VHFA Board and JCTC Meeting Minutes

Vermont Housing Finance Agency Board Room
164 St. Paul Street
Burlington, Vermont
Thursday, December 18, 2003 at 10:00 a.m.

VHFA Board Members Present:

Lisa Randall – Chair, Paul Beaulieu, Thomas Candon (designee for Crowley), John Hall (designee for Dorn), Gus Seelig

via conference call: Dagyne Canney, Beth Pearce (designee for Spaulding)

JCTC Members Present:

John Hall – Chair, Sarah Carpenter, Gus Seelig, Richard Williams

via conference call: Tasha Wallis

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

Guests: Ludy Biddle (Rutland West Neighborhood Housing Services), Jeff Carr (Economic & Policy Resources, Inc.), Stephen Chipman (Rockingham Area Community Land Trust), Larry Copp (Economic & Policy Resources, Inc.), Martin Hahn (Central Vermont Community Land Trust), Bob Marcellino (Home Design Inc.), Nancy Owens (Housing Vermont), Mike Richardson (Capital Ideas, Inc.), Kenn Sassorossi (Housing Vermont), Ed Stretch (Gilman Housing Trust, Inc.), Brenda Torpy (Burlington Community Land Trust)

via conference call: Amy Wright (Cathedral Square Corp.), Mr. Al Hans (Piper Jaffray)

A heavy snowstorm necessitated a delay in the start of the meeting originally scheduled for 9:00 a.m. Chair Hall (of the JCTC) called the Joint Committee on Tax Credits (the "Committee") meeting to order at 10:06 a.m.

Mr. Erdelyi explained that staff is drafting a revised Tax Credit Allocation Plan (the "Plan") and is seeking input from the Committee and the Board regarding proposed changes to the allocation process and threshold criteria. He reviewed several points from his memo.

Ms. Carpenter explained that, according to the Executive Orders, the Committee is responsible for making program recommendations and revisions to the Plan for the Governor's consideration. Staff is recommending that the Committee continue to develop the allocation policies and recommend the Plan, with an update on the positions the Governor appoints, and that the responsibility of the allocation of credits be given to the VHFA Board. (Currently, ACCD is the official allocating agency with VHFA administering the program under a Memorandum of Understanding.) Ms. Carpenter further explained that she has had several conversations with Susanne Young, the Governor's legal counsel, regarding the proposed changes to both the Plan and the Executive Orders.

Mr. Erdelyi explained one of the reasons for the proposed changes to the Plan is to improve the process. Until now, the developer has been encouraged to seek tax credits later in the development process. The proposed changes would allow the developer to seek tax credits earlier in the development process, giving the developer the security of knowing earlier that tax credits have been set-aside for the development. Mr. Erdelyi further explained that the most a project can receive in tax credits is the product of the project's Qualified Basis (its tax credit basis) and the Tax Credit Percentage (usually around 4% or 9%). Since these numbers are subject to some fluctuation, especially early in the development process, the tax credit set-aside for a given project would be slightly more than the identified need in order to absorb these fluctuations.

Ms. Randall expressed concern that the guidelines be written so that staff does not have the authority to pass judgment on a project. Mr. Erdelyi responded that staff will not prevent a project from going to the Board (even with staff's negative recommendation). He added that staff would like clearer guidance in the Plan so that they may assist the sponsor with strengthening a proposal. Ms. Carpenter reiterated that better defining the thresholds will further help to achieve this objective.

Concern was expressed about "blue sky" projects. Ms. Carpenter explained that projects will have to have site control and have spent some money on architectural work before applying. In order to avoid project drift, the Board will need to establish a rule as to how long, after a project has been issued a Letter of Intent, it has to obtain a Reservation Certification or Carryover Allocation. The Board should be firm on this, but could decide to make an exception to the rule for projects that end up in court.

Some expressed concern that the changes in the process would hinder comparison of projects and lessen competition among them (thereby reducing project quality). However, Mr. Beaulieu pointed out that a pipeline report, which will be made available at every Board meeting, would facilitate comparison among more projects than is currently available. Ms. Carpenter mentioned that, with the current process, most projects keep coming back until the project is acceptable to the Board. The proposed changes to the process would allow for recommendations and negotiation earlier, before a developer has fully designed or permitted a project.

Ms. Randall asked whether the new process would result in more work and/or expense to the developer. Mr. Erdelyi replied that it would not involve significantly more work. Mr. Adams added that slightly more expense may be involved; e.g. with the requirement of elevation drawings. However, it would mitigate the risk of spending a lot of upfront money and not getting credits.

Ms. Randall asked whether the new process would encourage more developers to come forward. Ms. Owens reminded the Committee and the Board that Housing Vermont does represent many local developers.

Mr. Williams asked from which source a developer would first seek funding. Mr. Erdelyi replied that VHFA could be first with the understanding that other sources of funding would be sought and secured by the developer. The developer should have touched base with other funders before the meeting with VHFA but the application to other funders could follow application to VHFA. Mr. Hall concurred, adding that VCDP would like to rely more on VHFA to do the underwriting.

Discussion then turned to thresholds and evaluation criteria. Ms. Carpenter explained that staff recommends continuing to follow the Consolidated Plan ("Con Plan") criteria, at least until it changes in approximately one year's time. She further explained that the Committee has the discretion to make some of the criteria mandatory (thresholds) and include more than is covered by the Con Plan. Mr. Seelig approves of keeping the tax credit allocation criteria in sync with that of the Con Plan. He also suggested that more time be given to this discussion than is available today.

ACTION: Ms. Carpenter asked Board and Committee members to provide feedback to Mr. Erdelyi and Ms. Reid regarding criteria and thresholds.

Ms. Carpenter added that she'd like to see a new threshold whereby a) developers would be required to discuss a project with those organizations in the area working to eradicate homelessness, and b) that the project demonstrate adherence to a fair housing plan.

Discussion followed around the issue of design criteria. Ms. Carpenter suggested that a broad design standard be written into the Plan, which, in effect, would leave these criteria to the Board's discretion. Mr. Erdelyi supports the idea of the Board maintaining a role in deciding if proposals meet design standards.

ACTION: Ms. Collins will send an analysis of other States' criteria to the Board and Committee.

ACTION: Mr. Falzone will report to the Committee on projects currently under management that have caused the greatest design headaches (e.g., mold, casement windows)

ACTION: Timeline:

January 8, 2004:	Staff will finalize a draft of the Plan
January 15, 2004:	By this date, the Committee and the Board will have reviewed the draft and provided feedback to staff who will have revised the draft
January 31, 2004:	By this date, a public hearing will have been held to obtain feedback on the revised draft
February 19, 2004:	VHFA Board will be asked to recommend that the Governor approve the Plan
March 18, 2004:	First opportunity for developers to apply for tax credits in 2004 and under new Plan

Ms. Carpenter spoke about the current Executive Orders, which essentially create the Committee. Ms. Mullikin Drake is currently working on modifying the Orders so that VHFA, instead of ACCD, is given the authority and responsibility to allocate the credits. Ms. Carpenter further explained that nowhere is the current process written (whereby the Committee recommends to the VHFA Board which projects are allocated tax credits). Per the Executive Orders, the Committee is tasked only with recommending the policies.

ACTION: Ms. Mullikin Drake will communicate with Tasha Wallis, Deputy Secretary of the Agency of Administration, and Susanne Young, the Governor's legal counsel, regarding the proposed changes to the Executive Orders.

ACTION: Ms. Carpenter will communicate with Susanne Young, the Governor's legal counsel, regarding the proposed changes to the Plan.

The joint meeting of the Committee and Board concluded at 12:30 p.m.

Ms. Wallis left the meeting.

Chair Randall called the VHFA Board Meeting to order at 12:45 p.m.

MINUTES
Mr. Beaulieu made a motion to approve the November 20, 2003 Board of Commissioners' meeting minutes with Mr. Candon seconding the motion. All were in favor except Mr. Seelig who abstained.

CONSENT AGENDA
Mr. Seelig made a motion to approve the Consent Agenda including those items requiring action (restated here):

- "Resolution Re: Construction Financing for Cabot Senior Housing, Town of Cabot"
- "Resolution Re: The Adoption of an "Over-the-Counter" Drug Amendment to the Flexible Benefit Plan"

Mr. Beaulieu seconded the motion and both items were unanimously approved.

DEVELOPMENT
Westminster Family Housing, Westminster
Mr. Adams reviewed his memo to the Board regarding the sale and financing of Westminster Family Housing in Westminster. Ms. Carpenter reviewed the history and explained that this was the first "Deed in lieu of foreclosure" on a multifamily property for VHFA.

Mr. Hall made a motion to approve the "Resolution Re: Permanent Financing for Westminster Family Housing, Westminster" with Mr. Seelig seconding the motion. The Resolution was unanimously approved.

City's Edge Single Family Housing Project, South Burlington
Mr. Adams distributed a memo to the Board regarding a request to waive the limit of the Single Family Ventures Loan made to the Burlington Community Land Trust for predevelopment expenses associated with City's Edge Single Family Housing Project. A $50,000 loan increase was requested. Mr. Adams assured the Board that the Construction Loan will not be closed until

all funding is in place. Mr. Seelig added that the VHCB Board will recommend more funding to help close the gap in funding.

Mr. Beaulieu made a motion to approve an increase of $50,000 (from $75,000 to $125,000) in the Single Family Ventures Loan made to BCLT for City's Edge Single Family Housing Project in South Burlington. Mr. Hall seconded the motion that was then unanimously approved.

Winooski Falls Riverfront Downtown Project ("Winooski Project")
Ms. Mullikin Drake reviewed VHFA's role in the Winooski Project as the underwriter for the Agency of Commerce and Community Development (ACCD); VHFA is responsible for determining the financial feasibility of the components, and for determining whether the incremental difference in taxes generated by the project will be enough to repay the HUD 108 Loan. Ms. Drake referred the Board to the Executive Summary that was given to ACCD and the VCDP Board the previous week. HUD 108 Loan Conditions were also provided to ACCD and are currently being reviewed.

Ms. Mullikin Drake explained that the construction schedule is tight. VTRANS (Vermont Agency of Transportation) will be getting bids back just in time to start construction. Concurrently, businesses need to be relocated. The State will close the loan with Winooski in mid-March after the bids are in for the infrastructure. By the time of the closing the Student Housing component needs to be ready to begin construction as the housing is needed by August 2005.

Ms. Carpenter explained that UVM is now very interested in the Winooski Student Housing (West Block), which will house 400 students, as student housing that was to be constructed on the South End of Redstone Campus has been delayed due to stormwater permitting problems.

Ms. Randall asked whether VHFA was working for ACCD under a signed agreement. Ms. Mullikin Drake replied that they were not, mainly because other "Winooski" priorities had pushed this one to the bottom of the pile. Ms. Mullikin Drake did explain that a Guarantor Agreement is currently being reviewed which would require the developer (HallKeen) to pay $330,000 at closing, of which $75,000 would be paid to ACCD for its legal fees and the remainder paid to VHFA for its underwriting and ongoing role as monitor. Ms. Randall, however, is less concerned with remuneration than with liability. Ms. Mullikin Drake assured the Board that staff has been careful to make recommendations to ACCD only. Ms. Mullikin Drake also plans to work on the Agreement in the next week.

Mr. Candon asked about the impact of the Winooski project on Tax Credits. Mr. Erdelyi replied that there will be an impact. The current, more realistic model is predicated on $2.1 million in tax credits, $1.5 million in HOME and $1.5 million in CDBG funds. He added that the amount in tax credits is not out of line, considering the number of units. However, one would expect the number to be less due to economies of scale. It is not because of the very high cost design. $2.1 million in tax credits for the Central Block could come out of the 2004 – 2006 credit ceilings.

Mr. Seelig raised the issue about some discontent in Winooski regarding the project or perceived lack of support from VHFA. Ms. Carpenter replied that she'd contacted the City Manager, Gerry Myers, who agreed to address any issues directly with VHFA. One concern is that Winooski does not want to be known as the "Section 8 Capital of Chittenden County." In the current proposal, only 13 of 258 units in the Central Block will be project-based Section 8.

STRATEGIC PLANNING

Mr. Fairbanks introduced Jeff Carr and Larry Copp, both of Economic & Policy Resources, Inc., the company that prepared, for the Housing Council, "Housing in Northwestern Vermont – August 2000, A Review of Demand and Supply of Housing in the Six County Region." Mr. Carr and Mr. Copp were asked to address the Board informally about the accuracy of forecasts in the study and reasons for variances.

Mr. Carr and Mr. Copp reviewed the findings of the 2000 study, acknowledging that the economic forecast and its effect on future housing demand may be worth looking at again. Of recent and great impact is the permanent loss of approximately 2,300 high-paying (more than $50,000/year) IBM jobs, a long-term structural job loss.

Mr. Copp explained that housing is the limiting factor in economic development in many parts of the State. Reasons may vary so that the solution for one housing market may not be the same for another. He recommends a similar, less beefy, study of all market segments of the State. He also recommends keeping the data current and using it to measure progress on an ongoing basis.

Mr. Carr further explained that, since the last study, they have acquired more experience and have made advances in methodologies. They also have access to a greater number of sources of information including the 2000 Census. Ms. Collins interjected that VHFA is considering purchasing private data from Claritas, which will provide new household demographic data every year and also project the trends for the next five years.

Ms. Carpenter and Mr. Hall pointed out that the Department of Housing and Community Affairs (DHCA), which oversees the Regional Planning Commissions, is asking the RPCs to collect and keep current housing data. Mr. Seelig cautioned against a duplication of effort.

Ms. Randall indicated that Ms. Carpenter and staff will decide the scope of the update and will communicate directly with Mr. Carr and Mr. Copp.

Ms. Pearce left the meeting.

HOMEOWNERSHIP

Ms. Crady stated that the Vermont Homeownership Initiative ("VHI"), a capital campaign to increase capacity of the Homeownership Centers, is requesting a $100,000 contribution. She explained that the Homeownership Centers are important to VHFA's mission of creating homeowners in Vermont. The representatives of the various Homeownership Centers from around the state then introduced themselves: Brenda Torpy of Burlington Community Land Trust, Stephen Chipman of Rockingham Area Community Land Trust, Ludy Biddle of Rutland West Neighborhood Housing Services, Martin Hahn of Central Vermont Community Land Trust, and Ed Stretch of Gilman Housing Trust, Inc. Ms. Torpy credited VHFA with the leadership to create a statewide drive in homeownership education resources.

Ms. Torpy explained that VHI was begun in the year 2000, and partnered with the Vermont Community Foundation, which holds VHI's funds. The Homeownership Centers, in collaboration, raise funds from public and private sources. The reasons for the capital campaign include expanding the reach of the Homeownership Centers' educational program to the whole state. Mr. Stretch explained that the Homeownership Centers have partnered to present consistency in the Homeownership education programs.

Ms. Randall asked whether all the funds would be used for administrative and educational programs (and not for cash assistance for purchases.) Mr. Hahn confirmed that this is the case with the exception that that 10% will be set aside to enable the collaborative to respond to future opportunities for resource development.

Ms. Carpenter lauded the statewide initiative and added that VHFA looks forward to a statewide system of Homeownership Centers available to everyone. She recognized the difficulty of balancing this initiative with each representative's task of raising funds for his/her own Center.

ACTION: Staff will speak to Chris Delia of the Bankers' Association regarding PR for the Homeownership Centers.

Mr. Seelig made a motion to approve staff's request for a contribution in the amount of $100,000, requiring an adjustment to VHFA's FY 2004 budget, to the Vermont Homeownership Initiative with the request that Ms. Crady keep the Board informed of Homeownership Centers' expansion work. Mr. Hall seconded the motion and the request was unanimously approved.

FINANCE

Ms. Carpenter explained that Mr. Al Hans (who joined the meeting via conference phone), of Piper Jaffray, is our financial advisor who, among other tasks, assists VHFA with structuring bond deals and long term cash flows. VHFA has asked Mr. Hans to update a long-term financial study.

Mr. Schoenbeck reviewed the points of his memo regarding the history of the financial study. He reminded the Board that Mr. Hans is scheduled to present his findings at the February 19th Board meeting.

Mr. Hans reiterated that he is looking for directions, questions, and issues that Board members would like to see addressed in the study. He then briefly reviewed the purposes of such a study: to do a credit analysis to ensure adequate funds to pay debt service on bonds; to make sure adequate funds are spun off from the bond issues to support operating and administrative expenses of the Agency; and to assess the financial ability to support housing programs funded from bond issues and from assets. He explained that two types of Cash Flow Projections are done: Cash Flows using economic stress projections; and Cash Flow projections for the expected case (determined with input from staff).

Mr. Hans further explained that the following assumptions are being made: $60 million/year in SF bond issues; and $15 million/year in MF bond issues. The total assets and net assets will be projected for the next ten years. And, resources available to the Agency for housing programs will be identified. He indicated that the Board will need to decide how to use these funds and described several potential uses: upgrading the Single Family Bond Resolution to an AA rating; contributing equity to maintain the Multifamily Bond Resolution's AA rating (required by Freddie Mac and Fannie Mae); and using these resources to finance short-term multifamily loans instead of issuing bonds. Mr. Schoenbeck added that the latter offers substantial savings in fees.

Mr. Beaulieu asked for an analysis of thresholds and factors that influence bond ratings. Mr. Hans responded that he can provide ratings criteria and comparisons to other State Agencies' ratings. Mr. Schoenbeck added that the evaluation of a rating is also influenced by intangibles such as expertise of staff and support of State government. Mr. Hans explained that there are two ratings; one is based on the structure of the bond resolution, and the other is the Issuer Credit Rating, an overall agency rating.

Ms. Carpenter asked for a cost/benefit analysis of the different ratings (where a lesser rating costs the Agency more in bond insurance and a higher rating requires more money in reserves.)

Mr. Beaulieu asked that Mr. Hans, when looking at other HFAs, consider unique financing mechanisms that might be utilized by VHFA. Ms. Carpenter stated that there is a lot of variation among HFAs due to variation in histories. She also assured Mr. Beaulieu that these could be assessed as they come to light – even after completion of the study.

Ms. Randall asked for an identification of resources available for innovative programs such as zero percent deferred loans, or something similar to Housing Vermont, where the fund balance is put into the hands of another entity.

Ms. Randall would also like to know if there is anything the Board can do in the future to insulate VHFA from the cost of prepayments, such as refinancing or lowering rates on existing mortgages. Mr. Hans offered that some States have started secondary market taxable programs for refinancing. He added that he will take a look at the options with assistance from UBS.

Mr. Seelig reviewed his interest in Maryland's "smart growth" mortgages. Ms. Carpenter wondered, more generally, if we can take more risk with less-insured loans with our own cash flows to support an innovation such as this. Mr. Hans replied that he can look at how the risk of a targeted program or portfolio affects the equity or cash flow or spread needed in the resolution.

ACTION: Staff will research the Maryland "smart growth" mortgage product.

Mr. Seelig asked whether other agencies were requesting that deflation scenarios be considered. Mr. Hans said no but assured Mr. Seelig that the stress models do incorporate deflation scenarios.

Mr. Erdelyi asked whether the study will list the factors that must hold for VHFA to maintain the $15 million/year level of production with regards to the expected case scenario for MF bond financing. Mr. Hans suggested further discussion with staff to refine this figure and its breakdown between short and long-term financing.

OTHER

The January and February 2004 meetings may be extended to 1:00 p.m.

ADJOURNMENT

Mr. Seelig made a motion to adjourn the meeting. Mr. Hall seconded the motion and the Board unanimously approved to adjourn the meeting at 3:30 p.m.

VHFA Board and JCTC Meeting Minutes
Vermont Housing Finance Agency Board Room
148 State Street
Montpelier, Vermont
Thursday, January 15, 2004 at 10:00 a.m.

VHFA Board Members Present:
Lisa Randall – Chair, Thomas Candon (designee for Crowley), Dagyne Canney, John Hall (designee for Dorn), Beth Pearce (designee for Spaulding), Gus Seelig

VHFA Board Members Absent:
Paul Beaulieu

JCTC Members Present:
John Hall – Chair, Sarah Carpenter, Gus Seelig, Tasha Wallis, Richard Williams

Staff: Dave Adams, Sarah Carpenter, Pat Crady, Renee Couture, Elizabeth Mullikin Drake, Joe Erdelyi, Pat Loller, Cindy Reid, Roger Schoenbeck

Guests: Nancy Owens (Housing Vermont)

Weather necessitated a delay in the start of the meeting originally scheduled for 9:00 a.m. Chair Randall called the VHFA Board Meeting to order (with members of the Joint Committee on Tax Credits present) at 10:10 a.m.

Approval of minutes was postponed until a quorum was present.

TAX CREDIT ALLOCATION PLAN

Mr. Erdelyi began by explaining that, since the December 18th joint meeting of the Board and the Joint Committee on Tax Credits (the "Committee"), changes had been made to the draft of the Tax Credit Allocation Plan (the "Plan") to incorporate proposed process changes (spelled out in the chart entitled "2004-2005 Housing Credit Allocation Plan / Submission Timing," distributed at the December meeting); minimum thresholds; Market Study Standards; and Design Standards. Of these, the most significant are the changes to the minimum thresholds proposing that a project be considered for tax credits only when it meets three top-tier and one second-tier (or four top-tier) criteria of the State's Consolidated Plan Priorities (the Plan's evaluation criteria.)

Ms. Carpenter added that this recommendation was tested against previously approved projects and found to be in line with desirable ones.

Ms. Randall asked Mr. Erdelyi to review the relationship between income targeting and mixed income and how these are balanced to ensure low income households are served while achieving a desirable mixed income community.

Mr. Erdelyi explained that a "mixed income" project has both rent restricted and market rate units. The rent restricted units are "targeted," or categorized, based on the level of income served, a factor of the rental amount. That is, a mixed income project is capable of lower targeting, influenced by the percentage of restricted units and the income ranges they serve. Under the current definition, units with rent that is restricted to a percentage of AMI above the tax credit limit of 60% are actually considered market rate units for purposes of determining "mixed income."

Mr. Seelig asked whether the Plan indicates that only projects above a certain size be mixed income. Ms. Reid replied that the priority does stipulate that a project with 20 or more units have 15% or more of the units targeted to households whose income is above 60% of AMI. A smaller project will receive a tick for the mixed income second-tier priority with as few as one of the units targeted to "serve over 60% of AMI."

Mr. Seelig expressed that his preference would be to make the mixed income priority a threshold for projects of 20 or more units. It will remain a priority as well so that projects, large and small, are recognized for having met a second-tier priority. However, this second-tier priority will have been considered met for projects over 20 units only if 20% or more of the project "serves over 60% of AMI." And, projects with less than 20 units will be recognized as having met the mixed income second-tier priority if at least one unit is targeted to the greater than 60% AMI household.

Ms. Carpenter asked Mr. Erdelyi to address a potential redundancy in the first- and second-tier evaluation criteria: established settlement patterns (for which the *Forum on Sprawl*'s definition is used); downtowns; and growth centers. Ms. Reid added that "growth center" is a dated term and she suggested its removal. There were no objections. Mr. Seelig suggested that the definition of growth center, as it will be defined in the future by a Governor appointed committee (led by Mark Snelling and staffed by Jim Saudade of DHCA), should be incorporated into the downtown criterion. Mr. Seelig also suggested that the downtown criterion be changed to say "downtown or village center" as DHCA now has a village center designation.

Mr. Erdelyi asked Board members if they thought a priority regarding design should be added to the evaluation criteria. Currently, there is no recognition for projects that are 100% universally designed, or, in the case of rehab, a building of statewide significance, a designation made by the Historic Preservation division via an MOU with the HOME program. (Mr. Seelig will provide a list of criteria for this designation prior to the finalization of the Plan for staff's consideration.) Discussion ensued about the expense of historic rehab. Mr. Seelig reminded the Board that it has the option to reject an historic rehab project that is too expensive, so that expense was not a reason to avoid adding a priority.

Mr. Erdelyi asked the Board to consider increasing the vacancy rate percentage in the "Rehab, or Vacancy < 2%" first-tier priority in light of the fact that a new report by Steve Allen indicates that the vacancy rate in Chittenden County is now 2.7%. He also pointed out that the priority does not distinguish between rehabs that actually result in net new units (so that a rehab project would receive two ticks for creating new units in an area where the vacancy rate is very high). Ms. Randall indicated that a 5% rate is ideal for fostering competition, and results in reducing rents. After much discussion, the Committee settled on changing the Vacancy Rate in this priority from 2% to 3.5%.

Prompted by the discussion about vacancy rates, much discussion followed about the market study requirement. Market studies, as required by Section 42, cannot be waived for small projects. The data being collected by Regional Planning Commissions will aid in developing a market study but will not suffice. Mr. Erdelyi explained that, although he agrees there should be exceptions, the statute is very specific in its requirements for market studies. He added that NCSHA will be initiating a project to propose wholesale changes to the tax credit program. The HFAs will have input, and VHFA could promote changes to the market study requirement. Ms. Carpenter added that, in the meantime, steps could be taken to minimize costs of market studies by combining resources.

Mr. Erdelyi explained to the Board that staff is proposing that the "<30%" second-tier priority be broadened so that projects which target clients of agencies that serve the homeless also receive a tick for this criteria.

Ms. Wallis left at 11:15 a.m.

Mr. Erdelyi and Ms. Carpenter explained that the draft Market Study Standards, included in the Board packet, were culled by Maura Collins from a Professional Market Study Standards Workbook. Staff acknowledges that these standards may force a small project to provide more than what is needed. However, staff is very much in support of requiring that market studies meet a set of standards. Mr. Williams and Ms. Randall expressed concern about cost to projects and whether these standards represent the minimum, or a desired threshold. Ms. Carpenter indicated that these standards are already being met by the market analysts producing quality work. Mr. Seelig added that there aren't enough good providers of market studies. To Mr. Williams' suggestion that a project do its own study, Ms. Carpenter cautioned that there is a difference between demand and need.

ACTION: Ms. Randall and Mr. Williams asked staff to research the cost of a market study that meets the proposed standards, prior to the public hearing. Ms. Randall also asked staff to define, specifically, those circumstances in which a *standardized* market study could be waived (e.g., fully occupied with excellent history of occupancy, etc.)

Mr. Seelig suggested that a clause be added to the Board approval section of the Plan allowing the Board to again review applications competitively if the new process results in long periods of lockouts (six plus months) due to overwhelming demand.

Mr. Seelig also suggested that the Committee closely monitor the new process (including obtaining feedback from developers) over the next 18 months. He also suggested that the VHFA underwriter, when presenting an application to the Board for tax credits, be prepared to report the progress of the applicant's request of other funders (CDBG, VHCB, VSHA, etc.)

With Ms. Owens' input, Ms. Carpenter suggested that the "elevator design standard" be changed to reflect the intent that a tenant not be required to walk up more than two flights of stairs.

Mr. Williams asked whether the design standards were consistent with other state Agencies' standards. In response, Mr. Seelig suggested that this be taken up after the public hearing. In the meantime, he suggested the following language for inclusion in the Plan: "Project design will be reviewed to assess both site and livability issues including, but not limited to, universal design and accessibility, pedestrian access, access to transportation, recreation, and community space amenities, appropriate unit size and configuration, and consistency with or appropriateness for surrounding neighborhood. Quality Design is a prerequisite for approval."

Ms. Carpenter reiterated the steps of the process for adoption of the new Plan. The next step will be to hold a public hearing with the Committee, prior to the February VHFA Board meeting. The Committee, in response to the public comments, will take action to recommend the Plan, with or without changes, to the VHFA Board. At the February Board meeting, the Board will be asked to approve the Plan and forward it to the Governor for approval.

Mr. Williams made a motion on behalf of the Committee to encourage staff to move forward, to include the proposed changes and hold a public hearing. Mr. Seelig seconded the motion which was unanimously approved.

Mr. Seelig suggested, since the role of the JCTC is to provide input and consistency with State housing policies, that the Executive Director of VHCB be made a permanent member of the Committee. Ms. Mullikin Drake indicated that this change was recommended in the memo to Ms. Susanne Young, Counsel to the Governor, and Ms. Tasha Wallis, Deputy Secretary, Agency of Administration.

Mr. Candon made a motion to recommend adding the Executive Director of VHCB as a permanent member of the Committee. Mr. Hall seconded the motion. The motion was approved by all except Mr. Seelig who abstained.

The joint VHFA Board and Committee meeting ended and the VHFA Board meeting continued.

MINUTES

Mr. Seelig made a motion to approve the December 18, 2003 Board of Commissioners' meeting minutes with Mr. Hall seconding the motion. All were in favor except Mr. Candon who abstained.

DEVELOPMENT

Winooski Falls Riverfront Downtown Project ("Winooski Project")

Winooski Project - Central Block

Ms. Mullikin Drake began the Winooski Project update with highlights of the Central Block. HallKeen has requested an increase in tax credits bringing the totals $2,180,445. HallKeen hopes to involve Community Development Trust, a private/public Real Estate Investment Trust of which Judd Levy is president, as a co-general partner. On December 16th, HallKeen submitted its revised proposal for the Central Block, which included both expected and stressed case scenarios. (The expected scenario uses rents which VHFA staff considers to be too aggressive. The stressed scenario uses rents which Mr. Erdelyi, with Mr. Steve Allen's input, believes to be more reasonable.) Mr. Erdelyi had hoped that HallKeen would decrease debt and rents. This would have required them to increase soft money in their revised proposal. Instead, HallKeen increased the number of units and their square footage. HallKeen is slowly and steadily working towards a more feasible project, but is not taking big steps like reducing debt load.

Mr. Erdelyi stated that, if HallKeen was seeking VHFA financing, he would not recommended the project. He believes there is a lot of risk on the financing side.

Much discussion ensued about the reasonableness of the market rents in the current proposal for and the viability of the Central Block. The proposal includes 258 units in the Central Block, of which 50% will be market rate. The proposed rents for the market rate units, and comparison to Woolen Mill rents are as follows:

Central Block			Woolen Mill	
No. Bdrms	Square Footage	Rent	No. Bdrms	Rent
1 (33)	732	$1,020	1	$1,100
2 (83)	1,031 – 1,437	$1,120 - $1,220	2	$1,280
3 (13)	1,325 – 1,585	$1,450 - $1,520	2 + loft	$1,530

Woolen Mill rents do not include utilities (electric heat). They do include membership to onsite fitness club and uncovered parking for one car. Central Block will include utilities and covered parking for one car.

Mr. Steve Allen, appraiser, believes the rents for the two-bedroom units is more reasonable than in the prior proposal. He still believes those for the one-bedroom and three-bedroom units to be high. Mr. Allen also conveyed to Mr. Erdelyi that there is a softening of the market that may affect the higher end market.

Ms. Canney asked what the results would be if there was a high vacancy rate among the market rate units. Ms. Carpenter explained that, if the project couldn't make its debt payments, it could go into default and the mortgagee would foreclose. (This would not impact VHFA if VHFA were not financing the project.) This project must pay real estate taxes to support the HUD 108 loan. And, real estate taxes have preference over debt – which is good for the State. Mr. Erdelyi added that if the mortgagee forecloses, the tax credit restrictions are foreclosed out and $2 million in tax credits could be lost; although, he added, the tax credits supersede all but primary debt. He further explained that the $20 million in debt is being provided by a private lender who is going to originate the loan and use HUD mortgage insurance. Mr. Erdelyi believes that HUD would do a workout before it sees the project foreclosed on – a positive result of such financing. HUD and the investors would have to step in, and Mr. Erdelyi believes that VHFA might be called to intervene in some way to prevent a foreclosure from happening.

Ms. Randall asked for clarification around the issue of approving tax credits for a project which might not be viable. Mr. Erdelyi explained that he underwrites tax credit projects differently than debt financed projects. He further explained that, at this point, his comfort level with the underwriting of this project as a tax credit project is borderline.

Mr. Candon asked whether the 221(d)(4) HUD Mortgage Insurance provided a guaranteed, no-lose situation for VHFA. Mr. Erdelyi replied that he has yet to fully research the parameters of the HUD Mortgage Insurance.

Mr. Erdelyi explained that the stressed case scenario does show positive cash flow; albeit very little. The annualized debt coverage ratio using the expected scenario is 1.11 and, using the stress scenario, 1.02. The annualized debt service is $1.69 million. The annualized cash flow for the expected and stressed case scenarios are $188,000/year and $33,000/year, respectively.

Mr. Candon left at 12:10 p.m. Ms. Pearce arrived at 12:10 p.m.

Ms. Randall asked when tax credit approval would be sought. Discussion followed. Ms. Randall explained that she would like to see more concise recommendations and a tax credit plan that would show the impact of allocating tax credits to this project on the available tax credits over the course of as many cycles as are affected. Ms. Carpenter also asked the Board if they'd like staff to show the impact of the concentration of tax credits on Chittenden County or Greater Burlington. Mr. Erdelyi explained that allocation to this project would not paralyze the program as, over a two year cycle, there would still be $1.47 million available to other projects.

Ms. Randall, having clarified that once the HUD 108 loan closes it is assumed that tax credits will be allocated, indicated that approval of tax credits should be entertained prior to the closing of the HUD 108 loan so that the decision is made independently and without pressure, with any appropriate conditions, or rejected. Ms. Carpenter indicated that this would mean a conceptual approval because all analyses would not be complete. Mr. Seelig mentioned that the Governor is committed to this project and that, if there are fundamental concerns, Ms. Canney and Ms. Randall should express these to the Governor; otherwise, it's a matter of managing risk. He believes we have passed the point of graceful exit. In its worst case, it is the for-profit owners and investors (with cash and assets) who will take the hit.

Ms. Carpenter emphasized that we have tried to underwrite the project so that it doesn't have to be fixed, or, if it must be fixed, it will be done so by the owner, investor, and HUD.

According to Mr. Seelig and Ms. Mullikin Drake, HallKeen will present to the VHCB Board next week. They haven't formally applied. The CDBG Board has approved the HUD 108 loan guaranty, but has not seen a formal application for CDBG funds yet either.

Mr. Seelig left at 12:40 p.m.

Winooski Project - West Block
Ms. Mullikin Drake next addressed the West Block Student Housing, in which VHFA is being asked to take a more significant role in financing.

This is one of the first projects that will go on line, in concert with the infrastructure and parking garage. It will consist of 100 units (housing 300 - 400 students). It is being structured as an independent 501(c)(3) student housing project, with Collegiate Housing Foundation in conjunction with UVM, creating a new as owner entity. Both Ambling Companies, a national development company with a lot of experience in this area, and HallKeen will be developers, and HallKeen will manage the completed project. Only this week has a development proforma and cash flow analysis been received, and it is still being reviewed. RBC Dain Rauscher is underwriting the bond. VHFA will serve as a conduit issuer and will not provide credit enhancement; therefore, the risk is not the Agency's.

Ms. Randall asked whether UVM has committed to the project. Ms. Mullikin Drake replied that the word is yes although nothing has been put in writing as yet. UVM will be the initial land lessee from Winooski and will lease to Collegiate Housing Foundation. Once the bonds are paid, UVM will own the housing. She further clarified that VHFA will not issue bonds until UVM has formally signed on, which she expects no later than before the State commits to the HUD 108 loan. VHFA would need to issue the bond in April. More research is needed to understand the bond issuance structure to which the Board may be asked to commit as early as next month.

Pizzagalli will be doing the West Block construction as well as the VSAC building and the parking garage.

Winooski Project – Status of Development
Ms. Mullkin Drake explained that the Development and Disposition Agreement ("DDA") is nearly finalized. The DDA is the commitment between HallKeen and the City of Winooski regarding all of the developments HallKeen is undertaking (Central Block, West Block, the Condominiums and the Champlain Mill).

Concurrently, the Protocol Agreement is being developed. This is the agreement between the State and the City of Winooski which spells out the conditions and obligations of the City with respect to the State's guarantee of the HUD 108 loan. Another agreement, the Trust Agreement, addresses the actual disbursements of the HUD 108 money.

HUD approval is taking longer than anticipated. Once it hits the Assistant Secretary's desk, which it has not yet, it could take another one to two weeks after that.

Bridge financing for a portion of the HUD 108 loan is being considered in order to give the required 90-day notice to property owners in the development area who will need to relocate by April 1st. However, no commitment will be made until HUD approval is received.

VTrans is reviewing plans and specifications for the whole infrastructure project. The completion of their review will determine when that project can be put out to bid. Once bids are received, the viability of the budget can be confirmed. The process appears to be going well.

Winooski Project – ACCD/VHFA Agreement
Ms. Mullikin Drake explained that she and Ms. Celia Daly, General Counsel at DHCA, are close to finalizing the Agreement between ACCD and VHFA. It will not reference indemnification for VHFA as both agencies are state insured agencies. It is anticipated that the Agreement will be signed in the next week.

VHFA will be compensated by ACCD with 1.5% of the $22 million HUD 108 loan which amounts to $330,000. A portion will cover ACCD's costs and contract for legal services being done by Dinse, Knapp & McAndrew, P.C. The remainder will cover costs through the HUD 108 loan term. It is expected that $175,000 will be spent during the buildout period, including payment to Dave Anderson. Following the buildout period, an annual review is anticipated to ensure that the City is properly assessing and collecting the tax and making the debt service payment on the HUD 108 loan.

Ms. Carpenter added that compensation for allocation and monitoring of tax credits to the Central Block is separate.

Winooski Project – VHFA's Work
Ms. Mullikin Drake explained that VHFA's critical product has been the advice we have provided ACCD under the Guaranty Conditions, which outlines the risks associated with each development, and conditions that would mitigate these. It is close to its final form; the recently submitted revised Central Block proposal needs to be incorporated. She further noted that the City of Winooski already knows the information contained therein.

Ms. Mullikin Drake explained that much of the first phase of work being done by Capital Ideas, Inc. ("CII") is complete. VHFA is preparing to begin phase II with CII in which CII will analyze new information obtained between now and the closing of the HUD 108 loan. Ms. Carpenter added that $30,000 had been budgeted to cover the work being done by consultants including CII. She also acknowledged the enormous amount of work being done by Mr. Erdelyi and Ms. Mullikin Drake. Ms. Mullikin Drake further explained that, after the HUD 108 loan closes, Dave Anderson will be brought on board to do construction inspection and oversight. Dave Anderson will be compensated from the proceeds received by VHFA from ACCD. (See above.)

Ms. Canney left at 1:00 p.m.

STRATEGIC PLANNING
Ms. Loller distributed the handout listing the history of Strategic Planning at VHFA during Ms. Carpenter's tenure. Ms. Carpenter added that the Winooski Project is not in the current Strategic Plan, updated in January 2004 (and distributed by e-mail. Distribution of notebooks containing the Strategic Plan was postponed due to lack of time.)

FINANCE
Mr. Schoenbeck explained that the process for issuing the next single family bond has begun, as the Agency has less than $5 million in available funds.

A portion of the bond issuance being considered, an Auction Rate Certificate ("ARC"), would replace the variable rate demand obligations issued last year (Series 17). It is the same type of product, and will incorporate a SWAP to alleviate VHFA's risk. The primary difference is that the Series 17 bonds required a liquidity facility to enable bondholders to return the bonds and be reimbursed for them. VHFA had such a liquidity facility for Series 17 with Federal Home Loan Bank. However, this option is no longer available, necessitating the consideration of the ARC, which holds no more risk than the variable rate demand obligation used for Series 17.

Mr. Schoenbeck relayed that Mr. Al Hans has suggested that VHFA subsidize the next bond issue by contributing 3% from its General Fund ($900,000 on a $30 million bond deal) to help subsidize the bond issue as follows:

1. 1.00% will offset negative arbitrage (investing of bond money at a loss until we buy mortgages);
2. 1.25% will offset the points we pay to lenders for originating no-point mortgages; and
3. 0.75% will offset purchasing the servicing of many of our loans.

Currently, bonds are about 5 basis points more expensive than the last time VHFA issued bonds. A no-point mortgage rate, at full spread, would be 5.92%. VHFA is currently offering a no-point rate of 5.55%. Mr. Hans suggests that VHFA increase this rate to at least 5.60% to make up for the more expensive bond rate. VHFA will actually price the bonds on February 23rd, after the next Board meeting.

OTHER

The February 2004 meeting will be extended to 2:00 p.m.

Ms. Carpenter announced that the technical changes to the State Housing Tax Credit, a free standing bill, passed the house today.

VHFA has volunteered to work with the Tax Department to certify rent-restricted housing for purposes of Act 68.

ADJOURNMENT

Mr. Hall made a motion to adjourn the meeting. Ms. Pearce seconded the motion and the Board unanimously approved to adjourn the meeting at 1:15 p.m.

vhfa

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Dave Adams, Chief of Program Operations

DATE: February 10, 2004

RE: **Request for Board Approval – Round Barn Apartments, Grand Isle**
$488,000 Tax Exempt -Permanent Financing (Not a tax credit transaction)

Project Location: 29 Faywood Road, Grand Isle

Project Description: Twenty-four unit, Section 8 elderly housing project. (22 one-bedroom units and 2 two-bedroom units) The project consists of a barn that was renovated into 16 residential apartments in 1981, and second building constructed at the same time with an additional 8 units. The project also includes carport parking for 13 vehicles, and a 49' by 50' storage barn. All are reported in fair to average condition.

Project Sponsor: Lake Champlain Housing Development Corporation (LCHDC)

Project Owners: Round Barn Housing Corporation (RBHC). A to be formed non-profit corporation with 2/3rds of the board appointed by LCHDC. The remaining 1/3rd will be tenant- board members.

Property Management: Lake Champlain Housing Ventures, Inc.

Sellers: Round Barn Homestead Associates, St. Albans – Richard Carr, President

Transaction Details: The property went through HUD's Mark-to-Market (M2M) restructuring in February 2003. Under the restructuring agreement, a new 20-year HAP contract was awarded with rents adjusted to current market levels. An existing HUD mortgage with a balance of $676K was redefined as "subordinate" to any other future financing. The HUD note rate was reduced to 1% with payments due only from surplus cash if available. All 24 units are covered under the HAP contract. Units must be occupied by households at or below 50% of median income. The current owners are subject to a 30-year Use Agreement. HUD will require the new nonprofit owner to sign a 50-year Use Agreement as part of this transaction.

As part of the M2M program, there are provisions for an independent, tenant-endorsed, qualified nonprofit to purchase the property. Round Barn Housing Corporation will need to be approved by HUD as the new project owner. Additionally, HUD will assign their existing note to an approved independent third party along with all rights associated therewith (including the rights to any loan repayments that may be made). It is expected that HUD will transfer this note to LCHDC. VHFA will impose restrictions on payments due under this note subject to annual budget reviews to insure long-term financial viability of the project.

Sources of Funds			**Uses of Funds**	
VHFA First Mortgage	$488,000		Acquisition	$857,230
HUD 2nd Mortgage	$676,487		Rehab Hard Costs	$258,666
REEP Grant	$ 30,000		Soft Costs	$163,965
Existing Replacement Reserves	$ 73,874			
Existing Working Cap (est.)	$11,500			
Total	$1,279,861		Total Uses	$1,279,861

Rehab work planned: $258,666 includes; conversion of electric storage heat, windows and site/drainage work. A CNA has been requested. We will require that any major work identified by the CNA either be completed as part of this acquisition or adequately funded from replacement reserves.

Appraisal: Keller, O'Brien and Kaffenberger dated January 6th, 2004. Appraised at $740,000, not reflecting restrictions on cash flows imposed by the HUD Regulatory Agreement.

Loan-to-Value (LTV): VHFA debt at $488,000 is 66% of the appraised value. Since the HUD note is being transferred to LCHDC and since repayment of this note during the term of our loan is contingent on project performance and only from surplus cash if available, we are not including this debt in LTV calculation.

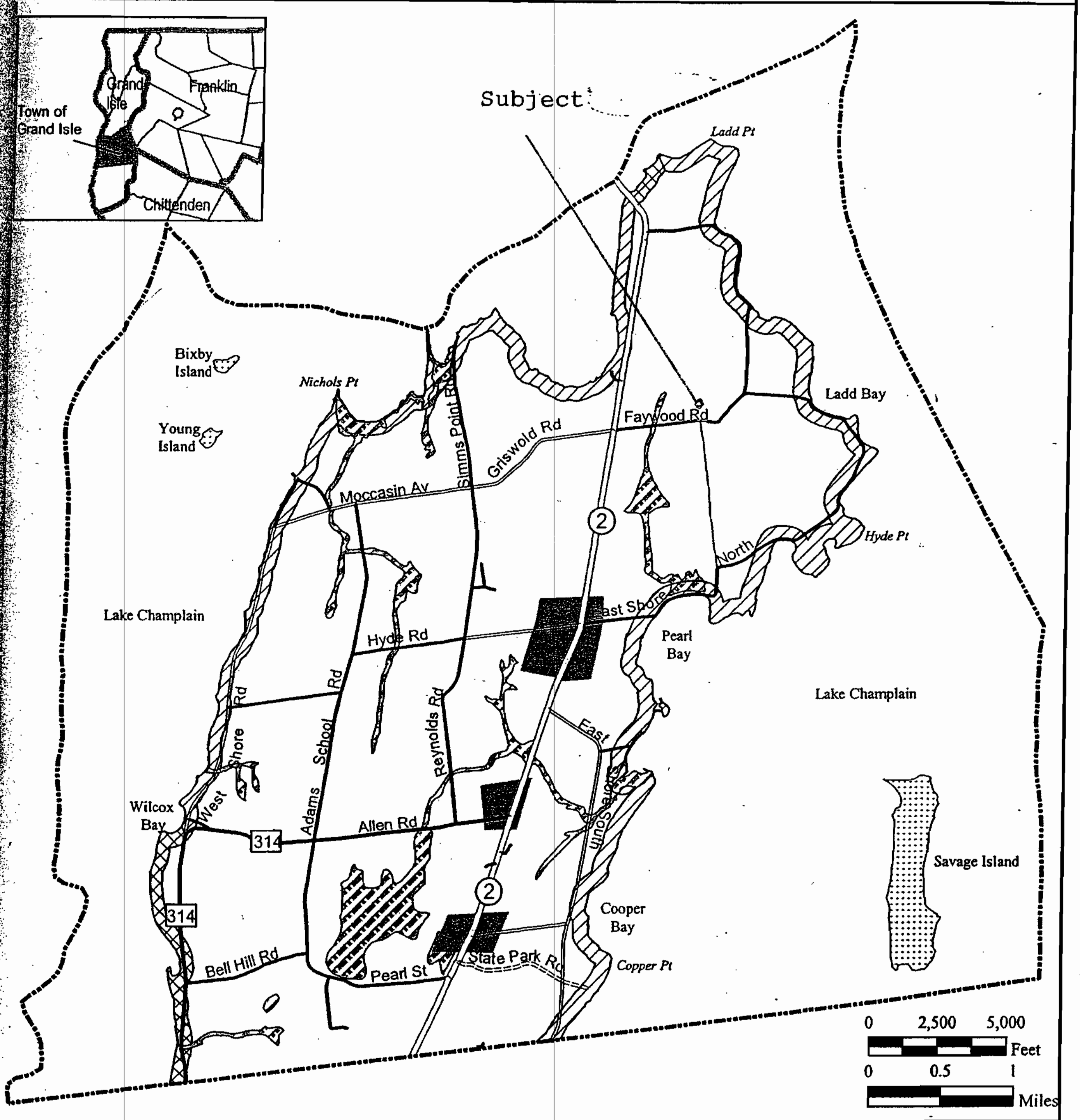
Debt Coverage Ratios (DCR): DCR in year one appears high at 145% since it does not reflect payments on the HUD second mortgage. Actual cash flows however are marginal (estimated to be $16,900 in the first year) and are not adequate to support repayment of the HUD note. Trending of expenses at a higher rate than income causes operating losses in later years. Deferring all or a significant portion of any payments on the HUD note is necessary for long-term financial viability.

Replacement reserves: We are requiring replacement reserves to be funded at $500/unit/year. This is somewhat higher than typical ($400/unit/year) due to the age of the project. This amount is subject to receipt and review of a Capital Needs Assessment.

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

Town of Grand Isle

Existing Zoning



DATA SOURCES

LITICAL BOUNDARIES: 1:24,000 USGS adranges, VCGI, 1991.

IADS: 1:5,000 Digital Road Centerline Project, OT, 1991-1994. Updates by Northwest gional Planning Commission, 1998-2000.

FICIAL ZONING MAP located at the vn Clerks Office.

DOD PLAINS: FEMA Flood Insurance Rate ps,Northwest Regional Planning Commission, 08-2002.

RTH ARROW refers to Grid North

SOLUTE SCALE: 1:60,000

Legend

Roads

- Class 2 Town Highway
- Class 3 Town Highway
- Class 4 Town Highway
- State Forest Highway
- State Highway
- Federal Highway
- Town Boundary

Zoning

- Shoreline Residential
- Shoreline Commercial Residential
- Small Off-Shore Islands
- Village/ Commercial
- Agricultural and Rural Residential
- Flood Plains

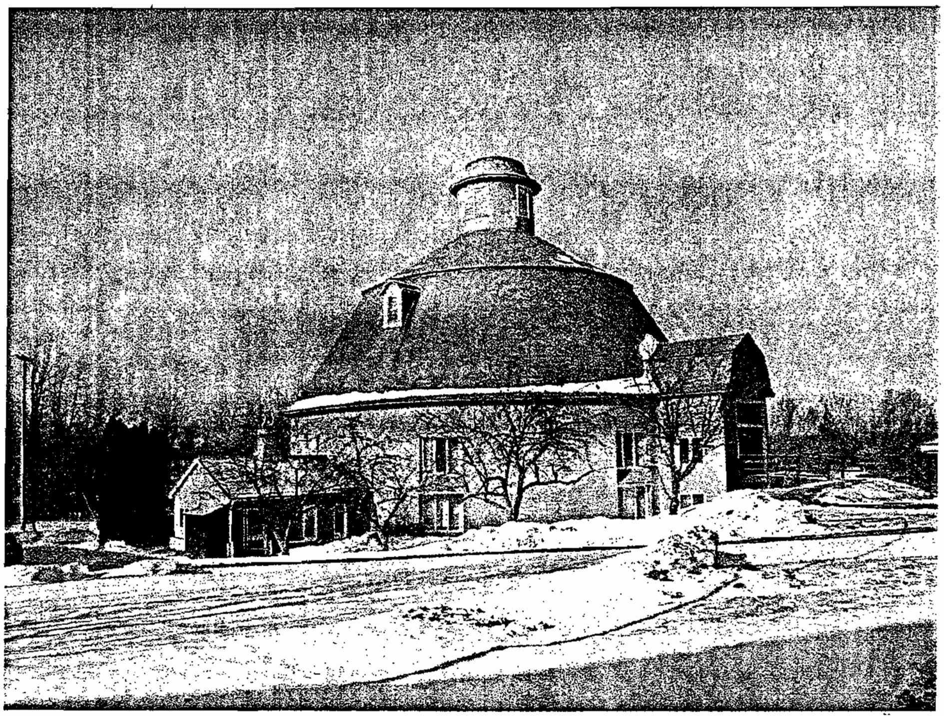
Vermont Coordinate System
Transverse Mecator, NAD 83.

For planning purposes only.

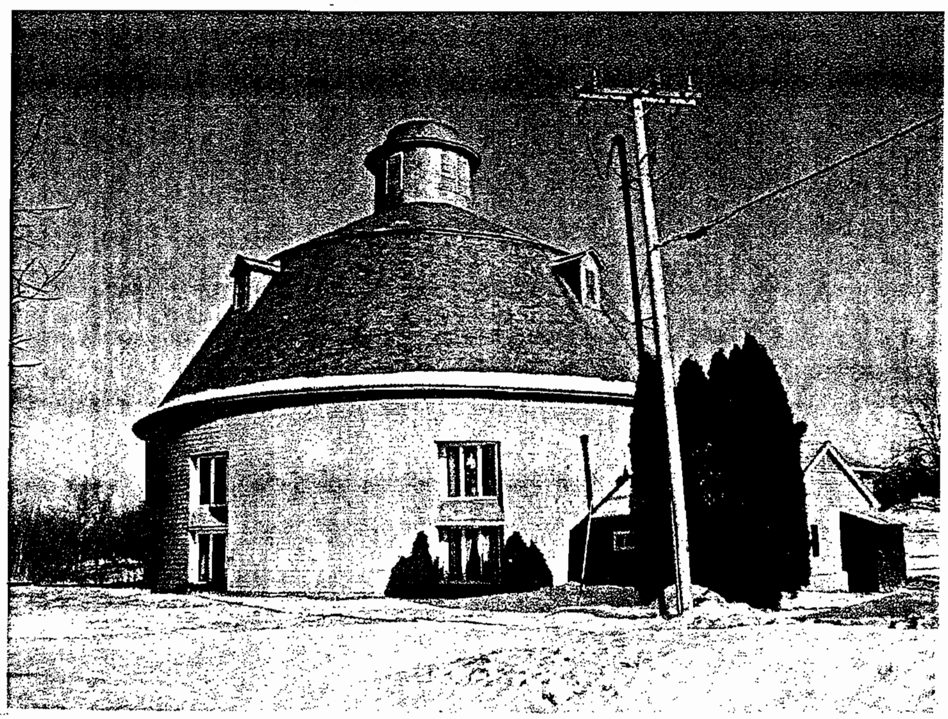
Prepared by:
Northwest Regional Planning Commission
7 Lake Street, Suite 201
St. Albans, VT 05478
802.524.5958
nrpcvt@nrpcvt.com

May 2002

SUBJECT PROPERTY PHOTOGRAPHS

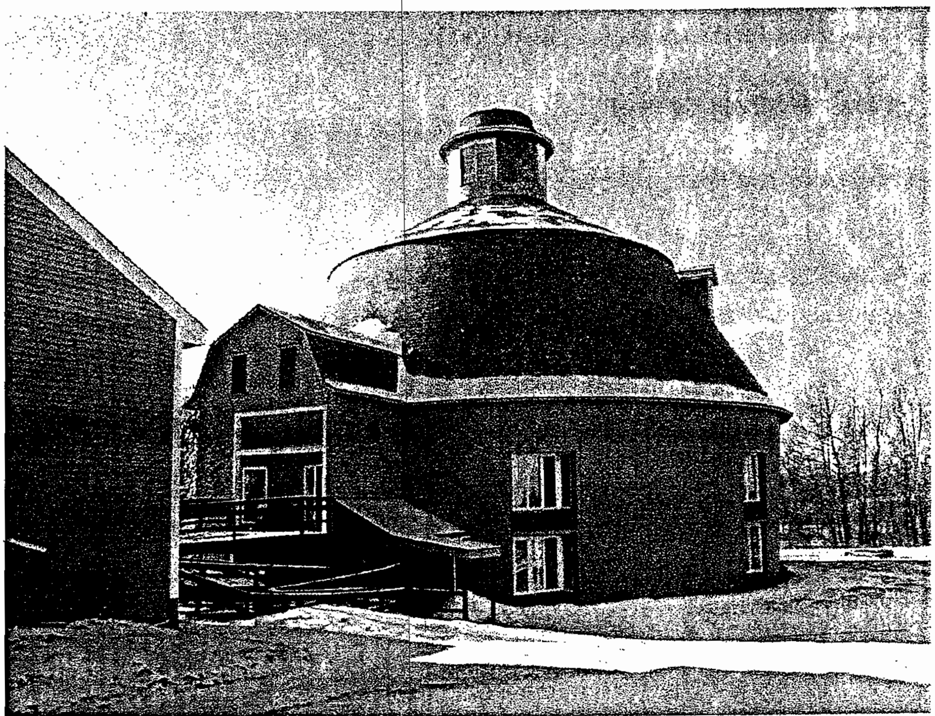


Date Taken:	January 6, 2004
By:	Kurt J. Kaffenberger
Identification:	Front of improvement A



Date Taken:	January 6, 2004
By:	Kurt J. Kaffenberger
Identification:	Front and west side of Improvement A

SUBJECT PROPERTY PHOTOGRAPHS



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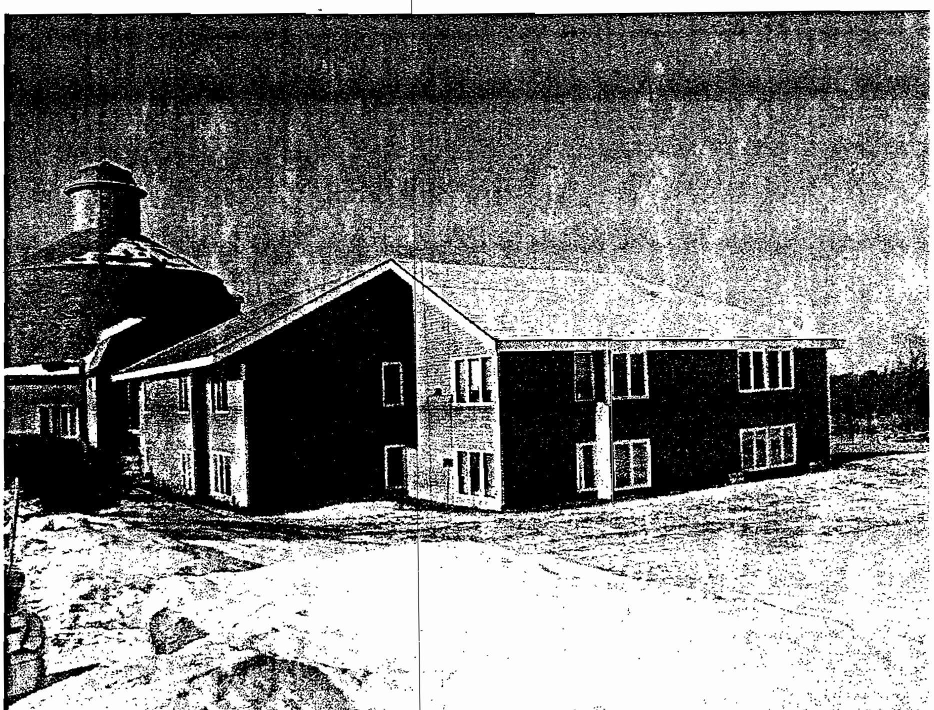
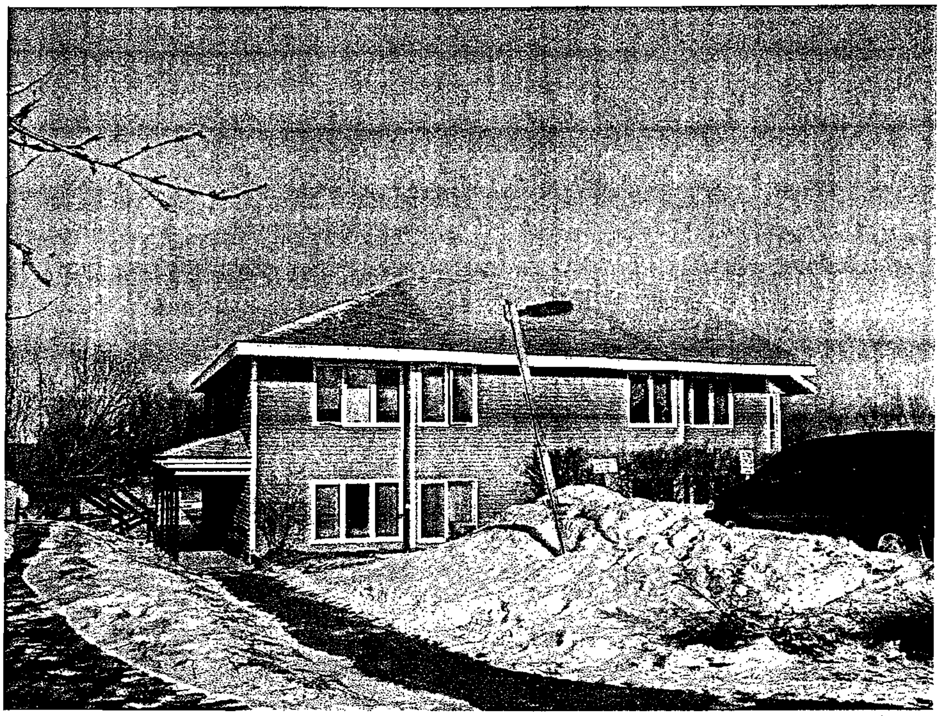
By: Kurt J. Kaffenberger
Identification: Rear and east side of Improvement A



Date Taken: January 6, 2004
By: Kurt J. Kaffenberger
Identification: Front and east side of Improvement B

SUBJECT PROPERTY PHOTOGRAPHS

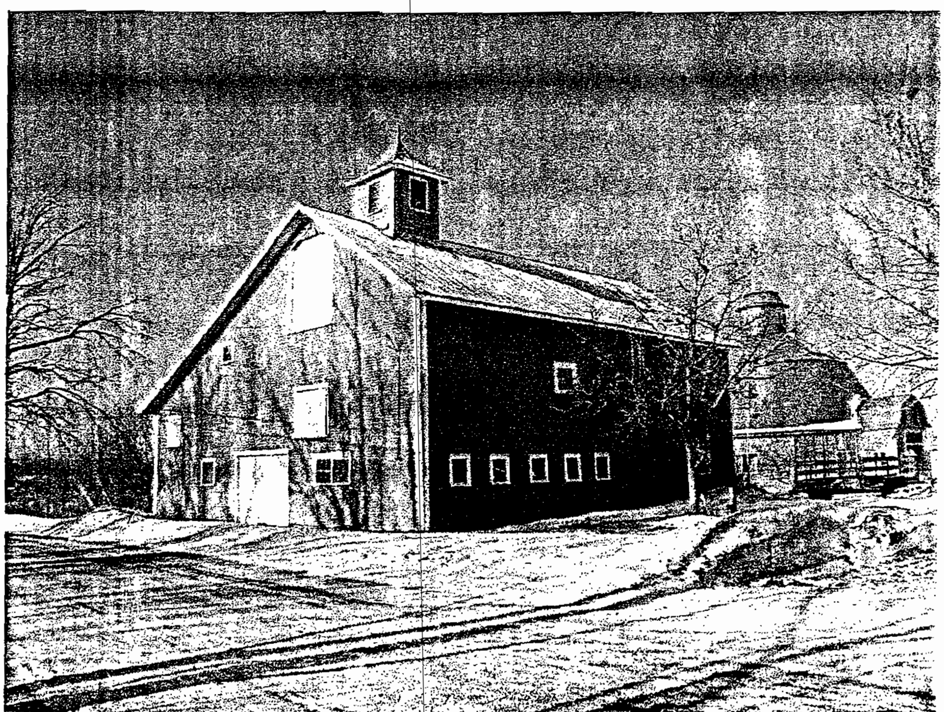


Date Taken: January 6, 2004
By: Kurt J. Kaffenberger
Identification: Front and west side of Improvement B

Date Taken: January 6, 2004
By: Kurt J. Kaffenberger
Identification: Rear and east side of Improvement B

SUBJECT PROPERTY PHOTOGRAPHS

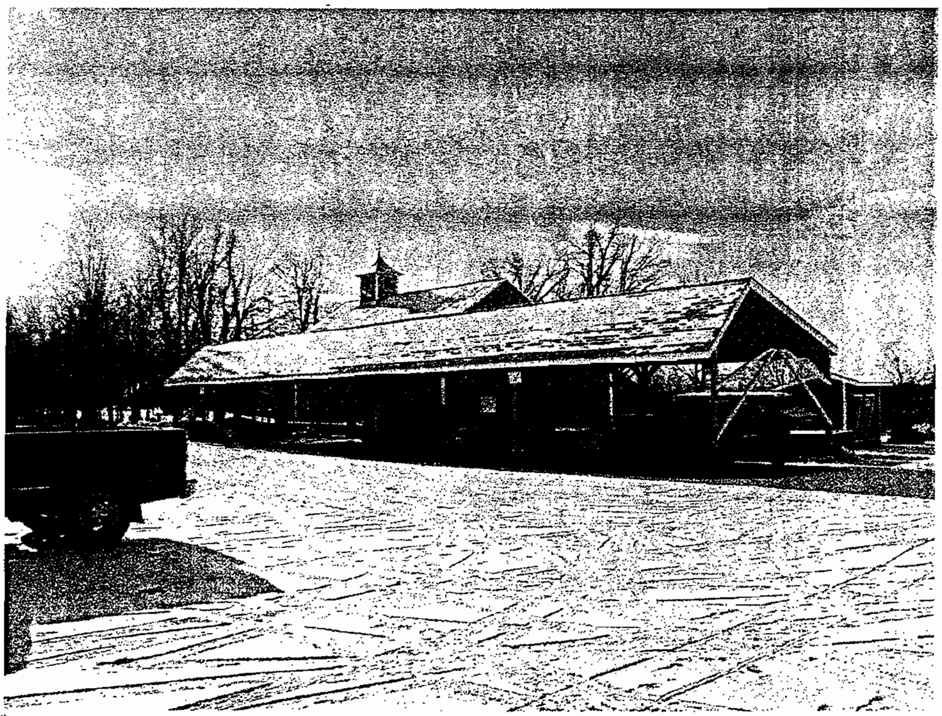
Date Taken: January 6, 2004
By: Kurt J. Kaffenberger
Identification: Rear and west side of Improvement B



Date Taken: January 6, 2004
By: Kurt J. Kaffenberger
Identification: Storage barn

SUBJECT PROPERTY PHOTOGRAPHS

Date Taken: January 6, 2004
By: Kurt J. Kaffenberger
Identification: Carport



Date Taken: January 6, 2004
By: Kurt J. Kaffenberger
Identification: Carport

RESOLUTION RE: PERMANENT FINANCING FOR ROUND BARN APARTMENTS, GRAND ISLE

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

WHEREAS, an application has been submitted to the Agency by Lake Champlain Housing Development Corporation (the "Sponsor") on behalf of a to-be-formed nonprofit corporation which will include board members of the Sponsor and the tenants (the "Borrower") involving the permanent financing of twenty-four (24) units of senior housing in the Town of Grand Isle (the "Development"); and

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

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

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Dave Adams dated February 10, 2004, containing information and recommendations about the Development (the "Memorandum");

THEREFORE, it is hereby DETERMINED:

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

2. The acquisition and rehabilitation costs to be incurred by the Sponsor and the Borrower are for housing development costs within the meaning of the Act.

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

4. The Sponsor and the Borrower undertaking the Development will increase the supply of well-planned, well-designed permanent, temporary, transitional or emergency housing for persons and families of low and moderate income.

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

6. The Sponsor is financially responsible and is a qualified housing sponsor within the meaning of the Act. The Borrower will be required to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a new mortgage loan to the Borrower for the permanent financing of the Development based on the recommendations in the attached Memorandum. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the Sponsor in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

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

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

vhfa

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Dave Adams, Chief of Program Operations

DATE: February 10, 2004

RE: **Request for Board Approval – Mad River Meadows, Waitsfield**

$350,000 Tax Exempt -Permanent Financing - 8 year term
$700,000 Tax Exempt -Permanent Financing - 30 year term
$ 90,000 Zero Percent - Deferred

Project Location: 144 Butcher House Road, Waitsfield (Irasville), Vermont

Project Description: Consist of 8 buildings in total. Two buildings are single-story and contain 6 elderly units (12 in total) and the remaining 6 buildings are townhouse style with two family units per building (12) in total. The project has on-site laundry facilities and a community room.

Project Sponsor: Central Vermont Community Land Trust (CVCLT)

Property Management: Technical Planning & Management, Waitsfield, VT

Sellers: Valley Housing Associates, a Vermont Limited Partnership, Kevin Sargis

Transaction Details: CVCLT plans to acquire the property for a purchase price of $1,080,000. Rehab hard cost totaling $532,237 will include: conversion of electric storage heat to oil fired hot water ($250,000 est.), replacement of windows and doors ($152,000), replacement of kitchen counter tops, cabinets and plumbing fixtures ($76,500). CVCLT will form a limited partnership generating tax credit equity estimated at $505,000. (See Spreadsheets attached.)

Appraisal: Approval will be conditioned upon receipt of an appraisal report sufficient to support the purchase price. Allen & Brooks provided an appraisal at $1,000,000 as of December 9th, 2003, excluding consideration for the effect of restrictions on cash distributions. A second appraisal from Richard Navin is pending in light of a difference in opinion on the capitalization rate and per unit per month operating assumptions used in the Allen & Brooks report. The seller has stated that he is unlikely to offer any significant reduction in price.

Loan-to-Value: If the property appraises at $1,080,000, VHFA will be financing roughly 97% of the acquisition cost, and 54% of total development costs ($1,915,204). Total Development Cost per Unit is $80,400.

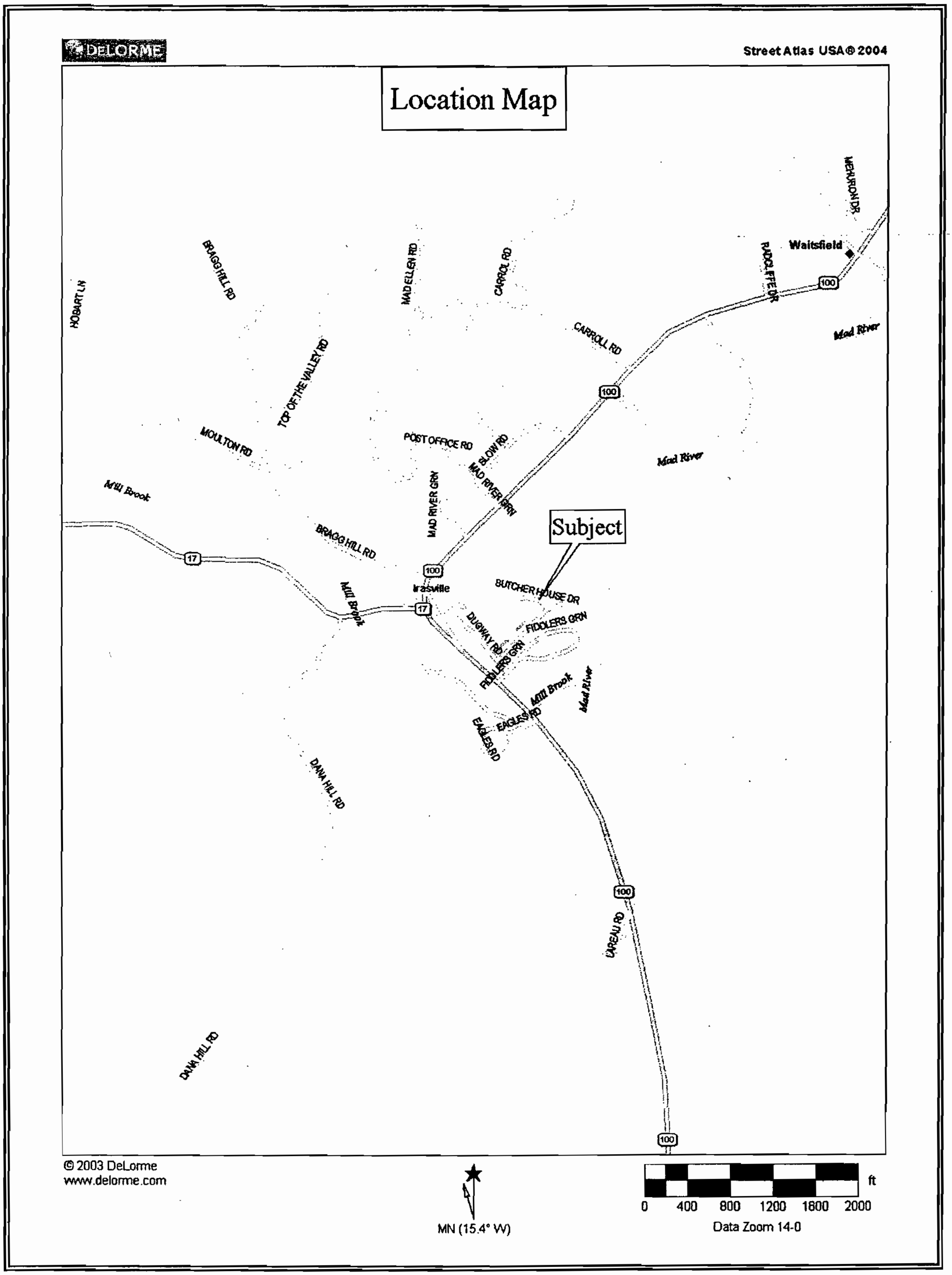
mailing address P.O. Box 408, Burlington, VT 05402-0408 delivery address 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 fax (802) 864-5746 www.vhfa.org

Debt Coverage Ratios (DCR): DCR in the first year is estimated at 136% and stays positive during the term of the current HAP contract (expires in March 2012). Current HAP rents are above market rents. You will note we are requesting a shorter-term loan of $350,000 that will amortize to zero coterminous with the HAP contract. We anticipate rents will be reduced to trended fair market rents in 2012. The longer-term VHFA loan of $700,00 has been sized to reflect the reduction in rents for the remaining term of the loan.

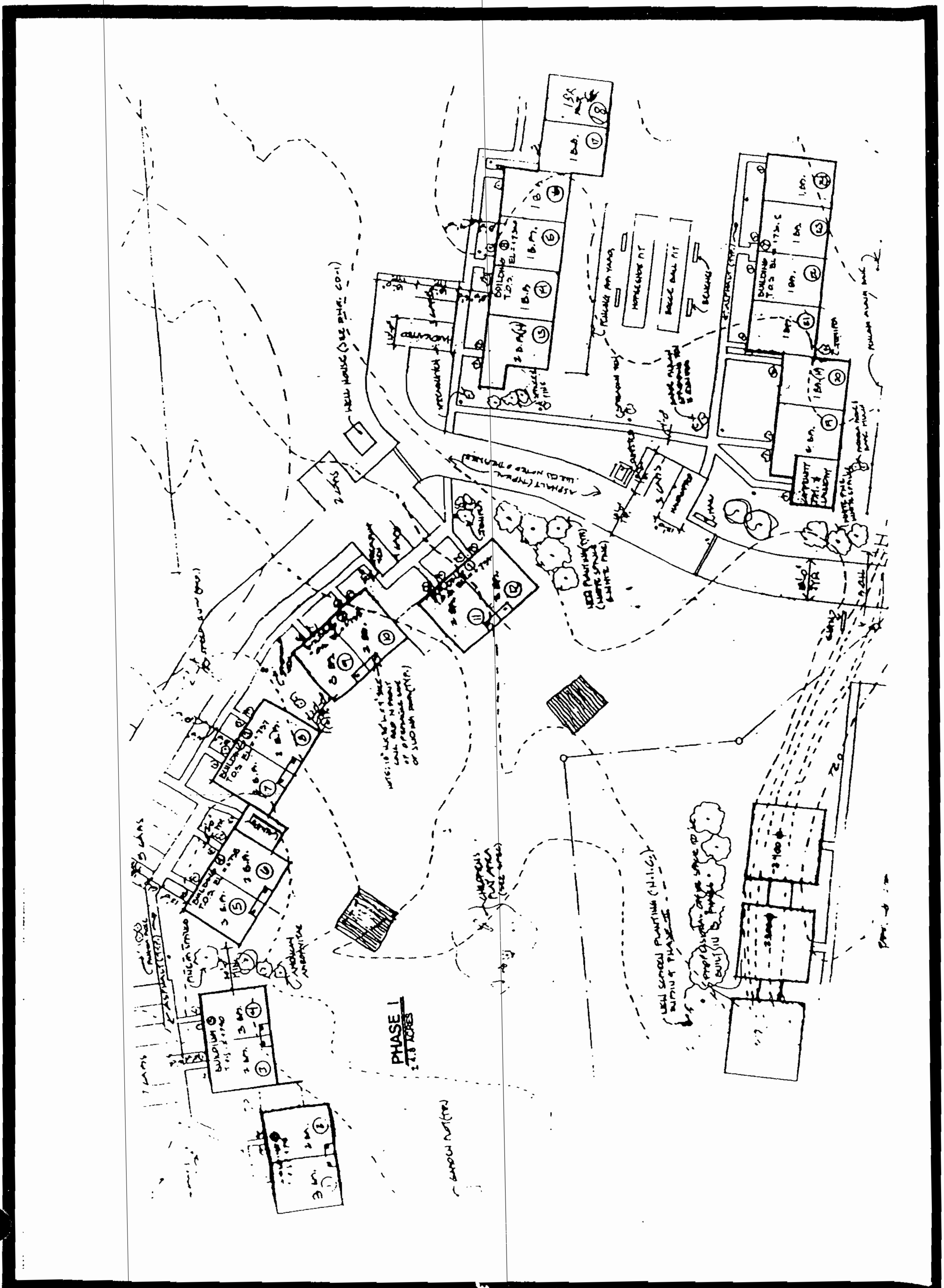
Recommendations: Staff recommend that the VHFA Board of Commissioners pass the attached resolution and make the required findings as outlined in the second section of the resolution ("It is hereby determined:"), and that the Board authorize the Executive Director to issue a Letter of Interest and/or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

THE SUBJECT PROPERTY

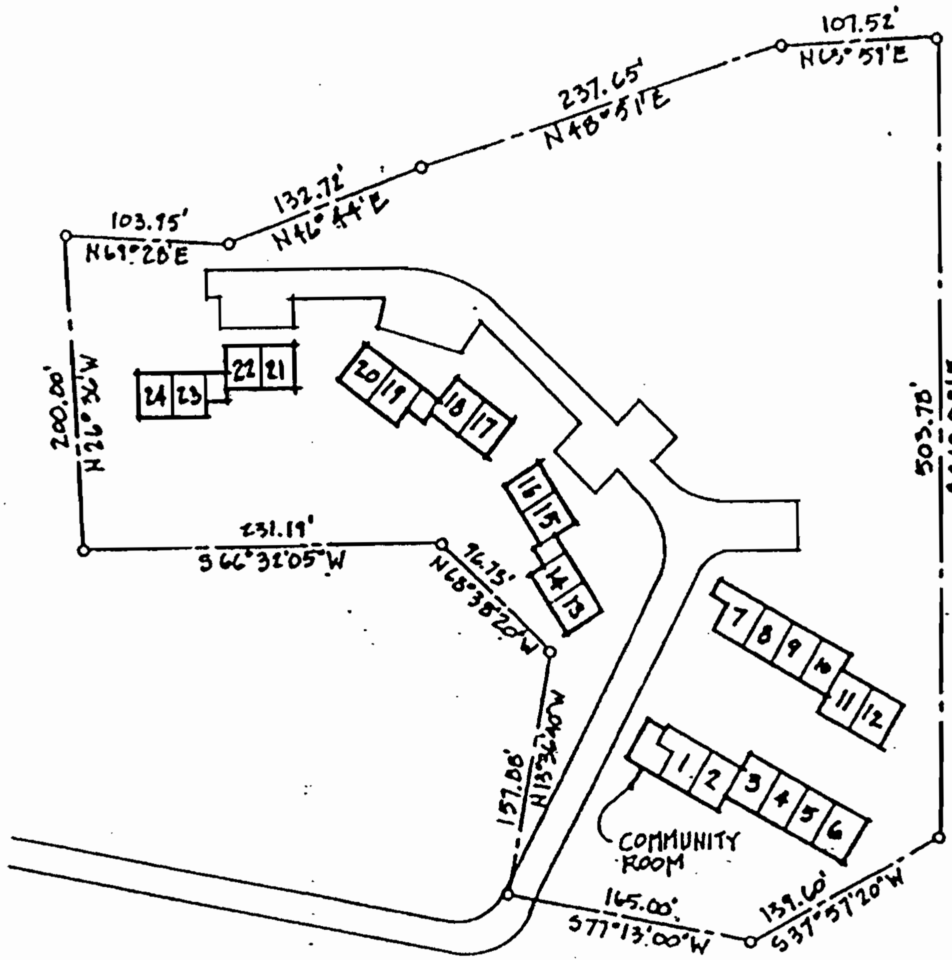
Property Owner	Valley Housing Associates
Location	144 Butcher House Drive Waitsfield, Vermont
Appraisal Date	December 9, 2003


DELORME
Street Atlas USA® 2004
Location Map
Subject
Waitsfield
Irasville
BUTCHER HOUSE DR
FIDDLERS GRN
DUGWAY RD
MAD RIVER GRN
POST OFFICE RD
BLOW RD
BRAGG HILL RD
MOULTON RD
TOP OF THE VALLEY RD
MAD ELLEN RD
CARROL RD
CARROLL RD
RADCLIFFE DR
MEHURON DR
HOBART LN
Mill Brook
Mad River
EAGLES RD
DANA HILL RD
CAREAU RD
100
17
© 2003 DeLorme
www.delorme.com
MN (15.4° W)
0 400 800 1200 1600 2000 ft
Data Zoom 14-0

Site Plan



Property Sketch



06-Feb-04 **Mad River Meadows - Waitsfield**

				During HAP	Post HAP
Total Residential Units:	24	Increase in Income from Rental Units:		0.00%	1.50%
Housing Credit Restricted Units:	24	Increase in Income from Other Sources:		0.00%	0.00%
Percent Restricted:	100.00%	Increase in Income from Commercial:		0.00%	0.00%
Total Development Cost:	1,928,705	Expense increase:		1.50%	3.00%
Total Development Cost per Unit:	80,363	Vacancy Rate:		1.5%	5.0%
Total Development Cost Per SF:	102	Partner's Tax Rate:		35%	
		Long Depreciation Schedule:		27.5	
Max Credit Potential:	65,234	Short Depreciation Schedule:		7	
Credit Amount Allocated:	64,000	Sponsor's Estimated Yield:		79.00%	

ASSUMPTIONS

LIHTC - 9%	n/a	
LIHTC - 4%	3.42%	(January 2004)

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term
VHFA Mortgage Perm I	350,000	18.27%	6.50%	8	8
VHFA Mortgage Perm II	700,000	36.55%	6.75%	30	30
VHFA 0% loan	90,000	4.70%	0%	0	deferred
VHCB Fesasibility	10,000	0.52%	0%	0	grant
VHCB (Not Yet Committed)	175,000	9.14%	0%	0	deferred
REEP (Increase to $35K pending)	46,800	2.44%	0	0	deferred
Existing Replacement Reserves	25,404	1.33%	N/A	N/A	N/A
Other - residual receipts	3,000	0.16%	N/A	N/A	N/A
CVCLT Defered Dev Fees	10,000	0.52%	5%	15	15
Tax Credit Equity LP	505,000	26.37%	N/A	N/A	N/A
	1,915,204	100.00%			

USES

Acquisition	1,095,800	56.82%
Construction Hard Costs	532,337	27.60%
Soft Costs	300,568	15.58%
TOTAL USES	1,928,705	100.00%
Gap	13,501	

DCR YR 1	136%
DCR at HAP Exp Date	119%

General Partner's Capital Contribution	5,056	1.0%	
Limited Partner's Capital Contribution	500,544	99.0%	499,950
Total Equity	505,600		

APPLICABLE FRACTION CALCULATION

Tax Credit Restricted Units	24
Total Units	24
Unit Fraction	100%
Tax Credit Square Footage	18,850
Total Residential Square Footage	18,850
Square Footage Fraction	100%
Applicable Fraction	100%

06-Feb-04 **Mad River Meadows - Waitsfield** SOURCES & USES

Total Project

	Budget	VHFA T Exe Loans	VHFA Zeros	VHCB	REEP	Tax Cred Eq	Exist Reserve	CVCLT Def Dev Fee	Equity Bridge Loan	Totals
ACQUISITION		**1,050,000**	**90,000**	**185,000**	**46,800**	**505,000**	**28,404**	**10,000**		**1,915,204**
Acquisition Land	126,000	75,800								**75,800**
Acquisition - Buildings	954,000	973,200	31,000							**1,004,2[illegible]**
Property Transfer Tax	5,400			5,400						**5,400**
Property Appraisal	4,500			2,000		2,500				**4,500**
Legal - Title and Recording	5,900	1,000	2,345			2,555				**5,900**
Subtotal - Acquisition	1,095,800									**0**
CONSTRUCTION HARD COSTS										0
Rehabilitation	426,670		38,405	140,695	46,800	205,722				**431,622**
Sitework	16,000					16,000				**16,000**
Genderal Conditions										**0**
Construction Contingency @ 10%	42,667					42,667				**42,667**
Construction Management @ 10%	42,000					42,000				**42,000**
										0
Furnishings, Fixtures, & Equipment	5,000					5,000				**5,000**
Other (________________)										**0**
Subtotal - Hard Costs	532,337									**0**
SOFT COSTS										0
Architectural	0									**0**
Engineering										**0**
Legal Transaction	10,000			5,000		5,000				**10,000**
Relocation										**0**
Environmental Assessment										**0**
Energy Assessment										**0**
Permits/Fees	2,475					2,475				**2,475**
Independent Market Study										**0**
Construction Period Insurance										**0**
Construction Interest	12,625					12,625				**12,625**
Construction Loan Origination Fee	7,575									**0**
Taxes During Construction										**0**
Equity Bridge Interest	17,000					17,000				**17,000**
Marketing										**0**
Tax Credit Fees (s/b $2810)	2,730			2,730						**2,73[illegible]**
Soft Cost Contingency	2,484					2,484				**2,484**
Permanent Loan Origination Fee	15,750		15,750							**15,750**
Lender's Counsel's Fee	3,500		2,500							**2,500**
Capital Needs Assessment	2,675			2,675						**2,675**
										0
										0
SYNDICATION COSTS										0
Organizational (Partnership)	1,500					1,500				**1,500**
Cost Certification	3,850					3,850				**3,850**
Syndication Consultant	7,000					7,000				**7,000**
Tax Opinion	3,500					3,500				**3,500**
DEVELOPER'S FEES										0
Developer's Fees	120,000					110,000		10,000		**120,000**
VCDP Admin Fee (Town 2K, Dev 2K	0									**0**
Consultant Fees	39,000			19,500		19,500				**39,000**
RESERVES										0
Working Capital (Operating Acct)	20,500			7,000		3,000				**10,000**
Replacement Reserves	28,404						28,404			**28,404**
Subtotal - Soft Costs	**300,568**									0
TOTAL DEVELOPMENT COSTS	**1,928,705**	**1,050,000**	**90,000**	**185,000**	**46,800**	**504,378**	**28,404**	**10,000**	**0**	**1,914,582**

Mad River Meadows - Waitsfield **06-Feb-04** **CREDIT CALCULATIONS**

	Budget	Acquisition Basis	Construction Basis	Residential Depreciation
Acquisition				
Acquisition Land	126,000			
Acquisition - Buildings	954,000	954,000		954,000
Property Transfer Tax	5,400	0		0
Property Appraisal	4,500	4,500		4,500
Legal - Title and Recording	5,900	5,900		5,900
Subtotal - Acquisition	1,095,800			0
CONSTRUCTION HARD COSTS				0
Rehabilitation	426,670		426,670	426,670
Sitework	16,000		16,000	16,000
Genderal Conditions	0		0	0
Construction Contingency @ 10%	42,667		42,667	42,667
Construction Management @ 10%	42,000		42,000	42,000
0	0		0	0
Furnishings, Fixtures, & Equipment	5,000		5,000	5,000
Other ( )	0		0	0
Subtotal - Hard Costs	532,337			0
SOFT COSTS				0
Architectural	0		0	0
Engineering	0		0	0
Legal Transaction	10,000		10,000	10,000
Relocation	0		0	0
Environmental Assessment	0		0	0
Energy Assessment	0		0	0
Permits/Fees	2,475		2,475	2,475
Independent Market Study	0		0	0
Construction Period Insurance	0		0	0
Construction Interest	12,625		12,625	12,625
Construction Loan Origination Fee	7,575		7,575	7,575
Taxes During Construction	0		0	0
Equity Bridge Interest	17,000			0
Marketing	0			0
Tax Credit Fees (s/b $2810)	2,730		2,730	2,730
Soft Cost Contingency	2,484		2,484	2,484
Permanent Loan Origination Fee	15,750			0
Lender's Counsel's Fee	3,500		3,500	3,500
Capital Needs Assessment	2,675		2,675	2,675
SYNDICATION COSTS				
Organizational (Partnership)	1,500			0
Cost Certification	3,850			0
Syndication Consultant	7,000			0
Tax Opinion	3,500			0
DEVELOPER'S FEES				0
Developer's Fees	120,000		120,000	120,000
VCDP Admin Fee (Town 2K, Dev 2K)	0		0	0
Consultant Fees	39,000		39,000	39,000
RESERVES				0
Working Capital (Operating Acct)	20,500			0
Replacement Reserves	28,404			
Subtotal - Soft Costs	300,568			
TOTAL DEVELOPMENT COSTS	1,928,705	964,400	735,401	1,694,801
Amount of Non-qualified Financing (VHCB Grant)			10,000	
Adjustment for per unit cost limits	0%			
Historic tax Credit (Residential Portion)			0	
Total Eligible Basis		964,400	725,401	
Adjusted for QCT/DDA	130.0%		943,021	
Applicable Fraction	100.00%	964,400	943,021	
Total Qualified Basis		964,400	943,021	
Applicable Percentage		3.42%	3.42%	
Total Annual Credit Qualified		32,982	32,251	
Credits Requested	65,234	TOTAL 4% HC	65,234	
Estimated Net Syndication Proceeds (excluding historic credit equity)	515,347			
Estimated Yield - Housing Credit Syndication	79.00%			
Equity Gap	505,600			
Credits Needed to fill Equity Gap	64,000			

1,694,801	Long Term Depreciable Basis
27.5	Depreciation Schedule
61,629	Annual Depreciation
5,000	Short Term Depreciable Basis
7	Depreciation Schedule
714	Annual Depreciation

06-Feb-04 **Mad River Meadows - Waitsfield** **RENT PROJECTIONS**

Bedrooms	Type	Average Square Feet	Number	Average Rent	Utilities	Total Annual Rent	Ave Net Rent/unit
2	Family	964	6	932	79	61,416	932
3	Family	1,148	6	1,043	84	69,048	1,043
1	Elderly	704	10	929	0	111,480	929
2	Elderly	848	2	997	0	23,928	997
	Totals	18,850	24			265,872	

Rent Projections

	2004	2005	2006	2007	2008	2009	2010	2011	2,012	2,013	2,014	2,015	2,016	2,017	2,018
	67,104	67,104	67,104	67,104	67,104	67,104	67,104	67,104	67,104	68,111	59,828	60,726	61,637	62,561	63,499
	75,096	75,096	75,096	75,096	75,096	75,096	75,096	75,096	75,096	76,222					
	111,480	111,480	111,480	111,480	111,480	111,480	111,480	111,480	111,480	113,152	22,282	22,617	22,956	23,300	23,650
	23,928	23,928	23,928	23,928	23,928	23,928	23,928	23,928	23,928	24,287					
	277,608	**277,608**	**277,608**	**277,608**	**277,608**	**277,608**	**277,608**	**277,608**	**277,608**	**281,772**	**82,111**	**83,342**	**84,592**	**85,861**	**87,149**
Rent Trending %	0%	0%	0%	0%	0%	0%	0%	0%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Less Vacancy 1.50%	(4,164)	(4,164)	(4,164)	(4,164)	(4,164)	(4,164)	(4,164)	(4,164)	(4,164)	(4,227)	(1,232)	(1,250)	(1,269)	(1,288)	(1,307)
NET RENT	273,444	273,444	273,444	273,444	273,444	273,444	273,444	273,444	273,444	277,546	80,879	82,092	83,323	84,573	85,842
OTHER INCOME															
Laundry 3,650	3,650	3,650	3,650	3,650	3,650	3,650	3,650	3,650	3,650	3,650	3,650	3,650	3,650	3,650	3,650
Other Income (Interest & Fees) 200	200	200	200	200	200	200	200	200	200	200	200	200	200	200	200
TOTAL INCOME	277,294	277,294	277,294	277,294	277,294	277,294	277,294	277,294	277,294	281,396	84,729	85,942	87,173	88,423	89,692

PROJECTIONS AT FAIR MARKET RENTS

Washington County Rent Analysis:

	2004 FMR	110% FMR	tility Allow	2001 Market Study	2004 **Market Rents**	2003 LIHTC	#units
Family 2BR	666	733	79	733	**670**	795	6
Family 3BR	833	916	84	835	**800**	918	6
Elderly 1 BI	494	543	-	528	**680**	662	10
Elderly 2BR	666	733	-	733	**800**	795	2

FMR Rents trended at **1.5%**

	2004	2005	2006	2007	2008	2009	2010	2011	2,012	2,013	2,014	2,015	2,016	2,017	2,018
	42,552	43,190	43,838	44,496	45,163	45,841	46,528	47,226	47,935	48,654	49,383	50,124	50,876	51,639	52,414
	51,552	52,325	53,110	53,907	54,715	55,536	56,369	57,215	58,073	58,944	59,828	60,726	61,637	62,561	63,499
	81,600	82,824	84,066	85,327	86,607	87,906	89,225	90,563	91,922	93,301	94,700	96,121	97,562	99,026	100,511
	19,200	19,488	19,780	20,077	20,378	20,684	20,994	21,309	21,629	21,953	22,282	22,617	22,956	23,300	23,650
Projected Gross Rent At FMR	**194,904**	**197,828**	**200,795**	**203,807**	**206,864**	**209,967**	**213,116**	**216,313**	**219,558**	**222,851**	**226,194**	**229,587**	**233,031**	**236,526**	**240,074**

06-Feb-04 **Mad River Meadows - Waitsfield** **RENT PROJECTIONS**

Bedrooms	Type	Average Square Feet	Number	Average Rent	Utilities	Total Annual Rent	Ave Net Rent/unit
2	Family	964	6	932	79	61,416	932
3	Family	1,148	6	1,043	84	69,048	1,043
1	Elderly	704	10	929	0	111,480	929
2	Elderly	848	2	997	0	23,928	997
	Totals	18,850	24			265,872	

		2,019	2,020	2,021	2,022	2,023	2,024	2,025	2,026	2,027	2,028	2,029	2,030	2,031	2,032	2,033	2,034
		64,452	65,419	66,400	67,396	68,407	69,433	70,475	71,532	72,605	73,694	74,799	75,921	77,060	78,216	79,389	80,580
		24,004	24,365	24,730	25,101	25,477	25,860	26,248	26,641	27,041	27,446	27,858	28,276	28,700	29,131	29,568	30,011
		88,456	**89,783**	**91,130**	**92,497**	**93,884**	**95,293**	**96,722**	**98,173**	**99,646**	**101,140**	**102,657**	**104,197**	**105,760**	**107,347**	**108,957**	**110,591**
Rent Trending %		1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Less Vacancy	1.50%	(1,327)	(1,347)	(1,367)	(1,387)	(1,408)	(1,429)	(1,451)	(1,473)	(1,495)	(1,517)	(1,540)	(1,563)	(1,586)	(1,610)	(1,634)	(1,659)
NET RENT		87,130	88,437	89,763	91,110	92,476	93,863	95,271	96,700	98,151	99,623	101,117	102,634	104,174	105,736	107,322	108,932
OTHER INCOME																	
Laundry	3,650	3,650	3,650	3,650	3,650	3,650	3,650	3,650	3,650	3,650	3,650	3,650	3,650	3,650	3,650	3,650	3,650
Other Income (Interest & Fees)	200	200	200	200	200	200	200	200	200	200	200	200	200	200	200	200	200
TOTAL INCOME		90,980	92,287	93,613	94,960	96,326	97,713	99,121	100,550	102,001	103,473	104,967	106,484	108,024	109,586	111,172	112,782

PROJECTIONS AT FAIR MARKET RENTS

Washington County Rent Analysis:

	2004 FMR	110% FMR	tility Allow	2001 Market Study	**2004** Market Rents	2003 LIHTC	#units
Family 2BR	666	733	79	733	**670**	795	6
Family 3BR	833	916	84	835	**800**	918	6
Elderly 1 B	494	543	-	528	**680**	662	10
Elderly 2BR	666	733	-	733	**800**	795	2

	2,019	2,020	2,021	2,022	2,023	2,024	2,025	2,026	2,027	2,028	2,029	2,030	2,031	2,032	2,033	2,034
Family 2BR	53,200	53,998	54,808	55,630	56,464	57,311	58,171	59,044	59,929	60,828	61,741	62,667	63,607	64,561	65,529	66,512
Family 3BR	64,452	65,419	66,400	67,396	68,407	69,433	70,475	71,532	72,605	73,694	74,799	75,921	77,060	78,216	79,389	80,580
Elderly 1 B	102,019	103,549	105,102	106,679	108,279	109,903	111,552	113,225	114,924	116,647	118,397	120,173	121,976	123,805	125,662	127,547
Elderly 2BR	24,004	24,365	24,730	25,101	25,477	25,860	26,248	26,641	27,041	27,446	27,858	28,276	28,700	29,131	29,568	30,011
Projected Gross Rent At FMR	**243,675**	**247,330**	**251,040**	**254,806**	**258,628**	**262,507**	**266,445**	**270,442**	**274,498**	**278,616**	**282,795**	**287,037**	**291,343**	**295,713**	**300,148**	**304,651**

06-Feb-04 **Mad River Meadows - Waitsfield**

	Check all Applicable									A					B						C					
Bldg #	Unit #	HOME Unit	Lead Paint Unit	Project Based Assistance	Tax Credit Unit	VHCB Restricted	Accessible	Adaptable	Unrestricted	Number of Bedrooms	Proposed Square Footage	Current 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%+
Family	1				1					2	800	932	79	1,011		1						1				
Family	2				1					2	800	932	79	1,011		1						1				
Family	3				1					2	800	932	79	1,011		1						1				
Family	4				1					2	800	932	79	1,011		1						1				
Family	5				1					2	800	932	79	1,011		1						1				
Family	6				1					2	800	932	79	1,011		1						1				
Family	7				1					3	950	1,043	84	1,127		1						1				
Family	8				1					3	950	1,043	84	1,127		1						1				
Family	9				1					3	950	1,043	84	1,127		1						1				
Family	10				1					3	950	1,043	84	1,127		1						1				
Family	11				1					3	950	1,043	84	1,127		1						1				
Family	12				1					1	700	1,043	84	1,127		1						1				
Elderly	13				1					1	700	929		929		1						1				
Elderly	14				1					1	700	929		929		1						1				
Elderly	15				1					1	700	929		929		1						1				
Elderly	16				1					1	700	929		929		1						1				
Elderly	17				1					1	700	929		929		1						1				
Elderly	18				1					1	700	929		929		1						1				
Elderly	19				1					1	700	929		929		1						1				
Elderly	20				1					1	700	929		929		1						1				
Elderly	21				1					1	700	929		929		1						1				
Elderly	22				1					1	700	929		929		1						1				
Elderly	23				1					2	800	997		997		1						1				
Elderly	24				1					2	800	997		997		1						1				
Total # Units	24	0	0	0	24	0	0	0	0	Totals:	18,850	23,134		Total # Units:	0	24	0	0	0	0	0	24	0	0	0	0

Annual 277,608

Mad River Meadows - Waitsfield 06-Feb-04 **EXPENSE SCHEDULE**

	Annual	Monthly	Per Unit Per Month
Administration			
Management Fee	18,720	1,560	65
Supportive Services	9,000	750	31
Audit/Accounting	3,500	292	12
Legal	2,000	167	7
Compliance Monitoring	1,152	96	4
Asset Management Fee	4,320	360	15
Other	4,000	333	14
TOTAL ADMINISTRATIVE	42,692	3,558	148
Utilities			
Electricity	5,760	480	20
Fuel	11,520	960	40
Water and Sewer	750	63	3
Fire Alarm / Emergency	225	19	1
Other		0	0
TOTAL UTILITIES	18,255	1,521	63
Maintenance			
Maintenance / Janitor Payroll	900	75	3
Maintenance Overhead		0	0
Exterminating	150	13	1
Trash Removal	4,500	375	16
Snow Removal	5,500	458	19
Grounds	3,300	275	11
Repairs Material		0	0
Repairs Contract	10,000	833	35
HVAC Repairs / Maintenance	1,608	134	6
Elevator Contract / Repairs		0	0
Painting and Decorating	3,000	250	10
Other		0	0
TOTAL MAINTENANCE	28,958	2,413	101
Real Estate Taxes	27,500	2,292	95
Property Insurance	4,500	375	16
Flood Insurance		0	0
Replacement Reserves	8,784	732	31
Primary Debt Service	110,704	9,225	384
Other "must pay" debt service		0	0
Other		0	0
Total	241,393	20,116	838
Operating Expenses <Bebt Sev	130,689	10,891	908

PUMO exc debt serv and reserves
423

Replacement Res Per Unit/Year
366

6-Feb-04

Mad River Meadows - Waitsfield **CASH FLOW PROJECTIONS**

Income Trending		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Expense Trending		1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Vacancy Allowance		1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Operating Income	**Year**	**2,004**	**2,005**	**2,006**	**2,007**	**2,008**	**2,009**	**2,010**	**2,011**	**2,012**	**2,013**	**2,014**	**2,015**	**2,016**	**2,017**	**2,018**
Gross Rent		277,608	277,608	277,608	277,608	277,608	277,608	277,608	277,608	216,313	219,558	222,851	226,194	229,587	233,031	236,526
Other Income		3,850	3,850	3,850	3,850	3,850	3,850	3,850	3,850	3,850	3,850	3,850	3,850	3,850	3,850	3,850
Vacancy and other losses		(4,164)	(4,164)	(4,164)	(4,164)	(4,164)	(4,164)	(4,164)	(4,164)	(10,816)	(10,978)	(11,143)	(11,310)	(11,479)	(11,652)	(11,826)
Total Operating Income		277,294	277,294	277,294	277,294	277,294	277,294	277,294	277,294	209,348	212,430	215,559	218,734	221,958	225,229	228,550
Operating Expenses																
Total Expenses (excl. Reserves)		117,585	119,349	121,139	122,956	124,800	126,672	128,573	130,501	134,416	138,449	142,602	146,880	151,287	155,825	160,500
Reserves		8,784	8,916	9,049	9,185	9,323	9,463	9,605	9,749	9,895	10,044	10,194	10,347	10,502	10,660	10,820
Sub-Total Operating Expense		126,369	128,265	130,189	132,141	134,123	136,135	138,177	140,250	144,311	148,492	152,796	157,227	161,789	166,485	171,320
RD Return on Equity		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Operating Expense		126,369	128,265	130,189	132,141	134,123	136,135	138,177	140,250	144,311	148,492	152,796	157,227	161,789	166,485	171,320
Net Operating Income		150,925	149,029	147,105	145,153	143,170	141,159	139,117	137,044	65,036	63,938	62,762	61,507	60,169	58,744	57,230
Less Primary Debt Service		56,222	56,222	56,222	56,222	56,222	56,222	56,222	56,222	0	0	0	0	0	0	0
Less Secondary Debt Service		54,482	54,482	54,482	54,482	54,482	54,482	54,482	54,482	54,482	54,482	54,482	54,482	54,482	54,482	54,482
Annual Cash Flow		40,220	38,325	36,401	34,448	32,466	30,454	28,412	26,339	10,554	9,456	8,280	7,025	5,687	4,262	2,748
		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash		40,220	38,325	36,401	34,448	32,466	30,454	28,412	26,339	10,554	9,456	8,280	7,025	5,687	4,262	2,748
DCR		136.33%	134.62%	132.88%	131.12%	129.33%	127.51%	125.66%	123.79%	119.37%	117.36%	115.20%	112.89%	110.44%	107.82%	105.04%
Repayment of Deferred Dev Fees		1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	211
Asset Management Fee		4,320	4,320	4,320	4,320	4,320	4,320	4,320	4,320	4,320	-	-	-	-	-	-
Net Cash After Payment of Def Fees		34,900	33,005	31,081	29,128	27,146	25,134	23,092	21,019	5,234	8,456	7,280	6,025	4,687	3,262	2,537
Cumulative Cash Flow																
Beginning Balance		20,500	55,503	88,785	120,310	150,040	177,936	203,960	228,072	250,232	256,717	266,456	275,069	282,469	288,568	293,273
Deposits		34,900	33,005	31,081	29,128	27,146	25,134	23,092	21,019	5,234	8,456	7,280	6,025	4,687	3,262	2,537
Interest	1.0%	103	278	444	602	750	890	1,020	1,140	1,251	1,284	1,332	1,375	1,412	1,443	1,466
Withdrawals		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance		55,503	88,785	120,310	150,040	177,936	203,960	228,072	250,232	256,717	266,456	275,069	282,469	288,568	293,273	297,276
Cumulative Replacement Reserves																
Beginning Balance		28,404	37,276	46,564	56,079	65,826	75,807	86,028	96,493	107,207	118,174	129,399	140,887	152,643	164,672	176,979
Deposits		8,784	8,916	9,049	9,185	9,323	9,463	9,605	9,749	9,895	10,044	10,194	10,347	10,502	10,660	10,820
Interest	2.0%	88	373	466	561	658	758	860	965	1,072	1,182	1,294	1,409	1,526	1,647	1,770
Withdrawals		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

6-Feb-04

Mad River Meadows - Waitsfield **CASH FLOW PROJECTIONS**

Income Trending		1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Expense Trending		3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Vacancy Allowance		5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Operating Income	**Year**	**2,019**	**2,020**	**2,021**	**2,022**	**2,023**	**2,024**	**2,025**	**2,026**	**2,027**	**2,028**	**2,029**	**2,030**	**2,031**	**2,032**	**2,033**	**2,034**
Gross Rent		240,074	243,675	247,330	251,040	254,806	258,628	262,507	266,445	270,442	274,498	278,616	282,795	287,037	291,343	295,713	300,148
Other Income		3,850	3,850	3,850	3,850	3,850	3,850	3,850	3,850	3,850	3,850	3,850	3,850	3,850	3,850	3,850	3,850
Vacancy and other losses		(12,004)	(12,184)	(12,367)	(12,552)	(12,740)	(12,931)	(13,125)	(13,322)	(13,522)	(13,725)	(13,931)	(14,140)	(14,352)	(14,567)	(14,786)	(15,007)
Total Operating Income		231,920	235,341	238,814	242,338	245,916	249,547	253,232	256,973	260,770	264,623	268,535	272,505	276,535	280,625	284,777	288,991
Operating Expenses																	
Total Expenses (excl. Reserves)		165,315	170,274	175,383	180,644	186,063	191,645	197,395	203,316	209,416	215,698	222,169	228,834	235,700	242,771	250,054	257,555
Reserves		10,982	11,147	11,314	11,484	11,656	11,831	12,008	12,188	12,371	12,557	12,745	12,936	13,130	13,327	13,527	13,730
Sub-Total Operating Expense		176,297	181,421	186,697	192,128	197,719	203,476	209,403	215,505	221,787	228,255	234,915	241,771	248,830	256,098	263,581	271,285
RD Return on Equity		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Operating Expense		176,297	181,421	186,697	192,128	197,719	203,476	209,403	215,505	221,787	228,255	234,915	241,771	248,830	256,098	263,581	271,285
Net Operating Income		55,623	53,920	52,117	50,211	48,196	46,071	43,829	41,468	38,982	36,368	33,621	30,735	27,705	24,528	21,196	17,706
Less Primary Debt Service		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Less Secondary Debt Service		54,482	54,482	54,482	54,482	54,482	54,482	54,482	54,482	54,482	54,482	54,482	54,482	54,482	54,482	54,482	0
Annual Cash Flow		1,141	(562)	(2,365)	(4,272)	(6,286)	(8,412)	(10,653)	(13,014)	(15,500)	(18,114)	(20,862)	(23,748)	(26,777)	(29,955)	(33,286)	17,706
		0	562	2,365	4,272	6,286	8,412	10,653	13,014	15,500	18,114	20,862	23,748	26,777	29,955	33,286	0
Net Cash		1,141	0	0	0	0	0	0	0	0	0	0	0	0	0	0	17,706
DCR		102.09%	98.97%	95.66%	92.16%	88.46%	84.56%	80.45%	76.11%	71.55%	66.75%	61.71%	56.41%	50.85%	45.02%	38.90%	N/A
Repayment of Deferred Dev Fees		-	-														
Asset Management Fee		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,320
Net Cash After Payment of Def Fees		1,141	-	-	-	-	-	-	-	-	-	-	-	-	-	-	13,386
Cumulative Cash Flow																	
Beginning Balance		297,276	299,904	300,841	299,980	297,209	292,409	285,459	276,233	264,600	250,423	233,562	213,868	191,189	165,368	136,240	103,636
Deposits		1,141	0	0	0	0	0	0	0	0	0	0	0	0	0	0	13,386
Interest	1.0%	1,486	1,500	1,504	1,500	1,486	1,462	1,427	1,381	1,323	1,252	1,168	1,069	956	827	681	518
Withdrawals		0	(562)	(2,365)	(4,272)	(6,286)	(8,412)	(10,653)	(13,014)	(15,500)	(18,114)	(20,862)	(23,748)	(26,777)	(29,955)	(33,286)	0
Ending Balance		299,904	300,841	299,980	297,209	292,409	285,459	276,233	264,600	250,423	233,562	213,868	191,189	165,368	136,240	103,636	117,539
Cumulative Replacement Reserves																	
Beginning Balance		189,568	202,446	215,617	229,087	242,862	256,946	271,346	286,068	301,117	316,500	332,221	348,289	364,708	381,485	398,627	416,141
Deposits		10,982	11,147	11,314	11,484	11,656	11,831	12,008	12,188	12,371	12,557	12,745	12,936	13,130	13,327	13,527	13,730
Interest	2.0%	1,896	2,024	2,156	2,291	2,429	2,569	2,713	2,861	3,011	3,165	3,322	3,483	3,647	3,815	3,986	4,161
Withdrawals		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

RESOLUTION RE: PERMANENT AND REHABILITATION FINANCING FOR MAD RIVER MEADOWS, WAITSFIELD

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

WHEREAS, an application has been submitted to the Agency by Central Vermont Community LandTrust (the "Borrower") involving the permanent financing of twenty-four (24) units of general occupancy housing in the Town of Waitsfield (the "Development"); and

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

WHEREAS, the application also contemplates an additional mortgage loan for improvements for the Development with a 0% deferred loan in the amount of $90,000;

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

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Dave Adams dated February 10, 2004, containing information and recommendations about the Development (the "Memorandum");

THEREFORE, it is hereby DETERMINED:

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

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

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

4. The Borrower undertaking the Development will increase the supply of well-planned, well-designed permanent, temporary, transitional or emergency housing for persons and families of low and moderate income.

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

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

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making new mortgage loans to the Borrower for the permanent financing of the Development based on the recommendations in the attached Memorandum. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the Borrower in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

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

3. A loan in the amount of $90,000 to the Borrower may be funded with excess yield zero percent pool funds.

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

vhfa
Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, CHIEF FINANCIAL OFFICER RAS

DATE: FEBRUARY 12, 2004

RE: BANKNORTH LINE OF CREDIT

Since the Board approved the $6,270,000 construction financing for the "City's Edge" project in South Burlington at the October Board meeting, we have been working on ways to finance this project. It is a "hybrid" type financing which does not fall neatly in either our single family or multi-family programs. We cannot use bond proceeds to loan money to the Burlington Community Land Trust for this financing and the size of the loan is too high for us to handle from current funds.

We talked to Fannie Mae and their American Communities Loan Fund to search for affordable financing for this project. What we discovered in negotiating with Fannie Mae was that their best product was inferior to the Line of Credit arrangement we have with Banknorth. Fannie Mae's terms included a rate at 150 basis points over LIBOR (London Interbank Offering Rate), cash collateral at 25% of the loan amount, an annual fee of 15 basis points on the unused line of credit and an origination fee of 1%.

We then spoke to Banknorth about our current line of credit (which is currently slated to expire on November 1, 2004). They have provided us with a term sheet which would extend our current unsecured $7.5 million line of credit at a rate of 85 basis points over LIBOR and charge a 10 basis point unused proceeds fee on an annual basis. They also offered us an additional $7 million second line of credit to be used to finance construction type projects (like City's Edge). The terms on this line would be 75 basis points over LIBOR and the pledge of the project financed as collateral and would also carry the 10 basis point annual charge for unused proceeds. Both lines of credit would have a two-year term from the date of acceptance. The only other term changes would require us to payoff the $7.5 million "working capital" line of credit once a year for a thirty-day period. We would use excess bond program funds to accomplish this requirement for that period of time which should be able to be managed so as to meet rating agency standards.

Recommended Action

Approval of the attached resolution that would authorize the Executive Director or the Chief Financial Officer to renew the Agency's Working Capital Line of Credit facility in the amount of $7.5 million and to add a new Project Line of Credit in the amount of $7 million with Banknorth for a two-year term substantially consistent with the terms described.

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RESOLUTION RE: LINE OF CREDIT BORROWINGS

WHEREAS, the Agency has an existing line of credit with Banknorth, N. A. in the amount of $7,500,000 ("Working Capital Line of Credit") which was approved by resolution dated April 18, 2002;

WHEREAS, the Agency wishes to amend the terms of the Working Capital Line of Credit with terms as presented at the meeting for a two-year term;

WHEREAS, the Agency wishes to obtain an additional line of credit in the amount of $7,000,000 ("Project Line of Credit") with the terms as presented at the meeting for a two-year term;

WHEREAS, the Agency wishes to authorize the Executive Director and the Chief Financial Officer in their capacities as Secretary and Treasurer of the Agency, respectively, to do all actions necessary, including the execution of documents, to amend the terms of the Working Capital Line of Credit and to establish the Project Line of Credit and to extend and/or renew either or both of the Working Capital Line of Credit or the Project Line of Credit at the same terms in the future;

NOW, THEREFORE, IT IS HEREBY RESOLVED:

1. That the Agency hereby approves the change in terms of the Working Capital Line of Credit and the terms of the Project Line of Credit; and

2. That the Agency hereby authorizes the Executive Director and the Chief Financial Officer, individually, in their capacities as Secretary and Treasurer of the Agency, respectively, to do all actions necessary, including the execution and delivery of any and all necessary documents, to amend the terms of the Working Capital Line of Credit, to establish the Project Line of Credit and to extend and/or renew either or both of the Working Capital Line of Credit or the Project Line of Credit at similar terms (including, specifically, rates at LIBOR plus 85 and 75 bps, respectively) in the future.

VERMONT HOUSING FINANCE AGENCY

RESOLUTION RE: EXTENSION OF TEMPORARY AMENDMENT TO VERMONT HOUSING VENTURES NONPROFIT PREDEVELOPMENT & BRIDGE LOAN PROGRAM

WHEREAS, the Agency administers the Vermont Housing Ventures Nonprofit Predevelopment & Bridge Loan Program ("Ventures");

WHEREAS, the Agency implemented a temporary increase in available Ventures funds to $900,000 by resolution dated August 7, 2003;

WHEREAS, the Agency wishes to continue the temporary increase in the amount of total funds available to be effective until June 30, 2004; and

THEREFORE, it is hereby:

RESOLVED, that the Executive Director is hereby authorized to take such actions as are necessary to continue the temporary increase to $900,000 in total Ventures funds available to be effective until June 30, 2004.

vhfa

Vermont Housing Finance Agency

VHFA Board Meeting Minutes
Vermont Association of Realtors
148 State Street
Montpelier, Vermont
Thursday, February 19, 2004 at 9:00 a.m.

VHFA Board Members Present:
Lisa Randall – Chair, Paul Beaulieu, Thomas Candon (designee for Crowley), Dagyne Canney, John Hall (designee for Dorn), Gus Seelig

VHFA Board Members Absent:
Beth Pearce (designee for Spaulding)

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

Guests: Michael Baird (RBC Dain Rauscher), Ken Braverman (The Braverman Co.), Kathy Beyer (Capital Ideas, Inc.), Martin Hahn (Central Vermont Community Land Trust)

via conference call: John Wagner (Kutak Rock)

MINUTES

Mr. Hall made a motion to approve the January 15, 2004 Board of Commissioners' meeting minutes with Mr. Candon seconding the motion. All were in favor except Mr. Beaulieu who abstained as he did not attend the meeting.

CONSENT AGENDA

Mr. Hall made a motion to approve the Consent Agenda including those items requiring action (restated here):

- "Resolution Re: Permanent Financing for Round Barn Apartments, Grand Isle"
- "Resolution Re: Permanent and Rehabilitation Financing for Mad River Meadows, Waitsfield"

Mr. Seelig seconded the motion and both items were unanimously approved.

DEVELOPMENT

Vermont Housing Ventures Nonprofit Predevelopment & Bridge Loan Program

Ms. Reid reviewed the points of the Resolution requesting an extension, until June 30, 2004, of the temporary increase to $900,000 in total Venture funds.

Mr. Candon made a motion to approve the "Resolution Re: Extension of Temporary Amendment to Vermont Housing Ventures Nonprofit Predevelopment & Bridge Loan Program." Mr. Seelig seconded the motion and the Resolution was unanimously approved.

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Tax Credit Allocation Plan
Mr. Erdelyi explained that changes, as had been discussed at prior meetings, have been incorporated into the copy of the 2004-2005 Allocation Plan (the "Plan") before the Board. Board approval of the Plan, including Design Standards, was being sought today, after which the Plan would be forwarded to the Governor for his approval.

Approval of the draft Market Study Standards, distributed at the meeting, would be requested at a later date, after the draft has been circulated to market analysts and others for comment.

Mr. Seelig asked whether the Plan referenced the appraisal, market study and design standards as separate documents to which changes might be adopted from time to time. Mr. Erdelyi replied that they are referenced by the Plan as attachments (with the exception of the appraisal standards, which are not mentioned) that are separately adopted by the Agency.

Mr. Seelig again voiced his desire to resume a "competitive" process if the new process results in a lockout due to fully committed credits. Mr. Erdelyi pointed out that he added a sentence to the Plan (2. FULL APPLICATION, IX.) that reads, "In the event that the credits are fully committed and competition for the credits becomes more intense, the Board may at its discretion change the minimum threshold requirements..." Much discussion ensued about whether the new process will generate more or less competition and the impact of that.

Mr. Seelig made a motion to approve the Plan with the change to the above mentioned sentence so that it reads, "In the event that the credits are fully committed and competition for the credits becomes more intense, requiring lockouts of applications for extended periods of time, the Board may at its discretion change the minimum threshold requirements... and evaluate applications competitively." Mr. Hall seconded the motion which was unanimously approved.

To Mr. Beaulieu's questions about the availability and content of the pipeline report, Mr. Erdelyi responded that it will be updated real-time and be made available at each Board meeting. It will include projects to which 2003 allocations were made, projects to which 2004 credits were pre-allocated, new applications, and even inquiries. It will specify where projects are in the process (whether they've been issued Letters of Intent, Reservation Certificates, Binding Rate Agreements, or Carryovers), and running tallies of tax credits available. It will also include geographical information to help monitor geographical distribution of tax credits.

FINANCE
December Financial Statements
Mr. Schoenbeck distributed the December Financial Statements. On the General Fund, Interim Budget Report, under Operating Expenses, he highlighted the outliers, "Audit" and "Commissioners Fees," and explained that the Auditors get paid early in the year and that the October Board Retreat had skewed the "Commissioners Fees" line item. He commended Ms. Crady and the Homeownership Department on their great job in preventing loan losses. And, he pointed out that the $100,000 contribution to the Vermont Homeownership Initiative that the Board approved at the December 2003 meeting has been added to the "Organizational Subsidies" line item and results in a negative overall budget (of approximately $20,000.) He forewarned the Board that he will need to request an adjustment which results in, at least, a breakeven budget at the April Board meeting.

On this same report, under Net Fund Transfers, Mr. Schoenbeck highlighted the Amount Received YTD for "MF Housing Development Bonds" and noted that this referred to the old Winchester Bonds, now refunded. The surpluses from that will now run through the "MF Mortgage Bonds program," eventually necessitating another adjustment of the Budget by the Board.

Mr. Schoenbeck then reviewed the Balance Sheet. He indicated that, due to prepayments, the Agency has redeemed about $80 million in bonds in the last three months which has resulted in significantly reduced "Bonds payable" from one year ago (from approximately $612 million to $587 million.) He then explained that "Other assets" refer to the value of REO properties, and is pleasingly low. Lastly, he discussed the "Mortgage and construction loan" line item. 1% of this figure is used as the benchmark for profits. He pointed out that this number is down $62 million from one year ago, again because of the prepayments. The good news is that the number has stabilized and, in fact, has increased by $1 million since September.

Mr. Schoenbeck then directed the Board's attention to the Income Statement, pointing out that the "Surplus before change in investment market value," when added to the "Loss on bond redemptions," is equal to about 50% (6 months worth) of 1% of the "Mortgage and construction loan," the benchmark value for profits. The "Change in investment value" shows a loss and this is because interest rates have risen. It should be noted that this number does not impact real operations.

Single Family Series 19 Bond

Mr. Schoenbeck reviewed the points of his memo. He added that the ARC feature is allowing the Agency to lower its full spread, no point rate by about 15 bps. Piper Jaffray, the Agency's financial advisor, is recommending this structure and UBS will be issuing the ARCs. The issue is for $30 million.

Mr. Seelig made a motion to approve the "Twenty-Third Supplemental Single Family Housing Bond Resolution." Mr. Candon seconded the motion and the Resolution was unanimously approved.

Rate Setting

Mr. Schoenbeck reminded the Board that a full spread rate is $1\,^{1}/_{8}\%$ above cost, and, from that, $^{3}/_{8}\%$ must be subtracted for the amount paid for servicing, leaving $^{3}/_{4}\%$ allowed for surplus. (Negative arbitrage and origination points the Agency pays lenders are factored into the cost.) Mr. Schoenbeck further informed the Board that a reduction of 15 bps in the mortgage rate results in a 30% loss on the present value of the bond issue's net profit (which is 1% of the issue size.) For the pending $30 million issue, a 15 bps reduction in mortgage rates amounts to a $300,000 loss of the present value of the net profit of $1 million.

As of the Board meeting date, the VHFA no point rate was 5.5% and market rate was 5.625%. The full spread rate of the new bond issue would be 5.6%. Mr. Schoenbeck does not believe that the rate should be less than $^{1}/_{4}\%$ below cost, or 5.35%.

Ms. Randall asked Ms. Crady how far below conventional rates VHFA rates need to be to maintain volume. Ms. Crady replied $^{3}/_{8}\%$ to $^{1}/_{2}\%$. She also explained that there is a cost of getting lenders back on track after VHFA has been out of the market.

Ms. Randall mentioned the upcoming Homebuyers' Fair and Mr. Seelig, the 30th Anniversary Events. Ms. Carpenter reminded the Board that they can change rates at anytime.

Mr. Candon made a motion to approve a no point rate such that it is not more than 50 bps below market and is not more than 30 bps below full spread, with staff having the flexibility to change it within these parameters. Ms. Randall added that staff should also feel free to poll the Board before the next Board meeting if the impact of these parameters is too great. Mr. Seelig seconded the motion which passed unanimously.

Banknorth Line of Credit
Mr. Schoenbeck reviewed the points of his memo regarding an expansion of VHFA's line of credit with Banknorth in order to provide construction financing to City's Edge.

Mr. Beaulieu made a motion to approve the "Resolution Re: Line of Credit Borrowings." Mr. Hall seconded the motion and the Resolution was unanimously approved.

HOMEOWNERSHIP
Market Share Analysis
Ms. Collins distributed her and Ms. Crady's memo and pointed out that, in 2003, VHFA captured 15% of the affordable housing market (purchase price within VHFA limits), down from 20% in 2002.

Income and Purchase Price Limits
Ms. Collins reviewed the points of her and Ms. Crady's memo regarding recommendations for new income and purchase price limits. She stated that methodologies similar to those used last year were applied to determine staff's proposed 2004 income limits. With regards to purchase price limits, she pointed out that the substantial increase in the allowed maximums was due to the Treasury Department's reissue of Safe Harbor limits. Ms. Carpenter interjected that there is pending federal legislation to move all HFA mortgage revenue bond calculations to a multiplier of income, desired by the industry, with the proposal that purchase price limit be 3.5 times income.

Discussion followed with the recommendation to increase many of the New and Existing Two Family Home Limits closer to their maximum allowed. Ms. Collins revised the memo during the next presentation and, following that presentation, she re-presented the revised memo to the Board.

Mr. Seelig made a motion to approve the income limits proposed in the original memo and the purchase price limits proposed in the revised memo. Mr. Hall seconded the motion, which was unanimously approved.

DEVELOPMENT
Winooski Falls Riverfront Downtown Project ("Winooski Project")
Ms. Mullikin Drake introduced Mr. Ken Braverman (The Braverman Co.) and Mr. Michael Baird (RBC Dain Rauscher).

Winooski Project – Central Block
Ms. Mullikin Drake reviewed the points of her and Mr. Erdelyi's memo, reminding the Board that the allocation of tax credits will be VHFA's primary role in this development. She described the possible resolutions being pursued to fill the $4.3 million gap in funding due to HUD's removal of the Burlington MSA from the list of Difficult Development Areas ("DDA"), including: a strong push on HUD; using Leahy's influence on Appropriations to obtain a special purpose appropriation or, by legislation, putting this project on the DDA list; and changes in the construction plan. Mr. Braverman explained that the

alternative model of Central Block, which would remain mixed income, could reduce the number of units from 258 to 200 – 215 units and change the method of construction from steel and concrete to woodframe. Ms. Mullikin Drake added that, to make up for the impact of these changes on the HUD 108 Loan repayment, acceleration of the development of a mixed-use pad site, east of the Champlain Mill, is under consideration. Ms. Mullikin Drake expects that bids for the infrastructure will be in by the end of March and that the HUD 108 Loan could close within one week of that. By that time, a decision will have been made about which resolution (to the Central Block funding gap problem) to pursue. She informed the Board that a more formal discussion on Central Block and the amount of tax credits sought is scheduled for the next meeting.

Winooski Project – West Block University Housing

Mr. Braverman reviewed, via a Powerpoint presentation, the fundamentals of the West Block University Housing project (also contained in the Project Summary attached to Ms. Mullikin Drake's and Mr. Erdelyi's memo.) He showed renderings of the Winooski Project and, particularly, the West Block, a six story building which will wrap around three sides of the 945-space, municipal open-air parking garage. The building will contain 87 units and approximately 80% of these will be 4-bedroom suites which will rent for $575/bed, including utilities and furniture. The units will also be wired for technology purposes. The 2-bedroom units will rent for $700/bed. Parking will be available in the municipal parking garage to about 1/3 of the students for an added fee.

Mr. Braverman explained that, as project sponsor, the University of Vermont ("UVM") will provide on-campus marketing support for the project and will assure bus service to it. They will also include this student housing in their master plan. And, they will be allowed to participate in the operation and management of the building. As financial beneficiary, UVM will receive 50% of the project's net surplus, and, upon payment of bonds in 2032, UVM will be able to purchase the project for $1. The City of Winooski will receive the other 50% of the project surplus as part of its TIF revenues to repay the HUD 108 loan..

Ms. Mullikin Drake reminded the Board that construction will begin simultaneously on the VSAC building, the parking garage and the West Block wrapper building by mid-April.

Mr. Candon left at 12:15 p.m.

The floor was turned over to Mr. Baird who first gave a brief history of RBC Dain Rauscher ("RBC"), the underwriter of the conduit bond. He distributed an Executive Summary and a Preliminary Financing Schedule and explained that the idea behind financing projects such as this is to "marry the project finance nature of an apartment complex with the creditworthiness of a university community." This has led to the privatized student housing model, in which a 501(c)(3) organization serves as the privatization partner that owns the housing on behalf of the university. Collegiate Housing Foundation is such a higher education 501(c)(3). IRS regulations stipulate that this 501(c)(3) have a university as a sponsor and that its sole purpose is to serve the university. The university is a participant and the ultimate beneficiary of the project. (In this case, due to the unique nature of the Ground Lease, the City of Winooski will also be a beneficiary.)

Mr. Baird explained that VHFA is being asked to issue the bonds and loan the proceeds to Collegiate Housing Foundation which would, in turn, contract with HallKeen and Ambling Companies to develop and manage the project. The Agency's role would be that of conduit issuer. The debt would not belong to VHFA; instead, the security for the bonds would be restricted to the revenues and assets of the project, making the bonds more costly. Investors are aware that they are buying a cash flow note.

Because of this, RBC likes to credit enhance these bonds. This also allows the market to move from institutions to retail and brings down the cost of borrowing. The credit enhancement is done via an A-rated bond insurer, ACA Insurance, which, when paid an up-front bond insurance premium, will guarantee the timely principal and interest payments on the bonds. Another option for credit enhancement is a letter of credit for the whole financing with a variable rate bond, and possibly a swap to mitigate interest rate risk.

Mr. Baird further reviewed elements of the Executive Summary including the size of the bond which is $25 million, the term of 32 years which includes the two year construction period, the additional security provided by the Debt Service Reserve Fund and the Repair and Replacement Fund, and the Revenue Covenant which requires Collegiate Housing Foundation to operate the project so that the yearly net operating income is equal to at least 120% of the debt service.

Ms. Carpenter re-emphasized that the direct financial risk is not VHFA's but, agreed with Ms. Randall who put forth that the risk will be to the Agency's reputation.

Ms. Randall asked, on behalf of Mr. Candon, why VHFA was being asked to be the conduit issuer. Mr. Baird replied that other issuers had offered but we were asked because of our involvement and resulting knowledge in the whole of the Winooski Project. Ms. Carpenter added that it represents a strategic line of business the Agency has been interested in doing.

Mr. Schoenbeck explained to the Board that staff is looking only for conceptual approval today. He added that there would be no cost to VHFA as the fees for bond counsel and financial advice would be reimbursed. Mr. Wagner added that a lot of other HFAs routinely do conduit financing like this and that it will be made clear on the Official Statement that this is not a general obligation bond. Ms. Randall asked that documents be presented to the Board as soon as they are ready, while the material is still fresh in mind. Ms. Mullikin Drake explained that the Resolution is usually broadly written so that Board approval can be requested before the details of the bond are known. This will ultimately facilitate an earlier groundbreaking.

MULTIFAMILY

Section 8 Project Sale and Refinancing Policy

Mr. Falzone explained that the policy described in his memo is one that VHFA has been following. Staff is requesting that the Board formalize the policy as staff anticipates several refinancing proposals where owners may disagree with the policy in use. Mr. Falzone further explained that the objectives of the policy are to protect the Agency's existing loans, preserve affordable housing and protect and efficiently use the public resources used to finance and preserve projects. Ms. Carpenter added that the regulations dictate that it is appropriate to use higher HUD rents to subsidize or preserve housing, or for the betterment of the project. But, if the owner is withdrawing equity, he is obligated to return the public funds by either reducing rents or writing the Agency a check.

Mr. Seelig made a motion to approve the policy as presented in the memo by Mr. Falzone. Mr. Beaulieu seconded the motion, which was unanimously approved.

Mr. Seelig asked that staff look at the establishment of similar policies (to preserve affordability and avoid displacement) for other types of financing in the multifamily portfolio.

DEVELOPMENT

Appraisal Policy

Mr. Adams reviewed the points of his memo regarding the lack of consistency among some appraisers' assessments of existing Section 8 projects, particularly with regards to restricted cash flows and capitalization rates. He hopes to convene a meeting of appraisers (including one from New Hampshire and a staff review appraiser from Massachusetts HFA) to discuss the issues and present a set of revised standards for adoption by the Board at the March or April Board meeting.

Ms. Carpenter further explained that what is at issue is the cost of maintaining future affordability. i.e., how does one assess the cost of waiting until a project is unencumbered by restricted cash flows and Regulatory Agreements at some future date? A project may be worth more than the cash flow warrants in order to preserve future affordability. She suggested that perhaps a range of appraisal values, each based on various explicitly stated assumptions regarding length of restriction and including one in which no restrictions are assumed, might be a feasible solution. Discussion followed.

Mr. Seelig left at 1:30 p.m.

OTHER

Ms. Randall reminded Board members to respond to Becky Greenough's e-mail regarding their intent to attend the 30th Anniversary celebration at the Statehouse on April 12th.

The March 2004 meeting will be extended to 3:00 p.m.

ADJOURNMENT

Mr. Beaulieu made a motion to adjourn the meeting. Ms. Canney seconded the motion and the Board unanimously approved to adjourn the meeting at 1:45 p.m.

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Elizabeth Mullikin Drake, General Counsel

RE: West Block Student Housing

DATE: March 15, 2004

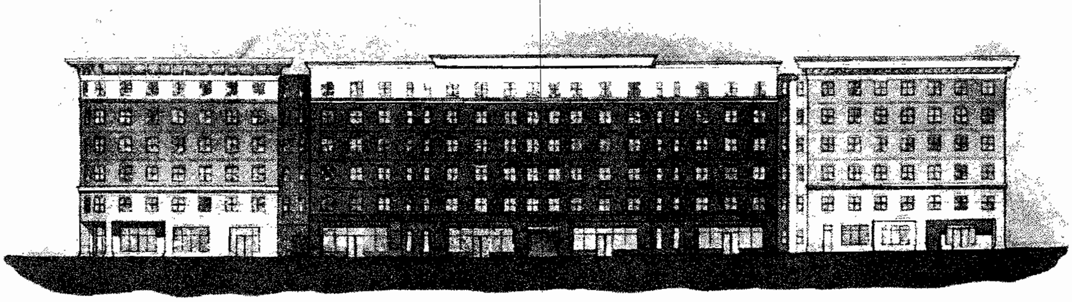
Board Action Requested: Adoption of the attached resolution.

As a followup to last month's meeting, the financing for the West Block Student Housing project in Winooski has been proceeding through the planning phase. I have attached the most recent summary of the financing as prepared by RBC Dain Rauscher. You will notice that the financing is now limited to the student housing use and not both the student housing and retail space. Since our meeting, it became clear that Collegiate Housing Foundation ("CHF") would not be the borrower on the retail portion as originally planned. With a commercial retail owner as the borrower on the retail space, this change was not consistent with VHFA's authority to make loans to housing sponsors. The developer is pursuing commercial financing for the retail space from another source.

Even though this financing is not scheduled to close until May 2004, a condition of the State's pledge for the HUD 108 loan is that the West Block has secured a financing commitment. To enable staff to make an appropriate VHFA financing commitment, we are recommending that the attached resolution be acted on to indicate the Agency's intent to proceed with this financing.

Please feel free to call me at 652-3402 if you have any questions before Thursday's meeting.

VERMONT HOUSING FINANCE AGENCY
VARIABLE RATE DEMAND REVENUE BONDS
(UNIVERSITY OF VERMONT PROJECT)
SERIES 2004



EAST CANAL STREET ELEVATION
SCHEMATIC RENDERING

PRELIMINARY CREDIT PACKAGE

MARCH 8, 2004

RBC
Dain Rauscher

LEGG
MASON

VERMONT HOUSING FINANCE AGENCY
VARIABLE RATE DEMAND REVENUE BONDS
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Cautionary Statement

This preliminary credit package is based on information provided to RBC Dain Rauscher and Legg Mason by the Developers and other sources that we believe to be reliable. Nevertheless, RBC Dain Rauscher and Legg Mason do not guarantee the accuracy or completeness of any such information and therefore assumes no liability for any loss resulting from reliance thereon. Terms, prices and structures included in this preliminary credit package are subject to changing market conditions, are indicative only, and do not constitute an offer or commitment. This preliminary credit package does not purport to be a complete statement of all the terms, conditions and risks of the proposed transaction. Should the issuer or borrower decide to complete the transaction, final prices are subject to market conditions at the time of execution, possible modification of transaction terms, final credit approval and legal documentation. Historical data, past trends and past performance do not necessarily reflect and do not guarantee future trends or performance.

VERMONT HOUSING FINANCE AGENCY
VARIABLE RATE DEMAND REVENUE BONDS
(UNIVERSITY OF VERMONT PROJECT)
SERIES 2004

EXECUTIVE SUMMARY

Project Name: West Block University Apartments

Project Owners: CHF – Winooski, LLC
An affiliate of Collegiate Housing Foundation

University: University of Vermont

Distance from University: Approximately 1 mile

University Involvement:
Ground Lessor receiving 50% of net surplus
Marketing and Operating Support (as detailed in Ground Lease)
Project Improvements revert to University after bonds are paid

Developers/Managers:
HallKeen LLC
Ambling Companies

Unit Mix:

	Units	Beds
2 Bedroom / 1 Bath	15	30
3 Bedroom / 2 Bath	2	6
4 Bedroom / 2 Bath	64	256
5 Bedroom / 2 Bath	4	20
Total	85	312

Amenities:
Fully furnished apartments with cable and Internet access
12-month leases
Attached parking garage (to be owned by the City of Winooski)
Sports and exercise facilities
Community center with study rooms
14,949 s.f. of Retail space (to be owned by HallKeen – Winooski LLC)
Part of Winooski Riverfront Redevelopment

Proposed Financing:
$21,795,000 Tax-Exempt Bonds
$335,000 Taxable Bonds

Security for the Bonds:
Direct Pay, Letter of Credit
Leasehold Mortgage
Assets and Revenues of the Project
Debt Service Reserve = maximum annual debt service

Debt Service Coverage:

	2006	2007	2008
Net Operating Income	$1,531,864	$1,584,931	$1,635,312
Annual Debt Service	$476,690	$1,271,746	$1,294,697
Coverage Ratio	3.21x	1.25x	1.26x

VERMONT HOUSING FINANCE AGENCY
VARIABLE RATE DEMAND REVENUE BONDS
(UNIVERSITY OF VERMONT PROJECT)
SERIES 2004

PROJECT OVERVIEW

In response to the need for additional convenient, suitable and affordable housing for students of the University of Vermont (the "University"), Collegiate Housing Foundation, through a related limited liability corporation (the "Borrower"), will finance the cost of constructing, furnishing and equipping of the West Block University Apartments (the "Project"), a new, 312-bed student housing facility that will be located near the campus of the University in the City of Winooski, Vermont.

THE PROJECT

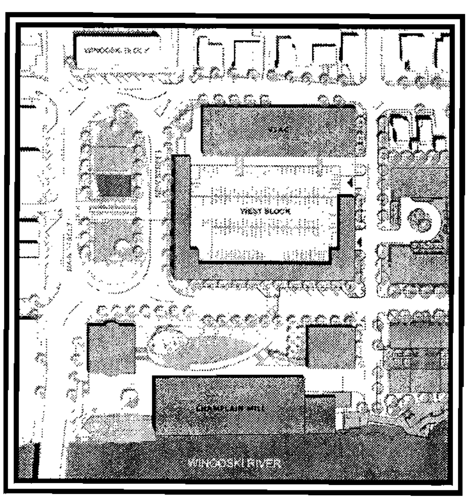
The Project will be located on the riverfront of Winooski, approximately one mile from the main campus of the University, and will be part of the Winooski Riverfront Redevelopment, a master-planned project that will that will include a mix of retail, residential, and commercial uses, creating a pedestrian oriented and vibrant downtown environment.

PROPOSED UNIT MIX

Unit Type	# of Units	# of Beds	Square Footage Per Unit	Square Footage Total
2 Bed / 1 Bath	15	30	618	9,272
3 Bed / 2 Bath	2	6	909	1,818
4 Bed / 2 Bath	64	256	1,066	68,251
5 Bed / 2 Bath	4	20	1,194	4,776
Subtotal	85	312	990	84,117
Retail Space	N/A	N/A	N/A	14,949
Circulation	N/A	N/A	N/A	38,503
Total / Avg.	85	312	1,618	137,569

Scheduled for completion in August 2005, the Project is designed to provide the University with a valuable off-campus housing resource with approximately 85 units incorporating 312 beds in a six-story building. The units will consist mainly of apartment style housing, as shown in the accompanying chart.

The Borrower will contract with HallKeen LLC and Ambling Companies (the "Developers") to develop the Project. The building will be constructed of steel and concrete with brick facade. The structure is a single-loaded building that is designed to wrap a 945 space structured parking garage. The garage will be owned and managed by the City of Winooski. The building's ground floor will include 15,000 square feet of ground floor retail space (as required by project permits), which, for reasons associated with the tax-exempt status of the Borrower, will be owned and separately financed by HallKeen-Winooski, a subsidiary of the Developer. The retail space shall be conveyed as a separate condominium unit.

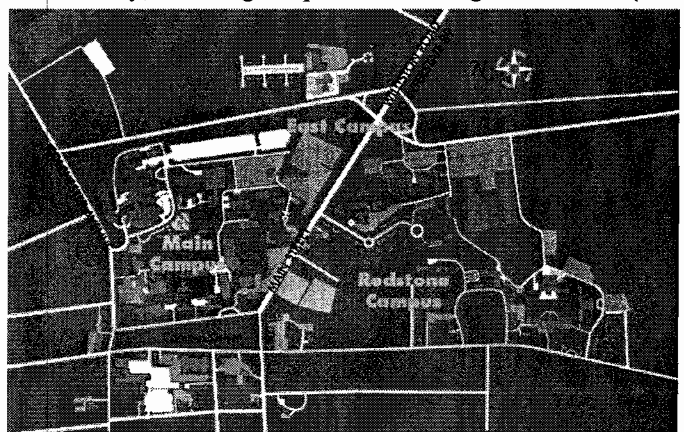


All units will be fully furnished and handicapped accessibility conforming to ADA and Federal Fair Housing guidelines. Apartments will feature full kitchens and appliance packages. Cable television connection lines, telephone, and Internet access will be available for each unit. All units will have central heating and air conditioning. The building's steel and concrete construction will help to ensure a quiet atmosphere. Additional Project amenities include furnished study areas, fitness center, and ample laundry facilities. Residents of the Project will have a 12-month lease.

Regularly scheduled bus service to the University shall be provided by Chittenden County Transportation Authority. A heated waiting area and bus stop will be provided on the building's ground floor.

THE UNIVERSITY

Chartered in 1791, the same year that Vermont became the 14th state, the University of Vermont was established as the fifth college in New England (after Harvard, Yale, Dartmouth and Brown). Although it began as a private university, the University attained quasi-public status with the passage of the Morrill Land-Grant College Act in 1862 and the addition of the State Agricultural College. Today, the University blends the traditions of both a private and public university, drawing 21 percent of its general fund (and about 10 percent of its current operating budget) from the state of Vermont.



The University is home to 7,601 undergraduates, 1,106 graduate students, 394 medical students and more than 1,157 full- and part-time faculty. Seven undergraduate schools and colleges offer more than 90 different programs and four pre-professional options. The Graduate College offers 72 master's programs, 20 doctoral programs, and a College of Medicine. Other University statistics include:

- 62 percent of undergraduate students are from out-of-state, representing 49 states and 40 foreign countries;
- More than 100 student organizations, including a nationally recognized debate team and a student-run newspaper, radio station, TV station, rescue squad, legal services and many more academic, artistic, musical, cultural, political, religious, and service clubs;
- 22 NCAA Division I Athletics teams (10 men's and 12 women's);
- Additional sports: 13 club teams engaged in intercollegiate competition and 15 intramural teams.

<u>On-Campus Housing:</u> On-campus, students live in 24 residence halls and have access to 10 dining facilities, two convenience stores and a cyber café. The residence halls are located on four residential campuses (Central Campus, Athletic Campus, Trinity/Jeanne Mance Campus, and Redstone Campus) and have a capacity for 3,736 students. Historically, the residence halls have operated at 90% to 93% occupancy during the fall semester. All first-time, first year students are required to live on-campus for four matriculated semesters. According to the University, additional on-campus housing is not feasible at this time.

ANTICIPATED FINANCING STRUCTURE

The proposed financing structure consists of approximately $22.1 million of tax-exempt and taxable variable rate demand bonds (the "Bonds") issued by the Vermont Housing Finance Agency (the "Issuer") with a term of approximately 32 years. Bond proceeds will be loaned to the Borrower and used to fund project costs, capitalized interest, a debt service reserve fund and costs of issuance. The Bonds will be limited obligations of the Borrower, payable only from revenues of the Project and secured by a Leasehold Mortgage, an Assignment of Rents and Leases and a Security Agreement. The Project will be owned by the Borrower and managed by HallKeen LLC (the "Manager").

SUMMARY OF PROJECTIONS

(Dollars in Thousands) Fiscal Year Ending June 30,	2006[1]	2007	2008	2009	2010
Total Net Revenues	$2,208,761	$2,326,519	$2,394,770	$2,465,068	$2,537,475
Total Operating Expenses	676,897	741,587	759,458	777,826	796,706
Net Operating Income	$1,531,864	$1,584,931	$1,635,312	$1,687,242	$1,740,769
Annual Debt Service	476,690	1,271,746	1,294,697	1,321,428	1,348,452
Debt Service Coverage Ratio	3.21x	1.25x	1.26x	1.28x	1.29x

[1] Includes the use of capitalized interest.

Estimated net revenue for the Project is based on an assumed annual occupancy rate of 95%. The Project's other sources of revenue include late charges, parking fees and vending and laundry income. Operating Expenses, including a Repair and Replacement Reserve Fund at $175 per bedroom per year, are estimated based on the Manager's experience in operating similar projects. Revenues and expenses have been forecasted to escalate annually by 3%.

TRANSACTION STRENGTHS

- The Project will offer affordable, high amenity, apartment living, which is superior in quality to the dormitory-style housing that is currently available on-campus and to many of the off-campus alternatives that are available.
- There is a demonstrated demand for the Project with a current need conservatively estimated by Danter Company in the Market Study at 518 beds. In addition, the University (for various feasibility reasons) is not planning to build additional on-campus housing, despite the demand from its growing population.
- The University is demonstrating strong support for the Project (as is outlined in the Ground Lease).
- The Project has a superior location with the dual advantage of being close to the main campus of the University and being in the center of the Winooski Riverfront Redevelopment.
- The parties involved in the Project are strong and have proven their success with privatized student housing.
- As part of a major redevelopment effort in the State, the Project enjoys support from many different state and local entities, including the State, the University, the Issuer and the City of Winooski.
- Based on current market conditions and stabilized occupancy, cash flows are projected to have debt service coverage in excess of 1.25x.

VERMONT HOUSING FINANCE AGENCY
VARIABLE RATE DEMAND REVENUE BONDS
(UNIVERSITY OF VERMONT PROJECT)
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PRELIMINARY TERM SHEET

The following is a preliminary summary of certain fundamental terms upon which the financing of the Project will be based.

Issue Structure

The Vermont Housing Finance Agency will issue tax-exempt bonds to the fullest extent permissible under the Internal Revenue Code to finance the Project. Additionally, taxable bonds may be issued for costs not eligible for tax-exempt financing (such as issuance costs in excess of 2% of the principal amount of the tax-exempt bonds). The following initial assumptions have been made regarding the structure of the Bonds:

A. **Dated Date**: June 1, 2004

B. **Proposed Sale Date**: May 31, 2004

C. **Scheduled Delivery Date**: June 1, 2004

D. **Approximate Issue Size**: $22,130,000

E. **Term**: Approximately 32 years

F. **Payment Dates**: Interest will be payable monthly, beginning on July 1, 2004. Principal and Sinking Fund installments will be payable annually on each July 1, beginning on July 1, 2007.

G. **Expected Rating**: "Aa / VMIG-1" (based on Letter of Credit)

H. **Type of Sale**: Public Offering

I. **Minimum Denominations**: $100,000 and multiples of $5,000 thereafter

J. **Construction Period**: Approximately 14 months

K. **Capitalized Interest**: Construction Period plus 6 months

L. **Ground Lease**: The City of Winooski currently owns the land on which the Project is to be built and will lease it to the University for 32 years, with two 10-year extensions. The University will sublease the land to the Borrower for 32-years. The land and the Project will revert to the University upon the earlier of full payment of the Bonds and the end of the Sublease.

M. **Optional Redemption**: The Bonds will be subject to optional redemption on any interest payment date at a price of par plus accrued interest.

Security for the Bonds

The Bonds will be issued under a Trust Indenture between the Issuer and a Trustee appointed by the Issuer (the "Trustee"). The Issuer will lend the proceeds of the Bonds to the Borrower pursuant to a Loan Agreement. The Borrower's obligations under the Loan Agreement will be non-recourse obligations secured by, among other things, a Leasehold Mortgage and Assignment of Rents and Leases encumbering all of the Borrower's right, title and interest in and to the land and the Project, a Security Agreement covering, among other things, Revenues, equipment and inventory, and an Assignment of Contract Documents pursuant to which the Borrower will assign to the Issuer the development, construction and other project agreements and documents. Pursuant to the Indenture, the Issuer will assign to the Trustee the Issuer's right, title and interest under the Leasehold Mortgage, Assignment of Rents and Leases, Security Agreement and Assignment of Contract Documents.

The Bonds will be limited obligations of the Issuer, payable solely from the Revenues of the Project and amounts in certain funds and accounts held by the Trustee under the Indenture. The Bonds will not constitute a debt of the Issuer, the State of Vermont, or any political subdivision thereof within the meaning of any constitutional or statutory limitation. Neither the full faith and credit nor the taxing power of the State of Vermont or any of its political subdivisions is pledged to the payment of the Bonds or the interest thereon.

Funds and Accounts

The Indenture will create the following funds and accounts, each of which will be held by the Trustee for the benefit of the owners of the Bonds: (1) the Revenue Fund; (2) the Bond Fund, consisting of an Interest Account, a Capitalized Interest Account, and a Principal Account; (3) the Issuance Cost Fund; (4) the Construction Fund; (5) the Debt Service Reserve Fund; (6) the Repair and Replacement Fund; (7) the Working Capital and Marketing Fund; (8) the Insurance and Condemnation Fund; and (9) the Redemption Fund. The Indenture will also create the Rebate Fund and the Surplus Fund, which will be held by the Trustee but will not be pledged to the payment of the principal of and interest on the Bonds. An Operating Fund will be created and held by the Borrower, but will not be pledged to the payment of the principal of and interest on the Bonds.

1. Revenue Fund: The fund into which the Borrower agrees to deposit (or cause to be deposited) daily the Revenues of the Project.

2. Bond Fund: The fund from which the principal of, and premium, if any, and interest on the Bonds is paid. An initial deposit will be made to the Bond Fund from proceeds of the sales of the Bonds to fund Capitalized Interest. Monthly deposits into the Bond Fund will also be made from the Revenue Fund (in conjunction with interest earnings from the Debt Service Reserve Fund) to fund the principal and interest requirements of the Bonds.

3. Issuance Cost Fund: The fund into which Bond proceeds are deposited at closing to pay the costs associated with the issuance of the Bonds.

4. Construction Fund: The fund into which Bond proceeds are deposited and invested at closing to fund the costs of designing, constructing, furnishing, and equipping the Project.

5. Debt Service Reserve Fund: The fund into which Bond proceeds are deposited and invested at closing to meet the Debt Service Reserve Fund Requirement. The Debt Service Reserve Fund Requirement will be equal to the lesser of (i) maximum annual debt service on the Bonds; (ii) 10% of the Bond proceeds; and (iii) 125% of average annual debt service on the

Bonds. Such moneys may be withdrawn to cure any deficiencies in the Bond Fund on the dates when principal of and interest on the Bonds is due, after taking into account transfers from the Surplus Fund and the Repair and Replacement Fund for such purpose. If deficiencies exist in the Debt Service Reserve Fund, the Trustee will be required under the Indenture to replenish the Debt Service Reserve Fund with transfers from the Revenue Fund

6. Repair and Replacement Fund: The fund into which monthly deposits are made, upon completion of construction and stabilization of the Project, from the Revenue Fund equal to 1/12th of the Repair and Replacement Fund Requirement. The Repair and Replacement Fund Requirement will be equal to $175 per bedroom per year. Such moneys shall be used to pay (i) the costs of major repairs, replacements or maintenance of the Project of a non-recurring nature; (ii) any reconstruction costs of the Project; and (iii) any capital costs of the Project. Transfers from the Repair and Replacement Fund will be required to cure any deficiencies in the Bond Fund, Operating Fund and Debt Service Reserve Fund, after taking into account transfers from the Surplus Fund for such purposes.

7. Working Capital and Marketing Fund: The fund into which Bond proceeds are deposited and invested at closing to fund pre-opening and marketing costs relating to the Project.

8. Operating Fund: The checking account maintained by the Borrower into which moneys are transferred from the Revenue Fund for the payment of regular operating expenses of the Project. The Borrower will be obligated to pay operating and maintenance expenses of the Project as they become due in accordance with the purposes and amounts provided in the Annual Budget (described in the bond documents). The Operating Fund shall maintain a minimum balance (the amount of which will be determined based on the needs of the Project) to ensure the timely payment of such regular operating expenses. To the extent that any deficiency exists in this fund, moneys will be transferred from the Surplus Fund and the Repair and Replacement Fund.

9. Insurance Fund and Condemnation Fund: The funds into which, under certain circumstances, the net proceeds of insurance and condemnation awards are paid and from which they are disbursed to restore the Project or redeem Bonds, as determined in the Indenture.

10. Redemption Fund: The fund into which moneys are deposited for the purpose of redeeming Bonds as allowed in the optional, mandatory and extraordinary redemption features of the Indenture.

11. Rebate Fund: The fund created if earnings on certain investments exceed the levels allowed under federal tax law for the purpose of rebating such excess earnings to the U.S. Treasury.

12. Surplus Fund: The fund into which all remaining moneys in the Revenue Fund after disbursements into the funds described above are deposited and released to the University and the City of Winooski.

    Release of Moneys from the Surplus Fund: On the date that is 30 days after receipt by the Trustee of the annual audited financial statements for each fiscal year of the Project, the Trustee will be required to transfer from the Surplus Fund to the Ground Rent Fund, the Bond Fund, the Operating Fund, the Repair and Replacement Fund and the Debt Service Reserve Fund an amount sufficient to cure any deficiencies in such funds. If, following such transfers, any money shall then remain in the Surplus Fund, the Trustee will release moneys from the Surplus Fund to the University and the City of Winooski, provided the following Release Tests are satisfied and no event of default shall have occurred under the Indenture:

(i) The Fixed Charges Coverage Ratio for the most recent fiscal year of the Project for which audited financial statements have been delivered to the Trustee was at least 120%, and

(ii) The Annual Budget for the Project for the then current fiscal year of the Project has established rates, fee and charges such that the Fixed Charges Coverage Ratio for such current fiscal year is projected to be at least 120%.

Application of Proceeds

At closing, a portion of the proceeds will be deposited and invested in (i) the Construction Fund, the interest on and maturing principal of which will be drawn to pay the costs of designing, constructing, furnishing and equipping the Project; (ii) the Working Capital and Marketing Fund, the interest on and maturing principal of which will be drawn to pay pre-opening and marketing costs of the Project; (iii) the Bond Fund, the interest and maturing principal of which will be used to pay interest on the Bonds through the construction period; (iv) the Debt Service Reserve Fund to fund the Debt Service Reserve Fund Requirement; and (v) the Issuance Cost Fund to pay costs associated with issuing the Bonds. All of the proceeds described above (other than those deposited in the Issuance Cost Fund) will be invested in at fixed rate of interest until drawn.

Flow of Funds

The Borrower will be required to deposit, or cause to be deposited, all of the Revenues of the Project into the Revenue Fund each day. The amounts deposited in the Revenue Fund will be disbursed by the Trustee on the 25^{th} day of each month as follows:

FIRST, there shall be deposited in the Operating Fund the amount budgeted in the Annual Budget for operating expenses (excluding any management fee) of the Project for the next succeeding month and any amount necessary to meet the minimum balance requirement;

SECOND, there shall be transferred to the Bond Fund the Basic Loan Payment from the Borrower. The Basic Loan Payment is equal to (i) the amount payable on the immediately succeeding Interest Payment Date as interest on the Bonds; and (ii) $1/12^{th}$ of the principal due on the next succeeding maturity date of the Bonds or $1/12^{th}$ of the amount required on the next succeeding sinking fund date to retire the Bonds under the mandatory sinking fund redemption requirements, as the case may be;

THIRD, there shall be paid to the City of Winooski any Subordinate Land Lease Payment owed pursuant to the Ground Lease;

FOURTH, there shall be transferred to the Debt Service Reserve Fund, beginning in the month immediately succeeding any month in which any deficiency in the Debt Service Reserve Fund occurs, the amount necessary to make the amount in the Debt Service Reserve Fund equal to the Debt Service Reserve Fund Requirement, provided that if there are not sufficient moneys in the Revenue Fund to make such deposit, the Trustee shall transfer to the Debt Service Reserve Fund at least an amount equal to (i) $1/4^{th}$ of the amount of such deficiency if the value of the assets credited to the Debt Service Reserve Fund is less than 90% of the Debt Service Reserve Fund

Requirement and such deficiency results from a decline in the value of the assets of the Debt Service Reserve Fund; (ii) 1/24th of the amount of such deficiency if such deficiency results from any withdrawal from the Debt Service Reserve Fund; or (iii) 1/12th of the amount of such deficiency if such deficiency results from any other cause, in each case until the amount credited to the Debt Service Reserve Fund equals the Debt Service Reserve Fund Requirement;

FIFTH, there shall be transferred to the Repair and Replacement Fund an amount equal to 1/12th of the Repair and Replacement Fund Requirement;

SIXTH, there shall be paid to the Manager any subordinate management fee owed pursuant to the Management Agreement;

SEVENTH, any remaining amounts shall be transferred to the Surplus Fund.

Revenue Covenant

Pursuant to the Indenture, the Borrower will covenant to establish and maintain rates, fees and charges for the use of and for the services furnished by the Project, sufficient, with other revenues, to (i) pay operating and maintenance expenses and maintain and operate the Project on a sound, businesslike basis; (ii) pay all debt service on the Bonds as it is due; (iii) maintain the Debt Service Reserve Fund Requirement in the Debt Service Reserve Fund; and (iv) provide moneys sufficient to make the scheduled deposits into the Repair and Replacement Fund. The Borrower will further covenant to establish, fix, charge and collect such rates, fees and other charges and to revise the same from time to time, as necessary, so that, in each fiscal year of the Project, Revenues are equal to at least 120% of the debt service requirement during such fiscal year (the "Fixed Charges Coverage Ratio"). If the Borrower fails to meet the requirements of the Revenue Covenant, it will be required under the terms of the bond documents to retain a Management Consultant to prepare a written report, making recommendations with respect to such fees, rates and charges of the Borrower and with respect to improvements to or changes in the operations or services rendered by the Borrower at the Project. If the Borrower complies with the recommendations of the Management Consultant, failure to meet the Revenue Covenant shall not be an Event of Default under the bond documents.

Budget Covenant

The bond documents will require the Borrower to prepare, adopt and deliver to the Trustee, no later than 30 days prior to the beginning of each fiscal year of the Project, an Annual Budget for the Project, which shall include a monthly budget component. The Annual Budget shall contain a description of all anticipated revenues and expenditures on a cash basis and shall also be prepared in accordance with generally accepted accounting principles applied on a consistent basis. The revenues and expenses provided in the Annual Budget in each fiscal year of the Project shall be in such amounts as shall permit the Borrower to meet the Revenue Covenant for such fiscal year. The Borrower will retain a Management Consultant if it is unable to meet the Revenue Covenant in its budget process. The Management Consultant will prepare a written report, making recommendations with respect to all fees, rates and charges of the Borrower and with respect to improvements to or changes in the operations or services rendered by the Borrower at the Project. If the Borrower complies with the recommendations of the Management Consultant, failure to meet the Revenue Covenant in the budget process shall not be an Event of Default under the Indenture.

Covenant Not to Dispose of Project Assets

The bond documents will contain customary restrictions on the sale, encumbrance or conveyance of the Project by the Borrower.

Covenant to Operate and Maintain the Project

Pursuant to the terms of the bond documents, the Borrower will covenant to (i) own and operate the Project; (ii) pay all operating and maintenance expenses of the Project; and (iii) maintain the Project (or cause it to be maintained) in good repair, working order and operating condition (consistent with reasonable standards of operation for "Class A" housing projects), free from any lien on the revenues or physical property thereof, except for certain Permitted Encumbrances (as defined in the Indenture).

Other Covenants

1. The bond documents will require the Borrower to maintain proper books or records and accounts and to provide for an annual audit of the financial statements of the Project made by an Independent Public Accountant.

2. The bond documents will require the Borrower to maintain proper, customary and adequate insurance with respect to the Project.

3. The bond documents will contain such additional covenants by the Borrower as are customary in connection with the issuance of tax-exempt revenue bonds for the purpose of financing facilities such as the Project.

Additional Bonds

Subject to certain restrictions, the Indenture will permit the issuance of one or more series of Additional Bonds, equally and ratably secured with the Bonds, for the purposes of (i) defeasing, refunding or advance refunding any Bonds outstanding, (ii) obtaining funds necessary to complete the Project, or (iii) expanding the Project. Additional Bonds may be issued upon receipt of a written certification by an Independent Consultant or an Independent Public Accountant stating either that (a) during the twelve consecutive months preceding the date of issuance of the proposed Additional Bonds, the Fixed Charges Coverage Ratio was at least 125% and that, for the next three fiscal years of the Project, beginning with the fiscal year commencing after completion of the additional facilities financed by such Additional Bonds, the Fixed Charges Coverage Ratio is projected to be at least 125%, taking into account the debt service on the Bonds and the maximum annual debt service due on such proposed Additional Bonds and those rates, fees and other charges which are in effect and future changes therein as have been approved by the Borrower at the time of issuance of such proposed Additional Bonds; (b) if during the twelve consecutive months preceding the date of issuance of the proposed Additional Bonds, the Fixed Charges Coverage Ratio was not at least 125%, the next three fiscal years of the Project, beginning with the fiscal year commencing after completion of the additional facilities financed by such Additional Bonds, the Fixed Charges Coverage Ratio is projected to be at least 135%, taking into account the debt service on the Bonds and the maximum annual debt service due on such proposed Additional Bonds and those rates, fees and other charges which are in effect and future changes therein as have been approved by the Borrower at the time of issuance of such proposed Additional Bonds; or (c) if such Additional Bonds are issued to refund or refinance Bonds outstanding, that after giving effect to the proposed refunding, the maximum annual debt service on all of the Bonds outstanding will not increase.

VERMONT HOUSING FINANCE AGENCY
VARIABLE RATE DEMAND REVENUE BONDS
(UNIVERSITY OF VERMONT PROJECT)
SERIES 2004

PRELIMINARY FINANCING SCHEDULE

February 2004						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29						

March 2004						
S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

April 2004						
S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	

May 2004						
S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

June 2004						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

July 2004						
S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

	DATE	EVENT
✓	Thursday, February 19th	Vermont HFA Board Meeting
✓	Week of February 23rd	Kick-Off Finance Team Conference Call
	Week of March 8th	Credit Packages Sent to Credit Enhancers
	Week of March 15th	Indication of Interest Received from Credit Enhancers
	Week of March 22nd	Credit Enhancer Site Visits
	Week of April 5th	Credit Approval Received from Credit Enhancer
	Week of April 12th	Commitment Letter Received from Credit Enhancer
	Week of April 26th	First Draft of Bond Documents Circulated
	To Be Determined	Notice of TEFRA Hearing
	Thursday, April 29th	Issuer Board Approval
	Week of May 3rd	Meeting/Conference Call to Review Bond Documents
	Week of May 10th	Revised Bond Documents Circulated
	Week of May 17th	Meeting/Conference Call to Review Bond Documents
	To Be Determined	TEFRA Hearing
	Week of May 24th	Revised Bond Documents Circulated
		Final Construction Documents Circulated
		Preliminary Official Statement Mailed
	Week of May 31st	Bond Pricing
		Bond Purchase Agreement Signed
		Bond Documents Finalized
		Closing

VERMONT HOUSING FINANCE AGENCY
VARIABLE RATE DEMAND REVENUE BONDS
(UNIVERSITY OF VERMONT PROJECT)
SERIES 2004

SUMMARY OF ASSUMPTIONS

The following general assumptions have been made to preliminarily analyze the financial feasibility of developing and operating a new student housing facility for students of the University of Vermont.

1. **Scope of the Project:** As described in the Development Budget prepared by the Developers dated March 5, 2004, the Project will include the construction of a new student housing facility with approximately 85 units (312 beds). The budget, excluding financing costs, can be summarized as follows:

Construction Hard Costs	$11,900,000
Construction Soft Costs	2,598,960
Furniture, Fixtures & Equipment	602,500
Technology Costs	249,600
Soft Costs (1)	3,151,504
Total Project Costs	**$18,502,564**

(1) Includes Developer Legal, Title/Closing, Marketing, Initial Operations, Development Fees, Contingency and Miscellaneous Expenses.

2. **Bond Structure:** Tax-exempt variable rate demand bonds, along with a small portion of taxable bonds, will be issued to finance 100% of the Total Project Costs, reserve funds, capitalized interest and issuance costs. The bonds will have a term of approximately 32 years, will be fully amortizing and will be structured to produce approximately level annual net debt service. To the extent necessary, the taxable bonds will be issued to fund costs of issuance in excess of 2% of the par amount of the bonds.

3. **Project Construction Fund:** Bonds proceeds will be deposited in the Project Construction Fund to pay the Total Project Costs. We have assumed such funds will be drawn to pay these costs. While moneys are held in the Project Construction Fund, they will be invested, the earnings on which will remain in the fund to pay the Total Project Costs, allowing the initial par amount of the bonds to be lowered by the amount of expected interest earnings. Interest earnings on this fund are assumed at 1.00%.

4. **Capitalized Interest:** Bond proceeds will be used to fund interest on the bonds for a period beginning upon the closing of the bonds, June 1, 2004, and extending through February 1, 2006, which is approximately six months past the scheduled construction completion. While moneys are held in the Capitalized Interest Account, they will be invested, the earnings will remain in the account to pay the capitalized interest, allowing the initial par amount of the bonds to be lowered by the amount of expected interest earnings. Interest earnings on this fund are assumed at 1.00%.

5. **Debt Service Reserve Fund:** Bond proceeds will be used to fund a Debt Service Reserve Fund equal to the lesser of (i) maximum annual debt service on the Bonds; (ii) 10% of the Bond proceeds; and (iii) 125% of average annual debt service on the Bonds. While moneys are held in the Debt Service Reserve Fund, they will be invested, the earnings of which will be transferred to the Capitalized Interest Account during the capitalized interest period to reduce the bond size. Thereafter, earnings will be available to reduce the annual debt service on the bonds. Interest earnings on the Debt Service Reserve Fund are assumed at 4.25%.

6. **Estimated Costs of Issuance:** For the purposes of this analysis, we have assumed costs due at closing, will include issuance costs of $400,000, an underwriter's discount of 1.50% of the par amount of the bonds, an upfront letter of credit commitment fee of 0.25% of the amount of the letter of credit, and an initial letter of credit fee equal the 1/2 of the first year's fee. Actual costs of issuance may vary depending on the nature of the financing.

7. **Ongoing Fee:** Annual ongoing fees include (1) a letter of credit fee equal to 1.25% of the outstanding letter of credit amount, which is equal to the outstanding par amount of the bonds plus 44 days of interest at 12%; (2) a remarketing fee of 0.125% of the outstanding par amount of the bonds; (3) an Issuer Fee of $15,000; (4) a Borrower's Fee equal to 0.80% of the gross revenues from the project; and (5) a trustee fee of $3,500.

8. **Assumed Closing Date:** June 1, 2004.

9. **Interest Rates:** Interest rates in this analysis are based on prevailing rates for comparable issues during the first week of March 2004.

10. **Cash Flow Assumptions:** The cash flow analyses are based on rent, vacancy and operating expense levels presented in the Unit Mix and Cash Flow schedules. Among these assumptions are the following:

- Unit Mix comprised of 85 units with 312 beds;
- Current market rate rents for comparable apartment units;
- Assumed vacancy rate of 5.00%;
- Other revenues that include late charges, parking fees, and vending and laundry income; and
- Certain operating expenses provided by the Developers.

Other adjustments include adding estimated Debt Service Reserve Fund earnings to revenues, an annual Trustee Fee of $3,500, an annual Issuer Fee of $15,000, an annual Borrower's Fee equal to 0.80% of the gross revenues from the project, and a Replacement Reserve equal to $175 per bedroom, escalating at a rate of 3% per year, to the operating expenses.

RESOLUTION RE: PERMANENT FINANCING FOR WEST BLOCK STUDENT HOUSING, WINOOSKI

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

WHEREAS, an application has been submitted to the Agency by HallKeen LLC (the "Sponsor") on behalf of Collegiate Housing Foundation or its affiliate (the "Borrower") involving the permanent financing of one (1) wrapper building containing a total of eighty-five (85) units of rental student housing in the City of Winooski (the "Development"); and

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

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

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

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Elizabeth Mullikin Drake dated March 15, 2004, containing information and recommendations about the Development (the "Memorandum");

THEREFORE, it is hereby DETERMINED:

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

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

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

4. The Borrower undertaking the Development will increase the supply of well-planned, well-designed permanent, temporary, transitional or emergency housing for persons and families of low and moderate income.

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

6. The Borrower will qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a new mortgage loan to the Borrower for the permanent financing of the Development based on the recommendations in the attached Memorandum. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the Borrower in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

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

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

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

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

Vermont Housing Finance Agency

VHFA Board Meeting Minutes
Vermont Association of Realtors
148 State Street
Montpelier, Vermont
Thursday, March 18, 2004 at 9:00 a.m.

VHFA Board Members Present:
Lisa Randall – Chair, Paul Beaulieu, Thomas Candon (designee for Crowley), John Hall (designee for Dorn), Beth Pearce (designee for Spaulding), Gus Seelig

VHFA Board Members Absent:
Dagyne Canney

Staff: Dave Adams, Scott Baker, Sarah Carpenter, Maura Collins, Pat Crady, Renee Couture, Elizabeth Mullikin Drake, John Fairbanks, Sam Falzone, Tim Gutchell, Pat Loller, Roger Schoenbeck

Guests: Ken Braverman (The Braverman Co.), Andy Burnes (HallKeen), Bob Cole (A.G. Edwards & Sons, Inc.), Andy Gurley (UBS Financial Services, Inc.), Al Hans (Piper Jaffray & Co.), Cory Hoeppner (Piper Jaffray & Co.), James McIntyre (UBS Financial Services, Inc.), Greg Swartz (Piper Jaffray & Co.), Michael Toth (Citigroup Global Markets, Inc.), Kimberly Welsh (UBS Financial Services, Inc.)

Chair Randall called the meeting to order at 9:15 a.m.

FINANCE
Financial Study completed by Piper Jaffray & Co.
Mr. Schoenbeck introduced Mr. Al Hans of Piper Jaffray & Co. Mr. Hans reviewed the Financial Study completed by him and his staff.

Mr. Hans explained that the dramatic level of prepayments experienced, particularly, in the last two years has not yet impacted net assets or the equity of the organization.

Mr. Hans noted that it will be important to develop a program to keep multifamily loans in our portfolio by, for example, providing new thirty-year financing to new owners. Mr. Falzone explained that the Preservation Program attempts to do just that.

Mr. Hans reviewed the cash flow assumptions of the study, listed in Table 16 on page 25. To Ms. Randall's question about whether VHFA could get a copy of the program, Mr. Hans responded that he could easily plug in other prepayment scenarios and provide the results to VHFA.

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Mr. Hans pointed out that, in the Single Family Insured and Home Mortgage Purchase Bonds Fund, there is approximately $20 million in net assets. VHFA has been using this as an effective source of internal loan funding which provides positive revenue and avoids negative arbitrage. This will be a topic of discussion in future Strategic Planning Sessions.

There was discussion about the tax code that allows the Agency to build a loan loss component into the rates; however, it was agreed that the current economy has precluded the Agency from taking advantage of this allowance. When VHFA rates again become more competitive, the Agency should again consider adding a loan loss component to the spread.

Mr. Hans noted that single family loan losses were, in part, affected by the type of mortgage insurance. He added that changes in the cost of housing could put VHFA's portfolio more at risk and again emphasized that more aggressively using FHA (which has similar underwriting and which minimizes loss exposure) could have a big impact on loan losses. Ms. Carpenter explained that only 4% of all loans originated in Vermont are FHA insured. She believes it warrants further study by the Homeownership Department, possibly in tandem with originators and servicers, with the possibility of increasing production under this program. Ms. Randall believes there are benefits of diversification. Ms. Crady did point out that MGIC provides much better coverage than the previously used VHMGB coverage, the latter being responsible for the current loan losses. To that, Mr. Schoenbeck added that the credit rating agencies have not really given the Agency credit for the more robust MGIC insurance. Current coverage through MGIC reduces VHFA's exposure to 67% on loans with loan-to-values of 97% and greater.

Mr. Toth explained that FHA now has a surplus and that the administration has made a proposal, not yet acted upon by Congress, which bears watching. The proposed change would allow access to financing with no down payment and with some fees wrapped into the loan. Ms. Welsh added that this product would compete with VHFA's current products and that bringing FHA into the fold would help confront that problem head on.

Mr. Hans referred the Board to Exhibit C, "2002 State HFA Rankings: Adjusted Combined Fund Balance as a % of Debt Outstanding" (the "Percentage"), and pointed out that VHFA is ranked 42nd on the list. He added that this ranking is not an indicator of business success. In many cases, other states have higher rankings because they have other lines of business, which produce more revenue. However, Mr. Hans explained that this Percentage does have implications in that it is correlated with the Issuer Credit Rating (Exhibit B) which looks at the financial strength of the whole Agency. Generally, HFAs with a Percentage of 15 – 16 will have a double-A Issuer Credit Rating. Those with a Percentage of 8 – 9 generally have a single-A rating (as does Vermont.) It is, however, detrimental to have a drop in one's rating. Therefore, if the Agency wants to maintain flexibility in its use of fund balances, it should not seek to raise its Issuer Credit Rating. On the other hand, it is important to maintain the single-A rating.

Ms. Carpenter explained to the Board that the assumptions made in the financial study do include the continuation of the Ventures (at the temporarily approved higher level) and Single Family Construction Initiatives. She added that Mr. Hans believes the Agency's ability to implement other new initiatives is limited. Mr. Schoenbeck did remind the Board that these two initiatives exist in the form of loans (vs. grants) so that the dollars are recycled and used again. The implication for loan initiatives is not as serious as it would be for grant initiatives.

Mr. Hans addressed Mr. Seelig's question about whether there is any advantage to cutting spread in order to increase volume. He explained that it is tough to reduce the spread much below that allowed by the tax code because the Agency needs to take full spread to generate revenues needed over time. Even with full spread (the study assumes rates close to full spread), growth in net assets is minimal, and this amount is needed to run the operation.

Ms. Carpenter asked Mr. Hans to address the fact that VHFA originates so many zero-point loans. Currently, the Agency uses cash up front to pay the point for the borrower, and has done so to remain competitive, knowing that this is not the best economic option. Ms. Welsh explained that, if prepayments do slow, a zero-point program is preferable because the interest rate is higher. Conversation turned to the 3% down payment grant. Ms. Randall suggested that, if a loan pays early, the Agency could recover the subsidy at the time of payoff. Ms. Welsh added that New Hampshire is requiring a repayment of that grant at time of refinancing or sale.

ACTION: Mr. Hans will determine how quickly the mortgages with the 3% down payment grants are prepaying.
ACTION: Staff will look into similar repayment options.

Mr. Hans next addressed Mr. Beaulieu's question regarding whether other states are doing anything different in terms of financing mechanisms that VHFA might consider. Mr. Hans suggested that the Finance Team could take a look at these ideas:

- Mortgage-backed security programs which take all the risk away from the issuer, although this may not work without a majority of FHA insured loans;
- Multi-class structure where part of the bonds are rated triple-A, some are rated double-A, and still others are unratable and use the Issuer Credit Rating. This would eliminate the cost of bond insurance. The downside is that they are more difficult to manage;
- A new resolution that is immediately issued a double-A rating. It may be that a large amount of FHA insured loans are required. Otherwise, the Agency may be required to put a large amount of money into the resolution.

To Ms. Randall's question about the importance of the zero-percent pool, Mr. Hans explained that the loss of the zero-percent pool will have a dramatic impact. It is a great resource that has been used to eliminate multifamily loan loss and generate multifamily production. Mr. Hans added that the Agency will have this source of funds for awhile (just how long is difficult to pinpoint) and Mr. Schoenbeck noted that in 2014 many of these loans will be repaid. Ms. Carpenter cautioned that, although the loans were made based on ability to repay, some of these loans may need to be forgiven. It will be important for VHFA to implement a proactive strategy to ensure full repayment of as many zero percent loans as possible, as this is our primary source of flexible funding for future restructuring and loan workouts.

Mr. Hans then explained that the Agency has a similar concern (as with that of the zero-percent pool) with the VHCB Loans, which are reported in the General Fund. The value, including accrued interest, is $3.5 million, and it continues to grow. This value is reported on the balance sheet as equity, but it is an asset of lesser quality. The Agency needs to assure that these loans are repaid.

Mr. Hans then addressed Ms. Canney's previously submitted question about what resources are available for additional programs. He explained that there are not a lot of funds available in net assets. The General Fund is pretty well leveraged. He reiterated that the $20 million (of the $50 million in the Agency's net assets) in equity in the Single Family Insured and Home Mortgage Purchase Bonds Resolution could possibly be considered, though he stressed the importance of retaining this equity in some fashion as it is needed for stress-case scenarios and to maintain current ratings. He further explained that this money could be made available for, possibly, a revolving loan fund. Mr. Hans then directed attention to the graphs on page 30 to explain how the projections of the study are treating this $20 million in equity, spending it down (to begin single family and multifamily bond issues at 100 parity and to provide needed transfers to the General Fund), so that only $5 million remains in 10 years.

Mr. Hans concluded with a reference to page 46 to show the small gain in assets (approximately $4 million) over the next 10 years based on the assumptions outlined in the study.

STRATEGIC PLANNING
Ms. Randall explained to the Board that the Strategic Planning Document presented by staff seemed like more of a Business Plan or Operational Plan tied to budget initiatives rather than strategic initiatives. She believes it is the Board's responsibility to develop strategic initiatives and suggested a focus on those that generate long-term revenue for the Agency. Mr. Beaulieu asked about parameters that might dictate strategic initiatives. Ms. Carpenter explained that the statute that creates VHFA is the only limitation, adding that it is broadly written. She also noted that the Board should have a discussion about VHFA's role in providing housing and finance in relation to other state agencies and entities. Much discussion followed which focused, primarily, on how to proceed with the task of developing a strategic plan. The outcome of the discussion was the following:

1. Ms. Loller will summarize Mr. Hans' issues and recommendations.
2. Board members will use this summary as the starting point for a one and one-half hours brainstorming session at the beginning of the April or May Board Meeting. Staff should also feel free to add their own ideas to the brainstorming session. Staff who will be submitting ideas and/or involved in further development of these (see next step) should be present for the brainstorming session. Ms. Loller will act as scribe during this session.
3. Staff will then further develop the ideas and recommendations resulting from this session.
4. Staff will return to a special meeting to be scheduled in July or early August (from 9:00 a.m. to 3:00 p.m.) to present these more fully developed ideas.

ACTION: Ms. Couture will poll the Board to determine availability for a July or August meeting.

In order to better understand how VHFA might be strengthened, Mr. Beaulieu asked about the function of the entities listed in the *State of Vermont Directory of Organizations,* last published by DHCA in February of 2004, including any gaps and overlaps with those of VHFA.

ACTION: Staff will include the *Housing Budget Investment Plan* (which explains State agencies) and an annotated version of the *State of Vermont Directory of Organizations* in the next Board packet.

MINUTES
Mr. Seelig made a motion to approve the February 19, 2004 Board of Commissioners' meeting minutes with Mr. Beaulieu seconding the motion. The motion was unanimously approved.

CONSENT AGENDA
Mr. Beaulieu made a motion to approve the Consent Agenda including those items requiring action (restated here):

➢ Approval of Revised Purchase Price Limits implemented for the Burlington MSA

Mr. Seelig seconded the motion, which was unanimously approved.

DEVELOPMENT

Winooski Falls Riverfront Downtown Project ("Winooski Project")

Ms. Mullikin Drake explained that requests for bids for the infrastructure went out on March 4th, a major milestone. Bids are due on April 9th.

Efforts continue to finalize financing with HUD for the $24 million HUD 108 Loan that the State will guarantee. There is a lot of coordination of financing structures including Federal Highway money, HUD 108 money, and some bridge financing.

Winooski Project – West Block Student Housing

A guaranteed maximum price (GMP) contract is expected by mid-April, pushing the start of construction to the end of April. This makes for a tight, but still feasible, timeframe for completion of student housing by August 2005.

Ms. Mullikin Drake reviewed the points of her memo and the attachment. (Mr. Burnes added that HallKeen will be the owner and developer of the retail space.) Ms. Mullikin Drake reiterated the reason for the Resolution, which is to enable staff to make a financing commitment, and explained that the formal bond resolution, prepared by Kutak Rock, will be presented to the Board at the April meeting. The bond will close towards the end of May.

Ms. Mullikin Drake explained that the ground lease structure has changed given the segregation of the retail piece. Mr. Burnes added that the UVM Board of Trustees is expected to vote on the leases at their April 19th meeting. Ms. Mullikin Drake noted that they have already signed a Letter of Intent.

Mr. Seelig made a motion to approve the "Resolution Re: Permanent Financing for West Block Student Housing, Winooski" with the condition that the related projects (VSAC building and parking garage) are ready to start construction at or before the time we issue the bonds. Mr. Candon seconded the motion with Mr. Seelig's added condition. The Resolution was unanimously approved.

Winooski Project – Central Block

Ms. Mullikin Drake explained that the Developer (HallKeen) has presented its Plan B (HallKeen was forced back to the drawing board as a result of the $4 million gap in financing due to the recent change in Difficult Development Area ("DDA") designation by HUD). Plan B calls for 232 affordable units (down from 258) in four buildings. Still, a $1 million gap remains, even after increasing the percentage of affordable units to 55 (from 50). Mr. Burnes explained that the $1 million gap is closed when Central Block is made 60% affordable. If the DDA designation is reinstated, the percentage of affordable units would be lowered to 50 again. Ms. Carpenter explained that, although the 60/40 mix is not ideal, it is good news to have a configuration that works, as this is a condition of the State's pledge for the HUD 108 Loan.

Mr. Burnes added that there is resistance by some in Winooski to the 60/40 split. He emphasized that, if the DDA designation does not come through, the process for moving forward needs to be clearly defined before closing.

In the meantime, the Agency continues to work with HUD to either convince Acting Secretary Jackson of HUD to designate the Winooski tract a DDA or to extend the notice of the loss of the DDA designation. HUD is open to the latter; however, the Treasury still must approve it. Either of these solutions would fill the $1 million gap with additional cash available to contribute to the repayment of the HUD loan in the form of additional land acquisition costs to the City, strengthening the TIF model.

Mr. Seelig advised Mr. Burnes to be cognizant of HOME and CD regulations when putting Central Block out to bid.

HallKeen will assume a DDA designation when submitting its tax credit application for $2 million, which staff will present to the Board at the April meeting.

Agreement between Agency of Commerce and Community Development and VHFA ("Agreement")
Ms. Mullikin Drake explained that the Agreement is in limbo, as the State cannot give reciprocal indemnity. Furthermore, the State is recommending that the Agency acquire independent errors and omissions insurance for which the State will pay. Staff has requested a quote. Ms. Loller noted that, if the Agency is removed from the State insurance pool for its customary insurance needs, the result will be costly.

By the April meeting, staff will have a quote on the errors and omissions insurance.

FINANCE

Single Family Series 19 Bond
Mr. Schoenbeck distributed the Post-Sale Report for the Single Family Housing Series 19 Bonds and Notes, which was prepared by Piper Jaffray & Co. Mr. Hans reviewed the information.

OTHER

Ms. Carpenter informed the Board of two issues:

1. Mr. Rick Bove has, without a building permit or permission from VHFA, leased space in the basement of Victoria Place. The City of Burlington has issued a stop work order. Staff is following these developments. There are also a number of other outstanding issues with this property.
2. Rockingham Area Community Land Trust is experiencing cash flow problems as well as problems with its Executive Director (who has submitted his resignation). Consultants have been hired and a workout committee has been assembled, including VHCB and VHFA, to analyze the situation with hopes for a resolution in six to eight weeks.

Mr. Seelig thanked Ms. Collins and Mr. Fairbanks for their work on the *Housing and Wages* report and for their assistance to him with emceeing the press conference.

ADJOURNMENT

Mr. Seelig made a motion to adjourn the meeting. Mr. Beaulieu seconded the motion and the Board unanimously approved to adjourn the meeting at 1:50 p.m.

2

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Elizabeth Mullikin Drake

RE: Annual Meeting

DATE: April 22, 2004

As required by the Agency's bylaws, this meeting will be considered the Agency's annual meeting. Each year the Board adopts a resolution in the form attached to accomplish the following:

1. Elect a Vice Chairperson;
2. Appoint or confirm the Treasurer (this year, we will appoint Sarah until a new CFO is hired);
3. Ratify the actions of the Agency's officers over the prior year;
4. Make any necessary changes to the Agency's organizational documents;
5. Confirm that authorizations done at prior years' annual meetings remain in full force and effect; and
6. Make any new authorizations.

With Roger's resignation, we will confirm the authorized employees for checkwriting and vault privileges in order to update the respective banks. The attached resolution outlines the necessary actions to be taken at this year's annual meeting.

Recommended Board Action: To adopt the attached resolution

RESOLUTIONS ADOPTED AT THE ANNUAL MEETING OF VERMONT HOUSING FINANCE AGENCY, APRIL 29, 2004

RESOLVED, _____________________ is hereby elected to serve as Vice Chair of the Agency until his/her successor is elected and qualified.

RESOLVED, as of May 1, 2004, Roger A. Schoenbeck's resignation as Chief Financial Officer and Treasurer will become effective.

RESOLVED, Sarah Carpenter, Executive Director and Secretary is hereby elected to serve as Treasurer of the Agency until her successor is elected and qualified.

RESOLVED, that any and all prior actions of the officers of the Agency since the last annual meeting are hereby authorized, ratified and confirmed.

RESOLVED, the following persons shall be authorized to sign checks drawn against any of the Agency's accounts:

Executive Director ________________________________
(Signature)
Sarah E. Carpenter

Director of Administration ________________________________
(Signature)
Patricia M. Loller

Chief of Program Operations ________________________________
(Signature)
David S. Adams

Controller ________________________________
(Signature)
Timothy M. Gutchell

Any check in an amount over $10,000 payable against any of the Agency's accounts must be signed by at least two of the foregoing persons. Any payroll check shall be valid and negotiable when signed by any one of the foregoing persons.

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

Controller: ______________________________
(Signature)
Timothy M. Gutchell

Lender Accounting Coordinator: ______________________________
(Signature)
Susan B. Joachim

Loan Portfolio Specialist: ______________________________
(Signature)
Martha G. Fleming

Financial Analyst: ______________________________
(Signature)
Lisa Clark

vhfa

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Multifamily Development Underwriter

DATE: April 19, 2004 CR

RE: Request for Permanent & Construction Financing for The Converse Home

Name:	The Converse Home	**Location:**	Burlington
Housing Type:	Senior: Licensed Residential Care/Assisted Living including a 16-bed dementia care unit	**Unit Type:**	Private Rooms, Efficiencies, One-Bedroom Units
Total Units:	67	**Unit Sizes:**	13 Rooms @ 242 s.f. 22 Efficiencies @ 370 s.f. 16 1-BR Units @ 520 s.f. 16 Special Care Units @ 273 s.f. (dementia units)
Total Cost:	$9,300,709	**Per S.F. Acquisition & Construction Cost:**	$144
Loan Requested:	$8,477,364 Construction and Permanent	**Sponsor:**	The Converse Home
Other Funding:	VHCB, Private Foundations, Local Fundraising, Owner Equity, Energy Efficiency rebates		

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

Project Summary:
The Converse Home ("CH") is a non-profit organization that currently operates a 27-room licensed residential care facility located at 272 Church Street in Burlington. CH was established in 1886 as a "Home for Aged Women" and has been operating since as a residential care home. The existing building is listed on the State and National Historic Registers, and is a contributing property in the Battery Street Historic District.

The volunteer Board of Directors is planning to renovate the existing facility as well as expand to both create new units and to develop a special care 16-bed unit for residents with Alzheimer's Disease and other forms of memory loss. There will be 67 units when completed, including: 13 private rooms, 22 efficiencies, 16 one-bedroom units, and 16 special care units. CH will continue to maintain the facility and provide all residential care. The facility will grow from its current 16 FTEs (full time equivalents) to 38 FTEs when completed.

The Board has submitted a funding application to VHCB (decision is expected 6/21/04). CH has obtained local permit approval, and Act 250 approval is imminent. A Phase I environmental site assessment was performed and the site is clean with the exception of two underground storage tanks which will be removed.

The property appraised at $9,425,000, for a loan-to-value ratio of 90%. VHFA will issue a 501(c)(3) bond to finance this development.

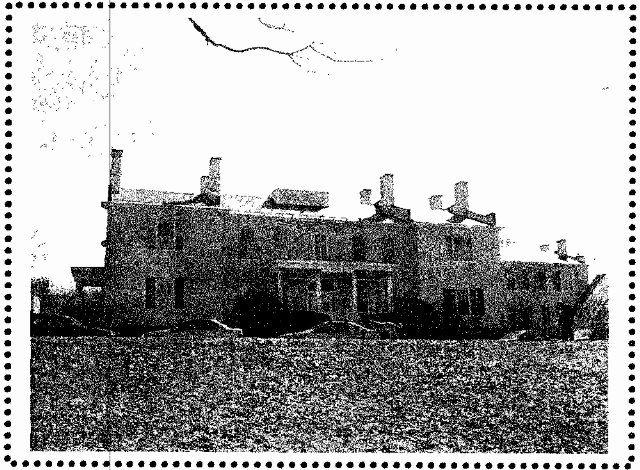
Naylor & Breen is the construction manager. Construction costs in the budget are up-to-date. VHFA's construction inspector has been involved in discussions regarding design and cost-efficiency measures. Bob Duncan of Duncan-Wisniewski Architecture is the architect. Gawron Architects, a firm in Maine, is providing technical assistance to him in the areas of dementia unit design, and Rob Hoover, a landscape architect from Portsmouth N.H., is designing a dementia garden area. Anne Gardner and Nancy Moore of Atlantic Retirement Communities, a reputable firm which does work throughout New England, have been providing development and operations consulting, and will be involved in the project through completion. In addition, VHFA had the project's income & expense assumptions reviewed by an independent consultant experienced in assisted living, and staff has incorporated feedback from that review into the proposal.

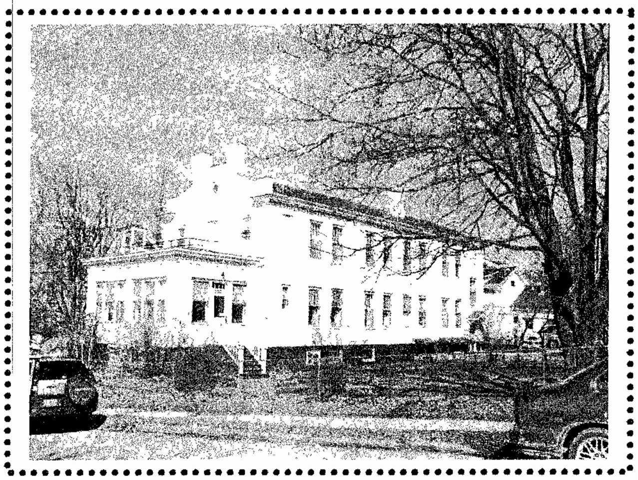
The market study indicates a strong demand for residential care in this market area, and the proposed dementia units will target a very underserved population (a significant number of Converse Home residents have had to leave to go to other more costly institutions due to the onset of memory loss). The rates are below market for comparable facilities in the area. Per VHFA multi-family rules, 51% of the units (34 units) will be affordable to and occupied by persons below median income, for a 30-year period. Twelve of the units will serve residents at or below 30% of median income (depending on the availability of Medicaid subsidies); four of the units will serve residents at or below 90% of median income; and 18 units will serve residents at or below 100% of median income.

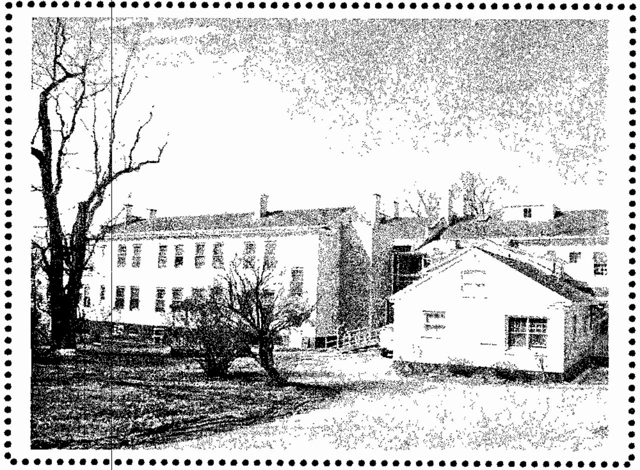
Calculating the affordability of assisted living/residential care units is different than that for residential rental projects that VHFA regularly finances. For the former, we assume residents will be paying 90% or more of their income for their housing and care support (which costs $95/day for a room and $110/day for an apartment.) In fact, 84% of current Converse Home residents pay more than 100% of their income for their home/care. The difference between residents' incomes and monthly costs is made up through a combination of Medicaid, spending down of assets, family support, and in some cases, Converse Home's endowment.

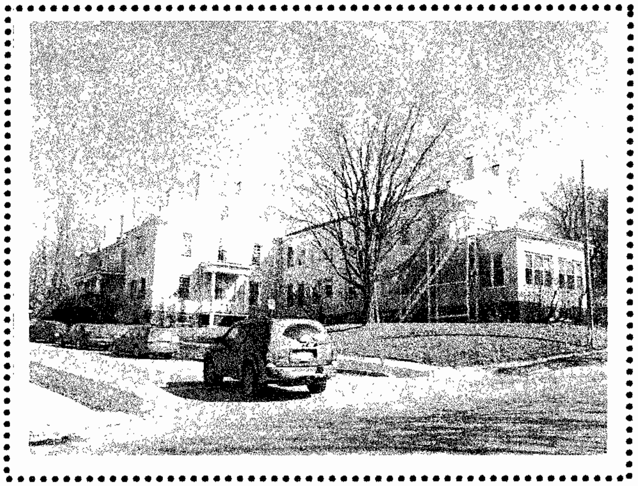
CH currently enjoys a very good reputation, and the Board has been very engaged in proactively planning this expansion to create a well-designed, high quality, marketable facility.

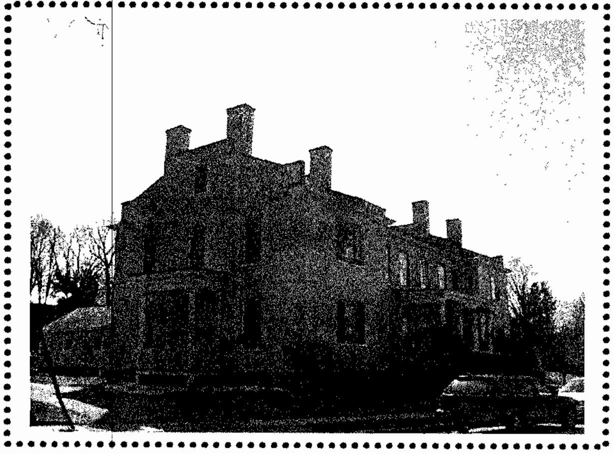
The Converse Home, Burlington



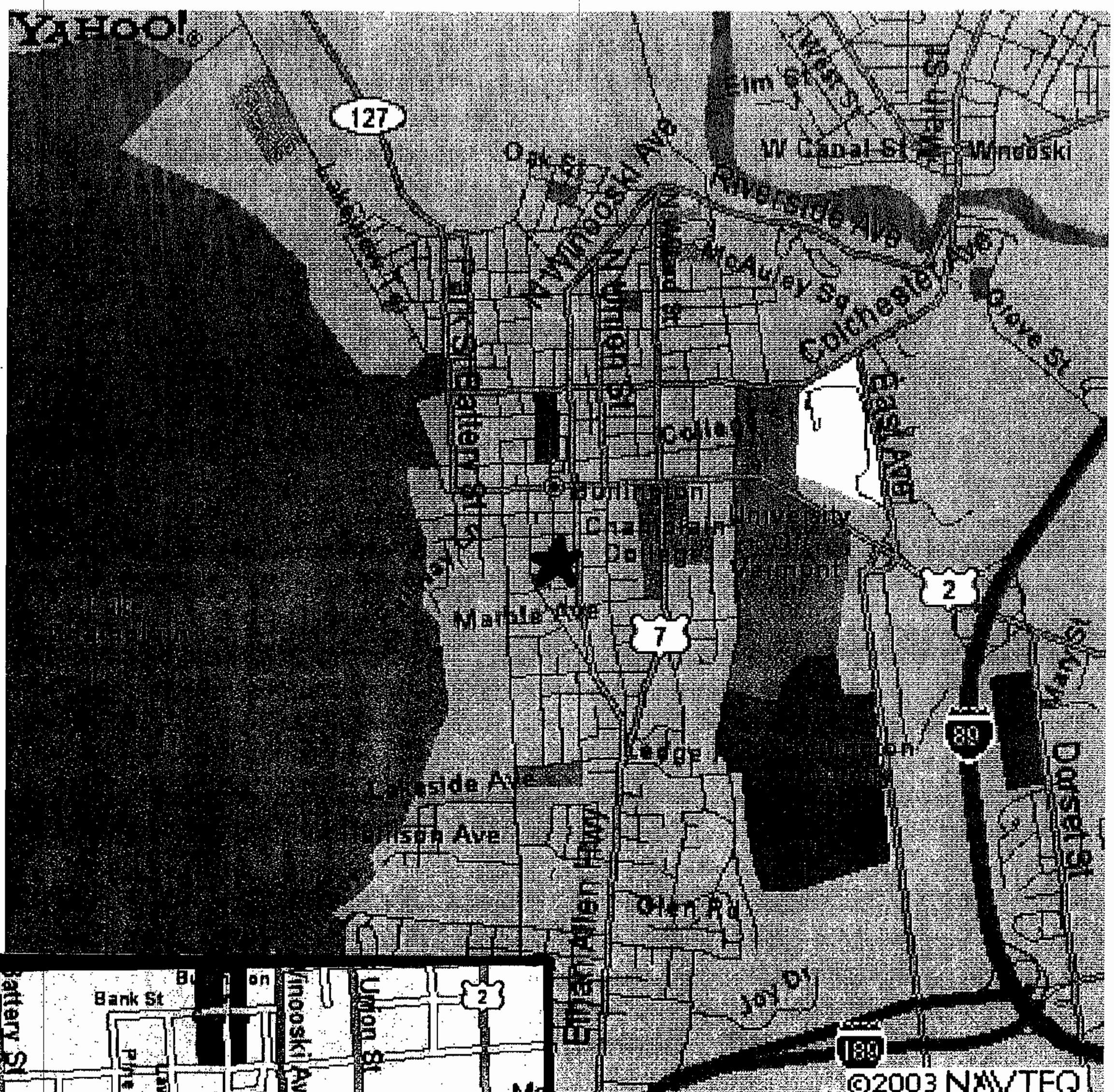


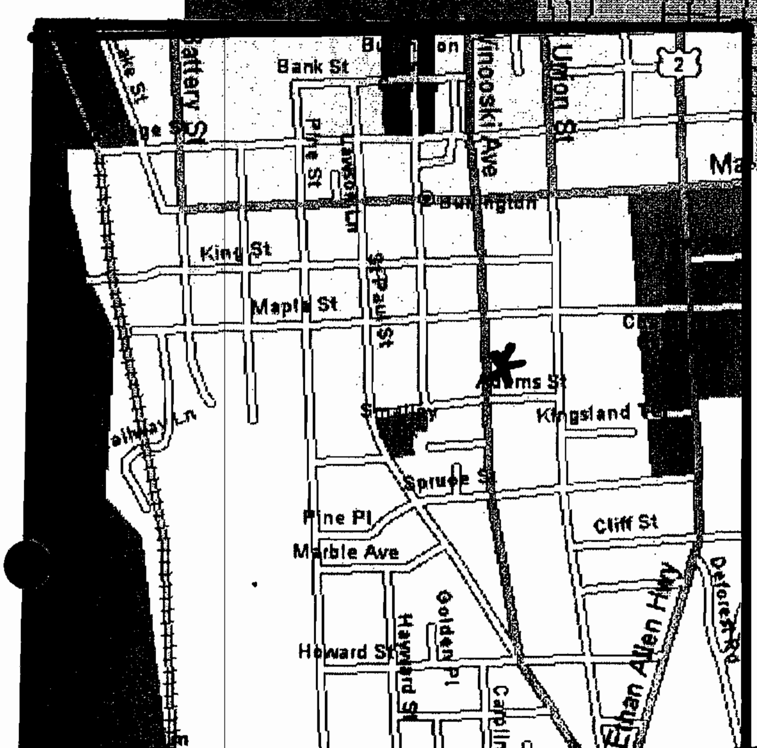


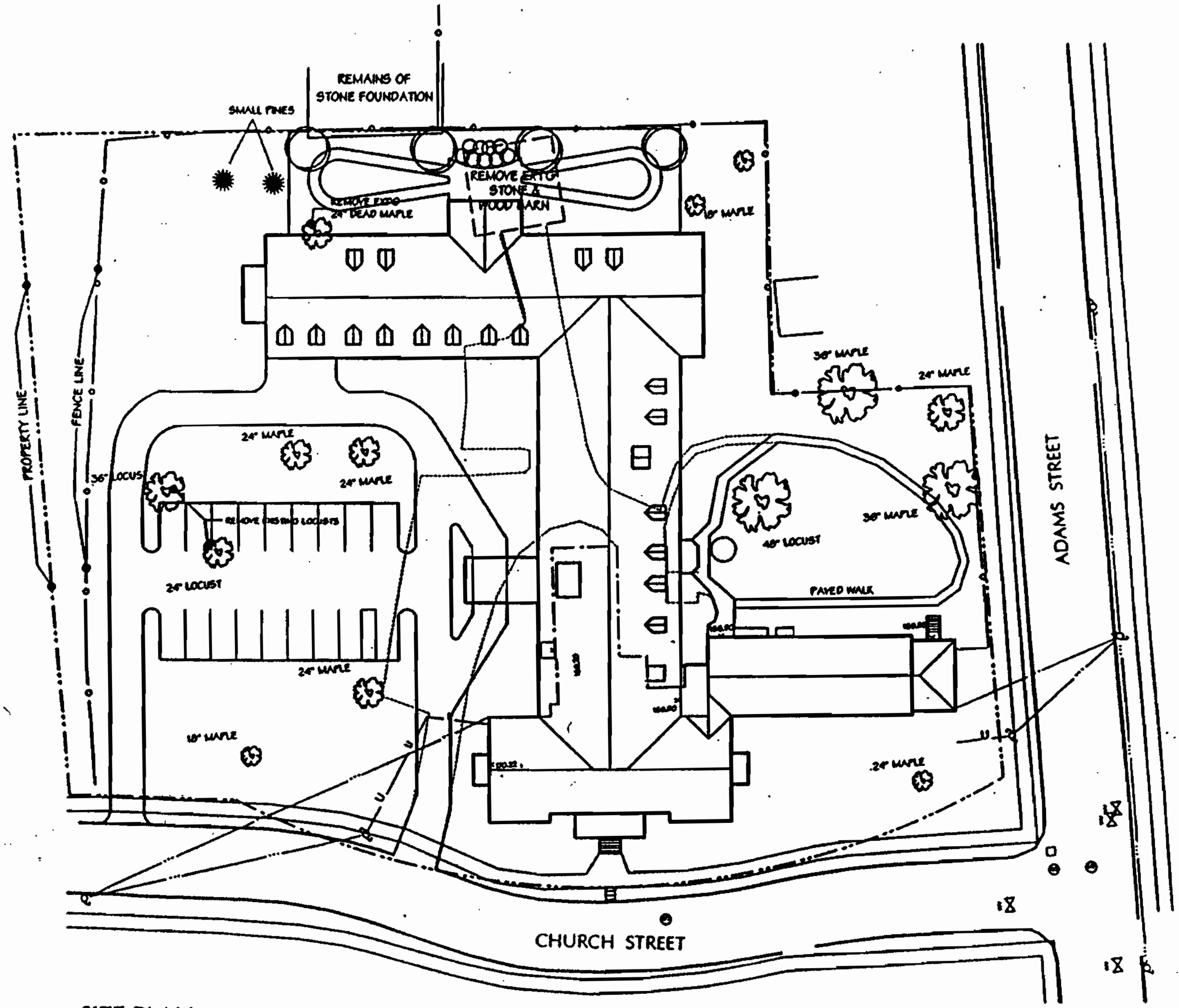




The Converse Home
272 Church Street, Burlington, VT 05401



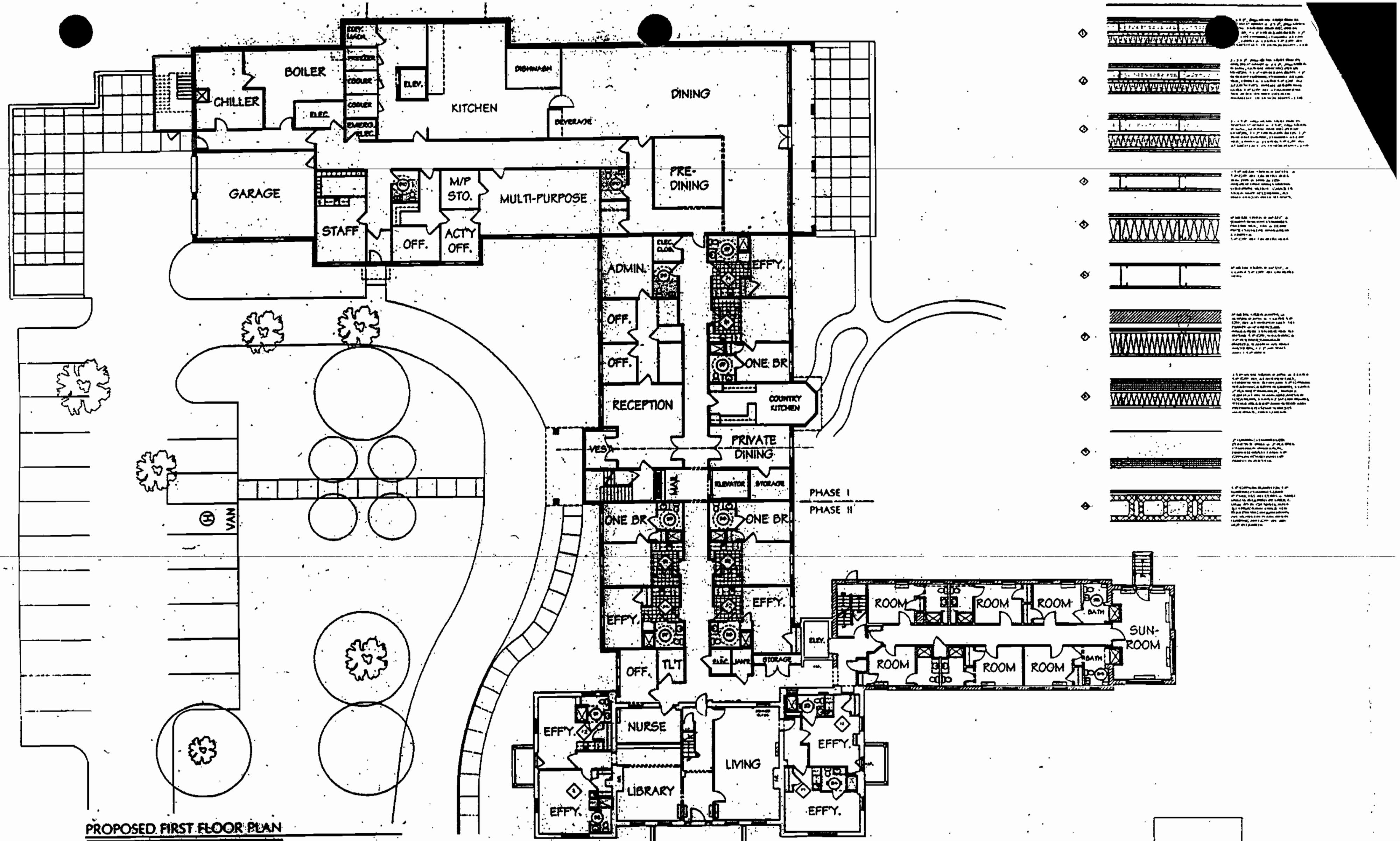




SITE PLAN

1"=60'0"

February 28, 2003



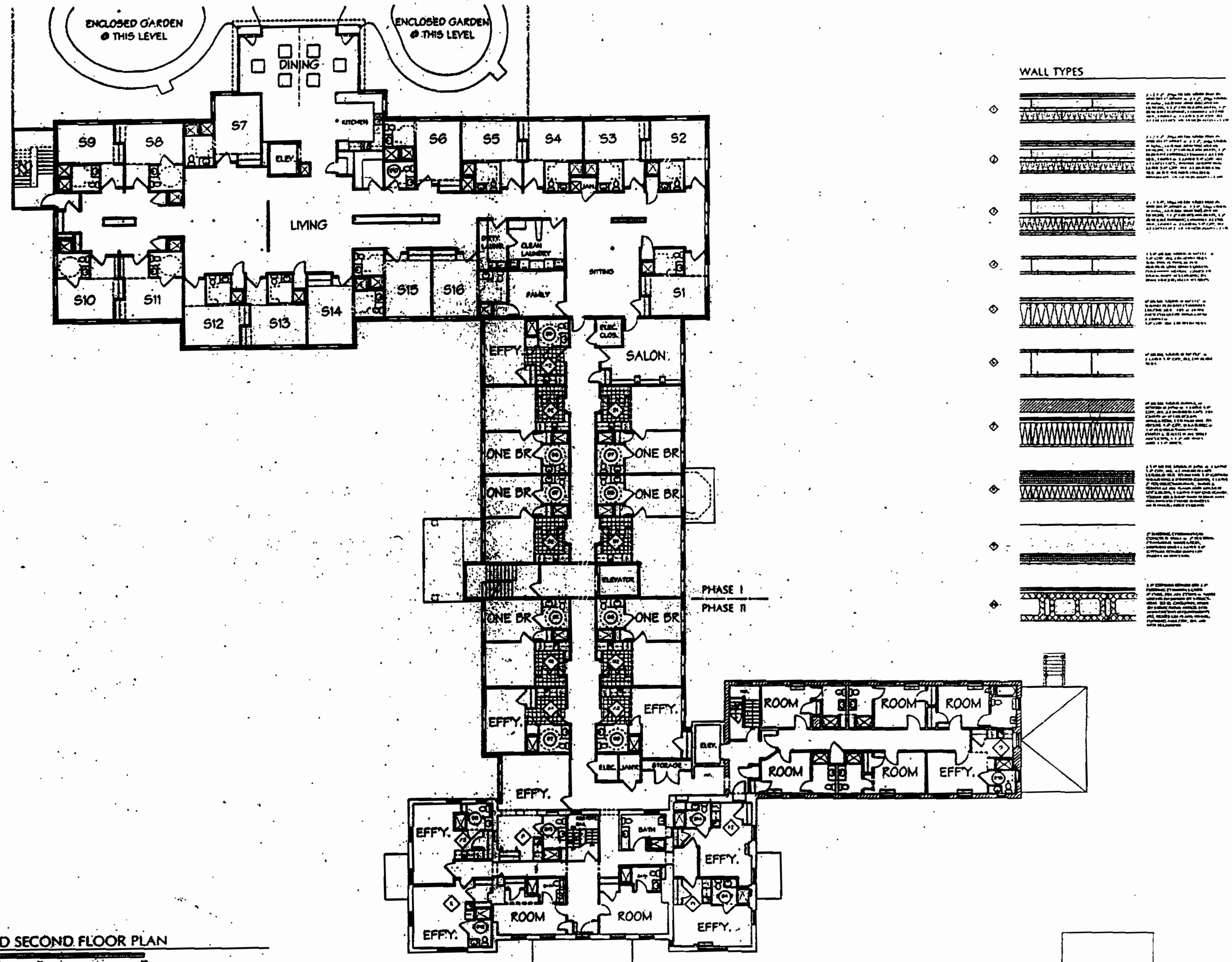
PROPOSED FIRST FLOOR PLAN

THE CONVERSE HOME

SCALE: 3/32" = 1'-0"
DATE: OCT 15, 2003

DUNCAN • WISNIEWSKI ARCHITECTURE
255 SOUTH CHAMPLAIN STREET, BURLINGTON, VERMONT 05401 (802) 864-6693

A1-1.0

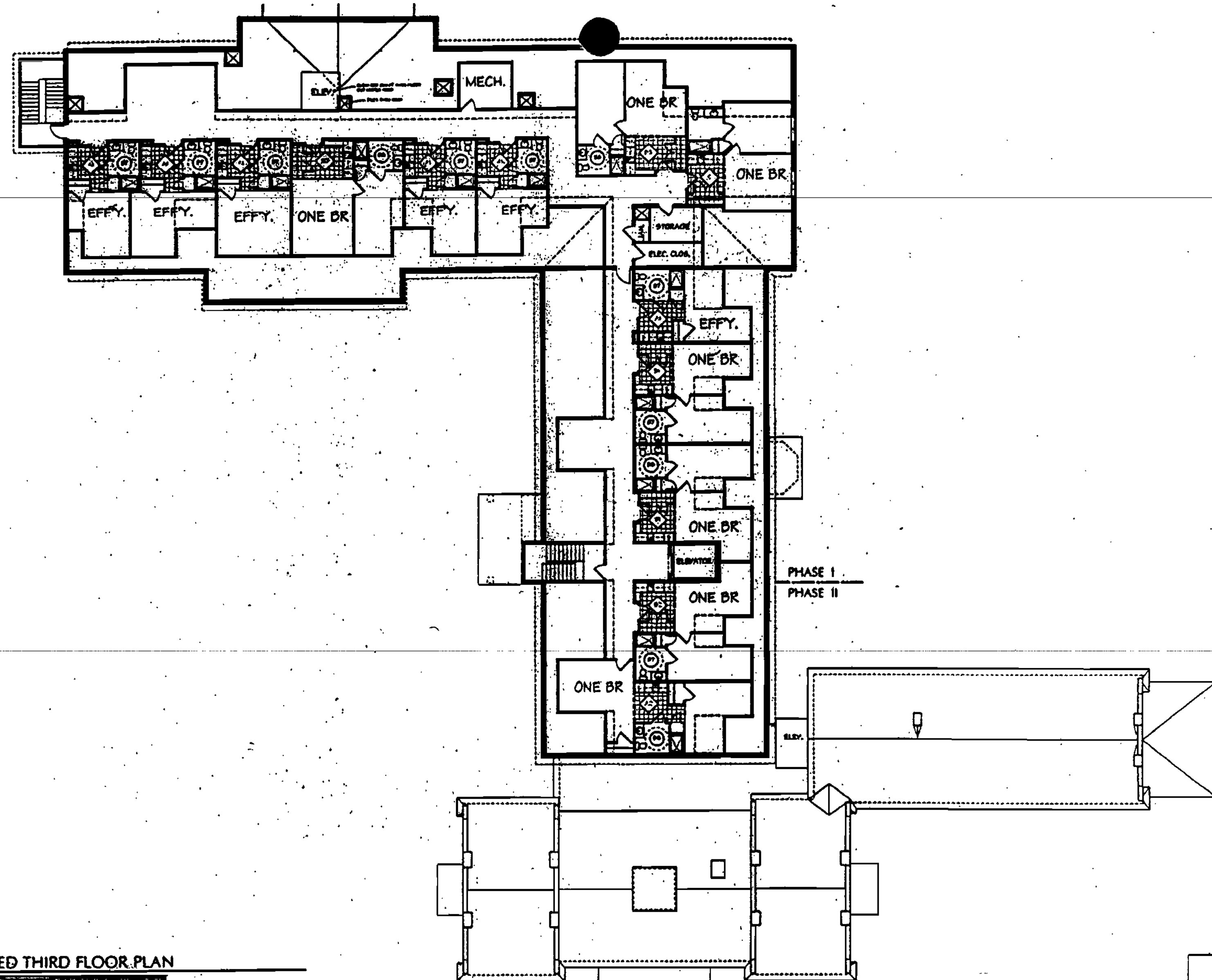


PROPOSED SECOND FLOOR PLAN

THE CONVERSE HOME

DUNCAN • WISNIEWSKI ARCHITECTURE
255 SOUTH CHAMPLAIN STREET, BURLINGTON, VERMONT 05401

A1-2.0



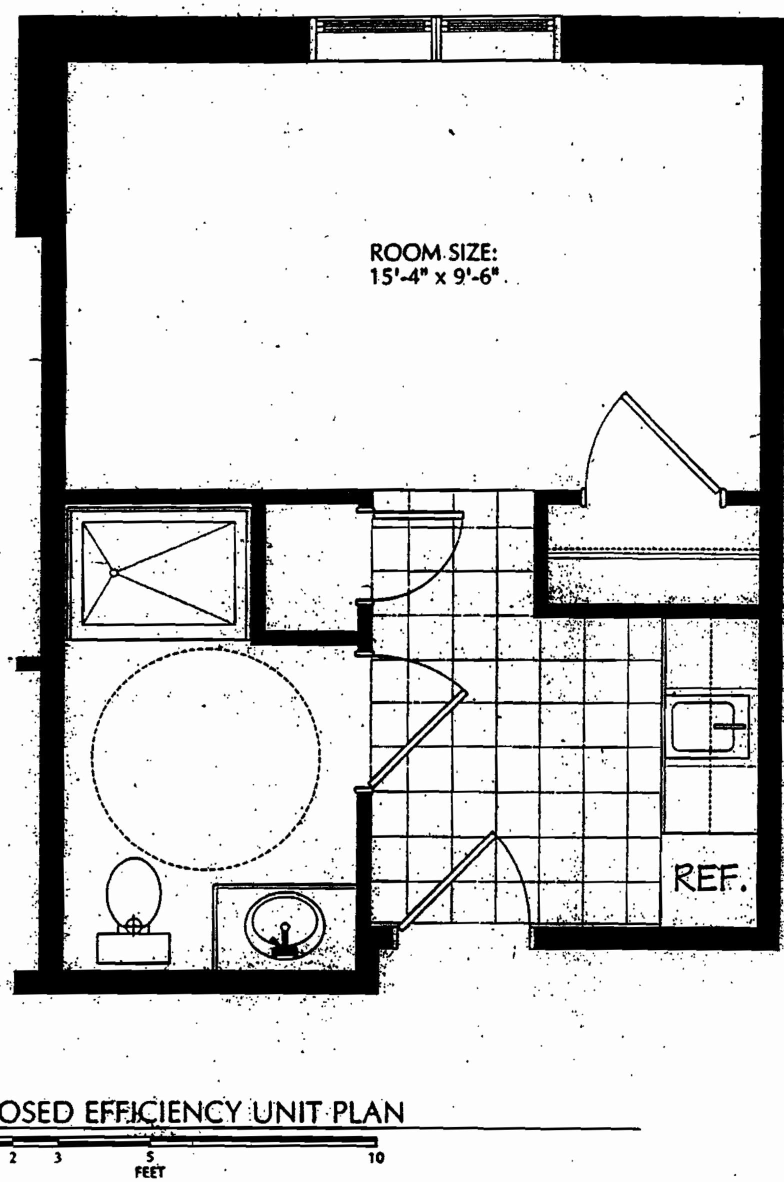
PROPOSED THIRD FLOOR PLAN

THE CONVERSE HOME

SCALE: 3/32" = 1'-0"
DATE: OCT 15, 2003

DUNCAN • WISNIEWSKI ARCHITECTURE
255 SOUTH CHAMPLAIN STREET, BURLINGTON, VERMONT 05401 (802) 864-6693

A1-3.0

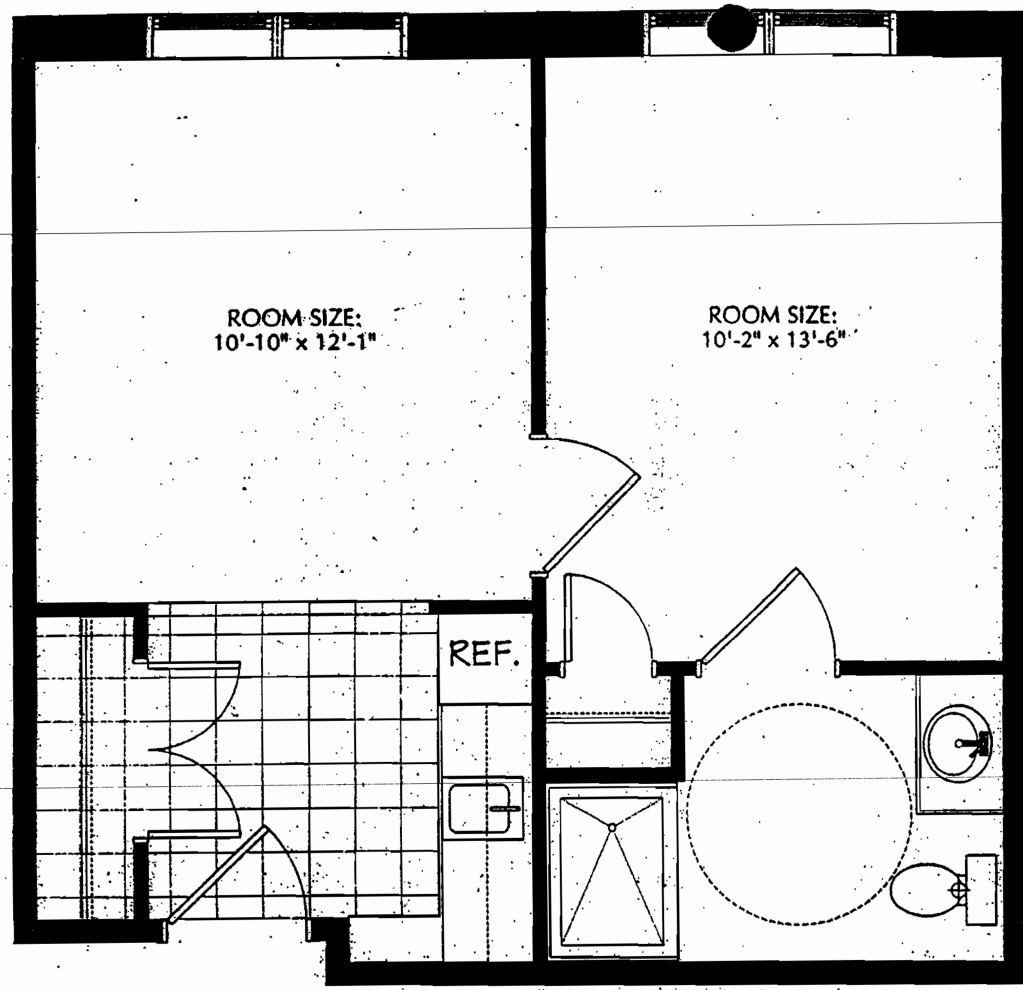


PROPOSED EFFICIENCY UNIT PLAN

THE CONVERSE HOME

SCALE: 1/4" = 1'-0"
DATE: OCT 15, 2003

DUNCAN • WISNIEWSKI ARCHITECTURE
255 SOUTH CHAMPLAIN STREET, BURLINGTON, VERMONT 05401 (802) 864-6693



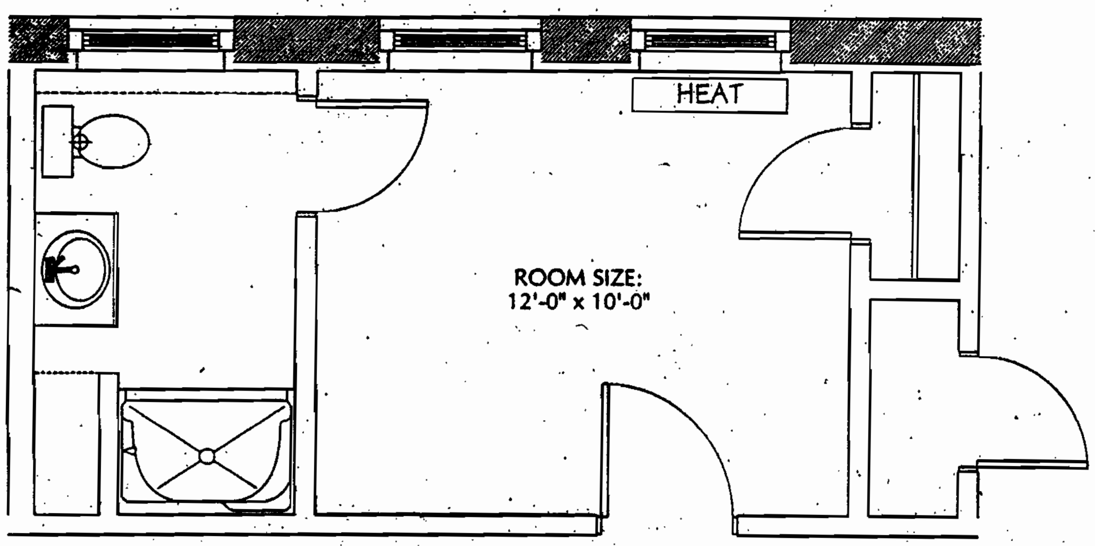
PROPOSED ONE BEDROOM UNIT PLAN

0 1 2 3 5 10
FEET

THE CONVERSE HOME

SCALE: 3/8" = 1'-0"
DATE: OCT 15, 2003

DUNCAN • WISNIEWSKI ARCHITECTURE •
255 SOUTH CHAMPLAIN STREET, BURLINGTON, VERMONT 05401 (802) 864-6693



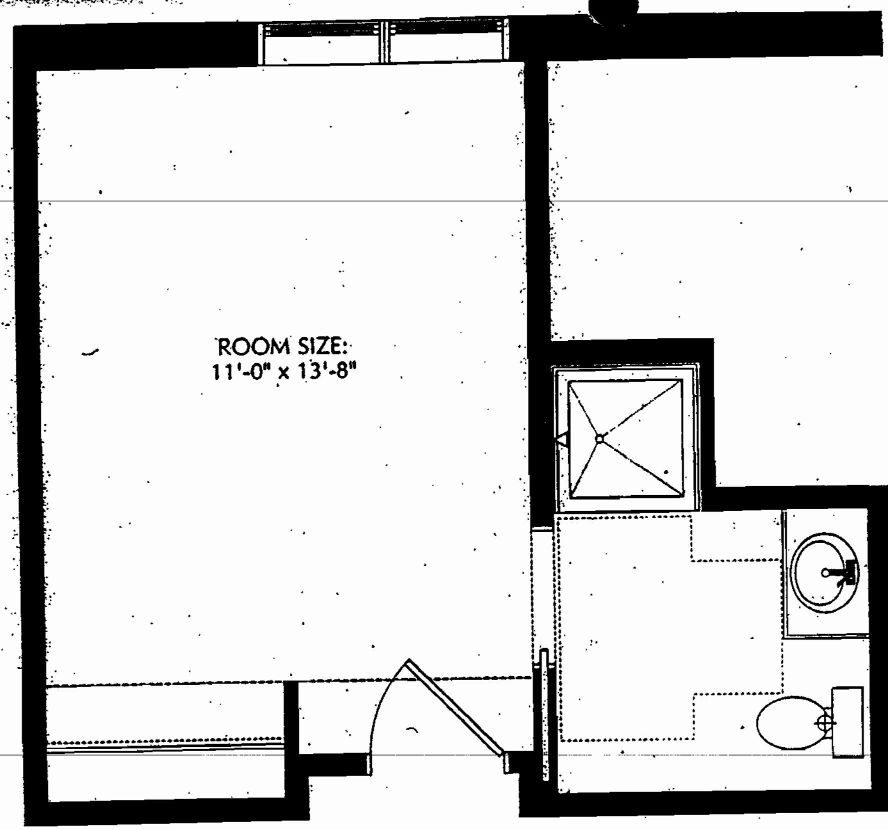
TYPICAL EXISTING UNIT PLAN

0 1 2 3 5 10
FEET

THE CONVERSE HOME

SCALE: 3/8" = 1'-0"
DATE: OCT 15, 2003

DUNCAN • WISNIEWSKI ARCHITECTURE
255 SOUTH CHAMPLAIN STREET, BURLINGTON, VERMONT 05401 (802) 864-6693



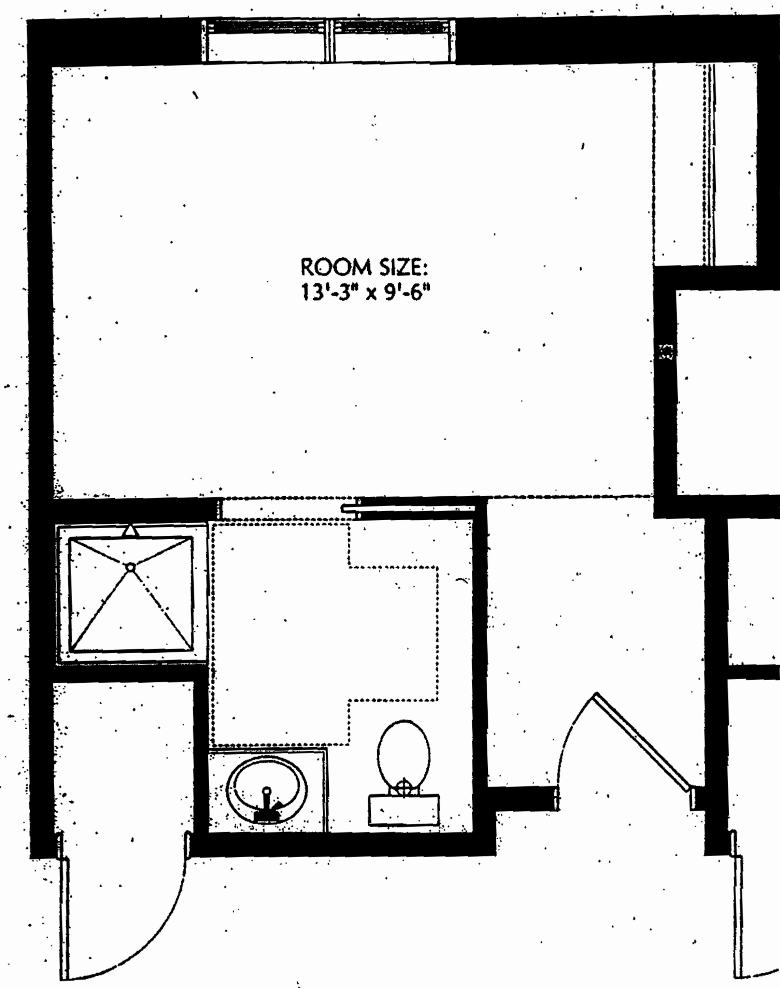
PROPOSED SPECIAL CARE UNIT PLAN, TYPE 1

0 1 2 3 5 10
FEET

THE CONVERSE HOME

SCALE: 3/4" = 1'-0"
DATE: OCT 15, 2003

DUNCAN • WISNIEWSKI ARCHITECTURE
255 SOUTH CHAMPLAIN STREET, BURLINGTON, VERMONT 05401 (802) 864-6693



PROPOSED SPECIAL CARE UNIT PLAN, TYPE 2

THE CONVERSE HOME

SCALE: [illegible]
DATE: OCT 15, [illegible]

DUNCAN • WISNIEWSKI ARCHITECTURE
255 SOUTH CHAMPLAIN STREET, BURLINGTON, VERMONT 05401 (802) [illegible]

15-Apr-04 **Converse Home**

Total Residential Units:	67	Increase in Income from Ancillary Services:	4.00%
VHFA Restricted Units:	34	Increase in Income from Medicaid Units:	2.00%
Percent Restricted:	50.75%	Increase in Income from VHFA Units:	2.00%
Total Development Cost:	9,300,709	Increase in Income from Market Units:	4.50%
Total Development Cost per Unit:	138,817	Expense increase:	4.50%
Total Development Cost Per SF:	186.57	Vacancy Rate:	6.00%
		Partner's Tax Rate:	35%
		Long Depreciation Schedule:	27.5 years
		Short Depreciation Schedule:	7 years

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term
VHFA First Mortgage	8,477,364	91.15%	6.75%	30	30
VHCB	378,000	4.06%	Grant	N/A	N/A
Parker Foundation Grant	295,000	3.17%	N/A	N/A	N/A
Vermont Community Foundation	5,000	0.05%	N/A	N/A	N/A
BED/Energy Rebate	19,000	0.20%	N/A	N/A	N/A
Donations	22,998	0.25%	N/A	N/A	N/A
Owner Equity	103,347	1.11%	N/A	N/A	N/A
TOTAL SOURCES	9,300,709	100.00%			
		% of Appraised Value			
VHFA Construction Loan	8,477,364	89.95%	6.75%	24 months	9,425,000

USES

Acquisition	0	0.00%
Construction Hard Costs	7,076,930	76.09%
Soft Costs	2,223,779	23.91%
TOTAL USES	9,300,709	100.00%
Gap	0	

# Units by Type:	Dementia Units	16
	Private Rooms	13
	Efficiencies	22
	1-Bedroom Units	16
		67

APPLICABLE FRACTION CALCULATION

VHFA Affordable Units	34
Total Units	67
Unit Fraction	50.75%

15-Apr-04 **Converse Home** 67 49850

Sources - Uses

#	Item	Budget	VHFA Debt Terms:________	Foundation	Fundraising	VHCB	BED/Energy	Owner Equity	TOTAL SOURCES
			Allocation of Sources						
	ACQUISITION								
1	Land								0
2	Purchase of Building(s)								-
3	Demolition (without replacement)								-
4	Property Appraisal								-
5	Legal - Title and Recording								-
	Subtotal - Acquisition	0							
	CONSTRUCTION HARD COSTS								
6	Rehabilitation								-
7	New Building(s)	5,704,181	5,307,181			378,000	19,000		5,704,181
8	Accessory Buildings								-
9	Sitework	292,315	292,315						292,315
10	Commercial Space Costs (if any)								-
11	General Requirements								-
12	Contractor Overhead								-
13	Contractor Profit								-
14	Construction Contingency	380,794	380,794						380,794
15	Construction Management	217,000	217,000						217,000
16	Construction Bond Fee								-
17	Hazardous Materials Abatement	86,250	86,250						86,250
18	Off-Site Improvements								-
19	Furnishings, Fixtures, & Equipment	396,390	396,390						396,390
20	Other (__________________)								-
	Subtotal - Hard Costs	7,076,930							
	SOFT COSTS								
21	Architectural	452,983	192,983	195,000	5,000			60,000	452,983
22	Engineering								-
23	Legal/Accounting	18,950	18,950						18,950
24	Staffing	23,840	23,840						23,840
25	Environmental Assessment	5,010						5,010	5,010
26	Energy Assessment								-
27	Permits/Fees	168,769	168,769						168,769
28	Feasibility	24,281						24,281	24,281
29	Construction Period Insurance								-
30	Construction Interest	441,247	441,247						441,247
31	Construction Loan Origination Fee	145,969	145,969						145,969
32	Taxes & Ins During Construction	120,000	120,000						120,000
33	Clerk of the Works								-
34	Marketing	85,000	85,000						85,000
35	Tax Credit Fees								-
36	Soft Cost Contingency	84,390	84,390						84,390
37	Permanent Loan Origination Fee								-
38	Lender's Counsel's Fee								-
39	Other (_______________)								-
	SYNDICATION COSTS								
40	Organizational (Partnership)								-
41	Bridge Loan Fees and Expenses								-
42	Syndication Consultant								-
43	Tax Opinion								-
	DEVELOPER'S FEES								
44	Developer's Fees								-
45	Other Partnership Fees								-
46	Consultant Fees	219,840	82,786	100,000				37,054	219,840
	RESERVES								
47	Working Capital								-
48	Rent-up (Deficit Escrow) Reserve								-
49	Other Operating Reserves	400,000	400,000						400,000
50	Sinking Fund								-
51	Replacement Reserves	33,500	33,500						33,500
	Subtotal - Soft Costs	2,223,779							
	TOTAL DEVELOPMENT COSTS	9,300,709	8,477,364	295,000	5,000	378,000	19,000	126,345	9,300,709

Income/Monthly Rate Schedule

		Daily Rate	% of Median
Alz - Private Rate	13	$170.00	129%
Alz @ ERC	3	$91.50	69%
Single Room Private Rate	1	$85.00	64%
Single Room Private Rate	3	$95.00	72%
Single Room ACCS	2	$45.90	35%
Single Room @ ERC	7	$91.15	69%
Efficiency	22	$110.00	83%
1 Bedroom	16	$135.00	102%
	67		Occupancy

Levels of Affordability					SF per unit t
Medicaid <= 30% Median					
Alz @ ERC*	3	91.50			273
Single Room @ ERC*	7	91.15			242
Single Room ACCS**	2	46.29			242
			12	18%	
<= 65% Median					
Single Room Private Rate	1	85.00			242
			1	1%	
<= 90% Median					
Single Room Private Rate	3	95.00			242
			3	4%	
<= 100% Median					
Efficiency	22	110.00			370
			22	33%	
Market > 100% Median					
Alz - Private Rate	13	$170.00			273
1 Bedroom	16	$135.00			520
			29	43%	
TOTAL	67		67	100%	

* ERC = Enhanced Residential Care; ERC is a medicaid program for income-elig and needs-eligible individuals (from near-nursing-home-level-of-care to actual nursing-home-level-of-care). There are 3 tiers of reimbursement, based on level o frailty.

** = ACCS; Assistive Community Care Services, another medicaid program for income eligible individuals. These individuals need less care then ERC-level.

15-Apr-04 **Converse Home**

EXPENSES	Annual	Monthly	Per Unit Per Month	FTE's (=40/hr week)
Administration				
Executive Director	74,160	6,180	92	1
Business Office Manager	38,435	3,203	48	1
Receptionist	41,777	3,481	52	1.3
Accounting	2,500	208	3	
Worker's Comp	50,150	4,179	62	
Short Term Disability	4,500	375	6	
Payroll Services	2,700	225	3	
Office Supplies	5,000	417	6	
Employee Training/Travel	2,500	208	3	
Postage/ Phone	3,000	250	4	
Other	2,500	208	3	
TOTAL ADMINISTRATIVE	227,221	18,935	283	
Nursing				
Resident Care Director, Wgs & Ben.	61,701	5,142	77	1
ALZ Director Wages & Benefits	41,134	3,428	51	1
LPNs, Wages & Benefits	121,726	10,144	151	2.8
COS Wages & Benefits	42,039	3,503	52	1.4
Nurses Aides Wages & Benecits	343,367	28,614	427	13
Evening/Night Shift Differential	6,406	534	8	
COS Weekend Premium	9,784	815	12	
Holiday Premium (Time & 1/2)	6,029	502	7	
Replacement Time	33,121	2,760	41	
Beeper Coverage	2,080	173	3	
Medical Supplies	1,900	158	2	
TOTAL NURSING	669,288	55,774	832	
Food Services				
Food Services Director	44,496	3,708	55	1
Cooks	56,559	4,713	70	2
Dining Room Staff	155,410	12,951	193	6.3
Holiday Premium (time and 1/2)	2,221	185	3	
Replacement Time (holidays,sick, vacation	13,875	1,156	17	
Raw Food	126,473	10,539	157	
Special Events	2,000	167	2	
Flowers	600	50	1	
Kitchen Supplies	5,000	417	6	
Uniforms	1,200	100	1	
Dining Supplies	720	60	1	
Linen Service	1,180	98	1	
TOTAL FOOD SERVICES	409,734	34,145	510	
Maintenance				
Maintenance Supervisor	46,968	3,914	58	1
Lawns & Grounds	3,000	250	4	
Rubbish/Snow Removal	5,000	417	6	
Uniforms	400	33	0	
Repairs & Maintenance	16,000	1,333	20	
Maintenance Contracts	4,000	333	5	
TOTAL MAINTENANCE	75,368	6,281	94	
Housekeeping/Laundry				
Housekeeping/Laundry Staff	81,304	6,775	101	2.5
Housek/Laund Replacement Time	2,241	187	3	
Housek/Laund Holiday Premium	618	51	1	
Supplies	2,000	167	2	
TOTAL HOUSEKEEPING/LAUNDRY	86,163	7,180	107	
Activites				
Resident Activities Director	49,130	4,094	61	1.4
Activities Expense	9,000	750	11	
TOTAL ACTIVITIES	58,130	4,844	72	
Marketing				
Director of Marketing	24,720	2,060	31	0.5
Advertising/Printing/Special Events	30,000	2,500	37	
TOTAL MARKETING	54,720	4,560	68	
Transportation				
Van Driver	25,452	2,121	32	1
Vehicle Expenses	5,000	417	6	
TOTAL TRANSPORTATION	30,452	2,538	38	
Utilities				
Heating Fuel	35,000	2,917	44	
Electricity	46,000	3,833	57	
Water & Sewer	20,000	1,667	25	
Telephone	5,000	417	6	
Other Utilities	1,500	125	2	
TOTAL UTILITIES	107,500	8,958	134	
Other				
Real Estate Taxes	158,000	13,167	197	
Property Insurance	50,000	4,167	62	
Replacement Reserves	33,500	2,792	42	
Primary Debt Service	659,808	54,984	821	
Other "must pay" debt service		0	0	
Other		0	0	
Total	2,619,884	218,324	3,259	
Total Less Debt Service & Repl Res	1,926,576	160,548	2,396	

CONVERSE HOME
FORECASTED OPERATING INCOME AND EXPENSE SUMMARY
SCENARIO ONE YEARS 1-30

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
OCCUPIED UNITS																				
Assisted Living	27	46	48	48	48	48	48	48	48	48	48	48	48	48	48	48	48	48	48	48
Alzheimer's	12	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
OCCUPANCY RATE																				
Assisted Living	52%	89%	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%
Alzheimer's	75%	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%
INCOME																				
Apartment Fees	1,771,304	2,850,956	3,012,283	3,108,497	3,207,783	3,310,241	3,415,971	3,525,078	3,637,670	3,753,858	3,873,757	3,997,486	4,125,167	4,256,926	4,392,894	4,533,204	4,677,996	4,827,413	4,981,602	5,140,715
Community Fee	37,080	34,910	25,816	26,590	27,388	28,209	29,056	29,927	30,825	31,750	32,703	33,684	34,694	35,735	36,807	37,911	39,049	40,220	41,427	42,669
Ancillary Revenue	17,659	46,595	78,156	81,282	84,533	87,914	91,431	95,088	98,892	102,847	106,961	111,240	115,689	120,317	125,130	130,135	135,340	140,754	146,384	152,239
Total Income	**1,826,043**	**2,932,462**	**3,116,255**	**3,216,369**	**3,319,704**	**3,426,364**	**3,536,457**	**3,650,093**	**3,767,387**	**3,888,455**	**4,013,421**	**4,142,410**	**4,275,551**	**4,412,978**	**4,554,830**	**4,701,250**	**4,852,385**	**5,008,386**	**5,169,412**	**5,335,624**
EXPENSE																				
Administrative	221,737	239,227	259,297	270,966	283,159	295,901	309,217	323,131	337,672	352,868	368,747	385,340	402,681	420,801	439,737	459,525	480,204	501,813	524,395	547,993
Nursing	492,743	671,952	763,768	798,138	834,054	871,587	910,808	951,794	994,625	1,039,383	1,086,156	1,135,033	1,186,109	1,239,484	1,295,261	1,353,547	1,414,457	1,478,108	1,544,622	1,614,131
Food Service	231,963	379,460	467,575	488,616	510,603	533,581	557,592	582,683	608,904	636,305	664,939	694,861	726,130	758,805	792,952	828,634	865,923	904,890	945,610	988,162
Housekeeping	38,860	78,850	98,327	102,751	107,375	112,207	117,256	122,533	128,047	133,809	139,830	146,123	152,698	159,570	166,750	174,254	182,095	190,290	198,853	207,801
Activities	46,077	63,479	66,335	69,321	72,440	75,700	79,106	82,666	86,386	90,273	94,336	98,581	103,017	107,653	112,497	117,559	122,850	128,378	134,155	140,192
Maintenance	76,879	80,338	86,007	89,878	93,922	98,149	102,565	107,181	112,004	117,044	122,311	127,815	133,567	139,577	145,858	152,422	159,281	166,449	173,939	181,766
Utilities	112,338	117,393	122,675	128,196	133,965	139,993	146,293	152,876	159,755	166,944	174,457	182,307	190,511	199,084	208,043	217,405	227,188	237,411	248,095	259,259
Marketing	57,182	59,756	62,445	65,255	68,191	71,260	74,466	77,817	81,319	84,978	88,803	92,799	96,975	101,338	105,899	110,664	115,644	120,848	126,286	131,969
Transportation	27,433	28,668	34,750	36,314	37,948	39,656	41,441	43,305	45,254	47,291	49,419	51,642	53,966	56,395	58,933	61,585	64,356	67,252	70,278	73,441
Property & Liability Insurance	52,250	54,601	57,058	59,626	62,309	65,113	68,043	71,105	74,305	77,648	81,143	84,794	88,610	92,597	96,764	101,119	105,669	110,424	115,393	120,586
Property Taxes	165,110	172,540	180,304	188,418	196,897	205,757	215,016	224,692	234,803	245,369	256,411	267,949	280,007	292,607	305,775	319,534	333,914	348,940	364,642	381,051
Total Expenses	**1,522,570**	**1,946,262**	**2,198,543**	**2,297,477**	**2,400,864**	**2,508,903**	**2,621,803**	**2,739,784**	**2,863,075**	**2,991,913**	**3,126,549**	**3,267,244**	**3,414,270**	**3,567,912**	**3,728,468**	**3,896,249**	**4,071,580**	**4,254,801**	**4,446,268**	**4,646,350**
NET OPERATING INCOME	**303,473**	**986,200**	**917,712**	**918,891**	**918,840**	**917,462**	**914,654**	**910,309**	**904,312**	**896,542**	**886,872**	**875,166**	**861,281**	**845,066**	**826,362**	**805,001**	**780,804**	**753,585**	**723,145**	**689,274**
Plus Operating Reserve	**100,000**																			
Less Debt Service	384,888	659,808	659,808	659,808	659,808	659,808	659,808	659,808	659,808	659,808	659,808	659,808	659,808	659,808	659,808	659,808	659,808	659,808	659,808	659,808
Annual Reserve Fund	19,537	33,492	33,492	34,497	35,532	36,598	37,696	38,826	39,991	41,191	42,427	43,699	45,010	46,361	47,752	49,184	50,660	52,179	53,745	55,357
Net Income	**(952)**	**292,900**	**224,411**	**224,586**	**223,500**	**221,056**	**217,150**	**211,674**	**204,512**	**195,543**	**184,637**	**171,658**	**156,462**	**138,897**	**118,802**	**96,008**	**70,336**	**41,597**	**9,591**	**(25,891)**
Operating Account Balance	244,000	243,048	541,307	773,376	1,007,942	1,243,756	1,479,460	1,713,577	1,944,503	2,170,506	2,389,710	2,600,090	2,799,465	2,985,487	3,155,628	3,307,174	3,437,215	3,542,626	3,620,066	3,665,954
Deposit	-	292,900	224,411	224,586	223,500	221,056	217,150	211,674	204,512	195,543	184,637	171,658	156,462	138,897	118,802	96,008	70,336	41,597	9,591	-
Interest	-	5,359	7,657	9,980	12,314	14,648	16,966	19,253	21,490	23,660	25,743	27,717	29,559	31,244	32,744	34,032	35,076	35,842	36,297	36,660
Withdrawal	(952)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(25,891)
Cumulative Balance	243,048	541,307	773,376	1,007,942	1,243,756	1,479,460	1,713,577	1,944,503	2,170,506	2,389,710	2,600,090	2,799,465	2,985,487	3,155,628	3,307,174	3,437,215	3,542,626	3,620,066	3,665,954	3,676,722
0.02																				
Debt Service Ratio	0.79	1.49	1.39	1.39	1.39	1.39	1.39	1.38	1.37	1.36	1.34	1.33	1.31	1.28	1.25	1.22	1.18	1.14	1.10	1.04
Replacement Reserves																				
Opening Balance	33,500	53,567	87,930	122,636	158,704	28,678	65,929	104,660	144,922	186,762	42,633	85,910	130,905	177,675	226,276	75,768	126,202	178,630	233,117	289,731
Deposits	19,537	33,492	33,492	34,497	35,532	36,598	37,696	38,826	39,991	41,191	42,427	43,699	45,010	46,361	47,752	49,184	50,660	52,179	53,745	55,357
Interest	530	871	1,214	1,571	1,942	653	1,036	1,435	1,849	2,280	851	1,296	1,759	2,240	2,740	1,250	1,769	2,308	2,869	3,451
Withdrawals*	-	-	-	-	(167,500)	-	-	-	-	(187,600)	-	-	-	-	(201,000)	-	-	-	-	(217,750)
Ending Balance	53,567	87,930	122,636	158,704	28,678	65,929	104,660	144,922	186,762	42,633	85,910	130,905	177,675	226,276	75,768	126,202	178,630	233,117	289,731	130,789

15-Apr-04 Converse Home Phase I : July 2004 - April 2005
Phase II: May 2005 - November 2005

			Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Totals	
Sources		Total																									
Converse Home		103,347	98,347	1,000	1,000	1,000	1,000	1,000	-																	0	
Foundation Grant		295,000	125,000						85,000													85,000				0	
VHFA Permanent Loan		8,477,364																								8,477,364	
VHCB		378,000										378,000														0	
Other		22,998	7,998																			15,000				0	
BED/Energy Rebate		19,000																						19,000		0	
Donations		5,000			5,000																					0	
VHFA Ventures (Pre-construction)		75,000	75,000																							0	
Bank Loan (Pre-construction)		405,128		53,000	31,188	93,549	101,100	124,579	1,713																	(1)	
VHFA Construction Loan		8,477,364							861,295	342,061	479,893	424,310	781,009	627,174	501,702	613,312	594,918	364,786	781,980	586,483	677,862	462,480	281,408	49,271	47418	2	
																										0	
Total Sources (permanent)		9,300,709	306,345	54,000	37,188	94,549	102,100	125,579	948,008	342,061	479,893	802,310	781,009	627,174	501,702	613,312	594,918	364,786	781,980	586,483	677,862	562,480	281,408	68,271	47,418	(480,127)	
		Uses:	306,345	54,000	37,188	94,549	102,100	125,579	948,008	342,061	479,893	802,310	781,009	627,174	501,702	613,312	594,918	364,786	781,980	586,483	677,862	562,480	281,408	68,271	47,418		
		Difference:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(480,127)	
Uses		**Budget**																									
Construction		6,780,000	14,420	2,884	2,884	31,313	31,313	32,313	160,008	303,066	432564	724782	693594	540366	415614	537654	518670	280,692	527,484	488,838	580,368	461,173				0	
A & E Fees/Approvals		452,983	122,898	34,384	24,042	47,720	38,620	44,120	50,659	8,550	4,960	4,960	4,960	4,960	4,960	4,960	4,600	9,100	8,050	7,800	4,350	4,350	4,350	9,630		0	
Fees & Permits		168,769	48,489	1,080			24,800	43,400											51,000							0	
Development Consultants		219,840	53,416		2,424				66,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500		0	
Sponsor Staff		23,840	9,239	603	998	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000								0	
Interiors		196,930	9,248	5,698	6,232	5,000			10,000	10,000	20,000	20,000	50,000	45,000	15,752											0	
Legal/Accounting		18,950		1,950		3,000	3,000	1,000	5,000			2,500				2,500										0	
Taxes/Insurance		120,000							10,000										110,000							0	
Feasibility Analysis		13,781	13,781																							0	
Equipment		100,000													25,000	25,000	25,000	25,000								0	
Marketing		85,000										25,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000		0	
Operating Reserve/Start-up		400,000							5,600	5,600	5,600	5,600	5,600	5,600	5,600	5,600	5,600	5,600	40,000	40,000	40,000	40,000	184,000			0	56,000
Contingency/Other	99,980	99,980	34,754	6,557	89	6,000	2,500	2,500	12,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500			80	
Interest Expense		441,247		125	269	516	867	1,246	1,713	4,845	6,769	9,468	11,855	16,248	19,776	22,598	26,048	29,394	31,446	35,845	39,144	42,957	45,558	47,141	47,418	1	
Financing Fee		145,969	100	719	250				144,900																	0	
Replacement Reserve		33,500																					33,500			0	
Bank Loan/Ventures Payoffs									480,128																	(480,128)	
Total Uses		9,300,789	306,345	54,000	37,188	94,549	102,100	125,579	948,008	342,061	479,893	802,310	781,009	627,174	501,702	613,312	594,918	364,786	781,980	586,483	677,862	562,480	281,408	68,271	47,418	81	
Cumulative Uses			306,345	360,345	397,533	492,082	594,182	719,761	1,667,769	2,009,830	2,489,723	3,292,033	4,073,042	4,700,216	5,201,918	5,815,230	6,410,148	6,774,934	7,556,914	8,143,397	8,821,259	9,383,739	9,665,147	9,733,418	9,780,836		
Bank Loan Balance			-	53,000	84,188	177,737	278,837	403,416	(74,999)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
VHFA Construction Loan Balance				-	-	-	-	-	861,295	1,203,356	1,683,249	2,107,559	2,888,568	3,515,742	4,017,444	4,630,756	5,225,674	5,590,460	6,372,440	6,958,923	7,636,785	8,099,265	8,380,673	8,429,944	8,477,362		
									4,778	6,676	9,339	11,693	16,026	19,505	22,289	25,691	28,992	31,016	35,354	38,608	42,368	44,934	46,496	46,769	47,032	477,564	total interest (451,385 budgeted)
Occupied Units (#)																											
Assisted Living			25	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25	22	22	22	22	22	24	26		
Alzheimers			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	6	8	10	11	11	11	13		

RESOLUTION RE: CONSTRUCTION AND PERMANENT FINANCING FOR THE CONVERSE HOME, CITY OF BURLINGTON

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

WHEREAS, an application has been submitted to the Agency by The Converse Home, Inc. (the "Borrower") involving the renovation and new construction of a net of forty (40) additional units to the existing twenty-seven (27) units for a total upon completion of sixty-seven (67) units of senior rental housing in the City of Burlington (the "Development"); and

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

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

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid dated April 19, 2004, containing information and recommendations about the Development (the "Memorandum");

THEREFORE, it is hereby DETERMINED:

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

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

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

4. The Borrower undertaking the Development will increase the supply of well-planned, well-designed permanent, temporary, transitional or emergency housing for persons and families of low and moderate income.

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

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

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to the Borrower for the renovation, construction and permanent financing of the Development based on the recommendations in the attached Memorandum. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the Borrower in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

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

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

vhfa

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Multifamily Development Underwriter CR

DATE: April 19, 2004

RE: Request for Construction & Permanent Financing for The Gardens at Williamstown Square, Phase II

Name:	The Gardens at Williamstown Square, Phase II	**Location:**	Williamstown
Housing Type:	Senior with Optional Supportive Services	**Unit Type:**	Flats, elevator
Total Units:	21 in Phase II (51 in Phases I & II combined)	**Unit Sizes:**	4 Efficiencies @ 490 s.f. 12 1-BRs @ 600 s.f. 3 2-BRs @ 800 s.f. 2 2-BRs @ 845 s.f.
Total Cost:	$1,938,045 Phase II only ($4,408,545 Phases I & II combined)	**Per S.F. Acquisition & Construction Cost:**	$115.17 Phase II only ($119.97 Phases I & II combined)
Loan Requested:	$1,738,045 Construction and Permanent	**Sponsors:**	Richard Dybvig & Mary Norman
Other Funding:	Housing Credit Equity		

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

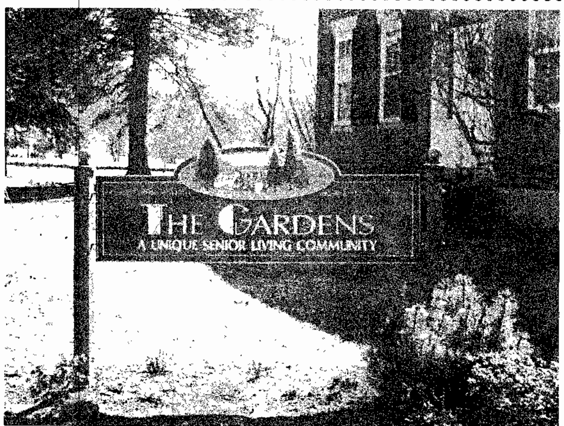
Project Summary: The Gardens at Williamstown Square ("The Gardens Phase I"), a 30-unit senior independent living development in Williamstown, has been operating for three years. When owners/operators Richard Dybvig and Mary Norman originally planned The Gardens Phase I, they anticipated a second phase once the initial 30-unit project was up and running. They are now ready to begin that second phase and are requesting tax-exempt construction and permanent financing to build an additional 21 units, enlarge the dining room, add more community rooms and add 24-hour on-call staff. The base rent will continue to include utilities and will also include the new 24-hour on call assistance. A service package that includes a main daily meal, activities, transportation, weekly housekeeping, weekly linens will continue to be offered to each resident. In addition, personal care services will continue to be available and are provided by the Central Vermont Home Health & Hospice.

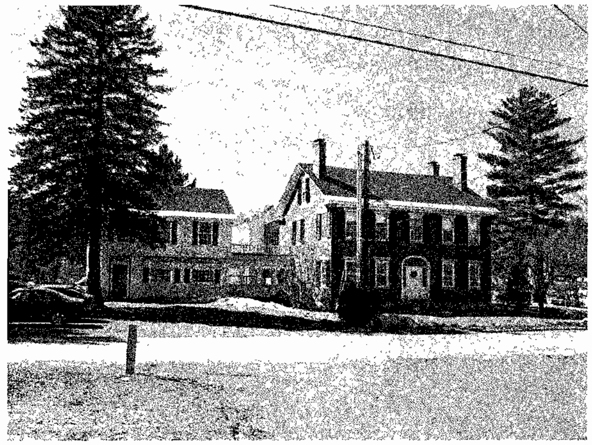
At the November 2003 Board Meeting, Mr. Dybvig presented The Gardens Phase II. At that time, there were two main concerns discussed by Board and staff. The first was the status of the operations of Phase I. Each of its first two years of operations (2001, 2002) resulted in a loss due to unexpected maintenance expenses, less than budgeted services purchased, and staff turnover. However, the audited financial statements for 2003 were positive, and showed that the project has turned a corner. Occupancy is high, budgeted income and expenses were on track with actuals, and the project had a positive cash flow. All reserves are funded.

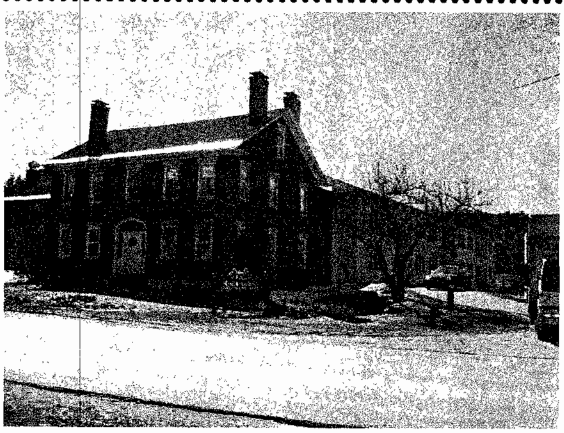
The second concern had to do with the market, and the feasibility of adding an additional 21 units to a 30-unit project in a rural area. Staff commissioned an independent market analysis from a reputable firm to research the depth of the market. The findings of the market analysis are positive and support the development of the expansion. Ms. Norman has pre-leased 14 of the 21 proposed Phase II units, collecting a $1,000 per household deposit. In addition, there have been six project-based Section 8 certificates committed to the project; two are being utilized in Phase I and four may be utilized in Phase II to deepen the affordability of the tax credit units.

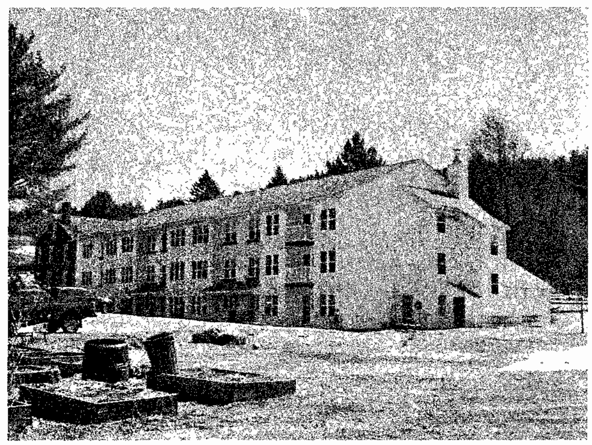
Mr. Dybvig has discussed the project with one of the banking limited partners of Phase I, who is very interested in investing in Phase II. The project architect is Christopher Smith of Thornton Smith Architects, and the construction manager will be Stewart Construction. Local planning approval is anticipated by mid-May, and Act 250 approval is anticipated at the end of May. The appraisal will be completed by mid-May. The owners hope to start construction in the beginning of June and complete it by mid-November.

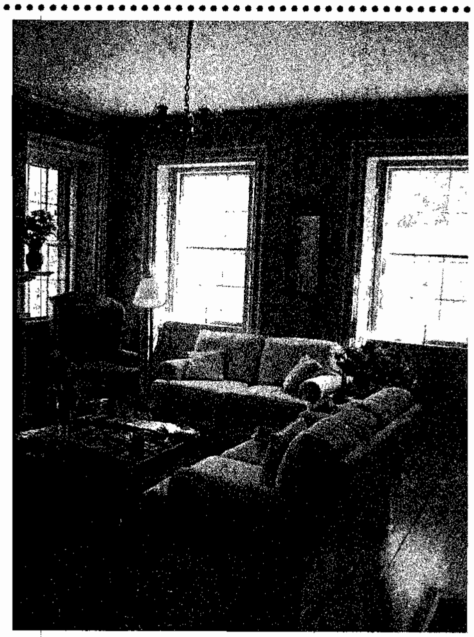
The Gardens at Williamstown Square, Williamstown

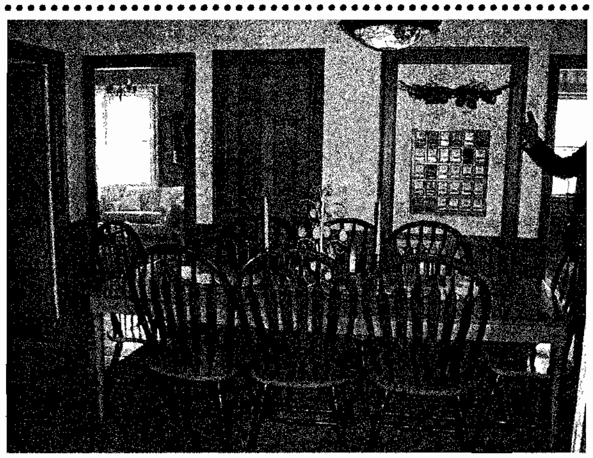




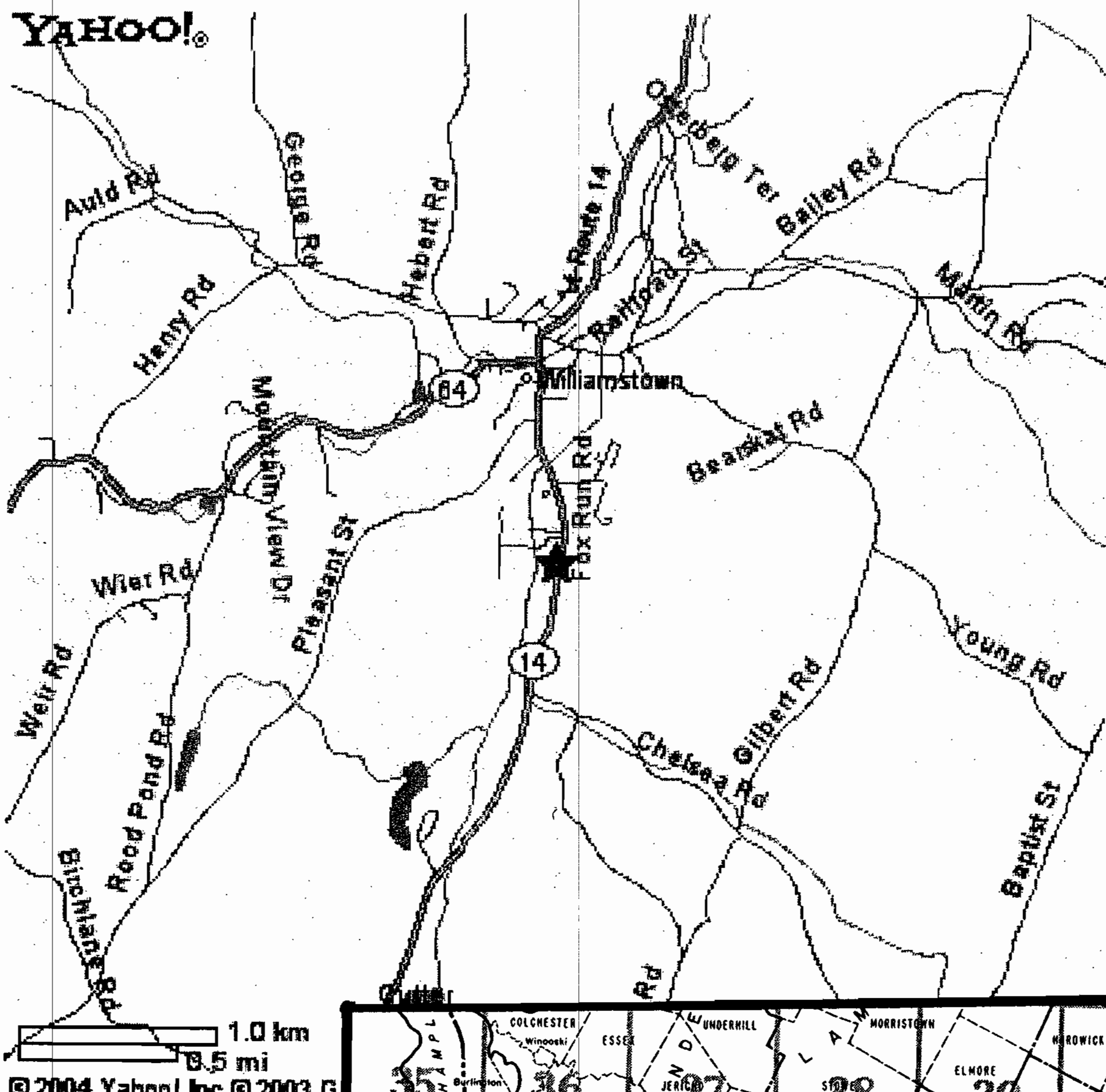


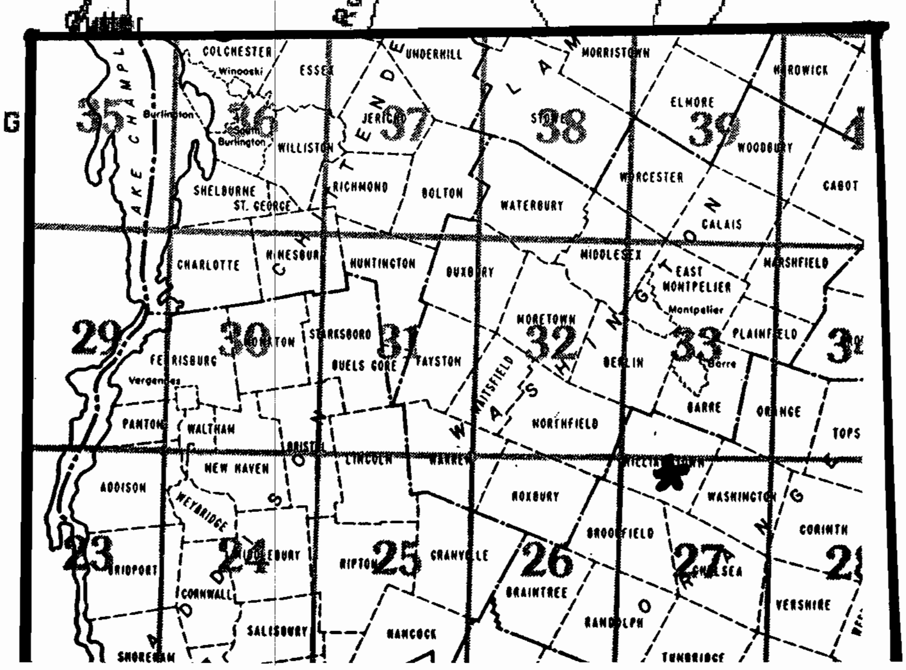






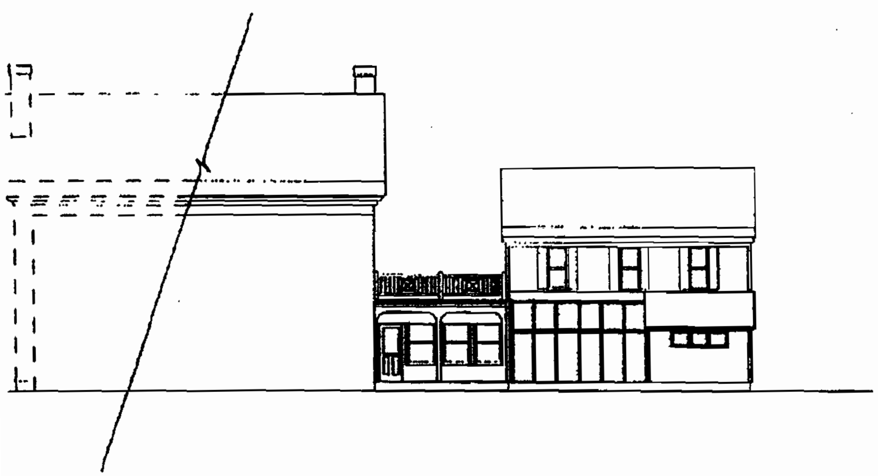
The Gardens at Williamstown Square
2844 Vt. Route 14, Williamstown, VT 05679



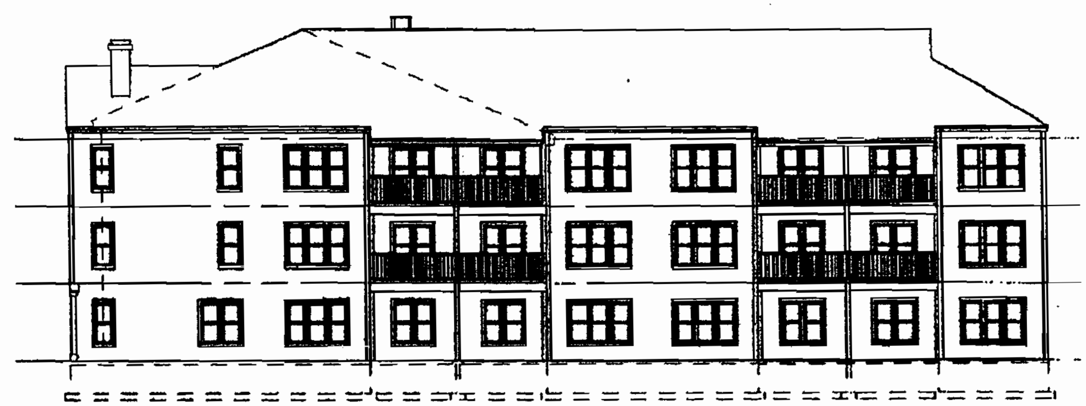


THE GARDENS PHASE II - EAST ELEVATION
1/8" = 1'-0"

THE GARDENS PHASE II - EAST ELEVATION (KITCHEN / DINING)
1/8" = 1'-0"



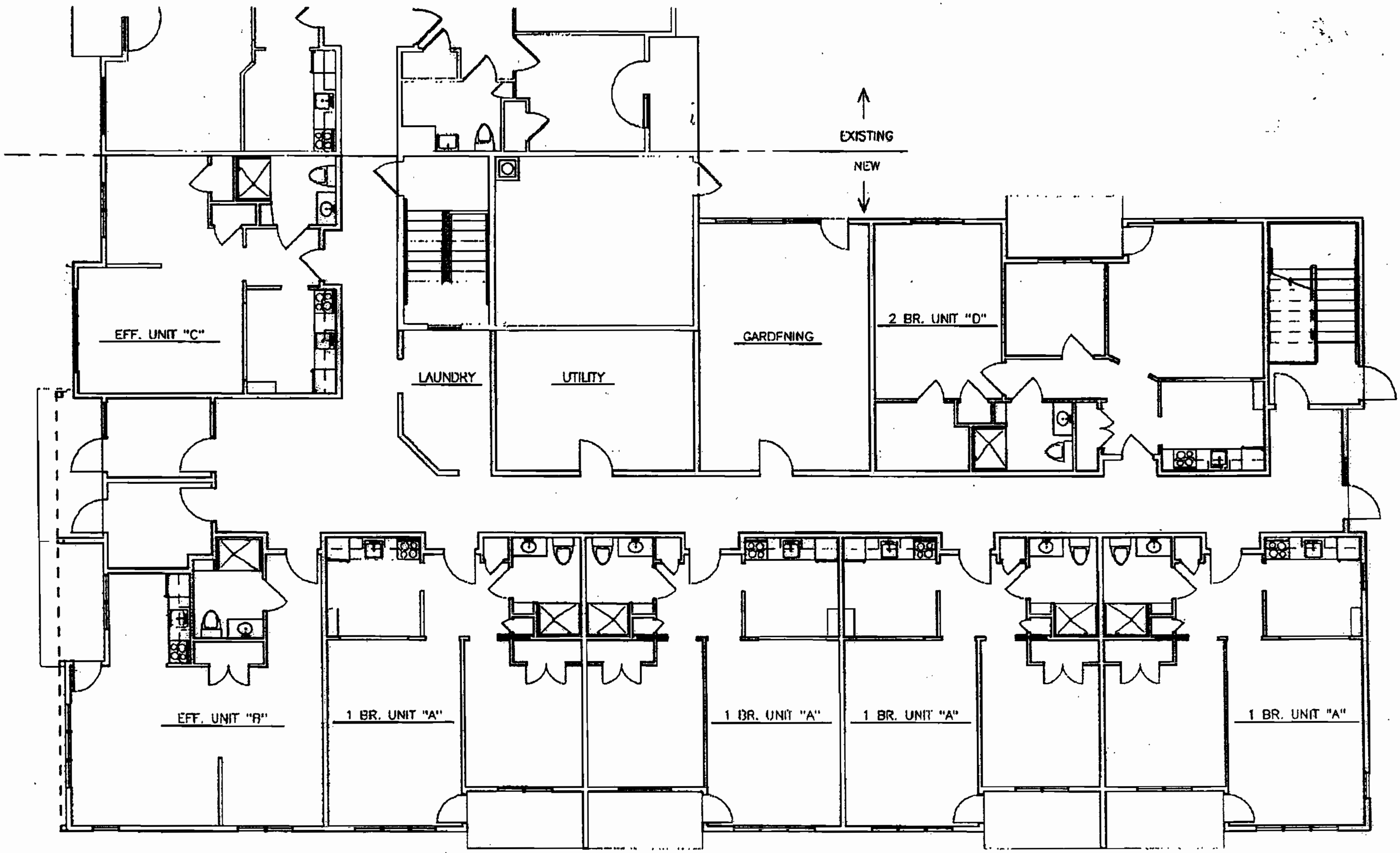
THE GARDENS PHASE II - WEST ELEVATION (KITCHEN / DINING)
1/8" 1'-0"



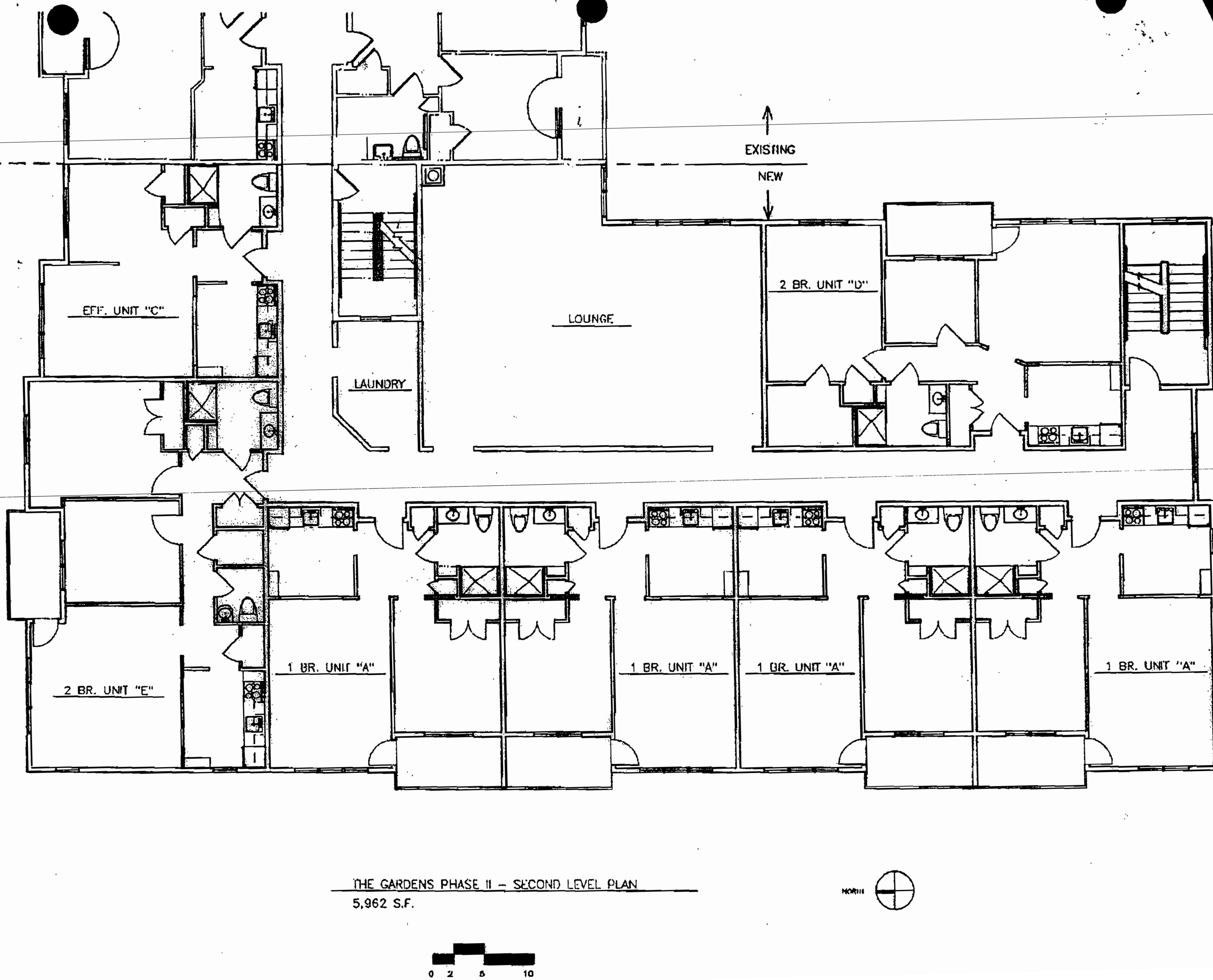
THE GARDENS PHASE II - WEST ELEVATION
1/8" = 1'-0"

THE GARDENS PHASE II – SOUTH ELEVATION
1/8"=1'-0"

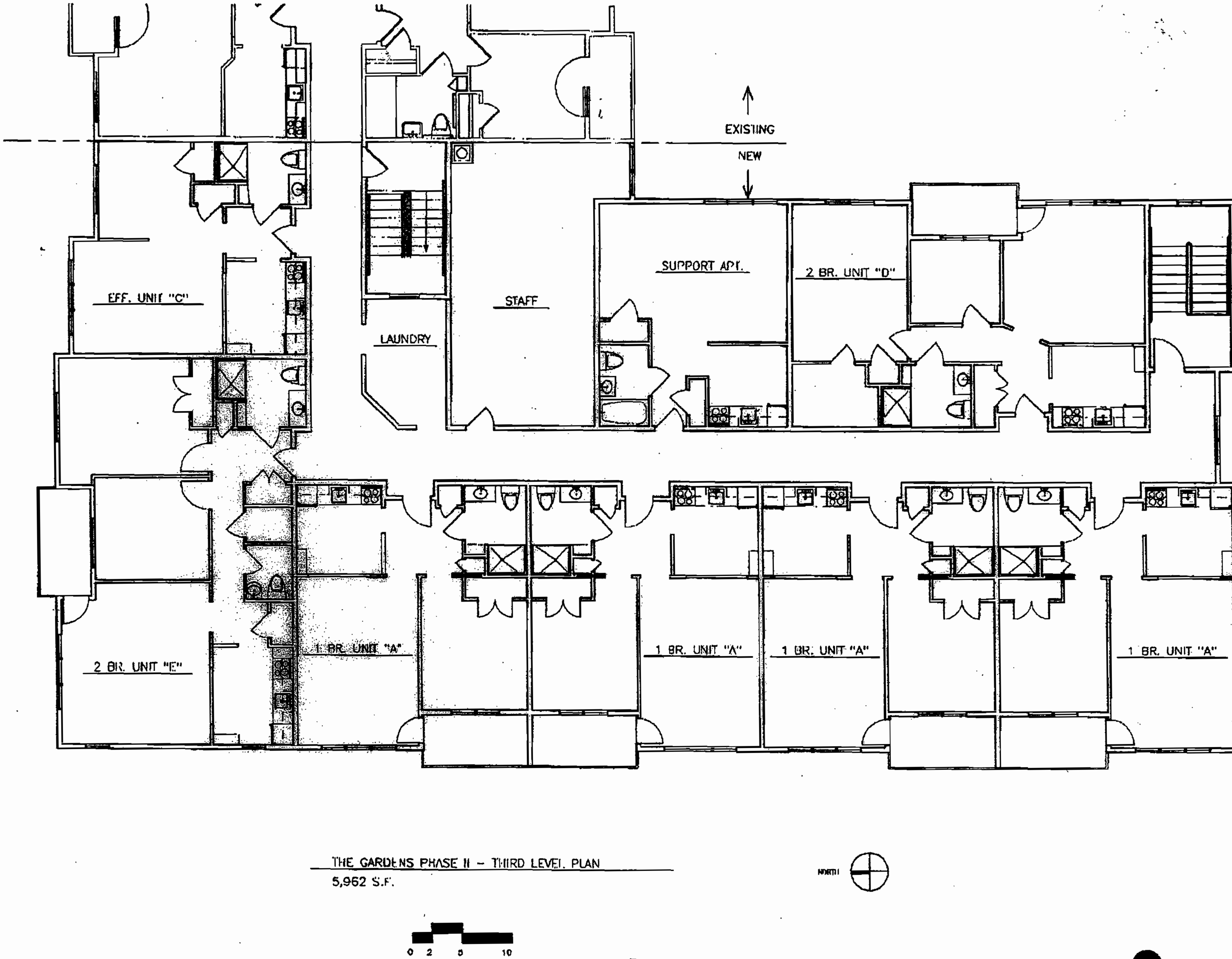
THE GARDENS PHASE II – NORTH ELEVATION
1/8"=1'-0"



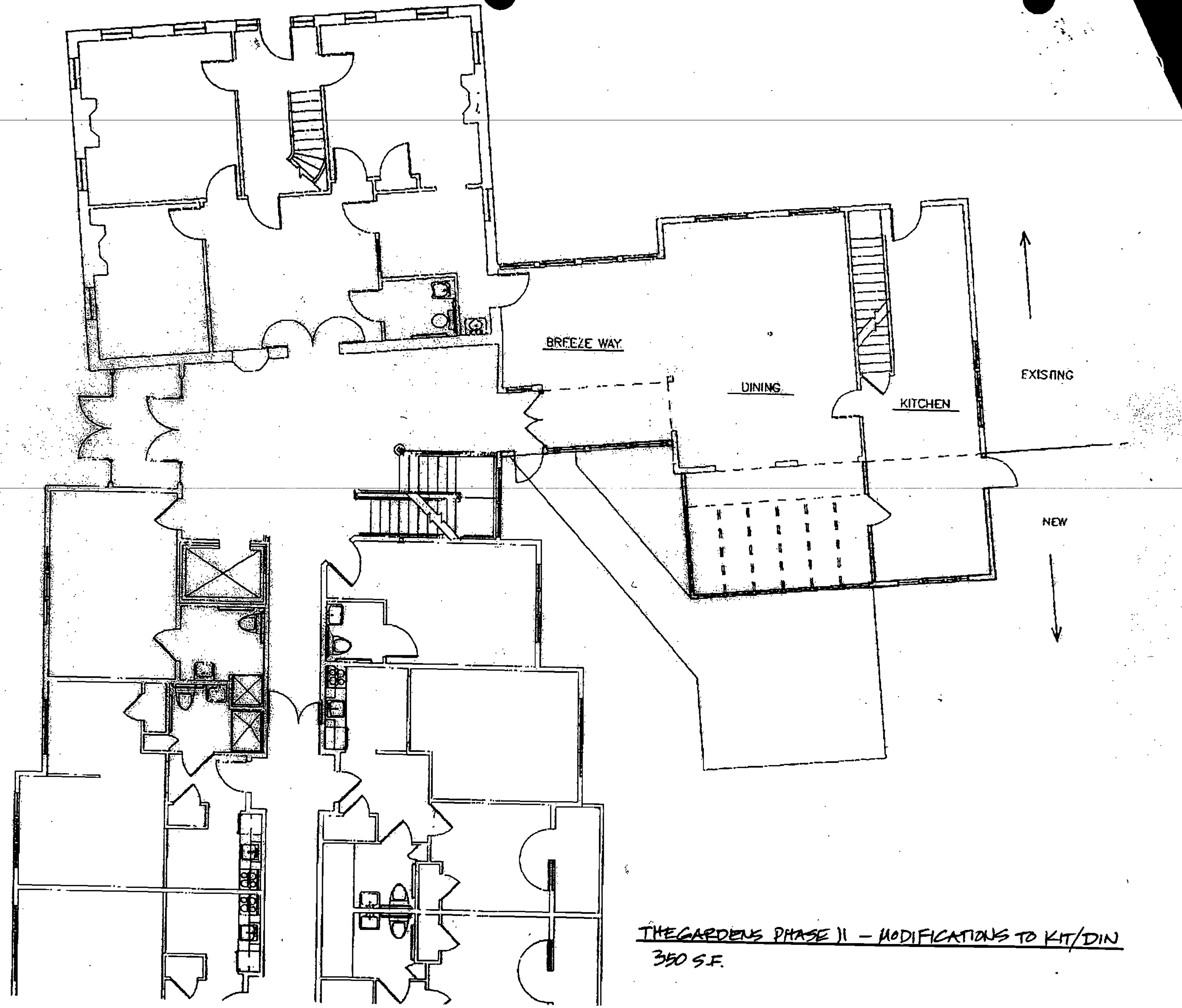
THE GARDENS PHASE II – FIRST LEVEL PLAN
5,962 S.F.



THE GARDENS PHASE II – SECOND LEVEL PLAN
5,962 S.F.



THE GARDENS PHASE II – THIRD LEVEL PLAN
5,962 S.F.



THE GARDENS PHASE II – MODIFICATIONS TO KIT/DIN
350 S.F.

15-Apr-04 **The Gardens II, Williamstown**

Total Residential Units:	21	Increase in Income from Rental Units:	1.00%
Housing Credit Restricted Units:	5	Increase in Income from Other Sources:	2.00%
Percent Restricted:	23.81%	Increase in Income from Commercial:	0.00%
Total Development Cost:	1,938,045	Expense increase:	2.50%
Total Development Cost per Unit:	92,288	Vacancy Rate:	7%
Total Development Cost Per SF:	145	Partner's Tax Rate:	35%
		Long Depreciation Schedule:	27.5 years
Max Credit Potential:	16,160	Short Depreciation Schedule:	7 years
Credit Amount Allocated:	16,160	Sponsor's Estimated Yield:	125.01%

LIHTC - 9%		April-04
LIHTC - 4%	3.39%	

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term
VHFA Permanent Debt	1,738,045	89.68%	6.75%	40	30
Developer Fee Loan		0.00%			
Tax Credit Equity	200,000	10.32%	N/A	N/A	
TOTAL SOURCES	1,938,045	100.00%			

USES

Acquisition	4,614	0.24%
Construction Hard Costs	1,531,700	79.03%
Soft Costs	401,731	20.73%
TOTAL USES	1,938,045	100.00%
Gap	0	

PER UNIT COST LIMIT CALCULATION

	per unit limits	number of units			
0 Br	84,390	4	337,560		
1 Br	90,140	12	1,081,680		
2 Br	95,890	5	479,450		
3 Br	101,637	0	0		
4 Br	107,390	0	0		
Maximum cost allowed under the per unit cost limits		21	1,898,690		
Projected total cost, excluding cash accounts			1,848,045	Cost Overage %	103%
		(over)/under	50,645		

General Partner's Capital Contribution	2,000	1.00%
Limited Partner's Capital Contribution	198,000	99.00%
Total Equity	200,000	

APPLICABLE FRACTION CALCULATION

Tax Credit Restricted Units	5
Total Units	21
Unit Fraction	23.81%
Tax Credit Square Footage	2,670
Total Residential Square Footage	13,250
Square Footage Fraction	20.15%
Applicable Fraction	20.15%

	Phase I	Phase II	Combined
Total Development Cost	2,470,500	1,938,045	4,408,545
Total Amount of Debt	1,950,000	1,738,045	3,688,045
Per Unit Total Development Cost	82,350	92,288	86,442
Total Square Footage	16,275	13,250	29,525
Acq & Const PSF Cost	123.25	115.17	119.97

15-Apr-04 **The Gardens II, Williamstown** 115.17

		Budget	Per Unit	Per s.f.	Debt	Allocation of Sources Equity Terms:___	Other Terms:___	TOTAL SOURCES	
	ACQUISITION								
1	Land		0	0.00				0	
2	Purchase of Building(s)		0	0.00				0	
3	Demolition (without replacement)		0	0.00				0	
4	Property Appraisal	1,500	71	0.11		1,500		1,500	
5	Legal - Title and Recording	3,114	148	0.23		3,114		3,114	
	Subtotal - Acquisition	4,614	220	0.35					
	CONSTRUCTION HARD COSTS								
6	Rehabilitation	150,000	7,143	11.24	150,000			150,000	
7	New Building(s)	1,050,000	50,000	78.71	1,050,000			1,050,000	
8	Accessory Buildings	30,000	1,429	2.25	30,000			30,000	
9	Sitework	50,000	2,381	3.75	50,000			50,000	1,280,000
10	Commercial Space Costs (if any)		0	0.00	0			0	5%
11	General Requirements	60,000	2,857	4.50	60,000			60,000	7%
12	Contractor Overhead	86,700	4,129	6.50	86,700			86,700	11%
13	Contractor Profit		0	0.00	0			0	
14	Construction Contingency	50,000	2,381	3.75	50,000			50,000	
15	Construction Management		0	0.00	0			0	
16	Construction Bond Fee		0	0.00	0			0	
17	Hazardous Materials Abatement		0	0.00	0			0	
18	Off-Site Improvements	5,000	238	0.37	5,000			5,000	
19	Furnishings, Fixtures, & Equipment	50,000	2,381	3.75	50,000			50,000	
20	Other (________________)		0	0.00	0			0	
	Subtotal - Hard Costs	1,531,700	72,938	114.82					
	SOFT COSTS				0				
21	Architectural	12,000	571	0.90	12,000			12,000	
22	Engineering	8,000	381	0.60	8,000			8,000	
23	Legal/Accounting	18,500	881	1.39	18,500			18,500	
24	Relocation		0	0.00	0			0	
25	Environmental Assessment		0	0.00	0			0	
26	Energy Assessment		0	0.00	0			0	
27	Permits/Fees	9,000	429	0.67	9,000			9,000	
28	Independent Market Study	5,000	238	0.37		5,000		5,000	
29	Construction Period Insurance	4,000	190	0.30	4,000			4,000	
30	Construction Interest	36,000	1,714	2.70	36,000			36,000	
31	Construction Loan Origination Fee	22,000	1,048	1.65	22,000			22,000	
32	Taxes During Construction		0	0.00	0			0	
33	Clerk of the Works		0	0.00	0			0	
34	Marketing	20,000	952	1.50	20,000			20,000	
35	Tax Credit Fees	1,000	48	0.07	1,000			1,000	
36	Soft Cost Contingency	5,000	238	0.37	5,000			5,000	
37	Permanent Loan Origination Fee		0	0.00	0			0	
38	Lender's Counsel's Fee		0	0.00	0			0	
39	Other (_Lenders Bldg Inspector)			0.00	0				
40	Other (Audit/Cost cert)	6,000	286	0.45	6,000			6,000	
	SYNDICATION COSTS								
41	Organizational (LLC)	5,231	249	0.39		5,231		5,231	
42	Bridge Loan Fees and Expenses	0	0	0.00				0	
43	Syndication Consultant		0	0.00				0	
44	Tax Opinion		0	0.00				0	
	DEVELOPER'S FEES								
45	Developer's Fees	150,000	7,143	11.24	64,845	85,155		150,000	
46	Other Partnership Fees		0	0.00				0	
47	Development Consultant Fees	10,000	476	0.75		10,000		10,000	
	RESERVES								
48	Working Capital	90,000	4,286	6.75		90,000		90,000	
49	Rent-up (Deficit Escrow) Reserve		0	0.00				0	
50	Other Operating Reserves		0	0.00				0	
51	Sinking Fund		0	0.00				0	
52	Replacement Reserves		0	0.00				0	
	Subtotal - Soft Costs	401,731	19,130	30.11					
	TOTAL DEVELOPMENT COSTS	1,938,045	92,288	145.28	1,738,045	200,000	0	1,938,045	

	Fee	% of TDC	Per Unit	1,738,045	200,000
Developers Fee w/o Syndication fee	160,000	9.48%	$8,000		
Developers Fee w/ Syndication fee	165,231	9.32%	$8,262		

15-Apr-04 **The Gardens II, Williamstown**

#		Budget	Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Other
	ACQUISITION						
1	Land	0					
2	Purchase of Building(s)	0					
3	Demolition (without replacement)	0					
4	Property Appraisal	1,500		1,500	1,500		
5	Legal - Title and Recording	3,114					
	Subtotal - Acquisition	4,614					
	CONSTRUCTION HARD COSTS						
6	Rehabilitation	150,000		150,000	150,000		
7	New Building(s)	1,050,000		1,050,000	1,050,000		
8	Accessory Buildings	30,000		30,000	30,000		
9	Sitework	50,000		50,000	50,000		
10	Commercial Space Costs (if any)	0					
11	General Requirements	60,000		60,000	60,000		
12	Contractor Overhead	86,700		86,700	86,700		
13	Contractor Profit	0		0			
14	Construction Contingency	50,000		50,000	50,000		
15	Construction Management	0		0			
16	Construction Bond Fee	0		0			
17	Hazardous Materials Abatement	0		0			
18	Off-Site Improvements	5,000		5,000	5,000		
19	Furnishings, Fixtures, & Equipment	50,000		50,000	50,000		
20	Other (____________)	0		0			
	Subtotal - Hard Costs	1,531,700					
	SOFT COSTS						
21	Architectural	12,000		12,000	12,000		
22	Engineering	8,000		8,000	8,000		
23	Legal/Accounting	18,500		18,500	18,500		
24	Relocation	0		0			
25	Environmental Assessment	0		0			
26	Energy Assessment	0		0			
27	Permits/Fees	9,000		9,000	9,000		
28	Independent Market Study	5,000		5,000	5,000		
29	Construction Period Insurance	4,000		4,000	4,000		
30	Construction Interest	36,000		36,000	36,000		
31	Construction Loan Origination Fee	22,000		22,000	22,000		
32	Taxes During Construction	0		0			
33	Clerk of the Works	0		0			
34	Marketing	20,000			20,000		
35	Tax Credit Fees	1,000		1,000	1,000		
36	Soft Cost Contingency	5,000		5,000	5,000		
37	Permanent Loan Origination Fee	0					
38	Lender's Counsel's Fee	0					
40	Other (Audit/Cost cert)	6,000		6,000	6,000		
	SYNDICATION COSTS						
41	Organizational (LLC)	5,231					
42	Bridge Loan Fees and Expenses	0					
43	Syndication Consultant	0					
44	Tax Opinion	0					
	DEVELOPER'S FEES						
45	Developer's Fees	150,000		150,000	150,000		
46	Other Partnership Fees	0					
47	Development Consultant Fees	10,000		10,000	10,000		
	RESERVES						
48	Working Capital	90,000					
49	Rent-up (Deficit Escrow) Reserve	0					
50	Other Operating Reserves	0					
51	Sinking Fund	0					
52	Replacement Reserves	0					
	Subtotal - Soft Costs	401,731					
	TOTALS	1,938,045	0	1,819,700	1,789,700	0	
LESS:	Amount of Non-qualified Financing						
LESS:	Adjustment for per unit cost limits			1,819,700			
LESS:	Historic tax Credit (Residential Portion)			0	0	20% Historic Credit Rate	
	Total Eligible Basis		0	0		0 Annual Historic Credit	
TIMES:	Adjusted for QCT/DDA	130.0%		2,365,610			
TIMES:	Applicable Fraction	20.15%	0	476,693			
	Total Qualified Basis		0	476,693	1,789,700	Long Term Depreciable Basis	
TIMES:	Applicable Percentage		3.39%	3.39%	27.5	Depreciation Schedule	
	Total Annual Credit Qualified		0	16,160	65,080	Annual Depreciation	

Total Tax Credits Requested	16,160
Estimated Net Syndication Proceeds (**excluding historic credit equity**)	200,000
Estimated Yield - Housing Credit Syndication	125.01%
Equity Gap	200,000
Credits Needed to fill Equity Gap	16,160

50,000	Short Term Depreciable Basis
7	Depreciation Schedule
7,143	Annual Depreciation

15-Apr-04 **The Gardens II, Williamstown**

Phase I & II Combined

HC Restricted Units

Bedrooms	Type	Average Square Feet	Number	Average Rent	Utilities	Total Annual Rent
0 Br		490	9	487	0	52,596
1 Br		600	3	522	0	18,792
	Totals	6,210	12			71,388

VHFA Restricted Units (<100%)

Bedrooms	Type	Square Feet	Number	Rent	Utilities	Total Annual Rent
0 Br		490	6	720	0	51,840
1 Br		600	0	720	0	0
1 Br		600	10	1,040	0	124,800
	Totals	8,940	16			176,640

Market Units

Bedrooms	Type	Average Square Feet	Number	Average Rent	Utilities	Total Annual Rent
0 BR		490	1	1,040	0	12,480
1 BR		600	14	1,390	0	233,520
2 BR		800	6	1,750	0	126,000
2 BR + 2 Bath		845	2	1,810	0	43,440
All Units	Totals	14,890	23			415,440
	Grand Totals	30,040	51			663,468
	Less Vacancy		7.00%			(46,443)
					NET RENT	617,025

OTHER INCOME

Optional Service Package						
Phase I	23	$	500	75%		103,500
Phase II	16	$	500	50%		48,000
HC - Phase I	7	$	400	43%		14,448
HC - Phase II	5	$	400	50%		12,000
Double Occupancy						
	2	$	400			9,600
		Less	Vacancy			(13,128)
Guest/Respite Room Rental		$	1,275	3	40%	18,360
Guest Room		$	75	20		1,500
Meals & Misc Service		$	15,033	0.61		24,600
Laundry		$	3,500	0.61		5,800
					Sub-total	224,680
					TOTAL INCOME	841,705

15-Apr-04 **The Gardens II, Williamstown**

	Phase II				Phase I			Phase I & II			
	Annual	Monthly	Per Unit Per Month		Annual	Monthly	Per Unit Per Month	Annual	Monthly	Per Unit Per Month	
Administration											
Management Fee	26,903	2,242	107		42,276	3,523	117	69,179	5,765	113	
Supportive Services:		0	0		0	0	0		0	0	
Assistant Administrator	15,000	1,250	60		15,050	1,254	42	30,050	2,504	49	
Activity Director	11,700	975	46		18,200	1,517	51	29,900	2,492	49	
Activity Expenses	2,280	190	9		3,682	307	10	5,962	497	10	
Cooks Wages	1,900	158	8		42,000	3,500	117	43,900	3,658	72	
Food/Supplies	15,370	1,281	61		35,350	2,946	98	50,720	4,227	83	
Resident Assistants	3,500	292	14		49,000	4,083	136	52,500	4,375	86	
Night Supervisor		0	0		7,500	625	21	7,500	625	12	
Janitor Supplies	425	35	2		850	71	2	1,275	106	2	
Other Services	3,400	283	13	53,575	3,000	250	8	6,400	533	10	
Audit/Accounting	1,000	83	4		4,950	413	14	5,950	496	10	
Legal	500	42	2		500	42	1	1,000	83	2	
Compliance Monitoring		0	0		0	0	0		0	0	
Marketing	2,900	242	12		5,100	425	14	8,000	667	13	
Night Supervisor		0	0		0	0	0		0	0	
TOTAL ADMINISTRATIVE	84,878	7,073	337		227,458	18,955	632	312,336	26,028	510	
Utilities											
Electricity	6,000	500	24		12,000	1,000	33	18,000	1,500	29	
Fuel	6,800	567	27		13,600	1,133	38	20,400	1,700	33	
Water and Sewer	3,000	250	12		5,250	438	15	8,250	688	13	
Fire Alarm / Emergency	1,987	166	8		0	0	0	1,987	166	3	
Other		0	0		2,500	208	7	2,500	208	4	
TOTAL UTILITIES	17,787	1,482	71		33,350	2,779	93	51,137	4,261	84	
Maintenance											
Maintenance / Janitor Payroll	10,450	871	41		12,350	1,029	34	22,800	1,900	37	
Janitor Supplies		0	0			0	0		0	0	
Exterminating		0	0			0	0		0	0	
Trash Removal	1,000	83	4		22,350	1,863	62	32,800	2,733	54	
Snow Removal	800	67	3			0	0		0	0	
Grounds		0	0			0	0		0	0	
Repairs Material	2,050	171	8			0	0		0	0	
Repairs Contract	3,000	250	12			0	0		0	0	
HVAC Repairs / Maintenance	1,000	83	4			0	0		0	0	
Elevator Contract / Repairs	800	67	3			0	0		0	0	
Painting and Decorating	1,000	83	4			0	0		0	0	
Other	800	67	3			0	0		0	0	
TOTAL MAINTENANCE	20,900	1,742	83		34,700	2,892	96	55,600	4,633	91	
Real Estate Taxes	18,750	1,563	74		36,000	3,000	100	54,750	4,563	89	
Property Insurance	2,933	244	12		10,867	906	30	13,800	1,150	23	
Replacement Reserves	6,109	509	24		9,600	800	27	15,709	1,309	26	
Primary Debt Service Phase 1		10,487	499		151,400	12,617	421	151,400	12,617	247	281,010
Primary Debt Service Phase 2	125,839				0		0	125,839	10,487	206	277,239
Other "must pay" debt service		0	0			0	0		0	0	3,771
Other		0	0			0	0		0	0	
Total	277,196	23,100	1,100		503,375	41,948	1,398	780,571	65,048	1,275	

pum less d/s & rep res	797

15-Apr-04		The Gardens II, Williamstown																			
Phase I & II Combined	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		663,468	670,103	676,804	683,572	690,407	697,312	704,285	711,327	718,441	725,625	732,881	740,210	747,612	755,088	762,639	770,266	777,968	785,748	793,606	801,542
Other Income		224,680	229,173	233,757	238,432	243,200	248,064	253,026	258,086	263,248	268,513	273,883	279,361	284,948	290,647	296,460	302,389	308,437	314,606	320,898	327,316
Vacancy and other losses		(46,443)	(46,907)	(47,376)	(47,850)	(48,329)	(48,812)	(49,300)	(49,793)	(50,291)	(50,794)	(51,302)	(51,815)	(52,333)	(52,856)	(53,385)	(53,919)	(54,458)	(55,002)	(55,552)	(56,108)
Total Operating Income		841,705	852,369	863,184	874,154	885,279	896,564	908,010	919,621	931,398	943,344	955,463	967,756	980,228	992,879	1,005,715	1,018,736	1,031,948	1,045,351	1,058,951	1,072,750
Operating Expenses																					
Total Expenses (excl. Reserves)		487,623	499,814	512,309	525,117	538,245	551,701	565,493	579,631	594,121	608,974	624,199	639,804	655,799	672,194	688,999	706,223	723,879	741,976	760,525	779,539
Reserves		15,709	15,866	16,025	16,185	16,347	16,510	16,675	16,842	17,011	17,181	17,353	17,526	17,701	17,878	18,057	18,238	18,420	18,604	18,790	18,978
Total Operating Expense		503,332	515,680	528,334	541,302	554,591	568,211	582,169	596,473	611,132	626,155	641,551	657,330	673,500	690,072	707,056	724,461	742,299	760,580	779,316	798,517
Net Operating Income		338,373	336,689	334,850	332,852	330,688	328,353	325,842	323,148	320,266	317,189	313,912	310,427	306,728	302,807	298,659	294,275	289,648	284,771	279,635	274,233
Less Debt Service Phase I		151,400	151,400	151,400	151,400	151,400	151,400	151,400	151,400	151,400	151,400	151,400	151,400	151,400	151,400	151,400	151,400	151,400	151,400	151,400	151,400
Less Debt Service Phase II		125,839	125,839	125,839	125,839	125,839	125,839	125,839	125,839	125,839	125,839	125,839	125,839	125,839	125,839	125,839	125,839	125,839	125,839	125,839	125,839
Annual Cash Flow		61,134	59,450	57,611	55,613	53,449	51,114	48,603	45,909	43,027	39,950	36,672	33,187	29,488	25,568	21,420	17,036	12,409	7,532	2,396	(3,007)
Operating Subsidies / Sinking Fund		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3,007
Net Cash		61,134	59,450	57,611	55,613	53,449	51,114	48,603	45,909	43,027	39,950	36,672	33,187	29,488	25,568	21,420	17,036	12,409	7,532	2,396	0
DCR		122.05%	121.44%	120.78%	120.06%	119.28%	118.44%	117.53%	116.56%	115.52%	114.41%	113.23%	111.97%	110.64%	109.22%	107.73%	106.14%	104.48%	102.72%	100.86%	98.92%
Cumulative Cash Flow																					
Beginning Balance		20,000	81,534	142,614	203,077	262,751	321,455	378,998	435,181	489,793	542,615	593,418	641,959	687,985	731,233	771,426	808,274	841,475	870,714	895,660	915,969
Deposits		61,134	59,450	57,611	55,613	53,449	51,114	48,603	45,909	43,027	39,950	36,672	33,187	29,488	25,568	21,420	17,036	12,409	7,532	2,396	0
Interest	2.0%	400	1,631	2,852	4,062	5,255	6,429	7,580	8,704	9,796	10,852	11,868	12,839	13,760	14,625	15,429	16,165	16,830	17,414	17,913	18,319
Withdrawals		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	(3,007)
Ending Balance		81,534	142,614	203,077	262,751	321,455	378,998	435,181	489,793	542,615	593,418	641,959	687,985	731,233	771,426	808,274	841,475	870,714	895,660	915,969	931,282
Cumulative Replacement Reserves																					
Beginning Balance		0	15,866	31,891	48,076	64,423	20,933	37,608	54,451	71,461	88,642	35,994	53,520	71,222	89,100	107,157	45,395	63,815	82,419	101,209	120,188
Deposits		15,709	15,866	16,025	16,185	16,347	16,510	16,675	16,842	17,011	17,181	17,353	17,526	17,701	17,878	18,057	18,238	18,420	18,604	18,790	18,978
Interest	2.0%	157	159	160	162	163	165	167	168	170	172	174	175	177	179	181	182	184	186	188	190
Withdrawals		0	0	0	0	(60,000)	0	0	0	0	(70,000)	0	0	0	0	(80,000)	0	0	0	0	(90,000)
Ending Balance		15,866	31,891	48,076	64,423	20,933	37,608	54,451	71,461	88,642	35,994	53,520	71,222	89,100	107,157	45,395	63,815	82,419	101,209	120,188	49,355

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Net Operating Income	338,373	336,689	334,850	332,852	330,688	328,353	325,842	323,148	320,266	317,189	313,912	310,427	306,728	302,807	298,659
Plus Reserves	15,709	15,866	16,025	16,185	16,347	16,510	16,675	16,842	17,011	17,181	17,353	17,526	17,701	17,878	18,057
Less Interest Expense	(117,049)	(116,437)	(115,783)	(115,083)	(114,334)	(113,532)	(112,676)	(111,759)	(110,779)	(109,730)	(108,608)	(107,408)	(106,125)	(104,752)	(103,284)
Less Long Depreciation	(65,080)	(65,080)	(65,080)	(65,080)	(65,080)	(65,080)	(65,080)	(65,080)	(65,080)	(65,080)	(65,080)	(65,080)	(65,080)	(65,080)	(65,080)
Less Short Depreciation	(7,143)	(7,143)	(7,143)	(7,143)	(7,143)	(7,143)	(7,143)	0	0	0	0	0	0	0	0
Taxable Income (Loss)	164,810	163,895	162,870	161,732	160,478	159,108	157,619	163,151	161,418	159,560	157,576	155,464	153,224	150,853	148,352
Cash Flow	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings	(57,683)	(57,363)	(57,004)	(56,606)	(56,167)	(55,688)	(55,167)	(57,103)	(56,496)	(55,846)	(55,152)	(54,413)	(53,628)	(52,799)	(51,923)
Plus Tax Credits	16,160	16,160	16,160	16,160	16,160	16,160	16,160	16,160	16,160	16,160					
After Tax Cash Flow	(41,523)	(41,203)	(40,844)	(40,446)	(40,008)	(39,528)	(39,007)	(40,943)	(40,336)	(39,686)	(55,152)	(54,413)	(53,628)	(52,799)	(51,923)

Original Basis	1,839,700
Less Depreciation	(1,026,200)
Basis at Sale	2,865,900
Sales Price	1,517,794
Gain	(1,348,106)
Exit Tax	0

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	(41,523)	(41,203)	(40,844)	(40,446)	(40,008)	(39,528)	(39,007)	(40,943)	(40,336)	(39,686)	(55,152)	(54,413)	(53,628)	(52,799)	(51,923)
Future Value of Cash Flows at Yr 15:	(227,282)	(201,365)	(178,225)	(157,577)	(139,168)	(122,768)	(108,169)	(101,374)	(89,171)	(78,333)	(97,196)	(85,619)	(75,344)	(66,231)	(58,154)

Discount Rate:	6.00%															
Capital Contribution Number:	1	2	3	4	5	6	7	8								
Date of Capital Contribution:	25-Jun-04	30-Jun-05	15-Apr-04	15-Apr-04	15-Apr-04	15-Apr-04	15-Apr-04	15-Apr-04								
Amount of Capital Contribution:	100,000	100,000	0	0	0	0	0	0								
Present Value of Contributions:	100,000	94,020	0	0												
Cash Flows	194,020	0	0	0	0	0	0	0	0	0	0	0	0	0	0	(1,785,976)

IRR: 15.95%
Equity Yield: 121%

RESOLUTION RE: CONSTRUCTION AND PERMANENT FINANCING FOR THE GARDENS AT WILLIAMSTOWN SQUARE PHASE II, TOWN OF WILLIAMSTOWN

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

WHEREAS, an application has been submitted to the Agency by The Gardens Limited Partnership (the "Borrower") involving the construction of twenty-one (21) additional units to the existing thirty (30) units for a total upon completion of fifty-one (51) units of senior rental housing in the Town of Williamstown (the "Development"); and

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

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

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid dated April 19, 2004, containing information and recommendations about the Development (the "Memorandum");

THEREFORE, it is hereby DETERMINED:

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

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

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

4. The Borrower undertaking the Development will increase the supply of well-planned, well-designed permanent, temporary, transitional or emergency housing for persons and families of low and moderate income.

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

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

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to the Borrower for the construction and permanent financing of the Development based on the recommendations in the attached Memorandum. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the Borrower in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

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

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

vhfa
Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Joe Erdelyi, Senior Development Officer JS

DATE: April 14, 2004

RE: Housing Credit Project Status Report

Staff have prepared a status report for the projects in the process of receiving Housing Credits (enclosed). The first table, titled "Housing Credit Status Report," shows a list of everything that has received credits from the 2002 ceiling through the present, as well as the current proposals and a pipeline. The second table has the current proposals ranking on how they meet the "State's Consolidated Plan Priorities / Other Priorities" as well as all of the applications from the last two years. In addition there are two charts: the first shows split between the Metropolitan Statistical Area (MSA) and non-MSA for units in Housing Credit projects, all rental units, and population. The second chart shows by county the proportion of the rental housing units in the State and the distribution of Housing Credit Units.

Please look these charts and tables over, and feel free to provide feedback and suggestions for improvements to either the format or content.

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

Housing Credit Status Report

Total 2004 Available:		2,075,000	
Total 2005 Available:		2,075,000	
			4,150,000
Less: LOI, Res, CA issued from 04-05		565,769	
Remaining Available from 2004-2005:			3,584,231

Project Name	City	County	MSA / Non MSA	Total # of Units	# of LIHTC Units	Project Type	Housing Credit Allocation
Pipeline							
Waugh Opera Block	St Albans	Franklin	MSA	20		Rehab	176,000
Pre-Applicaton Meetings							
River Station	Montpelier	Chittenden	MSA	36		New Construction	460,000
Whitcomb Terrace	Essex Junction	Chittenden	MSA	19		New Construction	160,000
Central Block	Winooski	Chittenden	MSA	232		New Construction	1,964,260
Letter of Intent, Reservation, or Carryover Allocation Issued							
Butterfield Family	West Dover	Windham	Non MSA	7	7	New Construction	119,000
Stony Creek	Wilder	Windsor	Non MSA	18	18	New Construction	271,374
Roosevelt Apts.	Burlington	Chittenden	MSA	27	27	New Construction	387,079
Templeton Court Rehab	White River Jct	Windsor	Non MSA	10	10	Rehab	147,525
Waterfront	Burlington	Chittenden	MSA	40	28	New Construction	485,000
Stowe	Stowe	Lamoille	Non MSA	42	36	New Construction	505,000
Shelburne Interfaith	Shelburne	Chittenden	MSA	20	18	New Construction	272,000
Island Housing	Grand Isle	Grand Isle	MSA	16	15	New Construction	183,750
203 Pearl Street	Essex Jct	Chittenden	MSA	30	26	New Construction	366,722
Tuttle Building	Rutland	Rutland	Non MSA	13	13	Rehab	160,000
Highgate	Barre	Washington	Non MSA	120	74	Rehab	325,500
Branchwood	Randolph	Orange	Non MSA	12	10	New Construction	126,000
Arlington Village Center	Arlington	Bennington	Non MSA	29	20	Rehab	172,297
Arbor Gardens	Colchester	Chittenden	MSA	37	37	New Construction	389,362
Westgate Allocated	Brattleboro	Windham	Non MSA	74	50	Acquisition/Rehab	512,000
ECHO Scattered Sites	Burlington	Chittenden	MSA	20	18	Acquisition/Rehab	85,000
ECHO North & North	Burlington	Chittenden	MSA	12	11	New Construction	127,000
Park Village II	Brandon	Rutland	Non MSA	34	34	Acquisition/Rehab	369,316
Sunrise Settlement	Quechee	Windsor	Non MSA	22	22	New Construction	381,202
Manchester Commons	Manchester	Bennington	Non MSA	15	10	New Construction	116,931

State Consolidated Plan Priorities / Other Priorities Table

2004

	First Tier						Second Tier					
	Rehab or Vacancy <3.5%	Family Housing	Settlement Pattern	Downtown or Village Center	Removal of Blight	Special Needs	Mixed Income	Unique Design	<30% or targets homeless	Public Housing	Eventual Tenant Ownership	Total
River Station	XX	XX	XX	XX			X					53%
Cental Block	XX	XX	XX	XX			X		X			59%

2003 Round One

	First Tier						Second Tier						
	Rehab or Vacancy <2%	Family Housing	Settlement Pattern	Downtown	Removal of Blight	Special Needs	Mixed Income	Growth Center	<30%	Public Housing	Eventual Tenant Ownership	Total	Credits Requested
Roosevelt Apartments	XX	XX	XX	XX				X	X			59%	$ 387,189
Shelburne Family Housing	XX	XX	XX		X		X	X	X			59%	$ 272,000
203 Pearl Street	XX	XX	XX		X		X	X				53%	$ 350,143
Essex Village Family Housing	XX	XX	XX				X	X				47%	$ 580,000
Island Housing	XX	XX	XX				X					41%	$ 175,000
Whetstone Housing	XX		XX	XX				X				41%	$ 135,000
Tuttle Building	XX		XX	XX								35%	$ 160,000
Arbor Gardens Phase II	XX	XX						X				29%	$ 240,682

2003 Round Two

	First Tier						Second Tier						
	Rehab or Vacancy <2%	Family Housing	Settlement Pattern	Downtown	Removal of Blight	Special Needs	Mixed Income	Growth Center	<30%	Public Housing	Eventual Tenant Ownership	Total	Credits Requested
Roosevelt Apartments	XX	XX	XX	XX				X	X			59%	$ 387,079
Riverside Village	XX	XX	XX				X	X				47%	$ 580,000
Butterfield Commons Family	XX	XX	XX					X				41%	$ 119,000
Stony Creek	XX	XX	XX					X				41%	$ 271,374
Arbor Gardens Phase II	XX	XX					X	X				35%	$ 196,371

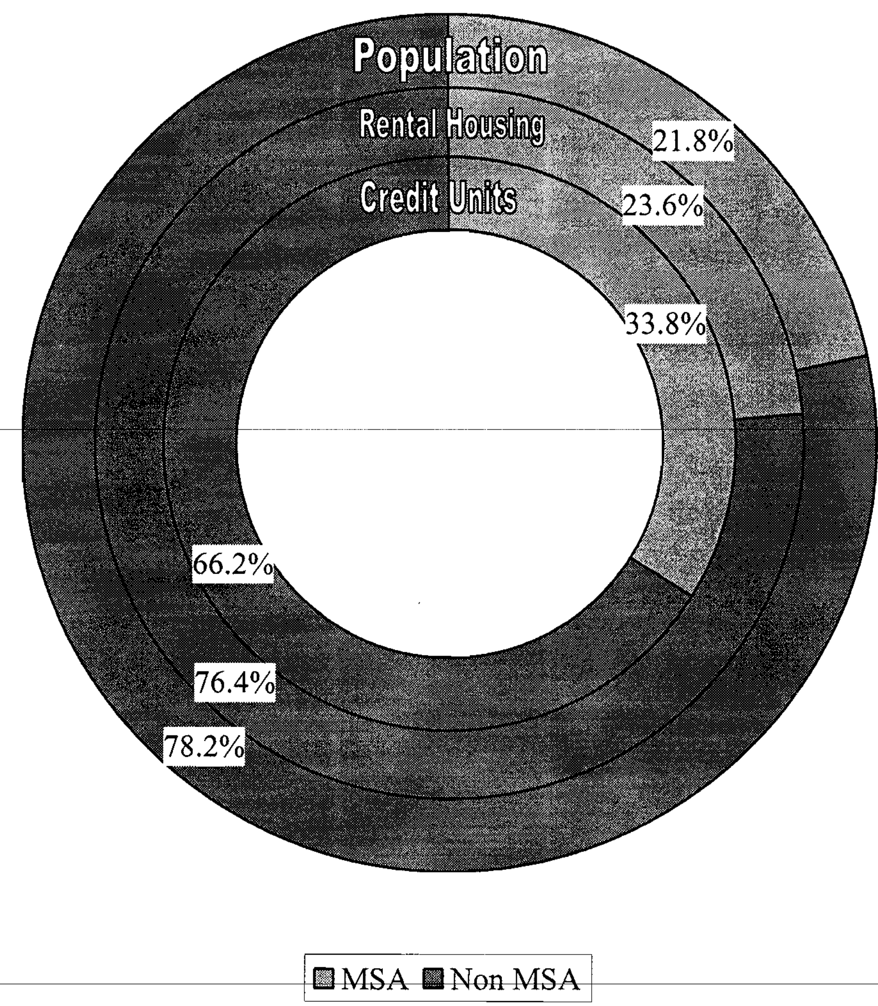
2002 Round One

	First Tier						Second Tier						
	Rehab or Vacancy <2%	Family Housing	Settlement Pattern	Downtown	Removal of Blight	Special Needs	Mixed Income	Growth Center	<30%	Public Housing	Eventual Tenant Ownership	Total	Credits Requested
Depot Street	XX	XX	XX	XX			X	X				59%	$ 415,000
Randolph Family Housing	X	XX	XX	XX			X	X	X			59%	$ 120,000
Templeton Court Rehab	XX	XX	XX					X	X	X		53%	$ 140,500
Burlington Family Rehab	XX		XX	XX				X	X			47%	$ 85,000
Old North End Renaissance	XX		XX	XX				X	X			47%	$ 127,000
Arbor Gardens	XX	XX						X				29%	$ 32,357
Park Village II	XX	X							X			24%	$ 352,369
Sunrise Settlement		XX	XX									24%	$ 363,530

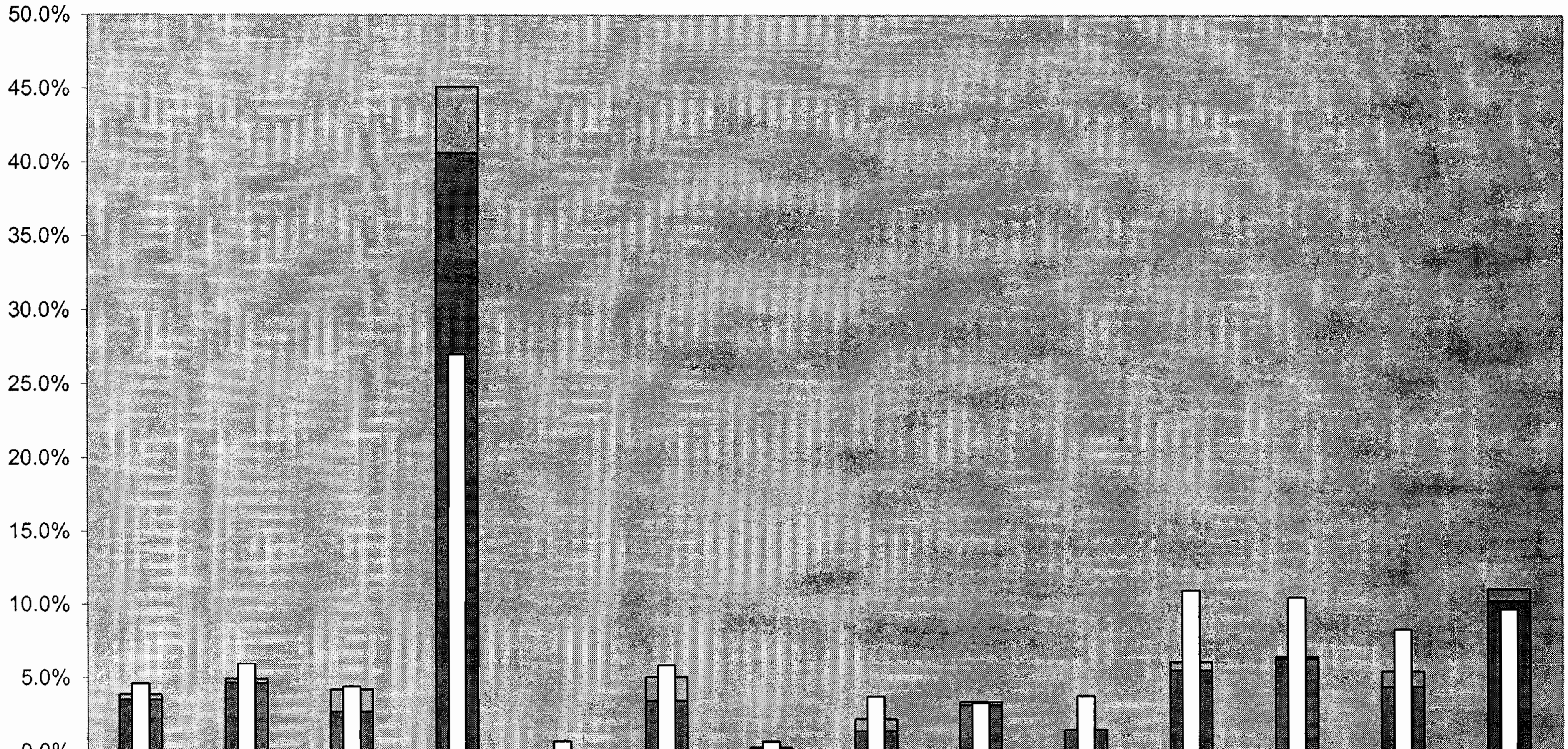
2002 Round Two

	First Tier						Second Tier						
	Rehab or Vacancy <2%	Family Housing	Settlement Pattern	Downtown	Removal of Blight	Special Needs	Mixed Income	Growth Center	<30%	Public Housing	Eventual Tenant Ownership	Total	Credits Requested
Waterfront Housing	XX	XX	XX	XX			X	X				59%	$ 485,000
Roosevelt Apartments	XX	XX	XX	XX				X				53%	$ 374,422
203 Pearl Street	XX	XX	XX					X				41%	$ 369,713
Highgate Redevelopment	XX	XX	XX						X			41%	$ 310,000
Manchester Commons	XX	XX	XX					X				41%	$ 108,149
Arbor Gardens Phase II	XX	XX						X				29%	$ 244,060
Stowe Housing	XX	XX										24%	$ 505,000

MSA / Non MSA


Population
Rental Housing
Credit Units
21.8%
23.6%
33.8%
66.2%
76.4%
78.2%
MSA
Non MSA

Geographic Distribution



	Addison	Bennington	Caledonia	Chittenden	Essex	Franklin	Grand Isle	Lamoille	Orange	Orleans	Rutland	Washington	Windham	Windsor
units in process	0.4%	0.3%	1.5%	4.5%	0.0%	1.6%	0.3%	0.8%	0.2%	0.0%	0.6%	0.2%	1.0%	0.8%
units in service	3.5%	4.7%	2.7%	40.7%	0.0%	3.5%	0.0%	1.4%	3.2%	1.5%	5.5%	6.3%	4.4%	10.2%
all rental housing	4.6%	6.0%	4.5%	27.0%	0.8%	5.9%	0.7%	3.8%	3.4%	3.8%	11.0%	10.5%	8.3%	9.7%

vhfa

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Joe Erdelyi, Senior Development Officer

DATE: April 19, 2004

RE: Request for Allocated Housing Credits

Name:	Central Block	**Location:**	Winooski
Housing Type:	General Occupancy	**Unit Type:**	Flats
Unit Count:	232 Total Units 116 Housing Credit Units	**Unit Sizes:**	66 1-BR @ 715-930 s.f. 142 2-BR @ 1,040-1,350 s.f. 24 3-BR @ 1,360 s.f.
Total Cost:	$44,959,489	**Per S.F. Acquisition & Construction Cost:**	$112.79
Loan Requested:	$0	**Sponsor:**	HallKeen LLC
Housing Credits:	$1,964,260 (Ceiling "9%" Credits)		
Other Funding:	HOME, CDBG, Debt Financing, Deferred Developer's Fees, City Financing		

Recommendation: That the VHFA Board of Commissioners consider the risks and issues raised in this memo, and upon accepting them, approve the attached resolution to authorize staff to issue the appropriate documentation according to the Qualified Allocation Plan

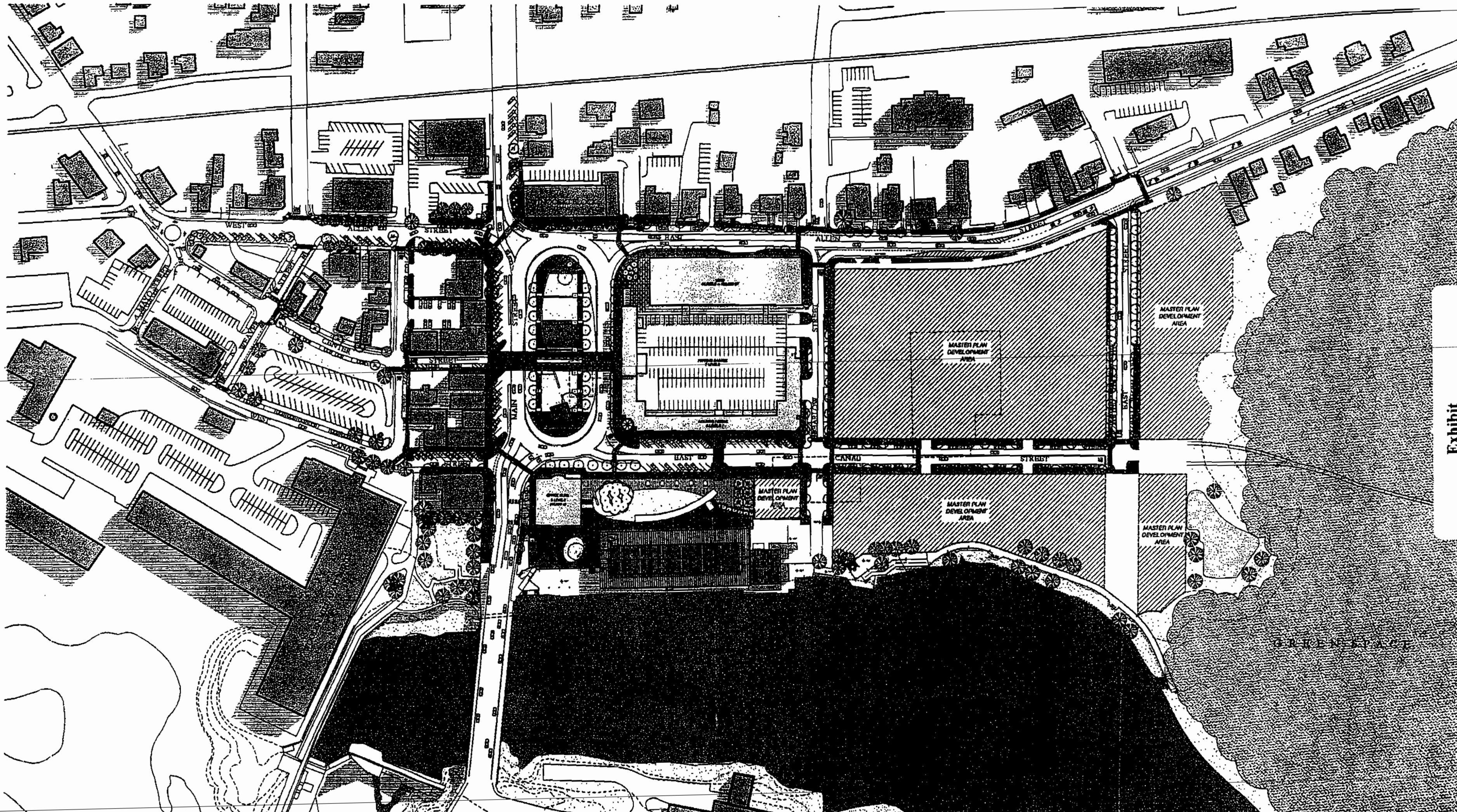
Project Summary: The development being proposed consists of four buildings in the Winooski Downtown Redevelopment area (see attached site map). The proposed development at this time has 50% of the units tax-credit restricted. The sponsor has pursued a financing plan that included HOME funds, CDBG, and tax credits, and at the time of the initial analysis the project qualified for an increase in tax basis of 130%. This increase is for projects in "difficult development areas" (DDAs) and the areas are designated (roughly) annually by HUD. The Burlington metropolitan area lost the DDA designation effective 01/2004, and since then the developer has been pursuing multiple avenues to make the development feasible. The current structure has a smaller project (232 versus 250 units), redesigned into less expensive buildings to construct (four 4-story building versus two buildings of up to 7 stories). VHFA and other states affected by the loss of the DDA designation have been working with HUD and the IRS to delay the implementation of the notice, with a goal of helping projects in the pipeline to be brought forward with the credits as originally planned. The attached budget assumes this effort will be successful. If not, there are a number of ways of filling the resulting gap, including increasing the percentage of tax credit units from 50% to 60%, or increasing the overall density to 260-270 units.

The timing of the Central Block integrates into the overall model of the Section 108 loan repayment in two ways: the taxes paid from the development will be used to retire the 108 loan, and the land lease payments made by the development will be used for the same.

Tax Credit Discussion: The Housing Credits ($1,964,260) represent approximately 47% of the 2004-2005 credit ceiling (combined). After setting aside these credits there will be approximately $1.62 million in credits available from the 2004-2005 credits (see attached status report). The proposal meets four top-tier priorities of the "Consolidate Plan" criterion and one second-tier priority. The income targeting for the 116 housing credit-restricted units sets the rent at the maximum allowed, affordable to a household earning 60% of area median gross income. It seems reasonable that these rents can be achieved in the market.

The development submitted a market study last summer and staff have reviewed it. The project has evolved since then, but the fundamental issues remain the same. Staff have engaged Steve Allen of Allen and Brooks to review the market study as part of VHFA's evaluation of the overall downtown redevelopment. Staff intend to continue to use his services in evaluating the redevelopment, including the Central Block. Staff's greatest concern about this development is the rent levels for the unrestricted units, and the total number of those units. If those rents are achieved, the project is financially feasible over the long term. The rental housing market has a few comparable higher-end rental developments. The per square foot rent of those developments is close to the rents shown for about 2/3 of the Central Block unrestricted units. The remaining 1/3 of the Central Block unrestricted rents, on a per square foot basis, are higher than Steve Allen's review of the market would indicate. Also, unlike commercial space, apartments do not rent by the square foot, and tenant perception of the overall rent would need to acknowledge the larger-than-typical unit size, for the units to be competitive. The sponsor is confident that the combination of the new construction, the finishes and amenities, and the downtown location will support their proposed rents. The sponsor is projecting a period of approximately one year from construction completion to full lease-up. The construction period shown is from April 2005 through December 2006. These issues have been raised before and we continue to disagree with the sponsor on these market issues; however, we are relying on the expected ownership and financing structure to be responsible for any shortfalls resulting from this disagreement.

The sponsor has reviewed the design standards and has represented that all of the required design elements will be built into the project. In addition some of the recommended design elements, such as covered parking and site selection, are met by the development. The units are large (for tenant storage needs) and in addition some storage will be provided in the parking areas under the buildings.



WINOOSKI DOWNTOWN DEVELOPMENT MASTER PLAN

CITY OF WINOOSKI

VERMONT

8

WINOOSKI COMMUNITY DEVELOPMENT CORPORATION

pizzagalli construction company

HYBRID

TRUEX CULLINS & PARTNERS ARCHITECTS

CIVIL ENGINEERING ASSOCIATES, INC.

LANDSCAPE ARCHITECTS

DATE: APRIL 10, 2002

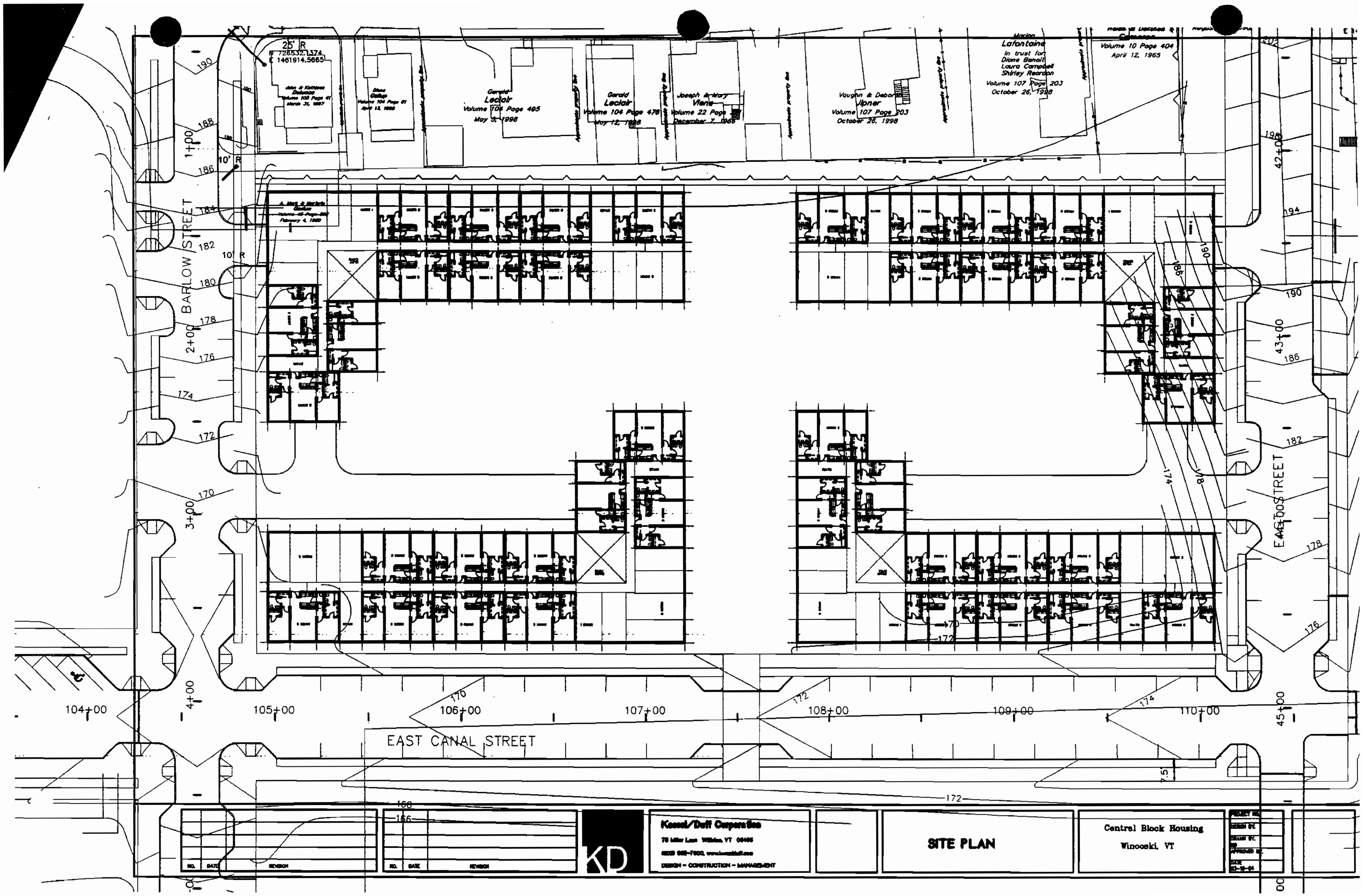
SCALE: NOT TO SCALE

DISTRICT COMMISSION

APPLICATION

Exhibit ____

Replaces Commission Exhibit #40



BARLOW STREET
EAST CANAL STREET
EAST STREET
Gerald Leclair
Volume 104 Page 495
May 5, 1998
Gerald Leclair
Volume 104 Page 478
May 12, 1998
Joseph & Mary Viens
Volume 22 Page
December 7, 1966
Vaughn & Deborah Vipner
Volume 107 Page 203
October 26, 1998
Marion Lafontaine
In trust for
Diane Benoit
Laura Campbell
Shirley Reardon
Volume 107 Page 203
October 26, 1998
Volume 10 Page 404
April 12, 1965
Kessel/Duff Corporation
DESIGN – CONSTRUCTION – MANAGEMENT
KD
SITE PLAN
Central Block Housing
Winooski, VT

19-Apr-04	Central Block, Winooski		
Total Residential Units:	232	Increase in Income from Rental Units:	1.50%	
Housing Credit Restricted Units:	116	Increase in Income from Other Sources:	1.50%	
Percent Restricted:	50.00%	Increase in Income from Commercial:	1.50%	
Total Development Cost:	44,959,489	Expense increase:	3.00%	
Total Development Cost per Unit:	193,791	Vacancy Rate:	5.00%	
		Vacancy Rate (Commercial):	10.00%	
Total Development Cost Per SF:	163	Partner's Tax Rate:	35%	
Credit Election:	40/60	Long Depreciation Schedule:	27.5	years
Max Credit Potential:	1,951,921	Short Depreciation Schedule:	7	years
Credit Amount Allocated:	1,964,260	Sponsor's Estimated Yield:	85.86%	
LIHTC - 9%	7.91%	(April 2004)		
LIHTC - 4%	3.39%			

SOURCES		% of Total Development Cost	Interest Rate	Amortization	Term
First Mortgage	17,455,680	38.83%	7.25%	40	40
HOME	1,500,000	3.34%	0.00%	30	int. only
VCDP	1,500,000	3.34%	0.00%	30	grant
city loan 1	2,000,000	4.45%			
capitalized interest	250,000	0.56%			
operating surplus	2,160,441	4.81%	N/A	N/A	
Deferred Developer's Fee	3,397,159	7.56%	3.00%	30	30
Tax Credit Equity	16,696,208	37.14%	N/A	N/A	
TOTAL SOURCES	44,959,488	100.00%			

USES		
Acquisition	2,522,500	5.61%
Construction Hard Costs	28,517,275	63.43%
Soft Costs	13,919,714	30.96%
TOTAL USES	44,959,489	100%
Gap	1	

PER UNIT COST LIMIT CALCULATION	per unit limits	number of units	
0 Br	84,390		0
1 Br	90,140	66	5,949,240
2 Br	95,890	142	13,616,380
3 Br	101,637	24	2,439,288
4 Br	107,390	0	0
Maximum cost allowed under the per unit cost limits			22,004,908
Projected total cost, excluding cash accounts			44,610,375
	(over)/under		(22,605,467)

General Partner's Capital Contribution	0	1.00%
Limited Partner's Capital Contribution	16,696,208	99.00%
Total Equity	16,696,208	

APPLICABLE FRACTION CALCULATION	
Tax Credit Restricted Units	116
Total Units	232
Unit Fraction	50.00%
Tax Credit Square Footage	122,445
Total Residential Square Footage	122,445
Square Footage Fraction	100.00%
Applicable Fraction	50.00%

19-Apr-04	**Central Block, Winooski**			
		Budget	Per Unit	Per s.f.
	ACQUISITION			
1	Land	2,500,000	10,776	9.09
2	Parking space acquisition?		0	0.00
3	Demolition (without replacement)		0	0.00
4	Property Appraisal	5,000	22	0.02
5	Legal - Title and Recording	17,500	75	0.06
	Subtotal - Acquisition	2,522,500	10,873	9.17
	CONSTRUCTION HARD COSTS			
6	Rehabilitation		0	0.00
7	New Building(s)	21,978,760	94,736	79.92
8	Accessory Buildings		0	0.00
9	Sitework	1,333,392	5,747	4.85
10	Commercial Space Costs (if any)	70,000	302	0.25
11	General Requirements	1,271,950	5,483	4.63
12	Contractor Overhead	649,394	2,799	2.36
13	Contractor Profit	649,394	2,799	2.36
14	Construction Contingency	1,097,155	4,729	3.99
15	Construction Management		0	0.00
16	Construction Bond Fee	145,000	625	0.53
17	Hazardous Materials Abatement		0	0.00
18	Off-Site Improvements		0	0.00
19	Furnishings, Fixtures, & Equipment	1,181,800	5,094	4.30
20	Other (_________________)	140,430	605	0.51
	Subtotal - Hard Costs	28,517,275	122,919	103.70
	SOFT COSTS			
21	Architectural	829,966	3,577	3.02
22	Engineering	553,311	2,385	2.01
23	Legal/Accounting	100,000	431	0.36
24	Relocation		0	0.00
25	Environmental Assessment		0	0.00
26	Energy Assessment		0	0.00
27	Permits/Fees	668,242	2,880	2.43
28	Independent Market Study	15,000	65	0.05
29	Construction Period Insurance	164,521	709	0.60
30	Construction Interest	4,060,441	17,502	14.77
31	Construction Loan Origination Fee		0	0.00
32	Taxes During Construction	150,000	647	0.55
33	Clerk of the Works		0	0.00
34	Marketing	24,000	103	0.09
35	Tax Credit Fees	80,000	345	0.29
36	Soft Cost Contingency	160,000	690	0.58
37	Permanent Loan Origination Fee	266,835	1,150	0.97
38	Lender's Counsel's Fee		0	0.00
39	Other ()	825,307	3,557	3.00
	SYNDICATION COSTS			
40	Organizational (Partnership)	30,000	129	0.11
41	Bridge Loan Fees and Expenses		0	0.00
42	Syndication Consultant		0	0.00
43	Tax Opinion		0	0.00
	DEVELOPER'S FEES			
44	Developer's Fees	5,642,977	24,323	20.52
45	Other Partnership Fees		0	0.00
46	Consultant Fees		0	0.00
	RESERVES			
47	Working Capital	349,114	1,505	1.27
48	Rent-up (Deficit Escrow) Reserve		0	0.00
49	Other Operating Reserves		0	0.00
50	operating cash from development cash		0	0.00
51	Replacement Reserves		0	0.00
	Subtotal - Soft Costs	13,919,714	59,999	50.62
	TOTAL DEVELOPMENT COSTS	44,959,489	193,791	163
		38,967,398		
		5,642,977		
		14.48%		

Apr-04 Central Block, Winooski

		Budget	Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Other
	ACQUISITION						
1	Land	2,500,000					
2	Parking space acquisition?	0		0			
3	Demolition (without replacement)	0					
4	Property Appraisal	5,000		5,000			
5	Legal - Title and Recording	17,500		17,500			
	Subtotal - Acquisition	2,522,500					
	CONSTRUCTION HARD COSTS						
6	Rehabilitation	0					
7	New Building(s)	21,978,760		21,978,760			
8	Accessory Buildings	0					
9	Sitework	1,333,392		1,333,392			
10	Commercial Space Costs (if any)	70,000					
11	General Requirements	1,271,950		1,271,950			
12	Contractor Overhead	649,394		649,394			
13	Contractor Profit	649,394		649,394			
14	Construction Contingency	1,097,155		1,094,005			
15	Construction Management	0					
16	Construction Bond Fee	145,000		145,000			
17	Hazardous Materials Abatement	0					
18	Off-Site Improvements	0					
19	Furnishings, Fixtures, & Equipment	1,181,800		1,181,800			
20	Other ( )	140,430		140,430			
	Subtotal - Hard Costs	28,517,275					
	SOFT COSTS						
21	Architectural	829,966		829,966			
22	Engineering	553,311		553,311			
23	Legal/Accounting	100,000		100,000			
24	Relocation	0		0			
25	Environmental Assessment	0		0			
26	Energy Assessment	0		0			
27	Permits/Fees	668,242		668,242			
28	Independent Market Study	15,000		15,000			
29	Construction Period Insurance	164,521		164,521			
30	Construction Interest	4,060,441		1,900,000			
31	Construction Loan Origination Fee	0		0			
32	Taxes During Construction	150,000		150,000			
33	Clerk of the Works	0		0			
34	Marketing	24,000		24,000			
35	Tax Credit Fees	80,000		80,000			
36	Soft Cost Contingency	160,000		160,000			
37	Permanent Loan Origination Fee	266,835					
38	Lender's Counsel's Fee	0					
39	Other ()	825,307		398,000			
	SYNDICATION COSTS						
40	Organizational (Partnership)	30,000					
41	Bridge Loan Fees and Expenses	0					
42	Syndication Consultant	0					
43	Tax Opinion	0					
	DEVELOPER'S FEES						
44	Developer's Fees	5,642,977		4,454,381			
45	Other Partnership Fees	0		0			
46	Consultant Fees	0					
	RESERVES						
47	Working Capital	349,114					
48	Rent-up (Deficit Escrow) Reserve	0					
49	Other Operating Reserves	0					
50	operating cash from development cash	0					
51	Replacement Reserves	0					
	Subtotal - Soft Costs	13,919,714					
	TOTALS	44,959,489	0	37,964,046	0	0	
LESS:	Amount of Non-qualified Financing						
LESS:	Adjustment for per unit cost limits						
LESS:	Historic tax Credit (Residential Portion)			0	0	20%	Historic Credit Rate
	Total Eligible Basis		0	37,964,046		0	Annual Historic Credit
TIMES:	Adjusted for QCT/DDA	130.0%		49,353,260			
TIMES:	Applicable Fraction	50.00%	0	24,676,630			
	Total Qualified Basis		0	24,676,630	0	Long Term Depreciable Basis	
TIMES:	Applicable Percentage		3.39%	7.91%	27.5	Depreciation Schedule	
	Total Annual Credit Qualified		0	1,951,921	0	Annual Depreciation	
	Total Tax Credits Requested	1,964,260			0	Short Term Depreciable Basis	
	Estimated Net Syndication Proceeds (excluding historic credit equity)	16,696,208			7	Depreciation Schedule	
	Estimated Yield - Housing Credit Syndication	85.86%		8,348,104	0	Annual Depreciation	
	Equity Gap	16,696,209		34%			
	Credits Needed to fill Equity Gap	1,964,260					

19-Apr-04	**Central Block, Winooski**					
HC Restricted Units		Average		Average		Total
Bedrooms	Type	Square Feet	Number	Rent	Utilities	Annual Rent
1 Br	HOME - low	715	2	638		15,312
1 Br	HOME - low	930	2	638		15,312
1 Br		715	5	774		46,440
1 Br		930	24	774		222,912
2 Br	HOME - high	1,040	10	850		102,000
2 Br		1,040	51	928		567,936
2 Br		1,350	6	928		66,816
2 Br	HOME - high	1,350	4	850		40,800
3 Br	PBA & HOME-high	1,360	12	1,159		166,896
3 Br						0
	Totals	122,445	116			1,244,424
Non-HC Restricted Units						Total
Bedrooms	Type	Square Feet	Number	Rent	Utilities	Annual Rent
						0
1 Br		715	7	1,020		85,680
1 Br						0
1 Br		930	26	1,120		349,440
2 Br		1,040	61	1,170		856,440
2 Br		1,350	10	1,220		146,400
3 Br		1,360	12	1,450		208,800
3 Br						0
	Totals	122,445	116			1,646,760
common space		30,110				
	Grand Totals	275,000	232			2,891,184
		Less Vacancy	5.00%			(144,559)
					NET RENT	2,746,625
		OTHER INCOME				
		Laundry				34,248
		Parking				
		Commercial Space Income				12,000
		Commercial Space vacancy				(1,200)
		loss of other income from vacancy				(1,712)
					TOTAL INCOME	2,789,960

19-Apr-04	Central Block, Winooski			
			Per Unit	
	Annual	Monthly	Per Month	
Administration				
Management Fee	110,249	9,187	40	4.0%
Supportive Services	82,510	6,876	30	
Audit/Accounting	32,600	2,717	12	
Legal	4,668	389	2	
Compliance Monitoring	2,801	233	1	
Marketing		0	0	
Parking		0	0	
Other (Commercial)	28,221	2,352	10	
TOTAL ADMINISTRATIVE	261,049	21,754	94	
Utilities				
Electricity	223,407	18,617	80	
Fuel	54,993	4,583	20	
Water and Sewer	63,800	5,317	23	
Fire Alarm / Emergency		0	0	
Other		0	0	
TOTAL UTILITIES	342,200	28,517	123	
Maintenance				
Maintenance / Janitor Payroll	97,501	8,125	35	
Janitor Supplies		0	0	
Exterminating	1,685	140	1	
Trash Removal	21,729	1,811	8	
Snow Removal	7,243	604	3	
Grounds	8,452	704	3	
Repairs Material	26,743	2,229	10	
Repairs Contract	30,086	2,507	11	
HVAC Repairs / Maintenance		0	0	
Elevator Contract / Repairs		0	0	
Painting and Decorating	12,678	1,057	5	
Other	5,182	432	2	
TOTAL MAINTENANCE	211,299	17,608	76	
				per unit month
Real Estate Taxes	232,200	19,350	83	excl. ds & res.
Property Insurance	81,200	6,767	29	405
Replacement Reserves	76,560	6,380	28	
Primary Debt Service		0	0	
Other "must pay" debt service		0	0	
Other	200	17	0	
Total	1,204,708	100,392	433	
"Below-the-Line" Expenses:				
Special LP or GP Fee	0			
Repayment of Deferred Fee	0			
Partnership Audit or K-1 Fee	0			
Distribution	0			
Net to Residual Recepits/Cumulative Cash Flow	1,204,708			

form revision date: 2/27/97

19-Apr-04	Central Block, Winooski														
Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2,937,432															
Operating Income															
Gross Rent	2,891,184	2,934,552	2,978,570	3,023,249	3,068,597	3,114,626	3,161,346	3,208,766	3,256,897	3,305,751	3,355,337	3,405,667	3,456,752	3,508,603	3,561,232
Laundry Income	34,248	34,762	35,283	35,812	36,350	36,895	37,448	38,010	38,580	39,159	39,746	40,342	40,948	41,562	42,185
Commercial Income	12,000	12,180	12,363	12,548	12,736	12,927	13,121	13,318	13,518	13,721	13,926	14,135	14,347	14,563	14,781
Parking Income	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Commercial Vacancy	(1,200)	(1,218)	(1,236)	(1,255)	(1,274)	(1,293)	(1,312)	(1,332)	(1,352)	(1,372)	(1,393)	(1,414)	(1,435)	(1,456)	(1,478)
Vacancy and other losses	(146,272)	(146,728)	(148,929)	(151,162)	(153,430)	(155,731)	(158,067)	(160,438)	(162,845)	(165,288)	(167,767)	(170,283)	(172,838)	(175,430)	(178,062)
Total Operating Income	2,789,960	2,833,548	2,876,051	2,919,192	2,962,980	3,007,424	3,052,536	3,098,324	3,144,799	3,191,971	3,239,850	3,288,448	3,337,775	3,387,841	3,438,659
Operating Expenses															
Total Expenses (excl. Reserves)	1,128,148	1,161,992	1,196,852	1,232,758	1,269,741	1,307,833	1,347,068	1,387,480	1,429,104	1,471,977	1,516,137	1,561,621	1,608,469	1,656,723	1,706,425
Parking Exense	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Reserves	76,560	77,708	78,874	80,057	81,258	82,477	83,714	84,970	86,244	87,538	88,851	90,184	91,537	92,910	94,303
Total Operating Expense	1,204,708	1,239,701	1,275,726	1,312,815	1,350,999	1,390,310	1,430,782	1,472,449	1,515,348	1,559,515	1,604,988	1,651,804	1,700,006	1,749,633	1,800,728
Net Operating Income	1,585,252	1,593,847	1,600,325	1,606,377	1,611,981	1,617,115	1,621,754	1,625,874	1,629,450	1,632,455	1,634,863	1,636,644	1,637,769	1,638,208	1,637,931
Less Primary Debt Service	1,339,909	1,339,909	1,339,909	1,339,909	1,339,909	1,339,909	1,339,909	1,339,909	1,339,909	1,339,909	1,339,909	1,339,909	1,339,909	1,339,909	1,339,909
Less Secondary Debt Service	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Annual Cash Flow	245,343	253,938	260,416	266,468	272,072	277,206	281,845	285,965	289,541	292,546	294,954	296,735	297,860	298,299	298,022
Operating Subsidies / Sinking Fund	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash	245,343	253,938	260,416	266,468	272,072	277,206	281,845	285,965	289,541	292,546	294,954	296,735	297,860	298,299	298,022
DCR	118.31%	118.95%	119.44%	119.89%	120.31%	120.69%	121.03%	121.34%	121.61%	121.83%	122.01%	122.15%	122.23%	122.26%	122.24%

VERMONT HOUSING FINANCE AGENCY

RESOLUTION RE: PROPOSED ALLOCATION OF ALLOCATED HOUSING CREDITS FOR CENTRAL BLOCK, WINOOSKI (Corrected)

WHEREAS, the Agency administers the allocation of the federal Low Income Housing Tax Credits under the State's Qualified Allocation Plan;

WHEREAS, the Governor of the State of Vermont has approved the 2004-2005 Qualified Allocation Plan; and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Joe Erdelyi dated April 19,2004, containing information and recommendations about a proposed allocation (the "Memorandum");

WHEREFORE, it is hereby:

RESOLVED, that the recommendations contained in the Memorandum which is attached and incorporated by this reference be approved;

RESOLVED, that the Executive Director and the appropriate staff are hereby authorized to take such actions as are described in the 2004-2005 Qualified Allocation Plan regarding the proposed allocation of federal Allocated Housing Credits in the amount of $1,964,260 for the Central Block project in Winooski, Vermont.

vhfa

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Joe Erdelyi, Senior Development Officer

DATE: April 19, 2004

RE: Request for Allocated Housing Credits

Name:	River Station	**Location:**	Montpelier
Housing Type:	General Occupancy	**Unit Type:**	Flats
Unit Count:	36 Total Units 29 Housing Credit Units	**Unit Sizes:**	6 1-BR @ 703 s.f. 27 2-BR @ 978 s.f. 3 3-BR @ 1,253 s.f.
Total Cost:	$5,902,814	**Per S.F. Acquisition & Construction Cost:**	$127.25 (includes demolition and site hazard abatement)
Loan Requested:	$0	**Sponsors:**	Housing Vermont and Central Vermont Community Land Trust
Housing Credits:	$460,000 (Ceiling "9%" Credits)		
Other Funding:	HOME, VHCB, CDBG, Neighborhood Reinvestment, City of Montpelier Revolving Loan Fund, REEP		

Recommendation: That the VHFA Board of Commissioners approve the attached resolution to authorize staff to issue the appropriate documentation according to the Qualified Allocation Plan.

Project Summary: The development being proposed consists of two uses of a 1.6 acre parcel of land: 36 units of newly constructed rental housing, and 14 newly-constructed townhouse for-sale condominium units. The request before VHFA is to approve Housing Credits for the 36-unit rental housing portion of the development. The site is centrally located in Montpelier on Barre Street, and currently has a granite storage shed. The site is adjacent to a bike path, residential and commercial uses, a food cooperative, and railroad tracks (see attached plan). The property (or portions of it) appears to be in a floodplain, but it is not yet clear which zone, or how much this represents a property hazard. It is an older neighborhood that is undergoing some redevelopment. Because of the past commercial use of the site there is some soils contamination and both a Level I and a Level II Environmental Site Assessment, and an asbestos report, have been completed. The developer has budgeted approximately $148,000 for environmental remediation. The rental project is a single building with a combination of unit sizes, and will have parking underneath the building and a playground on site. The project will be at the Montpelier Development Review Board meeting on April 19, and has submitted an Act 250 application. If all goes according to schedule construction should begin in September of this year.

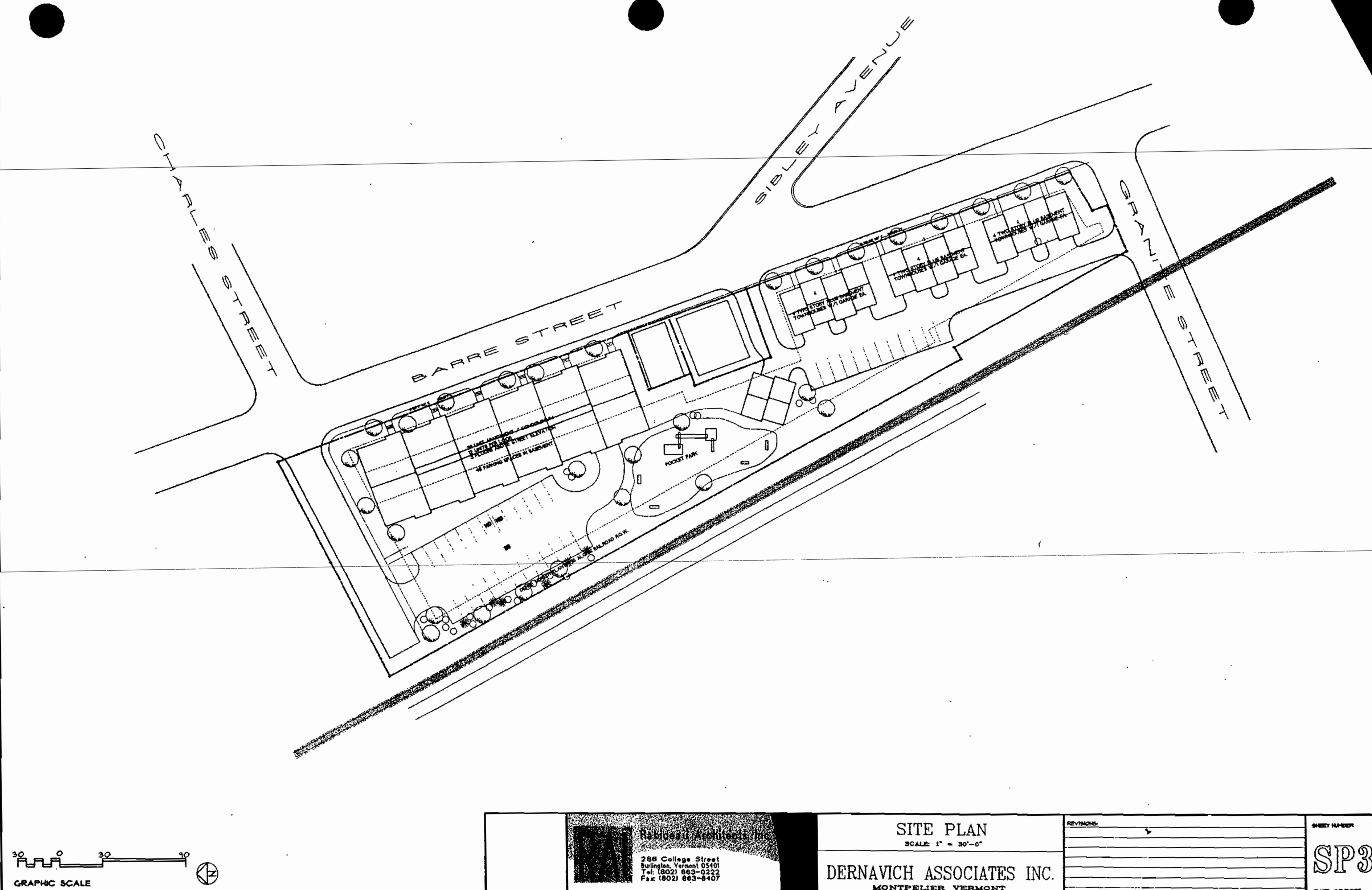
Staff have received an appraisal done by Martin Appraisal Services (an M.A.I. firm) in October of 2003 that placed the as-is value of the land and existing structures at $430,000. The appraisal also described the highest and best use of the property "as-improved" to be its continued use as a granite shed. However, the appraiser does say that subsidized multifamily housing would be a good use of the site, and subsidized multifamily apartments is one of the highest and best uses of the site "if-vacant."

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

Tax Credit Discussion: The Housing Credits ($460,000) represent approximately 11% of the 2004-2005 credit ceiling (combined). After setting aside these credits there will be approximately $3.12 million in credits available from the 2004-2005 credits (see attached status report). The proposal meets four top-tier priorities of the "Consolidate Plan" criterion and one second-tier priority. The income targeting for the 29 housing credit-restricted units is all between 40% and 50% of area median gross income, which is lower than most projects achieve (however, the rents need to be this low to be competitive in the Montpelier housing market).

The development submitted a market study with the application and staff have asked the sponsor to get more information from the market analyst. Any award of credits needs to be conditioned upon receipt of this information and any budget adjustments staff feel are appropriate based on this information.

The project is also using substantial other resources for the rental units, and in order to make the for-sale units feasible they too will require some subsidies. There are some shared costs between the rentals and the condos (such as land acquisition). Staff have had discussion with the sponsors regarding the split of these costs. Because both the rentals and the condos require subsidies to make affordable housing, this split of costs will be driven largely by cost of the housing and the availability of subsidy for each type of housing. Staff request the Board give some flexibility in this area based on funding decisions that are yet to happen.



Rabideau Architects, Inc.
288 College Street
Burlington, Vermont 05401
Tel: (802) 863-0222
Fax: (802) 863-8407

SITE PLAN

SCALE: 1" = 30'-0"

DERNAVICH ASSOCIATES INC.

MONTPELIER VERMONT

REVISIONS:

SHEET NUMBER

SP3

DATE: 4/3/2008

14-Apr-04 **River Station Apartments**

Total Residential Units:	36	Increase in Income from Rental Units:	1.50%
Housing Credit Restricted Units:	29	Increase in Income from Other Sources:	1.50%
Percent Restricted:	80.56%	Increase in Income from Commercial:	1.50%
Total Development Cost:	5,902,814	Expense increase:	3.00%
Total Development Cost per Unit:	163,967	Vacancy Rate:	5%
Total Development Cost Per SF:	160	Partner's Tax Rate:	35%
Credit Election:	40/60	Long Depreciation Schedule:	27.5 years
Max Credit Potential:	451,537	Short Depreciation Schedule:	7 years
Credit Amount Allocated:	449,000	Sponsor's Estimated Yield:	80.08%

LIHTC - 9%	7.95%	(Mar 2004)
LIHTC - 4%	3.41%	

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term
First Mortgage	429,000	7.27%	7.75%	30	30
HOME	430,000	7.28%	5.00%	30	30
VHCB	580,000	9.83%			
VCDP	589,000	9.98%	0.00%	30	30
Montpelier revolving loan fund	100,000	1.69%	3.50%	15	15
Neighborhood Reinvestment	165,000	2.80%			
REEP	18,000	0.30%	N/A	N/A	N/A
Deferred Developer's Fee loan	0	0.00%	3.50%	13	13
Tax Credit Equity	3,592,000	60.85%	N/A	N/A	N/A
TOTAL SOURCES	5,903,000	100.00%			
Construction Loan	0				

USES

Acquisition	392,000	6.64%
Construction Hard Costs	4,263,238	72.22%
Soft Costs	1,247,576	21.14%
TOTAL USES	5,902,814	100%
Gap	(186)	

PER UNIT COST LIMIT CALCULATION

	per unit limits	number of units	
0 Br	84,390	0	0
1 Br	90,140	6	540,840
2 Br	95,890	27	2,589,030
3 Br	101,637	3	304,911
4 Br	107,390	0	0
Maximum cost allowed under the per unit cost limits			3,434,781
Projected total cost, excluding cash accounts			5,838,302
		(over)/under	(2,403,521)

General Partner's Capital Contribution	0.00	0.10%
Limited Partner's Capital Contribution	3,592,000.00	99.90%
Total Equity	3,592,000	

APPLICABLE FRACTION CALCULATION

Tax Credit Restricted Units	29
Total Units	36
Unit Fraction	80.56%
Tax Credit Square Footage	28,087
Total Residential Square Footage	34,383
Square Footage Fraction	81.69%
Applicable Fraction	80.56%

14-Apr-04 **River Station Apartments** 127.25

		Budget	Per Unit	Per s.f.
	ACQUISITION			
1	Land	306,000	8,500	8.27
2	Purchase of Building(s)		0	0.00
3	Demolition (without replacement)	72,000	2,000	1.95
4	Property Appraisal	4,500	125	0.12
5	Legal - Title and Recording	9,500	264	0.26
	Subtotal - Acquisition	392,000	10,889	10.60
	CONSTRUCTION HARD COSTS			
6	Rehabilitation		0	0.00
7	New Building(s)	3,373,500	93,708	91.19
8	Accessory Buildings		0	0.00
9	Sitework	324,571	9,016	8.77
10	Commercial Space Costs (if any)		0	0.00
11	General Requirements		0	0.00
12	Contractor Overhead		0	0.00
13	Contractor Profit		0	0.00
14	Construction Contingency	381,567	10,599	10.31
15	Construction Management		0	0.00
16	Construction Bond Fee		0	0.00
17	Hazardous Materials Abatement	117,600	3,267	3.18
18	Off-Site Improvements		0	0.00
19	Furnishings, Fixtures, & Equipment	36,000	1,000	0.97
20	Other (work outside of contract)	30,000	833	0.81
	Subtotal - Hard Costs	4,263,238	118,423	115.24
	SOFT COSTS			
21	Architectural	168,675	4,685	4.56
22	Engineering	0	0	0.00
23	Legal/Accounting	25,000	694	0.68
24	Relocation	0	0	0.00
25	Environmental Assessment	28,000	778	0.76
26	Energy Assessment		0	0.00
27	Permits/Fees	161,991	4,500	4.38
28	Independent Market Study		0	0.00
29	Construction Period Insurance		0	0.00
30	Construction Interest	135,709	3,770	3.67
31	Construction Loan Origination Fee	60,000	1,667	1.62
32	Taxes During Construction	17,600	489	0.48
33	Clerk of the Works	15,000	417	0.41
34	Marketing	3,000	83	0.08
35	Tax Credit Fees	20,250	563	0.55
36	Soft Cost Contingency	12,339	343	0.33
37	Permanent Loan Origination Fee		0	0.00
38	Lender's Counsel's Fee		0	0.00
39	Other (historic fees, c.n.a.)	8,500	236	0.23
	SYNDICATION COSTS			
40	Organizational (Partnership)		0	0.00
41	Bridge Loan Fees and Expenses		0	0.00
42	Syndication Consultant		0	0.00
43	Tax Opinion		0	0.00
	DEVELOPER'S FEES			
44	Developer's Fees	527,000	14,639	14.25
45	Other Partnership Fees		0	0.00
46	Consultant Fees		0	0.00
	RESERVES			
47	Working Capital	64,512	1,792	1.74
48	Rent-up (Deficit Escrow) Reserve need		0	0.00
49	Other Operating Reserves		0	0.00
50	Sinking Fund		0	0.00
51	Replacement Reserves		0	0.00
	Subtotal - Soft Costs	1,247,576	34,655	33.72
	TOTAL DEVELOPMENT COSTS	5,902,814	163,967	160

14-Apr-04 **River Station Apartments**

		Budget	Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Other
	ACQUISITION						
1	Land	306,000					
2	Purchase of Building(s)	0					
3	Demolition (without replacement)	72,000					
4	Property Appraisal	4,500					
5	Legal - Title and Recording	9,500					
	Subtotal - Acquisition	392,000					
	CONSTRUCTION HARD COSTS						
6	Rehabilitation	0					
7	New Building(s)	3,373,500		3,373,500	3,373,500		
8	Accessory Buildings	0					
9	Sitework	324,571		324,571			
10	Commercial Space Costs (if any)	0					
11	General Requirements	0					
12	Contractor Overhead	0					
13	Contractor Profit	0					
14	Construction Contingency	381,567		381,567	225,000		
15	Construction Management	0					
16	Construction Bond Fee	0					
17	Hazardous Materials Abatement	117,600		117,600	0		
18	Off-Site Improvements	0					
19	Furnishings, Fixtures, & Equipment	36,000		36,000			
20	Other (work outside of contract)	30,000		30,000	0		
	Subtotal - Hard Costs	4,263,238					
	SOFT COSTS						
21	Architectural	168,675		168,675	168,675		
22	Engineering	0		0	0		
23	Legal/Accounting	25,000		12,500	12,500		
24	Relocation	0			0		
25	Environmental Assessment	28,000		28,000	28,000		
26	Energy Assessment	0		0	0		
27	Permits/Fees	161,991		161,991	161,991		
28	Independent Market Study	0		0	0		
29	Construction Period Insurance	0		0	0		
30	Construction Interest	135,709		135,709	135,709		
31	Construction Loan Origination Fee	60,000		55,800	55,800		
32	Taxes During Construction	17,600		17,600	17,600		
33	Clerk of the Works	15,000		15,000	15,000		
34	Marketing	3,000					
35	Tax Credit Fees	20,250		20,250	20,250		
36	Soft Cost Contingency	12,339		12,339	12,339		
37	Permanent Loan Origination Fee	0					
38	Lender's Counsel's Fee	0					
39	Other (historic fees, c.n.a.)	8,500		5,500	5,500		
	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	527,000		527,000	527,000		
45	Other Partnership Fees	0					
46	Consultant Fees	0		0			
	RESERVES						
47	Working Capital	64,512					
48	Rent-up (Deficit Escrow) Reserve	need					
49	Other Operating Reserves	0					
50	Sinking Fund	0					
51	Replacement Reserves	0					
	Subtotal - Soft Costs	1,247,576					
	TOTALS	5,902,814	0	5,423,602	4,713,864	0	
	LESS: Amount of Non-qualified Financing						
	LESS: Adjustment for per unit cost limits						
	LESS: Historic tax Credit (Residential Portion)			0	0	20% Historic Credit Rate	
	Total Eligible Basis		0	5,423,602		0 Annual Historic Credit	
	TIMES: Adjusted for QCT/DDA	130.0%		7,050,683			
	TIMES: Applicable Fraction	80.56%	0	5,679,717			
	Total Qualified Basis		0	5,679,717	4,713,864 Long Term Depreciable Basis		
	TIMES: Applicable Percentage		3.41%	7.95%	27.5 Depreciation Schedule		
	Total Annual Credit Qualified		0	451,537	171,413 Annual Depreciation		

Total Tax Credits Requested	449,000
Estimated Net Syndication Proceeds	
(excluding historic credit equity)	3,592,000
Estimated Yield - Housing Credit Syndication	80.08%
Equity Gap	3,591,814
Credits Needed to fill Equity Gap	448,977

45,000	Short Term Depreciable Basis
7	Depreciation Schedule
6,429	Annual Depreciation

14-Apr-04 **River Station Apartments**

HC Restricted Units Bedrooms	Type	Average Square Feet	Number	Average Rent	Utilities	Total Annual Rent
0 Br			0	0		0
1 Br	flat	923	4	454		21,792
2 Br	flat	957	22	609		160,680
3 Br	flat	955	3	722		25,992
4+ Br			0	0		0
	Totals	27,608	29			208,464

Non-HC Restricted Units Bedrooms	Type	Square Feet	Number	Rent	Utilities	Total Annual Rent
0 Br			0	0		0
1 Br	flat	703	2	625		15,000
2 Br	flat	978	5	725		43,500
3 Br			0	0		0
4+ Br			0	0		0
	Totals	6,296	7			58,500

All Units	Common Area	3,090		
	Grand Totals	36,994	36	266,964
	Less Vacancy		5.00%	(13,348)
			NET RENT	253,616

OTHER INCOME

Laundry	3,000
Parking	0
Commercial Space Income	0
Other	0
TOTAL INCOME	256,616

14-Apr-04 **River Station Apartments**

	Check all Applicable									A					B						C					
Building #	Unit #	HOME Unit	Lead Paint Unit	Project Based Assistance	Tax Credit Unit	VHCB Restricted	Accesible	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	101						1	1	1	1	703	625	29	654												
1	102				1		1	1		3	1,253	722	59	781												
1	103						1	1	1	1	703	625	29	654												
1	104				1		1	1		2	978	628	44	672												
1	105				1			1		2	978	628	44	672												
1	106	1			1			1		2	978	557	44	601												
1	107				1			1		2	978	628	44	672												
1	108							1	1	2	978	725	44	769												
1	109				1			1		2	978	628	44	672												
1	110							1	1	2	978	725	44	769												
1	111	1			1			1		2	978	557	44	601												
1	112				1			1		2	978	628	44	672												
1	201	1			1			1		1	703	454	29	483												
1	202				1			1		3	1,253	722	59	781												
1	203	1			1			1		1	703	454	29	483												
1	204				1			1		2	978	628	44	672												
1	205				1			1		2	978	628	44	672												
1	206	1			1			1		2	978	557	44	601												
1	207				1			1		2	978	628	44	672												
1	208							1	1	2	978	725	44	769												
1	209				1			1		2	978	628	44	672												
1	210							1	1	2	978	725	44	769												
1	211	1			1			1		2	978	557	44	601												
1	212				1			1		2	978	628	44	672												
1	301	1			1			1		1	703	454	29	483												
1	302				1			1		3	1,253	722	59	781												
1	303	1			1			1		1	703	454	29	483												
1	304				1			1		2	978	628	44	672												
1	305				1			1		2	978	628	44	672												
1	306	1			1			1		2	978	557	44	601												
1	307				1			1		2	978	628	44	672												
1	308				1			1		2	978	628	44	672												
1	309				1			1		2	978	628	44	672												
1	310							1	1	2	978	725	44	769												
1	311	1			1			1		2	978	557	44	601												
1	312				1			1		2	978	628	44	672												
Total # Units	36	10			29				7	Totals:	34,383	22,247		Total # Units:	0	0	0	0	0	0	0	0	0	0	0	0

units % sf %

form revision date: 2/27/97

14-Apr-04	River Station Apartments			
			Per Unit	
	Annual	Monthly	Per Month	
Administration				
Management Fee	28,080	2,340	65	10.9%
Supportive Services		0	0	
Audit/Accounting	3,888	324	9	
Legal	2,160	180	5	
Compliance Monitoring	1,728	144	4	
Marketing	432	36	1	
Other	4,320	360	10	
TOTAL ADMINISTRATIVE	40,608	3,384	94	
Utilities				
Electricity	6,480	540	15	
Fuel	17,280	1,440	40	
Water and Sewer	13,392	1,116	31	
Fire Alarm / Emergency	1,296	108	3	
Other	864	72	2	
TOTAL UTILITIES	39,312	3,276	91	
Maintenance				
Maintenance / Janitor Payroll	14,256	1,188	33	
Janitor Supplies	1,728	144	4	
Exterminating	1,296	108	3	
Trash Removal	6,048	504	14	
Snow Removal	4,320	360	10	
Grounds	1,728	144	4	
Repairs Material		0	0	
Repairs Contract		0	0	
HVAC Repairs / Maintenance	3,456	288	8	
Elevator Contract / Repairs	4,320	360	10	
Painting and Decorating	7,776	648	18	
Other	2,592	216	6	
TOTAL MAINTENANCE	47,520	3,960	110	
				per unit month
Real Estate Taxes	34,560	2,880	80	excl. ds & res.
Property Insurance	15,120	1,260	35	410
Replacement Reserves	16,416	1,368	38	
Primary Debt Service	36,881	3,073	85	
Other "must pay" debt service		0	0	
Other		0	0	
Total	230,417	19,201	533	

form revision date: 2/27/97

14-Apr-04

River Station Apartments

	Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Operating Income																
Gross Rent		266,964	270,968	275,033	279,158	283,346	287,596	291,910	296,289	300,733	305,244	309,823	314,470	319,187	323,975	328,834
Other Income		3,000	3,045	3,091	3,137	3,184	3,232	3,280	3,330	3,379	3,430	3,482	3,534	3,587	3,641	3,695
Vacancy and other losses		(13,348)	(13,548)	(13,752)	(13,958)	(14,167)	(14,380)	(14,595)	(14,814)	(15,037)	(15,262)	(15,491)	(15,723)	(15,959)	(16,199)	(16,442)
Total Operating Income		256,616	260,465	264,372	268,338	272,363	276,448	280,595	284,804	289,076	293,412	297,813	302,280	306,815	311,417	316,088
Operating Expenses																
Total Expenses (excl. Reserves)		177,120	182,434	187,907	193,544	199,350	205,331	211,491	217,835	224,370	231,101	238,034	245,176	252,531	260,107	267,910
Reserves		16,416	16,662	16,912	17,166	17,423	17,685	17,950	18,219	18,493	18,770	19,051	19,337	19,627	19,922	20,221
Total Operating Expense		193,536	199,096	204,819	210,710	216,773	223,015	229,441	236,054	242,863	249,871	257,086	264,513	272,158	280,028	288,130
Net Operating Income		63,080	61,369	59,553	57,628	55,589	53,433	51,154	48,749	46,213	43,541	40,727	37,768	34,656	31,388	27,958
Less Primary Debt Service		36,881	36,881	36,881	36,881	36,881	36,881	36,881	36,881	36,881	36,881	36,881	36,881	36,881	36,881	36,881
Less Secondary Debt Service		8,579	8,579	8,579	8,579	8,579	8,579	8,579	8,579	8,579	8,579	8,579	8,579	8,579	8,579	8,579
Annual Cash Flow		17,620	15,910	14,094	12,168	10,130	7,973	5,695	3,290	753	(1,919)	(4,732)	(7,692)	(10,803)	(14,071)	(17,502)
Operating Subsidies / Sinking Fund		0	0	0	0	0	0	0	0	0	1,919	4,732	7,692	10,803	14,071	17,502
Net Cash		17,620	15,910	14,094	12,168	10,130	7,973	5,695	3,290	753	0	0	0	0	0	0
DCR		138.76%	135.00%	131.00%	126.77%	122.28%	117.54%	112.53%	107.24%	101.66%	95.78%	89.59%	83.08%	76.24%	69.05%	61.50%
Cumulative Cash Flow																
Beginning Balance		64,512	82,603	99,333	114,565	128,161	139,972	149,843	157,613	163,110	166,156	166,564	164,187	158,832	150,291	138,346
Deposits		17,620	15,910	14,094	12,168	10,130	7,973	5,695	3,290	753	0	0	0	0	0	0
Interest	2.0%	1,471	1,819	2,139	2,427	2,681	2,898	3,075	3,207	3,293	3,327	3,355	3,337	3,262	3,125	2,923
Withdrawals:																
Project Operating Needs		0	0	0	0	0	0	0	0	0	(1,919)	(4,732)	(7,692)	(10,803)	(14,071)	(17,502)
Special LP or GP Fee		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Repayment of Deferred Devel. Fee		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Partnership Audit or K-1 Fee		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
DS on Neighborworks		(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
Distribution of Cash to Owner		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance		82,603	99,333	114,565	128,161	139,972	149,843	157,613	163,110	166,156	166,564	164,187	158,832	150,291	138,346	122,766
Cumulative Replacement Reserves																
Beginning Balance		0	16,580	33,746	51,510	69,890	(17,336)	527	18,669	37,449	56,885	(29,266)	(10,022)	9,511	29,528	50,248
Deposits		16,416	16,662	16,912	17,166	17,423	17,685	17,950	18,219	18,493	18,770	19,051	19,337	19,627	19,922	20,221
Interest	2.0%	164	503	853	1,214	2,270	179	192	561	943	1,999	192	195	390	798	1,853
Withdrawals	2,970	0	0	0	0	(106,920)	0	0	0	0	(106,920)	0	0	0	0	(106,920)
Ending Balance		16,580	33,746	51,510	69,890	(17,336)	527	18,669	37,449	56,885	(29,266)	(10,022)	9,511	29,528	50,248	(34,598)

VERMONT HOUSING FINANCE AGENCY

RESOLUTION RE: PROPOSED ALLOCATION OF ALLOCATED HOUSING CREDITS FOR RIVER STATION, CITY OF MONTPELIER

WHEREAS, the Agency administers the allocation of the federal Low Income Housing Tax Credits under the State's Qualified Allocation Plan;

WHEREAS, the Governor of the State of Vermont has approved the 2004-2005 Qualified Allocation Plan; and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Joe Erdelyi dated April 19,2004, containing information and recommendations about a proposed allocation (the "Memorandum");

WHEREFORE, it is hereby:

RESOLVED, that the recommendations contained in the Memorandum which is attached and incorporated by this reference be approved;

RESOLVED, that the Executive Director and the appropriate staff are hereby authorized to take such actions as are described in the 2004-2005 Qualified Allocation Plan regarding the proposed allocation of federal Allocated Housing Credits in the amount of $460,000 for the River Station project in Montpelier, Vermont.

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Elizabeth Mullikin Drake, General Counsel

RE: Winooski Falls Riverfront Downtown Project (the "Project") - Update

DATE: April 22, 2004

No Action Requested.

Since the last Board meeting, several critical steps have occurred:

1. The construction price for the VSAC building and the parking garage came in on budget;
2. The construction price for the infrastructure project came in slightly over budget;
3. The construction price for the West Block University Housing came in substantially over budget; and
4. The State has not approved the City's financing plan for bridging the federal and State grants.

At this Board meeting, we had anticipated having a final resolution for the bond financing of the West Block University Housing; however, for reasons explained below, we are deferring this action.

<u>Infrastructure</u>. The overage on the infrastructure project has resulted in some reallocation of costs which has put more pressure on the HUD 108 Loan repayment model. The West Block project will be discussed in more detail below. The original financing plan to bridge the federal and State highway grants was determined to be categorized as State debt which the Administration was not willing to accept; therefore, additional proposals have been sought with the current proposal being to use a line of credit from Banknorth. Most recently, the City has floated the idea of moving forward on the infrastructure only; the State has not endorsed this plan.

<u>Central Block</u>. The construction budget for this project has been reworked to avoid the current risks associated with steel construction. The "Difficult Development Area" issue is currently being addressed by HUD and Treasury. A proposal to extend the effective date of the 2003 DDA list (and all future DDA lists) has been submitted to Treasury by HUD. We have our bond counsel and the Congressional delegation pushing some buttons for a quick but positive turnaround. Another hurdle is to have the City approve the worst case scenario which is to change the project to a 60% affordable project; the preferred scenario is 50% affordable.

<u>West Block University Housing</u>. After a lengthy due diligence process, the UVM Trustees have approved the University's participation in this project. This project is currently working through its guaranteed maximum price contract (received 4/20) to reduce the contract amount to within budget. In addition, the bond financing process has been delayed because a source of credit enhancement has not been found. Another recent development is to bring the commercial space back into the financing by convincing Collegiate Housing Foundation ("CHF") to do the commercial piece or replace CHF with a City-sponsored entity. I have told the developer and the City that we will need to review the details of this plan before accepting a different borrower.

Consistent with the history of this project, many elements are still in flux.

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA BOARD OF COMMISSIONERS

FROM: DAVID S. ADAMS, CHIEF OF PROGRAM OPERATIONS

DATE: APRIL 22, 2004

RE: MULTI-FAMILY BOND FINANCING SCHEDULE;
$15 MILLION MULTI-FAMILY GENERAL AUTHORIZING RESOLUTION

Recommended Board Action
Authorize staff to proceed with the bonding schedule, described below, and approve the Resolution Authorizing the Issuance and Sale of a Maximum of $15,000,000 of Bonds in One or More Series to Finance Multi-Family Projects.

Background Information
We are currently working on a financing plan for the projects to be considered at this month's meeting along with several projects that have already been approved by the Board. Converse Home constitutes a major portion of the Multi-Family Bond issue we are working on and is the driving force dictating the timing and the need for additional bond authority. Assuming the Board approves the loans proposed at this meeting, and the request for additional bonding authority, our schedule will be to price the bonds during the first week in June and close on or before June 24th. Even though bond rates are increasing, we are still on track to achieve our allowed earnings of 150 basis points.

This bond issue will fund the following projects: Gardens II, Williamstown (pending Board approval); Colonial Apartments, West Rutland; Westminster; Mad River Meadows, Waitsfield; Converse Home, Burlington (pending Board approval); Richmond Terrace, Manchester Commons; and South St. Paul, Burlington.

We currently have available about $7.7 million from the previous resolution, but, in addition to short-term construction bonds (approximately $1 million) to be sold next month, the projects mentioned in this memorandum total another $13.8 million. After this bond issue, we should have approximately $8 million of authority for future Board approved projects.

Attached to this memorandum is a $15 million authorizing resolution for multifamily bonding purposes. We have made one change to allow the issuance of bonds in amounts up to $5 million without the signature of either the Chair or Vice-Chair. See Section 2.01 of the resolution.

VERMONT HOUSING FINANCE AGENCY

Resolution Authorizing the Issuance and Sale of a Maximum of $15,000,000

of Bonds In One or More Series to Finance Multi-Family Projects

Adopted April 29, 2004

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VERMONT HOUSING FINANCE AGENCY
SERIES RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF A MAXIMUM OF $15,000,000 OF BONDS IN ONE OR MORE SERIES TO FINANCE MULTI-FAMILY PROJECTS

April 29, 2004

WHEREAS, the Vermont Housing Finance Agency (hereinafter referred to as the "Agency") is authorized to finance Mortgage Loans for multifamily housing for persons and families of low and moderate income in the State of Vermont pursuant to the provisions of the Vermont Housing Finance Agency Act, being No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended (hereinafter referred to as the "Act"), and to issue its bonds to obtain funds for such purpose and to refund the same; and

WHEREAS, in order to obtain funds with which to provide financing for mortgage loans to acquire, construct, rehabilitate or refinance various developments for persons and families of low and moderate income, such developments as or to be separately approved by the Commissioners of the Agency, it is deemed necessary and advisable to issue and sell one or more series of bonds of the Agency, not to exceed $15,000,000 in the aggregate, all as hereinafter provided;

NOW, THEREFORE, BE IT RESOLVED BY THE VERMONT HOUSING FINANCE AGENCY and the Commissioners thereof, as follows:

ARTICLE I

DEFINITIONS AND AUTHORITY

Section 1.01. Definitions. As used in this Resolution, unless the context shall otherwise require, the following terms shall have the following respective meanings:

"*Bonds*" means the Bonds of the Agency of the Series authorized by this Resolution and a Series Certificate.

"*Code*" means the Internal Revenue Code of 1986, as amended.

"*DTC Eligible*" means Bonds issued in book-entry form through the facilities of a securities depository, to provide for the registration of such depository's nominee as owner thereof.

"*General Resolution*" means the resolution entitled "Multi-Family Mortgage Bond Resolution" adopted on February 3, 1977, as amended and supplemented, the resolution entitled "Multi-Family Housing Bond Resolution" adopted on September 25, 1981, as amended and supplemented, or any other resolution adopted by the Agency which permits the issuance of one or more series of bonds thereunder to finance Mortgage Loans or Projects upon the adoption of a series supplemental resolution satisfying the terms and provisions thereof.

"*Mortgage Loan*" means any mortgage loan with respect to a Project as authorized by the Act to be made or financed by the Agency.

"*Program*" means the general program of the Agency under which it finances Mortgage Loans for Projects.

"*Project*" means any Residential Housing the Agency is authorized to finance by the Act and which has been approved by separate resolution of the Agency.

"*Offering Statement*" means the Official Statement, Private Placement Memorandum or similar offering document of the Agency describing the Bonds and used in conjunction with the sale thereof.

"*Resolution*" means this Resolution Authorizing the Issuance and Sale of a Maximum of $15,000,000 of Bonds In One or More Series to Finance Multi-Family Projects.

"*Series Certificate*" means the Series Certificate or Certificates of the Agency dated on or before the date of issuance of the related Series of Bonds which Series Certificate shall establish certain terms and provisions of such Bonds as provided herein.

The terms "hereby," "hereof," "hereto," "herein," "hereunder" and any similar terms, as used in this Resolution, refer to this Resolution.

Section 1.02. Authority for Resolution. This Resolution is adopted pursuant to and in accordance with the provisions of the Act and any General Resolution that may be applicable as hereinafter set forth.

ARTICLE II

AUTHORIZATION, TERMS AND ISSUANCE OF BONDS

Section 2.01. Authorization of Bonds, Principal Amount and Series. In order to provide sufficient funds necessary for the Program, in accordance with and subject to the terms, conditions and limitations established in this Resolution and in any General Resolution applicable thereto, one or more series of Bonds are hereby authorized to be issued, from time to time, each by the execution and delivery of a Series Certificate, in an aggregate principal amount not to exceed $15,000,000. Such Series Certificate shall be signed by at least two of the following—Chairman, Vice-Chairman, Executive Director, Chief Financial Officer or Chief of Program Operations; provided that if the amount of Bonds authorized by such Series Certificate exceeds $5,000,000 one of the signatories thereto must be the Chairman or Vice-Chairman. The Agency is of the opinion and hereby determines (a) that the issuance of Bonds in said amount is necessary to provide sufficient funds to be used and expended from time to time for the Program; (b) that the Mortgage Loans to be made or financed on behalf of the Agency with the proceeds of the Bonds can be issued bearing a rate or rates of interest which will be less than the prevailing rate of interest on comparable mortgage loans available in the State of Vermont without the assistance of the Agency; and (c) that the Agency will derive receipts, revenues and other income from the Mortgage Loans purchased or made with the proceeds of the Bonds sufficient to provide, together with all other available receipts, revenues and income of the Agency, for the payment of the Bonds and the payment of all costs and expenses incurred by the Agency with respect to the Program or purpose for which the Bonds are issued.

Section 2.02. Purposes. The purposes for which the Bonds are being issued are to provide funds to make or finance Mortgage Loans, including making deposits in any funds or accounts of a General Resolution, and include refunding bonds of the Agency issued for such purpose, all as shall be specified in detail in one or more Series Certificates as hereinafter described. Only Mortgage Loans and Projects approved by separate resolution of the Agency may be financed by the proceeds of Bonds authorized hereby.

Section 2.03. Bond Provisions; Series Certificate. A Series of Bonds shall be issued hereunder only upon the delivery of a Series Certificate which shall specify the terms and conditions of such Bonds and the sale and delivery thereof, including without limitation the following:

(a) the principal amount of Bonds to be issued pursuant thereto;

(b) the Series or sub-Series designation and title;

(c) the maturity or maturities of the Bonds, which in no event shall exceed 40 years, provided that if the Agency otherwise approves a Mortgage Loan with a maturity in excess of 40 years from the date of issuance of the Bonds intended to fund such Mortgage, such Bonds may have a maturity not to exceed six months following the maturity of such Mortgage Loan, subject in any case to limitations imposed by the Act;

(d) the interest rate or rates on the Bonds or the method of determining the same, provided that the interest rate or rates on the Bonds (or the initial rate or rates if the rates are not fixed rates) shall not exceed 7% if the interest on the Bonds is to be exempt from federal income taxation or 9% otherwise, and provided further that if the initial rate or rates are not fixed rates the maximum permitted rate in any case may not exceed 12%;

(e) the date or dates on which interest on the Bonds is payable;

(f) the dated date or dates of the Bonds, or the method of determining the same;

(g) the redemption provisions for the Bonds, which may include optional, mandatory and/or sinking fund redemptions, provided that the Bonds shall be optionally redeemable no later than 15 years after their date of issuance and at a redemption premium not exceeding 3% and reducing by at least 1% annually thereafter;

(h) the minimum and authorized denominations of the Bonds;

(i) whether or not the interest on the Bonds is to be exempt from federal income taxation;

(j) whether or not the Bonds are to be DTC Eligible;

(k) the form or forms of the Bonds, the manner of numbering and lettering such Bonds, and the Agency commissioners or officers authorized to execute and deliver the same;

(l) whether or not the Bonds are to be general obligations of the Agency and in any event the source of revenues to be pledged and used to pay the same, which pledge shall be immediately effective as provided by the Act;

(m) that the Agency will derive receipts, revenues and other income from the Mortgage Loan(s) made or purchased with the proceeds of such Series of Bonds sufficient to provide, together with all other available receipts, revenues and income of the Agency, for the payment of such Series of Bonds and the payment of all costs and expenses incurred by the Agency with respect to the Program or for the purpose for which such Series of Bonds are issued;

(n) the reserve fund or funds, any requirements with respect to the Bonds, and the method of funding the same;

(o) whether the Bonds shall be insured or guaranteed by a third party, and the premium or fee therefor, provided that such premium or fee shall be less than the present value of the interest rate savings on the Bonds occasioned by such insurance or guaranty;

(p) the specific use of the proceeds of the sale of the Bonds, the Mortgage Loans to be financed or refinanced thereby, and any bonds of the Agency to be refunded thereby;

(q) the manner in which the Bonds are to be sold, the purchaser or purchasers of the Bonds, the form of the agreement used to sell the Bonds (which form shall be comparable to the forms previously used by the Agency in similar sales of bonds) and the sale price of the Bonds, which may include a sale discount or fee paid to the purchaser not to exceed 1.5% of the principal amount of the Bonds;

(r) if the Bonds are to be remarketed, the remarketing agent therefor and the remarketing agent fee (which shall not exceed 0.50% per annum);

(s) if the Bonds are subject to tender by the owners thereof, the tender agent therefor and any liquidity facility therefor, provided that any liquidity facility fee shall not exceed 0.50% per annum;

(t) the form of the documents pursuant to which the Bonds are to be issued, and any and all documents in connection therewith;

(u) the form of the Offering Statement, if any used to sell or market the Bonds (which form shall be comparable to the forms previously used by the Agency in similar sales of bonds);

(v) the form of continuing disclosure agreement, if any, required to satisfy the federal securities laws (which form shall be comparable to the forms previously used by the Agency in similar sales of Bonds);

(w) the trustee and/or paying agent, if any for the Bonds, provided that if the Bonds are issued under a General Resolution the trustee and/or paying agent thereunder shall be the trustee or paying agent, as the case may be, for the Bonds;

(x) whether or not any investment agreements, repurchase agreements or similar instruments are to be used for the investment of all or any Bond proceeds, and any conditions thereto or limitations thereon;

(y) if the Bonds do not pay interest at a fixed rate, whether or not any third party agreements will be used to reduce the risks of possible interest rate fluctuations and, if so, any conditions thereto or limitations thereon; and

(z) any other matters not inconsistent herewith deemed appropriate and necessary and authorized by the Act.

A Series Certificate may specify that this Resolution and the Bonds authorized hereby and thereby shall be considered a "Series Resolution" under a General Resolution, and thereupon this Resolution (as applicable to such Series or Series of Bonds) and such Series Certificate shall be so treated for all purposes with respect to the Bonds authorized and issued thereby, provided that to the extent such General Resolution permits modification by a "Series Resolution" thereunder, the Series Certificate may specify such modifications even though the same are not set forth herein.

ARTICLE III

SPECIAL COVENANTS FOR TAX-EXEMPT BONDS

Section 3.01. Covenants as to Code. If and to the extent a Series or sub-Series of Bonds is designated as Bonds the interest on which is not to be subject to federal income taxation, the Agency shall not permit at any time or times any moneys made available to purchase Mortgage Loans in accordance herewith or any proceeds of the Bonds to be used, directly or indirectly, in a manner which would result in such bonds being qualified for the exclusion of any such Bond from the treatment afforded by subsection (a) of Section 103 of the Code by reason of such bond being classified as an "arbitrage bond" within the meaning of Section 148 of the Code, and, without limiting the generality of the foregoing, the Agency shall:

(a) Include restrictions in all agreements relating to the purchase or making of Mortgage Loans with the moneys made available to purchase or make Mortgage Loans so as to permit the financing of Mortgage Loans only in compliance with the Code, and establish and maintain reasonable procedures to ensure compliance with the requirements of the Code, if applicable. Any failure to meet such requirements shall be corrected by the Agency within a reasonable period after failure is discovered;

(b) Continuously monitor the nonmortgage investments made directly or indirectly with the proceeds of such Bonds and shall take immediate and appropriate action to reduce the amount invested in nonmortgage investments with a yield materially higher than the yield on such Bonds as may be required by the Code; and

(c) Take such other action as may be necessary or desirable to maintain the exclusion of interest on such Bonds in accordance with Section 103(a) of the Code.

Section 3.02. Rebate. If and to the extent a Series or sub-Series of Bonds is designated as Bonds the interest on which is not to be subject to federal income taxation:

(a) The Agency hereby covenants to establish such separate accounts or subaccounts as may be necessary or desirable to adequately trace and account for the direct and indirect proceeds of such Bonds in order to comply with the rebate or yield reduction payment requirements of Section 148 of the Code. Such accounts or subaccounts may be established at any time upon the written direction of an authorized officer of the Agency.

(b) At least annually, the Agency shall compute and certify in reasonable detail the amount required to be rebated to the United States pursuant to Section 148 of the Code.

(c) As required by Section 148 of the Code, the Agency or any Bond trustee as directed by the Agency shall pay to the United States on behalf of the Agency the amount then required to be paid under Section 148 of the Code. If for any reason funds are not otherwise available for such payment, the Agency covenants to transfer moneys from its own funds for such payment.

(d) The Agency or any Bond trustee as directed by the Agency shall keep such records as will enable them to fulfill their responsibilities under this Section and shall retain such records for at least six years following final payment of the related Bonds.

Section 3.03. Governmental Program Requirement. If and to the extent a Series or sub-Series of Bonds is designated as Bonds the interest on which is not to be subject to federal income taxation, the Agency shall not make any arrangement, formal or informal, pursuant to which any mortgagor, mortgage lender or other person (or any related person as defined in Section 147 of the Code) who may receive a Mortgage Loan under the Program shall purchase Bonds of the Series or issue which financed such Mortgage Loan in an amount related to the amount of such Mortgage Loan.

Section 3.04. Compliance With Article III. If and to the extent a Series or sub-Series of Bonds is designated as Bonds the interest on which is not to be subject to federal income taxation, the provisions of this Article III shall be complied with by the Agency in order to meet the requirements of the Code such that interest on such Bonds shall be and remain exempt from federal income taxes; provided, however, that the Agency shall not be required to comply with any such provision with respect to such Bonds in the event the Agency receives a Counsel's Opinion from a nationally recognized bond counsel firm that compliance with such provision is no longer required to satisfy the requirements of the Code or that compliance with some other provision in lieu of a provision specified in this Article III will satisfy said requirements, in which case compliance with such other provision specified in the Counsel's Opinion shall constitute compliance with the provisions specified in this Article III.

ARTICLE IV

MISCELLANEOUS

Section 4.01. Amendments. This Resolution may be amended from time to time prior to the issuance of any Series of Bonds, which right shall be in addition to any other rights to amend. To the extent a Series of Bonds is issued under and pursuant to a General Resolution, this Resolution and any Series Certificate with respect to such Bonds may be amended under the conditions and to the extent permitted by such General Resolution. To the extent a Series of Bonds is issued only pursuant to this Resolution and a Series Certificate, this Resolution and the Series Certificate may be amended except as restricted hereby, by such Series Certificate or by the Bonds or any other agreement or document executed in conjunction therewith.

Section 4.02. General. The Agency may adopt, and specify in an Officer's Certificate, any additional covenants as to Mortgage Loans, Mortgagors or lenders.

Section 4.03. Authorization of Officers. The Chairman, Vice Chairman or any other Commissioner of the Agency, Executive Director, Deputy Director, Treasurer, Director of Finance and Secretary of the Agency are hereby authorized and directed to do all acts and things (including the conduct of any public hearings required by federal tax laws) and to execute and deliver any and all documents, filings, certificates and other instruments necessary or desirable to effectuate the transactions contemplated by this Resolution or any Series Certificate.

Section 4.04. Effective Date. This resolution shall take effect immediately.

A Resolution in Appreciation of the Contributions of Roger Schoenbeck to Vermont Housing Finance Agency Upon His Retirement April 29, 2004

WHEREAS, Roger Schoenbeck has served Vermont Housing Finance Agency with dedication, professionalism and good humor for 21 years; and,

WHEREAS, Roger Schoenbeck's service at the Agency has been critical to the development and success of the Agency's mission of providing safe, decent and affordable housing to thousands of Vermonters by helping the Agency maintain a sound financial foundation that inspires the confidence of investors who provide the necessary funding to support that mission; and,

WHEREAS, Roger Schoenbeck has been an excellent co-worker, a considerate manager and a meticulous and creative—in the best sense of the word—overseer of the Agency's finances; and,

WHEREAS, the Commissioners and Staff of Vermont Housing Finance Agency have come to value and depend upon Roger Schoenbeck's wise counsel and friendly presence to not only guide and support us in our mission, but to make the daily work environment more pleasant;

NOW THEREFORE, It is hereby RESOLVED:

1. That the Board of Commissioners of Vermont Housing Finance Agency offers grateful thanks to Roger Schoenbeck for his leadership and service to the Agency for 21 years.

2. That Roger Schoenbeck has been a true "friend of affordable housing," and he has helped improve the lives of thousands of Vermonters during his tenure.

3. That we wish Roger all the best as he moves from the land of the hermit thrush to the land of the cardinal; a place where he can launch his Stratas in April, in short sleeves; and to his new position with Sallie Mae.

I hereby certify that the foregoing is a true copy of a resolution of Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of Vermont Housing Finance Agency held at Montpelier on April 29, 2004.

Sarah E. Carpenter
Executive Director and Secretary
Vermont Housing Finance Agency

vhfa
Vermont Housing Finance Agency

VHFA Board Meeting Minutes
Vermont Association of Realtors
148 State Street
Montpelier, Vermont
Thursday, April 29, 2004 at 9:00 a.m.

VHFA Board Members Present:
Lisa Randall – Chair, Paul Beaulieu, Thomas Candon (designee for Crowley), Dagyne Canney, John Hall (designee for Dorn), Beth Pearce (designee for Spaulding), Gus Seelig

Staff: Dave Adams, Sarah Carpenter, Maura Collins, Pat Crady, Renee Couture, Elizabeth Mullikin Drake, Joe Erdelyi, Pat Loller, Cindy Reid, Roger Schoenbeck, Liza Smith-Vedder

Guests: Ken Braverman (The Braverman Co.), Dave Amsden (Kutak Rock), Kathy Beyer (Capital Ideas), Anita Chaisty (The Converse Home), Bob Cole (A.G. Edwards & Sons, Inc.), Richard Dybvig (Gardens II), Bob Duncan (Architect, The Converse Home), Martin Hahn (Central Vermont Community Land Trust), Anne Gardner (Atlantic Retirement Communities, Consultant to The Converse Home), Nancy Goodrich (The Converse Home), Andy Gurley (UBS Financial Services, Inc.), Al Hans (Piper Jaffray & Co.), Tom Little (The Converse Home, Board Chair), Mary Norman (Gardens II), Mary Ellen Spencer (The Converse Home Board), Judy Stroh (The Converse Home, Treasurer), Jeff Sula (UBS Financial Services, Inc.), Renee Bourget-Place (The Converse Home)

Chair Randall called the meeting to order at 9:05 a.m.

STRATEGIC PLANNING
Ms. Randall explained that she thought the focus, during this meeting, ought to be on the Strategic Initiatives document as well as Mr. Schoenbeck's memo regarding Fund Balance Discussion, with the goal of ensuring that the list of Strategic Initiatives is complete, that the intent of each item is clear, and that extraneous items are removed from the list.

Ms. Reid questioned whether the goal of item 1-B under Development/Multifamily on the Strategic Initiatives list (Explore outreach opportunities – publicize processes in order to expand the number of developers and other qualified professionals involved in MF Development initiatives) should be expanding the number of developers, or, rather, emphasizing the diversity and quality of the development. Discussion followed with the result that this item will be reworded to emphasize expanding the number of qualified professionals and partners involved in MF Development initiatives, rather than expanding the number of developers.

Mr. Candon asked that 3 items from the Strategic Planning Document be included in the Strategic Initiatives document. These are:

- Under Finance, 3-B, Participate with Vermont State Treasurer's office and affiliated entities to create alternative investment opportunities;
- Under Public Policy and Planning, 1-C, Community at Large - Continue leadership role for the Housing Awareness Campaign; and
- Again, under Public Policy and Planning, 2-B, Predatory Lending – Continue support and participation in the Vermont Responsible Lending Initiative.

Mr. Beaulieu asked whether the Public Policy and Planning items mentioned by Mr. Candon could be developed under item 2-F, Evaluate business opportunities in housing and finance with State agencies and other partners. Ms. Carpenter explained that item 2F, which may need to be reworded, is really broader in scope. It is about examining VHFA's relationship with other State agencies to determine redundancies and possible new lines of business.

Mr. Candon asked whether Public Policy and Planning item 3A regarding increasing the Agency's capacity to collect, analyze and distribute data, would eventually result in instantaneous assessment of need. Ms. Carpenter replied that this would be the goal, but that it could not be accomplished without additional resources. Ms. Collins added that, currently, the Agency must rely on, and pay for, outside resources.

Mr. Seelig mentioned that he was glad to see Public Policy and Planning item 2D regarding Smart Growth in the Strategic Planning document. He was also glad to see Public Policy and Planning item 2A regarding Homelessness on the Strategic Initiatives document. He would like to see an item on the Strategic Initiatives document that addresses, for the Single Family Initiative, securing good sites for housing. (He mentioned that other states are involved in land-banking as a means to achieve this.) And, he asked for future discussions about doing some advocacy to expand the amount of resources in order to build more housing. This issue is covered in Public Policy and Planning item 1A in the Strategic Planning document, which is not in the Strategic Initiatives document.

Fund Balance Discussion
Mr. Schoenbeck referenced his memo regarding the Fund Balance. He explained that he was concerned that Board members may have left the previous meeting believing that there was $20 million that could be spent without implications because the funds from the old Single Family Resolutions are no longer dedicated to the Resolutions for credit. In fact, the Piper Jaffray study assumes several purposes for using and reusing these funds for credit and liquidity support. Mr. Schoenbeck reviewed these purposes contained in the details of his memo.

Mr. Candon asked how much liquidity is available. Mr. Schoenbeck responded that there is about $10 million, but that this will be a moving target, dependent upon what has occurred previously. However, it can be tracked. He added that there is currently cash available in the amount of $14 million. Mr. Hans supported Mr. Schoenbeck's statement that the idea is to invest this money, not to spend it, so that it is available in the future.

Ms. Randall asked whether the Agency has recently looked at the probability of repayment of the loans purchased from the State a few years back. Mr. Schoenbeck replied that this hadn't been looked at in detail but that he believes these loans are of good credit quality. $2.5 million was paid, but, with accrued interest, the balance is now approximately $5 million. Mr. Hans reiterated that the financial study assumes they are good loans. Ms. Carpenter added that she also believes that the majority are good loans, but cautioned that the owners may not think so. She believes that a long-range plan is needed to ensure repayment, and added that this goal, which includes ensuring repayment of the zero-percent deferred loans as well, is contained in the Strategic Initiatives document as Development/Multifamily item 4A.

Ms. Randall emphasized that an analysis of excess-yield loans and VHCB loans purchased is critical to determining funds available. Mr. Schoenbeck added that if the result of the analysis shows that some of these loans may not be repaid, fund balances will need to be adjusted, and it could have a significant impact on the financial statements. Ms. Mullikin Drake suggested that the analysis look at two categories of loans made: existing portfolio original Section 8 projects, and restructure of troubled projects. The former are more likely to be repaid as these projects can better afford the debt.

With respect to zero-percent deferred loans, Mr. Schoenbeck explained that Piper Jaffray is in the process of calculating compliance of the Agency's zero-percent yield pool. It is anticipated that in 2014, when many of the loans are due, the Agency will not be in full compliance (i.e., it won't have spent its entire yield) and will therefore need to forgive some loans. He further explained that VHFA should expect a windfall in 2014 when the majority of these loans are repaid, adding that there will be no rules about what needs to be done with this money.

Mr. Schoenbeck concluded by reminding the Board that Vermont ranks 42nd among all states in terms of Adjusted Combined Fund Balance as a percentage of Debt Outstanding. He believes that the target, though difficult to achieve, should be a ranking of around 25. With the current ranking, it can be said that the Agency is using its assets well, but is in a less secure position.

MINUTES
Mr. Hall made a motion to approve the March 18, 2004 Board of Commissioners' meeting minutes with Mr. Candon seconding the motion. All (except Ms. Canney who abstained) approved the motion.

ANNUAL MEETING
Ms. Randall announced that Mr. Seelig has again agreed to serve as Vice Chair. Ms. Mullikin Drake reviewed her memo about the purposes of the Annual Meeting.

Mr. Hall made a motion to approve the "Resolutions Adopted at the Annual Meeting of Vermont Housing Finance Agency, April 29, 2004." Mr. Beaulieu seconded the motion and the Resolutions were unanimously approved.

CONSENT AGENDA
Mr. Beaulieu made a motion to approve the Consent Agenda including those items requiring action (restated here):

- Approval of Energy Standards Policy

Mr. Hall seconded the motion, which was unanimously approved.

Board members asked many questions about specific properties on Mr. Falzone's Multifamily Director's Report for Period Ending 3/31/04. Mr. Seelig asked specifically about Victoria Place and what could have been done differently to avoid the problems. Ms. Carpenter replied that many of the issues could have been avoided by insisting on a manager that was qualified in tax credits and other subsidized housing. Mr. Erdelyi stated that casement windows have not demonstrated an ability to hold up well in VHFA's family housing developments, and their use should have been avoided - even though they were specified by the architect and were acceptable to the owner, builder, and City. Mr. Hall then asked, more generally, whether the Agency had any options to require or enforce corrective action. Ms. Carpenter replied that the Agency does have options per the Regulatory Agreement, but as to when and how the Agency may decide to pursue corrective action is dependent upon many factors. With respect to Victoria Place, there will be a meeting with all the parties including the investors to determine a course of action.

Ms. Carpenter explained to the Board that a fairly extensive market review should be done to determine what the Chittenden County or Burlington MSA market will look like post-Winooski-occupancy. Ms. Randall asked that staff include funding for a study of the economics of the community in the FY2005 budget.

ACTION: Staff will include funding for market study in FY2005 budget.

DEVELOPMENT - LOANS

The Converse Home

Ms. Carpenter reminded the VHFA Board that she is a member of The Converse Home Board.

Mr. Little, Chair of The Converse Home Board, spoke to the extensive professional knowledge and experience of the Board, and their passion about The Converse Home. He explained how the Board came to the decision to both rehabilitate and to add new units to The Converse Home, increasing the total number from 27 to 67, including 16 units for residents with dementia.

Ms. Gardner, Consultant to The Converse Home, addressed the market feasibility, competitiveness and the marketability of the project. All indicators strongly support moving forward with the project. Ms. Gardner also commented on the exceptional Board and the impressive mix of incomes The Converse Home will attempt to accommodate (20% of units will serve very low-income elders.)

Ms. Pearce departed the meeting.

Mr. Duncan, Architect for The Converse Home project, reviewed the design of the project and the important considerations (corner lot, topography, density restrictions, parking requirements).

Mr. Seelig asked what percentage of The Converse Home's operating income would come from the Medicaid program. Ms. Gardner explained that 20% of the units will be Medicaid subsidized, which means that a little less than 20% of operating income will come from Medicaid. She further explained that the worst case would be if Medicaid could not be obtained, in which case there is sufficient market for the rooms to be occupied by the private sector.

Mr. Seelig asked about those residents who spend down their assets. Ms. Gardner explained that prospective tenants are subject to a qualification process. If the assets do run out, options are Medicaid, The Converse Home endowment (for which a development effort is currently underway), or contributions from other family members.

Mr. Seelig made a motion to approve the "Resolution Re: Construction and Permanent Financing for The Converse Home, City of Burlington." Mr. Hall seconded the motion and the Resolution was unanimously approved.

Gardens II, Williamstown

Ms. Reid reminded the Board that they had heard about The Gardens at Williamstown Square, Phase II at the November meeting. Although the project detail was covered in their November presentation, Mr. Dybvig and Ms. Norman were available to answer questions of the Board. Ms. Reid reviewed the points of her memo and informed the Board that 76% of units of the new phase are currently pre-leased.

Mr. Candon asked about how Gardens II compares with the large project in Montpelier. Mr. Dybvig pointed out that monthly costs are similar, although the Montpelier project requires a large deposit (or refundable purchase) of $200,000. He added that the project in Montpelier is already substantially leased.

Mr. Candon made a motion to approve the "Resolution Re: Construction and Permanent Financing for The Gardens at Williamstown Square, Phase II, Town of Williamstown." Mr. Beaulieu seconded the motion and the Resolution was unanimously approved.

DEVELOPMENT – TAX CREDITS

Mr. Erdelyi introduced Liza Smith-Vedder, the new development officer.

Housing Credit Project Status Report

Mr. Erdelyi began the tax credit discussion by reminding the Board that staff performs a different degree of analysis of tax credit applications than is done for loan applications. Underwriting standards are used to assess loan applications whereas allocation plan standards are used to assess tax credit applications.

Mr. Erdelyi reviewed the Housing Credit Project Status Report, a tool devised for the new tax credit allocation process. Ms. Randall asked that the Status Report be modified to include a Notes column which would highlight projects to which tax credits were allocated and for which there is anticipated recycling of those credits.

Ms. Collins explained that once HUD implements revised definition of MSA, the Burlington MSA will include all of Chittenden, Franklin and Grand Isle Counties – so that the MSA/non-MSA column on the report won't be necessary.

Ms. Canney asked Mr. Erdelyi whether he thought the Geographic Distribution graph could be used to determine underserved areas. Mr. Erdelyi explained that the graph shows where activity has occurred, not where it necessarily ought to occur. Ms. Carpenter added that the chart does not consider all subsidized housing, only tax credit units. Ms. Canney asked whether the "all rental housing" piece could be broken down to reflect "all subsidized rental housing."

Mr. Seelig requested a "Status" column on the report that would indicate whether a project is under construction, substantially complete or waiting for permits. He also asked that future projects be listed under the pipeline section, even if little was known about them.

Central Block, Winooski

Mr. Erdelyi reminded the Board about the loss of the DDA (Difficult Development Area) designation and its impact on Central Block. The proposal presented to the Board assumes that the DDA status will be extended long enough for this project to receive tax credits based on the extra 30% in basis. However, if the DDA status is not reinstated, another option would be to increase the percentage of tax credit units from 50 to 60 (an option to which the City of Winooski is currently opposed), or to find a million dollars to fund the financing gap. In any case, the amount in tax credits would not exceed the amount shown in the memo, $1.9 million. The Board should assume that the total number of units will not change significantly from 232 without additional Board consent.

Mr. Erdelyi also explained that the new allocation process requires that a project meet certain criteria. This project has not met or has differently met some of these, thereby requiring a variance or waiver from the Board. The list includes:

- Lack of elevation drawings;
- Site control is in the form of a Development and Disposition Agreement;
- A market study was submitted, but some of the assumptions differ from the review market analysis commissioned by the Agency;
- The developer's fees exceed the cap. For a project this size, the limit is 10% of total development costs with a cash portion of $1 million. This project has developer's fee of 14.5% of total development costs. 60% is deferred and 40% is taken in cash. However, Mr. Erdelyi pointed out that there is high risk with this development, and, accordingly, the developers may not do the project for the limited fee.

Mr. Erdelyi also pointed out a change from the information distributed in the Board packet. The City of Winooski has reversed itself and has not allocated 12 units of project-based rental assistance, which means that the project no longer meets the second-tier "<30%" criteria. This, however, is not a threshold criterion.

Mr. Hall made a motion to approve the "Resolution Re: Proposed Allocation of Allocated Housing Credits for Central Block, Winooski" (as the title was corrected). Ms. Canney seconded the motion. Mr. Seelig proposed that the phrase "unless there are substantial changes in the size of the project or its financial viability" be added to the last RESOLVED of the Resolution. Mr. Hall accepted the amendment. The Resolution was unanimously approved.

River Station, Montpelier
Mr. Hahn and Ms. Beyer introduced themselves. Ms. Beyer noted that she is a development consultant for both Housing Vermont and Central Vermont Community Land Trust on the River Station, Montpelier project. Mr. Erdelyi provided some background information and added that the project meets many of the criteria. Ms. Beyer explained that local permitting should be done by May 3rd, that the Act 250 application should be submitted in the next couple of weeks, and that there is strong support from the City. Mr. Hahn added that the project has received a commitment for the Community Development Block Grant program. The intent is to begin demolition and construction this year.

Mr. Erdelyi explained that this project is not the norm in that it includes for-sale condominiums as well as rental units. The unresolved piece, which has no bearing on the allocation of tax credits proposal before the Board today, will be to make the for-sale condominiums cost effective to develop, an issue that will need to be resolved before any construction is begun due to shared costs of both the for-sale and rental units.

Mr. Candon made a motion to approve the "Resolution Re: Proposed Allocation of Allocated Housing Credits for River Station, City of Montpelier." Mr. Beaulieu seconded the motion and the Resolution was unanimously approved.

Ms. Pearce returned.

DEVELOPMENT – OTHER

Market Study Standards

Mr. Erdelyi highlighted the points of his memo requesting the Board adopt the proposed Market Study Standards and authorize staff to implement.

Ms. Randall asked who would do the studies. Mr. Erdelyi replied that staff has not developed a pre-qualified list of market analysts; instead, market studies would be evaluated as they are received.

Ms. Randall then asked about the cost of a market study that would meet the proposed standards. Mr. Erdelyi replied that, based on Ms. Smith-Vedder's research, the cost would be between $4,000 and $5,000. He added that the market studies currently submitted range in cost from $1,500 to $3,500 with the good ones costing between $2,500 and $3,500. Discussion followed with suggestions about how to increase cost-effectiveness, including bringing someone in-house. About this idea, Ms. Collins pointed out that the Agency could then use the data for other purposes such as advocacy or needs analysis.

Mr. Seelig asked when the Standards would become effective if adopted by the Board today. Mr. Erdelyi replied that they would become effective immediately. He added that drafts of these standards have been circulating for review by developers for many months. Ms. Randall echoed Mr. Seelig's concern that immediately would be too soon.

Mr. Seelig made a motion to adopt the Market Study Standards, effective August 1, 2004, with the following conditions: that staff directly outreach to the developers and report feedback to the Board; that, at the August meeting, staff provide information about the implementation process (including the possibility of the Agency contracting to do the market studies), and that staff point out to the Board deficiencies in market studies received between now and the August 1st effective date. Ms. Pearce seconded the motion. More discussion followed. The motion passed with Mr. Beaulieu, Mr. Seelig, Ms. Pearce and Ms. Randall in favor. Mr. Hall, Mr. Candon and Ms. Canney were opposed.

Winooski Falls Riverfront Downtown Project ("Winooski Project") - Update

Ms. Mullikin Drake reported that, since she wrote the memo to the Board, two significant meetings and other events had taken place. She provided the following updates.

<u>Infrastructure</u>. The City proposed a plan to move forward on the infrastructure to the exclusion of all other pieces of the project. The City was informed by the State that it would not provide grants for the highway work alone. The infrastructure piece is ready to go with the exception of a bridge financing plan, which must be acceptable to the Treasurer's office and the Administration.

<u>West Block</u>. Ms. Mullikin Drake reminded the Board that West Block includes the Student Housing, the Parking Garage, and the VSAC building. She informed the Board that Labor & Industry has indicated that the Parking Garage must be sprinklered, leaving a possible $1 million gap. None of West Block can move forward without resolution to this issue.

For the Student Housing piece of West Block, the good news is that Bank of America and Wachovia are considering doing the credit enhancement for the conduit bond. Also, the City has decided not to replace Collegiate Housing Foundation with a City-sponsored entity.

Schedule. By the middle of next week (week beginning May 10th), everything must come together so that construction can begin by May 17th.

Although the start of construction will not be delayed for West Block Student Housing, Pizzagalli will not commit to an August 2005 opening because it is uncertain whether the infrastructure will be completed by that date. UVM, very supportive of the project, has agreed to a soft opening mid-term (December '05/January '06) with full occupancy targeted for August 2006.

Mr. Candon asked when VHFA's commitment of upfront staff time ends. Ms. Mullikin Drake replied that, when the State commits to pledging the CDBG money to repay the HUD 108 Loan, expected on or about May 17th, VHFA's upfront commitment ends; thereafter, VHFA's role will change to compliance and construction monitoring.

Other.
At Ms. Carpenter's request, Ms. Mullikin Drake then spoke about the assessment and stress testing of the financial model. The models are not meeting the desired 1.25 debt coverage ratio on an ongoing basis. Stress testing of the model using higher rates based on the history of rates in the HUD 108 Loan program result in a model that barely breaks even. A resolution being considered is inclusion of a pad site project to add to the revenue stream.

Ms. Canney asked how VHFA would be paid for its work. Ms. Carpenter replied that VHFA would receive a lump sum at closing and that, absent a closing, VHFA would not be remunerated for its work to-date.

Ms. Carpenter asked Ms. Mullikin Drake to provide an update on the liability issue. She explained that there was a clause in the appropriations bill to confirm that VHFA has the benefit of sovereign immunity. The bill has passed the Senate and is in conference. Ms. Carpenter added that approval of this legislation will allow VHFA to finalize its agreement with ACCD as originally planned.

FINANCE

Multifamily Bond Schedule and Resolution

Mr. Adams explained the need for additional bond authority. Mr. Seelig made a motion to approve the "Resolution Authorizing the Issuance and Sale of a Maximum of $15,000,000 of Bonds in One or More Series to Finance Multi-Family Projects." Mr. Candon seconded the motion and the Resolution was unanimously approved.

OTHER

Roger's Resolution

Ms. Randall asked Mr. Candon to read "A Resolution in Appreciation of the Contributions of Roger Schoenbeck to Vermont Housing Finance Agency Upon His Retirement April 29, 2004." Mr. Hall made a motion to approve the Resolution. Mr. Seelig seconded the motion and the Resolution was unanimously approved.

HR and Finance Committee Meetings

For budget discussions, the following meetings were scheduled:

1. The HR Committee (Mr. Candon, Mr. Beaulieu, and Ms. Canney) will meet at 8:30 a.m. on Thursday, May 27th at Mr. Seelig's office before the Board meeting.

2. The Finance Committee (Mr. Seelig, Ms. Pearce and Mr. Hall) will meet at 10:00 a.m. on Monday, June 7th at Mr. Seelig's office.

Due to the HR Committee meeting, the May Board meeting will begin at 10:00 a.m.

Issues on Section 8

Mr. Seelig explained that HUD has moved to substantially cut the Section 8 program. The proposed 12% cut would mean a loss of support to over 700 Vermont families and that 11 Vermont Public Housing Authorities would lose about 45% of their administrative budget. He emphasized that this would be the most substantial housing policy challenge since the early 1980s. He suggested that the Board ask staff to advise the Governor of the impact of these cuts and ask him to enlist the involvement of fellow governors. Mr. Seelig offered to work with Ms. Carpenter and Mr. Hall to provide a briefing paper to the Governor. Ms. Canney asked to see the paper before it goes to the Governor.

ACTION: Ms. Carpenter, Mr. Hall, and Mr. Seelig will compose a briefing paper for the Governor. The paper will be distributed to all Board members prior to being sent to the Governor.

ADJOURNMENT

Mr. Hall made a motion to adjourn the meeting. Mr. Beaulieu seconded the motion and the Board unanimously approved to adjourn the meeting at 2:15 p.m.

vhfa

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Multifamily Development Underwriter CR

DATE: May 20, 2004

RE: Request for Construction & Permanent Financing and State Housing Credits: Vernon Senior Housing

Name:	Vernon Senior Housing	**Location:**	Vernon
Housing Type:	Senior	**Unit Type:**	Flats
Unit Count:	24 Total Units 17 Housing Credit Units	**Unit Sizes:**	16 1-BR @ 583 avg s.f. 8 2-BR @ 780 avg s.f.
Total Cost:	$4,182,339	**Per S.F. Acquisition & Construction Cost:**	$137.35
Loan Requested:	$2,300,000 construction $400,000 permanent (both tax-exempt)	**Sponsors:**	Housing Vermont, Brattleboro Area Community Land Trust, Vernon Senior Housing
Housing Credits:	$117,900 (Bond "4%" Credits)	**State Credits:**	$25,000 (from 2005)
Other Funding:	HOME, VHCB, HUD 202, Town of Vernon Funds, State Funds, REEP		

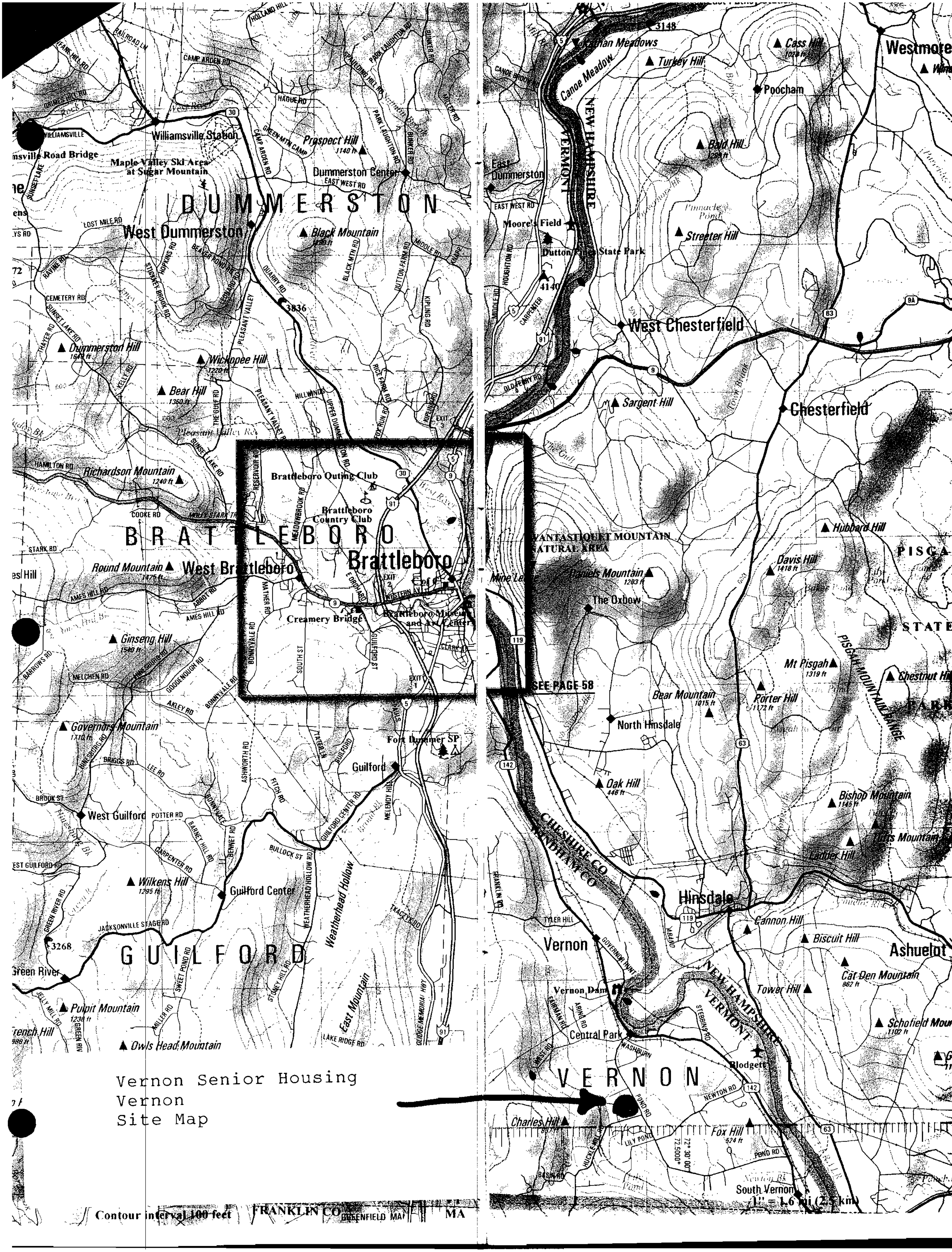
Recommendation: That the VHFA Board of Commissioners pass the attached resolution and make the required findings as outlined in the second section of the resolution ("It is hereby determined:"), and that the Board 1) authorize the Executive Director to issue a Letter of Interest and/or a Commitment Letter to finance this development upon satisfactory completion of staff underwriting and due diligence; and 2) authorize staff to issue the appropriate documentation according to the Qualified Allocation Plan.

Project Summary: Vernon Senior Housing is a proposed 24-unit residential rental building for seniors to be built in Vernon. For over a decade, a group of citizens in Vernon has been interested in creating elderly housing in their community and the Town has been supportive of their efforts. The Town is paying for a 25.7-acre site on which the building will be constructed, and is providing $730,000 in Town funds for construction. Housing Vermont and Brattleboro Area Community Land Trust are partnering with a local group, Vernon Senior Housing, to develop this project, and they have obtained a commitment for HUD 202 funding and rental assistance. The HUD 202 program now allows mixed income housing to be constructed, which necessitates combining various funding sources. The sponsors have applications in for VHCB/HOME funds (June meeting) and all other funding is committed. Of the total 24 units, 17 units will be tax credit and seven will be market rate. Of the 17 tax credit units, 11 are "HUD 202 units" and 10 of those have HUD 202 rental assistance. Of the 24 units, ten are affordable to households at or below 50% of area median income, seven are affordable to households at or below 60% of area median income, and seven are market rate units. Services available for residents include: on-site meeting/community space; on-site Visiting Nurses Association visits; an on-site manager; and transportation on a seniors' bus. The sponsors are requesting a tax-exempt construction loan of $2,300,000 in order to obtain 4% out of cap credits. In addition, the sponsors are requesting a $400,000 permanent loan. The HUD 202 funding comes in the form of a non-amortizing deferred loan (structured to be used with tax credits), so the $400,000 VHFA loan would be the sole amortizing debt. The project does not need a local permit; an Act 250 application is being submitted in mid-May and permit approval is anticipated by late June. The sponsors anticipate going out to bid in July and beginning construction in September. A property management firm has not been selected yet, however the sponsors are looking into candidates now. An as-built appraisal has not been completed yet. A Level I Environmental Site Assessment was commissioned and had no findings.

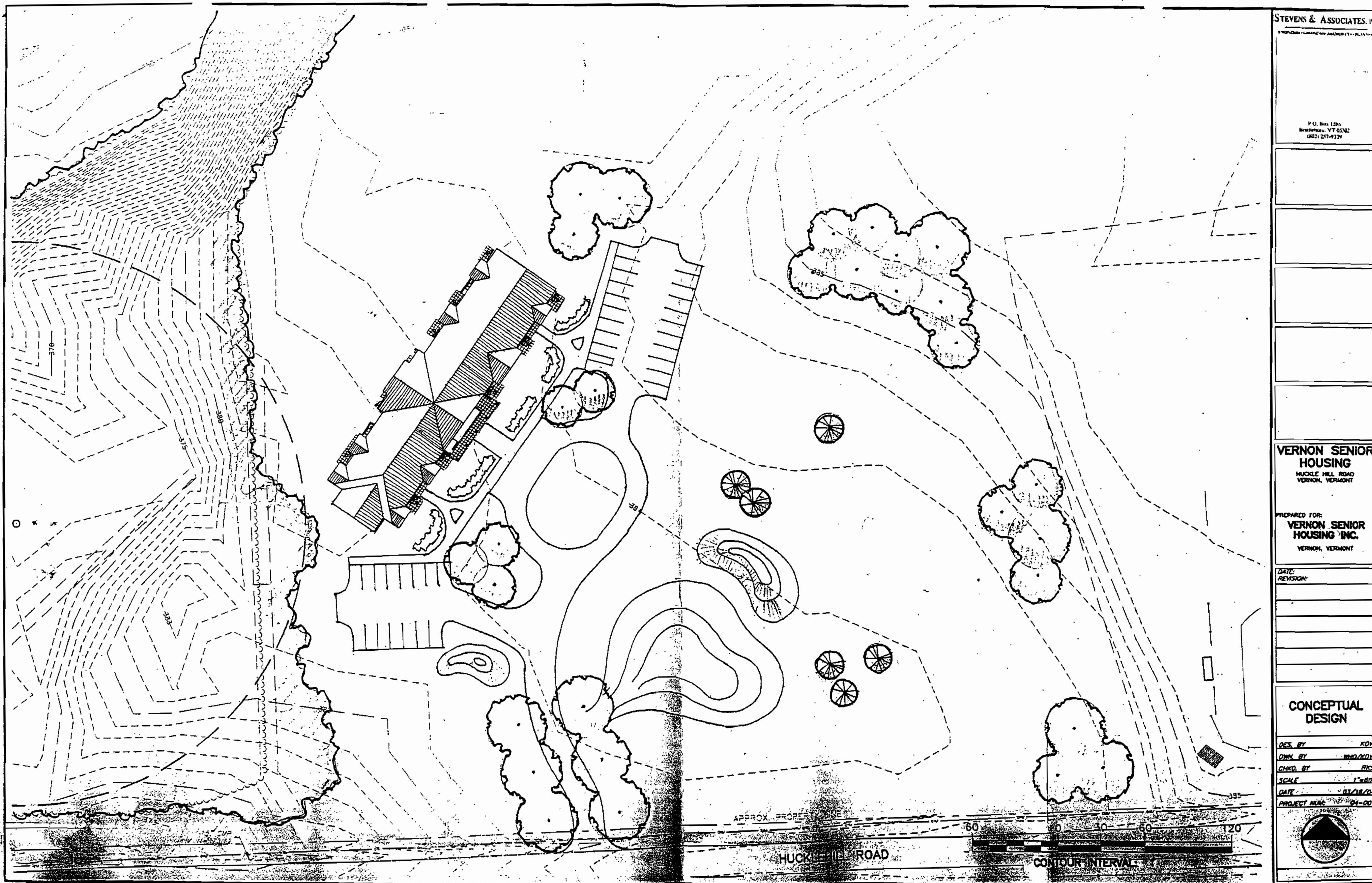
Tax Credit Summary: Vernon Senior Housing is requesting $117,900 in 4% (out of cap) Housing Credits, and $25,000 in 2005 State Credits. $150,000 is available annually in State Affordable Housing Tax Credits, and $125,000 of 2005 was forward-committed to Highgate, leaving $25,000 available.

The project meets all of the required design standards for its size (because it is senior housing, the playground requirement is not applicable). It also meets several of the recommended design standards. The building has a community room, an elevator, tenant storage, and an on-site management office. It is located in a rural area - Vernon has a community center, a post office and a church, but the closest location for health care, shopping, and other services is Brattleboro, approximately seven miles away.

The market study was commissioned a few years ago, as several southern Vermont towns were all interested in developing senior housing in their communities. The market study supports the project in Vernon, and offered some specific recommendations as to development scenarios that would address market need and demand. In a recent update letter, the market analyst states, "I consider your proposed unit distribution and rent structure appropriate for the current Vernon market… I anticipate you will in fact pre-lease all of the units prior to the end of construction… I have no concerns for the market viability of this project over the next decade."



Vernon Senior Housing
Vernon
Site Map



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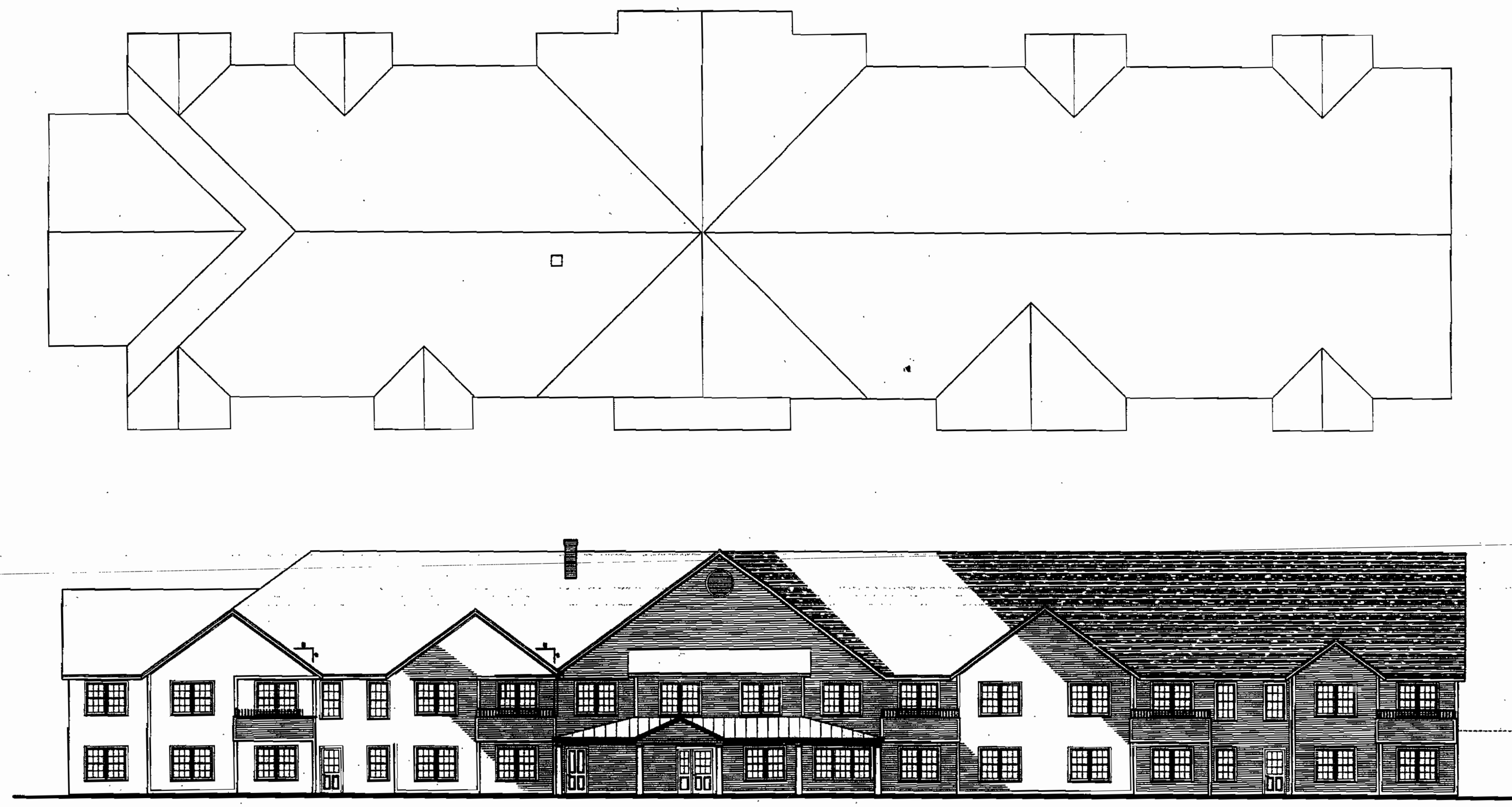


PROJECT NO. J20001

VERNON SENIOR HOUSING - VE 02

HICKLE HILL ROAD
VERNON, VERMONT 05354

ENTRY ELEVATION, ROOF PLAN

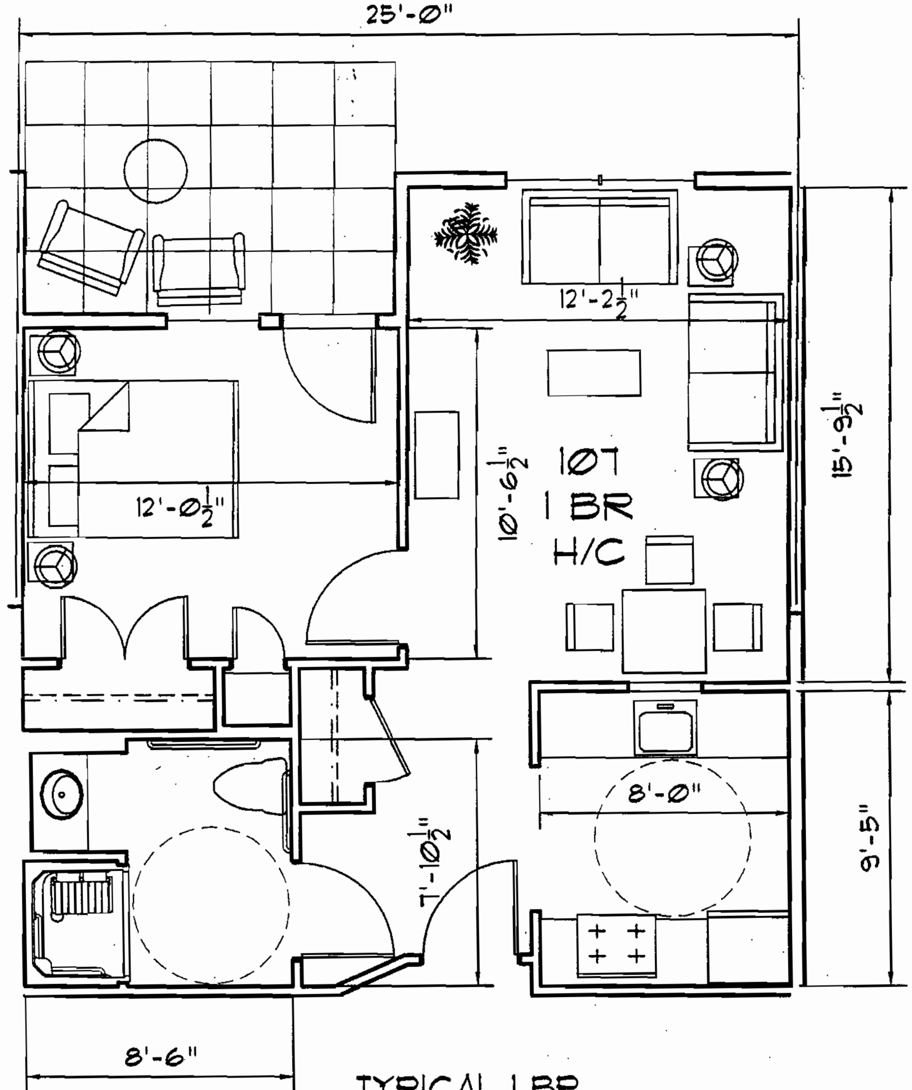
SCALE: 1/16" = 1'-0"

27 February 2004

J COLEMAN + COMPANY ARCHITECTS

ARCHITECTURE PLANNING

111 MAIN STREET BRATTLEBORO VERMONT 05301
802-257-1950 (v) 802-254-2545 (f)



PROJECT NO: J200012

VERNON SENIOR HOUSING - VE 02

PICKLE HILL ROAD
VERNON, VERMONT 05354

TYPICAL 1 BR
ACCESSIBLE UNIT

SCALE: 1/4" = 1'-0"

30 MARCH, 2004

J COLEMAN + COMPANY ARCHITECTS

ARCHITECTURE PLANNING
111 MAIN STREET BRATTLEBORO VERMONT 05301
802-257-1950 (v) 802 254-2568 (f)

17-May-04 **Vernon Senior Housing**

Total Residential Units:	24	Increase in Income from Rental Units:	1.00%
Housing Credit Restricted Units:	17	Increase in Income from Other Sources:	2.00%
Percent Restricted:	70.83%	Increase in Income from Commercial:	0.00%
Total Development Cost:	4,182,339	Expense increase:	2.50%
Total Development Cost per Unit:	174,264	Vacancy Rate:	5%
Total Development Cost Per SF:	184	Partner's Tax Rate:	35%
		Long Depreciation Schedule:	27.5 years
Max Credit Potential:	119,112	Short Depreciation Schedule:	7 years
Credit Amount Allocated:	118,256	Sponsor's Estimated Yield:	114.58%

LIHTC - 9%	7.91%	(May 2004)
LIHTC - 4%	3.39%	

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term
VHFA Requested Loan	400,000	9.56%	7.15%	40	40
HOME	276,500	6.61%	5.50%	30	int. only
State Funds	100,000	2.39%	0.00%	30	grant
VHCB deferred	415,000	9.92%	0.00%	30	30
VHCB Grant	8,000	0.19%	N/A	N/A	
HUD Loan	786,700	18.81%	5.50%	30	20
Town Funds	730,000	17.45%	0.00%	30	30
REEP	12,000	0.29%	0.00%	30	grant
Deferred Developer Fee	100,000	2.39%	1.00%	15	15
State credit equity	81,250	1.94%	N/A	N/A	
Tax Credit Equity	1,273,750	30.46%	N/A	N/A	
TOTAL SOURCES	4,183,200	100.02%			
VHFA Construction Loan	2,300,000	54.98%	3	int only	12 months

USES

Acquisition	5,300	0.13%
Construction Hard Costs	3,417,331	81.71%
Soft Costs	759,708	18.16%
TOTAL USES	4,182,339	100.00%
Gap	(861)	

PER UNIT COST LIMIT CALCULATION

	per unit limits	number of units			
0 Br	84,390	8	675,120		
1 Br	90,140	6	540,840		
2 Br	95,890	8	767,120		
3 Br	101,637	0	0		
4 Br	107,390	0	0		
Maximum cost allowed under the per unit cost limits			1,983,080		
Projected total cost, excluding cash accounts			4,127,629	Cost Overage %	48%
(over)/under			(2,144,549)		

	state	federal		
General Partner's Capital Contribution	813	12,738	1.00%	13,550
Limited Partner's Capital Contribution	80,438	1,261,013	99.00%	1,341,450
Total Equity	81,250	1,273,750		1,355,000

APPLICABLE FRACTION CALCULATION

Tax Credit Restricted Units	17
Total Units	24
Unit Fraction	70.83%
Tax Credit Square Footage	10,292
Total Residential Square Footage	15,568
Square Footage Fraction	66.11%
Applicable Fraction	66.11%

form revision date: 2/27/9?

17-May-04 **Vernon Senior Housing**

		Budget	Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Other
	ACQUISITION						
1	Land	0					
2	Purchase of Building(s)	0					
3	Demolition (without replacement)						
4	Property Appraisal	0					
5	Legal - Title and Recording	5,300	5,300		5,300		
	Subtotal - Acquisition	5,300					
	CONSTRUCTION HARD COSTS						
6	Rehabilitation	0					
7	New Building(s)	2,517,595		2,517,595	2,517,595		
8	Accessory Buildings	0					
9	Sitework	425,000		425,000	425,000		
10	Commercial Space Costs (if any)	0					
11	General Requirements	0					
12	Contractor Overhead	0					
13	Contractor Profit	0					
14	Construction Contingency	154,486		154,486	154,486		
15	Construction Management	0					
16	Construction Bond Fee	0					
17	Hazardous Materials Abatement	0					
18	Off-Site Improvements	0					
19	Furnishings, Fixtures, & Equipment	27,200		27,200	27,200		
20	Other (________________)	0					
	Subtotal - Hard Costs	3,124,281					
	SOFT COSTS						
21	Architectural	270,350		270,350	270,350		
22	Engineering	0					
23	Legal/Accounting	22,500		22,500	22,500		
24	Relocation	0					
25	Environmental Assessment	2,700		2,700	2,700		
26	Energy Assessment	0					
27	Permits/Fees	39,233		39,233	39,233		
28	Independent Market Study	0					
29	Construction Period Insurance	9,000		9,000	9,000		
30	Construction Interest-3.5%	33,075		33,075	33,075		
31	Construction Loan Origination Fee	33,680		33,680	31,996		
32	Taxes During Construction	9,000			9,000		
33	Clerk of the Works	20,000		20,000	20,000		
34	Marketing	5,000			5,000		
35	Tax Credit Fees	6,010		6,010	6,010		
36	Soft Cost Contingency	7,500		7,500	7,500		
37	Permanent Loan Origination Fee	0					
38	Lender's Counsel's Fee	0					
39	Other (______________)	0					
	SYNDICATION COSTS						
40	Organizational (Partnership)	0					
41	Bridge Loan Fees and Expenses	0					
42	Syndication Consultant	0					
43	Tax Opinion	0					
	DEVELOPER'S FEES						
44	Developer's Fees	270,000		270,000	270,000		
45	Other Partnership Fees	270,000		270,000	270,000		
46	Consultant Fees	0					
	RESERVES						
47	Working Capital	54,710					
48	Rent-up (Deficit Escrow) Reserve	0					
49	Other Operating Reserves	0					
50	Sinking Fund	0					
51	Replacement Reserves	0					
	Subtotal - Soft Costs	1,052,758					
	TOTALS	4,182,339	0	4,108,329	4,098,745	0	
	LESS: Amount of Non-qualified Financing			20,000			
	LESS: Adjustment for per unit cost limits	0		0			
	LESS: Historic tax Credit (Residential Portion)			0	0	20% Historic Credit Rate	
	Total Eligible Basis		0	4,088,329		0 Annual Historic Credit	
	TIMES: Adjusted for QCT/DDA	130.0%		5,314,828			
	TIMES: Applicable Fraction	66.11%	0	3,513,631			
	Total Qualified Basis		0	3,513,631	4,098,745	Long Term Depreciable Basis	
	TIMES: Applicable Percentage		3.39%	3.39%	27.5	Depreciation Schedule	
	Total Annual Credit Qualified		0	119,112	149,045	Annual Depreciation	

Total Tax Credits Requested	118,256
Estimated Net Syndication Proceeds	
(excluding historic credit equity)	1,355,000
Estimated Yield - Housing Credit Syndication	114.58%
Equity Gap	1,272,889
Credits Needed to fill Equity Gap	112,212

27,200 Short Term Depreciable Basis

7 Depreciation Schedule

3,886 Annual Depreciation

65% 0

17-May-04 **Vernon Senior Housing** 137.35

		Budget	Per Unit	Per s.f.	VHCB Terms: 0% Def. $415,000	VHCB Terms: Grant $8,000	HOME Terms: 5.5% Def. $276,500	REEP Terms: ????? $12,000	Town Funds Terms: 0% $730,000	State Funds Terms: 0% $100,000	HUD loan Terms: 5.5%/30 786,700	Debt Terms: 6%/40 $400,000	Equity Terms: 7%/1 $1,355,000	Devlp'r Loan Terms: 1%/15 $100,000	TOTAL SOURCES	
					Allocation of Sources											
	ACQUISITION															
1	Land	0	0	0.00											0	0
2	Purchase of Building(s)	0	0	0.00											0	0
3	Demolition (without replacement)		0	0.00											0	0
4	Property Appraisal	0	0	0.00											0	0
5	Legal - Title and Recording	5,300	221	0.23	5,300										5,300	0
	Subtotal - Acquisition	5,300	221	0.23												
	CONSTRUCTION HARD COSTS															
6	Rehabilitation		0	0.00											0	0
7	New Building(s)	2,517,595	104,900	110.49	349,700		276,500	12,000	730,000	100,000	786,700	262,695			2,517,595	0
8	Accessory Buildings		0	0.00											0	0
9	Sitework	425,000	17,708	18.65								137,305	287,695		425,000	0
10	Commercial Space Costs (if any)		0	0.00											0	0
11	General Requirements		0	0.00											0	0
12	Contractor Overhead		0	0.00											0	0
13	Contractor Profit		0	0.00											0	0
14	Construction Contingency	154,486	6,437	6.78									154,486		154,486	0
15	Construction Management		0	0.00											0	0
16	Construction Bond Fee		0	0.00											0	0
17	Hazardous Materials Abatement	0	0	0.00											0	0
18	Off-Site Improvements		0	0.00											0	0
19	Furnishings, Fixtures, & Equipment	27,200	1,133	1.19									27,200		27,200	0
20	Other (______________)		0	0.00											0	0
	Subtotal - Hard Costs	3,124,281	130,178	137.12												
	SOFT COSTS															
21	Architectural	270,350	11,265	11.87	60,000	8,000							202,350		270,350	0
22	Engineering		0	0.00											0	0
23	Legal/Accounting	22,500	938	0.99									22,500		22,500	0
24	Relocation		0	0.00											0	0
25	Environmental Assessment	2,700	113	0.12									2,700		2,700	0
26	Energy Assessment		0	0.00											0	0
27	Permits/Fees	39,233	1,635	1.72									39,233		39,233	0
28	Independent Market Study		0	0.00											0	0
29	Construction Period Insurance	9,000	375	0.39									9,000		9,000	0
30	Construction Interest-3.5%	33,075	1,378	1.45									33,075		33,075	0
31	Construction Loan Origination Fee	33,680	1,403	1.48									33,680		33,680	0
32	Taxes During Construction	9,000	375	0.39									9,000		9,000	0
33	Clerk of the Works	20,000	833	0.88									20,000		20,000	0
34	Marketing	5,000	208	0.22									5,000		5,000	0
35	Tax Credit Fees	6,010	250	0.26									6,010		6,010	0
36	Soft Cost Contingency	7,500	313	0.33									7,500		7,500	0
37	Permanent Loan Origination Fee		0	0.00											0	0
38	Lender's Counsel's Fee		0	0.00											0	0
39	Other (______________)		0	0.00											0	0
	SYNDICATION COSTS															
40	Organizational (Partnership)		0	0.00											0	0
41	Bridge Loan Fees and Expenses		0	0.00											0	0
42	Syndication Consultant		0	0.00											0	0
43	Tax Opinion		0	0.00											0	0
	DEVELOPER'S FEES															
44	Developer's Fees	270,000	11,250	11.85									220,000	50,000	270,000	0
45	Other Partnership Fees	270,000	11,250	11.85									220,000	50,000	270,000	0
46	Consultant Fees		0	0.00											0	0
	RESERVES															
47	Working Capital	54,710	2,280	2.40									54,710		54,710	0
48	Rent-up (Deficit Escrow) Reserve		0	0.00											0	0
49	Other Operating Reserves		0	0.00											0	0
50	Sinking Fund		0	0.00											0	0
51	Replacement Reserves		0	0.00											0	0
	Subtotal - Soft Costs	1,052,758	43,865	46.20												
	TOTAL DEVELOPMENT COSTS	4,182,339	174,264	184	415,000	8,000	276,500	12,000	730,000	100,000	786,700	400,000	1,354,139	100,000	4,182,339	
		3,642,339													4,182,339	
		540,000														
		14.83%														
		180,000														

17-May-04 **Vernon Senior Housing**

HC Restricted Units Bedrooms	Type	Average Square Feet	Number	Average Rent	Utilities	Total Annual Rent
1 Br		570	8	470	0	45,120
1 Br		596	2	470	0	11,280
1 Br		596	5	540	0	32,400
2 Br		780	2	650	0	15,600
3 Br		0	0	0	0	0
4+ Br		0	0	0	0	0
	Totals	10,292	17			104,400

Non-HC Restricted Units Bedrooms	Type	Square Feet	Number	Rent	Utilities	Total Annual Rent
0 Br			0	0	0	0
1 Br		596	1	670	0	8,040
2 Br		780	6	800	0	57,600
3 Br		0	0	0	0	0
4+ Br		0	0	0	0	0
	Totals	5,276	7			65,640

Common area		7,217		
	Grand Totals	22,785	24	170,040
	Less Vacancy		5.00%	(8,502)

NET RENT	161,538

OTHER INCOME

Laundry	
Parking	0
Commercial Space Income	
Other	

TOTAL INCOME	161,538

Vernon Senior Housing

Building #	Unit #	Check all Applicable: HOME Unit	Lead Paint Unit	Project Based Assistance	Tax Credit Unit	VHCB Restricted	Accessible	Adaptable	Unrestricted	A: Number of Bedrooms	Proposed Square Footage	Proposed Rent	Utility Allowance for Tenant-Paid Utilities	Gross Rent (Rent + Tenant-Paid Utilities)	B: OCCUPIED BY: Income level of residents to be served: <30%	<50%	<60%	<80%	<100%	>100%	C: AFFORDABLE TO: Units affordable to residents at: 30%	50%	60%	65%	80%	100%+
	1			1	1	1	1			1	570	470	38	508		1						1				
	2			1	1	1	1			1	570	470	38	508		1						1				
	3			1	1	1		1		1	570	470	38	508		1						1				
	4			1	1	1		1		1	570	470	38	508		1						1				
	5			1	1	1		1		1	570	470	38	508		1						1				
	6			1	1	1		1		1	570	470	38	508		1						1				
	7			1	1	1		1		1	570	470	38	508		1						1				
	8			1	1	1		1		1	570	470	38	508		1						1				
	9				1	1		1		1	596	540	38	578			1						1			
	10				1	1	1			2	780	650	47	697			1						1			
	11				1	1	1			2	780	650	47	697			1						1			
	12							1	1	2	780	800	47	847					1						1	
	13							1	1	2	780	800	47	847					1						1	
	14							1	1	2	780	800	47	847					1						1	
	15							1	1	2	780	800	47	847					1						1	
	16							1	1	2	780	800	47	847					1						1	
	17							1	1	2	780	800	47	847					1						1	
	18			1	1	1		1		1	596	470	38	508		1						1				
	19			1	1	1		1		1	596	470	38	508		1						1				
	20				1	1		1		1	596	540	38	578			1						1			
	21				1	1		1		1	596	540	38	578			1						1			
	22				1	1		1		1	596	540	38	578			1						1			
	23				1	1		1		1	596	540	38	578			1						1			
	24							1	1	1	596	670	38	708					1						1	
Total # Units	24	0	0	10	17	17	4	20	7	Totals:	15,568	14,170		Total # Units:	0	10	7	0	7	0	0	10	7	0	7	0

	li unit	total unit	%	li sf	total sf	%
1 br	15	16	93.75%	8,732	9,328	93.61%
2 br	2	8	25.00%	1,560	6,240	25.00%
total	17	24	70.83%	10,292	15,568	66.11%

17-May-04 **Vernon Senior Housing**

	Annual	Monthly	Per Unit Per Month	
Administration				
Management Fee	16,000	1,333	56	9.41%
Social Services	4,500	375	16	
Audit/Accounting	3,800	317	13	
Legal	1,500	125	5	
Compliance Monitoring	816	68	3	816
Misc. Admin Fee	2,304	192	8	
Office Expense	500	42	2	
TOTAL ADMINISTRATIVE	29,420	2,452	102	
Utilities				
Electricity	8,500	708	30	
Fuel-oil	15,000	1,250	52	
Water and Sewer	1,500	125	5	
Fire Alarm / Emergency		0	0	
Other		0	0	
TOTAL UTILITIES	25,000	2,083	87	
Maintenance				
Maintenance / Janitor Payroll	12,000	1,000	42	
Janitor Supplies	3,000	250	10	
Exterminating	500	42	2	
Trash Removal	4,000	333	14	
Snow Removal	4,000	333	14	
Grounds	5,000	417	17	
Repairs Material	0	0	0	
Repairs Contract	0	0	0	
HVAC Repairs / Maintenance	1,000	83	3	
Elevator Contract / Repairs		0	0	
Painting and Decorating	1,000	83	3	
Other	0	0	0	
TOTAL MAINTENANCE	30,500	2,542	106	
Real Estate Taxes	17,000	1,417	59	
Property Insurance	7,500	625	26	per unit month
Replacement Reserves	10,000	833	35	excl. ds & res.
Primary Debt Service	30,353	2,529	105	380
Other "must pay" debt service		0	0	
Other		0	0	
Total	149,773	12,481	520	24,962

form revision date: 2/27/97

17-May-04		Vernon Senior Housing														
	Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Operating Income																
Gross Rent		170,040	171,740	173,458	175,192	176,944	178,714	180,501	182,306	184,129	185,970	187,830	189,708	191,605	193,521	195,457
Other Income		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Vacancy and other losses		(8,502)	(8,587)	(8,673)	(8,760)	(8,847)	(8,936)	(9,025)	(9,115)	(9,206)	(9,299)	(9,391)	(9,485)	(9,580)	(9,676)	(9,773)
Total Operating Income		161,538	163,153	164,785	166,433	168,097	169,778	171,476	173,191	174,923	176,672	178,438	180,223	182,025	183,845	185,684
Operating Expenses																
Total Expenses (excl. Reserves)		109,420	112,156	114,959	117,833	120,779	123,799	126,894	130,066	133,318	136,651	140,067	143,569	147,158	150,837	154,608
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		119,420	122,256	125,160	128,136	131,185	134,309	137,509	140,787	144,146	147,587	151,113	154,725	158,426	162,218	166,102
Net Operating Income		42,118	40,898	39,625	38,296	36,912	35,469	33,967	32,403	30,776	29,084	27,325	25,498	23,599	21,628	19,581
Less Primary Debt Service		30,353	30,353	30,353	30,353	30,353	30,353	30,353	30,353	30,353	30,353	30,353	30,353	30,353	30,353	30,353
Less Secondary Debt Service		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Annual Cash Flow		11,765	10,545	9,271	7,943	6,559	5,116	3,614	2,050	423	(1,269)	(3,028)	(4,855)	(6,754)	(8,725)	(10,772)
Operating Subsidies / Sinking Fund		0	0	0	0	0	0	0	0	0	1,269	3,028	4,855	6,754	8,725	10,772
Net Cash		11,765	10,545	9,271	7,943	6,559	5,116	3,614	2,050	423	0	0	0	0	0	0
DCR		138.76%	134.74%	130.55%	126.17%	121.61%	116.86%	111.91%	106.75%	101.39%	95.82%	90.02%	84.00%	77.75%	71.25%	64.51%
Cumulative Cash Flow																
Beginning Balance		27,355	39,511	50,556	60,426	69,053	76,368	82,299	86,772	89,710	91,035	90,676	88,556	84,586	78,677	70,739
Deposits		11,765	10,545	9,271	7,943	6,559	5,116	3,614	2,050	423	0	0	0	0	0	0
Interest	2.0%	391	501	598	684	756	815	859	888	901	910	907	886	846	787	707
Withdrawals		0	0	0	0	0	0	0	0	0	(1,269)	(3,028)	(4,855)	(6,754)	(8,725)	(10,772)
repayment of deferred dev fee																
Ending Balance		39,511	50,556	60,426	69,053	76,368	82,299	86,772	89,710	91,035	90,676	88,556	84,586	78,677	70,739	60,675
Cumulative Replacement Reserves																
Beginning Balance		0	10,100	20,402	30,909	41,624	(11,169)	(666)	10,049	20,978	32,124	(20,228)	(9,274)	1,902	13,302	24,929
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	202	306	412	520	(7)	99	208	318	431	(92)	19	132	247	364
Withdrawals	2,655	0	0	0	0	(63,720)	0	0	0	0	(63,720)	0	0	0	0	(63,720)
Ending Balance		10,100	20,402	30,909	41,624	(11,169)	(666)	10,049	20,978	32,124	(20,228)	(9,274)	1,902	13,302	24,929	(26,932)
(30,166)																
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Net Operating Income		42,118	40,898	39,625	38,296	36,912	35,469	33,967	32,403	30,776	29,084	27,325	25,498	23,599	21,628	19,581
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		(165,221)	(129,054)	(85,246)	(84,424)	(83,554)	(82,631)	(81,654)	(80,617)	(79,519)	(78,355)	(77,121)	(75,813)	(74,427)	(72,957)	(71,399)
Less Long Depreciation		(149,045)	(149,045)	(149,045)	(149,045)	(149,045)	(149,045)	(149,045)	(149,045)	(149,045)	(149,045)	(149,045)	(149,045)	(149,045)	(149,045)	(149,045)
Less Short Depreciation		(3,886)	(3,886)	(3,886)	(3,886)	(3,886)	(3,886)	(3,886)	0	0	0	0	0	0	0	0
Taxable Income (Loss)		(266,034)	(230,987)	(188,351)	(188,756)	(189,167)	(189,583)	(190,002)	(186,538)	(186,960)	(187,379)	(187,795)	(188,204)	(188,605)	(188,994)	(189,368)
Cash Flow		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings		93,112	80,845	65,923	66,065	66,208	66,354	66,501	65,288	65,436	65,583	65,728	65,872	66,012	66,148	66,279
Plus Tax Credits		118,256	118,256	118,256	118,256	118,256	118,256	118,256	118,256	118,256	118,256					
After Tax Cash Flow		211,368	199,101	184,179	184,321	184,464	184,610	184,757	183,544	183,692	183,839	65,728	65,872	66,012	66,148	66,279
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		211,368	199,101	184,179	184,321	184,464	184,610	184,757	183,544	183,692	183,839	65,728	65,872	66,012	66,148	66,279
Future Value of Cash Flows at Yr 15:		1,156,936	973,031	803,664	718,109	641,669	573,371	512,345	454,449	406,084	362,865	115,836	103,650	92,742	82,976	74,232
Discount Rate	6.00%															
Capital Contribution Number	1	2	3	4	5	6	7	8								
Date of Capital Contribution	01-Oct-04	01-Sep-05	01-Nov-05	01-Sep-06	01-Sep-07	17-May-04	17-May-04	17-May-04								
Amount of Capital Contribution	29,235	43,852	146,174	584,694	657,781	0	0	0								
Present Value of Contributions:	29,235	41,471	136,839	520,314	550,808											
Cash Flows	(1,278,667)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	7,071,959

IRR:	12.08%
Equity Yield:	109%

RESOLUTION RE: CONSTRUCTION AND PERMANENT FINANCING AND PROPOSED ALLOCATION OF STATE HOUSING CREDITS FOR VERNON SENIOR HOUSING, VERNON

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

WHEREAS, an application has been submitted to the Agency by Housing Vermont, Brattleboro Area Community Land Trust, and Vernon Senior Housing (the "Sponsors") on behalf of a to-be-formed limited partnership in which the Sponsors or their subsidiaries will be the general partners (the "Borrower") involving the construction of twenty-four (24) units of senior rental housing in the Town of Vernon (the "Development"); and

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

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

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

WHEREAS, the Agency administers the allocation of the federal Low Income Housing Tax Credits and State Housing Credits under the State's Qualified Allocation Plan;

WHEREAS, the Governor of the State of Vermont has approved the 2004-2005 Qualified Allocation Plan; and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid dated May 20, 2004, containing information and recommendations about the Development (the "Memorandum");

THEREFORE, it is hereby DETERMINED:

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

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

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

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

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

6. The Sponsors are financially responsible and are qualified housing sponsors within the meaning of the Act. The Borrower will be required to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to the limited partnership to be created by the Sponsors for the construction and permanent financing of the Development based on the recommendations in the attached Memorandum. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the Sponsors in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

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

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

4. That the recommendations for allocation of State Housing Credits contained in the Memorandum which is attached and incorporated by this reference be approved;

5. That the Executive Director and the appropriate staff are hereby authorized to take such actions as are described in the 2004-2005 Qualified Allocation Plan regarding the proposed allocation of State Housing Credits in the amount of $25,000 for the Vernon Senior Housing project in the Town of Vernon, Vermont.

vhfa

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Multifamily Development Underwriter CR

DATE: May 20, 2004

RE: Request for Allocated Housing Credits: Waugh Opera House, St. Albans

Name:	Waugh Opera House	**Location:**	St. Albans
Housing Type:	General Occupancy	**Unit Type:**	Flats
Unit Count:	20 Total Units 16 Housing Credit Units	**Unit Sizes:**	18 1-BR @ 705 avg s.f. 2 2-BR @ 865 avg s.f.
Total Cost:	$3,787,720	**Per S.F. Acquisition & Construction Cost:**	$125.29
Loan Requested:	$0	**Sponsors:**	Housing Vermont and Lake Champlain Housing Development Corporation
Housing Credits:	$176,000 (Ceiling "9%" Credits)		
Other Funding:	HOME, VHCB, VCDP, HUD Special Purpose, City of St. Albans Loan, REEP, Federal Historic Credit, State Historic Downtown Credit		

Recommendation: That the VHFA Board of Commissioners approve the attached resolution to authorize staff to issue the appropriate documentation according to the Qualified Allocation Plan.

Project Summary: The Waugh Opera House is a historic building located at 22-28 North Main Street in downtown St. Albans. The first floor is commercial space, and its owners have a contract to sell the three upper floors to a to-be-formed limited partnership consisting of subsidiaries of Housing Vermont and Lake Champlain Housing Development Corporation. Built in 1883, the building has survived two major fires. It has had both commercial and residential uses over time, and in recent years has suffered from neglect. The partnership will rehab the currently uninhabitable structure and create 20 rental units. The design is challenging due to the size of the building, and the fact that the south wall shares a party wall and thus has no windows. Overall it means there is more common space relative to the units (40%) than in most residential buildings used for general occupancy. There will be 18 one-bedroom units and two two-bedroom units. The City has recently been approved as having a "designated downtown", and this means that the project does not need an Act 250 permit and that it is eligible for downtown redevelopment tax credits. The building is an important historic landmark in the City, is on the National Historic Register, and City officials are very supportive of the project. There is a municipal parking lot in the back of the building, and 20 spaces will be available for the residents. The front of the building overlooks Taylor Park. The project does not need a local permit (beyond a building permit). The sponsors have an application in for VCDP (June decision). There is $190,000 in HUD Special Purpose funding available for this project. All other funding is committed. Construction is planned to begin this fall.

Tax Credit Summary: The Housing Credits ($176,000) represent approximately 4% of the 2004-2005 credit ceiling (combined). After setting aside these credits there will be approximately $983,970 in credits available from the 2004-2005 credits (see attached status report).

The proposal meets four top-tier priorities of the "Consolidated Plan" criterion (rehab; in a historic settlement pattern; in a designated downtown; removal of blight) and two second-tier priorities (mixed income; unique design – creative rehab of a building on the National Historic Register).

Of the 16 housing credit-restricted units, six are affordable to households at or below 50% of area median income, and nine are affordable to households at or below 60% of area median income. Four units are market units. The project's rents are approximately 18% below market rents (of good quality units) in the St. Albans area.

The market study does not meet the market study standards. It lacks: detailed description of comparable properties, discussion of impact on existing housing stock, description of area employment for this market sector, discussion of weaknesses or risks associated with the project, discussion of pipeline projects in the area, vacancy rate, penetration rate, and an explanation of the methodology used in calculating propensity to move. The market study also lacked the addenda including certifications of analyst, statement of qualifications, a list of sources in one appendix, and the demographic reports cited in the study. However, it does indicate "more than sufficient market demand" for the project, and does contain some useful information. Due to the high number of one-bedroom units in a relatively small market area, given that there are no project-based Section 8 vouchers available to enhance affordability, and that six of the units face out onto a side alleyway, staff is conditioning the recommendation for a Credit Allocation for Waugh Opera House on obtaining additional information from the developer's market analyst.

The high cost of this project is due to many factors – historic rehab; lack of exterior windows and the effect of that on design; number of kitchens and baths per total residential area; cost of materials has increased. However, the per square foot construction cost is in line with other historic rehabs VHFA has participated in recently.

The project meets all of the required design standards for its size except for the provision of a playground area. Since the residential units are on the upper stories of a building that only is on a footprint and has no land around it, it is impossible to provide an on-site playground. However, across the street is the City's spacious Taylor Park.. There is an elevator that only goes to the third (not the fourth) story. Because the elevator is owned by the adjacent building owner, the project sponsors are not recommending any change to it. The project meets some of the recommended design standards. The developers are in the process of trying to add a community room (although it may not have a bathroom and kitchen area due to overall cost of the project). There is on-site tenant storage. There will be tenant parking adjacent to the building. There is not an on-site management office, but Lake Champlain Ventures has an office two blocks away in the first floor of the Butler House (a tax credit project recently completed).

Housing Credit Status Report

Total 2004 Available:		2,075,000	
Total 2005 Available:		2,075,000	
			4,150,000
Less: LOI, Res, CA issued from 04-05		2,990,029	
Remaining Available from 2004-2005:			1,159,971

Project Name	City	County	MSA / Non MSA	Total # of Units	# of LIHTC Units	Project Type	Housing Credit Allocation
Pipeline							
Pre-Applicaton Meetings							
Waugh Opera Block	St Albans	Franklin	MSA	20	16	Rehab	176,000
River Station	Montpelier	Washington	Non MSA	36		New Construction	460,000
Whitcomb Terrace	Essex Junction	Chittenden	MSA	19	15	New Construction	157,558
Central Block	Winooski	Chittenden	MSA	232		New Construction	1,964,260
Letter of Intent, Reservation, or Carryover Allocation Issued							
Butterfield Family	West Dover	Windham	Non MSA	7	7	New Construction	119,000
Stony Creek	Wilder	Windsor	Non MSA	18	18	New Construction	271,374
Roosevelt Apts.	Burlington	Chittenden	MSA	27	27	New Construction	387,079
Templeton Court Rehab	White River Jct	Windsor	Non MSA	10	10	Rehab	147,525
Waterfront	Burlington	Chittenden	MSA	40	28	New Construction	485,000
Stowe	Stowe	Lamoille	Non MSA	42	36	New Construction	505,000
Shelburne Interfaith	Shelburne	Chittenden	MSA	20	18	New Construction	272,000
Island Housing	Grand Isle	Grand Isle	MSA	16	15	New Construction	183,750
203 Pearl Street	Essex Jct	Chittenden	MSA	30	26	New Construction	366,722
Tuttle Building	Rutland	Rutland	Non MSA	13	13	Rehab	160,000
Highgate	Barre	Washington	Non MSA	120	74	Rehab	325,500
Branchwood	Randolph	Orange	Non MSA	12	10	New Construction	126,000
Arlington Village Center	Arlington	Bennington	Non MSA	29	20	Rehab	172,297
Arbor Gardens	Colchester	Chittenden	MSA	37	37	New Construction	389,362
Westgate Allocated	Brattleboro	Windham	Non MSA	74	50	Acquisition/Rehab	512,000
ECHO Scattered Sites	Burlington	Chittenden	MSA	20	18	Acquisition/Rehab	85,000
ECHO North & North	Burlington	Chittenden	MSA	12	11	New Construction	127,000
Park Village II	Brandon	Rutland	Non MSA	34	34	Acquisition/Rehab	369,316
Sunrise Settlement	Quechee	Windsor	Non MSA	22	22	New Construction	381,202
Manchester Commons	Manchester	Bennington	Non MSA	15	10	New Construction	116,931

State Consolidated Plan Priorities / Other Priorities Table

2004

	First Tier						Second Tier						
	Rehab or Vacancy <3.5%	Family Housing	Settlement Pattern	Downtown or Village Center	Removal of Blight	Special Needs	Mixed Income	Unique Design	<30% or targets homeless	Public Housing	Eventual Tenant Ownership	Total	
River Station	XX	XX	XX	XX			X					53%	$ 460,000
Central Block	XX	XX	XX	XX			X		X			59%	$ 1,964,260
Waugh Opera House	XX		XX	XX	XX		X	X				59%	$ 176,000
Whitcomb Terrace	XX		XX			XX	X	X	X			53%	$ 157,558

2003 Round One

	First Tier						Second Tier						
	Rehab or Vacancy <2%	Family Housing	Settlement Pattern	Downtown	Removal of Blight	Special Needs	Mixed Income	Growth Center	<30%	Public Housing	Eventual Tenant Ownership	Total	Credits Requested
Roosevelt Apartments	XX	XX	XX	XX				X	X			59%	$ 387,189
Shelburne Family Housing	XX	XX	XX		X		X	X	X			59%	$ 272,000
203 Pearl Street	XX	XX	XX		X		X	X				53%	$ 350,143
Essex Village Family Housing	XX	XX	XX				X	X				47%	$ 580,000
Island Housing	XX	XX	XX				X					41%	$ 175,000
Whetstone Housing	XX		XX	XX				X				41%	$ 135,000
Tuttle Building	XX		XX	XX								35%	$ 160,000
Arbor Gardens Phase II	XX	XX						X				29%	$ 240,682

2003 Round Two

	First Tier						Second Tier						
	Rehab or Vacancy <2%	Family Housing	Settlement Pattern	Downtown	Removal of Blight	Special Needs	Mixed Income	Growth Center	<30%	Public Housing	Eventual Tenant Ownership	Total	Credits Requested
Roosevelt Apartments	XX	XX	XX	XX				X	X			59%	$ 387,079
Riverside Village	XX	XX	XX				X	X				47%	$ 580,000
Butterfield Commons Family	XX	XX	XX					X				41%	$ 119,000
Stony Creek	XX	XX	XX					X				41%	$ 271,374
Arbor Gardens Phase II	XX	XX					X	X				35%	$ 196,371

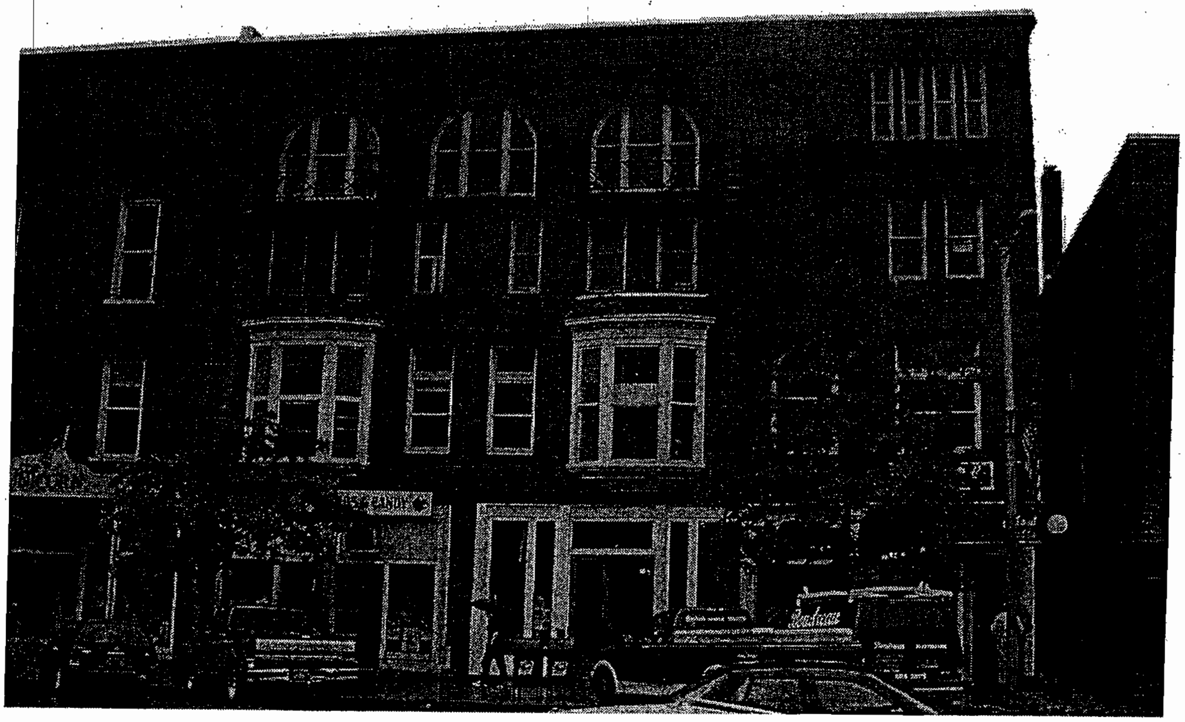
2002 Round One

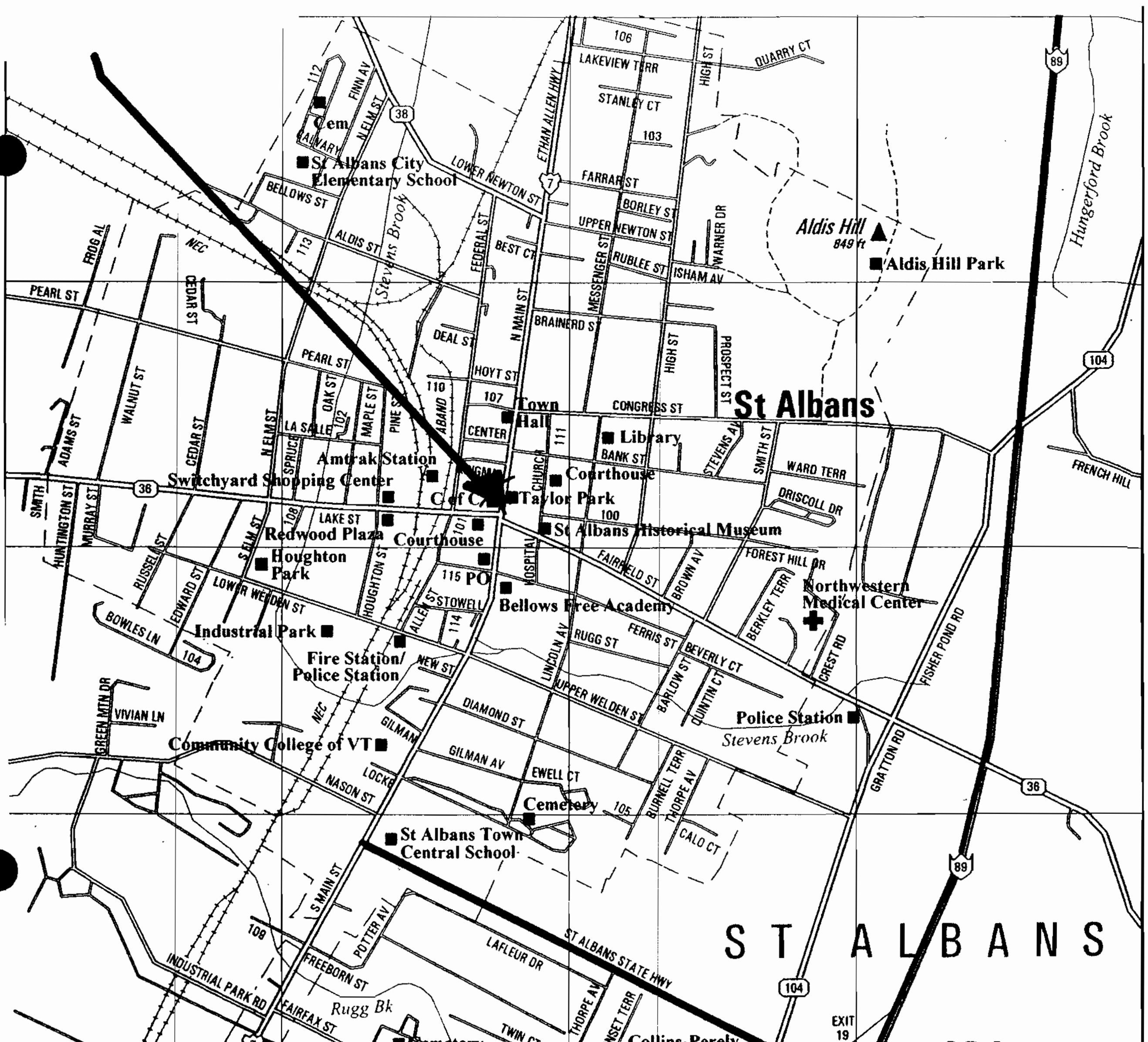
	First Tier						Second Tier						
	Rehab or Vacancy <2%	Family Housing	Settlement Pattern	Downtown	Removal of Blight	Special Needs	Mixed Income	Growth Center	<30%	Public Housing	Eventual Tenant Ownership	Total	Credits Requested
Depot Street	XX	XX	XX	XX			X	X				59%	$ 415,000
Randolph Family Housing	X	XX	XX	XX			X	X	X			59%	$ 120,000
Templeton Court Rehab	XX	XX	XX					X	X	X		53%	$ 140,500
Burlington Family Rehab	XX		XX	XX				X	X			47%	$ 85,000
Old North End Renaissance	XX		XX	XX				X	X			47%	$ 127,000
Arbor Gardens	XX	XX						X				29%	$ 32,357
Park Village II	XX	X							X			24%	$ 352,369
Sunrise Settlement		XX	XX									24%	$ 363,530

2002 Round Two

	First Tier						Second Tier						
	Rehab or Vacancy <2%	Family Housing	Settlement Pattern	Downtown	Removal of Blight	Special Needs	Mixed Income	Growth Center	<30%	Public Housing	Eventual Tenant Ownership	Total	Credits Requested
Waterfront Housing	XX	XX	XX	XX			X	X				59%	$ 485,000
Roosevelt Apartments	XX	XX	XX	XX				X				53%	$ 374,422
203 Pearl Street	XX	XX	XX					X				41%	$ 369,713
Highgate Redevelopment	XX	XX	XX						X			41%	$ 310,000
Manchester Commons	XX	XX	XX					X				41%	$ 108,149
Arbor Gardens Phase II	XX	XX						X				29%	$ 244,060
Stowe Housing	XX	XX										24%	$ 505,000

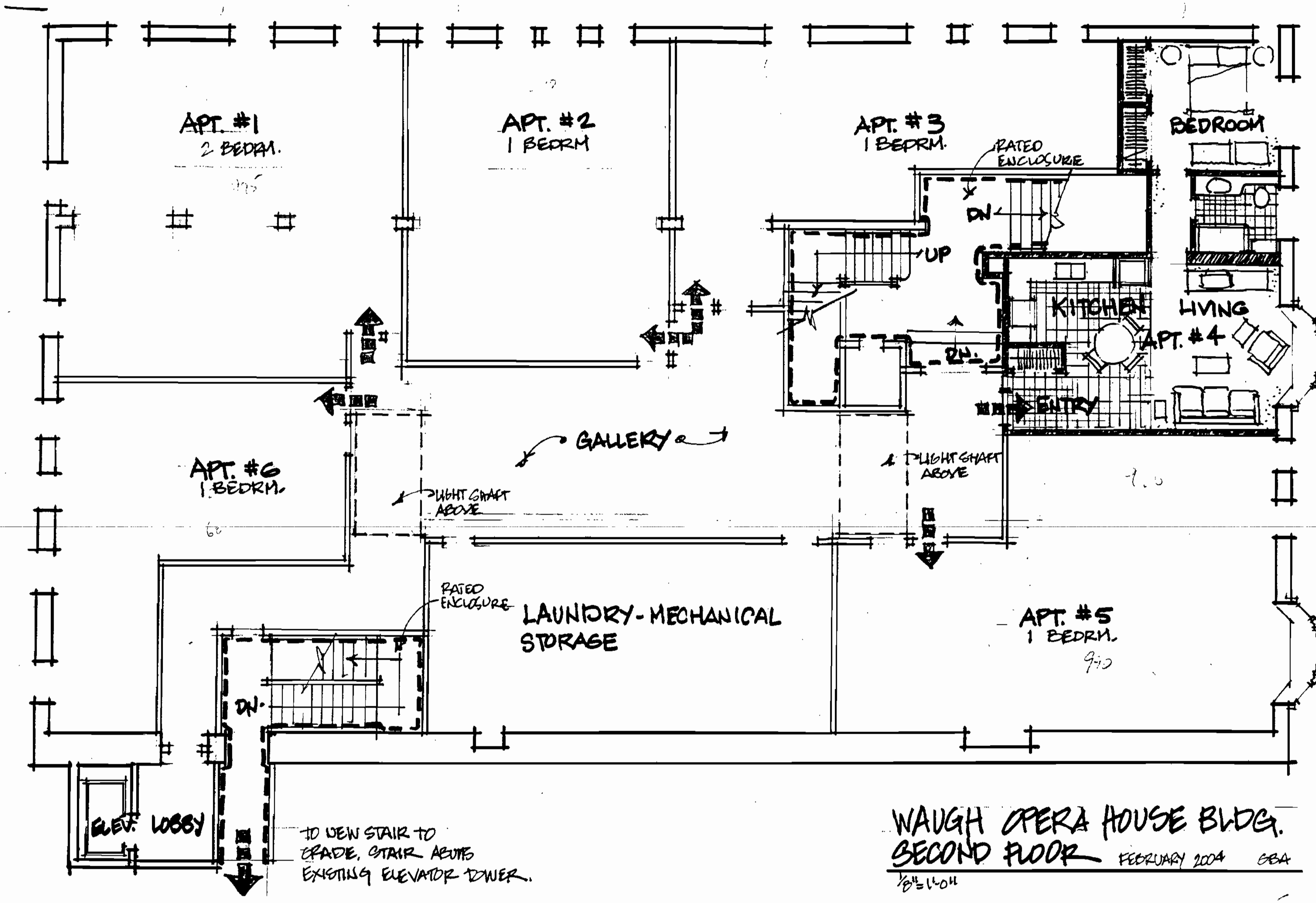
22-28 Main Street, St. Albans City: Waugh Opera House



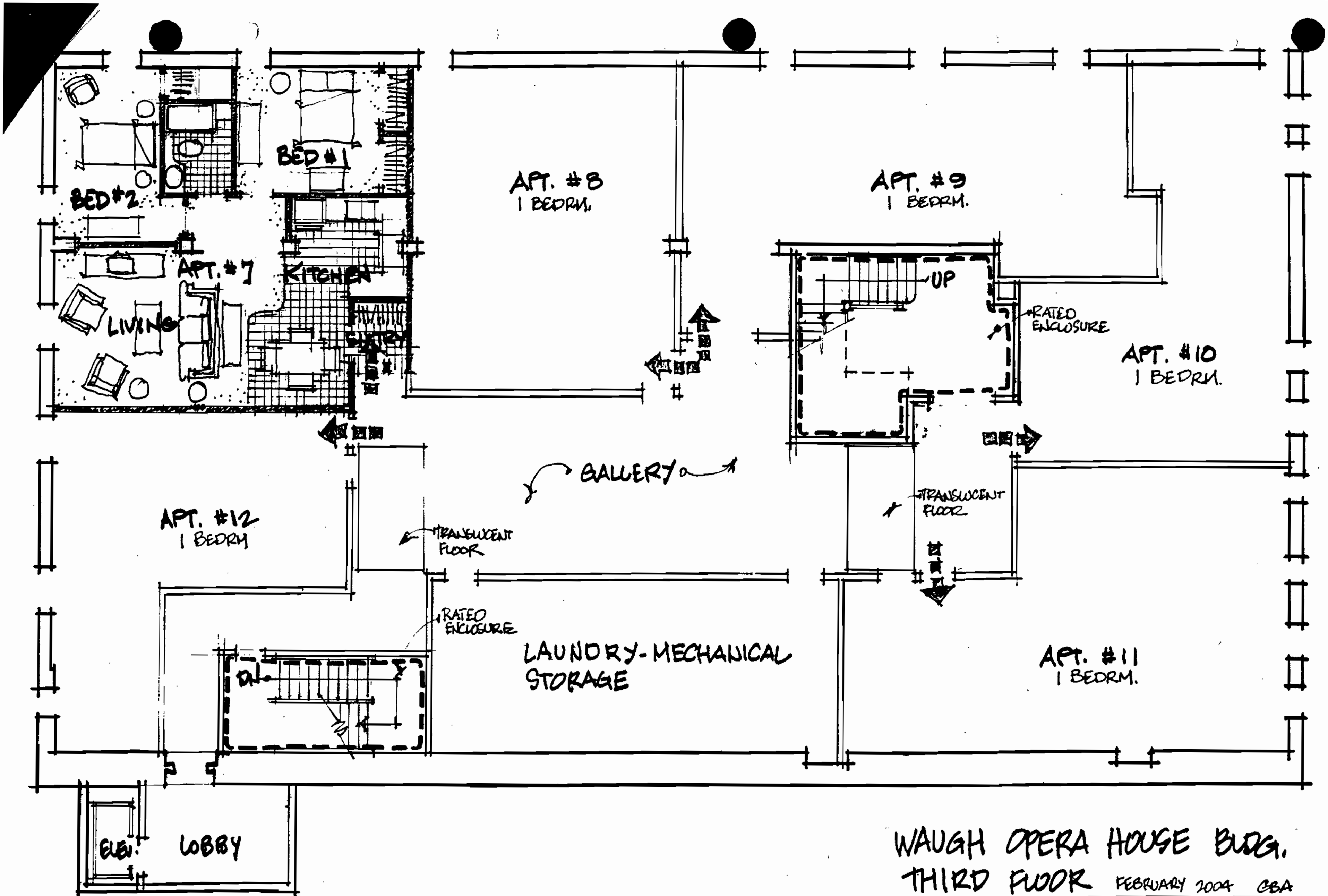


EAST ELEVATION

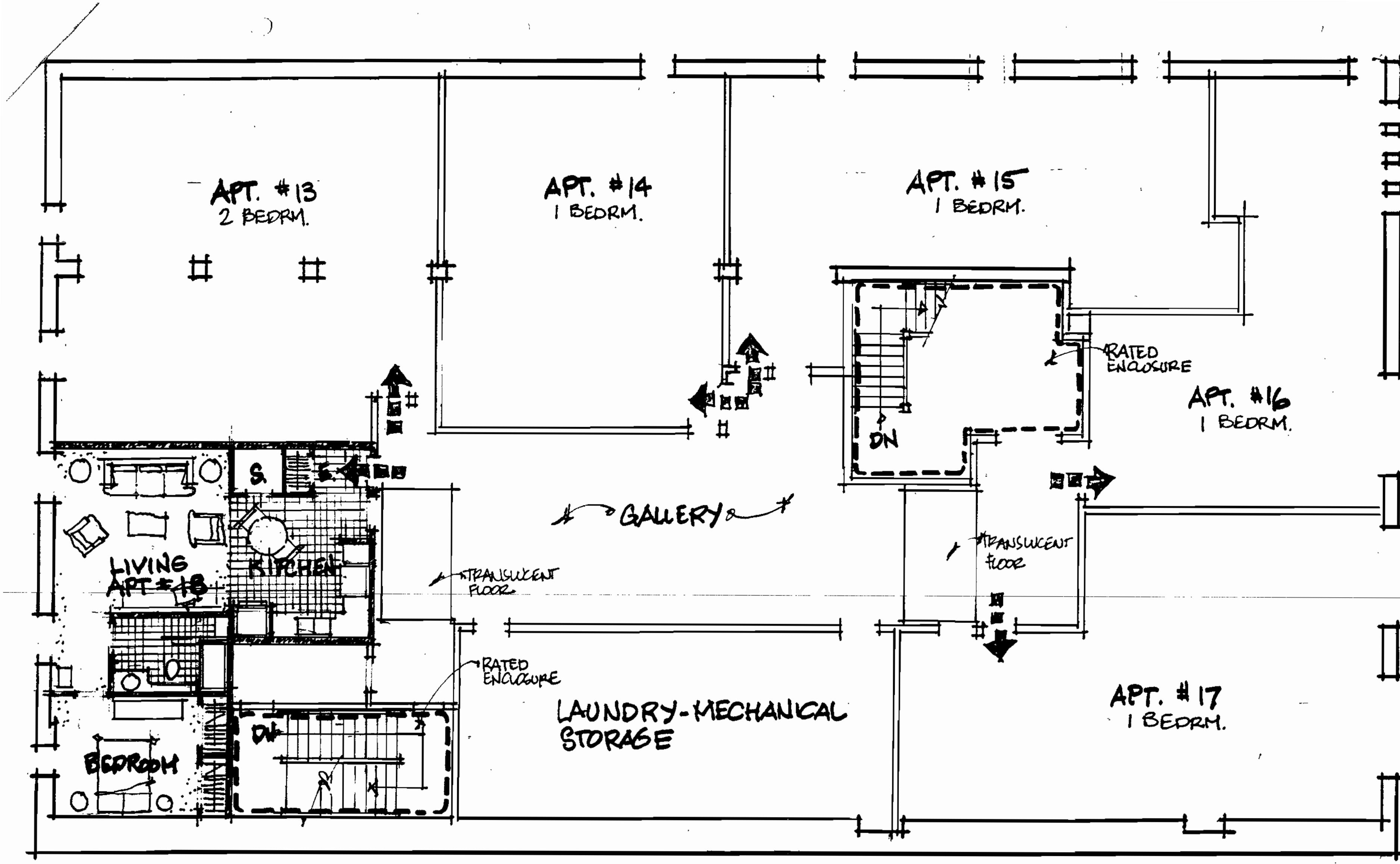
1/8" = 1'-0"



WAUGH OPERA HOUSE BLDG.
SECOND FLOOR FEBRUARY 2004 GBA
1/8"=1'-0"



WAUGH OPERA HOUSE BLDG.
THIRD FLOOR FEBRUARY 2004 CBA
1/8" = 1'-0"



WAUGH OPERA HOUSE BLDG.
FOURTH FLOOR FEBRUARY 2004 EBA
1/8"=1'-0"

19-May-04 **Waugh Opera House**

Total Residential Units:	20	Increase in Income from Rental Units:	1.50%
Housing Credit Restricted Units:	16	Increase in Income from Other Sources:	0.00%
Percent Restricted:	80.00%	Increase in Income from Commercial:	0.00%
Total Development Cost:	3,787,720	Expense increase:	3.00%
Total Development Cost per Unit:	189,386	Vacancy Rate:	5%
Total Development Cost Per SF:	163	Partner's Tax Rate:	35%
Credit Election:	40/60	Long Depreciation Schedule:	27.5 years
Max Credit Potential:	176,348	Short Depreciation Schedule:	7 years
Credit Amount Allocated:	176,000	Sponsor's Estimated Yield:	82.80%

LIHTC - 9%	7.91%	(May 2004)
LIHTC - 4%	3.39%	

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term
First Mortgage	0	0.00%	8.50%	30	20
VHCB--General Fund	350,000	9.24%	0.00%	30	deferred
HOME	245,000	6.47%	5.00%	30	deferred
VHCB Lead	50,000	1.32%	5.00%	30	deferred
VCDP	480,000	12.67%	0.00%	30	deferred
REEP	10,000	0.26%	0.00%	30	deferred
HUD Special Purpose	190,000	5.02%	5.00%	30	deferred
City of St. Albans	20,000	0.53%	0.00%	30	deferred
Developer Loan	46,721	1.23%	5.00%	15	
Other Equity	0	0.00%	N/A	N/A	
Tax Credit Equity	2,396,000	63.26%	N/A	N/A	
TOTAL SOURCES	3,787,721	100.00%			

USES

Acquisition	240,000	6.34%
Construction Hard Costs	2,672,160	70.55%
Soft Costs	875,560	23.12%
TOTAL USES	3,787,720	100.00%
Gap	(1)	

PER UNIT COST LIMIT CALCULATION

	per unit limits	number of units	
0 Br	84,390	0	0
1 Br	90,140	18	1,622,520
2 Br	95,890	2	191,780
3 Br	101,637	0	0
4 Br	107,390	0	0
Maximum cost allowed under the per unit cost limits			1,814,300
Projected total cost, excluding cash accounts			3,753,955
	(over)/under		(1,939,655)

General Partner's Capital Contribution	23,960	1.00%
Limited Partner's Capital Contribution	2,372,040	99.00%
Total Equity	2,396,000	

Equity Raise		
LIHTC	1,457,333	
HTC	648,785	
State HTC	289,882	
TOTAL	2,396,000	2,396,000
		(0)

APPLICABLE FRACTION CALCULATION

Tax Credit Restricted Units	16
Total Units	20
Unit Fraction	80.00%
Tax Credit Square Footage	11,761
Total Residential Square Footage	14,411
Square Footage Fraction	81.61%
Applicable Fraction	80.00%

		Budget	Per Unit	Per s.f.
	ACQUISITION			
1	Land		0	0.00
2	Purchase of Building(s)	233,000	11,650	10.02
3	Demolition (without replacement)		0	0.00
4	Property Appraisal	2,000	100	0.09
5	Legal - Title and Recording	5,000	250	0.22
	Subtotal - Acquisition	240,000	12,000	10.33
	CONSTRUCTION HARD COSTS			
6	Rehabilitation	2,360,000	118,000	101.53
7	New Building(s)		0	0.00
8	Accessory Buildings		0	0.00
9	Sitework		0	0.00
10	Commercial Space Costs (if any)		0	0.00
11	General Requirements		0	0.00
12	Contractor Overhead		0	0.00
13	Contractor Profit		0	0.00
14	Construction Contingency	284,160	14,208	12.23
15	Construction Management		0	0.00
16	Construction Bond Fee		0	0.00
17	Hazardous Materials Abatement	8,000	400	0.34
18	Off-Site Improvements		0	0.00
19	Furnishings, Fixtures, & Equipment	20,000	1,000	0.86
20	Other (____________________)		0	0.00
	Subtotal - Hard Costs	2,672,160	133,608	114.96
	SOFT COSTS			
21	Architectural	242,980	12,149	10.45
22	Engineering		0	0.00
23	Legal/Accounting	15,000	750	0.65
24	Relocation		0	0.00
25	Environmental Assessment	2,600	130	0.11
26	Energy Assessment		0	0.00
27	Permits/Fees	36,740	1,837	1.58
28	Independent Market Study		0	0.00
29	Construction Period Insurance	16,409	820	0.71
30	Construction Interest	59,900	2,995	2.58
31	Construction Loan Origination Fee	39,460	1,973	1.70
32	Taxes During Construction		0	0.00
33	Clerk of the Works	12,000	600	0.52
34	Marketing	5,000	250	0.22
35	Tax Credit Fees	7,040	352	0.30
36	Soft Cost Contingency	10,666	533	0.46
37	Permanent Loan Origination Fee		0	0.00
38	Lender's Counsel's Fee		0	0.00
39	Other (_historic preservation consultant_	4,000	200	0.17
	SYNDICATION COSTS			
40	Organizational (Partnership)		0	0.00
41	Bridge Loan Fees and Expenses		0	0.00
42	Syndication Consultant		0	0.00
43	Tax Opinion		0	0.00
	DEVELOPER'S FEES			
44	Developer's Fees	390,000	19,500	16.78
45	Other Partnership Fees		0	0.00
46	Consultant Fees		0	0.00
	RESERVES			
47	Working Capital	11,255	563	0.48
48	Rent-up (Deficit Escrow) Reserve		0	0.00
49	Other Operating Reserves	22,510	1,126	0.97
50	Sinking Fund		0	0.00
51	Replacement Reserves		0	0.00
	Subtotal - Soft Costs	875,560	43,778	37.67
	TOTAL DEVELOPMENT COSTS	3,787,720	189,386	162.96

3,397,720
11.48%

19-May-04 **Waugh Opera House**

		Budget	Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Other
	ACQUISITION						
1	Land	0					
2	Purchase of Building(s)	233,000			233,000		
3	Demolition (without replacement)	0			0		
4	Property Appraisal	2,000			2,000	2,000	
5	Legal - Title and Recording	5,000			5,000		
	Subtotal - Acquisition	240,000					
	CONSTRUCTION HARD COSTS						
6	Rehabilitation	2,360,000		2,360,000	2,360,000	2,360,000	
7	New Building(s)	0					
8	Accessory Buildings	0					
9	Sitework	0					
10	Commercial Space Costs (if any)	0					
11	General Requirements	0					
12	Contractor Overhead	0					
13	Contractor Profit	0					
14	Construction Contingency	284,160		284,160	284,160	284,160	
15	Construction Management	0					
16	Construction Bond Fee	0					
17	Hazardous Materials Abatement	8,000		8,000	8,000		
18	Off-Site Improvements	0					
19	Furnishings, Fixtures, & Equipment	20,000		20,000	20,000		
20	Other (______________)	0					
	Subtotal - Hard Costs	2,672,160					
	SOFT COSTS						
21	Architectural	242,980		242,980	242,980	242,980	
22	Engineering	0					
23	Legal/Accounting	15,000		15,000	15,000	15,000	
24	Relocation	0					
25	Environmental Assessment	2,600		2,600	2,600	2,600	
26	Energy Assessment	0					
27	Permits/Fees	36,740		36,740	36,740	36,740	
28	Independent Market Study	0					
29	Construction Period Insurance	16,409		16,409	16,409	16,409	
30	Construction Interest	59,900		59,900	59,900	59,900	
31	Construction Loan Origination Fee	39,460		37,487	37,487	37,487	
32	Taxes During Construction	0					
33	Clerk of the Works	12,000		12,000	12,000	12,000	
34	Marketing	5,000					
35	Tax Credit Fees	7,040		7,040	7,040	7,040	
36	Soft Cost Contingency	10,666		10,666	10,666	10,666	
37	Permanent Loan Origination Fee	0					
38	Lender's Counsel's Fee	0					
39	Other (_historic preservation consultant_)	4,000		4,000	4,000	4,000	
	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	390,000		360,000	390,000	360,000	
45	Other Partnership Fees	0					
46	Consultant Fees	0					
	RESERVES						
47	Working Capital	11,255					
48	Rent-up (Deficit Escrow) Reserve	0					
49	Other Operating Reserves	22,510					
50	Sinking Fund	0					
51	Replacement Reserves	0					
	Subtotal - Soft Costs	875,560					
	TOTALS	3,787,720	0	3,476,982	3,726,982	3,450,982	

	Budget	Acquisition Basis	Construction Basis	Residential Depreciation		
LESS: Amount of Non-qualified Financing						
LESS: Adjustment for per unit cost limits						
LESS: Historic tax Credit (Residential Portion)			690,196	690,196	20%	Historic Credit Rate
Total Eligible Basis		0	2,786,786		690,196	Annual Historic Credit
TIMES: Adjusted for QCT/DDA--N/A--Burl MSA	100.0%		2,786,786		345,098	**State HTC at 10%**
TIMES: Applicable Fraction	80.00%	0	2,229,428			
Total Qualified Basis		0	2,229,428	3,036,786	Long Term Depreciable Basis	
TIMES: Applicable Percentage		3.39%	7.91%	27.5	Depreciation Schedule	
Total Annual Credit Qualified		0	176,348	110,429	Annual Depreciation	

Total Tax Credits Requested	176,000
Estimated Net Syndication Proceeds **(excluding historic credit equity)**	1,457,333
Estimated Yield - Housing Credit Syndication	82.80%
Equity Gap	1,457,332
Credits Needed to fill Equity Gap	177,778

20,000	Short Term Depreciable Basis
7	Depreciation Schedule
2,857	Annual Depreciation

19-May-04 **Waugh Opera House**

HC Restricted Units Bedrooms	Type	Average Square Feet	Number	Average Rent	Utilities	Total Annual Rent
0 Br			0	0		0
1 Br		717	14	481	38	80,880
2 Br		865	2	553	47	13,260
3 Br			0	0		0
4+ Br			0	0		0
	Totals	11,761	16			94,140

Non-HC Restricted Units Bedrooms	Type	Square Feet	Number	Rent	Utilities	Total Annual Rent
0 Br			0	0		0
1 Br		663	4	540	38	25,920
2 Br			0	0		0
3 Br			0	0		0
4+ Br			0	0		0
	Totals	2,650	4			25,920
All Units						
	Grand Totals	14,411	20			120,060
		Less Vacancy	5.00%			(6,003)
	Common SF	8,689				
	Total SF	23,100			NET RENT	114,057

OTHER INCOME

Laundry	0
Parking	0
Commercial Space Income	0
Other	0
TOTAL INCOME	114,057

19-May-04

Waugh Opera House

	Check all Applicable									A					B						C					
Building #	Unit #	HOME Unit	Lead Paint Unit	Project Based Assistance	Tax Credit Unit	VHCB Restricted	Accessible	Adaptable	Unrestricted	Number of Bedrooms	Proposed Square Footage	Proposed Rent	Utility Allowance for Tenant-Paid Utilities	Gross Rent (Rent + Tenant-Paid Utilities)	OCCUPIED BY: Income level of residents to be served:						AFFORDABLE TO: Units affordable to residents at:					
															<30%	<50%	<60%	<80%	<100%	>100%	30%	50%	60%	65%	80%	100%+
	1	1			1	1	1			1	600	430	38	468		1						1				
	2	1			1	1				1	575	430	38	468		1						1				
	3	1			1	1		1		1	730	430	38	468		1						1				
	4	1			1	1				1	610	430	38	468		1						1				
	5	1			1	1				1	810	430	38	468		1						1				
	6				1	1				1	810	510	38	548			1						1			
	7				1	1		1		1	650	510	38	548			1						1			
	8				1	1				2	790	600	47	647			1						1			
	9	1			1	1				2	940	505	47	552		1						1				
	10				1	1				1	700	510	38	548			1						1			
	11				1	1				1	811	510	38	548			1						1			
	12				1	1				1	810	510	38	548			1						1			
	13						1		1	1	650	540	38	578					1						1	
	14								1	1	600	540	38	578					1						1	
	15				1	1				1	575	510	38	548			1						1			
	16				1	1				1	730	510	38	548			1						1			
	17								1	1	700	540	38	578					1						1	
	18				1	1				1	810	510	38	548			1						1			
	19				1	1				1	810	510	38	548			1						1			
	20								1	1	700	540	38	578					1						1	
Total # Units	20	6	0	0	16	16	2	2	4	Totals:	14,411	10,005		Total # Units:	0	6	10	0	4	0	0	6	10	0	4	0

12,681

19-May-04	**Waugh Opera House**				
			Per Unit		
	Annual	Monthly	Per Month		
Administration					
Management Fee	13,200	1,100	55	11.6%	
Supportive Services		0	0		
Audit/Accounting	3,840	320	16		
Legal	1,200	100	5		
Compliance Monitoring	960	80	4		768
Marketing	480	40	2		
Other	1,920	160	8		
TOTAL ADMINISTRATIVE	21,600	1,800	90		
Utilities					
Electricity	3,600	300	15		
Fuel	10,800	900	45		
Water and Sewer	6,000	500	25		
Fire Alarm / Emergency		0	0		
Other	720	60	3		
TOTAL UTILITIES	21,120	1,760	88		
Maintenance					
Maintenance / Janitor Payroll	10,800	900	45		
Janitor Supplies	1,920	160	8		
Exterminating	720	60	3		
Trash Removal	3,360	280	14		
Snow Removal	1,200	100	5		
Grounds	1,200	100	5		
Repairs Material		0	0		
Repairs Contract	1,920	160	8		
HVAC Repairs / Maintenance		0	0		
Elevator Contract / Repairs	2,800	233	12		
Painting and Decorating	1,200	100	5		
Other		0	0		
TOTAL MAINTENANCE	25,120	2,093	105		
				per unit month	
Real Estate Taxes	15,000	1,250	63	excl. ds & res.	
Property Insurance	7,200	600	30	375	
Replacement Reserves	12,000	1,000	50		
Primary Debt Service		0	0		
Other "must pay" debt service		0	0		
Other		0	0		
Total	102,040	8,503	425		
"Below-the-Line" Expenses:					
Special LP or GP Fee	0				
Repayment of Deferred Fee	0				
Partnership Audit or K-1 Fee	0				
Distribution	0				
Net to Residual Recepits/Cumulative Cash Flow	102,040				

List these in order of priority as in Partnership Agreement; add any other line items

form revision date: 2/27/97

19-May-04		Waugh Opera House														
	Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Operating Income																
Gross Rent		120,060	121,861	123,689	125,544	127,427	129,339	131,279	133,248	135,247	137,275	139,335	141,425	143,546	145,699	147,885
Other Income		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Vacancy and other losses		(6,003)	(6,093)	(6,184)	(6,277)	(6,371)	(6,467)	(6,564)	(6,662)	(6,762)	(6,864)	(6,967)	(7,071)	(7,177)	(7,285)	(7,394)
Total Operating Income		114,057	115,768	117,504	119,267	121,056	122,872	124,715	126,586	128,484	130,412	132,368	134,353	136,369	138,414	140,490
Operating Expenses																
Total Expenses (excl. Reserves)		90,040	92,741	95,523	98,389	101,341	104,381	107,512	110,738	114,060	117,482	121,006	124,636	128,376	132,227	136,194
Reserves		12,000	12,180	12,363	12,548	12,736	12,927	13,121	13,318	13,518	13,721	13,926	14,135	14,347	14,563	14,781
Total Operating Expense		102,040	104,921	107,886	110,937	114,077	117,308	120,634	124,056	127,578	131,202	134,933	138,772	142,723	146,789	150,975
Net Operating Income		12,017	10,847	9,618	8,330	6,979	5,563	4,081	2,530	906	(791)	(2,565)	(4,418)	(6,354)	(8,375)	(10,484)
Less Primary Debt Service		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Less Secondary Debt Service		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Annual Cash Flow		12,017	10,847	9,618	8,330	6,979	5,563	4,081	2,530	906	(791)	(2,565)	(4,418)	(6,354)	(8,375)	(10,484)
Operating Subsidies / Sinking Fund		0	0	0	0	0	0	0	0	0	791	2,565	4,418	6,354	8,375	10,484
Net Cash		12,017	10,847	9,618	8,330	6,979	5,563	4,081	2,530	906	0	0	0	0	0	0
DCR		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Cumulative Cash Flow																
Beginning Balance		5,628	17,870	29,432	40,227	50,166	59,151	67,081	73,845	79,328	83,408	85,953	86,827	85,881	82,962	77,905
Deposits		12,017	10,847	9,618	8,330	6,979	5,563	4,081	2,530	906	0	0	0	0	0	0
Interest	2.0%	225	715	1,177	1,609	2,007	2,366	2,683	2,954	3,173	3,336	3,438	3,473	3,435	3,318	3,116
Withdrawals:																
Project Operating Needs		0	0	0	0	0	0	0	0	0	(791)	(2,565)	(4,418)	(6,354)	(8,375)	(10,484)
Special LP or GP Fee		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Repayment of Deferred Devel. Fee		(4,434)	(4,434)	(4,434)	(4,434)	(4,434)	(4,434)	(4,434)	(4,434)	(4,434)	(4,434)	(4,434)	(4,434)	(4,434)	(4,434)	(4,434)
Partnership Audit or K-1 Fee		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Distribution of Cash to Owner		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance		17,870	29,432	40,227	50,166	59,151	67,081	73,845	79,328	83,408	85,953	86,827	85,881	82,962	77,905	70,537
Cumulative Replacement Reserves																
Beginning Balance		0	12,120	24,785	38,139	52,213	27,037	41,046	55,810	71,360	87,732	44,962	60,687	77,250	94,688	113,038
Deposits		12,000	12,180	12,363	12,548	12,736	12,927	13,121	13,318	13,518	13,721	13,926	14,135	14,347	14,563	14,781
Interest	2.0%	120	485	991	1,526	2,089	1,081	1,642	2,232	2,854	3,509	1,798	2,427	3,090	3,788	4,522
Withdrawals		0	0	0	0	(40,000)	0	0	0	0	(60,000)	0	0	0	0	(90,000)
Ending Balance		12,120	24,785	38,139	52,213	27,037	41,046	55,810	71,360	87,732	44,962	60,687	77,250	94,688	113,038	42,340
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Net Operating Income		12,017	10,847	9,618	8,330	6,979	5,563	4,081	2,530	906	(791)	(2,565)	(4,418)	(6,354)	(8,375)	(10,484)
Plus Reserves		12,000	12,180	12,363	12,548	12,736	12,927	13,121	13,318	13,518	13,721	13,926	14,135	14,347	14,563	14,781
Less Interest Expense		(26,537)	(27,640)	(28,798)	(30,013)	(31,289)	(32,629)	(34,036)	(35,512)	(37,063)	(38,690)	(40,399)	(42,194)	(44,077)	(46,055)	(48,131)
Less Long Depreciation		(110,429)	(110,429)	(110,429)	(110,429)	(110,429)	(110,429)	(110,429)	(110,429)	(110,429)	(110,429)	(110,429)	(110,429)	(110,429)	(110,429)	(110,429)
Less Short Depreciation		(2,857)	(2,857)	(2,857)	(2,857)	(2,857)	(2,857)	(2,857)	0	0	0	0	0	0	0	0
Taxable Income (Loss)		(115,806)	(117,899)	(120,102)	(122,421)	(124,860)	(127,424)	(130,119)	(130,093)	(133,067)	(136,189)	(139,466)	(142,905)	(146,513)	(150,296)	(154,263)
Cash Flow		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings		40,532	41,265	42,036	42,847	43,701	44,598	45,542	45,533	46,573	47,666	48,813	50,017	51,279	52,604	53,992
Fed & State HTC		1,035,295														
Plus Tax Credits		176,000	176,000	176,000	176,000	176,000	176,000	176,000	176,000	176,000	176,000					
After Tax Cash Flow		1,251,827	217,265	218,036	218,847	219,701	220,598	221,542	221,533	222,573	223,666	48,813	50,017	51,279	52,604	53,992
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		1,251,827	217,265	218,036	218,847	219,701	220,598	221,542	221,533	222,573	223,666	48,813	50,017	51,279	52,604	53,992
Future Value of Cash Flows at Yr 15:		6,851,956	1,061,797	951,398	852,624	764,241	685,145	614,352	548,507	492,039	441,477	86,026	78,702	72,044	65,986	60,471
Discount Rate:	6.00%															
Capital Contribution Number:	1	2	3	4												
Date of Capital Contribution:	01-Aug-04	01-Aug-05	31-Dec-05	19-May-04												
Amount of Capital Contribution:	100	1,797,000	598,900	0												
Present Value of Contributions:	100	1,690,950	549,460	0												
Cash Flows	(2,240,509)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	13,626,764
IRR:	12.79%															
Equity Yield:	129%															

VERMONT HOUSING FINANCE AGENCY

RESOLUTION RE: PROPOSED ALLOCATION OF ALLOCATED HOUSING CREDITS FOR WAUGH OPERA HOUSE, CITY OF ST. ALBANS

WHEREAS, the Agency administers the allocation of the federal Low Income Housing Tax Credits and State Housing Credits under the State's Qualified Allocation Plan;

WHEREAS, the Governor of the State of Vermont has approved the 2004-2005 Qualified Allocation Plan; and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid dated May 20, 2004, containing information and recommendations about a proposed allocation of federal Housing Credits (the "Memorandum");

WHEREFORE, it is hereby:

RESOLVED, that the recommendations contained in the Memorandum which is attached and incorporated by this reference be approved;

RESOLVED, that the Executive Director and the appropriate staff are hereby authorized to take such actions as are described in the 2004-2005 Qualified Allocation Plan regarding the proposed allocation of federal Allocated Housing Credits in the amount of $176,000 for the Waugh Opera House project in the City of St. Albans, Vermont.

vhfa

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Multifamily Development Underwriter CR

DATE: May 20, 2004

RE: Request for Allocated Housing Credits: Whitcomb Terrace

Name:	Whitcomb Terrace	**Location:**	Essex Junction
Housing Type:	General Occupancy	**Unit Type:**	Flats
Unit Count:	19 Total Units 15 Housing Credit Units	**Unit Sizes:**	16 1-BR @ 650 s.f. 3 2-BR @ 800 s.f.
Total Cost:	$2,664,835	**Per S.F. Acquisition & Construction Cost:**	$114.34
Loan Requested:	$0	**Sponsors:**	Housing Vermont and Cathedral Square Corporation
Housing Credits:	$157,558 (Ceiling "9%" Credits)		
Other Funding:	HOME, VHCB, VCDP, HUD Special Purpose, Debt		

Recommendation: That the VHFA Board of Commissioners approve the attached resolution to authorize staff to issue the appropriate documentation according to the Qualified Allocation Plan.

Project Summary: Whitcomb Terrace is a 19-unit building of affordable special needs housing to be constructed in Essex Junction, adjacent to the existing Whitcomb Woods 65-unit elderly housing development recently financed by VHFA. Whitcomb Terrace has no age restrictions, is being built for a mixed income population, and ten of the units will be available to persons with special needs. The building will be barrier-free, and be built using universal design standards. Supportive services will be provided for persons with disabilities through Cathedral Square Corporation (CSC) management and through the home and community based Medicaid waiver program. The Department of Aging & Disabilities has concurred that the level of services and housing design meets the special needs criteria of the State Consolidated Plan. Three of the apartments will include a den to accommodate equipment or occasional overnight care, and another three units will have a second bedroom to accommodate a couple or a resident with a live-in care attendant. Seventeen units will have accessible roll-in showers. The high percentage of accessible units in one place will allow for shared care-giving opportunities, which makes service delivery more cost efficient. Resident's rents include 24-hour on-call assistance, an on-site resident service coordinator, and nursing overview (a nurse available on a monthly basis for questions and consultation). In addition, assistance with housekeeping is available at cost, and there is a meal program at the cost of $2.00 per meal. The VCDP funding includes $50,000 upgrade equipment in the commercial kitchen at neighboring Whitcomb Woods, and to provide insulated containers in order to transport prepared meals from Whitcomb Woods to Whitcomb Terrace for residents purchasing meals.

Of the total 19 units, six are affordable to households at 50% or below area median income, nine are affordable to households at 60% or below area median income, and four are market rate units. In addition, there are five project-based Section 8 vouchers committed by the Vermont State Housing Authority that will enhance the affordability for five households and assure those households will pay no more than 30% of their income for rent. CSC owns the land and the development is fully permitted. The project has all funding committed except for the Housing Credits. Construction can begin in July.

Tax Credit Summary: The Housing Credits requested for Whitcomb Terrace of $157,558 represent approximately 4% of the 2004-2005 credit ceiling (combined). After setting aside these credits there will be approximately $1,002,413 in credits available from the 2004-2005 credits (see attached status report).

The proposal meets three top-tier priorities of the "Consolidated Plan" criterion (new construction in a low vacancy area; maintains a historic settlement pattern; ten units serve a special needs population) and three second-tier priorities (mixed income; unique design - universal design; project serves households at 30% of area median income through the five project-based Section 8 vouchers).

The project meets all of the required design standards for its size. It also meets several of the recommended design standards. The building has a community room, an elevator, and is located in proximity to schools, shopping, churches, services, recreation and public transportation.

The market study does not meet the market study standards. In some areas, it lacks specifics (for example, it is lean on addressing comparable properties, area services, impact on existing housing stock, the project's rents in relation to market rents in one organized analysis, area employment, lacks discussion on any weaknesses of the project, lacks discussion of pipeline projects in the area, and lacks an explanation of the methodology used in calculating propensity to move). The market study also lacked the addenda including certifications of analyst, statement of qualifications, a list of sources in one appendix, and the demographic reports cited in the study. However, it does indicate a strong need for the project, and does contain some other pertinent information. The market analyst states that "a substantial segment of the targeted special needs market pool currently lives with family or friends because of a lack of suitable independent housing." CSC currently has a waiting list of over 30 non-elderly households for accessible units. CSC's supportive housing for independent persons with disabilities at Anderson Parkway in South Burlington has no vacancy; turnover is low and that project receives many referrals. The rents at Whitcomb Terrace are set competitively: tax credit rents are well below market, unrestricted rents are below market, and the project-based Section 8 vouchers will increase the affordability of five units. Because we haven't implemented the market study standards yet, and staff's perceived low level of risk associated with this project because the special needs units are in such demand, and due to the number of households on CSC's waiting list, we are not requiring additional market information.

State Consolidated Plan Priorities / Other Priorities Table

2004

	First Tier						Second Tier						
	Rehab or Vacancy <3.5%	Family Housing	Settlement Pattern	Downtown or Village Center	Removal of Blight	Special Needs	Mixed Income	Unique Design	<30% or targets homeless	Public Housing	Eventual Tenant Ownership	Total	
River Station	XX	XX	XX	XX			X					53%	$ 460,000
Central Block	XX	XX	XX	XX			X		X			59%	$ 1,964,260
Waugh Opera House	XX		XX	XX	XX		X	X				59%	$ 176,000
Whitcomb Terrace	XX		XX			XX	X	X	X			53%	$ 157,558

2003 Round One

	First Tier						Second Tier						
	Rehab or Vacancy <2%	Family Housing	Settlement Pattern	Downtown	Removal of Blight	Special Needs	Mixed Income	Growth Center	<30%	Public Housing	Eventual Tenant Ownership	Total	Credits Requested
Roosevelt Apartments	XX	XX	XX	XX				X	X			59%	$ 387,189
Shelburne Family Housing	XX	XX	XX		X		X	X	X			59%	$ 272,000
203 Pearl Street	XX	XX	XX		X		X	X				53%	$ 350,143
Essex Village Family Housing	XX	XX	XX				X	X				47%	$ 580,000
Island Housing	XX	XX	XX				X					41%	$ 175,000
Whetstone Housing	XX		XX	XX				X				41%	$ 135,000
Tuttle Building	XX		XX	XX								35%	$ 160,000
Arbor Gardens Phase II	XX	XX						X				29%	$ 240,682

2003 Round Two

	First Tier						Second Tier						
	Rehab or Vacancy <2%	Family Housing	Settlement Pattern	Downtown	Removal of Blight	Special Needs	Mixed Income	Growth Center	<30%	Public Housing	Eventual Tenant Ownership	Total	Credits Requested
Roosevelt Apartments	XX	XX	XX	XX				X	X			59%	$ 387,079
Riverside Village	XX	XX	XX				X	X				47%	$ 580,000
Butterfield Commons Family	XX	XX	XX					X				41%	$ 119,000
Stony Creek	XX	XX	XX					X				41%	$ 271,374
Arbor Gardens Phase II	XX	XX					X	X				35%	$ 196,371

2002 Round One

	First Tier						Second Tier						
	Rehab or Vacancy <2%	Family Housing	Settlement Pattern	Downtown	Removal of Blight	Special Needs	Mixed Income	Growth Center	<30%	Public Housing	Eventual Tenant Ownership	Total	Credits Requested
Depot Street	XX	XX	XX	XX			X	X				59%	$ 415,000
Randolph Family Housing	X	XX	XX	XX			X	X	X			59%	$ 120,000
Templeton Court Rehab	XX	XX	XX					X	X	X		53%	$ 140,500
Burlington Family Rehab	XX		XX	XX				X	X			47%	$ 85,000
Old North End Renaissance	XX		XX	XX				X	X			47%	$ 127,000
Arbor Gardens	XX	XX						X				29%	$ 32,357
Park Village II	XX	X							X			24%	$ 352,369
Sunrise Settlement		XX	XX									24%	$ 363,530

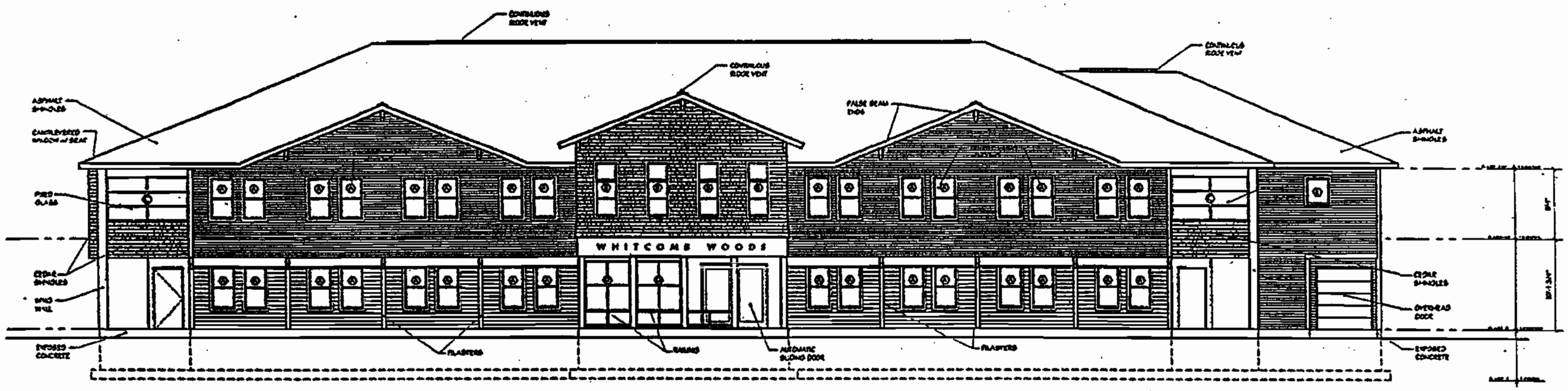
2002 Round Two

	First Tier						Second Tier						
	Rehab or Vacancy <2%	Family Housing	Settlement Pattern	Downtown	Removal of Blight	Special Needs	Mixed Income	Growth Center	<30%	Public Housing	Eventual Tenant Ownership	Total	Credits Requested
Waterfront Housing	XX	XX	XX	XX			X	X				59%	$ 485,000
Roosevelt Apartments	XX	XX	XX	XX				X				53%	$ 374,422
203 Pearl Street	XX	XX	XX					X				41%	$ 369,713
Highgate Redevelopment	XX	XX	XX						X			41%	$ 310,000
Manchester Commons	XX	XX	XX					X				41%	$ 108,149
Arbor Gardens Phase II	XX	XX						X				29%	$ 244,060
Stowe Housing	XX	XX										24%	$ 505,000

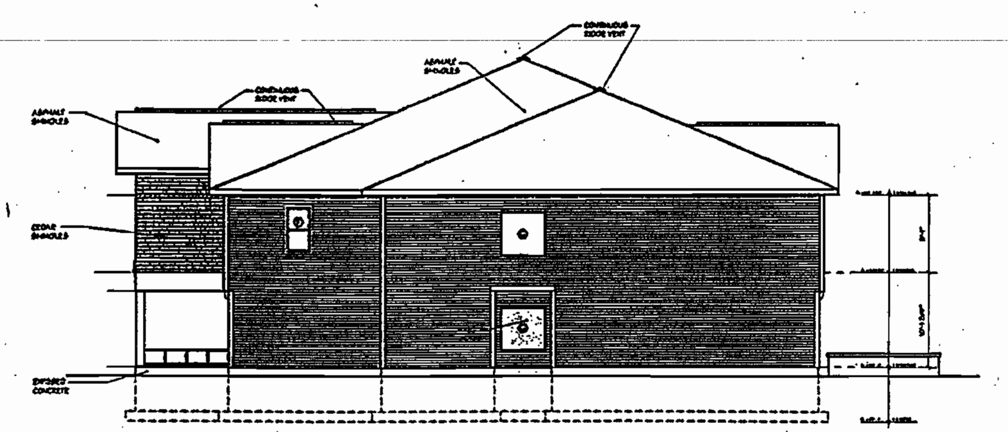
Housing Credit Status Report

Total 2004 Available:		2,075,000	
Total 2005 Available:		2,075,000	
			4,150,000
Less: LOI, Res, CA issued from 04-05		2,990,029	
Remaining Available from 2004-2005:			1,159,971

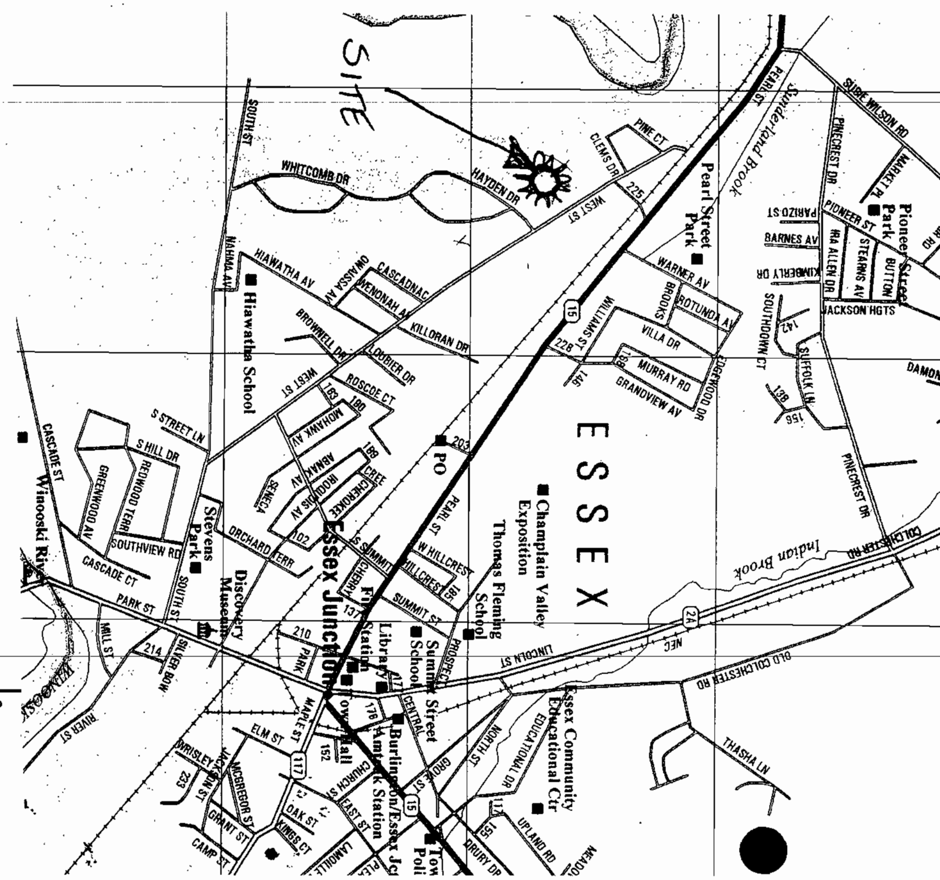
Project Name	City	County	MSA / Non MSA	Total # of Units	# of LIHTC Units	Project Type	Housing Credit Allocation
Pipeline							
Pre-Applicaton Meetings							
Waugh Opera Block	St Albans	Franklin	MSA	20	16	Rehab	176,000
River Station	Montpelier	Washington	Non MSA	36		New Construction	460,000
Whitcomb Terrace	Essex Junction	Chittenden	MSA	19	15	New Construction	157,558
Central Block	Winooski	Chittenden	MSA	232		New Construction	1,964,260
Letter of Intent, Reservation, or Carryover Allocation Issued							
Butterfield Family	West Dover	Windham	Non MSA	7	7	New Construction	119,000
Stony Creek	Wilder	Windsor	Non MSA	18	18	New Construction	271,374
Roosevelt Apts.	Burlington	Chittenden	MSA	27	27	New Construction	387,079
Templeton Court Rehab	White River Jct	Windsor	Non MSA	10	10	Rehab	147,525
Waterfront	Burlington	Chittenden	MSA	40	28	New Construction	485,000
Stowe	Stowe	Lamoille	Non MSA	42	36	New Construction	505,000
Shelburne Interfaith	Shelburne	Chittenden	MSA	20	18	New Construction	272,000
Island Housing	Grand Isle	Grand Isle	MSA	16	15	New Construction	183,750
203 Pearl Street	Essex Jct	Chittenden	MSA	30	26	New Construction	366,722
Tuttle Building	Rutland	Rutland	Non MSA	13	13	Rehab	160,000
Highgate	Barre	Washington	Non MSA	120	74	Rehab	325,500
Branchwood	Randolph	Orange	Non MSA	12	10	New Construction	126,000
Arlington Village Center	Arlington	Bennington	Non MSA	29	20	Rehab	172,297
Arbor Gardens	Colchester	Chittenden	MSA	37	37	New Construction	389,362
Westgate Allocated	Brattleboro	Windham	Non MSA	74	50	Acquisition/Rehab	512,000
ECHO Scattered Sites	Burlington	Chittenden	MSA	20	18	Acquisition/Rehab	85,000
ECHO North & North	Burlington	Chittenden	MSA	12	11	New Construction	127,000
Park Village II	Brandon	Rutland	Non MSA	34	34	Acquisition/Rehab	369,316
Sunrise Settlement	Quechee	Windsor	Non MSA	22	22	New Construction	381,202
Manchester Commons	Manchester	Bennington	Non MSA	15	10	New Construction	116,931



EAST ELEVATION
SCALE: 3/16" = 1'-0"



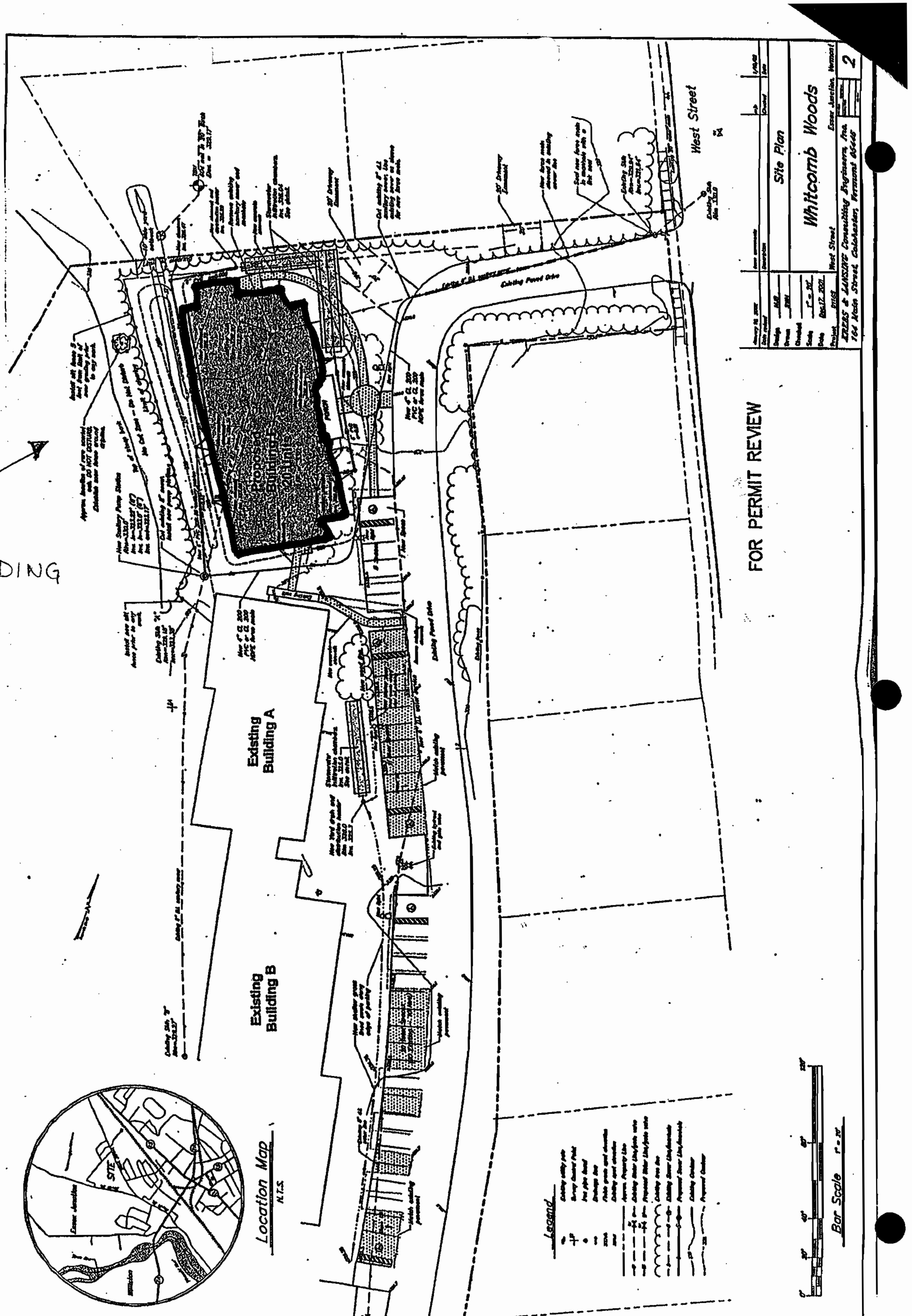
NORTH ELEVATION
SCALE: 3/16" = 1'-0"

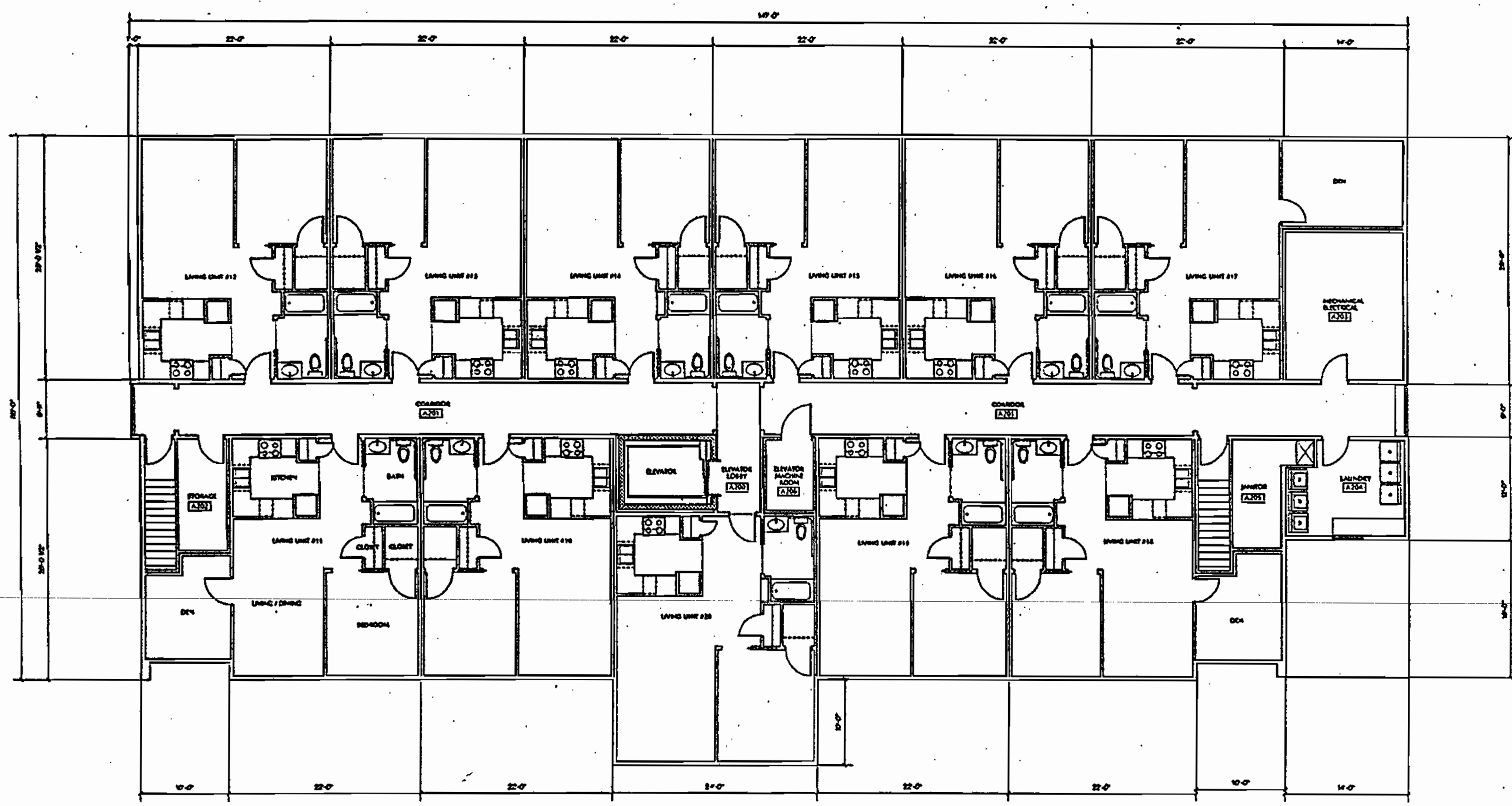


WHITCOMB ~~WOODS~~ TERRACE

48

NEW
BUILDING





SECOND FLOOR PLAN
SCALE: 3/16" = 1'-0"

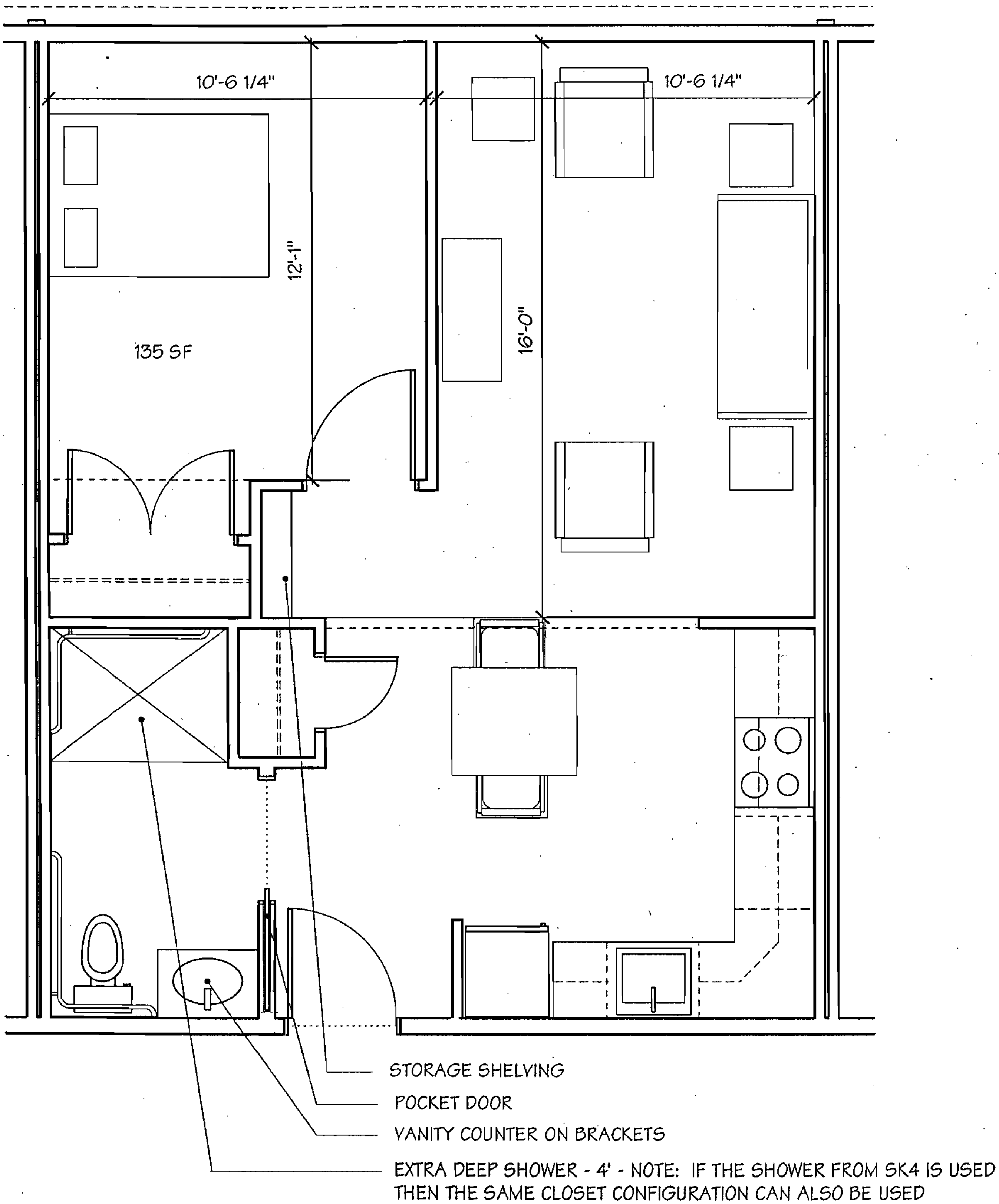
OVERALL AREA: 9,164sf
COMMON AREA: 596sf (6%)
CIRCULATION AREA: 1,085sf (12%)

WHITCOMB WOODS

DUNCAN • WISNIEWSKI ARCHITECTURE ®
255 SOUTH CHAMPLAIN STREET, BURLINGTON, VERMONT 05401 (802) 864-6693

SEPTEMBER 2003

58



FLOOR PLAN 1

NOTE: FLOOR PLAN 1A WOULD UTILIZE ALTERNATE SHOWER/CLOSET

WHITCOMB WOODS

10.01.03

DUNCAN • WISNIEWSKI ARCHITECTURE •
255 SOUTH CHAMPLAIN STREET, BURLINGTON, VERMONT 05401 (802) 864-6693

18-May-04 **Whictomb Terrace**

Total Residential Units:	19	Increase in Income from Rental Units:	1.50%	
Housing Credit Restricted Units:	15	Increase in Income from Other Sources:	1.50%	
Percent Restricted:	78.95%	Increase in Income from Commercial:	0.00%	
Total Development Cost:	2,664,835	Expense increase:	3.00%	
Total Development Cost per Unit:	140,254	Vacancy Rate:	5%	
Total Development Cost Per SF:	148	Partner's Tax Rate:	35%	
		Long Depreciation Schedule:	27.5	years
Max Credit Potential:	157,694	Short Depreciation Schedule:	7	years
Credit Amount Allocated:	157,558	Sponsor's Estimated Yield:	86.54%	

LIHTC - 9%	7.91%	(May 2004)
LIHTC - 4%	3.39%	

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term
First Mortgage (Merchants Bank)	130,000	4.88%	7.50%	25	25
HOME	135,000	5.07%	4.00%	20	deferred
HUD Special Purpose	390,000	14.64%	4.00%	20	20
VHCB	400,000	15.01%	0.00%	20	20
VCDP	260,000	9.76%	4.00%	30	30
Other Equity	0	0.00%	N/A	N/A	
Tax Credit Equity	1,349,853	50.65%	N/A	N/A	
TOTAL SOURCES	2,664,853	100.00%			

USES

Acquisition	5,000	0.19%
Construction Hard Costs	2,057,040	77.19%
Soft Costs	602,795	22.62%
TOTAL USES	2,664,835	100.00%
Gap	(18)	

PER UNIT COST LIMIT CALCULATION

	per unit limits	number of units			
0 Br	84,390	0	0		
1 Br	90,140	16	1,442,240		
2 Br	95,890	3	287,670		
3 Br	101,637	0	0		
4 Br	107,390	0	0		
Maximum cost allowed under the per unit cost limits		19	1,729,910		
Projected total cost, excluding cash accounts			2,622,395	Cost Overage %	66%
(over)/under			(892,485)		

General Partner's Capital Contribution	13,499	1.00%
Limited Partner's Capital Contribution	1,336,354	99.00%
Total Equity	1,349,853	

APPLICABLE FRACTION CALCULATION

Tax Credit Restricted Units	15
Total Units	19
Unit Fraction	78.95%
Tax Credit Square Footage	10,050
Total Residential Square Footage	12,800
Square Footage Fraction	78.52%
Applicable Fraction	78.52%

18-May-04 **Whictomb Terrace** 114.34

		Budget	Per Unit	Per s.f.	Allocation of Sources						
					VHCB Terms:___	HOME Terms:___	VCDP Terms:___	Debt Terms:___	Equity Terms:___	Other Terms:___	TOTAL SOURCES
	ACQUISITION										
1	Land		0	0.00							0
2	Purchase of Building(s)		0	0.00							0
3	Demolition (without replacement)		0	0.00							0
4	Property Appraisal	3,000	158	0.17	3,000						3,000
5	Legal - Title and Recording	2,000	105	0.11	2,000						2,000
	Subtotal - Acquisition	5,000	263	0.28							
	CONSTRUCTION HARD COSTS										
6	Rehabilitation		0	0.00							0
7	New Building(s)	1,648,000	86,737	91.38	335,000	275,000	260,000	130,000	648,000		1,648,000
8	Accessory Buildings		0	0.00							0
9	Sitework	190,000	10,000	10.54		190,000					190,000
10	Commercial Space Costs (if any)		0	0.00							0
11	General Requirements		0	0.00							0
12	Contractor Overhead		0	0.00							0
13	Contractor Profit		0	0.00							0
14	Construction Contingency	147,040	7,739	8.15					147,040		147,040
15	Construction Management		0	0.00							0
16	Construction Bond Fee		0	0.00							0
17	Hazardous Materials Abatement		0	0.00							0
18	Kitchen Equipment	50,000	2,632	2.77					50,000		50,000
19	Furnishings, Fixtures, & Equipment	22,000	1,158	1.22					22,000		22,000
20	Other (________________)		0	0.00							0
	Subtotal - Hard Costs	2,057,040	108,265	114.06							
	SOFT COSTS										
21	Architectural	120,000	6,316	6.65	60,000	60,000					120,000
22	Engineering		0	0.00							0
23	Legal/Accounting	25,000	1,316	1.39					25,000		25,000
24	Relocation		0	0.00							0
25	Environmental Assessment	2,500	132	0.14					2,500		2,500
26	Energy Assessment		0	0.00							0
27	Permits/Fees	22,125	1,164	1.23					22,125		22,125
28	Independent Market Study		0	0.00							0
29	Construction Period Insurance	22,500	1,184	1.25					22,500		22,500
30	Construction Interest	22,500	1,184	1.25					22,500		22,500
31	Construction Loan Origination Fee	25,500	1,342	1.41					25,500		25,500
32	Taxes During Construction		0	0.00							0
33	Clerk of the Works	12,000	632	0.67					12,000		12,000
34	Marketing	8,000	421	0.44					8,000		8,000
35	Tax Credit Fees	8,730	459	0.48					8,730		8,730
36	Soft Cost Contingency	5,500	289	0.30					5,500		5,500
37	Permanent Loan Origination Fee		0	0.00							0
38	Lender's Counsel's Fee		0	0.00							0
39	Other (____________)		0	0.00							0
	SYNDICATION COSTS										
40	Organizational (Partnership)		0	0.00							0
41	Bridge Loan Fees and Expenses		0	0.00							0
42	Syndication Consultant		0	0.00							0
43	Tax Opinion		0	0.00							0
	DEVELOPER'S FEES										
44	Developer's Fees - HVT	143,000	7,526	7.93					143,000		143,000
45	Other Partnership Fees - CSC	143,000	7,526	7.93					143,000		143,000
46	Consultant Fees		0	0.00							0
	RESERVES										
47	Working Capital	15,000	789	0.83					15,000		15,000
48	Rent-up (Deficit Escrow) Reserve		0	0.00							0
49	Other Operating Reserves	27,440	1,444	1.52					27,440		27,440
50	Sinking Fund		0	0.00							0
51	Replacement Reserves		0	0.00							0
	Subtotal - Soft Costs	602,795	31,726	33.42							
	TOTAL DEVELOPMENT COSTS	2,664,835	140,254	147.76	400,000	525,000	260,000	130,000	1,349,835	0	2,664,835

286,000
2,378,835
12.02%

18-May-04 **Whictomb Terrace**

#	Item	Budget	Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Other
	ACQUISITION						
1	Land	0					
2	Purchase of Building(s)	0					
3	Demolition (without replacement)	0					
4	Property Appraisal	3,000			3,000		
5	Legal - Title and Recording	2,000			2,000		
	Subtotal - Acquisition	5,000					
	CONSTRUCTION HARD COSTS						
6	Rehabilitation	0					
7	New Building(s)	1,648,000		1,648,000	1,648,000		
8	Accessory Buildings	0					
9	Sitework	190,000		171,000	190,000		
10	Commercial Space Costs (if any)	0					
11	General Requirements	0					
12	Contractor Overhead	0					
13	Contractor Profit	0					
14	Construction Contingency	147,040		147,040	147,040		
15	Construction Management	0					
16	Construction Bond Fee	0					
17	Hazardous Materials Abatement	0					
18	Kitchen Equipment	50,000					
19	Furnishings, Fixtures, & Equipment	22,000		22,000			
20	Other (__________)	0					
	Subtotal - Hard Costs	2,057,040					
	SOFT COSTS						
21	Architectural	120,000		120,000	120,000		
22	Engineering	0					
23	Legal/Accounting	25,000		25,000	25,000		
24	Relocation	0					
25	Environmental Assessment	2,500		2,500	2,500		
26	Energy Assessment	0					
27	Permits/Fees	22,125		22,125	22,125		
28	Independent Market Study	0					
29	Construction Period Insurance	22,500		22,500	22,500		
30	Construction Interest	22,500		22,500	22,500		
31	Construction Loan Origination Fee	25,500		24,225	24,225		
32	Taxes During Construction	0					
33	Clerk of the Works	12,000		12,000	12,000		
34	Marketing	8,000			8,000		
35	Tax Credit Fees	8,730		8,730	8,730		
36	Soft Cost Contingency	5,500		5,500	5,500		
37	Permanent Loan Origination Fee	0					
38	Lender's Counsel's Fee	0					
39	Other (__________)	0					
	SYNDICATION COSTS						
40	Organizational (Partnership)	0					
41	Bridge Loan Fees and Expenses	0					
42	Syndication Consultant	0					
43	Tax Opinion	0					
	DEVELOPER'S FEES						
44	Developer's Fees - HVT	143,000		143,000	143,000		
45	Other Partnership Fees - CSC	143,000		143,000	143,000		
46	Consultant Fees	0					
	RESERVES						
47	Working Capital	15,000					
48	Rent-up (Deficit Escrow) Reserve	0					
49	Other Operating Reserves	27,440					
50	Sinking Fund	0					
51	Replacement Reserves	0					
	Subtotal - Soft Costs	602,795					
	TOTALS	2,664,835	0	2,539,120	2,549,120	0	
	LESS: Amount of Non-qualified Financing						
	LESS: Adjustment for per unit cost limits			2,539,120			
	LESS: Historic tax Credit (Residential Portion)			0	0	20%	Historic Credit Rate
	Total Eligible Basis		0	2,539,120		0	Annual Historic Credit
	TIMES: Adjusted for QCT/DDA	100.0%		2,539,120			
	TIMES: Applicable Fraction	78.52%	0	1,993,606			
	Total Qualified Basis		0	1,993,606	2,549,120	Long Term Depreciable Basis	
	TIMES: Applicable Percentage		3.39%	7.91%	27.5	Depreciation Schedule	
	Total Annual Credit Qualified		0	157,694	92,695	Annual Depreciation	

Total Tax Credits Requested	157,558
Estimated Net Syndication Proceeds	
(excluding historic credit equity)	1,349,853
Estimated Yield - Housing Credit Syndication	86.54%
Equity Gap	1,349,835
Credits Needed to fill Equity Gap	157,556

22,000	Short Term Depreciable Basis
7	Depreciation Schedule
3,143	Annual Depreciation
27,440	Comercial Depreciation
39	Depreciation Schedule
704	Annual Depreciation

18-May-04 **Whictomb Terrace**

HC Restricted Units Bedrooms	Type	Average Square Feet	Number	Average Rent	Utilities	Total Annual Rent
0 Br		0	0	0	0	0
1 Br		650	13	628	0	97,968
2 Br		800	2	675	0	16,200
3 Br		0	0	0	0	0
4+ Br		0	0	0	0	0
	Totals	10,050	15			114,168

Non-HC Restricted Units Bedrooms	Type	Square Feet	Number	Rent	Utilities	Total Annual Rent
0 Br		0	0	0	0	0
1 Br		650	3	690	0	24,840
2 Br		800	1	800	0	9,600
3 Br		0	0	0	0	0
4+ Br		0	0	0	0	0
	Totals	2,750	4			34,440

All Units

Grand Totals	12,800	19		148,608
Common Area	5,235			
Total SF	18,035			
	Less Vacancy	5.00%		(7,430)

NET RENT 141,178

OTHER INCOME

Laundry	
Parking	0
Commercial Space Income	
Other	

TOTAL INCOME 141,178

18-May-04

Whictomb Terrace

1 BR
645

50%

	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%+	% of Median
	1				1					1	650	520	29	549		1						1					43%
	2				1					1	650	690	29	719		1					1						56%
	3				1					1	650	690	29	719		1					1						56%
	4				1					1	650	690	29	719		1					1						56%
	5				1					1	650	690	29	719		1					1						56%
	6				1					1	650	690	29	719		1					1						56%
	7				1					1	650	600	29	629			1						1				49%
	8				1					2	800	675	44	719			1						1				47%
	9				1					2	800	675	44	719			1						1				47%
	10								1	2	800	750	44	794						1						1	51%
	11								1	1	650	690	29	719						1						1	56%
	12								1	1	650	690	29	719						1						1	56%
	13								1	1	650	690	29	719						1						1	56%
	14				1					1	650	600	29	629			1						1				49%
	15				1					1	650	600	29	629			1						1				49%
	16				1					1	650	600	29	629			1						1				49%
	17				1					1	650	600	29	629			1						1				49%
	18				1					1	650	600	29	629			1						1				49%
	19				1					1	650	600	29	629			1						1				49%
Total # Units	19	0	0	0	15	0	0	0	4	Totals:	12,800	12,340		Total # Units:	0	6	9	0	0	4	5	1	9	0	0	4	

18-May-04 **Whictomb Terrace**

	Annual	Monthly	Per Unit Per Month
Administration			
Management Fee	10,800	900	47
Supportive Services	21,000	1,750	92
Audit/Accounting	3,800	317	17
Legal	1,000	83	4
Compliance Monitoring	2,880	240	13
Marketing	500	42	2
Misc Admin Expense	2,000	167	9
TOTAL ADMINISTRATIVE	41,980	3,498	184
Utilities			
Electricity	4,800	400	21
Fuel - Gas	14,400	1,200	63
Water and Sewer	3,600	300	16
Fire Alarm / Emergency	1,200	100	5
Other		0	0
TOTAL UTILITIES	24,000	2,000	105
Maintenance			
Maintenance / Janitor Payroll	5,000	417	22
Janitor Supplies	1,000	83	4
Exterminating	480	40	2
Trash Removal	1,500	125	7
Snow Removal	2,000	167	9
Grounds	800	67	4
Repairs Material	12,000	1,000	53
Repairs Contract		0	0
HVAC Repairs / Maintenance		0	0
Elevator Contract / Repairs		0	0
Painting and Decorating	1,000	83	4
Other	800	67	4
TOTAL MAINTENANCE	24,580	2,048	108
Real Estate Taxes	15,600	1,300	68
Property Insurance	3,600	300	16
Replacement Reserves	7,200	600	32
Primary Debt Service	11,528	961	51
Other "must pay" debt service		0	0
Other		0	0
Total	128,488	10,707	564

form revision date: 2/27/97

18-May-04 **Whitcomb Terrace**

	Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Operating Income																
Gross Rent		148,608	150,837	153,100	155,396	157,727	160,093	162,494	164,932	167,406	169,917	172,466	175,053	177,678	180,344	183,049
Other Income		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Vacancy and other losses		(7,430)	(7,542)	(7,655)	(7,770)	(7,886)	(8,005)	(8,125)	(8,247)	(8,370)	(8,496)	(8,623)	(8,753)	(8,884)	(9,017)	(9,152)
Total Operating Income		141,178	143,295	145,445	147,626	149,841	152,088	154,370	156,685	159,036	161,421	163,842	166,300	168,795	171,326	173,896
Operating Expenses																
Total Expenses (excl. Reserves)		109,760	113,053	116,444	119,938	123,536	127,242	131,059	134,991	139,041	143,212	147,508	151,934	156,492	161,186	166,022
Reserves		7,200	7,308	7,418	7,529	7,642	7,756	7,873	7,991	8,111	8,232	8,356	8,481	8,608	8,738	8,869
Total Operating Expense		116,960	120,361	123,862	127,467	131,178	134,998	138,932	142,982	147,151	151,444	155,864	160,415	165,100	169,924	174,890
Net Operating Income		24,218	22,934	21,583	20,160	18,663	17,090	15,438	13,703	11,884	9,977	7,978	5,885	3,695	1,403	(994)
Less Primary Debt Service		11,528	11,528	11,528	11,528	11,528	11,528	11,528	11,528	11,528	11,528	11,528	11,528	11,528	11,528	11,528
Less Secondary Debt Service		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Annual Cash Flow		12,689	11,406	10,054	8,632	7,135	5,562	3,909	2,175	356	(1,552)	(3,550)	(5,643)	(7,834)	(10,126)	(12,522)
Operating Subsidies / Sinking Fund		0	0	0	0	0	0	0	0	0	1,552	3,550	5,643	7,834	10,126	12,522
Net Cash		12,689	11,406	10,054	8,632	7,135	5,562	3,909	2,175	356	0	0	0	0	0	0
DCR		210.07%	198.94%	187.22%	174.87%	161.89%	148.24%	133.91%	118.87%	103.09%	86.54%	69.21%	51.05%	32.05%	12.17%	-8.62%
Cumulative Cash Flow																
Beginning Balance		27,440	40,678	52,898	64,010	73,922	82,535	89,748	95,452	99,536	101,883	102,369	100,866	97,241	91,352	83,053
Deposits		12,689	11,406	10,054	8,632	7,135	5,562	3,909	2,175	356	0	0	0	0	0	0
Interest	2.0%	549	814	1,058	1,280	1,478	1,651	1,795	1,909	1,991	2,038	2,047	2,017	1,945	1,827	1,661
Withdrawals		0	0	0	0	0	0	0	0	0	(1,552)	(3,550)	(5,643)	(7,834)	(10,126)	(12,522)
Ending Balance		40,678	52,898	64,010	73,922	82,535	89,748	95,452	99,536	101,883	102,369	100,866	97,241	91,352	83,053	72,192
Cumulative Replacement Reserves																
Beginning Balance		0	7,272	14,654	22,148	29,755	37,477	45,316	53,274	61,352	69,551	77,875	86,325	94,902	103,608	112,446
Deposits		7,200	7,308	7,418	7,529	7,642	7,756	7,873	7,991	8,111	8,232	8,356	8,481	8,608	8,738	8,869
Interest	2.0%	72	73	74	75	76	78	79	80	81	82	84	85	86	87	89
Withdrawals		0	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Ending Balance		7,272	14,654	22,148	29,755	37,477	45,316	53,274	61,352	69,551	77,875	86,325	94,902	103,608	112,446	121,418
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Net Operating Income		24,218	22,934	21,583	20,160	18,663	17,090	15,438	13,703	11,884	9,977	7,978	5,885	3,695	1,403	(994)
Plus Reserves		7,200	7,308	7,418	7,529	7,642	7,756	7,873	7,991	8,111	8,232	8,356	8,481	8,608	8,738	8,869
Less Interest Expense		(41,088)	(42,201)	(43,353)	(44,545)	(45,779)	(47,056)	(48,377)	(49,742)	(51,154)	(52,613)	(54,120)	(55,678)	(57,286)	(58,946)	(60,660)
Less Long Depreciation		(92,695)	(92,695)	(92,695)	(92,695)	(92,695)	(92,695)	(92,695)	(92,695)	(92,695)	(92,695)	(92,695)	(92,695)	(92,695)	(92,695)	(92,695)
Less Short Depreciation		(3,143)	(3,143)	(3,143)	(3,143)	(3,143)	(3,143)	(3,143)	0	0	0	0	0	0	0	0
Taxable Income (Loss)		(105,508)	(107,796)	(110,191)	(112,695)	(115,313)	(118,048)	(120,904)	(120,743)	(123,854)	(127,099)	(130,481)	(134,006)	(137,678)	(141,502)	(145,481)
Cash Flow		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings		36,928	37,729	38,567	39,443	40,359	41,317	42,316	42,260	43,349	44,485	45,669	46,902	48,187	49,526	50,918
Plus Tax Credits		157,558	157,558	157,558	157,558	157,558	157,558	157,558	157,558	157,558	157,558					
After Tax Cash Flow		194,486	195,287	196,125	197,001	197,917	198,875	199,874	199,818	200,907	202,043	45,669	46,902	48,187	49,526	50,918
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		194,486	195,287	196,125	197,001	197,917	198,875	199,874	199,818	200,907	202,043	45,669	46,902	48,187	49,526	50,918
Future Value of Cash Flows at Yr 15:		1,064,531	954,388	855,789	767,512	688,466	617,675	554,268	494,742	444,141	398,796	80,484	73,802	67,700	62,125	57,028
Discount Rate:	6.00%															
Capital Contribution Number:	1	2	3	4	5	6	7	8								
Date of Capital Contribution:	30-Jun-04	30-Aug-05	15-Dec-05	18-May-04	18-May-04	18-May-04	18-May-04	18-May-04								
Amount of Capital Contribution:	1,349	1,146,227	200,927	0	0	0	0	0								
Present Value of Contributions:	1,349	1,067,673	183,849	0												
Cash Flows	(1,252,871)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	7,181,446
IRR:	12.34%															
Equity Yield:	80%															

VERMONT HOUSING FINANCE AGENCY

RESOLUTION RE: PROPOSED ALLOCATION OF ALLOCATED HOUSING CREDITS FOR WHITCOMB TERRACE, VILLAGE OF ESSEX JUNCTION

WHEREAS, the Agency administers the allocation of the federal Low Income Housing Tax Credits and State Housing Credits under the State's Qualified Allocation Plan;

WHEREAS, the Governor of the State of Vermont has approved the 2004-2005 Qualified Allocation Plan; and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid dated May 20, 2004, containing information and recommendations about a proposed allocation of federal Housing Credits (the "Memorandum");

WHEREFORE, it is hereby:

RESOLVED, that the recommendations contained in the Memorandum which is attached and incorporated by this reference be approved;

RESOLVED, that the Executive Director and the appropriate staff are hereby authorized to take such actions as are described in the 2004-2005 Qualified Allocation Plan regarding the proposed allocation of federal Allocated Housing Credits in the amount of $157,558 for the Whitcomb Terrace project in the Village of Essex Junction, Vermont.

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Elizabeth Mullikin Drake, General Counsel

RE: Winooski Falls Riverfront Downtown Project (the "Project") - Update

DATE: 5/20/2004

Recommended Board Action Requested. Assuming a final financing plan for West Block University Housing has been presented to staff before the Board meeting, staff will recommend the adoption of a bond resolution for that project's financing. The resolution will be available at the meeting and will be put on the Extranet earlier if possible.

Since the last Board meeting, several critical steps have occurred:

1. The State Labor and Industry permits are to be issued on all buildings in the West Block;
2. The construction price for the West Block University Housing has been reduced;
3. The City's financing plan for bridging the federal and State grants for the infrastructure project is being presented to the Treasurer and appears to be in place; and
4. The West Block University Housing's financing plan appears to be back on track

while several critical business terms between the City and HallKeen remain open. These terms are primarily related to the shared costs of the common foundation between West Block University Housing and the parking garage and the expectations for the development of the Central Block. Tonight's City Council meeting will determine the possibility of moving forward.

As of last Friday, the project team gave assurances that, with the extension of the construction prices to May 28, the documentation necessary to confirm VHFA's assessment for purposes of feasibility was achievable this week. Since then, preparations are being made to give the State's pledge on the HUD 108 Loan this Monday. However, as of today, we have the outstanding business terms mentioned above and some gaps in the documentation. We are all continuing to work diligently toward this closing and I will have a better idea of its success next week.

Feel free to call me at 652-3402 for an update or if you have any questions.

VERMONT HOUSING FINANCE AGENCY

Resolution Authorizing the Issuance and Sale of a Maximum of $25,000,000 of Revenue Bonds to Finance a Student Housing Project in Winooski

Adopted May 27, 2004

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VERMONT HOUSING FINANCE AGENCY
RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF A MAXIMUM OF $25,000,000 OF REVENUE BONDS TO FINANCE A STUDENT HOUSING PROJECT IN WINOOSKI

May 27, 2004

WHEREAS, the Vermont Housing Finance Agency (hereinafter referred to as the "Agency") is authorized to finance mortgage loans for multifamily housing for persons and families of low and moderate income in the State of Vermont pursuant to the provisions of the Vermont Housing Finance Agency Act, being No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended (hereinafter referred to as the "Act"), and to issue its bonds to obtain funds for such purpose and to refund the same; and

WHEREAS, the Agency desires to make one or more mortgage loans to finance an approximately 85 unit (312 bed) rental student housing project and related facilities, to be called West Block University Apartments (the "Project"), in Winooski, Vermont, to be developed and owned by Collegiate Housing Foundation, or an affiliate thereof (the "Owner"), as described in more detail in a separate submission to the Board; and

WHEREAS, in order to obtain funds with which to make such mortgage loans to acquire, construct and rehabilitate the Project, it is deemed necessary and advisable to issue and sell one or more series of limited obligation revenue bonds of the Agency, not to exceed $25,000,000 in the aggregate, all as hereinafter provided;

NOW, THEREFORE, BE IT RESOLVED BY THE VERMONT HOUSING FINANCE AGENCY and the Commissioners thereof, as follows:

ARTICLE I

DEFINITIONS AND AUTHORITY

Section 1.01. Definitions. As used in this Resolution, unless the context shall otherwise require, the following terms shall have the following respective meanings:

"*Bonds*" means the Revenue Bonds of the Agency of the Series authorized by this Resolution and a Trust Indenture.

"*Code*" means the Internal Revenue Code of 1986, as amended.

"*DTC Eligible*" means Bonds issued in book-entry form through the facilities of a securities depository, to provide for the registration of such depository's nominee as owner thereof.

"*Mortgage Loan*" means any mortgage loan with respect to the Project as authorized by the Act to be made or financed by the Agency.

"*Project*" means West Block University Apartments, located in Winooski, Vermont.

"*Offering Statement*" means the Official Statement, Private Placement Memorandum or similar offering document of the Agency describing the Bonds and used in conjunction with the sale thereof.

"*Resolution*" means this Resolution Authorizing the Issuance and Sale of a Maximum of $25,000,000 of Revenue Bonds to Finance a Student Housing Project in Winooski.

"*Series Certificate*" means the Series Certificate or Certificates of the Agency dated on or before the date of issuance of the related Series of Bonds which Series Certificate shall establish certain terms and provisions of such Bonds as provided herein, particularly Section 2.03 (a)-(f), (i), (m), (o), (q)-(s) and (u)-(x).

"*Trust Indenture*" means the Trust Indenture, meeting the criteria hereinafter specified, between the Agency and a commercial bank acting as trustee (such bank to be selected as hereafter specified) (the "Trustee"), as it may be amended or supplemented.

The terms "hereby," "hereof," "hereto," "herein," "hereunder" and any similar terms, as used in this Resolution, refer to this Resolution.

Section 1.02. Authority for Resolution. This Resolution is adopted pursuant to and in accordance with the provisions of the Act.

ARTICLE II

AUTHORIZATION, TERMS AND ISSUANCE OF BONDS

Section 2.01. Authorization of Bonds, Principal Amount and Series. In order to provide funds to make one or more Mortgage Loans to finance the Project, in accordance with and subject to the terms, conditions and limitations established in this Resolution and in any other resolutions adopted by the Agency, one or more series of Bonds are hereby authorized to be issued, evidenced by the execution and delivery of a Series Certificate and Trust Indenture, in an aggregate principal amount not to exceed $25,000,000. Such Bonds shall be revenue bonds payable solely and only from the Mortgage Loan revenues, and Trust Indenture funds and accounts, pledged therefor, and must have a minimum bond rating of investment grade unless sold on a private placement basis to a sophisticated institutional investor. Such Series Certificate shall be signed by at least two, and the Trust Indenture by at least one, of the following—Chairman, Vice-Chairman, Executive Director, Chief Financial Officer or Chief of Program Operations; provided that one of the signatories to the Series Certificate must be the Chairman or Vice-Chairman. The Agency is of the opinion and hereby determines (a) that the issuance of Bonds in said amount is necessary to provide sufficient funds to be used and expended from time to time to make Mortgage Loans to finance the Project; (b) that the Mortgage Loans to be made or financed on behalf of the Agency with the proceeds of the Bonds can be issued bearing a rate or rates of interest which will be less than the prevailing rate of interest on comparable mortgage loans available in the State of Vermont without the assistance of the Agency; and (c) that the Agency will derive receipts, revenues and other income from the Mortgage Loans purchased or made with the proceeds of the Bonds sufficient to provide, together with all other available receipts, revenues and income of the Agency, for the payment of the Bonds and the payment of all costs and expenses incurred by the Agency with respect to the purpose for which the Bonds are issued.

Section 2.02. Purposes. The purposes for which the Bonds are being issued are to provide funds to make or finance Mortgage Loans to finance the Project, including making deposits in any funds or accounts (including any reserve funds), all as shall be specified in detail in the Series Certificate and Trust Indenture as hereinafter described. The Mortgage Loans and the Project have been approved by separate resolution of the Agency.

Section 2.03. Bond Provisions; Series Certificate and Trust Indenture. The Bonds shall be issued hereunder only upon the delivery of the Series Certificate and Trust Indenture which shall specify the terms and conditions of such Bonds and the sale and delivery thereof, including without limitation the following:

(a) the principal amount of Bonds to be issued pursuant thereto;

(b) the Series or sub-Series designation and title;

(c) the maturity or maturities of the Bonds, which in no event shall exceed 35 years;

(d) the interest rate or rates on the Bonds or the method of determining the same, provided that the interest rate or rates on the Bonds (or the initial rate or rates if the rates are not fixed rates) shall not exceed 7% if the interest on the Bonds is to be exempt from federal income taxation or 9% otherwise, and provided further that if the initial rate or rates are not fixed rates the maximum permitted rate in any case may not exceed 12%;

(e) the date or dates on which interest on the Bonds is payable;

(f) the dated date or dates of the Bonds, or the method of determining the same;

(g) the redemption provisions for the Bonds, which may include optional, mandatory and/or sinking fund redemptions;

(h) the minimum and authorized denominations of the Bonds;

(i) whether or not the interest on the Bonds is to be exempt from federal income taxation;

(j) whether or not the Bonds are to be DTC Eligible;

(k) the form or forms of the Bonds, the manner of numbering and lettering such Bonds, and the Agency commissioners or officers authorized to execute and deliver the same;

(l) the source of revenues to be pledged and used to pay the same, which pledge shall be immediately effective as provided by the Act;

(m) that the Agency will derive receipts, revenues and other income from the Mortgage Loan(s) made or purchased with the proceeds of such Bonds sufficient to provide, together with all other available receipts, revenues and income of the Agency, for the payment of such Bonds and the payment of all costs and expenses incurred by the Agency for the purpose for which such Bonds are issued;

(n) the reserve fund or funds, any requirements with respect to the Bonds, and the method of funding the same;

(o) whether the Bonds shall be insured or guaranteed by a third party, and the premium or fee therefor, provided that such premium or fee shall be less than the present value of the interest rate savings on the Bonds occasioned by such insurance or guaranty;

(p) the specific use of the proceeds of the sale of the Bonds and the Mortgage Loans to be financed thereby;

(q) the manner in which the Bonds are to be sold, the underwriters or purchasers of the Bonds, the form of the agreement used to sell the Bonds (which form shall be comparable to the forms previously used by the Agency in similar sales of bonds) and the sale price of the Bonds, which may include a sale discount or fee paid to the underwriters or purchasers not to exceed 1.5% of the principal amount of the Bonds;

(r) if the Bonds are to be remarketed, the remarketing agent therefor and the remarketing agent fee (which shall not exceed 0.50% per annum);

(s) if the Bonds are subject to tender by the owners thereof, the tender agent therefor and any liquidity facility therefor, provided that any liquidity facility fee shall not exceed 0.50% per annum;

(t) the covenants, defaults, remedies and related provisions with respect to the Bonds;

(u) the form of the Offering Statement, if any is used to sell or market the Bonds (which form shall be comparable to the forms previously used by the Agency in similar sales of revenue bonds);

(v) the form of continuing disclosure agreement, if any, required to satisfy the federal securities laws (which form shall be comparable to the forms previously used by the Agency in similar sales of Bonds);

(w) the trustee and/or paying agent, if any, for the Bonds;

(x) whether or not any investment agreements, repurchase agreements or similar instruments are to be used for the investment of all or any Bond proceeds, and any conditions thereto or limitations thereon; and

(y) any other matters not inconsistent herewith deemed appropriate and necessary and authorized by the Act.

ARTICLE III

SPECIAL COVENANTS FOR TAX-EXEMPT BONDS

Section 3.01. Covenants as to Code. If and to the extent a Series or sub-Series of Bonds is designated as Bonds the interest on which is not to be subject to federal income taxation, the Agency shall not permit at any time or times any moneys made available to purchase Mortgage Loans in accordance herewith or any proceeds of the Bonds to be used, directly or indirectly, in a manner which would result in such bonds being qualified for the exclusion of any such Bond from the treatment afforded by subsection (a) of Section 103 of the Code by reason of such bond being classified as an "arbitrage bond" within the meaning of Section 148 of the Code, and, without limiting the generality of the foregoing, the Agency shall:

(a) Include restrictions in all agreements relating to the purchase or making of Mortgage Loans with the moneys made available to purchase or make Mortgage Loans so as to permit the financing of Mortgage Loans only in compliance with the Code, and establish and maintain reasonable procedures to ensure compliance with the requirements of the Code, if applicable;

(b) Continuously monitor the nonmortgage investments made directly or indirectly with the proceeds of such Bonds and shall take immediate and appropriate action to reduce the amount invested in nonmortgage investments with a yield materially higher than the yield on such Bonds as may be required by the Code; and

(c) Take such other action as may be necessary or desirable to maintain the exclusion of interest on such Bonds in accordance with Section 103(a) of the Code.

Section 3.02. Rebate. If and to the extent a Series or sub-Series of Bonds is designated as Bonds the interest on which is not to be subject to federal income taxation:

(a) The Agency hereby covenants to establish, or cause to be established, such separate accounts or subaccounts in the Trust Indenture as may be necessary or desirable to adequately trace and account for the direct and indirect proceeds of such Bonds in order to comply with the rebate or yield reduction payment requirements of Section 148 of the Code.

(b) At least annually, the Agency shall compute and certify, or cause to be computed and certified, in reasonable detail the amount required to be rebated to the United States pursuant to Section 148 of the Code.

(c) As required by Section 148 of the Code, the Agency or the Bond trustee as directed by the Agency shall pay to the United States, from moneys held under the Trust Indenture, the amount then required to be paid under Section 148 of the Code.

(d) The Agency or the Bond trustee as directed by the Agency shall keep such records as will enable them to fulfill their responsibilities under this Section and shall retain such records for at least six years following final payment of the related Bonds.

Section 3.03. Compliance With Article III. If and to the extent a Series or sub-Series of Bonds is designated as Bonds the interest on which is not to be subject to federal income taxation, the provisions of this Article III shall be complied with by the Agency in order to meet the requirements of the Code such that interest on such Bonds shall be and remain exempt from federal income taxes; provided, however, that the Agency shall not be required to comply with any such provision with respect to such Bonds in the event the Agency receives a Counsel's Opinion from a nationally recognized bond counsel firm that compliance with such provision is no longer required to satisfy the requirements of the Code or that compliance with some other provision in lieu of a provision specified in this Article III will satisfy said requirements, in which case compliance with such other provision specified in the Counsel's Opinion shall constitute compliance with the provisions specified in this Article III.

ARTICLE IV

MISCELLANEOUS

Section 4.01. Amendments. This Resolution may be amended from time to time prior to the issuance of the Bonds, which right shall be in addition to any other rights to amend.

Section 4.02. General. The Agency may adopt, and specify in an Officer's Certificate, any additional covenants as to the Mortgage Loans, Mortgagors or related documents, including without limitation any loan or financing agreement, reimbursement agreement with respect to a credit or liquidity facility, or regulatory agreement.

Section 4.03. Authorization of Officers. The Chairman, Vice Chairman or any other Commissioner of the Agency, Executive Director, Chief Financial Officer, Treasurer, Chief of Program Operations and Secretary of the Agency are hereby authorized and directed to do all acts and things (including the conduct of any public hearings required by federal tax laws) and to execute and deliver any and all documents, filings, certificates and other instruments necessary or desirable to effectuate the transactions contemplated by this Resolution.

Section 4.04. Effective Date. This resolution shall take effect immediately.

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Elizabeth Mullikin Drake

RE: Allocation of 2004 Private Activity Volume Cap

DATE: May 20, 2004

Recommended Board Action: To adopt the attached resolution to allocate $33,000,000 of the Agency's 2004 State Allocation to Homeownership.

Status of Agency's Use of Private Activity Volume Cap

In January, the Agency was allocated $33,000,000 by the State Emergency Board ("2004 State Allocation"). With the 2004 State Allocation, a total of $86,785,047 in private activity bond volume cap is available which includes the 2004 State Allocation and prior year carryforward allocations in the amount of $53,785,047 ($28,636,547 for Homeownership bonds and $25,148,500 for Multifamily bonds).

Since January, the Agency has not allocated the 2004 State Allocation between Homeownership and Multifamily. For the Series 20 single family bond issue, additional volume cap needs to be allocated to Homeownership.

The following chart shows the status of the Agency's available private activity volume cap before the recommended allocation:

			Allocated by VHFA Board	
	Total Volume Cap Available	Unallocated by VHFA	Homeownership	Multifamily
Carryforward from 2002/2003	87,050,577		60,552,077	26,498,500
2004 State Allocation	33,000,000	33,000,000		
VHFA Board Allocation				
2004 Private Activity Bonds Issued	(33,491,030)		(31,915,530)	(1,575,000)
Balance as of 05/20/04	86,560,047	33,000,000	28,636,547	24,923,500

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

The following chart shows the status of the Agency's anticipated available private activity volume cap after the recommended allocation:

	Total Volume Cap Available	Unallocated by VHFA	Allocated by VHFA Board Homeownership	Multifamily
Carryforward from 2002/2003	87,050,577		60,552,077	26,498,500
2004 State Allocation	33,000,000			
VHFA Board Allocation		(33,000,000)	33,000,000	
2004 Private Activity Bonds Issued	(33,490,530)		(31,915,530)	(1,575,000)
Anticipated Balance as of 05/27/04	86,560,047	-0-	61,636,547	24,923,500

Please feel free to call me at 652-3402 if you have any questions or comments about this information.

RESOLUTION RE: ALLOCATION OF 2003 PRIVATE ACTIVITY BOND VOLUME CAP ALLOCATION AND ELECTION TO CARRYFORWARD 2003 PRIVATE ACTIVITY BOND VOLUME CAP ALLOCATION

WHEREAS, the Vermont Housing Finance Agency (the "Agency") has been allocated a total of $44,000,000 in 2003 private activity bond volume cap by the State of Vermont Emergency Board ("2003 Allocation"); and

WHEREAS, the Agency desires to elect to utilize $25,000,000 of the 2003 Allocation for exempt facility bonds and $19,000,000 for qualified mortgage bonds and/or mortgage credit certificates; and

WHEREAS, the Agency wishes to accept any additional allocation of 2003 private activity volume cap from the State of Vermont and to designate its use for qualified mortgage bonds and/or mortgage credit certificates; and

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

NOW, THEREFORE, IT IS HEREBY RESOLVED:

1. The Agency elects to allocate $25,000,000 of its 2003 Allocation pursuant to Section 146 of the Internal Revenue Code of 1986 as amended for the purposes of issuing exempt facility bonds.

2. The Agency elects to allocate $19,000,000 of its 2003 Allocation pursuant to Section 146 of the Internal Revenue Code of 1986 as amended for the purposes of issuing qualified mortgage bonds and/or mortgage credit certificates.

3. If the Agency is allocated any additional volume cap by the State of Vermont on or after November 20, 2003, it elects to allocate any additional volume cap for the purposes of issuing qualified mortgage bonds and/or mortgage credit certificates.

4. The Agency elects to carryforward all of its unused volume cap pursuant to section 146 of the Internal Revenue Code of 1986 for the purposes consistent with its allocation of such carryforward between exempt facility bonds and qualified mortgage bonds and/or mortgage credit certificates.

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

VHFA Board Meeting Minutes
Vermont Association of Realtors
148 State Street
Montpelier, Vermont
Thursday, May 27, 2004 at 10:00 a.m.

VHFA Board Members Present:
Lisa Randall – Chair, Thomas Candon (designee for Crowley), Dagyne Canney, John Hall (designee for Dorn), Beth Pearce (designee for Spaulding), Gus Seelig

VHFA Board Members Present:
Paul Beaulieu

Staff: Dave Adams, Scott Baker, Sarah Carpenter, Maura Collins, Renee Couture, Elizabeth Mullikin Drake, Joe Erdelyi, John Fairbanks, Tim Gutchell, Pat Loller, Cindy Reid, Liza Smith-Vedder

Guests: Justin Dextradeur (Cathedral Square), Al Hans – by phone (Piper Jaffray), Nancy Owens (Housing Vermont), John Powell (Lake Champlain Housing Development Corporation), Amy Wright (Cathedral Square)

Chair Randall called the meeting to order at 10:10 a.m.

MINUTES
Mr. Hall made a motion to approve the April 29, 2004 Board of Commissioners' meeting minutes with Ms. Canney seconding the motion. The motion was unanimously approved.

CONSENT AGENDA
Ms. Canney made a motion to approve the Consent Agenda including those items requiring action (restated here):
- Approve staff recommendation (to the Board, as corrected) that the Agency use KPMG as its audit firm for one year.

Mr. Seelig seconded the motion, which was unanimously approved.

ACTION: Ms. Randall asked that Homeownership Reports come off the Consent Agenda for the June meeting in order to discuss delinquencies.

Ms. Carpenter distributed an article entitled "Sarbanes-Oxley: Guidance for Nonprofit Governance" from the *Federal Reserve Bank of Atlanta* publication, Volume 14, Number 1. She suggested that a recommendation of the article worthy of consideration is the formation of an Audit Committee, which could be incorporated into the Finance Committee (or vice versa.)

ACTION: Finance Committee will discuss formation of an Audit Committee at its June 7th meeting.

ACTION: Ms. Carpenter requested that the Finance Committee meeting at 10:00 a.m. on June 7th be moved from Montpelier to Burlington in order to accommodate those attending the groundbreaking of the Winooski Redevelopment project.

DEVELOPMENT – 9% TAX CREDITS

Whitcomb Terrace

Ms. Reid reviewed her memo regarding Whitcomb Terrace, a 19-unit building of affordable special needs housing to be constructed in Essex Junction adjacent to Whitcomb Woods, a project financed by VHFA. Ms. Reid explained the need to amend her recommendation, increasing the amount of federal Allocated Housing Credits requested from $157,558 to $161,000.

Ms. Wright, Mr. Dextradeur, and Ms. Owens were present to answer questions.

Mr. Seelig asked about access to public transportation. Mr. Dextradeur explained that there is a CCTA bus stop one block away and that his experience with CCTA confirms that it is more likely to add a new stop only after the need is established. In addition, SSTA services the adjacent Whitcomb Woods.

Mr. Seelig made a motion to approve the "Resolution Re: Proposed Allocation of Allocated Housing Credits for Whitcomb Terrace, Village of Essex Junction" with the amendment to increase the amount in federal Allocated Housing Credits to $161,000. Mr. Candon seconded the motion and the Resolution was unanimously approved.

Waugh Opera House, St. Albans

Ms. Reid reviewed her memo regarding Waugh Opera House, a 20-unit project contained on the upper floors of an historic building located in downtown St. Albans, across from Taylor Park. Ms. Reid explained the need to amend her recommendation, increasing the amount of federal Allocated Housing Credits requested from $176,000 to $180,000. She also corrected an error on page 2 of her memo to read "… *ten* [units] are affordable to households at or below 60% of area median income."

Ms. Owens and Mr. Powell were present to answer questions.

Ms. Reid expressed concern about the relatively large number of one-bedroom units (18 of the 20). She explained that she and Ms. Owens have had discussions about what more information is needed from the market analyst to ascertain marketability and clarified that the Board's approval would be conditioned upon this. Mr. Seelig observed that the location of this building made it less suitable to family housing. Ms. Carpenter added that the lack of exterior windows also dictated the design.

Mr. Candon made a motion to approve the "Resolution Re: Proposed Allocation of Allocated Housing Credits for Waugh Opera House, City of St. Albans" with the amendment to increase the amount in federal Allocated Housing Credits to $180,000. Mr. Seelig seconded the motion and the Resolution was unanimously approved.

Mr. Erdelyi informed the Board that, after funding Waugh Opera House and Whitcomb Terrace today, about $800,000 remains in unallocated 2004-2005 federal Allocated Housing Credits.

DEVELOPMENT – LOANS, 4% TAX CREDITS, AND STATE CREDITS

Vernon Senior Housing

Ms. Reid reviewed her memo regarding Vernon Senior Housing, a 24-unit building of senior rental housing to be constructed in Vernon.

Ms. Owens added that the Town voted at its March meeting to provide an additional $200,000 to the project (in addition to its donation of the land and its previous donation of $730,000 in town funds.) The town is very supportive and hopes the building will become the hub of activity for the seniors in the community. Although Vernon is very rural, the project is located on a main road and is about seven miles from Brattleboro.

Mr. Candon asked why this project was so much more expensive than Whitcomb Terrace. Ms. Owens replied that there are no municipal services in Vernon so that project costs must include a well, a stormwater system, a septic system and other sitework.

Mr. Seelig made a motion to approve the "Resolution Re: Construction and Permanent Financing and Proposed Allocation of State Housing Credits for Vernon Senior Housing, Vernon." Ms. Canney seconded the motion and the Resolution was unanimously approved.

DEVELOPMENT / FINANCE - WINOOSKI

Winooski Falls Riverfront Downtown Project ("Winooski Project") - Update

Ms. Mullikin Drake explained that, yesterday (May 26th), the State pledged the CDBG allocation as a guarantee for the $24 million HUD 108 Loan. Also, all (West Block and Infrastructure) of the construction contracts have been executed. Today (May 27th), the City is focused on purchasing the remaining lots so that the Federal Highway Administration will signoff on the City's right-of-way clearance to do the work. This must be done before the infrastructure contract can be awarded, which must be done tomorrow (May 28th.)

Ms. Mullikin Drake explained that, from this point forward, VHFA's focus will be monitoring, including explaining expectations to those obligated by the Protocol Agreement, an agreement between the City and the State which supports the pledge of the CDBG money. The process of monitoring will be supported by electronic access to the Master Trust accounts with Banknorth, into which all money will flow.

Mr. Candon asked about the status of Central Block with regard to the percentage of affordable housing. Ms. Mullikin Drake explained that a Difficult Development Area designation was still being pursued. Plan B calls for making 55% of the units affordable (with fewer overall units and more retail). However, if the State determines that this is not feasible, then Plan C, making 60% of the units affordable, will be implemented. HallKeen will move forward by September 1st on one of these options.

<u>West Block Student Housing</u>. The borrower, Collegiate Housing Foundation, received its commitment for credit enhancement (from Sovereign Bank) this week. This credit enhancement was necessary for the Agency to move forward with the conduit bond financing of the student housing. Ms. Mullikin Drake distributed the bond resolution for the financing of West Block University Housing and asked the Board to adopt it substantially in form because the underwriter has not yet reviewed it.

Mr. Adams explained that the Agency has no direct financial risk with the conduit bond issue. The risk belongs to Sovereign Bank, which has underwritten the project and is guaranteeing that the bonds will always be marketable; otherwise, the Bank is obligated to repurchase the bonds. If the project were to fail, Sovereign Bank's only recourse would be to go after the cash flows of the project. Mr. Adams added, however, that there is a risk to VHFA's good name. Should the need for a workout occur, VHFA would likely be involved.

Mr. Hans concurred with Mr. Adams and explained that the bond is a variable rate bond with a fixed rate (2.8%) for the first two years via a hedge instrument. The variable interest rate will be based on the 10-year average of the BMA index, an index for 7-day floating rate commercial paper. Mr. Hans reviewed the historical rates for this index to put the risk into perspective. He indicated that one of the protections is that there is debt service coverage in the projections of about $400,000 in excess cash flow per year. He further compared this deal to a multifamily bond and concluded that this deal was riskier, but reiterated that the financial risk is not the Agency's.

Mr. Seelig asked what assumptions had been made for increasing utility costs. Ms. Carpenter explained that staff had not reviewed to that level of detail, as the Agency is not underwriting the project. Mr. Hans added that revenues and expenses are projected to trend upward by 3% per year and that Sovereign Bank is requiring a 1.25 debt coverage ratio prior to subordinate debt service. Mr. Adams reported that Sovereign Bank had been informed of staff's belief that the rent recommendations used in the Danter study are aggressive. Ms. Mullikin Drake added that, in order to fill a gap, Mr. Pecor will hold an $800,000 note on this project, which will be subordinate to the first mortgage and the land lease payments.

Mr. Hall made a motion to approve the "Resolution Authorizing the Issuance and Sale of a Maximum of $25,000,000 of Revenue Bonds to Finance a Student Housing Project in Winooski" with the understanding that, should the language change, it will be substantially the same. Ms. Canney seconded the motion and the Resolution was unanimously approved.

Ms. Randall asked that it be reflected in the minutes how appreciative the Board is for all of staff's extra work, specifically mentioning Mr. Erdelyi, Mr. Adams and Ms. Mullikin Drake, and, generally, those who took on extra work, to make Winooski happen. She added that the Agency only benefits from this exposure, gaining the respect of partners throughout the industry. She further explained that being seen in the industry as a leader in the market, from which advice can be sought, fulfills a Strategic Planning goal. She again thanked all involved and especially Ms. Mullikin Drake's for her work over the last couple of months.

ADMINISTRATIVE

Ms. Mullikin Drake informed the Board that the legislative change, which officially confirms that the Agency has the benefit of sovereign immunity, was passed as a small provision in the Appropriations bill, allowing VHFA to move forward in formalizing its agreement with ACCD via a Memorandum of Agreement.

FINANCE

Single-family Series 20 Bond Schedule and Resolution

Mr. Hans estimated that, given current market conditions, the mortgage interest rate for a bond without a variable rate demand (VRD) feature would be about 6.45% at full spread. With a VRD and Swap feature, this rate would drop to about 6.15%. To Ms. Randall's question about whether the Series 20 bond would incorporate a VRD and Swap, Mr. Hans replied that it would.

Mr. Candon asked whether a loan loss reserve would be incorporated. Ms. Carpenter explained that this is undetermined, and that this is a rate setting issue, not a bonding issue. Whether or not this happens is determined by the Agency's ability to remain competitive with conventional rates.

Mr. Adams informed the Board that the Agency will need to forward commit about two to three weeks worth of funds before the rate is set on the Series 20 Bond.

Ms. Randall asked what the amount of the Series 20 Bond will be. Mr. Adams replied that it will not exceed $40 million.

Mr. Hall made a motion to approve the "Twenty-Fourth Supplemental Single Family Housing Bond Resolution." Mr. Candon seconded the motion and the Resolution was unanimously approved.

Ms. Canney asked whether there was a policy for lenders regarding advertising of VHFA rates. Mr. Adams replied that lenders are supposed to seek prior approval from VHFA.

ACTION: Mr. Adams or Mr. Fairbanks will speak with Jacklyn and Kelly about assisting First Community Bank in writing its e-mail advertisements of VHFA rates.

Allocation of 2004 Private Activity Volume Cap

Ms. Carpenter informed the Board of an error in the memo regarding Allocation of 2004 Private Activity Volume Cap: the total 2004 Private Activity Bonds Issued number in the first chart was $500 more that it should have been. The Balance as of 05/20/04 was correct.

Ms. Mullikin Drake informed the Board that the wrong Resolution was included in the Board packet. She explained the provisions of the correct Resolution and the reason that action was required: to assign to Homeownership enough volume cap to issue the Series 20 single family bonds.

Mr. Seelig made a motion to approve the "Resolution Re: Allocation of 2004 Private Activity Bond Volume Cap." Mr. Candon seconded the motion and the Resolution was unanimously approved.

Quarterly Financial Statements / Interim Budget Report

Mr. Baker reviewed the Financial Statements. He pointed out that the year-to-date overall profit is $1.98 million before the change in investment market value. The increase in fund balances, represented by the "excess of revenues over expenses" is slightly greater than $1 million. He explained that assets were down $46 million since the beginning of the year, but that the Agency has paid off $51 million in debt.

Mr. Baker reminded the Board about the 1% benchmark; the goal is for annual profits to be at least 1% of mortgage loan balances. He indicated that, when special bond redemption costs were factored out, the year-to-date annual profits to mortgage loan balances is approximately .85%. He believes this may increase in the final quarter as prepayments have slowed and the current mortgage rate reflects full spread plus a 25 basis point loan loss recovery.

Mr. Gutchell reviewed the Interim Budget Reports. He mentioned that expenses are about 7% under budget and that loan losses continue to be very low (about 75% under budget!) He also pointed out that loan interest costs are under budget as interest rates are lower than expected. And, lastly, he mentioned that single family and multifamily fee income are better than expected. Ms. Carpenter reminded the Board that, with respect to multifamily fee income, the Agency does not make spread on the construction loans so that the Agency is getting paid up front for monitoring work to be done thereafter. She expects this trend to continue.

Ms. Pearce questioned the organizational subsidies, over budget by 20.75%. Ms. Carpenter explained that the majority of the grants to the Homeownership Centers, represented by this line item, are given out early in the year. As well, they received a one time $100,000 contribution for the establishment of a statewide endowment fund. Mr. Gutchell concurred and added that he doesn't expect this line item to be over budget by year-end.

Ms. Carpenter pointed out that the Agency expected to be paid this fiscal year for the work already done and to be done on the Winooski project on behalf of ACCD. From this $330,000 payment, third-party legal fees incurred to-date will be paid. Ms. Mullikin Drake explained that more third-party expenses are anticipated for the construction phase. After that, ongoing monitoring, to be done by the Agency, is expected to cost about $5,000 per year (for about twenty years.)

OTHER

Section 8 Cuts

Mr. Seelig again raised the issue of the Section 8 cuts and asked anyone who could to pressure HUD to reverse its decision. Ms. Collins added that the Governor's Interagency Council on Homelessness is drafting a sign-on letter to the other New England Interagencies to be sent to the federal Interagency Council on the effect the cuts would have on the goal to eliminate homelessness in ten years. Governor Douglas' office has approved the drafted letter. Finally, Ms. Carpenter offered, upon request, to forward a white paper written by David Smith of Boston, which explains the illogic of the cuts.

June 3rd Anniversary Event

Mr. Fairbanks reminded Board members of the June 3rd anniversary event at the Boathouse, described the format and answered questions.

Interesting Housing Facts

Mr. Hall asked about the 1998 home sale prices used in the bar chart. Ms. Collins explained that the Consumer Price Index had been used to adjust for inflation.

EXECUTIVE SESSION

Mr. Hall made a motion to adjourn the meeting and go into Executive Session to discuss Personnel related items. Mr. Seelig seconded the motion, which was unanimously approved. The Board of Commissioners commenced Executive Session at 12:45 p.m.

ADJOURNMENT

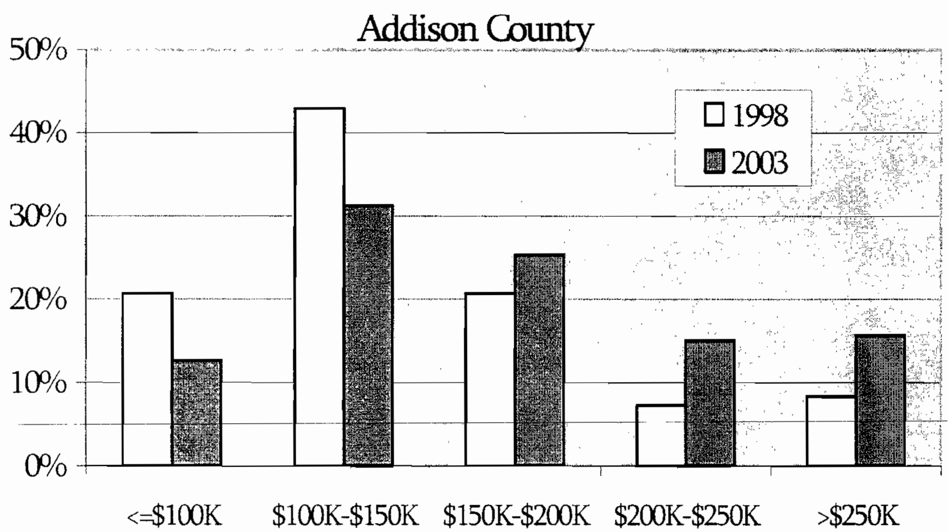
Mr. Candon made a motion to adjourn Executive Session. Mr. Hall seconded the motion, which the Board unanimously approved. Executive Session was adjourned at 1:10 p.m.

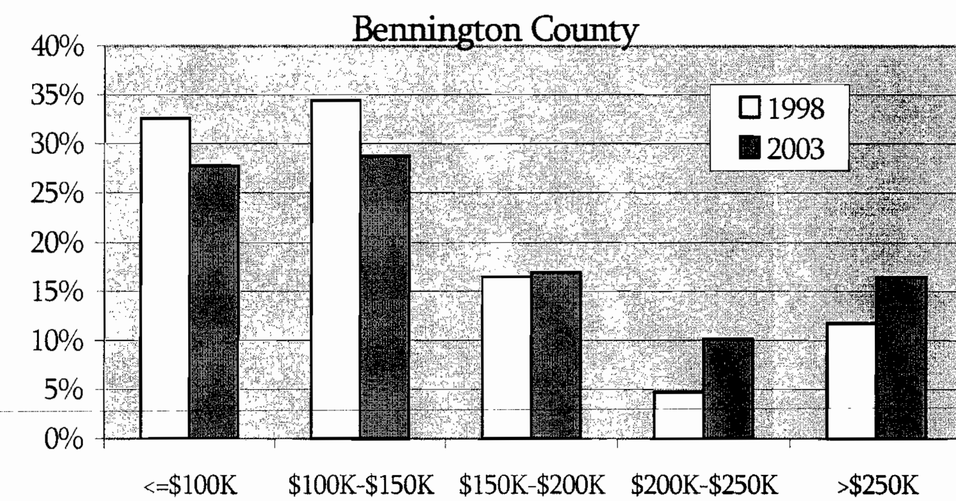
Interesting Housing Fact #1

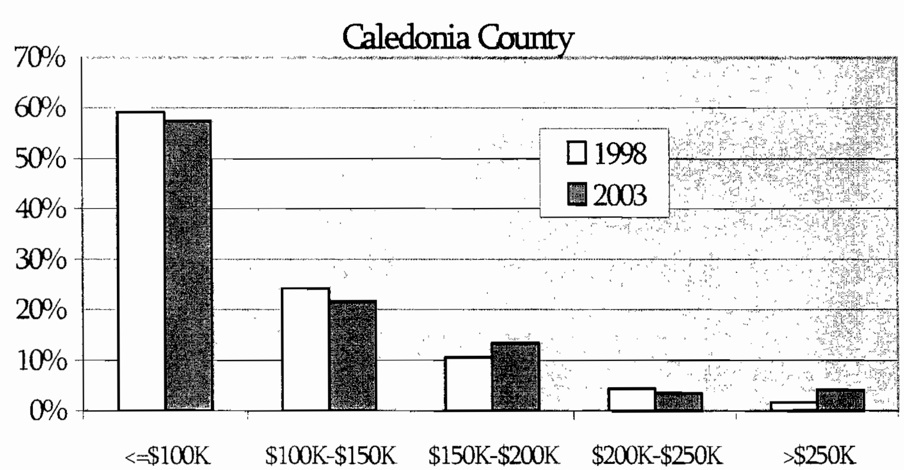
June 2004 Board Meeting

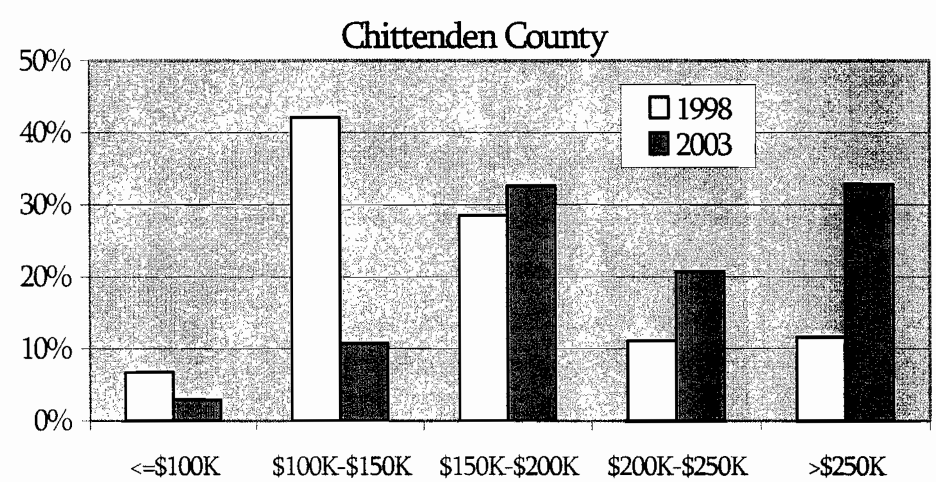
Prepared by: Maura Collins

To show the proportion of high-end home sales to affordable homes, I took all primary residence sales in 1998 and adjusted them upwards to reflect the change in inflation[1] over the past 5 years.[2] I tallied up how many were within each price range and calculated the percentage of all home sales that year. This extended analysis was requested last month and here I've done calculations for every county in Vermont.





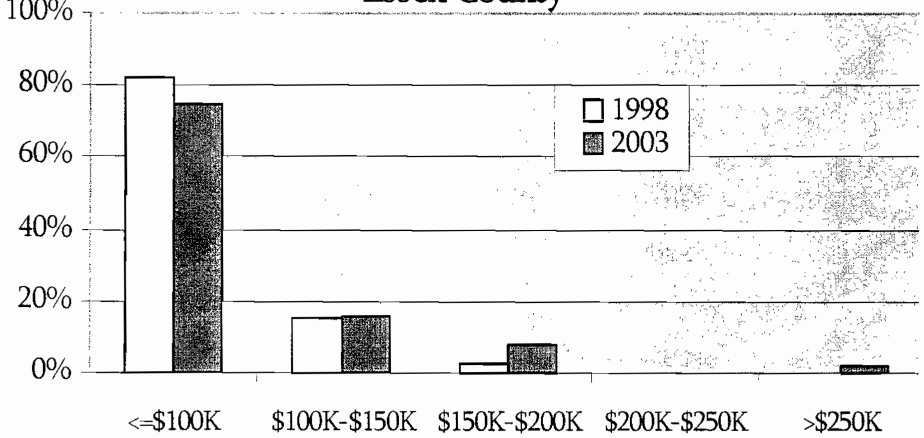




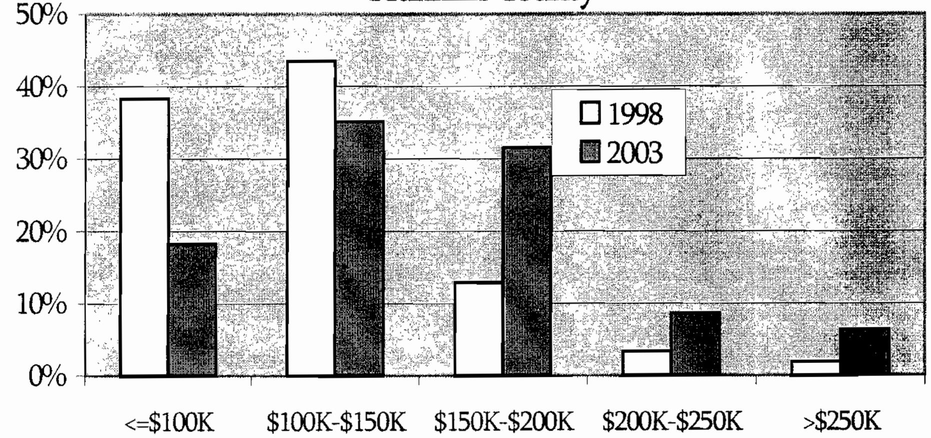
[1] Consumer Price Index. An increase of 13% nationally from 1998 to 2003. This would mean a $150,000 home in 1998 would now be worth $169,500 from inflation alone, not considering appreciation in the value of the home.

[2] Home sales from the Vermont Department of Taxes' Property Transfer Tax receipts.

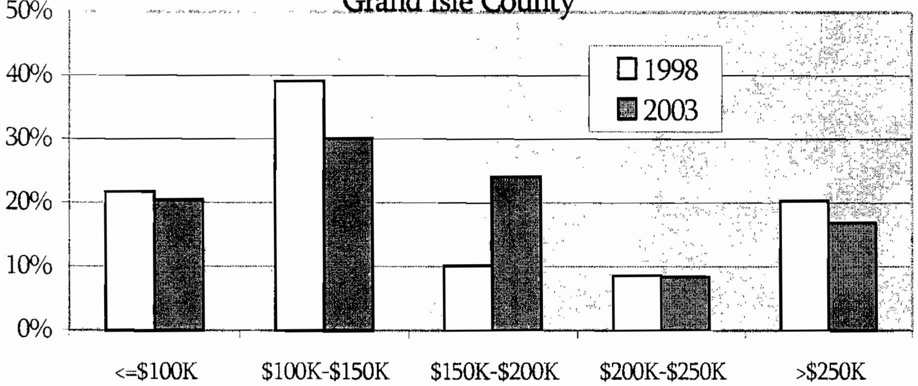
Essex County



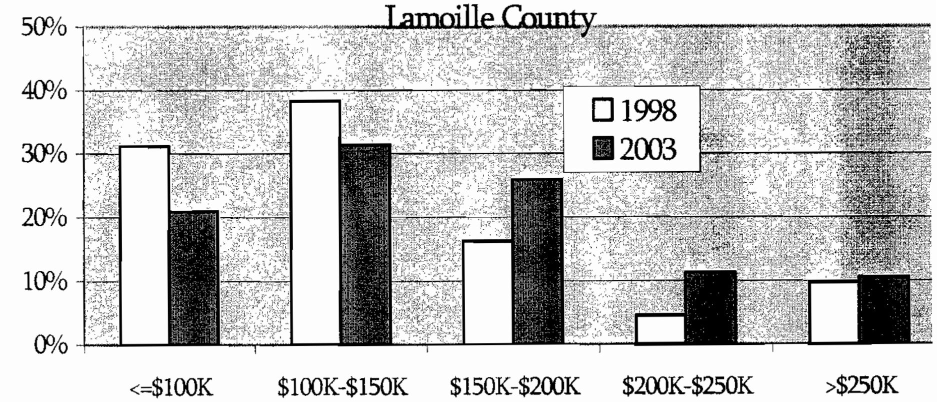
Franklin County



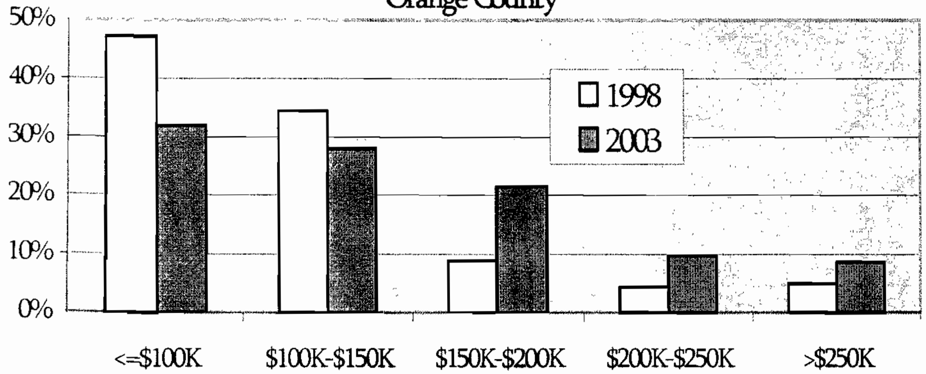
Grand Isle County



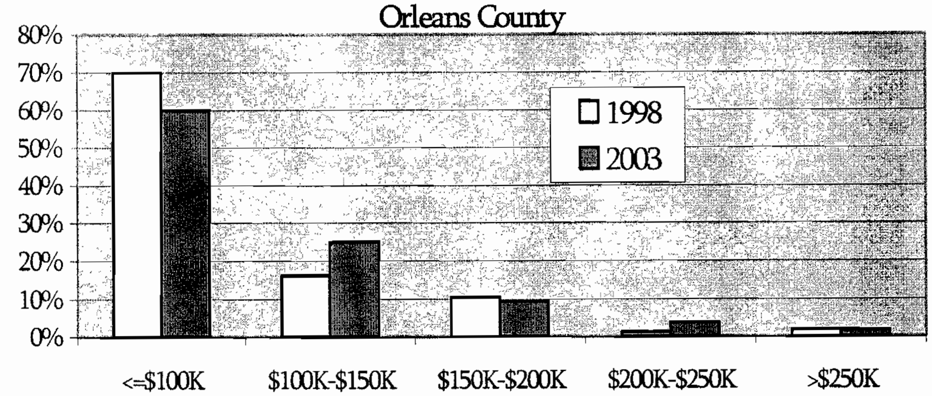
Lamoille County



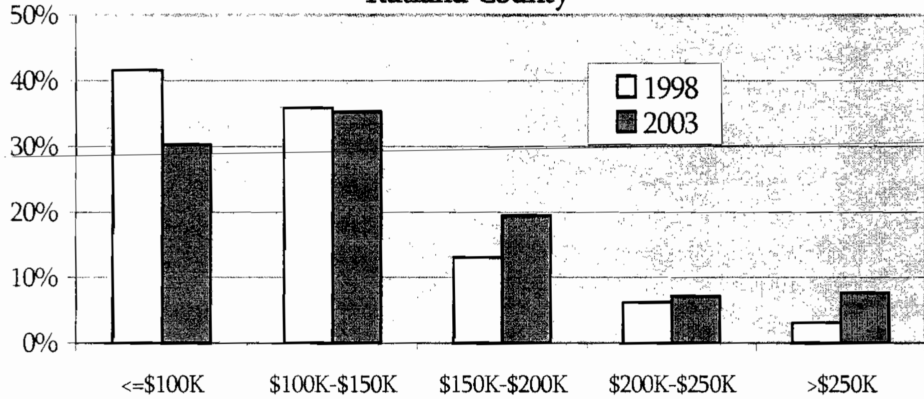
Orange County



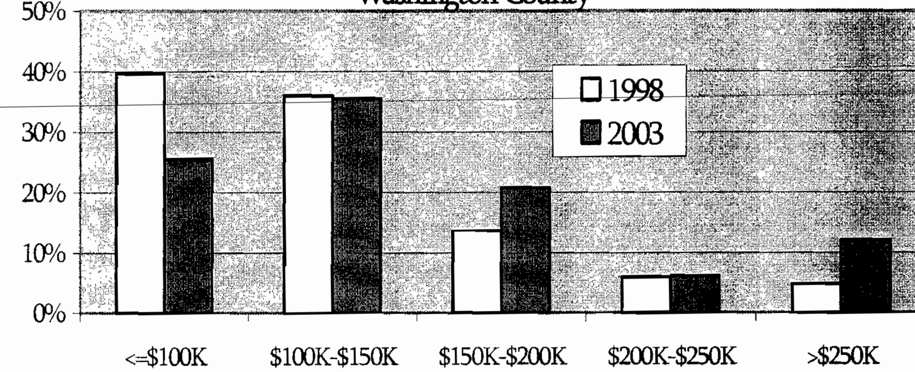
Orleans County



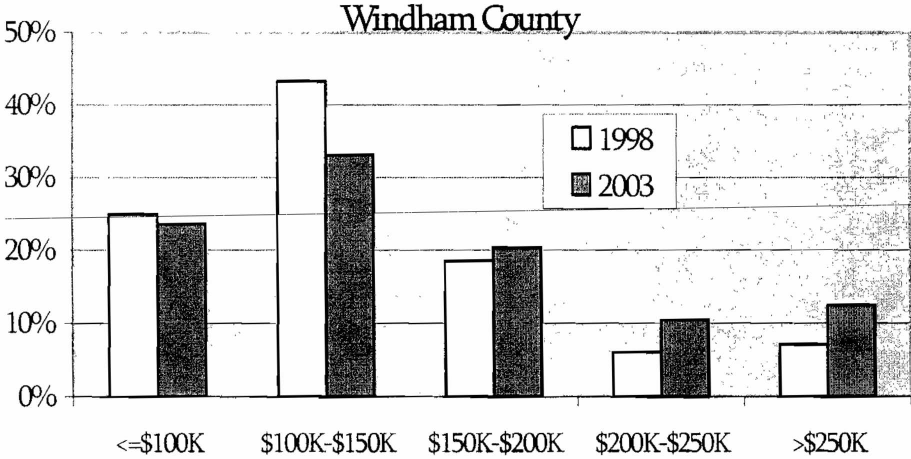
Rutland County



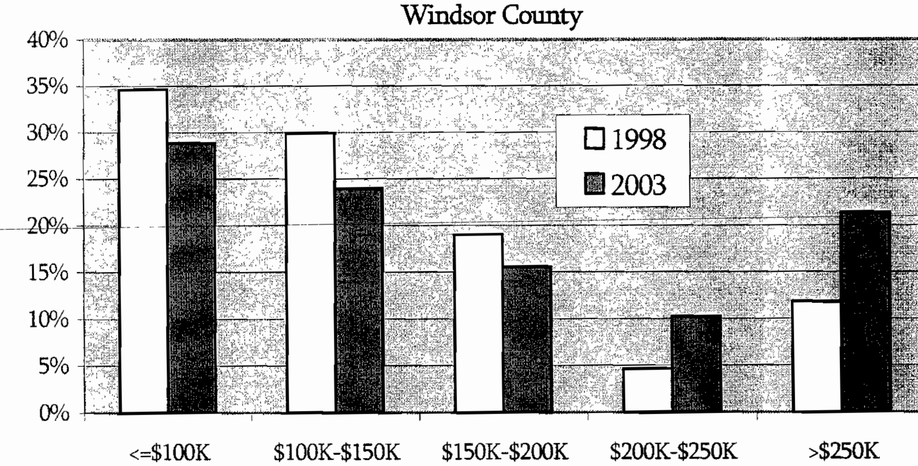
Washington County



Windham County



Windsor County



Interesting Housing Fact #2

June 2004 Board Meeting

Prepared by: Maura Collins

Statewide vacancy statistics are hard to come by; therefore I rely on the US Census Bureau's statewide figures that are released annually for both the rental and homeownership markets.

Rental Housing

The nation as a whole is seeing a softening of the rental market in most areas. 41 states saw their vacancy rates increase in 2003 from 2002. The most dramatic increase was Connecticut where the rate almost doubled from 4.6 to 9.1. New Hampshire was next nationally with a 76% increase in vacancies.

Vermont's rate did increase by 5 percent from 3.8 to **4 percent**, but it is still the absolute lowest rental vacancy rate in the country! The next highest rate is tied at 5.2 between Massachusetts and Rhode Island followed by the other notoriously tight states: California and New York.

Homeownership

While Vermont does not have the lowest homeownership vacancy rate in the country, it was one of only 19 states where the rate dropped and therefore the market got tighter between 2002 and 2003. Our rate dropped from 1.1 to 0.9 – an 18 percent change. Nationally, this was the eighth worst decrease.

Chittenden County

Allen and Brooks, a South Burlington appraisal firm, studies Chittenden County's apartment vacancy rates specifically and produces periodic reports on the region. The most recent vacancy rate available (Dec 2003) in Chittenden County was 2.7 percent. This is lower than the statewide figure given above, which makes sense if we view Chittenden as one of the "hotter" markets in Vermont. This figure is also much more statistically reliable since the sampling size is more accurately matched to the market. This figure is unchanged from the June 2003 rate, and up dramatically from the June 2002 rate of 0.9. The report says:

> *Given the new rental housing added to the market in recent years as well as the number of projects currently under construction and proposed, it is unlikely that a significant drop in vacancy will occur. Instead, vacancy will likely stabilize at the current higher level.*

It is unclear if the analysts considered the Winooski Redevelopment project when considering the "proposed" projects. Allen and Brooks calculate a separate vacancy rate for the urban areas (Burlington and Winooski) versus the suburban areas.

Urban	2.5%
Suburban	3.0%
Total	2.7%

vhfa

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Eliza Smith-Vedder, Multifamily Development Underwriter ESV

DATE: June 17, 2004

RE: Request for Construction Financing and 4% Automatic Credits

Name:	Groton Village Redevelopment	**Location:**	Groton
Housing Type:	General Occupancy	**Unit Type:**	Flats & Townhouses
Unit Count:	19 Total Housing Units 18 LIHTC Units 3 Commercial spaces & Library	**Unit Sizes:**	4 1-BR @ 600 avg s.f. 11 2-BR @ 955 avg s.f. 3 3-BR @ 1233 avg. s.f. 1 2-br@ 1400 s.f.
Total Cost:	$4,678,520	**Per S.F. Acquisition & Construction Cost:**	$148.48 (housing portion only)
Loan Requested:	$1,500,000 construction (tax-exempt)	**Sponsors:**	Housing Vermont, Gilman Housing Trust
Housing Credits:	$99,920 (Bond "4%" Credits)	**State Credits:**	n/a
Other Funding:	HOME, VHCB, RD 515, REEP, VCLF, GHT, AHP, Preservation Trust, Groton Town Library, VCDP, VTRANS, VHCB LEAD, Neighborworks		

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

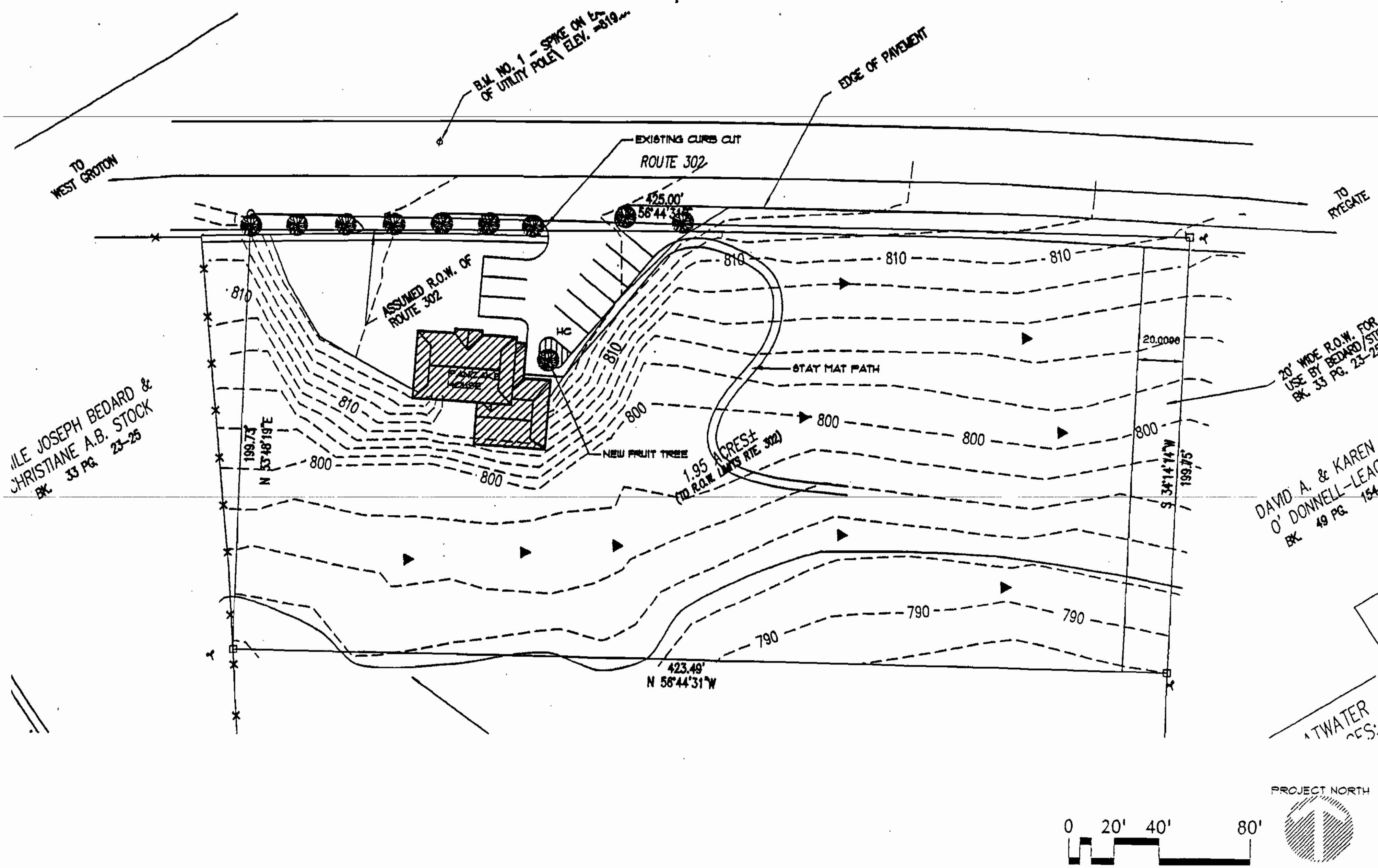
Project Summary: This project, being developed by Housing Vermont and Gilman Housing Trust (GHT), will bring 19 total units into the heart of Groton Village. The project is multifaceted, and includes the rehabilitation of three buildings, construction of one new building on an existing foundation, and the acquisition of a recently rehabilitated apartment building. Three of these buildings sit in what is the center of Groton, near both the church and town green, on Scott Highway (Route 302). The rehabilitation of these three buildings, (Lauzon House, Goodine House, and the Groton General Store) will dramatically improve the village center, as they are, by far, in worse condition than any of the buildings that surround them. The fourth building (called the Pancake House) has been condemned, and sits empty on nearly 2 acres of green space near the edge of the village, also on Scott Highway. The new family housing planned to replace the Pancake House will not only help to remove this blight, but will also provide excellent access to the outdoors for the tenants.

The partnership is also rolling an existing affordable housing project from GHT's portfolio, the Welch Block, into the project so that it may benefit from the RD subsidy that they have secured. This building, the old Town Grange, was finished being rehabilitated within the past two years and needs only minor repairs to the trim and paint. The parking lot at the Welch building will be expanded as well, in order to create a trailhead for the Cross Vermont Trail, which begins along side this building. Of the five buildings, four (Lauzon, Pancake, Welch and the General Store) will hold the eighteen LIHTC units as well as the entire eighteen RD-assisted units. The project will be managed by Northern Community Management Corporation. The Town has shown tremendous excitement and support for the project, and the partnership has secured funds from Rural Development, VHCB, Historic Preservation and VTRANS, among many others, in order to complete this project in such a way that the historic integrity of these buildings, which date from the early 1800's, is kept intact. Furthermore, there are plans to replace hundreds of feet of old sidewalks that link these buildings, as well as to put into place the Towns' only fire hydrant.

The sponsors are requesting a tax-exempt construction loan of $1,500,000 in order to obtain 4% automatic credits. There are 18 affordable units in the development to be financed with the tax-exempt construction loan.

The Goodine House (which includes the Library and one market rate apartment) and the Groton General Store will be owned separately by a commercial partnership. There are no local permits required. An Act 250 permit is expected in June. AHP and VCDP are also reviewing this proposal. VCDP will meet Monday, June 21st (after this mailing); AHP will decide by the end of July. Once funding is in hand, construction should begin in August or September.

The market study was completed in April 2002, and updated in February 2003. In this particular study, there were numerous differences between VHFA's standards and what this study presented; this was due largely to the fact that it was commissioned as an RD Section 515 study and RD have their own guidelines. However, we do not feel that this project needs an additional study for a number of reasons. Firstly, the RD study focused on the need for "deep subsidy" specifically, as well as defining the market area as Groton Town. Working with this very limited market area, this report demonstrated a need for eight such deep subsidy family units, and three deep subsidy elderly units. This project plans to only *add* four units to the existing stock, as the rest of the units are substantial rehab of existing occupied units. Because of the study's conservative approach to defining market area and focus on need for subsidized units only, we feel confident that there is sufficient demand for the units. This is bolstered by the fact that we know that deeply subsidized projects create their own market. The greater concern is the potential negative impact that this could have on the existing rental market, which is not addressed in the study. We have asked that the market analyst examine the development's impact on the area's existing rental stock.



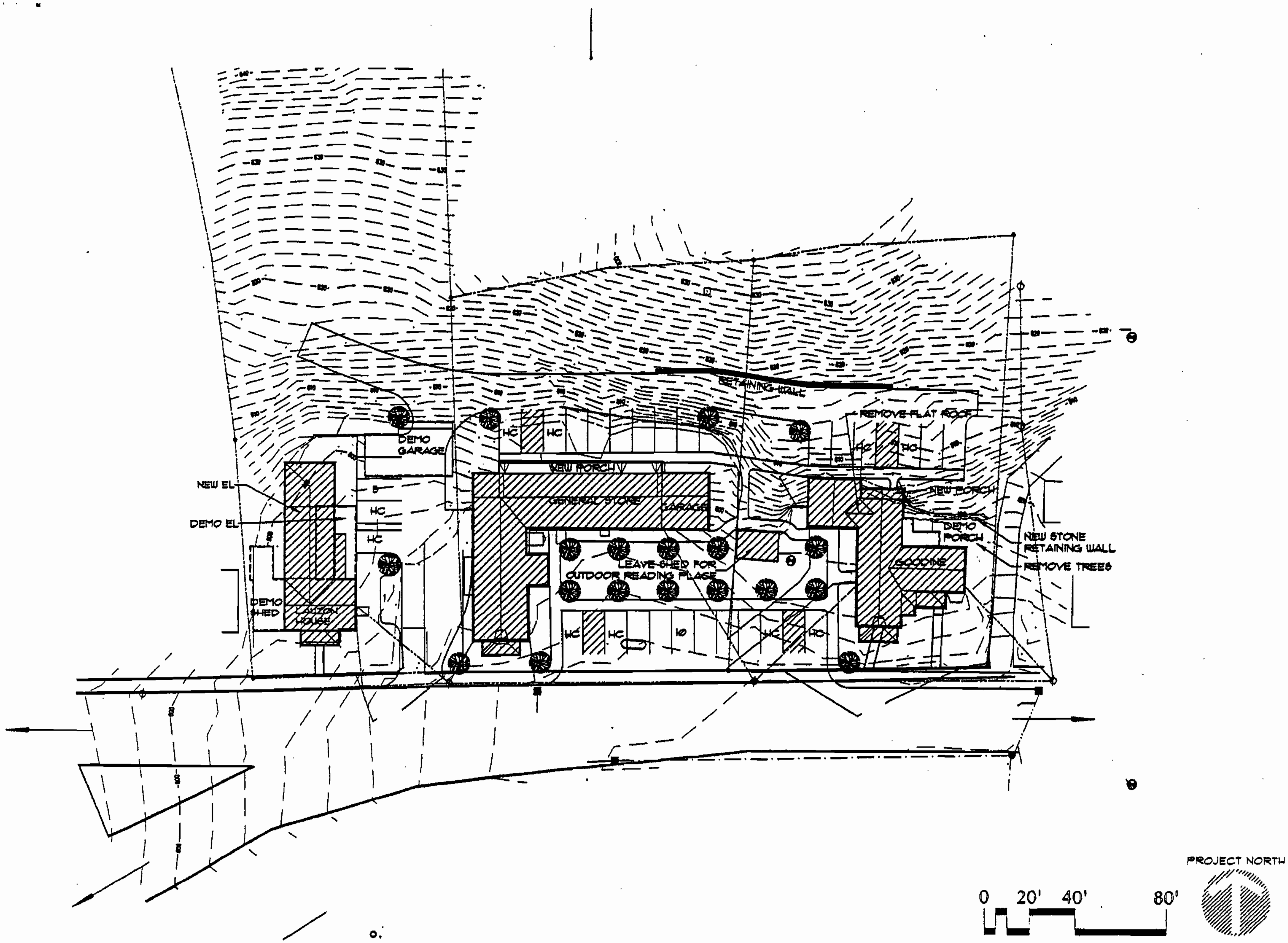
...OTON VILLAGE HOUSING C/O GILLMAN HOUSING TRUST & HOUSING VT

...LIAM MACLAY ARCHITECTS & PLANNERS

PROPOSED PANCAKE HOUSE SITE PLAN

L-1

08/01/03



ITON VILLAGE HOUSING C/O GILLMAN HOUSING TRUST & HOUSING VT

.IAM MACLAY ARCHITECTS & PLANNERS

PROPOSED MAIN SITE PLAN

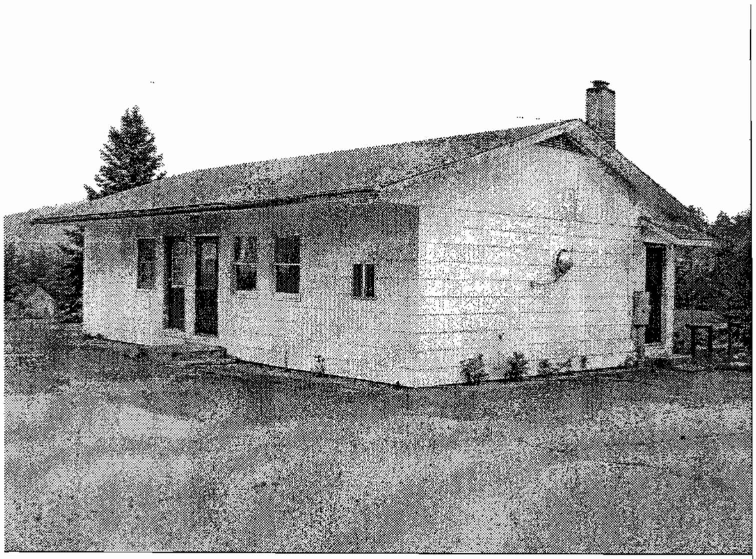
08/01/03

L-2

Send To Printer Send To Printer Back To TerraServer Change to 11x17 Print Size Show Grid Lines Change to Portrait

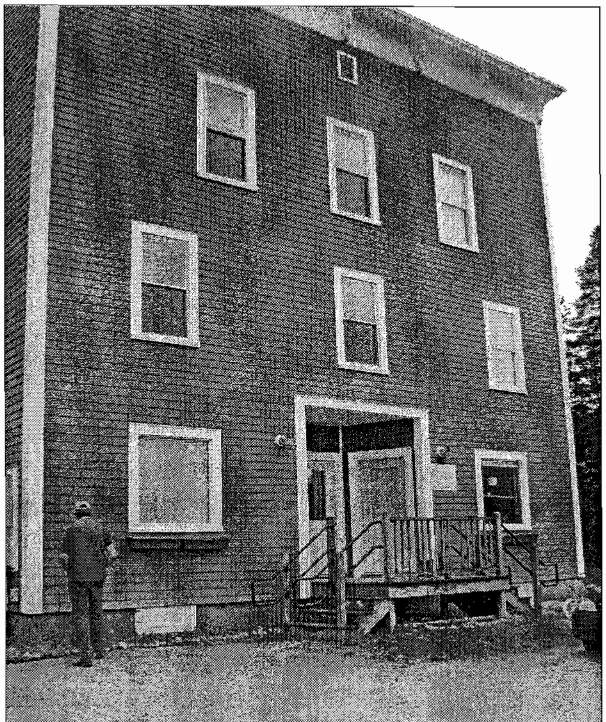
USGS **4 km E of West Groton, Vermont, United States** 29 Apr 1998

1- Pancake House
2- Town Offices, existing library, community gym
3- Fire Department
4- Lauzon House
5- General Store
6- Goodine House
7- Post Office
8- Merchants Bank
9- Brown's Market Bistro (new restaurant)
10- Welch Block
11- Town Park / Village Green



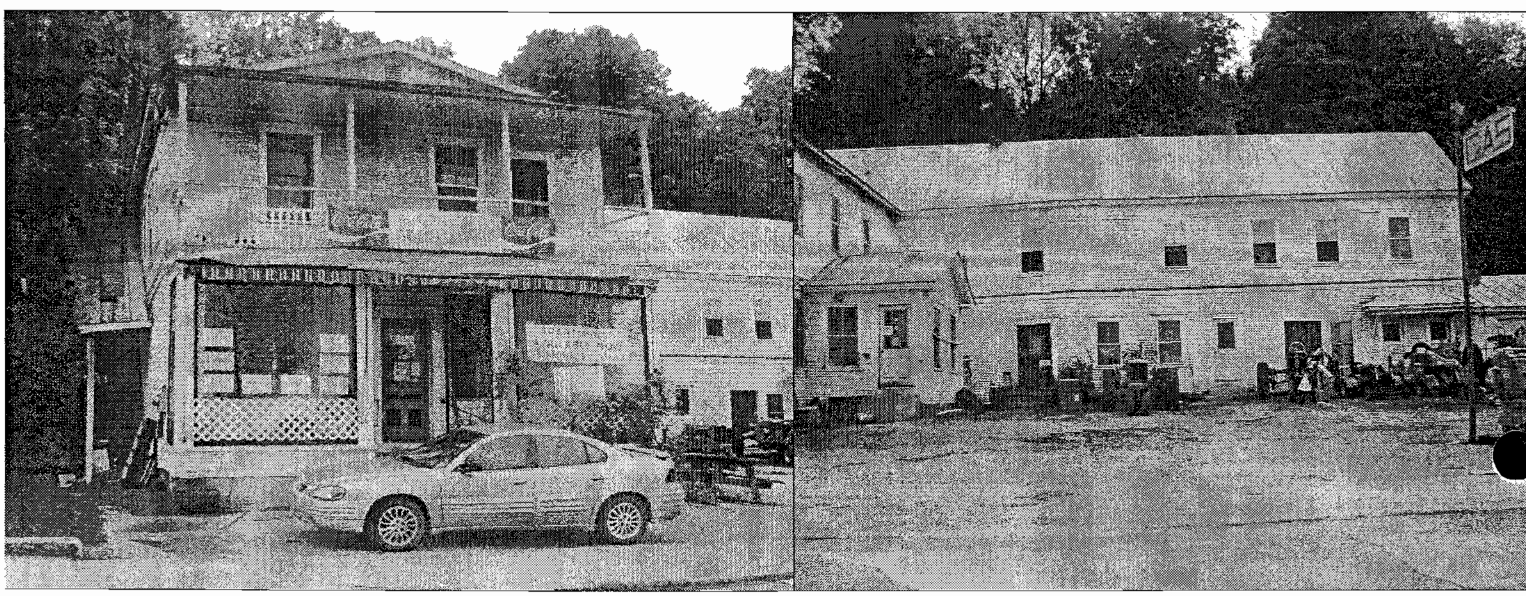
Pancake House

Goodine House



Welch Building

Lauzon House



Groton General Store

17-Jun-04 **Groton Village Redevelopment**

Total Residential Units:	19	Increase in Income from Rental Units:	1.50%
Housing Credit Restricted Units:	18	Increase in Income from market rental:	1.50%
Percent Restricted:	100.00%	Increase in Income from Commercial:	1.50%
Total Development Cost:	4,678,520	Expense increase:	3.00%
Total Development Cost per Unit:	246,238	Vacancy Rate:	7.5%
Total Development Cost Per SF:	241	Partner's Tax Rate:	35%
Credit Election:	40/60	Long Depreciation Schedule:	27.5 years
Max Credit Potential:	99,920	Comm Depreciation Schedule:	39.0 years
Credit Amount Allocated:	99,920	Short Depreciation Schedule:	7 years
		Sponsor's Estimated Yield:	88.05%
LIHTC - 9%		(June 2004)	
LIHTC - 4%	3.45%		

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term
		0.00%			
HOME	204,200	4.36%	5.50%	30	30
VCDP	450,000	9.62%	0.00%	30	deferred
VCLF	175,000	3.74%	6.92%	25	25
Rural Development	1,000,000	21.37%	1.00%	50	50
Welch Grants	659,835	14.10%	0.00%		Grant
Gilman Development Loan	45,000	0.96%	0.00%		deferred
VHCB G. F. Loan	340,000	7.27%	0.00%		deferred
Lead Loan	24,000	0.51%	0.00%		deferred
VTRANS	256,000	5.47%			Grant
REEP HV Loan	10,000	0.21%	0.00%		deferred
AHP	300,000	6.41%	0.00%		deferred
Preservation Trust Loan	40,000	0.85%	0.00%		deferred
Library Loan	50,000	1.07%	0.00%		deferred
NRI	50,000	1.07%	0.00%		deferred
Historic Equity	423,602	9.05%	N/A	N/A	
Tax Credit Equity	879,746	18.80%	N/A	N/A	
TOTAL SOURCES	4,907,382	104.89%			

USES

Acquisition	1,011,235	21.61%
Construction Hard Costs	2,862,683	61.19%
Soft Costs	804,602	17.20%
TOTAL USES	4,678,520	100%
Gap	(228,862)	

General Partner's Capital Contribution	880	0.10%
Limited Partner's Capital Contribution	878,866	99.90%
Total Equity	879,746	

APPLICABLE FRACTION CALCULATION

Tax Credit Restricted Units	18
Total Units	18
Unit Fraction	100.00%
Tax Credit Square Footage	16,604
Total Residential Square Footage	16,604
Square Footage Fraction	100.00%
Applicable Fraction	100.00%

form revision date: 2/27/97

17-Jun-04 **Groton Village Redevelopment**

#	S&U ALL	Budget	Per Unit	Per s.f.	VHCB	Loan 2 RD	Grant-Welch	Gilman Dev. Loan	AHP	Preservation Trust	Library Loan	N. Gilman Loan	HOME	VCDP	Reep	Loan 1 VCLF Com	VTRANS Grant	Equity	Lead Loan	TOTAL SOURCES
					340,000	1,000,000	659,835	45,000	300,000	40,000	50,000	50,000	204,200	450,000	10,000	175,000	256,000	1,303,347	24,000	
					Terms:$340 0% 30yrs	Terms: 1 mil. 1% 50yrs	659,835	$45,000, 0% 30yrs	$300,000, 0% 30yrs	$40,000, 0% 30yrs	$50,000 0%, 30yrs	$50,000 0%, 30yrs	Terms: $204,200 5% 30yrs	Terms: $450,000 0% 30yrs	$10,000, 0% 30yrs	Terms: $175,000 6.92% 25yrs	256,000	Terms: $1,074,485	Terms: $24,000 0% 30yrs	
	ACQUISITION																			
1	Land	91,740	4,828	4.73	-	37,980	30,000	20,000	-	-	-	-	-	-	-	3,760	-	-	-	91,740
2	Purchase of Building(s)	911,095	47,952	46.95	6,193	162,020	629,835	-	-	-	-	-	4,807	-	-	108,240	-	-	-	911,095
3	Demolition (without replacement)	0	0	0.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
4	Property Appraisal	3,000	158	0.15	-	-	-	-	-	-	-	-	-	-	-	909	-	2,091	-	3,000
5	Legal - Title and Recording	5,400	284	0.28	-	-	-	-	-	-	-	-	-	-	-	1,636	-	3,764	-	5,400
	Subtotal - Acquisition	1,011,235	53,223	52.11	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	CONSTRUCTION HARD COSTS	0			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
6	Rehabilitation	1,708,804	89,937	88.06	25,000	600,000	-	-	300,000	40,000	50,000	50,000	188,940	231,484	10,000	60,455	-	152,925	-	1,708,804
7	New Building(s)	0	0	0.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
8	Accessory Buildings	0	0	0.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
9	Sitework	689,051	36,266	35.51	14,535	200,000	-	-	-	-	-	-	-	125,000	-	-	256,000	93,516	-	689,051
10	Commercial Space Costs (if any)	0	0	0.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
11	General Requirements	0	0	0.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
12	Contractor Overhead	0	0	0.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
13	Contractor Profit	0	0	0.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
14	Construction Contingency	374,678	19,720	19.31	105,230	-	-	-	-	-	-	-	-	93,156	-	-	-	176,292	-	374,678
15	Construction Management	0	0	0.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
16	Construction Bond Fee	0	0	0.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
17	Hazardous Materials Abatement	50,000	2,632	2.58	27,578	-	-	-	-	-	-	-	-	-	-	-	-	22,422	-	50,000
18	Off-Site Improvements	0	0	0.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
19	Furnishings, Fixtures, & Equipment	16,150	850	0.83	-	-	-	-	-	-	-	-	-	-	-	-	-	16,150	-	16,150
20	Other (Lead Paint Abatement)	24,000	1,263	1.24	-	-	-	-	-	-	-	-	-	-	-	-	-	-	24,000	24,000
	Subtotal - Hard Costs	2,862,683	150,668	147.53	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	SOFT COSTS				-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
21	Architectural	147,000	7,737	7.58	70,049	-	-	-	-	-	-	-	-	-	-	-	-	76,951	-	147,000
22	Engineering	0	0	0.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
23	Legal/Accounting	18,000	947	0.93	-	-	-	-	-	-	-	-	-	-	-	-	-	18,000	-	18,000
24	Relocation	35,000	1,842	1.80	-	-	-	-	-	-	-	-	-	-	-	-	-	35,000	-	35,000
25	Environmental Assessment	4,200	221	0.22	-	-	-	-	-	-	-	-	-	-	-	-	-	4,200	-	4,200
26	Energy Assessment	0	0	0.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
27	Permits/Fees	15,015	790	0.77	-	-	-	-	-	-	-	-	-	-	-	-	-	15,015	-	15,015
28	Independent Market Study	0	0	0.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
29	Construction Period Insurance	12,000	632	0.62	-	-	-	-	-	-	-	-	-	-	-	-	-	12,000	-	12,000
30	Construction Interest	61,893	3,258	3.19	-	-	-	-	-	-	-	-	-	-	-	-	-	61,893	-	61,893
31	Construction Loan Origination Fee	47,631	2,507	2.45	-	-	-	-	-	-	-	-	-	-	-	-	-	47,631	-	47,631
32	Taxes During Construction	0	0	0.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
33	Clerk of the Works	30,000	1,579	1.55	-	-	-	-	-	-	-	-	10,453	-	-	-	-	19,547	-	30,000
34	Marketing	4,000	211	0.21	-	-	-	-	-	-	-	-	-	-	-	-	-	4,000	-	4,000
35	Tax Credit Fees	4,140	218	0.21	-	-	-	-	-	-	-	-	-	-	-	-	-	4,140	-	4,140
36	Soft Cost Contingency	12,543	660	0.65	-	-	-	-	-	-	-	-	-	-	-	-	-	12,543	-	12,543
37	Permanent Loan Origination Fee	0	0	0.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
38	Lender's Counsel's Fee	0	0	0.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
39	Other (______________)	0	0	0.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
	SYNDICATION COSTS	0			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
40	Organizational (Partnership)	0	0	0.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
41	Bridge Loan Fees and Expenses	0	0	0.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
42	Syndication Consultant	0	0	0.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
43	Tax Opinion	0	0	0.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
	DEVELOPER'S FEES	0			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
44	Developer's Fees	180,000	9,474	9.28	69,259	-	-	-	-	-	-	-	-	-	-	-	-	110,741	-	180,000
45	Other Partnership Fees	180,000	9,474	9.28	22,156	-	-	25,000	-	-	-	-	-	-	-	-	-	132,844	-	180,000
46	Consultant Fees	0	0	0.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
	RESERVES	0			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
47	Working Capital	53,180	2,799	2.74	-	-	-	-	-	-	-	-	-	-	-	-	-	53,180	-	53,180
48	Rent-up (Deficit Escrow) Reserve	0	0	0.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
49	Other Operating Reserves	0	0	0.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
50	Sinking Fund	0	0	0.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
51	Replacement Reserves	0	0	0.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
	Subtotal - Soft Costs	804,602	42,347	41.47	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	TOTAL DEVELOPMENT COSTS	4,678,520	246,238	241.11	340,000	1,000,000	659,835	45,000	300,000	40,000	50,000	50,000	204,200	449,640	10,000	175,000	256,000	1,074,845	24,000	4,678,520
					0	0	0	0	0	0	0	0	0	360	0	0	0	228,502	0	228,862
				216.66																4,678,520

17-Jun-04 **Groton Village Redevelopment**

#	S&U Housing	Budget	Per Unit	Per s.f.	VHCB	Loan 2 RD	Grant-Welch	Gilman Dev. Loan	AHP	Preservation Trust	Library Loan	N. Gilman Loan	HOME	VCDP	Reep	Loan 1 VCLF Com	VTRANS Grant	Equity	Lead Loan	TOTAL SOURCES
					340,000	1,000,000	659,835	25,000	300,000	0	0	0	204,200	93,156	0	0	0	239,310	24,000	
	ACQUISITION				Terms:$340 0% 30yrs	Terms: 1 mil. 1% 50yrs	659,835	$45,000, 0% 30yrs	$300,000, 0% 30yrs	$40,000, 0% 30yrs	$50,000 0%, 30yrs	$50,000 0%, 30yrs	Terms: $204,200 5% 30yrs	Terms: $450,000 0% 30yrs	$10,000, 0% 30yrs	Terms: $175,000 6.92% 25yrs	256,000	Terms: $1,074,485	Terms: $24,000 0% 30yrs	
1	Land	67,980	3,578	4.09		37,980	30,000													67,980
2	Purchase of Building(s)	802,855	42,256	48.35	6,193	162,020	629,835						4,807							802,855
3	Demolition (without replacement)		0	0.00																0
4	Property Appraisal	1,975	104	0.12														1,975		1,975
5	Legal - Title and Recording	3,555	187	0.21														3,555		3,555
	Subtotal - Acquisition	876,365	46,124	52.78																
	CONSTRUCTION HARD COSTS																			
6	Rehabilitation	1,113,940	58,628	67.09	25,000	600,000		0	300,000				188,940							1,113,940
7	New Building(s)		0	0.00																0
8	Accessory Buildings		0	0.00																0
9	Sitework	214,535	11,291	12.92	14,535	200,000														214,535
10	Commercial Space Costs (if any)		0	0.00																0
11	General Requirements		0	0.00																0
12	Contractor Overhead		0	0.00																0
13	Contractor Profit		0	0.00																0
14	Construction Contingency	198,386	10,441	11.95	105,230									93,156						198,386
15	Construction Management		0	0.00																0
16	Construction Bond Fee		0	0.00																0
17	Hazardous Materials Abatement	27,578	1,451	1.66	27,578													0		27,578
18	Off-Site Improvements		0	0.00																0
19	Furnishings, Fixtures, & Equipment	10,631	560	0.64														10,631		10,631
20	Other (Lead Paint Abatement)	24,000	1,263	1.45															24,000	24,000
	Subtotal - Hard Costs	1,589,070	83,635	95.70																
	SOFT COSTS			0.00																
21	Architectural	70,049	3,687	4.22	70,049													0		70,049
22	Engineering		0	0.00																0
23	Legal/Accounting	11,849	624	0.71														11,849		11,849
24	Relocation	19,305	1,016	1.16														19,305		19,305
25	Environmental/Energy Assessment	2,765	146	0.17														2,765		2,765
26	Energy Assessment		0	0.00																0
27	Permits/Fees	8,282	436	0.50														8,282		8,282
28	Independent Market Study		0	0.00																0
29	Construction Period Insurance/Taxes	6,619	348	0.40														6,619		6,619
30	Construction Interest	34,138	1,797	2.06														34,138		34,138
31	Construction Loan Origination Fee	26,272	1,383	1.58														26,272		26,272
32	Taxes During Construction		0	0.00																0
33	Clerk of the Works	16,547	871	1.00									10,453					6,094		16,547
34	Marketing	2,206	116	0.13														2,206		2,206
35	Tax Credit Fees	2,283	120	0.14														2,283		2,283
36	Soft Cost Contingency	6,918	364	0.42														6,918		6,918
37	Permanent Loan Origination Fee	0	0	0.00																0
38	Lender's Counsel's Fee		0	0.00																0
39	Other (_______________)		0	0.00																0
	SYNDICATION COSTS			0.00																
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			0.00																
44	Developer's Fees	91,751	4,829	5.53	69,259													22,492		91,751
45	Other Partnership Fees	91,751	4,829	5.53	22,156			25,000										44,595		91,751
46	Consultant Fees		0	0.00																0
	RESERVES			0.00																
47	Working Capital	29,332	1,544	1.77														29,332		29,332
48	Rent-up (Deficit Escrow) Reserve		0	0.00																0
49	Other Operating Reserves		0	0.00																0
50	Sinking Fund		0	0.00																0
51	Replacement Reserves		0	0.00																0
	Subtotal - Soft Costs	420,067	22,109	25.30																
	TOTAL DEVELOPMENT COSTS	2,885,502	151,869	173.78	340,000	1,000,000	659,835	25,000	300,000	0	0	0	204,200	93,156	0	0	0	239,311	24,000	2,885,502
		240,459			0	0	0	0	0	0	0	0	0	0	0	0	0	(1)	0	(1)
		160,306																		

17-Jun-04 **Groton Village Redevelopment**

#	Item	Budget	Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Commercial Depreciation
	ACQUISITION						
1	Land	67,980					
2	Purchase of Building(s)	802,855	740,535		802,855		108,240
3	Demolition (without replacement)	0					
4	Property Appraisal	1,975	1,974		1,975	1,965	1,025
5	Legal - Title and Recording	3,555	3,554		3,555		1,845
	Subtotal - Acquisition	876,365					
	CONSTRUCTION HARD COSTS						
6	Rehabilitation	1,113,940		1,113,940	1,113,940	1,341,255	594,864
7	New Building(s)	0					
8	Accessory Buildings	0					
9	Sitework	214,535		171,628	260,443	175,222	84,083
10	Commercial Space Costs (if any)	0					
11	General Requirements	0					
12	Contractor Overhead	0					
13	Contractor Profit	0					
14	Construction Contingency	198,386		198,386	198,386	309,146	161,292
15	Construction Management	0					
16	Construction Bond Fee	0					
17	Hazardous Materials Abatement	27,578		27,578	27,578	42,975	22,422
18	Off-Site Improvements	0					
19	Furnishings, Fixtures, & Equipment	10,631		10,630	6,788		
20	Other (Lead Paint Abatement)	24,000		24,000	24,000	24,000	
	Subtotal - Hard Costs	1,589,070					
	SOFT COSTS	0					
21	Architectural	70,049		70,049	70,049	109,157	56,951
22	Engineering	0		0			
23	Legal/Accounting	11,849		7,566	11,849	11,790	6,151
24	Relocation	19,305		19,305	19,305	30,083	15,695
25	Environmental Assessment	2,765		2,764	2,765	2,751	1,435
26	Energy Assessment	0		0			
27	Permits/Fees	8,282		8,282	8,282	12,905	6,733
28	Independent Market Study	0		0			
29	Construction Period Insurance	6,619		6,619	6,619	10,314	5,381
30	Construction Interest	34,138		34,138	61,893	53,197	27,755
31	Construction Loan Origination Fee	26,272		13,136	26,272	40,939	21,359
32	Taxes During Construction	0					
33	Clerk of the Works	16,547		16,547	16,547	25,785	13,453
34	Marketing	2,206			2,206		1,794
35	Tax Credit Fees	2,283		2,283	4,140	3,558	1,857
36	Soft Cost Contingency	6,918		6,918	6,918	10,781	5,625
37	Permanent Loan Origination Fee	0					
38	Lender's Counsel's Fee	0					
39	Other (_______________)	0					
	SYNDICATION COSTS	0					
40	Organizational (Partnership)	0					
41	Bridge Loan Fees and Expenses	0					
42	Syndication Consultant	0					
43	Tax Opinion	0					
	DEVELOPER'S FEES	0					
44	Developer's Fees	91,751		91,751	91,751	142,976	74,595
45	Other Partnership Fees	91,751		91,751	91,751	142,976	74,595
46	Consultant Fees	0					
	RESERVES	0					
47	Working Capital	29,332					
48	Rent-up (Deficit Escrow) Reserve	0					
49	Other Operating Reserves	0					
50	Sinking Fund	0					
51	Replacement Reserves	0					
	Subtotal - Soft Costs	420,067					
	TOTALS	2,885,502	746,063	1,917,271	2,853,079	2,491,775	1,287,150
	LESS: Amount of Non-qualified Financing		0				235,054
	LESS: Adjustment for per unit cost limits			0			26,977
	LESS: Historic tax Credit (Residential Portion)			263,301	263,301	20%	Historic Credit Rate
	Total Eligible Basis		746,063	1,653,970		498.355	Annual Historic Credit
	TIMES: Adjusted for QCT/DDA	130.0%	746,063	2,150,161			
	TIMES: Applicable Fraction	100.00%	746,063	2,150,161			
	Total Qualified Basis		746,063	2,150,161	2,589,778	Long Term Depreciable Basis	
	TIMES: Applicable Percentage		3.45%	3.45%	27.5	Depreciation Schedule	
	Total Annual Credit Qualified		25,739	74,181	94,174	Annual Depreciation	

Total Tax Credits Requested	74,000
Estimated Net Syndication Proceeds **(excluding historic credit equity)**	650,883
Estimated Yield - Housing Credit Syndication	88.05%
Equity Gap	1,305,083
Credits Needed to fill Equity Gap	148,377

16,150	Short Term Depreciable Basis
7	Depreciation Schedule
2,307	Annual Depreciation

99,920

17-Jun-04 **Groton Village Redevelopment**

HC Restricted Units Bedrooms	Type	Average Square Feet	Number	Average Rent	Utilities	Total Annual Rent
0 Br			0	0		0
1 Br		600	4	580		27,840
2 Br		955	11	735		97,020
3 Br		1,233	3	810		29,160
4+ Br			0	0		0
	Totals	16,604	18			154,020

Non-HC Restricted Units Bedrooms	Type	Square Feet	Number	Rent	Utilities	Total Annual Rent
0 Br		0	0	0		0
2 Br		0	0	0		0
2 Br	over libr	1,400	1	800		9,600
3 Br		0	0	0		0
4+ Br		0	0	0		0
	Totals	1,400	1			9,600

Commercial Rents						
store		1,400	1	583		6,996
library		2,850	1	400		4,800
shop		515	2	343		4,116
	Totals	5,280	4			15,912
Commercial Space NNN						18,700
	Total					34,612
All Units						
	Grand Totals	19,404	19			214,144
		Less Rental Vacancy	7.50%			12,272
		Less Comm. Vacanc	20%			6,922
					NET RENT	194,950

17-Jun-04 **Groton Village Redevelopment** 3,700 1,233

		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%+
Groton Store	1		1	1	1	1				1	650	580	29	609		1					1					
	2		1	1	1	1				3	1,200	810	59	869		1					1					
	3		1	1	1	1				3	1,400	810	59	869		1					1					
	4		1	1	1	1				2	1,100	735	44	779		1					1					
	comm										2,430															
Lauzon	5		1	1	1	1	1			1	650	580	29	609		1					1					
	6		1	1	1	1	1			3	1,100	810	59	869		1					1					
	7		1	1	1	1				2	900	735	44	779		1					1					
	8		1	1	1	1				2	900	735	44	779		1					1					
Pancake	9			1	1	1	1			1	550	580	29	609		1					1					
	10			1	1	1	1			1	550	580	29	609		1					1					
	11			1	1	1				2	800	735	44	779		1					1					
	12			1	1	1				2	800	735	44	779		1					1					
Welch	13			1	1	1				2	1,000	735	44	779		1					1					
	14			1	1	1				2	1,000	735	44	779		1					1					
	15			1	1	1				2	1,000	735	44	779		1					1					
	16			1	1	1				2	1,000	735	44	779		1					1					
	17			1	1	1				2	1,000	735	44	779		1					1					
	18			1	1	1				2	1,000	735	44	779		1					1					
Library	libr										2,851															1
	1								1	2	1,400	800		800							1					
Total # Units	19		8	18	18	18	4	0		Totals:	23,281	13,635		Total # Units:	0	18	0	0	0	0	19	0	0	0	0	1

17-Jun-04	Groton Village Redevelopment							
			Per Unit					
	Annual	Monthly	Per Month			18 units		
Administration						residential	commercial	
Management Fee	15,750	1,313	69	0.0%	61	14,000	1,750	36
Supportive Services	0	0	0		0			0
Audit/Accounting	5,750	479	25		16	3,750	2,000	42
Legal	1,920	160	8		8	1,920	0	0
Compliance Monitoring	0	0	0		0	0		0
Marketing	750	63	3		2	500	250	5
Other	0	0	0		0			0
TOTAL ADMINISTRATIVE	24,170	2,014	106		88	20,170	4,000	83
	0							
Utilities								
Electricity	3,500	292	15		13	3,000	500	10
Fuel	15,500	1,292	68		61	14,000	1,500	31
Water and Sewer	4,500	375	20		18	4,000	500	10
Fire Alarm / Emergency	2,000	167	9		7	1,500	500	10
Other	0	0	0		0			0
TOTAL UTILITIES	25,500	2,125	112		99	22,500	3,000	63
	0							
Maintenance	0				0			0
Maintenance / Janitor Payroll	14,200	1,183	62		53	12,000	2,200	46
Janitor Supplies	1,000	83	4		4	1,000		0
Exterminating	1,000	83	4		4	1,000		0
Trash Removal	2,750	229	12		12	2,750		0
Snow Removal	3,750	313	16		12	2,750	1,000	21
Grounds	2,000	167	9		7	1,500	500	10
Repairs Material	500	42	2		0		500	10
Repairs Contract	0	0	0		0			0
HVAC Repairs / Maintenance	0	0	0		0			0
Elevator Contract / Repairs	0	0	0		0			0
Painting and Decorating	2,000	167	9		9	2,000		0
Other	1,000	83	4		4	1,000		0
TOTAL MAINTENANCE	28,200	2,350	124		105	24,000	4,200	88
	0			per unit month				
Real Estate Taxes	19,500	1,625	86	excl. ds & res.	59	13,500	6,000	125
Property Insurance	6,500	542	29	456	18	4,000	2,500	52
Replacement Reserves	29,742	2,479	130		115	26,242	3,500	73
Primary Debt Service	0	0	0		0			0
Other "must pay" debt service	0	0	0		0			0
Other	0	0	0		0			0
Total	133,612	11,134	586		484	110,412	23,200	483

form revision date: 2/27/97

17-Jun-04

Groton Village Redevelopment

Total Cashflows	Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Operating Income																
LIHTC Rental income		154,020	156,330	158,675	161,055	163,471	165,923	168,412	170,938	173,502	176,105	178,746	181,428	184,149	186,911	189,715
Market Residential Income		9,600	9,744	9,890	10,039	10,189	10,342	10,497	10,655	10,814	10,977	11,141	11,308	11,478	11,650	11,825
Commercial Rents		15,912	16,151	16,393	16,639	16,888	17,142	17,399	17,660	17,925	18,194	18,467	18,744	19,025	19,310	19,600
Less Residential Vacancies		(12,272)	(12,456)	(12,642)	(12,832)	(13,025)	(13,220)	(13,418)	(13,619)	(13,824)	(14,031)	(14,242)	(14,455)	(14,672)	(14,892)	(15,115)
Less Commercial Vacancies		(6,922)	(3,230)	(3,279)	(3,328)	(3,378)	(3,428)	(3,480)	(3,532)	(3,585)	(3,639)	(3,693)	(3,749)	(3,805)	(3,862)	(3,920)
Other Income		18,700	19,261	19,839	20,434	21,047	21,678	22,329	22,999	23,689	24,399	25,131	25,885	26,662	27,462	28,285
Total Operating Income		179,038	185,800	188,876	192,007	195,194	198,437	201,739	205,100	208,521	212,005	215,551	219,161	222,836	226,579	230,390
Operating Expenses																
Total Expenses (excl. Reserves)		103,870	106,986	110,196	113,502	116,907	120,414	124,026	127,747	131,579	135,527	139,593	143,780	148,094	152,537	157,113
Reserves		29,742	30,188	30,641	31,101	31,567	32,041	32,521	33,009	33,504	34,007	34,517	35,035	35,560	36,093	36,635
Total Operating Expense		133,612	137,174	140,837	144,602	148,474	152,454	156,547	160,756	165,084	169,533	174,109	178,815	183,654	188,630	193,748
Net Operating Income		45,426	48,626	48,040	47,405	46,720	45,983	45,191	44,344	43,438	42,471	41,441	40,346	39,183	37,949	36,642
Less Primary Debt Service		25,423	25,423	25,423	25,423	25,423	25,423	25,423	25,423	25,423	25,423	25,423	25,423	25,423	25,423	25,423
Less Secondary Debt Service		14,735	14,735	14,735	14,735	14,735	14,735	14,735	14,735	14,735	14,735	14,735	14,735	14,735	14,735	14,735
Annual Cash Flow		5,268	8,468	7,881	7,246	6,561	5,824	5,033	4,185	3,279	2,313	1,283	187	(976)	(2,210)	(3,516)
Operating Subsidies / Sinking Fund		0	0	0	0	0	0	0	0	0	0	0	0	976	2,210	3,516
Net Cash		5,268	8,468	7,881	7,246	6,561	5,824	5,033	4,185	3,279	2,313	1,283	187	0	0	0
DCR		113.12%	121.09%	119.62%	118.04%	116.34%	114.50%	112.53%	110.42%	108.17%	105.76%	103.19%	100.47%	97.57%	94.50%	91.24%
Cumulative Cash Flow																
Beginning Balance		26,590	31,312	39,314	46,803	53,725	60,026	65,644	70,520	74,589	77,783	80,032	81,264	81,402	80,376	78,106
Deposits		5,268	8,468	7,881	7,246	6,561	5,824	5,033	4,185	3,279	2,313	1,283	187	0	0	0
Interest	2.0%	319	398	472	540	603	658	707	747	779	801	813	815	814	804	781
Withdrawals:																
Project Operating Needs		0	0	0	0	0	0	0	0	0	0	0	0	(976)	(2,210)	(3,516)
VHFA compliance monitoring fee		(864)	(864)	(864)	(864)	(864)	(864)	(864)	(864)	(864)	(864)	(864)	(864)	(864)	(864)	(864)
Repayment of Deferred Devel. Fee		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Partnership Audit or K-1 Fee		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Distribution of Cash to Owner		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance		31,312	39,314	46,803	53,725	60,026	65,644	70,520	74,589	77,783	80,032	81,264	81,402	80,376	78,106	74,507
Cumulative Replacement Reserves																
Beginning Balance		0	30,039	60,830	92,385	124,721	8,351	40,795	74,050	108,129	143,050	29,327	64,482	100,512	137,433	175,262
Deposits		29,742	30,188	30,641	31,101	31,567	32,041	32,521	33,009	33,504	34,007	34,517	35,035	35,560	36,093	36,635
Interest	2.0%	297	602	915	1,235	1,563	404	733	1,071	1,416	1,771	638	995	1,361	1,735	2,119
Withdrawals	6,500	0	0	0	0	(149,500)	0	0	0	0	(149,500)	0	0	0	0	(149,500)
Ending Balance		30,039	60,830	92,385	124,721	8,351	40,795	74,050	108,129	143,050	29,327	64,482	100,512	137,433	175,262	64,515
273,611																
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Net Operating Income		45,426	48,626	48,040	47,405	46,720	45,983	45,191	44,344	43,438	42,471	41,441	40,346	39,183	37,949	36,642
Plus Reserves		29,742	30,188	30,641	31,101	31,567	32,041	32,521	33,009	33,504	34,007	34,517	35,035	35,560	36,093	36,635
Less Interest Expense		(33,185)	(33,454)	(33,741)	(34,047)	(34,374)	(34,722)	(35,092)	(35,486)	(35,904)	(36,347)	(36,816)	(37,313)	(37,839)	(38,395)	(38,982)
Less Long Depreciation		(94,174)	(94,174)	(94,174)	(94,174)	(94,174)	(94,174)	(94,174)	(94,174)	(94,174)	(94,174)	(94,174)	(94,174)	(94,174)	(94,174)	(94,174)
Less Commercial Depreciation		(26,977)	(26,977)	(26,977)	(26,977)	(26,977)	(26,977)	(26,977)	(26,977)	(26,977)	(26,977)	(26,977)	(26,977)	(26,977)	(26,977)	(26,977)
Less Short Depreciation		(2,307)	(2,307)	(2,307)	(2,307)	(2,307)	(2,307)	(2,307)	0	0	0	0	0	0	0	0
Taxable Income (Loss)		(81,475)	(78,097)	(78,518)	(78,999)	(79,545)	(80,156)	(80,837)	(79,284)	(80,112)	(81,020)	(82,009)	(83,084)	(84,247)	(85,503)	(86,856)
Cash Flow		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings		28,516	27,334	27,481	27,650	27,841	28,055	28,293	27,749	28,039	28,357	28,703	29,079	29,486	29,926	30,399
Plus Tax Credits		99,920	99,920	99,920	99,920	99,920	99,920	99,920	99,920	99,920	99,920					
Plus Historic Crtedit		498,355														
After Tax Cash Flow		626,791	127,254	127,401	127,570	127,760	127,974	128,213	127,669	127,959	128,277	28,703	29,079	29,486	29,926	30,399

Total Years	15																
Reinvestment Rate	6.00%																
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
Current After Tax Cash Flows		626,791	127,254	127,401	127,570	127,760	127,974	128,213	127,669	127,959	128,277	28,703	29,079	29,486	29,926	30,399	
Future Value of Cash Flows at Yr 15:		1,502,141	287,709	271,737	256,695	242,527	229,183	216,613	203,485	192,403	181,963	38,411	36,712	35,119	33,625	32,223	
Discount Rate:	3.00%																
Capital Contribution Number:	1	2	3	4													
Date of Capital Contribution:	30-Jul-04	31-Oct-05	31-Dec-05	17-Jun-04													
Amount of Capital Contribution:	13,033	1,042,678	247,636	0													
Present Value of Contributions:	13,033	1,003,634	237,154	0													
Cash Flows	(1,253,821)	0	0	0	0	0	0	0	0	0	0	0	0	0	0		3,760,546
	1%	80%	19%														
IRR:	7.60%																
Equity Yield:	88.13%																

RESOLUTION RE: CONSTRUCTION FINANCING FOR GROTON VILLAGE, TOWN OF GROTON

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

WHEREAS, an application has been submitted to the Agency by Housing Vermont and Gilman Housing Trust (the "Sponsors") on behalf of a to-be-formed limited partnership in which the Sponsors or their subsidiaries will be the general partners (the "Borrower") involving the acquisition and rehabilitation of eighteen (18) units of general occupancy rental housing in the Town of Groton (the "Development"); and

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

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

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

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Eliza Smith-Vedder dated June 17, 2004, containing information and recommendations about the Development (the "Memorandum");

THEREFORE, it is hereby DETERMINED:

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

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

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

4. The Sponsors undertaking the Development will increase the supply of well-planned, well-designed permanent, temporary, transitional or emergency housing for persons and families of low and moderate income.

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

6. The Sponsors are financially responsible and are qualified housing sponsors within the meaning of the Act. The Borrower will be required to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to the limited partnership to be created by the Sponsors for the construction financing of the Development based on the recommendations in the attached Memorandum. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the Sponsors in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

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

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

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

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

vhfa

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Cindy Reid, Multifamily Development Underwriter CR

DATE: June 17, 2004

RE: Request for Permanent Loan: Cathedral Square Senior Living, Burlington

Name:	Cathedral Square Senior Living	**Location:**	Burlington
Housing Type:	Elderly & Assisted Living	**Unit Type:**	Flats
Total Units:	108	**Unit Sizes:**	1 0-BR @ 450 s.f. 104 1-BR @ 528 avg.sf 3 2-BR @ 700 s.f.
Total Cost:	$4,274,000	**Per S.F. Acquisition & Construction Cost:**	$44.11
Loan Requested:	$2,632,000 permanent	**Sponsor:**	Cathedral Square Corporation
Other Funding:	HUD Special Purpose; VHCB; HOME		

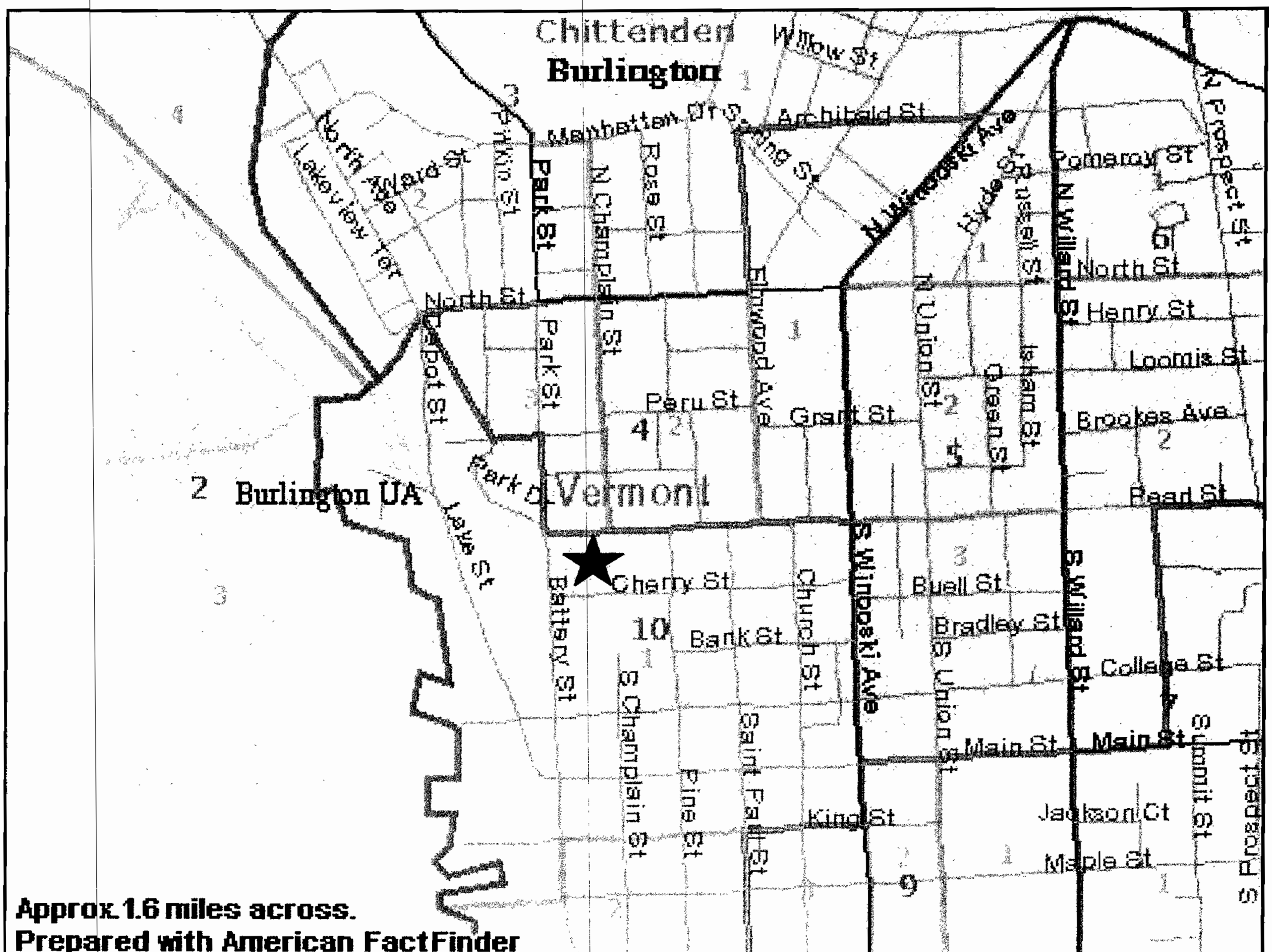
Recommendation: That the VHFA Board of Commissioners pass the attached resolution and make the required findings as outlined in the second section of the resolution ("It is hereby determined:"), and that the Board authorize the Executive Director to issue a Letter of Interest and/or a Commitment Letter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

Summary: Cathedral Square Senior Living (CSSL) is a 108-unit senior housing development in Burlington developed in 1979 with funding from the HUD Section 202 program. The building is a 10-story high rise located nearly on the corner of Battery Street and Cherry Streets near the Burlington waterfront. Its owner, Cathedral Square Corporation (CSC), a 501(c)3 non-profit organization has applied to VHFA to refinance their HUD mortgage. CSC is refinancing in order to extend the term of the loan to lower debt service payments so there's more cash flow for operations. In addition, CSC plans to use loan proceeds to increase the replacement reserves, reimburse its losses due to the conversion of 28 units to assisted living over the past several years, and cover the costs of the refinance. In 2000, CSC obtained a HUD assisted living conversion grant, and converted 21 of its original 101 units to assisted living; they also constructed a 7-unit addition on the building (as well as common space, a dining room, and kitchen for the assisted living program). The result is a 28-unit assisted living program comprised of two floors, and 80 units of service enriched independent senior living, located in the balance of the building. Services for residents in the independent units include: 24-hour on call emergency service, transportation, recreational/ educational/ health and wellness activities, and a full time resident service coordinator. Meals may be purchased. Services for residents in the assisted living units include: three meals per day, personal care 24 hours a day as needed, 24-hour on call emergency service, transportation, activities, housekeeping, and laundry.

An appraisal has been commissioned but is not yet completed. A Level I Environmental Site Assessment reports a clean site. The property has been well maintained and recently had improvements made to the whole building when the assisted living program was constructed, including a new alarm system throughout the building, a new fire pump, a new covered entry and entry phone system. One of the conditions of the refinance is for a Capital Needs Assessment to be completed in order to evaluate the adequacy of replacement reserves as compared to future capital needs.

There is a Housing Assistance Payment (HAP) Contract and a HUD Declaration of Covenants which pertains to 100 of the 108 units (7 are market units and one is a manager's unit). It states that the Section 8 assistance will continue, subject to appropriations, under an extended operation period, which is 20 years after the end of the maturity date of the mortgage (or 2039).

SITE LOCATION MAP: Three Cathedral Square, Burlington, Vermont



THE WALLS
were built with the help of the **Vermont State Legislature**. Every year the State funds the **Vermont Housing and Conservation Board** to support the construction of affordable housing and we would not have been able to build this project without this financial backing. In addition, under the leadership of the **Appropriations** and **Health & Welfare Committees** the State made a major commitment toward supporting the true cost of the services for this facility and other residential care for seniors throughout the state.

TH 'ISION
"As a team we have never wavered in the belief that is is possible to offer seniors a dignified and independent lifestyle with personal care assistance."
Nancy Eldridge, Executive Director

Cathedral
Square Corporation

THE DOORS
were opened for us b rlington Mayor **Peter Clavelle**, and the **Burlington Community and Economic Development Office** who gave us funds to envision the project and financial assistance to make the project a reality. The City **Fire Marshall, Public Works Department** and **Planning & Zoning** all gave us a hand. We are proud to live in a community that responds so well to the needs of its senior citizens.

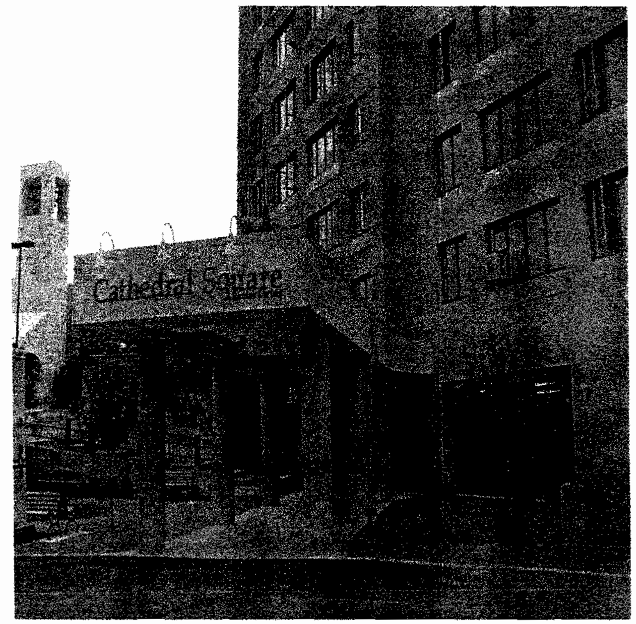
THE ENTRANCE
to the building is made by our community partners. The **Visiting Nurse Association of Chittenden and Grand Isle Counties** helped us make the leap from a housing organization to a service provider, and the **Champlain Valley Agency on Aging** helped us to always keep our consumers in mind as we built our vision. The **Burlington Electric Department** and **Vermont Gas Company** helped us keep our energy costs under control with a grant for energy efficiency and conservation.

THE ROOF
That shelters us is the committed **staff** of **Cathedral Square Senior Living**, under the skillful direction of **Robyn Stirewalt, Jaime Barney, Toni Duclos**, and **Jim Whitcomb.** And our deepest thanks to the whole team Of Aimee, Barb, Bruce, Cecile, Cindy, Crydege, Ed, Erin, Felo, Francine, Gene, Gladys, John, Mary Ellen, Martha, Miles, Miriam, Patience, Regina and Steve for making the difference in our residents' lives every day.

OUR ELEVATOR
was **JoAnna Villone**, former Development Director for Cathedral Square, who was always speeding things along! **Amy Wright**, our current Development Director and **Justin Dextradeur**, Development Project Manager also went the extra mile to see this project through to completion. And our talented Karen Groseclose and Kim Fitzgerald spent countless hours keeping the project in working order.

Thank you!

We are proud to celebrate the opening of Cathedral Square Senior Living.



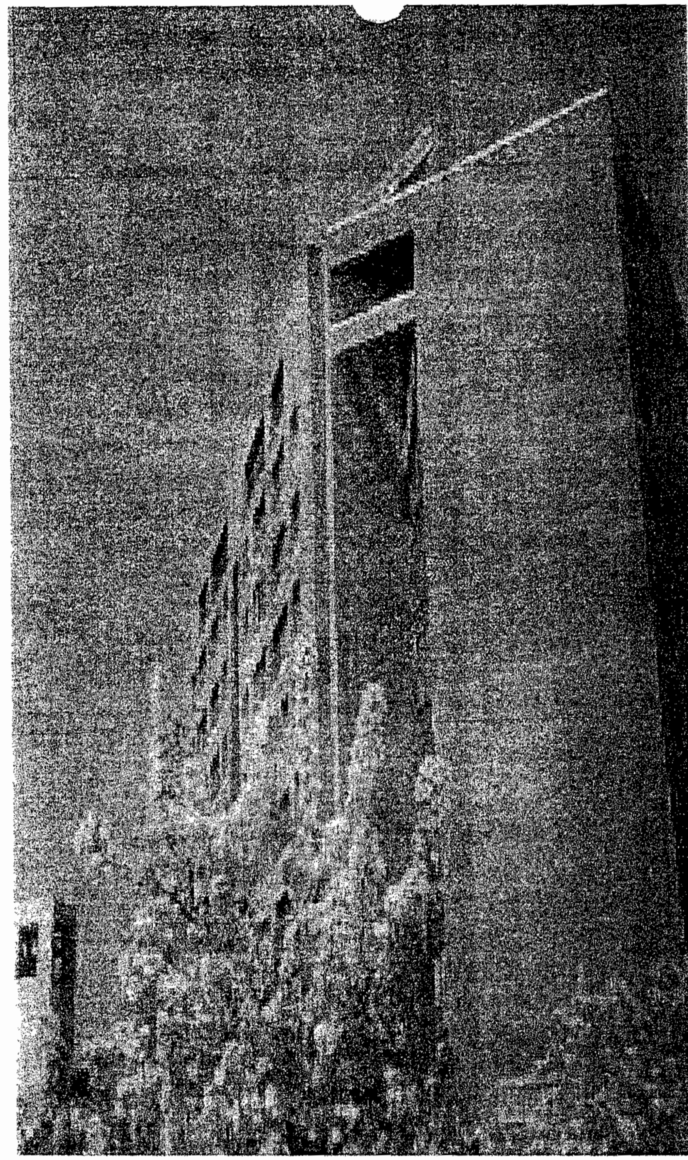
Cathedral Square Senior Living offers 108 affordable apartments, 28 of which offer assisted living services.

We could not have done it without you!

It takes much more than bric[k] and mortar to create a home...

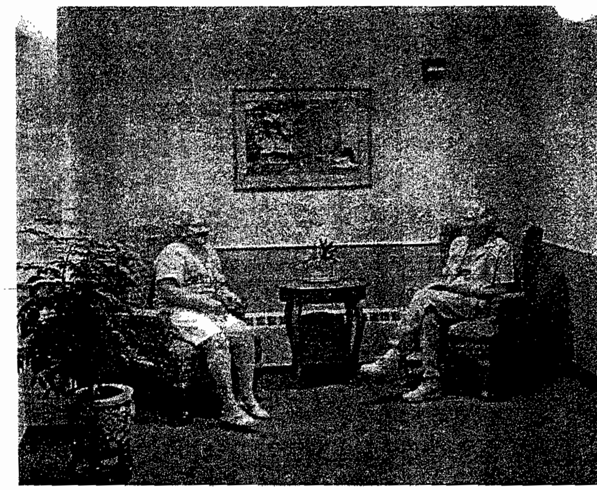
THE FOUNDATION
of our building is the **Cathedral Church of St. Paul**, and the **Cathedral Square Board of Directors**. Special thanks to the **Very Reverend Ken Poppe, Tom Rees, Amy Hamlin** and the **Steering Committee** formed in 1999 to help us look at all the possibilities for this site and our missions. The Cathedral Square Board of Directors has worked for four years to make this program a reality. And a very heartfelt thank you to the **members of the Cathedral, Meals on Wheels, Sarah Galagher** and **Tony Galas-Sexton** for bearing with us through nine long months of construction!

THE GROUND FLOOR
of this project comes from the **Department of Housing and Urban Development** and **Senator Patrick Leahy**, who envisioned the HUD Assisted Living Conversion program and helped Cathedral Square secure the resources to pioneer the program. Special thanks to **Jan Marinelli** from Senator Jeffords office who believed in this idea from the beginning and **Senator Jeffords** for securing the financial assistance that allows us to expand the building and serve more seniors. And the project simply would not have made it through its hurdles without the help of **Mark Seltzer** and his team from the **Manchester HUD field office**.



THE HEART
of the building is **our residents**, who patiently went through a very difficult renovation and who were our inspiration for this ambitious project. New residents have been welcomed by our existing ones and the community of goodwill at Cathedral Square Senior Living grows stronger by the day.

THE CONCRETE
giving our vision a reality came from the projects' dedicated architectural and construction team. The **JA Morrissey** construction company, **Jeannie Morrissey**, **Andrew Seaver** and their **crew** performed miracles on a daily basis getting the project built on budget. **Truex Cullins and Partners** donated countless design hours to the project and project architect **Anne Connell** valiantly wrestled with beauty and practicality to meet our often conflicting goals.



THE WINDOWS
and the ability to see the light at the end of the tunnel come from the dedication of the Vermont **Department of Aging and Disabilities** and the leadership of **Patrick Flood**, with the support of **Karin Hammer Williamson** and the entire **DAD staff**. **Robert Jenkins** on behalf of the **Robert Wood Johnson Foundation**, **Sarah Carpenter** and the **Vermont Housing Finance Agency staff** offered leadership, encouragement and insight through the Vermonters Coming Home demonstration project. Working together we were able to create a new housing model to better serve low income frail elders.

16-Jun-04 **Cathedral Square Senior Living**

Total Residential Units:	108	Increase in Income from Rental Units:	1.50%
Restricted Units:	100	Increase in Income from Other Sources:	2.00%
Percent Restricted:	92.59%	Increase in Income from Commercial:	1.50%
Total Development Cost:	4,274,000	Expense increase:	3.00%
Total Development Cost per Unit:	39,574	Vacancy Rate Independent:	3%
Total Development Cost Per SF:		Vacancy Rate Assisted Living:	8%
		Long Depreciation Schedule:	27.5 years
Max Credit Potential:	N/A	Short Depreciation Schedule:	7 years
Credit Amount Allocated:	N/A	Sponsor's Estimated Yield:	N/A

Debt Coverage Ratio	140.11%
Cash flow yr 1	88,131

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term
First Mortgage VHFA	2,632,000	61.58%	7.25%	35	35
CSC Loan	107,000	2.50%	3.00%	10	10
HUD Special Purpose	400,000	9.36%	N/A	Grant	
VHCB	700,000	16.38%		Deferred Loan	
HOME	135,000	3.16%		Deferred Loan	
Project Reserves	300,000	7.02%	N/A	N/A	
TOTAL SOURCES	4,274,000	100.00%			

USES

Acquisition	3,792,000	88.72%
Construction Hard Costs	0	0.00%
Soft Costs	482,000	11.28%
TOTAL USES	4,274,000	100.00%
Gap	0	

16-Jun-04 **Cathedral Square Senior Living** 44.11

		Budget	Per Unit	Per s.f.	VHFA Terms:___	CSC Loan	HUD Special Purpose	VHCB	HOME	Project Reserves Terms:___	TOTAL SOURCES
					Allocation of Sources						
	ACQUISITION										
1	Land		0	0.00							0
2	Existing Mortgage	2,192,000	20,296	25.50	2,192,000						2,192,000
3	Debt to CSC	357,000	3,306	4.15	250,000	107,000					357,000
4	VHCB/SP/HOME/ Assumed Debt	1,235,000		14.37			400,000	700,000	135,000		1,235,000
4	Property Appraisal	3,000	28	0.03	3,000						3,000
5	Legal - Title and Recording	5,000	46	0.06	5,000						5,000
	Subtotal - Acquisition	3,792,000	35,111	44.11							
	CONSTRUCTION HARD COSTS										
6	Rehabilitation		0	0.00							0
7	New Building(s)		0	0.00							0
8	Accessory Buildings		0	0.00							0
9	Sitework		0	0.00							0
10	Commercial Space Costs (if any)		0	0.00							0
11	General Requirements		0	0.00							0
12	Contractor Overhead		0	0.00							0
13	Contractor Profit		0	0.00							0
14	Construction Contingency		0	0.00							0
15	Construction Management		0	0.00							0
16	Construction Bond Fee		0	0.00							0
17	Hazardous Materials Abatement		0	0.00							0
18	Off-Site Improvements		0	0.00							0
19	Furnishings, Fixtures, & Equipment		0	0.00							0
20	Other (______________)		0	0.00							0
	Subtotal - Hard Costs	0	0	0.00							
	SOFT COSTS										
21	Architectural		0	0.00							0
22	Engineering		0	0.00							0
23	Legal/Accounting	5,000	46	0.06	5,000						5,000
24	Relocation		0	0.00							0
25	Environmental Assessment	1,500	14	0.02	1,500						1,500
26	Energy Assessment		0	0.00							0
27	Permits/Fees		0	0.00							0
28	Independent Market Study		0	0.00							0
29	Construction Period Insurance		0	0.00							0
30	Construction Interest		0	0.00							0
31	Construction Loan Origination Fee		0	0.00							0
32	Taxes During Construction		0	0.00							0
33	Clerk of the Works		0	0.00							0
34	Marketing		0	0.00							0
35	Tax Credit Fees		0	0.00							0
36	Soft Cost Contingency		0	0.00							0
37	Permanent Loan Origination Fee	43,500	403	0.51	43,500						43,500
38	Lender's Counsel's Fee		0	0.00							0
39	Other (______________)		0	0.00							0
	SYNDICATION COSTS										
40	Organizational (Partnership)		0	0.00							0
41	Bridge Loan Fees and Expenses		0	0.00							0
42	Syndication Consultant		0	0.00							0
43	Tax Opinion		0	0.00							0
	DEVELOPER'S FEES										
44	Developer's Fees		0	0.00							0
45	Other Partnership Fees		0	0.00							0
46	Consultant Fees		0	0.00							0
	RESERVES										
47	Working Capital	5,000	46	0.06	5,000						5,000
48	Rent-up (Deficit Escrow) Reserve		0	0.00							0
49	Other Operating Reserves		0	0.00							0
50	Sinking Fund		0	0.00							0
51	Replacement Reserves	427,000	3,954	4.97	127,000					300,000	427,000
	Subtotal - Soft Costs	482,000	4,463	5.61							
	TOTAL DEVELOPMENT COSTS	4,274,000	39,574	49.72	2,632,000	107,000	400,000	700,000	135,000	300,000	4,274,000

16-Jun-04 **Cathedral Square Senior Living**

Bedrooms	Type	Average Square Feet	Number	Average Rent	Utilities	Total Annual Rent
0 Br		450	1	812		9,744
1 Br		528	76	812		740,544
1 BR	Affordable AL	528	21	812		204,624
1 BR	Market AL	528	7	825		69,300
2 Br		700	3	903		32,508
3 Br		0	0	0		0
4+ Br			0	0		0
	Totals	42,678	108			1,056,720
All Units						
	Grand Totals	42,678	108			1,056,720
		Less Vacancy	3.00%			(31,702)
					NET RENT	1,025,018
		OTHER INCOME				
		Laundry				7,500
		Cable				10,272
		Interest on Residual Receipts				5,200
		Other				7,860
					TOTAL INCOME	1,055,850

16-Jun-04 **Cathedral Square Senior Living**

	Annual	Monthly	Per Unit Per Month	
Administration				
Management Fee	51,360	4,280	40	2.9%
Office salaries/expenses	40,000	3,333	31	
Audit/Accounting	40,500	3,375	31	
Legal	1,650	138	1	
Conventions/meetings		0	0	
Marketing	4,000	333	3	
Office & Telephone	22,400	1,867	17	
TOTAL ADMINISTRATIVE	159,910	13,326	123	
Utilities				
Electricity	68,500	5,708	53	
Fuel	25,000	2,083	19	
Water and Sewer	72,000	6,000	56	
Fire Alarm / Emergency		0	0	
TOTAL UTILITIES	165,500	13,792	128	
Maintenance				
Maintenance / Janitor Payroll	77,500	6,458	60	
Janitor Supplies	16,000	1,333	12	
Security	12,000	1,000	9	
Trash Removal	7,000	583	5	
Snow Removal	4,000	333	3	
Grounds		0	0	
Repairs Material		0	0	
Repairs Contract	30,000	2,500	23	
Elevator Contract / Repairs		0	0	
Painting and Decorating		0	0	
Other	1,000	83	1	
TOTAL MAINTENANCE	147,500	12,292	114	
				per unit month
Real Estate Taxes	78,362	6,530	60	excl. ds & res.
Property Insurance	70,000	5,833	54	479
Payroll taxes and insurance	81,188	6,766	63	
Replacement Reserves	32,400	2,700	25	
Primary Debt Service	207,339	17,278	160	
Other Debt	12,398	1,033	10	
Total	954,597	79,550	737	
	702,460			

16-Jun-04 **Cathedral Square Senior Living**

	Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Operating Income																
Gross Rent from Independent Units		782,796	794,538	806,456	818,553	830,831	843,294	855,943	868,782	881,814	895,041	908,467	922,094	935,925	949,964	964,213
Gross Rent from AL Units		273,924	278,033	282,203	286,436	290,733	295,094	299,520	304,013	308,573	313,202	317,900	322,668	327,509	332,421	337,407
Other Income		30,832	31,449	32,078	32,719	33,374	34,041	34,722	35,416	36,125	36,847	37,584	38,336	39,102	39,884	40,682
Vacancy (AL)		(21,914)	(23,667)	(25,560)	(27,605)	(29,814)	(32,199)	(34,775)	(37,557)	(40,561)	(43,806)	(47,311)	(51,095)	(55,183)	(59,598)	(64,365)
Vacancy (Indep) and other losses		(23,484)	(23,836)	(24,194)	(24,557)	(24,925)	(25,299)	(25,678)	(26,063)	(26,454)	(26,851)	(27,254)	(27,663)	(28,078)	(28,499)	(28,926)
Revenues from Services (after vacancy		738,611	753,384	768,451	783,820	799,497	815,487	831,796	848,432	865,401	882,709	900,363	918,370	936,738	955,472	974,582
Total Operating Income		1,780,766	1,809,900	1,839,434	1,869,367	1,899,696	1,930,418	1,961,529	1,993,024	2,024,897	2,057,142	2,089,749	2,122,710	2,156,013	2,189,646	2,223,593
Operating Expenses																
Total Expenses (excl. Reserves)		702,460	723,534	745,240	767,597	790,625	814,344	838,774	863,937	889,855	916,551	944,047	972,369	1,001,540	1,031,586	1,062,534
Services for Assisted Living		738,037	752,798	767,854	783,211	798,875	814,853	831,150	847,773	864,728	882,023	899,663	917,656	936,009	954,730	973,824
Reserves		32,400	32,886	33,379	33,880	34,388	34,904	35,428	35,959	36,498	37,046	37,602	38,166	38,738	39,319	39,909
Total Operating Expense		1,472,897	1,509,218	1,546,473	1,584,688	1,623,888	1,664,100	1,705,351	1,747,669	1,791,082	1,835,619	1,881,312	1,928,191	1,976,288	2,025,635	2,076,267
Net Operating Income		307,868	300,682	292,961	284,679	275,808	266,317	256,177	245,355	233,815	221,522	208,437	194,519	179,726	164,011	147,326
Less Primary Debt Service	219,737	207,339	207,339	207,339	207,339	207,339	207,339	207,339	207,339	207,339	207,339	207,339	207,339	207,339	207,339	207,339
Less Secondary Debt Service		12,398	12,398	12,398	12,398	12,398	12,398	12,398	12,398	12,398	12,398	0	0	0	0	0
Annual Cash Flow		88,131	80,945	73,224	64,942	56,070	46,580	36,440	25,618	14,078	1,785	1,099	(12,819)	(27,613)	(43,328)	(60,012)
Operating Subsidies / Sinking Fund		0	0	0	0	0	0	0	0	0	0	0	12,819	27,613	43,328	60,012
Net Cash		88,131	80,945	73,224	64,942	56,070	46,580	36,440	25,618	14,078	1,785	1,099	0	0	0	0
DCR		140.11%	136.84%	133.32%	129.55%	125.52%	121.20%	116.58%	111.66%	106.41%	100.81%	100.53%	93.82%	86.68%	79.10%	71.06%
Cumulative Cash Flow																
Beginning Balance		5,000	93,231	176,041	252,786	322,784	385,310	439,597	484,829	520,143	544,625	557,302	569,547	568,119	551,868	519,577
Interest	2.0%	100	1,865	3,521	5,056	6,456	7,706	8,792	9,697	10,403	10,892	11,146	11,391	11,362	11,037	10,392
Withdrawals		0	0	0	0	0	0	0	0	0	0	0	(12,819)	(27,613)	(43,328)	(60,012)
Ending Balance		93,231	176,041	252,786	322,784	385,310	439,597	484,829	520,143	544,625	557,302	569,547	568,119	551,868	519,577	469,956
Cumulative Replacement Reserves																
Beginning Balance		427,000	467,940	510,185	553,768	598,723	345,086	386,891	430,057	474,617	520,608	268,066	311,029	355,415	401,261	448,605
Interest	2.0%	8,540	9,359	10,204	11,075	11,974	6,902	7,738	8,601	9,492	10,412	5,361	6,221	7,108	8,025	8,972
Deposits		32,400	32,886	33,379	33,880	34,388	34,904	35,428	35,959	36,498	37,046	37,602	38,166	38,738	39,319	39,909
Withdrawals		0	0	0	0	(300,000)	0	0	0	0	(300,000)	0	0	0	0	(375,000)
Ending Balance		467,940	510,185	553,768	598,723	345,086	386,891	430,057	474,617	520,608	268,066	311,029	355,415	401,261	448,605	122,486

RESOLUTION RE: PERMANENT FINANCING FOR CATHEDRAL SQUARE, CITY OF BURLINGTON

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

WHEREAS, an application has been submitted to the Agency by Cathedral Square Corporation (the "Borrower") involving the refinancing of one hundred eight (108) units of senior rental housing in the City of Burlington (the "Development"); and

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

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

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid dated June 17, 2004, containing information and recommendations about the Development (the "Memorandum");

THEREFORE, it is hereby DETERMINED:

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

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

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

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

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

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

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to the Borrower for the permanent financing of the Development based on the recommendations in the attached Memorandum. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the Borrower in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

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

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

vhfa
Vermont Housing Finance Agency

VHFA Board of Commissioners Meeting Minutes

Conference Call

Thursday, July 8, 2004 at 8:30 a.m.

VHFA Board Members Present:
Lisa Randall – Chair, Paul Beaulieu, Thomas Candon (designee for Crowley), John Hall (designee for Dorn), Beth Pearce (designee for Spaulding), Gus Seelig

VHFA Board Members Absent:
Dagyne Canney

Staff: Ms. Loller

Chair Randall called the meeting to order at 8:34 a.m.

EXECUTIVE SESSION
Mr. Candon made a motion to go into Executive Session to discuss Personnel related items. Mr. Seelig seconded the motion, which was unanimously approved.

Mr. Hall made a motion to come out of Executive Session. Mr. Beaulieu seconded the motion, which was unanimously approved. Executive Session adjourned at 8:47 a.m.

Mr. Candon made a motion to approve a 4% salary increase for Ms. Carpenter and the continuance of her car allowance at the same rate as in FY2004. Mr. Hall seconded the motion, which was unanimously approved.

ADJOURNMENT
Mr. Seelig made a motion to adjourn the meeting. Mr. Beaulieu seconded the motion, which the Board unanimously approved. The Board meeting adjourned at 8:53 a.m.

VHFA Board Meeting Minutes
Vermont Housing Finance Agency
164 St. Paul Street
Burlington, Vermont
Thursday, June 24, 2004 at 9:30 a.m.

<u>VHFA Board Members Present:</u>
Lisa Randall – Chair, Paul Beaulieu, Thomas Candon (designee for Crowley), Dagyne Canney, John Hall (designee for Dorn)

<u>VHFA Board Members Absent:</u>
Beth Pearce (designee for Spaulding), Gus Seelig

<u>Staff</u>: Dave Adams (by phone), Sarah Carpenter, Maura Collins, Renee Couture, Pat Crady, Elizabeth Mullikin Drake, Joe Erdelyi, John Fairbanks, Becky Greenough, Tim Gutchell, Cindy Reid

<u>Guests</u>: Nancy Owens (Housing Vermont), Ed Stretch (Gilman Housing Trust), Amy Wright (Cathedral Square)

Chair Randall called the meeting to order at 9:35 a.m.

MINUTES
Mr. Candon made a motion to approve the May 27, 2004 Board of Commissioners' meeting minutes with one correction: Mr. Beaulieu was absent from the May 27, 2004 meeting. Ms. Canney seconded the motion. All were in favor except Mr. Beaulieu who abstained.

CONSENT AGENDA / REPORTS
There was nothing on the consent agenda requiring approval.

Ms. Carpenter distributed a memorandum from Piper Jaffray & Co. regarding the post-sale report of the Single Family Housing Bonds, Series 20. She noted that the obtained rate did not allow for a big spread between the Agency's and conventional rates (the full spread rate for a fixed, zero-point loan is 6.08% whereas conventional rates are approximately 6.5%). Ms. Crady asked whether the policy adopted by the Board at its February 2004 meeting during Series 19 discussions, which gave staff the flexibility to change rates such that the zero-point rate is not more than 50 bps below market and not more than 30 bps below full spread, applied to subsequent Bond issues. Ms. Randall replied that it did. Mr. Candon questioned the amount of the Single Family bond issue; he expected it to be higher. Ms. Crady explained that the amount might have been closer to $40 million if a favorable rate had been obtained; however, since the rate was not great, the amount of the issue was kept low to lessen negative arbitrage.

Ms. Carpenter thanked Mr. Adams, Mr. Baker, Ms. Mullikin Drake and Mr. Gutchell for all of their work on the bond issues.

HOMEOWNERSHIP
Ms. Crady explained that the amount of loans purchased in FY2004 will be approximately $12 million more than budgeted because both the number of loans is greater than expected and the average amount of a loan has increased. Discussion followed regarding the continuing appreciation of property.

Ms. Crady explained that the percentage of delinquencies has increased because the number of loans in the portfolio has decreased. However, the absolute number of delinquent loans has remained stable. She added that most of the delinquent loans are older loans made at a time when high loan-to-value (LTV) ratios were used without regard to credit scores. She further explained that any newer loans that become delinquent are generally those in the Rural Development Guarantee Program and the RD Direct Program and that these present no risk to the Agency.

Ms. Crady then reviewed the delinquency information for the top five servicers. She pointed out that the Mortgage Service Center (Chittenden Bank) and Graystone portfolios are declining.

Ms. Crady is also concerned about the servicing provided by Vermont Development Credit Union (VDCU) as they failed to do escrow analysis on a handful of loans in 2002 and did not catch the error until 2003. However, she is meeting with Caryl Stewart, President at VDCU, to address these concerns. Ms. Randall suggested that property inspections be conducted to ensure that the properties are appreciating so that, at the very least, negative escrow accounts can be recouped once the loans are paid. Ms. Crady responded that staff will look at doing loan modifications as well, and, in those cases, a market analysis will be done. Mr. Candon offered to sit down with VDCU if it would be helpful.

Ms. Canney asked whether VHFA sends a newsletter to its borrowers. She suggested an article on budget payment plans for utility bills. Ms. Crady replied that, although the Agency does not send a newsletter, it is a future consideration.

Ms. Canney reported that she is seeing a lot of mortgage companies offering affordable housing programs similar to the Banknorth Community Program in which 100% financing is offered. Ms. Carpenter added that these are, nationally, of concern because loaning over the appraised value works only in an inflationary market. Ms. Crady concurred that these programs are providing competition; however, the Vermont based lenders generally offer financing through these types of programs only if the applicants are not eligible for VHFA.

Mr. Beaulieu suggested that other community banks might benefit from learning more about the program at Union Bank and Community National Bank whereby construction loans for first-time homebuyers are converted to VHFA loans. VHFA made changes several years ago that allow lenders to convert a construction loan to a VHFA loan with one closing.

FINANCE
Ms. Randall announced that the HR Committee approved its budget recommendations and that the Finance Committee approved the budget as presented by staff with some minor changes. These have been incorporated in the budget before the Board today. Ms. Carpenter added that the liquidity in the General Fund is not ideal and that draws from bond funds may need to be maximized. Ms. Randall responded that the Finance Committee was aware that the Board would revisit this at the end of the year in the form of a budget adjustment.

Mr. Candon asked whether "contract services, unreimbursed inspection fees" are made up in the fees from borrowers. Ms. Carpenter explained that these unreimbursed fees include inspections by Dave

Anderson of certain projects that cannot sustain reimbursement or where there is no reimbursement from a new loan. It is perceived as a cost of doing business. Mr. Adams itemized the unreimbursable fees which total approximately $18k.

Mr. Candon asked Mr. Fairbanks why there wasn't a donation to the Housing Awareness Campaign in the budget. Mr. Fairbanks explained that the Campaign will continue, but that it won't be as expensive. VHFA will continue to provide staff time.

Mr. Beaulieu made a motion to approve the FY2005 budget. Ms. Canney seconded the motion. The FY2005 budget was unanimously approved.

HOMEOWNERSHIP CENTERS

Ms. Crady reported that the Homeownership Centers' calendar year 2003 activity was comparable to that of 2002. She reviewed some of the points of her memo and explained why she is hopeful that production will increase in 2004, specifically at the Rutland West (now Neighborworks® of Western Vermont), Rockingham and Burlington Homeownership Centers.

Ms. Canney expressed concern about the expansion of Rutland West (Neighborworks® of Western Vermont) and its ability to increase production. Ms. Crady reassured her that Rutland West is planning to add at least one staff person in the near future. She added that the Vermont Homeownership Initiative's capital campaign will go far in assisting the Homeownership Centers with increasing staff and, therefore, capacity. She further explained that VHFA and the Homeownership Centers do set production goals each year and that all of the Centers met their 2003 goals.

Mr. Candon asked who controls the IORTA funds that ultimately supplement the Individual Development Accounts (IDAs). Ms. Crady explained that VHFA receives the IORTA funds and may grant them to various organizations including VHCB and the Homeownership Centers. The funds must be used for down payment and closing costs. Gilman Housing Trust has dedicated some of their IORTA funds to match savings on IDAs. However, Gilman does not credit these matching funds until at closing.

Ms. Randall asked whether each Homeownership Center receives the same amount of support from VHFA. Ms. Crady explained that each Center receives a minimum of $27,000 in operating and marketing support. BCLT receives an additional $27,000, which is dedicated to operating their center in St. Albans. This year there is also an additional $20,000 budgeted for Rutland West's expansion into Addison and Bennington counties, and $20,000 budgeted for a Rockingham collaboration with Brattleboro Area Community Land Trust to expand center services to southern Windham county. IORTA funds are disbursed according to activity and need for funds. And, an education fee reimbursement is granted for each VHFA loan.

Ms. Canney asked whether the financial education programs were initiatives of the individual Homeownership Centers. Ms. Crady explained that the programs can vary from Center to Center, and, often, a Center has partnered with one or more organizations in its area to offer this education.

Mr. Hall asked Mr. Stretch with what level of knowledge do clients come into the system. Mr. Stretch responded that the program they must cater to a wide range of levels of knowledge but that the majority has very low skill level. Much discussion followed about the lack of exposure to financial education at all grade levels.

Ms. Randall asked whether next year the Homeownership Centers Report could be obtained prior to the consideration of the budget. Ms. Crady will plan to complete this report so it is available at the May 2005 board meeting.

DEVELOPMENT – LOANS and TAX CREDITS

Groton Village Redevelopment

In Ms. Smith-Vedder's absence, Mr. Erdelyi explained that the Groton Village Redevelopment project is complicated in that it involves improvements to the town and the acquisition and renovation of five, mixed-use buildings, four of which have eighteen housing units to become a RD 515 project. This is the project the Agency is being asked to provide tax-exempt construction loan financing and bond tax credits.

Ms. Randall asked about the outstanding balance on the Welch Block, an existing affordable housing project and one of the five buildings to be acquired. Mr. Erdelyi replied that the amount is approximately $660k and that this debt will be assumed by the tax credit partnership. Mr. Stretch later clarified that all of the development fees for Welch Block were rolled back into the project.

Mr. Candon asked about the term of the construction loan. Mr. Erdelyi replied that the term of the loan corresponds to the length of the construction period, usually twelve to eighteen months. Mr. Candon then asked whether RD would hold the funds through the construction period. Ms. Carpenter replied that they would but that they could pull them if the project isn't showing activity.

Mr. Stretch spoke about the enormous community support for the project and explained why the project is an example of a balanced approach to community development.

Mr. Candon expressed concern about the mix of commercial and residential in the General Store building. Mr. Stretch explained that each is accessed from opposite sides, providing a sense of separation.

Mr. Erdelyi informed the Board that, since the memo was written, it was learned that the project did not receive AHP funds, leaving a $300k gap. However, he pointed out that the sources and uses gap is a negative $228k (or a surplus of $228k). This is due to the late addition of the Welch building to the tax credit development, which will generate additional equity. Although his original recommendation was to use this surplus to eliminate the need for the $175k VCLF loan (as Mr. Erdelyi has concerns about the commercial side of this project), it could be used to close the funding gap should AHP funds not come through upon reapplication. He added that the developers' fees are $360k, or 8.5% of the budget, which is reasonable, and that none is showed as deferred. Deferring these fees could also help to fill any gaps in funding. He concluded that, although there are issues, staff is ready to recommend loan approval. Ms. Owens stated that the project scored well for AHP funds.

Ms. Carpenter asked about the timeline for closing. Ms. Owens explained that they'll need three months with architects and engineers and then they'll go out to bid. Mr. Stretch added that they have site control until September 1st.

Mr. Hall asked about the amount of commercial space rent. Mr. Stretch replied that the rent is $5 per foot. Discussion followed regarding cost of fit-up.

Ms. Canney made a motion to approve the "Resolution Re: Construction Financing for Groton Village, Town of Groton." Mr. Candon seconded the motion and the Resolution was unanimously approved.

Cathedral Square Senior Living, Burlington

Ms. Reid reviewed her memo regarding Cathedral Square Senior Living, a 108-unit senior housing development in Burlington. Cathedral Square Corporation has applied for a permanent loan to refinance the HUD 202 mortgage on this project.

Ms. Reid explained that, since the memo was written, she has received the appraisal. Although she has not reviewed the detail, she indicated that it more than supports the loan.

Ms. Wright distributed Cathedral Square Corporation's most recent annual report, which features Cathedral Square Senior Living, and elaborated on the need for the refinancing. She also thanked Ms. Reid for all of her hard work.

Mr. Candon asked whether other lenders would be interested in providing refinancing. Ms. Wright responded that this is a HUD 202 project. Only recently has refinancing been allowed. And, a condition of that is that the Use Agreement remains in first position. She believes that VHFA has a comfort level with this condition that commercial lenders do not have. Ms. Carpenter added that while there may be some willing commercial lenders, the fees and spread they charge make it prohibitive. She further explained that this is a nice line of business and that she'd like the Agency to be involved with more.

Mr. Beaulieu made a motion to approve the "Resolution Re: Permanent Financing for Cathedral Square, City of Burlington." Mr. Hall seconded the motion and the Resolution was unanimously approved.

DEVELOPMENT – MARKET STUDY

Mr. Erdelyi reminded the Board that they had adopted the Market Study Standards at the April 2004 Board meeting with an effective date of August 1st. At the Board's request, Mr. Erdelyi enlisted additional comments regarding the standards (distributed in the Board packet.) He reviewed these comments and distributed copies of his responses to them. He then explained that he and Ms. Collins incorporated these comments into the Market Study Standards and he distributed a redlined version of the Standards.

Ms. Collins explained that many questions raised about the Standards revolved around the issues of where to find the information and the cost to collect it. In an attempt to address both concerns, Ms. Collins developed a paper entitled "Sources of Information Helpful for VHFA Market Study Analysis" (attached to the responses to comments handout) ("Sources") which lists how and where to find the data requested in each section of the Market Study Standards. She reviewed this document, emphasizing that much of the information is available for free. She added that the Agency's housing data web site, www.housingdata.org, is an incredible source of historical and current data, specific to each municipality in Vermont.

Ms. Collins pointed out, via the chart at the back of the Market Study Standards document, that not all projects will require a full market study; for example, existing, subsidized-housing rehab projects and very small projects may not require a full market study. Discussion followed.

Mr. Candon asked whether the market study requirement was being waived for small (under 20 units) projects. Mr. Erdelyi replied that there isn't a specific size cutoff. Ms. Carpenter added that even small projects can be risky. Mr. Erdelyi explained that every allocated tax credit project is required to have a market study. However, staff has some discretion as to what is required.

Mr. Erdelyi asked the Board to adopt the changes to the Market Study Standards marked in redline and strikethrough and that these go into effect on August 1st instead of the ones adopted at the April Board meeting.

Ms. Carpenter suggested that the Sources list be dated as it may require frequent revisions. Ms. Randall asked that the Sources be made available with the Standards but not a part of them. She also suggested that analysts and others on a mailing list could be notified of changes via e-mail. Mr. Erdelyi added that he would like to post the Market Study Standards and the Sources on the web site.

Mr. Candon asked what will be the process of changing the Standards. The consensus of the Board was that they would like to see substantial changes only and that staff should have flexibility to otherwise massage the Standards.

Ms. Canney made a motion to approve the Market Study Standards as presented. Mr. Candon seconded the motion which was unanimously approved.

OTHER

NCSHB

Ms. Randall asked that any Board member interested in going to the NCSHB Conference in New Hampshire in August contact Ms. Couture for more information. She added that she and/or Ms. Carpenter would accompany any Board member wanting to go.

Ms. Canney suggested that the Fall 2005 NCSHA Conference, to be held in Boston, could take the place of the October 2005 Board Retreat.

July 2004 Board Meeting

ACTION: Ms. Couture will schedule a Board Meeting via conference call on July 8th from 8:30 a.m. to 9:30 a.m. to discuss HR-related matters.

Legislative Agenda / Follow Up

Mr. Hall announced that DHCA and ACCD are starting to put together the legislative agenda on housing issues. He would like to schedule a conference call or meeting to decide priorities.

ACTION: Ms. Carpenter will follow up on the committee that was setup to review appraisal issues around tax credit projects.

Mr. Candon announced that the Banking Department must send out to mobile home retailers, by July 1, 2004, a disclosure form that the retailers will, in turn, hand to potential customers to inform them about shopping around for financing. VHFA is mentioned in the law as a provider of mobile home financing. Ms. Carpenter requested that BISHCA copy Ms. Crady so that VHFA can send information about its mobile home product to the retailers.

ADJOURNMENT

Ms. Canney made a motion to adjourn the meeting. Mr. Hall seconded the motion and the Board unanimously approved to adjourn the meeting at 11:55 a.m.

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Eliza Smith-Vedder, Multifamily Development Underwriter
Dave Adams, Chief of Program Operations

DATE: August 5, 2004

RE: Approval of Changes to the Pre-Development Loan Programs and loan pool amounts

Recommendation: 1) That the Board adopt the changes as proposed in the attached Pre-Development Loan Program Descriptions, as summarized below, including the changes to the loan pool amounts. 2) That the Board approve the fund amount of the Vermont Multifamily Housing Ventures Program to $900,000 on a permanent basis.

Summary: VHFA offers three distinct pre-development loan programs for our borrowers: one for non-profit developers of multifamily rental housing; one for non-profit developers of single family housing, and one pilot program for both non-profit and for-profit developers of single family housing (this last program is distinguished by its higher maximum loan amount and expense matching feature.) We are proposing to make some changes to make these distinctions clearer to our borrowers.

The primary change being proposed addresses some confusion in the program description for the Non-Profit Vermont Housing Ventures. Currently, one document attempts to describe the different requirements for both non-profit Multifamily and non-profit Single Family projects. In order to clarify which requirements pertain to which types of projects, we have created two documents; one called **Vermont Multifamily Housing Ventures** and the other **Vermont Single Family Housing Ventures.** This will make the programs clearer and more accessible to our borrowers, as well as simpler to administer.

Other changes to the pre-development programs that are more substantive include the following:

- Increasing the Vermont Single Family Housing Ventures Program maximum loan amount from $75,000 to $100,000 in response to need
- Increasing the Vermont Single Family Housing Ventures Program Fund amount from $350,000 to $550,000 in response to very high demand (see attached activity report)
- Reducing the Homeownership Pre-Development Loan Pilot Program Fund from $1,000,000 to $800,000 to more adequately fund the non-profit Vermont Single Family Housing Ventures program above. To date, there has been only one loan made from the Homeownership Pre-Development Loan Pilot Program.

◦ Deletion of the Bridge Loan feature from the Ventures Program, as VHFA has not made a loan of this kind since 1997.

In addition, we are proposing that we make the Vermont Multifamily Housing Ventures Program fund amount of $900,000 permanent. The Board approved this temporary increase in the fund from $650,000 to $900,000 until 6/30/04, providing time for our financial analysts to determine that VHFA has adequate capacity to support the increase. This determination has been made, and we are now proposing that the fund amount of $900,000 be approved permanently.

VENTURES LOAN ACTIVITY REPORT TO DATE

VERMONT SINGLE FAMILY VENTURES PROGRAM - NON-PROFITS

Applicant	Date - Loan Commitment	Loan Amount
BCLT: City's Edge - So. Burlington	7/15/03	$125,000
LCHDC: Elmwood - St. Albans	9/24/03	$46,000
Butterfield -BACLT - West Dover	4/26/04	$75,000
River Station Condos-Montpelier	5/25/04	$75,000
GHT NEK Single Family Homes	7/7/04	$30,000
TOTAL FUNDS COMMITTED:		**$351,000**

REPAID NON-PROFIT VENTURES LOANS	Amount Repaid
BCLT: City's Edge - So. Burlington	$125,000

NON-PROFIT OVERVIEW

Total Program Funds	$350,000
Total Funds Advanced	($351,000)
Total Funds Repaid	$125,000
PROGRAM FUNDS REMAINING:	**$124,000**

VERMONT SINGLE FAMILY VENTURES PROGRAM - NON-RESTRICTED

Hartland Group: North St. Burlington	10/8/03	$100,000
TOTAL:		**$ 100,000**

NON-RESTRICTED OVERVIEW

Total Program Funds	$1,000,000
Total Funds Advanced	$100,000
Total Funds Repaid	$0
PROGRAM FUNDS REMAINING:	**$ 900,000**

VERMONT HOUSING FINANCE AGENCY

RESOLUTION RE: ADOPTION OF VERMONT SINGLE FAMILY HOUSING VENTURES NONPROFIT PRE-DEVELOPMENT LOAN PROGRAM INCLUDING PROGRAM FUND AMOUNT

WHEREAS, the Agency administers the Vermont Housing Ventures Nonprofit Predevelopment & Bridge Loan Program ("Ventures");

WHEREAS, the Agency has divided the Ventures program into two distinct programs;

WHEREAS, the Agency has created a new program called Vermont Single Family Housing Ventures Nonprofit Pre-Development Loan Program;

WHEREAS, the Agency wishes to dedicate $550,000 in total funds available in the Vermont Single Family Housing Ventures Nonprofit Pre-Development Loan Program;

WHEREAS, the Board of Commissioners has been presented with a memorandum from Eliza Smith-Vedder and Dave Adams dated August 5, 2004, containing information and recommendations about the Vermont Single Family Housing Ventures Nonprofit Pre-Development Loan Program (the "Memorandum"); and

THEREFORE, it is hereby:

RESOLVED, that the recommendations contained in the Memorandum which is attached and incorporated by this reference be adopted;

RESOLVED, that the Executive Director is hereby authorized to take such actions as are necessary to implement the Vermont Single Family Housing Ventures Nonprofit Pre-Development Loan Program as approved;

RESOLVED, that the Executive Director is hereby authorized to take such actions as are necessary to make $550,000 in total funds available in the Vermont Single Family Housing Ventures Nonprofit Pre-Development Loan Program.

VERMONT HOUSING FINANCE AGENCY

RESOLUTION RE: ADOPTION OF VERMONT MULTIFAMILY HOUSING VENTURES NONPROFIT PRE-DEVELOPMENT LOAN PROGRAM INCLUDING PROGRAM FUND AMOUNT

WHEREAS, the Agency administers the Vermont Housing Ventures Nonprofit Predevelopment & Bridge Loan Program ("Ventures");

WHEREAS, the Agency has divided the Ventures program into two distinct programs;

WHEREAS, the Agency has created a new program called Vermont Multifamily Housing Ventures Nonprofit Pre-Development Loan Program;

WHEREAS, the Agency implemented a temporary increase in available Ventures funds for multifamily projects to $900,000 by resolution dated February 19, 2004;

WHEREAS, the Agency wishes to dedicate $900,000 in total funds available in the Vermont Multifamily Housing Ventures Nonprofit Pre-Development Loan Program on a permanent basis;

WHEREAS, the Board of Commissioners has been presented with a memorandum from Eliza Smith-Vedder and Dave Adams dated August 5, 2004, containing information and recommendations about the Vermont Multifamily Housing Ventures Nonprofit Pre-Development Loan Program (the "Memorandum"); and

THEREFORE, it is hereby:

RESOLVED, that the recommendations contained in the Memorandum which is attached and incorporated by this reference be adopted;

RESOLVED, that the Executive Director is hereby authorized to take such actions as are necessary to implement the Vermont Multifamily Housing Ventures Nonprofit Pre-Development Loan Program as approved;

RESOLVED, that the Executive Director is hereby authorized to take such actions as are necessary to make $900,000 in total funds available in the Vermont Multifamily Housing Ventures Nonprofit Pre-Development Loan Program.

VERMONT HOUSING FINANCE AGENCY

RESOLUTION RE: CHANGE IN PROGRAM FUND AMOUNT FOR THE HOMEOWNERSHIP PREDEVELOPMENT LOAN PROGRAM

WHEREAS, the Agency created a pilot program called the Homeownership Predevelopment Loan Program by resolution adopted April 17, 2003;

WHEREAS, the Agency wishes to decrease the amount of total funds available in the Homeownership Predevelopment Loan Program to $800,000;

WHEREAS, the Board of Commissioners has been presented with a memorandum from Eliza Smith-Vedder and Dave Adams dated August 5, 2004, containing information and recommendations about the Homeownership Predevelopment Loan Program (the "Memorandum"); and

THEREFORE, it is hereby:

RESOLVED, that the recommendations contained in the Memorandum which is attached and incorporated by this reference be adopted;

RESOLVED, that the Executive Director is hereby authorized to take such actions as are necessary to make $800,000 in total funds available in the Homeownership Predevelopment Loan Program.

VERMONT SINGLE FAMILY HOUSING VENTURES
NON-PROFIT PRE-DEVELOPMENT ~~AND BRIDGE~~ LOAN PROGRAM
Fact Sheet and Application

PRE-DEVELOPMENT LOAN FEATURES

Program Summary

~~Vermont Housing Ventures (VHV) is a $650,000 revolving loan fund created by VHFA to promote and assist non-profit rental housing development. Vermont Housing Ventures provides pre-development working capital and bridge financing at a low cost to eligible non-profit housing developers quickly and flexibly.~~

~~The Agency has set aside an additional $350,000 as part of a pilot homeownership program for pre-development expenses associated with the construction of single family housing projects in which at least 51% of the units are sold at or below VHFA's purchase price limits.~~

Vermont Single Family Housing Ventures is a $550,000 revolving loan fund created by VHFA to promote and assist non-profits in the development of single family homes. Vermont Single Family Housing Ventures provides predevelopment working capital at a low cost to eligible non-profit housing developers quickly and flexibly. This pilot homeownership program is for predevelopment expenses associated with the construction of single family housing projects in which at least 51% of the units are sold at or below VHFA's purchase price limits.

Loan Terms

Interest Rate:	3%
Repayment Terms:	3 years maximum, with payment deferred until construction closing
Fees:	None

~~**Maximum Loan Amounts (All loans are subject to funding availability)**~~

~~Up to 10 units:~~	~~$25,000 or $3,000/unit (whichever is less)~~
~~11-35 units:~~	~~$50,000 or $2,500/unit (whichever is less)~~
~~35 units or more:~~	~~$60,000 or $1,500/unit (whichever is less)~~

~~For the purposes of the single family housing development pilot program, the maximum loan amount will be $75,000 regardless of the number of units.~~

The maximum loan amount is $100,000.

Affordability Restrictions (Project Requirements for Pre-Development Funds)

~~For rental projects, VHFA will require that at least 51% of the units be targeted for occupancy by persons or families whose incomes are at or below 100% of area median income (as defined by HUD).~~

~~For Single Family Housing Developments,~~

51% of the units should be priced at or below VHFA's maximum purchase price limits in effect at the time the application is submitted.

Revised: 7/30/04

Eligible Uses of Pre-Development Funds
All project specific pre-development costs are eligible including: architectural and engineering services; financial packaging; development consultants; legal services; appraisals; environmental and/or historical certifications; financing and permit fees; option fees or payments (must be refundable). Operating costs of staff, general administrative, and office expenses are typically not eligible.

Eligible Borrowers
The Agency will consider applications for Ventures financing from organizations who meet the qualifications below, and will give priority to applicants who do not have other resources available to pay for the proposed pre-development expenses.

- Incorporated under Title 11B of the Vermont Statutes Annotated ("V.S.A.") and/or qualified as a 501(c)(3) organization by the Internal Revenue Service.
- Cooperative housing corporations organized under Title 11, V.S.A. Section 1598, as limited equity cooperatives;
- Municipalities.

~~**Eligible Projects**~~
~~Rental housingPproperties eligible for Vermont Housing Ventures can include the following:~~
~~.Conventional living units~~ ~~Transitional housing~~
~~Congregate homes for the elderly~~ ~~Mobile home parks.~~
~~Single Room Occupancy (SRO) units~~ ~~Special needs housing~~
~~Emergency Shelters~~ ~~Residential care facilities~~
~~Cooperative housing~~ ~~Nursing homes~~
~~Single family homes~~
~~Single Room Occupancy (SRO) units~~

- **Eligible Projects**
  - The Project must be predominately single-family homes available for sale. See also: *Affordability Restrictions* above.
  - The applicant must demonstrate site control, which may include a current ownership interest, an in-force option agreement, or a legally binding purchase and sale agreement.
  - The project must satisfy the *Evaluation Criteria below.*

~~**Evaluation Criteria**~~
~~Applications for the Vermont Housing Ventures program are evaluated on the basis of the following criteria:~~

- ~~Project's overall likelihood of successful completion;~~
- ~~Public benefits and number of households served;~~
- ~~Project's provisions for persons or families with special needs;~~
- ~~Extent and leverage of project funding from other sources;~~
- ~~Evidence of broad community support, especially from community and government leaders;~~
- ~~Use of mechanisms for long term or perpetual affordability;~~
- ~~Ability of prospective residents to participate in the planning and implementation of the project, when appropriate;~~
- ~~Applicants are encouraged to use labor and materials provided by or from Vermont based companies or individuals.~~

Evaluation Criteria
Once the VHFA Development Officer has received and reviewed the application, the Loan Review Committee (composed of VHFA staff) will evaluate the application on the basis of these criteria:

- The Project must be developed in an area (or areas) that has demonstrable need and market demand for affordable single-family homes, or where affordably priced single-family homes available for sale constitute a small portion of the overall housing inventory in the community. Projects located in towns that are supportive and aggressively working toward providing workforce housing in their community shall also be considered.
- Proven experience and financial strength of the developer.
- Project should be consistent with local and regional plans.
- Project should use and be consistent with smart growth principles, with particular attention to proximity and utilization of existing public water, sewer and transportation.
- Quality of construction including building techniques and materials that meet acceptable quality standards and Vermont's residential energy code.
- Design of the project and individual units must be attractive to potential home buyers as well as to the community in which it is sited. Creativity is encouraged.
- The applicant must demonstrate a high likelihood the project will successfully complete the permit process and will ultimately deliver the proposed number of homeownership units, at the targeted price levels, on time and within budget.
- Applicants are encouraged to use labor and materials provided by or from Vermont-based companies or individuals.

Security
A Vermont Single Family Housing **Ventures Loan Agreement is signed by VHFA and the sponsor. The Agreement generally requires the following:** 1) **monthly written progress reports; 2) a proposed disbursement schedule** 3) **documented disbursement requests; 4) VHFA's right, at its option, to assume and/or assign professional service contracts, permits and any interest in the land, including the purchase option if the project is terminated or abandoned.**

~~BRIDGE LOAN FEATURES~~

~~Program Summary~~
~~Vermont Housing Ventures bridge loans may be used to assist non profit housing developers in creating homeownership opportunities for individuals and families below 100% of median income. Borrowers may use the program to acquire and rehabilitate existing housing for purchase or lease/purchase by income eligible households.~~

~~Loan Terms~~

~~Interest Rate:~~	~~From 6% to 8% depending on terms~~
~~Repayment Term:~~	~~Interest payments are payable monthly up to 36 months~~
~~Fees:~~	~~1% loan origination fee~~

~~Maximum Loan Amounts (All loans are subject to funding availability)~~
~~Determined based on affordability. The loan may not exceed 100% of the " as completed" value of the home.~~

~~Loan Security~~
~~First Mortgage on subject property.~~

VERMONT SINGLE FAMILY HOUSING VENTURES PRE-DEVELOPMENT LOAN APPLICATION

Please answer as many of these questions as possible given the current status of your proposed project. However, if you have submitted an application to the Vermont Housing and Conservation Board or to the Vermont Community Development Program, you may send us a copy instead of completing the following questions.

1. Sponsor Identification: Provide name, address, contact person and phone number of sponsor and the organization's status. (Incorporated under Title 11B of the Vermont Statutes Annotated ["V.S.A."] and qualified as a 501[c][3] organization by the Internal Revenue Service.)

2. Project Information: Provide name and location of project. Describe scope of project, and why a ~~VHV~~ Vermont Single Family Housing Ventures loan is being requested. Provide the project mission statement. What is the primary purpose of this endeavor? Break out the proposed number of housing units by various types: new construction vs. rehabilitation and/or acquisition, below market vs. market rate rental vs. homeownership or cooperative.

3. Site: Please describe the site and attach site and topographic maps with relevant development features (buildings, roads, sewer lines, wetlands, etc.). Indicate current zoning. Describe any zoning changes or other regulatory approvals (including Act 250) needed to implement the proposed development project, along with the proposed timetable for those approvals. Describe support or resistance from neighborhood or abutters and document evidence of municipal willingness to grant regulatory approvals required (if any).

4. Site Control: Describe the current status of ownership and detail plans to acquire site control. If site control has been established, provide evidence of option, purchase and sale, or developer designation.

~~**5. Justification of Purchase Price:** Provide documentation for the proposed purchase price including an appraisal (if available) or a recent sales history of the site.~~

5. Justification of Purchase Price: Provide documentation that demonstrates preliminary support for the proposed land acquisition price. This may include an appraisal (if available), a recent sales history of the site or other comparable property sales that have occurred within the last 12 months in the same market area.

6. Affordability Profile: Provide a detailed breakdown of the number of units which will be affordable to households within the very low (≤50% of median income), low (>50% and <80%), moderate (>80% and <100%) and above median family income categories.

7. Community and Public Benefits of Project: Cite the expected specific neighborhood and community benefits of the project.

8. Proposed Development Schedule: Please cite the dates expected for the following events: Submission of financing applications; regulatory and zoning reviews and approvals; building permit(s); receipt of financing commitments; construction start; construction completion; full occupancy.

9. Market Demand: ~~Document your market analysis and/or tenant commitments.~~ Depending on the location and size of project, VHFA staff may request the sponsor provide an independent market study, either with the application or as a result of the first advance of funds.

Revised: 7/30/04

10. Development Team: Provide the following information for each member of the development team: Name of organization or company; complete address; name(s) of contact person(s); telephone numbers; and email addresses. Development team members could include development partners, architect, consultants, attorney, general contractor, management agent, syndicator, etc.

11. Corporate Relationship of Applicant to Developer: Describe your relationship to or with the developer entity. Attach joint venture or partnership agreements, if applicable, or indicate the status of such agreements.

12. Consultant: What is the process you propose to use (or have used) in selecting consultant(s) to provide the services for which development assistance is requested?

13. Organizational Background: Provide, as attachments or appendices, the following basic information about the applicant organization: Copy of the by-laws; list of board of directors, including addresses, telephone numbers and occupations or organizational affiliations; copy of Articles of Association; current year's operating budget and most recent audited financial statements; organizational history and development strategy.

14. Detailed Budget and Pro Forma: Detail the proposed project budget, sources and uses of funds (including rates and terms), revenue by unit, operating expenses, at least a 15-year pro forma, and a month-by-month construction cash flow (if applicable). *If you wish to receive a sample financial template, please ask the VHFA Development Officer.* If a condominium, co-op or other homeownership project is being proposed, please prepare an affordability analysis for the relevant income classifications (i.e. low, moderate, etc.) that will be served.

15. Detailed Proposed Budget for and Use of ~~VHV~~ Vermont Single Family Housing Ventures Loan Proceeds: Provide a budget indicating all sources of capital, including the requested VHV loan, and all respective uses for pre-development expenses. Describe how the assistance requested from VHV will further the progress of the proposed project.

For more information, please call Eliza Smith-Vedder at 802-652-3459 or (800) 339-5866 x459. ~~Cindy Reid (802-652-3462) or Joe Erdelyi (802-652-3432) or toll-free in Vermont at (800) 339-5866 ext. 462 or ext. 432, respectively.~~

VERMONT MULTIFAMILY HOUSING VENTURES
NON-PROFIT PRE-DEVELOPMENT ~~AND BRIDGE~~ LOAN PROGRAM
Fact Sheet and Application

PRE-DEVELOPMENT LOAN FEATURES

Program Summary

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~~The Agency has set aside an additional $350,000 as part of a pilot homeownership program for pre-development expenses associated with the construction of single family housing projects in which at least 51% of the units are sold at or below VHFA's purchase price limits.~~

Loan Terms

Interest Rate:	3%
Repayment Terms:	3 years maximum, with payment deferred until construction closing
Fees:	None

Maximum Loan Amounts (All loans are subject to funding availability)

Up to 10 units:	$25,000 or $3,000/unit (whichever is less)
11-35 units:	$50,000 or $2,500/unit (whichever is less)
35 units or more:	$60,000 or $1,500/unit (whichever is less)

~~For the purposes of the single family housing development pilot program, the maximum loan amount will be $75,000 regardless of the number of units.~~

Affordability Restrictions (Project Requirements for Pre-Development Funds)

For rental projects, VHFA will require that at least 51% of the units be targeted for occupancy by persons or families whose incomes are at or below 100% of area median income (as defined by HUD).

~~For Single Family Housing Developments, 51% of the units should be priced at or below VHFA's maximum purchase price limits in effect at the time the application is submitted.~~

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All project specific pre-development costs are eligible including: architectural and engineering services; financial packaging; development consultants; legal services; appraisals; environmental and/or historical certifications; financing and permit fees; option fees or payments (must be refundable). Operating costs of staff, general administrative, and office expenses are typically not eligible.

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The Agency will consider applications for Ventures financing from organizations who meet the qualifications below, and will give priority to applicants who do not have other resources available to pay for the proposed pre-development expenses.

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- Cooperative housing corporations organized under Title 11, V.S.A. Section 1598, as limited equity cooperatives;
- Municipalities.

Eligible Projects

Properties eligible for Vermont Multifamily Housing Ventures can include the following:

Conventional living units
Congregate homes for the elderly
Single Room Occupancy (SRO) units
Emergency Shelters
Cooperative housing
~~Single family homes~~
Transitional housing
Mobile home parks
Special needs housing
Residential care facilities
Nursing homes

Evaluation Criteria

Applications for the Vermont Multifamily Housing Ventures program are evaluated on the basis of the following criteria:

- Project's overall likelihood of successful completion;
- Public benefits and number of households served;
- Project's provisions for persons or families with special needs;
- Extent and leverage of project funding from other sources;
- Evidence of broad community support, especially from community and government leaders;
- Use of mechanisms for long-term or perpetual affordability;
- Ability of prospective residents to participate in the planning and implementation of the project, when appropriate;
- Applicants are encouraged to use labor and materials provided by or from Vermont-based companies or individuals.

Security

A Ventures Loan Agreement is signed by VHFA and the sponsor. The Agreement generally requires the following: 1) monthly written progress reports; 2) a proposed disbursement schedule 3) documented disbursement requests; 4) VHFA's right, at its option, to assume and/or assign professional service contracts, permits and any interest in the land, including the purchase option if the project is terminated or abandoned.

~~BRIDGE LOAN FEATURES~~

~~Program Summary~~

~~Vermont Housing Ventures bridge loans may be used to assist non profit housing developers in creating homeownership opportunities for individuals and families below 100% of median income. Borrowers may use the program to acquire and rehabilitate existing housing for purchase or lease/purchase by income eligible households.~~

~~Loan Terms~~

~~Interest Rate: From 6% to 8% depending on terms~~
~~Repayment Term: Interest payments are payable monthly up to 36 months~~
~~Fees: 1% loan origination fee~~

~~Maximum Loan Amounts (All loans are subject to funding availability)~~

~~Determined based on affordability. The loan may not exceed 100% of the " as completed" value of the home.~~

~~Loan Security~~

~~First Mortgage on subject property.~~

VERMONT MULTIFAMILY HOUSING VENTURES PRE-DEVELOPMENT LOAN APPLICATION

Please answer as many of these questions as possible given the current status of your proposed project. However, if you have submitted an application to the Vermont Housing and Conservation Board or to the Vermont Community Development Program, you may send us a copy instead of completing the following questions.

1. Sponsor Identification: Provide name, address, contact person and phone number of sponsor and the organization's status. (Incorporated under Title 11B of the Vermont Statutes Annotated ["V.S.A."] and qualified as a 501[c][3] organization by the Internal Revenue Service.)

2. Project Information: Provide name and location of project. Describe scope of project, and why a ~~VHV~~ Vermont Multifamily Housing Ventures loan is being requested. Provide the project mission statement. What is the primary purpose of this endeavor? Break out the proposed number of housing units by various types: new construction vs. rehabilitation and/or acquisition, below market vs. market rate rental vs. homeownership or cooperative.

3. Site: Please describe the site and attach site and topographic maps with relevant development features (buildings, roads, sewer lines, wetlands, etc.). Indicate current zoning. Describe any zoning changes or other regulatory approvals (including Act 250) needed to implement the proposed development project, along with the proposed timetable for those approvals. Describe support or resistance from neighborhood or abutters and document evidence of municipal willingness to grant regulatory approvals required (if any).

4. Site Control: Describe the current status of ownership and detail plans to acquire site control. If site control has been established, provide evidence of option, purchase and sale, or developer designation.

5. Justification of Purchase Price: Provide documentation for the proposed purchase price including an appraisal (if available) or a recent sales history of the site.

6. Affordability Profile: Provide a detailed breakdown of the number of units which will be affordable to households within the very low ($\leq$50% of median income), low (>50% and <80%), moderate (>80% and <100%) and above median family income categories.

7. Community and Public Benefits of Project: Cite the expected specific neighborhood and community benefits of the project.

8. Proposed Development Schedule: Please cite the dates expected for the following events: Submission of financing applications; regulatory and zoning reviews and approvals; building permit(s); receipt of financing commitments; construction start; construction completion; full occupancy.

9. Market Demand: Document your market analysis and/or tenant commitments.

10. Development Team: Provide the following information for each member of the development team: Name of organization or company; complete address; name(s) of contact person(s); telephone numbers; and email addresses. Development team members could include development partners, architect, consultants, attorney, general contractor, management agent, syndicator, etc.

11. Corporate Relationship of Applicant to Developer: Describe your relationship to or with the developer entity. Attach joint venture or partnership agreements, if applicable, or indicate the status of such agreements.

12. Consultant: What is the process you propose to use (or have used) in selecting consultant(s) to provide the services for which development assistance is requested?

13. Organizational Background: Provide, as attachments or appendices, the following basic information about the applicant organization: Copy of the by-laws; list of board of directors, including addresses, telephone numbers and occupations or organizational affiliations; copy of Articles of Association; current year's operating budget and most recent audited financial statements; organizational history and development strategy.

14. Detailed Budget and Pro Forma: Detail the proposed project budget, sources and uses of funds (including rates and terms), revenue by unit, operating expenses, at least a 15-year pro forma, and a month-by-month construction cash flow (if applicable). *If you wish to receive a sample financial template, please ask the VHFA Development Officer.* If a condominium, co-op or other homeownership project is being proposed, please prepare an affordability analysis for the relevant income classifications (i.e. low, moderate, etc.) that will be served.

15. Detailed Proposed Budget for and Use of ~~VHV~~ Vermont Multifamily Housing Ventures Loan Proceeds: Provide a budget indicating all sources of capital, including the requested VHV loan, and all respective uses for pre-development expenses. Describe how the assistance requested from VHV will further the progress of the proposed project.

For more information, please call Cindy Reid (802-652-3462) or Joe Erdelyi (802-652-3432) or toll-free in Vermont at (800) 339-5866 ext. 462 or ext. 432, respectively.

HOMEOWNERSHIP PREDEVELOPMENT LOAN PROGRAM

A Pilot Loan Program in conjunction with VHFA's Housing Demonstration Project

Fact Sheet & Application

Program Summary

The Vermont Housing Finance Agency (VHFA or the Agency) Homeownership Predevelopment Loan program is a ~~$1,000,000~~ $800,000 revolving loan fund. This is a pilot program intended to foster the construction of single-family affordable housing units that are available for sale, by providing working capital at low cost to eligible housing developers quickly and flexibly.

The Agency anticipates that it may be involved with the development construction financing, either in whole or in participation with another lender, and that VHFA may also provide end loan financing to many homebuyers in the development.

It is the intent of the Agency that projects considered under this pilot program will have at least 51% of the units priced at or below VHFA's maximum purchase price limits in effect at the time of application.

Loan Terms

Interest rate:	3%
Repayment term:	3 years maximum, with payment deferred until construction closing
Fees:	None

Maximum Loan Amounts *(All loans are subject to funding availability)*

On loans secured by real estate, the Agency will lend up to a maximum cumulative loan to value of 90%. "Cumulative Loan to Value" means all interest-bearing loans that are repayable. Grants and other subsidized deferred loans are not included in this calculation. The maximum loan secured by real estate shall not exceed $200,000.

On loans **not** secured by real estate, the Agency will lend up to 50% of the cost of eligible expenses. The maximum loan, not secured by real estate, shall not exceed $100,000.

Subject to the limits noted above, loan amounts shall be negotiated and must be in proportion to the number of units in the proposed development.

Note: VHFA Board approval may be required on each project for consistency with the Agency's intent.

Affordability Restrictions

VHFA will give priority to projects providing the greatest number of units priced at or below VHFA maximum purchase price limits. At least 51% of the units must be priced at or below VHFA's maximum purchase price limits, with the intent that the Developer will use their best efforts to also sell 50% of the units to homebuyers within VHFA's maximum income limits. The Developer must demonstrate how this will be accomplished and agree to provide sales documentation as sales occur as evidence that the eligibility restrictions have been met. In the event the developer does not achieve the 51% requirement, for reasons within its control, they agree to pay VHFA a fee equal to 5% of the loan amount.

Eligible Uses of Loan Funds
All expenses underlying the request for financing must be specific to the proposed development and may include, but are not necessarily limited to, the examples listed below. Services provided directly by the developer, its employees, or by an individual or company with an "identity of interest" may be disallowed. Only expenses directly related to the development will be considered.

- Market study acceptable to VHFA
- Architectural and engineering services
- Financial packaging
- Development consultants
- Legal Services
- Appraisals
- Environmental assessments
- Permit fees
- Option fees or payments (must be refundable)

Eligible Borrowers
The Agency will consider applications from developers who have demonstrated financial strength and experience in single-family housing development consistent with the nature and scope of the proposed development.

Eligible Projects

- The Project must be predominately single-family homes available for sale. See also: *Affordability Restrictions* above.
- The applicant must demonstrate site control, which may include a current ownership interest, an in-force option agreement, or a legally binding purchase and sale agreement.
- The project must satisfy the *Evaluation Criteria below.*

Evaluation Criteria
Once the VHFA Development Officer has received and reviewed the application, the Loan Review Committee (composed of VHFA staff) will evaluate the application on the basis of these criteria:

- The Project must be developed in an area (or areas) that has demonstrable need and market demand for affordable single-family homes, or where affordably priced single-family homes available for sale constitute a small portion of the overall housing inventory in the community. Projects located in towns that are supportive and aggressively working toward providing workforce housing in their community shall also be considered.
- Proven experience and financial strength of the developer.
- Project should be consistent with local and regional plans.
- Project should use and be consistent with smart growth principles, with particular attention to proximity and utilization of existing public water, sewer and transportation.
- Quality of construction including building techniques and materials that meet acceptable quality standards and Vermont's residential energy code.

- Design of the project and individual units must be attractive to potential home buyers as well as to the community in which it is sited. Creativity is encouraged.
- The applicant must demonstrate a high likelihood the project will successfully complete the permit process and will ultimately deliver the proposed number of homeownership units, at the targeted price levels, on time and within budget.
- Applicants are encouraged to use labor and materials provided by or from Vermont-based companies or individuals.

Security
In all cases a promissory note and a Predevelopment Loan Agreement (and in some cases, a mortgage) will be signed by the borrower. The Predevelopment Loan Agreement generally requires the following: 1) monthly written progress reports; 2) a proposed disbursement schedule 3) documented disbursement requests; 4) VHFA's right, at its option, to assume and/or assign professional service contracts, permits and any interest in the land, including the purchase option if the project is terminated or abandoned. 5) The Agency reserves the right to require other forms of security as it deems appropriate to the level of risk in each project and with each developer-applicant. This may include corporate and/or personal guarantees.

PREDEVELOPMENT LOAN APPLICATION

Please answer as many of these questions as possible given the current status of your proposed project. If you have submitted an application to the Vermont Housing and Conservation Board, or the Vermont Community Development Program for the same project, you may send us a copy instead of completing the following questions.

1. Development Team: Please provide the following information for each member of the development team: Name of organization or company, complete address, name(s) of contact person(s), telephone numbers and e-mail addresses. Development team members could include development partners, architects, engineers, consultants, attorneys, and general contractors, etc. The developer must submit a current financial statement with the loan application package.
*

2. Project Information: Provide name and location of project. Describe the scope of the project, and why a Predevelopment Loan is being requested of VHFA. Specifically describe how the project will benefit from this loan program. Please provide a listing of the unit types and design with price ranges for each unit type.

3. Site: Please provide a narrative description of the site and attach site and topographic maps with relevant development features (buildings, roads, sewer lines, wetlands, etc.) Indicate current zoning. Describe any zoning changes or other regulatory approvals (including Act 250) needed to implement the proposed development project, along with the expected timetable for those approvals. Describe support or resistance from neighborhood or abutters, and document that the project as proposed meets the applicable zoning requirements.

4. Site Control: Provide the current status of ownership and provide a copy of documents that give site control to the applicant. These may include, but are not limited to, an in-force option agreement, a legally binding purchase and sale agreement, or a copy of current deed of record.

5. Justification of Purchase Price: Provide documentation that demonstrates preliminary support for the proposed land acquisition price. This may include an appraisal (if available), a recent sales history of the site or other comparable property sales that have occurred within the last 12 months in the same market area.

6. Project Plans and Specs: Provide preliminary (or final if available) project plans and specifications for infrastructure and housing units.

7. Community and Public Benefits of Project: Cite the expected specific neighborhood and community benefits of the project.

8. Proposed Development Schedule: Please provide target dates for the following events: submission of financing applications; regulatory and zoning reviews and approvals; building permits; receipt of financing commitments; construction start and completion dates.

9. Market Demand: Provide an independent market study, or the name of the firm who will be providing the study if not completed, along with a copy of the scope of work.

10. Preliminary Budget and Pro Forma: Please detail the proposed project construction budget, including sources and uses of funds (including rates and terms), construction schedule and proposed plan of repayment. Please include the name of the intended construction lender and the anticipated terms and conditions of financing if known.

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Vermont Housing Finance Agency

VHFA Board Meeting Minutes
NeighborWorks® of Western Vermont
110 Marble Street
West Rutland, Vermont
Thursday, August 12, 2004 at 10:00 a.m.

VHFA Board Members Present:
Lisa Randall – Chair, Paul Beaulieu, Dagyne Canney, John Hall (designee for Dorn), Gus Seelig

VHFA Board Members Absent:
Thomas Candon (designee for Crowley), Beth Pearce (designee for Spaulding)

Staff: Dave Adams, Sarah Carpenter, Renee Couture, Pat Crady, John Fairbanks, Sam Falzone, Pat Loller, Liza Smith-Vedder

Guests: Ludy Biddle (NeighborWorks® of Western Vermont), Amy Demetrowitz (Burlington Community Land Trust), Rita Flexer (Rutland County Community Land Trust), Elisabeth Kulas (Rutland County Community Land Trust)

Chair Randall called the meeting to order at 10:15 a.m.

MINUTES
Mr. Beaulieu made a motion to approve the June 24, 2004 and the July 8, 2004 Board of Commissioners' meeting minutes. Mr. Hall seconded the motion. All were in favor except Ms. Canney who abstained from approving the July 8, 2004 minutes.

CONSENT AGENDA / REPORTS
There was nothing on the consent agenda requiring approval.

DEVELOPMENT
Mr. Adams reviewed his memo regarding proposed changes to the Pre-Development Loan Programs.

Mr. Hall made a motion to approve the following three resolutions:
1. "Resolution Re: Adoption of Vermont Single Family Housing Ventures Nonprofit Pre-Development Loan Program Including Program Fund Amount;"
2. "Resolution Re: Adoption of Vermont Multifamily Housing Ventures Nonprofit Pre-Development Loan Program Including Program Fund Amount;" and
3. "Resolution Re: Change in Program Fund Amount for the Homeownership Predevelopment Loan Program."

Ms. Canney seconded the motion.

Mr. Seelig asked whether VHFA had experienced losses with these high-risk loans. Mr. Adams replied that there have been no losses to date in the Single Family Ventures Program but that there have been some losses in the Multifamily Ventures Program.

Ms. Randall recommended that the rate be set from time to time by staff according to market conditions rather than including a flat rate in the description of all three loan programs, thereby allowing them to remain competitive, and not requiring Board approval with each change in the rate. Mr. Hall accepted this friendly amendment to his motion. The Board unanimously adopted these three Resolutions with the understanding that the Interest Rate will be changed from "3%" to "As determined by VHFA from time to time" in all three of the program descriptions.

ACTION: Per Ms. Randall's request, staff will consider some proposals with a second set of requirements for the Multifamily Ventures Program that could apply to the for-profit developer, in order to more aggressively attract this business and the corresponding revenue.

MULTIFAMILY

Multifamily Director's Report

Mr. Falzone reviewed the format of the Multifamily Director's Report; the first part provides narrative on problem projects and the second reports on staff's progress in their Preservation efforts.

Mr. Falzone then highlighted two projects in particular:

1. Resolution of issues continues at Victoria Place in Burlington. An 8823 Tax Credit Report of Non-compliance has been filed with the IRS for the ongoing problems with the windows, which are scheduled to be replaced this fall. Burlington Housing Authority (BHA) is doing an excellent job managing the property resulting in a greatly improved tenant profile.

2. Problems at Black River Overlook in Ludlow are ongoing and were discussed at length. Mr. Falzone explained that he is expecting a proposal from Joseph Cloutier, the managing general partner of Black River Overlook, to take over management of that project. He suggested one option would be for staff to approve the management contract if Mr. Cloutier funded all the payables and replacement and operating reserves (approximately $50k, $4k, and $25k, respectively.). Mr. Falzone asked for guidance from the Board. Mr. Seelig expressed his disinclination to entrust Mr. Cloutier with management given his track record. (Mr. Falzone distributed to Board members a copy of a letter sent to Mr. Cloutier in August of 2001.) Mr. Beaulieu asked from where the funds would come if Mr. Cloutier opted to resign as general partner rather than fund the payables and reserves. Mr. Falzone replied that the partnership will be responsible for curing the deficits and the limited/equity partners may have recourse against Mr. Cloutier under the terms of the partnership agreement.

   ACTION: Mr. Seelig suggested that staff obtain a CNA of Black River Overlook from an independent source.

   Ms. Carpenter added that this project was funded with an RD Guarantee with an interest write-down, which was intended to supplement rents. However, the write-down check of $33k was not received until three years after the project opened and, by that time, Project-Based Section 8 had been acquired to fill the gap. The RD program was new at the time and regulations were not available to dictate how the check should be applied so staff made the decision to use it to lower rents on units without Project-Based Section 8. Rural Development will be at the VHFA Offices in the next couple of weeks to conduct an audit of this project.

Westgate
Mr. Seelig informed the Board of an e-mail he received regarding Westgate, which got a T21 Enhancement Grant of $200k plus for rehabilitation, only to learn that AOT (or the federal entity under which it operates) has decided not to make the grant, creating a funding gap in the budget. Mr. Falzone added that VHFA has approved Housing Vermont's request to take $250k in developer's fees out of the cash flow.

Set-aside for Multifamily Loan Losses
ACTION: In anticipation of the time when the zero percent pool of funds is not sufficient or available, Ms. Randall asked staff to look into planning for a set-aside for multifamily loan losses.

Discussion followed. Mr. Adams informed the Board that Piper Jaffray has not yet completed its report of the zero percent pool. Ms. Carpenter pointed out that the Agency does expense (budget for) loan losses on the Single Family side (albeit, the expense item is provided for informational purposes only as the "set-aside" stays in the bond fund - and there have been times when expected loan losses have been less than actual) and it could consider doing so for Multifamily as well. (Currently, Multifamily bonds do not make any assumptions about loan losses other than establishing a "debt service reserve" within the bond funds that is not specific to losses on anyone particular project.) Ms. Randall believes that, in addition to budgeting for the losses, there should be set-asides (for both Single Family and Multifamily) to fund losses. These would appear as line items on the balance sheet. Staff will follow up with the Agency's financial advisors and provide an update to the Board regarding the adequacy of current multifamily loan loss provisions, and options that ensure loan loss provisions are consistent with expected loan losses.

NEIGHBORWORKS® OF WESTERN VERMONT
Ms. Biddle welcomed the Board to NeighborWorks® of Western Vermont and provided a brief history of the building and the area.

BURLINGTON COMMUNITY LAND TRUST
Ms. Demetrowitz presented the results of a study, entitled *Permanently Affordable Homeownership, May 2003*, that was conducted by Ms. Demetrowitz and Mr. John Emmeus Davis of the Burlington Community Land Trust to evaluate the success of the land trust model by analyzing resale data.

OTHER
NCSHB
Ms. Randall informed the Board that she and Ms. Carpenter attended the NCSHB conference in New Hampshire. She explained that she has requested additional copies (one for each Board member) of Mr. John Wagner's (Kutak Rock) *Boardmanship Basics*, a valuable resource. She added that it will prove useful during the Strategic Planning meeting.

Extranet
Ms. Carpenter asked Board members for feedback on the extranet where Board packets are posted. The consensus was that it is not used a great deal, but that staff should keep it current for the time being.

VHFA Milestone
As of today (August 12, 2004), VHFA has issued over $2 billions in bonds!

Executive Session
Ms. Canney made a motion to go into Executive Session to discuss matters relevant to a foreclosure complaint filed by the Agency. Mr. Seelig seconded the motion, which was unanimously approved.

Ms. Canney made a motion to come out of Executive. Mr. Seelig seconded the motion, which was unanimously approved.

Gardens, Williamstown
Ms. Carpenter informed the Board that two days ago (August 10, 2004) it was learned that VHFA had inadvertently made a loan on Gardens-Phase I in Williamstown to a partnership without a valid partnership name registration. She added that the problem is correctable. Documents may need to be re-executed in the name of a new borrower and, therefore, the Board may need to reauthorize this loan. The loan is not believed to be at risk.

Mr. Seelig made a motion that the Board authorizes Ms. Carpenter or Mr. Adams to sign any necessary documents related to any correction needed for the Gardens-Phase I loan. Mr. Beaulieu seconded the motion, which was unanimously approved.

Update on Search for CFO
Ms. Carpenter informed the Board that a final interview of a CFO candidate, in which Ms. Randall and Mr. Candon participated, had been conducted on August 10th. She added that she is hopeful that he will accept the position. She expects him to make his decision early next week (week of August 16th).

Reminder: September Board Meeting Photo
John Fairbanks reminded Board members that a group photo will be taken at the September Board meeting for the Annual Report/Calendar.

HR Committee Meeting Minutes
Mr. Hall made a motion to approve the May 27, 2004 Human Resources Committee Meeting Minutes. Mr. Beaulieu seconded the motion. All present HR Committee members were in favor.

Finance Committee Meeting Minutes
Mr. Seelig made a motion to approve the June 7, 2004 Finance Committee Meeting Minutes. Ms. Canney seconded the motion. All present Finance Committee members were in favor.

ADJOURNMENT
Mr. Hall made a motion to adjourn the meeting. Mr. Seelig seconded the motion and the Board unanimously approved to adjourn the meeting at 1:05 p.m.

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Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Multifamily Development Underwriter CR

DATE: September 9, 2004

RE: Request for Increase in Construction Financing and State Housing Credits: Butterfield Commons Elderly Housing, West Dover

Recommendation: That the VHFA Board of Commissioners approve, upon satisfactory completion of staff underwriting and due diligence: 1) an increase in the construction loan amount to a total of $2,835,000; 2) an increase in the State Housing Credit request to a total of $150,000.

Project Summary:
On August 7, 2003, the Board approved construction and permanent loans and on September 18, 2003, approved State Housing Credits, to finance a building totaling 26 units of elderly housing, "Butterfield Commons Elderly Housing" in West Dover. The project is being developed by the Brattleboro Area Community Land Trust, and is part of a larger parcel on which will also be developed family rental housing and homeownership.

The elderly building has a permanent loan and rental assistance commitment from USDA Rural Development, as well as funding commitments from: VHCB, HOME, VCDP, AHP (Affordable Housing Program from the Federal Home Loan Bank), Chittenden Bank, REEP, and State Credits. The project has its local permits and is anticipating Act 250 approval in October. The Green Mountain Equity Fund (Housing Vermont's recently created equity fund) is going to be the equity investor.

The Sponsor is requesting: 1) An increase in the construction loan (approved on 8/7/03 at $2,350,000) to a total of $2,835,000, in order to meet the "50% test" and obtain the 4% Bond Housing Credits [a project needs to be financed by 50% or more with tax-exempt financing in order to obtain the 4% credits]. Since development costs have increased, including: engineering, operating reserve requirements of the equity fund, bridge loan and legal expenses, and the equity pay-in is later than anticipated, the construction loan needs to be increased. Sources of take-out financing to repay the construction loan include RD Loan, Bank Loan, and Housing Credit Equity; 2) An increase in the commitment of State Credits ($125,000 was already committed by VHFA on 9/18/03) by $25,000, for a total of $150,000. (We believe we can meet this request and still entertain all other known requests for State Credits.) This will add an additional $60,000-70,000 of capital to the development budget to cover expenses detailed earlier.

The sponsor no longer needs a permanent loan from VHFA (approved on 8/7/03), as their request for AHP funds was granted, and the grant is coming through the Chittenden Bank as a subsidized loan to the project, at better terms than VHFA can offer.

The sponsor is going out to bid in November and plans to close in December. Construction will begin in April and the project will be completed by June of 2006.

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RESOLUTION RE: CONSTRUCTION FINANCING FOR BUTTERFIELD ELDERLY, WEST DOVER

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

WHEREAS, an application has been submitted to the Agency by Brattleboro Area Community Land Trust (the "Sponsor") on behalf of a to be formed limited partnership in which the Sponsor or its subsidiary will be the general partner (the "Borrower") involving the construction of one (1) building containing a total of twenty-six (26) units of elderly rental housing in the Town of Dover (the "Development");

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

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

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

WHEREAS, the Agency administers the allocation of the federal Low Income Housing Tax Credits and the State Housing Credits under the State's Qualified Allocation Plan;

WHEREAS, the Governor of the State of Vermont has approved the 2004-2005 Qualified Allocation Plan; and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid dated September 9, 2004, containing information and recommendations about the Development (the "Memorandum");

The determinations, recommendations, findings and resolutions made by the Agency in its August 7, 2003 resolution are incorporated herein by reference and remain in full force and effect except that the contents of the August 7, 2003 resolution of the Agency related only to the permanent financing and the amount of the construction loan are superceded by the action taken in this resolution.

WHEREFORE, it is hereby RESOLVED:

1. The recommendations included in the attached Memorandum are hereby adopted and approved.

2. That the recommendations for allocation of State Housing Credits contained in the Memorandum which is attached and incorporated by this reference be approved;

3. That the Executive Director and the appropriate staff are hereby authorized to take such actions as are described in the 2004-2005 Qualified Allocation Plan regarding the proposed allocation of State Housing Credits in the total amount of $150,000 for the Butterfield Elderly project in the Town of Dover, Vermont.

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Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Eliza Smith-Vedder, Multifamily Development Underwriter

DATE: September 9, 2004

RE: Request for Construction Financing and 4% Out of Cap LIHTC Credits: School Street Apartments

Name:	School Street Apartments	**Location:**	Plainfield
Housing Type:	Family and Senior	**Unit Type:**	Flats and Townhouses
Unit Count:	13 Total Units 13 Housing Credit Units	**Unit Sizes:**	1 efficiency @ 720 avg s.f. 7 1-BR @ 720 avg s.f. 3 2-BR @ 868 avg s.f. 2 3-BR @ 1300 avg s.f.
Total Cost:	$1,092,000	**Per S.F. Acquisition & Construction Cost:**	$82.26
Loan Requested:	$550,000 Construction (tax-exempt)	**Sponsors:**	VSHA and the Housing Foundation, Inc. ("HFI")
Housing Credits:	$38,000 (Bond "4%" Credits)	**State Credits:**	n/a
Other Funding:	HOME, VHCB, Randolph National Bank, REEP, Preservation Trust, Lead Paint Funds, Historic Tax Credits		

Recommendation: That the VHFA Board of Commissioners pass the attached resolution and make the required findings as outlined in the second section of the resolution ("It is hereby determined:"), and that the Board 1) authorize the Executive Director to issue a Letter of Interest and/or a Commitment Letter to finance this development upon satisfactory completion of staff underwriting and due diligence; and 2) authorize staff to issue the appropriate documentation according to the Qualified Allocation Plan.

Project Summary: The Schoolhouse Apartments are located in the Village of Plainfield. The apartments are comprised of three buildings: the historic Schoolhouse which houses one efficiency and seven one bedroom units, the Duplex, which consists of two three-bedroom townhouse units, and the Farmhouse, which consists of three two-bedroom units. These apartments were originally developed in 1980 under the Section 8 Substantial Rehab program. In 1991, VHEI (now HFI) acquired the property in order to ensure the continued affordability of the units and to oversee the necessary rehab that the project needed at that time. VHFA financed this purchase; the balance on this loan is approximately $364,400. Due to the fact that HUD has not allowed a rent increase since 1992, and to rising operating costs, the development no longer has sufficient cash flow to operate. There are no longer any reserve funds or residual receipts to access, the property needs considerable work, and the HAP contract is due to expire in 2010. A financial restructuring and major rehab is necessary.

HFI is requesting a $550,000 construction loan and $38,000 in 4% out of cap LIHTC's in order to do a significant amount of rehab work which should help address life safety issues for the tenants, as well as help to ensure the project's marketability at the end of the HAP contract. Other financing includes Historic

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Credits and grants from VHCB, HOME, Preservation Trust and REEP. The small remainder of the permanent debt will be financed by Randolph National Bank, and will be repaid in the next 6 years, while the HAP is still in place. Work on the Schoolhouse is most significant and includes the following: re-roofing, exterior painting, replacing both front and rear porches, replacing all kitchen fixtures, surfaces, appliances and cabinets, installing replacement windows, reconfiguring two units to make them handicapped accessible, replacing all bathroom fixtures, and installing a fire suppression system. The work on the Farmhouse includes replacing the roof, adding handrails to the entries, adding insulation, improving plumbing in the basement, and improving unit interiors including replacing countertops and cabinets. The work on the Duplex will include replacing the windows and the roof, adding concrete pads behind the units (it is sighted on a small hill), as well as updating the kitchens and bathrooms. There will also be some site work that will address some overgrown trees that are impinging on the structures. VSHA property management staff will work with JD Kantor Inc. (consultant) and Snyder and Associates (architects) in bidding and overseeing the rehab work.

Tax Credit Summary: HFI is requesting $38,000 in 4% (out of cap) Housing Credits. The project has ordered a market study, but it is not yet complete. The market study will meet the minimum requirements established, and were it not a statutory requirement, staff would not be seeking a market study for this development.

In terms of design criteria, the project does have 1.5 baths in the three-bedroom units and a playground area behind the duplex. Some of the other design standards may be difficult to incorporate into an existing project with a limited scope of work. Staff would like to have the discretion to waive those sections (e.g. soundproofing between units) of the design standards for this project.

9-Sep-04	Plainfield School Street Apartments			

			w/ HAP	Post HAP
Total Residential Units:	13	Increase in Income from Rental Units:	0.0%	1.5%
Housing Credit Restricted Units:	13	Increase in Income from Other Sources:	1.0%	1.0%
Percent Restricted:	100%	Increase in Income from Corr	0%	
Total Development Cost:	1,092,000	Expense increase:	2.5%	2.5%
Total Development Cost per Unit:	84,000	Vacancy Rate:	1.0%	5%
Total Development Cost Per SF:	100	Partner's Tax Rate:	35%	35%
		Long Depreciation Schedule:	27.5	
Historic Credit	98,718	Short Depreciation Schedule:	7	
Max **Non-Allocated** Credit	37,961	Sponsor's Estimated Yield:	77.38%	
Out-Of Cap Credits Requested				
Total Amount of Credit	38,000			
LIHTC - 4% (July 04)	3.44%	DCR Yr 1 & 15	171% N/A	
LIHTC - 4% (July 04)	3.44%			

SOURCES		% TDC	Interest Rate	Amortization	Term
VHFA	0	0.00%	6.50%	30	30
HOME	190,000	17.43%	6.50%	30	deferred
Bank	145,000	13.30%	6.50%	6	6
Lead Paint Funds	7,000	0.64%	0.00%	30	deferred
VHCB	320,000	29.36%	0.00%	30	deferred
REEP Grant (GP Cap Contrib)	2,000	0.18%		GP Captial Contribution	
Preservation Trust	21,000	1.93%		GP Captial Contribution	
Reserves	0	0.00%		Captial Contribution	
Deferred Development Fee	30,000	2.75%	0.00%	10	deferred
Historic Tax Credit Equity	83,910	7.70%			
LIHTC Equity (LP Cap Contrib)	291,090	26.71%			Equity
TOTAL SOURCES	1,090,000	100.00%		100.00%	

USES			
		VHFA Tax Exempt Constructon Loan	550,000
Acquisition	372,059	34.07%	
Construction Hard Costs	529,871	48.52%	
Soft Costs	190,070	17.41%	
TOTAL USES	1,092,000	100.00%	
Gap	2,000		

Plainfield School Street Apart 09-Sep-04

	USES OF FUNDS ACQUISITION	Budget Total	Per Unit	Per s.f.	VHCB Terms:_____	VHFA Terms:_____	Equity Terms:_____	HOME	REEP, Lead, Hist P.Rerv, D.Fee
1	Land	20,000	1,429	1.82		20,000			
2	Purchase of Building(s)	347,059	26,697	31.65	222,059	125,000			
3	Demolition (without replacement)	0	0	0.00					
4	Property Appraisal	1,500	107	0.01	1,500				
5	Legal - Title and Recording	3,500	250	0.32	3,500				
6	**Subtotal - Acquisition**	372,059	26,576	33.93					
	CONSTRUCTION HARD COSTS								
7	Rehabilitation Schoolhouse	348,200	24,871	31.76			281,650	41,550	25,000
8	Rehabilitation Family	75,206	5,372	6.86				75,206	
9	Additional work		0	0.00					
10	Sitework	28,300	2,021	2.58	28,300				
11	0		0	0.00					
12	0		0	0.00					
13	Contractor Overhead		0	0.00					
14	HC access		0	0.00					
15	Construction Contingency	64,000	4,571	5.84			64,000		
16			0	0.00					
17	Hazardous Mat Abatement		0	0.00					
18	Asbestos Abatement & Testing	7,000	500	0.64					7,000
19	Off-Site Improvements		0	0.00					
20	Furnishings, Fixtures, & Equipment	7,165	512	0.65				7,165	
21	Other (Vacancy Operating Losses)		0	0.00					
22	**Subtotal - Hard Costs**	529,871	37,848	48.33					
	SOFT COSTS								
23	Architectural	45,000	3,214	4.10	22,421			22,579	
24	Engineering		0	0.00					
25	Legal/Accounting	8,500	607	0.78	4,000			4,500	
26	Relocation	8,500	607	0.78				8,500	
27	Environmental Assessment	1,200	86	0.11	1,200				
28	Survey / Topo	0	0	0.00					
29	Permits/Fees	3,500	250	0.32	3,500				
30	Market Study	2,500	179	0.23	2,500				
31	Construction Period Insurance	0	0	0.00					
32	Construction Interest	9,500	679	0.87	9,500				
33	VHFA Loan Origination Fee	6,375	455	0.58	6,375				
34	Taxes During Construction	0	0	0.00					
35	Clerk of the Works		0	0.00					
36	Marketing	350	25	0.03			350		
37	VHFA Tax Credit Fees	1,770	126	0.16	1,770				
38	Inspection Fees	3,500	250	0.32	3,500				
39	Soft Cost Contingency	3,000	214	0.27	1,500		1,500		
40	Permanent Loan Origination Fee	1,875	134	0.17	1,875				
41	Lenders Counsel's Fee	3,500	250	0.32	3,500				
42	Historic Consultant & Fees	3,000	214	0.27	3,000				
43	Other (_CNA_)	0	0	0.00					
	SYNDICATION COSTS								
44	Organizational (Partnership)	1,000	71	0.09			1,000		
45	Bridge Loan Fees and Expenses	6,500	464	0.59			6,500		
46	Syndication Consultant	2,500	179	0.23				2,500	
47	Tax Opinion	0	0	0.00					
	DEVELOPER'S FEES								
47	Developer's Fees (deferred)	30,000	2,143	2.74					30,000
	Other Partnership fees for reserves	10,000	714				10,000		
49	Consultant Fees	28,000	2,000	2.55				28,000	
	RESERVES								
50	Operating Account	10,000	714	0.91			10,000		
51	Rent-up (Deficit Escrow) Reserve	0	0	0.00					
52	Other Operating Reserves	0	0	0.00					
53	Sinking Fund	0	0	0.00					
54	Replacement Reserves		0	0.00					
55	**Subtotal - Soft Costs**	190,070	13,576	17.34					
	TOTAL DEVELOPMENT COSTS	**1,092,000**	78,000	99.60	320,000	145,000	375,000	190,000	62,000

	Plainfield School Street Apartments	09-Sep-04				
		TOTAL BUDGET	Acquisition Basis	Construction Basis	Residential Depreciation	Historic tax credit
1	Land	20,000				
2	Purchase of Building(s)	347,059	347,059		347,059	
3	Demolition (without replacement)	0	0			
4	Property Appraisal	1,500	1,500	0	1,500	
5	Legal - Title and Recording	3,500	3,500		3,500	
6	Subtotal - Acquisition	372,059				
	CONSTRUCTION HARD COSTS					
7	Rehabilitation	348,200		348,200	348,200	348,200
8	New Building(s)	75,206		75,206	75,206	
9	Additonal work	0		0	0	
10	Sitework	28,300		28,300	28,300	
11	0	0		0		
12	0	0		0	0	
13	Contractor Overhead	0		0	0	
14	Selective Demo for Asbetos	0		0	0	
15	Construction Contingency	64,000		64,000	64,000	52,632
16	Site Lighting	0		0	0	
17	Asbestos Contingency	0		0	0	
18	Asbestos Abatement & Testing	7,000		7,000	7,000	
19	Off-Site Improvements	0		0	0	
20	Furnishings, Fixtures, & Equipment	7,165		7,165	7,165	
21	Other (Vacancy Operating Losses)	0		48	48	
22	Subtotal - Hard Costs	529,871				
	SOFT COSTS					
23	Architectural	45,000		45,000	45,000	37,007
24	Engineering	0		0	0	
25	Legal/Accounting	8,500		8,500	8,500	5,231
26	Relocation	8,500		8,500	8,500	5,231
27	Environmental Assessment	1,200		1,200	1,200	738
28	Survey / Topo	0		0	0	0
29	Permits/Fees	3,500		3,500	3,500	2,154
30	Market Study	2,500		2,500	2,500	1,538
31	Construction Period Insurance	0		0	0	0
32	VHFA Construction Interest	9,500		9,500	9,500	5,846
33	VHFA Loan Origination Fee	6,375		6,375	6,375	3,923
34	Taxes During Construction	0		0	0	0
35	Clerk of the Works	0		0	0	0
36	Marketing	350				
37	VHFA Tax Credit Fees	1,770		1,770	1,770	1,089
38	VHFA Inspection Fee	3,500		3,500	3,500	2,154
39	Soft Cost Contingency	3,000		3,000	3,000	1,846
40	Permanent Loan Origination Fee	1,875			0	0
41	Lenders Counsel's Fee	3,500		3,500	3,500	2,154
42	Historic Consultant & Fees	3,000		3,000		3,000
43	CAN	0				0
	SYNDICATION COSTS					
44	Organizational (Partnership)	1,000				
45	Bridge Loan Fees and Expenses	6,500				
46	Syndication Consultant	2,500				
47	Tax Opinion	0				
	DEVELOPER'S FEES					
47	Developer's Fees	30,000		30,000	30,000	18,462
48	Other Partnership Fees for Reserves	10,000		10,000	10,000	6,154
49	Consultant Fees	28,000		28,000	28,000	17,231
	RESERVES					
50	Working Capital	10,000				
51	Rent-up (Deficit Escrow) Reserve	0				
52	Other Operating Reserves	0		0		
53	Sinking Fund	0		0		
54	Replacement Reserves	0				
55	Subtotal - Soft Costs	190,070				
	TOTAL DEVELOPMENT COSTS	**1,092,000**	352,059	697,764	1,046,823	514,590
ESS:	Amount of Non-qualified Financing		0	21,000		21,000
ESS:	Adjustment for per unit cost limits	0%		0		493,590
ESS:	Historic tax Credit (Residential Portion)			98,718		98,718
	Total Eligible Basis		352,059	578,046		
IES:	Adjusted for QCT/DDA	130.0%		751,460		
IES:	Applicable Fraction	100.00%	352,059	751,460		
	Total Qualified Basis		352,059	751,460		
IES:	Applicable Percentage		3.44%	3.44%		
	Total Annual Credit Qualified		12,111	25,850		

Total Allocated Tax Credits	38,000	TOTAL 4% HC'S		37,961
Estimated Net Syndication Proceeds				
(excluding historic credit equity)	291,090			
Estimated Yield - Housing Credit Syndication	77.38%			
Equity Gap	293,090			
Credits Needed to fill Equity Gap	37,878			

940,940	Long Term Depreciable Basis
27.5	Depreciation Schedule
34,216	Annual Depreciation
0	Mid Ter m Depreciation
15	Depreciation Schedule
0	Annual Depreciation
7,165	Short Term Depreciable Basis
7	Depreciation Schedule
1,024	Annual Depreciation

09-Sep-04 **Plainfield School Street Apartments**

good thru 2010

HC Restricted Units Bedrooms	Type	Average Square Feet	Number	Average Rent	Utilities	Total Annual Rent
Colonial			0			
0 Br		720	1	708		8,496
1 Br		720	7	777		65,268
1 Br						0
2 Br		868	3	876		31,536
3 Br		1,300	2	943		22,632
	Totals	10,964	13			127,932

Non-HC Restricted Units Bedrooms	Type	Square Feet	Number	Rent	Utilities	Total Annual Rent
0 Br			0	0		0
1 Br	0		0	0		0
	0	0	0			0
All Units	**Grand Total**	**10,964**	**13**			**127,932**

Less Vacancy	1.00%	(1,279)
NET RENT		126,653
OTHER INCOME		
Laundry		1,250
Other		0
TOTAL INC		127,903

PROJECTIONS AT FAIR MARKET RENTS

Bedrooms	Type	Average Square Feet	Number	Average Rent	Utilities	Total Annual Rent
1 Br		0	7	494		41,496
0 Br			1	399		4,788
2 Br		0	3	666		23,976
3 Br		0	2	833		19,992
	Totals	10,964	13			90,252

Less Vacancy	5.00%	(4,513)
NET RENT		85,739

09-Sep-04 **Plainfield School Street Apartments**

	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%+
Bldg #1	1			X	1	X	X			1	720	777	0	777	1						1					
	2			X	1	X	X			1	720	777	0	777	1						1					
	3			X	1	X				0	720	708	0	708	1						1					
	4			X	1	X				1	720	777	0	777	1						1					
	5			X	1	X				1	720	777	0	777		1					1					
	6	X		X	1	X				1	720	777	0	777		1					1					
	7			X	1	X				1	720	777	0	777	1						1					
	8			X	1	X				1	720	777	0	777	1						1					
Bldg #2	1	X	X	X	1	X				2	868	876	0	876	1						1					
	2	X	X	X	1	X				2	868	876	0	876	1						1					
Bld #3	1	X		X	1	X				2	868	876	0	876	1						1					
	2	X		X	1	X				3	1,300	943	0	943	1						1					
	3			X	1	X				3	1,300	943	0	943	1						1					
													0	0							1					
													0	0							1					
													0	0							1					
													0	0							1					
													0	0							1					
Total # Units					13					**Totals:**	10,964	10,661		**Total # Units:**	11	2	0	0	0	0	18	0	0	0	0	0

09-Sep-04 **Plainfield School Street Apartments**

	Annual	Monthly	Per Unit Per Month
Administration			
Management Fee	10,847	904	70
Supportive Services		0	0
Audit/Accounting	4,050	338	26
Legal	750	63	5
Compliance Monitoring	624	52	4
Marketing	50	4	0
Other	1,110	93	7
TOTAL ADMINISTRATIVE	17,431	1,453	112
Utilities			
Electricity	9,100	758	58
Fuel	7,000	583	45
Water and Sewer	6,800	567	44
Fire Alarm / Emergency	1,000	83	6
Other	0	0	0
TOTAL UTILITIES	23,900	1,992	153
Maintenance			
Maintenance / Janitor Payrol	7,900	658	51
Janitor Supplies	0	0	0
Exterminating	0	0	0
Trash Removal	1,800	150	12
Snow Removal	1,900	158	12
Grounds	750	63	5
Repairs Material	3,000	250	19
Repairs Contract	2,500	208	16
HVAC Repairs / Maintenanc	0	0	0
Elevator Contract / Repairs	0	0	0
Painting and Decorating	450	38	3
Other	0	0	0
TOTAL MAINTENANCE	18,300	1,525	117
Real Estate Taxes	8,600	717	55
Property Insurance	4,300	358	28
Flood Insurance	0	0	0
Replacement Reserves	5,500	458	35
Other "must pay" debt servic	29,249	2,437	187
Other		0	0
Total	107,280	8,940	688

per unit month
excl. ds & res.
465

09-Sep-04

Plainfield School Street Apartments

	Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
		2,005	2,006	2,007	2,008	2,009	2,010	2,011	2,012	2,013	2,014	2,015	2,016	2,017	2,018	2,019
Operating Income																
Gross Rent		127,932	127,932	127,932	127,932	127,932	127,932	100,166	101,668	103,193	104,741	106,312	107,907	109,526	111,168	112,836
Other Income		1,250	1,263	1,275	1,288	1,301	1,314	1,327	1,340	1,354	1,367	1,381	1,395	1,409	1,423	1,437
Vacancy and other losses		(1,279)	(1,279)	(1,279)	(1,279)	(1,279)	(1,279)	(5,008)	(5,083)	(5,160)	(5,211)	(5,263)	(5,316)	(5,369)	(5,423)	(5,477)
Total Operating Income		127,903	127,915	127,928	127,941	127,953	127,966	96,484	97,925	99,387	100,897	102,430	103,986	105,565	107,168	108,796
Operating Expenses																
Total Expenses (excl. Reserves)		72,531	74,344	76,203	78,108	80,061	82,062	84,114	86,217	88,372	90,581	92,846	95,167	97,546	99,985	102,484
Reserves		5,500	5,638	5,778	5,923	6,071	6,223	6,378	6,538	6,701	6,869	7,040	7,216	7,397	7,582	7,771
Total Operating Expense		78,031	79,982	81,981	84,031	86,132	88,285	90,492	92,754	95,073	97,450	99,886	102,383	104,943	107,567	110,256
Net Operating Income		49,872	47,933	45,946	43,910	41,822	39,682	5,992	5,171	4,314	3,447	2,543	1,602	622	(398)	(1,460)
Less Primary Debt Service		29,249	29,249	29,249	29,249	29,249	29,249	0	0	0	0	0	0	0	0	0
Less Secondary Debt Service		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Annual Cash Flow		20,623	18,684	16,697	14,661	12,573	10,433	5,992	5,171	4,314	3,447	2,543	1,602	622	(398)	(1,460)
)perating Subsidies / Sinking Fund		0	0	0	0	0	0	0	0	0	0	0	0	0	398	1,460
Net Cash		20,623	18,684	16,697	14,661	12,573	10,433	5,992	5,171	4,314	3,447	2,543	1,602	622	0	0
DCR		170.51%	163.88%	157.09%	150.12%	142.99%	135.67%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Cumulative Cash Flow																
Beginning Balance		10,000	25,929	40,059	52,324	62,655	70,980	77,227	84,051	90,114	95,372	99,808	103,374	106,026	107,715	108,393
Deposits		20,623	18,684	16,697	14,661	12,573	10,433	5,992	5,171	4,314	3,447	2,543	1,602	622	0	0
Interest	2.0%	306	446	568	670	752	814	832	892	944	988	1,024	1,050	1,066	1,077	1,084
Withdrawals		0	0	0	0	0	0	0	0	0	0	0	0	0	(398)	(1,460)
Def Dev Fee		(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)									
Ending Balance		25,929	40,059	52,324	62,655	70,980	77,227	84,051	90,114	95,372	99,808	103,374	106,026	107,715	108,393	108,017
Cumulative Replacement Reserves																
Beginning Balance		10,000	15,755	21,606	27,659	33,917	40,388	47,077	53,990	61,133	68,513	76,135	84,007	92,136	100,528	109,191
Deposits		5,500	5,638	5,778	5,923	6,071	6,223	6,378	6,538	6,701	6,869	7,040	7,216	7,397	7,582	7,771
Interest	2.0%	255	214	274	336	400	466	535	605	678	754	832	912	995	1,081	1,170
Withdrawals			0		0	0	0	0			0	0		0	0	0
Ending Balance		15,755	21,606	27,659	33,917	40,388	47,077	53,990	61,133	68,513	76,135	84,007	92,136	100,528	109,191	118,132
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Net Operating Income		49,872	47,933	45,946	43,910	41,822	39,682	5,992	5,171	4,314	3,447	2,543	1,602	622	(398)	(1,460)
Plus Reserves		5,500	5,638	5,778	5,923	6,071	6,223	6,378	6,538	6,701	6,869	7,040	7,216	7,397	7,582	7,771
Less Interest Expense		(21,174)	(20,608)	(20,004)	(19,357)	(18,665)	(17,925)	(18,020)	(19,192)	(20,439)	(21,768)	(23,183)	(24,690)	(26,294)	(28,003)	(29,824)
Less Bridge Loan interes																
Less Capitalized Expense	20yr schedule of reserve expense															
Less Long Depreciation		(34,216)	(34,216)	(34,216)	(34,216)	(34,216)	(34,216)	(34,216)	(34,216)	(34,216)	(34,216)	(34,216)	(34,216)	(34,216)	(34,216)	(34,216)
Less Mid Depreciation		0	0	0	0	0	0	0	0	0	0					
Less Short Depreciation		(1,024)	(1,024)	(1,024)	(1,024)	(1,024)	(1,024)	(1,024)	0	0	0	0	0	0	0	0
Taxable Income (Loss)		(1,042)	(2,277)	(3,518)	(4,764)	(6,012)	(7,260)	(40,889)	(41,699)	(43,640)	(45,668)	(47,815)	(50,087)	(52,492)	(55,036)	(57,728)
Cash Flow		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings		365	797	1,231	1,667	2,104	2,541	14,311	14,595	15,274	15,984	16,735	17,530	18,372	19,263	20,205
Plus Tax Credits		136,718	38,000	38,000	38,000	38,000	38,000	38,000	38,000	38,000	38,000					
After Tax Cash Flow		137,083	38,797	39,231	39,667	40,104	40,541	52,311	52,595	53,274	53,984	16,735	17,530	18,372	19,263	20,205
Total Years	15															
Reinvestment Rate	10.00%															
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Current After Tax Cash Flows		137,083	38,797	39,231	39,667	40,104	40,541	52,311	52,595	53,274	53,984	16,735	17,530	18,372	19,263	20,205
ture Value of Cash Flows at Yr 15:		572,628	147,331	135,438	124,493	114,422	105,153	123,347	112,742	103,816	95,636	26,952	25,666	24,453	23,308	22,225
Discount Rate:	4.00%															
Capital Contribution Number:	1	2	3	4	5	6	7	8								
Date of Capital Contribution:	30-Jun-04	15-Nov-04	30-Dec-04	15-Jun-05												
Amount of Capital Contribution:	0	20,000	100,000	255,000		0	0	0								
Present Value of Contributions:	0	19,696	97,987	245,274	0	0	0	0								
Cash Flows	(362,957)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,757,610
IRR:	11.09%			291,090												

total loses	459,928
Total Cont	375,000
Gain	84,928
Exit Tax	29,725

RESOLUTION RE: CONSTRUCTION FINANCING FOR SCHOOL STREET APARTMENTS, PLAINFIELD

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

WHEREAS, an application has been submitted to the Agency by the Housing Foundation Inc. (the "Sponsor") on behalf of a to be formed limited partnership in which the Sponsor or its subsidiary will be the general partner (the "Borrower") involving the rehabilitation of School Street Apartments which will contain a total of thirteen (13) units of rental housing in the Town of Plainfield (the "Development"); and

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

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

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

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Eliza Smith-Vedder dated September 9, 2004, containing information and recommendations about the Development (the "Memorandum");

THEREFORE, it is hereby DETERMINED:

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

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

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

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

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

6. The Sponsor is financially responsible and is a qualified housing sponsor within the meaning of the Act. The Borrower will be required to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to the limited partnership to be created by the Sponsor for the construction financing of the Development based on the recommendations in the attached Memorandum. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the Sponsor in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

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

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

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

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

TO: VHFA Board of Commissioners

FROM: Eliza Smith-Vedder, Multifamily Development Underwriter

DATE: September 14, 2004

RE: Request for Permanent Financing

Name:	Lindale Mobile Home Park	**Location:**	Middlebury
Housing Type:	Mobile Homes	**Unit Type:**	n/a
Unit Count:	67 pads and 1 Single Family Home	**Unit Sizes:**	n/a
Total Cost:	$1,690,000	**Per pad Acquisition & Construction Cost:**	$25,223.88
Loan Requested:	$1,200,000 in three distinct loans: $763,000 Permanent loan $115,000 Deferred loan, $322,000 Bridge loan	**Sponsors:**	Addison County Community Trust
Housing Credits:	n/a	**State Credits:**	n/a
Other Funding:	HOME, VHCB, Middlebury National Bank, VEDA		

Recommendation: That the VHFA Board of Commissioners pass the attached resolution and make the required findings as outlined in the second section of the resolution ("It is hereby determined:"), and that the Board 1) authorize the Executive Director to issue a Letter of Interest and/or a Commitment Letter to finance this development upon satisfactory completion of staff underwriting and due diligence.

Project Summary: Addison County Community Trust (ACCT) is requesting a loan of 1.2 million dollars to finance the acquisition of Lindale Mobile Home Park, a sixty seven lot park located in Middlebury. If this park is not acquired by ACCT by October 12th, 2004, it will exceed the statutory period for tenant right of first refusal, and therefore could be sold to another developer. (The Seller has a signed P&S agreement with another buyer should the sale to ACCT not occur).

The sixty-seven lot park sits on approximately thirty acres of land within walking distance of the village of East Middlebury. The park is hooked up to the town water, and has numerous septic systems of varying age. The park is divided into an older section of 48 lots that was built in the 1960's, and a newer section of 19 lots that was built in the 1980's. Adjacent to this property there is also a four bedroom family home on nine acres that belongs to the park's owner. The purchase of the park will include this single family home. ACCT plans to sell the single family home as soon as possible after acquisition, hopefully using HOMELAND funds to make the sale affordable to a low income homebuyer.

The park is in need of considerable work, mostly to the older section of the park. ACCT plans to address many major issues including upgrades to the electrical connections that do not currently meet code, and have not since 2003. There will also need to be replacement of at least one septic system, which currently serves two lots, and has failed. There are drainage issues that need addressing as well as roads that need repaving in the older section of the park. The most major work, however, will be that which addresses the water distribution system. Preliminary testing has been done that shows leaks in some of the delivery systems that serve individual pads. ACCT will be applying to VEDA to acquire a negative interest loan to use for replacement of these 48 delivery systems. Initial testing did not find that the water *main* would need replacing. However, after ACCT has acquired the park they will be able to do pressure testing and some excavation that would allow them to more properly assess the remaining life of the main line. If the main is found to need replacing, it is estimated that it would double the cost of the water distribution system repairs.

Currently, ACCT has applied for VHCB and HOME funds. The VEDA loan application has not yet been made. The one caveat of the VHCB funding is that ACCT must apply for CDBG funds that would be used to reduce rents to $239. Currently, rents are at $279 (this rent was raised in September from $271). ACCT would like to drop rents to $270 immediately after acquisition, and then reduce rents again after receipt of a CD grant. ACCT also has the potential to add three pads to the park and would endeavor to use CD funds for this as well.

It is for these reasons that we show our financing broken into three loans. The first loan will be the permanent source of funds. The second "bridge" loan will be structured such that should ACCT receive CD funds to reduce rents, they can prepay that loan in full. The final "deferred loan" is repayable from the sale of the home. It accrues interest, but is not due until the time that the house is sold. Staff recommends that the loan be approved with some conditions. As ACCT has not had full access to the property to do complete and satisfactory engineering, we would request further testing to ensure the sufficiency of the planned water system replacement. Furthermore, staff recommends that ACCT receive only 20% of their developer's fee at closing, with the rest being held as additional contingency until after the completion of all work.

Lindale Mobile Home Park
ASSUMPTIONS

Project Description and Assumptions

Total Mobile Home Park Lots	67			
Restricted Units:	67	Increase - Rents		1.5%
Percent Restricted:	100%	Increase - Expenses		3.0%
Avg Net Monthly Rent:	18,090	Vacancy Rate:		5.0%
Total Acquistion/Improvement	$1,690,000			
TDC/Unit	$ 25,224			

FINANCING SOURCES

	Amount	Percent of Total Development Costs	Interest	Term	Amortization Period
VHFA	$ 763,000	45%	6.5%	30	30
VHFA Bridge	$ 322,000	19%	6.5%	30	30
VHFA deferred loan	$ 115,000	7%	6.5%	2	2
vclf	$ -	0%			
VEDA loan (see note)	$ 100,000	6%	-3.5%	30	30
VHCB-Grant	$ 340,000	20%	N/A	N/A	0
HOME	$ 50,000	3%	N/A	N/A	0
VCDP (see note)	$ -	0%			
Total Funding Sources	**$1,690,000**	100%			

PROJECT USES		Per Units Cost	
Park Acquisition	$1,200,000	17,910	71%
Construction Hard Costs	$ 217,500	3,246	13%
Soft Costs	$ 272,500	4,067	16%
Total Uses	**1,690,000**	25,224	100%
Gap	$0		

Note: VCDP used to repa y VHFA bridge and lower rents, shown in year 3.
VEDA Loan not committed by loan acquisition closing.

Last Revised 09/15/04

Lindale Mobile Home Park
DEVELOPMENT BUDGET
15-Sep-04

CLOSING STATEMENT

ACQUISITION & CONSTRUCTION	Budget	Per Unit	VHFA	VHFA deferred	VHFA Bridge loan	VEDA Loan	VHCB-Grant	HOME	TOTALS
Land	1,200,000	17,910	763,000	115,000	192,000		80,000	50,000	1,200,000
Purchase of Buildings	0	0							0
Subtotal Acquisition	**1,200,000**								0
									0
Rehabilitation/New Construction	**217,500**	3,246			117,500	100,000			217,500
Electrical System		0							0
Roads/Drainage		0							0
Water System		0							0
Wastewater System		0							0
Construction Contingency		0							0
Construction Management		0							0
Improvements to Rental Units		0							0
Improvements to HOME Units		0							0
Low-Flow Devices		0							0
Subtotal Acquisition and Improvements	**217,500**	3,246							0
		0							0
PROFESSIONAL SERVICES		0							0
Engineering	7,400	110					7,400		7,400
Survey		0							0
Legal/Accounting	3,500	52					3,500		3,500
Clerk of the Works		0							0
Subtotal	**10,900**	163							0
		0							0
INTERIM COSTS		0							0
Construction Insurance		0							0
Bridge Loan Interest		0							0
Construction Loan Origination Fee		0							0
Taxes		0							0
Subtotal Interim Costs	**0**	0							0
		0							0
OTHER SOFT COSTS		0							0
Property Appraisal		0							0
Appraisal of Homes		0							0
Permits/Fees		0							0
Environmental Assesment	1,250	19					1,250		1,250
Other		0							0
Soft Cost Contingency(@ 10%)	350	5					350		350
Subtotal Interim Costs	**1,600**	24							0
		0							0
FINANCING FEES & EXPENSES		0							0
Credit Report		0							0
Permanent Loan Origination Fee		0							0
Loan Fees	18,000	269			12,500		5,500		18,000
Cost of Issuance		0							0
Title & Recording		0							0
Counsel's Fee		0							0
Financing Fees & Related Expenses		0							0
Subtotal Financing Expense	**18,000**	269							0
		0							0
SYNDICATION COSTS		0							0
Organizational (Partnership)		0							0
Bridge Loan Fees & Expenses		0							0
Tax Opinion		0							0
Subtotal Syndication Expense	**0**	0							0
		0							0
DEVELOPER'S FEES		0							0
Developer's Fee	175,000	2,612					175,000		175,000
VCDP Adm.		0							0
Subtotal Developers fees	**175,000**	2,612							0
		0							0
PROJECT RESERVES		0							0
Rent-up (Deficit Escrow) Reserve		0							0
Replacement Reserve	25,000	373					25,000		25,000
Working Capital	25,000	373					25,000		25,000
Operating Reserve/Sinking Fund	17,000	254					17,000		17,000
Subtotal	**67,000**	1,000							0
		0							0
TOTAL DEVELOPMENT COSTS	**1,690,000**	25,224	**763,000**	**115,000**	**322,000**	**100,000**	**340,000**	**50,000**	**1,690,000**

Lindale Mobile Home Park
Income & Expense Budget

108%

LOT RENTS INCOME PROJECTIONS (Year 1)

Income Configuration - Current	Number	% of Total		Rent	Utilities	Total Annual Rent
"< 30% of Median Income	12	18%		270	0	38,880
30- 50% of Median Income	26	39%		270	0	84,240
50- 80% of Median Income	6	9%		270	0	19,440
60-80% of Median Income	7	10%		270	0	22,680
80-100% of Median Income	9	13%		270	0	29,160
> 100% of Median Income	7	10%		270	0	22,680
Total	67	100%				217,080
			Less Vacancy Allowanc		5%	10,854
			Net Lot Rental Income			**206,226**

EXPENSE BUDGET

	Annual	Monthly	Unit/month
ADMINISTRATIVE EXPENSE			
Management Fee	24,120	2,010	30
Marketing	0	0	0
Audit/Accounting	1,000	83	1
Legal	400	33	0
Other		0	0
TOTAL ADMINISTRATIVE	**25,520**	**2,127**	**32**
UTILITIES			
Water/Sewer	6,000	500	7
Electric - Common	0	0	0
Electric - Rental Homes	0	0	0
Fuel Oil	0	0	0
Gas		0	0
TOTAL UTILITIES	**6,000**	**500**	**7**
MAINTENANCE			
Water System	0	0	0
Roads/Grounds	1,750	146	2
Trash Removal	11,000	917	14
Snow Removal	7,500	625	9
Repairs - Material	0	0	0
Sewer-Septic Pumping 16@180/	4,250	354	5
Contract Maintenance	0	0	0
Maintenance	2,500	208	3
TOTAL MAINTENANCE	**27,000**	**2,250**	**34**
Taxes	38,500	3,208	48
Taxes (rental units)	0	0	0
Insurance (rental units)	3,400	283	4
Insurance	0	0	0
Operating Reserves	1,250	104	2
Replacement Reserves	13,500	1,125	17
Other	0	0	0
Total	**115,170**	**9,598**	**143**

pupm excl res
125

15-Sep-04

Lindale Mobile Home Park

Cash Flow Projections

15-Sep-04

		270	274	278	282											
Rents		239	243	246	250											
		217,080	220,336	223,641	226,996	230,401	233,857	237,365	240,925	244,539	248,207	251,930	255,709	259,545	263,438	267,390
		192,156	195,038	197,964	200,933	203,947	207,007	210,112	213,263	216,462	219,709	223,005	226,350	229,745	233,191	236,689
Year		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Lot Rental Income		217,080	220,336	223,641	226,996	230,401	233,857	237,365	240,925	244,539	248,207	251,930	255,709	259,545	263,438	267,390
Less Res Vacancy (5%)		(10,854)	(11,017)	(11,182)	(11,350)	(11,520)	(11,693)	(11,868)	(12,046)	(12,227)	(12,410)	(12,597)	(12,785)	(12,977)	(13,172)	(13,369)
Total Actual Income		**206,226**	**209,319**	**212,459**	**215,646**	**218,881**	**222,164**	**225,496**	**228,879**	**232,312**	**235,797**	**239,334**	**242,924**	**246,568**	**250,266**	**254,020**
Less Operating Expenses for Park		100,420	103,433	106,536	109,732	113,024	116,414	119,907	123,504	127,209	131,025	134,956	139,005	143,175	147,470	151,894
Less Replacement Reserves		13,500	13,703	13,908	14,117	14,328	14,543	14,761	14,983	15,208	15,436	15,667	15,902	16,141	16,383	16,629
Less Operating Reserves		1,250	1,269	1,288	1,307	1,327	1,347	1,367	1,387	1,408	1,429	1,451	1,472	1,495	1,517	1,540
Net Operating Income		**91,056**	**90,916**	**90,728**	**90,491**	**90,202**	**89,860**	**89,461**	**89,005**	**88,487**	**87,906**	**87,260**	**86,544**	**85,757**	**84,896**	**83,957**
Less VHFA Debt Service 1		57,872	57,872	57,872	57,872	57,872	57,872	57,872	57,872	57,872	57,872	57,872	57,872	57,872	57,872	57,872
Less VHFA Bridge Debt Service		24,423	24,423	24,423	24,423	24,423	24,423	24,423	24,423	24,423	24,423	24,423	24,423	24,423	24,423	24,423
Less VEDA Debt Service		1,880	1,880	1,880	1,880	1,880	1,880	1,880	1,880	1,880	1,880	1,880	1,880	1,880	1,880	1,880
Net Operating Cash Flow		**6,881**	**6,741**	**6,553**	**6,316**	**6,027**	**5,685**	**5,286**	**4,830**	**4,312**	**3,731**	**3,085**	**2,369**	**1,582**	**721**	**(218)**
Oper Subsidy		0	0	0	0	0	0	0	0	0	0	0	0	0	0	218
Net Cash		**6,881**	**6,741**	**6,553**	**6,316**	**6,027**	**5,685**	**5,286**	**4,830**	**4,312**	**3,731**	**3,085**	**2,369**	**1,582**	**721**	**0**
DCR (all 3 loans, high rents)		**108%**	**108%**	**108%**	**108%**	**107%**	**107%**	**106%**	**106%**	**105%**	**104%**	**104%**	**103%**	**102%**	**101%**	**100%**
DCR (VHFA Bridge repaid, rents lowered)				**111%**	**110%**	**109%**	**108%**	**106%**	**105%**	**103%**	**102%**	**100%**	**98%**	**96%**	**94%**	**92%**
Working Capital		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Beginning Balance		25,000	27,019	29,098	31,240	33,446	35,718	38,058	40,469	42,951	45,509	48,143	50,856	53,650	56,528	59,493
Plus: Deposits		1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250
Interest	3%	769	829	892	956	1,022	1,090	1,160	1,233	1,307	1,384	1,463	1,544	1,628	1,715	1,804
Less: Withdrawls		0	0	0	0	0	0	0	0	0	0	0	0	0	0	(218)
Ending Balance		27,019	29,098	31,240	33,446	35,718	38,058	40,469	42,951	45,509	48,143	50,856	53,650	56,528	59,493	62,329
Relacement Reserves:																
Beginning Balance		25,000	29,453	33,944	38,470	43,025	31,632	35,749	39,864	43,969	48,056	36,145	39,692	43,181	46,602	49,943
Plus: Deposits		13,500	13,703	13,908	14,117	14,328	14,543	14,761	14,983	15,208	15,436	15,667	15,902	16,141	16,383	16,629
Interest	3%	953	1,089	1,227	1,366	1,506	1,167	1,294	1,421	1,547	1,673	1,319	1,429	1,538	1,644	1,748
Less: Withdrawals - other						(15,973)					(15,973)					(15,973)
Less: Withdrawals - septics		(10,000)	(10,300)	(10,609)	(10,927)	(11,255)	(11,593)	(11,941)	(12,299)	(12,668)	(13,048)	(13,439)	(13,842)	(14,258)	(14,685)	(15,126)
Ending Balance		29,453	33,944	38,470	43,025	31,632	35,749	39,864	43,969	48,056	36,145	39,692	43,181	46,602	49,943	37,221
238.40																

Lindale Mobile Home Park

rents	270		270		239
dcr	108%		108%		111%
	unimproved park, plus home		unimproved park, minus		improved park, minus home
	@ acquisition	change	@ sale of home	change	@ construction completion
FINANCING SOURCES					
VHFA	$ 763,000	$ -	$ 763,000	$ -	$ 763,000
VHFA deferred loan - "sale of house	$ 115,000	$(115,000)	$ -	$ -	$ -
VHFA prepayable loan - "CD"	$ 322,000	$ -	$ 322,000	$ (322,000)	$ -
VCLF Second	$ -	$ -	$ -	$ -	$ -
proceeds from sale of home	$ -	$ 130,000	$ 130,000	$ -	$ 130,000
VEDA loan	$ 100,000	$ -	$ 100,000	$ -	$ 100,000
VHCB-Grant	$ 340,000	$ -	$ 340,000	$ -	$ 340,000
HOME	$ 50,000	$ -	$ 50,000	$ -	$ 50,000
CDBG	$ -	$ -	$ -	$ 322,000	$ 322,000
Total Funding Sources	**$ 1,690,000**	**$ 15,000**	**$ 1,705,000**	**$ -**	**$ 1,705,000**
PROJECT USES					
Park Acquisition	$ 1,200,000	$ -	$ 1,200,000	$ -	$ 1,200,000
Construction Hard Costs	$ 217,500	$ -	$ 217,500	$ -	$ 217,500
accrued interest on 114k vhfa	$ -	$ 15,000	$ 15,000	$ -	$ 15,000
Soft Costs	$ 272,500	$ -	$ 272,500	$ -	$ 272,500
Total Uses	**1,690,000**	**15,000**	**1,705,000**	**$ -**	**1,705,000**
	$0		$0	$0	$0

RESOLUTION RE: ACQUISITION AND REHABILITATION FINANCING FOR LINDALE MOBILE HOME PARK, MIDDLEBURY

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

WHEREAS, an application has been submitted to the Agency by Addison County Community Land Trust, Inc. (the "Borrower") involving the acquisition and rehabilitation of Lindale Mobile Home Park which contains a total of sixty-seven (67) lots for mobile homes in the Town of Middlebury (the "Development"); and

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

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

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

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Eliza Smith-Vedder dated September 14, 2004, containing information and recommendations about the Development (the "Memorandum");

THEREFORE, it is hereby DETERMINED:

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

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

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to the Borrower for the acquisition and rehabilitation financing of the Development based on the recommendations in the attached Memorandum. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the Borrower in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

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

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

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

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

Vermont Housing Finance Agency

VHFA Board Meeting Minutes
Vermont Housing Finance Agency
164 St. Paul Street
Burlington, Vermont
Thursday, September 16, 2004 at 9:30 a.m.

VHFA Board Members Present:
Lisa Randall – Chair, Paul Beaulieu, Thomas Candon (designee for Crowley), Dagyne Canney, John Hall (designee for Dorn), Gus Seelig
Beth Pearce (designee for Spaulding) (arrived 10:15 a.m.)

Staff: Dave Adams, Sarah Carpenter, Maura Collins, Renee Couture, Elizabeth Mullikin Drake, Joe Erdelyi, John Fairbanks, Sam Falzone, Pat Loller, Cindy Reid, Liza Smith-Vedder

Guest: Bill Dunnington, Consultant

Chair Randall called the meeting to order at 9:40 a.m.

MINUTES
Mr. Seelig made a motion to approve the August 12, 2004 Board of Commissioners' meeting minutes. Mr. Hall seconded the motion. Ms. Randall asked that the following corrections be made:
- Vice Chair Seelig called the meeting to order at 10:15 a.m.
- Chair Randall joined the meeting at 10:30 a.m.

All were in favor of approving the minutes with these corrections, except Mr. Candon who abstained.

CONSENT AGENDA / REPORTS
Mr. Beaulieu made a motion to approve those items on the Consent Agenda requiring action (restated here):
- "Resolution Re: Construction Financing for Butterfield Elderly, West Dover"
- "Resolution Re: Construction Financing for School Street Apartments, Plainfield"
- Reappointment of Tom Thompson and Paul Costello to the Housing Vermont Board of Directors

Mr. Seelig seconded the motion, which was unanimously approved.

DEVELOPMENT
Lindale Mobile Home Park
Ms. Smith-Vedder reviewed her memo regarding Addison County Community Trust's ("ACCT") request for a $1.2 million Permanent Loan to acquire and rehabilitate Lindale Mobile Home Park in Middlebury. Mr. Erdelyi expressed the following concerns about the project:
- ACCT's inability to respond quickly (based on past experience) due to lack of capacity;

- VHFA's commitment of $1.2 million prior to knowing the extent and actual cost of the work to be done; and
- Low comfort level with any of the three appraisals provided – as it is difficult to determine an adjustment to value based on the age and condition of, e.g., the water distribution system.

Mr. Erdelyi reiterated staff's recommendation to hold 80% ($140k) of the developer's (ACCT) fee in escrow as contingency against unknown conditions with the water system and to ensure timely completion of the work.

Ms. Randall asked what the amount of the low appraisal was. Ms. Smith-Vedder responded that she believes the value of the park is approximately $1.123 million and that the value of the house is $130k.

Mr. Candon asked what the Agency is relying on in making the loan. Mr. Erdelyi replied that he is comfortable with the market for the rents and the operating budget. He added that parks tend to be good investments.

Mr. Candon conveyed that he'd like to see problems fixed and debt reduced before rents are reduced. Mr. Adams explained that the Agency should have the ultimate ability to approve any reduction in rents to ensure appropriate debt coverage ratios are maintained. He added that other funders in the transaction might want to pursue requiring that part of the developer's fee be held in escrow – in case VHFA is not selected to finance the project as ACCT could also secure financing from the National Bank of Middlebury.

Mr. Hall indicated that the first priority of the park should be to have a management plan that will ensure there won't be ongoing problems. Only then should any reductions in rents be considered. He echoed the concern about ACCT's ability to perform.

Mr. Seelig added that he favors staff's idea about escrowing some of the developer's fee. He also supports an application for CD funds, which would ultimately result in lower rents.

Mr. Hall asked how much VEDA will loan. Ms. Smith-Vedder replied that VEDA would loan the amount needed to fix all deficiencies of the water system. Ms. Carpenter added that, given the income levels of the park residents, it is likely that the loan will be approved. However, the developer won't know until next April.

Ms. Canney made a motion to approve the "Resolution Re: Acquisition and Rehabilitation Financing for Lindale Mobile Home Park, Middlebury" with the additional condition that the escrowed part of the developer's fee be used as a contingency for park improvements if costs, based on appropriate engineering studies and final scope of work, exceed expectations. Mr. Beaulieu seconded the motion and the Resolution was unanimously approved. (Whether to add a condition to require a clerk of the works was left to staff's discretion.)

STRATEGIC PLANNING

Ms. Carpenter introduced Mr. Bill Dunnington, a consultant with a strong background in organizational development who has been engaged by VHFA to guide the Board and staff through the strategic planning process, to, in Mr. Dunnington's words, "create the right future."

Mr. Dunnington explained that the goal for this day was to determine what to focus on at the October 21st Board retreat to ensure a productive day. He provided an agenda to guide the discussion. He defined strategy as setting up a process to establish future direction, which includes drafting a plan to deploy the process and conducting periodic reviews in order to reflect and amend the direction.

Much discussion followed regarding thoughts and expectations about the strategic planning process and the timeframe to which it should apply. The Mission Statement, Vision Statement and Strategic Guiding Principles were reviewed. Mr. Seelig suggested that use of partnerships should be added to the latter.

Mr. Dunnington then changed focus to VHFA Strategic Initiatives and asked Board members to pull from that list those that are forward thinking and future oriented and, therefore, particularly relevant to drive toward the future that the member envisions – and therefore ought to be on the October 21st agenda.

Based on Board member input, Mr. Dunnington suggested that staff may need to do some analytical work to identify underserved areas. Ms. Carpenter explained that more data would be needed than could be gleaned by October 21st and that DHCA is in the midst of a statewide housing needs assessment that will analyze housing needs around the state. Still, the context, the trend drivers (demographics, competitiveness of rates, variable rate products, second home market, etc.) is an important element to consider in the process.

Many ideas were put forth, including the following: Ms. Canney asked that ongoing monitoring to assess need – and programs developed by staff to fill those needs – be a strategic initiative. Mr. Candon wondered if VHFA should look at fulfilling the tremendous need for credit counseling and foreclosure intervention. Mr. Beaulieu asserted that housing is key to economic development and suggested that VHFA may be able to work with other state agencies or private industry to attract business to the state to provide good paying jobs – and put downward pressure on housing prices. Ms. Collins emphasized the importance of staying tuned to the federal and state governmental environment in which we operate in order to react to the impact of changes on housing programs.

Mr. Dunnington recognized the input as forward thinking and in the direction of 1) what business do we want to be in; 2) what trends do we need to anticipate and manage to; and 3) what products and services make sense. He explained that he will distill all of the ideas from this meeting and the subsequent one-on-one interviews to create a manageable and focused agenda for the October 21st meeting so that the day will begin knowing what issues are on the table.

ACTION: To inform the discussion on October 21st, staff will analyze VHFA's competition (the top few in the Vermont market) including structure of competing products, the flexibility of the underwriting programs, and PMI requirements. Staff will also have available VHFA market share trends.

ADJOURNMENT

Mr. Candon made a motion to adjourn the meeting. Mr. Seelig seconded the motion and the Board unanimously approved to adjourn the meeting at 11:45 a.m.

vhfa
Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA BOARD OF COMMISSIONERS

FROM: GARY MARINI, CHIEF FINANCIAL OFFICER

DATE: OCTOBER 7, 2004

RE: SINGLE FAMILY SERIES 21

We now have under $2 million remaining from our last bond financing, Series 20. We are now working on the financing for the next single-family issue (Series 21). Our preliminary schedule anticipates pricing for Series 21 on October 26th. As we will be mailing the preliminary official statement next Friday, October 15th, we are requesting your approval of the Twenty-Fifth Supplemental Single Family Housing Bond Resolution at this meeting. This is the legal document that authorizes us to market and sell the Series 21 bonds.

This resolution is similar to the one used for Series 20, which includes provisions to allow for the issuance of either fixed or variable rate debt and to allow for hedge agreement provisions (Section 5.04), which is necessary for a swap type transaction in an amount that is no more than 25% of the issue as required by the current swap policy. The resolution will require that all final documents are approved by the General Counsel of VHFA and final provisions will be detailed in the Series Certificate to be signed at closing.

There is only one change in the structure of this deal from the last financing. We are anticipating doing an economic refunding of an older bond issue (Series 4) into this deal. We would transfer the loans from the older issue into Series 21 (as we did with the issuance of Series 16). This would also allow us to issue non-AMT bonds of approximately $20 million, preserving volume cap and issuing at a cheaper rate than our usual AMT bonds. There would be approximately $30 million available for the origination of new loans.

Our current mortgage rate is very close to, and in some cases, above that of conventional rates. This financing structure should allow us to offer an extremely competitive rate under Series 21. We will update you on market conditions and anticipated rates at the Board meeting.

Recommended Board Action

Adoption of the Twenty-Fifth Supplemental Single Family Housing Bond Resolution.

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

VERMONT HOUSING FINANCE AGENCY

TWENTY-FIFTH SUPPLEMENTAL SINGLE FAMILY HOUSING BOND RESOLUTION

Adopted October 14, 2004

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TWENTY-FIFTH SUPPLEMENTAL SINGLE FAMILY HOUSING BOND RESOLUTION

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

ARTICLE I

DEFINITIONS AND AUTHORITY

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

Section 1.02. Definitions and Interpretation.

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

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

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

"*Adjusted Rate Bonds*" means all Series 21 Tender Bonds on which the interest rate has been adjusted to the Adjusted Interest Rate on the Adjustment Date and any Series 21 Bonds authenticated and delivered under the Resolution thereafter upon transfer of, or in exchange or substitution for, any such Bonds.

"*Adjustment Date*" means the Business Day, if any, not later than the last Business Day of the Adjustment Option Period, on which the interest rate on the Series 21 Tender Bonds is adjusted to the Adjusted Interest Rate as determined in accordance with Section 2.03(a)(ii) hereof.

"*Adjustment Option Period*" means the period set forth in the Series Certificate during which the Agency may exercise its right to cause the mandatory tender of Series 21 Bonds in accordance with Section 2.03 hereof.

"*Adjustment Rating Certificate*" means (i) a certificate of an Authorized Officer to the effect that the Agency has notified each Nationally Recognized Credit Rating Agency then maintaining a credit rating on any Bonds Outstanding that the interest rate on the Series 21 Tender Bonds will be adjusted to the Adjusted Interest Rate on the Adjustment Date and has furnished each such Nationally Recognized Credit Rating Agency with a Remarketing Projection of Revenues satisfying the requirements of Section 2.03(a)(vi) hereof, accompanied by (ii) a letter from each such Nationally Recognized Credit Rating Agency (or other evidence satisfactory to the Trustee) confirming that adjustment of the interest rate on the Series 21 Tender Bonds will not cause such Nationally Recognized Credit Rating Agency to change the unenhanced credit ratings then assigned by it to any Bonds Outstanding.

"*Arbitrage Projection Certificate*" means a certificate of an Authorized Officer setting forth the Agency's reasonable expectations that adjustment of the interest rate on the Series 21 Tender Bonds on the Adjustment Date to the Adjusted Interest Rate and the purchase thereafter of Loans at a certain specified rate or rates with proceeds allocable to the Adjusted Rate Bonds will not cause the Series 21 Bonds to be "arbitrage bonds" within the meaning of Section 143(g) or Section 148(a) of the Code, accompanied by an opinion of Bond Counsel to the effect that the adjustment of the interest rate on the Series 21 Tender Bonds on the Adjustment Date will not adversely affect the excludability of interest on the Series 21 Bonds from the gross income of the holders thereof for federal income tax purposes and that no matters have come to the attention of such counsel which make unreasonable or incorrect the representations made in such certificate.

"*Authenticating Agent*" with respect to all Series 21 Bonds, means the Trustee.

"*Beneficial Owner*" means the person or entity that is considered to be the beneficial owner of any Series 21 Bond pursuant to the arrangements for book entry determination of ownership applicable to the Bond Depository.

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

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

"*Bond Insurer*" means the provider of municipal bond insurance with respect to the Series 21 Bonds, as shall be set forth in the Series Certificate.

"*Bond Year*" means the twelve month period beginning on each April 1 and ending on the following March 31; provided that the initial Bond Year shall commence on the date of issuance of the Series 21 Bonds and end on March 31, 2005.

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

"*Calculation Date*" means the date, if any, on which the Adjusted Interest Rate is determined, which date shall be any Business Day selected by the Tender Bond Remarketing Agent with the approval of the Agency not earlier than

15 days prior to the Adjustment Date and not later than seven days prior to the Adjustment Date.

"*Code*" means the Internal Revenue Code of 1986, as amended, and all Treasury Regulations thereunder to the extent applicable to the Series 21 Bonds.

"*Hedge Agreement*" shall mean a payment exchange agreement, swap agreement, forward purchase agreement or any other hedge agreement entered into by the Agency and a Qualified Institution providing for payments between the parties based on levels of, or changes in interest rates, stock or other indices or contracts to exchange cash flows or a series of payments or contracts, including without limitation, interest rate floors, or caps, options, puts or calls, which allows the Agency to manage or hedge payment, rate, spread or similar risk with respect to all or a portion of the Series 21 Bonds or any assets pledged under the Resolution.

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

"*Loan Loss*" means the amount, certified to the Trustee by an Authorized Officer, of any loss realized by the Agency upon the default on a Loan held under the Resolution for the account of the Series 21 Bonds, which amount shall not exceed the sum of (i) the unpaid principal balance of the Loan at the date of the default, (ii) the amount of accumulated delinquent interest due on the Loan (excluding late charges and penalty interest), and (iii) the amount of advances made by or for the account of the Agency with respect to such Loan for regularly scheduled payments of principal and interest in arrears, hazard insurance premiums, property taxes, property protection and preservation expenses and foreclosure costs, less the sum of (iv) the amount of all rents, sale proceeds, foreclosure proceeds, insurance settlements, self-insurance proceeds (other than Loan Loss Claim Fund Withdrawals) and other payments (excluding proceeds of fire and extended coverage insurance) collected or received by the Agency from or on account of such Loan and the property securing the same, (v) the amount of cash remaining in any escrow account maintained for such Loan, (vi) the amount paid under any fire and extended coverage policy which is in excess of the amount applied to the restoration of the property or the payment of the Loan and (vii) the amount of any Loan Loss on account of such Loan previously paid from amounts on deposit in the Series 21 Loan Loss Claim Fund.

"*Loan Loss Claim Fund Withdrawals*" means amounts withdrawn from the Series 21 Loan Loss Claim Fund pursuant to Section 3.06(b) hereof on account of a Loan Loss.

"*Municipal Bond Insurance Policy*" means the municipal bond insurance policy issued by the Bond Insurer insuring the scheduled payment when due of the principal of and interest on the Series 21 Bonds as provided therein.

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

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

"*Official Statement*" means the Official Statement of the Agency describing the Series 21 Bonds, dated the date of execution of the Purchase Contract.

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

"*Principal Amount*" for purposes of Section 204(B) of the Resolution and at any date of computation, means, with respect to any Series 21 Bond, the stated principal amount thereof.

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

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

"*Purchase Contract*"" means the Series 21 Bond Purchase Contract.

"*Qualified Institution*" shall mean (i) a bank, a trust company, a national banking association, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a savings and loan association, or an insurance company or association chartered or organized under the laws of any state of the United States of America, a corporation, a trust, a partnership, an unincorporated organization, or a government or an agency, instrumentality, program, account, fund, political subdivision or corporation thereof, in each case the unsecured or uncollateralized long-term debt obligations of which, or obligations secured or supported by a letter of credit, contract, agreement or surety bond issued by any such organization, at the time a Hedge Agreement is entered into by the Agency are either (a) rated at least as high as the Series 21 Bonds (without giving effect to the existence of a municipal bond insurance policy or other credit enhancement thereon) by each Nationally Recognized Credit Rating Agency which rates such obligations or (b) such that entering into a Hedge Agreement with such entity will not adversely effect the then current ratings, if any, assigned to the Series 21 Bonds by each Nationally Recognized Credit Rating Agency or (ii) the Government National Mortgage Association or any successor thereto, Fannie Mae or any successor thereto, or any other federal agency or instrumentality, the obligations of which are backed by the full faith and credit of the United States of America.

"*Record Date*" with respect to the payment of interest on a Series 21 Bond, means, except as may otherwise be provided in the Series Certificate, the fifteenth day of the month next preceding the date on which interest is to be paid on such Series 21 Bond or, if such fifteenth day is not a Business Day, the next preceding Business Day; provided that, with respect to overdue interest or interest payable on a Series 21 Bond other than on an Interest Payment Date or interest on any overdue amount, the Trustee may establish a special record date, which date shall be not more than twenty Business Days before the date set for payment; and provided further that the Trustee shall give notice of a special record date by mailing a copy of such notice to the Holders of all Series 21 Bonds Outstanding to which such special record date is applicable in the manner provided in Section 801 of the Resolution at least ten days before the special record date or in such other time and manner as the Trustee may deem appropriate.

"*Remarketing Agent*" means the investment banking firm or firms selected by the Agency to remarket any of the Series 21 Bonds that are issued as Variable Rate Bonds, as shall be set forth in the Series Certificate.

"*Remarketing Agreement*" means the Remarketing Agreement, if any, executed in connection with the issuance of any Series 21 Bonds as Variable Rate Bonds.

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

"*Representation Letter*" means, with respect to the Series 21 Bonds held in book-entry only form with the Bond Depository, the Blanket Letter of Representations of the Agency dated April 4, 1995.

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

"*Series Certificate*" means the Series Certificate of the Chair or Vice Chairman and Executive Director and Secretary of the Agency dated on or before the date of issuance of the Series 21 Bonds which Series Certificate shall establish certain terms of the Series 21 Bonds as provided herein.

"*Series 20 Bonds*" means the $23,825,000 aggregate principal amount of the Agency's Single Family Housing Bonds, Series 20A and the $8,000,000 aggregate principal amount of the Agency's Single Family Housing Bonds, Series 20B, each issued on August 12, 2004.

"*Series 21 Bond Purchase Contract*" means the Purchase Contract, or Contracts, by and among the Agency, the Underwriters named therein and the direct institutional purchaser of the Series 21 Bonds, if any, providing for the terms and conditions of the sale of the Series 21 Bonds in substantially the form of the Bond Purchase Contract executed in connection with the Agency's Series 20 Bonds; provided, however, that if the Series Certificate provides for the issuance of Variable Rate Bonds, the Agency may execute an additional Purchase Contract as provided in Section 5.07 hereof.

"*Series 21 Bond Reserve Requirement*" means an amount with respect to the Series 21 Bonds at least equal to the lesser of (i) 50% of the maximum amount of Debt Service payable on all Series 21 Bonds Outstanding in the current or any subsequent Fiscal Year and (ii) 10% of the original net proceeds of the Series 21 Bonds.

"*Series 21 Bonds*" means the Series 21 Bonds of the Agency authorized to be issued in one or more Series by this Twenty-Fifth Supplemental Resolution; provided, however, that as provided in Section 2.01 hereof and as may be provided in the Series Certificate, a portion of the Series 21 Bonds may be issued as a separate issue for federal tax purposes and shall be designated as Series 22 Bonds. References herein to the Series 21 Bonds shall be deemed to include the Series 22 Bonds, if any.

"*Series 21 Contingency Account*" means the account in the Redemption Fund so designated and created pursuant to Section 3.01(e) hereof.

"*Series 21 Contingency Account Deposits*" means the Series 21 Contingency Account Surety Bond, cash or any one or more of the following to the extent its deposit in the Series 21 Contingency Account will not adversely affect the then current unenhanced ratings, if any, assigned to the Bonds by each Nationally Recognized Credit Rating Agency then maintaining a credit rating on the Bonds: (i) irrevocable and unexpired letters of credit issued by banking institutions, (ii) irrevocable policies of insurance in full force and effect issued by insurers, (iii) irrevocable guarantees by banks, bank holding companies, insurance companies or surety companies or (iv) any other similar security or source thereof; in any case deposited or held under the Resolution for the credit of the Series 21 Contingency Account.

"*Series 21 Contingency Account Surety Bond*" means the irrevocable surety bond issued by the Series 21 Contingency Account Deposit Provider to be held for the credit of the Series 21 Contingency Account and any extension thereof or substitute surety bond therefor deposited with the Trustee pursuant to Section 3.02(c) thereof.

"*Series 21 Contingency Account Deposit Provider*" means the Bond Insurer as provider of the Series 21 Contingency Account Surety Bond, and, if applicable, the provider of any other Series 21 Contingency Account Deposit.

"*Series 21 Cost of Issuance Account*" means the account in the Program Fund so designated and created by Section 3.01(c) hereof.

"*Series 21 Funded Loan Loss Claim Fund Requirement*" means, at any date of computation, an amount equal to the Series 21 Loan Loss Claim Fund Requirement less the stated and unpaid amounts, if any, of all Series 21 Loan Loss Claim Fund Deposits in full force and effect held for the account of the Series 21 Loan Loss Claim Fund.

"*Series 21 Loan Loss Claim Fund*" means the fund so designated and created pursuant to Section 3.01(a) hereof.

"*Series 21 Loan Loss Claim Fund Deposit Provider*" means the Bond Insurer as provider of the Series 21 Loan Loss Claim Fund Surety Bond, and, if applicable, the provider of any other Series 21 Loan Loss Claim Fund Deposit.

"*Series 21 Loan Loss Claim Fund Deposits*" means the Series 21 Loan Loss Claim Fund Surety Bond, cash or any one or more of the following to the extent its deposit in the Series 21 Loan Loss Claim Fund will not adversely affect the then current unenhanced ratings, if any, assigned to the Bonds by each Nationally Recognized Credit Rating Agency then maintaining a credit rating on the Bonds: (i) irrevocable and unexpired letters of credit issued by banking institutions, (ii) irrevocable policies of insurance in full force and effect issued by insurers, (iii) irrevocable guarantees by banks, bank holding companies, insurance companies or surety companies or (iv) any other similar security or source thereof; in any case deposited or held under the Resolution for the credit of the Series 21 Loan Loss Claim Fund and providing for the payment of sums available to pay Loan Loss Claim Fund Withdrawals.

"*Series 21 Loan Loss Claim Fund Requirement*" means, as of any date of computation, (i) an amount at least equal to (A) one and eighty-five hundredths percent (1.85%) of the sum of (1) the aggregate unpaid principal amount of all Loans purchased under the Resolution from amounts on deposit in the Series 21 Program Account plus (2) the aggregate amount, if any, then held in the Series 21 Program Account which may be applied to the purchase of such Loans, less (B) the aggregate amount of all Loan Loss Claim Fund Withdrawals that have been theretofore made from the Series 21 Loan Loss Claim Fund, or (ii) such lesser amount as each Nationally Recognized Credit Rating Agency confirms to the Agency will not adversely affect the unenhanced credit ratings then assigned to any Bonds Outstanding.

"*Series 21 Loan Loss Claim Fund Surety Bond*" means the irrevocable surety bond issued by the Bond Insurer to be held for the credit of the Series 21 Loan Loss Claim Fund and any extension thereof or substitute surety bond deposited with the Trustee pursuant to Section 3.02(b) hereof.

"*Series 21 Program Account*" means the one or more Series 21 Bonds Program Accounts authorized to be established in the Series Certificate.

"*Series 21 Rebate Account*" means the account in the Rebate Fund so designated and created pursuant to Section 3.01(f) hereof.

"*Series 21 Rebate Requirement*" with respect to the Series 21 Bonds, means an amount equal to the cumulative net sum calculated and determined from time to time in accordance with the requirements of Section 148(f) of the Code that must be paid to the United States pursuant to Section 3.05 hereof.

"*Series 21 Reimbursement Agreements*" means, as applicable, (i) the agreement by and between the Agency and the Series 21 Loan Loss Claim Fund Deposit Provider in connection with the Series 21 Loan Loss Claim Fund Deposit, (ii) the agreement by and between the Agency and the Series 21 Contingency Account Deposit Provider in connection with the Series 21 Contingency Account Deposit and, (iii) the agreement by and between the Agency and the provider of a Liquidity Facility in connection with the issuance of any Variable Rate Bonds and, in each case, as such agreement or agreements may be amended from time to time in accordance therewith.

"*Series 21 Tender Bonds*" means the Series 21 Bonds selected in accordance with Section 2.03(A)(3) hereof for mandatory tender on the Adjustment Date and exchange for or remarketing as Adjusted Rate Bonds.

"*Series 21 Tender Bonds Proceeds Subaccount*" means the Series 21 Program Account Tender Bonds Proceeds Subaccount established pursuant to Section 3.01(b) hereof.

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

"*Tender Bond Remarketing Agreement*" means the Remarketing Agreement executed in connection with the remarketing of Series 21 Tender Bonds, in such form as shall be approved by the Agency prior to the Adjustment Date.

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

"*Underwriters*" means, collectively, UBS Financial Services Inc., Citigroup Global Markets Inc. and A.G. Edwards & Sons, Inc., as underwriters of the Series 21 Bonds; provided, however, that if the Series Certificate provides for the issuance of Variable Rate Bonds, such Variable Rate Bonds initially may be sold to one or more of the Underwriters.

"*Yield*" means the yield on the Series 21 Bonds or the yield on any Loan or any other investment held under the Resolution and allocable to the Series 21 Bonds calculated as required by Sections 148(h) and 143(g) of the Code.

(c) Unless a different meaning clearly appears from the context, for all purposes of the Resolution and this Twenty-Fifth Supplemental Resolution, the term "Interest Payment Date" shall mean (i) with respect to the Series 21 Bonds issued as Fixed Rate Bonds, May 1 and November 1 of each year commencing on May 1, 2005, (ii) with respect to any Series 21 Bonds issued as Variable Rate Bonds, such dates as shall be set forth in the Series Certificate, and (iii) with respect to all Series 21 Bonds, any redemption date of any Series 21 Bonds and any other date on which interest on the Series 21 Bonds is required or permitted by the Resolution to be paid.

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

ARTICLE II

AUTHORIZATION OF SERIES 21 BONDS

Section 2.01. Series 21 Bonds; Authorization; Purpose; Findings.

(a) The Agency hereby authorizes the issuance of one or more Series of Bonds in an aggregate Principal Amount not to exceed $50,000,000 to be designated "Single Family Housing Bonds, Series 21" for the purpose of funding mortgage loans, costs of issuance and reserve funds. Each separate Series of Bonds shall have its own letter designation (i.e. Series 21A, Series 21B, Series 21C, etc.) as shall be set forth in the Series Certificate. In addition, in order to distinguish between Bonds of different tax plans for federal tax purposes, the Bonds of such Series may be designated and redesignated (as herein provided and as may be provided in the Series Certificate or Certificates delivered in connection with such Bonds) as Series 22 Bonds, and, within such designation, may be further designated as SubSeries 22A, SubSeries 22B, and so forth. References herein to the Series 21 Bonds shall be deemed to include the Series 22 Bonds, if any. The Agency hereby determines (i) that the original aggregate Principal Amount of the Series 21 Bonds is necessary to provide sufficient funds to be used and expended for the Program, (ii) that Loans made on behalf of the Agency with moneys allocable to the Series 21 Bonds can be issued bearing rates of interest which will be less than the prevailing rate of interest on comparable loans available in the State of Vermont without the assistance of the Agency and (iii) that the Agency will derive receipts, revenues or other income from the Loans purchased with moneys allocable to the Series 21 Bonds as provided herein sufficient to provide, together with all other available receipts, revenues and income of the Agency, for the payment of the Series 21 Bonds and the payment of all costs and expenses incurred by the Agency with respect to the Program for which the Series 21 Bonds are being issued. For purposes of Section 204(B) of the Resolution, the Series 21 Bonds may be issued as "Fixed Rate Bonds" as described in Section 203(B) of the Resolution or as "Variable-Rate Bonds" as described in Section 203(C) of the Resolution (or any combination of Fixed-Rate Bonds and Variable-Rate Bonds) and all or a portion of the Series 21 Bonds shall be issued as "Tender Bonds" as described in Section 203(D) of the Resolution.

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

(b) The Series 21 Bonds are being issued to provide funds for the refunding of certain outstanding obligations of the Agency and to make deposits in one or more of the Series 21 Program Account, the Series 21 Cost of Issuance Account, the Series 21 Capitalized Interest Account, the Debt Service Fund and the Bond Reserve Fund, subject to the limitations and provisions provided in Article V of the Resolution. The amounts of the deposits described in this paragraph (b) shall be as set forth in the Series Certificate.

(c) Except as may otherwise be provided in the Series Certificate with respect to the issuance of Variable-Rate Bonds and subject to Section 2.02 hereof, all Series 21 Bonds shall be issued only in the form of fully registered bonds each in the denomination of $5,000 or any whole multiple thereof and shall be lettered and numbered separately from one consecutively upward in order of maturity preceded by the letters "RA," "RB" or "RC," etc., as applicable, and with such further or alternate designation as the Trustee shall determine with the approval of the Agency.

(d) The Series 21 Bonds shall be dated as shall be set forth in the Series Certificate. Subject to Section 2.03 hereof, the Series 21 Bonds shall mature on the dates and in the Principal Amounts and shall bear interest at the rates set forth in the Series Certificate; provided, however, that in no event shall the Yield on the Series 21 Bonds exceed a Yield which would result in an interest rate on the zero point Mortgage Loans to be financed with the proceeds of the Series 21 Bonds in excess of 7.50% per annum nor may the final maturity date of the Series 21 Bonds be later than November 1, 2036.

(e) The Principal Amount and Redemption Price of the Series 21 Bonds shall be payable at the Principal Office of the Trustee. Interest on the Series 21 Bonds shall be payable solely by check or draft drawn upon the Trustee, bearing on its face or by attached notation the CUSIP number of the Series 21 Bond on account of which such payment is made, mailed to the address of the registered owner thereof as it appears on the registry books of the Agency, determined as of the close of business on the applicable Record Date. The Principal Amount or Redemption Price of and interest on the Series 21

Bonds shall also be payable at any other place which may be provided for such payment by the appointment of any other Paying Agent or Paying Agents as permitted by the Resolution. Notwithstanding anything in the Resolution or this Paragraph (e) to the contrary, if at any time the Series 21 Bonds are not restricted to being registered in the registry books of the Agency in the name of Cede & Co., as nominee of the Bond Depository, as provided in Section 2.02 hereof, the Principal Amount and Redemption Price of and interest on the Series 21 Bonds of any registered owner of Series 21 Bonds of $1,000,000 or more in Principal Amount shall be payable, at the option of such registered owner expressed in a written notice delivered to the Trustee, in immediately available funds by wire transfer to the account of such registered owner on file with the Trustee. Each such wire transfer shall bear a notation of the CUSIP number of the Series 21 Bonds on account of which such payment is made.

(f) Pursuant to Section 305(C) of the Resolution, the Agency in its sole discretion may charge for every exchange or transfer of a Series 21 Bond a fee sufficient to reimburse the Agency for the cost of preparing each new Series 21 Bond delivered upon such exchange or transfer and for any other expenses of the Agency or the Trustee incurred in connection therewith (in addition to any applicable tax, fee or other governmental charge other than one imposed by the Agency), which fee shall be paid by the person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer.

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

(a) The Series 21 Bonds shall be initially issued in the form of a single separate fully registered bond for each Series and maturity of the Series 21 Bonds in the amount of such maturity. Upon initial issuance, the ownership of the Series 21 Bonds shall be registered in the registry books of the Agency kept by the Trustee in the name of Cede & Co., as nominee of the Bond Depository. With respect to Series 21 Bonds registered in the registry books kept by the Trustee in the name of Cede & Co., as nominee of the Bond Depository, the Agency and the Trustee shall have no responsibility or obligation to any Participant or to any Beneficial Owner of the Series 21 Bonds. Without limiting the immediately preceding sentence, the Agency and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Bond Depository, Cede & Co. or any Participant with respect to any ownership interest in the Series 21 Bonds, (ii) the delivery to any Participant, any Beneficial Owner or any other person, other than the Bond Depository, of any notice with respect to the Series 21 Bonds, including any notice of redemption, or (iii) the payment to any Participant, any Beneficial Owner or any other person, other than the Bond Depository, of any amount with respect to the Principal Amount or Redemption Price of, or interest on, the Series 21 Bonds. The Trustee shall pay the Principal Amount or Redemption Price of, and interest on, the Series 21 Bonds only to or upon the order of the Bond Depository, and all such payments shall be valid and effective to fully satisfy and discharge the Agency's obligations with respect to the Principal Amount or Redemption Price of, and interest on, the Series 21 Bonds to the extent of the sum or sums so paid. No person other than the Bond Depository shall receive an authenticated Series 21 Bond evidencing the obligation of the Agency to make payments of Principal Amount or Redemption Price of, and interest pursuant to the Resolution. Upon delivery by the Bond Depository to the Trustee of written notice to the effect that the Bond Depository has determined to substitute a new nominee in place of Cede & Co., the words "Cede & Co." in this Twenty-Fifth Supplemental Resolution shall refer to such new nominee of the Bond Depository.

(b) Upon receipt by the Agency and the Trustee of written notice from the Bond Depository to the effect that the Bond Depository is unable or unwilling to discharge its responsibilities and no substitute depository willing to undertake the functions of the Bond Depository hereunder can be found which is able to undertake such functions upon reasonable and customary terms, then the Series 21 Bonds shall no longer be restricted to being registered in the registry books of the Agency kept by the Trustee in the name of Cede & Co., as nominee of the Bond Depository, but may be registered in whatever name or names the owners transferring or exchanging Series 21 Bonds shall designate, in accordance with the provisions of the Resolution.

(c) In the event the Agency determines that Beneficial Owners should be able to obtain certificates for the Series 21 Bonds, the Agency shall notify the Bond Depository and the Trustee of the availability of such certificates. In such event, the Trustee shall issue, transfer and exchange certificates as requested by the Bond Depository (or, pursuant to Section 2.02(b) hereof, any other owner of Series 21 Bonds) in appropriate amounts, and, whenever the Bond Depository requests the Agency and the Trustee to do so, the Trustee and the Agency will cooperate with the Bond Depository in taking appropriate action after reasonable notice (i) to transfer the certificates to any Participant having Series 21 Bonds credited to its Bond Depository account or (ii) to arrange for another securities depository to maintain custody of certificates evidencing the Series 21 Bonds.

(d) Notwithstanding any other provision of this Twenty-Fifth Supplemental Resolution to the contrary, so long as any Series 21 Bond is registered in the name of Cede & Co., as nominee of the Bond Depository, all payments with respect to the Principal Amount or Redemption Price of, and interest on, such Bond and all notices with respect to such Bond shall be made and given, respectively, to or on the order of the Bond Depository as provided in the Representation Letter.

Section 2.03. Adjusted Rate Bonds.

(a) The Series 21 Bonds are issued subject to the provision that all or part of such Series 21 Bonds issued as Fixed-Rate Bonds may be called for mandatory tender on the Adjustment Date and exchanged for or remarketed as an equal Principal Amount of Series 21 Bonds bearing interest at the Adjusted Interest Rate determined in accordance with this Section 2.03.

(i) If at any time and from time to time during the Adjustment Option Period (but not less than 40 days prior to the end of the Adjustment Option Period) any amount attributable to the Series 21 Bonds remains on deposit in the Series 21 Program Account and the Agency has determined (A) that the rate of interest to be borne by Loans allocable to Series 21 Bonds bearing interest at the rates set forth in the Series Certificate either (1) exceeds that rate which the Agency reasonably determines is the maximum rate which eligible Borrowers can then afford or (2) exceeds the maximum rate at which Mortgage Lenders are willing, in the judgment of the Agency, to commit to sell Loans for the Agency or (B) that Loans made by or on behalf of the Agency, directly or indirectly, with the proceeds of Series 21 Bonds bearing interest at the rates set forth in the Series Certificate cannot be issued bearing a rate or rates of interest which is less than the prevailing rate of interest on comparable loans available in the State without the assistance of the Agency, the Agency may deliver to the Tender Bond Remarketing Agent a certificate of an Authorized Officer directing the Tender Bond Remarketing Agent to determine and certify to the Agency a Pro-Forma Adjusted Interest Rate as of a date (the "Certification Date") specified in such Certificate (which date shall be not less than two Business Days after the date of such certificate). The certificate of an Authorized Officer shall also specify a Principal Amount of Series 21 Bonds which are Fixed-Rate Bonds (not in excess of the amount then on deposit in the Series 21 Program Account and in a multiple of $5,000) for which the Pro-Forma Adjusted Interest Rate shall be determined (hereinafter referred to as the "Pro-Forma Tender Bonds"). On the Certification Date, the Tender Bond Remarketing Agent shall determine and certify to the Agency and the Trustee the Pro-Forma Adjusted Interest Rate with respect to the Pro-Forma Tender Bonds. The Pro-Forma Adjusted Interest Rate shall be the lowest rate or rates which, in the Tender Bond Remarketing Agent's judgment on the basis of prevailing market conditions, would permit the resale of the Pro-Forma Tender Bonds at par plus accrued interest, if any, on the Certification Date.

(ii) If on or after any Certification Date (A) the Agency determines that the yield (calculated as of the Certification Date) on the Pro-Forma Tender Bonds bearing interest at the Pro-Forma Adjusted Interest Rate is at least 1/2 of 1% lower than the yield on the Series 21 Bonds (calculated as of the original date of authentication and delivery of the Series 21 Bonds) and (B) the Agency determines that the rate of interest to be borne by Loans allocable to proceeds of Series 21 Bonds bearing interest at the Pro-Forma Adjusted Interest Rate does not exceed that rate which the Agency reasonably determines is the maximum rate which eligible Borrowers can afford and does not exceed the maximum rate which is allowable under Section 143(g) or Section 148(a) of the Code without causing the Series 21 Bonds to become "arbitrage bonds" within the meaning of Section 143(g) or Section 148(a) of the Code and (C) the Agency determines that Loans made by or on behalf of the Agency, directly or indirectly, with proceeds allocable to Series 21 Bonds bearing interest at the Pro-Forma Adjusted Interest Rate can be issued bearing a rate or rates of interest which will be less than the prevailing rate of interest on comparable loans available in the State without the assistance of the Agency and (D) the Agency determines that the rate of interest on such Loans will be sufficient, together with all other Revenues and other funds available for the purpose, to pay in the current and each subsequent Fiscal Year Aggregate Debt Service when due and all Program Expenses (on the assumption that the Pro-Forma Tender Bonds will bear interest at the Pro-Forma Adjusted Interest Rate subsequent to the Certification Date), the Agency may elect in a certificate of an Authorized Officer delivered to the Trustee and the Tender Bond Remarketing Agent to call a Principal Amount of Series 21 Bonds which are Fixed-Rate Bonds (not in excess of the Principal Amount of Pro-Forma Tender Bonds) for mandatory tender on the Adjustment Date and exchange for or remarketing as Adjusted Rate Bonds. The certificate of an Authorized Officer delivered to the Trustee shall also specify the Adjustment Date after with the Adjusted Rate Bonds shall bear interest at the Adjusted Interest Rate, which Adjustment Date, in the sole discretion of the Agency, shall be any date within the Adjustment Option Period not less than 33 days after the date such certificate is delivered to the Trustee.

(iii) If the Agency shall have elected to call a Principal Amount of Series 21 Bonds which are Fixed-Rate Bonds for tender on the Adjustment Date and exchange for or remarketing as Adjusted Rate Bonds as provided in Paragraph (ii) of this Section 2.03, the Trustee shall select the Outstanding Series 21 Bonds which are Fixed-Rate Bonds (hereinafter refereed to as "Series 21 Tender Bonds") to be tendered (in aggregate Principal Amount equal to the Principal Amount of Series 21 Bonds specified by the Agency pursuant to Paragraph (a)(ii) of this Section 2.03). If less than all Series 21 Bonds which are Fixed-Rate Bonds are to be tendered, Series 21 Bonds which are Fixed-Rate Bonds of each maturity Outstanding shall be called for tender, as nearly as practicable, in accordance with the ratio which the aggregate Principal Amount of Series 21 Bonds which are Fixed-Rate Bonds of each maturity Outstanding bears to the aggregate Principal Amount of all Series 21 Bonds which are Fixed-Rate Bonds of all maturities Outstanding. If less than all Series 21 Bonds which are Fixed-Rate Bonds of any particular maturity are to be tendered, the Trustee shall select by lot the Series 21 Bonds which are Fixed-Rate Bonds within such maturity to be tendered. Not later than the Notice Date, notice of tender shall be given by the Trustee, in the name of the Agency, by first-class registered mail to all Holders of Series 21 Tender Bonds at their addresses appearing on the registration books of the Agency maintained by the Trustee (or at such other address as may have been provided to the Trustee for such purpose). A copy of such notice shall be furnished by the Agency on or before the Notice Date to each Nationally Recognized Credit Rating Agency then maintaining a rating on any Bonds Outstanding. In addition to the purposes provided in this Section 2.03, the notice of tender shall also constitute a notice of redemption of the Series 21 Tender Bonds on the Adjustment Date in whole or in part pursuant to Section 2.04(d) and Section 3.03(c) to the extent the conditions provided in Paragraphs (a)(iv) or (vii) of this Section 2.03 shall occur. Each such notice shall state in effect:

(A) the Principal Amount of Series 21 Tender Bonds owned by such Holder and the bond numbers and maturity dates thereof;

(B) the calendar date on which the Adjustment Date will occur and that, unless the conditions provided in Paragraph (iv) or Paragraph (vii) of this Section 2.03(a) shall occur, Series 21 Tender Bonds of such Holder will be exchanged for and either redelivered to such Holder or remarketed as Adjusted Rate Bonds on the Adjustment Date, in either case bearing the same maturity dates as the Series 21 Tender Bonds for which they were exchanged;

(C) that the Holders of Series 21 Tender Bonds will no longer be entitled to receive interest on such Bonds after the Adjustment Date, except in the case of Series 21 Tender Bonds retained as provided in Section 2.03(b)(iii) hereof and not purchased (in which case such Bonds shall, from and after the Adjustment Date, bear interest at the Adjusted Interest Rate);

(D) that each Series 21 Tender Bond shall be purchased on the Adjustment Date unless the Bondholder directs the Agency and the Trustee not to purchase all or any specified portion of such Holder's Series 21 Tender Bonds (which portion shall not be less than $5,000 and shall be in whole multiples of $5,000 in Principal Amount) upon compliance by such Bondholder with the provisions of clause (iii) of Section 2.03(b);

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

(F) that if the Series 21 Tender Bonds had been exchanged for Adjusted Rate Bonds on the Certification Date, they would have borne interest thereafter at the Pro-Forma Adjusted Interest Rate and that the actual Adjusted Interest Rate will be determined on the Calculation Date (describing the dates on which the Calculation Date may occur and the method by which the actual Adjusted Interest Rate will be determined);

(G) that, whether or not each Bondholder elects to direct the Agency and the Trustee not to purchase any or all of such Bondholder's Series 21 Tender Bonds in accordance with Section 2.03(b)(iii), unless such Bonds are registered in the name of the Bond Depository or its nominee, such Bondholder shall deliver such Bond or Bonds to the Trustee no later than 10:30 a.m. (New York City time) on the Adjustment Date duly endorsed in blank for transfer (the Trustee and the Bond Depository may agree as to any procedures to be followed by them with respect to the delivery of Series 21 Tender Bonds); and

(H) that if no adjustment of interest rate takes place as a result of a failure of or inability of the Tender Bond Remarketing Agent to set the Adjusted Interest Rate on the Calculation Date, or otherwise as provided herein, whether or not a Bondholder has elected to direct the Agency or the Trustee not to purchase all or a portion of such Bondholder's Series 21 Tender Bonds, all of such Series 21 Tender Bonds will be subject to mandatory redemption on the Adjustment Date.

(iv) On the Calculation Date the Tender Bond Remarketing Agent shall determine and announce to the Trustee and the Agency, in addition to those matters set forth in Paragraph (v) of this Section 2.03(a), the Adjusted Interest Rate that the Adjusted Rate Bonds of each applicable maturity shall bear as of the Adjustment Date. The Adjusted Interest Rate shall be the interest rate which, in the judgment of the Tender Bond Remarketing Agent, as of the date of such determination and under prevailing market conditions, would permit the resale of the Adjusted Rate Bonds on such date at par plus accrued interest, if any. If the Tender Bond Remarketing Agent shall fail or be unable to set the Adjusted Interest Rate on the Calculation Date, all Series 21 Tender Bonds shall be subject to mandatory redemption on the Adjustment Date. The Tender Bond Remarketing Agent shall announce the Adjusted Interest Rate by telephone to the Trustee and the Agency prior to 12:00 Noon, New York City time, on the Calculation Date, and shall confirm such notice by telex, facsimile or in writing or by wire sent on the same day or by next-day delivery service. Subject to Paragraph (vii) of this Section 2.03(a), as soon as possible after the Calculation Date the Trustee shall notify Bondholders who elected not to have their Series 21 Tender Bonds purchased pursuant to subparagraph (b)(iii) below of the Adjusted Interest Rate applicable to the Adjusted Rate Bonds to be retained by such holders. Following the Calculation Date, but in no event later than the second Business Day prior to the Adjustment Date, the Agency shall also deliver to the Trustee (1) an Arbitrage Projection Certificate, (2) a Remarketing Projection of Revenues satisfying the provisions of Paragraph (vi) of this Section 2.03(a), (iii) an Adjustment Rating Certificate and (3) a certificate of an Authorized Officer to the effect that the balance on deposit in the Bond Reserve Fund and the Series 21 Loan Loss Claim Fund as of the Adjustment Date will not be less than the Bond Reserve Fund Requirement and the Series 21 Loan Loss Claim Fund Requirement, respectively, calculated as of the Adjustment Date.

(v) On the Certification Date and on the Calculation Date, the Tender Bond Remarketing Agent shall deliver to the Agency and the Trustee a schedule of Principal Installments (including Sinking Fund Installments, if any) of the Pro-Forma Tender Bonds and the Adjusted Rate Bonds, as applicable. The maturity dates of, and schedule of Principal Installments for, the Pro-Forma Tender Bonds and the Adjusted Rate Bonds, as applicable, shall be the same dates and schedule as established pursuant to Sections 2.01 and 2.04(d) hereof for the Series 21 Bonds for which they are to be exchanged, provided that, the Sinking Fund Installments, if any, for the Adjusted Rate Bonds of any maturity shall be the pro-rata proportion of each Sinking Fund Installment established for such maturity by the Tender Bond Remarketing Agent pursuant to Section 2.04(d) hereof determined, as nearly as practicable, in accordance with the ratio which the aggregate Outstanding Principal Amount of Adjusted Rate Bonds of such maturity bears to the aggregate Outstanding Principal Amount of all Series 21 Bonds of such maturity.

(vi) In addition to the requirements of Section 610 of the Resolution, the Remarketing Projection of Revenues delivered in connection with the remarketing of the Adjusted Rate Bonds shall assume the schedule of Principal Installments for the Adjusted Rate Bonds delivered to the Agency on the Calculation Date in accordance with Paragraph (v) of this Section 2.03(a) and shall demonstrate that following such remarketing expected Revenues and other funds available for the purpose will be sufficient to pay in the current and each subsequent Fiscal Year Aggregate Debt Service when due and all Program Expenses or, if not, that the amount of Revenues and other funds available to pay Aggregate Debt Service in the current and each subsequent Fiscal Year on all Bonds Outstanding other than the Series 21 Tender Bonds, and to pay all Program Expenses allocable to such Bonds, will be greater following adjustment of the Series 21 Tender Bonds to Adjusted Rate Bonds than would be the case if the Agency did not remarket the Adjusted Rate Bonds but redeemed the Series 21 Tender Bonds in accordance with Section 2.04(b) hereof. A copy of the Remarketing Projection of Revenues, together with a schedule of Investment Obligations in which the proceeds of the Series 21 Bonds will be invested following the Adjustment Date, shall be furnished by the Agency to each Nationally Recognized Credit Rating Agency then maintaining a rating on the Series 21 Bonds not later than five days prior to the Adjustment Date. In addition to the foregoing requirements, the Remarketing Projection of Revenues shall also take into account the provisions of Section 3.03(c) hereof. No moneys, other than Revenues, and no other amounts, Reserve Deposits or Series 21 Loan Loss Claim Fund Deposits, other than amounts, Reserve Deposits and Series 21 Loan Loss Claim Fund Deposits available therefor on the Adjustment Date for such Adjusted Rate Bonds in the Funds and Accounts held under the Resolution, and no other Additional Security for the Series 21 Bonds, shall be assumed in such Remarketing Projection of Revenues to be available to pay the Series 21 Bonds unless at or prior to such Adjustment Date the Agency shall have deposited such moneys, Reserve Deposits or Series 21 Loan Loss Claim Fund Deposits in one or more of the Funds or Accounts held under the Resolution, or shall have assigned or delivered such Additional Security to the Trustee, and shall have delivered to the Trustee an opinion of Bond Counsel to the effect that such moneys, Reserve Deposits, Series 21 Loan Loss Claim Fund Deposits or Additional Security have been validly pledged as security for the payment of the Principal Amount and Redemption Price of and interest on the Bonds and that such assignment or delivery will not adversely affect the exclusion from gross income for federal income tax purposes of interest on any Series 21 Bond Outstanding.

(vii) If on or prior to the second Business Day immediately preceding the Adjustment Date either (A) the Agency shall fail to deliver to the Trustee the Arbitrage Projection Certificate, Adjustment Rating Certificate or Remarketing Projection of Revenues or certificate of an Authorized Officer described in Paragraph (iv) of this Section 2.03(a) or (B) either (1) the Agency shall determine (and certify to the Trustee) that the rate of interest to be borne by Loans to be acquired with the proceeds attributable to the Adjusted Rate Bonds exceeds the rate which the Agency reasonably determines is the maximum rate which eligible Borrowers can afford or (2) the Agency shall have reasonably determined (and shall so certify to the Trustee) that Mortgage Lenders would be unable or unwilling to originate Loans for sale to the Agency at such rate or in a principal amount sufficient to fully apply all proceeds allocable to the Adjusted Rate Bonds as herein provided, or (3) the Agency shall determine that Loans made by or on behalf of the Agency, directly or indirectly, with proceeds attributable to the Adjusted Rate Bonds cannot be issued bearing a rate or rates of interest which will be less than the prevailing rate of interest on comparable loans available in the State without the assistance of the Agency, the Series 21 Tender Bonds (or such portion of the Principal Amount thereof as the Agency shall determine is necessary to satisfy the provisions of this Paragraph (vii)) shall not be exchanged for or remarketed as Adjusted Rate Bonds on the Adjustment Date but shall be redeemed on the Adjustment Date in accordance with Section 2.04(B) hereof.

(b) (i) Subject to Paragraph (b)(iii) of this Section 2.03, all Series 21 Tender Bonds shall be subject to mandatory tender for purchase on the Adjustment Date. Subject to the following sentence, any Series 21 Tender Bond subject to purchase on the Adjustment Date shall be purchased on the Adjustment Date from moneys transferred to the Debt Service Fund pursuant to Section 3.04(c) hereof at a purchase price equal to the Principal Amount thereof (including any initial issue premium paid with respect to the related maturity of the Series 21 Bonds) plus accrued interest, if any, thereon to the Adjustment Date, and without premium. There shall not be purchased from such moneys:

(A) Series 21 Tender Bonds purchased with remarketing proceeds as contemplated by subparagraph (ii) hereof;

(B) Series 21 Tender Bonds with respect to which the Trustee shall have received directions from the Holder thereof in accordance with subparagraph (c) hereof not to purchase the same; or

(C) Series 21 Tender Bonds issued in exchange for or upon the transfer of Series 21 Tender Bonds referred to in the preceding subclauses (A) or (B).

(ii) In lieu of purchase from moneys held in the Debt Service Fund in accordance with Section 3.04(c) hereof, the purchase price of Series 21 Tender Bonds subject to purchase on the Adjustment Date may be paid from the proceeds of sale of the Adjusted Rate Bonds to a person or persons designated by the Remarketing Agent (who may but need not be the Tender Bond Remarketing Agent) at par plus accrued interest, if any. Adjusted Rate Bonds shall be sold to the person or persons designated by the Tender Bond Remarketing Agent if the purchase price in immediately available funds is delivered to the Trustee by 10:30 a.m., New York City time on the Adjustment Date. The Tender Bond

Remarketing Agent, acting pursuant to the Tender Bond Remarketing Agreement, shall notify the Trustee in writing no later than the close of business on the third Business Day immediately preceding the Adjustment Date of the identity of the purchasers to whom the Adjusted Rate Bonds shall be remarketed as of the Adjustment Date, the names in which such Bonds are to be registered and addresses and tax identification number of such purchasers and the Principal Amount, denominations, maturity date or dates and interest rate or rates of the Adjusted Rate Bonds which shall be so purchased.

(A) Any Series 21 Tender Bond subject to purchase and not delivered to the corporate trust office of the Trustee (or to a depository previously approved by the Trustee) by 10:30 a.m., New York City time, on the Adjustment Date will be deemed tendered, and an Adjusted Rate Bond may be issued in place thereof and delivered to the purchaser thereof. Any Series 21 Tender Bond deemed tendered and purchased shall not bear interest from and after the Adjustment Date and shall not be entitled to any rights under, or be secured by the pledge of, the Resolution, but shall have only the right to receive the purchase price thereof.

(B) For all Series 21 Tender Bonds purchased as herein provided, the Trustee shall authenticate Adjusted Rate Bonds in the appropriate denominations and maturity and bearing interest at the Adjusted Interest Rate and, after receipt of the purchase price therefor, deliver the same to, and register the same in the name of, such person or persons as shall be designated by the Remarketing Agent. Any Series 21 Tender Bonds presented to the Trustee after the Adjustment Date for payment shall be paid from the aforementioned amounts set aside and shall be cancelled in accordance with Section 308 of the Resolution.

(iii) Any Holder of Series 21 Tender Bonds who has received notice that such Holder's Series 21 Tender Bonds will be exchanged for Adjusted Rate Bonds may direct in writing by mail or by telex or facsimile received by an officer in the Corporate Trust Division of the Trustee no later than 4:00 p.m. (New York City time) on the fifteenth (15th) day prior to the Adjustment Date (or if such day is not a Business Day, on the next succeeding Business Day), as specified in such notice, that all or any specified portion of such Holder's Series 21 Tender Bonds (which portion shall not be less than $5,000 and shall be in whole multiples of $5,000 in Principal Amount) not be purchased, provided that, except with respect to Series 21 Tender Bonds registered in the name of the Bond Depository or its nominee, in lieu of purchase, such person agrees to exchange such specified portion of such Series 21 Tender Bonds for an amount of Adjusted Rate Bonds equal in Principal Amount to the Series 21 Tender Bonds tendered for exchange and of the same maturity as the Series 21 Tender Bonds so exchanged. The Trustee and the Bond Depository may agree to other arrangements for evidencing the exchange of Series 21 Tender Bonds for Adjusted Rate Bonds in the case of Series 21 Tender Bonds registered in the name of the Bond Depository or its nominee. The Trustee shall notify the Remarketing Agent and the Agency by 5:00 p.m. (New York City time) on the Fifteenth (15th) day prior to the Adjustment Date (or if such day is not a Business Day, on the next succeeding Business Day) of the aggregate amount of Series 21 Tender Bonds with respect to which notices were so received and the maturity dates thereof.

(iv) Unless otherwise agreed to by the Trustee with respect to Series 21 Tender Bonds registered in the name of the Bond Depository or its nominee, the direction of a Holder of Series 21 Tender Bonds described in subparagraph (iii) of this Section 2.03(b) shall be substantially in the form of Exhibit A hereto and shall state:

(A) the maturity date or dates of the Adjusted Rate Bonds for which the Holder's Series 21 Tender Bonds are to be exchanged and the Principal Amount or Amounts applicable to such maturity date(s) but shall acknowledge that if the conditions described in Section 2.03(a)(iv) or Section 2.03(a)(vii) hereof shall occur, such Holder's Series 21 Tender Bonds shall be subject to mandatory redemption despite direction to the contrary; and

(B) that such person is the owner of the Series 21 Tender Bonds to be exchanged for Adjusted Rate Bonds.

(v) Series 21 Tender Bonds purchased with moneys on deposit in the Debt Service Fund pursuant to Section 2.03(b)(i) hereof shall be cancelled by the Trustee.

(vi) Notwithstanding anything herein to the contrary, the aggregate principal amount of Adjusted Rate Bonds may be in an amount which exceeds the aggregate principal amount of Series 21 Tender Bonds (which increased amount reflects the unamortized premium paid with respect to any Series 21 Tender Bonds) upon receipt by the Trustee and the Agency of an opinion of Bond Counsel to the effect that the remarketing of the Adjusted Rate Bonds in such amount will not adversely affect the exclusion from gross income for federal income tax purposes of interest on any Series 21 Bond.

Section 2.04. Redemption Provisions.

(a) The Series 21 Bonds shall be subject to optional redemption as set forth in the Series Certificate.

(b) All Series 21 Tender Bonds shall be subject to redemption prior to maturity in whole or in part on the Adjustment Date as provided in Section 2.03(a)(iv) and Section 2.03(a)(vii) hereof from moneys deposited in the Special Redemption Account pursuant to Section 3.04(b) hereof at a Redemption Price of par plus accrued interest to the redemption date.

(c) The Series 21 Bonds shall be subject to special redemption as set forth in the Series Certificate upon compliance with the provisions of Section 509 of the Resolution.

(d) If so provided in the Series Certificate, Series 21 Bonds maturing on the dates set forth in the Series Certificate shall be subject to redemption prior to maturity in part on the dates and in the amounts set forth in the Series Certificate through application of Sinking Fund Installments at a Redemption Price equal to the Principal Amount of each Series 21 Bond or portion thereof to be redeemed, plus accrued interest to the redemption date.

(e) Except as otherwise provided herein, notice of redemption of Series 21 Bonds, bearing, in addition to such other information as may be required by Section 405 of the Resolution, the "CUSIP" number of each Series 21 Bond or portion thereof to be redeemed, the date and interest rate of such Bond or portion and the name and telephone number of a representative of the Trustee from whom information regarding such redemption can be obtained, shall be given by mailing a copy of such notice not more than 60 days and not less than 30 days prior to the redemption date to the registered owners of all Series 21 Bonds or portions thereof to be redeemed. Notwithstanding anything herein or in the Resolution to the contrary, notice of redemption of any Series 21 Bonds or portions thereof given to the registered owner of $1,000,000 or more Principal Amount of Series 21 Bonds Outstanding shall, upon the prior written request of such owner to the Trustee, be mailed by certified mail, return receipt requested. Failure to mail any redemption notice as herein provided with respect to a Series 21 Bond or any defect therein shall not affect the redemption of any other Series 21 Bonds for which the required notice of redemption shall have been given. Not less than two Business Days prior to the giving of any notice of redemption of Series 21 Bonds to the registered owners thereof, the Agency shall also give notice of such redemption to at least two national information services who customarily disseminate information concerning the redemption of bonds (provided failure to give such notice or any defect therein shall not affect the redemption of such Series 21 Bonds on the redemption date therefor). If any Series 21 Bonds called for redemption as provided herein are not presented for payment within 60 days of the redemption date, the Trustee shall mail an additional notice of the redemption of such Series 21 Bonds to the registered owners thereof, provided failure to mail such notice or any defect therein shall not affect the redemption of such Series 21 Bonds on the redemption date therefor.

Section 2.05. Sale of Series 21 Bonds.

(a) The Series 21 Bonds shall be sold to the Underwriters and any other direct purchasers of the Series 21 Bonds on the terms and conditions, and upon the representations set forth in the Purchase Contract (or Purchase Contracts), which Purchase Contract (or Purchase Contracts) may be executed and delivered on behalf of the Agency by the Chair, the Executive Director and Secretary, or any other Authorized Officer in such form as shall be approved by Counsel to the Agency; provided, however, that in no event shall the Yield on the Series 21 Bonds exceed a Yield which would result in an interest rate on the zero point Mortgage Loans to be financed with the proceeds of the Series 21 Bonds in excess of 7.50% per annum nor may any Series 21 Bond mature later than November 1, 2036.

(b) The distribution of the preliminary Official Statement in a form comparable to the forms previously used by the Agency and acceptable to Counsel to the Agency is hereby authorized in all respects. The final Official Statement in substantially the form of the preliminary Official Statement, as modified and supplemented to reflect the pricing of the Series 21 Bonds, is hereby approved and the execution and delivery thereof to the Underwriters and any other direct purchasers is hereby authorized in all respects.

(c) The Series 21 Bonds shall be delivered upon compliance with the provisions of Section 204 of the Resolution, at the time and place provided by the related Purchase Contract.

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

ARTICLE III

ESTABLISHMENT OF ACCOUNTS AND APPLICATION OF PROCEEDS OF SERIES 21 BONDS

Section 3.01. Establishment of Funds and Accounts.

(a) In accordance with Section 502 of the Resolution, the Series 21 Loan Loss Claim Fund is hereby established to be held by the Trustee. The Series 21 Loan Loss Claim Fund shall be deemed to be Additional Security for the Series 21 Bonds within the meaning and with the effect given by Section 207 of the Resolution, and the Series 21 Loan Loss Claim Fund Surety Bond, Investment Obligations and Series 21 Loan Loss Claim Fund Deposits held in such Fund shall be used for the purposes and as provided in Section 3.06 of this Twenty-Fifth Supplemental Resolution.

(b) There are hereby ordered to be established in the Program Fund one or more separate accounts to be designated as "Program Accounts" and "Premium Accounts" moneys in each of which shall be used for the purposes and as authorized by Section 504 of the Resolution and Section 3.03 of this Twenty-Fifth Supplemental Resolution. The actual number of such Program Accounts and Premium Accounts shall be set forth in the Series Certificate. There shall also be established within any Program Account relating to the Series 21 Bonds a separate subaccount designated the "Series 21 Tender Bonds Proceeds Subaccount," moneys in which shall be used solely for the purposes and as authorized by Section 3.04 hereof. Except as provided in Section 3.04 hereof, amounts on deposit in the Series 21 Tender Bonds Proceeds Subaccount shall be considered for all proposes of the Resolution as on deposit in the related Program Account for such Series 21 Bonds.

(c) In accordance with Section 502 of the Resolution, a separate account is hereby established in the Program Fund designated the "Series 21 Cost of Issuance Account," moneys in which shall be used for the purposes and as authorized by Section 505(A) of the Resolution.

(d) In accordance with Section 502 of the Resolution, a separate account is hereby established in the Program Fund designated the "Series 21 Capitalized Interest Account," moneys in which shall be used for the purposes and as authorized by Section 505(B) of the Resolution.

(e) In accordance with Section 502 of the Resolution, a separate account is hereby established in the Redemption Fund to be held by the Trustee designated the "Series 21 Contingency Account," the amounts in which shall be used for the purposes and as authorized by Section 3.05 of this Twenty-Fifth Supplemental Resolution. The Series 21 Contingency Account shall be deemed to be Additional Security for the Series 21 Bonds within the meaning and with the effect given by Section 207 of the Resolution.

(f) There is hereby established in the Rebate Fund a separate account designated the "Series 21 Rebate Account," moneys in which shall be used for the purposes and as authorized by Section 510 of the Resolution and Section 3.07 of this Twenty-Fifth Supplemental Resolution.

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

Section 3.02. Application of Proceeds and Other Moneys.

(a) Upon the authentication and delivery of the Series 21 Bonds, the proceeds of sale of the Series 21 Bonds shall be deposited by the Trustee as provided in the Series Certificate.

(b) On or before the original delivery date of the Series 21 Bonds, the Agency shall deliver to the Trustee cash, the Series 21 Loan Loss Claim Fund Surety Bond or Series 21 Loan Loss Claim Fund Deposits, in an aggregate stated amount equal to the Series 21 Loan Loss Claim Fund Requirement, to be held by the Trustee for the credit of the Series 21 Loan Loss Claim Fund, as provided in Section 3.06 hereof.

(c) On or before the original delivery date of the Series 21 Bonds, the Agency shall deliver cash, the Series 21 Contingency Account Surety Bond or Series 21 Contingency Account Deposits to the Trustee in the amount provided in the Series Certificate. If a Series 21 Contingency Account Deposit is other than cash, the Series 21 Contingency Account Deposit shall have an initial term of at least five years from its date and shall be held by the Trustee for the credit of the Series 21 Contingency Account.

Section 3.03. Application of Certain Amounts in Series 21 Program Accounts.

(a) Notwithstanding anything in the Resolution to the contrary, except as hereinafter provided or as otherwise provided in the Series Certificate, amounts deposited in any Program Account created with respect to the Series 21 Bonds in accordance with the Series Certificate shall be applied solely to the purchase or making of Mortgage Loans (excluding Mortgage Loans for the construction of Residential Housing) as provided herein, in the Series Certificate and in Section 504 of the Resolution. Amounts deposited in any Program Account created with respect to the Series 21 Bonds as provided herein, in the Series Certificate or in the Resolution may be applied by the Agency to the purchase or making of Cooperative Housing Loans, Mortgage Loans for the construction of Residential Housing or Home Improvement Loans provided that at or prior to the purchase or making of any such Loan (i) the Agency shall furnish to each Nationally Recognized Credit Rating Agency the form of purchase agreement, servicing agreement, operations manual and other Program instruments and guidelines pursuant to which such Loans will be purchased or made, and (ii) the Agency shall deliver to the Trustee a letter from each Nationally Recognized Credit Rating Agency (or other evidence satisfactory to the Trustee) to the effect that the purchase or making of such Loans will not cause such agency to lower, suspend or otherwise modify adversely the unenhanced credit ratings then assigned to any Bonds Outstanding. In connection with the purchase of Cooperative Housing Loans, Mortgage Loans for the construction of Residential Housing or Home Improvement Loans, if any, hereunder the Agency may adopt a Supplemental Resolution pursuant to Section 701 of the Resolution specifying the terms of such Loans and any conditions to the purchase or making thereof and providing for any Additional Security therefor or for the Series 21 Bonds in accordance with Section 207 of the Resolution.

(b) Amounts on deposit in any Program Account allocable to the Series 21 Bonds shall be applied by the Agency to the purchase or origination of Loans bearing interest at rates not less than the rates set forth in the Series Certificate for each type of Loan authorized by the Series Certificate. Notwithstanding the foregoing, the Agency may purchase or make Loans with provisions differing from the foregoing restriction if at or prior to the purchase or making of such Loans the Agency delivers to the Trustee (i) a Projection of Revenues demonstrating that following the purchase or making of such Loans, expected Revenues and other funds available for the purpose will be sufficient to pay in the current and each subsequent Fiscal Year Aggregate Debt Service when due and all Program Expenses, and (ii) an opinion of Bond Counsel to the effect that the purchase or making of such Loans will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Series 21 Bonds.

(c) Amounts, if any, of deposit in any Premium Account allocable to the Series 21 Bonds of the Program Fund shall be applied by the Agency to provide down payment and closing cost assistance to borrowers who elect to receive Downpayment Assistance Loans as described in the Series Certificate. Notwithstanding the foregoing, the Agency may use amounts on deposit in any Premium Account allocable to the Series 21 Bonds to purchase or make Loans which do not constitute Downpayment Assistance Loans if at or prior to the purchase or making of such Loans to the Agency delivers to the

Trustee the Protection of Revenues and opinion of Bond Counsel described in clause (i) and (ii) of paragraph (b) of this Section 3.03.

Upon the mandatory tender of Series 21 Bonds pursuant to Section 2.03(b) hereof, the redemption of Series 21 Tender Bonds pursuant to Section 2.04(b) hereof or the redemption of Series 21 Bonds from unexpended proceeds pursuant to Section 2.04(c) hereof, amounts on deposit in the Series 21 Premium Account allocable to the initial issue premium, if any, paid with respect to the Series 21 Bonds, shall be transferred to the Series 21 Tender Bonds Proceeds Subaccount or the Special Redemption Account, as applicable, to pay a portion of the tender price or redemption price, as applicable, of the Series 21 Bonds.

Section 3.04. Application of Series 21 Tender Bond Proceeds Subaccount.

(a) Notwithstanding anything in Section 504 of the Resolution to the contrary, upon receipt by the Trustee of the certificate of an Authorized Officer described in Section 2.03(a)(ii) hereof to the effect that the Agency has elected to call a Principal Amount of Series 21 Bonds for exchange for or remarketing as Adjusted Rate Bonds on the Adjustment Date, the Trustee shall withdraw (i) from the Program Accounts allocable to the Series 21 Bonds and deposit in the Series 21 Tender Bonds Proceeds Subaccount an amount equal to the Principal Amount of Series 21 Bonds so certified and (ii) from any Premium Account allocable to the Series 21 Bonds and deposit in the Series 21 Tender Bonds Proceeds Subaccount an amount equal to the initial issue premium paid with respect to any Series 21 Tender Bonds. Until the Adjustment Date, the amount so deposited shall be applied solely as provided in Paragraph (b) and (c) of this Section 3.04.

(b) Notwithstanding anything in Section 504 of the Resolution to the contrary, if the conditions specified in Section 2.03(a)(iv) or Section 2.03(a)(vii) hereof shall have occurred, the Trustee shall transfer from the Series 21 Tender Bonds Proceeds Subaccount to the Series 21 Special Redemption Account in the Redemption Fund all or such portion of such funds on deposit in the Series 21 Tender Bonds Proceeds Subaccount as shall be directed by the Agency for application to the redemption of all Series 21 Tender Bonds in accordance with Section 2.04(b) hereof.

(c) Notwithstanding anything in Section 504 of the Resolution to the contrary, if on the Adjustment Date any Series 21 Tender Bonds have not been remarketed as Adjusted Rate Bonds in accordance with Section 2.03(b)(ii) hereof, the Trustee shall transfer from the Series 21 Tender Bonds Proceeds Subaccount to the Debt Service Fund an amount equal to the sum of (i) the Principal Amount of all such Series 21 Tender Bonds not so remarketed and (ii) the initial issue premium allocable to any Series 21 Tender Bonds issued with such premium not so remarketed. The amounts so transferred shall be applied on the Adjustment Date to the purchase of Series 21 Tender Bonds as provided in Section 2.03(b)(i) hereof.

(d) Notwithstanding anything herein to the contrary, on the Adjustment Date, but only upon compliance with Paragraph (b) and (c) of this Section 3.04, the Trustee shall return the entire balance then remaining in the Series 21 Tender Bonds Proceeds

Subaccount to the related Program Account allocable to the Series 21 Bonds and any Premium Account allocable to the Series 21 Bonds, as applicable, for application thereafter as provided in Section 504 of the Resolution and Section 3.03 hereof.

Section 3.05. Application of Series 21 Contingency Account.

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

(b) The Trustee shall hold the cash deposited by the Agency, the Series 21 Contingency Account Surety Bond or the Series 21 Contingency Account Deposit, as applicable, for the credit of the Series 21 Contingency Account as security for the payment to the Trustee for deposit in the Revenue Fund of amounts, if any, necessary to satisfy the requirements of Section 509(G) of the Resolution upon any redemption of Series 21 Bonds (and, to the extent provided in the Series Certificate, any other Bonds of the Agency) as described in Paragraph (a) of this Section 3.05 and, to the extent provided in the applicable Supplemental Resolution and, if the Agency has provided a Series 21 Contingency Account Deposit, with the prior approval of the Series 21 Contingency Account Deposit Provider, upon the redemption of any other Series of Bonds Outstanding under the Resolution. The Agency hereby instructs the Trustee, as applicable, to withdraw funds on deposit in the Series 21 Contingency Account or to give notice to the Series 21 Contingency Account Deposit Provider and to draw upon the Series 21 Contingency Account Deposit in accordance with its terms to the extent that the amount on deposit and available therefor in all Funds and Accounts under the Resolution (other than amounts available under the Series 21 Contingency Account Deposit and amounts on deposit in or held for the credit of the Series 21 Loan Loss Claim Fund), after consideration of any other amounts deposited in the Revenue Fund pursuant to Paragraph (a) of this Section 3.05 or the related provision of any applicable Supplemental Resolution set forth in the Series Certificate is insufficient to enable the Agency to satisfy the requirements of Section 509(G) of the Resolution with respect to the purchase or redemption of Series 21 Bonds (and any other Bonds of the Agency set forth in the Series Certificate) as described in Paragraph (a) of this Section 3.05. Any such certificate shall include instructions to the Trustee to draw upon the Series 21 Contingency Account Deposit to the extent of such deficiency and otherwise in accordance with its terms and to deposit the amount so drawn in the Revenue Fund.

(c) At any time while a Series 21 Contingency Account Deposit is held under the Resolution for the account of the Series 21 Bonds, the Agency may direct the Trustee to reduce the stated amount thereof or to cancel the Series 21 Contingency Account

Deposit and return it to the Series 21 Contingency Account Deposit Provider upon the filing with the Trustee of a certificate of an Authorized Officer to the effect that the Agency has informed each Nationally Recognized Credit Rating Agency of such reduction or cancellation and each such Agency has confirmed that such reduction or cancellation will not adversely affect the unenhanced ratings then assigned to any Bonds Outstanding. In the event the Agency has deposited cash with the Trustee in lieu of a Series 21 Contingency Account Deposit, the Agency may direct the Trustee to withdraw any or all funds on deposit in the Series 21 Contingency Account and return such funds to the Agency upon the same conditions as a reduction or cancellation of the Series 21 Contingency Account Deposit.

(d) If the Trustee shall receive a notice from the Series 21 Contingency Account Deposit Provider pursuant to the Series 21 Reimbursement Agreement, if any, to the effect that an Event of Default has occurred and is continuing under the Series 21 Reimbursement Agreement and the Series 21 Contingency Account Deposit Provider has elected to direct the Trustee to make a drawing of an amount equal to the stated and unpaid amount of the Series 21 Contingency Account Deposit, the Trustee shall make such drawing and shall deposit the amount so drawn in the Series 21 Contingency Account.

(e) Subject to the provisions of Paragraph (c) of this Section 3.05, not less than five Business Days prior to the date of expiration of the Series 21 Contingency Account Deposit the Agency shall deposit with the Trustee an extension thereof or a substitute Series 21 Contingency Account Deposit therefor (the deposit of which will not adversely affect the unenhanced ratings then assigned to any Bonds Outstanding by any Nationally Recognized Credit Rating Agency) in a stated amount equal to the stated amount of the initial Series 21 Contingency Account Deposit. If the Agency shall fail to deposit such extension or substitute letter of credit, not less than three Business Days prior to the expiration date of the Series 21 Contingency Account Deposit the Trustee shall draw upon the Series 21 Contingency Account Deposit the full amount then available to be drawn thereunder and shall deposit such amount in the Series 21 Contingency Account. If at any time thereafter the Agency shall certify to the Trustee in accordance with Paragraph (c) of this Section 3.05 that all or a portion of the amount on deposit in the Series 21 Contingency Account is not required for the purposes of such account, the Trustee shall pay the surplus in the Series 21 Contingency Account (as determined by the Agency) or the entire balance therein, as appropriate, to the Agency.

(f) Withdrawals from the Series 21 Contingency Account pursuant to Paragraphs (b) or (c) of this Section 3.05 shall be made by the Trustee, *first*, from cash and Investment Obligations, if any, on deposit in the Series 21 Contingency Account and *second*, from amounts drawn on any Series 21 Contingency Account Deposit. If at the time of making any withdrawal the amount of cash and Investment Obligations on deposit in the Series 21 Contingency Account is less than the withdrawal to be made, the Trustee shall notify the Agency of the amount of the deficiency and, unless the Agency shall pay to the Trustee for deposit in the Series 21 Contingency Account not later than the close of business on the Business Day next succeeding the date which such notice is received by the Agency an amount equal to such deficiency, the Trustee shall draw on the

Series 21 Contingency Account Deposit the amount of the deficiency (or such portion thereof that has not been funded by such a deposit by the Agency) or, if less, the full amount available under the Series 21 Contingency Account Deposit.

(g) Interest or other income derived from the investment or deposit of moneys, if any, in the Series 21 Contingency Account shall be transferred by the Trustee to the Agency.

Section 3.06. Application of Series 21 Loan Loss Claim Fund.

(a) The Trustee shall deposit in the Series 21 Loan Loss Claim Fund (i) the amount, if any, set forth in the Series Certificate, (ii) all amounts drawn on the Series 21 Loan Loss Claim Fund Deposit, if any, in accordance with this Section 3.06, (iii) any amount deposited therein from the Revenue Fund pursuant to Section 3.08 of this Twenty-Fifth Supplemental Resolution, (iv) all interest and other earnings on investment or deposit of amounts on deposit in the Series 21 Loan Loss Claim Fund and (v) any other amounts (not required by the Resolution to be otherwise deposited), as determined by the Agency. Except as otherwise provided herein, amounts on deposit in the Series 21 Loan Loss Claim Fund, including, without limitation, amounts drawn on the Series 21 Loan Loss Claim Fund Deposit, shall be used solely for the purposes provided in Paragraphs (b) and (c) of this Section 3.06.

(b) Upon receipt by the Trustee of a certificate of an Authorized Officer to the effect that a Loan Loss has been realized on a defaulted Loan allocable to the Series 21 Bonds and specifying the amount of such Loan Loss, the Trustee shall withdraw from the Series 21 Loan Loss Claim Fund and deposit in the Revenue Fund the amount of such Loan Loss as so specified, or such lesser amount as directed in such certificate. Upon deposit thereof in the Revenue Fund, each Loan Loss Claim Fund Withdrawal shall constitute Revenues for all purposes of the Resolution.

(c) Notwithstanding anything herein to the contrary, if at any time the conditions described in Section 3.05(b) hereof shall occur and the amount on deposit in or held for the credit of the Series 21 Contingency Account shall be insufficient for the purposes of such account, the Trustee shall give notice to the Series 21 Loan Loss Claim Fund Deposit Provider and shall draw the amount of the deficiency from the Series 21 Loan Loss Claim Fund provided following such drawing and application of the amount withdrawn to the redemption of Bonds as contemplated by Section 3.05(b) hereof the amount on deposit in the Series 21 Loan Loss Claim Fund, together with the stated and unpaid amount of the Series 21 Loan Loss Claim Fund Deposit, if any, shall be not less than the Series 21 Loan Loss Claim Fund Requirement. Any amounts withdrawn from the Series 21 Loan Loss Claim Fund in accordance with this Paragraph (c) shall be deposited in the Revenue Fund and shall be applied to the redemption of Bonds as contemplated by Section 3.05(b) hereof.

(d) Withdrawals from the Series 21 Loan Loss Claim Fund pursuant to Paragraphs (b) or (c) of this Section 3.06 shall be made by the Trustee, *first*, from cash and Investment Obligations, if any, on deposit in the Series 21 Loan Loss Claim Fund and *second*, from amounts drawn on any Loan Loss Claim Fund Deposit. If at the time of making any withdrawal the amount of cash and Investment Obligations on deposit in the Series 21 Loan Loss Claim Fund is less than the withdrawal to be made, the Trustee shall notify the Agency of the amount of the deficiency and, unless the Agency shall pay to the Trustee for deposit in the Series 21 Loan Loss Claim Fund not later than the close of business on the Business Day next succeeding the date which such notice is received by the Agency an amount equal to such deficiency, the Trustee shall draw on the Series 21 Loan Loss Claim Fund Deposit the amount of the deficiency (or such portion thereof that has not been funded by such a deposit by the Agency) or, if less, the full amount available under the Series 21 Loan Loss Claim Fund Deposit.

(e) Notwithstanding the foregoing provisions of this Section 3.06, nothing in the Resolution or this Twenty-Fifth Supplemental Resolution shall obligate the Agency to deposit in the Series 21 Loan Loss Claim Fund an amount which would cause the balance in the Series 21 Loan Loss Claim Fund, after application of amounts therein to Loan Loss Claim Fund Withdrawals notice of which has theretofore been received by the Trustee, to exceed the Series 21 Loan Loss Claim Fund Requirement. Unless otherwise directed by the Agency, no Loan Loss Claim Fund Withdrawal shall be made by the Trustee if the amount of such Loan Loss Claim Fund Withdrawal, together with the amount of all Loan Loss Claim Fund Withdrawals theretofore made by the Trustee, would exceed an amount equal to (i) 1.85% of the sum of (A) the aggregate original principal amount of all Loans purchased under the Resolution from amounts on deposit in any Program Account allocable to the Series 21 Bonds plus (B) the aggregate amount, if any, then held in any Program Account allocable to the Series 21 Bonds which may be applied to the purchase of such Loans, or (ii) such lesser amount as each Nationally Recognized Credit Rating Agency confirms to the Agency will not adversely affect the unenhanced credit ratings then assigned to any Bonds Outstanding.

(f) Notwithstanding anything herein or in the Resolution to the contrary, at any time the Agency may direct the Trustee to withdraw from the Series 21 Loan Loss Claim Fund and pay to the Agency all or any part of the moneys on deposit in the Series 21 Loan Loss Claim Fund provided that prior to any such withdrawal the Agency shall deliver to the Trustee (i) one or more Reserve Deposits in an aggregate amount available to be drawn thereunder, together with any moneys to remain on deposit in the Series 21 Loan Loss Claim Fund following such withdrawal, equal to not less than the Series 21 Loan Loss Claim Fund Requirement, (ii) letters from each Nationally Recognized Credit Rating Agency (or other evidence satisfactory to the Trustee) confirming that such withdrawal will not adversely affect the unenhanced credit ratings then assigned to any Bonds Outstanding and (iii) an opinion of Bond Counsel to the effect that such withdrawal will not adversely affect the exclusion from gross income for federal income tax purposes of interest on any Bonds Outstanding. In connection with any such withdrawal and the deposit of any Reserve Deposit with the Trustee, the Agency may adopt a Supplemental Resolution pursuant to Section 701 of the Resolution specifying the terms and conditions under which such Reserve Deposit is held for the credit of the Series 21 Loan Loss Claim Fund.

(g) Subject to Paragraph (h) of this Section 3.06, if at any time the amount of cash and Investment Obligations on deposit in the Series 21 Loan Loss Claim Fund exceeds the Series 21 Loan Loss Claim Fund Requirement, the Trustee, at the request of the Agency, shall withdraw the excess (or such portion thereof as directed by the Agency) and deposit it in the Revenue Fund.

(h) If at any time (i) the amount of cash and Investment Obligations in the Series 21 Loan Loss Claim Fund exceeds the Series 21 Funded Loan Loss Claim Fund Requirement, and/or (ii) the stated and unpaid amount of the Series 21 Loan Loss Claim Fund Deposit exceeds the Series 21 Loan Loss Claim Fund Requirement, the Agency may direct the Trustee to notify the Series 21 Loan Loss Claim Fund Deposit Provider of a reduction in the stated amount of the Series 21 Loan Loss Claim Fund Deposit; provided that if any such excess has resulted from a decrease in the Series 21 Loan Loss Claim Fund Requirement other than due to the payment of Loan Loss Claim Fund Withdrawals in accordance with this Section 3.06, the direction of the Agency shall be accompanied by letters from each Nationally Recognized Credit Rating Agency (or other evidence satisfactory to the Trustee) to the effect that the reduction of the Series 21 Loan Loss Claim Fund Deposit will not adversely affect the unenhanced credit ratings then assigned to any Bonds Outstanding.

(i) If the Trustee shall receive a notice from the Series 21 Loan Loss Claim Fund Deposit Provider pursuant to the Series 21 Reimbursement Agreement, if any, to the effect that an Event of Default has occurred and is continuing under the Series 21 Reimbursement Agreement and the Series 21 Loan Loss Claim Fund Deposit Provider has elected to direct the Trustee to make a drawing of an amount equal to the lesser of the Series 21 Loan Loss Claim Fund Requirement or the stated and unpaid amount of the Series 21 Loan Loss Claim Fund Deposit, the Trustee shall make such drawing and shall deposit the amount so drawn in the Series 21 Loan Loss Claim Fund.

(j) Not less than five Business Days prior to the date of expiration of the Series 21 Loan Loss Claim Fund Deposit, the Agency shall deposit with the Trustee either an extension of the Series 21 Loan Loss Claim Fund Deposit in a stated amount available to be drawn thereunder not less than the lesser of (i) an amount equal to the Series 21 Loan Loss Claim Fund Requirement calculated at such date less the aggregate amount of cash and Investment Obligations, if any, on deposit in the Series 21 Loan Loss Claim Fund at such date and (ii) the stated amount of the Series 21 Loan Loss Claim Fund Deposit at such date. If the Agency shall fail to deposit such extension of the Series 21 Loan Loss Claim Fund Deposit with the Trustee, not less than three Business Days prior to the expiration date of the Series 21 Loan Loss Claim Fund Deposit, the Trustee shall draw on the Series 21 Loan Loss Claim Fund Deposit and deposit in the Series 21 Loan Loss Claim Fund an amount sufficient to cause the Series 21 Funded Loan Loss Claim Fund Requirement to equal the Series 21 Loan Loss Claim Fund Requirement as of such date or, if less, the full amount then available to be drawn under the Series 21 Loan Loss Claim Fund Deposit.

(k) Notwithstanding anything herein or in the Resolution to the contrary, the Series 21 Loan Loss Claim Fund Requirement shall be reduced to zero if at any time the

Agency shall file with the Trustee (i) a certificate of an Authorized Officer to the effect that the Agency then maintains or has caused to be maintained in full force and effect a policy or policies of insurance obtained by the Agency under which an insurance company qualified to do business in the State insures the Agency on a portfolio basis, for so long as any Series 21 Bonds are Outstanding under the Resolution, against loss arising out of default on Loans purchased or made from moneys on deposit in any Program Account allocable to the Series 21 Bonds during the period of insurance eligibility specified in such policy up to such aggregate loss limit as the Agency shall determine in its discretion, and (ii) letters from each Nationally Recognized Credit Rating Agency (or other evidence satisfactory to the Trustee) confirming that the provision of such insurance and the reduction of the Series 21 Loan Loss Claim Fund requirement will not adversely affect the unenhanced credit ratings then assigned to any Bonds Outstanding.

Section 3.07. Series 21 Rebate Account.

(a) Pursuant to the requirements of Section 148(f) of the Code, the Agency shall pay to the United States at least once every five years an amount determined in accordance with said Section 148(f) equal to the sum of (i) the excess of the amount earned on all Nonpurpose Investments (hereinafter defined) (other than investments attributable to an excess described in this clause) over the amount which would have been earned if such Nonpurpose Investments were invested at a yield equal to the Yield on the Series 21 Bonds, plus (ii) any income attributable to the investment of the excess described in clause (i) above. The Agency further covenants to pay such amount to the United States, in a manner consistent with the requirements of Section 148(f) of the Code, whether or not the amount on deposit in the Series 21 Rebate Account and available therefor is sufficient for such payment, and to establish such accounting procedures as are required to determine the amount of such excess investment earnings and the Series 21 Rebate Requirement.

(b) Within 30 days of the end of each Bond Year, the Agency shall furnish to the Trustee a certificate of an Authorized Officer, upon which the Trustee may conclusively rely, setting forth the Series 21 Rebate Requirement for such Bond Year.

(c) Within 60 days after the close of the fifth Bond Year, and at least once in each five-year period thereafter, the Trustee shall pay from the Series 21 Rebate Account to the United States on behalf of the Agency the full amount then required to be paid under Section 148(f) as certified and directed by the Agency in a certificate of an Authorized Officer delivered to the Trustee prior to the due date of such payment. Within 60 days after the Series 21 Bonds have been paid in full, the Trustee shall pay to the United States from the Series 21 Rebate Account on behalf of the Agency the full amount then required to be paid under Section 148(f) as certified by the Agency in a certificate of an Authorized Officer delivered to the Trustee prior to the due date of such payment. Each such payment shall be filed with the Internal Revenue Service Center, 1600 W. 1200 S., Ogden, UT 84201 or any successor location specified by the Internal Revenue Service, accompanied by a copy (furnished to the Trustee by the Agency) of the Form 8038-T (or other similar information reporting form).

(d) In the event that, at the time of any required payment of the Series 21 Rebate Requirement, the amount in the Series 21 Rebate Account available for such payment shall be insufficient to make such payment, the Agency shall pay the amount of the deficiency from the General Fund or from any other moneys available to the Agency and not pledged under the Resolution to the Bonds.

(e) In the event that on any Interest Payment Date of the Series 21 Bonds the amount on deposit in the Series 21 Rebate Account exceeds the Series 21 Rebate Requirement (calculated as of such Interest Payment Date), the Trustee, at the written direction of an Authorized Officer, shall withdraw such excess amount and deposit it in the Revenue Fund.

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

(g) The Agency and the Trustee shall keep such records as will enable them to fulfill the responsibilities under this section and Section 148(f) of the Code and shall retain such records for at least six years following final payment of the Series 21 Bonds.

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

Section 3.08. Application of Certain Amounts in Revenue Fund.

(a) Notwithstanding anything in Section 506(B) of the Resolution to the contrary, on or before each Interest Payment Date of the Series 21 Bonds, after satisfying the requirements of Clauses (i) through (vii), inclusive, of Section 506(B), the Trustee shall apply any balance on deposit in the Revenue Fund attributable to the Series 21 Bonds to the Series 21 Loan Loss Claim Fund to the extent the amount therein is less than the Series 21 Funded Loan Loss Claim Fund Requirement calculated at such Interest Payment Date.

(b) Notwithstanding anything in Section 506(B)(7) of the Resolution, the amount of moneys in the Revenue Fund allocable to the Series 21 Bonds that may be applied to the payment or reimbursement of Program Expenses in any one Fiscal Year pursuant to such Section 506(B)(7) shall not exceed the sum of (i) $10,000 plus (ii) the sum of the fees and reimbursement amounts payable to the Series 21 Loan Loss Claim Fund Deposit Provider in connection with the Series 21 Loan Loss Claim Fund Deposit, the fees and reimbursement amounts payable to the Series 21 Contingency Account Deposit Provider in connection with the Series 21 Contingency Account Deposit, the expenses and reimbursements payable to the Bond Insurer in connection with the Municipal Bond Insurance Policy, the amount of the Municipal Bond Insurance Policy

Premium, any fees, expenses and reimbursements payable to the provider of any Hedge Agreement, any fees, expenses and reimbursements payable to the providers of any Liquidity Facility and any fees, expenses and reimbursements payable with respect to the issuance of Variable-Rate Bonds unless the Agency shall file with the Trustee a certificate of an Authorized Officer to the effect that the Agency has confirmed that a greater amount (specified in such certificate) will not adversely affect the unenhanced ratings then assigned to any Bonds Outstanding by any Nationally Recognized Credit Rating Agency.

(c) Notwithstanding anything in Section 506(B)(8) of the Resolution to the contrary, no amount on deposit in the Revenue Fund attributable to the Series 21 Bonds shall be transferred to the General Fund pursuant to such Section 506(B)(viii) unless (i) there are no amounts owed to the Series 21 Loan Loss Claim Fund Deposit Provider or the Series 21 Contingency Account Deposit Provider under either of the Series 21 Reimbursement Agreements, (ii) there are no amounts owed to the provider of any Hedge Agreement or Liquidity Facility, and (iii) the Projection of Revenues filed with the Trustee in accordance with said Section 506(B)(viii) shows that on the date of such Projection of Revenues the unpaid balance of all Loans then held under the Resolution for the account of the Series 21 Bonds, plus the amount then held in all Funds and Accounts under the Resolution attributable to the Series 21 Bonds, other than amounts held in the Rebate Fund, the Series 21 Contingency Account and the Series 21 Loan Loss Claim Fund and the amounts attributable to the Series 21 Bonds then to be paid to the Agency in accordance with said Section 506(B)(viii), are at least equal to 101% of the Principal Amount of all Series 21 Bonds plus all interest accrued and unpaid thereon as of such date.

(d) The Agency hereby acknowledges and agrees that amounts payable under each of the Series 21 Reimbursement Agreements and any fees, expenses or reimbursements under any Hedge Agreement constitute Program Expenses and shall be paid in accordance with Section 506(B)(7) of the Resolution and Section 3.08(b) hereof.

ARTICLE IV

FORM OF SERIES 21 BONDS

Section 4.01. Form of Series 21 Bonds.

(a) All Series 21 Bonds authenticated and delivered hereunder prior to the Adjustment Date shall be in such form and shall bear such terms and conditions, not inconsistent with the Resolution or this Twenty-Fifth Supplemental Resolution, as the Chair, Executive Director and Secretary or other Authorized Officer of the Agency shall determine and certify to the Trustee on or prior to the date of original authentication and delivery of any Series 21 Bonds hereunder.

(b) The Adjusted Rate Bonds shall be in such form and shall bear such terms and conditions, not inconsistent with the Resolution and this Twenty-Fifth Supplemental

Resolution, as the Chair, Executive Director and Secretary or other Authorized Officer of the Agency shall determine and certify to the Trustee on or before the Adjustment Date.

ARTICLE V

MISCELLANEOUS

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

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

Section 5.03. Reimbursement Agreement. The Chair, Vice-Chairman, or any other Commissioner, Executive Director and Secretary, Chief Financial Officer and Treasurer or Chief of Program Operations are hereby authorized to execute the Series 21 Reimbursement Agreements in such form as shall be approved by Counsel to the Agency and to deliver the same to the Series 21 Loan Loss Claim Fund Deposit Provider, the Series 21 Contingency Account Deposit Provider and the provider of any Liquidity Facility, as applicable.

Section 5.04. Hedging Transactions.

(a) In furtherance of the powers of the Agency granted in the Act, the Agency is hereby authorized to enter into a Hedge Agreement in connection with the issuance of the Series 21 Bonds so long as the provider of the Hedge Agreement is, at the time the Agency enters into the Hedge Agreement, a Qualified Institution or the provider's obligations under the Hedge Agreement are unconditionally guaranteed by a Qualified Institution;

(b) If the Agency shall enter into any Hedge Agreement with respect to the Series 21 Bonds, then during the term of the Hedge Agreement and so long as the provider of the Hedge Agreement is not in default:

(i) for purposes of any calculation of Debt Service, the interest rate on the Series 21 Bonds with respect to which the Hedge Agreement applies shall be determined as if such Series 21 Bonds had interest payments equal to the interest payable on those Series 21 Bonds less any payments reasonably expected to be made to the Agency by the provider and plus any payments reasonably expected to be made by the Agency to the provider in accordance with the terms of the Hedge Agreement (other than fees or termination payments payable to such provider for providing the Hedge Agreement);

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

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

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

Section 5.05. Tender Bond Remarketing Agent.

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

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

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

Section 5.06. Continuing Disclosure Agreement. The Continuing Disclosure Agreement is hereby approved in substantially the form of the Continuing Disclosure Agreement executed in connection with the issuance by the Agency of its Series 20 Bonds with such changes, omissions, insertions and revisions thereto as the Chair, the Executive Director and Secretary or any other Authorized Officer executing the same may deem advisable, the execution thereof by such person to be conclusive evidence of the approval thereof. The aforementioned officers of the Agency are, and each of them is, hereby authorized to execute the Continuing

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

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

Section 5.08. Private Activity Volume Cap. The Agency hereby authorizes the use of its available private activity volume cap in an amount not to exceed $50,000,000 in connection with the issuance of the Series 21 Bonds. The actual amount of private activity volume cap to be utilized shall be set forth in the Series Certificate.

Section 5.09. Agency Contribution. The Agency is hereby authorized to contribute to the Resolution available funds of the Agency in an amount not to exceed three percent (3%) of the aggregate principal amount of the Series 21 Bonds for such purposes as shall be set forth in the Series Certificate, including, but without limitation, the payment of Costs of Issuance and capitalized interest.

Section 5.10. Effective Date. This Twenty-Fifth Supplemental Resolution shall take effect immediately.

ARTICLE VI

MUNICIPAL BOND INSURANCE POLICY

Section 6.01. Municipal Bond Insurance Policy. The Agency shall deposit the Municipal Bond Insurance Policy with the Trustee on the date of issuance of the Series 21 Bonds.

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

(a) If, on the third Business Day prior to the related scheduled Interest Payment Date or principal payment date ("Payment Date") there is not on deposit with the Trustee, after making all transfers and deposits required under the Resolution, moneys sufficient to pay the principal of and interest on the Series 21 Bonds due on such Payment Date, the Trustee shall give notice to the Bond Insurer and to its designated agent (if any) (the "Insurer's Fiscal Agent") by telephone or facsimile of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second Business Day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal of and interest on the Series 21 Bonds due on such Payment Date, the Trustee shall make a claim under the Insurance Policy and give notice to the Bond Insurer and the Bond Insurer's Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the Series 21 Bonds and the amount required to pay principal of the Series 21 Bonds, confirmed in writing to the Bond Insurer and the Bond Insurer's Fiscal Agent by 12:00 noon, New York City time, on such second Business Day by filling in the form of Notice of Claim and Certificate delivered with the Insurance Policy.

(b) In the event the claim to be made is for a Sinking Fund Installment, upon receipt of the moneys due, the Trustee shall authenticate and deliver to affected Bondholders who surrender their Series 21 Bonds a new Series 21 Bond or Series 21 Bonds in the aggregate principal amount equal to the unredeemed portion of the Series 21 Bond surrendered. The Trustee shall designate any portion of payment of principal on Series 21 Bonds paid by the Bond Insurer, whether by virtue of Sinking Fund Redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Series 21 Bonds registered to the then current Bondholder, whether DTC or its nominee or otherwise, and shall issue a replacement Series 21 Bond to the Insurer, registered in the name of the Bond Insurer or its designee, in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Series 21 Bond shall have no effect on the amount of principal or interest payable by the Agency on any Series 21 Bond or the subrogation rights of the Bond Insurer.

(c) The Trustee shall keep a complete and accurate record of all funds deposited by the Bond Insurer into the Series 21 Policy Payments Account of the Debt Service Fund (which Series 21 Policy Payments Account is hereby created) and the allocation of such funds to payment of interest on and principal paid in respect of any Series 21 Bond. The Bond Insurer shall have the right to inspect such records at reasonable times upon reasonable notice to the Trustee.

(d) Upon payment of a claim under the Municipal Bond Insurance Policy, the Trustee shall establish a separate special purpose trust account for the benefit of holders of the Series 21 Bonds referred to herein as the "Series 21 Policy Payments Account" and over which the Trustee shall have exclusive control and sole right of withdrawal. The Trustee shall receive any amount paid under the Municipal Bond Insurance Policy in trust on behalf of holders of the Series 21 Bonds and shall deposit any such amount in the Series 21 Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Trustee to holders of the Series 21 Bonds in the same manner as principal and interest payments are to be made with respect to the Series 21 Bonds under the sections hereof regarding payment of Series 21 Bonds. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments.

(e) Funds held in the Series 21 Policy Payments Account shall not be invested by the Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Trustee or of any other person or entity.

(f) Any funds remaining in the Series 21 Policy Payments Account following a payment date with respect to the Series 21 Bonds shall promptly be remitted to the Bond Insurer.

(g) The Bond Insurer shall, to the extent it makes any payment of principal of or interest on the Series 21 Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Municipal Bond Insurance Policy.

Section 6.03. Notices to the Bond Insurer.

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

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

(ii) a copy of any notice to be given to the registered owners of the Series 21 Bonds, including, without limitation, notice of any redemption of or defeasance of Series 21 Bonds, and any certificate rendered pursuant to the Resolution relating to the security for the Series 21 Bonds;

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

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

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

(vi) prior notice of the advance refunding or redemption of any of the Series 21 Bonds, including the principal amount, maturities and CUSIP numbers thereof;

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

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

(ix) notice of the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of principal of, or interest on, the Series 21 Bonds;

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

(xi) A full original transcript of all proceedings relating to the execution of any amendment or supplement to the Resolution, the Twenty-Fifth Supplemental Resolution or any other document executed in connection with issuance of the Series 21 Bonds;

(xii) all reports, notices and correspondence with respect to the Series 21 Bonds to be delivered under the terms of the Resolution, the Twenty-Fifth Supplemental Resolution or any other document executed in connection with the issuance of the Series 21 Bonds;

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

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

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

(c) The Agency will permit the Bond Insurer to discuss the affairs, finances and accounts of the Agency or any information the Bond Insurer may reasonably request regarding the security for the Series 21 Bonds with appropriate officers of the Agency. The Trustee and the Agency will permit the Bond Insurer to have access to and to make copies of all books and records relating to the Series 21 Bonds at any reasonable time.

(d) The Bond Insurer shall have the right to direct an accounting at the Agency's expense, and the Agency's failure to comply with such direction within 30 days after receipt of written notice of the direction from the Bond Insurer shall be deemed a default hereunder; provided, however, that if compliance cannot occur within such period, then such period will be extended so long as compliance is begun within such period and diligently pursued, but only if such extension would not materially adversely affect the interests of any registered owner of the Series 21 Bonds.

(e) Notwithstanding any other provision of the Resolution, the Trustee shall immediately notify the Bond Insurer if at any time there are insufficient moneys to make any payments of principal and/or interest on the Series 21 Bonds as required and immediately upon the occurrence of any Event of Default with respect to the Series 21 Bonds.

Section 6.04. Consent of the Bond Insurer. No modification, amendment or supplement to the Resolution, the Twenty-Fifth Supplemental Resolution or any other document executed in connection with the Series 21 Bonds that requires the consent of the owners of the Series 21 Bonds may become effective except upon obtaining the prior written consent of the Bond Insurer. Additionally, no amendment, modification or supplement to the Resolution or the Twenty-Fifth Supplemental Resolution shall be permitted unless the Bond Insurer receives a written confirmation from Standard and Poor's and Moody's that, after giving effect to such amendment, modification or supplement, the Series 21 Bonds will be rated no less than "A+" and "A1" respectively (without giving effect to the Municipal Bond Insurance Policy). Copies of any modification or amendment to the Resolution, the Twenty-Fifth Supplemental Resolution or any other document executed in connection with the Series 21 Bonds shall be sent to each Nationally Recognized Credit Rating Agency at least 10 days prior to the effective date thereof.

Section 6.05. Consent of the Bond Insurer in the Event of Insolvency. Any reorganization or liquidation plan with respect to the Agency must be acceptable to the Bond Insurer. In the event of any reorganization or liquidation, the Bond Insurer shall have the right to vote on behalf of all Series 21 Bondholders absent a default by the Bond Insurer under the Municipal Bond Insurance Policy.

Section 6.06. Rights of Bond Insurer. The Bond Insurer shall be deemed to be the sole holder of the Series 21 Bonds insured by it for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Series 21 Bonds insured by it are entitled to take pursuant to Article IX (pertaining to defaults and remedies) and Article X (pertaining to the Trustee) of the Resolution. The Trustee shall take no action with respect to the Series 21 Bonds pursuant to such Article IX and Article X except with the consent, or at the direction, of the Bond Insurer.

In addition, in the event the maturity of the Series 21 Bonds is accelerated, the Bond Insurer may elect, in its sole discretion, to pay accelerated principal and interest accrued, on such principal to the date of acceleration (to the extent unpaid by the Agency) and the Trustee shall be required to accept such amounts. Upon payment of such accelerated principal and interest accrued to the acceleration date as provided above, the Bond Insurer's obligations under the Municipal Bond Insurance Policy with respect to such Series 21 Bonds shall be fully discharged.

Section 6.07. Defeasance of Series 21 Bonds. Notwithstanding anything in the Resolution to the contrary, in the event that the principal and/or interest due on the Series 21 Bonds shall be paid by the Bond Insurer pursuant to the Municipal Bond Insurance Policy, the Series 21 Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Agency, and the assignment and pledge of the Resolution and all covenants, agreements and other obligations of the Agency to the registered owners of the Series 21 Bonds shall continue to exist and shall run to the benefit of the Bond Insurer, and the Bond Insurer shall be subrogated to the rights of such registered owners.

Notwithstanding anything in Article XI of the Resolution to the contrary, only (a) cash and (b) non-callable direct obligations of the United States of America shall be authorized to be used to effect defeasance of the Series 21 Bonds unless the Bond Insurer otherwise approves. In addition, in order to accomplish a defeasance the Agency shall cause to be delivered to the Bond Insurer (i) a report of an independent firm of nationally recognized certified public accountants or such other accountant as shall be acceptable to the Bond Insurer ("Accountant") verifying the sufficiency of the escrow established to pay the Series 21 Bonds in full on the Bond maturity and redemption date ("Verification"), (ii) an Escrow Deposit Agreement (which shall be acceptable in form and substance to the Bond Insurer), and (iii) an opinion of nationally recognized bond counsel to the effect that the Series 21 Bonds are no longer "Outstanding" under the Resolution; each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the Agency, the Trustee and the Bond Insurer. In the event a forward purchase agreement will be employed in the refunding, such agreement shall be subject to the approval of the Bond Insurer and shall be accompanied by such opinions of counsel as may be required by the Bond Insurer. The Bond Insurer shall be provided with final drafts of the above-referenced documentation not less than five Business Days prior to the funding of the escrow. The Series 21 Bonds shall be deemed "Outstanding" under the Resolution unless and until they are in fact paid and retired or the above criteria are met.

Section 6.08. Payment of Municipal Bond Insurance Premium; Expenses. Notwithstanding any provision of Section 506 of the Resolution to the contrary, amounts on deposit in the Revenue Fund and allocable to the Series 21 Bonds shall be used to pay the Municipal Bond Insurance Policy Premium prior to being deposited in the Bond Reserve Fund to replenish any deficiency therein as provided in Section 506(B)(2) of the Resolution.

In addition, the Agency shall pay or reimburse the Bond Insurer as a Program Expense pursuant to Section 5.06(B)(7) of the Resolution, but only to the extent of the trust estate pledged under the Resolution, any and all charges, fees, costs and expenses which the Bond Insurer may reasonably pay or incur in connection with (a) the administration, enforcement, defense or preservation of any rights or security under the Resolution, this Twenty-Fifth Supplemental Resolution or any other document executed in connection with the issuance of the Series 21 Bonds; (b) the pursuit of any remedies under the Resolution, this Twenty-Fifth Supplemental Resolution or any other document executed in connection with the issuance of the Series 21 Bonds or otherwise afforded by law or equity, (c) any amendment, waiver or other action with respect to, or related to, the Resolution, this Twenty-Fifth Supplemental Resolution or any other document executed in connection with the issuance of the Series 21 Bonds whether or not executed or completed, (d) the violation by the Agency of any law, rule or regulation, or any judgment, order or decree applicable to it or (e) any litigation or other dispute in connection with the Resolution, this Twenty-Fifth Supplemental Resolution or any other document executed in connection with the issuance of the Series 21 Bonds or the transactions contemplated thereby, other than amounts resulting from the failure of the Bond Insurer to honor its obligations under the Municipal Bond Insurance Policy. The Agency acknowledges that the Bond Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Resolution, this Twenty-Fifth Supplemental Resolution or any other document executed in connection with the issuance of the Series 21 Bonds.

Section 6.09. Payments by Bond Insurer. The Bond Insurer shall be entitled to pay principal or interest on the Series 21 Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Agency (as such terms are defined in the Municipal Bond Insurance Policy) and any amounts due on the Series 21 Bonds as a result of acceleration of the maturity thereof in accordance with the Resolution, whether or not the Bond Insurer has received a Notice of Nonpayment (as such terms are defined in the Municipal Bond Insurance Policy) or a claim upon the Municipal Bond Insurance Policy.

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

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

Section 6.12. Parties Interested Herein; References to Ratings. Nothing in this Twenty-Fifth Supplemental Resolution expressed or implied is intended or shall be construed to confer upon, or to give or grant to, any person or entity, other than the Agency, the Trustee, the Bond Insurer and the registered owners of the Series 21 Bonds, any right, remedy or claim under or by reason of this Twenty-Fifth Supplemental Resolution or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Twenty-Fifth Supplemental Resolution contained by and on behalf of the Agency shall be for the sole and exclusive benefit of the Agency, the Trustee, the Bond Insurer and the registered owners of the Series 21 Bonds.

Notwithstanding anything in the Resolution or this Twenty-Fifth Supplemental Resolution to the contrary, any reference in the Resolution or the Twenty-Fifth Supplemental Resolution with respect to the ratings maintained in the Series 21 Bonds by any Nationally Recognized Credit Rating Agency shall mean the unenhanced credit rating on the Series 21 Bonds.

[Remainder of page intentionally left blank]

EXHIBIT A

DIRECTION TO TENDER

VERMONT HOUSING FINANCE AGENCY
SINGLE FAMILY HOUSING BONDS
Series 21 Tender Bonds Selected
For Tender on ______________

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

Re: Election to Retain Adjusted Rate Bonds

Dear Sir or Madam:

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

In accordance with the information given in the Trustee's Notice dated _________, we hereby give you irrevocable notice that we elect to retain $_________ aggregate principal amount of Series 21 Tender Bonds and to exchange such Bonds for Adjusted Rate Bonds as described below.

The principal amount or amounts of Series 21 Tender Bonds which we have elected to retain in exchange for Adjusted Rate Bonds and the maturity date or dates thereof are listed below:

Series	Maturity	Amount

[Remainder of page intentionally left blank]

We acknowledge that if certain conditions described in the Agency's Twenty-Fifth Supplemental Single Family Housing Bond Resolution shall occur on or prior to the Adjustment Date, such Series 21 Tender Bonds will be subject to mandatory redemption on the Adjustment Date despite this direction to exchange such Bonds for Adjusted Rate Bonds.

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

____
Signature

____
Name

____
Date

vhfa

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Multifamily Development Underwriter CR

DATE: October 7, 2004

RE: Request for Construction Financing, Bond and State Housing Credits: Creekview Housing, Vergennes

Name:	Creekview Housing	**Location:**	Vergennes
Housing Type:	General Occupancy	**Unit Type:**	Flats & Townhouses
Unit Count:	36 Total Units 31 Housing Credit Units	**Unit Sizes:**	10 1-BR @ 587 s.f. 26 2-BR @ 649 s.f.
Total Cost:	$3,747,259	**Per S.F. Acquisition & Construction Cost:**	$106.80
Loan Requested:	$2,200,000 construction (tax-exempt)	**Sponsors:**	Housing Vermont (HVT), Addison County Community Action Group (ACCAG)
Housing Credits:	$125,397 (Bond "4%" Credits)	**State Credits:**	$100,000
Other Funding:	USDA Rural Development (RD), VHCB, REEP		

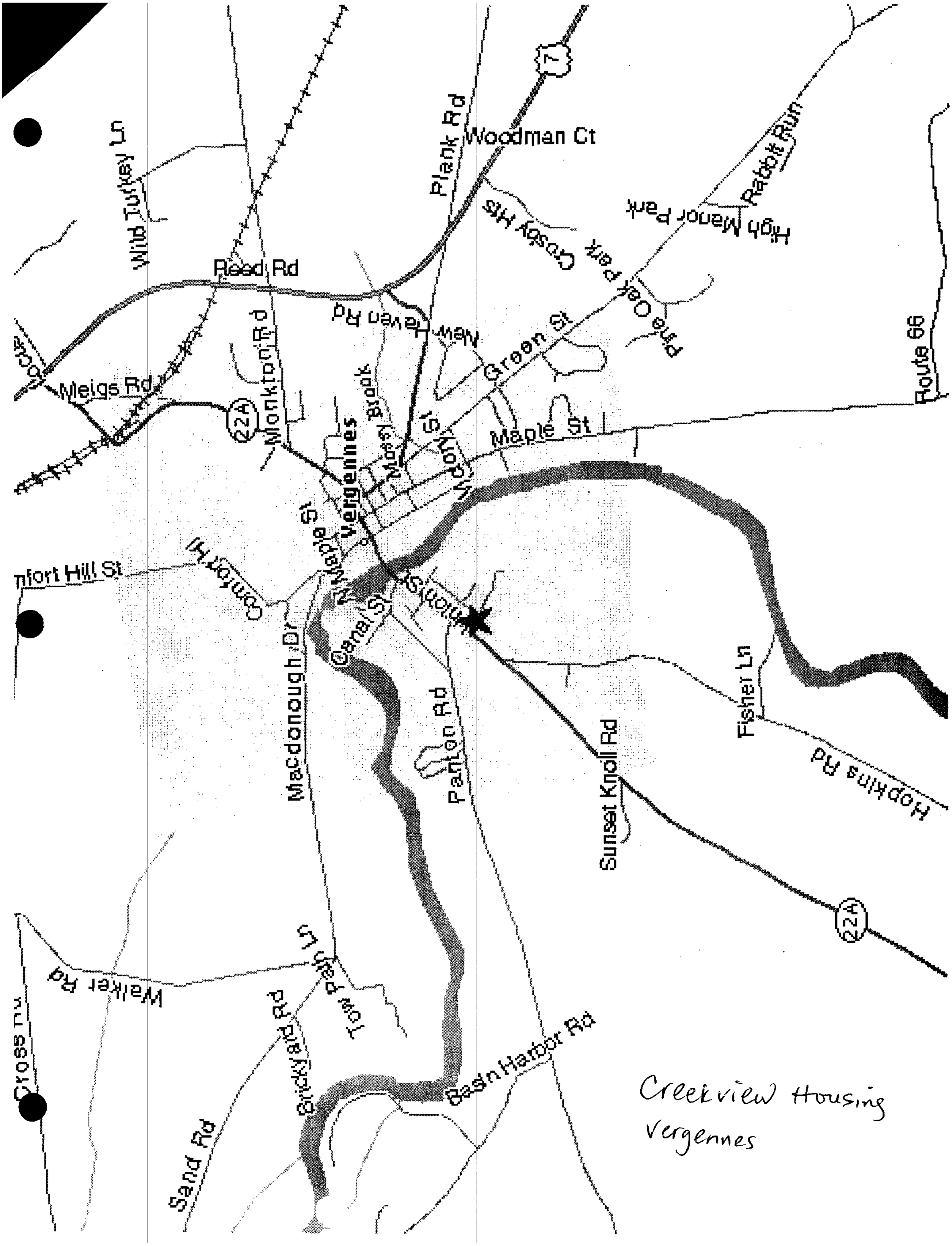
Recommendation: That the VHFA Board of Commissioners pass the attached resolution and make the required findings as outlined in the second section of the resolution ("It is hereby determined:"), and that the Board 1) authorize the Executive Director to issue a Letter of Interest and/or a Commitment Letter to finance this development upon satisfactory completion of staff underwriting and due diligence; and 2) authorize staff to issue the appropriate documentation according to the Qualified Allocation Plan.

Project Summary: Creekview Housing (formerly Eaglewood Apartments) is an existing 36-unit residential development for families located in Vergennes. The development consists of five buildings on a 5.78-acre parcel located approximately one-half mile from downtown Vergennes (there is also a 4.67-acre parcel included in the sale which is contiguous, in a flood plain and not developable). The project was built in 1985 by a private developer (out-of-state) using USDA RD funding, and has not been well maintained. In June, HVT and ACCAG purchased the property with the intent of re-developing it. RD has made an additional loan commitment for the project's sponsors to finance the rehab, and VHCB has also committed funds for rehab. Local site plan review has been approved, and the sponsors anticipate Act 250 permit approval by November. The Environmental Site Assessment was clean. Of the total 36 units, 31 units will be tax credit, and 20 of those units will have RD rental assistance. The sponsors anticipate closing on the construction financing in December, beginning construction immediately, and completing by December 2005. ACCAG will manage the property.

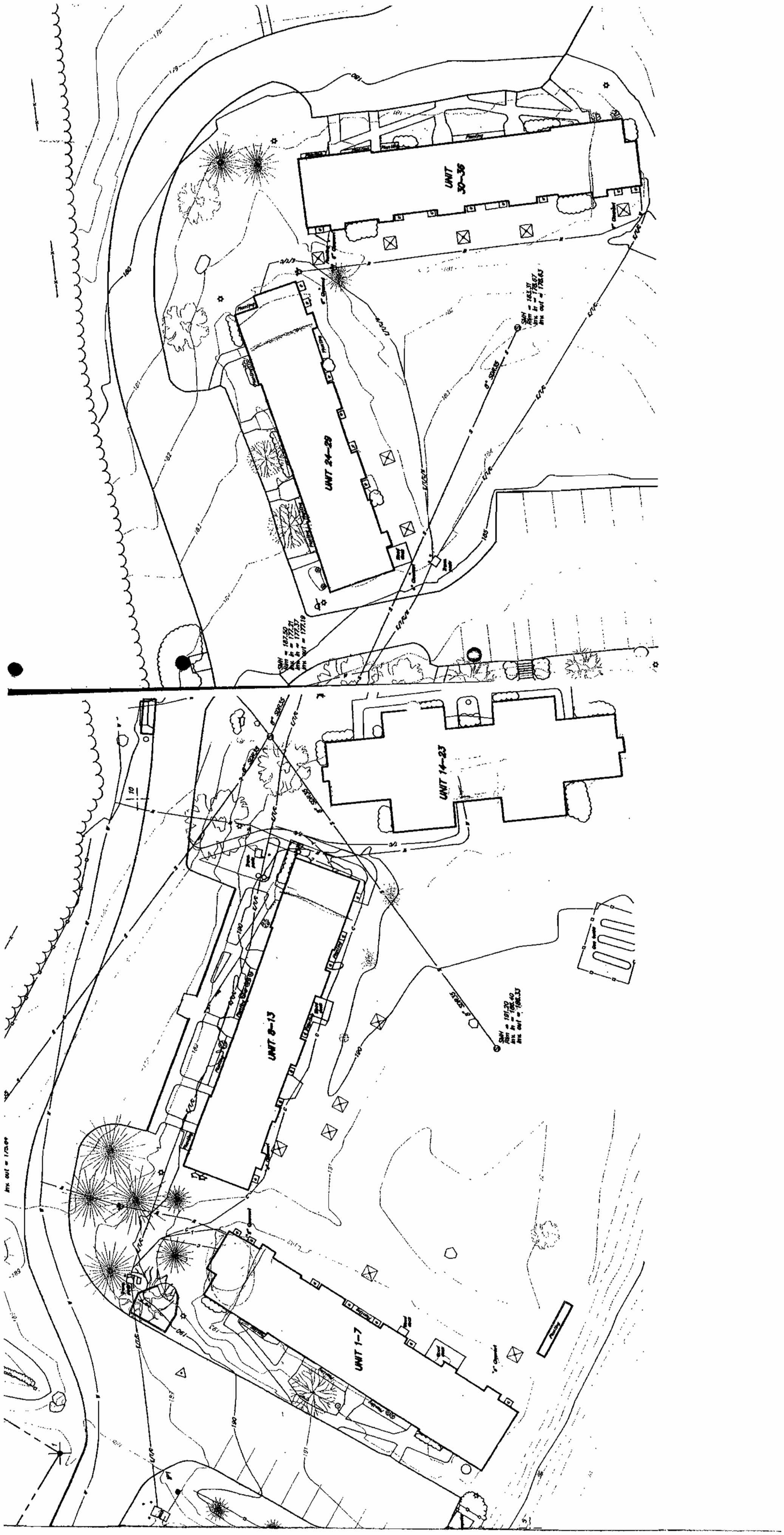
Tax Credit Summary: Creekview Housing is requesting 4% (out of cap) Housing Credits, and $100,000 in State Credits. One hundred fifty thousand dollars ($150,000) is available annually in State Affordable Housing Tax Credits. One hundred fifty thousand dollars ($150,000) of State Credit was committed to the Stowe project in 2002. Housing Vermont intends to return that credit and re-apply for it once more progress has been made on the Stowe project's re-design. This project could use $100,000 of that year's State Credit.

The project meets all of the required design standards for its size. It also meets several of the recommended design standards: It will have a community room (with a bathroom but no kitchen); the two-bedroom units have exterior storage space; the site is close to downtown Vergennes and is accessible to services, schools, churches, and shopping.

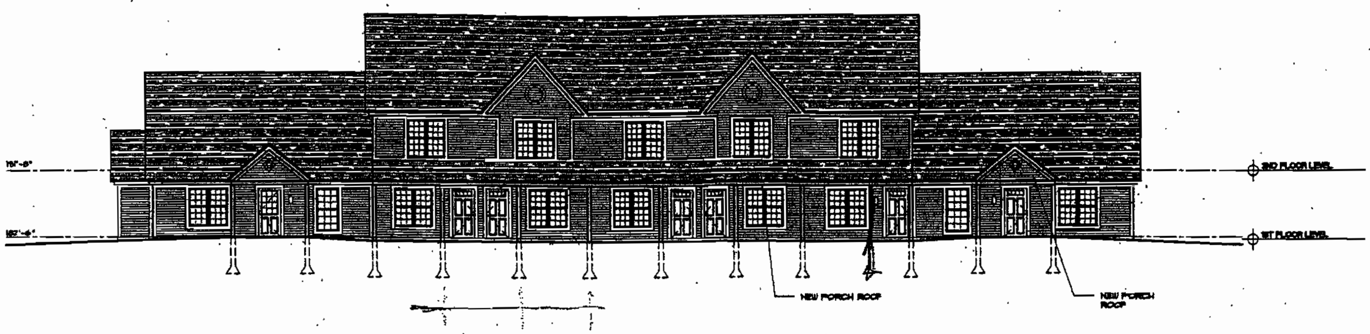
Historically the vacancy rate has been low. The sponsors only expect it to be lower going forward since the physical conditions will be improved, maintenance will be better, and tenant and management relations improved. The market study indicates a 2.9% vacancy rate in the area, and more than enough demand for the units being held vacant for the upcoming rehabilitation. It further cites that "rental costs in Vergennes have and are continuing to increase at a rate 10% greater than income."



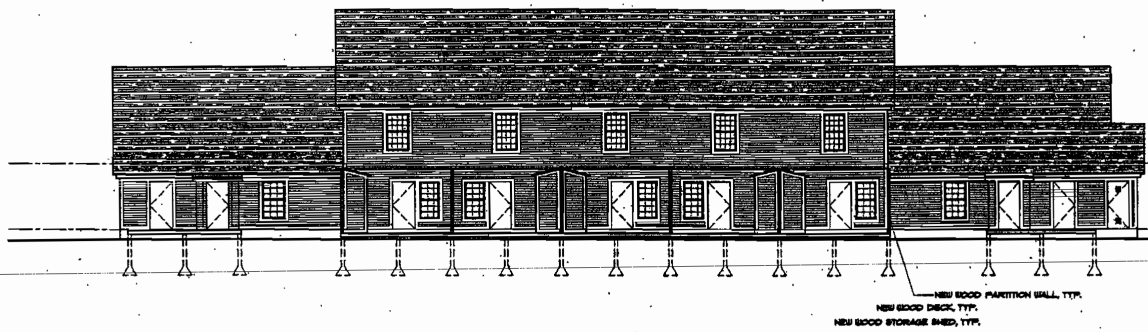
Creekview Housing
Vergennes

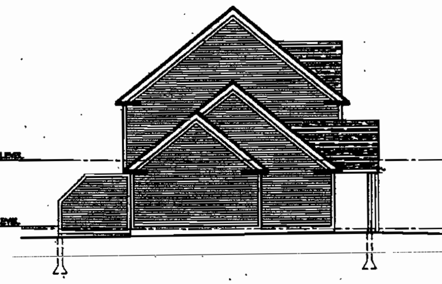


Creekview Housing
Vergennes
Site Map (5 Buildings)

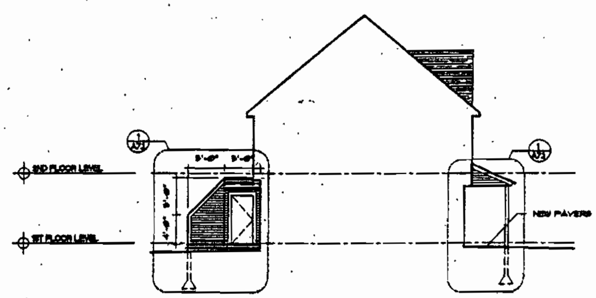


1 BUILDING 1 + 5 (A) - FRONT ELEVATION
1/8" = 1'-0"





3 BUILDING 1 + 5 (A) - SIDE ELEVATION
1/8" = 1'-0"



4 BUILDING 1 + 5 (A) - SECTION THRU BUILDING
SHOWING FRONT PORCH AND BACK DECK
1/8" = 1'-0"

PROGRESS PRINT
NOT FOR CONSTRUCTION
DATE 6.28.04

[redacted]
p. 802.879.5153 f. 802.872.2764
architecture
planning
interiors

project
CREEKVIEW HOUSING
VERGENNES, VERMONT

drwg. title
BUILDING 1
EXTERIOR ELEVATIONS

scale 1/8" = 1'-0"
project no. 04-03
drawn by
date
file

date | revisions

drwg. no.
A4.1
Sheet _ Of _

06-Oct-04 **Creekview Housing**

Total Residential Units:	36	Increase in Income from Rental Units:	0.00%
Housing Credit Restricted Units:	31	Increase in Income from Other Sources:	0.00%
Percent Restricted:	86.11%	Increase in Income from Commercial:	0.00%
Total Development Cost:	3,747,259	Expense increase:	0.00%
Total Development Cost per Unit	104,091	Vacancy Rate:	5%
Total Development Cost Per SF:	133	Partner's Tax Rate:	35%
Credit Election:	40/60	Long Depreciation Schedule:	27.5 years
Max Bond Credit Potential:	**125,397**	Short Depreciation Schedule:	7 years
State Credit Allocated:	**100,000**	Sponsor's Estimated Yield:	63.34%
LIHTC - 9%	7.98%	(October 2004)	
LIHTC - 4%	3.42%		

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term
RD Mortgage original	1,351,263	36.06%	1.00%	48	48
RD Mortgage new	950,000	25.35%	1.00%	50	50
VHCB--General Fund	100,000	2.67%	0.00%	30	deferred
REEP	18,000	0.48%	0.00%	30	deferred
Tax Credit Equity	1,327,996	35.44%	N/A	N/A	
TOTAL SOURCES	3,747,259	100.00%			
VHFA Construction Loan	**2,200,000**	**58.71%**	**3.50% (estimate)**		**12 months**

USES

Acquisition	1,585,050	42.30%
Construction Hard Costs	1,422,836	37.97%
Soft Costs	739,373	19.73%
TOTAL USES	3,747,259	100.00%
Gap	0	

PER UNIT COST LIMIT CALCULATION

	per unit limits	number of units	
0 Br	84,390	0	0
1 Br	90,140	10	901,400
2 Br	95,890	26	2,493,140
3 Br	101,637	0	0
4 Br	107,390	0	0
Maximum cost allowed under the per unit cost limits		36	3,394,540
Projected total cost, excluding cash accounts			3,681,695
	(over)/under		(287,155)

General Partner's Capital Contribution	13,280	1.00%
Limited Partner's Capital Contribution	1,314,716	99.00%
Total Equity	1,327,996	

Equity Raise

LIHTC	786,346		
HTC	0		
State HTC	325,000		325,000
TOTAL	1,111,346	2,396,000	
		1,284,654	

APPLICABLE FRACTION CALCULATION

Tax Credit Restricted Units	31
Total Units	36
Unit Fraction	86.11%
Tax Credit Square Footage	24,366
Total Residential Square Footage	28,164
Square Footage Fraction	86.51%
Applicable Fraction	86.11%

06-Oct-04 **Creekview Housing** 1,575,000 106.80

		Budget	Per Unit	Per s.f.	VHCB Terms:___	RD Terms:___	REEP Terms:___	Equity Terms:___	TOTAL SOURCES
	ACQUISITION								
1	Land	249,000	6,917	8.84		249,000			249,000
2	Purchase of Building(s)	1,326,000	36,833	47.08		1,326,000			1,326,000
3	Demolition (without replacement)		0						0
4	Property Appraisal	4,800	133	0.17				4,800	4,800
5	Legal - Title and Recording	5,250	146	0.19				5,250	5,250
	Subtotal - Acquisition	1,585,050	44,029	56.28					
	CONSTRUCTION HARD COSTS								
6	Rehabilitation	970,360	26,954	34.45	100,000	726,263	18,000	126,097	970,360
7	New Building(s)		0						0
8	Accessory Buildings		0						0
9	Sitework	290,400	8,067	10.31				290,400	290,400
10	Commercial Space Costs (if any)		0						0
11	General Requirements		0						0
12	Contractor Overhead		0						0
13	Contractor Profit		0						0
14	Construction Contingency	126,076	3,502	4.48				126,076	126,076
15	Construction Management		0						0
16	Construction Bond Fee		0						0
17	Hazardous Materials Abatement		0						0
18	Off-Site Improvements		0						0
19	Furnishings, Fixtures, & Equipment	36,000	1,000	1.28				36,000	36,000
20	Other (________________)		0						0
	Subtotal - Hard Costs	1,422,836	39,523	50.52					
	SOFT COSTS								
21	Architectural	92,305	2,564	3.28				92,305	92,305
22	Engineering		0						0
23	Legal/Accounting	15,000	417	0.53				15,000	15,000
24	Relocation	26,250	729	0.93				26,250	26,250
25	Environmental Assessment	3,000	83	0.11				3,000	3,000
26	Energy Assessment		0						0
27	Permits/Fees	17,303	481	0.61				17,303	17,303
28	Independent Market Study		0						0
29	Construction Period Insurance	17,600	489	0.62				17,600	17,600
30	Construction Interest	67,622	1,878	2.40				67,622	67,622
31	Construction Loan Origination Fee	36,000	1,000	1.28				36,000	36,000
32	Taxes During Construction		0						0
33	Clerk of the Works	15,000	417	0.53				15,000	15,000
34	Marketing	3,000	83	0.11				3,000	3,000
35	Tax Credit Fees	5,050	140	0.18				5,050	5,050
36	Soft Cost Contingency	5,679	158	0.20				5,679	5,679
37	Permanent Loan Origination Fee		0						0
38	Lender's Counsel's Fee		0						0
39	Other (_historic preservation consultant_)		0						0
	SYNDICATION COSTS								
40	Organizational (Partnership)		0						0
41	Bridge Loan Fees and Expenses		0						0
42	Syndication Consultant		0						0
43	Tax Opinion		0						0
	DEVELOPER'S FEES								
44	Developer's Fees	370,000	10,278	13.14				370,000	370,000
45	Other Partnership Fees		0						0
46	Consultant Fees		0						0
	RESERVES								
47	Working Capital	65,564	1,821	2.33				65,564	65,564
48	Rent-up (Deficit Escrow) Reserve		0						0
49	Other Operating Reserves		0						0
50	Sinking Fund		0						0
51	Replacement Reserves		0						0
	Subtotal - Soft Costs	739,373	20,538	26.25					
	TOTAL DEVELOPMENT COSTS	3,747,259	104,091	133.05	100,000	2,301,263	18,000	1,327,996	3,747,259

06-Oct-04 **Creekview Housing**

		Budget	Total Project: Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Other
	ACQUISITION						
1	Land	249,000					
2	Purchase of Building(s)	1,326,000	1,326,000		1,326,000		
3	Demolition (without replacement)	0			0		
4	Property Appraisal	4,800	4,800		4,800		
5	Legal - Title and Recording	5,250	5,250		5,250		
	Subtotal - Acquisition	1,585,050					
	CONSTRUCTION HARD COSTS						
6	Rehabilitation	970,360		970,360	970,360		
7	New Building(s)	0					
8	Accessory Buildings	0					
9	Sitework	290,400		290,400	290,400		
10	Commercial Space Costs (if any)	0					
11	General Requirements	0					
12	Contractor Overhead	0					
13	Contractor Profit	0					
14	Construction Contingency	126,076		126,076	126,076		
15	Construction Management	0					
16	Construction Bond Fee	0					
17	Hazardous Materials Abatement	0					
18	Off-Site Improvements	0					
19	Furnishings, Fixtures, & Equipment	36,000		36,000	36,000		
20	Other (________________)	0					
	Subtotal - Hard Costs	1,422,836					
	SOFT COSTS						
21	Architectural	92,305		92,305	92,305		
22	Engineering	0					
23	Legal/Accounting	15,000		11,250	11,250		
24	Relocation	26,250		26,250	26,250		
25	Environmental Assessment	3,000		3,000	3,000		
26	Energy Assessment	0					
27	Permits/Fees	17,303		17,303	17,303		
28	Independent Market Study	0					
29	Construction Period Insurance	17,600		17,600	17,600		
30	Construction Interest	67,622		67,622	67,622		
31	Construction Loan Origination Fee	36,000		36,000	36,000		
32	Taxes During Construction	0					
33	Clerk of the Works	15,000		15,000	15,000		
34	Marketing	3,000			3,000		
35	Tax Credit Fees	5,050		5,050	5,050		
36	Soft Cost Contingency	5,679		5,679	5,679		
37	Permanent Loan Origination Fee	0					
38	Lender's Counsel's Fee	0					
39	Other (_historic preservation consultant_)	0		0	0		
	SYNDICATION COSTS						
40	Organizational (Partnership)	0					
41	Bridge Loan Fees and Expenses	0					
42	Syndication Consultant	0					
43	Tax Opinion	0					
	DEVELOPER'S FEES						
44	Developer's Fees	370,000		370,000	370,000		
45	Other Partnership Fees	0					
46	Consultant Fees	0					
	RESERVES						
47	Working Capital	65,564					
48	Rent-up (Deficit Escrow) Reserve	0					
49	Other Operating Reserves	0					
50	Sinking Fund	0					
51	Replacement Reserves	0					
	Subtotal - Soft Costs	739,373					
	TOTALS	3,747,259	1,336,050	2,089,895	3,392,945	0	
	LESS: Amount of Non-qualified Financing				4,378		
	LESS: Adjustment for per unit cost limits						
	LESS: Historic tax Credit (Residential Portion)			0	0	20%	
	Total Eligible Basis		1,336,050	2,089,895		0	
	TIMES: Adjusted for QCT/DDA--N/A--Burl MSA	130.0%		2,716,864		0	
	TIMES: Applicable Fraction	86.11%	1,150,488	2,339,521			
	Total Qualified Basis		1,150,488	2,339,521	3,388,567	Long Term Depreciable Bas	
	TIMES: Applicable Percentage		3.42%	3.42%	27.5	Depreciation Schedule	
	Total Annual Credit Qualified		39,347	80,012	123,221	Annual Depreciation	

Total Tax Credits Requested	125,397	119,358	36,000	Short Term Depreciable Bas
Estimated Net Syndication Proceeds **(excluding historic credit equity)**	786,346		7	Depreciation Schedule
Estimated Yield - Housing Credit Syndication	63.34%		5,143	Annual Depreciation
Equity Gap	1,327,996			
Credits Needed to fill Equity Gap	211,773			

06-Oct-04 **Creekview Housing**

HC Restricted Units Bedrooms	Type tax credit	Average Square Feet	Number	Average Rent	Utilities	Total Annual Rent
0 Br			0	0		0
1 Br	1 Bedroom	576	9	587	0	63,396
2 Br	2 Bedroom	872	22	649	0	171,336
3 Br			0	0		0
4+ Br			0	0		0
	Totals	24,366	31			234,732

Non-HC Restricted Units Bedrooms	Type unrestricted	Square Feet	Number	Rent	Utilities	Total Annual Rent
0 Br			0	0		0
1 Br	1 Bedroom	1,296	1	587	0	7,044
2 Br	2 Bedroom	626	4	649		31,152
3 Br			0	0		0
4+ Br			0	0		0
	Totals	3,798	5			38,196
All Units						
	Grand Totals	28,164	36			272,928

Less Vacancy	5.00%	(13,646)
NET RENT		259,282

OTHER INCOME

Laundry	3,000
Parking	0
Commercial Space Income	0
Other	0
TOTAL INCOME	262,282

form revision date: 2/27/97

06-Oct-04

Creekview Housing

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:					
	Check all Applicable									A					B						C					
															<30%	<50%	<60%	<80%	<100%	>100%	30%	50%	60%	65%	80%	100%+
100	101			1	1	1				2	834	649		649	1	0	0				1	0	0			
	102			1	1	1				2	834	649		649	1	0	0				1	0	0			
	103			1	1	1				2	834	649		649	1	0	0				1	0	0			
	104			1	1	1				2	834	649		649	1	0	0				1	0	0			
	105			1	1	1				2	834	649		649	1	0	0				1	0	0			
	106			1	1	1				2	834	649		649	1	0	0				1	0	0			
	107			1	1	1				2	834	649		649	1	0	0				1	0	0			
200	201			1	1	1				2	834	649		649	1	0	0				1	0	0			
	202			1	1	1				2	834	649		649	1	0	0				1	0	0			
	203			1	1	1				2	834	649		649	1	0	0				1	0	0			
	204			1	1	1				2	834	649		649	1	0	0				1	0	0			
	205			1	1	1				2	834	649		649	1	0	0				1	0	0			
	206			1	1	1				2	834	649		649	1	0	0				1	0	0			
300	301			1	1	1				1	648	587		587	1	0	0				1	0	0			
	302			1	1	1				1	648	587		587	1	0	0				1	0	0			
	303			1	1	1				1	648	587		587	1	0	0				1	0	0			
	304			1	1	1				1	648	587		587	1	0	0				1	0	0			
	305			1	1	1				1	648	587		587	1	0	0				1	0	0			
	306			1	1	1				1	648	587		587	1	0	0				1	0	0			
	307			1	1	1				1	648	587		587	1	0	0				1	0	0			
	308									1	648	587		587	0	1	0				0	1	0			
	309				1	1			1	1	648	587		587	0	0	0		1		0	1	0			
	310				1	1			1	1	648	587		587	0	0	0		1		0	1	0			
400	401									2	834	649		649	0	1	0				0	1	0			
	402				1	1				2	834	649		649	0	1	0				0	1	0			
	403				1	1				2	834	649		649	0	1	0				0	1	0			
	404				1	1				2	834	649		649	0	1	0				0	1	0			
	405								1	2	834	649		649	0	0	0		1		0	1	0			
	406				1	1				2	834	649		649	0	1	0				0	1	0			
500	501				1	1				2	834	649		649	0	1	0				0	1	0			
	502				1	1				2	834	649		649	0	1	0				0	1	0			
	503				1	1				2	834	649		649	0	1	0				0	1	0			
	504								1	2	834	649		649	0	0	0		1		0	1	0			
	505				1	1				2	834	649		649	0	1	0				0	1	0			
	506				1	1				2	834	649		649	0	1	0				0	1	0			
	507								1	2	834	649		649	0	0	0		1		0	1	0			
Total # Units	36	0	0	20	31	31	0	0	5	Totals:	28,164	22,744		Total # Units:	20	11	0	0	5	0	20	16	0	0	0	0

form revision date: 2/27/97

06-Oct-04	**Creekview Housing**				
			Per Unit		
	Annual	Monthly	Per Month		
Administration					
Management Fee	22,248	1,854	52	8.5%	
Supportive Services		0	0		
Audit/Accounting	4,500	375	10		
Legal	3,456	288	8		
Compliance Monitoring		124	3		1,488
Marketing	864	72	2		
Other	1,728	144	4		
TOTAL ADMINISTRATIVE	32,796	2,733	76		
Utilities					
Electricity	28,080	2,340	65		
Fuel	21,600	1,800	50		
Water and Sewer	15,552	1,296	36		
Fire Alarm / Emergency	1,296	108	3		
Other	0	0	0		
TOTAL UTILITIES	66,528	5,544	154		
Maintenance					
Maintenance / Janitor Payroll	17,280	1,440	40		
Janitor Supplies	1,728	144	4		
Exterminating	864	72	2		
Trash Removal	5,616	468	13		
Snow Removal	3,456	288	8		
Grounds	3,456	288	8		
Repairs Material		0	0		
Repairs Contract	0	0	0		
HVAC Repairs / Maintenance	3,456	288	8		
Elevator Contract / Repairs	0	0	0		
Painting and Decorating	3,024	252	7		
Other	1,296	108	3		
TOTAL MAINTENANCE	40,176	3,348	93		
				per unit month	
Real Estate Taxes	35,856	2,988	83	excl. ds & res.	
Property Insurance	7,500	625	17	423	
Replacement Reserves	19,440	1,620	45		
Primary Debt Service		0	0		
Other "must pay" debt service		0	0		
Other		0	0		
Total	202,296	16,858	468		
"Below-the-Line" Expenses:		List these in order of priority as in Partnership Agreement; add any other line items			
Special LP or GP Fee	0				
Repayment of Deferred Fee	0				
Partnership Audit or K-1 Fee	0				
Distribution	0				
Net to Residual Receipts/Cumulative Cash Flow	202,296				

form revision date: 2/27/97

06-Oct-04 **Creekview Housing**

06-Oct-04	Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Operating Income																
Gross Rent		272,928	272,928	272,928	272,928	272,928	272,928	272,928	272,928	272,928	272,928	272,928	272,928	272,928	272,928	272,928
Other Income		3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Vacancy and other losses		(13,646)	(13,646)	(13,646)	(13,646)	(13,646)	(13,646)	(13,646)	(13,646)	(13,646)	(13,646)	(13,646)	(13,646)	(13,646)	(13,646)	(13,646)
Total Operating Income		262,282	262,282	262,282	262,282	262,282	262,282	262,282	262,282	262,282	262,282	262,282	262,282	262,282	262,282	262,282
Operating Expenses																
Total Expenses (excl. Reserves)		182,856	182,856	182,856	182,856	182,856	182,856	182,856	182,856	182,856	182,856	182,856	182,856	182,856	182,856	182,856
Reserves		19,440	19,440	19,440	19,440	19,440	19,440	19,440	19,440	19,440	19,440	19,440	19,440	19,440	19,440	19,440
Total Operating Expense		202,296	202,296	202,296	202,296	202,296	202,296	202,296	202,296	202,296	202,296	202,296	202,296	202,296	202,296	202,296
Net Operating Income		59,986	59,986	59,986	59,986	59,986	59,986	59,986	59,986	59,986	59,986	59,986	59,986	59,986	59,986	59,986
Less Primary Debt Service		59,846	59,846	59,846	59,846	59,846	59,846	59,846	59,846	59,846	59,846	59,846	59,846	59,846	59,846	59,846
Less Secondary Debt Service		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Annual Cash Flow		139	139	139	139	139	139	139	139	139	139	139	139	139	139	139
Operating Subsidies / Sinking Fund		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash		139	139	139	139	139	139	139	139	139	139	139	139	139	139	139
DCR		100.23%	100.23%	100.23%	100.23%	100.23%	100.23%	100.23%	100.23%	100.23%	100.23%	100.23%	100.23%	100.23%	100.23%	100.23%
Cumulative Cash Flow																
Beginning Balance		0	139	285	435	592	755	925	1,102	1,285	1,476	1,675	1,881	2,096	2,319	2,551
Deposits		139	139	139	139	139	139	139	139	139	139	139	139	139	139	139
Interest	2.0%	0	6	11	17	24	30	37	44	51	59	67	75	84	93	102
Withdrawals:																
Project Operating Needs		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Special LP or GP Fee		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Repayment of Deferred Devel. Fee		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Partnership Audit or K-1 Fee		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Distribution of Cash to Owner		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance		139	285	435	592	755	925	1,102	1,285	1,476	1,675	1,881	2,096	2,319	2,551	2,793
Cumulative Replacement Reserves																
Beginning Balance		0	19,634	39,860	60,894	82,770	65,521	87,582	110,525	134,386	159,201	145,009	170,250	196,500	223,800	252,192
Deposits		19,440	19,440	19,440	19,440	19,440	19,440	19,440	19,440	19,440	19,440	19,440	19,440	19,440	19,440	19,440
Interest	2.0%	194	785	1,594	2,436	3,311	2,621	3,503	4,421	5,375	6,368	5,800	6,810	7,860	8,952	10,088
Withdrawals		0	0	0	0	(40,000)	0	0	0	0	(40,000)	0	0	0	0	(40,000)
Ending Balance		19,634	39,860	60,894	82,770	65,521	87,582	110,525	134,386	159,201	145,009	170,250	196,500	223,800	252,192	241,719
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Net Operating Income		59,986	59,986	59,986	59,986	59,986	59,986	59,986	59,986	59,986	59,986	59,986	59,986	59,986	59,986	59,986
Plus Reserves		19,440	19,440	19,440	19,440	19,440	19,440	19,440	19,440	19,440	19,440	19,440	19,440	19,440	19,440	19,440
Less Interest Expense		(22,843)	(22,472)	(22,096)	(21,717)	(21,334)	(20,947)	(20,556)	(20,161)	(19,763)	(19,360)	(18,953)	(18,543)	(18,128)	(17,709)	(17,285)
Less Long Depreciation		(123,221)	(123,221)	(123,221)	(123,221)	(123,221)	(123,221)	(123,221)	(123,221)	(123,221)	(123,221)	(123,221)	(123,221)	(123,221)	(123,221)	(123,221)
Less Short Depreciation		(5,143)	(5,143)	(5,143)	(5,143)	(5,143)	(5,143)	(5,143)	0	0	0	0	0	0	0	0
Taxable Income (Loss)		(71,781)	(71,409)	(71,034)	(70,655)	(70,272)	(69,885)	(69,494)	(63,957)	(63,558)	(63,155)	(62,748)	(62,338)	(61,923)	(61,504)	(61,080)
Cash Flow		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings		25,123	24,993	24,862	24,729	24,595	24,460	24,323	22,385	22,245	22,104	21,962	21,818	21,673	21,526	21,378
Fed & State HTC		0														
Plus Tax Credits		100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000					
After Tax Cash Flow		125,123	124,993	124,862	124,729	124,595	124,460	124,323	122,385	122,245	122,104	21,962	21,818	21,673	21,526	21,378
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		125,123	124,993	124,862	124,729	124,595	124,460	124,323	122,385	122,245	122,104	21,962	21,818	21,673	21,526	21,378
Future Value of Cash Flows at Yr 15:		684,871	610,856	544,834	485,942	433,410	386,553	344,757	303,020	270,245	241,012	38,704	34,331	30,449	27,003	23,943
Discount Rate:	6.00%															
Capital Contribution Number:	1	2	3	4												
Date of Capital Contribution:	31-Dec-04	30-Sep-05	31-Mar-06	15-Aug-06												
Amount of Capital Contribution:	1,328	1,062,397	264,271	0												
Present Value of Contributions:	1,328	1,015,145	244,973	0												
Cash Flows	(1,261,446)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	4,459,933
IRR:	8.78%															
Equity Yield:	127%															

form revision date: 2/27/97

Creekview Housing
Construction Flow of Funds

Sources:		Dec-04 Construction Closing	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05 Permanent Closing		Final Capital Contribution
			Month: 1	2	3	4	5	6	7	8	9	10	11	12	13	14
Construction Loan	2,200,000	466,363	57,777	108,780	163,298	129,625	137,361	157,509	196,220	196,679	182,732	114,007	82,740			
RD Original Loan	1,351,263	1,351,263														
RD New Loan	950,000													950,000		
VHCB Loan	100,000	100,000														
REEP	18,000													18,000		
GP Cap Contrb																
LP Cap. Contrib.	1,327,996													1,327,996		
TOTALS:	3,747,259	1,917,626	57,777	108,780	163,298	129,625	137,361	157,509	196,220	196,679	182,732	114,007	82,740	2,295,996	0	0
	USES - >	1,917,627	57,778	108,781	163,299	129,626	137,362	157,510	196,221	196,680	182,733	114,008	82,741	2,270,570	0	0
	Difference	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	25,426	0	0
Uses:	Cumulative Diff	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	25,414		
ACQUISITION																
Land	249,000	210,000														
Purchase of Building(s)	1,326,000	1,365,000														
Demolition (without replacement)	0															
Property Appraisal	4,800	4,800														
Legal - Title and Recording	5,250	5,250														
CONSTRUCTION HARD COSTS																
Rehabilitation	970,360		48,518	97,036	97,036	97,036	97,036	97,036	97,036	97,036	97,036	48,518	48,518	48,518		
New Building(s)	0															
Accessory Buildings	0															
Sitework	290,400					7,260	14,520	29,040	72,600	72,600	58,080	36,300				
Commercial Space Costs (if any)	0															
General Requirements	0															
Contractor Overhead	0															
Contractor Profit	0															
Construction Contingency	126,076				12,608	12,608	12,608	12,608	12,608	12,608	12,608	12,608	12,608	12,604		
Construction Management	0															
Construction Bond Fee	0															
Hazardous Materials Abatement	0															
Off-Site Improvements	0															
Furnishings, Fixtures, & Equipment	36,000				36,000											
Other (__________________)	0															
SOFT COSTS																
Architectural	92,305	64,614	2,308	2,308	2,308	2,308	2,308	2,308	2,308	2,308	2,308	2,308	2,308	2,303		
Engineering	0															
Legal/Accounting	15,000	6,000												9,000		
Relocation	26,250	10,500			5,250			5,250					5,250			
Environmental Assessment	3,000	3,000														
Energy Assessment	0															
Permits/Fees	17,303	17,303														
Independent Market Study	0															
Construction Period Insurance	17,600		1,467	1,467	1,467	1,467	1,467	1,467	1,467	1,467	1,467	1,467	1,467	1,463		
Construction Interest	67,622			1,360	1,529	1,846	2,322	2,700	3,101	3,560	4,133	4,706	5,239	5,572		
Construction Loan Origination Fee	36,000	36,000														
Taxes During Construction	0															
Clerk of the Works	15,000		375	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	750	375		
Marketing	3,000											1,000	1,000	1,000		
Tax Credit Fees	5,050	5,050														
Soft Cost Contingency	5,679				491	491	491	491	491	491	491	491	491	491		
Permanent Loan Origination Fee	0															
Lender's Counsel's Fee	0															
Other (historic preservation consultant)	0															
SYNDICATION COSTS																
Organizational (Partnership)	0															
Bridge Loan Fees and Expenses	0															
Syndication Consultant	0															
Tax Opinion	0															
DEVELOPER'S FEES																
Developer's Fees	370,000	185,000												185,000		
Other Partnership Fees	0															
Consultant Fees	0															
RESERVES																
Working Capital	65,564	5,110	5,110	5,110	5,110	5,110	5,110	5,110	5,110	5,110	5,110	5,110	5,110	4,244		
Rent-up (Deficit Escrow) Reserve	0															
Other Operating Reserves	0															
Sinking Fund	0															
Replacement Reserves	0															
Repay Construction Loan														2,000,000		
TOTAL DEVELOPMENT COSTS	3,747,259	1,917,627	57,778	108,781	163,299	129,626	137,362	157,510	196,221	196,680	182,733	114,008	82,741	2,270,570	0	0
Construction Loan Balance		1,351,263	1,351,263	1,351,263	1,351,263	1,351,263	1,351,263	1,351,263	1,351,263	1,351,263	1,351,263	1,351,263	1,351,263	(648,737)	(648,737)	(648,737)
Construction Loan Interest 9.0%		0	10,134	10,134	10,134	10,134	10,134	10,134	10,134	10,134	10,134	10,134				
Bridge Interest (Cumulative) 9.0%													0	10,134	5,345	520

RESOLUTION RE: CONSTRUCTION FINANCING AND PROPOSED ALLOCATION OF STATE HOUSING CREDITS FOR CREEKVIEW HOUSING, VERGENNES

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

WHEREAS, an application has been submitted to the Agency by Housing Vermont and Addison County Community Action Group (the "Sponsors") on behalf of a to-be-formed limited partnership in which the Sponsors or their subsidiaries will be the general partners (the "Borrower") involving the rehabilitation of thirty-six (36) units of general occupancy rental housing in the City of Vergennes (the "Development"); and

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

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

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

WHEREAS, the Agency administers the allocation of the federal Low Income Housing Tax Credits and State Housing Credits under the State's Qualified Allocation Plan; and

WHEREAS, the Governor of the State of Vermont has approved the 2004-2005 Qualified Allocation Plan; and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid dated October 7, 2004, containing information and recommendations about the Development (the "Memorandum");

THEREFORE, it is hereby DETERMINED:

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

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

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

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

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

6. The Sponsors are financially responsible and are qualified housing sponsors within the meaning of the Act. The Borrower will be required to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to the limited partnership to be created by the Sponsors for the construction financing of the Development based on the recommendations in the attached Memorandum. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the Sponsors in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

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

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

4. That the recommendations for allocation of State Housing Credits contained in the Memorandum which is attached and incorporated by this reference be approved.

5. That the Executive Director and the appropriate staff are hereby authorized to take such actions as are described in the 2004-2005 Qualified Allocation Plan regarding the proposed allocation of State Housing Credits in the amount of $100,000 for the Creekview Housing project in the City of Vergennes, Vermont.

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Elizabeth Mullikin Drake, General Counsel

RE: Appointment of Gary Marini as Treasurer and Update of Check Signing and Vault Access Authorization

DATE: October 7, 2004

Recommendation: To adopt the attached resolution.

As Chief Financial Officer, Gary can now be appointed as the Agency's Treasurer. Sarah's appointment as Treasurer will no longer be effective.

To update the Agency's check signing and vault access authorizations with Banknorth, the attached resolution also includes the addition of Gary as an authorized signer.

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

VERMONT HOUSING FINANCE AGENCY

RESOLUTION REGARDING THE APPOINTMENT OF NEW TREASURER AND AUTHORIZATIONS

RESOLVED, Gary P. Marini, Chief Financial Officer, is hereby elected to serve as Treasurer of the Agency until his successor is elected and qualified.

RESOLVED, the following persons shall be authorized to sign checks drawn against any of the Agency's accounts:

Executive Director ______________________________

(Signature)
Sarah E. Carpenter

Chief Financial Officer ______________________________

(Signature)
Gary P. Marini

Director of Administration ______________________________

(Signature)
Patricia M. Loller

Chief of Program Operations ______________________________

(Signature)
David S. Adams

Controller ______________________________

(Signature)
Timothy M. Gutchell

Any check in an amount over $10,000 payable against any of the Agency's accounts must be signed by at least two of the foregoing persons. Any payroll check shall be valid and negotiable when signed by any one of the foregoing persons.

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

Chief Financial Officer ______________________________
(Signature)
Gary P. Marini

Controller ______________________________
(Signature)
Timothy M. Gutchell

Lender Accounting Coordinator ______________________________
(Signature)
Susan B. Joachim

Loan Portfolio Specialist ______________________________
(Signature)
Martha G. Fleming

Financial Analyst ______________________________
(Signature)
Lisa Clark

vhfa
Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Patricia M. Loller

DATE: October 7, 2004

RE: **Pension Plan Resolutions**

Attached are two Pension Plan resolutions requiring approval from the Board. The first removes Roger Schoenbeck as a Trustee from the Plan and in turn adds the Agency's new CFO, Gary P. Marini as a Plan Trustee.

The second resolution is to more clearly identify the Agency's intention to not include temporary employees from participating in the Agency's Pension Plan. This came to light with the annual review and testing of our 2003 plan year by Pension Works. In so many words, the way it is currently stated – all employees, either permanent or temporary are eligible to participate in the plan. It has never been the intention of the Agency to cover employees who are temporary in nature and this resolution will make that clarification. The total out of pocket expense to the Agency is about $150 for 2003 and $50 for 2004.

Please don't hesitate to give me a call with any questions at 652-3425.

VERMONT HOUSING FINANCE AGENCY
RESOLUTION RE: NEW 401(K) PLAN TRUSTEE

RESOLVED, that effective May 1, 2004 the Vermont Housing Finance Agency 401(k) Plan (the "Plan") shall be amended as follows:

Roger Schoenbeck shall be removed as a Plan Trustee.

RESOLVED, that effective October 1, 2004 the Plan shall be amended as follows:

Gary P. Marini is added as a Plan Trustee.

RESOLVED, that all participants in the Plan be notified of the change in writing as soon as possible by distribution of the attached "Summary of Material Modifications."

SUMMARY OF MATERIAL MODIFICATIONS
VERMONT HOUSING FINANCE AGENCY 401(K) RETIREMENT PLAN

NOTICE: To all Participants and Beneficiaries of the Vermont Housing Finance Agency 401(k) Plan:

Effective May 1, 2004 the following change was made to the Plan:

Roger Schoenbeck is removed as a Plan Trustee.

Effective October 1, 2004 the following change was made to the Plan:

Gary P. Marini is added as a Plan Trustee.

This change affects the information contained in Article II "General Information about the Plan" located on page 2 of your Summary Plan Description.

You should attach this document to your current Summary Plan Description for future reference.

Sincerely,

Vermont Housing Finance Agency
EIN: 03-0239902
October, 2004

VERMONT HOUSING FINANCE AGENCY
RESOLUTION RE: AMENDMENT TO 401(K) PLAN: ELIGIBLE EMPLOYEES

RESOLVED, that effective October 1, 2004, the Vermont Housing Finance Agency 401(k) Plan (the "Plan") shall be amended as follows:

> Part II, Article A, "Eligibility and Service Provisions", Section 2. "Eligible Employees" of the Adoption Agreement shall be replaced in its entirety with the following;

2. **Eligible Employees** - Section 1.2.35 provides that all Employees, including Employees of certain related businesses and Leased Employees are eligible except for certain members of a collective bargaining unit and non-resident aliens. If adopting Employer is a member of a controlled group or affiliated service group and wishes to cover Employees of the adopting Employer only, then g. must be checked to exclude Employees of the controlled group or affiliated service group not employed by the adopting Employer. (Select all applicable.)

- o a. Plan Provision - All Employees except members of a collective bargaining unit and non-resident aliens
- Ξ b. Include members of collective bargaining unit
- Ξ c. Include non-resident aliens
- o d. Exclude Employees acquired in a section 410(b)(6)(C) transaction
- o e. Exclude Highly Compensated Employees
- o f. Exclude Self-Employed Individuals
- o g. Exclude Employees not employed by the adopting Employer
- o h. Exclude commissioned Employees
- o i. Exclude hourly Employees
- o j. Exclude salaried Employees
- o k. Permit one-time election not to participate pursuant to Section 2.1.6.
- Ξ l. Other - Specify: The Plan shall exclude employees that are hired into positions deemed temporary in nature.
  (Cannot discriminate in favor of Highly Compensated Employees.)

RESOLVED, that all participants in the Plan be notified of the change in writing as soon as possible by distribution of the attached "Summary of Material Modifications."

SUMMARY OF MATERIAL MODIFICATIONS
VERMONT HOUSING FINANCE AGENCY 401(K) RETIREMENT PLAN

NOTICE: To all Participants and Beneficiaries of the Vermont Housing Finance Agency 401(k) Plan:

Effective October 1, 2004 the following change was made to the Plan:

All of your Employer's employees are considered Eligible Employees and may participate in the Plan, once they meet the Eligibility and Participation requirements, except the Plan shall exclude employees that are hired into positions deemed temporary in nature.

This change affects the information contained in Article III "Participation in your Plan" located on page 3 of your Summary Plan Description.

You should attach this document to your current Summary Plan Description for future reference.

Sincerely,

Vermont Housing Finance Agency
EIN: 03-0239902
October, 2004

VHFA Board of Commissioners Meeting Minutes
By Conference Call
Thursday, October 14, 2004 at 8:00 a.m.

VHFA Board Members Present:
Lisa Randall – Chair, Paul Beaulieu, Thomas Candon (designee for Crowley), Dagyne Canney, John Hall (designee for Dorn),
Beth Pearce (designee for Spaulding) (joined at 8:10 a.m.)

VHFA Board Member Absent:
Gus Seelig

Staff: Dave Adams, Sarah Carpenter, Renee Couture, Elizabeth Mullikin Drake, Joe Erdelyi, Pat Loller, Gary Marini, Cindy Reid

Guest: Erik Hoekstra (Housing Vermont)

Chair Randall called the meeting to order at 8:05 a.m.

MINUTES
Mr. Hall made a motion to approve the September 16, 2004 VHFA Board of Commissioners Meeting Minutes. Mr. Beaulieu seconded the motion. All were in favor of the motion.

CONSENT AGENDA
Mr. Beaulieu made a motion to approve those items not removed from the Consent Agenda (restated here):
- "Resolution Re: Construction Financing and Proposed Allocation of State Housing Credits for Creekview Housing, Vergennes"
- "Resolution Regarding the Appointment of New Treasurer and Authorizations"
- "Resolution Re: New 401(k) Plan Trustee"
- "Resolution Re: Amendment to 401(k) Plan: Eligible Employees"

Mr. Hall seconded the motion, which was unanimously approved.

FINANCE
Single Family Bond Resolution
The Single Family Bond Resolution was removed from the Consent Agenda, as a modification to the Resolution was required. Due to the redemption of Series 4 Bonds, the maximum par amount was increased from $50 million to $60 million. This change affects Section 2.01 on Page 9 and Section 5.08 on Page 36 of the Resolution.

Mr. Marini stated that the average lending rate for the Series 21 Bonds is projected to be between 5.25% and 5.3%. Ms. Randall asked how this compares to conventional rates. Mr. Adams replied that the projected rate provides approximately a 50 bps spread. Ms. Randall asked whether there was a loan loss provision built in. Mr. Adams replied that there was not but that a 150 bps spread was built in to $4 million of the issue. He added that it will have a 25% ARC component.

Mr. Hall made a motion to approve the "Twenty-Fifth Supplemental Single Family Housing Bond Resolution" with the increase of the maximum par amount from $50 million to $60 million. Mr. Beaulieu seconded the motion, which was unanimously approved.

Housing Vermont Line of Credit
Mr. Marini announced that the Housing Vermont Line of Credit expires November 1, 2004. Staff is proposing that it be extended for one year under the same terms: a revolving line of credit of up to $1.5 million at an interest rate equal to Agency's cost plus 100 bps.

Mr. Beaulieu made a motion to approve the "Resolution Regarding Line of Credit for Housing Vermont." Ms. Pearce seconded the motion, which was unanimously approved.

DEVELOPMENT
As the Board has asked to be kept apprised of such projects, Mr. Adams conveyed that Mr. Glassberg, as developer, and in partnership with Steve Reid, will be submitting an application for a $100,000 loan under the non-restricted single family predevelopment loan program for property on Route 7 in Middlebury currently owned by Middlebury College. Mr. Erdelyi added that the development, on 30 acres, would consist of approximately 50 single family, for-sale homes and 5 mixed-use (residential/commercial) buildings fronting Route 7.

ADJOURNMENT
Mr. Hall made a motion to adjourn the meeting. Mr. Candon seconded the motion and the Board unanimously approved to adjourn the meeting at 8:26 a.m.

Vermont Housing Finance Agency

VHFA Board Meeting Minutes

Whitney Hill
100 Whitney Hill Homestead
Williston, Vermont
Thursday, October 21, 2004 at 9:30 a.m.

VHFA Board Members Present:
Lisa Randall – Chair, Paul Beaulieu, Thomas Candon (designee for Crowley), Dagyne Canney, John Hall (designee for Dorn), Gus Seelig, Beth Pearce (designee for Spaulding) (arrived 9:50 a.m.)

Staff: Dave Adams, Sarah Carpenter, Gary Marini, Maura Collins, Elizabeth Mullikin Drake, Pat Loller, Tim Gutchell (Audit Discussion Only)

Guest: Bill Dunnington, Consultant; Missy Kelsen and Ken Dion, KPMG

Chair Randall called the meeting to order at 9:37 a.m.

Mr. Dunnington, retreat facilitator, outlined the agenda for the strategic planning session. Ms. Randall and Ms. Carpenter made brief comments regarding the planning process and their expectations for the session. Ms. Randall stated that the Board's primary role is to plan the future direction for the Agency, with staff developing the business plans to fulfill this direction.

Mr. Dunnington recapped what he heard as initial goals in the interviews with the Board and Senior staff –

- Time to think ahead together – get on same wave length
- Better understand issues at hand
- Identify practical, sensible courses of action
- ID 3-4 visionary/proposals to pursue – business model
- More fully understand the latitude of the Agency's mission – think beyond housing
- Obtain balance – global vs. finite

Mr. Candon mentioned that a new concern for him was regarding the impact the national housing arena is having on Vermont and how do we better prepare for the possible changes? Others also identified this concern in the pre-meeting interviews and the exercise of prioritizing our current initiatives. Mr. Dunnington presented the results of the Strategic Priorities Grid exercise for the Board and staff. The tick mark sheet revealed that each priority made it to all of the four quadrants; however, trends (by *both* Board and staff) were identified and are reflected in the chart below. The exercise provided an opportunity to think about and share our thoughts on the importance/urgency of the Agency's current initiatives.

VHFA Strategic Priorities Grid

	Pivotal	Important but secondary
Urgent	**4.** Fund balances **6.** New revenue **12.** Housing for employees **14.** New lending with current multifamily or new owner structures	**13.** Special projects – Assisted living; special needs housing; Winooski…. **15.** Community – Awareness Campaign; promote community forums; housing wages report... **16.** Homelessness/special needs **20.** Land banking/single family sites
Not Urgent	**5.** Review single family bond structures **19.** Evaluate business opportunities and partnerships **21.** Increase Agency capacity to collect, analyze and distribute data	**1.** Succession planning **10.** Evaluate mortgage insurance options – MGIC; private MI Co; FHA **17.** Continue with Vermont Responsible Lending initiative

A summary of comments from some of the Agency's outside partners was distributed. Mr. Dunnington opened the floor for comments regarding this document and the Summary of Notes from Interviews, which was distributed in the board packet. (Ms. Pearce arrived).

In the pursuing discussion several topics were discussed. Ms. Randall was not surprised by the comments in general, but noted that being a team builder and becoming more creative with marketing was a common thread. She also mentioned that there were no "wow" items. Mr. Dunnington noted that competitive threats were bubbling from many areas of the discussion - Freddie and Fannie, and HUD for immigrant related products. (Immigrants are increasing in number in Chittenden County and should be considered in future planning. We could do relatively little, yet accomplish a lot.) There are also concerns regarding consumers going to lenders for a VHFA product and walking out the door with a different product ("bait and switch") for which the lenders are receiving higher fees. Mr. Beaulieu sees our challenge to push the envelope even further and create more opportunities with our lenders – Ms Carpenter mentioned reevaluating products like ARMs, deferred amortization mortgages, etc..

Mr. Seelig shared three things that jumped out at him:

- The Homeownership programs are where the financial strength of the Agency lies – how does this impact other non-profitable areas.
- What will be the Agency's stance on our bond balances – too much looks attractive to state, too low, rating agencies not happy. How does our mission and others perception of VHFA become affected with either scenario?
- The Agency has been more than housing – we've been about community development, especially on the Multifamily side. We need to continue to help communities maintain vitality as part of our framework for the future.

Mr. Dunnington challenged the group to identify the top issue for the Agency. Community and economic development were noted by Mr. Hall – affordable housing hard sell in some communities. The State needs to take a lead role in providing affordable services. Ms. Canney noted that the senior market is a ripe opportunity given the aging baby boomers. Ms. Carpenter agreed, but also mentioned that the lack of stock is a hindrance in this arena. Ms. Randall suggested a nonprofit offshoot that could provide a product for this market – this may be an expertise issue vs. capital issue. Mr. Candon mentioned the introduction of reverse mortgages and home improvement mortgages. We need to also address mobile home issues. As a final note, Mr. Candon noted his concern around our multifamily portfolio and its soundness relative to zero percent loans and the national issues with Section 8 funding – what are our risks? Ms. Pearce summarized her thoughts to be – How do we balance what we want to do and what we can afford to do? How do you compare the resources and compare the needs and the risks associated with them? These questions were a great segue into the remainder of the day – Financial Viability (morning) and Programs (afternoon).

Financial Discussion

Mr. Dunnington asked the questions - What do we want to do? What are the risks? How do we assure long-term financial viability? Imagine different plausible scenarios; plan/process for risk management and course of action.

Current and future risks were discussed – some in greater detail than others:

- Homeownership risks – Fannie/Freddie and prepayments/loan losses.
- Rental risks – HUD/national housing issues
- Slowdown in production (income source) – sometimes need to take risk to remain competitive – contingent risk not shown on books (afternoon discussion)
- Fund balances –
    - If too high maybe raided – too low, rating agency issue.
    - Need to identify impact of changing ratings
    - Is our position in State HFA rankings in the Financial Study report (Exhibit C) OK? Advisors think it should be higher – what does Board want?
- Board agenda is driven primarily by programs – more time needed for financial strength discussions. One risk is related to timeliness of reporting – if not timely, difficult to make good decisions. Looking for trends regarding fund balances and portfolio balances
- Credit quality of MF portfolio – this was a lengthy discussion.
    - Tension between producing more housing and putting more resources in up front (lower debt service or reserve account balances)
    - What do we do if the cash flows decline and management fees continue to increase?
    - Loan loss reserves – for current and future projects – or perform an assessment to see if there are other solutions other than reserves (partnerships) – develop a plan for worst case scenarios
    - Effects of environment – increased fuel prices, taxes, etc. How will we manage in the coming years? (Energy efficient product, etc.)
    - Prepayment vs. restructuring risk
        - Watch list development?
    - We are in for a long term commitment vs. banks – they can just walk away
        - Tax credit projects early on were too thin
        - Effect of zero% pool dwindling
        - How long will we allow projects to be in danger before we foreclose?

        - Our goal is to ensure people with very low means have homes – not just a financial issue, but also a public policy question.
    - Underwriting criteria concerns – if we tighten, funding will need to come from other sources – DHCA or VHCB
    - Board needs a more formal reporting process from staff regarding the MF portfolio (expand upon quarterly directors report). Rank projects by risk rating.
    - Newer Board members don't know history – so not sure of current and/or future risks – need to educate
    - Tax Credit and FHLB project expirations – what does the future hold?
    - Agency is public and has a mission, but we need to know that we've analyzed the risk – possibly complete an assessment of capital needs and reserve needs.
    - Here is the current environment, what do we do if things change?

- Do we know what our customers (buyers/renters) want – do we understand their perspective? Is a competitive analysis needed?

Outcomes – Finance Discussion

- Expand the Finance Committee to an Audit/Risk Oversight Committee, chaired by Mr. Seelig – members Mr. Beaulieu, Ms. Pearce, Mr. Candon, Mr. Hall – other Board members welcome to attend any and all meetings. The Committee will regularly review the status of the Agency's financial risk related to the items above – Identify risk over 3-5 years – build set of indicators/drivers (restructure risk, high rate loans, fund balances, shift in income from spread vs. fees) – identify affect of changing indicators, etc. Get into minutia only when necessary. Staff has most of this information, just need to formalize for the Board.
- Committee's first meeting to determine the scope of the group will occur after Thanksgiving, with a first report to Board at the December meeting. Budget, Audit and Oversight Risk key responsibilities. The Committee should provide guidance for staff and not more bureaucracy.
- Mr. Marini will identify targets for capital debt affordability and generate a report for review by Ms. Pearce. She will send Mr. Marini the targets the state is using. Three-months for size analysis – six months for more details.
- Homeownership measurements/reporting going forward to include number of households served and the effect on the bottom line (should be positive) vs. strictly volume.

Working Lunch

Audit Discussion

Ms. Kelsen and Mr. Dion, KPMG and Mr. Gutchell were in attendance for the presentation of the annual audit for FY2004. Mr. Dion opened his comments by saying that Mr.Gutchell and Mr. Baker did a great job pulling together the audit in Roger's absence!

He then moved into the discussion of the Letter to Commissioners. KPMG's job is to obtain reasonable assurance that the financial statements are free from fraud or mistakes. There is a focus on internal control structures as they do the various reviews (not an examination of controls). There were no reportable conditions or material findings and managements' judgments were found to be reasonable. It was an unqualified audit opinion which staff was commended for. One comment made was with regard to how the Agency handles the accruing of interest on delinquent homeownership loans. This has been a long standing choice of management to handle interest this way, as the Agency is able to collect all interest owed in foreclosures more easily.

Mr. Dion then moved on to a discussion regarding the Management Letter. There were 3 observations this year:

- There is no aging reporting from the direct servicing side of the Mitas system. This is primarily on the multifamily side where we have virtually no delinquencies. It is recommended that VHFA should consider requesting this report. (This has been requested of Mitas).
- The lender agreements say that the lenders must have a compliance/performance audit and report the findings to VHFA annually. We have not been verifying that these have been done in an organized manner although we now have them all. Ms. Carpenter stated that we may make a change to require paper report copies only on request. Also, for smaller banks with no external compliance auditing requirements, our agreements may be changed to require comparable documentation.
- Manual journal entries are not all verified by senior staff. The majority of these entries are attributed to the manual nature of inputting our trustee information into Mitas. Upon completion of the Trustee EDI project, the number of manual journal entries will drop dramatically. Recognizing that this is a desirable control process, Mr. Marini stated that the department has already instituted a process to ensure signoff on all manual entries.

Mr. Candon inquired about why some HFA's are choosing to consider a qualified audit opinion in lieu of complying with GASB 34. There are many dynamics (mostly political) with going from a non-qualified to a qualified audit. Mr. Dion said we would need to check to see if we need the unqualified opinion for bond requirements and also how the rating agencies would react to a change. Ms. Randall requested that we obtain a copy of Nebraska's financials as they have qualified audits for this very reason. Mr. Marini to pursue.

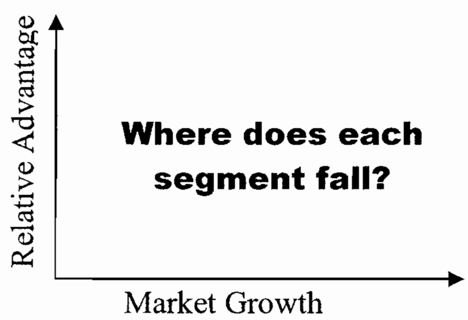
In response to Mr. Candon's question about what to expect over the next few years, Mr. Dion also noted that we should be prepared to write down a long-term non-performing asset to a new basis. Next year there will also be the need to have a new statement on risks on categorization and maturity dates. Another project that we won't have to implement until 2006-7 is the need to conduct actuarial reviews for any retirement benefits other than pension. Ms. Carpenter also noted that we would need to implement applicable Sarbanes/Oxley requirements in the near future. Mr. Marini has experience in this arena and will assist with its recommendation to the Audit Committee.

Mr. Candon made a motion to accept the Audit report and Mr. Seelig seconded the motion, which was passed unanimously.

Continuation of Strategic Planning Discussion
Programmatic Possibilities

The afternoon session was devoted to discussions about VHFA current and possible future programs/initiatives. Several items were discussed, some in more detail than others and are summarized below.

- Competition - Conducting a competitive analysis will let us know how we are competing in the marketplace, as well as where else there are needs. Asking lenders what other products they are offer and why. Should we offer products on a regional basis based upon need/competition? Perform market research with HOCs, as well as lenders. Realtors would also be a group to obtain information from.
- Target Audience - The Housing Needs Assessment will be completed in January, and should provide the groundwork for solidifying areas of needs. Do we target a specific segment of the market – i.e. teachers, nurses, etc. with internal origination – we could redirect the point(s) to the borrower and justify to the lender this is just a very specific segment. Part of this analysis will be to identify and understand our potential customers profile, as it is always evolving and making sure to include the middle market.
- Partnerships With Employers - Can we partner with employers who are trying to bring new employees to the area – FAHC 100 nurses in 100 days... Ski resorts may be interested in providing housing to their employees, as many travel over an hour to work... Our challenge will be to identify target markets that play to the relative competitive advantage for the employers



- Reverse Mortgage – There is a lot of required hand holding for people to understand this product, but the sentiment was that there is definitely a market for this product. State commitment would be necessary for this to be successful – the guarantee is the issue.
- Home Improvement Loan – There seems to be a need for this product, but it is not currently supported by the MRBs. Originating these loans should not cause concern with lenders, as we are just improving our housing stock. One concern is around those who would require one of these loans – usually the least financially able to pay for an additional mortgage. Another concern is that the improvement may not add direct value to the house. With housing prices topping out, some homes may have little or no equity if the market moves downward. A source of funding may be to obtain seed money from the multifamily zero percent pool – and have a revolving fund. Another example was to have LCHDC sell us some home improvement loans that they've done in Franklin County.

- ARMs – As rates increase ARMS will become an attractive alternative for many buyers, however these too are not easily supported by investors in MRBs – how would we get funding for this product? A suggestion was made to investigate ETI (economic targeted investments) through the state (various pension funds). They are looking for places to invest money, but window of opportunity is short. We could also go to the teacher or municipal funds and look to provide loans to their members on a revolving fund. These possible sources of funding could also be used for reverse mortgages.
- Smart Growth – Create a mortgage product for those who don't travel far to work – may have better ability to make payments if only one car, etc. Maryland has a mortgage product to encourage smart growth. Can we stretch the ratios in this product because of better ability to pay with fewer other expenses?
- Mobile Home Lending – Mobile home loans are made frequently to high credit risk consumers, which require higher rate loans to cover the risk. Fannie has a product where if you make your payments for 24 months, the interest rate then goes down a point. We need to ensure mobile home lending does not fall off the radar screen as we continue with planning.
- Origination/One Stop Shopping – Different variations of this topic were discussed – originating loans to a targeted segment of the population (i.e. teachers, municipal employees, state employees, etc.). Should we consider origination in conjunction with the HOCs? Should we look into becoming a one-stop shop like Lending Tree or Progressive?
- HomeOwnership Centers – Should we continue to fund the HOCs? Should we require higher participation rates from them in return for the funding we provide. This has not been required of them in the past, which is fine, we just need to redefine expectations if we want to move in that direction. Should we have an originator on site like RD? There may be some staffing issues, as it is perceived that there is a bottleneck in getting to see the counselors once a class is completed. Suggestion to run a pilot at one or two of the centers with a VHFA staff person on site.
- Section 8 – Sarah provided an update on the Section 8 issues before us. Public education is needed to ensure people understand the impact of cutbacks in this area. How will those currently on assistance, but will lose it, afford housing?
- Land Banking – Consider assembling a number of parcels with some good community planning – end product will be a better design than what would have happened otherwise. We need to seriously look at what opportunities there are with State land, in particular the Agency of Transportation parcels. State colleges should also be considered. The RPCs are doing an inventory of state owned land this coming year, which we should be sure to follow up on. Another thought was to consider some planned housing at exits to the interstate.
- Lender Volume Requirements – The question was asked – are we paying others to do things we could do ourselves? Origination for some lenders with very small volume came to mind. Are we doing things just to assist consumer base or something to increase our loan production?
- Bonding Authority – Should we do more fee-based work with the various bonding authorities? It was suggested that some processes are in the midst of changing and this may be a good time to investigate the feasibility of assisting in this area (Municipal Bond Bank and VEHBA).
- Data Management/Analysis – The Agency has become the resource for the state relative to housing data and this should continue. Should look at moving a rental survey and market studies to an internal capacity.

- Miscellaneous –
    - Awareness Campaign has paid great dividends – should we consider moving toward community based focus.
    - Should we have a staff person available to answer consumers' questions and then lead them to a lender who will follow through with a VHFA product?
- Agency Resources - Management needs to evaluate adequacy of staffing levels and other resources and make recommendations to the Board as the need arises.
- Agency Mission – An interesting thought to ponder - do we want to make changes or just overcome impediments?

Mr. Dunnington surveyed the group to find out what items had appeal or stood out in their minds for further discussion, as well as what had instant return.

Appeal	**Instant return**
Reverse mortgages	Home Ownership Centers Pilot - originate
ARMs, deferred amortization loans	Land Banking - Inventory of State land
Teacher/pension fund	Making a pitch to pension funds
Bond Underwriting for MBB and VEHBA	

- Staff will flush out these ideas and report back to the Board

Mr. Seelig made a motion to adjourn the meeting and Ms. Pearce seconded the motion. The meeting adjourned at 3:50 p.m.

![vhfa]

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Housing Development Underwriter *CR*

DATE: November 8, 2004

RE: Request for Change in Unit Configuration of Waugh Opera House, St. Albans

Recommendation: That the VHFA Board of Commissioners approve the request summarized below.

Summary of Request: The Waugh Opera Block in St. Albans, a downtown historic re-development project sponsored by Housing Vermont and Lake Champlain Housing Development Corporation, received a commitment of 9% (ceiling) Housing Credits by the Board of Commissioners in May of 2004. The project at that time was to consist of 18 one-bedroom units and two two-bedroom units. The building will be redeveloped to have three floors containing residential units (the first floor is commercial space and will be retained by the current owner). One of the four sides of the building has no windows as it abuts another building. Recently the sponsors requested approval for a change to their project, to reduce the number of two-bedroom units to one, and increase the number of one-bedroom units to 19. Staff indicated strong preference to keep the two two-bedroom units, but due to the physical constraints of the building, the architect is unable to create two two-bedroom units. The architect, Gregg Gossens, of Gossens Bachman Architecture, reports:

> "The base drawings that we did the initial study with were inaccurate. The building is about 3 feet narrower than these drawings indicated. An in-depth review of the existing structural framing discovered a complexity of vertical supports that inhibit floor plan options. We cannot make major changes in the existing structure because it would impact the lower two floors which we do not own. These two factors combined limit us in the amount of exterior wall space available for rooms with windows. We feel that all bedrooms should have a window to the outside*. There just is not enough perimeter wall available to allow for more bedrooms unless the unit count is reduced."
>
> * this is a HUD Housing Quality Standards requirement

According to the Allocation Plan,

> "Any significant change in a proposal, once it has been issued a Letter of Intent, will jeopardize the set-aside of credits and staff, in consultation with the VHFA Board, can at that point require the credits to be returned. A significant change will mean any reduction in the number of bedrooms per unit or square footage of units, decrease in number of total units, increase in rents (other than because of the annual increase in the published tax credit rents), increase in overall density, loss of site control, or any change that, had it been in the original proposal, might have resulted in a different evaluation of the project."

Due to the challenging nature of the project's design (mainly, the lack of windows), the many other goals the project meets, as well as the generous size of some of the one-bedroom units (square footage of one-bedroom units range from 575 – 810), staff supports this request from the project's sponsors.

vhfa

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Multifamily Development Underwriter *CR*

DATE: November 8, 2004

RE: Request for Construction Financing, Bond and State Housing Credits: Evergreen Place, Waitsfield

Name:	Evergreen Place	**Location:**	Waitsfield
Housing Type:	Senior	**Unit Type:**	Flats
Unit Count:	18 Total Units 18 Housing Credit Units	**Unit Sizes:**	17 1-BR @ 547 s.f. 1 2-BR @ 720 s.f.
Total Cost:	$3,196,300	**Per S.F. Acquisition & Construction Cost:**	$184.69
Loan Requested:	$2,134,000 construction (tax-exempt)	**Sponsor:**	Central Vermont Community Land Trust
Housing Credits:	$113,000 (Bond "4%" Credits)	**State Credits:**	$106,000
Other Funding:	USDA Rural Development (RD); VHCB; HOME; VCDP; Neighborhood Reinvestment Corp.		

Recommendation: That the VHFA Board of Commissioners pass the attached resolution and make the required findings as outlined in the second section of the resolution ("It is hereby determined:"), and that the Board 1) authorize the Executive Director to issue a Letter of Interest and/or a Commitment Letter to finance this development upon satisfactory completion of staff underwriting and due diligence; and 2) authorize staff to issue the appropriate documentation according to the Qualified Allocation Plan.

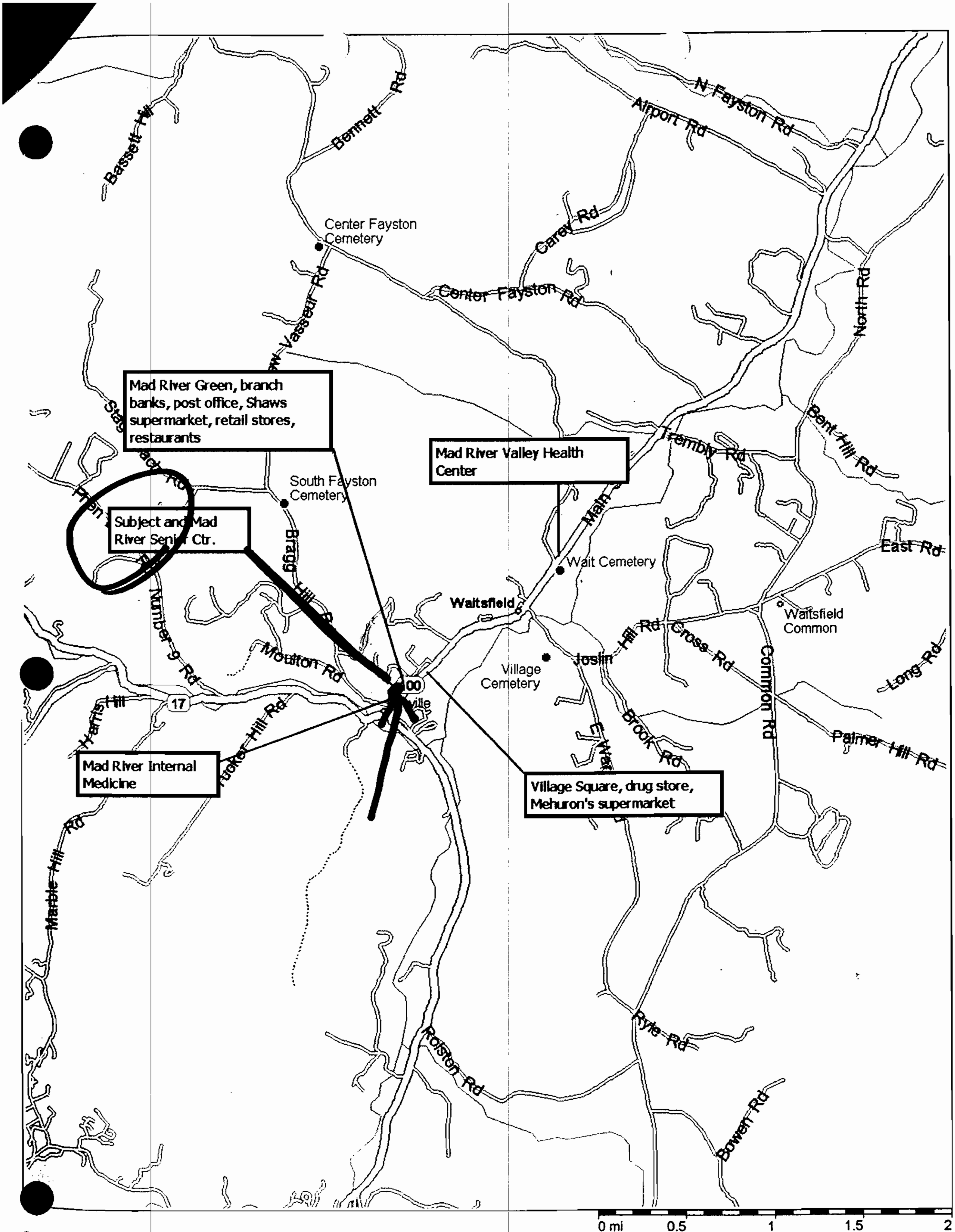
Project Summary: Evergreen Place is an existing 16-room "shared housing" facility in Waitsfield. Originally developed in 1999, Evergreen Place was the impetus of an active Waitsfield senior group who wanted both affordable housing for seniors and a place for Meals on Wheels and the Senior Meal Program. The rooms were very small (less than 200 square feet per unit) and lacked kitchens. The project had difficulties leasing up and began incurring deficits from the beginning. In 2001 the project was transferred to "Evergreen Place Inc." (EPI), a single-purpose non-profit created to own and oversee the project. Cathedral Square Corporation began to manage the property. The project continued to suffer deficits. The current owner began working with the Central Vermont Community Land Trust (CVCLT) and Consultant Kathy Beyer to work out arrangements with the two current lenders, RD (Community Facilities) and Vermont Community Loan Fund. CVCLT has an agreement with EPI to purchase the property with the goal of re-developing it into complete living units. The existing building will be rehabilitated and a new addition constructed with the end result being 18 apartments: larger, more marketable and attractive, complete living units with kitchens. The higher than average per square foot acquisition and construction cost listed above is approximately half acquisition and half construction. The project sponsors have obtained commitments for RD 515 financing (to pay off the existing RD Community Facilities Loan), RD

Rental Assistance (for 14 of the 18 units), and additional VHCB funding. Funding is also being sought from VCDP and Neighborhood Reinvestment Corporation. This re-development will create more marketable units, rental assistance to serve low income seniors, less of a debt service burden, and a much more feasible plan than what has existed to date. The local permit needs an amendment to be obtained in November, and Act 250 approval will be obtained by December. The sponsor anticipates closing in March, beginning construction in April, and completing the project by May of 2006. CVCLT is working with Technical Planning & Management (TPM) based in Waitsfield to manage the property. One of TPM's staff members is a certified Resident Services Coordinator with experience managing senior housing. During construction, residents in the existing building will remain and then move into the new addition once it is completed. During the period of construction, the project's sponsors will provide three meals daily for the residents, as that is what they receive now. Once the project is completed, however, there will be no meals provided for residents. The re-development is to make the facility feasible as affordable rental housing. The service component is separate, and not funded as part of this project.

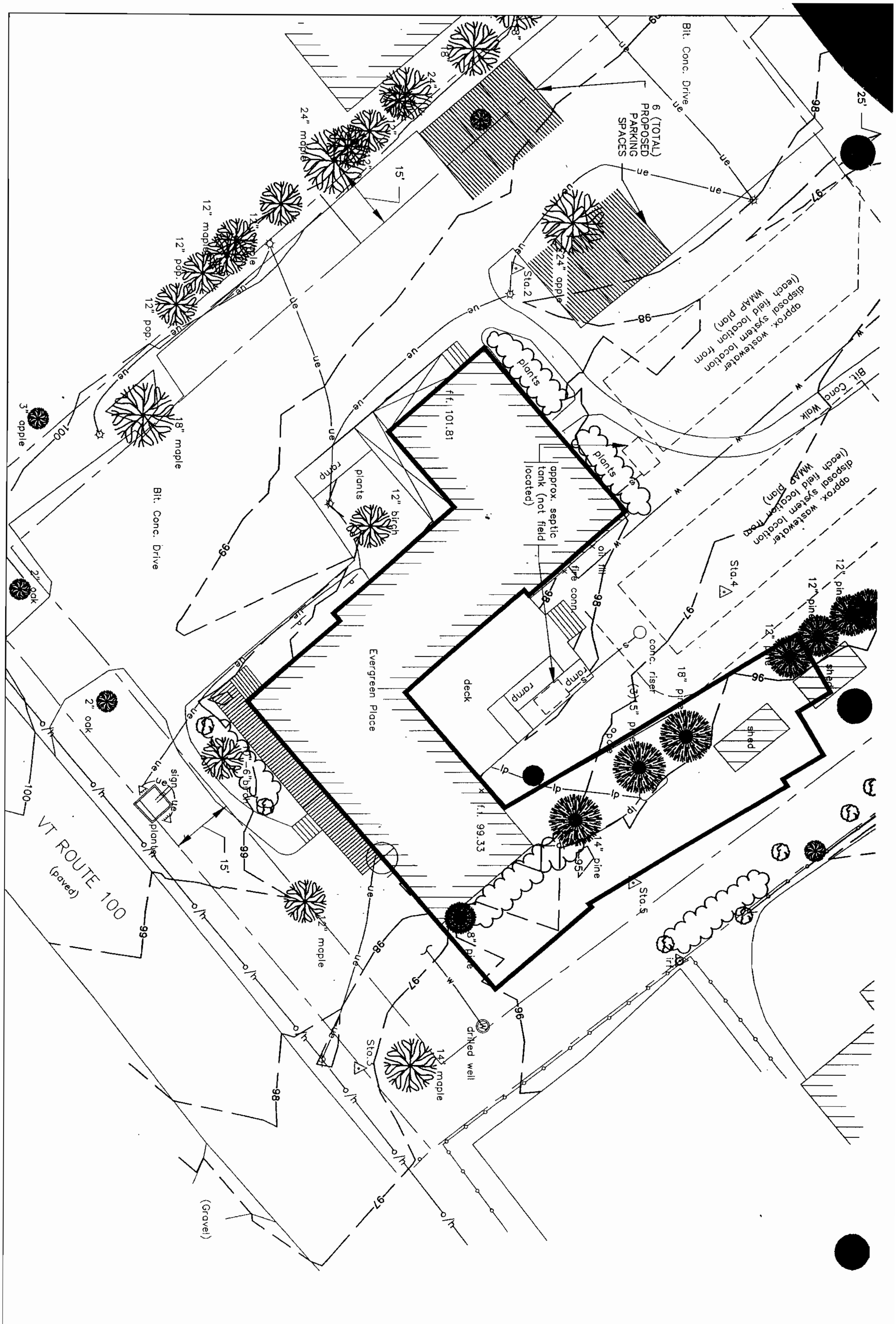
Tax Credit Summary: Evergreen Place is requesting $113,000 in 4% (out of cap, or bond) Housing Credits, and $106,000 in State Credits. (This project could use State Credits from 2006.)

The project meets all of the required design standards for its size, except that the rehab units will not meet the soundproofing standard (the new construction units will). It meets several of the recommended design standards: It will have a community room (with a bathroom but no kitchen); there will be storage space available for residents in the basement; the site is accessible to area services.

The market study indicates a high demand for the units, particularly due to the fact that 14 of the units will have rental assistance, and therefore be affordable to low income seniors (and due to the fact that the units will be larger and more marketable than what exists now). Due to the fact that only two net new units will be created, there will be little to no impact on the existing market. There are services in the area including transportation, a supermarket, drug store, post office, branch banks, restaurants, and a health center.

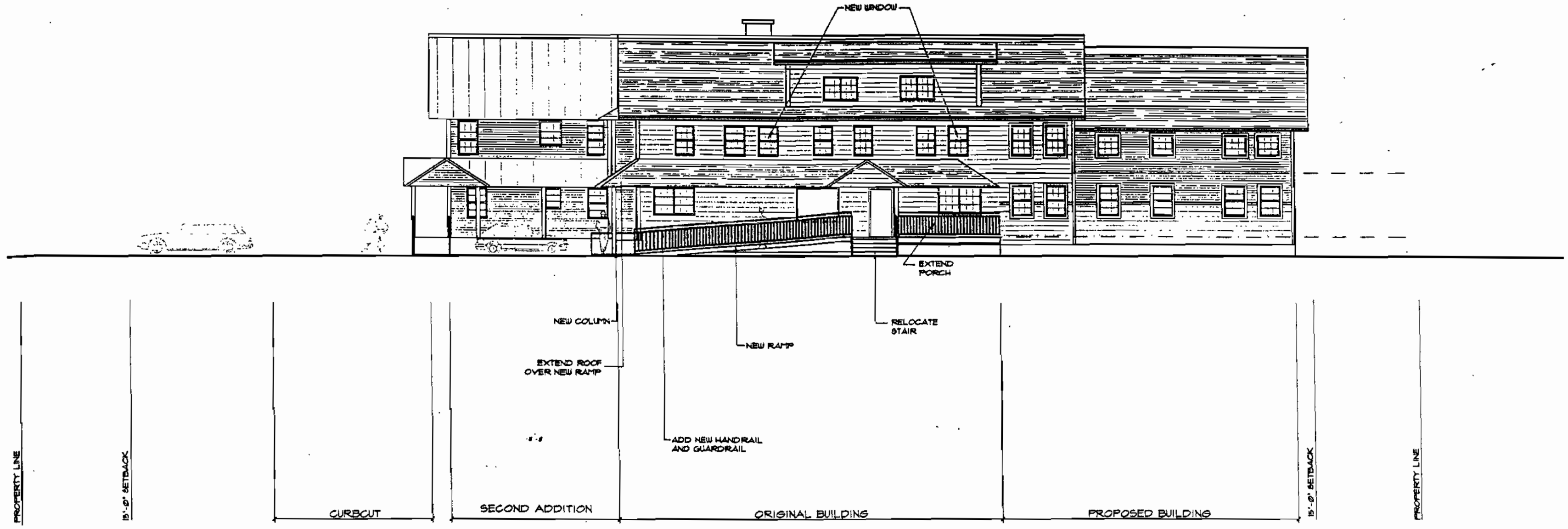


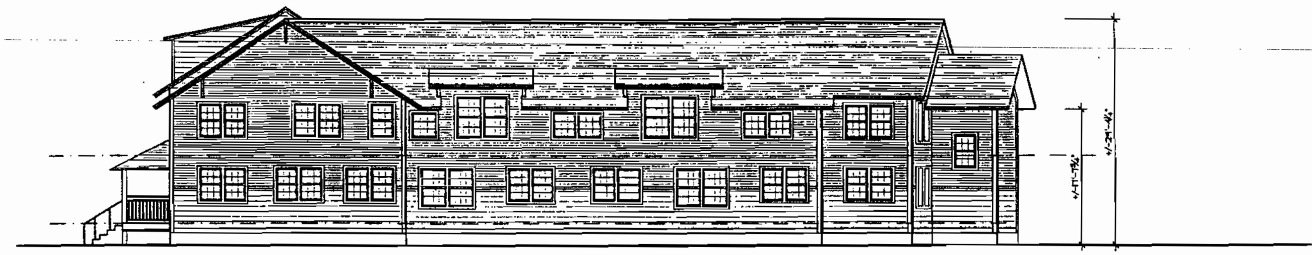
Evergreen Place, Waitsfield Site Map

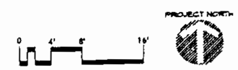


AS2.1

PROJECT TITLE	PROJECT NO. 0416	REVISIONS	WILLIAM MACLAY ARCHITECTS & PLANNERS
EVERGREEN PLACE Waitsfield, VT	DRAWN XXX	DATE REVISED REMARKS	4509 MAIN STREET WAITSFIELD, VT 05673 (802) 496-4004
	CHECKED XXX		
SHEET TITLE EVERGREE PLACE SITE PLAN	SCALE AS NOTED		
	DATE XX.XX.XX		







EVERGREEN PLACE

WILLIAM MACLAY ARCHITECTS & PLANNERS / CONSULTANTS

10.06.04

CLVT

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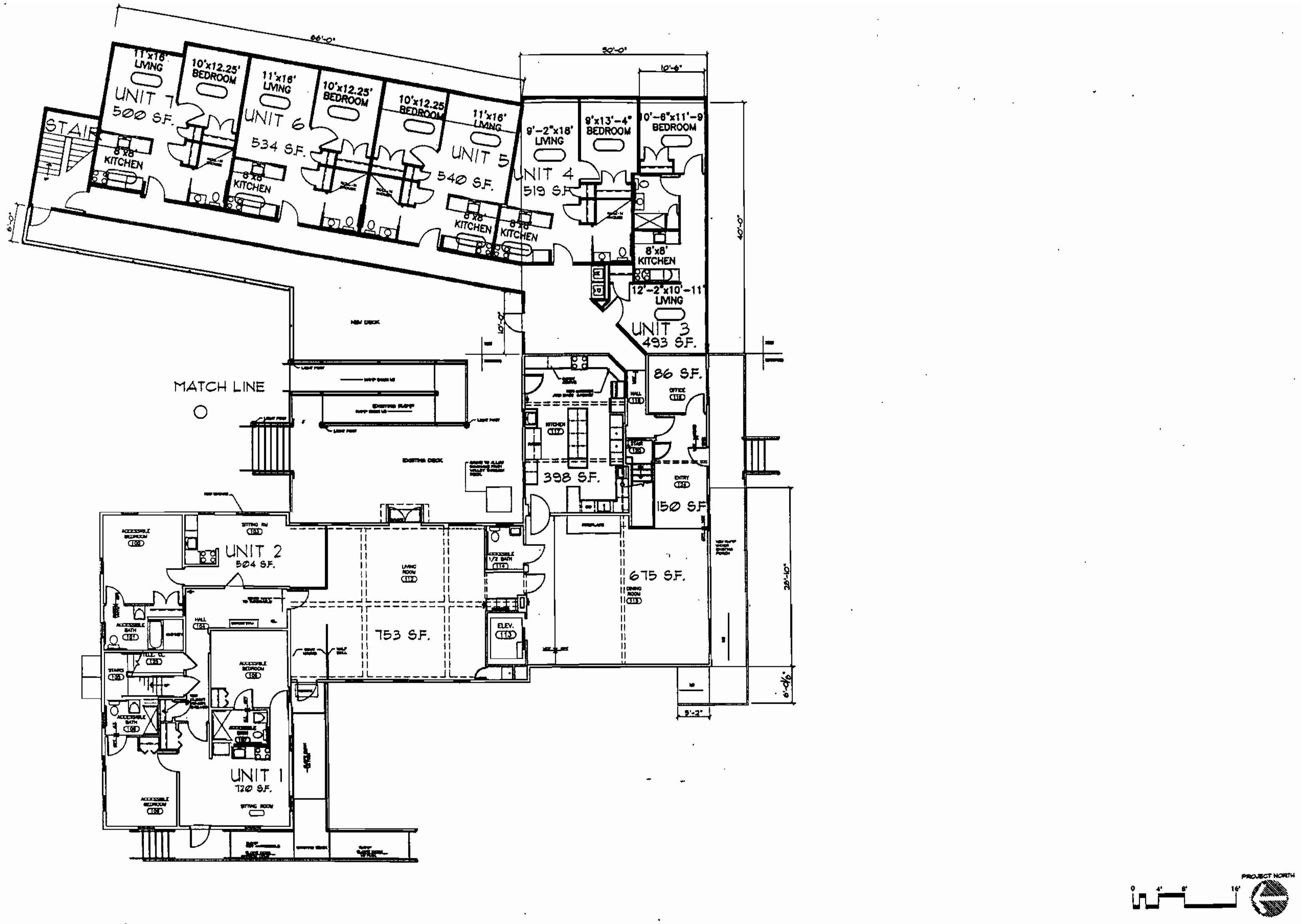


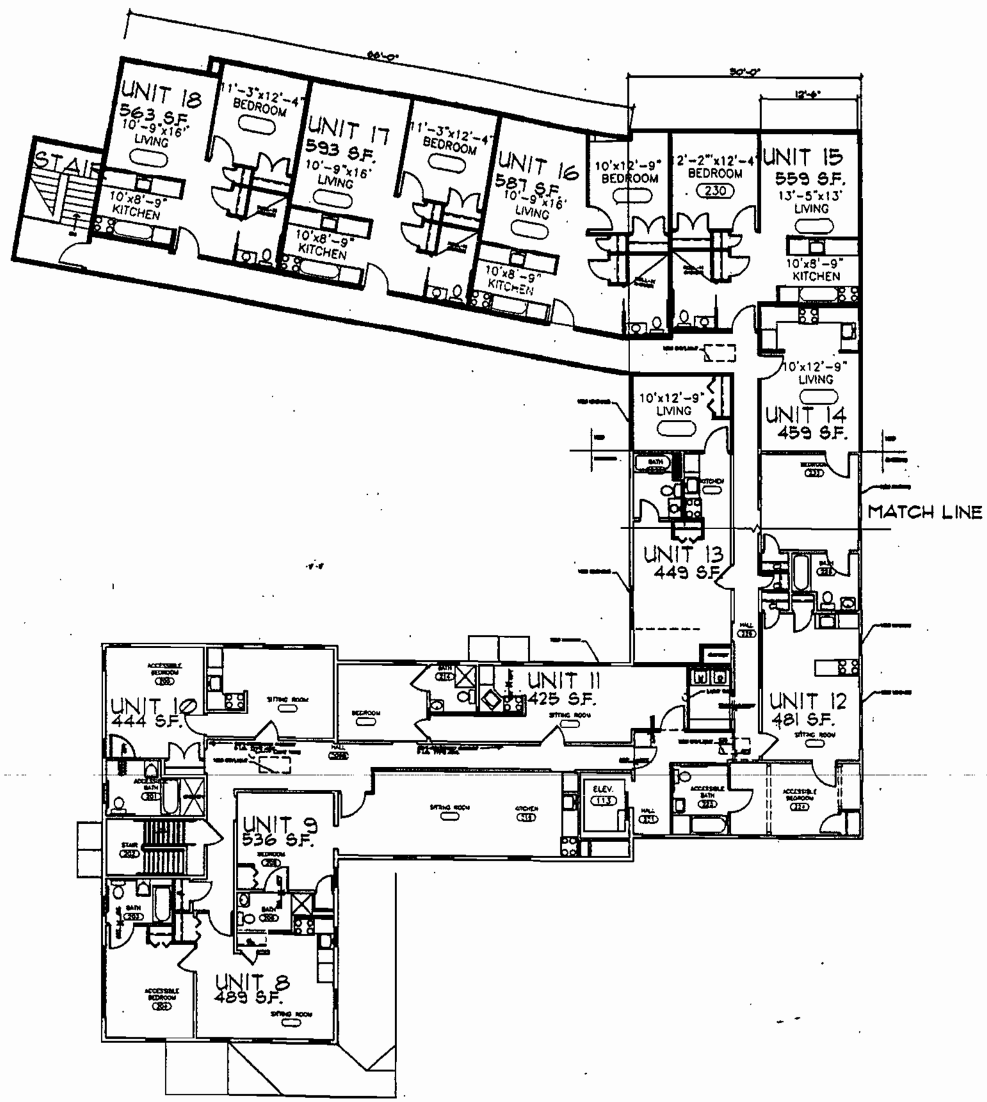
EVERGREEN PLACE

WILLIAM MACLAY ARCHITECTS & PLANNERS / CONSULTANTS

10.06.04

CLVT

A2.1



EVERGREEN PLACE

WILLIAM MACLAY ARCHITECTS & PLANNERS / CONSULTANTS

10.06.04

CLVT

A2.2

03-Nov-04 **Evergreen Place**

Total Residential Units:	18	Increase in Income from Rental Units:	2.00%
Housing Credit Restricted Units:	18	Increase in Income from Other Sources:	2.00%
Percent Restricted:	100.00%	Increase in Income from Commercial:	1.00%
Total Development Cost:	3,196,300	Expense increase:	2.25%
Total Development Cost per Unit:	177,572	Vacancy Rate:	5%
Total Development Cost Per SF:	213	Partner's Tax Rate:	35%
		Long Depreciation Schedule:	27.5 years
Max Bond (4%) Credit Potential:	114,000	Short Depreciation Schedule:	7 years
State Credit Allocated:	106,000	Sponsor's Estimated Yield:	81.42%
LIHTC - 9%	n/a	November 04	
LIHTC - 4%	3.41%	DCR year 1	104%

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term	per unit
RD mortgage	900,000	28.16%	1.00%	50	30	50,000
Neighborhood Reinv	90,000	2.82%	0.00%	30	def loan	5,000
VHCB HOME New	263,000	8.23%	0.00%	30	def loan	14,611
VHCB New	254,000	7.95%	0.00%	30	def loan	14,111
VCDP existing	150,000	4.69%	0.00%	30	def loan	8,333
HOME existing	90,000	2.82%	0.00%	30	def loan	5,000
VHCB existing	196,000	6.13%	0.00%	30	def loan	10,889
VHCB feasibility	10,000	0.31%	N/A	N/A		556
State Tax Credit	323,300	10.11%	N/A	N/A		17,961
Tax Credit Equity	920,000	28.78%	N/A	N/A		51,111
TOTAL SOURCES	3,196,300	100.00%				177,572
VHFA Construction Loan	**2,134,000**	66.76%	3.50%	18 months (estimate rate)		

USES

Acquisition	1,053,626	32.96%
Construction Hard Costs	1,380,001	43.17%
Soft Costs	762,673	23.86%
TOTAL USES	3,196,300	100.00%
Gap	(0)	

General Partner's Capital Contribution	8,630	1.00%
Limited Partner's Capital Contribution	854,379	99.00%
Total Equity	863,009	

APPLICABLE FRACTION CALCULATION

Tax Credit Restricted Units	18
Total Units	18
Unit Fraction	100.00%
Tax Credit Square Footage	9,841
Total Residential Square Footage	9,841
Square Footage Fraction	100.00%
Applicable Fraction	100.00%

02-Nov-04 **Evergreen Place** 174.15 Total SF 13,974 New Constr SF 7,092

						Allocation of Sources								Equity		
		Budget	Per Unit	Per s.f.		RD mortgage	Neighborhood Reinv	VHCB HOME New	VHCB New	VCDP existing	HOME existing	VHCB existing	State Tax Credit	Tax Credit Equity	VHCB feasibility	TOTAL SOURCES
	ACQUISITION															
1	Land	178,521	9,918	12.78								178,521				178,521
2	Purchase of Building(s)	871,605	48,423	62.37		360,126		254,000		150,000	90,000	17,479				871,605
3	Demolition (without replacement)		0	0.00												0
4	Property Appraisal		0	0.00												0
5	Legal - Title and Recording	3,500	194	0.25		3,500										3,500
	Subtotal - Acquisition	1,053,626	58,535	75.40												
	CONSTRUCTION HARD COSTS															
6	Rehabilitation	1,223,058	67,948	87.52		329,374	90,000	263,000						540,684		1,223,058
7	New Building(s)		0	0.00												0
8	Accessory Buildings		0	0.00												0
9	Sitework		0	0.00												0
10	Commercial Space Costs (if any)	6,000	333	0.43										6,000		6,000
11	General Requirements		0	0.00												0
12	Contractor Overhead		0	0.00												0
13	Contractor Profit		0	0.00												0
14	Construction Contingency	124,943	6,941	8.94		124,943										124,943
15	Construction Management		0	0.00												0
16	Construction Bond Fee		0	0.00												0
17	Hazardous Materials Abatement	5,000	278	0.36										5,000		5,000
18	Capital Needs Assessment	3,000	167	0.21										3,000		3,000
19	Furnishings, Fixtures, & Equipment	18,000	1,000	1.29										18,000		18,000
20	Other	0	0	0.00	0.09	82,057								57,644	10,000	149,701
	Subtotal - Hard Costs	1,380,001	76,667	98.75												
	SOFT COSTS															
21	Architectur/engineering	149,701														0
22																0
23	Legal/Accounting	15,000	833	1.07										15,000		15,000
24	Rehab Oper Deficits during rehab	62,500	3,472	4.47										62,500		62,500
25	Environmental Assessment	2,000	111	0.14										2,000		2,000
26	Energy Assessment		0	0.00												0
27	Permits/Fees	27,868	1,548	1.99										27,868		27,868
28	Independent Market Study	4,000	222	0.29										4,000		4,000
29	Construction Period Insurance	5,000	278	0.36										5,000		5,000
30	Construction Interest	65,000	3,611	4.65										65,000		65,000
31	Construction Loan Origination Fee	46,500	2,583	3.33										46,500		46,500
32	Taxes During Construction	4,000	222	0.29										4,000		4,000
33	Clerk of the Works	15,000	833	1.07										15,000		15,000
34	Marketing	1,500	83	0.11										1,500		1,500
35	Tax Credit Fees	4,770	265	0.34										4,770		4,770
36	Soft Cost Contingency @ 5%	7,966	443	0.57	8368.4									7,966		7,966
37	Permanent Loan Origination Fee		0	0.00												0
38	Lender's Counsel's Fee	4,000	222	0.29										4,000		4,000
39	Equity Bridge Loan	0	0	0.00												0
	SYNDICATION COSTS															
40	Organizational (Partnership)	3,500	194	0.25										3,500		3,500
41	Cost Certification	3,000	167	0.21										3,000		3,000
42	Syndication Consultant	14,000	778	1.00										14,000		14,000
43	Tax Opinion		0	0.00												0
	DEVELOPER'S FEES															
44	Developer's Fees	200,000	11,111	14.31									200,000			200,000
45	Other Partnership Fees	0	0	0.00												0
46	Consultant Fees	50,000	2,778	3.58									50,000			50,000
	RESERVES															
47	Working Capital	13,185	733	0.94									9,118	4,067		13,185
48	Rent-up (Deficit Escrow) Reserve		0	0.00												0
49	Other Operating Reserves	64,182	3,566	4.59									64,182			64,182
50	Sinking Fund		0	0.00												0
51	Replacement Reserves		0	0.00												0
	Subtotal - Soft Costs	762,673	42,371	51												
	TOTAL DEVELOPMENT COSTS	3,196,300	177,572	213		900,000	90,000	517,000	0	150,000	90,000	196,000	323,300	920,000	10,000	3,196,300
																3,196,300

264,000	Devel Fee
2,854,933	Adjusted TDC
9.25%	% of TDC

Acquisition Basis:	
Current loan balances	
RD	347,620
VCLF	217,504
VHCB	196,000
HOME	90,000
VCDP	150,000
Dick Brothers	14,002
Accum. operating deficit	35,000
Total purchase price	1,050,126

03-Nov-04 **Evergreen Place** 1,050,126

		Budget	Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Commercial Space
	ACQUISITION						
1	Land	178,521					
2	Purchase of Building(s)	871,605	784,445		784,445		87,161
3	Demolition (without replacement)	0					
4	Property Appraisal	0					
5	Legal - Title and Recording	3,500	3,500				
	Subtotal - Acquisition	1,053,626					
	CONSTRUCTION HARD COSTS	0					
6	Rehabilitation	1,223,058		1,223,058	1,223,058		
7	New Building(s)	0					
8	Accessory Buildings	0					
9	Sitework	0		0			
10	Commercial Space Costs (if any)	6,000					6,000
11	General Requirements	0					
12	Contractor Overhead	0					
13	Contractor Profit	0					
14	Construction Contingency	124,943		124,943			
15	Construction Management	0					
16	Construction Bond Fee	0					
17	Hazardous Materials Abatement	5,000					
18	Capital Needs Assessment	3,000					
19	Furnishings, Fixtures, & Equipment	18,000		18,000	18,000		
20	Other	0		0	0		
	Subtotal - Hard Costs	1,380,001					
	SOFT COSTS						
21	Architectur/engineering	149,701		149,701			
22	0	0		0			
23	Legal/Accounting	15,000		15,000	15,000		
24	Rehab Oper Deficits during rehab	62,500		0			
25	Environmental Assessment	2,000		2,000	2,000		
26	Energy Assessment	0					
27	Permits/Fees	27,868		27,868	27,868		
28	Independent Market Study	4,000		4,000	4,000		
29	Construction Period Insurance	5,000		5,000	5,000		
30	Construction Interest	65,000		65,000	65,000		
31	Construction Loan Origination Fee	46,500		46,500	46,500		
32	Taxes During Construction	4,000		4,000	4,000		
33	Clerk of the Works	15,000		15,000	15,000		
34	Marketing	1,500					
35	Tax Credit Fees	4,770		0	0		
36	Soft Cost Contingency @ 5%	7,966		5,975	5,975		
37	Permanent Loan Origination Fee	0					
38	Lender's Counsel's Fee	4,000					
39	Equity Bridge Loan	0					
	SYNDICATION COSTS						
40	Organizational (Partnership)	3,500					
41	Cost Certification	3,000					
42	Syndication Consultant	14,000					
43	Tax Opinion	0					
	DEVELOPER'S FEES						
44	Developer's Fees	200,000		200,000	200,000		
45	Other Partnership Fees	0		0			
46	Consultant Fees	50,000		50,000	50,000		
	RESERVES						
47	Working Capital	13,185					
48	Rent-up (Deficit Escrow) Reserve	0					
49	Other Operating Reserves	64,182					
50	Sinking Fund						
51	Replacement Reserves	0					
	Subtotal - Soft Costs	762,673					
	TOTALS	3,196,300	787,945	1,956,045	2,447,846	0	93,161
	LESS: Amount of Non-qualified Financing						
	LESS: Adjustment for per unit cost limits						
	LESS: Historic tax Credit (Residential Portion)			0	0	20% Historic Credit Rate	
	Total Eligible Basis		787,945	1,956,045		0 Annual Historic Credit	
	TIMES: Adjusted for QCT/DDA	130.0%		2,542,859			
	TIMES: Applicable Fraction	100.00%	787,945	2,542,859			
	Total Qualified Basis		787,945	2,542,859	2,447,846	Long Term Depreciable Basis	
	TIMES: Applicable Percentage		3.41%	3.41%	27.5	Depreciation Schedule	
	Total Annual Credit Qualified		26,869	86,711	89,013	Annual Depreciation	

Total Tax Credits Requested	113,000	113,580	18,000	Short Term Depreciable Basis
Estimated Net Syndication Proceeds				
(excluding historic credit equity)	920,000		7	Depreciation Schedule
Estimated Yield - Housing Credit Syndication	81.42%		2,571	Annual Depreciation
Gap	920,000			
Credits Needed to fill Equity Gap	113,000		93,161	Commercial Depr Basis
			39	Depr. Schedule
			2,389	Annual Depreciation

02-Nov-04 **Evergreen Place**

HC Restricted Units Bedrooms	Type	Average Square Feet	Number	Average Rent	Utilities	Total Annual Rent
		0				0
1 Br--with RA		547	13	621		96,876
1 Br--with RA & HOME		547	0	721		0
1 BR ---no RA		547	4	621		29,808
2 bedroom---with RA		720	1	721		8,652
	Totals	9,841	18			135,336

Non-HC Restricted Units Bedrooms	Type	Square Feet	Number	Rent	Utilities	Total Annual Rent
0 Br		200	0	0		0
1 Br		600	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	9,841	18			135,336

Less Vacancy	5.00%	(6,767)
	NET RENT	128,569

OTHER INCOME

Senior center donations	0
Meals -Senior Center	0
Meals - residents	0
Laundry	1,100
DA &D subsidy	
TOTAL INCOME	129,669

2-Nov-04 Evergreen Place 0

		Check all Applicable								A					B						C					
															OCCUPIED BY: Income level of residents to be served:						AFFORDABLE TO: Units affordable to residents at:					
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)	<30%	<50%	<60%	<80%	<100%	>100%	30%	50%	60%	65%	80%	100%+
rehab	1			1	1	1	1			2	720	721		721		1					1	1	1			
rehab	2	1		1	1	1	1			1	500	621		621		1					1	1	1			
new constr	3	1		1	1	1	1			1	504	621		621		1					1	1	1			
new constr	4	1		1	1	1	1			1	549	621		621		1					1	1	1			
new constr	5	1		1	1	1	1			1	549	621		621		1					1	1	1			
new constr	6	1		1	1	1	1			1	549	621		621		1					1	1	1			
new constr	7	1		1	1	1	1			1	549	621		621		1					1	1	1			
rehab	8	1		1	1	1	1			1	497	621		621		1					1	1	1			
rehab	9	1		1	1	1	1			1	553	621		621		1					1	1	1			
rehab	10	1		1	1	1	1			1	444	621		621		1					1	1	1			
rehab	11			1	1	1				1	509	621		621		1					1	1	1			
rehab	12			1	1	1	1			1	493	621		621		1					1	1	1			
rehab	13				1	1				1	447	621		621			1					1	1			
rehab	14				1	1				1	500	621		621			1					1	1			
new constr	15				1	1	1			1	600	621		621			1					1	1			
new constr	16				1	1	1			1	626	621		621			1					1	1			
new constr	17			1	1	1	1			1	626	621		621		1					1	1	1			
new constr	18			1	1	1	1			1	626	621		621		1					1	1	1			
Total # Units	18	9	0	14	18	18	15	0	0	Totals:	9,841	11,278		Total # Units:	0	14	4	0	0	0	14	18	18	0	0	0

Evergreen Place

	Annual TOTAL	Housing	Per Unit	"Below the line w/ RD"	RD APPLIC	
Administration						
Management Fee	9,342	9,342	43		9,342	
RD other site mgmt	1,767	1,767			1,767	RD other site mgmt fees
Supportive Services	1,520	1,520	7	1,520	0	
Audit/Accounting	4,000	4,000	19		4,000	
Legal	504	504	2		504	
Office	176	176	1		176	
Telephone	765	765	4		765	
Compliance Monitoring???does RD allow?	1,680	1,680	8		1,680	
Marketing	1,000	1,000	5		1,000	
Asset Mgmt Fee	0	0	0	2,280	0	
TOTAL ADMINISTRATIVE	20,754	20,754	88	3,800	19,234	
Utilities						
Electricity	9,936	9,936	46		9,936	
Fuel	9,720	9,720	45		9,720	
Water and Sewer	6,000	6,000	28		2,500	
Fire Alarm / Emergency	0		0		3,500	
Other	384	384	2		384	
TOTAL UTILITIES	26,040	26,040	121		26,040	
Maintenance						
Maintenance / Janitor Payroll	0	0	0		0	
Janitor Supplies	0	0	0		0	
Exterminating	0	0	0			
Trash Removal	3,500	3,500	16		3,500	
Snow Removal/grounds	4,332	4,332	20		4,332	
Grounds	3,000	3,000	14		3,000	
Repairs Material	0	0	0		0	
Repairs Contract	14,532	14,532	67		14,532	
Fire/Emergency	0	0	0			
Elevator Contract / Repairs	2,500	2,500	12		2,500	
Painting and Decorating	2,500	2,500	12		2,500	
Other	0	0	0			
TOTAL MAINTENANCE	30,364	30,364	141		30,364	
Real Estate Taxes	17,100	17,100	79		17,100	
Property Insurance	3,225	3,225	15		3,225	
Replacement Reserves	8,000	8,000	37		8,000	
Primary Debt Service						
Other "must pay" debt service						
Other						
	28,325	28,325	131		28,325	
KITCHEN						
Staff						
Meal assistance						
Food and Staples						
TOTAL KITCHEN	0	0	0			
TOTAL BUDGET	105,483	105,483	480		103,963	
Operating expenses before RR	97,483	97,483	443		95,963	92,163
		1,520				

02-Nov-04		Evergreen Place														
	Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Operating Income																
Gross Rent		135,336	138,043	140,804	143,620	146,492	149,422	152,410	155,459	158,568	161,739	164,974	168,273	171,639	175,072	178,573
Other Income		1,100	1,122	1,144	1,167	1,191	1,214	1,239	1,264	1,289	1,315	1,341	1,368	1,395	1,423	1,451
Vacancy and other losses		(6,767)	(6,902)	(7,040)	(7,181)	(7,325)	(7,471)	(7,621)	(7,773)	(7,928)	(8,087)	(8,249)	(8,414)	(8,582)	(8,754)	(8,929)
Total Operating Income		129,669	132,263	134,908	137,606	140,358	143,165	146,029	148,949	151,928	154,967	158,066	161,227	164,452	167,741	171,096
Operating Expenses																
Total Expenses (excl. Reserves)		97,483	99,676	101,919	104,212	106,557	108,955	111,406	113,913	116,476	119,096	121,776	124,516	127,318	130,182	133,111
Total Operating Expense		97,483	99,676	101,919	104,212	106,557	108,955	111,406	113,913	116,476	119,096	121,776	124,516	127,318	130,182	133,111
Net Operating Income		32,186	32,586	32,989	33,394	33,801	34,211	34,623	35,036	35,452	35,870	36,290	36,711	37,134	37,559	37,984
Less Primary Debt Service		22,881	22,881	22,881	22,881	22,881	22,881	22,881	22,881	22,881	22,881	22,881	22,881	22,881	22,881	22,881
reserves		8,000	8,240	8,487	8,742	9,004	9,274	9,552	9,839	10,134	10,438	10,751	11,074	11,406	11,748	12,101
Annual Cash Flow		1,305	1,465	1,621	1,771	1,916	2,056	2,189	2,317	2,437	2,551	2,658	2,757	2,847	2,930	3,003
Operating Subsidies / Sinking Fund		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash		1,305	1,465	1,621	1,771	1,916	2,056	2,189	2,317	2,437	2,551	2,658	2,757	2,847	2,930	3,003
DCR		104.23%	104.71%	105.17%	105.60%	106.01%	106.39%	106.75%	107.08%	107.38%	107.66%	107.90%	108.12%	108.30%	108.46%	108.58%
Cumulative Cash Flow																
Beginning Balance		32,091	34,038	36,184	38,529	41,071	43,808	46,740	49,864	53,178	56,679	60,364	64,229	68,270	72,483	76,862
Interest	2.0%	642	681	724	771	821	876	935	997	1,064	1,134	1,207	1,285	1,365	1,450	1,537
Additions		1,305	1,465	1,621	1,771	1,916	2,056	2,189	2,317	2,437	2,551	2,658	2,757	2,847	2,930	3,003
General Partner Asset Mgmt																
Ending Balance		34,038	36,184	38,529	41,071	43,808	46,740	49,864	53,178	56,679	60,364	64,229	68,270	72,483	76,862	81,402
Cumulative Replacement Reserves																
Beginning Balance		0	8,000	16,400	25,215	34,461	24,155	33,912	44,143	54,864	66,096	57,856	69,764	82,234	95,284	108,938
Interest	2.0%		160	328	504	689	483	678	883	1,097	1,322	1,157	1,395	1,645	1,906	2,179
Additions		8,000	8,240	8,487	8,742	9,004	9,274	9,552	9,839	10,134	10,438	10,751	11,074	11,406	11,748	12,101
Withdrawals		0	0	0	0	(20,000)	0	0	0	0	(20,000)	0	0	0	0	(20,000)
Ending Balance		8,000	16,400	25,215	34,461	24,155	33,912	44,143	54,864	66,096	57,856	69,764	82,234	95,284	108,938	103,218
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Net Operating Income		32,186	32,586	32,989	33,394	33,801	34,211	34,623	35,036	35,452	35,870	36,290	36,711	37,134	37,559	37,984
Plus Reserves																
Less Interest Expense		(8,966)	(8,796)	(8,655)	(8,512)	(8,367)	(8,222)	(8,074)	(7,926)	(7,775)	(7,624)	(7,470)	(7,315)	(7,159)	(7,001)	(6,842)
Less Long Depreciation		(91,401)	(91,401)	(91,401)	(91,401)	(91,401)	(91,401)	(91,401)	(91,401)	(91,401)	(91,401)	(91,401)	(91,401)	(91,401)	(91,401)	(91,401)
Less Short Depreciation		(2,571)	(2,571)	(2,571)	(2,571)	(2,571)	(2,571)	0	0	0	0	0	0	0	0	0
Taxable Income (Loss)		(70,753)	(70,183)	(69,639)	(69,091)	(68,539)	(67,984)	(64,853)	(64,290)	(63,724)	(63,155)	(62,582)	(62,005)	(61,426)	(60,844)	(60,259)
Cash Flow		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings		24,763	24,564	24,374	24,182	23,989	23,794	22,699	22,502	22,303	22,104	21,904	21,702	21,499	21,295	21,091
Plus Tax Credits		106,000	106,000	106,000	106,000	106,000	106,000	106,000	106,000	106,000	106,000					
After Tax Cash Flow		130,763	130,564	130,374	130,182	129,989	129,794	128,699	128,502	128,303	128,104	21,904	21,702	21,499	21,295	21,091
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		130,763	130,564	130,374	130,182	129,989	129,794	128,699	128,502	128,303	128,104	21,904	21,702	21,499	21,295	21,091
Future Value of Cash Flows at Yr 15:		715,742	638,081	568,884	507,185	452,172	403,121	356,891	318,165	283,638	252,855	38,602	34,148	30,205	26,713	23,621
Discount Rate:	6.00%															
Capital Contribution Number:	1	2	3	4												
Date of Capital Contribution:	15-Mar-05	01-Jun-06	01-Sep-06	02-Nov-04												
Amount of Capital Contribution:	100	682,400	227,500	0												
Present Value of Contributions:	100	633,835	208,094	0												
Cash Flows	(842,029)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
IRR:	11.27%															
Equity Yield:	80.24%															

form revision date: 2/19/97

02-Nov-04 **Evergreen Place**

Construction Flow of Funds

			Construction Closing Mar-05	1 Month: Apr-05	2 May-05	3 Jun-05	4 Jul-05	5 Aug-05	6 Sep-05	7 Oct-05	8 Nov-05	9 Dec-05	10 New Units Completed Jan-06	11 Feb-06	12 Mar-06	13 Apr-06	14 Substantial Completion May-06	15	16	17	18 Permanent Closing	
	Sources:																					
	VHFA Construction Loan	2,134,000	677,764	64,020	86,364	1,615	96,620	96,902	97,185	97,468	97,752	126,537	98,906	120,495	70,846	74,053	327,473					0
	RD mortgage	900,000																			900,000	900,000
	Neighborhood Reinv	90,000				90,000																0
	VHCB HOME New	263,000		26,300	26,300	26,300	26,300	26,300	26,300	26,300	26,300	26,300	26,300									0
	VHCB New	254,000	254,000																			0
	VCDP existing	150,000	150,000																			0
	HOME existing	90,000	90,000																			0
	VHCB existing	196,000	196,000																			0
	VHCB feasibility	10,000	10,000																			0
	State Tax Credit	323,300																			323,300	323,300
	Tax Credit Equity	920,000																			920,000	920,000
	TOTALS:	3,196,300	1,377,764	90,320	112,664	117,915	122,920	123,202	123,485	123,768	124,052	152,837	125,206	120,495	70,846	74,053	327,473	0	0	0	2,143,300	
	USES - >		1,377,764	90,320	112,664	117,915	122,920	123,202	123,485	123,768	124,052	152,837	125,206	120,495	70,846	74,053	320,942	6,165	6,165	6,165	2,149,165	
	Difference - >		(0)	0	0	0	0	0	0	0	0	0	0	0	0	0	6,531	(6,165)	(6,165)	(6,165)	(5,865)	
	Cumulative Difference - >		(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	6,531	366	(5,799)	(11,964)	(17,829)	
	Uses:																					
	ACQUISITION																					
1	Land	178,521	178,521																			0
2	Purchase of Building(s)	871,605	871,605																			0
3	Demolition (without replacement)	0																				0
4	Property Appraisal	0																				0
5	Legal - Title and Recording	3,500	3,500																			0
	CONSTRUCTION HARD COSTS																					
6	Rehabilitation	1,223,058		50,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	50,000	50,000	73,058					0
7	New Building(s)	0																				0
8	Accessory Buildings	0																				0
9	Sitework	0																				0
10	Commercial Space Costs (if any)	6,000															6,000					0
11	General Requirements	0																				0
12	Contractor Overhead	0																				0
13	Contractor Profit	0																				0
14	Construction Contingency	124,943		1,777		5,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	18,166					0
15	Construction Management	0																				0
16	Construction Bond Fee	0																				0
17	Hazardous Materials Abatement	5,000		5,000																		0
18	Off-Site Improvements	3,000														3,000						0
19	Furnishings, Fixtures, & Equipment	18,000										18,000										0
20	Other (______________)	0																				0
	SOFT COSTS																					
21	Architectural	149,701	70,000	9,100	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	10,601					0
22	Engineering	0																				0
23	Legal/Accounting	15,000	10,000										1,500				3,500					0
24	Relocation	62,500	20,000	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	2,000									0
25	Environmental Assessment	2,000	2,000																			0
26	Energy Assessment	0																				0
27	Permits/Fees	27,868	27,868																			0
28	Independent Market Study	4,000	4,000																			0
29	Construction Period Insurance	5,000		5,000																		0
30	Construction Interest	65,000		1,977	2,164	2,415	2,420	2,702	2,985	3,268	3,552	3,837	4,206	4,495	4,846	5,053	5,250	6,165	6,165	6,165	6,165	15,830
31	Construction Loan Origination Fee	46,500	46,500																			0
32	Taxes During Construction	4,000		4,000																		0
33	Clerk of the Works	15,000		1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	2,000					0
34	Marketing	1,500											1,500									0
35	Tax Credit Fees	4,770	4,770																			0
36	Soft Cost Contingency	7,966		7,966																		0
37	Permanent Loan Origination Fee	0																				0
38	Lender's Counsel's Fee	4,000	4,000																			0
39	Other (______________)	0																				0
	SYNDICATION COSTS																					
40	Organizational (Partnership)	3,500										3,500										0
41	Bridge Loan Fees and Expenses	3,000															3,000					0
42	Syndication Consultant	14,000										7,000					7,000					0
43	Tax Opinion	0																				0
	DEVELOPER'S FEES																					
44	Developer's Fees	200,000	100,000														100,000					0
45	Other Partnership Fees	0																				0
46	Consultant Fees	50,000	35,000														15,000					0
	RESERVES																					
47	Working Capital	13,185															13,185					0
48	Rent-up (Deficit Escrow) Reserve	0																				0
49	Other Operating Reserves	64,182															64,182					(0)
50	Sinking Fund	0																				0
51	Replacement Reserves	0																				0
	Repay Construction Loan																				2,143,000	
	TOTAL DEVELOPMENT COSTS	3,196,300	1,377,764	90,320	112,664	117,915	122,920	123,202	123,485	123,768	124,052	152,837	125,206	120,495	70,846	74,053	320,942	6,165	6,165	6,165	2,149,165	15,831
	Construction Loan Balance		0	0	0	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000					
	Construction Loan Interest 3.5%		0	0	0	0	263	263	263	263	263	263	263									
	Bridge Interest (Cumulative) 4.0%													0	300	601	903					

RESOLUTION RE: CONSTRUCTION FINANCING AND PROPOSED USE OF BOND HOUSING CREDITS AND ALLOCATION OF STATE HOUSING CREDITS FOR EVERGREEN PLACE, WAITSFIELD

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

WHEREAS, an application has been submitted to the Agency by Central Vermont Community Land Trust (the "Sponsor") on behalf of a to be formed limited partnership in which the Sponsor or its subsidiary will be the general partner (the "Borrower") involving the rehabilitation and construction of a total of eighteen (18) units of senior rental housing in the Town of Waitsfield (the "Development"); and

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

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

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

WHEREAS, the Agency administers the allocation and use of the federal Low Income Housing Tax Credits (both Allocated Housing Credits and Bond Housing Credits) and the State Housing Credits under the State's Qualified Allocation Plan; and

WHEREAS, the Governor of the State of Vermont has approved the 2004-2005 Qualified Allocation Plan; and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid dated November 8, 2004, containing information and recommendations about the Development (the "Memorandum");

THEREFORE, it is hereby DETERMINED:

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

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

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

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

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

6. The Sponsor is financially responsible and is a qualified housing sponsor within the meaning of the Act. The Borrower will be required to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to the limited partnership to be created by the Sponsor for the construction financing of the Development based on the recommendations in the attached Memorandum. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the Sponsor in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

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

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

4. That the recommendations for the use of Bond Housing Credits and the allocation of State Housing Credits contained in the Memorandum which is attached and incorporated by this reference be approved.

5. That the Executive Director and the appropriate staff are hereby authorized to take such actions as are described in the 2004-2005 Qualified Allocation Plan regarding the use of Bond Housing Credits in an amount necessary for the Development's feasibility and the proposed allocation of State Housing Credits in the amount of $106,000 for the Evergreen Place project in the Town of Waitsfield, Vermont.

vhfa

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Liza Smith-Vedder, Multifamily Development Underwriter

DATE: November 8, 2004

RE: Single Family Construction Financing: Lake Champlain Housing Development Corporation; Elmwood **Housing**

Name:	Elmwood Housing	**Location:**	St. Albans
Housing Type:	Single Family For-Sale General Occupancy	**Unit Type:**	Modular Cape and Ranch detached units
Total Units:	5	**Unit Sizes:**	See schedule attached
Total Cost:	$981,000	**Sales Price:**	$173,600 - Cape $167,600 - Ranch
Loan Requested: (Taxable)	$500,000	**Housing Credits:**	Not Applicable
Other Funding:	Seller Financing, Deferred Developers Fees, VHCB Homeland Grants		
Housing Developer	Lake Champlain Housing Development Corporation		

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

Overview: Lake Champlain Housing Development Corporation (LCHDC) has signed a purchase and sale agreement with the City of St. Albans to buy five contiguous lots on North Elm Street in St. Albans. The City is selling these lots to LCHDC in order to encourage the development of affordable "starter" homes. LCHDC is partnering with the Burlington Community Land Trust (BCLT) so that these homes will benefit from Homeland subsidies, which both reduces purchase price by $20,000 and ensures that these five units will be perpetually affordable. LCHDC is acting as the developer, and BCLT will be primarily in charge of marketing and administering subsidies for the units. John Powell and Hank VanDine will be overseeing the development, Colin Bloch of BCLT will oversee the marketing, and Bill Moore of LCHDC will act as the clerk of the works. Cross Engineering will review all site work, and all infrastructure will be contracted with Wright Excavating.

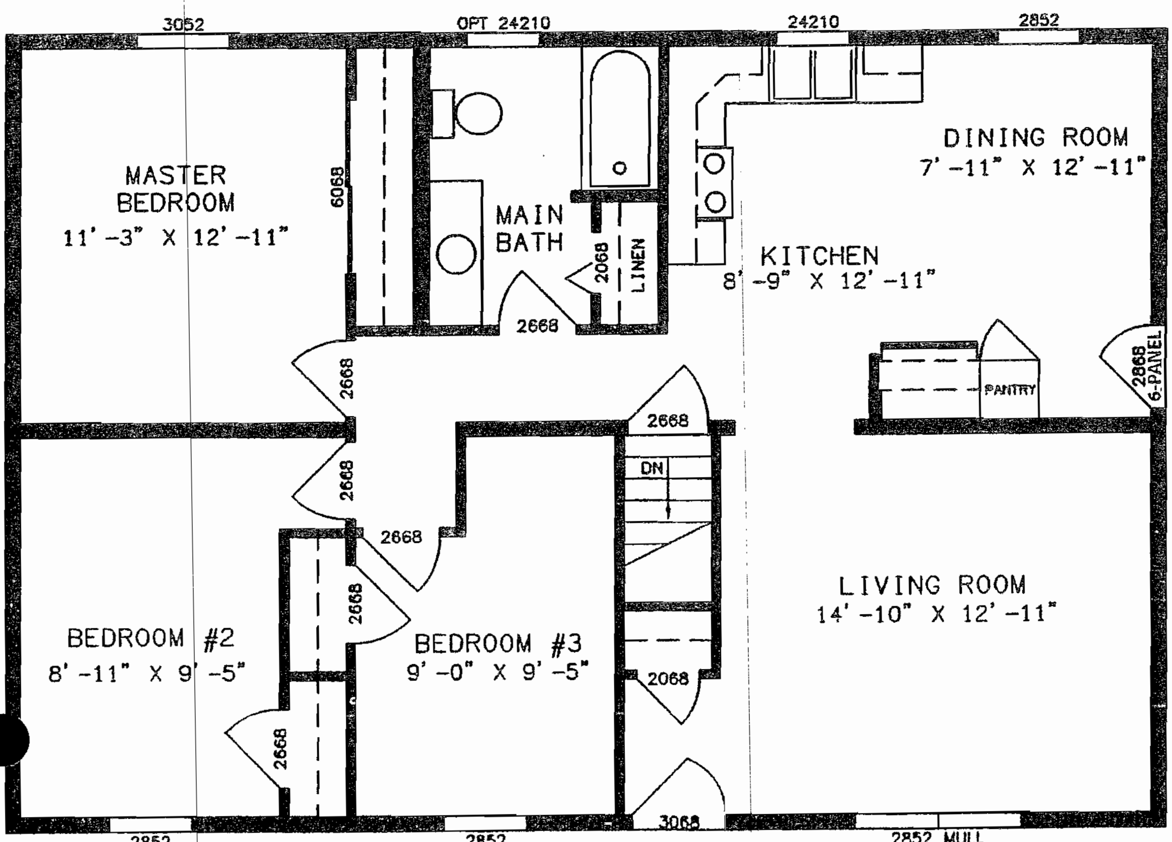
LCHDC is requesting a construction loan in the amount of $500,000. The actual cost of completing the project is about twice this, but this loan is sufficient for two reasons. Firstly, the project is being phased; the first two units will be completed and ready for sale this spring, and the final three units will follow after successful sale of the first two. Secondly, the city is financing the land which is saving the project significant up front costs. The loan on the land will be repaid piecemeal as each house is sold. The

City has been very excited about the project and has waived hook-up fees for sewer and water, as well as school impact fees. The only other source of financing will be deferred developers fees.

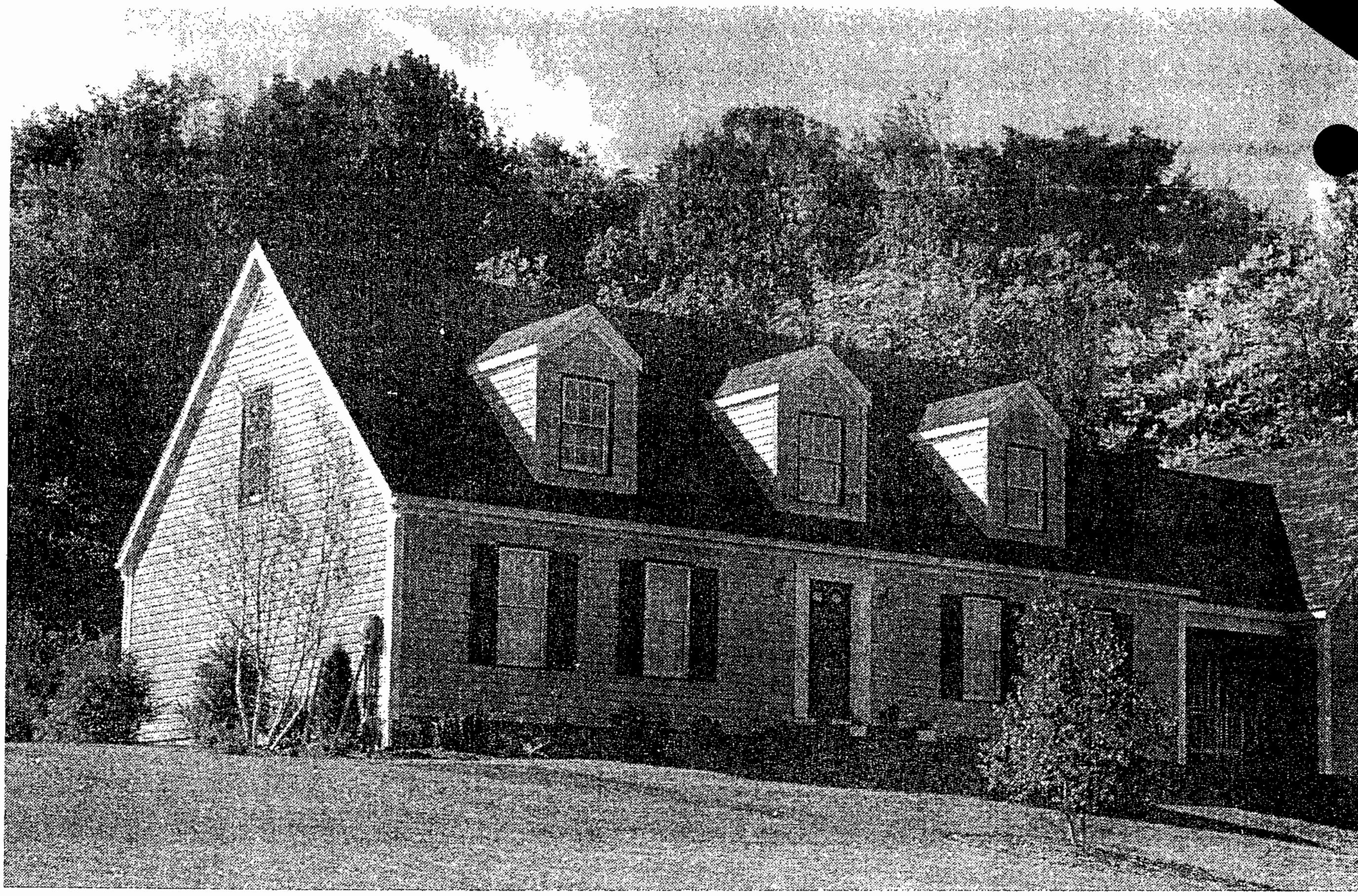
The five units will be either cape or ranch style modular units by Ritz-Craft, which will be assembled by Island Modular. The ranch is approximately 1,100 square feet with three bedrooms and will have a covered front porch with a raised roof. The expandable cape is approximately 1,050 square feet with two bedrooms and second floor that can be finished to provide additional living space. Both styles will have full basements and decks. The net sales price of the houses will range from $167,600 (ranch) to $173,600 (cape), which takes into consideration the $20,000 Homeland grant that will be applied to each unit. The average price of a home in St. Albans town in 2003 was $167,417, and since 1999 average home prices there have increased around $10,000 a year. If these trends continue, then these homes will be at or below average home prices when they are sold in 2005. If sold today, they would be affordable to three to four person families with household incomes ranging from 70% to 90% of area median income (AMI). Families with income up to 100% of AMI are eligible to purchase.

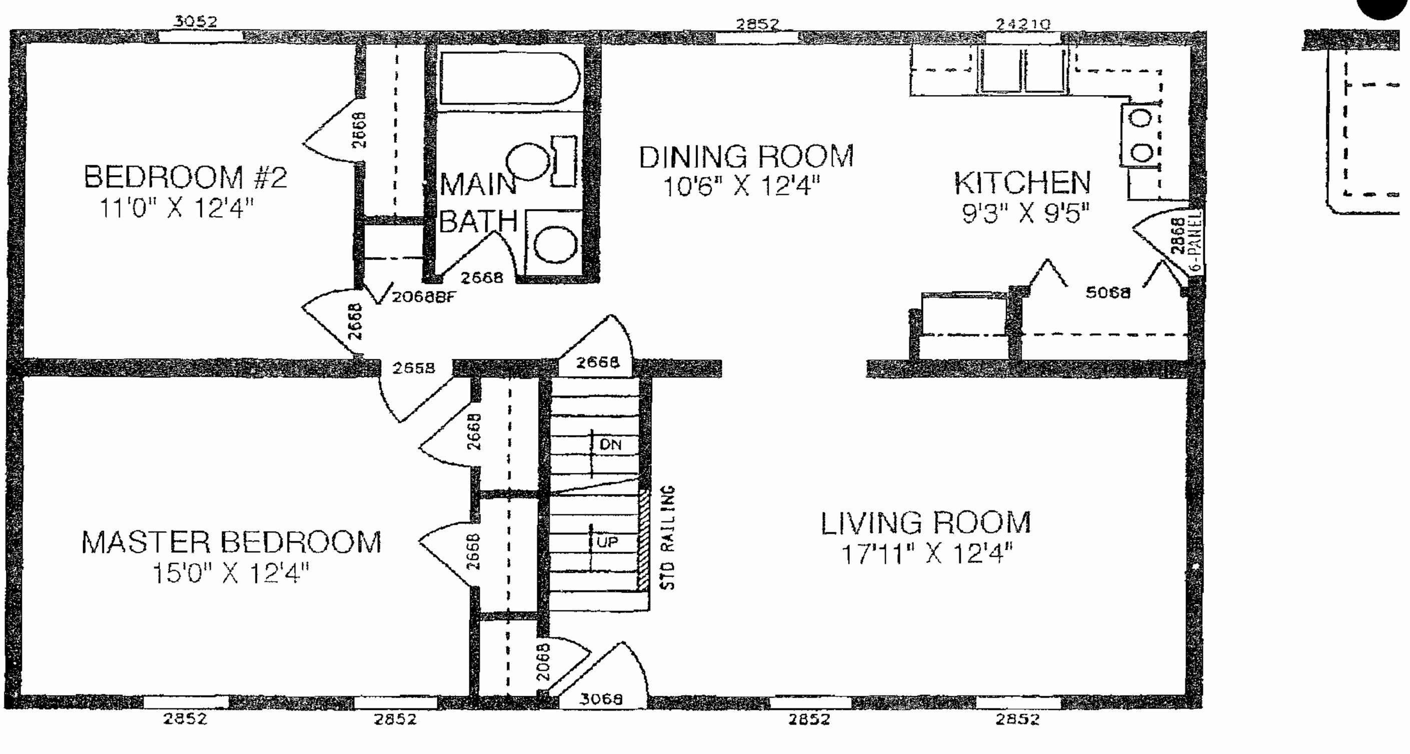
At this point in time, the as-built appraisal has not been completed, but will be soon. We have not requested a market study, choosing at this point to wait for the appraisal. If the appraisal shows strong value, it would seem unnecessary to request a study for such a small development. The developers would like to close as soon as possible, in order to be able to complete the work on the infrastructure and the foundations before the ground is frozen. This would allow them to finish units over the winter, and be ready to sell as early as April. If they cannot finish the site work this fall, then the first units will not be ready until early summer. All plans are in place, the land is fully permitted, and as soon as financing is in place, work will begin.

We have financed the pre-development work on this project with a Ventures loan of $46,000. Pending a satisfactory appraisal, we would suggest approval of this construction loan. Approval should also be contingent on Dave Anderson's review of the project plans and specs, to ensure both the quality and cost-reasonableness of the Ritz-Craft product.



ENCORE RAI
Plan No. NR6
27'4" X 40'
1093 sq. ft.





ENCORE CAPE

26'4" X 40'

Plan #NC6600

1053 sq. ft.

RESOLUTION RE: SINGLE FAMILY CONSTRUCTION FINANCING FOR ELMWOOD HOUSING, CITY OF ST. ALBANS

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

WHEREAS, an application has been submitted to the Agency by Lake Champlain Housing Development Corporation (the "Borrower") involving the construction of five (5) detached for sale single family homes in the City of St. Albans (the "Development"); and

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

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

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Eliza Smith-Vedder dated November 8, 2004, containing information and recommendations about the Development (the "Memorandum");

THEREFORE, it is hereby DETERMINED:

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

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

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

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

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

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

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

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to the Borrower for the construction financing of the Development based on the recommendations in the attached Memorandum. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the Sponsors in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

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

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

Vermont Housing Finance Agency

VHFA Board Meeting Minutes
Vermont Housing Finance Agency
164 St. Paul Street
Burlington, Vermont
Monday, November 15, 2004 at 1:00 p.m.

VHFA Board Members Present:
Lisa Randall – Chair, Thomas Candon (designee for Crowley), Dagyne Canney, John Hall (designee for Dorn), Beth Pearce (designee for Spaulding), Gus Seelig

VHFA Board Members Absent:
Paul Beaulieu

Staff: Dave Adams, Sarah Carpenter, Maura Collins, Renee Couture, Joe Erdelyi, John Fairbanks, Sam Falzone, Gary Marini, Cindy Reid, Liza Smith-Vedder

Guests: Jim Beachler (Fannie Mae), Kathy Beyer (Consultant), Bob Cole (A.G. Edwards & Sons Inc.), Tim King (Central Vermont Community Land Trust), John Powell (Lake Champlain Housing Development Corporation), Nick Retsinas (Joint Center for Housing Studies at Harvard), Cathy Voyer (Director of Housing and Transportation)

Chair Randall called the meeting to order at 1:10 p.m.

A revised agenda was distributed; Evergreen Place, Waitsfield was removed from the Consent Agenda.

MINUTES
Mr. Hall made a motion to approve the October 14, 2004 VHFA Board of Commissioners Meeting Minutes. Mr. Candon seconded the motion. The motion was unanimously approved.

Ms. Canney made a motion to approve the October 21, 2004 VHFA Board of Commissioners Meeting Minutes. Mr. Candon seconded the motion. The motion was unanimously approved.

CONSENT AGENDA
Mr. Seelig made a motion to approve the item on the Consent Agenda requiring action (restated here):
- Waugh Opera House, St. Albans - Unit Configuration Change

Mr. Hall seconded the motion, which was unanimously approved.

HOMEOWNERSHIP
Ms. Crady distributed Homeownership Delinquency Reports.

STRATEGIC PLANNING

Ms. Carpenter conveyed the timeline for continuing work on Strategic Planning. Executive Management will meet on Wednesday, November 17th to structure the information in such as way as to facilitate meetings with Senior Management, scheduled for early December. The goal is to flesh out initiatives, determine how to approach them and how to integrate them with the existing work plan.

Ms. Carpenter further explained that both she and Ms. Loller think it would be helpful to continue working with Mr. Dunnington. She alerted the Board that further activities may translate into a need for additional resources and added that staff would bring the specifics back to the Board at the December meeting.

Mr. Candon questioned the placement (Not Urgent/Secondary) of item # 17 (Continue with Vermont Responsible Lending initiative) in the grid (reference page 2 of the October 21, 2004 Board Meeting Minutes). Ms. Carpenter explained that, although the intention is to continue with the initiative, there are no plans to step it up.

DEVELOPMENT

VHFA's Role in Vermont's Homeless System

Ms. Carpenter introduced Cathy Voyer, Director of Housing and Transportation (under Charlie Smith, Secretary of the Agency of Human Services) and Chair of the Vermont Interagency Council on Homelessness (ICH).

Ms. Collins explained that the reason for the agenda item was to inform the Board of the various activities we have been involved in as the Agency becomes more committed to the goal of ending homelessness. She explained that the ICH has become the umbrella under which the State's homelessness planning is falling. The ICH has developed a 60-step action plan to solve homelessness in the next 10 years and VHFA has assumed responsibility for a dozen of those steps with the expectation that there will be additional roles for VHFA. For example, VHFA may facilitate discussions among housing managers, service providers and developers to resolve a history of conflict. Ms. Carpenter added that this may manifest itself in an additional staff or consultant type of position.

Ms. Voyer circulated the table of contents of the plan to provide an overview of the priorities. She expounded on the first one, the "policy priority," because she believes that Ms. Carpenter, with the many hats she wears, would be instrumental in recognizing and averting proposed policy or legislation that is counterproductive to ending homelessness. Ms. Voyer also expressed appreciation for staff's expertise and commitment to follow through. And, she commended VHFA's involvement in disputing the Section 8 cuts earlier this year.

Ms. Canney asked whether people who live in hotels are counted among the homeless. Ms. Collins replied that they are. Ms. Voyer added that people in transitional housing may not be included. Mr. Candon asked for a geographical breakdown of the 4,000 homeless individuals and families. Ms. Collins explained that there is a definite lack of data. The State counts the homeless two times per year. It is hoped that more accurate and complete data will be forthcoming, as service providers are now required by HUD and Congress to collect more data relevant to this problem.

Mr. Seelig commended Secretary Smith for his demonstrated commitment to resolving the housing shortage. He then asked Ms. Voyer whether families with children are still the fastest growing segment of the homeless community. He explained that there has been some disagreement about not prioritizing elder housing in the Consolidated Plan. Ms. Voyer replied that the two fastest growing segments are families with children and teens.

Ms. Randall asked Ms. Collins how much time she is spending on these efforts to resolve homelessness. Ms. Collins replied that she is spending about one-third of her time.

Ms. Canney raised concerns about mixing ex-offenders with homeless families with children. She also suggested getting Realtors® involved as they receive phone calls from people looking for rental housing and, with some knowledge of available resources, could effectively direct this vulnerable population. She added that there should be a statewide initiative to provide assistance in the form of a hedge fund to assist landlords with the risk.

Evergreen Place, Waitsfield
Ms. Reid reviewed her memo regarding Central Vermont Community Land Trust's request for construction financing and bond and State housing tax credits to acquire and rehabilitate (including some new construction) a senior housing project known as Evergreen Place in Waitsfield. Ms. Beyer and Mr. King were present to answer questions.

Mr. Hall voiced concerns about whether inflating the acquisition cost above market value by including VCDP, VHCB and HOME payables in order to support a request for new funds represents double-dipping. Ms. Beyer explained that the current amortizing debt is about $.5 million and includes the RD Community Facilities Loan and the VCLF loan. Acquisition costs totaling approximately $1 million because of the inclusion of the VCDP loan and VHCB and HOME payables, essentially allows the project to obtain more 4% tax credits because of the increased acquisition basis.

Ms. Carpenter added that, because the project will have a new owner, from the tax point of view the cost of acquisition is real. She added that staff is comfortable with the financing. Assumption of existing debt is not a new phenomenon.

Ms. Pearce asked Ms. Beyer what she learned from her tax credit accountant about the financing of this project. Ms. Beyer responded that this type of restructuring has been used in a number of projects and is very accepted. Therefore, maximizing the 4% tax credits with a tax exempt construction loan seems to be the best approach.

At Ms. Randall's request, Ms. Reid reviewed the steps the Agency takes to protect itself when making construction loans. She explained that staff is reviewing insurance coverage more closely (since the fire at Hawk's Nest) to ensure that there is adequate builder's risk. She added that, typically, the construction loan amount is higher than appraised value so it is important to secure VHFA's loan with assignments of all other financing: VCDP funds are assigned to VHFA; a Lender Agreement with VHCB is signed such that VHFA can step into the borrower's role during construction to draw money to ensure completion if circumstances dictate. Lastly, VHFA obtains an assignment of general partnership interest so that it can step into the role of the general partner, if necessary, to ensure completion and resulting repayment of the construction loan.

Mr. Hall asked whether there was an appraisal. Ms. Reid explained that, as of March, 2006, the property appraises as an "income and rent-restricted property" at $420,000 and as an "unrestricted property" at $755,000. Ms. Randall expressed concern about the discrepancy between these numbers and the total development cost of over $3 million. Ms. Carpenter explained that this is not uncommon and Mr. Erdelyi concurred. These appraised values are not out of line with what we've been seeing. VHFA is satisfied with the security of the loan through assignment of other funding sources and ownership interest.

Ms. Pearce expressed concern about the seniors who will be too frail to continue living at this project once construction is complete and, with that, the three meals per day are eliminated. Ms. Beyer explained everything that is being done to provide a smooth transition for those individuals, including working with Central Vermont Council on Aging to assess needs and consider every option. Ms. Beyer emphasized that the choice to stay or not remains with the individual.

Ms. Pearce requested more information about the market study that concluded there would be high demand for these units. Ms. Reid explained that there is a lack of supply in the area, evidenced by the fact that thirteen of the sixteen units are currently rented – as unmarketable as they are. She added that fourteen of the rehabilitated units will be very affordable with rental assistance from RD.

Ms. Pearce asked about risk going forward. Ms. Reid explained that the risk is that the Agency's loan won't be repaid. To mitigate this risk, the Agency secures assignments of other funding sources to assure project completion and loan repayment. The Agency also requires a construction inspector to make monthly inspections and releases money for construction disbursements only when satisfied that conditions are being met.

In answer to Ms. Pearce's question about what went wrong with this project, Mr. Seelig explained the history and reasons for its failure.

Ms. Randall put forth that the developer's fee becomes inflated by including the total acquisition cost of $1.05 million, when, in fact, the market value of the property is probably less. Ms. Beyer agreed but cautioned that the whole acquisition cost cannot be backed out because the property does have some value. She added that, if the property is assumed to have a market value of $.5 million, the developer's fee becomes 11% (vs. 9%), which is still within the QAP allowed maximum. Mr. Seelig added that this project is not without risk to CVCLT. Ms. Carpenter explained that the QAP maximum is 15% which is also the national norm. If the fee is applied to development without acquisition, it is just about 15%. She added that a subcommittee will revisit development fees and report back to the Board sometime in the next several months, and that, in the meantime, it is important to be consistent.

Ms. Canney made a motion to approve the "Resolution Re: Construction Financing and Proposed Use of Bond Housing Credits and Allocation of State Housing Credits for Evergreen Place, Waitsfield." Mr. Seelig seconded the motion. Ms. Pearce proposed an amendment asking staff to provide progress reports on the transfer or relocation of the seniors. Mr. Seelig accepted this as a friendly amendment and the Resolution was unanimously approved.

Elmwood Housing, St. Albans

Ms. Smith-Vedder reviewed her memo regarding Lake Champlain Housing Development Corporation's request for construction financing to build five single family for-sale homes on North Elm Street in St. Albans. She added that the location of the starter homes is ideal. Mr. Powell was present to answer questions.

Ms. Smith-Vedder informed the Board that the appraisals came in on Friday. Cost was determined to be from approximately $187k to $193k and the appraised values from $179k to $185k. She reiterated that it is expensive to build right now but that the cost of these homes will be offset by the Homeland subsidies. She added that Dave Anderson is reviewing the information to determine if costs can be reduced.

Ms. Smith-Vedder relayed that a concern about the homes is that each contains only one bathroom. She added, however, that this is consistent with other homes in the neighborhood.

Ms. Randall asked about land acquisition cost. Ms. Smith-Vedder replied that the cost is $125,000 and that the appraised value is $330,000. Ms. Randall asked what the conventional market demands for starter homes in this area. Ms. Smith-Vedder responded that the capes appraised for $180k and the ranches for $179k. (The home on the end lot appraised for $185k because of the premium lot.) Mr. Powell added that these appraisals leave a lot of room for judgment.

In answer to various questions, Mr. Powell conveyed that the homes will sit on lots approximately 1/3 of an acre in size, they will have a four-star energy efficiency rating and be heated with natural gas, and they will have full basements and front doors.

Mr. Candon made a motion to approve the "Resolution Re: Single Family Construction Financing for Elmwood Housing, City of St. Albans." Mr. Hall seconded the motion and the Resolution was unanimously approved.

OTHER

Volume Cap Meeting Update

Ms. Carpenter informed the Board that she and Mr. Marini participated in a conference call with all issuers of volume cap that morning. There are some issues to be worked out. However, the bottom line is that VHFA expects it will be able to get what it needs for next year's activity, anticipated to be approximately $125 million.

Stone Hill, Middlebury

Ms. Carpenter informed the Board that Housing Vermont and Addison County Community Land Trust are working on a project in Middlebury. They have secured funding from VHCB and CD and were ready to come to this month's Board meeting. However, staff asked the sponsors to first consult with the market study analyst to determine the impact of a competing development down the street. The issue is that the P&S expires December 15th. If it cannot be extended, staff may ask the Board to convene briefly via conference call before the next Board meeting on December 16th.

Tax Credits / Difficult Development Areas designation

Ms. Carpenter reported to the Board that the DDA has been extended (reference November 2004 Executive Director's Report.) The new rule allows for a one-year transition period in which tax credit allocations based on the prior DDA designation can be made. She added that this new rule should close the gap with the Central Block project in Winooski.

The deadline for taking advantage of the tax credit allocations based on the 2003 DDA designation is December 17, 2004, one day following the next Board meeting. Mr. Adams anticipates that Cathedral Square will make a request prior to this deadline. And, Mr. Erdelyi explained that the developers of Central Block of the Winooski Redevelopment Project will request an exchange of its tax credit set-aside before December 17th so that it will have a year from the new award date to meet the 10% test – time needed due to delays in the construction of the infrastructure.

GUEST: NICK RETSINAS

Ms. Carpenter introduced Nick Retsinas, Director of the Joint Center for Housing Studies at Harvard, and keynote speaker at the 2004 Vermont Statewide Housing Conference. Mr. Retsinas gave a preview of his keynote address and answered questions of the Board.

MULTIFAMILY

Black River Overlook, Ludlow

Mr. Adams explained that Mr. Cloutier, Managing General Partner of Black River Overlook, had received an Acceleration Notice. Mr. Cloutier had not wanted to cure the defaults unless he was allowed to take over management. This is not acceptable to the Agency at this point in time. Mr. Adams has learned that Mr. Cloutier has contacted Housing Vermont and Springfield Housing Authority to ask them if either would like to assume his role as general partner. Pending the resolution of this, Mr. Adams informed the Board that there is a remote possibility of litigation.

ADJOURNMENT

Mr. Hall made a motion to adjourn the meeting. Mr. Seelig seconded the motion and the Board unanimously approved to adjourn the meeting at 3:55 p.m.

vhfa

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Housing Development Underwriter CR

DATE: December 9, 2004

RE: Request for Increase in Ceiling (9%) Credit Amount: Waugh Opera House, St. Albans

Recommendation: That the VHFA Board of Commissioners approve additional Housing Credits of up to $53,600 to Waugh Opera House.

Summary of Request: The Waugh Opera House in St. Albans, a downtown historic re-development project sponsored by Housing Vermont and Lake Champlain Housing Development Corporation, received a commitment of up to $180,000 in 9% (ceiling) Housing Credits by the Board of Commissioners in May of 2004. At the time the sponsors applied, the City of St. Albans was no longer considered a Difficult Development Area as defined by HUD (this change occurred effective January 1, 2004, and prior to that St. Albans had been a DDA). Projects located in DDAs (or Qualified Census Tracts) are eligible for a 30% increase in basis, thereby qualifying for more tax credits. On November 2nd, HUD published a notice extending the effective date of the 2003 DDAs that were not designated DDAs in 2004 through December 17, 2004 (meaning complete applications for projects that are submitted by December 17, 2004 will allow those projects – in areas that were DDAs in 2003 but not in 2004 - to claim DDA eligibility). This general issue was raised at the last Board meeting because it affects Winooski.

The positive effect on Waugh Opera House is that the project now has a higher basis, and supports a credit amount of up to $233,600. This is a net increase in Housing Credit of $53,600. The sponsor has amended their original application to request additional Credits. The sponsor is requesting the additional amount of Credit for two purposes: first, the increase in tax credit equity will replace equity the sponsor had assumed from the State Historic Credit; and second, the increase in tax credit equity will replace the need for the developer to leave in $47,000 of their fee as a project payable. Housing Vermont now plans to use the Green Mountain Equity Fund for this project, and the Fund cannot invest in projects that utilize the State Historic Tax Credit, due to the fact that some of the Fund investors are out of state entities. Staff recommends the increase in the 9% Credit to replace a portion of the deferred fee and to replace the State Historic Tax Credit equity.

VERMONT HOUSING FINANCE AGENCY

RESOLUTION RE: INCREASED ALLOCATION OF ALLOCATED HOUSING CREDITS FOR WAUGH OPERA HOUSE, CITY OF ST. ALBANS

WHEREAS, the Agency administers the allocation of the federal Low Income Housing Tax Credits and State Housing Credits under the State's Qualified Allocation Plan; and

WHEREAS, the Governor of the State of Vermont has approved the 2004-2005 Qualified Allocation Plan; and

WHEREAS, the Board of Commissioners approved an allocation of federal Housing Credits in the amount of $180,000 on May 27, 2004; and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid dated December 9, 2004, containing information and recommendations about an increased allocation of federal Housing Credits for the Waugh Opera House in St. Albans (the "Memorandum");

WHEREFORE, it is hereby:

RESOLVED, that the recommendations contained in the Memorandum which is attached and incorporated by this reference be approved;

RESOLVED, that the Executive Director and the appropriate staff are hereby authorized to take such actions as are described in the 2004-2005 Qualified Allocation Plan regarding the proposed allocation of federal Allocated Housing Credits in the amount of up to $233,600 for the Waugh Opera House project in the City of St. Albans, Vermont.

vhfa

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Multifamily Development Underwriter *CR*

DATE: December 9, 2004

RE: Request for Permanent Financing: Harrington Apartments, Burlington

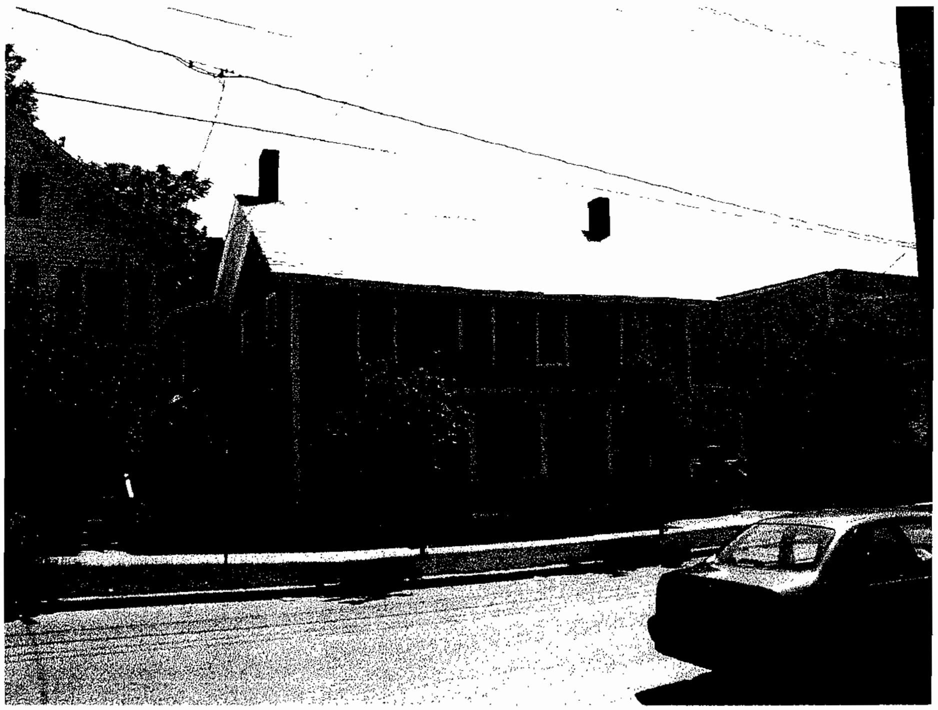
Name:	Harrington Apartments	**Location:**	Burlington
Housing Type:	General Occupancy	**Unit Type:**	Flats
Unit Count:	5 Total Units	**Unit Sizes:**	1 1-BR @ 600 s.f. 1 2-BR @ 587 s.f. 3 3-BRs @ 1073 avg sf
Total Cost:	$490,000	**Per S.F. Acquisition & Construction Cost:**	$89.97
Loans Requested:	$270,000 Permanent $95,000 Zero % Deferred	**Sponsor:**	Burlington Housing Authority
Other Funding:	Burlington Housing Authority Equity, Burlington Electric Department and Vermont Gas Energy Efficiency Programs		

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

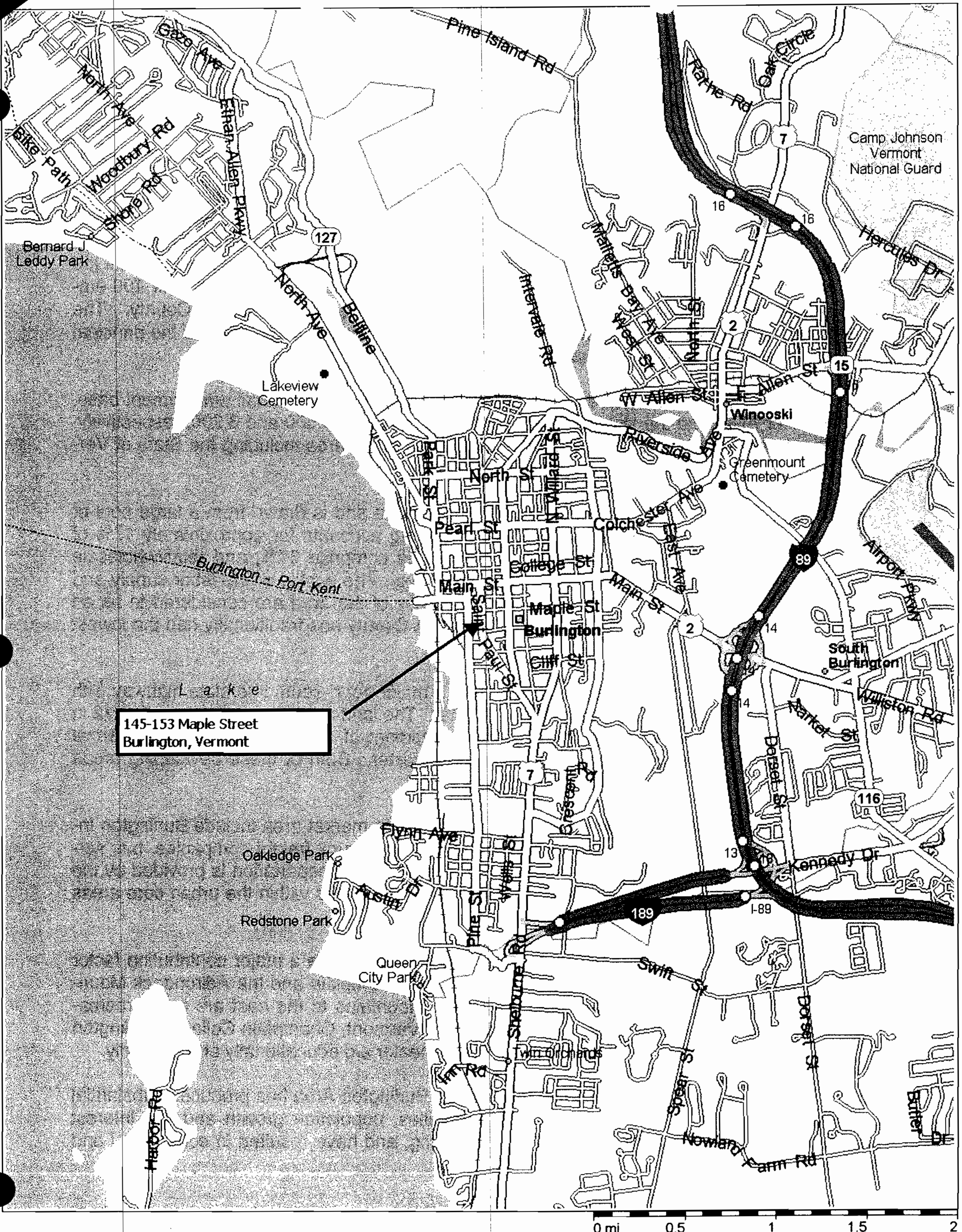
Project Summary: Burlington Housing Authority (BHA) has negotiated to purchase Harrington Apartments, a 5-unit apartment building located at 145-153 Maple Street in Burlington, currently in VHFA's portfolio. Owner Evelyn Harrington grew up in the building, and in 1981 she and her husband converted the building into affordable housing using the HUD Section 8 New Construction/Substantial Rehab Program. She is now retiring and ready to sell and has exercised her notice of option under a 1993 Preservation Agreement (she's lived for a long time in a separate residence). The building was constructed in 1875 and has been adequately maintained. BHA is purchasing the building for $300,000 and is planning to do approximately $153,000 in improvements, including a conversion from electric to gas heat, re-roofing, repair and paint of clapboards, walkway improvements and landscaping, and miscellaneous repairs throughout. The existing VHFA debt will be paid off, and a new loan with a lower rate and longer amortization period will be made. In addition, we are proposing to provide a 0% loan to make up part of the difference between total cost and the amortizing loan amount ($5,000 has been advanced already and will be assumed by BHA; an additional $95,000 will be advanced to BHA at closing). BHA is making an equity contribution of $100,000 towards the deal. The Section 8 HAP Contract expires in 2011. The cash flow projections take that into account and the project is feasible with the amount and structure of debt proposed. BHA would like to purchase the property in January, begin work soon after, and complete the work in August 2005. Occupancy has been high at this property. *Evelyn is an amazing baker, specializing in Italian pastries. She has been very generous to VHFA staff over the years with her culinary delights, and we suspect this will continue.*

SUBJECT PROPERTY PHOTOGRAPHS

Date Taken: June 14, 2004
By: Kurt J. Kaffenberger
Identification: Front and west side



Date Taken: June 14, 2004
By: Kurt J. Kaffenberger
Identification: Front and east side


145-153 Maple Street
Burlington, Vermont
Burlington
Winooski
South Burlington
Lake
Camp Johnson Vermont National Guard
Bernard J Leddy Park
Lakeview Cemetery
Greenmount Cemetery
Oakledge Park
Redstone Park
Queen City Park
Twin Orchards
Burlington - Port Kent
North Ave
Ethan Allen Pkwy
Woodbury Rd
Shore Rd
Bike Path
Gazo Ave
Pine Island Rd
Beltline
Intervale Rd
Pearl St
Main St
College St
Maple St
Cliff St
North St
N Willard St
Colchester Ave
East Ave
Riverside Ave
W Allen St
Allen St
Mallets Bay Ave
West St
Park St
St Paul St
Pine St
Flynn Ave
Austin Dr
Shelburne Rd
Crescent Rd
Willard St
Swift St
Spear St
Dorset St
Kennedy Dr
Market St
Williston Rd
Airport Pkwy
Hercules Dr
Oak Circle
Rathe Rd
Nowland Farm Rd
Harbor Rd
Butler Dr
Inn Rd
I-89
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1
1.5
2

06-Dec-04 **Harrington Apartments, Burlington**

				1.50%	
Total Residential Units:	5	Increase in Income from Rental Units:	through 2011	0.64%	
Restricted Units:	5	Increase in Income from Rental Units:	after 2011	2.00%	(HAP Termin
Percent Restricted:	100.00%	Increase in Income from Commercial:		N/A	
Total Development Cost:	490,000	Expense increase:		3.00%	
Total Development Cost per Unit:	98,000	Vacancy Rate:		3%	
Total Development Cost Per SF:	92.56	Partner's Tax Rate:		35%	
		Long Depreciation Schedule:		27.5	years
		Short Depreciation Schedule:		7	years
		Sponsor's Estimated Yield:		N/A	
		Appraised value:		per unit	
		Subsidized	270,000	54,000	
Debt Coverage Ratio	134.40%	Market	326,154	65,231	
Cash flow yr 1	7,230	Assessed Value	173,200	34,640	

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term
VHFA First Mortgage	270,000	55.10%	6.75%	30	30
VHFA 0% Loan	100,000	20.41%	0.00%	14	14
BED/VGS Energy Efficiency	20,000	4.08%	N/A	N/A	
BHA Equity	100,000	20.41%	N/A	N/A	
TOTAL SOURCES	490,000	100.00%			

USES

Acquisition	308,000	62.86%
Construction Hard Costs	168,300	34.35%
Soft Costs	13,700	2.80%
TOTAL USES	490,000	100.00%
Gap	0	

06-Dec-04 **Harrington Apartments, Burlington** Total SF w/ (5294 89.97

		Budget	Per Unit	Per s.f.	Allocation of Sources VHFA Terms:___	BHA Equit; Terms:___	BED/VGS Energy Efficiency Terms:___	TOTAL SOURCES
	ACQUISITION							
1	Land		0	0.00				0
2	Bulding	300,000	60,000	56.67	300,000			300,000
3	Demolition (without replacement)		0	0.00				0
4	Property Appraisal		0	0.00	0			0
5	Legal - Title and Recording	8,000	1,600	1.51	8,000			8,000
	Subtotal - Acquisition	308,000	61,600	58.18				
	CONSTRUCTION HARD COSTS							
6	Rehabilitation	153,000	30,600	28.90	56,800	76,200	20,000	153,000
7	New Building(s)		0	0.00				0
8	Accessory Buildings		0	0.00				0
9	Sitework		0	0.00				0
10	Commercial Space Costs (if any)		0	0.00				0
11	General Requirements		0	0.00				0
12	Contractor Overhead		0	0.00				0
13	Contractor Profit		0	0.00				0
14	Construction Contingency		0	0.00				0
15	Construction Management	15,300	3,060	2.89		15,300		15,300
16	Construction Bond Fee		0	0.00				0
17	Hazardous Materials Abatement		0	0.00				0
18	Off-Site Improvements		0	0.00				0
19	Furnishings, Fixtures, & Equipment		0	0.00				0
20	Other (________________)		0	0.00				0
	Subtotal - Hard Costs	168,300	33,660	31.79				
	SOFT COSTS							
21	Architectural		0	0.00				0
22	Engineering		0	0.00				0
23	Legal/Accounting		0	0.00				0
24	Relocation		0	0.00				0
25	Environmental Assessment		0	0.00				0
26	Energy Assessment		0	0.00				0
27	Permits/Fees	1,000	200	0.19		1,000		1,000
28	Independent Market Study		0	0.00				0
29	Construction Period Insurance		0	0.00				0
30	Construction Interest		0	0.00				0
31	Construction Loan Origination Fee		0	0.00				0
32	Taxes During Construction		0	0.00				0
33	Clerk of the Works		0	0.00				0
34	Marketing		0	0.00				0
35	Tax Credit Fees		0	0.00				0
36	Soft Cost Contingency	1,000	200	0.19		1,000		1,000
37	Permanent Loan Origination Fee	2,700	540	0.51	2,700			2,700
38	Lender's Counsel's Fee	2,500	500	0.47	2,500			2,500
39	Other (First Year Property Tax)	2,500	500	0.47		2,500		2,500
	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		0	0.00				0
45	Other Partnership Fees		0	0.00				0
46	Consultant Fees		0	0.00				0
	RESERVES							
47	Working Capital	2,000	400	0.38		2,000		2,000
48	Rent-up (Deficit Escrow) Reserve		0	0.00				0
49	Other Operating Reserves		0	0.00				0
50	Sinking Fund		0	0.00				0
51	Replacement Reserves	2,000	400	0.38		2,000		2,000
	Subtotal - Soft Costs	13,700	2,740	2.59				
	TOTAL DEVELOPMENT COSTS	490,000	98,000	92.56	370,000	100,000	20,000	490,000

Rehab Scope of Work	
Apartments:	
Heating & Hot Water Conversion	55,000
Refrigerator Replacements	2,500
Bathroom Light/Fan Replacements	1,000
Ceiling Light Replacements	3,600
Misc Carpet Cleaning/ Replacements	5,000
Misc Kitchen Repairs	3,000
Misc Bathroom Repairs	2,500
Door Lock Replacements/rekeying	1,500
Subtotal	74,100
Exterior:	
Porch roof replacements	2,500
Rear main roof replacement - asphalt	10,500
front main roof repair - slate	3,000
masonry repointing - chimneys	2,500
front entry porch & stair replacement	4,000
wooden clapboard repair - front	2,500
porch & wood clapboard painting	10,000
building, window & door trim painting	5,100
rear entrance deck/stair repair/painting	6,000
garage floor cleaning, repair, painting	2,500
Subtotal	48,600
Site:	
front & rear walkway replacement	3,500
side walkway installation	1,500
parking area asphalt replacement	7,500
dumpster walkway installation	1,500
fence repair & reconfiguration	1,200
front & rear yard landscaping	4,000
Subtotal	19,200
Structural/Common Area:	
front basement support column replace	3,200
rear garage concrete apron replacement	2,000
foundation wall crack repair	3,000
attic insulation improvements	1,500
entry & stairway lighting improvements	1,400
Subtotal	11,100
Total Rehab Cost	153,000

06-Dec-04 **Harrington Apartments, Burlington**

Restricted Units Bedrooms	Type	Average Square Feet	Number	Average Rent	Utilities	Total Annual Rent
1 Br			1	679	85	8,148
2 Br			1	792	110	9,504
3 Br			3	854	135	30,744
	Totals		5			48,396
All Units						
	Grand Totals		5			48,396
		Less Vacancy	3.00%			(1,452)
					NET RENT	46,944
		OTHER INCOME				
		Laundry				
		Cable				
		Transportation				
		Other				
					TOTAL INCOME	46,944

06-Dec-04

Harrington Apartments, Burlington

	Check all Applicable									A				
Building #	Unit #	HOME Unit	Lead Paint Unit	Project Based Assistance	Tax Credit Unit	VHCB Restricted	Accessible	Adaptable	VHFA Restricted	Number of Bedrooms	Proposed Square Footage	Proposed Rent	Utility Allowance for Tenant-Paid Utilities	Gross Rent (Rent + Tenant-Paid Utilities)
Harrington	147			1					1	1	600	679	85	764
Apartments	145			1					1	2	587	792	110	902
	149			1					1	3	1,048	854	135	989
	151			1					1	3	1,048	854	135	989
	153			1					1	3	1,123	854	135	989
Total # Units	5	0	0	5	0	0	0	0	5	Totals:	4,406	4,033		Total # Units:

7,200

48,396

Note: All units have Section 8 project based rental assistance through 2011. All serve families below 80% median.
At least 30% of units must serve families below 50% of median income.

645	733	894	50% Rent
1 BR	2 BR	3 BR	
640	810	1,040	FMRs

% of 50%	% of FMR
118%	119%
123%	111%
111%	95%
111%	95%
111%	95%

Avg Rents

	50% Rent	FMR	60% Rent	9-03 A & C Rpt	
	645	640	774	652	
	733	810	928	837	
	894	1,040	1,073	1,115	
	894	1,040	1,073	1,115	
	894	1,040	1,073	1,115	
	48,720	**54,840**	**59,052**	**58,008**	
	41,520	**47,640**	**51,852**	**50,808**	
1	41,520	47,640	51,852	50,808	
2	42,144	48,356	52,631	51,571	
3	42,777	49,082	53,421	52,346	
4	43,420	49,819	54,224	53,132	
5	44,072	50,567	55,038	53,930	
6	44,734	51,327	55,864	54,740	
7	45,406	52,098	56,703	55,562	
8	46,088	52,880	57,555	56,396	51,290
9	46,780	53,675	58,419	57,243	
10	47,483	54,481	59,297	58,103	

06-Dec-04 **Harrington Apartments, Burlington**

	Annual	Monthly	Per Unit Per Month	
Administration				
Management Fee		0	0	0.0%
Office salaries/expenses		0	0	
Audit/Accounting		0	0	
Legal		0	0	
Conventions/meetings		0	0	
Marketing		0	0	
Resident Services		0	0	
TOTAL ADMINISTRATIVE	6,200	517	103	
Utilities				
Electricity		0	0	
Fuel		0	0	
Water and Sewer		0	0	
Fire Alarm / Emergency		0	0	
TOTAL UTILITIES	3,000	250	50	
Maintenance				
Maintenance / Janitor Payroll		0	0	
Janitor Supplies		0	0	
Security		0	0	
Trash Removal		0	0	
Snow Removal		0	0	
Grounds		0	0	
Repairs Material		0	0	
Repairs Contract		0	0	
Elevator Contract / Repairs		0	0	
Painting and Decorating		0	0	
Other		0	0	
TOTAL MAINTENANCE	6,000	500	100	
				per unit month
Real Estate Taxes	0	0	0	excl. ds & res.
Property Insurance	2,000	167	33	287
Payroll taxes and insurance		0	0	
Replacement Reserves	1,500	125	25	
Primary Debt Service	21,015	1,751	350	
Total	39,715	3,310	662	

06-Dec-04		Harrington Apartments, Burlington														
FULL REHAB	Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
		2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Operating Income																
Gross Rent		48,396	48,706	49,017	49,331	49,647	49,965	50,284	46,088	47,010	47,950	48,909	49,887	50,885	51,903	52,941
Other Income		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Vacancy and other losses		(1,452)	(1,461)	(1,471)	(1,480)	(1,489)	(1,499)	(1,509)	(1,383)	(1,410)	(1,439)	(1,467)	(1,497)	(1,527)	(1,557)	(1,588)
Total Operating Income		46,944	47,245	47,547	47,851	48,157	48,466	48,776	44,705	45,600	46,512	47,442	48,391	49,358	50,346	51,352
Operating Expenses																
Total Expenses (excl. Reserves)		17,200	17,716	18,247	18,795	19,359	19,940	20,538	21,154	21,788	22,442	23,115	23,809	24,523	25,259	26,017
Reserves		1,500	1,510	1,519	1,529	1,539	1,549	1,559	1,569	1,579	1,589	1,599	1,609	1,619	1,630	1,640
Total Operating Expense		18,700	19,226	19,767	20,324	20,898	21,488	22,096	22,722	23,367	24,031	24,714	25,418	26,142	26,888	27,657
Net Operating Income		28,244	28,019	27,780	27,527	27,260	26,978	26,680	21,983	22,233	22,481	22,728	22,973	23,216	23,457	23,696
Less Primary Debt Service		21,015	21,015	21,015	21,015	21,015	21,015	21,015	21,015	21,015	21,015	21,015	21,015	21,015	21,015	21,015
Less Secondary Debt Service		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Annual Cash Flow		7,230	7,004	6,766	6,513	6,245	5,963	5,665	969	1,218	1,466	1,713	1,958	2,201	2,443	2,681
Operating Subsidies / Sinking Fund		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash		7,230	7,004	6,766	6,513	6,245	5,963	5,665	969	1,218	1,466	1,713	1,958	2,201	2,443	2,681
DCR		134.40%	133.33%	132.19%	130.99%	129.72%	128.38%	126.96%	104.61%	105.80%	106.98%	108.15%	109.32%	110.48%	111.62%	112.76%
Cumulative Cash Flow																
Beginning Balance		1,000	8,250	15,419	22,493	29,456	36,290	42,979	49,503	51,462	53,709	56,250	59,088	62,228	65,674	69,430
Interest	2.0%	20	165	308	450	589	726	860	990	1,029	1,074	1,125	1,182	1,245	1,313	1,389
Withdrawals		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance		8,250	15,419	22,493	29,456	36,290	42,979	49,503	51,462	53,709	56,250	59,088	62,228	65,674	69,430	73,499
Cumulative Replacement Reserves																
Beginning Balance		0	1,500	3,040	4,620	6,241	1,905	3,491	5,120	6,791	8,505	264	1,868	3,514	5,204	6,938
Interest	2.0%	0	30	61	92	125	38	70	102	136	170	5	37	70	104	139
Deposits		1,500	1,510	1,519	1,529	1,539	1,549	1,559	1,569	1,579	1,589	1,599	1,609	1,619	1,630	1,640
Withdrawals		0	0	0	0	(6,000)	0	0	0	0	(10,000)	0	0	0	0	(8,500)
Ending Balance		1,500	3,040	4,620	6,241	1,905	3,491	5,120	6,791	8,505	264	1,868	3,514	5,204	6,938	216

VERMONT HOUSING FINANCE AGENCY

RESOLUTION RE: PERMANENT FINANCING FOR HARRINGTON APARTMENTS, BURLINGTON

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

WHEREAS, an application has been submitted to the Agency by Burlington Housing Authority (the "Borrower") involving the permanent financing of one (1) building containing a total of five (5) units of rental housing in the City of Burlington (the "Development"); and

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

WHEREAS, the Borrowers qualify as housing sponsors within the meaning of the Vermont Housing Finance Agency Act (the "Act"); and

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid dated December 9, 2004, containing information and recommendations about the Development (the "Memorandum");

THEREFORE, it is hereby DETERMINED:

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

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

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

4. The Borrower undertaking the Development will increase the supply of well-planned, well-designed permanent, temporary, transitional or emergency housing for persons and families of low and moderate income.

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

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

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a new mortgage loan to the Borrower for the permanent financing of the Development based on the recommendations in the attached Memorandum. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the Borrower in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

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

3. The Executive Director is hereby authorized to allow the Borrower to assume an existing loan to the Development in the amount of $5000 previously funded with excess yield zero percent pool funds and to commit an additional loan in an amount up to $95,000 to the Borrower to be funded with excess yield zero percent pool funds.

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

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Eliza Smith-Vedder, Multifamily Development Underwriter

DATE: December 9, 2004

RE: Request for Allocated Housing Credits: Dorset Housing, East Dorset

Name:	Dorset Housing	**Location:**	East Dorset
Housing Type:	General Occupancy	**Unit Type:**	Townhouses and Flats
Unit Count:	20 Total Units 16 Housing Credit Units	**Unit Sizes:**	6 @ 670 sq. ft. 10 @ 840 sq. ft. 4 @ 1100 sq. ft.
Total Cost:	$3,518,319 (Apartments only)	**Per S.F. Acquisition & Construction Cost:**	$168
Loan Requested:	$0	**Sponsors:**	Housing Vermont and the Affordable Housing Subcommittee of the Dorset Planning Commission.
Housing Credits:	$260,000 (Ceiling "9%" Credits)		
Other Funding:	HOME, VHCB, VCDP, REEP, AHP, Debt		

Recommendation: That the VHFA Board of Commissioners pass the attached resolution and make the required findings as outlined in the second section of the resolution ("It is hereby determined:"), and authorize staff to issue the appropriate documentation according to the Qualified Allocation Plan.

Project Summary: Housing Vermont is working with the Affordable Housing Subcommittee of the Dorset Planning Commission to develop twenty four units of housing in East Dorset, and is requesting $260,000 in allocated credit. Four of these units will be starter homes, four will be market rate apartments, and the remaining sixteen will be tax-credit rental units. This 8.99 acre site is comprised of four adjacent parcels of an existing commercial subdivision. The zoning allows for multifamily housing, and currently the only other uses of the subdivision are a veterinarian's office and the office of a civil engineer. The development team is comprised of representatives from both Housing Vermont and the Affordable Housing Subcommittee. The architect will be Gary Corey of Centerline Architects, the civil engineer will be Ellis Speath, and the borrower's counsel will be Gensburg, Atwell & Broderick. A Property Manager has not yet been selected.

Overview: This development is the outcome of a three year project of Dorset's Affordable Housing Subcommittee. Their charge was to first identify unmet housing needs in Dorset, and then to explore some solutions. In 2002 they received VCDP funds to "present plausible and parcel- specific affordable housing" options for Dorset. A market study showed a need for both affordable starter homes as well as affordable rentals; from there the committee put together a development team to research the feasibility of various sites. This particular site was chosen for its "superior potential for being successfully developed." The site itself is off Route 7a, just to the south of East Dorset Cemetery.

There will be twenty apartments in seven buildings. The buildings will include six triplexes and one duplex, with two units in each triplex being townhouses, and the third being a flat. Existing residents of Dorset will be given a priority in renting or purchasing any of the units.

The site will need on-site water and sewer, as Dorset does not have municipal services. The developer intends to work with Efficiency Vermont and has submitted the energy efficiency checklist. Their plans are to meet nearly all of Efficiency Vermont's recommendations with the exception of only a few small items. The project hopes to receive all local permits and complete Act 250 by the end of January 2005, in order to be under construction by May 2005. Occupancy is expected to be April 2006.

Tax Credit Summary: The project meets two of the upper tier criteria (it is new construction where there has been a lack of affordable housing, it is family housing) and two of the second tier criteria (it will be mixed income and is targeting an underserved geographic location) of the Allocation Plan's Evaluation Criteria list. While it does not meet as many criteria as some other projects, the steady gentrification of this region makes the need for affordable housing that much more acute. In terms of design criteria, the project meets all required project amenities for a project of its size. The three bedroom apartments will have 1 ½ baths and there will be laundry facilities in each unit.

Market Study: The market study was completed by Mad River Research. It points out that this will be only the second new subsidized rental housing in the Primary Market Area (PMA) built in the last ten years. Between 1990 and 2000, Dorset actually lost 26 rental units. All other subsidized units in the area show near 100% occupancy rates and the regional vacancy rate is between 2-3%. The study projected that the units would be at full occupancy within three months.

The market study does point out one issue, which is the location of the site. It is not within walking distance to any services, and residents will need transportation. The study suggests that a new stop for the local bus, which serves the Route 7a corridor, should be created at the site. Staff believes that this should be a condition of the award of credits. The study also makes clear that demand for affordable apartments in the PMA is great enough to mitigate the effect of the location's impact on marketability.

08-Dec-04 **Dorset Housing**

Total Residential Units:	20	Increase in Income from Rental Units:	1.50%
Housing Credit Restricted Units:	20	Increase in Income from Other Sources:	1.50%
Percent Restricted:	100.00%	Increase in Income from Commercial:	1.50%
Total Development Cost:	3,518,319	Expense increase:	3.00%
Total Development Cost per Unit:	175,916	Vacancy Rate:	5%
Total Development Cost Per SF:	209	Partner's Tax Rate:	35%
Credit Election:	40/60	Long Depreciation Schedule:	27.5 years
Max Credit Potential:	259,927	Short Depreciation Schedule:	7 years
Credit Amount Allocated:	260,000	Sponsor's Estimated Yield:	83.84%
LIHTC - 9%	7.96%		
LIHTC - 4%	3.41%		

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term
First Mortgage	275,000	7.82%	7.50%	25	25
HOME	250,000	7.11%	5.34%	30	deferred
VCDP	401,253	11.40%	0.00%	30	deferred
Reep Loan	17,000		0.00%	30	deferred
VHCB Planning Grant	17,083		0.00%	30	deferred
VHCB GF Loan	400,000	11.37%	0.00%	30	deferred
Tax Credit Equity	2,158,000	61.34%	N/A	N/A	
TOTAL SOURCES	3,518,336	100.00%			

USES

Acquisition	343,333	9.76%
Construction Hard Costs	2,488,611	70.73%
Soft Costs	686,375	19.51%
TOTAL USES	3,518,319	100%
Gap	(17)	

General Partner's Capital Contribution	21,798	1.00%
Limited Partner's Capital Contribution	2,158,000	99.00%
Total Equity	2,179,798	

APPLICABLE FRACTION CALCULATION

Tax Credit Restricted Units	16
Total Units	20
Unit Fraction	80.00%
Tax Credit Square Footage	13,540
Total Residential Square Footage	16,820
Square Footage Fraction	80.50%
Applicable Fraction	80.00%

form revision date: 2/27/97

		Budget	Per Unit	Per s.f.	400,000 VHCB GF Loan Terms:___	250,000 HOME Terms:___	401,253 VCDP Terms:___	275,000 Debt Terms:___	2,157,985 Equity Terms:___	17,083 VHCB Planning Terms:___	17,000 REEP Terms:___	TOTAL SOURCES
					Allocation of Sources							
	ACQUISITION											
1	Land	337,500	16,875	20.07	337,500							337,500
2	Purchase of Building(s)		0	0.00								0
3	Demolition (without replacement)		0	0.00						2,083		2,083
4	Property Appraisal	2,083	104	0.12								0
5	Legal - Title and Recording	3,750	188	0.22				3,750				3,750
	Subtotal - Acquisition	**343,333**	**17,167**	**20.41**								
	CONSTRUCTION HARD COSTS											
6	Rehabilitation		0	0.00								0
7	New Building(s)	1,703,760	85,188	101.29	62,500	250,000	401,253	271,250	701,757		17,000	1,703,760
8	Accessory Buildings		0	0.00								0
9	Sitework	538,614	26,931	32.02					538,614			538,614
10	Commercial Space Costs (if any)		0	0.00								0
11	General Requirements		0	0.00								0
12	Contractor Overhead		0	0.00								0
13	Contractor Profit		0	0.00								0
14	Construction Contingency	224,237	11,212	13.33					224,237			224,237
15	Construction Management		0	0.00								0
16	Construction Bond Fee		0	0.00								0
17	Hazardous Materials Abatement		0	0.00								0
18	Off-Site Improvements		0	0.00								0
19	Furnishings, Fixtures, & Equipment	22,000	1,100	1.31					22,000			22,000
20	Other (__________)		0	0.00								0
	Subtotal - Hard Costs	**2,488,611**	**124,431**	**147.96**								
	SOFT COSTS											
21	Architectural/Engineering/Survey	213,025	10,651	12.66					198,025	15,000		213,025
23	Legal/Accounting	13,750	688	0.82					13,750			13,750
24	Relocation		0	0.00								0
25	Environmental Assessment		0	0.00								0
26	Energy Assessment	3,750	188	0.22					3,750			3,750
27	Permits/Fees	24,518	1,226	1.46					24,518			24,518
28	Independent Market Study	2,500	125	0.15					2,500			2,500
29	Construction Period Insurance	6,250	313	0.37					6,250			6,250
30	Construction Interest	52,083	2,604	3.10					52,083			52,083
31	Construction Loan Origination Fee	32,708	1,635	1.94					32,708			32,708
32	Taxes During Construction		0	0.00								0
33	Clerk of the Works	12,500	625	0.74					12,500			12,500
34	Marketing/sundication	3,750	188	0.22					3,750			3,750
35	Tax Credit Fees	5,708	285	0.34					5,708			5,708
36	Soft Cost Contingency	4,583	229	0.27					4,583			4,583
37	Permanent Loan Origination Fee		0	0.00								0
38	Lender's Counsel's Fee		0	0.00								0
39	VCDP GA and PM	15,417	771	0.92					15,417			15,417
	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	262,500	13,125	15.61					262,500			262,500
45	Other Partnership Fees		0	0.00								0
46	Consultant Fees		0	0.00								0
	RESERVES											
47	Working Capital	33,333	1,667	1.98					33,333			33,333
48	Rent-up (Deficit Escrow) Reserve		0	0.00								0
49	Other Operating Reserves		0	0.00								0
51	Replacement Reserves		0	0.00								0
	Subtotal - Soft Costs	**686,375**	**34,319**	**40.81**								
	TOTAL DEVELOPMENT COSTS	**3,518,319**	**175,916**	**209**	**400,000**	**250,000**	**401,253**	**275,000**	**2,157,983**	**17,083**	**17,000**	**3,518,319**

form revision date 2/27/97

Dorset Housing

		Budget	Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Other
	ACQUISITION						
1	Land	337,500					
2	Purchase of Building(s)	0					
3	Demolition (without replacement)	0					
4	Property Appraisal	2,083	2,083		2,292		
5	Legal - Title and Recording	3,750	3,750		4,215		
	Subtotal - Acquisition	343,333					
	CONSTRUCTION HARD COSTS						
6	Rehabilitation	0					
7	New Building(s)	1,703,760		1,703,760	1,874,136		
8	Accessory Buildings	0					
9	Sitework	538,614		538,614	592,475		
10	Commercial Space Costs (if any)	0					
11	General Requirements	0					
12	Contractor Overhead	0					
13	Contractor Profit	0					
14	Construction Contingency	224,237		224,237	246,661		
15	Construction Management	0					
16	Construction Bond Fee	0					
17	Hazardous Materials Abatement	0					
18	Off-Site Improvements	0					
19	Furnishings, Fixtures, & Equipment	22,000		22,000			
20	Other (________________)	0					
	Subtotal - Hard Costs	2,488,611					
	SOFT COSTS						
21	Architectural/Engineering/Survey	213,025		213,025	234,328		
23	Legal/Accounting	13,750		13,750	15,125		
24	Relocation	0					
25	Environmental Assessment	0					
26	Energy Assessment	3,750		3,750	4,125		
27	Permits/Fees	24,518		24,518	26,970		
28	Independent Market Study	2,500		2,500	2,750		
29	Construction Period Insurance	6,250		6,250	6,875		
30	Construction Interest	52,083		52,083	57,292		
31	Construction Loan Origination Fee	32,708		32,708	35,979		
32	Taxes During Construction	0					
33	Clerk of the Works	12,500		12,500	13,750		
34	Marketing/sundication	3,750			4,125		
35	Tax Credit Fees	5,708		5,708	6,279		
36	Soft Cost Contingency	4,583		4,583	5,042		
37	Permanent Loan Origination Fee	0					
38	Lender's Counsel's Fee	0					
39	VCDP GA and PM	15,417		15,417	16,958		
	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	262,500		262,500	288,750		
45	Other Partnership Fees	0					
46	Consultant Fees	0					
	RESERVES						
47	Working Capital	33,333					
48	Rent-up (Deficit Escrow) Reserve	0					
49	Other Operating Reserves	0					
#REF!	#REF!	#REF!					
51	Replacement Reserves	0					
	TOTALS	3,518,319	5,833	3,137,903	3,438,127	0	
LESS:	Amount of Non-qualified Financing						
LESS:	Adjustment for per unit cost limits						
LESS:	Historic tax Credit (Residential Portion)			0	0	20% Historic Credit Rate	
	Total Eligible Basis		5,833	3,137,903		0 Annual Historic Credit	
TIMES:	Adjusted for QCT/DDA	130.0%		4,079,274			
TIMES:	Applicable Fraction	80.00%	4,666	3,263,419			
	Total Qualified Basis		4,666	3,263,419	3,438,127	Long Term Depreciable Basis	
TIMES:	Applicable Percentage		3.41%	7.96%	27.5	Depreciation Schedule	
	Total Annual Credit Qualified		159	259,768	125,023	Annual Depreciation	

Total Tax Credits Requested	260,000
Estimated Net Syndication Proceeds	
(excluding historic credit equity)	2,158,000
Estimated Yield - Housing Credit Syndication	83.84%
Equity Gap	2,157,983
Credits Needed to fill Equity Gap	259.998

0	Short Term Depreciable Basis
7	Depreciation Schedule
0	Annual Depreciation

Dorset
12/8/2004 **Housing**

HC Restricted Units Bedrooms	Type	Average Square Feet	Number	Average Rent	Utilities	Total Annual Rent
0 Br			-	-		-
1 Br		670	4	513		24,600
2 Br		840	9	634		68,448
3 Br		1,100	3	723		26,040
4+ Br			-	-		-
	Totals	**13,540**	**16**			**119,088**

Non-HC Restricted Units Bedrooms	Type	Square Feet	Number	Rent	Utilities	Total Annual Rent
0 Br			-	-		-
1 Br		670	2	677		16,248
2 Br		840	1	813		9,756
3 Br		1,100	1	938		11,256
4+ Br			-	-		-
	Totals	**3,280**	**4**			**37,260**
All Units	**Grand**	**16,820**	**20**			**156,348**
		Less Vacancy	0			(7,817)
					NET RENT	**148,531**
		OTHER INCOME				
		Laundry				1,200
		Parking				-
		Commercial Space Income				-
		Other				500
					TOTAL INCOME	**150,231**

08-Dec-04 **Dorset Housing**

	Check all Applicable									A					B						C					
Building #	Unit #	HOME Unit	Lead Paint Unit	Project Based Assistance	Tax Credit Unit	VHCB Restricted	Accessible	Adaptable	Unrestricted	Number of Bedrooms	Proposed Square Footage	Proposed Rent	Utility Allowance for Tenant-Paid Utilities	Gross Rent (Rent + Tenant-Paid Utilities)	OCCUPIED BY: Income level of residents to be served:						AFFORDABLE TO: Units affordable to residents at:					
															<30%	<50%	<60%	<80%	<100%	>100%	30%	50%	60%	65%	80%	100%+
Trip. 1	1				1	1			0	2	840	648	49	697			1						1			
	2				1	1			0	1	670	486	40	526		1						1				
	3				1	1			0	2	840	648	49	697			1						1			
Trip. 2	4				1	1				2	840	648	49	697			1						1			
	5				0	0			1	1	670	677	40	717						1					1	
	6				1	1			0	3	1,100	748	62	810			1						1			
Trip. 3	7				0	0			1	2	840	813	49	862						1					1	
	8				1	1			0	1	670	539	40	579			1						1			
	9				1	1			0	2	840	584	49	633		1						1				
Trip. 4	10				1	1			0	2	840	648	49	697			1						1			
	11				1	1			0	1	670	486	40	526			1						1			
	12				1	1			0	3	1,100	748	62	810			1						1			
Trip. 5	13				1	1			0	2	840	648	49	697			1						1			
	14				0	0			1	1	670	677	40	717						1					1	
	15				1	1			0	2	840	648	49	697			1						1			
Trip. 6	16				0	0			1	3	1,100	938	62	1,000						1					1	
	17				1	1			0	1	670	539	40	579			1						1			
	18				1	1			0	3	1,100	674	62	736		1						1				
Duplex	19				1	1			0	2	840	584	49	633		1						1				
	20				1	1			0	2	840	648	49	697			1						1			
Total # Units	20									Totals:	16,820	13,029		Total # Units:	0	4	12	0	0	4	0	4	12	0	4	0

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38,330	Dorset Housing			
			Per Unit	
	Annual	Monthly	Per Month	
Administration	-	-	-	
Management Fee	12,000	1,000	50	0
Supportive Services		-	-	
Audit/Accounting	3,840	320	16	
Legal	1,200	100	5	
Compliance Monitoring	720	60	3	
Marketing	480	40	2	
Other	1,920	160	8	
TOTAL ADMINISTRATIVE	**20,160**	**1,680**	**84**	
Utilities				
Electricity	3,600	300	15	
Fuel	13,200	1,100	55	
Water and Sewer	4,800	400	20	
Fire Alarm / Emergency	-	-	-	
Other	720	60	3	
TOTAL UTILITIES	**22,320**	**1,860**	**93**	
Maintenance				
Maintenance / Janitor Payroll	9,600	800	40	
Janitor Supplies	1,680	140	7	
Exterminating	480	40	2	
Trash Removal	3,360	280	14	
Snow Removal	6,000	500	25	
Grounds	5,760	480	24	
Repairs Material		-	-	
Repairs Contract		-	-	
HVAC Repairs / Maintenance	2,640	220	11	
Elevator Contract / Repairs		-	-	
Painting and Decorating	1,200	100	5	
Other		-	-	
TOTAL MAINTENANCE	**30,720**	**2,560**	**128**	
General				per unit montl
Real Estate Taxes	24,000	2,000	100	excl. ds & res
Property Insurance	7,200	600	30	435
Replacement Reserves	8,400	700	35	
Primary Debt Service		-	-	
Other "must pay" debt service		-	-	
Other		-	-	
Total	**112,800**	**9,400**	**470**	

form revision date: 2/27/97

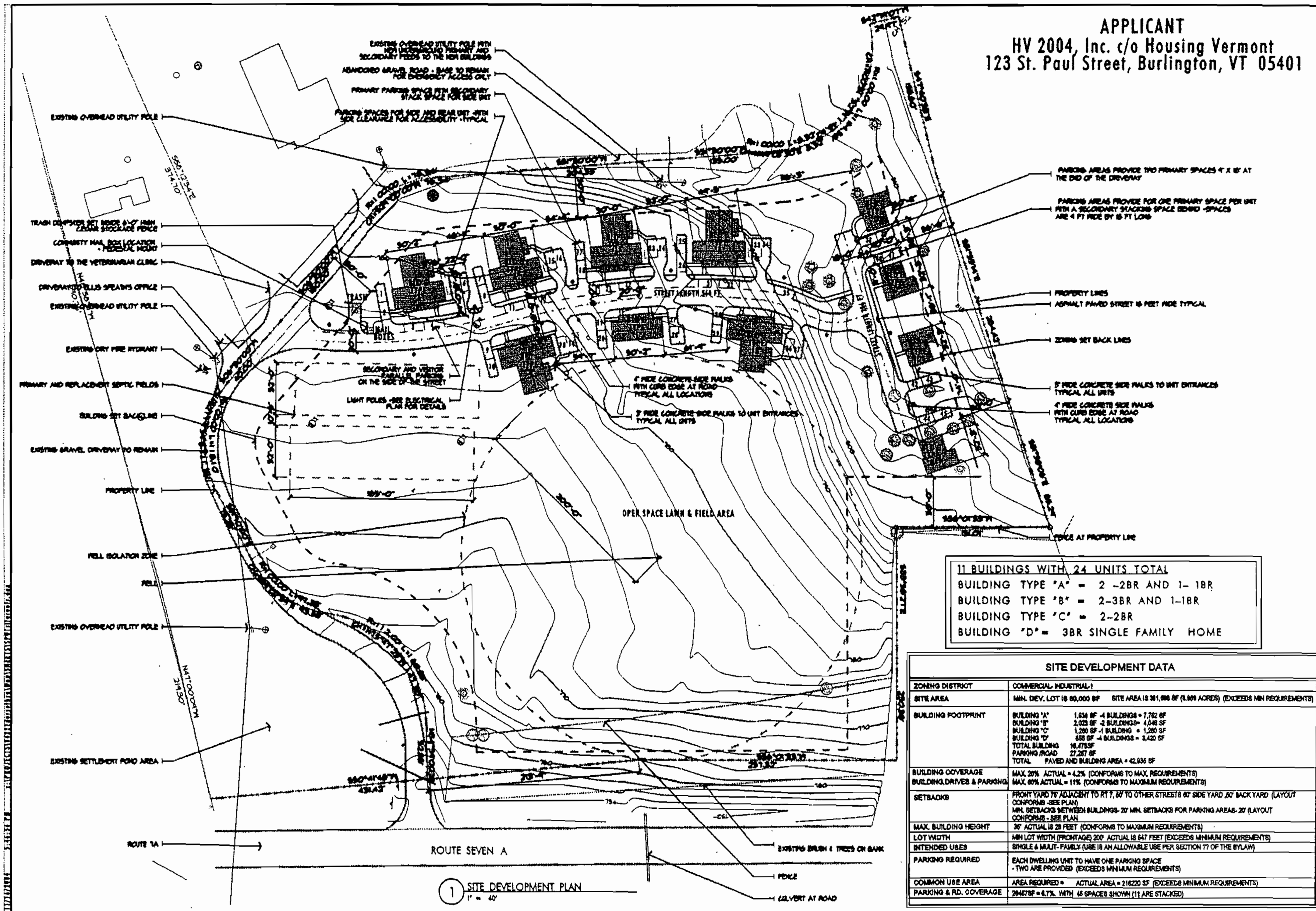
Dorset Housing

08-Dec-04

	Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Operating Income																
Gross Rent		156,348	158,693	161,074	163,490	165,942	168,431	170,958	173,522	176,125	178,767	181,448	184,170	186,933	189,736	192,583
Other Income		1,700	1,726	1,751	1,778	1,804	1,831	1,859	1,887	1,915	1,944	1,973	2,003	2,033	2,063	2,094
Vacancy and other losses		(7,817)	(7,935)	(8,054)	(8,174)	(8,297)	(8,422)	(8,548)	(8,676)	(8,806)	(8,938)	(9,072)	(9,208)	(9,347)	(9,487)	(9,629)
Total Operating Income		150,231	152,484	154,771	157,093	159,449	161,841	164,269	166,733	169,234	171,772	174,349	176,964	179,618	182,313	185,047
Operating Expenses																
Total Expenses (excl. Reserves)		104,400	107,532	110,758	114,081	117,503	121,028	124,659	128,399	132,251	136,218	140,305	144,514	148,849	153,315	157,914
Reserves		8,400	8,526	8,654	8,784	8,915	9,049	9,185	9,323	9,463	9,604	9,749	9,895	10,043	10,194	10,347
Total Operating Expense		112,800	116,058	119,412	122,864	126,419	130,077	133,844	137,722	141,713	145,823	150,053	154,409	158,893	163,509	168,261
Net Operating Income		37,431	36,426	35,359	34,228	33,031	31,764	30,425	29,011	27,520	25,949	24,295	22,555	20,726	18,804	16,786
Less Primary Debt Service		24,387	24,387	24,387	24,387	24,387	24,387	24,387	24,387	24,387	24,387	24,387	24,387	24,387	24,387	24,387
Less Secondary Debt Service		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Annual Cash Flow		13,044	12,039	10,973	9,842	8,644	7,377	6,038	4,624	3,134	1,563	(91)	(1,832)	(3,661)	(5,583)	(7,600)
Operating Subsidies / Sinking Fund		0	0	0	0	0	0	0	0	0	0	91	1,832	3,661	5,583	7,600
Net Cash		13,044	12,039	10,973	9,842	8,644	7,377	6,038	4,624	3,134	1,563	0	0	0	0	0
DCR		153.49%	149.37%	144.99%	140.36%	135.45%	130.25%	124.76%	118.96%	112.85%	106.41%	99.63%	92.49%	84.99%	77.11%	68.83%
Cumulative Cash Flow																
Beginning Balance		33,333	43,057	51,962	59,970	66,998	72,957	77,758	81,302	83,490	84,217	83,388	80,906	76,651	70,500	62,325
Deposits		13,044	12,039	10,973	9,842	8,644	7,377	6,038	4,624	3,134	1,563	0	0	0	0	0
Interest	2.0%	764	950	1,119	1,270	1,400	1,507	1,591	1,648	1,677	1,693	1,693	1,661	1,595	1,492	1,350
Withdrawals:																
Project Operating Needs		0	0	0	0	0	0	0	0	0	0	(91)	(1,832)	(3,661)	(5,583)	(7,600)
Special LP or GP Fee		(4,084)	(4,084)	(4,084)	(4,084)	(4,084)	(4,084)	(4,084)	(4,084)	(4,084)	(4,084)	(4,084)	(4,084)	(4,084)	(4,084)	(4,084)
Repayment of Deferred Devel. Fee		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Partnership Audit or K-1 Fee		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Distribution of Cash to Owner		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance		43,057	51,962	59,970	66,998	72,957	77,758	81,302	83,490	84,217	83,388	80,906	76,651	70,500	62,325	51,991
Cumulative Replacement Reserves																
Beginning Balance		0	8,484	17,268	26,358	35,763	(14,108)	(4,967)	4,310	13,814	23,651	(25,777)	(15,930)	(5,935)	4,210	14,591
Deposits		8,400	8,526	8,654	8,784	8,915	9,049	9,185	9,323	9,463	9,604	9,749	9,895	10,043	10,194	10,347
Interest	2.0%	84	258	436	621	1,214	91	93	181	375	967	98	100	101	188	781
Withdrawals			0	0	0	(60,000)	0	0	0	0	(60,000)	0	0	0	0	(60,000)
Ending Balance		8,484	17,268	26,358	35,763	(14,108)	(4,967)	4,310	13,814	23,651	(25,777)	(15,930)	(5,935)	4,210	14,591	(34,281)
	394,781	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Net Operating Income		37,431	36,426	35,359	34,228	33,031	31,764	30,425	29,011	27,520	25,949	24,295	22,555	20,726	18,804	16,786
Plus Reserves		8,400	8,526	8,654	8,784	8,915	9,049	9,185	9,323	9,463	9,604	9,749	9,895	10,043	10,194	10,347
Less Interest Expense		(33,843)	(33,541)	(33,215)	(32,864)	(32,486)	(32,078)	(31,639)	(31,165)	(30,655)	(30,105)	(29,513)	(28,874)	(28,186)	(27,445)	(26,646)
Less Long Depreciation		(125,023)	(125,023)	(125,023)	(125,023)	(125,023)	(125,023)	(125,023)	(125,023)	(125,023)	(125,023)	(125,023)	(125,023)	(125,023)	(125,023)	(125,023)
Less Short Depreciation		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Taxable Income (Loss)		(113,035)	(113,611)	(114,224)	(114,874)	(115,562)	(116,288)	(117,052)	(117,854)	(118,695)	(119,574)	(120,492)	(121,447)	(122,440)	(123,470)	(124,536)
Cash Flow		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings		39,562	39,764	39,979	40,206	40,447	40,701	40,968	41,249	41,543	41,851	42,172	42,507	42,854	43,215	43,588
Plus Tax Credits		260,000	260,000	260,000	260,000	260,000	260,000	260,000	260,000	260,000	260,000					
After Tax Cash Flow		299,562	299,764	299,979	300,206	300,447	300,701	300,968	301,249	301,543	301,851	42,172	42,507	42,854	43,215	43,588

APPLICANT

HV 2004, Inc. c/o Housing Vermont
123 St. Paul Street, Burlington, VT 05401



1 SITE DEVELOPMENT PLAN
1" = 40'

11 BUILDINGS WITH 24 UNITS TOTAL
BUILDING TYPE "A" = 2 -2BR AND 1- 1BR
BUILDING TYPE "B" = 2-3BR AND 1-1BR
BUILDING TYPE "C" = 2-2BR
BUILDING "D" = 3BR SINGLE FAMILY HOME

SITE DEVELOPMENT DATA

ZONING DISTRICT	COMMERCIAL- INDUSTRIAL-1
SITE AREA	MIN. DEV. LOT IS 80,000 SF SITE AREA IS 381,698 SF (8.969 ACRES) (EXCEEDS MIN REQUIREMENTS)
BUILDING FOOTPRINT	BUILDING "A" 1,934 SF -4 BUILDINGS = 7,762 SF BUILDING "B" 2,023 SF -2 BUILDINGS = 4,046 SF BUILDING "C" 1,260 SF -1 BUILDING = 1,260 SF BUILDING "D" 855 SF -4 BUILDINGS = 3,420 SF TOTAL BUILDING 16,478SF PARKING /ROAD 27,257 SF TOTAL PAVED AND BUILDING AREA = 42,935 SF
BUILDING COVERAGE BUILDING,DRIVES & PARKING	MAX. 20% ACTUAL = 4.2% (CONFORMS TO MAX. REQUIREMENTS) MAX. 60% ACTUAL = 11% (CONFORMS TO MAXIMUM REQUIREMENTS)
SETBACKS	FRONT YARD 75' ADJACENT TO RT 7, 60' TO OTHER STREETS 60' SIDE YARD ,50' BACK YARD (LAYOUT CONFORMS -SEE PLAN) MIN. SETBACKS BETWEEN BUILDINGS- 20' MIN. SETBACKS FOR PARKING AREAS- 20' (LAYOUT CONFORMS - SEE PLAN
MAX. BUILDING HEIGHT	35' ACTUAL IS 28 FEET (CONFORMS TO MAXIMUM REQUIREMENTS)
LOT WIDTH	MIN LOT WIDTH (FRONTAGE) 200' ACTUAL IS 647 FEET (EXCEEDS MINIMUM REQUIREMENTS)
INTENDED USES	SINGLE & MULIT- FAMILY (USE IS AN ALLOWABLE USE PER SECTION 77 OF THE BYLAW)
PARKING REQUIRED	EACH DWELLING UNIT TO HAVE ONE PARKING SPACE - TWO ARE PROVIDED (EXCEEDS MINIMUM REQUIREMENTS)
COMMON USE AREA	AREA REQUIRED = ACTUAL AREA = 216220 SF (EXCEEDS MINIMUM REQUIREMENTS)
PARKING & RD. COVERAGE	264578F = 6.7% WITH 46 SPACES SHOWN (11 ARE STACKED)

HV 2004 INC. EAST DORSET HOUSING
east dorset, vermont
drawing:
neighborhood housing
SITE | job no. 04221
NORTH
centerline | architects
p.o. box 386 bennington, vt 05201 p 802.447.8609 f 802.447.3351
date: NOVEMBER 16, 2004 | drawn by: GJC, MEC, OLF, TAD | scale: AS NOTED
submittal & revision dates
SP-01
sheet no.

RESOLUTION RE: PROPOSED ALLOCATION OF ALLOCATED HOUSING CREDITS FOR DORSET HOUSING, DORSET

WHEREAS, the Agency administers the allocation of the federal Low Income Housing Tax Credits (both Allocated Housing Credits and Bond Housing Credits) and the State Housing Credits under the State's Qualified Allocation Plan; and

WHEREAS, the Governor of the State of Vermont has approved the 2004-2005 Qualified Allocation Plan; and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Eliza Smith-Vedder dated December 9, 2004, containing information and recommendations about the Development (the "Memorandum");

WHEREFORE, it is hereby RESOLVED:

1. That the recommendation contained in the Memorandum which is attached and incorporated by this reference be approved;

2. That the Executive Director and the appropriate staff are hereby authorized to take such actions as are described in the 2004-2005 Qualified Allocation Plan regarding the proposed allocation of federal Allocated Housing Credits in the amount of $260,000 for the Dorset Housing project in the Town of Dorset, Vermont.

vhfa

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Multifamily Development Underwriter CR

DATE: December 9, 2004

RE: Request for Permanent Financing: Heineberg Senior Housing, Burlington

Name:	Heineberg Senior Housing	**Location:**	Burlington
Housing Type:	Senior	**Unit Type:**	Flats
Unit Count:	82 Total Units	**Unit Sizes:**	68 1-BR @ 563 s.f. 13 2-BR @ 743 s.f. 1 Res Mgr Unit
Total Cost:	$4,051,846	**Per S.F. Acquisition & Construction Cost:**	$160.35
Loans Requested:	$2,050,000 Permanent	**Sponsor:**	Cathedral Square Corporation
Other Funding:	VHCB/VHFA Participation Loan (Existing), HOME, Project Reserves		

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

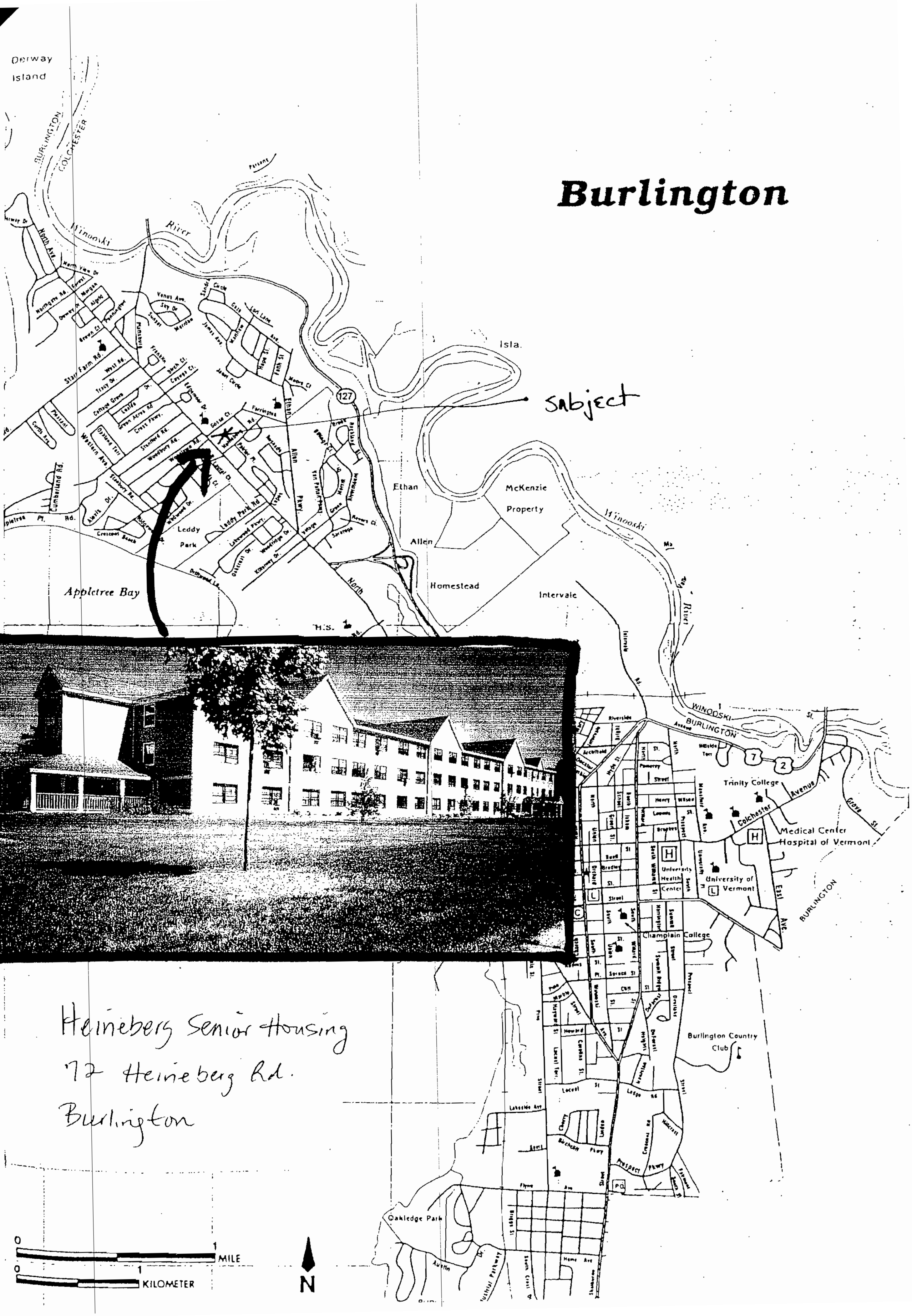
Project Summary: Heineberg Senior Housing (HSH), an 82-unit senior housing community, was developed in 1989 by Cathedral Square Corporation, Housing Vermont, and the Chittenden County Senior Citizen Alliance. HSH was one of the first developments in Vermont to use the Low Income Housing Tax Credit program. It is now at the end of its 15-year tax credit compliance period (in 1989 there was no extended use period – the compliance period was only 15 years). Cathedral Square Corporation has negotiated to purchase the property from the Limited Partnership for the balance of the outstanding debt plus $100,000 - $75,000 of which goes to the limited partnership and $25,000 to Housing Vermont. The development has been successful: it is a well-maintained facility with a historically high occupancy rate.

CSC is seeking permanent financing to acquire the property and do some improvements including: accessibility modifications, new window installation, renovation to the trash/recycle system, and other miscellaneous repairs/upgrades. CSC is also requesting that VHFA: 1) waive its prepayment fee of 1% on the existing debt; 2) allow CSC to assume the existing VHCB/VHFA Participation Loan, and 3) forgive the accrued interest on the VHCB/VHFA Participation Loan. The original amount of the VHCB loan was $625,000 and was made in 1989. In 1994 VHFA purchased a participation interest of 83.42% from VHCB for this loan and others. The loan has accrued interest at 8% annually for a total loan balance today of 1,410,000. Regarding these requests, staff recommends to the Board: 1) to not waive the prepayment fee (it's 1% of the outstanding loan balance), as it is a pass-through fee to Fannie Mae; 2) to allow CSC to assume the VHCB/VHFA Participation Loan at the outstanding balance at the time of closing (approximately $1,410,000); 3) to restructure the loan by reducing the rate to 0% and deferring repayment until the end of the term of the amortizing debt. This may result in a write-down for VHFA. This will be discussed at the Board meeting as it relates to other projects in addition to Heineberg, as VHFA has five other VHCB/VHFA Participation loans similar to this one.

In purchasing the development, CSC will continue to serve the current residents with incomes of between 30%-80% of area median income without increasing rents (beyond what is required for increases in operating costs); increase staffing at the property to provide more assistance to residents; provide improvements to the property; and beef up the maintenance budget. An appraisal was completed recently which established the value at $4,300,000. A Capital Needs Assessment has been completed and the replacement reserves will be capitalized at $300,000.

CSC is requesting a tax-exempt loan from VHFA which could be assumed in the future by a limited partnership. As the needs of the residents grow over time, CSC may want to add common space to the building as well as increase the level of services. Should this happen, a to-be-formed limited partnership could step in, assume the debt, and syndicate the tax credits (4%) from the tax exempt financing. Staff will add as a loan condition that the development fee taken today will go toward the total fee to be taken later should it be syndicated as a tax credit project. CSC will continue to lease the land from the Chittenden County Senior Citizen Alliance. There is no lease fee; however, CSC has included $25,000 in their development budget to put towards an elevator the Senior Center plans to install in their neighboring building (on the same site). This improvement will benefit the Heineberg residents.

Burlington



subject

Heineberg Senior Housing
72 Heineberg Rd.
Burlington

09-Dec-04 **Heineberg Senior Housing**

Total Residential Units:	82	Increase in Income from Rental Units:	1.50%
VHFARestricted Units:	53	Increase in Income from Other Sources:	1.00%
Percent Restricted:	64.63%	Increase in Income from Commercial:	0.00%
Total Development Cost:	4,051,846	Expense increase:	2.00%
Total Development Cost per Unit:	49,413	Vacancy Rate:	2.0%
Total Development Cost Per SF:		Partner's Tax Rate:	35%
		Long Depreciation Schedule:	27.5 years
		Short Depreciation Schedule:	7 years
		BIN # 88-VT-00031	

DCR 1.19

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term
First Mortgage	2,050,000	50.59%	6.80%	30	30
HOME	150,000	3.70%	8.00%	20	int. only
VHCB/VHFA	1,410,000	34.80%	8.00%	30	grant
Reserves	441,846	10.90%	N/A	N/A	
TOTAL SOURCES	4,051,846	100.00%			

USES

Acquisition	3,082,309	76.07%
Construction Hard Costs	425,000	10.49%
Soft Costs	544,537	13.44%
TOTAL USES	4,051,846	100.00%
Gap	(0)	

09-Dec-04 **Heineberg Senior Housing** 160.35

#		Budget	Per Unit	Per s.f.	VHCB Terms:___	HOME Terms:___	Debt Terms:___	Reserves Terms:___	TOTAL SOURCES
	ACQUISITION								
1	Exit from lp	100,000	1,220	4.57				100,000	100,000
2	Mortgage balance VHFA	1,564,309	19,077	71.52			1,564,309		1,564,309
3	Mortgage balance VHCB	1,410,000	17,195	64.46	1,410,000				1,410,000
4	Property Appraisal	3,000	37	0.14			3,000		3,000
5	Reserves								
6	Legal - Title and Recording	5,000	61	0.23			5,000		5,000
	Subtotal - Acquisition	3,082,309	37,589	140.92					
	CONSTRUCTION HARD COSTS								
6	Rehabilitation	350,000	4,268	16.00		150,000	200,000		350,000
7	Office			0.00					0
8	Senior Center	25,000	305	1.14				25,000	25,000
9	Sitework		0	0.00					0
10	Commercial Space Costs (if any)		0	0.00					0
11	General Requirements		0	0.00					0
12	Contractor Overhead		0	0.00					0
13	Contractor Profit		0	0.00					0
14	Construction Contingency		0	0.00					0
15	Construction Management	25,000	305	1.14			25,000		25,000
16	Construction Bond Fee		0	0.00					0
17	Hazardous Materials Abatement		0	0.00					0
18	Off-Site Improvements		0	0.00					0
19	Furnishings, Fixtures, & Equipment	25,000	305	1.14				25,000	25,000
20	Other (_______________)		0	0.00					0
	Subtotal - Hard Costs	425,000	5,183	19.43					
	SOFT COSTS								
21	Architectural	40,000	488	1.83			40,000		40,000
22	Engineering		0	0.00					0
23	Legal/Accounting	10,000	122	0.46			10,000		10,000
24	Relocation		0	0.00					0
25	Environmental Assessment	2,000	24	0.09			2,000		2,000
26	Energy Assessment		0	0.00					0
27	Permits/Fees		0	0.00					0
28	Pre pay mortgage penelty		0	0.00					0
29	Construction Period Insurance		0	0.00					0
30	Construction Interest		0	0.00					0
31	Construction Loan Origination Fee	33,000	402	1.51			33,000		33,000
32	Taxes During Construction		0	0.00					0
33	Clerk of the Works		0	0.00					0
34	Marketing		0	0.00					0
35	Tax Credit Fees		0	0.00					0
36	Soft Cost Contingency		0	0.00					0
37	Permanent Loan Origination Fee	30,000	366	1.37			30,000		30,000
38	Lender's Counsel's Fee	5,000	61	0.23			5,000		5,000
39	Other (_______________)		0	0.00					0
	SYNDICATION COSTS								
40	Organizational (Partnership)		0	0.00					0
41	Bridge Loan Fees and Expenses		0	0.00					0
42	Syndication Consultant		0	0.00					0
43	Tax Opinion		0	0.00					0
	DEVELOPER'S FEES								
44	Developer's Fees	82,000	1,000	3.75				82,000	82,000
45	Other Partnership Fees		0	0.00					0
46	Consultant Fees		0	0.00					0
	RESERVES								
47	Working Capital	42,537	519	1.94			42,537		42,537
48	Rent-up (Deficit Escrow) Reserve		0	0.00					0
49	Other Operating Reserves		0	0.00					0
50	Sinking Fund		0	0.00					0
51	Replacement Reserves	300,000	3,659	13.72			90,154	209,846	300,000
	Subtotal - Soft Costs	544,537	6,641	24.90					
	TOTAL DEVELOPMENT COSTS	4,051,846	49,413	185.24	1,410,000	150,000	2,050,000	441,846	4,051,846

09-Dec-04 **Heineberg Senior Housing**

HC Restricted Units Bedrooms	Type	Average Square Feet	Number	Average Rent	Utilities	Total Annual Rent
0 Br			0	0		0
1 Br			16	517		99,264
1 Br			6	564		40,608
1 Br			17	601		122,604
2 Br			4	643		30,864
	Totals	21,873	43			293,340

Non-HC Restricted Units Bedrooms	Type	Square Feet	Number	Rent	Utilities	Total Annual Rent
1 Br			14	664		111,552
1 Br			15	753		135,540
2 Br			4	780		37,440
2 Br			5	861		51,660
res manager			1	0		0
	Totals	0	39			336,192
All Units						
	Grand Totals	21,873	82			629,532
		Less Vacancy	2.00%			(12,591)
					NET RENT	616,941

OTHER INCOME	
Laundry	4,000
AC and cable	16,544
Interest	6,900
Section 8 (all of projected subsidy)	43,608
Other	
TOTAL INCOME	687,993

09-Dec-04 **Heineberg**

	Annual	Monthy	per unit per month		
Administration					
Management Fee	48,000	4,000	49	office	5,500
Supportive Services	60,231	5,019	61	edu	4,500
Audit/Accounting	3,450	288	4	Burl rental fee	9,038
Legal	1,500	125	2	telephone	4,200
On-site staff	40,000	3,333	41		23,238
Marketing	2,214	185	2		
Other	23,238	1,937	24	(no HVT fee)	
TOTAL ADMINISTRATIVE	**178,633**	14,886	182		
Utilities					
Electricity	40,349	3,362	41		
Fuel	28,882	2,407	29		
Water and Sewer	17,025	1,419	17		
Fire Alarm / Emergency	5,800	483	6		
Other	6,724	560	7		
TOTAL UTILITIES	**98,780**	8,232	100		
Maintenance					
Maintenance / Janitor Payroll	47,270	3,939	48		
Janitor Supplies	2,500	208	3		
Exterminating	1,400	117	1		
Trash Removal	6,900	575	7		
Snow Removal	7,700	642	8		
Grounds	9,004	750	9		
Repairs Material	9,000	750	9		
Repairs Contract	10,000	833	10		
HVAC Repairs / Maintenance	3,500	292	4		
Elevator Contract / Repairs	7,200	600	7		
Painting and Decorating	7,850	654	8		
Other	600	50	1		
TOTAL MAINTENANCE	**112,924**	9,410	115		
Real Estate Taxes	62,793	5,233	64		
Property Insurance	18,000	1,500	18		
Replacement Reserves	32,800	2,733	33		
Primary Debt Service	160,374	13,364	163		
Other "must pay" debt service		0	0		
Other		0	0		
Total	**273,967**	22,831	278		
TOTAL EXPENSES	**664,304**	55,359	675	479	PUM (No DS OR RR)

09-Dec-04 **Heineberg Senior Housing**

Year		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Operating Income																			
Gross Rent		629,532	638,975	648,560	658,288	668,162	678,185	688,358	698,683	709,163	719,801	730,598	741,557	752,680	763,970	775,430	787,061	798,867	810,850
Other Income		71,052	71,763	72,480	73,205	73,937	74,676	75,423	76,177	76,939	77,709	78,486	79,270	80,063	80,864	81,672	82,489	83,314	84,147
Vacancy and other losses		(6,295)	(12,779)	(12,971)	(13,166)	(13,363)	(13,564)	(13,767)	(13,974)	(14,183)	(14,396)	(14,612)	(14,831)	(15,054)	(15,279)	(15,509)	(15,741)	(15,977)	(16,217)
Total Operating Income		694,289	697,958	708,069	718,327	728,736	739,297	750,014	760,887	771,919	783,113	794,471	805,996	817,689	829,554	841,593	853,809	866,204	878,780
Operating Expenses																			
l Expenses (excl. Reserves)		471,130	480,553	490,164	499,967	509,966	520,166	530,569	541,180	552,004	563,044	574,305	585,791	597,507	609,457	621,646	634,079	646,761	659,696
Reserves		32,800	33,292	33,791	34,298	34,813	35,335	35,865	36,403	36,949	37,503	38,066	38,637	39,216	39,805	40,402	41,008	41,623	42,247
Total Operating Expense		503,930	513,845	523,955	534,265	544,779	555,501	566,434	577,583	588,953	600,547	612,371	624,428	636,723	649,261	662,048	675,087	688,383	701,943
Net Operating Income		190,359	184,113	184,114	184,062	183,957	183,797	183,580	183,303	182,966	182,566	182,101	181,568	180,966	180,293	179,546	178,722	177,820	176,837
Less Primary Debt Service		160,374	160,374	160,374	160,374	160,374	160,374	160,374	160,374	160,374	160,374	160,374	160,374	160,374	160,374	160,374	160,374	160,374	160,374
ess Secondary Debt Service		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Annual Cash Flow		29,985	23,740	23,740	23,688	23,583	23,423	23,206	22,930	22,593	22,192	21,727	21,195	20,593	19,919	19,172	18,349	17,447	16,464
Capital improvements		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash		29,985	23,740	23,740	23,688	23,583	23,423	23,206	22,930	22,593	22,192	21,727	21,195	20,593	19,919	19,172	18,349	17,447	16,464
DCR		118.70%	114.80%	114.80%	114.77%	114.71%	114.61%	114.47%	114.30%	114.09%	113.84%	113.55%	113.22%	112.84%	112.42%	111.95%	111.44%	110.88%	110.27%
e Reserves for Replacement																			
Beginning Balance		300,000	284,277	262,494	240,782	219,099	197,399	197,515	197,955	198,672	199,622	200,752	234,731	269,436	304,823	340,840	377,437	344,957	311,550
Interest	1.0%	6,000	5,686	5,250	4,816	4,382	3,948	3,950	3,959	3,973	3,992	4,015	4,695	5,389	6,096	6,817	7,549	6,899	6,231
Withdrawals		(85,000)	(85,000)	(85,000)	(85,000)	(85,000)	(63,120)	(63,120)	(63,120)	(63,120)	(63,120)	(30,400)	(30,400)	(30,400)	(30,400)	(30,400)	(100,000)	(100,000)	(100,000)
Ending Balance		250,985	228,702	206,484	184,286	162,064	161,650	161,552	161,723	162,118	162,686	196,094	230,220	265,018	300,439	336,429	303,334	269,303	234,245
Cumulative cash																			
Beginning Balance		42,537	97,113	145,563	194,499	243,821	293,426	343,207	393,051	442,841	492,455	541,764	590,636	638,931	686,506	733,210	778,887	823,374	866,501
Interest	1.0%	851	971	1,456	1,945	2,438	2,934	3,432	3,931	4,428	4,925	5,418	5,906	6,389	6,865	7,332	7,789	8,234	8,665
Deposits		29,985	23,740	23,740	23,688	23,583	23,423	23,206	22,930	22,593	22,192	21,727	21,195	20,593	19,919	19,172	18,349	17,447	16,464
Withdrawals		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance		73,373	121,824	170,759	220,132	269,842	319,783	369,845	419,911	469,862	519,572	568,909	617,737	665,913	713,291	759,715	805,025	849,054	891,630

Meeting Handout

RESOLUTION RE: PERMANENT FINANCING FOR HEINEBERG SENIOR HOUSING, CITY OF BURLINGTON

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

WHEREAS, an application has been submitted to the Agency by Cathedral Square Corporation (the "Borrower") involving the financing of eighty-two (82) units of senior rental housing in the City of Burlington (the "Development"); and

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

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

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

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid dated December 9, 2004, containing information and recommendations about the Development (the "Memorandum");

THEREFORE, it is hereby DETERMINED:

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

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

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

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

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

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

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to the Borrower for the permanent financing of the Development based on the recommendations in the attached Memorandum. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the Borrower in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

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

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

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

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

vhfa

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Housing Development Underwriter CR

DATE: December 9, 2004

RE: Request for Increase in 9% Credit: Butterfield Family Housing, West Dover

Recommendation: That the VHFA Board of Commissioners approve additional Housing Credits of up to $28,500 to Brattleboro Area Community Land Trust (BACLT) for the Butterfield Family Housing Development.

Summary of Request: See attached letter from Jeff Kantor, BACLT's development consultant. Staff recommends the additional credit request for the 7 units of family rental housing, "Butterfield Family Housing" in West Dover. As a refresher, this project is part of a larger project that includes 26 units of senior housing (which we are financing and providing bond credits), and seven units of homeownership. It is a beautiful site that was donated to BACLT by a generous area resident who had a vision for a multi-generation, multi-purpose use. The site is across from the Mt. Snow ski area. Time is of the essence, as the project is closing this month (the senior and family rental portion) and the family project needs to spend 10% of its project costs in order to get a tax credit Carryover by yearend.

J. D. Kantor, Inc.
Real Estate Appraisals
Housing Development & Consulting

9 Northfield Street • Montpelier, VT 05602
email: jdkantor@aol.com
(802) 229-1336 • Fax (802)223-8099

December 8, 2004
Cynthia Reid
VHFA
P O Box 408
Burlington, VT 05402

Re: Butterfield Family Housing, Dover

Dear Cynthia:

As you know, the bid results for the Butterfield Common housing projects came in over budget. Since the Family rental housing component has allocated credit, we are asking for VHFA Board approval for approximately a 22% increase in the current allocation of housing credit. We are currently allocated $119,000 of credit and request an increase of $28,500 for a total of $147,500. The increase in housing credit is needed for the following reasons:

- The increase in credit will allow us to receive an additional $228,000 in equity which will fill the funding gap.
- It is important to receive the allocation now, because we need to carry over the 2004 housing credit before the end of December 2004.
- The increased credit and resulting equity will allow us to maintain the quality of the project.
- There are no funds available from the other sources VHCB, HOME, VHCB Mitigation Fund. They are at their maximum amounts.

Attached is an updated development budget. Please note that the bids received were all very close. The next higher bid was only $5,000 higher. The low bidder is also a reputable firm in which we have previous experience. We believe the higher cost was driven by the enormous amount of site work that in part pertains to protecting the environment and compliance with new regulations. If you need additional information or have any questions, please contact me. Thank you for your and the Board's consideration.

Sincerely,

Jeffrey D. Kantor

Jeffrey D. Kantor
Development Consultant

Cc: C. Snow, BACLT

08-Dec-04 **Butterfield Rental Townhouses**

Total Residential Units:	7	Increase in Income from Rental Units:	1.00%
Housing Credit Restricted Units:	7	Increase in Income from Other Sources:	1.00%
Percent Restricted:	100.00%	Increase in Income from Commercial:	0.00%
Total Development Cost:	1,498,619	Expense increase:	2.50%
Total Development Cost per Unit:	214,088	Vacancy Rate:	4%
Total Development Cost Per SF:	226	Partner's Tax Rate:	35%
		Long Depreciation Schedule:	27.5 years
Max Credit Potential:	148,405	Short Depreciation Schedule:	7 years
Credit Amount Allocated:	**147,500**	Sponsor's Estimated Yield:	80.22%

LIHTC - 9%	8.03%	Oct 2003
LIHTC - 4%	3.44%	Oct 2003

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term
First Mortgage	0	0.00%	7.50%	30	30
Ski Area Fund	94,819	6.33%	4.00%	30	deferred
HOME	47,800	3.19%	4.00%	30	deferred
VHCB	156,300	10.43%	4.00%	30	deferred
Deferred Developer Fee	24,500		0.00%	7	cash flow
REEP	3,800	0.25%	N/A	N/A	GP Cap Contribution
HV Green Mtn Fund equity	1,171,400	78.17%	N/A	N/A	
TOTAL SOURCES	1,498,619	100.00%			

USES

Acquisition	5,500		0.37%
Construction Hard Costs	1,073,374		71.62%
Soft Costs	419,745		28.01%
TOTAL USES	1,498,619	100%	
Gap	0		

General Partner's Capital Contribution	11,832	1.00%
Limited Partner's Capital Contribution	1,171,400	99.00%
Total Equity	1,183,232	

APPLICABLE FRACTION CALCULATION

Tax Credit Restricted Units	7
Total Units	7
Unit Fraction	100.00%
Tax Credit Square Footage	6,630
Total Residential Square Footage	6,630
Square Footage Fraction	100.00%
Applicable Fraction	100.00%

08-Dec-04 **Butterfield Rental Townhouses**

		MULTIFAMILY 7 UNITS Budget	Per Unit	Per s.f.
	ACQUISITION			
1	Land	0	0	0.00
2	Purchase of Building(s)	0	0	0.00
3	Demolition (without replacement)	0	0	0.00
4	Property Appraisal	1,500	214	0.23
5	Legal - Title and Recording	4,000	571	0.60
	Subtotal - Acquisition	5,500	786	0.83
	CONSTRUCTION HARD COSTS			
6	Rehabilitation		0	0.00
7	New Building(s)	1,003,000	143,286	151.28
8	Accessory Buildings		0	0.00
9	Sitework		0	0.00
10	Commercial Space Costs (if any)		0	0.00
11	General Requirements		0	0.00
12	Contractor Overhead		0	0.00
13	Contractor Profit		0	0.00
14	Construction Contingency	57,874	8,268	8.73
15	Construction Management		0	0.00
16	Construction Bond Fee		0	0.00
17	Water Source Test / devlpmnt	0	0	0.00
18	Off-Site Improvements		0	0.00
19	Furnishings, Fixtures, & Equipment	8,000	1,143	1.21
20	Other (Testing/ compact,concrete)	4,500	643	0.68
	Subtotal - Hard Costs	1,073,374	153,339	161.90
	SOFT COSTS			
21	Architectural	57,500	8,214	8.67
22	Engineering	37,475	5,354	5.65
23	Legal/Accounting	10,000	1,429	1.51
24	Survey	1,500	214	0.23
25	Environmental Assessment	200	29	0.03
26	Impact Fee Sewer	13,440	1,920	2.03
27	Permits/Fees	9,500	1,357	1.43
28	Independent Market Study	1,500	214	0.23
29	Construction Period Insurance	4,500	643	0.68
30	Construction Interest	34,000	4,857	5.13
31	Construction Loan Origination Fee	5,000	714	0.75
32	Taxes During Construction	1,000	143	0.15
33	Clerk of the Works	10,000	1,429	1.51
34	Marketing	1,000	143	0.15
35	Tax Credit Fees	6,130	876	0.92
36	Soft Cost Contingency	3,500	500	0.53
37	Permanent Loan Origination Fee		0	0.00
38	Lender's Counsel's Fee	1,500	214	0.23
39			0	0.00
	SYNDICATION COSTS			
40	Organizational (Partnership)	1,500	214	0.23
41	Bridge Loan Fees and Expenses	22,000	3,143	3.32
42	Syndication Consultant	3,000	429	0.45
43	Tax Opinion	1,500	214	0.23
	DEVELOPER'S FEES			
44	Developer's Fees	90,000	12,857	13.57
45	Other Partnership Fees	24,500	3,500	3.70
46	Consultant Fees	42,000	6,000	6.33
	RESERVES			
47	Working Capital	10,000	1,429	1.51
48	Rent-up (Deficit Escrow) Reserve	5,000	714	0.75
49	Other Operating Reserves	0	0	0.00
50	Sinking Fund	22,500	3,214	3.39
51	Replacement Reserves		0	0.00
	Subtotal - Soft Costs	419,745	59,964	63.31
	TOTAL DEVELOPMENT COSTS	1,498,619	214,088	226

08-Dec-04 **Butterfield Rental Townhouses**

		Budget	Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Other
	ACQUISITION						
1	Land	0					
2	Purchase of Building(s)	0					
3	Demolition (without replacement)	0					
4	Property Appraisal	1,500	1,000				
5	Legal - Title and Recording	4,000	2,500				
	Subtotal - Acquisition	5,500					
	CONSTRUCTION HARD COSTS						
6	Rehabilitation	0					
7	New Building(s)	1,003,000		1,003,000	1,003,000		
8	Accessory Buildings	0		0	0		
9	Sitework	0		0	0		
10	Commercial Space Costs (if any)	0					
11	General Requirements	0					
12	Contractor Overhead	0					
13	Contractor Profit	0					
14	Construction Contingency	57,874		57,874	57,874		
15	Construction Management	0		0	0		
16	Construction Bond Fee	0		0	0		
17	Water Source Test / devlpmnt	0		0	0		
18	Off-Site Improvements	0		0	0		
19	Furnishings, Fixtures, & Equipment	8,000		8,000	8,000		
20	Other (Testing/ compact,concrete)	4,500		4,500	4,500		
	Subtotal - Hard Costs	1,073,374					
	SOFT COSTS						
21	Architectural	57,500		57,500	57,500		
22	Engineering	37,475		37,475	37,475		
23	Legal/Accounting	10,000		10,000	10,000		
24	Survey	1,500		1,500	1,500		
25	Environmental Assessment	200		200	200		
26	Impact Fee Sewer	13,440		13,440	13,440		
27	Permits/Fees	9,500		9,500	9,500		
28	Independent Market Study	1,500		1,500	1,500		
29	Construction Period Insurance	4,500		4,500	4,500		
30	Construction Interest	34,000		34,000	34,000		
31	Construction Loan Origination Fee	5,000		5,000	5,000		
32	Taxes During Construction	1,000		1,000	1,000		
33	Clerk of the Works	10,000		10,000	10,000		
34	Marketing	1,000					
35	Tax Credit Fees	6,130					
36	Soft Cost Contingency	3,500		3,500	3,500		
37	Permanent Loan Origination Fee	0					
38	Lender's Counsel's Fee	1,500		1,500	1,500		
39	0	0		0	0		
	SYNDICATION COSTS						
40	Organizational (Partnership)	1,500					
41	Bridge Loan Fees and Expenses	22,000					
42	Syndication Consultant	3,000					
43	Tax Opinion	1,500					
	DEVELOPER'S FEES						
44	Developer's Fees	90,000		90,000	90,000		
45	Other Partnership Fees	24,500		24,500	24,500		
46	Consultant Fees	42,000		42,000	42,000		
	RESERVES						
47	Working Capital	10,000					
48	Rent-up (Deficit Escrow) Reserve	5,000					
49	Other Operating Reserves	0					
50	Sinking Fund	22,500					
51	Replacement Reserves	0					
	Subtotal - Soft Costs	419,745					
	TOTALS	1,498,619	3,500	1,420,489	1,412,489	0	
LESS:	Amount of Non-qualified Financing						
LESS:	Adjustment for per unit cost limits			0			
LESS:	Historic tax Credit (Residential Portion)			0	0	20% Historic Credit Rate	
	Total Eligible Basis		3,500	1,420,489		0 Annual Historic Credit	
TIMES:	Adjusted for QCT/DDA	130.0%		1,846,636			
TIMES:	Applicable Fraction	100.00%	3,500	1,846,636			
	Total Qualified Basis		3,500	1,846,636	1,412,489	Long Term Depreciable Basis	
TIMES:	Applicable Percentage		3.44%	8.03%	27.5	Depreciation Schedule	
	Total Annual Credit Qualified		120	148,285	51,363	Annual Depreciation	

Total Tax Credits Requested	147,500
Estimated Net Syndication Proceeds **(excluding historic credit equity)**	1,171,400
Estimated Yield - Housing Credit Syndication	80.22%
Equity Gap	0
Credits Needed to fill Equity Gap	0

8,000	Short Term Depreciable Basis
7	Depreciation Schedule
1,143	Annual Depreciation

08-Dec-04 **Butterfield Rental Townhouses**

HC Restricted Units Bedrooms	Type	Average Square Feet	Number	Average Rent	Utilities	Total Annual Rent
1 Br	<50%	500	0			0
1 Br	<60%	500	0			0
2 Br	<50%	886	1	560		6,720
2 Br	<60%	886	4	660		31,680
3 Br	<60%	1,100	2	720		17,280
	Totals	6,630	7			55,680

Non-HC Restricted Units Bedrooms	Type	Square Feet	Number	Rent	Utilities	Total Annual Rent
0 Br			0	0		0
1 Br	<80%	500	0			0
2 Br	<80%	886	0			0
3 Br		1,100	0			0
4+ Br			0	0		0
	Totals	0	0			0
All Units						
	Grand Totals	6,630	7			55,680

Less Vacancy	4.00%	(2,227)
	NET RENT	53,453

OTHER INCOME

Laundry	0
Parking	0
Commercial Space Income	0
Other	0
TOTAL INCOME	53,453

08-Dec-04 **Butterfield Rental Townhouses**

	Annual	Monthly	Per Unit Per Month	
Administration				
Management Fee	4,500	375	54	8.4%
Supportive Services		0	0	
Audit/Accounting	2,500	208	30	
Legal	800	67	10	
Compliance Monitoring	336	28	4	
Marketing	300	25	4	
Other	0	0	0	
TOTAL ADMINISTRATIVE	8,436	703	100	
Utilities				
Electricity	1,515	126	18	
Fuel	3,850	321	46	
Water / sewer	4,577	381	54	
Fire Alarm / Emergency	0	0	0	
Sewer	100	8	1	
TOTAL UTILITIES	10,042	837	120	
Maintenance				
Maintenance / Janitor Payroll	3,900	325	46	
Janitor Supplies	350	29	4	
Exterminating	0	0	0	
Trash Removal	1,300	108	15	
Snow Removal	1,525	127	18	
Grounds	1,820	152	22	
Repairs Material	500	42	6	
Repairs Contract	1,500	125	18	
HVAC Repairs / Maintenance	0	0	0	
Elevator Contract / Repairs	0	0	0	
Painting and Decorating	300	25	4	
Other		0	0	
TOTAL MAINTENANCE	11,195	933	133	
				per unit month
Real Estate Taxes	7,500	625	89	excl. ds & res.
Property Insurance	4,250	354	51	493
Replacement Reserves	3,200	267	38	
Primary Debt Service		0	0	
Other "must pay" debt service		0	0	
Other		0	0	
Total	44,623	3,719	531	

form revision date: 2/27/97

08-Dec-04	**Butterfield Rental Townhouses**															
	Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Operating Income																
Gross Rent		55,680	56,237	56,799	57,367	57,941	58,520	59,105	59,696	60,293	60,896	61,505	62,120	62,742	63,369	64,003
Other Income		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Vacancy and other losses		(2,227)	(2,249)	(2,272)	(2,295)	(2,318)	(2,341)	(2,364)	(2,388)	(2,412)	(2,436)	(2,460)	(2,485)	(2,510)	(2,535)	(2,560)
Total Operating Income		53,453	53,987	54,527	55,072	55,623	56,179	56,741	57,309	57,882	58,461	59,045	59,636	60,232	60,834	61,443
Operating Expenses																
Total Expenses (excl. Reserves)		41,423	42,459	43,520	44,608	45,723	46,866	48,038	49,239	50,470	51,732	53,025	54,351	55,709	57,102	58,530
Reserves		3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200
Total Operating Expense		44,623	45,659	46,720	47,808	48,923	50,066	51,238	52,439	53,670	54,932	56,225	57,551	58,909	60,302	61,730
Net Operating Income		8,830	8,329	7,807	7,264	6,700	6,113	5,503	4,870	4,212	3,529	2,820	2,085	1,323	532	(287)
Less Primary Debt Service		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Less Secondary Debt Service		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Annual Cash Flow		8,830	8,329	7,807	7,264	6,700	6,113	5,503	4,870	4,212	3,529	2,820	2,085	1,323	532	(287)
Operating Subsidies / Sinking Fund		0	0	0	0	0	0	0	0	0	0	0	0	0	0	287
Net Cash		8,830	8,329	7,807	7,264	6,700	6,113	5,503	4,870	4,212	3,529	2,820	2,085	1,323	532	0
DCR		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Cumulative Cash Flow																
Beginning Balance		15,000	23,980	32,548	40,681	48,352	55,536	62,204	68,329	73,882	78,833	83,150	86,802	89,755	91,975	93,427
Interest	1.0%	150	240	325	407	484	555	622	683	739	788	832	868	898	920	934
Withdrawals		0	0	0	0	0	0	0	0	0	0	0	0	0	0	(287)
Ending Balance		23,980	32,548	40,681	48,352	55,536	62,204	68,329	73,882	78,833	83,150	86,802	89,755	91,975	93,427	94,075
Cumulative Replacement Reserves																
Beginning Balance		0	3,216	6,448	9,696	12,961	16,242	19,539	22,853	26,183	29,530	32,893	36,274	39,671	43,086	46,517
Deposits		3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200
Interest	1.0%	16	32	48	64	81	97	114	130	147	164	180	197	214	231	249
Withdrawals		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance		3,216	6,448	9,696	12,961	16,242	19,539	22,853	26,183	29,530	32,893	36,274	39,671	43,086	46,517	49,966
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Net Operating Income		8,830	8,329	7,807	7,264	6,700	6,113	5,503	4,870	4,212	3,529	2,820	2,085	1,323	532	(287)
Plus Reserves		3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200
Less Interest Expense		(8,164)	(8,414)	(8,674)	(8,945)	(9,226)	(9,519)	(9,823)	(10,139)	(10,468)	(10,811)	(11,166)	(11,537)	(11,922)	(12,322)	(12,738)
Less Long Depreciation		(51,363)	(51,363)	(51,363)	(51,363)	(51,363)	(51,363)	(51,363)	(51,363)	(51,363)	(51,363)	(51,363)	(51,363)	(51,363)	(51,363)	(51,363)
Less Short Depreciation		(1,143)	(1,143)	(1,143)	(1,143)	(1,143)	(1,143)	0	0	0	0	0	0	0	0	0
Taxable Income (Loss)		(48,640)	(49,391)	(50,173)	(50,986)	(51,832)	(52,711)	(52,483)	(53,433)	(54,420)	(55,445)	(56,510)	(57,615)	(58,762)	(59,953)	(61,189)
Cash Flow		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings		17,024	17,287	17,561	17,845	18,141	18,449	18,369	18,701	19,047	19,406	19,778	20,165	20,567	20,984	21,416
Plus Tax Credits		147,500	147,500	147,500	147,500	147,500	147,500	147,500	147,500	147,500	147,500					
After Tax Cash Flow		164,524	164,787	165,061	165,345	165,641	165,949	165,869	166,201	166,547	166,906	19,778	20,165	20,567	20,984	21,416
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		164,524	164,787	165,061	165,345	165,641	165,949	165,869	166,201	166,547	166,906	19,778	20,165	20,567	20,984	21,416
Future Value of Cash Flows at Yr 15:		900,533	805,333	720,241	644,181	576,191	515,412	459,968	411,509	368,182	329,442	34,856	31,730	28,895	26,322	23,986
Discount Rate:	6.00%													Equity Invest		950,000
Capital Contribution Number:	1	2	3	4										Total losses		876,014
Date of Capital Contribution:	30-Nov-04	01-Dec-05	01-Jun-06	15-Mar-06										Tota l Gain		(73,986)
Amount of Capital Contribution:	(940)	(423,000)	(516,060)	0										Total Exit Tax		0
Present Value of Contributions:	(940)	(397,970)	(471,018)	0												
Cash Flows	(869,929)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	5,876,781
IRR:	13.58%		(940,000)													
Equity Yield:	60%															

form revision date: 2/27/97

VERMONT HOUSING FINANCE AGENCY

RESOLUTION RE: INCREASED ALLOCATION OF ALLOCATED HOUSING CREDITS FOR BUTTERFIELD FAMILY HOUSING, WEST DOVER

WHEREAS, the Agency administers the allocation of the federal Low Income Housing Tax Credits and State Housing Credits under the State's Qualified Allocation Plan; and

WHEREAS, the Governor of the State of Vermont has approved the 2004-2005 Qualified Allocation Plan; and

WHEREAS, the Joint Committee on Tax Credits and the Board of Commissioners approved an allocation of federal Housing Credits in the amount of $119,000 on September 18, 2003; and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid dated December 9, 2004, containing information and recommendations about an increased allocation of federal Housing Credits for Butterfield Family Housing in West Dover (the "Memorandum");

WHEREFORE, it is hereby:

RESOLVED, that the recommendations contained in the Memorandum which is attached and incorporated by this reference be approved;

RESOLVED, that the Executive Director and the appropriate staff are hereby authorized to take such actions as are described in the 2004-2005 Qualified Allocation Plan regarding the proposed allocation of federal Allocated Housing Credits in the amount of up to $147,500 for the Butterfield Family Housing project in the West Dover, Vermont.

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Eliza Smith-Vedder, Multifamily Development Underwriter

DATE: December 7, 2004

RE: Bridge Financing: Housing Vermont & Central Vermont Community Land Trust; River Station Condominiums

Name:	River Station Condominiums	**Location:**	Montpelier
Housing Type:	Single Family For-Sale General Occupancy	**Unit Type:**	Town homes with garages; 1300 sq. ft.
Total Units:	14	**Unit Sizes:**	2 bedroom, 1.5 bath
Total Cost:	$2,104,310	**Sales Price:**	$130,000-135,000
Loan Requested: (Taxable)	$197,000	**Housing Credits:**	Not Applicable
Other Funding:	n/a		
Housing Developer:	Central Vermont Community Land Trust (CVCLT) and Housing Vermont (HVT)		

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

Overview: River Station is a two phase development in Montpelier that will be comprised of a 36 unit tax-credit rental project, and 14 for-sale town homes, 8 of which will have Homeland Grants to offset their purchase price. The site will be co-developed by CVCLT and Housing Vermont, and Kathy Beyer will continue to work as a development consultant. The current condo schematics have been drawn by Greg Rabideau.

The two projects will be adjacent to one another on what is now a single parcel of land. CVCLT has a purchase and sale agreement on the entire parcel, and will be closing in January, at which time the parcel will be condominiumized. The developers are ready to move forward with the apartments, and are fully funded for the purchase of that share of the land. However, the condominiums are still being designed, and as such are not ready to seek construction financing. The loan that they are requesting would cover the share of the land expense that will be allocated to the condominiums. This loan would complete the financing necessary for them to close in January and begin demolition of the granite shed that dominates the site. This bridge loan will be repaid at the closing of the construction loan for the condo development. The apartment construction is slated to begin first thing in the spring, and the condominium development would begin in early summer.

VHFA has approved Ventures funds for this project in the amount of $128,000 for both the rentals and the condos (of which $57,629 has been spent to date), as well as $460,000 in tax credits fro the rental project. Currently, the town home style condominiums will be approximately 1300 sq ft, with two bedrooms and one covered parking space in the basement of the building, and one undesignated surface parking spot. These plans look marketable. However, the initial market study indicated that this location may be difficult to market, even with an appealing unit layout. The developers have contracted with Bill Desautels, (aka the "Condo Guy") in order to ensure that their design provides the most appropriate units for the market.

The request for a bridge loan does not fall squarely into any of our loan products, and would need to be made as a general fund loan. The entire lot has appraised for $430,000, but we have requested an appraisal of the lot (where the condos will be built) after it is separated into two condominium units in order to ensure that our loan will have the appropriate security. Local permits for the condos have been obtained and the developer has just received official notification of their Act 250 approval. We will require copies of all local and state permits before closing. Attached is a preliminary development budget for the condominiums.

Date: 7-1-04 **CVCLT River Station Condos**

Total Residential Units:		14
Subsidized Units		8
Percent of Units Subsidize		57.14%
Total Development Cost:	$	2,104,310
Total Development Cost per Unit:	$	150,308
Total Development Cost Per SF:	$	126

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term
VHFA Construction Loan	1,662,500	79.00%	4.50%		2
Neighborworks Grant	70,000	3.33%			
	0	0.00%			
VCDP - Grant	200,000	9.50%			
Seller Financing	0	0.00%			
Deferred Developers Fees	0	0.00%			
Seller Donation	0	0.00%			
	0	0.00%			
LOC	171,810	8.16%			
Sales Proceeds from Units	see const cash flow		N/A	N/A	
TOTAL SOURCES	**2,104,310**	100.00%			

USES

Acquisition	197,000	9.36%
Construction Hard Costs	1,525,515	72.49%
Soft Costs	381,794	18.14%
TOTAL USES	**2,104,310**	100.00%

Gap **0**

Pay off for Construction period Debt		
Sales Proceeds from Condos		1,830,000
Proceeds fom VHCB HOMELAND Dev.fees		40,000
Less:	VHFA construction loan	(1,662,500)
Less:	LOC	(171,810)
Excess sales proceeds		35,690

Total Cost:	$2,104,310
Potential Fees:	$140,000
	40,000
	$35,690
Potential Fee percent of Cost:	10%

30-Jun-04

data for highlighted cells should be entered on this page.
enter data for all others on either the hard cost or soft cost detail pages.

Building Size:

DEVELOPMENT BUDGET
River Station Condominiums

The attached "Notes to Development Budget" are an integral part of this financial analysis

					% of Total	16,660 Cost Per Square Foot	# Units For Sale 14 Cost Per Unit
1. Acquisition							
	Land	Town Montpelier	161,000		7.65%	$9.66	11,500
	Building (s) (if any)		0		0.00%	$0.00	0
	Demolition (if any)		28,000		1.33%	$1.68	2,000
	Appraisal		3,000		0.14%	$0.18	214
	Legal- Title & Recording		5,000		0.24%	$0.30	357
	Other		0		0.00%	$0.00	0
	Transfer Tax		0		0.00%	$0.00	0
Sub-total Acquisition			**197,000**		9.36%	$11.82	14,071
2. Hard Costs							
	Sitework		70,000		3.33%	$4.20	5,000
	Utilities		0		0.00%	$0.00	0
	Landscaping		15,120		0.72%	$0.91	1,080
	Hazardous Materials Abatement		0		0.00%	$0.00	0
	Off Site Improvements		0		0.00%	$0.00	0
	Bond		0		0.00%	$0.00	0
	Site Contingency		0		0.00%	$0.00	0
		Subtotal Site Construction		**85,120**	0.00%	$5.11	6,080
	Building Construction - New		1,366,120		64.92%	$82.00	97,580
	Building Construction - Rehabilitation		0		0.00%	$0.00	0
	Accessory Buildings		0		0.00%	$0.00	0
	Furnishings, Fixtures & Equipment		0		0.00%	$0.00	0
	FFE - Model		0		0.00%	$0.00	0
	Construction Contingency		54,645		2.60%	$3.28	3,903
		Sub-total Building Construction		**1,420,765**	67.52%	$85.28	101,483
	Construction Management		0		0.00%	$0.00	0
	General Conditions		0		0.00%	$0.00	0
	Contractor Overhead & Profit		0		0.00%	$0.00	0
	Bond		12,800		0.61%	$0.77	914
	Builders Risk Insurance		6,831		0.32%	$0.41	488
		Subtotal Construction Fees & Charges		**19,631**		$1.18	1,402
Sub-total Hard Costs			**1,525,515**		72.49%	$91.57	108,965

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3. Soft Costs

Architect & Engineering - buildings		43,537		2.07%	$2.61	3,110
Site Planning, Civil Engineering & Prof. fees thru Permits		0		0.00%	$0.00	0
Environmental Site Assessment		0		0.00%	$0.00	0
	Sub-total Arch & Eng.		**43,537**	2.07%	$2.61	3,110
Permit Fees:						
	Labor and Industry	7,923		0.38%	$0.48	566
	Act 250	6,807		0.32%	$0.41	486
	Local zoning, planning	3,447		0.16%	$0.21	246
	Local water impact & sewer	12,180		0.58%	$0.73	870
	Water Supply	300		0.01%	$0.02	21
	Wastewater	1,558		0.07%	$0.09	111
	Health Department	0		0.00%	$0.00	0
	Sub-total Permits		**32,216**	1.53%	$1.93	2,301
Professional Fees:						
	Legal - real estate, permits & finance	10,500		0.50%	$0.63	750
	Legal - organization & sales	8,400		0.40%	$0.50	600
	Accounting - organization	0		0.00%	$0.00	0
	Clerk of Works	7,000				
	Project Management--HVT	0		0.00%	$0.00	0
	Sub-total Prof. Fees		**25,900**	1.23%	$1.55	1,350
Marketing:						
	Market Study	3,300		0.16%	$0.20	236
	Advertising/Marketing	18,300		0.87%	$1.10	1,307
	Model/Office Fit Up & Maint	0		0.00%	$0.00	0
	Commissions/Sales Staff	21,000		1.00%	$1.26	1,500
	Sub-total Marketing		**42,600**	2.02%	$2.56	3,043
Financing:						
	Construction Loan Fee	16,625		0.79%	$1.00	1,188
	Construction Loan Expenses	8,500		0.40%	$0.51	607
	Construction Period Interest	45,719		2.17%	$2.74	3,266
	Subordinated Debt Interest	0		0.00%	$0.00	0
	Sub-total Financing		**70,844**		$4.25	5,060
Carrying Costs:						
	Property Taxes	5,000		0.24%	$0.30	357
	Liability Insurance	2,800		0.13%	$0.17	200
	Acq Bridge Loan--one year	10,000		0.48%	$0.60	714
	Maintenance/Utilities	3,000		0.14%	$0.18	214
	Sub-total Carrying Costs		**20,800**	0.99%	$1.25	1,486
Developer's Fees		140,000		6.65%	$8.40	10,000
Working Capital (Owner's Association, if any)		0		0.00%	$0.00	0
Contingency		5,897		0.28%	$0.35	421
Sub-total Soft Costs		**381,794**		18.14%	$22.92	27,271
TOTAL PROJECTED COST		**$2,104,310**		100.00%	$126.31	$150,308

River Station Condominiums

Unit Sales Schedule

Unit #	Unit Type	Square Feet	# Bdrms	#Baths	Sales Price	VHCB Fee to CVCLT	"Secured" Subsidy (VHCB)	Net Sales Price	2 person hh Max. Mortgage @70%	2 person hh Max. Mortgage @80%	2 person hh Max. Mortgage @90%
1	A	1,190	2	1.5	130,000	5,000	20,000	110,000	90,359	111,250	121,695
2	A	1,190	2	1.5	130,000			130,000	90,359	111,250	121,695
3	A	1,190	2	1.5	130,000	5,000	20,000	110,000	90,359	111,250	121,695
4	A	1,190	2	1.5	130,000			130,000	90,359	111,250	121,695
5	A	1,190	2	1.5	130,000	5,000	20,000	110,000	90,359	111,250	121,695
6	A	1,190	2	1.5	130,000			130,000	90,359	111,250	121,695
7	A	1,190	2	1.5	130,000	5,000	20,000	110,000	90,359	111,250	121,695
8	A	1,190	2	1.5	130,000			130,000	90,359	111,250	121,695
9	A	1,190	2	1.5	130,000	5,000	20,000	110,000	90,359	111,250	121,695
10	A	1,190	2	1.5	130,000			130,000	90,359	111,250	121,695
11	A	1,190	2	1.5	130,000	5,000	20,000	110,000	90,359	111,250	121,695
12	A	1,190	2	1.5	130,000	5,000	20,000	110,000	90,359	111,250	121,695
13	A	1,190	2	1.5	135,000	5,000	20,000	115,000	90,359	111,250	121,695
14	A	1,190	2	1.5	135,000		0	135,000	90,359	111,250	121,695
15	C	0	0	0	0		0	0	0	0	0
16	C	0	0	0	0		0	0	0	0	0
59	F	0	0	0	0		0	0	0	0	0
60	F	0	0	0	0		0	0	0	0	0
		16,660	28	21	1,830,000	40,000	160,000	1,670,000			

VHCB HOMELAND--CVCLT fee @$5k/	40,000		
Total Dev Cost =	2,104,310		
Surplus/(Deficit)	-234,310		-16,736 per unit
average sales price	130,714		
1% sales commission to RE/MAX	18,300	already in dev. budget	
Listing fee	21,000	already in dev. budget	
3% appreciation	54,900		
	-179,410		

RESOLUTION RE: BRIDGE FINANCING FOR RIVER STATION CONDOMINIUMS, CITY OF MONTPELIER

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

WHEREAS, an application has been submitted to the Agency by Central Vermont Community Land Trust and/or Housing Vermont (the "Borrower") involving the bridge financing of land for the construction of fourteen (14) single family condominiums in the City of Montpelier (the "Development"); and

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

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

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Eliza Smith-Vedder dated December 7, 2004, containing information and recommendations about the Development (the "Memorandum");

THEREFORE, it is hereby DETERMINED:

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

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

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

4. The Borrower undertaking the Development will increase the supply of well-planned, well-designed permanent, temporary, transitional or emergency housing for persons and families of low and moderate income.

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

6. The Borrower is financially responsible and are qualified housing sponsors within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to the Borrower for the bridge financing of land for the Development based on the recommendations in the attached Memorandum. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the Sponsors in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

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

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

vhfa

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Eliza Smith-Vedder, Multifamily Development Underwriter

DATE: December 9, 2004

RE: Request for $360,000 of Allocated Credits

Name:	Stone Hill	**Location:**	Middlebury
Housing Type:	General Occupancy	**Unit Type:**	Flats
Unit Count:	27 Total Housing Units (22 Tax-Credit, 5 Market rate)	**Unit Sizes:**	13 1-BR @ 705 avg s.f. 12 2-BR @ 999 avg s.f. 2 3-BR @ 1345 avg. s.f.
Total Cost:	$4,798,143	**Per S.F. Acquisition & Construction Cost:**	$155
Loan Requested:	n/a	**Sponsors:**	Housing Vermont, Addison County Community Trust
Housing Credits:	$360,000 (Ceiling "9%" Credits)	**State Credits:**	n/a
Other Funding:	HOME, VHCB, REEP, VCLF, VCDP		

Recommendation: That the VHFA Board of Commissioners pass the attached resolution and make the required findings as outlined in the second section of the resolution ("It is hereby determined:"), and authorize staff to issue the appropriate documentation according to the Qualified Allocation Plan.

Project Summary:
Stone Hill is a proposed project located on Route 7 in Middlebury, south of the downtown and situated in a commercial/residential area, south of the Hannaford Grocery Store. The developers are Addison County Community Trust (ACCT) and Housing Vermont (HVT). The architect is Duncan & Wisniewski. They have received funding commitments from VHCB and VCDP, and all local permits. ACCT has recently purchased the site.

The twenty-seven units of housing will include three fully accessible units, and the remaining units will be adaptable. Twenty-two of these units will be reserved for households at or below 60% of AMI, and the five remaining will be market rate. The development will be a single two-story building above covered parking. Other amenities include on-site laundry, which according to the market study, is difficult to find in most Middlebury apartments, most of which are conversions of older single family homes, and not larger developments. The plan is for thirteen one-bedroom units, twelve two-bedroom units, and two three-bedroom units; the units will range from 705-1345 square feet. In the past decade, the production of new rental property in the Primary Market Area increased 5.8%, while the number of renter households increased by 9.7%. Currently, the vacancy rate for rental housing in Middlebury is at 2.6%; as we know, a healthy vacancy rate is closer to 5%. This pent up demand, coupled with the attractiveness of a new complex indicates a short rent-up period. The construction is planned to begin in May 2005, and will be placed in service in May of 2006. The development is near public transportation, and there will be a new bus stop established at Stone Hill that will serve Vergennes and Bristol as well. It is within a mile of many stores, the elementary school and downtown Middlebury.

The location, proposed unit mix and amenities together with Middlebury's pent up demand make the success of this project appear likely. One concern is that there is another potential, but as yet un-permitted, thirty-unit tax credit project being proposed on a nearby lot. This other project is being developed by Jeff Glassberg. Staff requested that the market analyst for Stone Hill look specifically at how Mr.Glassberg's project will affect Stone Hill. The conclusion was that Mr.Glassberg's unit mix should be planned carefully in order for the two developments to truly meet Middlebury's need. As planned, there were too many one-bedroom units proposed between the two projects. Fortunately, HVT and Mr.Glassberg are negotiating an agreement where HVT will buy the permitted site from Mr.Glassberg and develop any additional LIHTC units there themselves. We can assume that they will aim to design a second project that is as compatible with Stone Hill as possible. It is also likely that if Mr.Glassberg does not sell this site to HVT that he will develop for-sale attached condominiums instead of LIHTC units. Another concern is ACCT's lack of multifamily rental and tax credit experience. Their development and management experience has been limited to mobile home parks. In order to ensure the project success, VHFA will want to condition its award of credits on an experienced third party property manager being hired.

Tax Credit Summary: Stone Hill is requesting $360,000 in 9% Housing Tax Credits. They have met four top-tier criteria; it is new construction in a community where there is a lack of affordable housing stock, the majority of the units are two-bedrooms or more, the project will maintain the historic settlement pattern of Middlebury, and it is close to a designated downtown in the traditional business district of Middlebury. They have met all design standards including creating a play area despite some serious site constraints. The market study was completed by Jim Boylan of Mad River Research and with the addendum that addresses Mr.Glassberg's project, it meets the market study standards. The market study projects a rent-up period of only three months.

09-Dec-04 **Stone Hill**

Total Residential Units:	27	Increase in Income from Rental Units:	1.50%
Housing Credit Restricted Units:	22	Increase in Income from Other Sources:	1.50%
Percent Restricted:	81.48%	Increase in Income from Commercial:	0.00%
Total Development Cost:	4,798,286	Expense increase:	3.00%
Total Development Cost per Unit:	177,714	Vacancy Rate:	5%
Total Development Cost Per SF:	188	Partner's Tax Rate:	35%
Credit Election:	40/60	Long Depreciation Schedule:	27.5 years
Max Credit Potential:	352,011	Short Depreciation Schedule:	7 years
Credit Amount Allocated:	360,000	Sponsor's Estimated Yield:	85.45%

LIHTC - 9%	7.96%	12/1/2004
LIHTC - 4%	3.41%	

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term
First Mortgage	180,000	3.75%	7.50%	30	30
VHCB GF	260,000	5.42%	0.00%	30	deferred
HOME	415,000	8.65%	5.00%	30	deferred
VCDP	600,000	12.50%	5.00%	30	grant
REEP	13,500	0.28%	0.00%	30	30
VHCB Feasibility	8,000				
Developer Loan	35,000	0.73%	2.15	15	
Tax Credit Equity	3,076,364	64.11%	N/A	N/A	N/A
TOTAL SOURCES	4,587,864	95.61%			

USES

Acquisition	291,650	6.08%
Construction Hard Costs	3,647,341	76.01%
Soft Costs	859,295	17.91%
TOTAL USES	4,798,286	100%
Gap	210,422	

General Partner's Capital Contribution	30,764	1.00%
Limited Partner's Capital Contribution	3,045,600	99.00%
Total Equity	3,076,364	

APPLICABLE FRACTION CALCULATION

Tax Credit Restricted Units	22
Total Units	27
Unit Fraction	81.48%
Tax Credit Square Footage	19,436
Total Residential Square Footage	25,469
Square Footage Fraction	76.31%
Applicable Fraction	76.31%

09-Dec-04 **Stone Hill**

		Budget	Per Unit	Per s.f.	Allocation of Sources 3,076,364	180,000	260,000	415,000	600,000	35,000	13,500	8,000	210,422	
	ACQUISITION				Equity	Loan I	VHCB-GF Loan	Home Loan	VCDP	Developer Loan	REEP	VHCB Feasibility	Gap Financing	TOTAL SOURCES
1	Land	285,000	10,556	11.19			260,000	25,000						285,000
2	Purchase of Building(s)		0	0.00										0
3	Demolition (without replacement)		0	0.00										0
4	Property Appraisal	1,400	52	0.05								1,400		1,400
5	Legal - Title and Recording	5,250	194	0.21	5,250									5,250
	Subtotal - Acquisition	291,650	10,802	11.45										0
	CONSTRUCTION HARD COSTS													0
6	Rehabilitation		0	0.00										0
7	New Building(s)	2,390,000	88,519	93.84	1,566,500	120,000		390,000	300,000		13,500			2,390,000
8	walkway	43,750	1,620	1.72	43,750									43,750
9	Sitework	606,194	22,452	23.80	306,194				300,000					606,194
10	Garage	408,000	15,111	16.02	408,000									408,000
11	General Requirements		0	0.00										0
12	Contractor Overhead		0	0.00										0
13	Contractor Profit		0	0.00										0
14	Construction Contingency	172,397	6,385	6.77	172,397									172,397
15	Construction Management		0	0.00										0
16	Construction Bond Fee		0	0.00										0
17	Hazardous Materials Abatement		0	0.00										0
18	Off-Site Improvements		0	0.00										0
19	Furnishings, Fixtures, & Equipment	27,000	1,000	1.06	27,000									27,000
20	Other (________________)		0	0.00										0
	Subtotal - Hard Costs	3,647,341	135,087	143.21										0
	SOFT COSTS													0
21	Architectural	220,000	8,148	8.64	214,900							5,100		220,000
22	Engineering		0	0.00										0
23	Legal/Accounting	19,000	704	0.75	17,500							1,500		19,000
24	Relocation		0	0.00										0
25	Environmental Assessment	6,000	222	0.24	6,000									6,000
26	Energy Assessment		0	0.00										0
27	Permits/Fees	39,529	1,464	1.55	39,529									39,529
28	Independent Market Study		0	0.00										0
29	Construction Period Insurance		0	0.00										0
30	Construction Interest	63,322	2,345	2.49	63,322									63,322
31	Construction Loan Origination Fee		0	0.00										0
32	Taxes During Construction	17,600	652	0.69	17,600									17,600
33	Clerk of the Works		0	0.00										0
34	Marketing	4,500	167	0.18	4,500									4,500
35	Tax Credit Fees/CDBG	12,050	446	0.47	12,050									12,050
36	Soft Cost Contingency	6,174	229	0.24	6,174									6,174
37	Permanent Loan Origination Fee	44,572	1,651	1.75	44,572									44,572
38	Lender's Counsel's Fee		0	0.00										0
39	Other (______________)		0	0.00										0
	SYNDICATION COSTS													0
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													0
44	Developer's Fees-ACCT	190,000	7,037	7.46	37,289	30,000				17,500			105,211	190,000
45	Other Partnership Fees-ACCT	190,000	7,037	7.46	37,289	30,000				17,500			105,211	190,000
46	Consultant Fees		0	0.00										0
	RESERVES													0
47	Working Capital		0	0.00										0
48	Rent-up (Deficit Escrow) Reserve		0	0.00										0
49	Other Operating Reserves	46,548	1,724	1.83	46,548									46,548
50	Sinking Fund		0	0.00										0
51	Replacement Reserves		0	0.00										0
	Subtotal - Soft Costs	859,295	31,826	33.74										
	TOTAL DEVELOPMENT COSTS	4,798,286	177,714	188	3,076,364	180,000	260,000	415,000	600,000	35,000	13,500	8,000	210,422	4,798,286

-Dec-04 **Stone Hill**

		Budget	Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Other	Costs Incurred to Date	To be Incurred	Total
	ACQUISITION									
1	Land	285,000								
2	Purchase of Building(s)	0								
3	Demolition (without replacement)	0								
4	Property Appraisal	1,400	1,400		1,400					
5	Legal - Title and Recording	5,250	5,250		5,250					
	Subtotal - Acquisition	291,650								
	CONSTRUCTION HARD COSTS									
6	Rehabilitation	0								
7	New Building(s)	2,390,000		2,390,000	2,390,000					
8	walkway	43,750		43,750	43,750					
9	Sitework	606,194		606,194	606,194					
10	Garage	408,000		408,000	408,000					
11	General Requirements	0								
12	Contractor Overhead	0								
13	Contractor Profit	0								
14	Construction Contingency	172,397		172,397	172,397					
15	Construction Management	0								
16	Construction Bond Fee	0								
17	Hazardous Materials Abatement	0								
18	Off-Site Improvements	0								
19	Furnishings, Fixtures, & Equipment	27,000		27,000						
20	Other (________________)	0								
	Subtotal - Hard Costs	3,647,341								
	SOFT COSTS									
21	Architectural	220,000		220,000	220,000					
22	Engineering	0								
23	Legal/Accounting	19,000		19,000	14,250					
24	Relocation	0								
25	Environmental Assessment	6,000		6,000	6,000					
26	Energy Assessment	0								
27	Permits/Fees	39,529		39,385	39,385					
28	Independent Market Study	0								
29	Construction Period Insurance	0								
30	Construction Interest	63,322		63,322	63,322					
31	Construction Loan Origination Fee	0								
32	Taxes During Construction	17,600		17,600	17,600					
33	Clerk of the Works	0								
34	Marketing	4,500			4,500					
35	Tax Credit Fees/CDBG	12,050		12,050	12,050					
36	Soft Cost Contingency	6,174		6,174	6,174					
37	Permanent Loan Origination Fee	44,572		44,572	44,572					
38	Lender's Counsel's Fee	0								
39	Other (____________)	0								
	SYNDICATION COSTS									
40	Organizational (Partnership)	0								
41	Bridge Loan Fees and Expenses	0								
42	Syndication Consultant	0								
43	Tax Opinion	0								
	DEVELOPER'S FEES									
44	Developer's Fees-ACCT	190,000		190,000	190,000					
45	Other Partnership Fees-ACCT	190,000		190,000	190,000					
46	Consultant Fees	0								
	RESERVES									
47	Working Capital									
48	Rent-up (Deficit Escrow) Reserve	0								
49	Other Operating Reserves	46,548								
50	Sinking Fund	0								
51	Replacement Reserves	0								
	Subtotal - Soft Costs	859,295								
	TOTALS	4,798,286	6,650	4,455,444	4,434,844	- 0				

		Acquisition Basis	Construction Basis	Residential Depreciation	
LESS: Amount of Non-qualified Financing					
LESS: Adjustment for per unit cost limits					
LESS: Historic tax Credit (Residential Portion)			0	0	20% Historic Credit Rate
Total Eligible Basis		6,650	4,455,444		0 Annual Historic Credit
TIMES: Adjusted for QCT/DDA	130.0%		5,792,077		
TIMES: Applicable Fraction	76.31%	5,075	4,420,072		
Total Qualified Basis		5,075	4,420,072	4,434,844	Long Term Depreciable Basis
TIMES: Applicable Percentage		3.41%	7.96%	27.5	Depreciation Schedule
Total Annual Credit Qualified		173	351,838	161,267	Annual Depreciation
				0	Short Term Depreciable Basis
				7	Depreciation Schedule
				0	Annual Depreciation

Total Tax Credits Requested	360,000
Estimated Net Syndication Proceeds **(excluding historic credit equity)**	3,045,600
Estimated Yield - Housing Credit Syndication	85.45%
Equity Gap	3,294,786
Credits Needed to fill Equity Gap	389,455

form revision date 2.27.97

09-Dec-04 **Stone Hill**

HC Restricted Units Bedrooms	Type	Average Square Feet	Number	Average Rent	Utilities	Total Annual Rent
1 Br	A	705	11	511		67,452
2 Br	B	999	9	581		62,748
3 Br	C	1,345	2	750		18,000
	Totals	19,436	22			148,200

Non-HC Restricted Units Bedrooms	Type	Square Feet	Number	Rent	Utilities	Total Annual Rent
2 Br	D	999	2	670		16,080
3 Br	E	1,345	3	725		26,100
	Totals	6,033	5			42,180
All Units						
	Grand Totals	25,469	27			190,380

Less Vacancy	5.00%	(9,519)
	NET RENT	180,861

OTHER INCOME

Laundry	3,000
Parking	0
Commercial Space Income	0
Other	0
TOTAL INCOME	183,861

form revision date: 2/27/97

09-Dec-04 **Stone Hill**

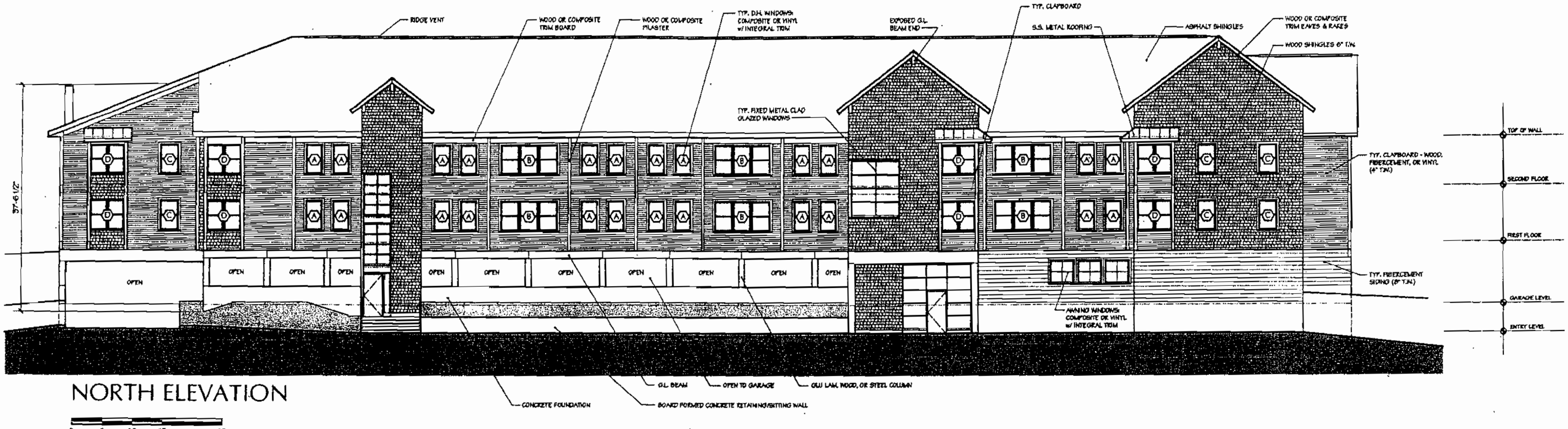
	Annual	Monthly	Per Unit Per Month	
Administration				
Management Fee	17,820	1,485	55	9.7%
Supportive Services		0	0	
Audit/Accounting	3,888	324	12	
Legal	2,592	216	8	
Compliance Monitoring	1,056	88	3	
Marketing	648	54	2	
VHFA fee	1,296	108		
Misc. Admin Expense	2,592	216		
Office expense	1,296	108	4	
TOTAL ADMINISTRATIVE	31,188	2,599	96	
Utilities				
Electricity	4,860	405	15	
Fuel	17,820	1,485	55	
Water and Sewer	11,664	972	36	
Fire Alarm / Emergency	972	81	3	
Other		0	0	
TOTAL UTILITIES	35,316	2,943	109	
Maintenance	0			
Maintenance / Janitor Payroll	17,820	1,485	55	
Janitor Supplies	1,296	108	4	
Exterminating	648	54	2	
Trash Removal	3,240	270	10	
Snow Removal	2,268	189	7	
Grounds	3,240	270	10	
Repairs Material		0	0	
Repairs Contract		0	0	
HVAC Repairs / Maintenance		0	0	
Elevator Contract / Repairs	1,620	135	5	
Painting and Decorating	1,620	135	5	
Elevator	2,916	243	9	
Other	648	54	2	
TOTAL MAINTENANCE	35,316	2,943	109	
				per unit month
Real Estate Taxes	30,780	2,565	95	excl. ds & res.
Property Insurance	8,100	675	25	434
Replacement Reserves	11,340	945	35	
Primary Debt Service		0	0	
Other "must pay" debt service		0	0	
TOTAL GENERAL	50,220			
		0	0	
TOTAL	152,040	12,670	469	

09-Dec-04 **Stone Hill**

	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%+
	101				1	1				1	680	525	40	565				1					1			
	102	1			1	1				1	680	450	40	490		1						1				
	103	1			1	1				1	680	450	40	490		1						1				
	104	1			1	1				1	680	525	40	565			1						1			
	105				1	1				1	680	525	40	565			1						1			
	106								1	2	950	725	49	774					1						1	
	107								1	2	950	725	49	774					1						1	
	108								1	2	950	725	49	774					1						1	
	109				1	1				3	1,100	750	62	812			1						1			
	110				1	1				3	1,100	750	62	812			1						1			
	111				1	1				2	950	625	49	674			1						1			
	112				1	1				2	950	625	49	674			1						1			
	113				1	1				2	950	625	49	674			1						1			
	114	1			1	1				2	950	625	49	674			1						1			
	115	1			1	1				2	950	525	49	574		1						1				
	116	1			1	1				2	950	525	49	574		1						1				
	117	1			1	1				2	950	525	49	574		1						1				
	118	1			1	1				2	950	525	49	574		1						1				
	119				1	1				2	950	625	49	674			1						1			
	120				1	1				1	680	525	40	565			1						1			
	121				1	1				1	680	525	40	565			1						1			
	122				1	1				1	680	525	40	565			1						1			
	123								1	1	680	670	40	710					1						1	
	124								1	1	680	670	40	710					1						1	
	125				1	1				1	680	525	40	565			1						1			
	126				1	1				1	680	525	40	565			1						1			
	127				1	1				1	680	525	40	565			1						1			
Total # Units	27									Totals:	22,440	15,865		Total # Units:	0	6	15	1	5	0	0	6	16	0	5	0

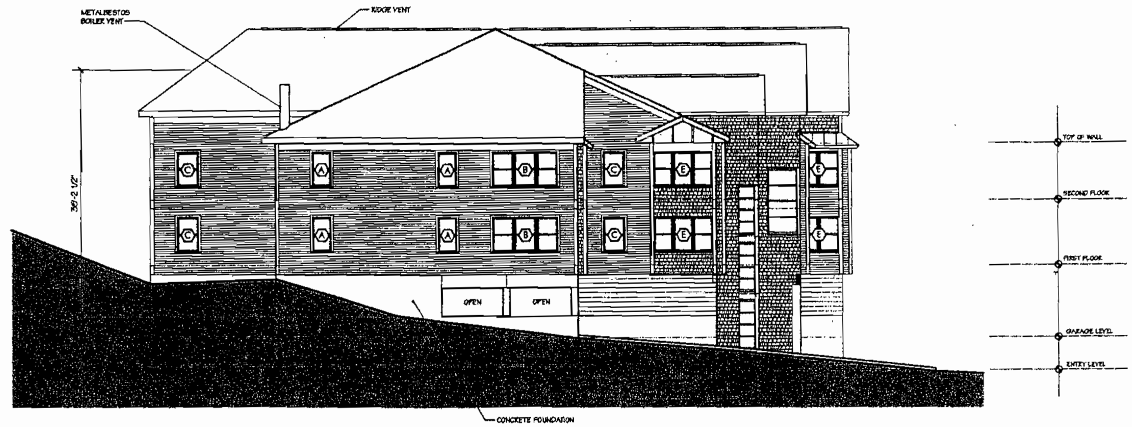
form revision date: 2/27/97

09-Dec-04		Stone Hill														
	Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Operating Income																
Gross Rent		190,380	193,236	196,134	199,076	202,062	205,093	208,170	211,292	214,462	217,679	220,944	224,258	227,622	231,036	234,502
Other Income		3,000	3,045	3,091	3,137	3,184	3,232	3,280	3,330	3,379	3,430	3,482	3,534	3,587	3,641	3,695
Vacancy and other losses		(9,519)	(9,662)	(9,807)	(9,954)	(10,103)	(10,255)	(10,408)	(10,565)	(10,723)	(10,884)	(11,047)	(11,213)	(11,381)	(11,552)	(11,725)
Total Operating Income		183,861	186,619	189,418	192,259	195,143	198,071	201,042	204,057	207,118	210,225	213,378	216,579	219,828	223,125	226,472
Operating Expenses																
Total Expenses (excl. Reserves)		140,700	144,921	149,269	153,747	158,359	163,110	168,003	173,043	178,235	183,582	189,089	194,762	200,605	206,623	212,821
Reserves		11,340	11,510	11,683	11,858	12,036	12,216	12,400	12,586	12,774	12,966	13,161	13,358	13,558	13,762	13,968
Total Operating Expense		152,040	156,431	160,951	165,605	170,395	175,326	180,403	185,629	191,009	196,548	202,250	208,120	214,163	220,384	226,789
Net Operating Income		31,821	30,188	28,467	26,655	24,748	22,744	20,639	18,428	16,109	13,677	11,129	8,459	5,665	2,741	(318)
Less Primary Debt Service		15,103	15,103	15,103	15,103	15,103	15,103	15,103	15,103	15,103	15,103	15,103	15,103	15,103	15,103	15,103
Less Secondary Debt Service		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Annual Cash Flow		16,718	15,085	13,364	11,552	9,645	7,641	5,536	3,325	1,006	(1,426)	(3,974)	(6,644)	(9,438)	(12,362)	(15,421)
Operating Subsidies / Sinking Fund		46,548	0	0	0	0	0	0	0	0	1,426	3,974	6,644	9,438	12,362	15,421
Net Cash		63,266	15,085	13,364	11,552	9,645	7,641	5,536	3,325	1,006	0	0	0	0	0	0
DCR		210.69%	199.88%	188.48%	176.49%	163.86%	150.59%	136.65%	122.02%	106.66%	90.56%	73.68%	56.01%	37.51%	18.15%	-2.10%
Cumulative Cash Flow																
Beginning Balance		46,548	63,433	78,669	92,166	103,833	113,575	121,293	126,884	130,243	131,259	128,393	120,404	107,050	88,079	63,231
Deposits		16,718	15,085	13,364	11,552	9,645	7,641	5,536	3,325	1,006	(1,426)	(3,974)	(6,644)	(9,438)	(12,362)	(15,421)
Interest	2.0%	167	151	134	116	96	76	55	33	10	(14)	(40)	(66)	(94)	(124)	(154)
Withdrawals:																
Project Operating Needs		0	0	0	0	0	0	0	0	0	(1,426)	(3,974)	(6,644)	(9,438)	(12,362)	(15,421)
Special LP or GP Fee		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Repayment of Deferred Devel. Fee		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Partnership Audit or K-1 Fee		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Distribution of Cash to Owner		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance		63,433	78,669	92,166	103,833	113,575	121,293	126,884	130,243	131,259	128,393	120,404	107,050	88,079	63,231	32,235
Cumulative Replacement Reserves																
Beginning Balance		0	11,453	23,311	35,583	48,279	(8,155)	4,185	16,794	29,847	(26,221)	(13,124)	169	13,665	27,637	(27,498)
Deposits		11,340	11,510	11,683	11,858	12,036	12,216	12,400	12,586	12,774	12,966	13,161	13,358	13,558	13,762	13,968
Interest	2.0%	113	348	589	839	1,530	123	210	466	1,158	131	133	138	413	1,104	141
Withdrawals		0	0	0	0	70,000	0	0	0	70,000	0	0	0	0	70,000	0
Ending Balance		11,453	23,311	35,583	48,279	(8,155)	4,185	16,794	29,847	(26,221)	(13,124)	169	13,665	27,637	(27,498)	(13,388)
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Net Operating Income		31,821	30,188	28,467	26,655	24,748	22,744	20,639	18,428	16,109	13,677	11,129	8,459	5,665	2,741	(318)
Plus Reserves		11,340	11,510	11,683	11,858	12,036	12,216	12,400	12,586	12,774	12,966	13,161	13,358	13,558	13,762	13,968
Less Interest Expense		(13,444)	(13,315)	(13,176)	(13,027)	(12,865)	(12,692)	(12,504)	(12,303)	(12,085)	(11,851)	(11,598)	(11,326)	(11,033)	(10,717)	(10,377)
Less Long Depreciation		(161,267)	(161,267)	(161,267)	(161,267)	(161,267)	(161,267)	(161,267)	(161,267)	(161,267)	(161,267)	(161,267)	(161,267)	(161,267)	(161,267)	(161,267)
Less Short Depreciation		(3,857)	(3,857)	(3,857)	(3,857)	(3,857)	(3,857)	(3,857)	(3,857)	(3,857)	(3,857)	(3,857)	(3,857)	(3,857)	(3,857)	(3,857)
Taxable Income (Loss)		(135,407)	(136,741)	(138,151)	(139,638)	(141,205)	(142,855)	(144,590)	(146,413)	(148,326)	(150,332)	(152,433)	(154,633)	(156,934)	(159,339)	(161,850)
Cash Flow		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings		47,392	47,859	48,353	48,873	49,422	49,999	50,607	51,244	51,914	52,616	53,352	54,122	54,927	55,769	56,648
Plus Tax Credits		360,000	360,000	360,000	360,000	360,000	360,000	360,000	360,000	360,000	360,000					
After Tax Cash Flow		407,392	407,859	408,353	408,873	409,422	409,999	410,607	411,244	411,914	412,616	53,352	54,122	54,927	55,769	56,648
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		407,392	407,859	408,353	408,873	409,422	409,999	410,607	411,244	411,914	412,616	53,352	54,122	54,927	55,769	56,648
Future Value of Cash Flows at Yr 15:		2,229,889	1,993,255	1,781,844	1,592,960	1,424,194	1,273,395	1,138,644	1,018,226	910,611	814,431	94,024	85,161	77,168	69,956	63,445



NORTH ELEVATION

0 5 10 15 25
FEET



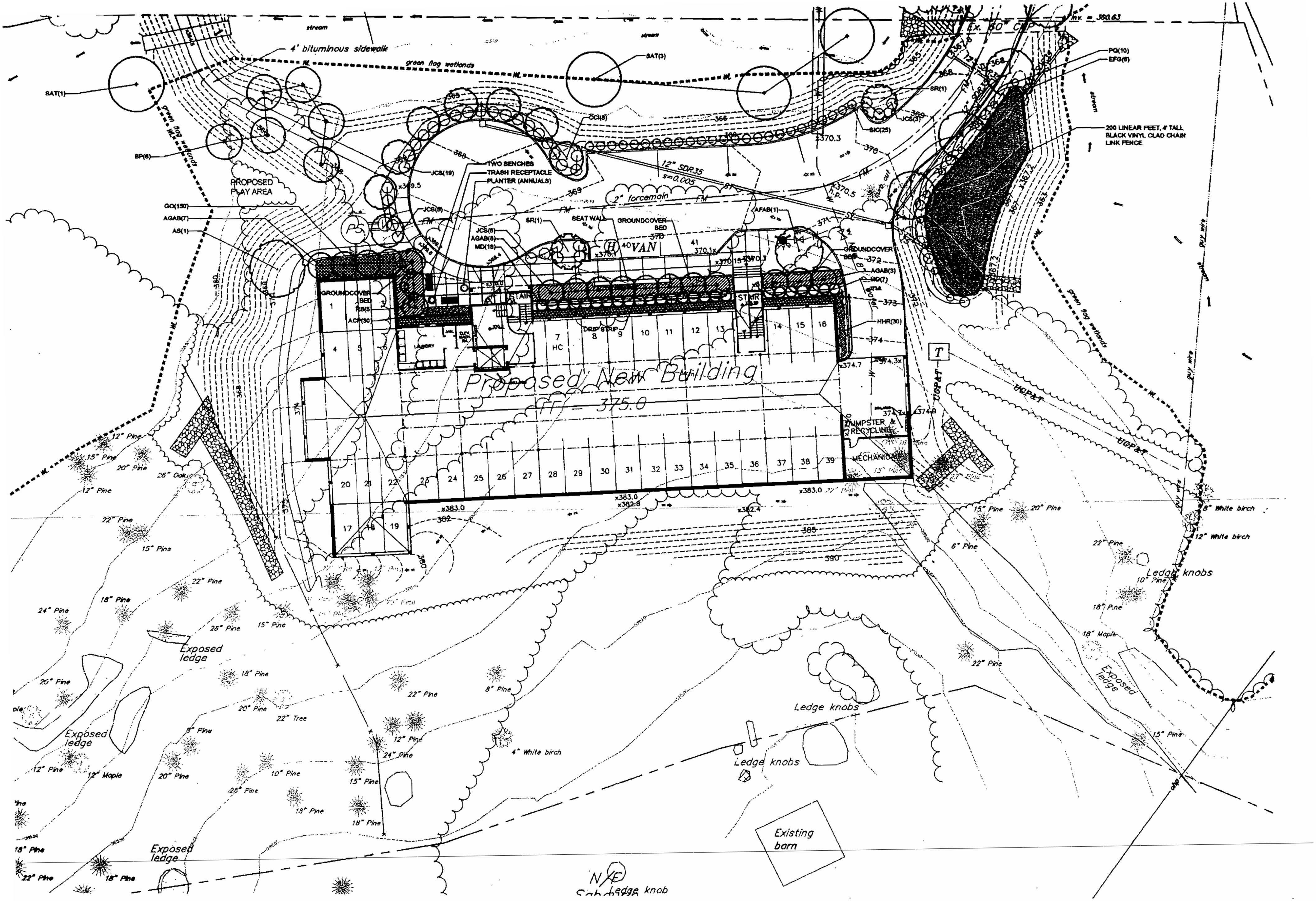
EAST ELEVATION

0 5 10 15 25
FEET

STONE HILL FAMILY HOUSING

DUNCAN • WISNIEWSKI ARCHITECTURE ■
255 SOUTH CHAMPLAIN STREET, BURLINGTON, VERMONT 05401 (802) 864-6693

11.29.2004
A2-1.0



landscape architects • planning consultants	jbo drawn by	11-08-04 plot date	Stone Hill	sheet no.
301 college street • burlington • vermont • 05401 802 658 3555 http://www.tjbo...m	north scale	1" = 20'	Landscape Plan	1

RESOLUTION RE: PROPOSED ALLOCATION OF ALLOCATED HOUSING CREDITS FOR STONE HILL HOUSING, MIDDLEBURY

WHEREAS, the Agency administers the allocation of the federal Low Income Housing Tax Credits (both Allocated Housing Credits and Bond Housing Credits) and the State Housing Credits under the State's Qualified Allocation Plan; and

WHEREAS, the Governor of the State of Vermont has approved the 2004-2005 Qualified Allocation Plan; and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Eliza Smith-Vedder dated December 9, 2004, containing information and recommendations about the Development (the "Memorandum");

WHEREFORE, it is hereby RESOLVED:

1. That the recommendation contained in the Memorandum which is attached and incorporated by this reference be approved;

2. That the Executive Director and the appropriate staff are hereby authorized to take such actions as are described in the 2004-2005 Qualified Allocation Plan regarding the proposed allocation of federal Allocated Housing Credits in the amount of $360,000 for the Stone Hill Housing project in the Town of Middlebury, Vermont.

vhfa

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Joe Erdelyi, Senior Development Officer

DATE: December 8, 2004

RE: Round Barn Apartments, Grand Isle; Construction and Permanent Financing and Out-of-Cap Tax Credits

Name:	Round Barn	**Location:**	Grand Isle
Housing Type:	Elderly	**Unit Type:**	Flats
Unit Count:	24 Total Units 24 Housing Credit Units	**Unit Sizes:**	22 1-BR @ 565 s.f. 2 2-BR @ 700 s.f.
Total Cost:	$1,774,801	**Per S.F. Acquisition & Construction Cost:**	$73.27 (includes site work)
Loan Requested:	$498,000 construction/permanent $475,000 construction only ($488,000 was approved 2/2004)	**Sponsors:**	Housing Vermont and Lake Champlain Housing Development Corporation
Housing Credits:	$60,000 (Out-of-Cap "4%" Credits)	**State Credits:**	N/A
Other Funding:	HUD Loan, Cash Accounts, REEP		

Recommendation: That the VHFA Board of Commissioners pass the attached resolution and make the required findings as outlined in the second section of the resolution ("It is hereby determined:"), and authorize staff to issue the appropriate documentation according to the Qualified Allocation Plan.

Summary: This project consists of 22 apartments in two buildings (one built new and one a renovated round barn) that were developed in 1981 under the HUD Section 8 New Construction/Substantial Rehab program. The buildings are served by public water and on-site sewer and the buildings are in average condition. There are 13 carports and a storage barn and the site is approximately 29 acres. The project underwent a HUD "Mark-to-Market" review and conversion in February 2003, at which time a new 20-year HAP contract was signed and the rents were lowered to market levels. The existing HUD financing at that time was written down to 1% interest rate, payable only from cash flow, and is able to be subordinated to future financing. The balance on that loan is $668,927 and the sponsors are asking VHFA to assume this deferred loan from HUD.

The project was brought to the VHFA Board in February 2004 and approved for tax-exempt permanent financing. Since then the new owner has been approved by HUD, and the HUD "Transfer of Physical Assets" process has been initiated. The project's physical needs and operating needs have been further discussed by VHFA staff and the sponsors. The sponsors feel that the new tax credit proposal herein would allow the project to do more substantial renovations, including replacement windows, finishes, and site drainage corrections. The property will be managed by Lake Champlain Housing Ventures, Inc.

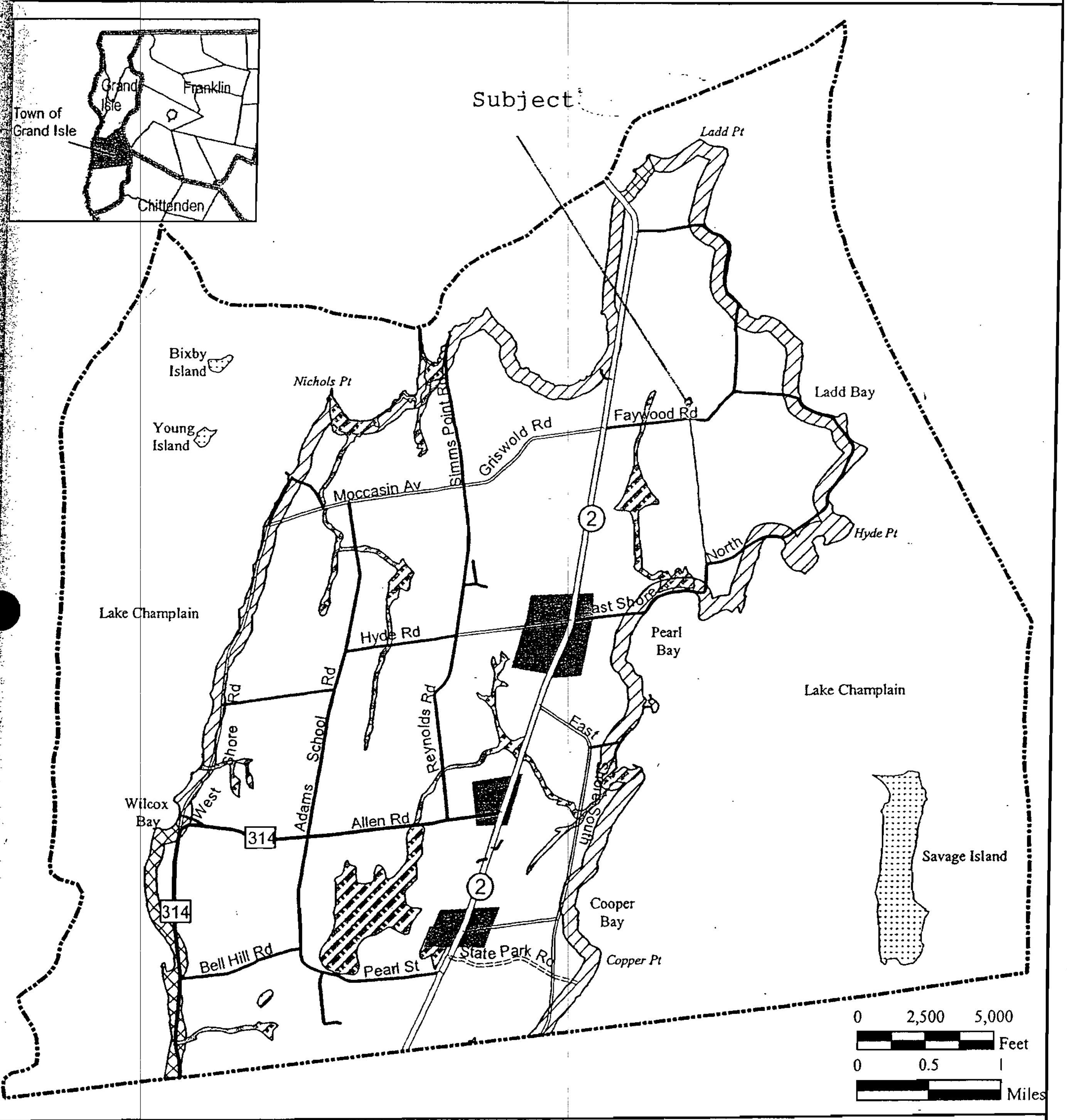
Tax Credit Discussion:

The project will serve all 22 households below 50% of Area Median Gross Income, assisted by the HAP contract. The rehab will take place with minimal relocation or tenant displacement. The sponsor has engaged an architect and VHFA will review the scope of work as it develops. In order for the development to qualify for the 130% basis adjustment, VHFA staff needs to make a determination that the application is substantially complete, prior to the end of the year. Because the loans total more than the project's value, VHFA will require an assignment of the General Partner's interest in the partnership, as we do in all similar projects. The sponsors will not have a market study ready by then, so staff recommend waiving the requirement that a market study be submitted with the application, but rather allow it to be submitted when done. (The project has a long occupancy history, but the market study requirement is statutory and cannot be waived. Staff only require a very minimal study for this type of development.)

Staff note that the developer's fees ($180,000; $7,500 per unit; 11.79% of cost) are within the published limit (12%) for this type of development, but are quite high when compared to similar transactions. The Board can expect to see a proposal to decrease the fee limit for similar projects shortly.

Town of Grand Isle

Existing Zoning



DATA SOURCES

LITICAL BOUNDARIES: 1:24,000 USGS adranges, VCGI, 1991.

ADS: 1:5,000 Digital Road Centerline Project, 1991-1994. Updates by Northwest Planning Commission, 1998-2000.

FICIAL ZONING MAP located at the vn Clerks Office.

OOD PLAINS: FEMA Flood Insurance Rate ps, Northwest Regional Planning Commission, 8-2002.

RTH ARROW refers to Grid North

SOLUTE SCALE: 1:60,000

Legend

Roads

- Class 2 Town Highway
- Class 3 Town Highway
- Class 4 Town Highway
- State Forest Highway
- State Highway
- Federal Highway
- Town Boundary

Zoning

- Shoreline Residential
- Shoreline Commercial Residential
- Small Off-Shore Islands
- Village/ Commercial
- Agricultural and Rural Residential
- Flood Plains

Vermont Coordinate System
Transverse Mecator, NAD 83.

For planning purposes only.

Prepared by:
Northwest Regional Planning Commission
7 Lake Street, Suite 201
St. Albans, VT 05478
802.524.5958
nrpcvt@nrpcvt.com

May 2002

08-Dec-04 **Round Barn -29 Faywood Road, Grand Isle** **ASSUMPTIONS**

			During HAP	**Post HAP**
Total Residential Units:	24	Increase in Income from Rental Units:	1.50%	1.50%
Housing Credit Restricted Units:	24	Increase in Income from Other Sources:	1.50%	1.50%
Percent Restricted:	100.00%	Increase in Income from Commercial:	N/A	N/A
Total Development Cost:	1,774,801	Expense increase:	3.00%	3.00%
Total Development Cost per Unit:	73,950	Vacancy Rate:	2.00%	5.00%
Total Development Cost Per SF:	92.15	Partner's Tax Rate:	35%	
		Long Depreciation Schedule:	27.5	
Max Credit Potential:	60,389	Short Depreciation Schedule:	7	
Credit Amount Allocated:	60,000	Sponsor's Estimated Yield:	82.08%	

LIHTC - 9%	7.96%	(December 2004)
LIHTC - 4%	3.41%	

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term
VHFA First Mortgage	498,000	28.06%	6.75%	30	30
HUD 2nd Mortgage	668,927	37.69%	1.00%	30	30
REEP	12,000	0.68%	0%	0%	30%
Existing Replacement Reserves	73,874	4.16%	N/A	N/A	N/A
Existing Working Capital Acct	30,000	1.69%	N/A	N/A	N/A
tax credit equity	492,000	27.72%	N/A	N/A	N/A
.	1,774,801	100.00%			

VHFA Construction Loan	475,000

USES

Acquisition	846,658	47.70%	50,799
Construction Hard Costs	564,454	31.80%	84,668
Soft Costs	363,689	20.49%	135,468
TOTAL USES	1,774,801	100.00%	

		DCR YR 1	150%
Gap	0	**DCR at HAP Exp Date**	124%

General Partner's Capital Contribution	0	0.1%	
Limited Partner's Capital Contribution	492,000	99.9%	487,080
Total Equity	492,000		

APPLICABLE FRACTION CALCULATION

Tax Credit Restricted Units	24
Total Units	24
Unit Fraction	100%
Tax Credit Square Footage	13,800
Total Residential Square Foc	13,800
Square Footage Fraction	100%
Applicable Fraction	100%

08-Dec-04 **Round Barn -29 Faywood Road, Grand Isle**

Total Project

818,927	Budget	Per Unit	Per s.f.	tax credit equity	VHFA First Mortgage	HUD 2nd Mortgage	Existing Operating Fund Bal	Existing Replacement Reserves	REEP	Totals
ACQUISITION				**492,000**	**498,000**	**668,927**	**30,000**	**73,874**	**12,000**	**1,774,801**
Acquisition Land	67,536	2,814	3.51		67,536					**67,536**
Acquisition Bldgs	751,391	31,308	39.02		82,464	668,927				**751,391**
Capitalized IFP to Owners	20,731	864	1.08		20,731					**20,731**
Capital Recovery Pmt	0	0	0.00							**0**
Property Transfer Tax	0	0	0.00							**0**
Property Appraisal	3,000	125	0.16		3,000					**3,000**
Legal - Title and Recording	4,000	167	0.21		4,000					**4,000**
Subtotal - Acquisition	846,658	35,277	43.96							**0**
CONSTRUCTION HARD COSTS										
Rehabilitation	503,000	20,958	26.12	170,731	320,269				12,000	**503,000**
Sitework	23,000	958	1.19	23,000						**23,000**
Genderal Conditions		0	0.00							**0**
Construction Contingency @ 7.5%	38,454	1,602	2.00	38,454						**38,454**
Design/specs		0	0.00							**0**
		0	0.00							**0**
		0	0.00							**0**
		0	0.00							**0**
Construction Management @ 10%	0	0	0.00							**0**
Environmental Assessment	0	0	0.00							**0**
Furnishings, Fixtures, & Equipment		0	0.00							**0**
Other (____________________)		0	0.00							**0**
Subtotal - Hard Costs	564,454	23,519	29.31							**0**
SOFT COSTS										
Architectural	36,820	1,534	1.91	25,834			4,625	6,361		**36,820**
Engineering		0	0.00							**0**
Legal/Accounting	18,000	750	0.93	18,000						**18,000**
Relocation		0	0.00							**0**
Environmental Assessment	5,000	208	0.26	5,000						**5,000**
Energy Assessment		0	0.00							**0**
Permits/Fees	4,831	201	0.25	4,831						**4,831**
Independent Market Study	2,000	83	0.10	2,000						**2,000**
Construction Period Insurance	4,000	167	0.21	4,000						**4,000**
Construction Interest	7,000	292	0.36	7,000						**7,000**
Construction Loan Origination Fee		0	0.00							**0**
Taxes During Construction		0	0.00							**0**
Equity Bridge Interest		0	0.00							**0**
Marketing		0	0.00							**0**
Tax Credit Fees	2,650	110	0.14	2,650						**2,650**
Soft Cost Contingency (2.5%)	5,500	229	0.29	5,500						**5,500**
Permanent Loan Origination Fee	25,375	1,057	1.32				25,375			**25,375**
Lender's Counsel's Fee	0	0	0.00							**0**
Capital Needs Assessment		0	0.00							**0**
Clerk of the Works	5,000	208	0.26	5,000						**5,000**
		0	0.00							**0**
SYNDICATION COSTS										
Organizational (Partnership)		0	0.00							**0**
Cost Certification		0	0.00							**0**
Syndication Consultant		0	0.00							**0**
Tax Opinion		0	0.00							**0**
DEVELOPER'S FEES										
Developer's Fees (LCHDC)	180,000	7,500	9.35	180,000						**180,000**
Other Partnership Fees		0	0.00							**0**
Consultant Fees		0	0.00							**0**
RESERVES										
Working Capital (Operating Acct)	29,513	1,230	1.53					29,513		**29,513**
Replacement Reserves	38,000	1,583	1.97					38,000		**38,000**
Subtotal - Soft Costs	**363,689**	**12,341**	**18.88**							
TOTAL DEVELOPMENT COSTS	**1,774,801**	**73,950**	**92.15**	**492,000**	**498,000**	**668,927**	**30,000**	**73,874**	**12,000**	**1,774,801**
				0	0	0	0	0	0	0
fee	180,000									
tdc for fee	1,527,288									
	11.79%									

Round Barn -29 Faywood Road, Grand Isle **08-Dec-04** **CREDIT CALCULATIONS**

	Budget	Acquisition Basis	Construction Basis	Residential Depreciation
Acquisition				
Acquisition Land	67,536	0		
Acquisition Bldgs	751,391	647,517		751,391
Capitalized IFP to Owners	20,731	20,731		
Capital Recovery Pmt	0			
Property Transfer Tax	0	0		0
Property Appraisal	3,000	3,000		2,750
Legal - Title and Recording	4,000	4,000		3,667
Subtotal - Acquisition	846,658			0
CONSTRUCTION HARD COSTS				0
Rehabilitation	503,000		503,000	461,083
Sitework	23,000		23,000	21,083
Genderal Conditions	0		0	0
Construction Contingency @ 7.5%	38,454		38,454	35,250
Design/specs	0		0	0
0	0		0	0
0	0		0	0
0	0		0	4,583
Construction Management @ 10%	0		0	0
Environmental Assessment	0		0	0
Furnishings, Fixtures, & Equipment	0		0	0
Other ( )	0		0	0
Subtotal - Hard Costs	564,454			0
SOFT COSTS				0
Architectural	36,820		36,820	33,752
Engineering	0		0	0
Legal/Accounting	18,000		18,000	16,500
Relocation	0		0	0
Environmental Assessment	5,000		5,000	4,583
Energy Assessment	0		0	0
Permits/Fees	4,831		4,831	4,428
Independent Market Study	2,000		2,000	1,833
Construction Period Insurance	4,000		4,000	3,667
Construction Interest	7,000		7,000	6,417
Construction Loan Origination Fee	0		0	0
Taxes During Construction	0		0	0
Equity Bridge Interest	0			0
Marketing	0			0
Tax Credit Fees	2,650		0	0
Soft Cost Contingency (2.5%)	5,500		5,500	5,042
Permanent Loan Origination Fee	25,375		15,225	13,956
Lender's Counsel's Fee	0		0	0
Capital Needs Assessment	0		0	0
Clerk of the Works	5,000			5,000
0	0			0
SYNDICATION COSTS				0
Organizational (Partnership)	0			0
Cost Certification	0			0
Syndication Consultant	0			0
Tax Opinion	0			0
DEVELOPER'S FEES				0
Developer's Fees (LCHDC)	180,000		180,000	165,000
Other Partnership Fees	0		0	0
Consultant Fees	0		0	0
RESERVES				0
Working Capital (Operating Acct)	29,513			0
Replacement Reserves	38,000			
Subtotal - Soft Costs	363,689			
TOTAL DEVELOPMENT COSTS	1.774.801	675,248	842,830	1,539,985
Amount of Non-qualified Financing (VHCB Grant)				
Adjustment for per unit cost limits	0%		0	
Historic tax Credit (Residential Portion)			0	
Total Eligible Basis		675,248	842,830	
Adjusted for QCT/DDA	130.0%		1,095,679	
Applicable Fraction	100.00%	675,248	1,095,679	
Total Qualified Basis		675,248	1,095,679	
Applicable Percentage		3.41%	3.41%	
Total Annual Credit Qualified		23,026	37,363	

Credits Requested	60,000		60.389	
Estimated Net Syndication Proceeds (excluding historic credit equity)	492,000			
Estimated Yield - Housing Credit Syndication	82.08%		1,539,985	Long Term Deprec
Equity Gap	492,000		27.5	Depreciation Sched
Credits Needed to fill Equity Gap	60,000		55.999	Annual Depreciatio
			0	Short Term Deprec
			7	Depreciation Sched
			0	Annual Depreciatio

08-Dec-04 **Round Barn -29 Faywood Road, Grand RENT PROJECTIONS**

Bedrooms	Type	Average Square Feet	Number	Average Rent	Utilities	Total Annual Rent
1	Family	550	6	681	0	49,032
1	Elderly	569	16	681	0	130,752
2	Elderly	700	2	762	0	18,288
3						
4						0
	Totals	13,800	24			198,072

		2% Less Vacancy	(3,961)
common area square footage	5,459		
total square footage	19,259		
		NET RENT	194,111

OTHER INCOME

1.15	Laundry	1,440
	Other Income (Interest & Fees)	
	TOTAL INCOME	195,551

08-Dec-04 **Round Barn -29 Faywood Road, Grand Isle**

	Check all Applicable									A					B						C					
Bldg #	Unit #	HOME Unit	Lead Paint Unit	Project Based Assistance	Tax Credit Unit	VHCB Restricted	Accessible	Adaptable	Unrestricted	Number of Bedrooms	Proposed Square Footage	Current 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	A-1			1	1					1	550	681		681	1						1					
1	A-2			1	1					1	550	681		681	1						1					
1	A-3			1	1					1	550	681		681	1						1					
1	A-4			1	1					1	550	681		681	1						1					
1	A-5			1	1					1	550	681		681	1						1					
1	A-6			1	1					1	550	681		681	1						1					
1	A-7			1	1					1	550	681		681	1						1					
1	A-8			1	1					1	550	681		681	1						1					
1	A-9			1	1					1	550	681		681	1						1					
1	A-10			1	1					1	550	681		681	1						1					
1	A-11			1	1					1	550	681		681	1						1					
1	A-12			1	1					1	550	681		681	1						1					
1	A-13			1	1					1	550	681		681	1						1					
1	A-14			1	1					1	550	681		681	1						1					
1	A-15			1	1					1	550	681		681	1						1					
1	A-16			1	1					1	550	681		681	1						1					
2	B-1			1	1					1	600	681		681	1						1					
2	B-2			1	1					1	600	681		681	1						1					
2	B-3			1	1					1	600	681		681	1						1					
2	B-4			1	1					1	600	681		681	1						1					
2	B-5			1	1					1	600	681		681	1						1					
2	B-6			1	1					1	600	681		681	1						1					
2	B-7			2	1					2	700	762		762	1						1					
2	B-8			2	1					2	700	762		762	1						1					
Total # Units	0	0	0	24	24	0	0	0	0	Totals:	13,800	16,506		Total # Units:	24	0	0	0	0	0	24	0	0	0	0	0

Annual 198,072

Round Barn -29 Faywood Road, Gra 08-Dec-04 **EXPENSE SCHEDULE**

	Annual	Monthly	Per Unit Per Month
Administration			
Management Fee	15,840	1,320	55
Supportive Services	4,000	333	14
Office Expense	1,500	125	5
Advertising	500	42	2
Audit/Accounting	4,000	333	14
Legal	100	8	0
Compliance Monitoring	1,152	96	4
Asset Management Fee	2,304	192	8
Other (Marketing-Office Exp)		0	0
TOTAL ADMINISTRATIVE	29,396	2,450	102
Utilities			
Electricity	8,640	720	30
Fuel	13,824	1,152	48
Water and Sewer	2,700	225	9
Fire Alarm / Emergency	1,000	83	3
Other		0	0
TOTAL UTILITIES	26,164	2,180	91
Maintenance			
Maintenance / Janitor Payroll	25,000	2,083	87
Janitor Supplies	6,000	500	21
Exterminating		0	0
Trash Removal	2,200	183	8
Snow Removal	2,200	183	8
Grounds	3,000	250	10
Repairs Material		0	0
Repairs Contract		0	0
HVAC Repairs / Maintenance	1,000	83	3
Elevator Contract / Repairs		0	0
Painting and Decorating	2,000	167	7
Other (Septic Maintenance)	375	31	1
TOTAL MAINTENANCE	41,775	3,481	145
Real Estate Taxes	19,344	1,612	67
Property Insurance	8,640	720	30
Flood Insurance		0	0
Replacement Reserves	12,000	1,000	42
Primary Debt Service	38,760	3,230	135
Other "must pay" debt service		0	0
Other		0	0
Total	176,079	14,673	611
Operating Expenses - Debt Serv	137,319	11,443	477

PUMO exc debt serv and reserves	435
Replacement Res Per Unit/Year	500

		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Operating Income	**Year**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Gross Rent		198,072	201,043	204,059	207,120	210,226	213,380	216,580	219,829	223,127	226,474	229,871	233,319	236,818	240,371	243,976	247,636	251,351	255,121	258,948	262,832
Other Income		1,440	1,462	1,484	1,506	1,528	1,551	1,575	1,598	1,622	1,646	1,671	1,696	1,722	1,748	1,774	1,800	1,827	1,855	1,883	1,911
Vacancy and other losses		(3,961)	(4,021)	(4,081)	(4,142)	(4,205)	(4,268)	(4,332)	(4,397)	(4,463)	(4,529)	(4,597)	(4,666)	(4,736)	(4,807)	(4,880)	(4,953)	(5,027)	(5,102)	(5,179)	(5,257)
Total Operating Income		195,551	198,484	201,461	204,483	207,550	210,663	213,823	217,031	220,286	223,591	226,944	230,349	233,804	237,311	240,871	244,484	248,151	251,873	255,651	259,486
Operating Expenses																					
Total Expenses (excl. Reserves)		125,319	129,079	132,951	136,939	141,048	145,279	149,637	154,127	158,750	163,513	168,418	173,471	178,675	184,035	189,556	195,243	201,100	207,133	213,347	219,748
Reserves		12,000	12,180	12,363	12,548	12,736	12,927	13,121	13,318	13,518	13,721	13,926	14,135	14,347	14,563	14,781	15,003	15,228	15,456	15,688	15,923
Total Operating Expense		137,319	141,259	145,314	149,488	153,784	158,206	162,759	167,445	172,268	177,234	182,345	187,606	193,022	198,598	204,337	210,246	216,328	222,589	229,035	235,671
Net Operating Income		58,232	57,225	56,147	54,995	53,766	52,457	51,065	49,586	48,018	46,357	44,600	42,742	40,781	38,713	36,533	34,238	31,823	29,284	26,616	23,815
Less Primary Debt Service		38,760	38,760	38,760	38,760	38,760	38,760	38,760	38,760	38,760	38,760	38,760	38,760	38,760	38,760	38,760	38,760	38,760	38,760	38,760	38,760
Less Secondary Debt Service																					
Annual Cash Flow		19,471	18,465	17,387	16,235	15,006	13,697	12,304	10,826	9,258	7,597	5,839	3,982	2,021	(47)	(2,227)	(4,522)	(6,937)	(9,477)	(12,144)	(14,945)
Operating Subsidy		0	0	0	0	0	0	0	0	0	0	0	0	0	47	2,227	4,522	6,937	9,477	12,144	14,945
Net Cash		19,471	18,465	17,387	16,235	15,006	13,697	12,304	10,826	9,258	7,597	5,839	3,982	2,021	0	0	0	0	0	0	0
DCR		150.24%	147.64%	144.86%	141.89%	138.71%	135.34%	131.75%	127.93%	123.88%	119.60%	115.07%	110.27%	105.21%	99.88%	94.25%	88.33%	82.10%	75.55%	68.67%	61.44%
Cumulative Cash Flow																					
Beginning Balance		22,135	41,717	60,390	78,080	94,705	110,185	124,432	137,359	148,872	158,874	167,265	173,941	178,793	181,708	182,569	181,255	177,639	171,590	162,971	151,642
Deposits		19,471	18,465	17,387	16,235	15,006	13,697	12,304	10,826	9,258	7,597	5,839	3,982	2,021	0	0	0	0	0	0	0
Interest	1.0%	111	209	302	390	474	551	622	687	744	794	836	870	894	909	913	906	888	858	815	758
Withdrawals for operating subsidy		0	0	0	0	0	0	0	0	0	0	0	0	0	(47)	(2,227)	(4,522)	(6,937)	(9,477)	(12,144)	(14,945)
Withdrawls for ?		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance		41,717	60,390	78,080	94,705	110,185	124,432	137,359	148,872	158,874	167,265	173,941	178,793	181,708	182,569	181,255	177,639	171,590	162,971	151,642	137,454
Cumulative Replacement Reserves																					
Beginning Balance		38,000	50,120	62,801	75,792	89,098	16,793	29,889	43,309	57,060	71,149	(351)	13,572	27,843	42,469	57,456	(13,120)	1,751	16,997	32,623	48,637
Deposits		12,000	12,180	12,363	12,548	12,736	12,927	13,121	13,318	13,518	13,721	13,926	14,135	14,347	14,563	14,781	15,003	15,228	15,456	15,688	15,923
Interest	2.0%	120	501	628	758	891	168	299	433	571	711	(4)	136	278	425	575	(131)	18	170	326	486
Withdrawals	3,581	0	0	0	0	(85,932)	0	0	0	0	(85,932)	0	0	0	0	(85,932)	0	0	0	0	(85,932)
Ending Balance		50,120	62,801	75,792	89,098	16,793	29,889	43,309	57,060	71,149	(351)	13,572	27,843	42,469	57,456	(13,120)	1,751	16,997	32,623	48,637	(20,885)

		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Net Operating Income		58,232	57,225	56,147	54,995	53,766	52,457	51,065	49,586	48,018	46,357	44,600	42,742	40,781	38,713	36,533
Plus Reserves		12,000	12,180	12,363	12,548	12,736	12,927	13,121	13,318	13,518	13,721	13,926	14,135	14,347	14,563	14,781
Less Interest Expense		(33,453)	(33,083)	(32,688)	(32,265)	(31,813)	(31,329)	(30,812)	(30,258)	(29,666)	(29,033)	(28,356)	(27,632)	(26,857)	(26,028)	(25,141)
Less Long Depreciation		(55,999)	(55,999)	(55,999)	(55,999)	(55,999)	(55,999)	(55,999)	(55,999)	(55,999)	(55,999)	(55,999)	(55,999)	(55,999)	(55,999)	(55,999)
Less Short Depreciation		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Taxable Income (Loss)		(19,221)	(19,677)	(20,177)	(20,721)	(21,310)	(21,944)	(22,625)	(23,354)	(24,130)	(24,955)	(25,829)	(26,753)	(27,727)	(28,752)	(29,826)
Cash Flow		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings		6,727	6,887	7,062	7,252	7,458	7,680	7,919	8,174	8,445	8,734	9,040	9,364	9,705	10,063	10,439
Plus Tax Credits		60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000					
After Tax Cash Flow		66,727	66,887	67,062	67,252	67,458	67,680	67,919	68,174	68,445	68,734	9,040	9,364	9,705	10,063	10,439
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		66,727	66,887	67,062	67,252	67,458	67,680	67,919	68,174	68,445	68,734	9,040	9,364	9,705	10,063	10,439
Future Value of Cash Flows at Yr 15:		326,104	291,861	261,272	233,941	209,516	187,683	168,165	150,710	135,099	121,133	14,225	13,155	12,173	11,271	10,439
Discount Rate:	6.00%															
Capital Contribution Number:	1	2	3	4												
Date of Capital Contribution:	01-Sep-05	01-Dec-05	01-Dec-05	01-Dec-05												
Amount of Capital Contribution:	442,800	49,200	0	0												
Present Value of Contributions:	442,800	48,459	0	0												
Cash Flows	(491,259)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2,146,748
IRR:	10.33%															
Equity Yield:	81.96%															

Original Basis	1,539,985
Less Depreciation	(839,992)
Basis at Sale	2,379,977
Sales Price	2,334,195
Gain	(45,782)
Exit Tax	0

OW PROJECTIONS

	21	22	23	24	25	26	27	28	29	30	31
Operating Income	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034**
Gross Rent	266,774	270,776	274,838	278,960	283,144	287,392	291,703	296,078	300,519	305,027	309,602
Other Income	1,939	1,969	1,998	2,028	2,058	2,089	2,121	2,153	2,185	2,218	2,251
Vacancy and other losses	(13,339)	(13,539)	(13,742)	(13,948)	(14,157)	(14,370)	(14,585)	(14,804)	(15,026)	(15,251)	(15,480)
Total Operating Income	255,375	259,206	263,094	267,040	271,046	275,111	279,238	283,427	287,678	291,993	296,373
Operating Expenses											
Total Expenses (excl. Reserves)	226,340	233,130	240,124	247,328	254,748	262,390	270,262	278,370	286,721	295,322	304,182
Reserves	16,162	16,405	16,651	16,901	17,154	17,411	17,673	17,938	18,207	18,480	18,757
Total Operating Expense	242,502	249,535	256,775	264,228	271,902	279,802	287,934	296,307	304,927	313,802	322,939
Net Operating Income	12,873	9,671	6,319	2,812	(856)	(4,690)	(8,696)	(12,881)	(17,249)	(21,809)	(26,566)
Less Primary Debt Service	38,760	38,760	38,760	38,760	38,760	38,760	38,760	38,760	38,760	38,760	0
Less Secondary Debt Service											
Annual Cash Flow	(25,888)	(29,090)	(32,441)	(35,948)	(39,616)	(43,450)	(47,456)	(51,641)	(56,010)	(60,569)	(26,566)
Operating Subsidy	25,888	29,090	32,441	35,948	39,616	43,450	47,456	51,641	56,010	60,569	26,566
Net Cash	0	0	0	0	0	0	0	0	0	0	0
DCR	33.21%	24.95%	16.30%	7.25%	-2.21%	-12.10%	-22.44%	-33.23%	-44.50%	-56.27%	N/A
Cumulative Cash Flow											
Beginning Balance	137,454	112,254	83,726	51,703	16,013	(23,523)	(67,091)	(114,883)	(167,098)	(223,943)	(285,632)
Deposits	0	0	0	0	0	0	0	0	0	0	0
Interest	687	561	419	259	80	(118)	(335)	(574)	(835)	(1,120)	(1,428)
Withdrawals for operating subsidy	(25,888)	(29,090)	(32,441)	(35,948)	(39,616)	(43,450)	(47,456)	(51,641)	(56,010)	(60,569)	(26,566)
Withdrawls for ?	0	0	0	0	0	0	0	0	0	0	0
Ending Balance	112,254	83,726	51,703	16,013	(23,523)	(67,091)	(114,883)	(167,098)	(223,943)	(285,632)	(313,626)
Cumulative Replacement Reserves											
Beginning Balance	(20,885)	(4,932)	11,424	28,189	45,371	(22,953)	(5,771)	11,843	29,899	48,405	(18,563)
Deposits	16,162	16,405	16,651	16,901	17,154	17,411	17,673	17,938	18,207	18,480	18,757
Interest	(209)	(49)	114	282	454	(230)	(58)	118	299	484	(186)
Withdrawals	0	0	0	0	(85,932)	0	0	0	0	(85,932)	0
Ending Balance	(4,932)	11,424	28,189	45,371	(22,953)	(5,771)	11,843	29,899	48,405	(18,563)	8

Net Operating Income
Plus Reserves
Less Interest Expense
Less Long Depreciation
Less Short Depreciation
Taxable Income (Loss)

Cash Flow
Plus Tax Savings
Plus Tax Credits
After Tax Cash Flow

Total Years
Reinvestment Rate

Current After Tax Cash Flows
Future Value of Cash Flows at Yr 15:

Discount Rate:
Capital Contribution Number:
Date of Capital Contribution:
Amount of Capital Contribution:
Present Value of Contributions:
Cash Flows

IRR:
y Yield:

RESOLUTION RE: REHABILITATION AND PERMANENT FINANCING AND USE OF BOND HOUSING CREDITS FOR ROUND BARN APARTMENTS, GRAND ISLE

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

WHEREAS, an application has been submitted to the Agency by Housing Vermont and Lake Champlain Housing Development Corporation (the "Sponsors") on behalf of a to-be-formed limited partnership in which the Sponsors or their subsidiaries will be the general partners (the "Borrower") involving the rehabilitation and permanent financing of twenty-four (24) units of senior housing in the Town of Grand Isle (the "Development"); and

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

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

WHEREAS, the Sponsors are qualified housing sponsors within the meaning of the Vermont Housing Finance Agency Act (the "Act"); and

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

WHEREAS, the Agency administers the use of the federal Low Income Housing Tax Credits (both Allocated Housing Credits and Bond Housing Credits) and the State Housing Credits under the State's Qualified Allocation Plan; and

WHEREAS, the Governor of the State of Vermont has approved the 2004-2005 Qualified Allocation Plan; and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Joe Erdelyi dated December 8, 2004, containing information and recommendations about the Development (the "Memorandum");

The determinations, recommendations, findings and resolutions made by the Agency in its February 19, 2004 resolution are superceded by this resolution.

THEREFORE, 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 Sponsors and the Borrower are for housing development costs within the meaning of the Act.

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

4. The Sponsors and the Borrower undertaking the Development will increase the supply of well-planned, well-designed permanent, temporary, transitional or emergency housing for persons and families of low and moderate income.

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

6. The Sponsors are financially responsible and are qualified housing sponsors within the meaning of the Act. The Borrower will be required to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a new mortgage loan to the Borrower for the rehabilitation and permanent financing of the Development based on the recommendations in the attached Memorandum. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the Sponsors in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

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

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

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

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

6. The recommendations for the use of Bond Housing Credits contained in the Memorandum are hereby approved.

7. The Executive Director and the appropriate staff are hereby authorized to take such actions as are described in the 2004-2005 Qualified Allocation Plan regarding the use of Bond Housing Credits in an amount necessary for the Development's feasibility in the amount of $60,000 for the Round Barn Apartments project in the Town of Grand Isle, Vermont.

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Gary Marini

RE: Status of 2004 Private Activity Volume Cap and End of Year Resolution

DATE: December 9, 2004

Action Requested: Adoption of attached resolution to authorize allocation of any additional 2004 volume cap and filing of carry-forward election.

Status of Agency's Use of Private Activity Volume Cap

In January, the Agency was allocated $33,000,000 by the State Emergency Board ("2004 State Allocation"), which has all been allocated to Homeownership.

The following chart shows the status of the Agency's available private activity volume cap as of today:

			Allocated by VHFA Board	
	Total Volume Cap Available	Unallocated by VHFA	Homeownership	Multifamily
Carryforward from 2002/2003	87,050,577		60,552,077	26,498,500
2004 State Allocation	33,000,000		33,000,000	
VHFA Board Allocation				
2004 Private Activity Bonds Issued	(99,936,235)		(93,536,235)	(6,400,000)
Balance as of 12/09/04	20,114,342		15,842	20,098,500

In 2005, we are expecting that VHFA will receive $122 million of the state's total allocation which is estimated to be $239.2 million

Please feel free to call me at 652-3436 if you have any questions or comments about this information.

VERMONT HOUSING FINANCE AGENCY

RESOLUTION RE: ALLOCATION OF ANY ADDITIONAL 2004 PRIVATE ACTIVITY BOND VOLUME CAP ALLOCATION AND ELECTION TO CARRYFORWARD 2004 PRIVATE ACTIVITY BOND VOLUME CAP ALLOCATION

WHEREAS, the Agency wishes to accept any additional allocation of 2004 private activity volume cap from the State of Vermont and to allow the Executive Director to designate its use for either qualified mortgage bonds and/or mortgage credit certificates or exempt facility bonds or a combination of both; and

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

NOW, THEREFORE, IT IS HEREBY RESOLVED:

1. If the Agency is allocated any additional 2004 volume cap by the State of Vermont on or after December 16, 2004, it authorizes the Executive Director to allocate any additional 2004 volume cap pursuant to Section 146 of the Internal Revenue Code of 1986 as amended for the purposes of issuing exempt facility bonds or qualified mortgage bonds and/or mortgage credit certificates or a combination of both.

2. The Agency elects to carryforward all of its unused volume cap pursuant to section 146 of the Internal Revenue Code of 1986 for the purposes consistent with its allocation of such carryforward between exempt facility bonds and qualified mortgage bonds and/or mortgage credit certificates.

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

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Gary Marini

RE: Resolution Authorizing Issuance of $25 million of Multifamily Bonds

DATE: December 9, 2004

Recommended Board Action: To adopt the attached resolution which authorizes the agency to issue $25 million of bonds for multifamily projects.

Discussion:

The agency has issued $6.4 million to date in 2004 of multifamily bonds and has commitments to fund an additional $17.1 million of projects. We are expecting new originations in 2005 to continue at this pace. In recent years the Board Resolutions have been for $15 million at a time. We increased this one to $25 million in order to match our current annual projections.

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VERMONT HOUSING FINANCE AGENCY

Resolution Authorizing the Issuance and Sale of a Maximum of $25,000,000

of Bonds In One or More Series to Finance Multi-Family Projects

Adopted December 16, 2004

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**VERMONT HOUSING FINANCE AGENCY
SERIES RESOLUTION AUTHORIZING THE ISSUANCE AND
SALE OF A MAXIMUM OF $25,000,000 OF BONDS
IN ONE OR MORE SERIES TO FINANCE MULTI-FAMILY PROJECTS**

December 16, 2004

WHEREAS, the Vermont Housing Finance Agency (hereinafter referred to as the "Agency") is authorized to finance Mortgage Loans for multifamily housing for persons and families of low and moderate income in the State of Vermont pursuant to the provisions of the Vermont Housing Finance Agency Act, being No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended (hereinafter referred to as the "Act"), and to issue its bonds to obtain funds for such purpose and to refund the same; and

WHEREAS, in order to obtain funds with which to provide financing for mortgage loans to acquire, construct, rehabilitate or refinance various developments for persons and families of low and moderate income, such developments as or to be separately approved by the Commissioners of the Agency, it is deemed necessary and advisable to issue and sell one or more series of bonds of the Agency, not to exceed $25,000,000 in the aggregate, all as hereinafter provided;

NOW, THEREFORE, BE IT RESOLVED BY THE VERMONT HOUSING FINANCE AGENCY and the Commissioners thereof, as follows:

ARTICLE I

DEFINITIONS AND AUTHORITY

Section 1.01. Definitions. As used in this Resolution, unless the context shall otherwise require, the following terms shall have the following respective meanings:

"*Bonds*" means the Bonds of the Agency of the Series authorized by this Resolution and a Series Certificate.

"*Code*" means the Internal Revenue Code of 1986, as amended.

"*DTC Eligible*" means Bonds issued in book-entry form through the facilities of a securities depository, to provide for the registration of such depository's nominee as owner thereof.

"*General Resolution*" means the resolution entitled "Multi-Family Mortgage Bond Resolution" adopted on February 3, 1977, as amended and supplemented, the resolution entitled "Multi-Family Housing Bond Resolution" adopted on September 25, 1981, as amended and supplemented, or any other resolution adopted by the Agency which permits the issuance of one or more series of bonds thereunder to finance Mortgage Loans or Projects upon the adoption of a series supplemental resolution satisfying the terms and provisions thereof.

"*Mortgage Loan*" means any mortgage loan with respect to a Project as authorized by the Act to be made or financed by the Agency.

"*Program*" means the general program of the Agency under which it finances Mortgage Loans for Projects.

"*Project*" means any Residential Housing the Agency is authorized to finance by the Act and which has been approved by separate resolution of the Agency.

"*Offering Statement*" means the Official Statement, Private Placement Memorandum or similar offering document of the Agency describing the Bonds and used in conjunction with the sale thereof.

"*Resolution*" means this Resolution Authorizing the Issuance and Sale of a Maximum of $25,000,000 of Bonds In One or More Series to Finance Multi-Family Projects.

"*Series Certificate*" means the Series Certificate or Certificates of the Agency dated on or before the date of issuance of the related Series of Bonds which Series Certificate shall establish certain terms and provisions of such Bonds as provided herein.

The terms "hereby," "hereof," "hereto," "herein," "hereunder" and any similar terms, as used in this Resolution, refer to this Resolution.

Section 1.02. Authority for Resolution. This Resolution is adopted pursuant to and in accordance with the provisions of the Act and any General Resolution that may be applicable as hereinafter set forth.

ARTICLE II

AUTHORIZATION, TERMS AND ISSUANCE OF BONDS

Section 2.01. Authorization of Bonds, Principal Amount and Series. In order to provide sufficient funds necessary for the Program, in accordance with and subject to the terms, conditions and limitations established in this Resolution and in any General Resolution applicable thereto, one or more series of Bonds are hereby authorized to be issued, from time to time, each by the execution and delivery of a Series Certificate, in an aggregate principal amount not to exceed $25,000,000. Such Series Certificate shall be signed by at least two of the following—Chairman, Vice-Chairman, Executive Director, Chief Financial Officer or Chief of Program Operations; provided that if the amount of Bonds authorized by such Series Certificate exceeds $5,000,000 one of the signatories thereto must be the Chairman or Vice-Chairman. The Agency is of the opinion and hereby determines (a) that the issuance of Bonds in said amount is necessary to provide sufficient funds to be used and expended from time to time for the Program; (b) that the Mortgage Loans to be made or financed on behalf of the Agency with the proceeds of the Bonds can be issued bearing a rate or rates of interest which will be less than the prevailing rate of interest on comparable mortgage loans available in the State of Vermont without the assistance of the Agency; and (c) that the Agency will derive receipts, revenues and other income from the Mortgage Loans purchased or made with the proceeds of the Bonds sufficient to provide, together with all other available receipts, revenues and income of the Agency, for the payment of the Bonds and the payment of all costs and expenses incurred by the Agency with respect to the Program or purpose for which the Bonds are issued.

Section 2.02. Purposes. The purposes for which the Bonds are being issued are to provide funds to make or finance Mortgage Loans, including making deposits in any funds or accounts of a General Resolution, and include refunding bonds of the Agency issued for such purpose, all as shall be specified in detail in one or more Series Certificates as hereinafter described. Only Mortgage Loans and Projects approved by separate resolution of the Agency may be financed by the proceeds of Bonds authorized hereby.

Section 2.03. Bond Provisions; Series Certificate. A Series of Bonds shall be issued hereunder only upon the delivery of a Series Certificate which shall specify the terms and conditions of such Bonds and the sale and delivery thereof, including without limitation the following:

(a) the principal amount of Bonds to be issued pursuant thereto;

(b) the Series or sub-Series designation and title;

(c) the maturity or maturities of the Bonds, which in no event shall exceed 40 years, provided that if the Agency otherwise approves a Mortgage Loan with a maturity in excess of 40 years from the date of issuance of the Bonds intended to fund such Mortgage, such Bonds may have a maturity not to exceed six months following the maturity of such Mortgage Loan, subject in any case to limitations imposed by the Act;

(d) the interest rate or rates on the Bonds or the method of determining the same, provided that the interest rate or rates on the Bonds (or the initial rate or rates if the rates are not fixed rates) shall not exceed 7% if the interest on the Bonds is to be exempt from federal income taxation or 9% otherwise, and provided further that if the initial rate or rates are not fixed rates the maximum permitted rate in any case may not exceed 12%;

(e) the date or dates on which interest on the Bonds is payable;

(f) the dated date or dates of the Bonds, or the method of determining the same;

(g) the redemption provisions for the Bonds, which may include optional, mandatory and/or sinking fund redemptions, provided that the Bonds shall be optionally redeemable no later than 15 years after their date of issuance and at a redemption premium not exceeding 3% and reducing by at least 1% annually thereafter;

(h) the minimum and authorized denominations of the Bonds;

(i) whether or not the interest on the Bonds is to be exempt from federal income taxation;

(j) whether or not the Bonds are to be DTC Eligible;

(k) the form or forms of the Bonds, the manner of numbering and lettering such Bonds, and the Agency commissioners or officers authorized to execute and deliver the same;

(l) whether or not the Bonds are to be general obligations of the Agency and in any event the source of revenues to be pledged and used to pay the same, which pledge shall be immediately effective as provided by the Act;

(m) that the Agency will derive receipts, revenues and other income from the Mortgage Loan(s) made or purchased with the proceeds of such Series of Bonds sufficient to provide, together with all other available receipts, revenues and income of the Agency, for the payment of such Series of Bonds and the payment of all costs and expenses incurred by the Agency with respect to the Program or for the purpose for which such Series of Bonds are issued;

(n) the reserve fund or funds, any requirements with respect to the Bonds, and the method of funding the same;

(o) whether the Bonds shall be insured or guaranteed by a third party, and the premium or fee therefor, provided that such premium or fee shall be less than the present value of the interest rate savings on the Bonds occasioned by such insurance or guaranty;

(p) the specific use of the proceeds of the sale of the Bonds, the Mortgage Loans to be financed or refinanced thereby, and any bonds of the Agency to be refunded thereby;

(q) the manner in which the Bonds are to be sold, the purchaser or purchasers of the Bonds, the form of the agreement used to sell the Bonds (which form shall be comparable to the forms previously used by the Agency in similar sales of bonds) and the sale price of the Bonds, which may include a sale discount or fee paid to the purchaser not to exceed 1.5% of the principal amount of the Bonds;

(r) if the Bonds are to be remarketed, the remarketing agent therefor and the remarketing agent fee (which shall not exceed 0.50% per annum);

(s) if the Bonds are subject to tender by the owners thereof, the tender agent therefor and any liquidity facility therefor, provided that any liquidity facility fee shall not exceed 0.50% per annum;

(t) the form of the documents pursuant to which the Bonds are to be issued, and any and all documents in connection therewith;

(u) the form of the Offering Statement, if any used to sell or market the Bonds (which form shall be comparable to the forms previously used by the Agency in similar sales of bonds);

(v) the form of continuing disclosure agreement, if any, required to satisfy the federal securities laws (which form shall be comparable to the forms previously used by the Agency in similar sales of Bonds);

(w) the trustee and/or paying agent, if any for the Bonds, provided that if the Bonds are issued under a General Resolution the trustee and/or paying agent thereunder shall be the trustee or paying agent, as the case may be, for the Bonds;

(x) whether or not any investment agreements, repurchase agreements or similar instruments are to be used for the investment of all or any Bond proceeds, and any conditions thereto or limitations thereon;

(y) if the Bonds do not pay interest at a fixed rate, whether or not any third party agreements will be used to reduce the risks of possible interest rate fluctuations and, if so, any conditions thereto or limitations thereon; and

(z) any other matters not inconsistent herewith deemed appropriate and necessary and authorized by the Act.

A Series Certificate may specify that this Resolution and the Bonds authorized hereby and thereby shall be considered a "Series Resolution" under a General Resolution, and thereupon this Resolution (as applicable to such Series or Series of Bonds) and such Series Certificate shall be so treated for all purposes with respect to the Bonds authorized and issued thereby, provided that to the extent such General Resolution permits modification by a "Series Resolution" thereunder, the Series Certificate may specify such modifications even though the same are not set forth herein.

ARTICLE III

SPECIAL COVENANTS FOR TAX-EXEMPT BONDS

Section 3.01. Covenants as to Code. If and to the extent a Series or sub-Series of Bonds is designated as Bonds the interest on which is not to be subject to federal income taxation, the Agency shall not permit at any time or times any moneys made available to purchase Mortgage Loans in accordance herewith or any proceeds of the Bonds to be used, directly or indirectly, in a manner which would result in such bonds being qualified for the exclusion of any such Bond from the treatment afforded by subsection (a) of Section 103 of the Code by reason of such bond being classified as an "arbitrage bond" within the meaning of Section 148 of the Code, and, without limiting the generality of the foregoing, the Agency shall:

(a) Include restrictions in all agreements relating to the purchase or making of Mortgage Loans with the moneys made available to purchase or make Mortgage Loans so as to permit the financing of Mortgage Loans only in compliance with the Code, and establish and maintain reasonable procedures to ensure compliance with the requirements of the Code, if applicable. Any failure to meet such requirements shall be corrected by the Agency within a reasonable period after failure is discovered;

(b) Continuously monitor the nonmortgage investments made directly or indirectly with the proceeds of such Bonds and shall take immediate and appropriate action to reduce the amount invested in nonmortgage investments with a yield materially higher than the yield on such Bonds as may be required by the Code; and

(c) Take such other action as may be necessary or desirable to maintain the exclusion of interest on such Bonds in accordance with Section 103(a) of the Code.

Section 3.02. Rebate. If and to the extent a Series or sub-Series of Bonds is designated as Bonds the interest on which is not to be subject to federal income taxation:

(a) The Agency hereby covenants to establish such separate accounts or subaccounts as may be necessary or desirable to adequately trace and account for the direct and indirect proceeds of such Bonds in order to comply with the rebate or yield reduction payment requirements of Section 148 of the Code. Such accounts or subaccounts may be established at any time upon the written direction of an authorized officer of the Agency.

(b) At least annually, the Agency shall compute and certify in reasonable detail the amount required to be rebated to the United States pursuant to Section 148 of the Code.

(c) As required by Section 148 of the Code, the Agency or any Bond trustee as directed by the Agency shall pay to the United States on behalf of the Agency the amount then required to be paid under Section 148 of the Code. If for any reason funds are not otherwise available for such payment, the Agency covenants to transfer moneys from its own funds for such payment.

(d) The Agency or any Bond trustee as directed by the Agency shall keep such records as will enable them to fulfill their responsibilities under this Section and shall retain such records for at least six years following final payment of the related Bonds.

Section 3.03. Governmental Program Requirement. If and to the extent a Series or sub-Series of Bonds is designated as Bonds the interest on which is not to be subject to federal income taxation, the Agency shall not make any arrangement, formal or informal, pursuant to which any mortgagor, mortgage lender or other person (or any related person as defined in Section 147 of the Code) who may receive a Mortgage Loan under the Program shall purchase Bonds of the Series or issue which financed such Mortgage Loan in an amount related to the amount of such Mortgage Loan.

Section 3.04. Compliance With Article III. If and to the extent a Series or sub-Series of Bonds is designated as Bonds the interest on which is not to be subject to federal income taxation, the provisions of this Article III shall be complied with by the Agency in order to meet the requirements of the Code such that interest on such Bonds shall be and remain exempt from federal income taxes; provided, however, that the Agency shall not be required to comply with any such provision with respect to such Bonds in the event the Agency receives a Counsel's Opinion from a nationally recognized bond counsel firm that compliance with such provision is no longer required to satisfy the requirements of the Code or that compliance with some other provision in lieu of a provision specified in this Article III will satisfy said requirements, in which case compliance with such other provision specified in the Counsel's Opinion shall constitute compliance with the provisions specified in this Article III.

ARTICLE IV

MISCELLANEOUS

Section 4.01. Amendments. This Resolution may be amended from time to time prior to the issuance of any Series of Bonds, which right shall be in addition to any other rights to amend. To the extent a Series of Bonds is issued under and pursuant to a General Resolution, this Resolution and any Series Certificate with respect to such Bonds may be amended under the conditions and to the extent permitted by such General Resolution. To the extent a Series of Bonds is issued only pursuant to this Resolution and a Series Certificate, this Resolution and the Series Certificate may be amended except as restricted hereby, by such Series Certificate or by the Bonds or any other agreement or document executed in conjunction therewith.

Section 4.02. General. The Agency may adopt, and specify in an Officer's Certificate, any additional covenants as to Mortgage Loans, Mortgagors or lenders.

Section 4.03. Authorization of Officers. The Chairman, Vice Chairman or any other Commissioner of the Agency, Executive Director, Treasurer, Chief Financial Officer, Chief of Program Operations and Secretary of the Agency are hereby authorized and directed to do all acts and things (including the conduct of any public hearings required by federal tax laws) and to execute and deliver any and all documents, filings, certificates and other instruments necessary or desirable to effectuate the transactions contemplated by this Resolution or any Series Certificate.

Section 4.04. Effective Date. This resolution shall take effect immediately.

Interesting Housing Facts

December 2004 Board Meeting
Prepared by: Maura Collins

I recently did some research on the benefits of homeownership. Here are some highlights of the national data:

- Between 1997 and 1999, the homeownership rate for households with incomes between 50 and 80 percent of the Area Median Income fell while overall homeownership rates increased.[i]

- "Although more than 500,000 new units were built in affordable price ranges from 1997 to 1999, 72 percent of these were mobile units, the majority of which defy traditional notions of homeownership because households do not own the land under the unit."[ii]

- When keeping incomes of renter and homeowner households equal, the median net wealth of lower-income homeowners is still over 13 times that of a similar renter.

- Each percentage point increase in the homeownership rate of a Census Tract would yield a $1,600 increase in the property value of the average single-family home over a ten-year period.[iii]

- "Only 45 percent of low-income households live in owner-occupied homes, as opposed to 65 percent of all households, and 86 percent of high-income households."[iv]

- "Renters are twice as likely to suffer from rodents; holes in walls, ceilings, and floors; wiring deficiencies; and water leaks. Further, they are three times more likely to live in crowded conditions."[v]

- Renters move three times as often as homeowners.[vi]

- "Children of homeowners are more likely than those of similar renter families to stay in school, achieve high test scores, graduate from college, and own their own home within ten years after moving from home. They are also less likely to become teenage mothers, become involved in the juvenile justice system, or receive welfare benefits in early adulthood."[vii]

- Homeowners are "more likely than similar renters to know who their school board representative is, vote in local elections, work to solve local problems, volunteer, and attend public meetings."[viii]

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[i] Carliner, Michael; Collins, Michael; and Crowe, David. *Examining Supply-Side Constraints to Low-Income Homeownership.* Joint Center for Housing Studies of Harvard University. Boston, MA. August 2001. Page 20.
[ii] Ibid, abstract.
[iii] Rohe, William M. and L.S. Stewart. *Home Ownership and Neighborhood Stability,* Housing Policy Debate, Vol. 7, no. 1 (1996) Page 66.
[iv] Belsky, Eric S.; Collins, J. Michael; and Retsinas, Nicolas. *Towards a Targeted Homeownership Tax Credit.* Brookings Institution Center on Urban and Metropolitan Policy. Washington, DC. Page 3.
[v] Rohe, William M., George McCarthy, and Shannon Van Zandt. *The Social Benefits and Costs of Homeownership: A Critical Assessment of the Research.* Center for Urban and Regional Studies, University of North Carolina at Chapel Hill. May 2000. Page 6.
[vi] Haurin, Donald R. and H. Leroy Gill. *The Impact of Transaction Costs and The Expected Length of Stay on Homeownership.* Journal of Urban Economics, issue 51; 2002.
[vii] Haurin, Donald R., Toby L. Parcel, and R. Jean, Haurin. *The Impact of Homeownership on Child Outcomes,* Cambridge, MA: The Joint Center for Housing Studies of Harvard University, October 2001
[viii] Haurin, Donald R., Robert Dietx, and B. Weinberg. *The impact of neighborhood homeownership rates: A review of the theoretical and empirical literature,* Journal of Housing Research Vol. 13, Issue 1, 2002.