 16 apartments located at 115 West Main Street, 2 Field Avenue and 68 Highland Avenue, all in Newport, Vermont. The term of the loan will be approximately 18 months, with interest only payments due until the maturity date of the loan and an interest rate of not more than 75 basis points above the Agency's cost of funds. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. 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.

2. The Letter of Interest shall include the following conditions. Any documents submitted in satisfaction of these conditions must be satisfactory to the Agency in form and content:

a) Sponsor must provide VHFA with a commitment for not less than $800,000 in term financing from Rural Development;

b) Sponsor must address the Environmental Site Assessment findings in the rehab scope of work, including resolving whether or not there is an underground storage tank, and if so, provide for its removal;

c) Outstanding issues with RD must be resolved to VHFA's satisfaction, including obtaining assurance that the RD loan commitment can be assigned to VHFA as a new general partner, should either of the current general partners be unable to perform;

d) Sponsor must provide an appraisal satisfactory to VHFA prior to closing which demonstrates adequate value in the project;

e) Sponsor must provide final plans and specifications for VHFA approval by VHFA loan closing;

f) Sponsor must provide evidence of competitive bidding by loan closing, with bids approximately at budgeted levels, to maintain overall feasibility;

g) Sponsor must receive all required local, state and federal permits and approvals, with any special conditions addressed in the construction specifications and development budget.

3. The Executive Director may, in his discretion, issue a Commitment Letter for an interim loan for the acquisition and rehabilitation of the Development, in an amount not to exceed $1,000,000.

4. The loan shall be due and payable approximately 18 months from the date the loan is made, interest only payments shall be due before maturity, and the interest rate shall not exceed 75 basis points above the Agency's cost of funds. The source of funds shall be tax-exempt bond proceeds. The Commitment Letter may be issued to Housing Vermont and the Gilman Land Trust as representatives of the limited partnership. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.

5. The Executive Director, Deputy Director and Director of Finance are hereby authorized to take all necessary steps and execute any and all documents required to effectuate this loan.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held in Burlington, Vermont, on July 23, 1998.

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

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RESOLUTION PERTAINING TO COMBINED LETTER OF INTEREST AND COMMITMENT LETTER RE: INTERIM FINANCING (NORTH BENNINGTON)

WHEREAS, a proposal has been presented to the Agency by Jack Heaton and Frank Murphy (the "Sponsors") involving the construction of 17 units of elderly rental housing in North Bennington, Vermont (the "Development"); and

WHEREAS, the Sponsors will be forming a limited partnership, which is expected to qualify as a housing sponsor within the meaning of the Vermont Housing Finance Agency Act (the "Act"); and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Joseph Erdelyi dated July 14, 1998 containing information and recommendations about the Development (the "Memorandum");

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 increase the supply of well-planned, well-designed permanent, temporary, transitional or emergency housing for persons and families of low and moderate income.

5. The security value of the Development will equal at least the amount of the Agency's loan.

6. The Sponsor and its general partners are financially responsible organizations and the proposed ownership entity is expected to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a first mortgage loan in the maximum amount of $975,000 as interim tax-exempt financing to a to-be-formed limited partnership for the construction of 17 apartments located on the Colvin Farm in North Bennington, Vermont. The term of the loan will be approximately 18 months, with interest only payments due until the maturity date of the loan and an interest rate of not more than 150 basis points above the Agency's cost of funds. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. 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.

2. The Letter of Interest shall include the following conditions. Any documents submitted in satisfaction of these conditions must be satisfactory to the Agency in form and content:

   a) Sponsor must provide VHFA with a commitment for not less than $990,000 in term financing from Rural Development;

   b) Sponsor must address the Environmental Site Assessment findings (if any) in the construction specifications/scope of work;

   c) Outstanding issues with RD must be resolved to VHFA's satisfaction, including obtaining assurance that the RD loan commitment will remain in effect in the event that VHFA replace the sponsor(s) as new general partners, should the current general partners fail to satisfy the terms of the partnership agreement or any of VHFA's loan documents;

   d) Sponsor must provide final plans and specifications for VHFA approval prior to VHFA loan closing;

   e) Sponsor must receive all required local approvals and Act 250 approval, with any special conditions imposed addressed in the construction specifications and development budget;

   f) Sponsor must provide personal guarantees of completion of the construction satisfactory to VHFA.

   g) Sponsor must provide VHFA with evidence that a right of first refusal/option to purchase consistent with Vermont's Allocation Plan has been executed with a qualified non-profit satisfactory to VHFA.

3. The Executive Director may, in his discretion, issue a Commitment Letter for an interim loan for the acquisition and rehabilitation of the Development, in an amount not to exceed $975,000.

4. The loan shall be due and payable approximately 18 months from the date the loan is made, interest only payments shall be due before maturity, and the interest rate shall not exceed 150 basis points above the Agency's cost of funds. The source of funds shall be tax-exempt bond proceeds. The Commitment Letter may be issued to Jack Heaton and Frank Murphy as representatives of the limited partnership. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.

5. The Executive Director, Deputy Director and Director of Finance are hereby authorized to take all necessary steps and execute any and all documents required to effectuate this loan.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held in Burlington, Vermont, on July 23, 1998.

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

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BOARD MINUTES

Vermont Housing Finance Agency
164 Saint Paul Street
Burlington, Vermont

Thursday, September 24th, 1998 at 1:00 p.m.

PRESENT: Chairman White; Commissioners Candon (designee of Costle), Randall, Douglas, Canney, Grimes (designee of Shouldice), Seelig

Staff: Mr. Hunt, Mr. McNamara, Mr. Jarrett, Mr. Falzone, Ms. Gent, Ms. Caragher, Ms. Loller, Ms. Santerre, Mr. Lothrop, Mr. Schoenbeck

Other: Mr. Gurley (PaineWebber, Inc.)

Chairman White called the meeting to order at 1:05 p.m. A motion was made by Ms. Grimes to approve both the minutes of July 23 and August 20, 1998. The motion carried unanimously after being seconded by Ms. Canney.

Mr. Lothrop reviewed his memo "Single Family Program Activity Report for July, 1998," included in the Board packet. Mr. Lothrop indicated that activity continues to be slow, as compared to last year. Mr. Lothrop handed out 2 graphs comparing the VHFA and conventional rates since we remarketed; one compared the 0-point interest rate and the other compared the 1-point interest rate.

Mr. Lothrop briefly discussed the servicing activity report. Mr. Lothrop indicated that the delinquency numbers have slowly been decreasing and he is hopeful that this trend will continue. Currently, VHFA has 43 REOs in its portfolio and 15 properties under contract. Mr. Hunt asked Mr. Lothrop how many REOs he believes VHFA will have at the end of 1998. Mr. Lothrop stated that he is hopeful that the number of REOs should be down into the 30's by the end of the year.

Mr. Lothrop then discussed the memo, "Loan Intervention Agreement with the Homeownership Centers," included in the Board packet. Staff received a proposal from the Homeownership Centers a few months ago, which outlines loan workout services to VHFA and its borrowers. After discussions with staff and the Homeownership Centers, a revised proposal has evolved, which has been approved by both VHFA staff and the Homeownership Centers. In summary, VHFA staff, with advice from the servicing lender, will select borrowers with special repayment agreements and loan modifications. Referral to the Homeownership Centers will be made on a case by case basis. VHFA will reimburse the Homeownership Centers based on a per case fee of $600 for cases within their service area, and $700 for each case outside their service area. Each Homeownership Center will receive a minimum annual fee of $12,000. There was a general concern

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from the Board that VHFA is already subsidizing the centers for pre-purchase and post-purchase education and counseling services. The Board asked that the Loan Intervention Agreement be kept independently from other agreements and that the Homeownership Centers be advised that any decisions about loan intervention services will be considered separately by the Board.

After further discussion, Ms. Grimes made a motion to approve the Loan Intervention Agreement with the Homeownership Centers. The motion carried unanimously after being seconded by Mr. Seelig. (Chairman White and Ms. Canney are abstaining from this discussion).

Mr. Schoenbeck reviewed his memo "Fiscal Year June 30, 1998 Results," included in the Board packet. Mr. Schoenbeck indicated that, the financial statements for the fiscal year ending June 30, 1998, are in the process of being completed by our auditors, KPMG Peat Marwick. The final audited financial statements will hopefully be available to the Board by September 30th.

Mr. Schoenbeck passed out 2 handouts and briefly discussed each one. The first handout included the year end general fund budget performance report. Mr. Schoenbeck indicated that there were a couple of expense items that exceeded the budget authority that was approved: (1) The miscellaneous expense went from the approved $10,000 to $29,664. This was because we had to write off a septic loan and we took a loss of $20,000 on a loan previously made and (2) The repairs & maintenance budget was approved for $28,000 and as of 6/30/98 is $33,682. This increase was due to upgrades to our current systems.

Mr. Schoenbeck also reviewed the second handout. VHFA statement of revenues, expenses and changes in fund balances for the year ended June 30,1998 and the balance sheet were distributed. The full fiscal year earnings of $2.6 were a little lower than expected due to the high loan loss experience. Mr. Schoenbeck indicated that a new governmental accounting standard is in effect for the FY98 year. This is the first time VHFA is required to list its investments at market values, not as historical costs. This new standard will increase our investments and fund balances by about $4.7 million, for unrealized appreciation of investments. On a positive note, Mr. Schoenbeck noted that we have cut our holdings of foreclosed properties by one third. Our REOs have decreased from $4.5 million at June 30, 1997 to $2.8 million at June 30,1998.

Mr. Jarrett updated the Board on our class action suit. VHFA made an offer of judgement in order to stop the attorney fees from running up. To our surprise, the plaintiffs accepted the offer of judgement and so the federal lawsuit is settled. In the state court case, the judge granted our motion to dismiss, but Vermont Legal Aid has appealed the ruling to the Vermont Supreme Court. Mr. Jarrett has met with the Bar Association and the Bankers Association to come up with some legislative wording to address issues raised by the lawsuit. Mr. Candon asked if the tenants were still occupying the property. Mr. Jarrett indicated that they were, but the Agency has brought a court case for an eviction and a judgment should be forthcoming.

Mr. Jarrett also mentioned that a meeting was held with the owners of Abenaki Acres. They have brought their mortgage current and have promised to do everything that we need to have done. Mr. Falzone congratulated Kim Roy and Glenn Jarrett for their work. Mr. Falzone also thanked the Board members who suggested getting the Governor's Office involved.

Next, Ms. Loller gave a brief Year 2000 Update. Ms. Loller indicated that a Year 2000 Committee has been formed, which consists of representatives from each operating area. The

Committee has formed an extensive listing of all servicers, housing partners and product providers. Staff is still in the process of contacting each vendor to assure they are year 2000 compliant. The Committee still needs to develop a full test plan, although they did assign a "critical factor" to all of our servicers, housing partners, and products. The Committee will continue to work on contingency planning. Mr. Seelig suggested that, at some point it would be helpful if the Board received an update on where the Agency is on information technology issues. Mr. Candon asked if the Mitas software was year 2000 compliant. Ms. Loller indicated that it is year 2000 compliant, however testing is still necessary.

Mr. McNamara then reviewed his memo "Champlain Basin Empowerment Zone Application," that was handed out at the meeting. The cities of Burlington and Plattsburgh are preparing a joint application to HUD to attain Empowerment Zone (EZ) status. If successful, up to $100 million would become available over a 10-year period for job creation, revitalization of distressed areas and promotion of economic self-sufficiency for low and moderate-income residents. More than 200 cities are applying for only 15 available EZ designations. Even if the application is successful, funding is dependent on the approval of an appropriations bill before Congress. VHFA had committed to work on several programs in the original Enterprise Community, which included a commitment to 30 no-downpayment mortgages in the Old North End. VHFA already has committed Venture loans to McAuley Square and Salmon Run II and would look to make loans on these types of projects in the EZ. After a brief discussion, Ms. Grimes made a motion to approve the recommendation with staff's input. The motion carried unanimously after being seconded by Mr. Seelig.

Next, Chairman White gave an update on the search process for the Executive Director. He indicated that the Search Committee has interviewed 7 candidates, and has eliminated 3. The remaining 4 have been invited back for second interviews on October 13th and 14th. Chairman White also indicated that, since the interviews, he has received 2 additional resumes that interest him, and he has mailed each member of the Search Committee the resumes. Chairman White is hopeful that, at the October Board meeting, the Committee will have selected a candidate. Chairman White asked the Board members if they would mind if the Board meeting scheduled for October 22nd could be pushed back a week to October 29th. This would give the Search Committee an additional week to work on the Search Process. It was agreed that October 29th would be the next Board meeting in Burlington. Following the meeting today, he will be giving staff a memo explaining the search process.

Chairman White briefly discussed the Focus Group Recommendations. He had drafted responses to each recommendation, which were mailed to each Board member. There were slight revisions still needed to be made to the draft. The Personnel Focus Group response included two items: (1) pool of money set-aside for performance and; (2) ongoing evaluation of the overall "health" of VHFA. The Board has already included some extra money in this year's budget for employee performance and the Board has agreed to monitor the Agency on a regular basis.

Chairman White then briefly discussed several of the recommendations from the Communications Focus Group. Chairman White suggested that the Board establish a Human Resources Committee to look at the different issues surrounding the Focus Groups. The Board members all agreed that a Human Resources Committee should be appointed. Mr. Seelig suggested that staff should give the Board a report in 3 – 6 months to let them know what has changed and what hasn't. It was also mentioned that Strategic Planning should be discussed differently at the Board meetings. Mr. Seelig then suggested that there should be an agenda item at the October Board meeting that allows the Board and staff to reorganize the agendas for future Board meetings to make room for Strategic Planning.

Mr. Hunt then gave a few parting thoughts to both the Board and staff. He indicated that the Mortgage Dynamics, Inc. report was a real eye opener for him. He stated that VHFA is in a changing business climate surrounded by a lot of competition and needs to find a way to stay afloat. Mr. Hunt believes that there needs to be major movements of housing finance agencies or they will find themselves displaced. He strongly believes that Strategic Planning is more critical today then it has ever been. Mr. Hunt suggested that the Board should consider expanding its members to include a few more players. Most Boards at other HFA's have 9 – 10 members. Lastly, Mr. Hunt wished everyone the best and noted that he hoped to see VHFA as a viable organization forever.

Chairman White thanked Mr. Hunt for sharing his thoughts and indicated that he has enjoyed working with Mr. Hunt for the last 5 years.

Next, a "Resolution Honoring Allan S. Hunt on his Retirement from the position of Executive Director of the Vermont Housing Finance Agency," was handed out to the Board and staff. Chairman White read aloud the Resolution to the Board and staff. A motion was made by Mr. Seelig to approve the Resolution, and carried unanimously after being seconded by Mr. Douglas. Mr. Hunt noted that his work on the Gates was overlooked on the Resolution and the Resolution was revised to reflect that work.

Chairman White recognized Ms. Grimes for all of her hard work on the Board and wished her the best of luck at her new place of employment, the Department of Employment and training.

At this time Ms. Grimes made a motion to go into Executive Session pursuant to 1 VSA Section 313 (a)(3). The motion carried unanimously after being seconded by Ms. Canney. The motion to come out of Executive Session was made by Ms. Grimes and seconded by Mr. Douglas.

There being no further business, the meeting adjourned at 3:35 p.m.

Sincerely,

Michael F. McNamara

Michael F. McNamara
Deputy Director

VERMONT HOUSING FINANCE AGENCY
BOARD MINUTES

Vermont Housing Finance Agency
164 Saint Paul Street
Burlington, Vermont

Thursday, October 29 at 1:00 p.m.

PRESENT: Chairman White; Commissioners Seelig; Candon (designee of Costle); Randall; Douglas; Canney; Brown (designee of Lambert)

Staff: Mr. McNamara, Mr. Jarrett, Mr. Schoenbeck, Mr. Lothrop, Ms. Gent, Mr. Erdelyi, Ms. Loller, Ms. Crady, Ms. Reid

Chairman White called the meeting to order at 1:05 p.m. A motion was made by Mr. Seelig to approve the minutes of September 24th, 1998. The motion carried unanimously after being seconded by Mr. Candon.

Mr. Lothrop reviewed his memo "Single Family Program Activity Report for September 1998," included in the Board packet. Mr. Lothrop noted that purchase volume amounts for the period to date are lower compared to last year. Mr. Lothrop also pointed out that this is the third year in a row that our volume in the Mortgage Credit Certificate Program has decreased.

Mr. Lothrop briefly discussed the servicing activity by indicating that this is the first month since February that we have had an increase in the total number of loans in our portfolio. When reviewing the delinquency statistical report, Mr. Lothrop indicated that the five largest servicers are responsible for 72% of the loans in our servicing portfolio. Mr. Lothrop indicated that staff would concentrate their efforts on those five servicers. On the property disposition report, Mr. Lothrop noted that we are losing less than what was set-aside in our loan loss reserve on a per loan basis.

Next, Mr. Lothrop reviewed his memo "Discussion on the conversion of Mortgage Revenue Bonding (MRB) authority to Mortgage Credit Certificates (MCC) Authority; authorizing the 90-day public notice of the program as required by the Internal Revenue Service Tax Code; and Suggested changes to the MCC program," included in the Board packet. Mr. Lothrop indicated that the last conversion took place last year when the Board authorized staff to convert $11.775 million in MRB authority to $2.25 million in MCC authority. In order to have a continuous MCC program, it is necessary to convert additional MRB authority to MCC authority, as current MCC authority expires on December 31, 1998. Currently, VHFA has $50 million of MRB authority available for issuing mortgage revenue bonds. Staff is recommending the conversion of $8 million of 1998 MRB authority to $2 million MCC authority. MCC authority converted from this source can be used to issue an MCC until December 31, 2000. Mr. Lothrop indicated that staff is also requesting authorization to publish the required public notices that are needed. In 1992, VHFA included in its MCC program the requirement that a borrower must need the MCC in order to qualify for the mortgage. Staff is now recommending that this requirement be discontinued for all MCCs reserved after December 1, 1998. Mr. Seelig asked how discontinuing this requirement might exclude borrowers. Mr. Lothrop indicated that it should not exclude any borrowers. After further discussion, a motion was made by Mr. Seelig to approve the "Resolution Pertaining to Election of Vermont Housing Finance Agency to Convert

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Mortgage Revenue Bond Authority to Mortgage Credit Certificate Authority," and approval for the removal of the "Need to Qualify" requirement from the program effective December 1, 1998. The motion carried unanimously after being seconded by Ms. Canney.

Next, Mr. Schoenbeck discussed his memo "Fiscal Year June 30, 1998 Audit Reports," included in the Board packet. Mr. Schoenbeck noted that the only changes from the financial reports that were distributed at the September Board meeting were the changes in investment value from a cost to a market value basis. This increased the current year surplus by $4.7 million but cautioned that this is a "paper surplus" as market values could fall in the future. Due to the unexpected surplus from investments we were able to implement the Board's suggestion to increase our allowance for future loans losses. The increase for loan losses was about $1.5 million. Chairman White noted that on the balance sheet the mortgages were listed net of the reserve. Chairman White asked how much is in the allocated loan loss reserve. Mr. Schoenbeck indicated that there is $4 million in loss reserves, $1.1 million that is designated to specific properties, and $2.9 million for future losses. The management letters have no comments of substance.

Mr. Candon asked what bank the Agency is using to provide letters of credit. Mr. Schoenbeck indicated that we have been using the Sanwa Bank in Japan. These letters of credit carry a five-year term, and two that have expired have not been renewed and have been funded temporarily by cash. Sanwa Bank is not renewing additional letters of credit, so Mr. Schoenbeck has been negotiating with the Bank of America (Chicago office) to replace them. The idea is to get Sanwa Bank totally replaced by the end of the year.

Chairman White suggested that the Board meet with the auditors next year. The auditors could present the material to the Board, and then the Board could discuss any questions or concerns they have directly with the auditors. The Board members all agreed that that would be beneficial. Mr. Schoenbeck indicated that the auditors have offered in the past to meet with the Board.

After further discussion, a motion was made by Mr. Candon to approve the audit and accompanying special reports. The motion carried unanimously after being seconded by Ms. Randall.

Mr. Jarrett then briefly discussed his memo "Amendment to Annual Resolution," included in the Board packet. At the July Board meeting, the Board adopted the Annual Resolution. Since July, we have had some staff changes that effect the Annual Resolution. The positions held by Peter Barry ("Foreclosure Specialist") and Linda Wilson ("Real Estate Disposition Specialist") have been combined into two "Loss Mitigation Specialists." Also, Peter Barry has left the Agency and Polly Thibault (who formerly worked in the Finance Department) has filled his position. The resolution states Linda's and Polly's correct titles. After a brief discussion, a motion was made by Ms. Canney to approve the "Resolution Amending Resolutions Adopted at the Annual Meeting of the Vermont Housing Finance Agency, July 23, 1998." The motion carried unanimously after being seconded by Mr. Seelig.

Next, Mr. McNamara gave his report. Mr. McNamara indicated that there was a meeting held earlier today for the Joint Committee on Tax Credits to discuss making changes to the Allocation Plan. There will be a public hearing in November and then staff will bring the information to the Board at our December Board meeting.

Mr. McNamara noted that, in early September, HUD put out a proposal for HFAs and other private entities to submit applications to become the Participating Administrative Entity to do section 8 restructuring for the State of Vermont. With staff's help, the proposal was completed and mailed out within two weeks. Mr. McNamara indicated that we did receive the designation and that we were one of the thirty-five states that received it on the first try. We chose to partner in the venture with both the Vermont State Housing Authority and Housing Vermont.

Mr. McNamara noted that PPRC (Personnel Policy Review Committee) and CORE have had two meetings together to discuss the revised drafted employee handbook. This followed a recommendation that came out of the focus group discussions that CORE and PPRC meet on a regular basis. Staff thought that the meetings went well and that it was a good process. The handbook will be completed soon and will be made available to all staff. Several items that were discussed in the focus groups will be addressed in the revised handbook.

Mr. McNamara then updated the Board on staffing issues. Two employees have left employment at VHFA since our last Board meeting. Carmen Blatt has left to be a contract underwriter with CMAC. Mr. McNamara thanked all staff for pulling together and filling the gaps that needed filling when she left. Mr. McNamara indicated that he had spoken to Chairman White and both agreed that with a new Executive Director coming on board, we should wait to fill the position. VHFA's Outreach Program Manager, Marcia Mattoon, will also be leaving. She is moving to Nevada. Mr. McNamara also discussed this matter with staff and with Chairman White, and it was agreed that this position should be filled without delay. The position will be initially posted internally.

Lastly, Mr. McNamara thanked Ms. Loller for filling in at the last minute as a speaker at the Vermont Housing Managers Annual Meeting. Everything went well and Ms. Loller did a great job discussing Y2K issues.

Ms. Gent then gave the Board a brief update on federal legislation. In one of the final acts of this session of Congress, the private activity bond cap was increased. Ms. Gent indicated that this would be a benefit for our Agency, even though the implementation is several years away.

Ms. Reid discussed her memo "Proposed Small Multifamily Loan Streamlined Approval Process," included in the Board packet. Staff is proposing a streamlined approval process for multifamily loans of $1,000,000 or less, subject to the proposed guidelines in the memo. This will assure a more effective and efficient process. Ms. Randall requested that Mr. Jarrett research whether the Board could delegate authority to staff to approve loans under $500,000 without needing resolutions from the Board. The Board requested reports in the future containing multifamily loan and Housing Credit activity. Ms. Randall added that the reporting would be used for strategic discussions. The Board requested that loan presentations be used to highlight ambiguities rather than repeat the contents of memos, and that visual aids be used if available.

After further discussion, Mr. Seelig made a motion to approve staffs' recommendation for streamlined approval of multifamily loans of $1,000,000 and less that did not include 0% funds and approval of the proposed underwriting guidelines for small multifamily loans. The motion carried unanimously after being seconded by Mr. Candon.

Chairman White gave a brief update on the Mortgage Dynamics Report (MDI) and VHMGB. MDI has come up with a variety of solutions to help VHMGB. MDI will be continuing their work on VHMGB and will be working with a consultant to be hired by the VHMGB. Michael Smith (Treasurer's Office) will be the project manager for this project. Chairman White indicated that he had asked Mr. Smith to work together with Mr. McNamara so that we have a designated contact at the Agency. Because of the importance of the VHMGB work, the Homeownership Center analysis, the delinquency patterns report and the IORTA program update will have to be delayed, until the VHMGB work is complete.

Chairman White reminded staff that, at the last Board meeting, it was suggested that we appoint a Human Resources Committee of the Board. Chairman White has asked Ms. Randall (chair), Ms. Canney and Mr. Candon to make up the committee. The new Executive Director will also be a part of that committee.

Chairman White then announced that the Search Committee chose Sarah Carpenter to join VHFA as the new Executive Director and she has accepted. She will begin work on December 14th. Chairman White noted that we do need to formally appoint her as the new Executive Director of VHFA. Mr. Seelig made a motion to accept the recommendation of the Search Committee to appoint Sarah Carpenter as VHFA Executive's Director. The motion carried unanimously after being seconded by Ms. Randall.

Mr. Seelig stated that, on behalf of the Search Committee, he appreciated staff's participation with the search process, especially Ms. Santerre and Ms. Crady, who both put in a lot of time and energy.

Ms. Randall suggested that the strategic planning be moved up to the top of the next Board meeting agenda so that the Board can spend time discussing how the process will work.

The date for the next meeting was set for Thursday, December 17th in Burlington, with the Holiday Party following at the Sheraton Hotel and Conference Center.

At this time, Mr. Douglas made a motion to go into Executive Session pursuant to 1 VSA Section 313 (a)(3). The motion carried unanimously after being seconded by Mr. Seelig. The motion to come out of Executive Session was made by Mr. Candon and seconded by Ms. Randall.

There being no further business, the meeting adjourned at 4:15 p.m.

Sincerely,

Michael F. McNamara

Michael F. McNamara
Deputy Director

RESOLUTION AMENDING
RESOLUTIONS ADOPTED AT THE ANNUAL MEETING OF
VERMONT HOUSING FINANCE AGENCY, JULY 23, 1998

WHEREAS, there has been a partial reorganization of the Agency's Loan Servicing staff; and

WHEREAS, the Board of Commissioners wishes to amend the Resolution adopted at the annual meeting of Vermont housing finance agency, July 23, 1998 (the "Resolution") to reflect these changes;

NOW, THEREFORE, it is hereby RESOLVED:

1. Wherever the words "Foreclosure Specialist" and "Real Estate Disposition Specialist" appear in the Resolution, they are replaced by the words, "Loss Management Specialist."

2. The individuals whose signatures and titles appear below are authorized to do those acts provided for their positions in the Resolution, as amended.

Loss Management Specialist	Linda C. Wilson	Linda C. Wilson
Loss Management Specialist	Polly Thibault	Polly Thibault

3. The remainder of the Resolution not affected by these changes will continue in force as written.

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 29, 1998.

Michael F. McNamara

Michael F. McNamara
Deputy Director
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 decision of the Emergency Board dated January 13, 1998, $50,000,000 of the State's 1998 private activity bond volume cap ("Volume Cap") was allocated to the Agency as provided in Section 146 of the Internal Revenue Code of 1986, as amended (the "Code"); and

WHEREAS, the Agency wishes to elect to utilize the $50,000,000 of private activity volume cap to issue qualified mortgage bonds and mortgage credit certificates; and

WHEREAS, the Agency wishes to establish a new Mortgage Credit Certificate Program in 1999 and 2000; and

NOW THEREFORE, in order to establish the Agency's 1999-2000 Mortgage Credit Certificate Program and to satisfy the requirements of Section 25 of the Code and regulations issued thereunder, it is hereby RESOLVED:

1. The Vermont Housing Finance Agency elects to utilize $50,000,000 of its 1998 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 $8,000,000 principal amount of qualified mortgage bonds that it is otherwise authorized to issue during calendar year 1998.

3. The Executive Director, Deputy Director, Director of Finance, and the Director of Single Family Operations are directed, and each of them is authorized, to take all steps necessary to the continuation of the Agency's Mortgage Credit Certificate Program including, but not limited to:

   A. Preparation, execution, and delivery of a Mortgage Credit Certificate Election in such form as may be required by the Internal Revenue Service and consistent in content and effect with this Resolution.

   B. Certification to the Governor as provided in the Code.

   C. Preparation of any certificate required by the Code to be signed by the Governor.

   D. Preparation and placement of the appropriate public notices, if any, including income and purchase price limits as determined 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 Burlington, Vermont, on October 29, 1998.

Michael F. McNamara

Michael F. McNamara
Deputy Director
Vermont Housing Finance Agency

4. The Vermont Housing Finance Agency elects to carry forward $42,000,000 of its unused volume cap pursuant to section 146 of the Internal Revenue Code of 1986 for the purposes of issuing qualified mortgage bonds or mortgage credit certificates.

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

vhfa

VERMONT HOUSING FINANCE AGENCY

BOARD MINUTES
Vermont Housing Finance Agency
164 Saint Paul Street
Burlington, Vermont
Thursday, December 3, 1998 at 11:00 a.m.

VIA TELEPHONE: Chairman White; Commissioners Candon, Seelig, Randall, Canney, Brown (designee of Lambert), Smith (designee of Douglas) and Mr. Lothrop

STAFF PRESENT: Mr. McNamara, Mr. Jarrett, Mr. Schoenbeck, Ms. Caragher, Ms. Santerre, Ms. Gent, Ms. Loller, Mr. Falzone

The meeting was called to order by Chairman White at 11:00 a.m. Participants were identified by AT&T roll call.

Mr. Jarrett reviewed his memo "Multi-Family Bond Issue," included in the Board packet. Mr. Jarrett indicated that a few months ago, the Board approved the financing of two developments; one in North Bennington and the other in Newport. The Agency will be financing the construction or rehabilitation of these developments and the takeout financing will be provided by USDA/Rural Development. Issuing tax-exempt bonds for the short-term financing will allow the developments to receive out-of-cap housing credits without having to request in-cap credits.

The Newport development (Lakeview Housing) is going to close soon. Staff has consulted with our bond counsel to work out a financing plan that will enable our debt to be paid off after rehabilitation is complete. This plan will also allow RD subsidies to benefit the development at an earlier stage than anticipated. After further discussion, a motion was made by Mr. Seelig to approve the "Resolution Authorizing the Issuance and Sale of a Tax-Exempt General Obligation Bond to the Howard Bank, N.A. in a Maximum amount of $850,000 and Using the Proceeds to Make a Loan in Such Amount to Lakeview Housing Limited Partnership to Finance the Rehabilitation of a 16-Unit Project in Newport." The motion carried unanimously after being seconded by Ms. Randall.

Mr. Lothrop discussed his memo "Proposal from Mortgage Dynamics, Inc. (MDI) on assisting VHFA in choosing a business direction," included in the Board packet. Mr. Lothrop indicated that the memo was a compilation of discussions held among senior staff in reviewing the proposal that MDI put forward. Staff reviewed this proposal trying to decide which items staff should handle and which items they should receive assistance on from MDI. The recommendation in the memo is a summary of what senior staff came up with after reviewing the MDI proposal.

Senior staff reviewed both phases of MDI's proposal and feel that most of the strategies outlined in Phase I should be considered by VHFA. Staff feels qualified, based on years of experience, to pursue items 1 and 3 of

Phase I and believe that MDI should assist with item 2. Mr. Lothrop stated that it is also the opinion of senior staff that entering into an agreement with VHFA for Phase II may be premature at this time, indicating that VHFA could be better served waiting for VHMGB to decide its direction. Mr. Smith indicated that he disagrees with the conclusions in Mr. Lothrop's memo. Mr. Smith believes that Phase II of the MDI proposal is not premature and pointed out that we are already looking into how to terminate the VHMGB activities and how best to protect the people who need those guarantees. Mr. Smith stated that this action needs to be coordinated and executed at the same time. Mr. Smith also believes it would be helpful to get an outside, independent perspective on the tasks listed in Phase I.

Mr. Candon agrees with Mr. Smith that both of these Phases be done in tandem. Mr. Candon expressed concern with the need to control the duplication of charges by the consultant. He also noted that he would like to make sure that the consulting firm remains on track through the process. Mr. Seelig agreed with Mr. Candon that it is very important that the consulting firm stay on track and focused. Chairman White believes that hiring an outside consultant to give an outside perspective on Phase I and Phase II would be very beneficial.

Mr. Schoenbeck indicated that staff is working to assure that we can provide mortgage insurance to our borrowers and VHFA is providing any and all information requested by MDI. Staff believes that there could be some duplication of services between MDI's VHMGB and VHFA proposals. To prevent this, staff has worked to try and fine tune MDI's proposal to cover VHFA's needs. Mr. Smith stated that he believes that MDI brings a fresh perspective, and that there will not be any duplication between VHFA and VHMGB. Mr. Smith stated that he believes that we need to get MDI on board immediately.

Ms. Canney indicated that she would like to move forward with the proposal that MDI presented. Ms. Randall also believes that it would be beneficial to have a consultant with an outside perspective come in and assist us. Given the losses we have experienced in the last twelve months, it was felt by the Board members that we should have MDI give us that outside perspective. After further discussion, a motion was made by Ms. Canney to approve MDI's proposal. The motion carried unanimously after being seconded by Mr. Smith.

Mr. Candon asked who the manager of this piece would be. Chairman White noted that he would like to reflect a little more on how we manage this process. He would like to discuss this with Mr. McNamara and Ms. Carpenter before he makes a decision. Mr. McNamara indicated that staff feels universally that whatever direction the Board gives us today, we will do whatever we can to move this process along. He also noted that the memo staff presented to the Board only reflects the staffs' concerns about the proposal, it was not meant to be a roadblock.

Ms. Randall gave a brief update on the Human Resources Committee. Ms. Randall requested that Mr. Schoenbeck provide the Human Resources Committee a review of benefits costs including the cost of time paid off. Ms. Randall also asked that the updated employee handbook be given to an outside legal firm for review and that, once that is completed, the Board should approve it. Ms. Randall indicated that the Human Resources Committee has asked Ms. Carpenter, with their involvement, to move forward with the organizational structure at VHFA as soon as possible. Mr. McNamara noted that part of the process with developing the employee handbook was a legal review by Mr. Jarrett. Ms. Randall noted that the Board should approve some areas of the Handbook, such as the sexual harassment policy.

The next Board meeting is set for December 17, 1998 here at the Vermont Housing Finance Agency's office at 1:00 p.m. A motion was made by Mr. Seelig to adjourn and carried unanimously after being seconded by Mr. Brown. The meeting adjourned at 11:45 a.m.

Respectfully Submitted,

Michael F. McNamara

Michael F. McNamara
Deputy Director

BOARD MINUTES
Vermont Housing Finance Agency
164 Saint Paul Street
Burlington, Vermont

Thursday, December 17, 1998

PRESENT: Chairman White; Commissioners Seelig, Candon (designee of Costle), Brown (designee of Lambert), Canney, Randall, Douglas

Staff: Ms. Carpenter, Mr. McNamara, Mr. Schoenbeck, Ms. Caragher, Ms. Gent, Ms. Loller, Mr. Jarrett, Mr. Falzone, Mr. Lothrop, Ms. Santerre, Ms. Crady, Ms. Reid, Mr. Erdelyi

Other: Mr. Broderick (Housing Vermont), Mr. Sassorossi (Lake Champlain Housing Development Corp), Ms. Wright (Lake Champlain Housing Development Corp), Mr. Gurley (PaineWebber, Inc) and Mr. Rittenhouse (AG Edwards)

Chairman White called the meeting to order at 1:07 p.m. A motion was made by Ms. Canney to approve the minutes of October 29 and December 3, 1998. The motion carried unanimously after being seconded by Ms. Randall. Chairman White welcomed Ms. Carpenter to VHFA and indicated that the Board was very glad to have her here. Ms. Carpenter thanked Chairman White and indicated that she was very glad to be here.

Ms. Gent reviewed her memo "Summary of Strategic Planning Board Discussions During 1998," included in the Board packet. Ms. Gent indicated that the purpose of the strategic planning packet was to provide each of the Board members with a background of the topics discussed this past year. It will serve as a reminder of all discussions the Board members have had to date. Ms. Gent noted that staff would like feedback from the Board on how to proceed with strategic planning discussions. Ms. Randall indicated that she feels strategic planning should be discussed at the beginning of the Board meetings so more time and attention can be spent on it. Chairman White stated that for the next three months, VHMGB would be the most important strategic planning issue that we face. Once that issue is resolved, staff and the Board members can devote their attention to other important strategic planning issues.

The Board members agreed to designate a short period of time in the beginning of the next scheduled Board meeting to brainstorm about the most important strategic planning issues facing VHFA today. Once a list of strategic planning issues has been completed, staff will then work on the list to gather as much information as possible to help with future strategic planning discussions.

Next, Ms. Gent discussed her memo "25th Anniversary Plan," included in the Board packet. Ms. Gent stated that VHFA's 25th anniversary is in April 1999. This event provides opportunities for strategic planning efforts as well as public exposure. Ms. Gent indicated that staff is working on ways to reduce single family mortgage loan interest rates between April and December 1999. There will also be a new 25th anniversary logo developed for use during 1999 to help promote our anniversary. Ms. Gent also noted that there will be a celebration at the Vermont Statehouse on April 13th and she encouraged all Board members to attend. There are

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also special outreach events that will be taking place with our legislators. Chairman White asked that the Board members note the date of the Statehouse celebration and strongly encouraged them all to attend.

Next, Mr. Schoenbeck discussed his memo "Multi-Family Excess Yield 0% Usage Plan," included in the Board packet. Mr. Schoenbeck indicated that this is a very valuable resource for our Agency. We have expended more than $2.3 million to date and have remaining commitments of $550,000; ongoing commitments of $325,000 and a current request of $199,000 for Allen Apartments. After all the commitments that the Board has made, there is $847,178 still available. Chairman White asked if there were any restrictions with the plan. Mr. Schoenbeck indicated that we have to show that we are utilizing those funds for housing purposes. Mr. Schoenbeck noted that currently, our bond counsel (Kutak Rock) is giving us some advice for structuring the funds for single family. Chairman White asked if 0% funds could be used to buy down mortgage rates. Mr. Schoenbeck indicated that they can and that we have done that to an extent under conditions regulated by tax law. It was asked whether there were any recommendations from staff on how to allocate this money. Mr. Schoenbeck indicated that the Evensen Dodge study indicated that we should help our multifamily developments first. Evensen Dodge suggests that we focus on existing portfolio loans (especially troubled loans) and then utilize remaining funds for new developments.

Ms. Canney asked whether there was something VHFA could do to assist a mobile home park in Clarendon, Vermont where the tenants are currently living without adequate sewage disposal. Ms. Canney indicated that these people all need to be relocated. Chairman White asked that staff get some information on this from Kutak Rock to see if VHFA can do something for the mobile home park.

In her Report, Ms. Carpenter stated her first three days at VHFA have been great. She has been trying to meet with staff members to see exactly what each person and department does. Ms. Carpenter indicated that recently she attended a tax credit meeting, discussing revisions to the allocation plan. A public hearing regarding the allocation plan will be scheduled soon. Ms. Carpenter also attended the Vermont Housing and Conservation Board retreat, the VCRD Annual Rural Development Summit, and Housing Council, which were all very interesting and helpful.

Ms. Reid reviewed her memo "Allen Apartments, Winooski: Letter of Interest and Commitment for Permanent and 0% Financing," included in the Board packet. Lake Champlain Housing Development Corporation (LCHDC) is seeking to acquire and rehab 17 units of rental housing in five buildings in Winooski. All of the buildings are in need of rehabilitation. There is a Housing Assistance Payment (HAP) Section 8 Contract in place, which runs out in 13 years. LCHDC is proposing to do some initial selective rehabilitation upon acquisition and then to phase an additional rehab of 2 – 3 units per year over a period of 11 years. Ms. Reid indicated that, since this memo was completed, the Level 1 assessment has been done and she will be reviewing this to make sure everything is acceptable. Also, the fourth condition in the memo has been changed to say that all seventeen units must be rehabilitated over a ten-year period. After further discussion, a motion was made by Mr. Seelig to approve the "Resolution pertaining to letter of Interest and Commitment Letter Re: Allen Apartments (Winooski)," with the change to the fourth condition that Ms. Reid noted. The motion carried unanimously after being seconded by Mr. Brown.

Ms. Loller briefly summarized her memo "Fourth Quarter Year 2000 Update," included in the Board packet. Ms. Loller indicated that the testing phase would begin after the first of the year. Ms. Loller noted that we have interviewed two outside vendors, who will be assisting us with testing our software on each PC. Ms. Loller also indicated that we have not yet purchased a server, but will be doing so soon.

Next, Mr. Jarrett reviewed his memo "Multi-Family Bond Issue – Homestead Green," included in the Board packet. Mr. Jarrett handed out an amended Resolution for the Board to review. This amended resolution changes the name of the purchaser of the Agency's general obligation bond from the Howard Bank to Stratevest & Company. Mr. Jarrett noted that the Agency will be financing the construction of this development and the takeout financing will be provided by USDA/Rural Development. Issuing tax-exempt bonds for the short term financing will allow the development to receive out-of-cap housing credits without having to compete for the increasingly scarce in-cap credits. After further discussion, a motion was made by Mr. Douglas to approve the "Resolution Authorizing the Issuance and Sale of a General Obligation Bond to Stratevest & Company in a Maximum Amount of $975,000 and Using the Proceeds to Make a Loan in Such Amount to North Bennington II Limited Partnership to Finance the Construction of a 17-unit Project in North Bennington." The motion carried unanimously after being seconded by Mr. Candon.

Mr. Jarrett handed out a copy of the "Resolution Amending the December 3, 1998 Bond Resolution for the Lakeview Housing Limited Partnership Development and ratifying staff's action in issuing a bond to Stratevest & Co." After a brief discussion, Mr. Douglas made a motion to approve the amended Resolution. The motion carried unanimously after being seconded by Mr. Brown.

Ms. Reid summarized her memo "1998 Multifamily Development Activity Report," included in the Board packet. Ms. Reid indicated that this report covers activity from January 1, 1998 to December 1, 1998. The first section of the report covers Ventures, the second section relates to our tax credit projects and the third section concerns our multifamily loans. This report covers the period when we made the commitment until when it closes. Mr. Candon noted that he would be interested in seeing loans that are in the pipeline. Mr. Candon then thanked Ms. Reid for the report and indicated it is very useful.

Ms. Carpenter indicated that Mr. Erdelyi and Ms. Reid have creatively structured a way for Rural Development projects to borrow money from us for construction purposes, which will allow them to access out-of-cap credits. VHFA's willingness to do this construction financial structure gives the projects a chance to get national RD loans and rent subsidies. Mr. Erdelyi added that by doing this we are moving in the direction of doing more construction loans in the future.

Mr. Lothrop briefly reviewed both his memos "Single-Family Program Activity Report for October, 1998," and "Servicing Activity for October 1998," included in the Board packet. Mr. Lothrop indicated that the delinquencies dropped in October for the first time in two years. Due to the holidays, he does expect delinquencies to increase, as they historically have. Mr. Lothrop also noted that the total numbers of loans in our portfolio are dropping.

Mr. Lothrop stated that the Operations Department has lost three underwriters in a very short time period. Staff has contacted four mortgage insurance companies to see if there was interest in contract underwriting for us. All four mortgage companies that were contacted have indicated that they are interested in contract underwriting for VHFA, although they made it clear that if they did contract underwriting for us, they would want a reasonable guarantee that they would get the mortgage insurance. Mr. Lothrop indicated that Mortgage Dynamics, Inc (MDI) has signed a consulting agreement to provide VHFA certain services. There may be overlap so both efforts must be coordinated. Mr. Lothrop also noted that one of the mortgage insurance companies contacted expressed an interest in possibly providing insurance for mobile homes.

Mr. Lothrop noted that we should have proposals from all four mortgage insurance companies by the second week of January. Chairman White suggested that perhaps there are other people outside the Agency that could assist us with contract underwriting. Mr. Lothrop indicated that we have contacted temporary services for assistance, but have not gotten a response from them yet. The consensus of the Board was that staff should continue to work on this.

Mr. Schoenbeck discussed his memo "VHMGB Budget Impact," included in the Board packet. On December 1, 1998, the Vermont Home Mortgage Guarantee Board approved a budget for the fiscal year ended June 30, 1999. In January 1998, a memorandum of understanding was signed between VHFA and VHMGB, which continues the policy of VHFA administering the programs of VHMGB and receiving compensation for that service. Because VHMGB did not approve the budget presented to them in June 1998, staff proposed a per loan charge based on costs calculated in a base year and applied that factor to the estimated volume of business for FY99 for the revised budget presented in December 1998 to decrease VHMGB costs. The change in the formula resulted in a reduction of income from VHMGB of about $100,000 from the original proposed budget. Therefore, VHFA needs to adjust the budget to reflect the decrease in expected income from VHGMB from $380,000 to $280,000. Due to the reduction in staffing, we are expecting to save about $45,000 to offset the loss of income.

Another item to add to the budget is the contract that the VHFA Board authorized with MDI during our December 3 conference call in the maximum amount of $25,000. The final change was to move $10,000 of Y2K consulting costs to capital. After further discussion, Mr. Douglas made a motion to approve the revisions to the budget as recommended in Mr. Schoenbeck's memo. The motion carried unanimously after being seconded by Ms. Canney.

Next, Mr. Jarrett presented the "Resolution Amending Resolutions Adopted at the Annual Meeting of Vermont Housing Finance Agency, July, 23, 1998," which includes Ms. Carpenter as the Executive Director. Mr. Seelig made a motion to approve the above resolution. The motion carried unanimously after being seconded by Mr. Candon.

Mr. Jarrett then reviewed his memo "Delegation of Multifamily Lending Authority," included in the Board packet. Mr. Jarrett indicated that at the last Board meeting he was asked to do further research on the possibility of delegating multifamily lending authority to staff. Mr. Jarrett indicated that he has done more research including reviewing the authorizing statutes of the Vermont Student Assistance Corporation, the Vermont Economic Development Authority and the Vermont Educational and Health Buildings Financing Agency. Mr. Jarrett noted that in speaking with the general counsels of several other housing finance agencies, none of those agencies' boards delegate findings to the staff.

Mr. Jarrett suggested that the Board could allow staff some authority to issue either letters of interest or commitment and have the Board adopt the statutory findings before the loan is closed. This approach would satisfy the statute. Another method would be to seek a legislative change to allow such delegation. Vermont Economic Development Authority did have its statute amended in 1995 to allow limited delegation to loan officers. That provision allows loan officers to review, approve and make loans up to $150,000, subject to the approval of the manager and the notification of board members. A third possibility would be to enact regulations that allowed delegation of staff so long as certain specific parameters set out in the regulations were met. After further discussion, Chairman White suggested that staff explore both legislative solutions and staff solutions.

Mr. Falzone gave his Multifamily Management Report next. Mr. Falzone began by asking the Board members for any feedback they might have regarding this report and whether it meets their needs. Mr. Falzone noted that the Vermont State Housing Authority would be taking over all management for the Abenaki Acres development effective January 1, 1999. He also noted that Parson's Hill development in Castleton has been fully rehabilitated and currently has four vacancies. The Vermont State Housing Authority has agreed to allow the owner/manager to rent the four bedroom units to families who would not otherwise qualify for a unit of that size. Chairman White asked if we were involved with any lawsuits regarding Parson's Hill. Mr. Jarrett indicated that two lawsuits have been filed and we have not been joined in either suit.

Mr. Falzone indicated that the property manager at Walden Mountain has presented a budget for the coming year that indicates the inability of the property to meet its long-term capital needs and maintenance. A 0% loan will likely be needed. This property is already covered by a 1994 VHFA Preservation Agreement.

Chairman White indicated that the format for this report is very helpful. Ms. Carpenter suggested that putting the items in order of importance might be more beneficial. Mr. Falzone agreed and indicated that his next report would be in that format.

Ms. Randall noted that the Human Resources Committee would like to have the Board meet in Executive Session at its next meeting for an hour. Chairman White suggested that we meet before the Board meeting and have a working lunch. Ms. Randall asked Mr. Schoenbeck when he thought the committee could get the analysis of the benefits VHFA provides to its employees. Mr. Schoenbeck indicated that they would have it before their next meeting on January 8^{th}.

Chairman White indicated that the schedule of proposed Board meetings for 1999 be subject to change. He would like to change the May 13^{th} date to May 20^{th}. He also noted that he might want to cancel the August meeting.

Chairman White then gave a brief update to the Board members on VHMGB. He indicated that the contract of engagement with VHFA has been signed and returned to MDI. Chairman White participated in a conference call Tuesday, December 15th with Ms. Carpenter and MDI. MDI will be pursuing Phase I and Phase II simultaneously. Chairman White indicated that perhaps in January, the VHFA Board and VHMGB Board could meet with MDI to assure everyone is up to date with what is happening.

Chairman White indicated that yesterday he had a discussion with the Deputy State Treasurer, Mike Smith. Mr. Smith indicated that the Administration is indicating that VHFA may need to contribute toward the sale of the VHMGB liabilities. The Administration contends that if the liabilities of the VHMGB total $8 million and VHMGB has $4 million in reserves, than VHFA must contribute toward the remaining $4 million. Chairman White indicated that perhaps he and Ms. Carpenter should try and meet with Ms. Hoyt next week to discuss this. He added that Ms. Hoyt could have some valuable insight on what VHFA should do. Chairman White assured staff and the Board that he would keep them updated.

A motion was made by Mr. Candon to adjourn and carried unanimously after being seconded by Mr. Seelig. The meeting adjourned at 3:45 p.m.

Sincerely,

Sarah E. Carpenter

Sarah E. Carpenter
Executive Director and Secretary