VERMONT HOUSING FINANCE AGENCY

January 9, 1995

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

Dear Ms. Carpenter:

The Vermont Housing Finance Agency will be having its regular monthly Board Meeting on Wednesday, January 18, at 1:30 p.m., in the office of the Commissioner of Banking, Insurance and Securities, 89 Main Street, Montpelier, Vermont.

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

Sincerely,

Barbara M. Parker
Executive Assistant

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director ASH

DATE: December 19, 1994

RE: RESCHEDULING UPCOMING (JANUARY) BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been rescheduled. The meeting will be held on Wednesday, January 18, at 1:30 p.m. at the office of the Commissioner of Banking, Insurance and Securities in Montpelier.

The agenda and Board packet will be mailed to you prior to the meeting.

Please feel free to contact me should you have any questions prior to the meeting. I look forward to meeting with you in Montpelier at 1:30 January 18.

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

EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director

DATE: January 9, 1995

RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held at 1:30 p.m. Wednesday, January 18, at the office of the Commissioner of Banking, Insurance and Securities, 89 Main Street, Montpelier, Vermont.

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

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Montpelier at 1:30 January 18!

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

EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

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

Wednesday, January 18, 1995 at 1:30 p.m.

1. Review and approval of minutes of November 17, 1994

2. Review and approval of minutes of December 16, 1994

3. Development
   - ⌂ Home Improvement Program Rules **[Jenkins/Crady//Encl.]**
   - ⌂ Pinecrest Village Loan Request **[Jenkins/Crady//Encl.]**
   - ⌂ Freeborn Estates Loan Extension Request **[Jenkins/Crady//Encl.]**
   - ⌂ Twin Pines Loan Extension Request **[Jenkins/Crady//Encl.]**
   - ⌂ Vermont Housing Ventures Program Update **[Jenkins/Cummings/Encl.]**

4. Operations
   - ⌂ MOVE/Mortgage Plus Updates/Delinquency Report **[Lothrop//Enclosure]**

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

6. Finance
   - ⌂ Investment Policy Discussion **[Schoenbeck//Enclosure]**

7. Legal
   - ⌂ Single Family/Multi-Family Rules Approval **[Jarrett/Enclosure]**

8. Communications
   - ⌂ Strategic Planning Update **[Gent//Enclosure]**

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

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

EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

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

Thursday, November 17, 1994

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

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

Guests: Ms. Owre (NCIC); Mr. Pfeffer, Ms. Ginsburg (AMBAC); Ms. Reid (CVCLT; Ms. Kehoe (HVT)

The meeting was called to order by the Chairman at 1:35 p.m. Mr. Douglas was introduced and welcomed to the Board. The other guests present were also introduced. Upon a motion made by Ms. Randall and seconded by Ms. Bradley, the minutes of October 20 were unanimously approved as written. A motion was then made by Ms. Randall and seconded by Ms. Canney to approve the minutes of November 10 as written; this motion carried unanimously.

Ms. Jenkins reviewed the "St. Johnsbury Housing Partnership Loan" as described in her memo of November 11, included in the Board packet. In August 1994 the Board had authorized the Executive Director, after consultation with a three-member subcommittee of the Board, to renegotiate the terms of the loan, including rate, term and amortization schedule. Ms. Jenkins reported that the past few weeks have been spent negotiating with representatives of Housing Vermont (HVT) and Northern Community Housing Corporation (NCHC) in efforts to determine the feasibility of various approaches under consideration. Payments on the loan are being made and are current, but the project is running out of cash. The Vermont Housing and Conservation Board (VHCB) will also need to consider this proposal, since they will be asked to make an additional loan for this project. Chairman White and Mr. Hunt excluded themselves from joining in this discussion due to separate conflicts of interest. According to Ms. Jenkins, the project must be in service for five years in order to qualify for historic tax credits; this requirement will be fulfilled at the end of 1995. However, the project must make it through 1995 without being in foreclosure, as a condition of qualification. Although the general partners have agreed to keep the project afloat through 1995 in order to have it qualify for the tax credits, it will be impossible to do so after this without some further investment by the investors. Passumpsic Savings Bank, Merchants Bank and Howard Bank are investors in this

project, and they would be able to provide funds of nearly $170,000 as a result of additional tax credits which could be made available if further rehab is performed. As currently outlined, the Agency would be committed to a reduction of the loan rate and a moratorium throughout 1995; HVT and NCHC are willing to guarantee debt service for the year. Ms. Randall observed that if the investors are willing to make some concessions, the Agency should consider allowing the moratorium through 1995. A 12 percent rate of return is anticipated, per Ms. Jenkins; this is less than the investors in the national syndication market can expect to receive from LIHTC investments, but equivalent to what HVT offers investors. VHCB still needs to meet to discuss this project and determine their level of assistance. As the amount of state funds allocated to VHCB are expected to be less in the coming year, it may be difficult for VHCB to commit as much as $900,000 to this project. Ms. Jenkins also noted that there are other possible sources for the needed funds, such as HOME or CDBG; the implications of the various work-out alternatives need to be thoroughly reviewed and considered. Although no formal Board action was requested or taken, Chairman White noted that staff should continue discussions with VHCB in an attempt to determine what level of funding they might be able to offer for 1995, and to reach a final agreement with all parties that the Board subcommittee would review for approval.

The "November 1994 Tax Credit Reservations" were reviewed by Mr. Erdelyi, who referred the Board to his memo of November 9, included in the Board packet. Mr. Erdelyi explained that five applications for tax credits were evaluated in November, during the fourth round of 1994. In the first three rounds of application review, $1,244,938 was reserved for projects, leaving $172,356 available for reservations prior to the fourth round. In order for Vermont to qualify for the "National Pool" credits, a portion of the unused credit ceiling from other states, the remaining amount must be allocated before the end of 1994. With the addition of returned credits and acquisition credits, a total of $319,540 was available for allocation in the fourth round. A motion was made by Ms. Randall and seconded by Ms. Bradley to adopt the "Resolution Regarding Low Income Housing Tax Credit Project Reservations" as attached to these minutes; this motion carried unanimously.

Mr. Erdelyi then reviewed his memo of November 11, included in the Board packet, regarding "BroMur Apartments, Barre." This project consists of 18 one- and two-bedroom apartments in two buildings located in Barre. Ms. Reid of the Central Vermont Community Land Trust (CVCLT) was introduced to the Board. According to Mr. Erdelyi, rehab of this project is already underway; CVCLT approached VHCB for additional funding, but were directed by VHCB to apply to the Agency. VHCB assumed that the lower rate available from the Agency would allow a higher first mortgage loan amount and reduce the amount of VHCB funds required for the project. Agency staff is recommending that more rehab be done to avoid the maintenance problems that have occurred in another project. Ms. Jenkins noted that CVCLT had received a commitment from a private bank for $200,000 at an interest rate of 10.5 percent; an Agency loan would have an interest rate of only 8.25 percent. VHCB encouraged CVCLT to apply to the Agency under the impression that VHCB would be able to reduce its commitment by $25,000. After touring the property, staff determined that additional rehab

would be necessary. CVCLT might be able to obtain a loan from the private lender, with VHCB committing the original amount, but there would be no funds available to perform the rehab work. Ms. Jenkins advised the Board that VHCB is willing to discuss the funding needs of this project, but is not willing to assure that $25,000 would be committed to the project.

Ms. Reid addressed the Board, explaining that CVCLT supervises Community Property Management, which has experienced significant staff turnover; however, the current employees have strong skills and CVCLT has confidence in their ability and is committed to their success. Ms. Jenkins noted that some questions were raised during VHCB's last evaluation of the organization's management capacities, but improvements have reportedly been made. According to Ms. Jenkins, VHCB does not agree with the Agency's requirement for additional rehab. Ms. Reid acknowledged that the Agency's recommended proposal would help the project's cash flow and address maintenance and management line items. However, CVCLT is concerned because although they were encouraged by VHCB to apply to the Agency, and included soft costs in their application as suggested, they would be unable to pay those soft costs with the loan funds in view of a reduced loan amount. These soft costs include environmental tests and other costs. After some further discussion and a motion made by Ms. Randall and seconded by Ms. Bradley, the "Resolution Pertaining to Combined Resolution of Interest and Commitment Letter re: BroMur Apartments" as attached to these minutes was amended to give the Executive Director the discretion to negotiate with VHCB for some additional rehab amount up to $25,000, and further to approve a loan of not more than $230,000 from the Agency subject to successfully negotiating the amount of the rehab to be funded by VHCB. This motion carried successfully.

The "Lead-Based Paint Hazard Abatement Loan Program" was reviewed by Ms. Jenkins, as further detail to her memo of November 10, included in the Board packet. VHCB has been awarded a $2.5 million grant from HUD to develop and administer a lead-based paint abatement program in Vermont. As part of the application for this grant, a commitment of $1 million in loan capital from the Agency was to be made available for lead-based paint abatement loans to single family and multi-family properties. Ms. Jenkins noted that it is difficult to make loans for multi-family properties in terms of available collateral, but VHCB is considering providing a grant pool for the guarantee of those loans. This aspect of the program has not yet been finalized. As part of the $1 million program, the Agency could make second mortgage loans available for projects with adequate security available. It is not anticipated that the entire program would be done in this manner. A motion was made by Mr. Candon to adopt the "Resolution Authorizing Loans to Multi-Family Housing Sponsors for Lead-Based Paint Hazard Reduction Loan Program" as attached to these minutes. After being seconded by Mr. Douglas, this motion carried unanimously.

Next, Ms. Crady reviewed the "Bridge Financing Initiative" outlined in her memo of November 15, included in the Board packet. Ms. Crady explained that during the past ten years nonprofit housing organizations in Vermont have developed single family housing and mobile home parks that will remain affordable to future generations. To assure affordability, the buyer

of a single family home or mobile home executes a ground lease agreement and/or a housing subsidy covenant with the nonprofit. The nonprofit occasionally would need to exercise an option to purchase a home that is to be sold at a price that has been determined by the limited equity formula contained within the ground lease agreement and the housing subsidy covenant. In most cases the nonprofit has a specified period of time in which to exercise the option to buy; during that time, the nonprofit would seek another lower-income buyer in order to immediately re-sell the unit. Nonprofit owners of mobile home parks have a first option to purchase individual mobile homes to assure that a certain percentage of the units remain owned by lower-income persons or families. The availability of bridge financing becomes necessary if the nonprofit has been unsuccessful in selling the home during their option period. Mr. Hunt noted that providing this limited financing would have several benefits, including helping to increase the number of homeowners vs. renters; improving the Agency's lending activity in Bennington County; and enabling very low income families to purchase some of these units.

Mr. Hunt further explained that the short term interest rate of 6 percent was determined based upon the bridge financing the Agency provides to HVT, and was viewed as a way to improve the Agency's relationship with the Regional Affordable Housing Corporation (RAHC). This initial rate is to be reviewed every six months for possible adjustment. Chairman White observed that the process appears cumbersome, based on multiple mortgages and title certificates required for a short term credit facility; the costs would rise significantly as property turnovers increase. Ms. Randall suggested that it might be advantageous to develop an arrangement with a local mobile home broker to prepare analysis of the home's worth on the open market; this might be less than having an appraisal performed, but would still provide some idea of the condition of the mobile home and its value. A motion was then made by Ms. Randall to adopt the "Resolution Authorizing Bridge Financing Initiative" as attached to these minutes; after being seconded by Mr. Candon, this resolution passed unanimously. Following the vote, Ms. Reid left the meeting.

The MOVE loan activity for the past month was reviewed by Mr. Lothrop, who distributed the most recent reservation comparisons. Next, the monthly delinquency report was reviewed, and Mr. Lothrop noted that intervention with borrowers and efforts with participating lenders have been effective in reducing the number of delinquencies. Currently, there are four REO properties under contract, with two in negotiations; a one point loan rate of 6.95 percent is available for borrowers purchasing these properties. Negotiations are underway with Asset Disposition Management, a company that will assist in selling the Agency's REO properties for a reasonable fee. Mr. Lothrop also reported that he has successfully negotiated a new contract for abandoned property insurance that will reduce the Agency's costs; abandoned properties can also be insured under this strategy. No Board action was necessary.

As an update on VHMGB activity, Mr. Lothrop distributed the current Guarantee Activity Report. The conversion of the VHMGB data base has resulted in some double counting of loans; this error is in the process of being corrected. Mr. Lothrop assured the Board that this report would be provided to the Board on a regular basis and will include the

total liabilities outstanding. The Freddie Mac audit of VHMGB was completed last week; in post audit discussions, the only findings concerned reports that had not been submitted to Freddie Mac in previous years. Some recommendations were made regarding procedures that could help to streamline VHMGB's activities, and for the most part these have been or shortly will become part of VHMGB's regular practices. Mr. Lothrop reported that the audit went very well, with a formal letter to be available within six weeks; there were no truly negative comments from Freddie Mac. Mr. Hunt observed that he was very pleased with the audit procedure and noted that the representatives from Freddie Mac were impressed with the quality and seniority of the staff. They were very understanding of the data conversion process and the pending computer updates and had very few negative comments. This audit required much energy, work and time from various staff members.

Mr. Lothrop also noted that the consolidation of staff and responsibilities has been completed, but there are still some areas of data conversion that need further attention. Freddie Mac and Fannie Mae have increased their requirements for mortgage insurance coverage, but VHMGB does not have the legislative authority to offer the depth of coverage required; a legislative rules change is underway. Mr. Lothrop reported that a reinsurance agreement with a primary mortgage insurance company is being considered. Although this would be costly, it would allow VHMGB to address this need until the legislature addresses the rules change request. In addition. lenders who want to sell to Freddie Mac or Fannie Mae will have the option to negotiate away this increased coverage.

Turning to his Executive Director's report, Mr. Hunt noted that facilities planning for the Venture Place building is underway and has taken far more time than was originally anticipated. However, every effort is being made to accommodate the needs of the staff while maintaining cost-effectiveness. No date has been set for construction to begin. Mr. Hunt also reported that in an effort to reduce operating expenses the Agency had asked for a reduction in the annual fees due to the National Council of State Housing Agencies (NCSHA), a national, nonprofit organization which has been the principal advocate for both the MRB and LIHTC programs. However, NCSHA has indicated that if the dues are not paid in full they will suspend the Agency from membership in their organization. The fee is based on various factors of each HFA, including assets and the size of the organization. Discussions are underway; if the dues are in fact paid in full, the Agency will probably send fewer people to NCSHA-sponsored conferences in order to keep costs low; these conferences are a major source of income for NCSHA.

Mr. Schoenbeck then reviewed the latest activity on the "Single Family Bond Financing" as described in his memo of November 11, included in the Board packet. The cover page of the "Private Placement Memorandum" was distributed for the Board's review; in other bond transactions this would be represented by an official statement. After being introduced to the Board, Mr. Pfeffer expressed his pleasure at having been able to assist the Agency in this financing. Mr. Pfeffer stated that AMBAC is familiar with the Agency's efforts in the past, even though they have not previously worked with the Agency on any bond financings. The credit

committee meeting for this bond transaction was one of the briefest in AMBAC's history, primarily due to the favorable impression of the Agency's management and overall programs; this is a credit to the Agency and its capable staff. Mr. Pfeffer explained that AMBAC is one of three major municipal bond insurance companies and carries AAA ratings from Standard & Poor's, Moody's and Fitch. A publicly owned company, AMBAC is traded on the New York Stock Exchange and has insured nearly $1 billion of housing debt over the past two years. Having become very familiar with housing programs across the country, they are happy to have worked with the Agency on this transaction.

Next, Mr. Schoenbeck presented the execution copy of the "Ninth Supplemental Single Family Housing Bond Resolution" which reflects that the size of the financing had been expanded to $66 million, with the mortgage rate not to exceed 8.25 percent, resulting in a final bond cost of 7.13 percent. The bond insurance acquired through AMBAC allowed the Agency to sell the bonds to Fannie Mae; this sale would not have been possible without bond insurance. This bond transaction has taken the Agency past the $1 billion mark in bond sales, which is a substantial amount of debt for the tiny state of Vermont. The only open issue is the letter of credit from Sanwa Bank; their Tokyo office is concerned with the northeastern part of the United States, based on economic reports. If the Agency is unable to have Sanwa extend further credit, it is possible that AMBAC would step in to provide a letter of credit; another source of credit could also be found. Mr. Schoenbeck also distributed a memo from Evensen Dodge regarding the "Results of Series 6 Bond Sale" which takes the place of pricing books which had been prepared for previous bond financings. A motion was then made by Mr. Candon and seconded by Ms. Canney to ratify the "Ninth Supplemental Single Family Housing Bond Resolution" as presented; this motion carried unanimously. Chairman White congratulated Mr. Schoenbeck and Mr. Hunt for their efforts in successfully completing this transaction, and especially acknowledged the savings of $600,000 which were made possible by following the suggestions of Evensen Dodge.

The "Housing Vermont Line of Credit" was reviewed by Mr. Schoenbeck, as follow up to his memo of November 11, included in the Board packet. This proposal was originally discussed and approved by the Board at the November 10 Board meeting. However, Mr. Schoenbeck requested that the Board formalize the process to approve allowing HVT to borrow an amount not to exceed $1 million for the purpose of bridging equity funds. Extending this agreement for the next five years will allow staff to make these loans without requiring separate Board approval each time; the Board would be kept informed of any loans being made to HVT. A resolution was made by Ms. Bradley to amend the "Resolution Regarding Line of Credit for Housing Vermont," as attached to these minutes, to indicate that this loan would be available for bridged equity only. This motion was seconded by Ms. Randall and unanimously carried.

Mr. Schoenbeck then reviewed the "Fiscal Year June 30, 1994, Audit Results" as described in his memo of November 11, included in the Board packet. The audit results were received November 7, but negotiations regarding the language of disclosures have been ongoing with the auditors since early October. These constitute minor changes but represent major

issues for the auditors. The compliance report for Freddie Mac is required even if no loans have been submitted to them; the cost to the Agency is $2,000. The final audit report has a management letter with recommendations regarding the accounting for the Agency's REO portfolio. A motion was made by Mr. Candon to accept the audit results as presented; after being seconded by Ms. Canney, this motion carried unanimously.

The "Single Family Rules Revision" was reviewed by Mr. Jarrett. These revisions will update the Agency's rules by eliminating replications of statutory matter and allowing case-by-case flexibility and executive discretion to the extent consistent with the statute. A motion was made by Mr. Douglas and seconded by Ms. Bradley to approve the "Rules and Regulations Pertaining to Certain Single Family Mortgage Loans" as revised, including a directive to the Executive Director to take all actions necessary to promulgate these rules pursuant to the Administrative Procedures Act. This motion carried unanimously; the rules will be presented to the Board for final approval after publication and the public comment process has been completed.

Ms. Gent reviewed her memo of November 10 regarding "Strategic Planning," as included in the Board packet, and reported that staff is reviewing and modifying the recommended strategies to determine final cost and income projections, which will be included in the final document for the Board's review. This document should be available for the January Board meeting. A proposed outline for the report was distributed for the Board's comments. According to Ms. Gent, after the strategic planning process is complete the strategies will be integrated into the FY95 Business Plan. These strategies will be monitored and evaluated, and the results will be reported to the Board periodically. Chairman White observed that the prototype appears succinct and lays out concrete steps within a timeframe. The emphasis of the report should cover the mission, overall goals, objectives and strategies, with only a brief summation of the first five sections in the outline.

The Board acknowledged receipt of Ms. Gent's November 11 memo regarding the "Summary of Housing Needs Study." The Agency has collaborated with all the statewide affordable housing agencies during the past year to design, gather data and contract with a consulting firm to conduct a comprehensive housing needs assessment for Vermont. The study should be completed and available for review by the end of December.

Mr. Hunt reviewed the "LIHTC Compliance Monitoring Status" memo of November 8 from Mr. Falzone, which had been included in the Board packet. The Agency is now solely responsible for all aspects of the compliance monitoring required under Section 42 of the IRS Code. There have been few problems discovered through the compliance monitoring program and it is anticipated that continuing this monitoring on a regular basis will lead to better performance by the related projects. No Board action was necessary.

Turning to other old or new business, a motion was made by Mr. Candon to go into executive session to consider a civil action where premature general public knowledge would

clearly place the Agency at a substantial disadvantage. After being seconded by Ms. Bradley, this motion carried unanimously. Mr. Douglas noted that the Board should avoid going into executive session when possible. After some discussion of the issue at hand, a motion was made by Ms. Bradley and seconded by Ms. Canney to come out of Executive Session; this motion carried unanimously. A motion was then made by Ms. Bradley and seconded by Mr. Douglas authorizing the Executive Director to continue discussions with the partners of Winchester Associates and St. Michael's College in an attempt to negotiate a workout solution of the problems facing the Winchester Place Development; the Executive Director is further authorized to make modifications to the debt service due the Agency after consultation with the Chairman; in the event that negotiations are not successful, the Executive Director is to return to the Board with a recommendation regarding all options, including a foreclosure action. This motion carried unanimously.

The next meeting date was not confirmed, but it was recognized that a meeting via conference call would be necessary in December in order to comply with year end requirements regarding bond volume cap carryforward. There being no further business, and following a motion duly made and seconded, the meeting adjourned at 4:30 p.m.

Respectfully submitted,

Allan S. Hunt,
Secretary

RESOLUTION PERTAINING TO
COMBINED RESOLUTION OF INTEREST
AND COMMITMENT LETTER RE: BROMUR APARTMENTS

WHEREAS, a proposal has been presented to the Agency by Central Vermont Community Land Trust ("CVCLT") involving the acquisition and rehabilitation of eighteen apartment units in a building located in Barre, Vermont (the "Development"); and

WHEREAS, the proposal contemplates a loan of approximately $239,500 from recycled proceeds of tax-exempt bonds; and

WHEREAS, the proposal contemplates that the Development will constitute "residential rental housing" within the meaning of section 142(d) of the Internal Revenue Code of 1986, as amended; and

WHEREAS, the Vermont Housing and Conservation Board has agreed to provide the housing sponsor with several grants from a variety of sources, including the HOME program, totalling $439,050; and

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

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

It is hereby DETERMINED:

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

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

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

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

5. The appraised value of the Development will equal at least the amount of the VHFA loan.

6. The sponsor is a financially responsible organization.

WHEREFORE, it is hereby RESOLVED:

1. The Vermont Housing Finance Agency hereby declares its interest in providing a first mortgage loan for acquisition and rehabilitation of the Bromur Apartments, in Barre, in an amount not to exceed $230,000, to Central Vermont Community Land Trust.

2. The Executive Director is authorized, in his discretion, to issue a combined letter of intent and Commitment Letter (the "Commitment Letter") to provide a first mortgage loan for acquisition and rehabilitation of the Development, in an amount to be determined by the Executive Director, but not to exceed $230,000.

3. The Commitment Letter shall be issued to Central Vermont Community Land Trust.

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

5. The Commitment Letter shall provide that the interest rate to be charged on the mortgage loan shall be no more than 8.25% per annum and that the loan term will be no more than 25 years.

6. The Commitment Letter shall require the Developer to demonstrate to the satisfaction of the Executive Director that a combination of equity and grant funds are available in an amount at least equal to the difference between the total development cost as accepted by the Agency and the amount of the financing commitment.

7. The Commitment Letter shall be conditioned on the satisfaction by the Developer of all requirements of the Act, the applicable regulations of the Agency, and the following requirements:

   (a) Evidence of availability of other financing, as proposed, or approval of the Executive Director of changes in such other financing;

   (b) Revised scope of rehabilitation work and evidence of the availability of required additional financing satisfactory to the Agency;

   (c) Final Agency-approved rehabilitation plans and specifications; and

   (d) A Preservation Agreement insuring the long-term affordability of the Development.

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

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on November 17, 1994.

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

VERMONT HOUSING FINANCE AGENCY
RESOLUTION AUTHORIZING
BRIDGE FINANCING INITIATIVE

RESOLVED:

Pursuant to § 621(5) of the Vermont Housing Finance Agency Act (the "Act"), the Executive Director is authorized to implement the Agency's Bridge Financing Initiative substantially in accordance with the provisions of the attached Memorandum of Irene D. Jenkins, Patricia A. Crady and Paul M. Cummings, directed to the "VHFA Board of Commissioners" and dated November 15, 1994. The maximum amount of credit that may be extended to the Regional Affordable Housing Corporation is $36,000 and to Lake Champlain Housing Development Corporation, $150,000. The specific conditions and requirements described in the Memorandum, including but not limited to those under the heading "General Loan Terms, Requirements and Conditions" may be modified from case to case in the discretion of the Executive Director provided that no such modification causes a violation of the Act.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on November 17, 1994.

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

RESOLUTION REGARDING LINE OF CREDIT
FOR HOUSING VERMONT

WHEREAS, Housing Vermont, a non-profit corporation organized under the laws of the State of Vermont, (the "Borrower") has requested that the Agency provide it with a line of credit for bridge loans while it awaits the receipt of equity funds from limited partners of the limited partnerships that are the owners of developments where the Borrower has acted as the developer for the development; and

WHEREAS, in the past the Agency has made such bridge loans to Housing Vermont; and

WHEREAS, the Agency wishes to accommodate Housing Vermont's request, which is authorized under 10 V.S.A. § 621(5);

NOW, THEREFORE, the Agency RESOLVES:

1. The request of Housing Vermont for a credit line for the purposes set forth above is granted. The maximum amount of credit that may be extended to the Borrower at any time is ONE MILLION ($1,000,000) DOLLARS.

2. The interest rate on any extensions of credit to the Borrower will be the Agency's short term reinvestment rate, plus one percent per annum.

3. Each extension of credit to the Borrower must be evidenced by a promissory note in form satisfactory to the Executive Director of the Agency and such other security as the Executive Director deems adequate.

4. This line of credit will expire December 31, 1999.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on November 17, 1994.

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

VERMONT HOUSING FINANCE AGENCY
RESOLUTION AUTHORIZING
LOANS TO MULTI-FAMILY HOUSING SPONSORS
FOR LEAD-BASED PAINT
HAZARD REDUCTION LOAN PROGRAM

RESOLVED:

Pursuant to §§ 621(5), 624 and 625 of the Vermont Housing Finance Agency Act, the Executive Director is authorized to use up to $1 million of General Fund money for loans to sponsors to implement the Lead-Based Paint Hazard Reduction Loan Program substantially in accordance with the provisions of the attached Memorandum of Irene D. Jenkins and Paul M. Cummings, directed to the "VHFA Board of Commissioners" and dated November 10, 1994. The loans shall bear an interest rate of 8% per annum for a period of not more than ten years, with interest to be paid by the Vermont Housing and Conservation Board. The loans shall be secured by second mortgages on the developments receiving the loans or by other security deemed adequate by the Executive Director. The Executive Director, the Deputy Director and the Director of Finance are authorized to take all necessary steps and execute all documents necessary to effectuate the loans authorized in this Resolution. Staff is directed to complete program development for a Lead-Based Paint Abatement Loan Program that encourages the lending of Agency funds for lead-based paint abatement while minimizing risk to the Agency.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on November 17, 1994.

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

RESOLUTION REGARDING
LOW INCOME HOUSING TAX CREDIT
PROJECT RESERVATIONS

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

WHEREAS, the JTCC met on November 7, 1994 and considered recommendations for a total of $226,395 in reservations of tax credits for five proposed projects; and

WHEREAS, the Agency staff recommended all five of the projects to the JTCC for a reservation and the JTCC accepted the staff's recommendations on each of the projects; and

WHEREAS, staff has prepared a memorandum dated November 9, 1994 containing descriptions of the five projects (the "Memorandum"), and

NOW, THEREFORE, it is hereby RESOLVED:

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

2. The Agency approves the reservations for the five projects recommended by staff for reservations in the Memorandum and accepted by the JTCC: Morrisville Scattered Sites; Bently Farm Rehabilitation; Olde Windsor Village; Alfred Court and the Spring and Elliot Street Project, subject to the payment of applicable reservation fees, as well as carryover allocations subject to the conditions discussed in the Memorandum.

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

4. The Olde Windsor Village project is approved for both an "out-of-cap" allocation and as part of the State of Vermont's annual LIHTC ceiling, as explained in the Memorandum.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on November 17, 1994.

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

VERMONT HOUSING FINANCE AGENCY

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

Friday, December 16, 1994

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

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

The meeting was called to order by the Chairman at 10:05 p.m. Participants were identified by roll call, and it was agreed that all votes would be taken by roll call as well.

Mr. Jarrett reviewed his memo of December 9 regarding the "Private Activity Bond Volume Cap" as included in the Board packet. The State of Vermont has $150 million to allocate among agencies using private activity volume cap. An allocation of $54 million was made to the Agency in January; of this, only $23 million has been used to date. There is $96 million to be allocated this month, which will go to the Vermont Student Assistance Corporation. The 1995 allocation will occur in January, and should be ample for the Agency's future needs. Upon a motion made by Mr. Candon and seconded by Ms. Canney, the Board unanimously adopted the "Resolution Relating to VHFA Election to Allocate and Carryforward 1994 Private Activity Bond Volume Cap Allocation" as attached to these minutes.

The "Rural Vermont Mortgage Program" was reviewed by Mr. Lothrop, based on Ms. Crady's memo of December 7, included in the Board packet. The Agency and the Rural Economic and Community Development Service (formerly the Farmer's Home Administration) have participated in a program called the Rural Vermont Mortgage Program since 1988. This program allows both the Agency and RECD to provide long term financing to low and very low income families for the purpose of obtaining homeownership in rural areas throughout Vermont. RECD is able to leverage their limited funding to serve more lower income home buyers, while the Agency reaches buyers with incomes that are lower than the average incomes served through the MOVE program. The Agency's allocation for this program in 1994 was $500,000 from the proceeds of Series 4 bonds; however, RECD believed that their funding was adequate to meet the demand and did not utilize the Agency's funds. In recent months, RECD has approached the Agency and requested that the program be started again. The "Memorandum of Understanding between VHFA and RECD" attached to Ms. Crady's memo was based on the results of negotiations to put the program in motion and are nearly the same

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

EQUAL HOUSING OPPORTUNITY

as those used during the previous program. The most noticeable difference is that RECD has asked to use Agency funds up to 75 percent of the purchase price; mortgage insurance would not be required. The buy back agreement places the Agency in a no-risk position. Staff has recommended that $1 million be allocated for this program at 7.75 percent; this is the maximum amount of funds available at that rate without significant restrictions. A motion was made by Mr. Douglas and seconded by Mr. Seelig to adopt the "Resolution Authorizing Participation With Rural Economic and Community Development Service in the Rural Vermont Mortgage Program" as attached to these minutes. This motion carried unanimously.

Ms. Jenkins then reviewed the "Proposed Increase in Tax Credit Reservation: Spring and Elliot Streets Project, Brattleboro," as described in her memo of December 9, included in the Board packet. A maximum reservation of $73,319 for this project was proposed by the Brattleboro Area Community Land Trust and was approved in the November allocation round. An additional $39,000 in tax credits has been requested due to a re-estimate of rehab work required and other requirements imposed by the syndicator; these requirements were described in Ms. Jenkins' memo. A motion was made by Mr. Douglas to amend the "Resolution Regarding Low Income Housing Tax Credit Project Reservation Spring and Elliot Streets, Brattleboro," as attached to these minutes, to include a condition that the operating reserve remain with the project and can not be paid out to the limited or general partner(s). After being seconded by Ms. Randall, this motion carried unanimously.

Next, the Board turned to a discussion of the "Winchester Place Update" as included in Ms. Jenkins' memo of December 15. Continuing operating deficits at Winchester Place may jeopardize future timely debt service payments; the loan is current at this time. Mr. Hunt reported that all of the parties involved in this project met December 14 in an effort to identify who was willing to stay with the project and contribute to keeping it going. Various options were discussed, and Mr. Hunt noted that another meeting is scheduled to take place December 27. An agreement must be reached before the end of 1994 to satisfy The Merchants Bank's plans to fund a portion of the projected deficits. After some discussion, a motion was made by Mr. Candon authorizing the Executive Director, in consultation with the Chairman, to negotiate the best workout agreement possible for the Winchester Place project, including making every effort to increase Housing Vermont's level of contribution. This motion was seconded by Mr. Seelig and carried unanimously.

Mr. Francis then updated the Board on activity at Venture Place, the building that will become the future home of the Agency. Interior demolition has begun, with construction to begin soon. The anticipated budget for this work was originally estimated to be $175,000. However, there are some unanticipated modifications that will be necessary in order to improve the overall condition of the building and strengthen the annex structure. Current estimates are for total costs of $268,000, which will include renovations needed for the HVAC system and roof insulation in the annex, as well as installing windows on the north side of the building. An additional cost of $43,000 would be incurred in order to bring the elevator to the basement level. This elevator modification would allow easier access to the basement and enhance the

Agency's ability to lease that space for file storage to other downtown Burlington businesses. No Board action was necessary, and the Board will be kept apprised of actual costs should they differ significantly from the projected budget.

The next meeting was set for Wednesday, January 18, in Montpelier. There being no further business, and following a motion duly made and seconded, the meeting adjourned at 10:55 a.m.

Respectfully submitted,

Allan S. Hunt,
Secretary

RESOLUTION RELATING TO
VERMONT HOUSING FINANCE AGENCY
ELECTION TO ALLOCATE AND CARRYFORWARD
1994 PRIVATE ACTIVITY BOND
VOLUME CAP ALLOCATION

WHEREAS, the Vermont Housing Finance Agency (the "Agency") has been allocated $54,000,000 in 1994 private activity bond volume cap by the State of Vermont and the Agency has allocated all but $15,175,000 of the 1994 volume cap allocated to it by the State of Vermont to qualified mortgage bonds and mortgage credit certificates; and

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

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

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

NOW, THEREFORE, it is hereby RESOLVED:

1. The Agency hereby allocates $15,175,000 of 1994 private activity bond volume cap to issue qualified mortgage revenue bonds and mortgage credit certificates.

2. If the Vermont Housing Finance Agency is allocated any additional volume cap by the State of Vermont on or after December 1, 1994, it elects to allocate all of such additional volume cap for the purposes of issuing qualified mortgage bonds or mortgage credit certificates.

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

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

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont, on December 16, 1994.

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

RESOLUTION AUTHORIZING PARTICIPATION WITH RURAL ECONOMIC AND COMMUNITY DEVELOPMENT SERVICE IN THE RURAL VERMONT MORTGAGE PROGRAM

RESOLVED:

Pursuant to § 621(4) of the Vermont Housing Finance Agency Act, the Executive Director is authorized to use up to $1 million of proceeds of the Agency's Series 4 bond issue for loans to borrowers in conjunction with the Rural Economic and Community Development Service under the Rural Vermont Mortgage Program, substantially in accordance with the provisions of the attached Memorandum of Patricia A. Crady directed to the "VHFA Board of Commissioners" and dated December 7, 1994. The loans shall bear an interest rate of 7.75% per annum for a period of not more than thirty years. The loans shall be secured by first mortgages. The Executive Director, the Deputy Director and the Director of Single Family Operations are authorized to take all necessary steps and execute all documents necessary to effectuate the Program authorized in this Resolution.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont, on December 16, 1994.

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

RESOLUTION REGARDING
LOW INCOME HOUSING TAX CREDIT
PROJECT RESERVATION
SPRING AND ELLIOT STREETS, BRATTLEBORO

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

WHEREAS, the JTCC met on December 12, 1994, and considered a recommendation for $38,865 in additional reservation of tax credits for one proposed project, the Spring and Elliot Street project (the "Project") of the Brattleboro Area Community Land Trust ("BACLT"); and

WHEREAS, the Agency staff recommended the Project to the JTCC for a reservation and the JTCC accepted the staff's recommendation on the Project; and

WHEREAS, staff has prepared a memorandum dated December 9, 1994, containing a description of the Projects (the "Memorandum"), and

NOW, THEREFORE, it is hereby RESOLVED:

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

2. The Agency approves the reservation for the Spring and Elliot Street Project recommended by staff for an additional reservation as specified in the Memorandum if accepted by the JTCC. The approval is subject to the payment of applicable reservation fees, as well as a carryover allocation and is subject to the conditions discussed in the Memorandum.

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

4. Approval of the reservation is subject to the condition that the operating reserve for the Project must remain with the Project and may not be paid out to any partner of the owner or removed in any way from the Project's accounts.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont, on December 16, 1994.

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

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, Development Coordinator PAC

DATE: January 12, 1995

RE: Home Improvement Loan Program Rules

VHFA's current rules for Home Improvement Loans are outdated and are specific to loans that are insured by the HUD FHA Title One Home Improvement Loan Program. In anticipation of the development and implementation of a VHFA Home Improvement Loan Program in 1995, these rules have been rewritten and a draft is attached.

The new rules are more general and allow for the purchase or origination by VHFA of loans made for the purpose of permanent improvements, alterations, and repairs that protect, preserve, and improve the livability, accessibility, or energy efficiency of the property. These rules also provide for costs and fees associated with the financing and completion of work to be included in the loan, to the extent allowed by insurers of home improvements loans (HUD/FHA Title I, VHMGB, etc). Staff is currently in the early stages of the development of a home improvement loan program for Board review and action sometime during the first half of 1995.

BOARD ACTION REQUESTED

Staff requests approval of the attached VHFA Home Improvement Loans rules and regulations and a directive to the Executive Director to take all actions necessary to promulgate these rules pursuant to the Administrative Procedures Act.

VERMONT HOUSING FINANCE AGENCY
HOME IMPROVEMENT LOANS
RULES AND REGULATIONS

I: SCOPE AND DEFINITIONS

A. Scope and Authority

These rules are made and published pursuant to Section 621(12), Section 623(a)(2), and Section 622(7) of Title 10, Vermont Statutes Annotated, being the Vermont Housing Finance Agency Act of 1974, as amended ("the Act") and relate to providing home improvement loans to eligible borrowers for rehabilitation of existing residential housing.

B. Purpose

The basic purpose of home improvement loans is to encourage and preserve an adequate supply of safe and decent housing at reasonable cost for occupancy by persons and families of low- and moderate-income.

C. Definitions

The following words and terms, unless the context clearly indicates a different meaning, shall have the following meaning;

1. "Eligible Lender" means any bank or lending institution (including public agency or nonprofit organization) having an office in Vermont, and having a minimum of two years experience originating and servicing home improvement or home equity loans;

2. "Eligible Borrower" means persons and families of low- and moderate-income so defined from time to time by VHFA for purposes of its single-family programs, having due regard for changing economic conditions and the criteria set forth in 10 V.S.A. Section 601(11);

3. "Eligible Property" means residential housing located in Vermont which contains no more than four separate dwelling units, that has been completed and occupied for at least 90 days prior to the date of application for the home improvement loan, and is the principal residence of the borrower;

4. "Eligible Improvement" means permanent improvements, alterations, and repairs that protect, preserve, and improve the livability, accessibility, or energy efficiency of the property. In addition, costs and fees associated with completing improvements, alterations and repairs and obtaining a home improvement loan that are eligible for financing under HUD/FHA Title I requirements, the Vermont Home Mortgage Guarantee Board, or other insurance programs, may be included in the home improvement loan;

5. "Mortgage" means a mortgage deed, deed of trust, or other instrument which shall constitute a lien on real property in fee simple or on a leasehold having a remaining term, at the time such mortgage is acquired, consistent with the Act;

6. "Real Property" means all lands, including improvements and fixtures thereon, and property of any nature appurtenant thereto, or used in connection therewith, and every estate, interest and right, legal or equitable, therein including terms of years and liens by way of judgment, mortgage or otherwise and the indebtedness secured by such liens;

7. "Rehabilitation" means the improvement and repair of residential housing and facilities incidental thereto undertaken primarily to provide dwelling accommodations for occupancy by persons and families in the State;

8. "Residential Housing" means single family or multifamily residential housing comprised of not more than four units designed and used primarily to provide principal dwelling accommodations for persons and families, including the land and the improvements are situated on;

9. "VHFA" means the Vermont Housing Finance Agency created by the Act.

D. Waivers

The provisions of these rules may be waived by the Commissioners upon their determination that the application of such rules, in specific cases, may result in undue hardship and that such waiver is not inconsistent with the Act.

E. Separability

If any word, phrase, sentence, paragraph, section or part of these rules is finally adjudged by a court of competent jurisdiction to be invalid, such judgment shall not affect, impair, or invalidate the remainder of the rules.

II: APPLICATION PROCEDURES

A. Lender Participation Procedures

1. An Application and Commitment Agreement and a Loan Purchase and Servicing Agreement may be submitted by an Eligible Lender to VHFA. Execution of such agreements by VHFA will authorize the lender to originate, sell, and service home improvement loans made for the purchase of making Eligible Improvements to Eligible Properties.

2. Lenders shall receive a fee for originating/processing a loan application and a fee for servicing a loan purchased by VHFA.

3. All loans must be "direct loans" as defined by HUD/FHA Title I regulations. Loans involving "dealers" are not eligible.

4. Lenders shall be required to certify (a) as to the eligibility of the borrower, the property, and the proposed improvements in accordance with these regulations; and (b) that the borrower is a reasonable credit risk with reasonable ability to repay the loan obligation, according to the underwriting standards established by VHFA for home improvement loans.

B. Direct Lending Procedures

VHFA may receive applications from prospective borrowers and may make home improvement loans directly to eligible borrowers. In such cases, VHFA shall receive the origination/processing fee and shall determine that the conditions specified in paragraph A 4. of this section are met. VHFA may also elect to service home improvement loans originated by VHFA or an Eligible Lender or contract with another Eligible Lender or an organization specializing in the servicing of home improvement loans.

C. Applicant Certifications

Before the Note (loan) is signed the applicant must complete and sign a certification including:

1. The type and extent of proposed improvements, including a detailed written description of the work to be performed and the materials to be furnished and their estimated costs, or a proposal or contract to complete the work that describes in detail the work to be completed and estimated or actual cost;

2. A statement that the improvements to be financed by the loan shall be completed within six months and a completion certificate will be returned to the lender or VHFA within thirty days of completion;

3. A statement that VHFA or an authorized representative shall have the right to inspect the property at any time upon giving reasonable notice to the borrower(s);

4. Other reasonable certifications that may be required by VHFA to comply with the Act or regulations of the HUD FHA Title I program, VHMGB, or another insurer of home improvement loans.

III: FINANCING TERMS

A. Amount of Loan/Term

The maximum principal amount, loan fees, including loan fees that might be eligible for financing, and the term of a loan shall be determined from time to time by VHFA and will depend on the source of funds available to purchase home improvement loans, and requirements for HUD/FHA Title I Home Improvement Loans, the Vermont Home Mortgage Guarantee Board, or other insurance programs.

B. Repayment Provisions

The minimum monthly payment on a loan shall be $10.00. For example, for the principal amount desired, if a 20 year maturity (term) results in a monthly payment of less than $10.00, then the term shall be decreased to yield a monthly payment of not less than $10.00. There shall be no prepayment penalties, and the loan shall be paid in full upon sale of the property.

C. Security for Loans

At the option of VHFA, loans may be secured by the property being improved.

IV: LOAN SERVICING

A. Inspections

If the borrower fails to return a completion certificate to VHFA, or at its option after giving reasonable notice, VHFA may inspect the property to determine that the improvements specified in the Applicant Certification have been completed and that no unauthorized use has been made of loan funds. Such inspection may be made by the originating lender, the servicing lender or organization, VHFA staff, or any other VHFA authorized inspector.

B. Servicing and Collection of Payments

VHFA may service and collect payments itself or contract with one or more agents to service and collect payments.

s:\devel\sfprog\hilprule.s

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: January 17, 1995

RE: Update -- Pinecrest Village Loan Request

Staff has received updated information from John Varsames on his application for financing to complete the construction of the last 11 units at Pinecrest Village, Williston. A memo dated January 10, 1995, requests Board approval of a loan in an amount not to exceed $530,000: updated construction costs, and a revised construction schedule indicates that the maximum loan amount will be $560,000. A recent quote received by the housing sponsor from the general contractor indicate that construction costs will be higher than initially estimated. The higher construction costs will result in total fees and profit to the housing sponsor of approximately $113,695 or 10% of the total development cost (compared to the original projections of approximately $156,000 or 15% of the total development cost). Attached is a revised sources and uses summary and projected cash flow.

A total of six units are under contract with no contingencies: all six buyers have incomes below the income limits for VHFA's MOVE program. There are two duplex units, one triplex unit, and two detached units that are not under contract at this time.

BOARD ACTION REQUESTED

Staff requests approval of the attached Resolution to provide financing in an amount not to exceed $560,000 to complete the construction of 11 units at Pinecrest Village, Williston.

s:\devel\board\pinecrst.up

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

EQUAL HOUSING OPPORTUNITY

RESOLUTION PERTAINING TO COMBINED LETTER OF INTEREST AND COMMITMENT LETTER RE: PINECREST VILLAGE DEVELOPMENT (WILLISTON)

WHEREAS, a proposal has been presented to the Agency by John Varsames of Northshore Development involving the construction of 11 single family units in Pinecrest Village, an 87 unit Planned Residential Development in Williston (the "Development"); and

WHEREAS, the proposal contemplates that a majority of the 11 units to be constructed in the Development will be affordable to a family at or below the income limits for the Agency's MOVE Program; and

WHEREAS, the proposal seeks a loan by the Agency of up to $560,000 to refinance the site and for construction; and

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

Therefore, it is hereby DETERMINED:

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

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

3. The housing sponsor undertaking the Development will increase the supply of well-planned, well-designed permanent housing for persons and families of low and moderate income, and the sponsors are financially responsible persons or organizations.

4. The construction costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Vermont Housing Finance Agency Act.

5. More than one half of the floor area and total development cost are allocated to single family dwelling units for persons and families of low and moderate income.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a letter of commitment (the "Commitment Letter") to provide a construction loan (the

"Loan") in an amount to be determined by the Executive Director, but not to exceed $560,000, for the Pinecrest Village Development.

2. The Commitment Letter shall be issued to John Varsames, as representative of a to-be-formed housing sponsor.

3. The commitment of the Agency shall be subject to receipt, on or before the date of the closing on the Loan of a commitment fee in an amount equal to 1.0% of the principal amount of the Loan.

4. The Loan shall bear an interest rate of 8.0% per annum for a term ending on December 31, 1995 and be repayable in part each time one of the homes is sold.

5. The Commitment Letter shall be conditioned on a satisfactory credit review of the Housing Sponsor and its principal(s) and the satisfaction by the Developer of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish, including but not limited to the following documents that must be submitted in form and substance acceptable to the Agency:

   (a) Appraisal of all three types of units;

   (b) Phase I environmental assessment;

   (c) Financial statements for Borrower and its principals;

   (d) Personal guarantees of principals of the Housing Sponsor (and spouse(s) if assets are held jointly);

   (e) Dual obligee performance and payment bonds or a letter of credit from a financial institution approved by the Agency in an amount deemed acceptable by the Executive Director, but in no event more than 25% of the contract amount; and

   (f) Articles of Incorporation or Partnership Agreement for the Housing Sponsor containing language indicating that the Housing Sponsor is organized on a limited profit basis.

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

PINECREST VILLAGE, WILLISTON — c:\quattro\pinecrst.su
DEVELOPMENT/CONSTRUCTION LOAN
SOURCES AND USES — 17-Jan-95 03:30 PM

USES	Budget	Per Unit	% of TDC
LAND ACQUISITION	200,000	18,182	17.82%
SOFT COSTS			
Legal/Closing	6,500	591	0.58%
Title Insurance	2,000	182	0.18%
VHFA Origination Fee (1%)	5,600	509	0.50%
VHFA Interest Expense (8%)	18,033	1,639	1.61%
Construction Management	20,000	1,818	1.78%
VHFA Construction Inspection	1,500	136	0.13%
Fees/Permits	17,000	1,545	1.51%
Engineering/Architect	3,000	273	0.27%
Misc. Selling Exp (concessions)	6,000	545	0.53%
Advertising/Marketing Expenses	11,000	1,000	0.98%
Marketing Fees (6%)	70,851	6,441	6.31%
TOTAL SOFT COSTS	161,484	14,680	14.39%
CONSTRUCTION COSTS			
Sitework	51,600	4,691	4.60%
Landscaping	12,000	1,091	1.07%
Unit Construction	626,901	56,991	55.84%
General Conditions	70,000	6,364	6.24%
Temporary Utilities	600	55	0.05%
TOTAL CONSTRUCTION COSTS	761,101	69,191	67.80%
TOTAL DEVELOPMENT COSTS	1,122,585	102,053	100.00%

SOURCES	Budget
SALE OF UNITS	1,180,855
NET PROFIT	58,270

PINECREST VILLAGE, WILLISTON c:\quattro\pinecrst.cf
CONSTRUCTION CASH FLOW

17-Jan-95 03:26 PM

	Budget	At Closing	March 95	April 95	May 95	June 95	July 95	Aug 95	Sept 95	Total
LAND ACQUISITION	200,000	200,000	0	0	0	0	0	0	0	200,000
SOFT COSTS										
Legal/Closing	6,500	3,750	0	500	750	250	750	250	250	6,500
Title Insurance	2,000	2,000	0	0	0	0	0	0	0	2,000
VHFA Origination Fee (1%)	5,600	5,600	0	0	0	0	0	0	0	5,600
VHFA Interest Expense (8%)	18,033	0	1,390	2,696	3,664	3,455	2,428	3,150	1,250	18,033
Construction Management	20,000	0	3,500	3,500	3,500	3,500	6,000	0	0	20,000
VHFA Construction Inspection	1,500		215	215	215	215	215	215	210	1,500
Fees/Permits	17,000	0	4,650	3,100	3,100	3,050	3,100	0	0	17,000
Engineering	3,000	0	3,000	0	0	0	0	0	0	3,000
Misc. Selling Exp (concessions)	6,000	0	0	2,000	1,000	1,000	1,000	1,000	0	6,000
Advertising/Marketing	11,000	0	2,000	2,000	2,000	2,000	2,000	1,000	0	11,000
Marketing Fees (6%)	70,851	0	0	0	12,357	17,994	5,730	18,810	15,960	70,851
TOTAL SOFT COSTS	161,484	11,350	14,755	14,011	26,586	31,464	21,223	24,425	17,670	161,484
CONSTRUCTION COSTS										
Sitework	51,600	0	15,000	10,000	10,000	6,600	10,000	0	0	51,600
Landscaping	12,000	0	2,000	2,000	0	2,000	6,000	0	0	12,000
Unit Construction	626,901	0	154,866	109,097	125,371	91,567	146,000	0	0	626,901
General Conditions	70,000	0	12,000	12,000	12,000	12,000	22,000	0	0	70,000
Temporary Utilities	600	0	100	100	100	100	200	0	0	600
TOTAL CONSTRUCTION COSTS	761,101	0	183,966	133,197	147,471	112,267	184,200	0	0	761,101
TOTAL DEV. COSTS	1,122,585	211,350	198,721	147,208	174,057	143,731	205,423	24,425	17,670	1,122,585
SALE OF UNITS	1,180,855	0	0	0	205,955	299,900	95,500	313,500	266,000	1,180,855
VHFA LOAN BALANCE		211,350	410,071	557,279	525,381	369,212	479,135	190,060	(58,270)	

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: January 10, 1995

RE: Pinecrest Village, Williston -- Loan Request from John Varsames

SUMMARY OF REQUEST

Staff requests approval of the attached Resolution of Interest/Commitment for a loan in an amount not to exceed $530,000 to pay off a first mortgage and to finance the construction of 11 units at Pinecrest Village, Williston. Pinecrest Village is an 87-unit Planned Residential Development (PRD): 76 units have been built and sold. Those units were developed by T F Limited Partnership (John Varsames is a limited partner, Northshore Development is the general partner). Another limited partner, Rod Whittier died unexpectedly in November 1993. Mr. Varsames will form a limited profit corporation to complete the development of the remaining eleven units. The development is served by town water and sewer and is fully permitted. The infrastructure is 100% complete. VHFA's loan would be used to pay off a $200,000 first mortgage loan held by the Merchants Bank, and to finance the sitework and construction of 11 units.

The Merchants Bank provided financing for the site development and construction of the first 76 units. Mr. Varsames has indicated that changes at the Merchants Bank, brought on by the FDIC and the new management's desire to reduce their portfolio of development loans, will make it difficult to continue to work with Merchants Bank to complete this project. In addition, the estate of Mr. Whittier has other obligations to the Merchants Bank which make it difficult to continue a business relationship with that institution.

THE PROJECT

Housing Sponsor

The Housing Sponsor will be a limited profit corporation established by John Varsames and Northshore Companies. Northshore Companies has completed affordable housing projects in Burlington and Williston, and has developed more than 500 units of housing since 1986. Northshore has demonstrated a willingness to work with nonprofit developers and has

completed two projects in Burlington where permanently affordable housing was created as a result: nine lots at the Howe Meadows development were sold to the Burlington Community Land Trust (BCLT) at a cost that was substantially below market; and an additional six lots were provided on Wood Street and Northview Drive. All of these homes remain perpetually affordable through a ground lease. Staff has not completed a credit review of the sponsor and has also not reviewed financial statements at this time. Staff will complete a review prior to issuing a commitment.

Project Description

Pinecrest Village is an 87-unit PRD located on a 40 acre site in the Town of Williston: 76 units are built and sold. A total of 13 units were sold to BCLT and Lake Champlain Housing Development Corporation (LCHDC) at below market prices. The average price paid by LCHDC was approximately $70,083, and the average price per unit paid by BCLT was approximately $83,000. LCHDC leases their units to persons and families at or below 60% of median income. The units purchased by BCLT were sold to households at or below 85% of median income.

The infrastructure is 100% complete. There are 11 units left to build. The units are located in three duplex buildings, one triplex building, and there are two detached units. Sales prices range from $96,600 to $110,000. Unit sizes range from 1048 to 2,134 square feet and are townhouse style. All units will have two bedrooms and one bathroom. Additional finished space is an option for most units. All units will have attached garages. Pinecrest Village is served by town water and sewer and underground utilities. Amenities include a playground, inground swimming pool, and a community building. Units have received a FOUR STAR PLUS rating from Energy Rated Homes of Vermont.

A total of six units (55%) are under contract (3 units at a base price of $96,600 and one unit at a base price of $103,950). We do not have the purchase price information for the other two units under contract at this time. Of the six units under contract we know that four buyers have incomes below the maximum income limits for VHFA's MOVE program (currently $39,300 for 1-2 person households, and $45,100 for households of three persons and greater). Income information on the buyers of the other two units is not available at this time. VHFA requires that 51% of the units financed through the Single Family Development Loan Program be sold to persons and families at or below the income limits for VHFA's MOVE program. To meet this requirement, two additional units must be sold to MOVE program income qualified buyers. A possibility does exist that a purchaser of a detached unit, which has a base price of $110,000, could select options that would increase the sale price to $132,950. VHFA would not be able to provide financing because the purchase price would exceed VHFA's maximum limit for new construction of $120,000. The purchase of a unit priced at $132,950 would also require an annual income of $52,670, which exceeds VHFA's maximum income limit. Mr. Varsames had indicated that he is in the process of reworking the numbers with his contractor, which may result in numbers slightly different than those indicated above. That information will be available at the Board meeting.

A Phase I Environmental Assessment has been completed on the Pinecrest site; however, it has not been received or reviewed by staff.

Affordability/Marketability

Units available at Pinecrest Village at $96,600 would be affordable to a family size of one person earning 104% of median income, a family size of two persons earning 91% of median income, a family size of three persons earning 81% of median income, and a family size of 4 persons earning 73% of median income. (Attachment A provides a complete affordability analysis of units at Pinecrest Village.)

Since the start of construction in 1991, an average of 28 units per year have sold. Of the six units under contract, four of those units sold in November and December of 1994, traditionally a slow time for home sales in Vermont. The sponsor believes that an additional three to four units will be sold before construction begins in early Spring 1995. The model unit has been sold; however, the closing is not scheduled to take place until March 1995, and the sponsor has arranged with the buyer to lease the unit through July 1995 for use as a sales model.

Financing Request

The sponsor requests a loan in an amount not to exceed $530,000 to finance the site acquisition by the new development entity and to finance the construction of the remaining 11 units. (The sponsor is in the process of reviewing the development budget and projected cash flow with his contractor. Options selected by the buyers may require a slightly higher maximum loan amount. Current information will be available at the Board meeting.) Merchants Bank currently holds a first mortgage of $200,000 on the remaining sites. The estimated value of the sites is approximately $387,000. Based on this estimated site value, sponsor equity is estimated to be $187,000 or approximately 18% of the total development costs. VHFA's loan to value ratio will be approximately 46%. VHFA's total loan to development cost ratio is approximately 52%. (Attachment B provides a sources and uses summary and projected cash flow.)

The sponsor will receive reimbursement for marketing expenses and broker fees, and construction management fees; however, profit from sales (approximately $101,600), will not be received by the sponsor until the sale of the final unit and after VHFA has been paid in full. Total fees and profit that will be received by the housing sponsor will be approximately $156,000 or 15% of the total development cost. (Total fees and profit include 50% of the marketing fees or $34,500, construction management fee of $20,000, and net profit of $101,600.) Mr. Varsames has indicated that the actual marketing fees received by the corporation will be less than $34,500. When a unit is sold by a co-broker or buyer-broker, all of the marketing fees are paid to the brokers involved. The corporation receives 50% of the broker fees only when the unit is sold by Bill Wheeler who is an independent contractor for Northshore Realty.

Construction of individual units will not begin until at least one of the units in a duplex building are sold, and two units in the triplex building are sold. A detached unit will be presold before construction begins. While the developer believes that an additional three

to four units will be sold before the start of contruction in March 1995, the possibility does exists that up to four units would be constructed that are not presold.

Strengths/Weaknesses

Strengths

- The developer has a proven track record of developing, building, marketing, and managing affordable housing in Chittenden County.
- A total of 55% of the units are presold.

Weaknessess

- The possibility exists that up to four units will be constructed that are not presold.
- The sales price of the two detached units may exceed VHFA's maximum purchase price limit and may not be affordable to a buyer whose income is within the income limits for the MOVE program.

Conditions to Commitment/Closing

As mentioned previously, staff has not reviewed financial statements and have also not completed a credit review of the sponsor, which we plan to do prior to issuing a commitment. In addition to standard conditions, VHFA will require that the following additional information be provided and conditions be met by the housing sponsor in satisfactory form prior to closing.

- An appraisal of each type of unit (duplex, triplex, detached).
- A satisfactory Phase I Environmental Assessment.
- Articles of Incorporation or Partnership Agreement for the new development entity.
- Personal guaranty of principals of Housing Sponsor (and spouse(s) if assets are held jointly).
- Dual obligee 100% payment and performance bonds from the general contractor in amount and with sureties acceptable to VHFA, or a letter of credit from a financial institution acceptable to VHFA, in an amount acceptable to the Executive Director, but in no event more than to 25% of the contract amount.

BOARD ACTION REQUESTED

Staff requests approval of the attached Resolution to provide financing in an amount not to exceed $530,000 to complete the construction of 11 units at Pinecrest Village, Williston.

ATTACHMENT A

Pinecrest Village -- Affordability Analysis c:\data\pinecres.t 12-Jan-95

Purchase Price	Type of Financing	Income Needed to Support	Percentage of Median 1 Person	2 Person	3 Person	4 Person
96,600	VHFA 8.25% 95% LTV	33,362	104%	91%	81%	73%
96,600	Conv 9.25% W/25% MCC	34,549	108%	94%	84%	76%
103,950	VHFA 8.25% 95% LTV	35,635	111%	97%	87%	78%
103,950	Conv 9.25% w/25% MCC	36,865	115%	101%	90%	81%
110,000	VHFA 8.25% 95% LTV	37,506	117%	102%	91%	82%
110,000	Conv 9.25% w/25% MCC	38,771	121%	106%	94%	85%
132,950	Conv 9.25%	52,670	165%	144%	128%	115%

Assumptions: Housing Expense to Income Ratio of 33% (VHFA) and 28% (Conv)

PINECREST VILLAGE, WILLISTON c:\quattro\pinecrst.su
DEVELOPMENT/CONSTRUCTION LOAN
SOURCES AND USES 12-Jan-95 11:50 AM

USES	Budget	Per Unit	% of TDC
LAND ACQUISITION	200,000	18,182	19.08%
SOFT COSTS			
Legal/Closing	6,500	591	0.62%
Title Insurance	2,000	182	0.19%
VHFA Origination Fee (1%)	5,300	482	0.51%
VHFA Interest Expense (8%)	16,538	1,503	1.58%
Construction Management	20,000	1,818	1.91%
VHFA Construction Inspection	1,500	136	0.14%
Fees/Permits	17,000	1,545	1.62%
Engineering/Architect	3,000	273	0.29%
Misc. Selling Exp (concessions)	6,000	545	0.57%
Advertising/Marketing Expenses	11,000	1,000	1.05%
Marketing Fees (6%)	69,000	6,273	6.58%
TOTAL SOFT COSTS	157,838	14,349	15.05%
CONSTRUCTION COSTS			
Sitework	42,000	3,818	4.01%
Landscaping	12,000	1,091	1.14%
Unit Construction	566,000	51,455	53.99%
General Conditions	70,000	6,364	6.68%
Temporary Utilities	600	55	0.06%
TOTAL CONSTRUCTION COSTS	690,600	62,782	65.87%
TOTAL DEVELOPMENT COSTS	1,048,438	95,313	100.00%

SOURCES	Budget
SALE OF UNITS	1,150,000
NET PROFIT	101,562

PINECREST VILLAGE, WILLISTON
CONSTRUCTION CASH FLOW

c:\quattro\pinecrst.cf

12-Jan-95 11:49 AM

	Budget	At Closing	March 95	April 95	May 95	June 95	July 95	Aug 95	Sept 95	Total
LAND ACQUISITION	200,000	200,000	0	0	0	0	0	0	0	200,000
SOFT COSTS										
Legal/Closing	6,500	3,750	0	0	500	750	250	750	500	6,500
Title Insurance	2,000	2,000	0	0	0	0	0	0	0	2,000
VHFA Origination Fee (1%)	5,300	5,300	0	0	0	0	0	0	0	5,300
VHFA Interest Expense (8%)	16,538	0	1,388	2,590	3,455	3,193	2,184	2,764	965	16,538
Construction Management	20,000	0	3,500	3,500	3,500	3,500	6,000	0	0	20,000
VHFA Construction Inspection	1,500		215	215	215	215	215	215	210	1,500
Fees/Permits	17,000	0	4,650	3,100	3,100	3,050	3,100	0	0	17,000
Engineering	3,000	0	3,000	0	0	0	0	0	0	3,000
Misc. Selling Exp (concessions)	6,000	0	0	2,000	1,000	1,000	1,000	1,000	0	6,000
Advertising/Marketing	11,000	0	2,000	2,000	2,000	2,000	2,000	1,000	0	11,000
Marketing Fees (6%)	69,000	0	0	0	11,592	17,829	5,796	17,829	15,954	69,000
TOTAL SOFT COSTS	157,838	11,050	14,753	13,405	25,362	31,537	20,545	23,558	17,629	157,838
CONSTRUCTION COSTS										
Sitework	42,000	0	12,000	8,000	8,000	6,000	8,000	0	0	42,000
Landscaping	12,000	0	2,000	2,000	0	2,000	6,000	0	0	12,000
Unit Construction	566,000	0	142,000	96,000	108,000	92,000	128,000	0	0	566,000
General Conditions	70,000	0	12,000	12,000	12,000	12,000	22,000	0	0	70,000
Temporary Utilities	600	0	100	100	100	100	200	0	0	600
TOTAL CONSTRUCTION COSTS	690,600	0	168,100	118,100	128,100	112,100	164,200	0	0	690,600
TOTAL DEV. COSTS	1,048,438	211,050	182,853	131,505	153,462	143,637	184,745	23,558	17,629	1,048,438
SALE OF UNITS	1,150,000	0	0	0	193,200	297,150	96,600	297,150	265,900	1,150,000
VHFA LOAN BALANCE		211,050	393,903	525,408	485,670	332,157	420,302	146,710	(101,562)	

ATTACHMENT B

RESOLUTION PERTAINING TO COMBINED LETTER OF INTEREST AND COMMITMENT LETTER RE: PINECREST VILLAGE DEVELOPMENT (WILLISTON)

WHEREAS, a proposal has been presented to the Agency by John Varsames of Northshore Development involving the construction of 11 single family units in Pinecrest Village, an 87 unit Planned Residential Development in Williston (the "Development"); and

WHEREAS, the proposal contemplates that a majority of the 11 units to be constructed in the Development will be affordable to a family at or below the income limits for the Agency's MOVE Program; and

WHEREAS, the proposal seeks a loan by the Agency of up to $530,000 to refinance the site and for construction; and

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

Therefore, it is hereby DETERMINED:

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

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

3. The housing sponsor undertaking the Development will increase the supply of well-planned, well-designed permanent housing for persons and families of low and moderate income, and the sponsors are financially responsible persons or organizations.

4. The construction costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Vermont Housing Finance Agency Act.

5. More than one half of the floor area and total development cost are allocated to single family dwelling units for persons and families of low and moderate income.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a letter of commitment (the "Commitment Letter") to provide a construction loan (the

"Loan") in an amount to be determined by the Executive Director, but not to exceed $530,000, for the Pinecrest Village Development.

2. The Commitment Letter shall be issued to John Varsames, as representative of a to-be-formed housing sponsor.

3. The commitment of the Agency shall be subject to receipt, on or before the date of the closing on the Loan of a commitment fee in an amount equal to 1.0% of the principal amount of the Loan.

4. The Loan shall bear an interest rate of 8.0% per annum for a term ending on December 31, 1995 and be repayable in part each time one of the homes is sold.

5. The Commitment Letter shall be conditioned on a satisfactory credit review of the Housing Sponsor and its principal(s) and the satisfaction by the Developer of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish, including but not limited to the following documents that must be submitted in form and substance acceptable to the Agency:

   (a) Appraisal of all three types of units;

   (b) Phase I environmental assessment;

   (c) Financial statements for Borrower and its principals;

   (d) Personal guarantees of principals of the Housing Sponsor (and spouse(s) if assets are held jointly);

   (e) Dual obligee performance and payment bonds or a letter of credit from a financial institution approved by the Agency in an amount deemed acceptable by the Executive Director, but in no event more than 25% of the contract amount; and

   (f) Articles of Incorporation or Partnership Agreement for the Housing Sponsor containing language indicating that the Housing Sponsor is organized on a limited profit basis.

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

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: January 11, 1995

RE: Loan Extension Request -- Freeborn Estates, St. Albans

SUMMARY OF REQUEST

At the November 1993 meeting, the Board approved a loan to Franklin Cioffi and John Rhodes in the amount of $600,000 to finance the site development and construction of a nine-unit PRD on Freeborn Street, in the Town of St. Albans. Construction of the project is 100% complete. Six out of the nine units have been sold: five buyers (55%) have incomes at or below VHFA's income limits for its MOVE program. There are three units that are unsold.

VHFA's loan matured on December 31, 1994. Staff requests an extension of this loan until December 31, 1995, to allow the sponsor time to sell the remaining units. Staff also requests that the interest rate remain at eight percent (8%).

PROJECT UPDATE

Construction of this development began on December 23, 1993, and progressed on time and on budget during a winter of record cold and snowfall. All units are two-bedroom townhouse style with one and one-half bathrooms and full basements with detached garage space. VHFA did not require the pre-sale of units for this development because all nine units are in one building and could not be phased. The six units that have sold were under contract very soon after construction was completed. The three units that are not sold are listed with MLS for $89,900. Cioffi Real Estate is currently working with a potential buyer for one of the units, and is confident that the three unsold units will be sold during the first half of 1995.

VHFA receives the proceeds of each sale net of a partial repayment of a second mortgage held by Peoples Trust Company, and closing and marketing fees (Peoples Trust Company subordinated their mortgage on the land to VHFA). The current balance on VHFA's loan is approximately $110,000. VHFA's loan to value is approximately 41%. (VHFA will continue to disburse funds for carrying costs.) VHFA's loan will be paid in full upon the sale of the eighth unit.

AFFORDABILITY

St. Albans is located in the Burlington MSA. Units priced at $89,900 are affordable to a family size of one person at 94% of median income, two persons at 82% of median income, three persons at 73% of median income, and four persons at 66% of median income. The median income for Franklin County towns not located in the Burlington MSA is lower. Units priced at $89,900 are affordable to a family size of one person at 127% of median income, two persons at 111% of median income, three persons at 99% of median income, and four persons at 89% of median income.

BOARD ACTION REQUESTED

Staff requests approval of the attached Resolution to extend the site development and construction loan made to Franklin Cioffi and John Rhodes to December 31, 1995.

s:\devel\board\freeborn.ext

RESOLUTION PERTAINING TO EXTENSION OF TERM OF LOAN RE: FREEBORN ESTATES DEVELOPMENT

WHEREAS, a proposal was presented to the Agency by Franklin Cioffi and John Rhodes (the "Sponsor"), involving the construction of 9 townhouses on a site in St. Albans Town (the "Development"); and

WHEREAS, the Development has been the subject of a previous resolution of the Agency on November 18, 1993; and

WHEREAS, the Agency made a loan on December 22, 1993 of up to $600,000 for site development and construction (the "Loan"); and

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

WHEREAS, the Sponsor has requested an extension of the repayment of the Agency's Loan from December 31, 1994 to December 31, 1995;

WHEREAS, the Sponsor has been making diligent efforts to sell the remaining houses at the Development and only three townhouses remain to be sold; and

NOW, THEREFORE, it is hereby DETERMINED:

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

2. The Development will benefit if the Agency grants an extension of the deadline for repayment of the Agency's Loan.

WHEREFORE, it is hereby RESOLVED:

The recommendations contained in the January 11, 1995 staff memorandum are adopted and the Executive Director shall extend the maturity of the Sponsor's Loan from the Agency from December 31, 1994 to December 31, 1995 by entering into a modified loan agreement.

T:\free\extend.res

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: January 11, 1995

RE: Loan Extension -- Twin Pines Housing Trust, Starlake Village

SUMMARY OF REQUEST

On September 27, 1992, the Board approved a loan in the amount of $500,000 to Twin Pines Housing Trust (TPHT) to finance the site development and construction of 14 single family homes at Starlake Village, Norwich. The loan matured on December 31, 1993. At the March 3, 1994 meeting, the Board approved a resolution to extend the term of the loan to September 30, 1994, and to provide a first mortgage loan of up to $30,000 after the sale of the final unit to cover a projected deficit after all pre-development and development costs are paid. The first mortgage would be secured by the land and will be subordinate to the lease agreements with homeowners. At the September 20, 1994 meeting, the Board approved a resolution to extend the term of this loan to February 28, 1995. At this time, staff requests a further extension of this loan to December 31, 1995.

PROJECT UPDATE

Twelve out of a total of fourteen units have been completed and sold. There are two unsold units that TPHT continues to market through a local real estate broker and through their own outreach efforts. An extension to December 31, 1995, will allow sufficient time to locate buyers for the last two units, have the buyers approved for financing, and construct the units.

TPHT has an agreement with a real estate broker in Norwich to market units for a flat fee of $1,500 per unit. Eight of the twelve units constructed were cape style homes. Because of the project deficit and lower construction costs, it was decided that the last six units would be ranch style homes. The last four ranch units sold for approximately $84,700. It is not expected that the sales price for the last two units will increase substantially over that amount. VHFA set aside sufficient funds from Series 4 Bonds to finance the final two units under the HOUSE program. The advantage of using these funds is that there is no first-time home buyer requirement. This may help expand the market for these homes.

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

EQUAL HOUSING OPPORTUNITY

The median income for Windsor County is $36,100. TPHT's grant agreement with VHCB allows units at Starlake Village to be sold to persons and families at or below 100% of median income for Windsor County. A unit priced at $84,700 is affordable to a two-person household at 96% of median income, a three-person household at 86% of median income, and a four-person household at 76% of median income.

VHFA staff and TPHT's Executive Director, Wally Roberts, continue to closely monitor the development budget. The current balance on VHFA's loan is approximately $71,000. The actual deficit is currently projected to be approximately $20,000.

RECOMMENDED BOARD ACTION

Staff request approval of the attached Resolution to extend the site development and construction loan made to Twin Pines Housing Trust for Starlake Village until December 31, 1995.

s:\devel\board\starlake.2

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

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

WHEREAS, the Development has been the subject of previous resolutions of the Agency on September 20, 1994, March 3, 1994, December 16, 1993, November 18, 1992, September 24, 1992, May 20, 1992 and June 26, 1991; and

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

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

WHEREAS, the Sponsor requested an extension of the repayment of the Agency's Loan from September 30, 1994 to February 28, 1995, which request was approved, and

WHEREAS, the Sponsor has been making diligent efforts to sell the remaining houses at the Development and only two houses remain to be sold; and

WHEREAS, the Sponsor has requested an additional extension of the repayment of the Agency's Loan from February 28, 1995 to December 31, 1995; and

NOW, THEREFORE, it is hereby DETERMINED:

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

2. The Development will benefit if the Agency grants an extension of the deadline for repayment of the Agency's Loan.

WHEREFORE, it is hereby RESOLVED:

1. The recommendations contained in the January 11, 1995 staff memorandum are adopted and the Executive Director shall extend the maturity of the Sponsor's Loan from the Agency from February 28, 1995 to December 31, 1995 by entering into a modified loan agreement containing the following condition:

The Sponsor will market the remaining units as ranch style homes in accordance with the marketing plan submitted to the Agency;

2. If the Development funds are insufficient to fully pay the Agency's Loan at the maturity date of December 31, 1995, the Agency will permit its first mortgage to remain on the land, subject to the land leases given by the Sponsor to home buyers. The maximum amount outstanding in the Loan at that time will be $30,000. The interest rate on the outstanding amount will be 7.50% per annum until the sale of the last home in the Development, at which time the interest rate will increase to 8% per annum for a maximum term of six years. Principal payments of $5,000 will be due annually, together with accrued interest.

T:\devel\star\modif195.res

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Irene D. Jenkins, Director of Development
Paul M. Cummings, Development Assistant

DATE: January 11, 1995

RE: Vermont Housing Ventures Revolving Loan Program Update

PROGRAM OVERVIEW

The Vermont Housing Ventures Program ("Ventures"), a $250,000 revolving loan fund for nonprofit housing developers, was approved by the Board in 1987. The Ventures fund was established to promote and assist locally based nonprofit housing development by providing low interest venture capital and technical assistance. The first loans under the program were made in 1988. Nonprofit developers are encouraged to use the Ventures program to borrow up to a maximum of $50,000 per project, depending on the size of the proposed development. Ventures loans carry a three year term, an interest rate of 3 percent and are repayable in a lump sum at the construction closing. In addition to increasing the capacity of nonprofit housing developers, VHFA also intended this program to increase our lending activity by giving us an inside track on affordable housing developments in the state.

VENTURES ACTIVITY

In the five plus years that we have been operating the Ventures loan program through the end of calendar year 1993, we have made a total of 33 loans to 29 different projects. The total development costs of these projects was approximately $54.5 million. The summary of these loans are as follows:

Total loans approved (33 loans):	$559,120
Total loans disbursed:	$504,138
Total loans repaid (29 loans with interest):	$513,283

In calendar year 1994, we committed funds to 10 projects requesting a total of $262,140. This total was almost half (approximately 47 percent) of the total funds requested in the previous five plus years. If all the projects with 1994 Ventures loans go forward, the

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

EQUAL HOUSING OPPORTUNITY

development costs would total approximately $18.2 million (241 units). Three of the loans made in 1994 (plus one partial loan) paid off before the end of the year, leaving a total of nine (9) active loans in the loan fund; two of these active loans are small (loan balances of $3,200 and $2,063), unpaid loans from previous years.

The Ventures activity in 1994 has been a strong indication of the demand from nonprofit housing developers for low interest predevelopment funds. In 1995, we have already received requests for Ventures funds from two potential borrowers. Because many of the Ventures borrowers are different nonprofit organizations, it would seem that the program is encouraging and increasing the capacity of the nonprofit housing developers; this was one of the primary objectives of the program when it was created. Unfortunately, the Ventures program has not had as large an impact on other VHFA lending activity as was hoped when the program was started.

BOARD ACTION REQUESTED

Staff requests no action at this time. However, should demand exceed supply, staff may request additional funding for this program.

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Douglas R. Lothrop, Director of Single Family Operations

DATE: January 6, 1995

RE: Reservation Comparisons - 1991 through 1994

	1991	1992	1993	1994
Month	Reservations	Reservations	Reservations	Reservations
Jan	$ 2,038,035	$ 2,069,895	$ 1,774,395	$ 1,282,978
Feb	3,509,553	3,736,801	6,238,065	2,741,764
Mar	3,099,254	5,035,494	3,945,530	6,320,388
Apr	7,493,580	6,107,801	5,299,340	4,323,861
May	8,779,052	4,473,292	5,139,730	6,456,770
Jun	6,430,760	6,316,312	16,070,787	6,915,002
Jul	5,364,346	8,744,247	2,936,881	4,921,819
Aug	6,431,470	3,864,301	4,219,311	5,342,042
Sep	3,258,563	3,603,920	4,005,173	3,690,312
Oct	4,232,142	3,192,240	3,717,721	8,508,138
Nov	3,170,773	2,514,665	4,185,815	3,187,765
Dec	1,057,760	2,788,336	1,535,530	2,577,443
Jan/Dec	$54,865,288	$52,447,304	$59,068,278	$56,258,482

DRL:585

VERMONT HOUSING FINANCE AGENCY
DELINQUENCY STATISTICAL REPORT
SINGLE FAMILY PORTFOLIO
EFFECTIVE: NOVEMBER 30, 1994

Lenders	Total Loans	30 Days		60 Days		90+ Days		Auth FCL		Total Delinq		REO	
BancBoston Mortgage Corp.	323	16	4.95%	4	1.24%	5	1.55%	2	0.62%	27	8.36%	2	0.62%
Banknorth Mortgage Co.	762	31	4.07%	9	1.18%	5	0.66%	6	0.79%	51	6.69%	5	0.66%
Bennington Co-op S&L Assoc.	36	2	5.56%	2	5.56%	1	2.78%	0	0.00%	5	13.89%	0	0.00%
Brattleboro Savings & Loan	9	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Chittenden Bank	829	46	5.55%	14	1.69%	12	1.45%	4	0.48%	76	9.17%	5	0.60%
Citizens Savings Bank	68	1	1.47%	2	2.94%	0	0.00%	0	0.00%	3	4.41%	1	1.47%
Comfed Mortgage Co.	5	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Community National Bank	221	7	3.17%	2	0.90%	5	2.26%	0	0.00%	14	6.33%	1	0.45%
Factory Point Nat. Bank	27	2	7.41%	2	7.41%	0	0.00%	0	0.00%	4	14.81%	0	0.00%
First Brandon Nat. Bank	1	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
First Northern Mortgage Corp.	3	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Fleet Mortgage	16	2	12.50%	0	0.00%	2	12.50%	0	0.00%	4	25.00%	0	0.00%
Graystone Mortgage Company	166	13	7.83%	2	1.20%	9	5.42%	0	0.00%	24	14.46%	3	1.81%
Green Mountain Bank	179	15	8.38%	1	0.56%	0	0.00%	0	0.00%	16	8.94%	1	0.56%
Lomas & Nettleton Company	11	3	27.27%	0	0.00%	0	0.00%	0	0.00%	3	27.27%	0	0.00%
Lyndonville Savings Bank	60	3	5.00%	2	3.33%	1	1.67%	0	0.00%	6	10.00%	1	1.67%
Marble Bank	224	13	5.80%	1	0.45%	1	0.45%	1	0.45%	16	7.14%	0	0.00%
Merchants Bank	326	13	3.99%	8	2.45%	7	2.15%	0	0.00%	28	8.59%	1	0.31%
Mortgage Service Ctr. of NE	58	3	5.17%	1	1.72%	0	0.00%	0	0.00%	4	6.90%	3	5.17%
National Bank of Middlebury	62	2	3.23%	0	0.00%	0	0.00%	0	0.00%	2	3.23%	0	0.00%
New England IBM Employees FCU	50	2	4.00%	0	0.00%	0	0.00%	0	0.00%	2	4.00%	0	0.00%
Northfield Savings Bank	110	6	5.45%	0	0.00%	1	0.91%	0	0.00%	7	6.36%	1	0.91%
Passumpsic Savings Bank	173	7	4.05%	4	2.31%	3	1.73%	1	0.58%	15	8.67%	2	1.16%
Peoples Trust Co.	107	8	7.48%	1	0.93%	1	0.93%	0	0.00%	10	9.35%	0	0.00%
Randolph National Bank	52	1	1.92%	2	3.85%	1	1.92%	0	0.00%	4	7.69%	0	0.00%
Union Bank	154	12	7.79%	2	1.30%	0	0.00%	0	0.00%	14	9.09%	0	0.00%
Vermont Development CU	6	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Vermont Federal Bank	799	34	4.26%	5	0.63%	10	1.25%	3	0.38%	52	6.51%	12	1.50%
Vermont National Bank	583	37	6.35%	4	0.69%	5	0.86%	1	0.17%	47	8.06%	1	0.17%
Wells River Savings Bank	35	1	2.86%	0	0.00%	0	0.00%	0	0.00%	1	2.86%	0	0.00%
Totals November 30, 1994	5455	280	5.13%	68	1.25%	69	1.26%	18	0.33%	435	7.97%	39	0.71%
Totals Previous Month	5416	254	4.69%	58	1.07%	56	1.03%	21	0.39%	389	7.18%	38	0.70%

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE RAS

RE: INVESTMENT POLICY

DATE: JANUARY 12, 1995

Due to the implications of the Orange County, California investing problems, Standard & Poor's, who rate our bonds have asked for our policies, controls and procedures regarding investing into derivative instruments and general investment policies. Attached is a copy of our current investment policy. Investments in our bond programs are rigidly restricted and are reflected in the policy.

In September of 1993 we invested in a $1.5 million Federal Home Loan Bank Mortgage Participation Certificate "inverse floater". The yield at time of purchase was 13% and is currently yielding 5.9%. The inverse floater feature of the investment is that as interest rates move upwards, the yield decreases and can go to zero. This investment is tied to a pool of mortgages and as they payoff, principle is returned on the investment. The current outstanding balance of the pool is $1,460,000 and the market value is $644,000. We will never lose principle on the investment as long as we can hold it until maturity. This investment was purchased in an environment when short term rates were 2-3% and we felt this was a way to make our 5% yield goal. Since this is a long term investment, we feel that we can weather the storms of changing interest rates. We would not want to invest in more than 10% of our fund balances (equal to about $3.9 million) in these type of investments at any point in time. In the current climate, we would not want to make any further investments in these type of vehicles.

RECOMMENDED ACTION

Approval of the amended investment policy.

VERMONT HOUSING FINANCE AGENCY

Investment Policy

The overriding goal of investment policy for the Agency is to provide the highest yield on funds on hand combined with adequate coverage of risk exposure. Investments will be deposited as soon as possible after receipt by utilizing such vehicles as sweep accounts. An in-depth analysis will be performed on each debt service date to ascertain investment alternatives for surplus cash in the various-programs.

Investment obligations in the various programs of the Agency will be governed by the resolution requirements which generally allow the following types of investments:

Direct general obligations of the United States.

Obligations which are unconditionally guaranteed by the United States.

Indebtedness issued by Bank for Cooperatives, Federal Financing Bank, Federal Land Banks, Federal Home Loan Banks, Federal Farm Credit Bank, Export-Import Bank of the United States, Farmers Home Administration, Government National Mortgage Association.

Public housing bonds fully secured by a pledge of annual contributions with the United States.

Bank time deposits evidenced by certificates of deposit insured under the Federal Deposit Insurance Corporation or Federal Savings and Loan Insurance Corporation. If deposits exceed the insurable limits they must be collateralized by security identified above or with general obligations of the State, by obligations of the Agency, or by mortgages insured ; or guaranteed by the Federal Housing Administration, the United States Veterans Administration, United States Farmers Home Administration or the Vermont Home Mortgage Guarantee Board. The market value of the alternative collateral must at least equal the amount of the excess time deposits.

Repurchase obligations for obligations of the first four types of investments identified above providing that the collateral for the investments be held by the Trustee or in a depository approved by that Trustee.

Investment agreements with banks or bank holding companies, whose senior long-term securities are rated in the top three categories by nationally recognized rating agencies and which have a capital and surplus exceeding 25 million dollars.

Investments may also be made in "derivative" type investments as long as they qualify under the bond indenture requirements and do not exceed 10% of fund balances at any point in time.

Investment obligations in the General Fund of the Agency may be invested in any of the categories described under the program requirements referenced above or unsecured in any bank approved by the State of Vermont Commissioner of Banking and Insurance and located within the State provided that the yield is not less than 25 basis points less than rates quoted in the Wall Street Journal for similar size investments. Unsecured investments in any Vermont bank is further restricted as to amount based on review of the bank's most recent annual financial statement by the Investment Officer and Director of Finance.

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Glenn A. Jarrett, General Counsel GAJ

DATE: January 11, 1995

RE: Single Family and Multi-Family Rules Revisions

BACKGROUND:

In the Fall the Board approved the promulgation of new single family and multi-family rules. We have filed the proposed rules with the Secretary of State and gone through the comment period without receiving any comments. The next step is for the Board to again approve the same rules so that we may file the final proposed rules with the Secretary of State and the Legislative Rules Committee and continue the process required for approval of the rules.

The multi-family rules can be found in the October Board packet and the single family rules were included in the November Board packet. We are not recommending any changes to the rules approved at those meetings. We will have copies available at the Board meeting for reference.

RECOMMENDED ACTION:

Board approval of the previously approved Agency Rules Pertaining to Certain Single Family Mortgage Loans and Rules for Loans to Housing Sponsors for Loans to Multi-Family Developments and a directive to the Executive Director to take all actions necessary to promulgate these rules pursuant to the Administrative Procedures Act.

T:\board\rules.mem

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

EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Cathleen Gent, Director of Communications

DATE: January 12, 1994

RE: VHFA Strategic Plan

In advance of your discussion at next week's meeting, attached is the final draft of the Vermont Housing Finance Agency Strategic Plan for Fiscal Years 1996-2000. Please note that two pages will be mailed to you tomorrow under separate cover: the timeline and Appendix B.

Please do not hesitate to call me at extension 224 prior to your meeting should you have any questions about this document.

Recommended Board Action Approval of the Vermont Housing Finance Agency Strategic Plan for Fiscal Years 1996-2000

DRAFT
FOR DISCUSSION ONLY

VERMONT HOUSING FINANCE AGENCY

STRATEGIC PLAN

FOR FISCAL YEARS
1996-2000

January, 1995

INTRODUCTION

VHFA is at a critical crossroads, given our history, national and local public policy priorities, financial resources and constraints, and the dynamic nature of Vermont's housing delivery system in response to changing affordable housing needs. As we entered our twentieth year, VHFA initiated a strategic planning process to prepare us for the future.

The scope of VHFA's strategic planning was broad: our vision for the next five years encompassed VHFA's mission, overall goals, objectives, and specific strategies or actions. This strategic plan covers Fiscal Years 1996-2000 (from July 1995 to June 1999) and will be integrated each year with VHFA's Business Plan, an annual statement of activities and goals for the Agency.

Since this represented the first formal strategic planning effort by VHFA, a substantial amount of information was assembled and reviewed. This information serves as a core for both present and future Agency planning activities.

During the period of time in which the strategic planning process was completed, VHFA underwent a number of significant changes which altered the nature of some decisions made. It was particularly timely and beneficial to develop the five year plan during this time of change.

OVERVIEW OF VHFA STRATEGIC PLANNING PROCESS

The central question asked throughout VHFA's strategic planning process was: Where does VHFA want to be in the next five years? Attention was repeatedly focused on this question through each phase of the work and the numerous approaches undertaken to plan comprehensively for VHFA's future.

The VHFA strategic planning process included an internal and external analysis of the policy, economic, demographic, and financial market trends affecting the delivery of housing in Vermont, housing needs and demands in the state, as well as VHFA's capacity, weaknesses, and strengths.

The consulting firm of Lanzikos, McDonough and Associates, which specializes in conducting strategic planning for housing organizations, was retained to assist VHFA in designing and implementing our strategic planning process. In particular, the consultants guided the Strategic Planning Advisory Committee, the VHFA Board of Commissioners, and the VHFA staff in identifying our strengths, weaknesses, opportunities, and threats (known as SWOT).

In September 1993, VHFA's Board of Commissioners (the Board) appointed a high caliber panel of advisors to assist in this planning effort. The dedication of the VHFA Strategic Planning Advisory Committee greatly sustained much of VHFA's strategic planning work.

Appendix A contains a list of the Strategic Planning Advisory Committee members. Sadly, Emery Hebard, former State Treasurer and VHFA Board member and a member of the Strategic Planning Advisory Committee, passed away before the work of the Advisory Committee was completed.

As part of the VHFA internal and external analyses, individuals representing different constituent groups and organizations were interviewed or surveyed, which provided a valuable resource in examining the current and future affordable housing needs of Vermonters, VHFA's role in the housing delivery system, as well as the likely funding and financing climate in which VHFA will operate. Appendix B contains a complete listing of individuals and organizations interviewed and surveyed.

The VHFA research analyst completed a comprehensive "situational analysis" for VHFA. During the course of completing the strategic planning process, VHFA consolidated with the Vermont Home Mortgage Guarantee Board (VHMGB). A "situational analysis" for VHMGB was also completed. These documents included data and information gathered in order to help VHFA assess historical activities for single family, multi-family and VHMGB activities, financial conditions, and special initiatives. An external assessment was also conducted including a review of federal policy and tax laws, state policy, the housing delivery system, the economy and housing, and population/demographics. The situational analyses were completed for VHFA in December 1993 and for VHMGB in February 1994.

VHFA staff and Commission members were also instrumental in the process: the full staff and Board separately participated with Lanzikos, McDonough and Associates in their SWOT exercise and individual staff members served as advisors in developing the strategies and actions for plan implementation.

The results of situational analysis, interviews, surveys, and SWOT exercises were presented in early 1993 to the Strategic Planning Advisory Committee for their consideration as they identified and prioritized key strategic issues, options, and challenges facing the organization. In May 1994, the advisory committee's recommended strategies for Agency implementation over the next five years were submitted to the Board, covering a broad array of potential activities for the Agency. Their insightful reflections and thoughtful recommendations provided an excellent base upon which the Board and staff made decisions about the direction of the strategic plan.

From June through September 1994, the Board revised VHFA's statements of mission, overall goals, and objectives. The strategies or actions needed to carry out the goals and objectives were then determined by VHFA staff. The Board adopted VHFA's 1996-2000 Strategic Plan in January 1995, for integration into the Agency's Annual Business Plan. The strategies will then be reviewed and updated each year, thus creating an on-going monitoring system.

VHFA TODAY AND TOMORROW

The primary reason for conducting a strategic planning process is to assess current and expected future operational and environmental conditions and to plan in a manner which maximizes efficiencies and offers a unique resource. In VHFA's strategic planning work, internal and external assessments were conducted through interviews, surveys, and a systematic review of our history, national and local public policy priorities, financial resources and constraints, Vermont's housing delivery system, and current and projected demographic conditions and housing needs. The results of these assessments formed the basis on which VHFA's mission, overall goals, objectives, and specific strategies or actions were decided.

A. VHFA ACTIVITY

During its twenty-year history, VHFA has loaned over $1 billion through multi-family and single family activities. Multi-family loan volume accounts for approximately $100 million of the $1 billion invested by VHFA in affordable housing throughout Vermont.

VHFA has assisted more than 18,000 low- and moderate-income Vermonters gain homeownership. New types of programs have been introduced over the years, but the primary vehicle for VHFA loan originations has been the Mortgages for Vermonters (MOVE) Program. Outreach efforts have been launched in counties with less than optimal levels of VHFA activities, particularly in southern Vermont. Since 1987, VHFA has offered home buyer education courses and workshops across Vermont, usually in conjunction with local lenders and real estate professionals.

While the largest percentage of VHFA borrowers earn 80-100% of the state's median household income, almost 60% earn **below** 80% of the state's median income amount. The following breakdown shows the income profiles for VHFA borrowers from July 1, 1993 through June 30, 1994:

Income Category	Number of Loans	Percent of Loans
Over 100% of Median	42	6
80-100% of Median	261	38
50-79% of Median	320	46
30-49% of Median	67	10
Less than 30% of Median	5	1

As of June 30, 1994, a total of 3,531 elderly and family rental units were financed by VHFA. By far, the largest number of units (1,935) were produced under the Section 8 Program

between 1974 and 1984. Since 1987, the Low Income Housing Tax Credit (LIHTC) Program has been administered by VHFA and has provided a major vehicle for the creation and preservation of rental units in Vermont. The Multi-Family Management department is responsible for servicing and monitoring the multi-family portfolio, HUD Contract Administration, and tax credit compliance monitoring.

A major challenge for VHFA in financing affordable rental housing is that the developments serving low- and very low-income households can assume little or no debt. The Agency has very few debt-free funding vehicles to assist these developers. Even with this limitation, 98% of renter households living in units financed by VHFA between July 1, 1993 and June 30, 1994 earned less than 50% of the state's median household income:

Income Category	Number of Units	Percent of Units
50-79% of Median	2	2
30-49% of Median	23	18
Less than 30% of Median	100	80

A financial analysis of VHFA was completed by Evensen Dodge Inc. in June 1993. One conclusion reached in that study was that "VHFA has aggressively and efficiently used its assets and fund balances to provide affordable housing." A list of resource initiatives accomplished with VHFA fund balances includes the capitalization of Housing Vermont, the second mortgage pool for the Officers' Row development at Fort Ethan Allen, and the deferred loan funds used to create five Homeless Shelters. VHFA has also provided financial and in-kind support to Energy Rated Homes of Vermont and other initiatives linking energy efficiency and mortgage lending.

The no-point mortgage option feature offered in 1993 and 1994 was initially subsidized by VHFA with a payment to the lenders for every mortgage originated with this feature. VHFA has also supported nonprofit developers using Vermont Housing and Conservation Trust Fund resources and VHFA's Home Ownership Using Shared Equity (HOUSE) program to provide shared equity homeownership opportunities to low-income households. While these special initiatives provide direct, added benefit to the consumer, many of these activities provide a major and much needed stimulus to the state's economy. For example, the creation of Housing Vermont resulted in the production of nearly 2,000 rental units and equity investment of approximately $20 million.

B. CURRENT FINANCIAL CONDITION

VHFA has proven itself willing to take risks and break new ground; our ability to continue

to use our fund balances creatively is dependent upon current and future financial conditions. The Evensen Dodge study was commissioned by VHFA in order to understand better and identify available resources for future housing programs and related purposes. Some recommendations made by Evensen Dodge being implemented or under consideration by VHFA include:

1) Tracking of single family and multi-family loan prepayments
2) Increasing the amount in VHFA's Fund Balance
3) Creating a Construction Loan Program

Formal actions regarding the future allocation of funds will be taken at the conclusion of VHFA's strategic planning process.

C. ORGANIZATIONAL STRUCTURE

Throughout our history, VHFA has undertaken a number of organizational transitions to better align the staffing structure according to specific activities and functions. A major transition took place in 1988, in which five departments were developed. In 1991, the Multi-Family Management department evolved. As mentioned previously, during the strategic planning process, the programs of the Vermont Home Mortgage Guarantee Program (VHMGB) were assumed under VHFA's umbrella, to increase efficiencies in providing homeownership mortgage and guarantee programs for low- and moderate-income Vermonters. (See Appendix C for the current VHFA organizational chart.) While this increased the total number of employees at VHFA, combining responsibilities for a number of positions did result in the elimination of four positions, which was achieved through attrition. VHFA staffing levels reflect the complexity of creating and preserving affordable housing through multi-layered funding sources as well as the continuing growth and need for management and servicing of VHFA's loan portfolio to maintain and ensure fiscally sound operations. Periodic reviews of staffing level needs will be conducted as part of VHFA's Business Plan.

D. External Factors

Numerous changes in federal tax laws have had a significant impact on the efficiency of Mortgage Revenue Bonds (MRBs) in providing affordable housing opportunities. On the single family side, these changes have restricted program eligibility to certain income levels and have reduced the earnings potential for the Agency which was previously derived from the issuance and operation of tax-exempt bond programs. On the multi-family side, changes in the 1986 tax code resulted in the general decline in investment for rental real estate by reducing the investment for investors. While the Low Income Housing Tax Credit Program was created as part of the 1986 revision of tax laws and is today the major engine for the production of rental housing, it is an intricate program and has taken time for investors to understand and support. Permanent extensions of both the MRB and Tax Credit programs

were passed by Congress in 1993. While further restrictions are unlikely, MRB programs have become difficult to operate programmatically and financially. The challenge is to find a new vehicle which satisfies the needs of home buyers and works to the benefit of VHFA.

Vermont's efforts to meet the housing needs of low- and moderate-income residents involve five state agencies, nonprofit developers, and private developers. The Enterprise Foundation, a national nonprofit community development intermediary, evaluated the effectiveness of the current configuration of state housing agencies and the state's affordable housing delivery system. In a February 1993 report, Enterprise outlined a series of recommendations to improve efficiencies and to make programs easier to use for Vermont's housing partners, especially nonprofit organizations. Discussion about ways to implement their recommendations today continues across state agencies, including VHFA.

During the 1980's, Vermont enjoyed a robust economic period, featuring a rapidly expanding job market, growth in incomes, and low unemployment. The housing market expanded significantly in that decade, which pushed up the prices of owner-occupied and rental housing and resulted in housing affordability problems, especially for low-income households. But the Vermont economy began to decline and, by 1989, entered a recession. Job losses occurred in manufacturing, real estate appreciation halted, and unemployment grew in the construction sector. While Vermont is no longer in a recession, economic forecasts indicate there is no significant engine of economic growth. The fundamentals of the Vermont economy remain weak, with subdued job and income growth rates.

Reflecting fundamental demographic shifts occurring nationally, Vermont's population is aging: the average age of 33 represents an increase of 3.6 years between 1980 and 1990, with baby-boomers driving the shift upward. The number of elderly over the age of 75 rose 18% between 1980 and 1990 and now comprises 5% of Vermont's population. Actual population losses between 1980 and 1990 occurred in the under 18 and the 19-24 age categories.

Between 1980 and 1990, household size decreased from 2.7 to 2.5 persons in Vermont. While Vermont's population is expected to increase slightly, the household size will be smaller.

According to CACI Marketing Systems projections, incomes will rise slowly in Vermont in the next four years (5%) to a $34,600 household income. The income groups targeted by VHFA's homeownership programs - the $15,000 to $35,000 groups - will have about 66,000 households in 1998, a number slightly larger than today's. The dream of homeownership for rental households continues, as indicated in surveys conducted for VHFA in 1992 and 1993. The difficulties of having sufficient incomes for down payment and monthly housing payments remains a barrier, despite the relatively lower housing costs in the past several years. In addition, lower-income households (both renter and owner-occupied) generally pay a greater proportion of their incomes for housing.

Specific housing and services are needed for a number of special population groups in

Vermont: frail elderly, homeless, persons with mental health/mental retardation difficulties, substance abusers, persons with dementia, persons with physical handicaps, ex-offenders, and persons with AIDS. The total number of persons with special housing needs who cannot live independently without supportive services is estimated to be 18,000 to 52,000.

Over the next several years, VHFA must target its resources carefully to meet the needs of low- and moderate-income homeowners, elderly and family rental households, and other special needs populations to ensure that appropriate housing is made available. This challenge is addressed in the Agency's Strategic Plan for Fiscal Years 1996-2000 and will be considered in our annual business plans.

VHFA MISSION, OVERALL GOALS, AND OBJECTIVES

Utilizing the information gathered through the internal and external assessments and the reviewing the recommendations of the VHFA Strategic Planning Advisory Committee, the VHFA Board approved the following revised mission statement, overall goals, and specific objectives. The subsequent strategies were developed in accordance with the mission, overall goals, and planning objectives.

MISSION

VHFA's mission is to finance and promote affordable, safe, and decent housing opportunities for low- and moderate-income Vermonters.

OVERALL GOALS

1) To provide access to low cost, flexible, innovative programs for individuals who are otherwise unable to qualify for mortgage financing.

2) To stimulate the development and preservation of affordable housing, including rental and ownership housing opportunities for low- and moderate-income Vermonters; and to encourage mechanisms to ensure that this housing remains perpetually affordable.

3) To maintain a sound fiscal structure and meet all fiduciary requirements in a professional manner.

4) To work in partnership with state government, municipalities and the private sector to: (a) encourage and support quality planning for affordable housing; (b) address the special needs of Vermonters who have disabilities or require supportive services; and (c) address homelessness in Vermont.

5) To heighten general awareness of housing needs for low- and moderate-income Vermonters, particularly with groups who can have an impact on the production of such housing, including the legislature, community officials and the business community.

6) To create and sustain a workplace conducive to attracting and retaining a quality staff.

PLANNING OBJECTIVES - LINKED TO OVERALL AGENCY GOALS

Objective 1: To enhance affordability and habitability that will increase homeownership.

Objective 2: To improve flexibility of financing tools as a lender for rental housing.

Objective 3: To create and enhance affordable housing integrated with services to enable households to remain in their residences.

Objective 4: To increase the efficiency and responsiveness of the lending process.

Objective 5: To develop programs to finance the mitigation or elimination of environmental hazards that may inhibit the production or preservation of safe and decent affordable housing.

Objective 6: To work with other housing and regulatory agencies to facilitate the development and preservation of affordable housing.

Objective 7: To inform policy makers on an on-going basis regarding affordable housing issues and needs.

Objective 8: To promote VHFA's affordable housing programs and to build upon VHFA's successful public education and information efforts.

Objective 9: To enhance the long-term financial viability of VHFA by improving efficiency, reducing costs and increasing revenues.

Objective 10: To encourage and support a work environment that enables staff to realize their full potential as employees of VHFA.

RECOMMENDED STRATEGIES

Following the direction of the Board, VHFA staff developed strategies to implement an action plan based upon the mission statement, overall goals, and objectives established by the Board. The following summary shows the strategies as they apply to VHFA's strategic planning objectives.

1. *To enhance affordability and habitability that will increase homeownership*
   - Expand Down Payment Assistance
   - Develop Home and Energy Improvement Lending Programs

2. *To improve flexibility of financing tools as a lender for rental housing*
   - Expand Energy Lending Activities
   - Expand Financing Options for Mobile Home Purchases
   - Expand (as Consortium) Use of FHLB in Conjunction with LIHTC
   - Provide Financing for Co-op Housing
   - Improve Financing to 3 and 4 Unit Owner Occupied Properties

3. *To create and enhance affordable housing integrated with services to enable households to remain in their residences*
   - Address Homelessness
   - Collaborate to Develop Programs for Support and Special Needs

4. *To increase the efficiency and responsiveness of the lending process.*
   - Increase Revenues Through Loan Servicing Modifications

5. *To develop programs to finance the mitigation or elimination of environmental hazards that may inhibit the production or preservation of safe and decent affordable housing.*
   - Finance Program for Environmental Hazard Management Multi-Family Properties
   - Financing Housing Infrastructure

6. *To work with other housing and regulatory agencies to facilitate the development and preservation of affordable housing.*
   - Collaborate with Other Agencies To Achieve Efficiencies

7. *To inform policy makers on an ongoing basis regarding affordable housing issues and needs.*
   - Maintain Data Collection, Analysis, and Dissemination of Housing Data

8. *To promote VHFA's affordable housing programs and to build upon VHFA's successful public education and information efforts.*
   - Promote Homeownership Through Expansion of Home Buyer Education

9. *To enhance the long-term financial viability of VHFA by improving efficiency, reducing costs and increasing revenues.*

Expansion of Financing to Non-Housing Activities
Better Utilize VHMGB to Enhance Services/Products of VHFA
Reduce Operating and User Costs

10. *To encourage and support a work environment that enables staff to realize their full potential as employees of VHFA.*

Encourage and support a productive and positive work environment

TIMELINE FOR STRATEGIES

This will be sent under separate cover.

VHFA STRATEGIC PLANNING
Recommended Strategy

Expand Down Payment Assistance

Action #1 Extend Down Payment Assistance Pilot Program with VHMGB.

Goals

1. Provide 100% financing to individuals who would otherwise not be able to purchase a home with emphasis on borrowers with the lowest income.
2. Require pre-purchase home inspections and provide pre-purchase homeownership counseling and post-purchase counseling in conjunction with early intervention, self-servicing of these loans to reduce the number of defaults.
3. Determine whether loans with no down payment have a greater incident of default than loans with a 5% down payment.

Time Period for Implementation During Year 1 of Strategic Plan (FY96)

Action # 1 - Total time frame of 6 to 8 months. Develop pre- and post-purchase counseling strategy; determine additional program requirements and targeting; obtain approval of VHFA and VHMGB Boards; revise procedures and notify lenders.

Results

150 additional Vermonters per year who would otherwise be unable to purchase a home because of the lack of down payment will become homeowners.

The risk of default will be reduced because of pre-purchase and post-purchase counseling. The risk of loss will be reduced because of pre purchase home inspections and early delinquency intervention.

Other Considerations

- Additional staff might be required.
- Costs of development and operation for pre-purchase and post-purchase counseling, as well as self-servicing need to be considered.
- We may consider the options of servicing these loans ourself and requiring an energy component.

Continued...

Expand Down Payment Assistance (Continued)

Action # 2 Down Payment Assistance Using a Second Mortgage Program

Goals

1. Provide up to 95% first mortgage financing and a 5% second mortgage to individuals who would otherwise not be able to purchase a home. Emphasis would be placed on borrowers with lower incomes.
2. Increase financing available to assist buyers without downpayments.
3. Require pre-purchase home inspections and provide Pre-purchase homeownership counseling and post-purchase counseling in conjunction with early intervention, self-servicing of these loans to reduce the number of defaults.
4. Determine whether loans with no down payment have a greater incident of default than loans with a 5% down payment.

Time Period for Implementation During Year 2 of Strategic Plan (1996)

Action # 2 - Total time frame of 10 to 12 months.

Develop a pre- and post-purchase counseling strategy; determine program eligibility requirements and targeting; develop procedures; locate a source of funding; implement program with lenders.

Results

Over a five year period, 225 additional Vermonters who would otherwise be unable to purchase a home because of lack of down payment will become homeowners.

The risk of default will be reduced because of pre-purchase and post-purchase counseling. The risk of loss will reduced because of pre purchase home inspections and early delinquency intervention.

Other Considerations

- ⌂ Additional staff might be required.
- ⌂ Costs of development and operation for pre-purchase and post-purchase counseling, as well as self-servicing need to be considered.
- ⌂ We may consider the options of servicing these loans ourself and requiring an energy component.

Develop Home and Energy Improvement Lending Programs

Action Develop Home and Energy Improvement Lending Program to preserve affordable housing stock.

Goals

1. Improve access to home improvement funds to low- and moderate-income homeowners who do not have a substantial amount of equity of their homes.
2. Improve energy efficiency of existing housing stock.
3. Eliminate hazards from lead-based paint and other health hazards.

Time Period for Implementation During Year 1 of Strategic Plan (1995)

Action # 1 - Total time frame of 6 to 8 months. Determine appropriate loan guarantors/insurers and become approved; develop a source of funds; recruit participating lenders/technical assistance; develop procedures; implement program

Results Financing to preserve affordable housing will be available to homeowners without equity in their homes. Improved safety of housing for occupants by eliminating lead-based paint, asbestos, and other hazards that may exist.

Other Considerations

- Time and Resources to develop financing source.
- Staff capacity to develop, implement, and operate program.
- System requirements and changes to service loans and to meet any special requirements of the HUD FHA Title One Home Improvement Loan Program.
- Losses not covered by HUD.
- Supplies to promote and operate program.
- Pre-payments.
- Cost of Technical Assistance.

Expand Energy Lending Activities

Action Develop multi-family lending program to improve multi-family affordable housing stock by making loan funds available for energy efficiency improvements.

Goals

1. Improve access to financing for eligible owners of multi-family properties desiring to make their properties more energy efficient.

2. Create an awareness on the part of property owners relative to the desirability of making properties more energy efficient.

3. Promote a lending environment where the value of energy efficiency is recognized in appraisals and loan underwriting.

4. Target large (25+ units) multi-family development.

5. Explore feasibility of providing financing in collaboration with energy services companies, which would administer program(s).

Time Period for Implementation During Year 2 of Strategic Plan (1996)

Action # 1 - Total time frame 9-12 months. Survey property owners to determine demand for energy improvement loan capital; coordinate with other entities doing energy lending and who will support this initiative; identify/develop source of funds; identify/develop sources of guarantee; develop procedures and initiate program.

Results Financing to create energy efficiency and affordable rental units. A market which recognizes the value of energy improvements.

Other Considerations

Expand Financing Options for Mobile Home Purchases

Action Develop program to finance mobile homes in privately owned mobile home parks with short term leases.

Goals

1. Expand homeownership options for lower income Vermonters who do not have the resources to qualify for financing to purchase a mobile home through a bank or finance company.
2. Provide financing for longer terms, lower down payment requirements, and more flexible qualifying requirements than currently available.

Time Period for Implementation During Year 2 of Strategic Plan (1996)

Action # 1 - Total time frame 6 to 8 months. Identify source of funds; determine program requirements and targeting; develop criteria for approving mobile home parks; recruit participating lenders; develop program procedures and forms; implement program with lenders.

Results More lower income Vermonters will become homeowners.

Other Considerations

- ⌂ Resources to develop financing source.
- ⌂ Staff capacity and to operate program.
- ⌂ Staff capacity and the cost to self-service loans.

VHFA STRATEGIC PLANNING
Recommended Strategy

Expand (as Consortium) Use of FHLB in Conjunction with LIHTC

Action

Develop a consortium of banks and VHFA to participate in the financing of affordable housing. VHFA would provide administrative, loan underwriting, and loan servicing, for which it would receive fees and other revenue. VHFA might also participate in loans depending upon the competitiveness with which it can access funds. Initially the consortium would focus on FHLB lending for LIHTC projects.

Goals

1. To expand the financing options for housing developed with Low Income Housing Tax Credits.
2. Provide a service for banks to allow them to finance affordable housing developments.
3. Utilize the expertise that exists on staff to generate fee income for VHFA.

Time Period for Implementation During Year 1 of Strategic Plan (1995)

Action # 1 - Total time frame of 6-9 months. Solicit Interest and Input from Community Banks and other Lenders; program development; program implementation

Results

Housing will be created and preserved using resources already available to community and other banks and expertise that exists within VHFA. Benefits to participating banks would be risk-sharing, CRA credit, access to loan underwriting and servicing expertise, and program knowledge of VHFA staff.

Other Considerations

- Expenses and Revenues are highly sensitive to both the number and size of loans.
- Projections are based upon lending $2.0 million per year for 10 projects.

VHFA STRATEGIC PLANNING
Recommended Strategy

Provide Financing for Co-op Housing

Action Provide financing for the development of limited equity cooperative housing.

Goals

1. To provide construction and permanent financing (blanket mortgages) for the development of limited equity cooperative housing units.

2. To provide construction and permanent financing (blanket mortgages) for the development and/or conversion of mobile home parks into Cooperative Mobile Home Parks.

3. To provide share loans to tenant stockholders.

Time Period for Implementation During Years 1 and 2 of Strategic Plan (1996)

Action # 1 - Total time frame of 4-6 months. Develop source of funds for blanket and share loans; program development, including input from local nonprofit housing organizations and recruitment of nonprofits to do tenant organization and assistance with share lending; program implementation.

Results Limited equity cooperative housing provides a form of homeownership to very low-income individuals and families.

Other Considerations

- ⌂ Requires participation by local or regional nonprofit organizations for organizational development and share lending.
- ⌂ Demand is expected to be strongest in Chittenden County.

VHFA STRATEGIC PLANNING
Recommended Strategy

Improve Financing to 3 and 4 Unit Owner Occupied Properties

Action Develop Financing Option for 3 and 4 Unit Owner Occupied Properties through the MOVE and HOUSE Programs.

Goals

1. Increase homeownership among lower income families.

2. Revitalize communities by increasing the number of owner occupied properties and decreasing absentee landlords.

Time Period for Implementation During Year 3 of Strategic Plan (1997)

Action - Total time frame of 10 months. Develop pre-purchase counseling and post-purchase counseling on how to become a homeowner and how to be a landlord; determine method of delivery of pre-purchase counseling and post-purchase counseling; develop delivery system for technical assistance to complete rehabilitation and repairs; develop lender procedures and train lenders; implement program.

Results More lower income households would become homeowners. Older communities would be revitalized.

Other Considerations

- ⌂ Many of the properties financed will require rehabilitation and that technical assistance would be available to new homeowners/landlords.
- ⌂ 3-4 unit properties would be financed through the MOVE and HOUSE programs and another source would not have to be developed.

Address Homelessness

Action Support research and public education via all available mechanisms.

Goals

1. Assist other state agencies in their efforts to define the nature and extent of the homeless problem.

2. Help disseminate the results of this research to support for efforts to finance initiatives for housing homeless population.

Time Period for Implementation During Year 1 of Strategic Plan (1995)

Action - Total time frame of 3-12 months. Participate in work group for conducting survey; assist in disseminating survey results; assist in public education.

Results Collaboration with other state agencies involved with this work would be achieved. Promotes efforts to provide safe and decent affordable housing. Public awareness of issue would be enhanced.

Other Considerations

- Current VHFA financing mechanisms could not be used to finance these facilities or other non-debt approaches to create shelters for homeless persons and families.
- No new staff would be needed.

Collaborate to Develop Programs for Support and Special Needs

Action #1 Finance assisted living units which provide services for the elderly, child care centers in family housing developments, housing for the developmentally disabled, and supportive services in traditional elderly and family units. The focus of this analysis is on financing assisted living units for the elderly.

Goals

1. To combine affordable housing developed for the elderly with supportive services. Housing developed could include owner occupied and rental units.

Time Period for Implementation During Year 2 of Strategic Plan (1996)

Action # 1 - Total time frame of 9-12 months. Program Development (in-state); obtain agreements or waivers (federal); implement program

Results Residents of owner occupied and rental units will have the support necessary to continue to live in their homes.

Other Considerations

- The above numbers assume that subsidy to fund services and housing for low income residents will be available through other state agencies or other outside sources.

Continued...

Collaborate to Develop Programs for Support and Special Needs (Continued)

Action #2 Work with Area Mental Health Agencies to Develop Financing for Homeownership for Adults with Developmental Disabilities. Developmentally Disabled Participants would purchase a home through their legal guardian using their SSI or SSA benefits for housing debt, taxes, insurance, utilities, and maintenance. The service component would be funded through Medicaid waivers.

Goals

1. Expand the housing options available for adults with developmental disabilities.
2. Provide homeownership opportunities to very low income Vermonters.

Time Period for Implementation During Year 1 of Strategic Plan (1995)

Action #2 - Total time frame of 6 months. Work with area mental health agencies to identify participants, develop budget for the home and source for subsidy; identify underwriting variances that might be required to qualify participants; obtain approval from VHFA and VHMGB Boards; develop procedures and train participating lenders; implement program.

Results Developmentally Disabled adults would have the stability that homeownership provides.

Other Considerations

- Assumes that subsidy will be available from VHCB or other sources to lower the purchase price.
- Medicaid waiver or other funds will be available to provide on-site services, where necessary.
- First mortgage financing through VHFA's MOVE or HOUSE programs.

Increase Revenues Through Loan Servicing Modifications

Action #1 Reduce servicing fees to servicers

Goals

1. Research potential negative impact of reduced fees on program participation or quality of servicing.
2. Review legality of reducing fees on current programs.
3. Design program to implement reduced fees on new programs.
4. Measure impact of reducing fees versus self-servicing.

Time Period for Implementation During Year 1 of Strategic Plan (1995)

Action #1 - total time frame 6-8 months. Research impact of reduced fees; review reduced fees on old programs; setup reduction fees for new programs; analyze reduction vs self-servicing.

Results Analysis will determine whether a reduction in servicing fees is viable; a reduction in servicing fees paid from .375% to .25% would result in savings of approximately $500,000 on the current portfolio, with no additional cost.

Other Considerations

- The action of reducing servicing fees needs to be considered in conjunction with Action #2, which would take all servicing in-house.

Continued...

Increase Revenues Through Loan Servicing Modifications (Continued)

Action #2 VHFA direct servicing of loans

Goals

1. Determine feasibility of direct servicing
2. Assess political impact with regard to relations with lenders and effect upon origination of mortgages
3. Acquire portfolio loans from servicers for servicing
4. Purchase software to enable self-servicing

Time Period for Implementation During Year 2 of Strategic Plan (1996)

Action #2 - total time frame 9-12 months. Review feasibility of direct servicing; acquire loans for servicing; setup computer program.

Results If program is successful, it is anticipated that a significant enhancement to revenues will be realized (see cost/income table above), as well as a reduction or improvement in delinquencies or defaults.

Other Considerations

- This action would be a profound shift in the way we do business and the interaction with current lender/servicers.
- It might be necessary to consider direct lending or a change in the point structure to keep lenders origination mortgages, if they do not retain servicing.
- It may also be necessary to purchase servicing of loans from lenders, which could approximate $4 million for all loans currently being serviced.

Finance Program for Environmental Hazard Management Multi-Family Properties

Action Develop multi-family lending program to improve and preserve multi-family affordable housing stock by making loan funds available to address environmental hazards (e.g., lead paint, asbestos, radon and other toxic substances).

Goals

1. Improve access to financing for eligible owners of multi-family properties desiring to address environmental hazards affecting their properties.

2. Reduce and eliminate environmental hazards which are detrimental or potentially detrimental to the residents of a multi-family building.

3. Develop options for multi-family loan guarantees for the purposes of providing forms of security other than mortgages for these loans.

4. Promote a lending environment where the value of environmental improvements is recognized in appraisals.

Time Period for Implementation During Year 4 of Strategic Plan (FY99)

Action # 1 - Total time frame of 9-12 months. Survey property owners to ascertain extent of demand for environmental loan capital; identify/develop sources of funds; identify/develop sources of guarantee; initiate address of appraisal issues; develop procedures and initiate program

Results

1. Financing to create environmentally safe and affordable rental units.
2. Promotes a market which recognizes the value of the environmental improvements.
3. Provides a source(s) for loan security other than a mortgage.

Other Considerations

VHFA STRATEGIC PLANNING
Recommended Strategy

Financing Housing Infrastructure

Action VHFA would provide financing for housing infrastructure which could include sewer, water, drainage, utilities, and roads for new or existing conventional housing as well as mobile home parks. The focus for strategic planning is on financing for existing mobile home park infrastructure.

Goals

1. To correct health and safety problems that have arisen (or are imminent) in mobile home parks.

Time Period for Implementation During Year 3 of Strategic Plan (1997)

Action # 1 - Total time frame of 6 months. Analyze need and economic feasibility in conjunction with Agency of Natural Resources; develop source of funds; develop underwriting standards and physical park standards; outreach and program marketing.

Results Health and safety problems in mobile home parks, which represent a large percentage of the state's affordable housing stock, would be corrected.

Other Considerations

- It is assumed that VHFA would finance approximately 30% of the cost of improvements and that CDBG, VHCB, or other soft second financing would be available.
- Economic feasibility depends on the size of loans and achieving efficiencies of high volume loan production.
- Initial action steps will be to better determine feasibility in terms of costs and potential revenues based on the environment (e.g., state regulation of mobile home parks) in 1997.

Collaborate with Other Agencies To Achieve Efficiencies

Action # 1 Improve affordable housing program compliance monitoring.

Goals

1. To streamline and make the multiple program and agency compliance monitoring more efficient with minimal overlap.

Time Period for Implementation During Years 1 and 2 of Strategic Plan (1995-1996)

Total time frame of 24 months. Continue discussions with statewide housing agencies; identify specific areas where compliance monitoring activities can be consolidated; establish and publish a written plan for how future compliance monitoring will be managed; begin implementation; evaluate program.

Results

The compliance monitoring process will be less complicated and more efficient. Owners, managers and residents will have fewer interruptions related to multiple agency and program compliance monitoring requirements. Will achieve cost effective monitoring while meeting all compliance guidelines.

Other Considerations

- ⌂ Additional income projections, beyond existing tax credit and Contract Administration fees, are difficult to predict.

Continued...

Collaborate with Other Agencies To Achieve Efficiencies (Continued)

Action # 2 Streamline and make more user friendly the application process related to the multiple housing agencies and programs for a given housing development.

Goals

1. To design a simplified process for housing sponsors that reduces the burden of separate applications and budget forms.
2. To facilitate a unified decision on proposals for affordable housing program financing and funding.
3. To the extent possible, implement the use of a standard development and operating budget submission for all affordable housing programs and agencies.

Time Period for Implementation During Year 1 and 2 of Strategic Plan (1996-1997)

Action # 2 - Total time frame of 24 months. Continue discussions with statewide housing agencies; identify specific areas where these application and budget requirements can be consolidated; design and print new uniform applications, forms and budgets; begin implementation phase using revised and coordinated materials for all housing related proposals.

Results The delivery system for new affordable housing projects will be less complicated and more efficient.

Other Considerations

- Must establish energy standard requirements and policy direction regarding new construction vs. rehabilitation
- Supportive services
- Role of private sector
- Income targeting

Continued...

Collaborate with Other Agencies To Achieve Efficiencies (Continued)

Action # 3 Improve the overall quality and create efficiencies in gathering data related to compliance monitoring.

Goals

1. To establish standardized reports and data collection procedures related to compliance monitoring.

Time Period for Implementation During Years 2 and 3 (1997-1998)

Action # 3 - Total time frame of 24 months. Continue discussions with statewide housing agencies; identify areas where data collection can be consolidated; prepare plan for management of data; begin implementation.

Results Reduces the burden of reporting and data gathering required of housing owners and managers. Net savings of time and money produced by VHFA and other housing agencies.

Other Considerations

VHFA STRATEGIC PLANNING
Recommended Strategy

Maintain Data Collection, Analysis, and Dissemination of Housing Data

Action Maintain current level of data collection, analysis, and dissemination for internal VHFA use and external projects as appropriate.

Goals

1. To provide information in programmatic and fiscal decision-making processes.
2. To update data on a regular basis for VHFA staff in a variety of professional and public contexts.
3. To broaden an understanding of the issues surrounding affordable housing.
4. To support efforts by other affordable housing organizations and state government to gather and disseminate housing data.

Time Period for Implementation During Year 1 of Strategic Plan (1995)

Action # 1 - Total time frame of 2 to 6 months. Update Housing Data Book and other sources; produce program evaluations as needed; continue the work of the Housing Needs Assessment Work Group; coordinate data collection for housing agency production (multiple agencies); collaborate in data collection and dissemination efforts to highlight homeless problem.

Results This is primarily an internal activity with little opportunity for income generation.

Other Considerations

- Good data collection is fundamental to VHFA decision-making and to advancing the need for affordable housing in Vermont.
- Opportunities of collaboration with other agencies will develop and shift over time, depending upon current needs.

VHFA STRATEGIC PLANNING
Recommended Strategy

Promote Homeownership Through Expansion of Home Buyer Education

Action #1 Offer "Introduction to Homeownership" workshops (including VHFA programs)

Goals

1. To enhance viability of VHFA programs *today* and generate loans among targeted groups: older "empty-nesters" wanting to get back into homeownership, new young work force, persons living in publicly assisted housing, refugees and immigrants, special circumstance renters (e.g., farm worker tenants).

2. To offer "Introduction to Homeownership" workshops on a fee basis for lender's conventional loan programs as well as VHFA programs.

Time Period for Implementation During Year 2 of Strategic Plan (1996)

Action # 1 - Total time frame of 8-12 months. Ascertain interest among lenders; develop workshop materials and syllabus; schedule and hold first workshop; evaluate program.

Results 50 VHFA loans are generated and fees for offering workshops on behalf of lenders across Vermont are sufficient to support ½ time position ($15,000 annually based on estimates of 300 participants @ $50 each).

Other Considerations

- Sufficient fees will be needed to cover the costs of administering this program.

Promote Homeownership Through Expansion of Home Buyer Education (Continued)

Action #2 Offer "Successful Homeownership" post-purchase workshops for VHFA first time buyers and buyers in lender conventional loan programs

Goals

1. To prepare first time home buyers (VHFA and conventional loan program buyers) more fully about the process of owning a home: budgeting for house repairs and regular maintenance; common areas needing repair; how to seek professional help to repair problems; working with lender if financial difficulties arise; how stepped rate works (HOUSE borrowers).

2. To reduce levels of delinquencies and foreclosures for VHFA and conventional lending loan programs and thus protect investment.

Time Period for Implementation During Year 2 of Strategic Plan (1996)

Total time frame of 8-12 months. Ascertain interest among lenders; develop workshop materials and syllabus; schedule and hold first workshop; evaluate program.

Results Delinquencies and foreclosures will be reduced by 25% (Year 1) and 30% (subsequent years) [net cost *reduction* not directly assessed] and fees for offering workshops on behalf of lenders across Vermont should be sufficient to support ½ time position ($15,000 based on estimates of 300 participants @ $50 each).

Other Considerations

- Even if the program is not fully funded by fee income alone, VHFA could target down payment assistance loans and reduce loan losses.

Expansion of Financing to Non-Housing Activities

Action #1 Explore feasibility of integration of existing entity functions

Goals

1. Determine which organizations should be integrated, for which VHFA would provide administrative and financial services.
2. Prove overall savings both in costs and efficiencies available through consolidation of activities.
3. Show earnings potential to VHFA.
4. Indicate possible increased usage based on marketing and outreach.
5. Get legislature/governor's office support.

Time Period for Implementation During Year 1 of Strategic Plan (1995)

Action - Total time frame 9-12 months. Obtain political support and authority; financial feasibility study; marketing study for increased usage.

Results VHFA would provide the administrative and financial services for multiple purposes in a cost effective way, while generating additional revenues and diversifying into areas outside housing.

Other Considerations

- ⌂ Expansion of staff will be necessary for this activity and will require additional space and fixed costs.

Continued...

Expansion of Financing to Non-Housing Activities (Continued)

Action #2 Implement integration of auxiliary financing functions into VHFA

Goals

1. Assimilate existing organizations records and activities
2. Purchase of specialized computer software and hardware
3. Integration of staff and functions into VHFA infrastructure
4. Maintain current program usage and expand into under served areas

Time Period for Implementation During Year 2 of Strategic Plan (1996)

Action - Total time frame 9-12 months. Set up records and procedures; implement new computer system; maintain existing customer base; expand into new market areas.

Results Create new loan financings of $20 million per year and service loans at a yield of 1% over bond cost.

Other Considerations

- ⌂ The integration of this function into the existing VHFA infrastructure may have significant ramifications in the areas of inter department communication and organization.

VHFA STRATEGIC PLANNING
Recommended Strategy

Better Utilize VHMGB to Enhance Services/Products of VHFA

Action #1 Develop a guarantee product for home improvement loans.

Goals

1. Create a borrower-friendly home improvement loan guarantee program for VHFA borrowers for loans not eligible for Title I.

2. Support VHFA's home improvement lending program.

Time Period for Implementation During Year 2 of Strategic Planning (1996)

Action #1 - Total time frame of 6 to 8 months. Seek legislative approval for home improvement guarantees; identify source of guarantee; develop procedures; implement program.

Results

1. Financing to preserve affordable housing will be available to homeowners without equity in their homes or those whose borrowing status is otherwise affected.
2. Quality and value of housing improved through participation in this program will increase.

Other Considerations

...Continued

Better Utilize VHMGB to Enhance Services/Products of VHFA (Continued)

Action #2 Develop a guarantee product for three and four unit owner occupied residences.

Goals

1. Increase VHMGB limits to provide for owner-occupied multi-family residences.
2. Help facilitate acquisition of 3-4 unit properties by moderate income home purchasers.
3. Determine feasibility of a program addressing 3-4 unit properties.

Time Period for Implementation During Year 2 of Strategic Plan (1996)

Action #2 - Total time frame of 6 to 9 months. Seek legislative approval for increases to VHMGB limits (for multi-family properties); seek increase to guarantee authority to reflect inclusion of owner-occupied multi-family loans; develop procedures; advertise and implement program.

Results

1. Financing will be more available to low- and moderate-income Vermonters desiring to purchase owner occupied 3-4 unit multi-family properties.
2. Low- and moderate-income Vermonters will enjoy an opportunity for greater economic stability through ownership of income producing properties.

Other Considerations

...Continued

Better Utilize VHMGB to Enhance Services/Products of VHFA (Continued)

Action #3 Develop a guarantee program for refinanced single family mortgage loans with LTV higher than 100%.

Goals

1. Develop a guarantee program for owners of residences who are experiencing difficulty refinancing because of declining property values.

2. Determine a method for underwriting loan guarantees which weighs security factors other than equity.

3. Develop a source of funds for a loan loss reserve pool.

4. Enhance the economic status of participating homeowners by increasing their disposable income while addressing their ability to make payments.

Time Period for Implementation During Year 3 of Strategic Plan (1997)

Action #3 - Total time frame of 1-6 months. Research the need and demand for such a guarantee program; review underwriting and security considerations; develop, announce and implement program.

Results More Vermont homeowners will have the opportunity to refinance their homes, thus enhancing their economic vitality. Reduce incidence of defaults and enhance security of the loans.

Other Considerations

Reduce Operating and User Costs

Action Enhance VHFA's long term viability by reducing operating costs when and where appropriate.

Goals

1. Under-perform CPI for overall budget (depending upon actual revenue growth).
2. Stabilize benefits costs.
3. Promote the concept of a "paperless" office.

Time Period for Implementation

Action # 1 - Total time frame is ongoing. Analyze options (including cafeteria plan) for benefit cost stabilization; continue implementation and development of cost saving measures on an ongoing basis; on incremental basis, with review on semi-annual basis, progress toward diminished reliance on hard copy in both internal and external business matters with a goal of achievement of the "paperless" office by year end 1997.

Results Achievement of cost savings when and where possible. Enhancement of VHFA's long term viability. Improve efficiency through reduction and elimination of paper usage.

Other Considerations

VHFA STRATEGIC PLANNING
Recommended Strategy

Encourage and support a productive and positive work environment

Action #1 Sustain and enhance a highly productive workplace conducive to attracting and retaining a quality staff

Goals

1. To provide a cost-effective, yet sufficiently competitive compensation package.

2. To create a quality work environment which provides clear direction to employees, holds them accountable for their actions and allows for straightforward communications in evaluating performance.

3. To provide employees the resources they need to perform their duties effectively and efficiently by assuring access to information, suitable equipment and work space and training opportunities.

Time Period for Implementation Ongoing

Action # 1 - Ongoing. Annually review VHFA's compensation package; provide regular opportunities for both informal and formal communication pertaining to performance, office climate and quality of supervision; conduct regularly scheduled staff discussions about organizational goals and the resources required to achieve those goals.

Results More effective and productive staff.

Other Considerations

APPENDIX A

VHFA STRATEGIC PLANNING ADVISORY COMMITTEE

Mrs. Sally Conrad	former State Senator
The Honorable David L. Deen	State Representative
The Honorable Elizabeth Mulliken Drake *(VHFA Board of Commissioners)*	Commissioner, Department of Housing & Community Affairs
Mr. Charles F. Kireker	President, Twin Birches Ltd.
Mr. Gustave Seelig *(VHFA Board of Commissioners)*	Executive Director, Vermont Housing and Conservation Trust Fund
Mr. Mark Snelling	President, Shelburne Corporation
Mr. John Varsames	President, Northshore Development
Mr. Richard C. White *(VHFA Board of Commissioners Chairman)*	President, Community National Bank

APPENDIX B

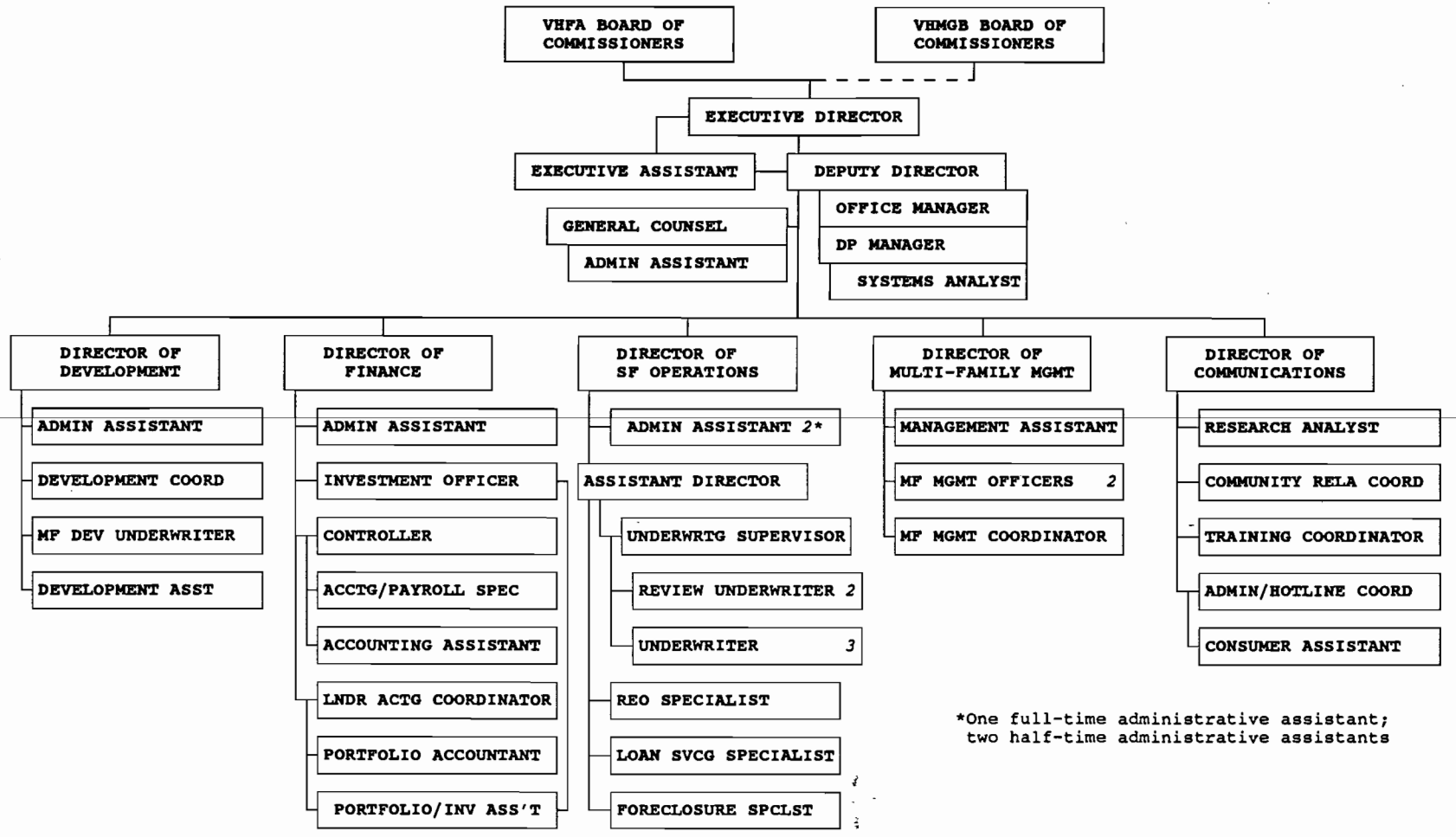
LISTING OF INTERVIEWS AND SURVEYS COLLECTED FOR VHFA STRATEGIC PLAN

(Will send under separate cover)

APPENDIX C

VHFA ORGANIZATIONAL CHART

(Will send under separate cover)



*One full-time administrative assistant;
two half-time administrative assistants

01/09/95

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: CG Cathleen Gent, Director of Communications

DATE: January 13, 1994

RE: VHFA Strategic Plan

Attached are two pages which should be inserted in the final draft of the Vermont Housing Finance Agency Strategic Plan for Fiscal Years 1996-2000: 1) VHFA Strategic Plan: Projected Timeline; 2) Appendix B Listing of Interviews and Surveys Completed for VHFA Strategic Plan.

Please note that there is one major departure in format from that discussed at the November meeting. At that time, a Cost/Income Analysis of each strategy was planned for the final report. These analyses were prepared and were utilized in the staff working sessions to finalize the strategies. However, staff decided that the cost/income analyses would not be appropriate to include in the actual plan. Therefore, the final draft which the Board will discuss at next week's meeting does not contain the cost/income analyses. I will have those available then, should the Board want to review the numbers on which the strategies are based. (For the most part, the Board has seen these analyses as part of earlier deliberations this summer and fall.)

Please do not hesitate to call me at extension 224 prior to the meeting should you have any questions about the strategic plan.

Thank you for your attention.

VHFA STRATEGIC PLAN: PROJECTED TIMELINE

STRATEGY	DATE OF IMPLEMENTATION	YEAR 1 - FY96 JUL-DEC 95	YEAR 1 - FY96 JAN-JUN 96	YEAR 2 - FY97 JUL-DEC 96	YEAR 2 - FY97 JAN-JUN 97	YEAR 3 - FY98 JUL-DEC 97	YEAR 3 - FY98 JAN-JUN 98	YEAR 4 - FY99 JUL-DEC 98	YEAR 4 - FY99 JAN-JUN 99
Reduce Operating and User Costs	Ongoing	<							>
Encourage and Support a Productive and Positive Work Environment	Ongoing	<							>
Develop Home and Energy Improvement Lending Programs	Year 1	<--6 to 8 Months-->							
Expand (as Consortium) Use of FHLB in Conjunction with LIHTC	Year 1	<--6 to 9 Months-->							
Maintain Data Collection, Analysis, and Dissemination of Housing Data	Year 1	<2-6 Months>							
Address Homelessness	Year 1	<----3 to 12 Months--->							
Expansion of Financing to Non-Housing Activities Action #1	Year 1	<----9 to 12 Months--->							
Collaborate to Develop Programs for Support and Special Needs Action #2	Year 1	<6 Months>							
Expansion of Financing to Non-Housing Activities Action #1	Year 1	<----9 to 12 Months--->							
Increase Revenues Through Loan Servicing Modifications Action #1	Year 1	<6 to 8 Months>							
Provide Financing for Co-op Housing	Yrs 1+2	<4-6 Months>		<4-6 Months>					
Collaborate with Other Agencies To Achieve Efficiencies Action #1	Yrs 1+2	<----------24 Months---------->							
Action #2	Yrs 1+2	<----------24 Months---------->							
Expand Financing Options for Mobile Home Purchases	Year 2			<--6 to 8 Months-->					
Expand Down Payment Assistance Action #1	Year 2			<--6 to 8 Months-->					
Action #2	Year 2			<--10 to 12 Months--->					
Expand Energy Lending Activities	Year 2			<----9 to 12 Months--->					
Collaborate to Develop Programs for Support and Special Needs Action #1	Year 2			<----9 to 12 Months--->					
Promote Homeownership Through Expansion of Home Buyer Education Action #1	Year 2			<----8 to 12 Months--->					
Action #2	Year 2			<----8 to 12 Months--->					
Expansion of Financing to Non-Housing Activities Action #2	Year 2			<----9 to 12 Months--->					
Better Utilize VHMGB to Enhance Services/ Products of VHFA Action #1	Year 2			<6 to 8 Months>					
Action #2	Year 2			<6 to 9 Months->					
Increase Revenues Through Loan Servicing Modifications Action #2	Year 2			<---9 to 12 Months---->					
Collaborate with Other Agencies To Achieve Efficiencies Action #3	Yrs 2+3			<----------24 Months---------->					
Improve Financing to 3 and 4 Unit Owner Occupied Properties	Year 3					<----10 Months---->			
Financing Housing Infrastructure	Year 3					<--6 Months-->			
Better Utilize VHMGB to Enhance Services/ Products of VHFA Action #3	Year 3					<1-3 Months>			
Finance Program for Environmental Hazard Management M-F Properties	Year 4							<---9 to 12 Months---->	

APPENDIX B

LISTING OF INTERVIEWS AND SURVEYS COMPLETED FOR VHFA STRATEGIC PLAN

VHFA would like to thank these individuals who generously offered their time and ideas which contributed greatly to the development of the VHFA strategic plan.

INTERVIEWS

David Berge, Vermont National Bank
Diane Binnick, Regional Affordable Housing Corporation
Sr. Lucille Bonvouloir, Community on Temporary Shelter
Charles Brush, Green Mountain Development Corporation
Jon Chaffee, Town of Hartford Housing Authority
Joe Cloutier, Realty Resources
John Davis, City of Burlington Community and Economic Development Office
Paul Dettman, Lake Champlain Housing Development Corporation
Paul Giuliani, Esq., McKee, Giuliani & Cleveland
Andrew Gurley, PaineWebber, Inc.
Russell Hahn, housing consultant
Roberta Harold, USDA, Farmers Home Administration
David Harrity, US-HUD, Manchester Office
Joseph Hatfield, West Virginia Housing Development Fund
Stephen Hedger, Central Vermont Community Action Agency
Sec. Cornelius Hogan, Agency of Human Services
Tish Lyman, Chittenden Bank
John McEvoy, National Council of State Housing Agencies
Trudy McFall, Maryland Community Development Administration
Lynne Metz, Vermont Center for Independent Living
Polly Nichol, Vermont Housing and Conservation Board
Chris Owre, Northern Community Housing Corporation
Lisa Randall, New England IBM Employees Federal Credit Union
Michael Richardson, Housing Vermont
Beth Sachs, Vermont Energy Investment Corporation
Jim Watson, Jim Watson Realty
Richard Williams, Vermont State Housing Authority
Arthur Woolf, Economics Department, University of Vermont
Representative Ralph Wright, Speaker, Vermont House of Representatives

SURVEYS
VHFA Staff Survey
VHFA Participating Lender Survey
Nonprofit Housing Developer Survey

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director ASH
Irene D. Jenkins, Director of Development ID

DATE: January 13, 1995

RE: Winchester Place--**CONFIDENTIAL**

This is to update the Board on the status of the Winchester Place negotiations.

Housing Vermont ("HV", general partner), Merchants Bank (limited partner), St. Michael's College ("SMC", land lessor), and VHFA have agreed in principle to contribute towards covering the operating deficits on this project for some period of time. However, we are still in the process of negotiating exactly who will contribute what and whether and how we will ultimately be paid. Housing Vermont has sent out a proposal, and we are about to present a proposal. These proposals differ in substantial ways but have in common that they reflect the **general** outlines discussed at a meeting of the parties on December 27, 1994.

Attached is our proposed Memorandum of Understanding (MOU) and the related proforma. It covers the life of the project through the end of the ground lease term and is based upon the expressed intent of the parties, rent and occupancy restrictions, tax-exempt bond requirements, VHFA's financial interest, and considerations of the other parties' interests and of equity.

Our proposed MOU provides for VHFA subsidy of $113,063 in 1995, $96,334 in 1996, and a maximum of $102,663 thereafter. In addition, VHFA would waive additional interest payments due ($9,000 per annum) beginning in Year 16. VHFA's contribution (except for the waived additional interest) would be added to outstanding debt and accrue interest at the original loan rate; it would be repaid from available cash, having priority over repayment of the other subsidies until Year 32 and, if not fully repaid at that time, getting a proportionate share for repayment after Year 32. The total subsidy, its duration, and the repayment period, will vary with the cash flow performance of the project.

The attached proforma represents what the parties agree is a conservative projection of project performance, assuming that the project becomes 100 percent market rate after the initial 15-year tax credit compliance period rather than after Year 26 as originally structured. (Such a transition will require retirement of the tax exempt bonds and refinancing of the project; we have not attempted to include the financial impact of such a refinancing in the

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

EQUAL HOUSING OPPORTUNITY

proforma, but the MOU provides for the transition and the retirement of the bonds.) The MOU provides, and all parties have agreed, that if cash flows are worse than projected in any year, no party will be obligated to provide further subsidy.

The major differences between our proposal and Housing Vermont's (also attached) are: HV's proposal provides in several ways for smaller contributions by HV and Merchants and larger contributions by VHFA and SMC; in VHFA's proposal, VHFA has priority for repayment; HV's proposal is limited to a ten year period, i.e., until the end of the initial tax credit compliance period, at which point there will still be operating deficits. (It is Merchant's intent to gift its limited partnership interest to SMC as soon after the initial tax credit compliance period as will be possible without negative tax consequences.)

We are also continuing to assess the foreclosure option, in terms of its likely financial consequences for the Agency. Foreclosure is an alternative if we cannot reach an agreement that satisfactorily addresses the entire scope of the problem or that would not provide for equitable contributions by all the parties.

RECOMMENDED ACTION

Continue its authorization of December 16, 1994, to the Executive Director to negotiate an agreement with the key parties and to commit the Agency upon consultation with and approval by the Chairman of the Board.

MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding effective the __ day of January, 1995 (the "Memorandum") outlines the understandings in principle reached among Vermont Housing Finance Agency ("VHFA"), Winchester Associates ("Mortgagor"), Housing Vermont ("HV"), H.V. Winchester, Inc. (the "General Partner"), The Merchants Bank (the "Limited Partner" or the "Bank"), and St. Michael's College ("SMC") concerning the restructuring of financial obligations of Winchester Associates pertaining to Winchester Place Apartments.

The parties have agreed as follows, with capitalized terms used herein and not otherwise defined having the same meaning as they have in the Regulatory Agreement between Winchester Associates and VHFA dated December 19, 1989:

I. PROJECTIONS

1. The Development is likely to suffer substantial Operating Deficits (as hereinafter defined) for a substantial period of time.

2. As used in this Memo, the term "Operating Deficit" means the excess of Operating Expenses of the Development over Gross Revenues (exclusive of subsidies provided pursuant to the Restructure Agreement).

3. The 52 year pro-forma dated January 12, 1995 and attached hereto as Exhibit 1 (the "Pro Forma") represents a reasonable projection of the long-term financial performance of the Development.

II. FINANCIAL SUBSIDIES

1. Basic understandings for 1995:

A. VHFA will defer Debt Service falling due in 1995 by $113,063.00, which is an amount equal to 14.48 per cent of the total Debt Service for the year.

B. SMC will defer rent falling due under the Ground Lease in 1995 by $26,069.00, which is an amount proportionate to twice the percentage reduction in Debt Service.

Simultaneously with the execution and delivery of the Restructure Agreement, for years beginning after 1995, the rent schedule in the Ground Lease shall be amended to provide for equal annual rent adjustments such that the rent level of $136,000 (before any reduction for Operating Deficits) will

be achieved in Year 17 (2006 A.D.). Thereafter through the end of the term of the Ground Lease the total annual Ground Lease rent (before any reduction for Operating Deficits) shall be consistent with original terms of the Ground Lease.

C. HV and the General Partner jointly and severally shall contribute $9,960 to the Development Operations Account.

D. Mortgagor and the Limited Partner jointly and severally shall contribute $100,000 to the Development Operations Account to be used for Operating Expenses.

To the extent that the sum of Surplus Cash (including negative Surplus Cash) for 1994 (as verified by the 1994 audit) and the amount on deposit in the Sinking Fund (after payment or allowance for all scheduled sewer system improvements, other capital improvements performed in 1994, and capital improvements scheduled for 1995) exceeds zero, sums on deposit in the Sinking Fund may be applied toward satisfaction of the 1995 contribution.

2. Basic understandings for 1996:

A. VHFA will defer Debt Service falling due in 1996 by an amount not to exceed $96,334.00, which is an amount equal to 12.34 per cent of the total Debt Service for the year.

B. SMC will defer rent falling due under the Ground Lease in 1996 by $22,212.00, which bears the same ratio to the 1995 Ground Lease rent as is proportionate to twice the percentage reduction in Debt Service.

C. HV and the General Partner jointly and severally shall contribute $9,960 to the Development Operations Account.

D. Mortgagor and the Limited partner jointly and severally shall contribute $100,000 to the Development Operations Account to be used for Operating Expenses.

3. For years beginning after 1996, the parties shall increase or decrease their respective annual subsidies by an amount equal to the percentage increase or decrease in the Operating Deficit; subject, however, to the following maximum annual subsidies to be provided by the respective parties:

A. VHFA: $102,663.00, which is an amount equal to 13.15% of the initial total annual Debt Service.
B. SMC: An amount not to exceed the lesser of (a) that amount which bears the same ratio to the 1995 Ground Lease rent as is proportionate to twice the percentage reduction in Debt Service, or (b) $23,671.
C. HV and the General Partner jointly and severally: $10,614.00.
D. Mortgagor and the Limited Partner jointly and severally: $106,570.00.

In addition, and as reflected in the Pro Forma, with respect to Debt Service falling due after July 10, 2005, VHFA will waive its entitlement to an increase of $749.03 in monthly Debt Service as otherwise provided in paragraph 1.A. of an agreement between VHFA and Mortgagor entitled "Amendment to Promissory Note" and dated June 20, 1990.

III. CHARACTERIZATION AND TIMING OF SUBSIDIES.

1. All VHFA subsidies shall constitute deferral of principal portions of the Debt Service, shall be attributed proportionately to each monthly payment falling due under the Mortgage Loan, and shall be deemed made on the due date of each such monthly payment. Each VHFA subsidy shall bear interest at the rate of 9% per annum (the "Subsidy Interest Rate"). Interest accrued on deferred principal shall be added to principal on each anniversary of the Mortgage Loan (the "Compounding Date"). All VHFA subsidies shall be secured by the Mortgage.

2. All HV/General Partner subsidies shall constitute unsecured loans to the Mortgagor, shall be deemed made proportionately on the first day of each month, and shall bear interest at the Subsidy Interest Rate. Interest accrued shall be added to principal on each Compounding Date.

3. All SMC subsidies shall constitute unsecured loans to the Mortgagor, shall be deemed made proportionately on the first day of each month, and shall bear interest at the Subsidy Interest Rate. Interest accrued shall be added to principal on each Compounding Date.

4. All Mortgagor/Bank subsidies shall be made proportionately in advance of the anticipated need on the first day of a regular quarterly or monthly period as the Mortgagor and the Bank may choose.

(a) All Mortgagor/Bank subsidies made during the Section 42 tax credit compliance period shall constitute contributions to capital of the Mortgagor.

(b) All Mortgagor/Bank subsidies made after the Section 42 tax credit compliance period shall constitute unsecured loans to the Mortgagor, and shall bear interest at the Subsidy Interest Rate. Interest accrued shall be added to principal on each Compounding Date.

IV. TREATMENT OF WORKING CAPITAL AND REPLACEMENT RESERVE REQUIREMENTS

1. The Bank will cancel the debt of $171,300 incurred by the Mortgagor as a result of the recent drawing on the Replacement Reserve Fund letter of credit by VHFA.

2. The parties agree that the amount of funds constituting Replacement Reserve funds as of the year ended 12/31/94, to wit: $212,077.00, shall be deemed to satisfy the Replacement Reserve requirement through 12/31/94 for all purposes of the Regulatory Agreement and the Ground Lease.

3. The Working Capital letter of credit issued by the Bank and currently outstanding will not be required to be renewed upon its expiration, and the Working Capital requirement will be waived by VHFA.

4. All funds constituting Replacement Reserve funds, including funds under the sole control of VHFA as a result of the recent drawing under the Replacement Reserve Fund letter of Credit and funds on deposit under the joint control of the Mortgagor and VHFA will be consolidated in a single account under the sole control of VHFA.

V. TREATMENT OF RENT AND OCCUPANCY RESTRICTIONS

1. Simultaneously with the execution and delivery of the Restructure Agreement, the parties will enter into an amendment of the "Winchester Place Housing Subsidy Covenants" dated July 12, 1989 (the "Housing Subsidy Covenants") which will cause the Housing Subsidy Covenants to terminate as of the end of the §42 tax credit compliance period except for provisions pertaining to the transition period and displacement allowances, will cause the four year transition period to be reduced to three years commencing as of the first year after the end of the tax credit compliance period, and will reduce the displacement allowance to an amount that can be funded with the fund for displacement allowance maintained by the Bank pursuant to paragraph 2D of the Housing Subsidy Covenants.

2. Simultaneously with the execution and delivery of the Restructure Agreement,, SMC and the Mortgagor will amend the Ground Lease to delete all rent and occupancy restrictions.

3. Promptly after execution and delivery of the Restructure Agreement, the Mortgagor, with the cooperation of all parties, will seek deletion of all rent and occupancy restrictions from the Act 250 Permit applicable to the Development.

VI. PROVISIONS PERTAINING TO REFINANCE

1. All parties recognize that transition to market rate housing as of the end of the tax credit compliance period will require retirement of the VHFA bonds (the "Tax Exempt Bonds") which have provided the source of funds for the Mortgage Loan, and that there can be no assurance that the rate at which the Tax Exempt Bonds can be refinanced, when reflected in the Debt Service, will be consistent with the Debt Service projections of the Pro Forma.

2. At the earliest opportunity consistent with the requirements of its agreements with bondholders pertaining to the Tax Exempt Bonds, and in any event prior to the end of the eighteenth year of the Development, VHFA will endeavor in good faith to retire the Tax Exempt Bonds with the proceeds of bonds or other indebtedness that is not tax exempt and is therefore consistent with transition of the Development to market rate rentals ("Replacement Funding").

3. Any increase or decrease in debt service payable by VHFA on account of Replacement Funding compared to the debt service payable by VHFA on account of the Tax Exempt Bonds shall be passed through to the Development and shall constitute Debt Service.

4. To the extent necessary to achieve annual Debt Service payments that do not exceed the annual amounts allowed for "primary debt service" during the first 26 years of the Development as shown in the Pro Forma, the term of the Replacement Funding may extend beyond the end of the 26th year of the Development.

VII. PROVISIONS PERTAINING TO REPAYMENT OF REPLACEMENT FUNDING AND THE SUBSIDIES OF THE PARTIES

5. Between the 27th and 32d years of the Development, inclusive, all "net cash flow" contemplated by the Pro Forma (calculated before any actual Debt Service made necessary because of the terms of the Replacement Funding) shall be applied in the following order:

> First to timely payment of Debt Service;
> then to repayment of accrued VHFA subsidy;
> then to pro-rata repayment of the accrued subsidies of other parties to the extent that such other subsidies constitute debt.

6. From and after the 33rd year of the Development until all Debt Service and accrued subsidies of the parties constituting loans are repaid, all "net cash flow" contemplated by the Pro Forma (calculated before any actual Debt Service made necessary because of the terms of the Replacement Funding) shall be applied in the following order:

> First to timely payment of Debt Service;
> then to pro-rata repayment of the balance of the accrued subsidies of all parties to the extent that such subsidies constitute debt.

VIII. PROVISIONS PERTAINING TO PERFORMANCE OF THE DEVELOPMENT AT VARIANCE WITH EXPECTATIONS.

1. The Restructure Agreement will obligate the parties to continue to make contributions each year for so long as the Operating Deficit for any year is no larger than the applicable Operating Deficit projected by the Pro Forma. In the event that the Operating Deficit for any year (as verified by the audited financial statements for that year) is less than the Operating Deficit projected by the Pro Forma for that year, each party shall be entitled to a pro-rata reduction in subsidy contributions for the ensuing year, commencing with the third calendar quarter of such ensuing year.

2. In the event that the Operating Deficit for any year (as indicated by the unaudited quarterly reports for that year or as shown by the audited financial statements for that year) is greater than the Operating Deficit projected by the Pro Forma for that year, or in the event that the operating budget presented by the Mortgagor pursuant to the Regulatory Agreement and deemed realistic by VHFA will result in an Operating Deficit for the applicable year greater than the Operating Deficit projected by the Pro Forma, no party shall be obligated to contribute any further subsidy (in the absence of written agreement to the contrary) and there shall be deemed to exist an event entitling VHFA to declare a default under the Mortgage Loan, accelerate the indebtedness secured by the Mortgage, and seek any and all remedies available to it under the the terms of the Mortgage Loan.

IX. CONSTRUCTION OF THIS MEMORANDUM OF UNDERSTANDING

1. This Memorandum of Understanding reflects the result to date of discussions among the representatives of the parties. It does not represent a final agreement, but rather constitutes a framework for a binding legal agreement (the "Restructure Agreement") expected to be finally negotiated in good faith, executed, and delivered among the parties within 45 days after the date first above written.

2. The existence of this Memorandum does not preclude the possibility that some issues properly includable in the Restructure Agreement have not been addressed. However, as the details of the Restructure Agreement are negotiated and refined, it is the good faith expectation of all parties that no party will use the need for further negotiation as a basis for seeking a material change in the agreements expressed above.

IN WITNESS WHEREOF, the parties have caused this Memorandum to be executed effective as of the date first above written.

VERMONT HOUSING FINANCE AGENCY

By_____
Allan S. Hunt, Executive Director

WINCHESTER ASSOCIATES BY ITS GENERAL PARTNER, H.V. WINCHESTER, INC.

By_____
President

HOUSING VERMONT

By_____
Donald Dickson, President

H.V. WINCHESTER, INC.

By_____
President

THE MERCHANTS BANK

By_____
Joseph Boutin, President

ST. MICHAEL'S COLLEGE

By_____
President

WINCHESTER PLACE FINANCIAL ANALYSIS 12-Jan-95 11:50 AM
1994 RENT TABLE REVIS ED 12/21/94

ESTIMATED 1995	#	RENT--NET OF UTILITIES (HT, HW, ELEC, W&S)
MARKET RATE	93	741,854
LIHTC	73	406,951
TOTAL	166	1,148,805

ESTIMATED 1996	#	RENT--NET OF UTILITIES (HT, HW, ELEC, W&S)
MARKET RATE	93	747,517
LIHTC	73	413,751
TOTAL	166	1,161,268

WINCHESTER PLACE			PROPOSED 1996	
100% MARKET	Flat	8	740	71,040
	Townhouse	134	660	1,061,280
	T. w/Loft	24	740	213,120
	TOTAL	166		1,345,440

YEAR 7

WINCHESTER PLACE 12-Jan-95 11:50 AM

ASSUMPTIONS--1994 PRO JECTIONS

VACANCY	4.00%		PROJECT VALUATION:	
INCOME/ MKT LIHTC	1.50%	1.50%	DIRECT CAP RATE	11.00%
EXPENSE TREND	3.00%		YIELD CAP DISC RATE	13.00%
LEASE DISC RATE	9.00%			
VHFA LOAN RATE	9.00%	TERM	26 YEARS	

MERCHANTS SINKING F UND BALANCE 12/31/94= $98,000

	1995	1996			%
MERCHANTS SUBSIDY	100,000	100,000	MAXIMUM	(106,570)	43.76%
BEG 100,000/YR, DECRE ASING OR INCREASING PROPORTIONATELY (BASE YEAR =1996) WITH DEFICITS					
HV SUBSIDY	9,960	9,960	MAXIMUM	(10,614)	4.36%
INVESTOR SERVICES FEE, DECREASING OR INCREASING PROPORTIONATELY (BASE YEAR =1996) WITH DEFICITS					
VHFA SUBSIDY	113,063	96,334	MAXIMUM	(102,663)	42.16%
SMC SUBSIDY	26,069	22,212	MAXIMUM	(23,671)	9.72%
[CURRENT LEASE BEG YR 33--RENT = GREATER OF 136,000 OR 30%NCF (PRIOR YR'S NOI MINUS LEASE PMT)]					

CAPITAL IMPROVEMENT S ARE PAID FROM REPLACEMENT RESERVE AFTER 1995--$17000 IN 1996
REPLACEMENT RESERVE FUNDED IN CASH END 1994 AND ADDED TO ANNUALLY @ .0418*EFFECTIVE RENTS

WINCHESTER PLACE		ACTUAL	ACTUAL	ACTUAL	ACTUAL	PROJECTED							
1994 PROJECTIONS	YEAR	1	2	3	4	5	6	7	8	9	10	11	12
12-Jan-95		1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
11:13 AM													
Rent/Market Units							741,854	747,517	758,730	770,111	781,662	793,387	805,288
Rent/LIHTC Units							406,951	413,751	419,957	426,257	432,650	439,140	445,727
Vacancies	4.0%						(45,952)	(46,451)	(47,147)	(47,855)	(48,573)	(49,301)	(50,041)
Plus Other Income							3,400	3,451	3,503	3,555	3,609	3,663	3,718
EFFECTIVE GROSS INCOME		871,683	1,070,270	1,077,064	1,083,699	1,099,194	1,106,253	1,118,268	1,135,042	1,152,068	1,169,349	1,186,889	1,204,693
Less Operating Exp.		341,756	431,423	432,930	472,178	502,016	435,566	422,313	434,982	448,032	461,473	475,317	489,577
Less Capital Exp.						20,000	37,146	0					
Less Other--EQUIP							3,000	3,000	3,000	3,000	3,000	3,000	3,000
REPLACEMENT RESERVE	(ADDITIONS BEG 1995)						46,099	46,599	47,298	48,008	48,728	49,459	50,201
NOI BEFORE LEASE PAYMENT		529,927	638,847	644,134	611,521	577,178	584,442	646,356	649,762	653,028	656,148	659,113	661,915
REVISED LEASE PMT	1,159,056	46,669	80,000	80,000	80,000	80,000	90,000	94,182	98,364	102,545	106,727	110,909	115,091
npv @	9.00%												
NOI AFTER RVSD LEASE PMT		483,258	558,847	564,134	531,521	497,178	494,442	552,174	551,398	550,483	549,421	548,204	546,824
Less Primary Debt Service		497,672	780,548	779,656	780,166	780,679	780,679	780,679	780,679	780,679	780,679	780,679	780,679
CF AFTER DS & LEASE PMT		(14,414)	(221,701)	(215,522)	(248,645)	(283,501)	(286,238)	(228,505)	(229,282)	(230,197)	(231,259)	(232,475)	(233,855)
Plus: Merchants Sinking Fund		0	285,265	217,000	244,440	283,501	37,146	0	0	0	0	0	0
Net Cash Flow		(14,414)	63,564	1,478	(4,205)	(0)	(249,092)	(228,505)	(229,282)	(230,197)	(231,259)	(232,475)	(233,855)
[OPERATING DEFICITS]		(14,414)	(221,701)	(215,522)	(248,645)	(283,501)	(286,238)	(228,505)	(229,282)	(230,197)	(231,259)	(232,475)	(233,855)
PV@ YRS 1990-2042	5.00%	(2,661,271)											
[NPV CF AFTER DS AND LEASE]													
NPV@ YRS 1990-2042	9.00%	(1,147,963)											
		TOTAL PV		TOTAL NOMINAL $									
MERCHANTS DEFICIT SUBSIDY							(100,000)	(100,000)	(100,340)	(100,740)	(101,205)	(101,737)	(102,341)
PV@	9.00%	(785,038)		(1,422,624)									
HV DEFICIT SUBSIDY							(9,960)	(9,960)	(9,994)	(10,034)	(10,080)	(10,133)	(10,193)
PV@	9.00%	(78,190)		(141,693)									
DEBT SERVICE SUBSIDY							(113,063)	(96,334)	(96,661)	(97,047)	(97,495)	(98,008)	(98,589)
PV@	9.00%	(771,606)		(1,387,200)									
LEASE SUBSIDY							(26,069)	(22,212)	(22,287)	(22,376)	(22,479)	(22,597)	(22,732)
PV@	9.00%	(177,908)		(319,844)									
TOTAL SUBSIDIES		(1,812,742)		(3,271,361)									
NET CASH FLOW AFTER SUBSIDIES							(0)	0	0	0	0	0	0
PV NCF @ (YRS 6-53)	9.00%	1,198,579		18,950,719									

WINCHESTER PLACE													
1994 PROJECTIONS	YEAR	13	14	15	16	17	18	19	20	21	22	23	24
12-Jan-95		2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
11:13 AM													
Rent/Market Units		817,367	829,628	842,072	854,703	867,524	880,537	1,608,633	1,632,762	1,657,253	1,682,112	1,707,344	1,732,954
Rent/LIHTC Units		452,413	459,199	466,087	473,079	480,175	487,378	0	0	0	0	0	0
Vacancies	4.0%	(50,791)	(51,553)	(52,326)	(53,111)	(53,908)	(54,717)	(64,345)	(65,310)	(66,290)	(67,284)	(68,294)	(69,318)
Plus Other Income		3,773	3,830	3,888	3,946	4,005	4,065	4,126	4,188	4,251	4,315	4,379	4,445
EFFECTIVE GROSS INCOME		1,222,763	1,241,104	1,259,721	1,278,617	1,297,796	1,317,263	1,548,413	1,571,639	1,595,214	1,619,142	1,643,429	1,668,081
Less Operating Exp.		504,264	519,392	534,973	551,023	567,553	584,580	602,117	620,181	638,786	657,950	677,688	698,019
Less Capital Exp.													
Less Other–EQUIP		3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
REPLACEMENT RESERVE (ADDITIONS		50,954	51,718	52,494	53,281	54,080	54,892	64,551	65,519	66,502	67,500	68,512	69,540
NOI BEFORE LEASE PAYMENT		664,545	666,995	669,254	671,313	673,162	674,791	878,745	882,939	886,926	890,693	894,229	897,522
REVISED LEASE PMT	1,159,056	119,273	123,455	127,636	131,818	136,000	136,000	136,000	136,000	136,000	136,000	136,000	136,000
npv @	9.00%												
NOI AFTER RVSD LEASE PMT		545,273	543,540	541,617	539,495	537,162	538,791	742,745	746,939	750,926	754,693	758,229	761,522
Less Primary Debt Service		780,679	780,679	780,679	780,679	780,679	780,679	780,679	780,679	780,679	780,679	780,679	780,679
CF AFTER DS & LEASE PMT		(235,407)	(237,139)	(239,062)	(241,185)	(243,517)	(241,888)	(37,935)	(33,740)	(29,754)	(25,987)	(22,451)	(19,158)
Plus: Merchants Sinking Fund		0	0	0	0	0	0	0	0	0	0	0	0
Net Cash Flow		(235,407)	(237,139)	(239,062)	(241,185)	(243,517)	(241,888)	(37,935)	(33,740)	(29,754)	(25,987)	(22,451)	(19,158)
[OPERATING DEFICITS]		(235,407)	(237,139)	(239,062)	(241,185)	(243,517)	(241,888)	(37,935)	(33,740)	(29,754)	(25,987)	(22,451)	(19,158)
PV@ YRS 1990-2042	5.00%												
[NPV CF AFTER DS AND LEASE]													
NPV@ YRS 1990-2042	9.00%												
MERCHANTS DEFICIT SUBSIDY		(103,020)	(103,778)	(104,620)	(105,549)	(106,570)	(105,857)	(16,601)	(14,766)	(13,021)	(11,373)	(9,825)	(8,384)
PV@	9.00%												
HV DEFICIT SUBSIDY		(10,261)	(10,336)	(10,420)	(10,513)	(10,614)	(10,543)	(1,653)	(1,471)	(1,297)	(1,133)	(979)	(835)
PV@	9.00%												
DEBT SERVICE SUBSIDY		(99,244)	(99,974)	(100,785)	(101,679)	(102,663)	(101,976)	(15,993)	(14,224)	(12,544)	(10,956)	(9,465)	(8,077)
PV@	9.00%												
LEASE SUBSIDY		(22,882)	(23,051)	(23,238)	(23,444)	(23,671)	(23,512)	(3,687)	(3,280)	(2,892)	(2,526)	(2,182)	(1,862)
PV@	9.00%												
TOTAL SUBSIDIES													
NET CASH FLOW AFTER SUBSIDIES		0	0	0	0	0	0	0	0	0	0	0	0
PV NCF @ (YRS 6-53)	9.00%												

WINCHESTER PLACE

1994 PROJECTIONS	YEAR	25	26	27	28	29	30	31	32	33	34	35	36
12-Jan-95		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
11:13 AM													
Rent/Market Units		1,758,948	1,785,333	1,812,113	1,839,294	1,866,884	1,894,887	1,923,310	1,952,160	1,981,442	2,011,164	2,041,331	2,071,951
Rent/LIHTC Units		0	0	0	0	0	0	0	0	0	0	0	0
Vacancies	4.0%	(70,358)	(71,413)	(72,485)	(73,572)	(74,675)	(75,795)	(76,932)	(78,086)	(79,258)	(80,447)	(81,653)	(82,878)
Plus Other Income		4,512	4,579	4,648	4,718	4,788	4,860	4,933	5,007	5,082	5,159	5,236	5,314
EFFECTIVE GROSS INCOME		1,693,102	1,718,499	1,744,276	1,770,440	1,796,997	1,823,952	1,851,311	1,879,081	1,907,267	1,935,876	1,964,914	1,994,388
Less Operating Exp.		718,960	740,528	762,744	785,627	809,195	833,471	858,475	884,230	910,757	938,079	966,222	995,208
Less Capital Exp.													
Less Other–EQUIP		3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
REPLACEMENT RESERVE (ADDITIONS		70,583	71,642	72,716	73,807	74,914	76,038	77,179	78,336	79,511	80,704	81,915	83,143
NOI BEFORE LEASE PAYMENT		900,559	903,328	905,815	908,006	909,887	911,443	912,657	913,515	913,999	914,093	913,778	913,036
REVISED LEASE PMT	1,159,056	136,000	136,000	136,000	136,000	136,000	136,000	136,000	136,000	136,000	233,400	204,208	212,871
npv @	9.00%												
NOI AFTER RVSD LEASE PMT		764,559	767,328	769,815	772,006	773,887	775,443	776,657	777,515	777,999	680,693	709,570	700,165
Less Primary Debt Service		780,679	780,679	0	0	0	0	0	0	0	0	0	0
CF AFTER DS & LEASE PMT		(16,120)	(13,351)	769,815	772,006	773,887	775,443	776,657	777,515	777,999	680,693	709,570	700,165
Plus: Merchants Sinking Fund		0	0	0	0	0	0	0	0	0	0	0	0
Net Cash Flow		(16,120)	(13,351)	769,815	772,006	773,887	775,443	776,657	777,515	777,999	680,693	709,570	700,165
[OPERATING DEFICITS]		(16,120)	(13,351)	0	0	0	0	0	0	0	0	0	0
PV@ YRS 1990-2042	5.00%												
[NPV CF AFTER DS AND LEASE]													
NPV@ YRS 1990-2042	9.00%												
MERCHANTS DEFICIT SUBSIDY		(7,055)	(5,843)	0	0	0	0	0	0	0	0	0	0
PV@	9.00%												
HV DEFICIT SUBSIDY		(703)	(582)	0	0	0	0	0	0	0	0	0	0
PV@	9.00%												
DEBT SERVICE SUBSIDY		(6,796)	(5,629)	0	0	0	0	0	0	0	0	0	0
PV@	9.00%												
LEASE SUBSIDY		(1,567)	(1,298)	0	0	0	0	0	0	0	0	0	0
PV@	9.00%												
TOTAL SUBSIDIES													
NET CASH FLOW AFTER SUBSIDIES		0	0	769,815	772,006	773,887	775,443	776,657	777,515	777,999	680,693	709,570	700,165
PV NCF @ (YRS 6-53)	9.00%												

WINCHESTER PLACE

1994 PROJECTIONS	YEAR	37	38	39	40	41	42	43	44	45	46	47	48
12-Jan-95		2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
11:13 AM													
Rent/Market Units		2,103,031	2,134,576	2,166,595	2,199,094	2,232,080	2,265,561	2,299,545	2,334,038	2,369,048	2,404,584	2,440,653	2,477,263
Rent/LIHTC Units		0	0	0	0	0	0	0	0	0	0	0	0
Vacancies	4.0%	(84,121)	(85,383)	(86,664)	(87,964)	(89,283)	(90,622)	(91,982)	(93,362)	(94,762)	(96,183)	(97,626)	(99,091)
Plus Other Income		5,394	5,475	5,557	5,641	5,725	5,811	5,898	5,987	6,077	6,168	6,260	6,354
EFFECTIVE GROSS INCOME		2,024,304	2,054,668	2,085,488	2,116,771	2,148,522	2,180,750	2,213,461	2,246,663	2,280,363	2,314,568	2,349,287	2,384,526
Less Operating Exp.		1,025,064	1,055,816	1,087,491	1,120,116	1,153,719	1,188,331	1,223,981	1,260,700	1,298,521	1,337,477	1,377,601	1,418,929
Less Capital Exp.													
Less Other–EQUIP		3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
REPLACEMENT RESERVE (ADDITIONS		84,390	85,656	86,941	88,245	89,569	90,912	92,276	93,660	95,065	96,491	97,939	99,408
NOI BEFORE LEASE PAYMENT		911,849	910,195	908,056	905,410	902,234	898,507	894,204	889,303	883,777	877,601	870,748	863,190
REVISED LEASE PMT	1,159,056	210,050	210,540	209,897	209,448	208,789	208,034	207,142	206,119	204,955	203,646	202,186	200,568
npv @	9.00%												
NOI AFTER RVSD LEASE PMT		701,799	699,656	698,159	695,962	693,446	690,473	687,062	683,184	678,822	673,954	668,561	662,621
Less Primary Debt Service		0	0	0	0	0	0	0	0	0	0	0	0
CF AFTER DS & LEASE PMT		701,799	699,656	698,159	695,962	693,446	690,473	687,062	683,184	678,822	673,954	668,561	662,621
Plus: Merchants Sinking Fund		0	0	0	0	0	0	0	0	0	0	0	0
Net Cash Flow		701,799	699,656	698,159	695,962	693,446	690,473	687,062	683,184	678,822	673,954	668,561	662,621
[OPERATING DEFICITS]		0	0	0	0	0	0	0	0	0	0	0	0
PV@ YRS 1990-2042	5.00%												
[NPV CF AFTER DS AND LEASE]													
NPV@ YRS 1990-2042	9.00%												
MERCHANTS DEFICIT SUBSIDY		0	0	0	0	0	0	0	0	0	0	0	0
PV@	9.00%												
HV DEFICIT SUBSIDY		0	0	0	0	0	0	0	0	0	0	0	0
PV@	9.00%												
DEBT SERVICE SUBSIDY		0	0	0	0	0	0	0	0	0	0	0	0
PV@	9.00%												
LEASE SUBSIDY		0	0	0	0	0	0	0	0	0	0	0	0
PV@	9.00%												
TOTAL SUBSIDIES													
NET CASH FLOW AFTER SUBSIDIES		701,799	699,656	698,159	695,962	693,446	690,473	687,062	683,184	678,822	673,954	668,561	662,621
PV NCF @ (YRS 6-53)	9.00%												

WINCHESTER PLACE

1994 PROJECTIONS	YEAR	49	50	51	52	53
12-Jan-95		2038	2039	2040	2041	2042
11:13 AM						
Rent/Market Units		2,514,422	2,552,138	2,590,420	2,629,276	2,668,716
Rent/LIHTC Units		0	0	0	0	0
Vacancies	4.0%	(100,577)	(102,086)	(103,617)	(105,171)	(106,749)
Plus Other Income		6,449	6,546	6,644	6,744	6,845
EFFECTIVE GROSS INCOME		2,420,294	2,456,599	2,493,448	2,530,849	2,568,812
Less Operating Exp.		1,461,497	1,505,342	1,550,502	1,597,017	1,644,928
Less Capital Exp.						
Less Other--EQUIP		3,000	3,000	3,000	3,000	3,000
REPLACEMENT RESERVE (ADDITIONS		100,899	102,412	103,948	105,508	107,090
NOI BEFORE LEASE PAYMENT		854,899	845,845	835,997	825,325	813,794
REVISED LEASE PMT	1,159,056	198,786	196,834	194,703	192,388	189,881
npv @	9.00%					
NOI AFTER RVSD LEASE PMT		656,112	649,011	641,294	632,936	623,913
Less Primary Debt Service		0	0	0	0	0
CF AFTER DS & LEASE PMT		656,112	649,011	641,294	632,936	623,913
Plus: Merchants Sinking Fund		0	0	0	0	0
Net Cash Flow		656,112	649,011	641,294	632,936	623,913
[OPERATING DEFICITS]		0	0	0	0	0
PV@ YRS 1990-2042	5.00%					
[NPV CF AFTER DS AND LEASE]						
NPV@ YRS 1990-2042	9.00%					
MERCHANTS DEFICIT SUBSIDY		0	0	0	0	0
PV@	9.00%					
HV DEFICIT SUBSIDY		0	0	0	0	0
PV@	9.00%					
DEBT SERVICE SUBSIDY		0	0	0	0	0
PV@	9.00%					
LEASE SUBSIDY		0	0	0	0	0
PV@	9.00%					
TOTAL SUBSIDIES						
NET CASH FLOW AFTER SUBSIDIES		656,112	649,011	641,294	632,936	623,913
PV NCF @ (YRS 6-53)	9.00%					

WINCHESTER PLACE						PROJECTED							
1994 PROJECTIONS	YEAR	1	2	3	4	5	6	7	8	9	10	11	12
12-Jan-95		1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
SUBSIDY RECOVERY													
VHFA	(REFIGURE BASED ON MONTHLY PMTS)												
P DEFERRED							113,063	96,334	96,661	97,047	97,495	98,008	98,589
INTEREST @	9.00% (SHOWN AS ANNUAL ON PRIOR YR BALANCE)						0	10,176	19,762	30,240	41,695	54,222	67,923
REPAYMENT							0	0	0	0	0	0	0
CUM (deferred)	YEAR 32 END	2,083,381					113,063	219,573	335,995	463,282	602,472	754,702	921,215
	MAX		4,713,594										
SMC													
LEASE SUBSIDY							26,069	22,212	22,287	22,376	22,479	22,597	22,732
INTEREST @	9.00%						0	2,346	4,556	6,972	9,614	12,502	15,661
REPAYMENT							0	0	0	0	0	0	0
CUM (deferred)	YEAR 32 END	1,822,682					26,069	50,627	77,470	106,818	138,911	174,010	212,403
	MAX		1,822,682										
MERCHANTS	(REPAYMENT OF SUBSIDIES PROVIDED AFTER YEAR 15)												
PARTNER LOAN							0	0	0	0	0	0	0
INTEREST @	9.00%						0	0	0	0	0	0	0
REPAYMENT							0	0	0	0	0	0	0
CUM (deferred)	YEAR 32 END	1,374,673					0	0	0	0	0	0	0
	MAX		1,374,673										
HV													
FEE DEFERRAL							9,960	9,960	9,994	10,034	10,080	10,133	10,193
INTEREST @	9.00%						0	896	1,873	2,942	4,109	5,386	6,783
REPAYMENT							0	0	0	0	0	0	0
CUM (deferred)	YEAR 32 END	801,061					9,960	20,816	32,684	45,659	59,848	75,368	92,344
	MAX		801,061										
		======											
TOTAL YEAR 32 END		6,081,796											
TOTAL ANNUAL REPAYMENT							0	0	0	0	0	0	0
ANNUAL NET CASH FLOW	MINUS REPAYMENT		TOTAL NOMINAL	1,898,144			0	0	0	0	0	0	0
	PV @		9.00%	33,167									

WINCHESTER PLACE												
1994 PROJECTIONS	13	14	15	16	17	18	19	20	21	22	23	24
12-Jan-95	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
SUBSIDY RECOVERY												
VHFA												
P DEFERRED	99,244	99,974	100,785	101,679	102,663	101,976	15,993	14,224	12,544	10,956	9,465	8,077
INTEREST @	82,909	99,303	117,238	136,860	158,329	181,818	207,359	227,461	249,213	272,771	298,306	326,005
REPAYMENT	0	0	0	0	0	0	0	0	0	0	0	0
CUM (deferred)	1,103,368	1,302,645	1,520,667	1,759,207	2,020,198	2,303,992	2,527,344	2,769,029	3,030,786	3,314,512	3,622,283	3,956,365
SMC												
LEASE SUBSIDY	22,882	23,051	23,238	23,444	23,671	23,512	3,687	3,280	2,892	2,526	2,182	1,862
INTEREST @	19,116	22,896	27,031	31,556	36,506	41,921	47,810	52,445	57,461	62,892	68,780	75,167
REPAYMENT	0	0	0	0	0	0	0	0	0	0	0	0
CUM (deferred)	254,402	300,349	350,618	405,617	465,794	531,228	582,726	638,451	698,803	764,222	835,184	912,213
MERCHANTS												
PARTNER LOAN	0	0	0	105,549	106,570	105,857	16,601	14,766	13,021	11,373	9,825	8,384
INTEREST @	0	0	0	0	9,499	19,946	31,268	35,576	40,107	44,888	49,952	55,332
REPAYMENT	0	0	0	0	0	0	0	0	0	0	0	0
CUM (deferred)	0	0	0	105,549	221,618	347,420	395,289	445,631	498,759	555,020	614,796	678,512
HV												
FEE DEFERRAL	10,261	10,336	10,420	10,513	10,614	10,543	1,653	1,471	1,297	1,133	979	835
INTEREST @	8,311	9,982	11,811	13,812	16,001	18,397	21,001	23,040	25,246	27,635	30,224	33,032
REPAYMENT	0	0	0	0	0	0	0	0	0	0	0	0
CUM (deferred)	110,916	131,234	153,466	177,790	204,406	233,346	256,000	280,511	307,054	335,821	367,024	400,891
TOTAL YEAR 32 END												
TOTAL ANNUAL REPAY	0	0	0	0	0	0	0	0	0	0	0	0
ANNUAL NET CASH FLO	0	0	0	0	0	0	0	0	0	0	0	0

WINCHESTER PLACE												
1994 PROJECTIONS	25	26	27	28	29	30	31	32	33	34	35	36
12-Jan-95	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
SUBSIDY RECOVERY												
VHFA												
P DEFERRED	6,796	5,629	0	0	0	0	0	0	0	0	0	0
INTEREST @	356,073	388,731	424,223	393,120	359,020	321,682	280,844	236,221	187,504	180,394	175,643	169,575
REPAYMENT	0	0	(769,815)	(772,006)	(773,887)	(775,443)	(776,657)	(777,515)	(266,511)	(233,178)	(243,070)	(239,849)
CUM (deferred)	4,319,234	4,713,594	4,368,002	3,989,115	3,574,248	3,120,488	2,624,675	2,083,381	2,004,374	1,951,589	1,884,162	1,813,888
SMC												
LEASE SUBSIDY	1,567	1,298	0	0	0	0	0	0	0	0	0	0
INTEREST @	82,099	89,629	97,813	106,616	116,211	126,670	138,070	150,497	164,041	157,820	153,664	148,355
REPAYMENT	0	0	0	0	0	0	0	0	(233,162)	(204,000)	(212,654)	(209,836)
CUM (deferred)	995,879	1,086,806	1,184,618	1,291,234	1,407,445	1,534,115	1,672,185	1,822,682	1,753,561	1,707,381	1,648,391	1,586,911
MERCHANTS												
PARTNER LOAN	7,055	5,843	0	0	0	0	0	0	0	0	0	0
INTEREST @	61,066	67,197	73,771	80,410	87,647	95,535	104,133	113,505	123,721	119,029	115,894	111,890
REPAYMENT	0	0	0	0	0	0	0	0	(175,852)	(153,858)	(160,385)	(158,259)
CUM (deferred)	746,633	819,672	893,443	973,853	1,061,500	1,157,035	1,261,168	1,374,673	1,322,542	1,287,713	1,243,222	1,196,854
HV												
FEE DEFERRAL	703	582	0	0	0	0	0	0	0	0	0	0
INTEREST @	36,080	39,391	42,988	46,857	51,074	55,671	60,681	66,143	72,095	69,361	67,535	65,201
REPAYMENT	0	0	0	0	0	0	0	0	(102,474)	(89,657)	(93,461)	(92,222)
CUM (deferred)	437,674	477,646	520,634	567,492	618,566	674,237	734,918	801,061	770,682	750,387	724,461	697,440
TOTAL YEAR 32 END												
TOTAL ANNUAL REPAY	0	0	(769,815)	(772,006)	(773,887)	(775,443)	(776,657)	(777,515)	(777,999)	(680,693)	(709,570)	(700,165)
ANNUAL NET CASH FLO	0	0	0	0	0	0	0	0	0	(0)	0	(0)

WINCHESTER PLACE												
1994 PROJECTIONS	37	38	39	40	41	42	43	44	45	46	47	48
12-Jan-95	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
SUBSIDY RECOVERY												
VHFA												
P DEFERRED	0	0	0	0	0	0	0	0	0	0	0	0
INTEREST @	163,250	156,306	148,802	140,670	131,874	122,363	112,088	100,994	89,020	76,104	62,175	47,159
REPAYMENT	(240,408)	(239,674)	(239,162)	(238,409)	(237,547)	(236,529)	(235,360)	(234,032)	(232,537)	(230,870)	(229,022)	(226,988)
CUM (deferred)	1,736,729	1,653,361	1,563,001	1,465,263	1,359,590	1,245,424	1,122,152	989,114	845,597	690,831	523,983	344,154
SMC												
LEASE SUBSIDY	0	0	0	0	0	0	0	0	0	0	0	0
INTEREST @	142,822	136,747	130,182	123,068	115,372	107,051	98,062	88,356	77,881	66,581	54,395	41,257
REPAYMENT	(210,325)	(209,683)	(209,235)	(208,576)	(207,822)	(206,931)	(205,909)	(204,747)	(203,439)	(201,980)	(200,364)	(198,584)
CUM (deferred)	1,519,407	1,446,471	1,367,419	1,281,910	1,189,460	1,089,581	981,734	865,344	739,785	604,386	458,416	301,089
MERCHANTS												
PARTNER LOAN	0	0	0	0	0	0	0	0	0	0	0	0
INTEREST @	107,717	103,135	98,184	92,818	87,014	80,739	73,959	66,638	58,738	50,215	41,025	31,117
REPAYMENT	(158,628)	(158,144)	(157,805)	(157,309)	(156,740)	(156,068)	(155,297)	(154,421)	(153,435)	(152,334)	(151,115)	(149,773)
CUM (deferred)	1,145,942	1,090,933	1,031,312	966,821	897,095	821,766	740,427	652,645	557,949	455,830	345,739	227,083
HV												
FEE DEFERRAL	0	0	0	0	0	0	0	0	0	0	0	0
INTEREST @	62,770	60,100	57,215	54,088	50,705	47,049	43,098	38,832	34,228	29,262	23,906	18,132
REPAYMENT	(92,437)	(92,155)	(91,958)	(91,668)	(91,337)	(90,945)	(90,496)	(89,985)	(89,411)	(88,770)	(88,059)	(87,277)
CUM (deferred)	667,773	635,718	600,975	563,394	522,763	478,866	431,468	380,315	325,132	265,625	201,472	132,327
TOTAL YEAR 32 END												
TOTAL ANNUAL REPAY	(701,799)	(699,656)	(698,159)	(695,962)	(693,446)	(690,473)	(687,062)	(683,184)	(678,822)	(673,954)	(668,561)	(662,621)
ANNUAL NET CASH FLO	0	0	0	(0)	0	0	0	0	0	0	0	0

WINCHESTER PLACE					
1994 PROJECTIONS	49	50	51	52	53
12-Jan-95	2038	2039	2040	2041	2042
SUBSIDY RECOVERY					
VHFA					
P DEFERRED	0	0	0	0	0
INTEREST @	30,974	13,533	0	0	0
REPAYMENT	(224,758)	(222,325)	0	0	0
CUM (deferred)	150,370	(58,422)	(58,422)	(58,422)	(58,422)
SMC					
LEASE SUBSIDY	0	0	0	0	0
INTEREST @	27,098	11,840	0	0	0
REPAYMENT	(196,633)	(194,505)	0	0	0
CUM (deferred)	131,554	(51,111)	(51,111)	(51,111)	(51,111)
MERCHANTS					
PARTNER LOAN	0	0	0	0	0
INTEREST @	20,437	8,930	0	0	0
REPAYMENT	(148,302)	(146,696)	0	0	0
CUM (deferred)	99,219	(38,548)	(38,548)	(38,548)	(38,548)
HV					
FEE DEFERRAL	0	0	0	0	0
INTEREST @	11,909	5,204	0	0	0
REPAYMENT	(86,419)	(85,484)	0	0	0
CUM (deferred)	57,817	(22,463)	(22,463)	(22,463)	(22,463)
TOTAL YEAR 32 END					
TOTAL ANNUAL REPAY	(656,112)	(649,011)	0	0	0
ANNUAL NET CASH FLO	0	0	641,294	632,936	623,913

DRAFT

January 8, 1995
DATE

LETTER OF INTENT

AMONG WINCHESTER ASSOCIATES, VERMONT HOUSING FINANCE AGENCY ("VHFA"), H.V. WINCHESTER, INC., THE MERCHANTS BANK, ST. MICHAEL'S COLLEGE ("SMC"), AND HOUSING VERMONT REGARDING WINCHESTER PLACE APARTMENTS AS OF JANUARY 1, 1995:

1. VHFA will make monthly payments of $9,435.00 (14.5 percent of monthly debt service) to a trustee for deposit on behalf of Winchester Associates for payment of debt service. These payments will be considered advances on a nonrecourse loan to Winchester Associates, which shall accrue without interest. The total advances shall be due, pro rata with the other subsidies anticipated in this agreement, from positive net cash flow that may be generated by Winchester Place or from the proceeds of sale. VHFA and Winchester Associates will enter into a separate loan agreement for this purpose.

2. The schedule of annual ground lease payments due to SMC will be amended as shown in Exhibit 1, line 3, to establish an an equal annual increase in ground rent from $90,000 annually in 1995 to $136,000 annually in 2006. SMC and Winchester Associates will amend the existing lease agreement for this purpose.

3. The amended ground lease payments will be reduced by 29 percent. The resulting annual ground lease schedule is shown in Exhibit 1, line 8. Ground lease payments shall continue to be made monthly. These reductions will be considered advances on a nonrecourse loan to Winchester Associates, which shall accrue without interest. The total advances (reductions in ground lease payments) shall be due, pro rata with the other subsidies anticipated in this agreement, from positive net cash flow that may be generated by Winchester Place or from the proceeds of sale. SMC and Winchester Associates will enter into a separate loan agreement for this purpose.

4. H.V. Winchester, Inc. will defer its investor servicing fee of $9,960 without interest in any calendar year in which the average occupancy rate at Winchester Place does not exceed 96 percent. If the average occupancy rate in any calendar year exceeds 96 percent, H.V. Winchester, Inc. will receive that portion of its investor servicing fee equal to the additional revenue generated by occupancy in excess of 96 percent, up to a maximum of 1 percent of gross rents. The portion not so received will be considered a loan, not a capital contribution, shall accrue without interest, and shall be paid, pro rata with the other subsidies anticipated in this agreement, from positive net cash flow that may be generated by Winchester Place or from the proceeds of sale. Each deferral will be secured by a note.

5. The dollar amounts of the subsidies anticipated in paragraphs 1, 3 and 4 above for calendar year 1995 are as

DRAFT

follows:

VHFA:	$113,217
SMC:	26,100
H.V. Winchester, Inc.:	9,960

These amounts will be the maximum annual subsidies for the duration of this agreement.

6. Winchester Associates will contribute up to $100,000 a year for ten years. These subsidies will represent additional capital contributions, of which 99 percent will be contributed by Merchants Bank as limited partner and 1 percent by H.V. Winchester, Inc. as general partner.

7. In future years the respective contributions of VHFA, SMC, and Winchester Associates may be reduced if net cash flow permits but will maintain the same relative proportions as in 1995 and will not exceed the amounts specified in paragraphs 5 and 6.

8. Winchester Associates' 1995 contribution will be made as follows:

	~~$98,~~000	remaining from 1994 contribution as of 12/31/94
less	15,000	remaining to be paid for sewer reconstruction
equals	~~83,~~000	carried forward for 1995
plus	17,000	additional contribution for 1995
equals	$100,000	total for 1995.

9. Merchants Bank will not demand current repayment of the $171,300 loan made to Winchester Associates in response to VHFA's demand under the Replacement Reserve letter of credit. This loan shall be repaid without interest, pro rata with the other ~~subsidies anticipated in this agreement, from positive~~ net cash flow that may be generated by Winchester Place or from the proceeds of sale. Merchants Bank and Winchester Associates will enter into a separate loan agreement for this purpose.

10. Housing Vermont will give $25,000 to Winchester Associates in 1995 for exterior painting, trim repairs, and the installation of carbon monoxide detectors.

11. Merchants Bank intends to give its limited partner interest to SMC at the point when it can do so with minimal tax liability.

12. This is a 10-year plan, to be re-evaluated annually. It may be amended only by unanimous consent of all parties.

13. This agreement is subject to ratification by the respective boards of directors of all parties.

WINCHESTER ASSOCIATES PROPOSAL AS OF 6-JAN-95

SMC Lease Calculations	Project Yr.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
		1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
1. Original Lease		46,669	80,000	80,000	80,000	80,000	90,000	100,000	100,000	100,000	100,000	110,000	120,000	120,000	120,000	120,000	128,000	136,000
2. Annual Increment	4,182						0	4,182	4,182	4,182	4,182	4,182	4,182	4,182	4,182	4,182	4,182	4,180
3. Revised Lease		46,669	80,000	80,000	80,000	80,000	90,000	94,182	98,364	102,546	106,728	110,910	115,092	119,274	123,456	127,638	131,820	136,000
4. Annual Variance		0	0	0	0	0	0	(5,818)	(1,636)	2,546	6,728	910	(4,908)	(726)	3,456	7,638	3,820	0
5. Cumulative Variance (Yr 17)	8,190						0	(5,818)	(7,454)	(4,908)	1,820	2,730	(2,178)	(2,904)	552	8,190	12,010	12,010
6. NPV of Variance (Yr 17)	8.00%	4,265																
7. Lease Reductions	29.00%						(26,100)	(23,949)	(24,036)	(24,137)	(24,254)	(24,382)	(24,527)	(24,690)	(24,872)	(25,073)	(24,491)	(25,116)
8. Lease Payment							63,900	70,233	74,328	78,409	82,474	86,528	90,565	94,584	98,584	102,565	107,329	110,884
9. Cumulative Reductions							(26,100)	(50,049)	(74,085)	(98,223)	(122,477)	(146,859)	(171,386)	(196,076)	(220,947)	(246,021)	(270,512)	(295,628)

WINCHESTER ASSOCIATES PROPOSAL AS OF 6-JAN-95

WINCHESTER PLACE		PRO FORMA			08-Jan-95				PRO FORMA		08-Jan-95				PRO FORMA
Run with Actual through 1993,	stimated 1994, Budget 1995-1996, Projected thereafter														
		ACTUAL	ACTUAL	ACTUAL	ACTUAL	ESTIMATED	BUDGET								
	Project Yr.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	Calendar Yr.	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Annual Increase rate:				2.10%	1.05%	0.54%	1.10%	1.08%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
ALL RENTS	1.50%	857,982	1,051,658	1,073,779	1,085,071	1,090,895	1,148,805	1,161,268	1,178,687	1,196,367	1,214,313	1,232,528	1,251,015	1,269,781	1,288,827	1,308,160
Less Vacancies	4.00%						(45,952)	(46,451)	(47,147)	(47,855)	(48,573)	(49,301)	(50,041)	(50,791)	(51,553)	(52,326)
Apartment Rental Income		857,982	1,051,658	1,073,779	1,085,071	1,090,895	1,102,853	1,114,817	1,131,540	1,148,513	1,165,740	1,183,226	1,200,975	1,218,989	1,237,274	1,255,833
Plus Other Income		21,393	15,496	21,145	10,246	8,299	3,400	3,400	3,400	3,400	3,400	3,451	3,503	3,555	3,609	3,663
Total Actual Income		879,375	1,067,154	1,094,924	1,095,317	1,099,194	1,106,253	1,118,217	1,134,940	1,151,913	1,169,140	1,186,677	1,204,478	1,222,545	1,240,883	1,259,496
Less Oper Expenses	3.00%	(341,756)	(431,423)	(453,678)	(476,217)	(494,345)	(435,566)	(422,313)	(434,982)	(448,032)	(461,473)	(475,317)	(489,577)	(504,264)	(519,392)	(534,973)
Net Operating Income		537,619	635,731	641,246	619,100	604,849	670,687	695,904	699,957	703,881	707,668	711,360	714,901	718,281	721,491	724,523
Less Lease Payment		(46,669)	(80,000)	(80,000)	(80,000)	(80,000)	(90,000)	(94,182)	(98,364)	(102,546)	(106,728)	(110,910)	(115,092)	(119,274)	(123,456)	(127,638)
Less VHFA LOAN		(582,555)	(780,983)	(780,679)	(780,679)	(780,724)	(780,804)	(780,804)	(780,804)	(780,804)	(780,804)	(780,804)	(780,804)	(780,804)	(780,804)	(780,804)
Other receipts(disbs)		837,712	(60,814)	(4,555)		(2,663)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)
Replacement Reserve							(46,099)	(46,599)	(47,298)	(48,008)	(48,728)	(49,459)	(50,201)	(50,954)	(51,718)	(52,494)
Repayment of letter of credit							0	0	0	0	0	0	0	0	0	0
Total other payments		208,488	(921,797)	(865,234)	(860,679)	(863,387)	(919,903)	(924,585)	(929,466)	(934,358)	(939,260)	(944,173)	(949,097)	(954,032)	(958,978)	(963,936)
Net Cash Flow Before Subsidies		746,107	(286,066)	(223,988)	(241,579)	(258,538)	(249,216)	(228,681)	(229,509)	(230,477)	(231,592)	(232,812)	(234,196)	(235,751)	(237,487)	(239,413)
Winchester Associates subsidy							100,000	91,760	92,092	92,481	92,928	93,418	93,973	94,597	95,293	96,066
Winch. Assoc. percentage							40.13%	40.13%	40.13%	40.13%	40.13%	40.13%	40.13%	40.13%	40.13%	40.13%
VHFA subsidy	14.50%						113,217	103,888	104,264	104,703	105,210	105,764	106,393	107,099	107,888	108,763
VHFA percentage							45.43%	45.43%	45.43%	45.43%	45.43%	45.43%	45.43%	45.43%	45.43%	45.43%
St. Michael's College subsidy	29.00% of revised 1995 lease payment						26,100	23,949	24,036	24,137	24,254	24,382	24,527	24,690	24,872	25,073
SMC percentage							10.47%	10.47%	10.47%	10.47%	10.47%	10.47%	10.47%	10.47%	10.47%	10.47%
HV Winchester-deferred fee							9,960	9,960	9,960	9,960	9,960	9,960	9,960	9,960	9,960	9,960
Net Cash Flow After Subsidies							60	876	843	805	760	712	657	595	526	450
Less sewer line improvements (prepaid by Winchester Assoc.)						(20,000)	~~(12,000)~~	(2,000)								
Less other improvements						(5,008)	(25,146)	To be paid from Replacement Reserve from 1996 on								

WINCHESTER PLACE ANALYSIS 1/17/95

WORKOUT SCENARIO--VHFA ANNUAL POSITION
(WIN10A.WQ1)

1.5/3.0	1995	1999	YR 15 2004
VALUE (DISCOUNTED CF)	4,550,611	4,827,589	5,349,762
MTG BAL	7,219,889	6,592,485	5,414,888
VHFA CUM SUBSIDY			
(PRINCIPAL ONLY)	113,063	500,600	997,199
PV @ 5%	107,679	434,787	771,476
3.0/3.0			
VALUE (DISCOUNTED CF)	5,789,998	6,797,161	8,434,129
MTG BAL	7,219,889	6,592,485	5,414,888
VHFA CUM SUBSIDY			
(PRINCIPAL ONLY)	113,063	458,695	726,141
PV @ 5%	107,679	400,866	584,928

A2

WINCHESTER PLACE FINANCIAL ANALYSIS 17-Jan-95 04:02 PM

1994 RENT TABLE REVISED 12/21/94

ESTIMATED 1995	#	RENT--NET OF UTILITIES (HT, HW, ELEC, W&S)
MARKET RATE	93	741,854
LIHTC	73	406,951
TOTAL	166	1,148,805

ESTIMATED 1996	#	RENT--NET OF UTILITIES (HT, HW, ELEC, W&S)
MARKET RATE	93	747,517
LIHTC	73	413,751
TOTAL	166	1,161,268

PROPOSED 1996

WINCHESTER PLACE			
100% MARK Flat	8	740	71,040
Townhouse	134	660	1,061,280
T. w/Loft	24	740	213,120
TOTAL	166		1,345,440

YEAR 7

3-YEAR TRANSITION TO MKT RATE YRS 16-18

WINCHESTER PLACE WORKOUT
ANALYSIS OF VHFA ANNUAL POSITION

1994 PROJECTIONS YEAR	1	2	3	4	5	6	7	8	9	10	11	12
17-Jan-95	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
CUM VHFA SUBSIDY PRINCIPAL						113,063	209,397	306,058	403,105	500,600	598,608	697,197
CUM VHFA SUBSIDY INTEREST						0	10,176	29,937	60,177	101,872	156,095	224,018
TOTAL CUM VHFA						113,063	219,573	335,995	463,282	602,472	754,702	921,215
PV VHFA SUBSIDY PRINC THRU YR SHOWN @		5.00%				107,679	195,057	278,556	358,397	434,787	507,922	577,987
ANNUAL OPERATING DEFICIT (AFTER DS)						(286,238)	(228,505)	(229,282)	(230,197)	(231,259)	(232,475)	(233,855)
OUTSTANDING PRINCIPAL BALANCE ORIG MTG						7,219,889	7,083,463	6,934,240	6,771,018	6,592,485	6,397,204	6,183,604
DIRECT CAP VALUE						4,494,923	5,019,765	5,012,708	5,004,389	4,994,736	4,983,675	4,971,131
DISCOUNTED CF VALUE						4,550,611	4,647,748	4,699,782	4,759,355	4,827,589	4,905,754	4,995,298

WIN 10N 1.5/3.0

A4

WINCHESTER PLACE WORKOUT
ANALYSIS OF VHFA ANNUAL POSITION

1994 PROJECTIONS YEAR	13	14	15	16	17	18	19
17-Jan-95	2002	2003	2004	2005	2006	2007	2008
CUM VHFA SUBSIDY PRINCIPAL	796,440	896,414	997,199	1,072,330	1,119,527	1,137,371	1,153,364
CUM VHFA SUBSIDY INTEREST	306,927	406,230	523,468	660,328	816,268	990,489	1,181,997
TOTAL CUM VHFA	1,103,368	1,302,645	1,520,667	1,732,659	1,935,795	2,127,860	2,335,361
PV VHFA SUBSIDY PRINC THRU YR SHOWN @	645,159	709,603	771,476	815,404	841,685	851,148	859,225
ANNUAL OPERATING DEFICIT (AFTER DS)	(235,407)	(237,139)	(239,062)	(178,212)	(111,951)	(42,326)	(37,935)
OUTSTANDING PRINCIPAL BALANCE ORIG MTG	5,949,968	5,694,414	5,414,888	5,113,535	4,783,098	4,420,766	4,023,459
DIRECT CAP VALUE	4,957,024	4,941,273	4,923,793	5,476,975	6,079,346	6,712,301	6,752,225
DISCOUNTED CF VALUE	5,097,862	5,215,312	5,349,762	5,503,614	5,616,617	5,678,049	5,677,842

WINCHESTER PLACE WORKOUT
ANALYSIS OF VHFA ANNUAL POSITION
1994 PROJECTIONS

YEAR	1	2	3	4	5	6	7	8	9	10	11	12
17-Jan-95	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
CUM VHFA SUBSIDY PRINCIPAL						113,063	209,397	299,279	382,463	458,695	527,713	589,248
CUM VHFA SUBSIDY INTEREST						0	10,176	29,937	59,567	99,349	149,573	210,529
TOTAL CUM VHFA						113,063	219,573	329,216	442,030	558,044	677,286	799,777
PV VHFA SUBSIDY PRINC THRU YR SHOWN @		5.00%				107,679	195,057	272,700	341,136	400,866	452,368	496,100
ANNUAL OPERATING DEFICIT (AFTER DS)						(286,238)	(228,454)	(213,154)	(197,269)	(180,782)	(163,675)	(145,930)
OUTSTANDING PRINCIPAL BALANCE ORIG MTG						7,219,889	7,083,463	6,934,240	6,771,018	6,592,485	6,397,204	6,183,604
DIRECT CAP VALUE						4,494,923	5,020,228	5,159,323	5,303,730	5,453,611	5,609,128	5,770,452
DISCOUNTED CF VALUE						5,789,998	6,048,256	6,282,305	6,531,479	6,797,161	7,080,894	7,384,407

WINCHESTER PLACE WORKOUT
ANALYSIS OF VHFA ANNUAL POSITION

1994 PROJECTIONS YEAR	13	14	15	16	17	18	19
17-Jan-95	2002	2003	2004	2005	2006	2007	2008
CUM VHFA SUBSIDY PRINCIPAL	643,023	688,752	726,141	726,141	726,141	726,141	726,141
CUM VHFA SUBSIDY INTEREST	282,509	365,807	460,717	563,843	574,518	477,816	338,408
TOTAL CUM VHFA	925,532	1,054,559	1,186,858	1,289,984	1,300,659	1,203,957	1,064,549
PV VHFA SUBSIDY PRINC THRU YR SHOWN @	532,497	561,974	584,928	584,928	584,928	584,928	584,928
ANNUAL OPERATING DEFICIT (AFTER DS)	(127,526)	(108,445)	(88,667)	0	0	0	0
OUTSTANDING PRINCIPAL BALANCE ORIG MTG	5,949,968	5,694,414	5,414,888	5,113,535	4,783,098	4,420,766	4,023,459
DIRECT CAP VALUE	5,937,755	6,111,219	6,291,026	7,130,649	8,055,482	9,040,369	9,349,489
DISCOUNTED CF VALUE	7,709,630	8,058,729	8,434,129	8,838,553	9,203,194	9,513,506	9,755,821

WINCHESTER PLACE ANALYSIS 1/17/95
FORECLOSURE SCENARIO (WIN11.WQ1)--TRANSITION TO 100% MARKET RATE BY 1998

	1995	1998 (@ MKT RENTS)
1.5/3.0		
VALUE (DISCOUNTED CF)	5,283,985	5,642,994
VALUE (DIRECT CAP)	4,494,923	6,614,213
MTG BAL	7,219,889	6,771,018
3.0/3.0		
VALUE (DISCOUNTED CF)	6,570,568	7,481,492
VALUE (DIRECT CAP)	4,494,923	6,960,798
MTG BAL	7,219,889	6,771,018

(illegible)

B2

WINCHESTER PLACE FINANCIAL ANALYSIS 17-Jan-95 03:25 PM

1994 RENT TABLE REVISED 12/21/94

ESTIMATED 1995	#	RENT--NET OF UTILITIES (HT, HW, ELEC, W&S)
MARKET RATE	93	741,854
LIHTC	73	406,951
TOTAL	166	1,148,805

ESTIMATED 1996	#	RENT--NET OF UTILITIES (HT, HW, ELEC, W&S)
MARKET RATE	93	747,517
LIHTC	73	413,751
TOTAL	166	1,161,268

PROPOSED 1996

WINCHESTER PLACE					
100% MARKE	Flat	8	740	71,040	
	Townhouse	134	660	1,061,280	
	T. w/Loft	24	740	213,120	
	TOTAL	166		1,345,440	1,365,622	1,386,106

		YEAR	7	8	9
TRANSITION TO MARK RAT		1996	1997	1996	1997	1998
MARKET	FLAT	3	5	935,760	1,161,728	1,386,106
	TH	89	112			
	TH/LOFT	23	24			

WINCHESTER PLACE--FORECLOSURE SCENARIO

ASSUME FORECLOSURE MID-1995
PROPERTY TAX PAYMENTS STOP AS OF 4TH 1/4 1995
TRANSITION TO MARKET RATE BEGINS IN 1995; REVENUE AFFECTED BEG. 1996
1995 PROPERTY TAX 119,267

1994 PROJECTIONS	YEAR	1	2	3	4	5	6	7	8	9	10	11	12
17-Jan-95		1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
NOI AFTER ORIG LEASE PMT							494,442	604,815	666,459	727,563	733,301	728,924	724,423
Less Primary Debt Service							780,679	780,679	780,679	780,679	780,679	780,679	780,679
CF AFTER DS & LEASE PMT							(286,238)	(175,865)	(114,221)	(53,116)	(47,378)	(51,756)	(56,257)
DEFICIT OFFSETS													
BALANCE MERCHANTS SINKING FUND (ESTIMATED)							98,000						
PROPERTY TAX NOT PAID							29,817	122,845	126,530	130,326	134,236	138,263	142,411
NET (DEFICIT) SURPLUS--VHFA OWNERSHIP							(158,421)	(53,020)	12,310	77,210	86,858	86,508	86,155
VALUATION:													
DIRECT CAPITALIZATION													
CAP Rate:							11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%
Capitalized Value:							4,494,923	5,498,315	6,058,715	6,614,213	6,666,377	6,626,581	6,585,663
DISCOUNTED YIELD APPROACH													
Yield Rate:							13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
NPV of NOI:							5,283,985	5,476,461	5,583,586	5,642,994	5,649,020	5,650,091	5,655,679
remaining lease term,YRS:							47	46	45	44	43	42	41
OUTSTANDING MORTGAGE BALANCE							7,219,889	7,083,463	6,934,240	6,771,018	6,592,485	6,397,204	6,183,604

WINCHESTER PLACE--FORECLOSURE SCENARIO

ASSUME FORECLOSURE MID-1995

PROPERTY TAX PAYMENTS STOP AS OF 4TH 1/4 1995

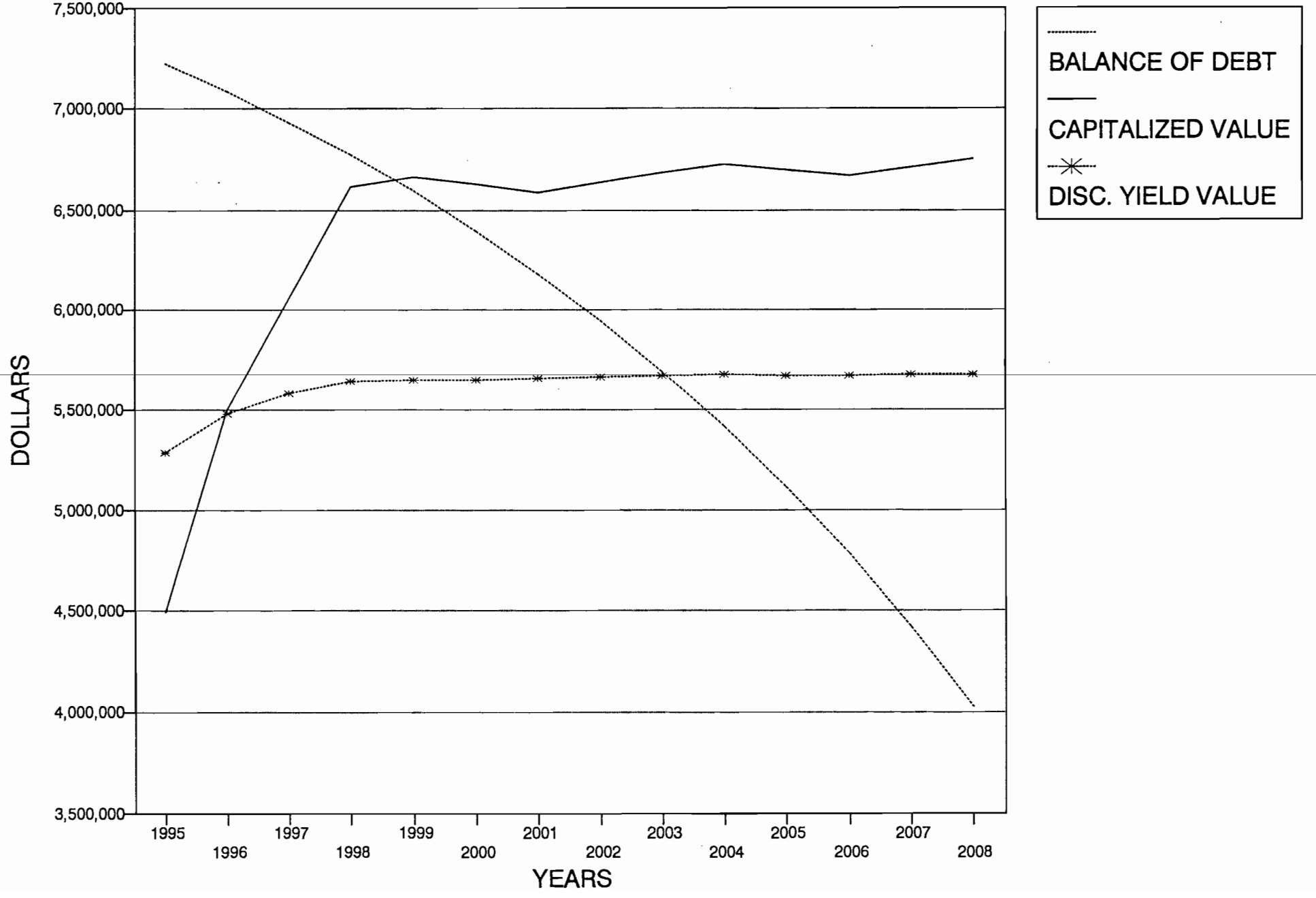
TRANSITION TO MARKET RATE BEGINS IN 1995; REVENUE AFFECTED BEG. 1996

1995 PROPERTY TAX 119,267

1994 PROJECTIONS YEAR	13	14	15	16	17	18	19
17-Jan-95	2002	2003	2004	2005	2006	2007	2008
NOI AFTER ORIG LEASE PMT	729,791	735,019	740,098	737,020	733,775	738,353	742,745
Less Primary Debt Service	780,679	780,679	780,679	789,663	789,663	789,663	789,663
CF AFTER DS & LEASE PMT	(50,889)	(45,661)	(40,582)	(52,643)	(55,888)	(51,310)	(46,918)
DEFICIT OFFSETS							
BALANCE MERCHANTS SINKING FUND (ESTIMATED)							
PROPERTY TAX NOT PAID	146,683	151,084	155,616	160,285	165,093	170,046	175,148
NET (DEFICIT) SURPLUS--VHFA OWNERSHIP	95,795	105,423	115,035	107,642	109,205	118,736	128,229
VALUATION:							
DIRECT CAPITALIZATION							
CAP Rate:	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%
Capitalized Value:	6,634,461	6,681,987	6,728,163	6,700,180	6,670,680	6,712,301	6,752,225
DISCOUNTED YIELD APPROACH							
Yield Rate:	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
NPV of NOI:	5,666,494	5,673,348	5,675,864	5,673,629	5,674,180	5,678,049	5,677,842
remaining lease term,YRS:	40	39	38	37	36	35	34
OUTSTANDING MORTGAGE BALANCE	5,949,968	5,694,414	5,414,888	5,113,535	4,783,098	4,420,766	4,023,459

WINCHESTER

1.5%/3.0% Income/Expense Trending



WINCHESTER PLACE--FORECLOSURE SCENARIO

ASSUME FORECLOSURE MID-1995

PROPERTY TAX PAYMENTS STOP AS OF 4TH 1/4 1995

TRANSITION TO MARKET RATE BEGINS IN 1995; REVENUE AFFECTED BEG. 1996

1995 PROPERTY TAX 119,267

1994 PROJECTIONS	YEAR	1	2	3	4	5	6	7	8	9	10	11	12
17-Jan-95		1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
NOI AFTER ORIG LEASE PMT							494,442	604,866	684,311	765,688	791,748	808,591	826,239
Less Primary Debt Service							780,679	780,679	780,679	780,679	780,679	780,679	780,679
CF AFTER DS & LEASE PMT							(286,238)	(175,814)	(96,369)	(14,992)	11,069	27,911	45,559
DEFICIT OFFSETS													
BALANCE MERCHANTS SINKING FUND (ESTIMATED)							98,000						
PROPERTY TAX NOT PAID							29,817	122,845	126,530	130,326	134,236	138,263	142,411
NET (DEFICIT) SURPLUS--VHFA OWNERSHIP							(158,421)	(52,969)	30,162	115,335	145,305	166,175	187,970
VALUATION:													
DIRECT CAPITALIZATION													
CAP Rate:							11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%
Capitalized Value:							4,494,923	5,498,778	6,221,008	6,960,798	7,197,713	7,350,826	7,511,260
DISCOUNTED YIELD APPROACH													
Yield Rate:							13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
NPV of NOI:							6,570,568	6,930,301	7,226,374	7,481,492	7,688,398	7,896,141	8,114,049
remaining lease term,YRS:							47	46	45	44	43	42	41
OUTSTANDING MORTGAGE BALANCE							7,219,889	7,083,463	6,934,240	6,771,018	6,592,485	6,397,204	6,183,604

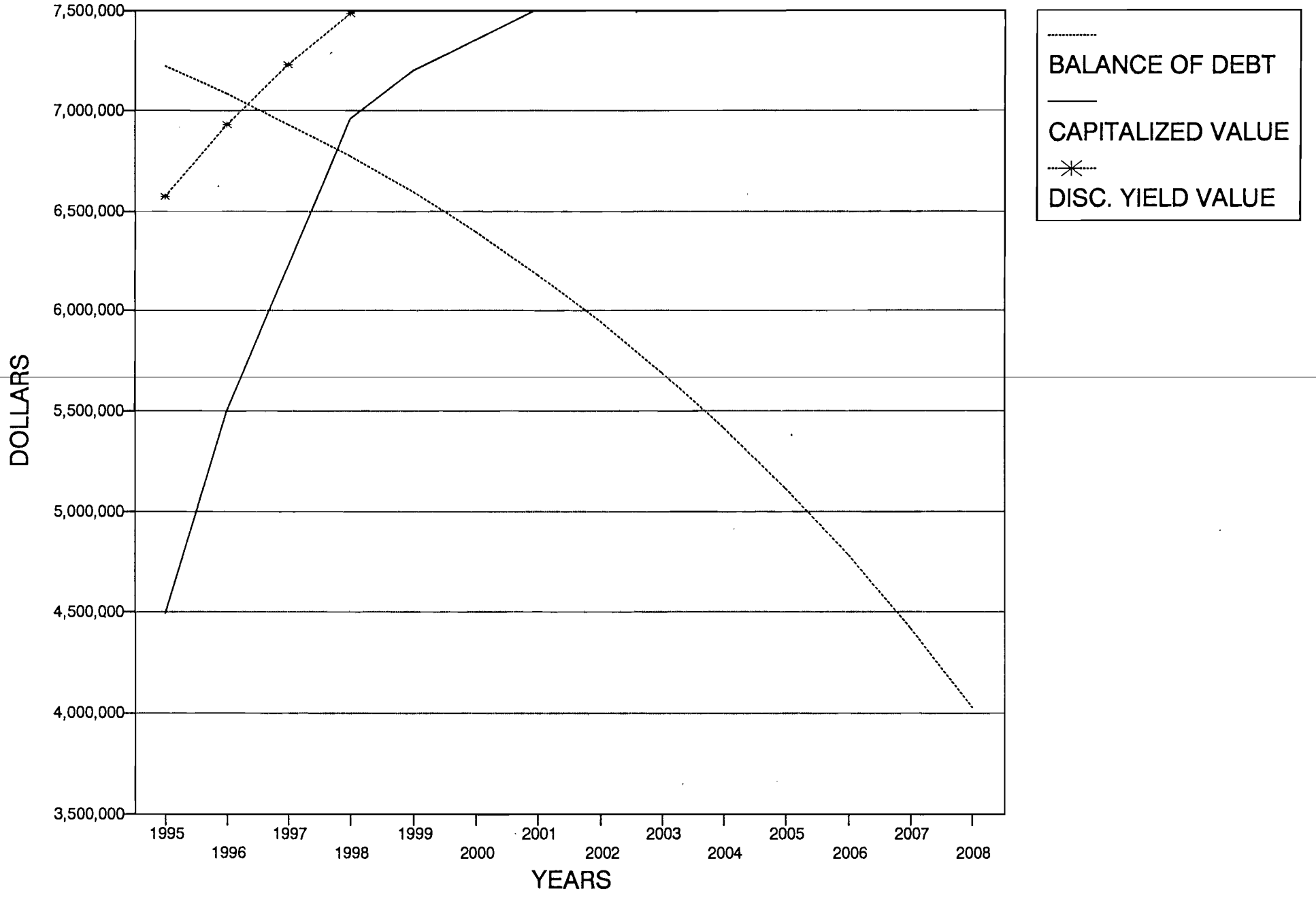
WINCHESTER PLACE--FORECLOSURE SCENARIO

ASSUME FORECLOSURE MID-1995
PROPERTY TAX PAYMENTS STOP AS OF 4TH 1/4 1995
TRANSITION TO MARKET RATE BEGINS IN 1995; REVENUE AFFECTED BEG. 1996
1995 PROPERTY TAX 119,267

1994 PROJECTIONS YEAR	13	14	15	16	17	18	19
17-Jan-95	2002	2003	2004	2005	2006	2007	2008
NOI AFTER ORIG LEASE PMT	854,716	884,047	914,259	937,376	961,428	994,441	1,028,444
Less Primary Debt Service	780,679	780,679	780,679	789,663	789,663	789,663	789,663
CF AFTER DS & LEASE PMT	74,036	103,368	133,579	147,713	171,765	204,778	238,781
DEFICIT OFFSETS							
BALANCE MERCHANTS SINKING FUND (ESTIMATED)							
PROPERTY TAX NOT PAID	146,683	151,084	155,616	160,285	165,093	170,046	175,148
NET (DEFICIT) SURPLUS--VHFA OWNERSHIP	220,720	254,452	289,196	307,998	336,858	374,824	413,928
VALUATION:							
DIRECT CAPITALIZATION							
CAP Rate:	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%
Capitalized Value:	7,770,144	8,036,793	8,311,443	8,521,604	8,740,252	9,040,369	9,349,489
DISCOUNTED YIELD APPROACH							
Yield Rate:	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
NPV of NOI:	8,342,636	8,572,463	8,802,836	9,032,946	9,269,853	9,513,506	9,755,821
remaining lease term,YRS:	40	39	38	37	36	35	34
OUTSTANDING MORTGAGE BALANCE	5,949,968	5,694,414	5,414,888	5,113,535	4,783,098	4,420,766	4,023,459

WINCHESTER

3.0%/3.0% Income/Expense Trending



EVENSEN DODGE REPORT

INDEPENDENT FIANANCIAL CONSULTANTS TO STATE AND LOCAL GOVERNMENTS

Trends in Public Finance

Volume 94-3 Fall 1994

Come See Us at the National League of Cities Conference — Booth #820

The National League of Cities 1994 Congress of Cities and Exposition is being held at the Minneapolis, Minnesota Convention Center, December 1-4 this year. The Congress of Cities attracts attendees from all over the country. More than 5,000 public officials and decision makers from 17,000 municipalities gather at the Congress each year to exchange the latest innovations and experiences in local government. The theme for this year's Congress is "Beyond Boundaries: City Strengths, Community Vision."

Evensen Dodge will be sponsoring and exhibiting at this year's Congress of Cities. Please stop by **booth #820** to visit with one of our firm's representatives and learn more about our services and capabilities as an independent financial advisor to cities.

Alternative Methods for Selling Housing Bonds

By Alan L. Hans, Senior Vice President

Since their beginnings in the late 1960's through the early 1980's, state housing finance agencies have predominately used the negotiated method of sale to raise capital for their programs. As an example, in 1993 negotiated sales equaled 94% of the housing bond market, competitive sales equaled 4%, and private placements equaled 2%. That trend has started to change as reflected in the results of the first nine months of 1994, when these percentages changed to 90%, 8%, and 2%, respectively. Eight state housing agencies have sold bonds using a competitive method of sale so far this year, and for the first time since 1985, competitive bond sales for housing will exceed one billion dollars for calendar year 1994. Following similar trends in the overall municipal market, where 37% of the issues were sold on a competitive basis, use of the competitive method of sale for housing issues is likely to continue to increase.

The opportunities to fund affordable housing programs in different ways have raised a number of policy questions for Board members and staff members of state housing agencies.

- Should more than just negotiated sales be considered?
- When should competitive bond sales be used?

Housing Bonds continued on page 5

Evensen Dodge Ranks Second

"Evensen Dodge, which finished 1993 in sixth place among financial advisors with $6.56 billion, was a surprisingly strong second at the end of the third quarter this year, with $6.6 billion." *The Bond Buyer*

After tallying the results of the first three quarters of 1994, Evensen Dodge came out ranked second among financial advisors. Gathered by Securities Data Company, these statistics are based on new issues of municipal bonds maturing in 13 months or longer. Evensen Dodge also had a strong showing in several other issue categories. The firm ranked first in higher education and education issues; second in general purpose, short-term, new long-term, general obligation, and tax-exempt issues; third in housing and utilities issues; fourth in economic development and revenue issues; and sixth in student loan issues. The following table depicts the third quarter rankings for financial advisors.

National Top Ten Financial Advisors 1994 Long-term Issues

Rank	Firm	# of Issues	($ Mils)
❶	Public Resources Advisory Group	62	$9,651,500
❷	**EVENSEN DODGE INC**	**206**	**6,603,100**
❸	Public Financial Management Inc.	147	5,837,600
❹	O'Brien Partners, Inc.	59	4,873,500
❺	P.G. Corbin & Company, Inc.	56	3,962,000
❻	Rauscher Pierce Refsnes, Inc.	163	3,331,600
❼	First Southwest Company	179	1,940,900
❽	Alex. Brown & Sons Inc.	19	1,548,000
❾	WR Lazard & Co.	10	1,443,200
❿	Ponder & Co.	40	1,422,100

Inside this Issue ...

Alternative Methods for Selling Housing Bonds ..... Cover
Marketwatch 4
National League of Cities ..... Cover
Evensen Dodge Ranks Second ..... Cover
Evensen Continues to Grow 2
Evensen Dodge Financings 3
Rolodex Card 4

Housing Bonds

Continued from cover

- When should private placements, such as with the Federal National Mortgage Association (Fannie Mae), be used?
- Are there internal funds available to finance programs?
- When should other types of borrowings, such as loans from the Federal Home Loan Bank, be used?
- How can results be evaluated?

A recent competitive sale and private placement sale for housing bonds are described below as examples of successful, alternative methods used to finance affordable housing programs.

Competitive Housing Sale

The Minnesota Housing Finance Agency (MHFA) sold a $51,500,000 bond issue using a competitive method of sale on August 25, 1994. The bonds were assigned credit ratings of Aa from Moody's Investors Service (Moody's) and AA+ from Standard & Poor's Corporation (S&P). MHFA received four bids which had a range of True Interest Costs from 6.4509% to 6.5456%. Fannie Mae, as an investor, submitted the winning bid.

Although bids are typically submitted by dealers and underwriters, investors can and occasionally do, submit bids directly with the issuer. For example, the Student Loan Marketing Association (Sallie Mae) submitted the winning bid for a $33 million bond issue sold on a competitive basis by the Alaska Student Loan Corporation on May 30, 1990. Banks will also occasionally submit bids for the direct purchase of bonds for their local community.

Fannie Mae is a shareholder-owned corporation with a federal charter, whose business is limited to residential finance. As an illustration of its size, Fannie Mae finances one out of every seven mortgages originated in the United States. Fannie Mae's income is subject to Federal taxation and, thus, it has a tax incentive to own tax-exempt bonds. The purchase of the MHFA bond issue was the first time that Fannie Mae purchased double-A rated, whole loan-backed bonds, and was the first time that Fannie Mae purchased bonds through a competitive bid process.

As a result of this competitive sale, MHFA saved over $370,000 of transaction costs, since there was no purchase discount associated with Fannie Mae's bid. These were direct savings which the Agency could then use for other affordable housing programs. In addition, the MHFA received an attractive level of interest rates.

Private Placement Housing Sale

The Vermont Housing Finance Agency (VHFA) sold a $66,000,000 bond issue using a private placement method of sale on November 10, 1994. The bonds were sold to Fannie Mae under its whole loan-backed bond purchase program.

VHFA bonds, which had been previously issued under its existing general bond resolution for its single family programs, have been assigned credit ratings of A1 from Moody's and A+ from S&P. In order to meet Fannie Mae's double A credit rating requirement, the VHFA purchased bond insurance from the AMBAC Indemnity Corporation. As a result, the new bond issue received credit ratings of Aaa from Moody's, AAA from S&P, and AAA from Fitch Investors Service, Inc. No additional financial or program restrictions beyond what was required by the general bond resolution, were added.

VHFA negotiated a True Interest Cost of 7.06% with Fannie Mae. VHFA saved in excess of $500,000 of transaction costs, since there was no purchase discount associated with the Fannie Mae purchase. These were direct savings which the VHFA could then use for other affordable housing programs. In addition, the VHFA received an attractive level of interest rates on the bonds and the VHFA can recycle loan prepayments into new loans through the year 200

Considering Alternative Methods of Sale

The major objective in issuing bonds is to obtain the lowest overall interest rate while maintaining maximum flexibility to manage the resources and obligations of the bond issue during the life of the bond issue. Many articles on the advantages and disadvantages of competitive and negotiated bond issues have been published. It is generally agreed that the issuer should consider the following factors in making a decision on selecting a method of sale.

- Market familiarity with issuer
- Credit strength of issuer
- Market familiarity with bond structure
- Size of issue
- Complexity of issue
- Market conditions
- Timing

In many cases the negotiated method of sale would be advantageous to the issuer, however, competitive sales and private placements should also be considered. State housing finance agencies should evaluate the method of sale prior to each bond issue and establish a formal process to evaluate the results of their bond sales.

For more information on alternative methods of sale for housing agencies, please call Al Hans a 800/328-8200.

EVENSEN DODGE INC

Independent Financial Consultants to State and Local Governments

We do Financing for:

- ✔ Airports
- ✔ Convention Centers
- ✔ Economic Development
- ✔ General Infrastructure
- ✔ Health Care
- ✔ Housing
- ✔ Jails
- ✔ Transit & Highways
- ✔ Parks & Recreation
- ✔ Power & District Heating
- ✔ Redevelopment
- ✔ Sports Facilities
- ✔ Solid Waste
- ✔ Water & Wastewater

vhfa

VERMONT HOUSING FINANCE AGENCY

February 6, 1995

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

Dear Ms. Carpenter:

The Vermont Housing Finance Agency will be having its regular monthly Board Meeting on Thursday, February 16, at 2:00 p.m., here in the office of the Vermont Housing Finance Agency, One Burlington Square, Burlington, Vermont.

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

Sincerely,

Barbara M. Parker

Barbara M. Parker
Executive Assistant

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director ASH

DATE: February 10, 1995

RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held at 2:00 p.m. Thursday, February 16, here at the office of the Vermont Housing Finance Agency, One Burlington Square, Burlington, Vermont.

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

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Burlington at 2:00 February 16!

REMINDER The final draft of the Strategic Plan was mailed separately; it should be brought to the meeting for discussion.

If you are interested in a tour of Venture Place before the meeting, please give me a call, Ext 221.

VERMONT HOUSING FINANCE AGENCY

VHFA BOARD MEETING AGENDA
One Burlington Square
Burlington, Vermont

Thursday, February 16, 1995 at 2:00 p.m.

1. Review and approval of minutes of January 18, 1995

2. Development
   - ⌂ Community Investment Demonstration Program **[Jenkins//Enclosure]**

3. Operations
   - ⌂ MOVE/Mortgage Plus Updates/Delinquency Report **[Lothrop//Enclosure]**
   - ⌂ Property Inspections **[Lothrop//Enclosure]**

4. Administration
   - ⌂ Executive Director's Report **[Hunt]**
   - ⌂ Venture Place Update **[Francis//Enclosure]**

5. Finance
   - ⌂ Multi-Family Refunding Update **[Schoenbeck//Enclosure]**
   - ⌂ Quarterly Financials as of 09/30/94 **[Schoenbeck//Enclosure]**

6. Legal
   - ⌂ Pine Meadow Bond Resolution **[Jarrett/Enclosure]**

7. Communications
   - ⌂ Strategic Planning Update **[Gent//Separate]**

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

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

EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

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

Thursday, January 18, 1995

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

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

Guests: Mr. Varsames (Northshore Companies); Mr. Cole (AG Edwards)

The meeting was called to order by the Chairman at 1:35 p.m. Upon a motion made by Mr. Douglas and seconded by Mr. Candon, the minutes of November 17 were unanimously approved as written. A motion was then made by Ms. Canney and seconded by Mr. Candon to approve the minutes of December 16 as written; this motion carried unanimously.

Ms. Crady reviewed the "Home Improvement Loan Program Rules" as attached to her memo of January 12, included in the Board packet. The Agency's current rules for Home Improvement Loans are outdated and are specific to loans that are insured by the HUD FHA Title I Home Improvement Loan Program. The specific program changes and implementation methods have not yet been determined by staff. The rules are meant to apply to single family owner-occupied homes, and would allow nearly any home improvement, including energy, hazard removal, etc., except luxury items. Mr. Candon questioned the 90-day requirement as defined in C(3); Ms. Crady explained that the property should have been occupied for that time period, although not necessarily by the borrower, prior to application for the home improvement loan. As Mr. Hunt further clarified, this program is meant to apply to existing homes rather than newly built units. Ms. Randall asked that the program further clarify the conversion of an existing building to a dwelling; in response, Ms. Crady noted that the program guidelines and procedures will help to further clarify the eligibility of certain properties. A motion was then made by Mr. Seelig and seconded by Mr. Douglas to approve the "Home Improvement Loans Rules and Regulations" as presented to the Board, with the modifications discussed above; this motion also included a directive to the Executive Director to take all actions necessary to promulgate these rules pursuant to the Administrative Procedures Act. The motion carried unanimously.

The "Pinecrest Village, Williston—Loan Request from John Varsames" was reviewed by Ms. Crady, as further detail to her memo of January 10, included in the Board packet. Ms. Crady introduced Mr. Varsames to the Board and explained that a loan to pay off a first mortgage and to finance the construction of 11 units at Pinecrest Village was being requested. Pinecrest Village is an 87-unit Planned Residential Development (PRD); to date, 76 units have been built and sold. This development is served by town water and sewer and is fully permitted; the infrastructure is complete. Mr. Varsames explained that of the 76 units already built, 13 are held in perpetual affordability through the Burlington Community Land Trust and Lake Champlain Housing Development Corporation. There is a community building on the property, as well as a swimming pool, swings and a pond. According to Mr. Varsames, the predominant population is single mothers, with a good mix of elderly and family residents. The project is fully permitted, and Mr. Varsames observed that Williston is pointing to this project as a housing example for other communities. A revised Resolution was distributed by Ms. Crady, for the Board's review. After a motion made by Mr. Candon and seconded by Ms. Randall, the Board voted unanimously to adopt the revised "Resolution Pertaining to Combined Letter of Interest and Commitment Letter re: Pinecrest Village Development (Williston)" as attached to these minutes. Mr. Varsames left the meeting following the vote.

Ms. Crady then reviewed the "Loan Extension Request—Freeborn Estates, St. Albans," as described in her memo of January 11, included in the Board packet. The Board approved a loan of $600,000 in November 1993 to finance the site development and construction of a nine-unit PRD on Freeborn Street in the Town of St. Albans. This loan matured on December 31, 1994. Of the nine units under construction, six have been sold, with five of those at incomes at or below the Agency's MOVE program income limits. There are three remaining units, one of which is under contract with the closing scheduled for the end of February; after one additional unit sells, the Agency's loan will be paid in full. Ms. Randall noted that interest rates were lower when the loan was originally approved, and moved to amend the "Resolution Pertaining to Extension of Term of Loan re: Freeborn Estates Development" to allow for a rate review within six months. This motion was seconded by Ms. Canney, and the Board voted unanimously to amend this Resolution as attached to these minutes.

Next, the "Loan Extension—Twin Pines Housing Trust, Starlake Village," detailed in her memo of January 11 and included in the Board packet, was reviewed by Ms. Crady. In September 1992 the Board approved a loan in the amount of $500,000 to finance the site development and construction of 14 single family homes at Starlake Village in Norwich. The Board voted in March to extend the term of the loan to September 1994; a further extension to February 1995 was then approved in September. Of the 14 units planned, 12 have been completed and sold; the two remaining unsold units continue to be marketed through a local real estate broker and through the developer's outreach efforts. Ms. Randall noted that to burden this project with a higher interest rate would not be in the Agency's best interest, as this development has been struggling to sell the last two units. A motion was then made by Ms.

Randall to adopt the "Resolution Pertaining to Extension of Term of Loan re: Starlake Village/Twin Pines Housing Trust Development" as attached to these minutes. After being seconded by Mr. Candon, the motion passed unanimously.

Mr. Cummings offered the "Vermont Housing Ventures Revolving Loan Update" as per his memo of January 11, included in the Board packet. "Ventures" is a $250,000 revolving loan fund approved by the Board in 1987 and is used by locally-based nonprofit housing developers to promote and assist affordable housing projects through low interest venture capital and technical assistance. While the fund's goal of increasing a nonprofit's capacity has been successful, the twin goal of increasing the Agency's lending activity has been less productive. Mr. Hunt noted that while lenders currently offer these types of loans at competitive rates in order to earn community reinvestment credit, the Agency's activity level is expected to rise when conventional funds are less available. The Agency utilizes the same level of underwriting regardless of the loan amount being considered. Mr. Seelig noted that this intensive underwriting strategy is often viewed by the nonprofits as being more restrictive than conventional underwriting methods. No Board action was necessary; however, Mr. Cummings noted that should the demand for Ventures funds exceed the supply, staff may request additional funding for this program. Mr. Cummings and Ms. Crady left the meeting following this report.

"Reservation Comparisons—1991 through 1994" for single family loans were reviewed by Mr. Lothrop, who referred the Board to his memo of January 6, included in the Board packet. During the first two weeks of 1995, reservations reached $1.2 million. Mr. Lothrop noted that if this activity continues at its current pace, this could be one of the higher January monthly activity levels in recent years. The monthly "Delinquency Statistical Report" showed that delinquencies rose slightly in November and December, which follows a trend noted in previous years. Mr. Lothrop assured the Board that much effort has been put into foreclosure intervention, resulting in effective work out agreements over the past several months. There had been 10 loans recommended for foreclosure by lenders, on which the staff managed to obtain successful resolution through work out agreements. These work outs take the form of short payoffs, loan modification or reinstatements. In response to the Board's inquiry, Mr. Lothrop indicated that the higher activity level at Vermont Federal Bank appears to be a direct result of personnel turnover at that bank; staff is working with the lenders' collections staff to address the Agency's concerns about inexperience. No Board action was necessary.

Mr. Jarrett reported that the "Single Family and Multi-Family Rules Revisions" described in his memo of January 11, included in the Board packet, have now gone through the first stage of the rule-making process. Copies of the annotated rules were made available for the Board's review. Mr. Jarrett noted that no comments had been received in response to the required advertising of these rule changes. A motion was made by Mr. Candon to approve the previously approved "Rules Pertaining to Certain Single Family Mortgage Loans" and "Rules for Loans to Housing Sponsors for Loans to Multi-Family Developments," including a directive to

the Executive Director to take all actions necessary to promulgate these rules pursuant to the Administrative Procedures Act. After being seconded by Mr. Seelig, the motion carried unanimously.

In his Executive Director's report, Mr. Hunt noted that the Agency's "Legislative Day" had been held January 17. A booth was set up at the state house and members of the staff met with legislators to discuss the Agency's programs. Representatives from The Netherlands have formed a housing alliance with Cathedral Square Corporation and a private developer and committed to fund a portion of a feasibility study for an intergenerational housing project. Just prior to the November Board meeting, Mr. Derks addressed the Board and described the proposed project, which would be a cooperative effort between his Netherlands firm, Smallingerland, and a Vermont developer. Cathedral Square will use Ventures funds to cover the cost of the intergenerational housing study which should be conducted in March. Tangible results of these efforts should be available in the next six months. Mr. Hunt advised the Board that he has participated in a number of radio interviews in the past few weeks about the latest bond issue, which offers an 8.25 percent interest rate to prospective borrowers. While addressing a Rutland area home builders group Mr. Hunt learned that the members of that group have become more interested in the Agency's programs than they had been previously. Ms. Canney concurred, noting that this group is finally acknowledging the capabilities of the Agency and similar programs.

Mr. Hunt further reported that he has been working with Energy Rated Homes of Vermont (ERH), the Department of Public Service, and the Northern Vermont Home Builders Association, which are trying to develop a model energy code. When ERH was created by the Agency in 1987, interest groups wanted to address energy needs for residential housing. A model energy code was proposed, but home builders were opposed to the concept. The ERH rating system has been adopted by many district environmental commissions as the standard for new homes being built. However, recently builders have challenged that standard, creating a potential for litigation. ERH's main source of income is from the new construction home building industry, rather than existing housing. If a model energy code is adopted, it would move builders away from needing to have ERH perform its certification, thus dramatically affecting their earnings potential. Despite this, the Agency and ERH will work in support of an energy code. The challenge is to get ERH involved in existing home energy rating systems.

The computer conversion continues to lag behind schedule; some delays were due to the need for producing accurate data for VHMGB's actuarial study, producing financial statements for VHMGB, and reconciling the VHMGB database. Mr. Francis reported that the company which is producing the software has contracts with several other housing finance agencies (HFAs) across the country. They are trying to maintain uniformity in the software program while meeting the individual needs of these HFAs. However, some modifications which addressed the needs of one of the HFAs may have an unfavorable effect on the Agency's procedures. The Agency has little leverage to have the software company address these issues,

as the system has been fully paid for in accordance with the contract, which called for payment based on the delivery of a product. The contract does allow for changes as required by the Agency. These components of the contract have been delivered; however, as a result of modifications requested by the Agency or modifications that the software company made, there are still some problems with the software. Ms. Randall observed that the Agency may need to hire a full time programmer and systems analyst to address these issues. Mr. Candon suggested that staff join a user group for other HFAs utilizing this software; if the company is reluctant or delays forming a user group, it could indicate other problems. Ms. Randall also noted that if programming needs are not being met, perhaps there should be some reduction in the maintenance agreement.

Mr. Francis then updated the Board on the progress of construction at Venture Place, the office building the Agency purchased recently, which will become the Agency's new home later this spring. Anticipated construction costs have risen to $270,000 due to structural modifications; electrical and computer wiring will cost an additional $10,000. One major item not included in the current budget is a revamped lighting system. According to Mr. Francis, the Burlington Electrical Department (BED) and Vermont Energy Investment Corporation has proposed a lighting plan for the building which will cost an additional $45,000. Of that sum, BED will grant $15,000; the balance has a five-year payback, meaning that the energy saved over the next five years should cover the cost of the system. The elevator will be extended to serve the basement of the building, at an additional cost of $43,000, which should lead to improved opportunities to lease the basement as off-site storage space for interested downtown businesses. The actual vs. budget figures should be available by the end of January and will be reviewed at the next Board meeting. There is 1,000 square feet available for leasing on the first floor of the main building, with another 1,700 square feet available in the annex. The annex has now been insulated and HVAC improvements are complete.

Next, Mr. Francis reported that the Lead Paint Hazard Commission, which he chairs, will be making recommendations to the Legislature on methods to reduce hazards to children who reside or utilize pre-1978 rental properties and child care facilities in Vermont, while also addressing the insurance issue. In some states, insurers have left the market due to litigation related to lead paint hazards. The Vermont Department of Health will be the agency primarily responsible for addressing what needs to happen in terms of properties around the state, utilizing an education and prescribed property improvements guideline approach rather than an enforcement program. Mr. Hunt informed the Board that he had received numerous comments from those attending the Commission meetings indicating that Mr. Francis deserves much credit for addressing the issue and conducting the meetings so well. This acknowledgement was echoed by Mr. Candon, a member of that Commission, who noted that Mr. Francis has done a marvelous job dealing with the range of people who attend the meetings and their divergent opinions.

Mr. Schoenbeck then reviewed the Agency's "Investment Policy" as attached to his memo of January 12, included in the Board packet. A review of this policy arose in response to

concerns raised by Standard & Poor's. Several further changes to this policy were suggested by various members of the Board, including a plan to invest the Agency's resources in local banks when there is an opportunity to do so. A motion was made by Mr. Seelig to adopt the proposed revisions as an interim investment policy, and to appoint a subcommittee to assist Mr. Schoenbeck in developing a revised investment policy for discussion at the March or April Board meeting. This motion was seconded by Ms. Randall and passed unanimously. Chairman White appointed a subcommittee comprised of himself, Mr. Douglas and Mr. Seelig.

Ms. Gent distributed the FY94 Annual Report, as well as an "At A Glance" document reviewing the Agency's history. This encapsulated summary of the Agency's activities, including VHMGB, was prepared for distribution at the Legislative day referenced earlier by Mr. Hunt, and will be revised and made available at other upcoming events through the year.

The proposed final draft of the Agency's "Strategic Plan" was reviewed by Ms. Gent, as further detail to her memos of January 12 and January 13, included in the Board packet. Once the overall Plan has been adopted by the Board, it will be reformatted for distribution to other housing agencies and relevant parties. As proposed, the Plan would be effective for FY96 and will be integrated with each fiscal year's business plan. Ms. Gent explained that the cost/income analyses had not been included, as they will not be part of the final Plan. However, the Board requested that these figures be made available for review in order to determine which of the proposed strategies should remain as part of the final plan. The Board was instructed by Chairman White to give comments on the Plan to Ms. Gent within a week, so that a draft can be distributed to the Board prior to the February Board mailing.

Under other old or new business to come before the Board, Ms. Jenkins introduced a discussion of the Winchester Place negotiations. Housing Vermont (the general partner), Merchants Bank (the limited partner), St. Michael's College (the land lessor) and the Agency have agreed in principle to contribute toward covering the operating deficits on this project for some period of time. The process of negotiating exactly who will contribute what and whether and how the Agency will ultimately be paid is continuing. Ms. Jenkins also presented projections of the financial consequences of either agreeing with the other parties to subsidize the project, or if agreement cannot be reached and if the owners default, foreclosing on the mortgage. Although no formal Board action was taken, Chairman White directed staff to continue with negotiations following the understanding reached at the December Board meeting, with Mr. Hunt to consult with the Chairman before any definitive agreement is reached.

Mr. Hunt reported that a purchase offer has been made on the smaller of the two commercial buildings available at Dalton Drive. Two private individuals would like to buy the building and convert it into two condominiums and two office spaces. They are interested in obtaining funding for this building from the Agency, but as they are not a nonprofit and not involved with housing, providing Agency financing may be difficult. No formal Board action

was taken, but staff was directed to review the proposal to determine if special covenants on the loan, perhaps involving keeping the right of first refusal, might help to make this transaction consistent with the Agency's mission.

The next meeting was scheduled for Thursday, February 16, in Burlington. There being no further business, and following a motion duly made and seconded, the meeting adjourned at 4:30 p.m.

Respectfully submitted,

Allan S. Hunt,
Secretary

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

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

WHEREAS, the Development has been the subject of previous resolutions of the Agency on September 20, 1994, March 3, 1994, December 16, 1993, November 18, 1992, September 24, 1992, May 20, 1992 and June 26, 1991; and

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

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

WHEREAS, the Sponsor requested an extension of the repayment of the Agency's Loan from September 30, 1994 to February 28, 1995, which request was approved, and

WHEREAS, the Sponsor has been making diligent efforts to sell the remaining houses at the Development and only two houses remain to be sold; and

WHEREAS, the Sponsor has requested an additional extension of the repayment of the Agency's Loan from February 28, 1995 to December 31, 1995; and

NOW, THEREFORE, it is hereby DETERMINED:

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

2. The Development will benefit if the Agency grants an extension of the deadline for repayment of the Agency's Loan.

WHEREFORE, it is hereby RESOLVED:

1. The recommendations contained in the January 11, 1995 staff memorandum are adopted and the Executive Director shall extend the maturity of the Sponsor's Loan from the Agency from February 28, 1995 to December 31, 1995 by entering into a modified loan agreement containing the following condition:

The Sponsor will market the remaining units as ranch style homes in accordance with the marketing plan submitted to the Agency;

2. If the Development funds are insufficient to fully pay the Agency's Loan at the maturity date of December 31, 1995, the Agency will permit its first mortgage to remain on the land, subject to the land leases given by the Sponsor to home buyers. The maximum amount outstanding in the Loan at that time will be $30,000. The interest rate on the outstanding amount will be 7.50% per annum until the sale of the last home in the Development, at which time the interest rate will increase to 8% per annum for a maximum term of six years. Principal payments of $5,000 will be due annually, together with accrued interest.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on January 18, 1995.

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

RESOLUTION PERTAINING TO COMBINED LETTER OF INTEREST AND COMMITMENT LETTER RE: PINECREST VILLAGE DEVELOPMENT (WILLISTON)

WHEREAS, a proposal has been presented to the Agency by John Varsames of Northshore Development involving the construction of 11 single family units in Pinecrest Village, an 87 unit Planned Residential Development in Williston (the "Development"); and

WHEREAS, the proposal contemplates that a majority of the 11 units to be constructed in the Development will be affordable to a family at or below the income limits for the Agency's MOVE Program; and

WHEREAS, the proposal seeks a loan by the Agency of up to $560,000 to refinance the site and for construction; and

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

Therefore, it is hereby DETERMINED:

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

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

3. The housing sponsor undertaking the Development will increase the supply of well-planned, well-designed permanent housing for persons and families of low and moderate income, and the sponsors are financially responsible persons or organizations.

4. The construction costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Vermont Housing Finance Agency Act.

5. More than one half of the floor area and total development cost are allocated to single family dwelling units for persons and families of low and moderate income.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a letter of commitment (the "Commitment Letter") to provide a construction loan (the "Loan") in an amount to be determined by the Executive Director, but not to exceed $560,000, for the Pinecrest Village Development.

2. The Commitment Letter shall be issued to John Varsames, as representative of a to-be-formed housing sponsor.

3. The commitment of the Agency shall be subject to receipt, on or before the date of the closing on the Loan of a commitment fee in an amount equal to 1.0% of the principal amount of the Loan.

4. The Loan shall bear an interest rate of 8.0% per annum for a term ending on December 31, 1995 and be repayable in part each time one of the homes is sold.

5. The Commitment Letter shall be conditioned on a satisfactory credit review of the Housing Sponsor and its principal(s) and the satisfaction by the Developer of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish, including but not limited to the following documents that must be submitted in form and substance acceptable to the Agency:

    (a) Appraisal of all three types of units;

    (b) Phase I environmental assessment;

    (c) Financial statements for Borrower and its principals;

    (d) Personal guarantees of principals of the Housing Sponsor (and spouse(s) if assets are held jointly);

    (e) Dual obligee performance and payment bonds or a letter of credit from a financial institution approved by the Agency in an amount deemed acceptable by the Executive Director, but in no event more than 25% of the contract amount; and

    (f) Articles of Incorporation or Partnership Agreement for the Housing Sponsor containing language indicating that the Housing Sponsor is organized on a limited profit basis.

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

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on January 18, 1995.

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

RESOLUTION PERTAINING TO EXTENSION OF TERM OF LOAN RE: FREEBORN ESTATES DEVELOPMENT

WHEREAS, a proposal was presented to the Agency by Franklin Cioffi and John Rhodes (the "Sponsor"), involving the construction of nine (9) townhouses on a site in St. Albans Town (the "Development"); and

WHEREAS, the Development has been the subject of a previous resolution of the Agency on November 18, 1993; and

WHEREAS, the Agency made a loan on December 22, 1993, of up to $600,000 for site development and construction (the "Loan"); and

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

WHEREAS, the Sponsor has requested an extension of the repayment of the Agency's Loan from December 31, 1994, to December 31, 1995;

WHEREAS, the Sponsor has been making diligent efforts to sell the remaining houses at the Development and only three townhouses remain to be sold; and

NOW, THEREFORE, it is hereby DETERMINED:

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

2. The Development will benefit if the Agency grants an extension of the deadline for repayment of the Agency's Loan.

WHEREFORE, it is hereby RESOLVED:

The recommendations contained in the January 11, 1995, staff memorandum are adopted and the Executive Director shall extend the maturity of the Sponsor's Loan from the Agency from December 31, 1994, to December 31, 1995, by entering into a modified loan agreement that provides for a review and possible adjustment of the rate by June 30, 1995.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on January 18, 1995.

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

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Douglas R. Lothrop, Director of Single Family Operations

DATE: February 1, 1995

RE: Single Family Program Activity Report For January, 1995

MORTGAGE PURCHASE PROGRAMS

Month	No.	Amount	Previous Year	No.	Amount
Reservations	44	$2,846,502		29	$1,282,978
Commitments	7	$ 487,105		11	$ 653,725
Purchases	93	$5,775,114		70	$4,318,439

Period to Date	No.	Amount	Previous Year	No.	Amount
Reservations	44	$2,846,582		29	$1,282,978
Commitments	7	$ 487,105		11	$ 653,725
Purchases	93	$5,775,114		70	$4,318,439

MORTGAGE PLUS

Month	No.	Amount	Previous Year	No.	Amount
Reservations	2	$ 166,400		7	$ 593,500
Commitments	5	$ 399,225		4	$ 299,212
Issued	27	$1,955,580		14	$1,054,578

Period to Date	No.	Amount	Previous Year	No.	Amount
Reservations	2	$ 166,400		7	$ 593,500
Commitments	5	$ 399,225		4	$ 299,212
Issued	27	$1,955,580		14	$1,054,578

DRL:591/msh

VERMONT HOUSING FINANCE AGENCY
DELINQUENCY STATISTICAL REPORT
SINGLE FAMILY PORTFOLIO
EFFECTIVE: DECEMBER 31, 1994

Lenders	Total Loans	30 Days		60 Days		90+ Days		Auth FCL		Total Delinq		REO	
BancBoston Mortgage Corp.	325	15	4.62%	2	0.62%	5	1.54%	1	0.31%	23	7.08%	2	0.62%
Banknorth Mortgage Co.	766	34	4.44%	8	1.04%	6	0.78%	6	0.78%	54	7.05%	5	0.65%
Bennington Co-op S&L Assoc.	34	1	2.94%	2	5.88%	0	0.00%	0	0.00%	3	8.82%	0	0.00%
Brattleboro Savings & Loan	9	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Chittenden Bank	841	49	5.83%	15	1.78%	17	2.02%	2	0.24%	83	9.87%	4	0.48%
Citizens Savings Bank	69	2	2.90%	2	2.90%	0	0.00%	0	0.00%	4	5.80%	1	1.45%
Comfed Mortgage Co.	5	1	20.00%	0	0.00%	0	0.00%	0	0.00%	1	20.00%	0	0.00%
Community National Bank	225	8	3.56%	2	0.89%	2	0.89%	1	0.44%	13	5.78%	1	0.44%
Factory Point Nat. Bank	26	1	3.85%	2	7.69%	0	0.00%	0	0.00%	3	11.54%	0	0.00%
First Brandon Nat. Bank	1	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
First Northern Mortgage Corp.	3	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Fleet Mortgage	16	1	6.25%	2	12.50%	1	6.25%	0	0.00%	4	25.00%	0	0.00%
Graystone Mortgage Company	170	9	5.29%	6	3.53%	10	5.88%	0	0.00%	25	14.71%	3	1.76%
Green Mountain Bank	179	14	7.82%	1	0.56%	1	0.56%	0	0.00%	16	8.94%	1	0.56%
Lomas & Nettleton Company	11	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Lyndonville Savings Bank	60	2	3.33%	1	1.67%	1	1.67%	0	0.00%	4	6.67%	1	1.67%
Marble Bank	225	7	3.11%	2	0.89%	1	0.44%	1	0.44%	11	4.89%	0	0.00%
Merchants Bank	325	18	5.54%	4	1.23%	7	2.15%	0	0.00%	29	8.92%	1	0.31%
Mortgage Service Ctr. of NE	62	4	6.45%	0	0.00%	1	1.61%	0	0.00%	5	8.06%	3	4.84%
National Bank of Middlebury	63	2	3.17%	0	0.00%	0	0.00%	0	0.00%	2	3.17%	0	0.00%
New England IBM Employees FCU	51	1	1.96%	0	0.00%	0	0.00%	0	0.00%	1	1.96%	0	0.00%
Northfield Savings Bank	113	9	7.96%	0	0.00%	0	0.00%	1	0.88%	10	8.85%	1	0.88%
Passumpsic Savings Bank	174	7	4.02%	5	2.87%	3	1.72%	1	0.57%	16	9.20%	2	1.15%
Peoples Trust Co.	104	4	3.85%	2	1.92%	1	0.96%	0	0.00%	7	6.73%	0	0.00%
Randolph National Bank	51	4	7.84%	2	3.92%	1	1.96%	0	0.00%	7	13.73%	0	0.00%
Union Bank	158	9	5.70%	3	1.90%	2	1.27%	0	0.00%	14	8.86%	0	0.00%
Vermont Development CU	15	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Vermont Federal Bank	806	40	4.96%	4	0.50%	10	1.24%	3	0.37%	57	7.07%	12	1.49%
Vermont National Bank	589	28	4.75%	13	2.21%	6	1.02%	0	0.00%	47	7.98%	1	0.17%
Wells River Savings Bank	35	2	5.71%	0	0.00%	0	0.00%	0	0.00%	2	5.71%	0	0.00%
Totals December 31, 1994	5511	272	4.94%	78	1.42%	75	1.36%	16	0.29%	441	8.00%	38	0.69%
Totals Previous Month	5455	280	5.13%	68	1.25%	69	1.26%	18	0.33%	435	7.97%	39	0.71%

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Douglas R. Lothrop, Director of Single Family Operations

DATE: February 9, 1995

RE: Discussion of Property Inspections on Certain High Loan-to-Value (LTV) Mortgage Loans

BACKGROUND

Staff has been exploring the possibility of requiring a property inspection on mortgage loans on which the LTV is greater than 95%. The purpose of the property inspection would be to identify aspects of a dwelling that appear will require a major expense or replacement within five years. The aspects of a dwelling that staff has determined should be inspected prior to receiving a commitment from either VHFA or VHMGB would be the plumbing system, heating system, electrical system, well (if applicable), septic system (if applicable), roof and foundation.

Recent foreclosure experience and several problems in these areas that have arisen soon after purchasing a mortgage loan have indicated the property appraisal used to determine market value does not adequately identify inadequacies in the property. As an example, a property appraisal assumes a working septic system and an adequate potable water supply. Experience has shown that this is not always the case.

VHFA has found that some properties which qualify for our programs in terms of purchase price tend to be properties on which improvements may soon need to be made. If we can identify the larger cost items that need repair at inception of the mortgage, VHFA could loan and VHMGB could guarantee a mortgage which includes funds for these repairs. In addition, borrowers which obtain greater than 95% VHFA financing generally have the least ability to finance major property improvements due to a lack of equity in the property or the family income to make payments on a shorter term home improvement loan.

The concept of property inspections on high LTV mortgage loans is consistent with the VHFA Strategic Plan currently under consideration by the Board. In addition, The Rural Economic and Community Development Service, formerly the Farmers Home Administration, requires property inspections on mortgages loans in both their direct lending and guarantee program.

DISCUSSION

Home Inspectors' qualifications to perform inspections

Based on the information received from current certified home inspectors in Vermont, VHFA requested and received packages from four certifying organizations outlining the requirements of their certification programs, code of ethics, standards of practice, continuing education and/or recertification criteria. The attached matrix outlines which of the certifying organizations has criteria in these categories. At a minimum, staff is considering eligible property inspectors be certified by one of these organizations.

At the current time, the property inspection industry is not regulated in Vermont, thus we would not be able to depend on state certification as a requirement. However, we could initiate a review property inspection process to determine compliance with inspection standards discussed later in this memorandum. Based on information received from the certifying organizations, there are 28 certified property inspectors in Vermont.

Cost of inspection

Staff has recently requested from known property inspectors their fee schedule for a property inspection which entails a detailed inspection of a residential dwelling. The costs ranged from $250 to $350. However, when asked, several have indicated they would be willing to perform a property inspection at a reduced fee depending on the requirements of the inspection. As an example, if the inspector was required to inspect the seven areas previously mentioned in this memo, the cost of the inspection could be reduced to approximately $150 to $250. An option staff is considering is a Request for Proposal (RFP) for which eligible property inspectors may respond to more closely identify costs associated with any inspection we may require. Consideration will be given to rolling the cost of the inspection into the mortgage.

Inspection standards

Staff anticipates, with the assistance of building professionals, setting clear standards by which the inspector would determine the suitability of a property. By this method, the "Playing Field" would be more level and a considerable amount of subjectivity or bias on the part of an individual inspector would be eliminated.

VHFA liability

Should VHFA pursue the RFP route, one of the areas that will have to be closely researched in implementing a property inspection process is potential liability to VHFA in "selecting" property inspectors. We want to make sure the property inspectors are "qualified" inspectors by reason of their certification. However, if we create a list from which a borrower must choose a property inspector some liability for the performance of the property inspector could accrue to VHFA.

Keeping the list current

Borrowers could select from the list of inspectors that are certified by one of the organizations on the attachment. As inspectors become certified, they may contact us to be added to our list. Staff will confirm certification of property inspectors with the certifying organizations periodically.

REQUESTED BOARD ACTION

Authorize staff to pursue a process where all mortgage loans anticipated to be purchased by VHFA which have an LTV of greater than 95% be required to have a property inspection acceptable to VHFA.

DRL:590/msh

COMPARISON OF BUILDING INSPECTORS CERTIFYING ORGANIZATIONS

CATEGORY	AMERICAN SOCIETY OF HOME INSPECTORS	HOME INSPECTION INSTITUTE OF AMERICA	AMERICAN INSPECTORS ASSOCIATION	BUILDING OFFICIALS AND CODE ADMINISTRATORS INTERNATIONAL
CERTIFICATION PROGRAM	X	X	X	X
CODE OF ETHICS	X	X	X	
STANDARDS OF PRACTICE	X	X	X	
CONTINUING EDUCATION AND/OR RECERTIFICATION REQUIREMENTS	X	X	X	X

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Jeff Francis

DATE: February 7, 1995

RE: Venture Place Renovations - Status Report

Renovations at Venture Place are proceeding on schedule with a predicted date for occupancy of April 1. Although we have no commitments yet, there has been some interest in the office/commercial lease space and in the storage space in the basement. The rehabilitation/renovation budget currently stands at $386,980. While this amount is significantly higher than the preliminary rehab/renovation budget of $175,000, the analysis of operating costs indicates a decrease in annual costs attributable to savings realized through reduced operating costs.

In considering budget items that contribute to cost increases, Chairman White and Allan have taken the view that our investment in the building is long-term, should reflect our commitment to occupy the building well into the future, and should result in a comfortable and environmentally friendly work place for VHFA's employees.

Below I have provided specific information relating to the more costly and/or unanticipated budget items:

1. Elevator service to the basement level ($43,000) - The rationale for this investment includes the fact that without an elevator, access to the 5000+ square foot basement is difficult, the fact that we have large storage requirements ourselves (we currently lease space off-site), and the fact that we anticipate a strong market for rental storage (if there is an elevator) based on the needs of other downtown Burlington businesses surveyed.

2. Upgraded lighting system ($47,000 - $50,000) - An analysis by the Vermont Energy Investment Corporation and the Burlington Electric Department indicated that replacing the existing lighting system would: (a) greatly reduce energy consumption and utility costs; (b) create a much better work environment through improved office lighting; and (c) induce the Burlington Electric Department to provide a significant direct grant (a minimum of $18,000) under its demand side energy management

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

EQUAL HOUSING OPPORTUNITY

program. The lighting system being installed is estimated to result in a $5,800 savings in utility costs annually, for complete system payback in less than five years.

3. Revisions to the HVAC system ($62,000) were deemed necessary due to a woefully inadequate heating and cooling system. The scope of work will result in a substantially rebuilt heating and cooling system designed to greatly enhance the level of comfort in the building. Also incorporated in the cost is the installation of a mechanical air exchange system to provide fresh air throughout the building.

4. Previously unbudgeted costs that are less than those outlined above but are still significant include $10,350 to rewire for the telephone system (versus replacing the phone system for $20,000+), $10,000 to add additional structural support in the annex and $4,500 for additional ADA compliance measures.

5. Items that were anticipated, but in some cases underestimated, which are worthy of mention because of their costs include the installation of six windows on the north side of building (for natural light) at a cost of $10,000, replacement of ceiling tiles at a cost of $10,000 and the installation of floor coverings where required $17,000.

In terms of our progress against the amended budget, I am pleased to report that we are well within budget and expect to realize some savings. To date, we have paid out $104,699 for construction related work. At a project meeting last week, the project superintendent, Roger Dunn of Neagley Construction, estimated that we were currently on schedule to come in approximately $19,000 below the budget. When you combine the anticipated savings with the Burlington Electric Department grant of $18,000 the net expense for rehab and renovation is expected to come in at around $350,000. If you deduct the predicted pay back for the electrical and other energy saving improvements, the total cost is reduced to about $315,000.

Should you have any questions or comments on these budget costs prior to the Board meeting, I can be reached at Ext. 210. I will also be attending the Board meeting and will be available to review these budget items then.

RECOMMENDED BOARD ACTION

No Board action required, other than acknowledgement of these anticipated costs to retrofit Venture Place.

VERMONT HOUSING FINANCE AGENCY
MEMORANDUM

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE

DATE: FEBRUARY 10, 1995

RE: MULTI-FAMILY REFUNDING UPDATE

Attached to this memorandum is the draft narrative to HUD for the refunding of the 1981-83 Multi-Family Bond issues that we have been working on with Kutak Rock (our bond attorneys). Multi-Family Management, Development, Legal and Finance departments have spent a lot of time compiling information to be supplied to HUD. Kutak has had preliminary discussions with HUD about our plan and HUD is expecting our package. We expect that the initial submission will be delivered during the coming week. Kutak has told us to expect several modifications will be required by HUD before final approval. We are hopeful that this process will move along quite quickly due to the light schedule on HUD's calendar. We are obviously concerned that with all of the potential changes at HUD now being discussed, that policies could change and therefore we are proceeding with all possible speed to get approval of our plan. As soon as we get approval from HUD on the basic package, we will start working with PaineWebber and Kutak to structure a new bond offering.

If you have any questions or comments on the information supplied or would like detailed schedules and appendixes that will accompany the letter, please let me know.

RECOMMENDED ACTION
No action required.

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

EQUAL HOUSING OPPORTUNITY

DRAFT
KUTAK ROCK
02/09/95

February , 1995

Mr. James Mitchell
United States Department of
Housing and Urban Development
The HUD Building
451 7th Street, S.W.
Washington, D.C. 10410

Re: FAF and Non-FAF Refunding

Dear Mr. Mitchell:

In response to the written request issued by HUD pursuant to its Section 8 FAF Refunding Memorandum to state housing agencies dated March 19, 1987, the Vermont Housing Finance Agency (the "Agency") submits for your review the enclosed proposal for the refunding in the manner described therein of three of its Multi-Family Housing Bond issues which financed Section 8 projects. One project financed by one of the issues to be refunded is a FAF project; the rest are not. In the case of all of the projects, the Agency expects to share the refunding savings with HUD pursuant to the McKinney Act, all as further described in our proposal. Once you have reviewed this proposal, representatives of the Agency are prepared to meet with you and your staff, if necessary, to resolve any outstanding issues and ensure the prompt consummation of the proposed transaction.

Very truly yours,

PROPOSAL TO REFUND CERTAIN BONDS FINANCING SECTION 8 PROJECTS

BACKGROUND

The Vermont Housing Finance Agency (the "Agency") issued the Multi-Family Housing Bonds, 1981 Series A, 1982 Series A and 1983 Series A (collectively, the "Prior Bonds") which are providing the funds for Mortgage Loans, as hereinafter described, for 100% Section 8-assisted housing developments, one of which utilized the financing adjustment factor ("FAF"). Copies of the official statements describing the Prior Bonds are attached as Exhibit A hereto. A current list of the developments (the "Projects") and the respective Mortgage Loans relating to the Prior Bonds to be refunded is contained in Exhibit B hereto. As of the date hereof, approximately $27,145,000 principal amount of the Prior Bonds remains outstanding.

The Prior Bonds were issued by the Agency under the Multi-Family Housing Bond Resolution adopted September 25, 1981 (the "General Resolution") and a series resolution for each series of Prior Bonds. The General Resolution provides for the issuance of bonds to provide funds to finance mortgage loans ("Mortgage Loans") for multifamily rental housing projects intended for occupancy primarily by persons and families of low and moderate income. All bonds issued under the General Resolution, including the Prior Bonds, are limited obligations of the Agency secured on a parity with all other bonds issued thereunder.

A total of 34 Section 8 developments were financed by the Prior Bonds. All of the Projects are the subject of this submission. Because of high interest rates prevailing in 1981, the Department of Housing and Urban Development ("HUD") approved a FAF as a component to the applicable Section 8 contract rents with respect to one of the Projects, Prospect/Forest (Randolph) (the "FAF Project"). The subsidy documents for such development contain the HUD-required FAF language.

Pursuant to the procedures governing the developments, the HAP Contract for the FAF Project contains an amendment which provides in pertinent part:

> In the event of a refunding of the bonds issued to finance the project, the Owner agrees to a reduction in Contract Rents commensurate with the resulting decrease in mortgage debt service, and agrees that HUD may make a corresponding reduction in contract and budget authority for the project.

Each of the loans made to finance the Projects is secured by a mortgage note (each, a "Mortgage Note") and mortgage (each, a "Mortgage"). All of the Mortgage Notes provide that, in the event that any prepayment of principal is made, the mortgagor must pay to the Agency a prepayment charge. The Mortgage Notes for Group 1, consisting of 18 of the Projects, became prepayable February 15, 1991 and will become prepayable without penalty on February 15, 2001. The prepayment penalty will be 3% as of February 15, 1995. The

Mortgage Notes for Group 2, consisting of nine Projects plus the one FAF Project, became prepayable February 15, 1992 and will become prepayable without penalty on February 15, 2002. The current prepayment penalty is 4%. The Mortgage Notes for Group 3, consisting of six Projects, became prepayable on February 15, 1993 and will be prepayable without penalty on February 15, 2005. As of February 15, 1995, the prepayment penalty will be 5%.

Mortgage Note payments and project reserve accounts for the Projects are current through December 31, 1994. However, the Agency has identified seven properties that have outstanding energy conversion and/or rehabilitation needs or underfunded reserve accounts that will require the application of expected savings in order to save significant energy costs and thus generate additional net project cash flow. Six of these properties are planning or have completed heating conversions from electric to a gas- or oil-fired system. Other work required at these properties includes window replacements, vinyl siding with tyvek wrap, upgrading a water system and foundation repairs and insulation. Please see Exhibit E for a specific description and cost of work to be funded from savings at each property.

PLAN OF FINANCING

Bond Issuance

The Agency has determined that a refunding of the Prior Bonds, as described below, will produce significant debt service savings. The contemplated refunding will decrease debt service payable on the bonds relating to each Project Mortgage Note. This would normally permit a reduction in the Project Mortgage Note rates and a reduction in the contract rents for each Project. However, in lieu of a Mortgage Note rate reduction, the Agency intends to use a "trustee sweep" as hereafter described.

The Agency proposes to refund its Prior Bonds through the following plan of financing:

1. The Agency has preliminarily authorized the issuance of approximately $27,145,000 of its tax-exempt Multi-Family Housing Bonds, 1995 Series A (the "Refunding Bonds").

2. It is expected that interest on the Refunding Bonds will be exempt from taxation for federal income tax purposes. It is presently anticipated that the Refunding Bonds will bear interest at a rate of approximately [8]% per annum. The proceeds of the Refunding Bonds will be used to pay the principal of the Prior Bonds to be currently refunded. All of the Prior Bonds are presently expected to be refunded and redeemed.

3. The Agency will advance its own funds to pay the costs of issuing the Refunding Bonds and the redemption premiums on the Prior Bonds. It expects to be repaid such amounts from savings prior to any savings sharing.

4. The Refunding Bonds will be issued as a part of a financing plan to currently refund the Prior Bonds to effectively reduce the interest rates on the Mortgage Loans made to owners with respect to the Projects described in Exhibit B hereto.

During the term of the HAP Contract, in lieu of reducing the Project Mortgage Loan rates, the Agency plans to use a "trustee sweep." Under the "trustee sweep," current debt service due under the Mortgage Note will be collected, but the portion representing Project Mortgage debt service savings will be deposited in an escrow account. Amounts in the escrow account would be distributed to HUD and the Agency, as described in the Refunding Agreement. As a result, the Mortgage Notes, the HAP Contracts and the contract rents will not be amended or modified. The Mortgage Loans will continue to be pledged to secure the Refunding Bonds and all other bonds outstanding under the Trust Indenture.

Upon the expiration of a HAP Contract with respect to any Mortgage Loan, to the extent required by federal arbitrage rules, the Agency expects to either modify the Mortgage Loan interest rate or take such other actions as are necessary to comply with such rules.

Sources and Uses of Funds

Set forth in Exhibit D hereto are the sources and uses of funds pertaining to the issuance of the Refunding Bonds and the refunding of the Prior Bonds.

Savings

As a result of the proposed refunding, a significant reduction in the interest cost of bond funds is anticipated. Through the use of the "trustee sweep," these reductions will translate into effective corresponding reductions in Section 8 contract subsidy payments for each of the Projects.

The Agency expects that all savings will first be used to repay funds advanced by the Agency to accomplish the refunding.

Exhibit D hereto consists of computer-generated cash flows which are attached to provide you with detail regarding effective projected savings and bond trustee payments to HUD and to the Agency. Once the Refunding Bonds have been marketed, the Agency will recalculate the savings based on the same assumptions with the new bond coupons.

SHARING OF SAVINGS

As specified by the McKinney Act, the Agency expects that the savings on the Project Mortgage Loans produced by the refunding of the Prior Bonds will be shared equally between HUD and the Agency, with the Agency's portion of these savings to be utilized to provide or to improve housing for very low-income families consistent with the McKinney Act and as more fully detailed in the plan attached as Appendix B to the Refunding Agreement. The Agency

proposes that HUD's savings be used to complete the energy conservation/rehabilitation work and restore reserve accounts to proper levels, all as detailed in Exhibit E. Although this figure would reduce HUD's share of the projected annual savings, HUD and the federal government will realize additional savings over the remaining term of the HAP Contracts due to the lower operating costs as a result of the heating system conversions from electric. [Will pv of savings to HUD exceed pv of savings HUD gives up?] The need for ACC and HAP Contract utility increases will be diminished directly by the corresponding reductions in tenant utility allowances and thus reduce the outlay of HAP funds annually.

A draft of the Refunding Agreement between the Agency and HUD, including as an appendix the Agency's plan for the use of its share of the McKinney Act savings, is attached as Exhibit C hereto. Such plan, which provides for a broad use of such funds, is similar to those approved by HUD in similar refundings of bonds related to projects in other states.

APPROVALS REQUESTED

The Agency specifically requests your office's agreement and approval of the following:

(1) The estimated amount of the projected savings specified in Exhibit D hereto, under the column entitled "Savings." One-half of the final certified savings amounts are to be shared with the Agency pursuant to the McKinney Act, and, upon delivery of the Refunding Bonds, the Agency will be entitled to said amounts regardless of whether any related Project defaults or prepays its Mortgage Note.

(2) The Agency's proposal to use its one-half share of the McKinney Act savings, as outlined and specified in the plan.

(3) Neither HUD nor the Agency will encourage or consent to (to the extent HUD or the Agency's consent is required or a refusal to consent is permitted by law) any voluntary prepayment of a Mortgage Note except as permitted by the Refunding Agreement.

(4) This refunding satisfies the Agency's obligation to refund bonds relating to the Projects listed in Exhibit B hereto.

(5) This refunding will not affect the Agency's right to continue to receive its administrative fee pursuant to the ACC relating to the following six Projects listed in Exhibit B for which it administers the ACC: Bobbin Mill Apartments, Kassell, Lake Champlain Apartments, McKenzie House Apartments, Monroe Street Apartments and South St. Paul Street.

BUDGET PERFORMANCE REPORT
VERMONT HOUSING FINANCE AGENCY
SEPTEMBER 30, 1994

	APPROVED BUDGET	ACTUAL 9/30/94	% BUDGET RECOGNIZED
INCOME			
SINGLE FAMILY FEES	(115,000)	(61,370)	53.37%
MULTI-FAMILY FEES	142,000	54,858	38.63%
PROJECT ADMIN FEES	130,000	0	0.00%
INTEREST INCOME-LOANS	300,000	90,165	30.06%
INTEREST INCOME-INVEST	75,000	23,220	30.96%
VHMGB CHARGES	300,000	91,472	30.49%
MISCELLANEOUS	30,000	10,171	33.90%
TOTAL INCOME	862,000	208,516	24.19%
FUND TRANSFERS			
SINGLE FAM HOUSING	50,000	0	0.00%
SHAWMUT MTG PURCHASE	100,000	0	0.00%
HOWARD MTG PURCHASE	1,250,000	0	0.00%
HOWARD HOME MTG PURCH	325,000	0	0.00%
HOWARD MULTI-FAMILY	430,000	220,000	51.16%
CONN NATL MULTI-FAMILY	85,000	0	0.00%
HOUSING DEVELOP BDS-MF	10,000	0	0.00%
DIRECT PLACEMENT BONDS	35,000	17,500	50.00%
TOTAL TRANSFERS	2,285,000	237,500	10.39%
TOTAL INC & TFRS	3,147,000	446,016	14.17%
EXPENSES			
ADVERTISING & PROMOTION	123,500	3,091	2.50%
AUDIT	36,000	0	0.00%
ANNUAL REPORT	12,500	0	0.00%
COMMISSIONERS EXPENSES	5,000	821	16.42%
CONSTRUCTION INSPECTION	15,000	502	3.35%
CONSULTING FEES	43,500	25,921	59.59%
DUES & SUBSCRIPTIONS	25,635	5,714	22.29%
INSURANCE	208,114	46,618	22.40%
INTEREST EXPENSE	52,000	13,297	25.57%
LEGAL	46,500	6,595	14.18%
MISCELLANEOUS	4,000	873	21.83%
OFFICE EXPENSES	35,000	5,104	14.58%
PENSION PLAN	125,000	35,593	28.47%
POSTAGE	24,000	3,163	13.18%
RENT	135,000	40,378	29.91%
REPAIRS & MAINTENANCE	52,500	15,321	29.18%
SALARIES & WAGES	1,420,919	354,345	24.94%
STAFF TRAVEL & TRAINING	62,500	8,441	13.51%
SUBSIDY-HOUSING VT, ERH	81,000	34,548	42.65%
TAXES-PAYROLL	108,475	29,664	27.35%
TELEPHONE	33,000	7,147	21.66%
TRUSTEE & CREDIT FEES	250,000	36,764	14.71%
DEPRECIATION	130,000	32,394	24.92%
TOTAL EXPENSES	3,029,143	706,294	23.32%
SURPLUS (DEFICIT)	117,857	(260,278)	-220.84%

BALANCE SHEET AS OF 9/30/1994

	GENERAL FUND	SINGLE FAMILY	MULTI FAMILY				TOTAL
ASSETS							
Cash and cash equivalents	3,287,977	94,790,486	3,732,609				101,811,072
Investments	1,449,151	28,688,781	10,122,585				40,260,517
Mortgage and construction loan	5,992,362	273,075,934	83,261,193				362,329,489
Accrued interest receivable							
-Mortgage and notes	88,158	1,762,689	496,719				2,347,566
-Investments	27,204	2,367,044	155,646				2,549,894
Deferred cost of bond issuance		1,784,421	422,420				2,206,841
Office furniture and fixtures	1,058,392						1,058,392
Less: accumulated depreciation	737,019						737,019
Land	775,000						775,000
Building	598,654						598,654
Other receivables:prepaids	476,068	89,394	51,093				616,555
Interfund receivables	1,901,208-	2,628,308	727,100-				
Other assets		2,619,814					2,619,814
TOTAL ASSETS	11,114,739	407,806,871	97,515,165				516,436,775
LIABILITIES & FUND BALANCE							
Deferred income	1,124,448						1,124,448
Accounts payable	202,425	277,623					480,048
Escrowed cash deposits	3,197,752	815					3,198,567
Notes payable	75,000						75,000
Accrued interest	34,572	9,664,383	1,079,395				10,778,350
Accreted interest		3,496,657					3,496,657
Bonds payable	637,487	371,050,807	92,277,211				463,965,505
Unamortized premium on bonds		4,952,471-	1,537,972-				6,490,443-
Fund balance	5,843,055	28,269,057	5,696,531				39,808,643
TOTAL LIABILITIES & FUND BAL	11,114,739	407,806,871	97,515,165				516,436,775

STATEMENT OF REVENUES AND EXPENSES AS OF 9/30/1994

	GENERAL FUND	SINGLE FAMILY	MULTI FAMILY				TOTAL
REVENUES:							
Interest Income:							
Mortgage & construction loans	90,164	5,606,655	1,993,946				7,690,765
Investments	23,223	1,921,850	311,548				2,256,621
Gain on sale of investments							
Fee income:							
Multi-family programs	65,992		30,255				96,247
Single family programs	23,429						23,429
Grant income							
Miscellaneous income	10,742						10,742
TOTAL REVENUES	213,550	7,528,505	2,335,749				10,077,804
EXPENSES:							
Financing costs: including interest and amortization of premium, discount & costs of issuance	13,297	6,829,127	2,073,540				8,915,964
Mortgage service, contract administration fees, & property disposition expense		249,937	17,031				266,968
Salaries and benefits	397,176						397,176
Operating expenses	150,188						150,188
Professional fees	6,596						6,596
Trustee and assignee fees	36,764						36,764
Loss on bond redemptions							
Foreclosed property loss		6,390-					6,390-
TOTAL EXPENSES	604,021	7,072,674	2,090,571				9,767,266
Excess (deficiency) of revenues over expenses	390,471-	455,831	245,178				310,538
Fund balance, beginning	5,996,018	27,813,273	5,688,838				39,498,129
Transfer to program funds							
Transfer to General Fund	237,500		237,500-				
Fund balance, end of period	5,843,047	28,269,104	5,696,516				39,808,667

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Irene D. Jenkins, Director of Development

DATE: February 10, 1995

RE: Community Investment Demonstration Program (Pension Fund/Section 8)

On January 30, 1995, HUD issued a Notice of Funding Availability (NOFA) for the second year of its Pension Fund/Section 8 Program. In the first year there was a restriction on use of the program that made it impractical to propose an application by the State pension funds. This year, this restriction has been removed for a portion of the program and we are proposing that VHFA prepare a joint application on behalf of the State Employees, Municipal Employees, and Teachers Pension Funds to participate.

The program provides Section 8 assistance for up to 50 percent of the units for a period of no fewer than 5 years and no more than 15 years in a development in which a pension fund invests. Our proposal is that the pension funds invest by purchasing VHFA bonds. VHFA would underwrite and service the individual loans and administer the program on behalf of the pension funds.

Each pension fund can qualify for a maximum set aside for Section 8 assistance of $10 million. (With only $84 million available nationally for this portion of the program, we doubt that even with more than one participating pension fund, HUD would allocate more than $10 million to Vermont pension funds.) Assuming that each project and each unit received the maximum allowable subsidy, we estimate that this could fund a total of approximately 100 Section 8 units in projects containing no fewer than a total of 200 units. We are in the process of evaluating, from a practical standpoint, how many units can be financed within the constraints of the program timeframes and how much pension fund investment would be required. We have initiated discussions with the State Treasurer regarding pension fund participation and the amounts that would be available for investment. If the State pension funds do not wish to participate there may still be an opportunity to work with another pension fund.

We think that this is an opportunity to obtain a very scarce and valuable resource (Section 8 contracts) for Vermont that could be used in accordance with State housing policy and in

conjunction with local capital. We have initiated discussions with VHCB and DCA to coordinate this program with the other resources available for housing in the State.

Unfortunately, time is short. The NOFA was published on January 30 and we did not receive it until early this week. Applications are due to HUD on March 16, 1995. We have requested application materials and are prepared to complete the necessary forms and attachments, subject to authorization by the Board and the pension funds.

RECOMMENDED BOARD ACTION

Authorize the Executive Director to negotiate with the State pension funds or other pension funds for participation in the HUD Pension Fund/Section 8 program and to prepare and submit an application on their behalf.

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Glenn A. Jarrett, General Counsel GAJ

DATE: February 7, 1995

RE: Amendment to Pine Meadow Bond Resolution

Background:

The Pine Meadow development in Middlebury has been experiencing some financial distress over the last several years due to higher-than-projected operating expenses and tenant turnover. In 1991, VHFA provided the permanent financing for the development, which is a 25 year loan at 9.75%. VHFA's source of funds was the sale of a federally taxable bond to Middlebury College, which carries an interest rate of 9.0%. Middlebury College has agreed to reduce the interest rate on the bond to 6.0% for the remaining life of the bond in order to make the development's operation more viable. In order to reduce the interest rate on the bond, the Agency must pass a resolution amending the bond resolution and obtain the written consent of the owner of the bond.

Recommended Action:

Approval of the attached resolution, which amends the bond resolution.

RESOLUTION AMENDING
RESOLUTION OF VERMONT HOUSING
FINANCE AGENCY AUTHORIZING THE ISSUANCE
OF ITS HOUSING PROJECT BOND
(FEDERALLY TAXABLE ISSUE)
PINE MEADOW DEVELOPMENT

WHEREAS, on March 28, 1991, the Agency passed a resolution entitled "Resolution of Vermont Housing Finance Agency Authorizing the Issuance of its Housing Project Bond (Federally Taxable Issue) Pine Meadow Development" (the "Resolution"); and

WHEREAS, after the passage of the Resolution, the Agency sold a federally taxable bond in the amount of $795,000 and bearing an interest rate of 9.0% per annum and a term of 25 years to the President and Fellows of Middlebury College ("Middlebury College") (the "Bond") to provide the funds for a permanent loan to the owner of the Pine Meadow development in Middlebury (the "Development"); and

WHEREAS, subsequent to the passage of the Resolution, the Agency made a loan to Pine Meadow Housing Limited Partnership that bears an interest rate of 9.75% per annum for a term of 25 years (the "Loan"); and

WHEREAS, the Development has been operating with financial difficulty in recent years; and

WHEREAS, Middlebury College has agreed to a reduction of the interest rate on the Bond to enable the Agency to reduce the interest rate on the Loan by a commensurate amount;

NOW, THEREFORE, it is hereby RESOLVED:

1. Pursuant to Section 504 of the Resolution, the Agency hereby amends Article IV of the Resoluton to reduce the interest rate on the Bond from 9.0% per annum to 6.0% per annum, effective February 1, 1995.

2. The Executive Director is directed to secure the consent of Middlebury College to this rate reduction, as required by Section 504 of the Resolution.

3. The Executive Director is directed to take all other steps necessary to implement the rate reduction on the Loan, including, but not limited to, the execution of a loan modification agreement with Pine Meadow Housing Limited Partnership.

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Cathleen Gent, Director of Communications

DATE: February 9, 1995

RE: VHFA Strategic Plan

In advance of the discussion at next week's meeting, attached are two documents:

1) The revised final draft of the Vermont Housing Finance Agency Strategic Plan for Fiscal Years 1996-2000 (dated 02/09/95)
2) Cost/Income Analyses to Accompany "Actions to Support Strategies" for VHFA Strategic Plan: Prepared for VHFA Board of Commissioners

The cost/income analyses portions of the actions are not included in the Strategic Plan, and are indented to supplement the information upon which the Board will make a final decision regarding the Strategic Plan.

Comments submitted by Board members during and following the January meeting have been incorporated into the Plan wherever possible. Any questions about the revisions to the Plan can be directed to Allan Hunt or me prior to the meeting next week. *[Please note that all changes made to the Introduction through the Recommended Strategies are indicated as insertions or ~~deletions~~. Changes to the Actions to Support Strategies section have not been indicated.]*

Please do not hesitate to call me at extension 224 prior to your meeting should you have any questions about this document.

RECOMMENDED BOARD ACTION

Approval of the Vermont Housing Finance Agency Strategic Plan for Fiscal Years 1996-2000 as a document. Specific changes requested by the Board will be addressed at that time.

STRATEGIC PLAN

VERMONT HOUSING FINANCE AGENCY

FOR FISCAL YEARS 1996-2000

DRAFT

02/09/95

February 1995

The Strategic Plan of the Vermont Housing Finance Agency for fiscal years 1996 through 2000 was developed with the cooperation of the VHFA Board of Commissioners, staff, and a special Strategic Planning Advisory Committee. Many additional individuals offered insightful comments which are reflected in the following document.

FOR FURTHER INFORMATION ABOUT THIS DOCUMENT, PLEASE CONTACT

Cathleen L. Gent
Director of Communications
Vermont Housing Finance Agency
PO Box 408
Burlington, VT 05402-0408

802-864-5743, ext. 224

THIS PAGE RESERVED FOR INTRODUCTORY COMMENTS/COVER LETTER
FROM CHAIRMAN AND EXECUTIVE DIRECTOR

TABLE OF CONTENTS

Introduction 1

Overview of VHFA Strategic Planning Process 1

VHFA Today and Tomorrow 3

VHFA Activity 3

Current Financial Condition 4

Organizational Structure 5

External Factors 5

Mission Statement 7

Overall Goals 7

Planning Objectives 8

Recommended Strategies 9

Projected Timeline 10

Actions in Support of Strategies 11

- Encourage and Support A Productive and Positive Work Environment 13
- Expand Down Payment Assistance 15
- Develop Home and Energy Improvement Lending Programs 17
- Expand Financing Options for Mobile Home Purchases 19
- Provide Financing for Co-op Housing 21
- Improve Financing to 3 and 4 Unit ~~Owner-Occupied~~ Properties 23
- Expand Energy Lending Activities 25
- Expand (as Consortium) Use of FHLB in Conjunction with LIHTC 27
- Address Homelessness 29
- Collaborate to Develop Programs for Support and Special Needs 31
- Increase Efficiency of Multi-Family Lending Process 33
- Finance Program for Environmental Hazard Management Multi-Family Projects . . 35
- Financing Housing Infrastructure 37
- Collaborate with Other Agencies to Achieve Efficiencies 39
- Maintain Data Collection, Analysis, and Dissemination of Housing Data 41
- Promote Homeownership Through Expansion of Home Buyer Education 43
- Expansion of Financing to Non-Housing Activities 45
- Better Utilize VHMGB to Enhance Services/Products of VHFA 47
- Reduce Operating and User Costs 49
- Increase Revenues Thru Loan Servicing Modifications and New Investment Opportunities 51

Appendix A

Appendix B

Appendix C

INTRODUCTION

VHFA is at a critical crossroads, given our history, national and local public policy priorities, financial resources and constraints, and the dynamic nature of Vermont's housing delivery system in response to changing affordable housing needs. As we entered our twentieth year, VHFA initiated a strategic planning process to prepare us for the future.

The scope of VHFA's strategic planning was broad: our vision for the next five years encompassed VHFA's mission, overall goals, objectives, and specific strategies or actions. This strategic plan covers Fiscal Years 1996-2000 (from July 1995 to June 2000) and will be integrated each year with VHFA's Business Plan, an annual statement of activities and goals for the Agency.

Since this represented the first formal strategic planning effort by VHFA, a substantial amount of information was assembled and reviewed. This information serves as a core for both present and future Agency planning activities.

During the period of time in which the strategic planning process was completed, VHFA underwent a number of significant changes which altered the nature of some decisions made. It was particularly timely and beneficial to develop the five year plan during this time of change.

OVERVIEW OF VHFA STRATEGIC PLANNING PROCESS

The central question asked throughout VHFA's strategic planning process was: Where does VHFA want to be in the next five years? Attention was ~~repeatedly~~ focused on this question through each phase of the work and as VHFA endeavored to achieve a comprehensive plan ~~the numerous approaches undertaken to plan comprehensively~~ for VHFA's future.

The VHFA strategic planning process included an internal and external analysis of the policy, economic, demographic, and financial market trends affecting the delivery of housing in Vermont, housing needs and demands in the state, as well as VHFA's capacity, weaknesses, and strengths.

The consulting firm of Lanzikos, McDonough and Associates, which specializes in conducting strategic planning for housing organizations, was retained to assist VHFA in designing and implementing our strategic planning process. In particular, the consultants guided the Strategic Planning Advisory Committee, the VHFA Board of Commissioners, and the VHFA staff in identifying our strengths, weaknesses, opportunities, and threats ~~(known as SWOT)~~.

In September 1993, VHFA's Board of Commissioners (the Board) appointed a high caliber panel of advisors to assist in this planning effort. The dedication of the VHFA Strategic Planning Advisory Committee greatly sustained much of VHFA's strategic planning work. Appendix A contains a list of the Strategic Planning Advisory Committee members. Sadly, Emory Hebard, former State Treasurer and VHFA Board member and a member of the

Strategic Planning Advisory Committee, passed away before the work of the Advisory Committee was completed.

As part of the VHFA internal and external analyses, individuals representing different constituent groups and organizations were interviewed or surveyed, which provided a valuable resource in examining the current and future affordable housing needs of Vermonters, VHFA's role in the housing delivery system, as well as the likely funding and financing climate in which VHFA will operate. Appendix B contains a complete listing of individuals and organizations interviewed and surveyed.

The VHFA research analyst completed a comprehensive "situational analysis" for VHFA. During the course of completing the strategic planning process, VHFA consolidated with the Vermont Home Mortgage Guarantee Board (VHMGB). A "situational analysis" for VHMGB was also completed. These documents included data and information gathered in order to help VHFA assess historical activities for single family, multi-family and VHMGB activities, financial conditions, and special initiatives. An external assessment was also conducted including a review of federal policy and tax laws, state policy, the housing delivery system, the economy and housing, and population/demographics. The situational analyses were completed for VHFA in December 1993 and for VHMGB in February 1994.

VHFA staff and Commission members were also instrumental in the process: the full staff and Board separately participated with Lanzikos, McDonough and Associates in their SWOT exercise and individual staff members served as advisors in developing the strategies and actions for plan implementation.

The results of situational analysis, interviews, surveys, and analytical ~~SWOT~~ exercises were presented in early 1993 to the Strategic Planning Advisory Committee for their consideration as they identified and prioritized key strategic issues, options, and challenges facing the organization. In May 1994, the advisory committee's recommended strategies for Agency implementation over the next five years were submitted to the Board, covering a broad array of potential activities for the Agency. Their insightful reflections and thoughtful recommendations provided an excellent base upon which the Board and staff made decisions about the direction of the strategic plan.

From June through September 1994, the Board revised VHFA's statements of mission, overall goals, and objectives. The strategies or actions needed to carry out the goals and objectives were then determined by VHFA staff. The Board adopted VHFA's 1996-2000 Strategic Plan in February 1995, for integration into the Agency's Annual Business Plan. The strategies will then be reviewed and updated each year, thus creating an on-going monitoring system.

VHFA TODAY AND TOMORROW

The primary reason for conducting a strategic planning process is to assess current and expected future operational and environmental conditions and to plan in a manner which maximizes efficiencies and offers a unique resource. In VHFA's strategic planning work, internal and external assessments were conducted through interviews, surveys, and a systematic review of our history, national and local public policy priorities, financial resources and constraints, Vermont's housing delivery system, and current and projected demographic conditions and housing needs. The results of these assessments formed the basis on which VHFA's mission, overall goals, objectives, and specific strategies or actions were decided.

A. VHFA ACTIVITY

During our twenty-year history, VHFA has loaned over $1 billion through multi-family and single family activities. Multi-family loan volume accounts for approximately $100 million of the $1 billion invested by VHFA in affordable housing throughout Vermont.

VHFA has assisted more than 18,000 low- and moderate-income Vermonters gain homeownership. New types of programs have been introduced over the years, but the primary vehicle for VHFA loan originations has been the Mortgages for Vermonters (MOVE) Program. Outreach efforts have been launched in counties with less than optimal levels of VHFA activities, particularly in southern Vermont. Since 1987, VHFA has offered home buyer education courses and workshops across Vermont, usually in conjunction with local lenders and real estate professionals.

~~While the largest percentage of VHFA borrowers earn 80-100% of~~ The distribution of VHFA borrower incomes varies significantly in relation to the state's median household income, with almost 60% earning ***below*** 80% of the state's median income amount. The following breakdown shows the income profiles for VHFA borrowers from July 1, 1993 through June 30, 1994:

Income Category	Number of Loans	Percent of Loans
Over 100% of Median	42	6
80-100% of Median	261	38
50-79% of Median	320	46
30-49% of Median	67	10
Less than 30% of Median	5	1

As of June 30, 1994, a total of 3,531 elderly and family rental units were financed by VHFA. By far, the largest number of units (1,935) were produced under the Section 8 Program between 1974 and 1984. Since 1987, the Low Income Housing Tax Credit (LIHTC) Program has been administered by VHFA and has provided a major vehicle for the creation and preservation of rental units in Vermont. The Multi-Family Management

department is responsible for servicing and monitoring the multi-family portfolio, HUD Contract Administration, and tax credit compliance monitoring.

A major challenge for VHFA in financing affordable rental housing is that the developments serving low- and very low-income households can assume little or no debt. The Agency has very few debt-free funding vehicles to assist these developers. Even with this limitation, 98% of renter households living in units financed by VHFA between July 1, 1993 and June 30, 1994 earned less than 50% of the state's median household income:

Income Category	Number of Units	Percent of Units
50-79% of Median	2	2
30-49% of Median	23	18
Less than 30% of Median	100	80

A financial analysis of VHFA was completed by Evensen Dodge Inc. in June 1993. One conclusion reached in that study was that "VHFA has aggressively and efficiently used its assets and fund balances to provide affordable housing." A list of resource initiatives accomplished with VHFA fund balances includes the capitalization of Housing Vermont, the second mortgage pool for the Officers' Row development at Fort Ethan Allen, and the deferred loan funds used to create five Homeless Shelters. VHFA has also provided financial and in-kind support to Energy Rated Homes of Vermont and other initiatives linking energy efficiency and mortgage lending, as well as to the Vermont Development Credit Union, the Vermont Community Loan Fund, and the Robert Wood Johnson pilot grant program providing supportive services to elderly residents of subsidized housing.

The no-point mortgage option feature offered in 1993 and 1994 was initially subsidized by VHFA with a payment to the lenders for every mortgage originated with this feature. VHFA has also supported nonprofit developers using Vermont Housing and Conservation Trust Fund resources and VHFA's Home Ownership Using Shared Equity (HOUSE) program to provide shared equity homeownership opportunities to low-income households. While these special initiatives provide direct, added benefit to the consumer, many of these activities provide a major and much needed stimulus to the state's economy. For example, the creation of Housing Vermont resulted in the production of nearly 2,000 rental units and equity investment of approximately $20 million.

B. CURRENT FINANCIAL CONDITION

VHFA has proven itself willing to take risks and break new ground; our ability to continue to use our fund balances creatively is dependent upon current and future financial conditions. The Agency must always be mindful of its mission and must balance meeting the affordable housing needs of Vermonters with maintaining our financial viability. The Evensen Dodge study was commissioned by VHFA in order to understand better and identify available resources for future housing programs and related purposes. Some recommendations made by Evensen Dodge being implemented or under consideration by VHFA include:

1) Tracking of single family and multi-family loan prepayments
2) Increasing the amount in VHFA's Fund Balance
3) Creating a Construction Loan Program

Formal actions regarding the future allocation of funds will be taken at the conclusion of VHFA's strategic planning process.

C. ORGANIZATIONAL STRUCTURE

Throughout our history, VHFA has undertaken a number of organizational transitions to better align the staffing structure according to specific activities and functions. A major transition took place in 1988, in which five departments were developed. In 1991, the Multi- Family Management department evolved. As mentioned previously, during the strategic planning process, the programs of the Vermont Home Mortgage Guarantee Program (VHMGB) were assumed under VHFA's umbrella, to increase efficiencies in providing homeownership mortgage and guarantee programs for low- and moderate-income Vermonters. (See Appendix C for the current VHFA organizational chart.) While this increased the total number of employees at VHFA, combining responsibilities for a number of positions did result in the elimination of four positions, which was achieved through attrition. VHFA staffing levels reflect the complexity of creating and preserving affordable housing through multi-layered funding sources as well as the continuing growth and need for management and servicing of VHFA's loan portfolio to maintain and ensure fiscally sound operations. Periodic reviews of staffing level needs will be conducted as part of VHFA's Business Plan.

D. EXTERNAL FACTORS

Numerous changes in federal tax laws have had a significant impact on the efficiency of Mortgage Revenue Bonds (MRBs) in providing affordable housing opportunities. On the single family side, these changes have restricted program eligibility to certain income levels and have reduced the earnings potential for the Agency which was previously derived from the issuance and operation of tax-exempt bond programs. On the multi-family side, changes in the 1986 tax code resulted in the general decline in investment for rental real estate by reducing the incentive ~~investment~~ for investors. While the Low Income Housing Tax Credit Program was created as part of the 1986 revision of tax laws and is today the major engine for the production of rental housing, it is an intricate program and has taken time for investors to understand and support. Permanent extensions of both the MRB and Tax Credit programs were passed by Congress in 1993. While further restrictions are unlikely, MRB programs have become difficult to operate programmatically and financially. The challenge is to find a new vehicle which satisfies the needs of home buyers and works to the benefit of VHFA.

Vermont's efforts to meet the housing needs of low- and moderate-income residents involve five state agencies, nonprofit developers, and private developers. The Enterprise Foundation, a national nonprofit community development intermediary, evaluated the effectiveness of the current configuration of state housing agencies and the state's affordable housing delivery system. In a February 1993 report, Enterprise outlined a series of recommendations to improve efficiencies and to make programs easier to use for

Vermont's housing partners, especially nonprofit organizations. Discussion about ways to implement their recommendations today continues across state agencies, including VHFA.

During the 1980's, Vermont enjoyed a robust economic period, featuring a rapidly expanding job market, growth in incomes, and low unemployment. The housing market expanded significantly in that decade, which pushed up the prices of owner-occupied and rental housing and resulted in housing affordability problems, especially for low-income households. But the Vermont economy began to decline and, by 1989, entered a recession. Job losses occurred in manufacturing, real estate appreciation halted, and unemployment grew in the construction sector. While Vermont is no longer in a recession, economic forecasts indicate there is no significant engine of economic growth. The fundamentals of the Vermont economy remain weak, with subdued job and income growth rates.

Reflecting fundamental demographic shifts occurring nationally, Vermont's population is aging: the average age of 33 represents an increase of 3.6 years between 1980 and 1990, with baby-boomers driving the shift upward. The number of elderly over the age of 75 rose 18% between 1980 and 1990 and now comprises 5% of Vermont's population. Actual population losses between 1980 and 1990 occurred in the under 18 and the 19-24 age categories.

Between 1980 and 1990, household size decreased from 2.7 to 2.5 persons in Vermont. While Vermont's population is expected to increase slightly, the household size will be smaller.

According to CACI Marketing Systems projections, incomes will rise slowly in Vermont in the next four years (5%) to a $34,600 household income. The income groups targeted by VHFA's homeownership programs - the $15,000 to $35,000 groups - will have about 66,000 households in 1998, a number slightly larger than today's. The dream of homeownership for rental households continues, as indicated in surveys conducted for VHFA in 1992 and 1993. The difficulties of having sufficient incomes for down payment and monthly housing payments remains a barrier, despite the relatively lower housing costs in the past several years. In addition, lower-income households (both renter and owner-occupied) generally pay a greater proportion of their incomes for housing.

Specific housing and services are needed for a number of special population groups in Vermont: frail elderly, homeless, persons with mental health/mental retardation difficulties, substance abusers, persons with dementia, persons with physical handicaps, ex-offenders, and persons with AIDS. The total number of persons with special housing needs who cannot live independently without supportive services is estimated to be 18,000 to 52,000.

Over the next several years, VHFA must target its resources carefully to meet the needs of low- and moderate-income homeowners, elderly and family rental households, and other special needs populations to ensure that appropriate housing is made available. This challenge is addressed in the Agency's Strategic Plan for Fiscal Years 1996-2000 and will be considered in our annual business plans.

VHFA MISSION, OVERALL GOALS, AND OBJECTIVES

Utilizing the information gathered through the internal and external assessments and after reviewing the recommendations of the VHFA Strategic Planning Advisory Committee, the VHFA Board approved the following revised mission statement, overall goals, and specific objectives. The subsequent strategies were developed in accordance with the mission, overall goals, and planning objectives.

MISSION

VHFA's mission is to finance and promote affordable, safe, and decent housing opportunities for low- and moderate-income Vermonters.

OVERALL GOALS

1) To provide access to low cost, flexible, innovative programs for individuals who are otherwise unable to qualify for mortgage financing.

2) To stimulate the development and preservation of affordable housing, including rental and ownership housing opportunities for low- and moderate-income Vermonters; and to encourage mechanisms to ensure that this housing remains perpetually affordable.

3) To maintain a sound fiscal structure and meet all fiduciary requirements in a professional manner.

4) To work in partnership with state government, municipalities and the private sector to: (a) encourage and support quality planning for affordable housing; (b) address the special needs of Vermonters who have disabilities or require supportive services; and (c) address homelessness in Vermont.

5) To heighten general awareness of housing needs for low- and moderate-income Vermonters, particularly with groups who can have an impact on the production of such housing, including the legislature, community officials and the business community.

6) To create and sustain a workplace conducive to attracting and retaining a quality staff.

PLANNING OBJECTIVES - LINKED TO OVERALL AGENCY GOALS

Objective 1: To encourage and support a work environment that enables staff to realize their full potential as employees of VHFA.

Objective 2: To enhance affordability and habitability that will maintain and increase homeownership.

Objective 3: To improve flexibility of financing tools as a lender for rental housing.

Objective 4: To create and enhance affordable housing integrated with services to enable households to remain in their residences.

Objective 5: To increase the efficiency and responsiveness of the multi-family lending process.

Objective 6: To develop programs to finance the mitigation or elimination of environmental hazards that may inhibit the production or preservation of safe and decent affordable housing.

Objective 7: To work with other housing and regulatory agencies to facilitate the development and preservation of affordable housing.

Objective 8: To inform policy makers on an on-going basis regarding affordable housing issues and needs.

Objective 9: To promote VHFA's affordable housing programs and to build upon VHFA's successful public education and information efforts.

Objective 10: To enhance the long-term financial viability of VHFA by improving efficiency, reducing costs and increasing revenues.

RECOMMENDED STRATEGIES

Following the direction of the Board, VHFA staff developed strategies to implement an action plan based upon the mission statement, overall goals, and objectives established by the Board. The following summary shows the strategies as they apply to VHFA's strategic planning objectives. These strategies are not in ranked order.

1. *To encourage and support a work environment that enables staff to realize their full potential as employees of VHFA.*
   a. Encourage and support a productive and positive work environment

2. *To enhance affordability and habitability that will maintain and increase homeownership*
   a. Expand Down Payment Assistance
   b. Develop Home and Energy Improvement Lending Programs
   c. Expand Financing Options for Mobile Home Purchases
   d. Provide Financing for Co-op Housing
   e. Improve Financing to 3 and 4 Unit ~~Owner-Occupied~~ Properties

3. *To improve flexibility of financing tools as a lender for rental housing*
   a. Expand Energy Lending Activities
   b. Expand (as Consortium) Use of FHLB in Conjunction with LIHTC

4. *To create and enhance affordable housing integrated with services to enable households to remain in their residences*
   a. Address Homelessness
   b. Collaborate to Develop Programs for Support and Special Needs

5. *To increase the efficiency and responsiveness of the multi-family lending process.*
   a. Increase Efficiency of Multi-Family Lending Process

6. *To develop programs to finance the mitigation or elimination of environmental hazards that may inhibit the production or preservation of safe and decent affordable housing.*
   a. Finance Program for Environmental Hazard Mgmt of Multi-Family Properties
   b. Financing Housing Infrastructure

7. *To work with other housing and regulatory agencies to facilitate the development and preservation of affordable housing.*
   a. Collaborate with Other Agencies To Achieve Efficiencies

8. *To inform policy makers on an ongoing basis regarding affordable housing issues and needs.*
   a. Maintain Data Collection/Analysis/Dissemination of Housing Data

9. *To promote VHFA's affordable housing programs and to build upon VHFA's successful public education and information efforts.*
   a. Promote Homeownership Through Expansion of Home Buyer Education

10. *To enhance the long-term financial viability of VHFA by improving efficiency, reducing costs and increasing revenues.*
    a. Expansion of Financing to Non-Housing Activities
    b. Better Utilize VHMGB to Enhance Services/Products of VHFA
    c. Reduce Operating and User Costs
    d. Increase Revenues Through Loan Servicing Modifications and New Investment Opportunities

VHFA STRATEGIC PLAN: PROJECTED TIMELINE

	STRATEGY		DATE OF IMPLEMENTATION	YEAR 1 - FY96 JUL-DEC 95	YEAR 1 - FY96 JAN-JUN 96	YEAR 2 - FY97 JUL-DEC 96	YEAR 2 - FY97 JAN-JUN 97	YEAR 3 - FY98 JUL-DEC 97	YEAR 3 - FY98 JAN-JUN 98	YEAR 4 - FY99 JUL-DEC 98	YEAR 4 - FY99 JAN-JUN 99
1A	Encourage and Support a Productive & Positive Work Environment		Ongoing	<	.	.	.	.	.	.	>
10C	Reduce Operating/User Costs		Ongoing	<	.	.	.	.	.	.	>
2B	Develop Home and Energy Improvement Lending Programs		Year 1	<--6 to 8 Months-->							
3B	Expand (as Consortium) Use of FHLB in Conjunction with LIHTC		Year 1	<--6 to 9 Months-->							
8A	Maintain Data Collection, Analysis, and Dissemination of Housing Data		Year 1	<2-6 Mos>							
4A	Address Homelessness		Year 1	<----3 to 12 Months--->							
10A	Expansion of Financing to Non-Housing Activities	Action #1	Year 1	<----9 to 12 Months--->							
4B	Collaborate to Develop Programs for Support/Special Needs	Action #2	Year 1	<6 Months>							
10A	Expansion of Financing to Non-Housing Activities	Action #1	Year 1	<----9 to 12 Months--->							
10D	Increase Revenues Thru Loan Servicing Mod/New Invest Opptys	Action #1	Year 1	<6 to 8 Months>							
5A	Increase Efficiency of Multi-Family Lending Process	Action #1	Year 1	<3 Mos>							
		Action #2	Year 1	<6 Months>							
		Action #3	Year 1	<4 Mos>							
		Action #4	Year 1	<6 Months>							
1D	~~Provide Financing for Co-op Housing~~		~~Yrs 1+2~~	~~<4-6 Months>~~		~~<4-6 Months>~~					
7A	Collaborate with Other Agencies To Achieve Efficiencies	Action #1	Yrs 1+2	<----------24 Months---------->							
		Action #2	Yrs 1+2	<----------24 Months---------->							
1C	Expand Financing Options for Mobile Home Purchases		Year 2			<--6 to 8 Months-->					
2A	Expand Down Payment Assistance	Action #1	Year 1	<--6 to 8 Months-->							
		Action #2	Year 2			<--10 to 12 Months--->					
2A	Expand Energy Lending Activities		Year 2			<----9 to 12 Months--->					
4B	Collaborate to Develop Programs for Support/Special Needs	Action #1	Year 2			<----9 to 12 Months--->					
9A	Promote Homeownership Through Expansion of Home Buyer Education	Action #1	Year 2			<----8 to 12 Months--->					
		Action #2	Year 2			<----8 to 12 Months--->					
10A	Expansion of Financing to Non-Housing Activities	Action #2	Year 2			<----9 to 12 Months--->					
10B	Better Utilize VHMGB to Enhance Svcs/ Products of VHFA	Action #1	Year 2			<6 to 8 Months>					
		Action #2	Year 2			<6 to 9 Months->					
10D	Increase Revenues Thru Loan Servicing Mod/New Inv Opptys	Action #2	Year 2			<---9 to 12 Months---->					
7A	Collaborate with Other Agencies To Achieve Efficiencies	Action #3	Yrs 2+3			<----------24 Months---------->					
1E	Improve Financing to 3 and 4 Unit ~~Owner Occupied~~ Properties		Year 3					<----10 Months---->			
6B	Financing Housing Infrastructure		Year 3					<--6 Months-->			
10B	Better Utilize VHMGB to Enhance Svcs/ Products of VHFA	Action #3	Year 3					<1-3 Months>			
6A	Finance Program for Environmental Hazard Management M-F Properties		Year 4							<---9 to 12 Months---->	

ACTIONS IN SUPPORT OF STRATEGIES

1A Encourage and Support a Productive and Positive Work Environment

Action Sustain and enhance a highly productive workplace conducive to attracting and retaining a quality staff

Goals

1. To provide a competitive compensation package in a cost-effective approach.

2. To provide employees the resources they need to perform their duties effectively and efficiently by assuring access to information, suitable equipment and work space and training opportunities.

3. To create a quality work environment which provides clear direction to employees, holds them accountable for their actions and allows for straightforward communications in evaluating performance.

Time Period for Implementation Ongoing

Action - Ongoing. Annually review VHFA's compensation package; provide regular opportunities for both informal and formal communication pertaining to performance, office climate and quality of supervision; conduct regularly scheduled staff discussions about organizational goals and the resources required to achieve those goals.

Results

- Staff will be retained.
- Quality staff will be attracted.
- The workplace atmosphere will be enhanced, improving employee productivity and morale.

2A Expand Down Payment Assistance

Action #1 Extend Down Payment Assistance Pilot Program with VHMGB.

Goals

1. Provide 100% financing to individuals who would otherwise not be able to purchase a home with emphasis on borrowers with the lowest income.
2. Require pre-purchase home inspections and provide pre-purchase homeownership counseling and post-purchase counseling in conjunction with early intervention, self-servicing of these loans to reduce the number of defaults. VHFA would work with three nonprofit groups to develop their capacity over a two year period to assist delinquent borrowers avoid foreclosure. This support would include $20,000 to each group for year one, and $10,000 for each group for year two. VHFA would then reimburse each group for work they do for VHFA to avoid foreclosures. The service would also be available on conventional loans. Like VHFA, other lenders would pay fees to an organization to prevent foreclosures. The rationale is that most lenders (including VHFA) lose money when they foreclose. Early intervention may result in a reduced number of foreclosures.
3. Determine whether loans with no down payment have a greater incident of default than loans with a 5% down payment.

Time Period for Implementation During Year 1 of Strategic Plan (FY96)

Action # 1 - Total time frame of 6 to 8 months. Some activities will happen concurrently with other activities and some activities can begin only after other activities are completed. Develop a pre- and post-purchase counseling strategy; determine additional program requirements and targeting; obtain approval of VHFA and VHMGB Boards; revise procedures and notify lenders

Results

150 additional Vermonters per year who would otherwise be unable to purchase a home because of the lack of down payment will become homeowners.
The risk of default will be reduced because of pre-purchase and post-purchase counseling. The risk of loss will be reduced because of pre purchase home inspections and early delinquency intervention.

Other Considerations

Cost estimates do not include cost and income from self-servicing including additional staffing that might be required and also does not include the costs of development and operation for pre-purchase and post-purchase counseling. Income does not include principal payments and pre-payments. We may consider the options of servicing these loans ourself and requiring an energy component.

Continued...

Action #2 Down Payment Assistance Using a Second Mortgage Program

Goals

1. Provide up to 95% first mortgage financing and a 5% second mortgage to individuals who would otherwise not be able to purchase a home. Emphasis would be placed on borrowers with lower incomes.
2. Increase financing available to assist buyers without down payments.
3. Require pre-purchase home inspections and provide Pre-purchase homeownership counseling and post-purchase counseling in conjunction with early intervention, self-servicing of these loans to reduce the number of defaults.
4. Determine whether loans with no down payment have a greater incident of default than loans with a 5% down payment.

Time Period for Implementation During Year 2 of Strategic Plan (FY97)

Action # 2 - Total time frame of 10 to 12 months. Some activities will happen concurrently with other activities and some activities can only begin after other activities are completed. Develop a pre- and post-purchase counseling strategy; determine program eligibility requirements and targeting; develop procedures; locate a source of funding; implement program with lenders.

Results

Over a five year period, 225 additional Vermonters who would otherwise be unable to purchase a home because of lack of down payment will become homeowners.

The risk of default will be reduced because of pre-purchase and post-purchase counseling. The risk of loss will reduced because of pre purchase home inspections and early delinquency intervention.

Other Considerations

Cost estimates do not include cost and income from self-servicing including additional staffing that might be required and also does not include the costs of development and operation for post-purchase counseling. Income does not include principal payments and pre-payments. We may consider the options of servicing these loans ourself and requiring an energy component.

2B Develop Home and Energy Improvement Lending Programs

Action Develop Home and Energy Improvement Lending Program to preserve affordable housing stock.

Goals

1. Improve access to home improvement funds to low- and moderate-income homeowners who do not have a substantial amount of equity of their homes.
2. Improve energy efficiency of existing housing stock.
3. Eliminate hazards from lead-based paint and other health hazards.

Time Period for Implementation During Year 1 of Strategic Plan (FY96)

Action - Total time frame of 6 to 8 months. Some activities will happen concurrently with other activities and some activities can only begin after other activities are completed. Determine appropriate loan guarantors/Insurers and become approved; develop a source of funds; recruit participating lenders/technical assistance; develop procedures; implement program.

Results Financing to preserve affordable housing will be available to homeowners without equity in their homes. Improved safety of housing for occupants by eliminating lead-based paint, asbestos, and other hazards that may exist.

Other Considerations

- Time and Resources to develop financing source.
- Staff capacity to develop, implement, and operate program.
- System requirements and changes to service loans and to meet any special requirements of the HUD FHA Title One Home Improvement Loan Program.
- Losses not covered by HUD.
- Supplies to promote and operate program.
- Pre-payments.
- Cost of Technical Assistance.

2C Expand Financing Options for Mobile Home Purchases

Action Develop program to finance mobile homes in privately owned mobile home parks with short term leases.

Goals

1. Expand homeownership options for lower income Vermonters who do not have the resources to qualify for financing to purchase a mobile home through a bank or finance company.
2. Provide financing for longer terms, lower down payment requirements, and more flexible qualifying requirements than currently available.

Time Period for Implementation During Year 2 of Strategic Plan (FY97); some planning will occur in FY96.

Action - Total time frame 6 to 8 months. Some activities will happen concurrently with other activities and some activities can only begin after other activities are completed.) Identify source of funds; determine program requirements and targeting; develop criteria for approving mobile home parks; recruit participating lenders; develop program procedures and forms; implement program with lenders.

Results More lower income Vermonters will become homeowners.

Other Considerations

Self servicing costs and income not included.
Resources to develop financing source.
Staff capacity and to operate program.
Staff capacity and the cost to self-service loans.

2D Provide Financing for Co-op Housing

Action Provide financing for the development of limited equity cooperative housing.

Goals

1. To provide construction and permanent financing (blanket mortgages) for the development of limited equity cooperative housing units.
2. To provide construction and permanent financing (blanket mortgages) for the development and/or conversion of mobile home parks into Cooperative Mobile Home Parks.
3. To provide share loans to tenant stockholders.

Time Period for Implementation During Years 1 and 2 of Strategic Plan (FY96 and FY97)

Action - Total time frame of 4-6 months. Develop source of funds for blanket and share loans; program development including input from local nonprofit housing organizations and recruitment of nonprofits to do tenant organization and assistance with share lending; program implementation.

Results Limited equity cooperative housing provides a form of homeownership to very low-income individuals and families.

Other Considerations Requires participation by local or regional nonprofit organizations for organizational development and share lending.

2E Improve Financing to 3 and 4 Unit ~~Owner Occupied~~ Properties

Action #1 Develop Financing Option for 3 and 4 Unit Owner Occupied Properties through the MOVE and HOUSE Programs.

Goals

1. Increase homeownership among lower income families.

2. Revitalize communities by increasing the number of owner occupied properties and decreasing absentee landlords.

Time Period for Implementation During Year 3 of Strategic Plan (FY98)

Action #1 - Total time frame of 10 months. Develop pre-purchase counseling and post-purchase counseling on how to become a homeowner and how to be a landlord; determine method of delivery of pre-purchase counseling and post-purchase counseling; develop delivery system for technical assistance to complete rehabilitation and repairs; develop lender procedures and train lenders; implement program.

Results More lower income households would become homeowners. Older communities would be revitalized.

Other Considerations

It is assumed that many of the properties financed will require rehabilitation and that technical assistance would be available to new homeowners/landlords.

It is assumed that 3-4 unit properties would be financed through the MOVE and HOUSE programs and that another source would not have to be developed. Program available only in targeted neighborhoods and communities using additional dollars for rehab thru CDBG and other funding sources.

Continued...

2E Improve Financing to 3 and 4 Unit ~~Owner-Occupied~~ Properties (Continued)

Action #2 Provide capital for 3-4 unit investor-owned properties.

Goals 1. To assure properties are maintained and used as affordable rental housing.

Time Period for Implementation During Year 3 of Strategic Plan (FY98)

Action #2 - Total time frame of 12 months. Identify need for loan program; work with lenders/nonprofits to develop program; identify source of funds; implement program.

Results Older communities would be revitalized and low-income rental housing would be preserved.

Other Considerations

- Must be implemented through lenders to assure cost-effectiveness.
- Must identify new source of taxable funding (tax-exempt cannot be used).

3A Expand Energy Lending Activities

Action Develop multi-family lending program to improve multi-family affordable housing stock by making loan funds available for energy efficiency improvements.

Goals

1. Improve access to financing for eligible owners of multi-family properties desiring to make their properties more energy efficient.
2. Create an awareness on the part of property owners relative to the desirability of making properties more energy efficient.
3. Promote a lending environment where the value of energy efficiency is recognized in appraisals and loan underwriting.
4. Target multi-family developments of 5+ units.
5. Explore feasibility of providing financing in collaboration with energy services companies, which would administer program(s).

Time Period for Implementation During Year 2 of Strategic Plan (FY97)

Action - Total time frame 9-12 months. Survey property owners to determine demand for energy improvement loan capital; coordinate with other entities doing energy lending and who will support this initiative; identify/develop source of funds; identify/develop sources of guarantee; develop procedures and initiate program.

Results Financing to create energy efficiency and affordable rental units. A market which recognizes the value of energy improvements.

3B Expand (as Consortium) Use of FHLB in Conjunction with LIHTC

Action Develop a consortium of banks and VHFA to participate in the financing of affordable housing. VHFA would provide administrative, loan underwriting, and loan servicing, for which it would receive fees and other revenue. VHFA might also participate in loans depending upon the competitiveness with which it can access funds. Initially the consortium would focus on FHLB lending for LIHTC projects.

Goals

1. To expand the financing options for housing developed with Low Income Housing Tax Credits.
2. Provide a service for banks to allow them to finance affordable housing developments.
3. Utilize the expertise that exists on staff to generate fee income for VHFA.

Time Period for Implementation During Year 1 of Strategic Plan (FY96)

Action - Total time frame of 6-9 months. Solicit interest and input from community banks and other Lenders; program development; program implementation.

Results Housing will be created and preserved using resources already available to community and other banks and expertise that exists within VHFA. Benefits to participating banks would be risk-sharing, CRA credit, access to loan underwriting and servicing expertise, and program knowledge of VHFA staff.

Other Considerations

- Expenses and Revenues are highly sensitive to both the number and size of loans.
- Above projections are based upon lending $2.0 million per year for 10 projects.

4A Address Homelessness

Action Support research and public education via all available mechanisms.

Goals

1. Assist other state agencies in their efforts to define the nature and extent of the homeless problem.

2. Help disseminate the results of this research to support for efforts to finance initiatives for housing homeless population.

Time Period for Implementation During Year 1 of Strategic Plan (FY96)

Action - Total time frame of 3-12 months. Participate in work group for conducting survey; assist in disseminating survey results; assist in public education.

Results Collaboration with other state agencies involved with this work would be achieved. Promotes efforts to provide safe and decent affordable housing. Public awareness of issue would be enhanced.

Other Considerations

- Current VHFA financing mechanisms could not be used to finance these facilities or other non-debt approaches to create shelters for homeless persons and families.
- No new staff would be needed.

4B Collaborate to Develop Programs for Support and Special Needs

Action #1 Finance assisted living units which provide services for the elderly, child care centers in family housing developments, housing for the developmentally disabled, and supportive services in traditional elderly and family units. The focus of this analysis is on financing assisted living units for the elderly.

Goals

1. To combine affordable housing developed for the elderly with supportive services. Housing developed could include owner occupied and rental units.

Time Period for Implementation During Year 2 of Strategic Plan (FY97)

Action # 1 - Total time frame of 9-12 months. Program development (in-state); obtain agreements or waivers (federal); implement program.

Results Residents of owner occupied and rental units will have the support necessary to continue to live in their homes.

Other Considerations

- The above numbers assume that subsidy to fund services and housing for low income residents will be available through other state agencies or other outside sources.

Continued...

4B Collaborate to Develop Programs for Support and Special Needs (Continued)

Action #2 Work with Area Mental Health Agencies to Develop Financing for Homeownership for Adults with Developmental Disabilities. Developmentally Disabled Participants would purchase a home through their legal guardian using their SSI or SSA benefits for housing debt, taxes, insurance, utilities, and maintenance. The service component would be funded through Medicaid waivers.

Goals

1. Expand the housing options available for adults with developmental disabilities.

2. Provide homeownership opportunities to very low income Vermonters.

Time Period for Implementation During Year 1 of Strategic Plan (FY96)

Action #2 - Total time frame of 6 months. Work with area mental health agencies to identify participants, develop budget for the home and source for subsidy; identify underwriting variances that might be required to qualify participants; obtain approval from VHFA and VHMGB Boards; develop procedures and train participating lenders; implement program

Results Developmentally Disabled adults would have the stability that homeownership provides.

Other Considerations

- Assumes that subsidy will be available from VHCB or other sources to lower the purchase price.
- Medicaid waiver or other funds will be available to provide on-site services, where necessary.
- First mortgage financing through VHFA's MOVE or HOUSE programs.

5A Increase Efficiency of Multi-Family Lending Process

Action #1 Review Underwriting Criteria for Validity and Revise as Necessary

Goals
1. Eliminate any unnecessary obstacles to making loans.
2. Refine financial feasibility analysis and due diligence by incorporating results of recent experience into underwriting process.

Time Period for Implementation During Year 1 of Strategic Plan (1996)

Action #1 - Total time frame of 3 months. Review underwriting criteria; analyze data on existing loans; meet with representative for-profit and nonprofit borrowers for input; revise criteria and present to Loan Review Committee; present recommended changes to Board.

Results Revenues will increase, through fees and interest payments, if lending activity increases.

. . . . . .

Action #2 Develop new informational, application, and marketing materials for multi-family loan programs.

Goals
1. Make programs more accessible and user-friendly.
2. Obtain necessary information in the way most efficient for both borrower and VHFA.
3. Increase lending activity.

Time Period for Implementation During Year 1 of Strategic Plan (1996)

Action #2 - Total time frame of 6 months. Develop one-page descriptions (fact sheets) of all programs for mailing and handouts; develop new application materials for permanent and construction loan programs, including new proforma. NOTE: Done in 1994 for LIHTC Program; in process for permanent and const lending programs; completion expected in 3-4 months.

Results Revenues will increase, through fees and interest payments, if lending activity increases.

Continued...

5A Increase Efficiency of Multi-Family Lending Process (Continued)

Action #3 Accelerate Loan Processing.

Goals
1. Be as responsive as possible to borrower needs.
2. Increase lending activity.

Time Period for Implementation During Year 1 of Strategic Plan (1996)

Action #3 - Total time frame of 4 months. Promulgate new Multi-Family Rules that facilitate Board actionRules approved by Board 1994/1995 and filed with Secretary of State and Legislative Rules Comm; request Board to delegate approval to Executive Director and/or to a subcommittee of the Board for loans meeting defined standards and within specified amounts.

Results Revenues will increase, through fees and interest payments, if lending activity increases.

. . . . . .

Action #4 Increase Efficiency of Closing Process.

Goals
1. Improve quality; reduce risk as much as possible within lending parameters.
2. Accelerate process.
3. Increase lending activity while achieving adequate security.

Time Period for Implementation During Year 1 of Strategic Plan (1996)

Action #4 - Total time frame of 6 months. Validate and standardize loan and other closing documents; improve coordination among Legal, Development, Multi-Family Management and Finance staffs; refine pre-Closing process; document Closing process and any deviations from standards.

Results Revenues will increase, through fees and interest payments, if lending activity increases.

6A Finance Program for Environmental Hazard Management M-F Properties

Action Develop multi-family lending program to improve and preserve multi-family affordable housing stock by making loan funds available to address environmental hazards (e.g., lead paint, asbestos, radon and other toxic substances).

Goals

1. Improve access to financing for eligible owners of multi-family properties desiring to address environmental hazards affecting their properties.
2. Reduce and eliminate environmental hazards which are detrimental or potentially detrimental to the residents of a multi-family building.
3. Develop options for multi-family loan guarantees for the purposes of providing forms of security other than mortgages for these loans.
4. Promote a lending environment where the value of environmental improvements is recognized in appraisals.

Time Period for Implementation During Year 4 of Strategic Plan (FY99)

Action - Total time frame of 9-12 months. Survey property owners to ascertain extent of demand for environmental loan capital; identify/develop sources of funds; identify/develop sources of guarantee; initiate address of appraisal issues; develop procedures and initiate program.

Results

1. Financing to create environmentally safe and affordable rental units.
2. Promotes a market which recognizes the value of the environmental improvements.
3. Provides a source(s) for loan security other than a mortgage.

6B Financing Housing Infrastructure

Action VHFA would provide financing for housing infrastructure which could include sewer, water, drainage, utilities, and roads for new or existing conventional housing as well as mobile home parks. The focus for strategic planning is on financing for existing mobile home park infrastructure.

Goals

1. To correct health and safety problems that have arisen (or are imminent) in mobile home parks.

Time Period for Implementation During Year 3 of Strategic Plan (FY98)

Action - Total time frame of 6 months. Analyze need and economic feasibility in conjunction with Agency of Natural Resources; collaborate with Agency of Natural Resources and Dept of Housing and Community Affairs to develop and implement standards for appropriate infrastructure systems; develop source of funds; develop underwriting standards and physical park standards; outreach and program marketing.

Results Health and safety problems in mobile home parks, which represent a large percentage of the state's affordable housing stock, would be corrected.

Other Considerations

- It is assumed that VHFA would finance approximately 30% of the cost of improvements and that CDBG, VHCB, or other soft second financing would be available.
- Economic feasibility depends on the size of loans and achieving efficiencies of high volume loan production.
- Initial action steps will be to better determine feasibility in terms of costs and potential revenues based on the environment (e.g., state regulation of mobile home parks) in 1997.

7A Collaborate with Other Agencies To Achieve Efficiencies

Action #1 Improve affordable housing program compliance monitoring.

Goals

1. To streamline and make the multiple program and agency compliance monitoring more efficient with minimal overlap.

Time Period for Implementation During Years 1 and 2 of Strategic Plan (FY96 and FY97)

Action #1 - Total time frame of 24 months. Continue discussions with statewide housing agencies; identify specific areas where compliance monitoring activities can be consolidated; establish and publish a written plan for how future compliance monitoring will be managed; begin implementation; evaluation ongoing throughout.

Results The compliance monitoring process will be less complicated and more efficient. Owners, managers and residents will have fewer interruptions related to multiple agency and program compliance monitoring requirements. Will achieve cost effective monitoring while meeting all compliance guidelines.

Other Considerations

- Additional income projections, beyond existing tax credit and Contract Administration fees, are difficult to predict.

Continued...

Action #2 Streamline and make more user friendly the application process related to the multiple housing agencies and programs for a given housing development.

Goals
1. To design a simplified process for housing sponsors that reduces the burden of separate applications and budget forms.
2. To the extent possible, implement the use of a standard development and operating budget submission for all affordable housing programs and agencies.

Time Period for Implementation During Year 1 and 2 of Strategic Plan (FY96 and FY97)

Action #2 - Total time frame of 24 months. Continue discussions with statewide housing agencies; identify specific areas where these application and budget requirements can be consolidated; design/print new uniform applications, forms and budgets; begin implementation phase using revised and coordinated materials for all housing related proposals.

Results The delivery system for new affordable housing projects will be less complicated and more efficient.

Other Considerations
- ⌂ Must establish energy standard requirements and policy direction regarding new construction vs. rehabilitation
- ⌂ Supportive services
- ⌂ Role of private sector
- ⌂ Income targeting

. . . . . .

Action # 3 Improve the overall quality and create efficiencies in gathering data related to overall monitoring.

Goals
1. To establish standardized reports and data collection procedures related to all program monitoring.

Time Period for Implementation During Years 2 and 3 (1997-1998)

Action #3 - Total time frame of 24 months. Continue discussions with statewide housing agencies; identify areas where data collection can be consolidated; prepare plan for management of data; begin implementation.

Results Reduces the burden of reporting and data gathering required of housing owners and managers. Net savings of time and money produced by VHFA and other housing agencies.

8A Maintain Data Collection, Analysis, and Dissemination of Housing Data

Action Maintain current level of data collection, analysis, and dissemination for internal VHFA use and external projects as appropriate.

Goals

1. To provide information in programmatic and fiscal decision-making processes.
2. To update data on a regular basis for VHFA staff in a variety of professional and public contexts.
3. To broaden an understanding of the issues surrounding affordable housing.
4. To support efforts by other affordable housing organizations and state government to gather and disseminate housing data.

Time Period for Implementation During Year 1 of Strategic Plan (FY96)

Action - Total time frame of 2 to 6 months. Update Housing Data Book and other sources; produce program evaluations as needed; continue the work of the Housing Needs Assessment Work Group; coordinate data collection for housing agency production (multiple agencies); collaborate in data collection and dissemination efforts to highlight homeless problem.

Results This will enhance or improve decision-making and the allocation of resources for VHFA and other housing agencies.

Other Considerations

- Good data collection is fundamental to VHFA decision-making and to advancing the need for affordable housing in Vermont.
- Opportunities of collaboration with other agencies will develop and shift over time, depending upon current needs.

9A Promote Homeownership Through Expansion of Home Buyer Education

Action #1 Offer "Introduction to Homeownership" workshops (including VHFA programs)

Goals

1. To enhance viability of VHFA programs *today* and generate loans among targeted groups: older "empty-nesters" wanting to get back into homeownership, new young work force, persons living in publicly assisted housing, refugees and immigrants, special circumstance renters (e.g., farm worker tenants).

2. To offer "Introduction to Homeownership" workshops on a fee basis for lender's conventional loan programs as well as VHFA programs.

Time Period for Implementation During Year 2 of Strategic Plan (FY97)

Action # 1 - Total time frame of 8-12 months. Ascertain interest among lenders; develop workshop materials and syllabus; schedule and hold first workshop; evaluation will be ongoing.

Results 50 VHFA loans are generated and fees for offering workshops on behalf of lenders across Vermont are sufficient to support ½ time position ($15,000 annually based on estimates of 300 participants @ $50 each).

Other Considerations

- Sufficient fees will be needed to cover the costs of administering this program.
- Income estimates do not include income generated by the purchase of the 50 loans.

9A Promote Homeownership Through Expansion of HB Education (Continued)

Action #2 Offer "Successful Homeownership" post-purchase workshops for VHFA first time buyers and buyers in lender conventional loan programs

Goals

1. To prepare first time home buyers (VHFA and conventional loan program buyers) more fully about the process of owning a home: budgeting for house repairs and regular maintenance; common areas needing repair; how to seek professional help to repair problems; working with lender if financial difficulties arise; how stepped rate works (HOUSE borrowers).

2. To reduce levels of delinquencies and foreclosures for VHFA and conventional lending loan programs and thus protect investment.

Time Period for Implementation During Year 2 of Strategic Plan (FY97)

Action #2 - Total time frame of 8-12 months. Ascertain interest among lenders; develop workshop materials and syllabus; schedule and hold first workshop; evaluation will be ongoing.

Results Delinquencies and foreclosures will be reduced by 25% (Year 1) and 30% (subsequent years). Fees for offering workshops on behalf of lenders across Vermont should be sufficient to support ½ time position ($15,000 based on estimates of 300 participants @ $50 each).

Other Considerations

- Even if the program is not fully funded by fee income alone, VHFA could target down payment assistance loans and reduce loan losses.
- Revenues/income (reduction of REO losses) not calculated in dollars.

10A Expansion of Financing to Non-Housing Activities

Action #1 Explore feasibility of integration of existing entity functions

Goals

1. Determine opportunities for integration of services, for which VHFA would provide administrative and financial support.
2. Prove overall savings both in costs and efficiencies available through consolidation of activities.
3. Show earnings potential to VHFA.
4. Indicate possible increased usage based on marketing and outreach.
5. Get legislature/governor's office support.

Time Period for Implementation During Year 1 of Strategic Plan (FY96)

Action #1 - Total time frame 9-12 months. Obtain political support and authority; financial feasibility study; marketing study for increased usage.

Results VHFA would provide the administrative and financial services for multiple purposes in a cost effective way, while generating additional revenues and diversifying into areas outside housing.

Other Considerations

- Expansion of staff will be necessary for this activity and will require additional space and fixed costs.

Continued...

10A Expansion of Financing to Non-Housing Activities (Continued)

Action #2 Implement integration of auxiliary financing functions into VHFA

Goals

1. Assimilate existing organizations records and activities
2. Purchase of specialized computer software and hardware
3. Integration of staff and functions into VHFA infrastructure
4. Maintain current program usage and expand into under served areas

Time Period for Implementation During Year 2 of Strategic Plan (FY97)

Action #2 - Total time frame 9-12 months. Set up records and procedures; implement new computer system; maintain existing customer base; expand into new market areas.

Results Create new loan financings of $20 million per year and service loans at a yield of 1% over bond cost.

Other Considerations

⌂
The integration of this function into the existing VHFA infrastructure may have significant ramifications in the areas of inter department communication and organization.

10B Better Utilize VHMGB to Enhance Services/Products of VHFA

Action #1 Develop a guarantee product for home improvement loans.

Goals

1. Create a borrower-friendly home improvement loan guarantee program for VHFA borrowers for loans not eligible for Title I.

2. Support VHFA's home improvement lending program.

Time Period for Implementation During Year 2 of Strategic Planning (FY97)

Action #1 - Total time frame of 6 to 8 months. Seek legislative approval for home improvement guarantees; identify source of guarantee; develop procedures; implement program.

Results

1. Financing to preserve affordable housing will be available to homeowners without equity in their homes or those whose borrowing status is otherwise affected.
2. Quality and value of housing improved through participation in this program will increase.

Continued...

Action #2 Develop a guarantee product for three and four unit owner occupied residences.

Goals
1. Increase VHMGB limits to provide for owner-occupied multi-family residences.
2. Help facilitate acquisition of 3-4 unit properties by moderate income home purchasers.
3. Determine feasibility of a program addressing 3-4 unit properties.

Time Period for Implementation During Year 2 of Strategic Plan (FY97)

Action #2 - Total time frame of 6 to 9 months. Seek legislative approval for increases to VHMGB limits (for multi-family properties); seek increase to guarantee authority to reflect inclusion of owner-occupied multi-family loans; develop procedures; advertise and implement program.

Results
1. Financing will be more available to low- and moderate-income Vermonters desiring to purchase owner occupied 3-4 unit multi-family properties.
2. Low- and moderate-income Vermonters will enjoy an opportunity for greater economic stability through ownership of income producing properties.

. . . . . .

Action #3 Develop a guarantee program for refinanced single family mortgage loans with LTV higher than 100%.

Goals
1. Develop a guarantee program for owners of residences who are experiencing difficulty refinancing because of declining property values.
2. Determine a method for underwriting loan guarantees which weighs security factors other than equity.
3. Develop a source of funds for a loan loss reserve pool.
4. Enhance the economic status of participating homeowners by increasing their disposable income while addressing their ability to make payments.

Time Period for Implementation During Year 3 of Strategic Plan (1998)

Action #3 - Total time frame of 1-6 months. Research the need and demand for such a guarantee program; review underwriting and security considerations; develop, announce and implement program.

Results More Vermont homeowners will have the opportunity to refinance their homes, thus enhancing their economic vitality. Reduce incidence of defaults and enhance security of the loans.

10C Reduce Operating and User Costs

Action Enhance VHFA's long term viability by reducing operating costs when and where appropriate.

Goals

1. Under-perform CPI for overall budget (depending upon actual revenue growth).
2. Stabilize benefits costs.
3. Promote the concept of a "paperless" office.

Time Period for Implementation Ongoing

Action - Total time frame is ongoing. Analyze options (including cafeteria plan) for benefit cost stabilization; continue implementation and development of cost saving measures on an ongoing basis; on incremental basis, with review on semi-annual basis, progress toward diminished reliance on hard copy in both internal and external business matters with a goal of achievement of the "paperless" office by year end 1997.

Results Achievement of cost savings when and where possible. Enhancement of VHFA's long term viability. Improve efficiency through reduction and elimination of paper usage.

10D Increase Revenues Thru Loan Servicing Modifications and New Investment Opportunities

Action #1 Explore reducing servicing fees to servicers

Goals

1. Research potential negative impact of reduced fees on program participation or quality of servicing.
2. Review legality of reducing fees on current programs.
3. Design program to implement reduced fees on new programs.
4. Measure impact of reducing fees versus self-servicing.

Time Period for Implementation During Year 1 of Strategic Plan (FY96)

Action #1 - Total time frame 6-8 months. Research impact of reduced fees; review reduced fees on old programs; setup reduction fees for new programs; analyze reduction vs. self-servicing.

Results Analysis will determine whether a reduction in servicing fees is viable; a reduction in servicing fees paid from .375% to .25% would result in savings of approximately $500,000 on the current portfolio, with no additional cost.

Other Considerations

- The action of reducing servicing fees needs to be considered in conjunction with Action #2, which would take all servicing in-house.

Continued...

10D Increase Revenues Thru Loan Servicing Modifications and New Investment Oppties (Cont)

Action #2 Explore VHFA direct servicing of loans

Goals
1. Determine feasibility of direct servicing
2. Assess political impact with regard to relations with lenders and effect upon origination of mortgages
3. Acquire portfolio loans from servicers for servicing
4. Purchase software to enable self-servicing

Time Period for Implementation During Year 2 of Strategic Plan (FY97)

Action #2 - total time frame 9-12 months. Review feasibility of direct servicing; acquire loans for servicing; setup computer program.

Results If program is successful, it is anticipated that a significant enhancement to revenues will be realized (see cost/income table above), as well as a reduction or improvement in delinquencies or defaults.

Other Considerations

- ⌂ This action would be a profound shift in the way we do business and the interaction with current lender/servicers.
- ⌂ It might be necessary to consider direct lending or a change in the point structure to keep lenders origination mortgages, if they do not retain servicing.
- ⌂ It may also be necessary to purchase servicing of loans from lenders, which could approximate $4 million for all loans currently being serviced.
- ⌂ Five additional staff members needed.

. . . . . .

THE FOLLOWING WAS SUGGESTED BY A BOARD MEMBER. FURTHER ANALYSIS IS NEEDED.

Action #3 Maximize revenues through fiscally responsible and aggressive investment of Agency resources

Goals
1. Achieve yields higher than comparable short term money rates.
2. Review investment strategies on an ongoing basis.

Time Period for Implementation During Year 1 of Strategic Plan (FY96)

Action #3 - Ongoing.

Cost/Income Already in place; low- to moderate-income producer over current levels; difficult to project based on ever-fluctuating market

Results

APPENDIX A

VHFA STRATEGIC PLANNING ADVISORY COMMITTEE

Mrs. Sally Conrad	former State Senator
The Honorable David L. Deen	State Representative
The Honorable Elizabeth Mullikin Drake *(VHFA Board of Commissioners)*	Commissioner, Department of Housing & Community Affairs
Mr. Charles F. Kireker	President, Twin Birches Ltd.
Mr. Gustave Seelig *(VHFA Board of Commissioners)*	Executive Director, Vermont Housing and Conservation Trust Fund
Mr. Mark Snelling	President, Shelburne Corporation
Mr. John Varsames	President, Northshore Development
Mr. Richard C. White *(Chairman, VHFA Board of Commissioners)*	President, Community National Bank

APPENDIX B

LISTING OF INTERVIEWS AND SURVEYS COMPLETED FOR VHFA STRATEGIC PLAN

VHFA would like to thank these individuals who generously offered their time and ideas which contributed greatly to the development of the VHFA strategic plan.

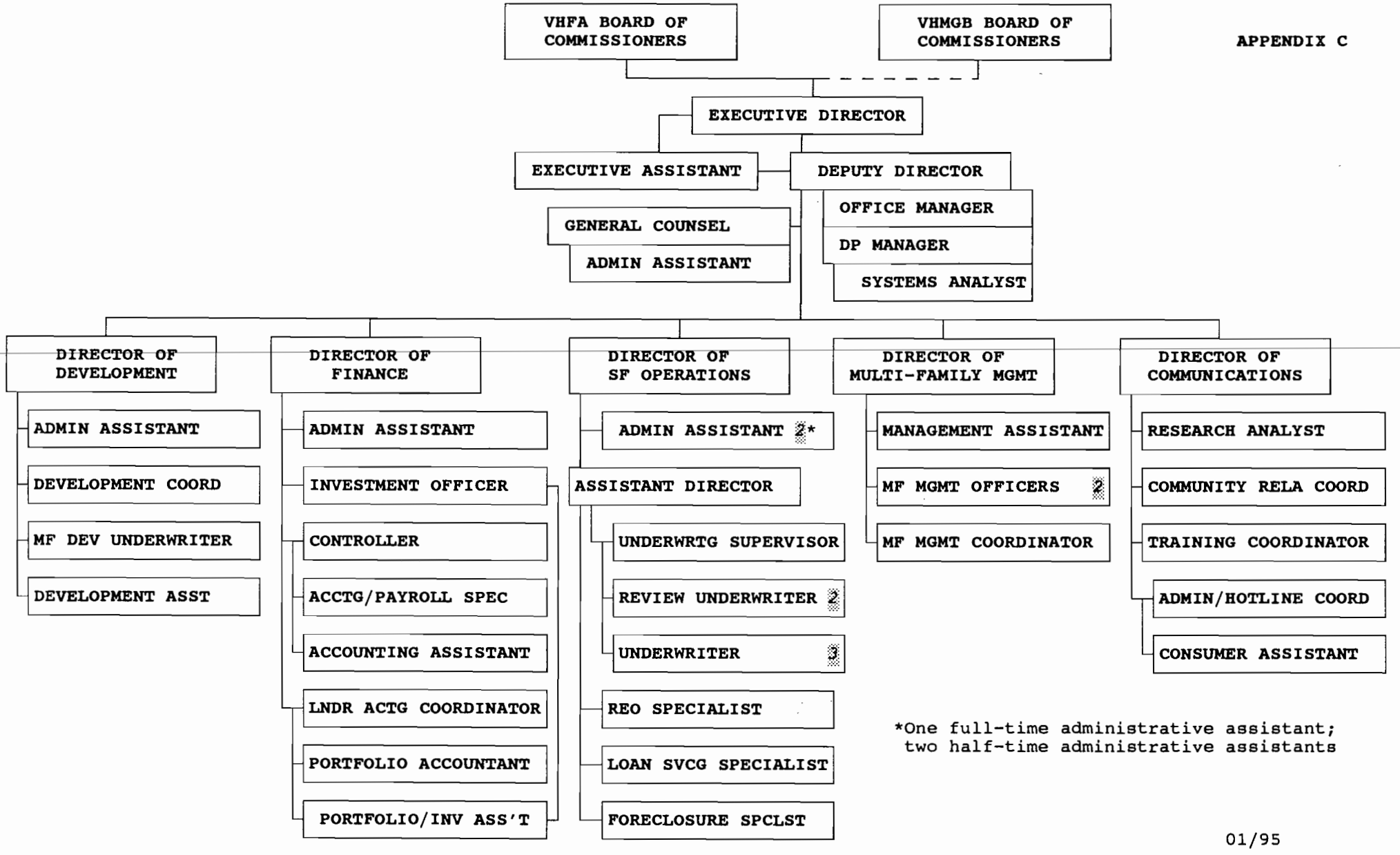
INTERVIEWS

David Berge, Vermont National Bank
Diane Binnick, Regional Affordable Housing Corporation
Sr. Lucille Bonvouloir, Community on Temporary Shelter
Charles Brush, Green Mountain Development Corporation
Jon Chaffee, Town of Hartford Housing Authority
Joe Cloutier, Realty Resources
John Davis, City of Burlington Community and Economic Development Office
Paul Dettman, Lake Champlain Housing Development Corporation
Paul Giuliani, Esq., McKee, Giuliani & Cleveland
Andrew Gurley, PaineWebber, Inc.
Russell Hahn, housing consultant
Roberta Harold, USDA, Farmers Home Administration
David Harrity, US-HUD, Manchester Office
Joseph Hatfield, West Virginia Housing Development Fund
Stephen Hedger, Central Vermont Community Action Agency
Sec. Cornelius Hogan, Agency of Human Services
Tish Lyman, Chittenden Bank
John McEvoy, National Council of State Housing Agencies
Trudy McFall, Maryland Community Development Administration
Lynne Metz, Vermont Center for Independent Living
Polly Nichol, Vermont Housing and Conservation Board
Chris Owre, Northern Community Housing Corporation
Lisa Randall, New England IBM Employees Federal Credit Union
Michael Richardson, Housing Vermont
Beth Sachs, Vermont Energy Investment Corporation
Jim Watson, Jim Watson Realty
Richard Williams, Vermont State Housing Authority
Arthur Woolf, Economics Department, University of Vermont
Representative Ralph Wright, Speaker, Vermont House of Representatives

SURVEYS
VHFA Staff Survey
VHFA Participating Lender Survey
Nonprofit Housing Developer Survey

VERMONT HOUSING FINANCE AGENCY/VERMONT HOME MORTGAGE GUARANTEE BOARD

APPENDIX C



*One full-time administrative assistant;
two half-time administrative assistants

01/95

COST/INCOME ANALYSES

TO ACCOMPANY ACTIONS IN SUPPORT OF STRATEGIES

VERMONT HOUSING FINANCE AGENCY

STRATEGIC PLAN

PREPARED FOR THE VHFA BOARD OF COMMISSIONERS

FEBRUARY 9, 1995

FOR INTERNAL USE ONLY

COST/INCOME ANALYSES WILL *NOT* APPEAR IN FINAL DOCUMENT

1A Encourage and Support a Productive and Positive Work Environment
[See Page 13 of 02/09/95 Draft]

Action Sustain and enhance a highly productive workplace conducive to attracting and retaining a quality staff

Goals

1. To provide a competitive compensation package in a cost-effective approach.
2. To provide employees the resources they need to perform their duties effectively and efficiently by assuring access to information, suitable equipment and work space and training opportunities.
3. To create a quality work environment which provides clear direction to employees, holds them accountable for their actions and allows for straightforward communications in evaluating performance.

Time Period for Implementation Ongoing

Action - Ongoing

Action Plan	Time Frame (# of Months)
1. Annually review VHFA's compensation package	Ongoing
2. Provide regular opportunities for both informal and formal communication pertaining to performance, office climate and quality of supervision	Ongoing
3. Conduct regularly scheduled staff discussions about organizational goals and the resources required to achieve those goals	Ongoing

Cost/Income Should lead to increased productivity and reduced costs.

Results

- Staff will be retained.
- Quality staff will be attracted.
- The workplace atmosphere will be enhanced, improving employee productivity and morale.

Other Considerations

2A Expand Down Payment Assistance *(formerly A.2)*
[See Page 15 of 02/09/95 Draft]

Action # 1. Extend Down Payment Assistance Pilot Program with VHMGB.

Goals

1. Provide 100% financing to individuals who would otherwise not be able to purchase a home with emphasis on borrowers with the lowest income.
2. Require pre-purchase home inspections and provide pre-purchase homeownership counseling and post-purchase counseling in conjunction with early intervention, self-servicing of these loans to reduce the number of defaults. VHFA would work with three nonprofit groups to develop their capacity over a two year period to assist delinquent borrowers avoid foreclosure. This support would include $20,000 to each group for year one, and $10,000 for each group for year two. VHFA would then reimburse each group for work they do for VHFA to avoid foreclosures. The service would also be available on conventional loans. Like VHFA, other lenders would pay fees to an organization to prevent foreclosures. The rationale is that most lenders (including VHFA) lose money when they foreclose. Early intervention may result in a reduced number of foreclosures.
3. Determine whether loans with no down payment have a greater incident of default than loans with a 5% down payment.

Time Period for Implementation During Year 1 of Strategic Plan (FY96)
Action # 1 - Total time frame of 6 to 8 months. Some activities listed below will happen concurrently with other activities and some activities can begin only after other activities are completed.

Action Plan	Time Frame
1. Develop a pre- and post-purchase counseling strategy	6 - 8 months
2. Determine additional program requirements and targeting	2 - 3 months
3. Obtain approval of VHFA and VHMGB Boards	2 - 3 months
4. Revise procedures and notify lenders	1 - 2 months
Total Time Frame	6 - 8 months

Cost/Income High confidence that this will generate income

Phase	Cost	Income	Net
Development and Implementation (FY96)	$2,700	$0	$ (2,700)
Year 1 of prog FY97 150 loans/$10,000,000	$67,600	$45,000	($22,600
Year 2 of prog FY98 150 loans/$10,000,000	$37,600	$120,000	$157,600
Year 3 of prog FY99 150 loans/$10,000,000	$16,600	$195,000	$178,400
Year 4 of prog FY2000 150 loans/$10 mil	$16,600	$270,000	$253,400
Year 5 of prog FY2001 150 loans/$10 mil	$16,600	$345,000	$328,400

* Above figures assume $10 million in annual originations—75 basis point spread over cost of funds. Costs cover program operation and support for three organizations to develop early intervention servicing. Income includes interest revenue.

Results

150 additional Vermonters per year who would otherwise be unable to purchase a home because of the lack of down payment will become homeowners.
The risk of default will be reduced because of pre-purchase and post-purchase counseling. The risk of loss will be reduced because of pre purchase home inspections and early delinquency intervention.

Other Considerations

Cost estimates do not include cost and income from self-servicing including additional staffing that might be required and also does not include the costs of development and operation for pre-purchase and post-purchase counseling. Income does not include principal payments and pre-payments. We may consider the options of servicing these loans ourself and requiring an energy component. Continued...

2A Expand Down Payment Assistance (Continued) *(formerly A.2)*
[See Page 16 of 02/09/95 Draft]

Action # 2. Down Payment Assistance Using a Second Mortgage Program

Goals

1. Provide up to 95% first mortgage financing and a 5% second mortgage to individuals who would otherwise not be able to purchase a home. Emphasis would be placed on borrowers with lower incomes.
2. Increase financing available to assist buyers without down payments.
3. Require pre-purchase home inspections and provide Pre-purchase homeownership counseling and post-purchase counseling in conjunction with early intervention, self-servicing of these loans to reduce the number of defaults.
4. Determine whether loans with no down payment have a greater incident of default than loans with a 5% down payment.

Time Period for Implementation During Year 2 of Strategic Plan (FY97)
Action # 2 - Total time frame of 10 to 12 months. Some activities listed below will happen concurrently with other activities and some activities can only begin after other activities are completed.

Action Plan	Time Frame
1. Develop a pre- and post-purchase counseling strategy	6 - 8 months
2. Determine program eligibility requirements and targeting	1 - 2 months
3. Develop procedures	2 - 4 months
4. Locate a source of funding	3 - 4 months
5. Implement program with lenders	3 - 4 months
Total Time Frame	10 - 12 months

Cost/Income High confidence that this will generate income

Phase	Cost	Income	Net
Development and Implementation (FY97)	$18,200	$0	$(18,200)
Year 1 of program (FY97) (25 Loans)	$2,300	$ 2,500	($ 200)
Year 2 of program (FY98) (50 Loans)	$3,100	$30,000	$27,900
Year 3 of program (FY99) (50 Loans)	$3,100	$ 54,200	$ 51,100
Year 4 of program (FY2000) (50 Loans)	$3,100	$ 78,700	$ 75,600
Year 5 of program (FY2001) (50 Loans)	$3,100	$103,500	$ 100,400

Costs are based on program operation costs. Income includes interest revenues.

Results Over a five year period, 225 additional Vermonters who would otherwise be unable to purchase a home because of lack of down payment will become homeowners.

The risk of default will be reduced because of pre-purchase and post-purchase counseling. The risk of loss will reduced because of pre purchase home inspections and early delinquency intervention.

Other Considerations Cost estimates do not include cost and income from self-servicing including additional staffing that might be required and also does not include the costs of development and operation for post-purchase counseling. Income does not include principal payments and pre-payments. We may consider the options of servicing these loans ourself and requiring an energy component.

2B Develop Home and Energy Improvement Lending Programs *(formerly A.5)*
[See Page 17 of 02/09/95 Draft]

Action Develop Home and Energy Improvement Lending Program to preserve affordable housing stock.

Goals
1. Improve access to home improvement funds to low- and moderate-income homeowners who do not have a substantial amount of equity of their homes.
2. Improve energy efficiency of existing housing stock.
3. Eliminate hazards from lead-based paint and other health hazards.

Time Period for Implementation During Year 1 of Strategic Plan (FY96)
Action - Total time frame of 6 to 8 months. Some activities will happen concurrently with other activities and some activities can only begin after other activities are completed.)

Action Plan	Time Frame
1. Determine appropriate loan guarantors/Insurers and become approved	1 - 2 months
2. Develop a Source of Funds	2 - 4 months
3. Recruit Participating Lenders/Technical Assistance	3 - 4 months
4. Develop Procedures	2 - 4 months
5. Implement Program	2 - 4 months
Total Time Frame	6 - 8 months

Cost/Income Good program, but offers minimal opportunity to generate income

Phase	Cost	Income	Net
Program Development/Implementation (FY96)	$23,500	$0	$(23,500)
Year 1 (FY96) 75 loans/$450,000	$5,600	$4,000	$1,600
Year 2 (FY97) 100 loans/$600,000	$7,500	$12,100	$4,600
Year 3 (FY98) 125 loans/$750,000	$9,400	$22,500	$13,100
Year 4 (FY99) 150 loans/$900,000	$11,200	$35,100	$23,900
Year 5 (FY2000) 200 loans/$1,200,000	$15,000	$53,100	$38,100

* Income assumes 150 basis point spread over cost of funds -- $1.2 million annual originations. Costs cover program operation. Income will be generated by interest revenues.

Results Financing to preserve affordable housing will be available to homeowners without equity in their homes. Improved safety of housing for occupants by eliminating lead-based paint, asbestos, and other hazards that may exist.

Other Considerations
- Time and Resources to develop financing source.
- Staff capacity to develop, implement, and operate program.
- System requirements and changes to service loans and to meet any special requirements of the HUD FHA Title One Home Improvement Loan Program.
- Losses not covered by HUD.
- Supplies to promote and operate program.
- Pre-payments.
- Cost of Technical Assistance.

2C Expand Financing Options for Mobile Home Purchases *(formerly A.4)*
[See Page 19 of 02/09/95 Draft]

Action Develop program to finance mobile homes in privately owned mobile home parks with short term leases.

Goals
1. Expand homeownership options for lower income Vermonters who do not have the resources to qualify for financing to purchase a mobile home through a bank or finance company.
2. Provide financing for longer terms, lower down payment requirements, and more flexible qualifying requirements than currently available.

Time Period for Implementation During Year 2 of Strategic Plan (FY97); some planning will occur in FY96.

Action - Total time frame 6 to 8 months. Some activities will happen concurrently with other activities and some activities can only begin after other activities are completed.)

Action Plan	Time Frame
1. Identify Source of Funds	2 - 3 months
2. Determine Program Requirements and Targeting	2 - 4 months
3. Develop Criteria for Approving Mobile Home Parks	2 - 4 months
4. Recruit Participating Lenders	2 - 4 months
5. Develop Program Procedures and Forms. Implement Program with Lenders	2 - 3 months
Total Time Frame	6 - 8 months

Cost/Income Not certain what activity levels will actually be; appears to be an income "winner"

Phase	Cost	Income	Net
Program Development and Implementation (applies to either Title I or VHMGB) (FY96)	$23,500	$0	$(23,500)
Year 1 of program (FY97) $4.5 million	$8,300	$33,700	$25,400
Year 2 of program (FY98) $4.5 million	$8,300	$84,100	$75,800
Year 3 of program (FY99) $4.5 million	$8,300	$134,500	$126,200
Year 4 of program (FY2000) $4.5 million	$8,300	$184,900	$176,600
Year 5 of program (FY2001) $4.5 million	$8,300	$235,300	$227,000

* Above numbers assume 112 basis point spread over cost of funds. Cost includes staff time and materials. Income based upon interest generated.

Results More lower income Vermonters will become homeowners.

Other Considerations
Self servicing costs and income not included.
Resources to develop financing source.
Staff capacity and to operate program.
Staff capacity and the cost to self-service loans.

2D Provide Financing for Co-op Housing *(formerly B.1)*
[See Page 21 of 02/09/95 Draft]

Action Provide financing for the development of limited equity cooperative housing.

Goals

1. To provide construction and permanent financing (blanket mortgages) for the development of limited equity cooperative housing units.
2. To provide construction and permanent financing (blanket mortgages) for the development and/or conversion of mobile home parks into Cooperative Mobile Home Parks.
3. To provide share loans to tenant stockholders.

Time Period for Implementation During Years 1 and 2 of Strategic Plan (FY96 and FY97)

Action - Total time frame of 4-6 months.

Action Plan	Time Frame
1. Develop Source of funds for blanket and share loans.	3 - 4 months
2. Program Development Including Input from local nonprofit housing organizations and recruitment of nonprofits to do tenant organization and assistance with share lending.	4 - 5 months
3. Program Implementation	1 month

Cost/Income Income potential based on effective demand and availability of funds

Phase	Cost	Income	Net
Development/Implementation (FY96)	$6,100	$0	$(6,100)
Year 1 (FY96)	$7,500	$11,800	$4,300
Year 2 (FY97)	$9,900	$27,600	$17,700

Costs based on staff time and travel reimbursements. Income generated by loan fees and interest.

Results Limited equity cooperative housing provides a form of homeownership to very low-income individuals and families.

Other Considerations Requires participation by local or regional nonprofit organizations for organizational development and share lending.

2E Improve Financing to 3 and 4 Unit ~~Owner Occupied~~ Properties *(formerly A.3)*
[See Page 23 of 02/09/95 Draft]

Action #1 Develop Financing Option for 3 and 4 Unit Owner Occupied Properties through the MOVE and HOUSE Programs.

Goals

1. Increase homeownership among lower income families.
2. Revitalize communities by increasing the number of owner occupied properties and decreasing absentee landlords.

Time Period for Implementation During Year 3 of Strategic Plan (FY98)
Action #1 - Total time frame of 10 months

	Action Plan	Time Frame
1.	Develop pre-purchase counseling and post-purchase counseling on how to become a homeowner and how to be a landlord.	3 - 5 months
2.	Determine Method of Delivery of pre-purchase counseling and post-purchase counseling.	1 - 2 months
3.	Develop delivery system for technical assistance to complete rehabilitation and repairs.	2 - 4 months
4.	Develop Lender Procedures and Train Lenders	2 - 4 months
5.	Implement Program	1 month
	Total Time Frame	10 months

Cost/Income Moderate income potential

Phase	Cost	Income	Net
Development and Implementation (FY98)	$6,100	$0	($6,100)
Year 1 of prog FY98/10 loans/$900,000	$800	$4,000	$3,200
Year 2 of prog FY99/15 loans/$1,350,000	$1,100	$12,800	$11,700
Year 3 of prog FY2000/20 loans/$1,800,000	$1,500	$25,000	$23,500
Year 4 of prog FY2001/25 loans/$2,250,000	$1,900	$40,500	$38,600
Year 5 of prog FY2002/30 loans/$2,700,000	$2,300	$59,400	$57,100

Assumes 75 basis point spread over cost of funds. Cost to develop pre-purchase and post-purchase counseling and landlord training not considered in above cost estimates. Cost to deliver technical assistance also not considered in above cost estimates. Costs based on staff time and program operation costs. Incomes generated by loan fees and interest.

Results More lower income households would become homeowners. Older communities would be revitalized.

Other Considerations It is assumed that many of the properties financed will require rehabilitation and that technical assistance would be available to new homeowners/landlords. It is assumed that 3-4 unit properties would be financed through the MOVE and HOUSE programs and that another source would not have to be developed. Program available only in targeted neighborhoods and communities using additional dollars for rehab thru CDBG and other funding sources. Continued...

2E Improve Financing to 3 and 4 Unit ~~Owner Occupied~~ Properties *(formerly A.3)* (Continued)
[See Page 24 of 02/09/95 Draft]

Action #2 Provide capital for 3-4 unit investor-owned properties.

Goals 1. To assure properties are maintained and used as affordable rental housing.

Time Period for Implementation During Year 3 of Strategic Plan (FY98)

Action #2 - Total time frame of 12 months.

Action Plan	Time Frame (# of Months)
1. Identify need for loan program	3 Months
2. Work with lenders/nonprofits to develop program	6 Months
3. Identify source of funds	2 Months
4. Implement Program	1 Month
Total Time Frame	12 Months

Cost/Income

Phase	Cost	Income	Net
Development and Implementation (FY98)	$6,100	$0	($6,100)
Year 1 of prog FY98/10 loans/$900,000	$800	$4,000	$3,200
Year 2 of prog FY99/15 loans/$1,350,000	$1,100	$12,800	$11,700
Year 3 of prog FY2000/20 loans/$1,800,000	$1,500	$25,000	$23,500
Year 4 of prog FY2001/25 loans/$2,250,000	$1,900	$40,500	$38,600
Year 5 of prog FY2002/30 loans/$2,700,000	$2,300	$59,400	$57,100

Results Older communities would be revitalized and low-income rental housing would be preserved.

Other Considerations
- ⌂ Must be implemented through lenders to assure cost-effectiveness.
- ⌂ Must identify new source of taxable funding (tax-exempt cannot be used).

3A Expand Energy Lending Activities *(formerly C.2)*
[See Page 25 of 02/09/95 Draft]

Action Develop multi-family lending program to improve multi-family affordable housing stock by making loan funds available for energy efficiency improvements.

Goals

1. Improve access to financing for eligible owners of multi-family properties desiring to make their properties more energy efficient.
2. Create an awareness on the part of property owners relative to the desirability of making properties more energy efficient.
3. Promote a lending environment where the value of energy efficiency is recognized in appraisals and loan underwriting.
4. Target multi-family developments of 5+ units.
5. Explore feasibility of providing financing in collaboration with energy services companies, which would administer program(s).

Time Period for Implementation During Year 2 of Strategic Plan (FY97)

Action - Total time frame 9-12 months

Action Plan	Time Frame
1. Survey property owners to determine demand for energy improvement loan capital	1 - 2 Months
2. Coordinate with other entities doing energy lending and who will support this initiative	Ongoing
3. Identify/develop source of funds	1 - 6 Months
4. Identify/develop sources of guarantee	1 - 6 Months
5. Develop procedures and initiate program	3 - 9 Months

Cost/Income Moderate risk, moderate income generated

Phase	Cost	Income	Net
Start-Up (FY97)	$10,500	$0	$(10,500)
Year 2 of program (FY98)	$20,000	$20,600	$ 600
Year 3 of program (FY99)	$20,000	$38,600	$18,600
Year 4 of program (FY2000)	$20,000	$54,600	$34,600
Year 5 of program (FY2001)	$20,000	$70,600	$50,600

Based on 187 units/year @ $50/unit. Average daily balance of $375,000 @ 3% (8% loan rate minus 5% investment rate). Costs include existing staff time. Income based on interest income.

Results Financing to create energy efficiency and affordable rental units. A market which recognizes the value of energy improvements.

Other Considerations

3B Expand (as Consortium) Use of FHLB in Conjunction with LIHTC *(formerly B.3)*

[See Page 27 of 02/09/95 Draft]

Action Develop a consortium of banks and VHFA to participate in the financing of affordable housing. VHFA would provide administrative, loan underwriting, and loan servicing, for which it would receive fees and other revenue. VHFA might also participate in loans depending upon the competitiveness with which it can access funds. Initially the consortium would focus on FHLB lending for LIHTC projects.

Goals

1. To expand the financing options for housing developed with Low Income Housing Tax Credits.
2. Provide a service for banks to allow them to finance affordable housing developments.
3. Utilize the expertise that exists on staff to generate fee income for VHFA.

Time Period for Implementation During Year 1 of Strategic Plan (FY96)

Action - Total time frame of 6-9 months.

Action Plan	Time Frame
1. Solicit Interest and Input from Community Banks and other Lenders	3 - 4 months
2. Program Development	6 - 8 months
3. Program Implementation	1 - 2 months

Cost/Income Modest income potential

Phase	Cost	Income	Net
Development/Implementation (FY96)	$10,200	$0	$(10,200)
Year 1 (FY96)	$29,200	$35,000	$5,800
Year 2 (FY97)	$29,100	$42,500	$13,400

Costs include staff costs, travel reimbursement, and advertising. Income is based on loan fees and interest.

Results Housing will be created and preserved using resources already available to community and other banks and expertise that exists within VHFA. Benefits to participating banks would be risk-sharing, CRA credit, access to loan underwriting and servicing expertise, and program knowledge of VHFA staff.

Other Considerations

- Expenses and Revenues are highly sensitive to both the number and size of loans.
- Above projections are based upon lending $2.0 million per year for 10 projects.

4A Address Homelessness *(formerly D.5)*
[See Page 29 of 02/09/95 Draft]

Action Support research and public education via all available mechanisms.

Goals

1. Assist other state agencies in their efforts to define the nature and extent of the homeless problem.
2. Help disseminate the results of this research to support for efforts to finance initiatives for housing homeless population.

Time Period for Implementation During Year 1 of Strategic Plan (FY96)

Action - Total time frame of 3-12 months.

Action Plan	Time Frame
1. Participate in work group for conducting survey	3 months
2. Assist in disseminating survey results	2 months
3. Assist in public education	Ongoing
TOTAL	12 Months/Ongoing

Cost/Income No income potential

Phase	Cost	Income	Net
Start-Up (FY96)	$5,200	$0	($5,200)
Each Year (FY97, FY98, etc.)	$2,800	$0	($2,800)

Costs include staff time and travel as well as survey distribution and collection.

Results Collaboration with other state agencies involved with this work would be achieved. Promotes efforts to provide safe and decent affordable housing. Public awareness of issue would be enhanced.

Other Considerations

- Current VHFA financing mechanisms could not be used to finance these facilities or other non-debt approaches to create shelters for homeless persons and families.
- No new staff would be needed.

4B Collaborate to Develop Programs for Support and Special Needs *(formerly B.5)*
[See Page 31 of 02/09/95 Draft]

Action #1 Finance assisted living units which provide services for the elderly, child care centers in family housing developments, housing for the developmentally disabled, and supportive services in traditional elderly and family units. The focus of this analysis is on financing assisted living units for the elderly.

Goals

1. To combine affordable housing developed for the elderly with supportive services. Housing developed could include owner occupied and rental units.

Time Period for Implementation During Year 2 of Strategic Plan (FY97)

Action # 1 - Total time frame of 9-12 months.

Action Plan	Time Frame
1. Program Development (in-state)	6 - 9 months
2. Obtain agreements or waivers (federal)	9 - 11 months
3. Implement Program	1 month

Cost/Income High need, moderate income potential

Phase	Cost	Income	Net
Development/Implementation (FY97)	$9,600	$0	$(9,600)
Year 1 of program (FY97)	$6,800	$21,600	$14,800
Year 2 of program (FY98)	$10,300	$49,900	$39,600

Costs based on staff time. Income generated by loan fees and interest.

Results Residents of owner occupied and rental units will have the support necessary to continue to live in their homes.

Other Considerations

- The above numbers assume that subsidy to fund services and housing for low income residents will be available through other state agencies or other outside sources.

Continued...

4B Collaborate to Develop Programs for Support and Special Needs *(formerly B.5)* (Continued)
[See Page 32 of 02/09/95 Draft]

Action #2 Work with Area Mental Health Agencies to Develop Financing for Homeownership for Adults with Developmental Disabilities. Developmentally Disabled Participants would purchase a home through their legal guardian using their SSI or SSA benefits for housing debt, taxes, insurance, utilities, and maintenance. The service component would be funded through Medicaid waivers.

Goals

1. Expand the housing options available for adults with developmental disabilities.
2. Provide homeownership opportunities to very low income Vermonters.

Time Period for Implementation During Year 1 of Strategic Plan (FY96)

Action #2 - Total time frame of 6 months

Action Plan	Time Frame
1. Work with Area Mental Health Agencies to Identify Participants, Develop budget for the home and Source for Subsidy	2 - 3 months on-going
2. Identify Underwriting Variances that might be required to qualify participants; obtain approval from VHFA and VHMGB Boards	1 - 2 months
3. Develop Procedures and Train Participating Lenders	2 - 3 months on-going
4. Implement Program	1 month
Total Time Frame	6 months

Cost/Income High need, modest income potential

Phase	Cost	Income	Net
Development and Implementation (FY96)	$2,700	$0	$2,700
Year 1 (FY96) (4 loans/$180,000)	$400	$800	$400
Year 2 (FY97) (6 loans/$270,000)	$600	$2,600	$2,000
Year 3 (FY98) (8 loans/$360,000)	$800	$5,000	$4,200
Year 4 (FY99) (10 loans/$450,000)	$1,000	$8,100	$7,100
Year 5 (FY2000) (11 loans/$540,000)	$1,200	$11,900	$10,700

Assumes 75 basis point spread over cost of funds. Costs based on staff time. Income generated by loan fees and interest.

Results Developmentally Disabled adults would have the stability that homeownership provides.

Other Considerations

- Assumes that subsidy will be available from VHCB or other sources to lower the purchase price.
- Medicaid waiver or other funds will be available to provide on-site services, where necessary.
- First mortgage financing through VHFA's MOVE or HOUSE programs.

5A Increase Efficiency of Multi-Family Lending Process
[See Page 33 of 02/09/95 Draft]

Action #1 Review Underwriting Criteria for Validity and Revise as Necessary

Goals
1. Eliminate any unnecessary obstacles to making loans.
2. Refine financial feasibility analysis and due diligence by incorporating results of recent experience into underwriting process.

Time Period for Implementation During Year 1 of Strategic Plan (1996)
Action #1 - Total time frame of 3 months.

	Action Plan	Time Frame (# of Months)
1.	Review underwriting criteria	1 Month
2.	Analyze data on existing loans	1 Month
3.	Meet with representative for-profit and nonprofit borrowers for input	1 Month
4.	Revise criteria and present to Loan Review Committee	1 Month
5.	Present recommended changes to Board	1 Month

Cost/Income Existing staff will do necessary work. Costs and income will be difficult to measure since many factors account for lending activity, but goal is to increase prudent lending activity.

Results Revenues will increase, through fees and interest payments, if lending activity increases.

. . . . . .

Action #2 Develop new informational, application, and marketing materials for multi-family loan programs.

Goals
1. Make programs more accessible and user-friendly.
2. Obtain necessary information in the way most efficient for both borrower and VHFA.
3. Increase lending activity.

Time Period for Implementation During Year 1 of Strategic Plan (1996)
Action #2 - Total time frame of 6 months.

	Action Plan	Time Frame (# of Months)
1.	Develop one-page descriptions (fact sheets) of all programs for mailing and handouts	Completed in 1994
2.	Develop new application materials for permanent and construction loan programs, including new proforma.	Done in 1994 for LIHTC Program; in process for permanent and const lending programs; completion 3-4 months.

Costs/Revenues Existing staff will do necessary work. Costs will be difficult to measure since many factors account for lending activity, but goal is to increase prudent lending activity.

Results Revenues will increase, through fees and interest payments, if lending activity increases.

Continued...

5A Increase Efficiency of Multi-Family Lending Process (Continued)
[See Page 34 of 02/09/95 Draft]

Action #3 Accelerate Loan Processing.

Goals
1. Be as responsive as possible to borrower needs.
2. Increase lending activity.

Time Period for Implementation During Year 1 of Strategic Plan (1996)

Action #3 - Total time frame of 4 months.

Action Plan	Time Frame (# of Months)
1. Promulgate new Multi-Family Rules that facilitate Board action	Rules approved by Board 1994/1995 and filed with Secretary of State and Legislative Rules Comm. Will implement upon approval.
2. Request Board to delegate approval to Executive Director and/or to a subcommittee of the Board for loans meeting defined standards and within specified amounts.	3 Months

Costs/Revenues Existing staff will do necessary work. Costs and income will be difficult to measure since many factors account for lending activity, but goal is to increase prudent lending activity.

Results Revenues will increase, through fees and interest payments, if lending activity increases.

. . . . . .

Action #4 Increase Efficiency of Closing Process.

Goals
1. Improve quality; reduce risk as much as possible within lending parameters.
2. Accelerate process.
3. Increase lending activity while achieving adequate security.

Time Period for Implementation During Year 1 of Strategic Plan (1996)

Action #4 - Total time frame of 6 months.

Action Plan	Time Frame (# of Months)
1. Validate and standardize loan and other closing documents	6 Months
2. Improve coordination among Legal, Development, Multi-Family Management and Finance staffs	Ongoing; written procedures 3 months
3. Refine Pre-Closing process	Ongoing
4. Document Closing process and any deviations from standards	3 Months

Costs/Revenues Existing staff will do necessary work. Costs and income will be difficult to measure since many factors account for lending activity, but goal is to increase prudent lending activity while managing risks.

Results Revenues will increase, through fees and interest payments, if lending activity increases.

6A Finance Program for Environmental Hazard Management M-F Properties *(formerly C.3)*
[See Page 35 of 02/09/95 Draft]

Action Develop multi-family lending program to improve and preserve multi-family affordable housing stock by making loan funds available to address environmental hazards (e.g., lead paint, asbestos, radon and other toxic substances).

Goals

1. Improve access to financing for eligible owners of multi-family properties desiring to address environmental hazards affecting their properties.
2. Reduce and eliminate environmental hazards which are detrimental or potentially detrimental to the residents of a multi-family building.
3. Develop options for multi-family loan guarantees for the purposes of providing forms of security other than mortgages for these loans.
4. Promote a lending environment where the value of environmental improvements is recognized in appraisals.

Time Period for Implementation During Year 4 of Strategic Plan (FY99)

Action - Total time frame of 9-12 months.

Action Plan	Time Frame
1. Survey property owners to ascertain extent of demand for environmental loan capital.	1 - 2 months
2. Identify/develop sources of funds	1 - 6 months
3. Identify/develop sources of guarantee	1 - 6 months
4. Initiate address of appraisal issues	3 - 9 months
5. Develop procedures and initiate program	6 - 12 months

Cost/Income Moderate risk, moderate income generator

Phase	Cost	Income	Net
Start-Up (FY99)	$10,500	$0	$10,500
Year 2 of program (FY2000)	$20,000	$20,600	$600
Year 3 of program (FY2001)	$20,000	$38,600	$18,600
Year 4 of program (FY2002)	$20,000	$54,600	$34,600
Year 5 of program (FY2003)	$20,000	$70,600	$50,600

Costs include staff time, consultants and overhead. Income based on loan fee and interest income.

Results

1. Financing to create environmentally safe and affordable rental units.
2. Promotes a market which recognizes the value of the environmental improvements.
3. Provides a source(s) for loan security other than a mortgage.

Other Considerations

6B Financing Housing Infrastructure *(formerly C.1)*
[See Page 37 of 02/09/95 Draft]

Action VHFA would provide financing for housing infrastructure which could include sewer, water, drainage, utilities, and roads for new or existing conventional housing as well as mobile home parks. The focus for strategic planning is on financing for existing mobile home park infrastructure.

Goals
1. To correct health and safety problems that have arisen (or are imminent) in mobile home parks.

Time Period for Implementation During Year 3 of Strategic Plan (FY98)

Action - Total time frame of 6 months.

Action Plan	Time Frame
1. Analyze need and economic feasibility in conjunction with Agency of Natural Resources	2 months
2. Collaborate with Agency of Natural Resources and Dept of Housing and Community Affairs to develop and implement standards for appropriate infrastructure systems	
3. Develop source of funds	2 - 4 months
4. Develop underwriting standards and physical park standards	3 months
5. Outreach and program marketing	3 - 6 months

Cost/Income High need, anticipate small losses

Phase	Cost	Income	Net
Develop/Implement (FY98)	$4,100	$0	$(4,100)
Year 1 of program (FY98)	$7,400	$2,000	$(5,400)
Year 2 of program (FY99)	$7,400	$5,000	$(2,400)

Costs include staff time and travel reimbursement. Income generated by loan fees and interest.

Results Health and safety problems in mobile home parks, which represent a large percentage of the state's affordable housing stock, would be corrected.

Other Considerations
- ⌂ It is assumed that VHFA would finance approximately 30% of the cost of improvements and that CDBG, VHCB, or other soft second financing would be available.
- ⌂ Economic feasibility depends on the size of loans and achieving efficiencies of high volume loan production.
- ⌂ Initial action steps will be to better determine feasibility in terms of costs and potential revenues based on the environment (e.g., state regulation of mobile home parks) in 1997.

7A Collaborate with Other Agencies To Achieve Efficiencies *(formerly F.2)*

[See Page 39 of 02/09/95 Draft]

Action #1 Improve affordable housing program compliance monitoring.

Goals

1. To streamline and make the multiple program and agency compliance monitoring more efficient with minimal overlap.

Time Period for Implementation During Years 1 and 2 of Strategic Plan (FY96 and FY97)

Action #1 - Total time frame of 24 months.

Action Plan	Time Frame
1. Continue discussions with statewide housing agencies.	1 - 4 months
2. Identify specific areas where compliance monitoring activities can be consolidated.	4 - 8 months
3. Establish and publish a written plan for how future compliance monitoring will be managed.	8 - 12 months
4. Begin implementation	12 - 24 months
5. Evaluation	Ongoing throughout

Cost/Income No income generated; will benefit users

Phase	Cost	Income	Net
Planning and Design (FY96)	$2,000	$0	$(2,000)
Implementation (FY97)	$3,100	$0	$(3,100)

Costs include staff time (multiple positions).

Results The compliance monitoring process will be less complicated and more efficient. Owners, managers and residents will have fewer interruptions related to multiple agency and program compliance monitoring requirements. Will achieve cost effective monitoring while meeting all compliance guidelines.

Other Considerations

- Additional income projections, beyond existing tax credit and Contract Administration fees, are difficult to predict.

Continued...

7A Collaborate with Other Agencies To Achieve Efficiencies *(formerly F.2)* (Continued)
[See Page 40 of 02/09/95 Draft]

Action #2 Streamline and make more user friendly the application process related to the multiple housing agencies and programs for a given housing development.

Goals
1. To design a simplified process for housing sponsors that reduces the burden of separate applications and budget forms.
2. To the extent possible, implement the use of a standard development and operating budget submission for all affordable housing programs and agencies.

Time Period for Implementation During Year 1 and 2 of Strategic Plan (FY96 and FY97)
Action #2 - Total time frame of 24 months.

Action Plan	Time Frame
1. Continue discussions with statewide housing agencies.	1 - 4 Months
2. Identify specific areas where these application and budget requirements can be consolidated.	4 - 10 Months
3. Design/print new uniform applications, forms and budgets.	10-12 Months
4. Begin implementation phase using revised and coordinated materials for all housing related proposals.	12-24 Months

Cost/Income No income generated; will benefit users

Phase	Cost	Income	Net
Planning and Design (FY96)	$2,100	$0	$(2,100)
Implementation (FY97)	$1,800	$0	$(1,800)

Costs include staff time (multiple positions).

Results The delivery system for new affordable housing projects will be less complicated and more efficient.

Other Considerations
- Must establish energy standard requirements and policy direction regarding new construction vs. rehabilitation
- Supportive services
- Role of private sector
- Income targeting

Action # 3 Improve the overall quality and create efficiencies in gathering data related to overall monitoring.

Goals
1. To establish standardized reports and data collection procedures related to all program monitoring.

Time Period for Implementation During Years 2 and 3 (1997-1998)
Action #3 - Total time frame of 24 months.

Action Plan	Time Frame
1. Continue discussions with statewide housing agencies	1 - 4 Months
2. Identify areas where data collection can be consolidated	4 - 8 Months
3. Prepare plan for management of data	8 - 12 Months
4. Begin implementation	12 - 24 Months

Cost/Income No income generated; will benefits users/create efficiencies for collecting data for VHFA

Phase	Cost	Income	Net
Planning and Design (FY97)	$1,500	$0	($1,500)
Implementation (FY98)	$2,000	$0	($2,000)

Costs include staff time (multiple positions).

Results Reduces the burden of reporting and data gathering required of housing owners and managers. Net savings of time and money produced by VHFA and other housing agencies.

8A Maintain Data Collection, Analysis, and Dissemination of Housing Data *(formerly D.1)*
[See Page 41 of 02/09/95 Draft]

Action Maintain current level of data collection, analysis, and dissemination for internal VHFA use and external projects as appropriate.

Goals

1. To provide information in programmatic and fiscal decision-making processes.
2. To update data on a regular basis for VHFA staff in a variety of professional and public contexts.
3. To broaden an understanding of the issues surrounding affordable housing.
4. To support efforts by other affordable housing organizations and state government to gather and disseminate housing data.

Time Period for Implementation During Year 1 of Strategic Plan (FY96)

Action - Total time frame of 2 to 6 months

	Action Plan	Time Frame
1.	Update Housing Data Book and other sources	1 - 2 Months
2.	Produce program evaluations as needed	As needed
3.	Continue the work of the Housing Needs Assessment Work Group	1 - 2 Months
4.	Coordinate data collection for housing agency production (multiple agencies)	3 - 4 Months
5.	Collaborate in data collection and dissemination efforts to highlight homeless problem	3 - 4 Months

Cost/Income Includes the Research Analyst position and related support. Income will not be directly generated; however, new program initiatives and improvements will be created.

Results This will enhance or improve decision-making and the allocation of resources for VHFA and other housing agencies.

Other Considerations

- Good data collection is fundamental to VHFA decision-making and to advancing the need for affordable housing in Vermont.
- Opportunities of collaboration with other agencies will develop and shift over time, depending upon current needs.

9A Promote Homeownership Through Expansion of Home Buyer Education *(formerly D.3)*
[See Page 43 of 02/09/95 Draft]

Action #1 Offer "Introduction to Homeownership" workshops (including VHFA programs)

Goals

1. To enhance viability of VHFA programs *today* and generate loans among targeted groups: older "empty-nesters" wanting to get back into homeownership, new young work force, persons living in publicly assisted housing, refugees and immigrants, special circumstance renters (e.g., farm worker tenants).

2. To offer "Introduction to Homeownership" workshops on a fee basis for lender's conventional loan programs as well as VHFA programs.

Time Period for Implementation During Year 2 of Strategic Plan (FY97)

Action # 1 - Total time frame of 8-12 months.

Action Plan	Time Frame
1. Ascertain interest among lenders	1 - 2 months
2. Develop workshop materials and syllabus	3 - 6 months
3. Schedule and hold first workshop	2 months
4. Evaluation	On-going

Cost/Income Break even proposal. Income generated via new loans, workshop fees, and reduced losses through REOs.

Phase	Cost	Income	Net
Planning and Design (FY97)	$2,000	$0	($2,000)
Implementation (FY98	$15,000	$15,000	$0

Results 50 VHFA loans are generated and fees for offering workshops on behalf of lenders across Vermont are sufficient to support ½ time position ($15,000 annually based on estimates of 300 participants @ $50 each).

Other Considerations

- Sufficient fees will be needed to cover the costs of administering this program.
- Income estimates do not include income generated by the purchase of the 50 loans.

9A Promote Homeownership Through Expansion of HB Education *(formerly D.3)* (Continued)
[See Page 44 of 02/09/95 Draft]

Action #2 Offer "Successful Homeownership" post-purchase workshops for VHFA first time buyers and buyers in lender conventional loan programs

Goals

1. To prepare first time home buyers (VHFA and conventional loan program buyers) more fully about the process of owning a home: budgeting for house repairs and regular maintenance; common areas needing repair; how to seek professional help to repair problems; working with lender if financial difficulties arise; how stepped rate works (HOUSE borrowers).

2. To reduce levels of delinquencies and foreclosures for VHFA and conventional lending loan programs and thus protect investment.

Time Period for Implementation During Year 2 of Strategic Plan (FY97)

Action #2 - Total time frame of 8-12 months.

Action Plan	Time Frame
1. Ascertain interest among lenders	1 - 2 months
2. Develop workshop materials and syllabus	3 - 6 months
3. Schedule and hold first workshop	2 months
4. Evaluation	On-going

Cost/Income Break even proposal, loan losses reduced by 25-30%

Phase	Cost	Income	Net
Planning and Design (FY97)	$2,000	$0	($2,000)
Implementation (FY98)	$15,000	$15,000	$0

Results Delinquencies and foreclosures will be reduced by 25% (Year 1) and 30% (subsequent years). Fees for offering workshops on behalf of lenders across Vermont should be sufficient to support ½ time position ($15,000 based on estimates of 300 participants @ $50 each).

Other Considerations

- Even if the program is not fully funded by fee income alone, VHFA could target down payment assistance loans and reduce loan losses.
- Revenues/income (reduction of REO losses) not calculated in dollars.

10A Expansion of Financing to Non-Housing Activities *(formerly E.3)*
[See Page 45 of 02/09/95 Draft]

Action #1 Explore feasibility of integration of existing entity functions

Goals

1. Determine opportunities for integration of services, for which VHFA would provide administrative and financial support.
2. Prove overall savings both in costs and efficiencies available through consolidation of activities.
3. Show earnings potential to VHFA.
4. Indicate possible increased usage based on marketing and outreach.
5. Get legislature/governor's office support.

Time Period for Implementation During Year 1 of Strategic Plan (FY96)

Action #1 - Total time frame 9-12 months.

Action Plan	Time Frame
1. Obtain political support and authority	4-6 months
2. Financial feasibility study	2-3 months
3. Marketing study for increased usage	3-4 months

Cost/Income Estimates uncertain without additional analysis.

Results VHFA would provide the administrative and financial services for multiple purposes in a cost effective way, while generating additional revenues and diversifying into areas outside housing.

Other Considerations

- Expansion of staff will be necessary for this activity and will require additional space and fixed costs.

Continued...

10A Expansion of Financing to Non-Housing Activities *(formerly E.3)* (Continued)
[See Page 46 of 02/09/95 Draft]

Action #2 Implement integration of auxiliary financing functions into VHFA

Goals

1. Assimilate existing organizations records and activities
2. Purchase of specialized computer software and hardware
3. Integration of staff and functions into VHFA infrastructure
4. Maintain current program usage and expand into under served areas

Time Period for Implementation During Year 2 of Strategic Plan (FY97)

Action #2 - Total time frame 9-12 months.

Action Plan	Time Frame
1. Set up records and procedures	2-3 months
2. Implement new computer system	3-8 months
3. Maintain existing customer base	12 months
4. Expand into new market areas	12 months

Cost/Income This may generate moderate income; further analysis needed

Phase	Cost	Income	Net
Planning and Development (FY97)	$160,000	$100,000	($60,000)
Implementation (FY98)	$110,000	$325,000	$225,000

Costs include staff time, equipment, training and computer software. Income generated by loan fees and interest.

Results Create new loan financings of $20 million per year and service loans at a yield of 1% over bond cost.

Other Considerations

- The integration of this function into the existing VHFA infrastructure may have significant ramifications in the areas of inter department communication and organization.

10B Better Utilize VHMGB to Enhance Services/Products of VHFA *(formerly F.3)*

[See Page 47 of 02/09/95 Draft]

Action #1 Develop a guarantee product for home improvement loans.

Goals

1. Create a borrower-friendly home improvement loan guarantee program for VHFA borrowers for loans not eligible for Title I.
2. Support VHFA's home improvement lending program.

Time Period for Implementation During Year 2 of Strategic Planning (FY97)

Action #1 - Total time frame of 6 to 8 months

Action Plan	Time Frame
1. Seek legislative approval for home improvement guarantees	1 - 3 Months
2. Identify source of guarantee	1 - 3 Months
3. Develop procedures	4 - 6 Months
4. Implement program	6 - 8 Months

Cost/Income Supports strategy 2B (Develop Home and Energy Improvement Lending Programs)

Results

1. Financing to preserve affordable housing will be available to homeowners without equity in their homes or those whose borrowing status is otherwise affected.
2. Quality and value of housing improved through participation in this program will increase.

Other Considerations

...Continued

10B Better Utilize VHMGB to Enhance Services/Products of VHFA *(formerly F.3)* (Continued)
[See Page 48 of 02/09/95 Draft]

Action #2 Develop a guarantee product for three and four unit owner occupied residences.

Goals

1. Increase VHMGB limits to provide for owner-occupied multi-family residences.
2. Help facilitate acquisition of 3-4 unit properties by moderate income home purchasers.
3. Determine feasibility of a program addressing 3-4 unit properties.

Time Period for Implementation During Year 2 of Strategic Plan (FY97)
Action #2 - Total time frame of 6 to 9 months

Action Plan	Time Frame
1. Seek legislative approval for increases to VHMGB limits (for multi-family properties).	1 - 3 Months
2. Seek increase to guarantee authority to reflect inclusion of owner-occupied multi-family loans.	1 - 3 Months
3. Develop procedures.	4 - 6 Months
4. Advertise and implement program.	6 - 8 Months

Cost/Income Supports strategy 2E (Improve Financing to 3 and 4 Unit Properties)

Results

1. Financing will be more available to low- and moderate-income Vermonters desiring to purchase owner occupied 3-4 unit multi-family properties.
2. Low- and moderate-income Vermonters will enjoy an opportunity for greater economic stability through ownership of income producing properties.

. . . . . .

Action #3 Develop a guarantee program for refinanced single family mortgage loans with LTV higher than 100%.

Goals

1. Develop a guarantee program for owners of residences who are experiencing difficulty refinancing because of declining property values.
2. Determine a method for underwriting loan guarantees which weighs security factors other than equity.
3. Develop a source of funds for a loan loss reserve pool.
4. Enhance the economic status of participating homeowners by increasing their disposable income while addressing their ability to make payments.

Time Period for Implementation During Year 3 of Strategic Plan (1998)
Action #3 - Total time frame of 1-6 months.

Action Plan	Time Frame
1. Research the need and demand for such a guarantee program.	1 - 3 Months
2. Review underwriting and security considerations.	1 - 3 Months
3. Develop, announce and implement program.	3 - 6 Months

Cost/Income Must be analyzed

Results More Vermont homeowners will have the opportunity to refinance their homes, thus enhancing their economic vitality. Reduce incidence of defaults and enhance security of the loans.

10C Reduce Operating and User Costs *(formerly F.1)*
[See Page 49 of 02/09/95 Draft]

Action Enhance VHFA's long term viability by reducing operating costs when and where appropriate.

Goals

1. Under-perform CPI for overall budget (depending upon actual revenue growth).
2. Stabilize benefits costs.
3. Promote the concept of a "paperless" office.

Time Period for Implementation Ongoing

Action - Total time frame is ongoing

	Action Plan	Time Frame (# of Months)
1.	Analyze options (including cafeteria plan) for benefit cost stabilization	3 Months
2.	Continue implementation and development of cost saving measures on an ongoing basis	
3.	On incremental basis, with review on semi-annual basis, progress toward diminished reliance on hard copy in both internal and external business matters with a goal of achievement of the "paperless" office by year end 1997	

Cost/Income Enhances income potential

Results Achievement of cost savings when and where possible. Enhancement of VHFA's long term viability. Improve efficiency through reduction and elimination of paper usage.

Other Considerations

10D Increase Revenues Thru Loan Servicing Modifications and New Investment Opportunities *(formerly F.5)* [See Page 51 of 02/09/95 Draft]

Action #1 Explore reducing servicing fees to servicers

Goals

1. Research potential negative impact of reduced fees on program participation or quality of servicing.
2. Review legality of reducing fees on current programs.
3. Design program to implement reduced fees on new programs.
4. Measure impact of reducing fees versus self-servicing.

Time Period for Implementation During Year 1 of Strategic Plan (FY96)

Action #1 - Total time frame 6-8 months.

Action Plan	Time Frame
1. Research impact of reduced fees	2-4 months
2. Review reduced fees on old programs	2-3 months
3. Setup reduction fees for new programs	1-2 months
4. Analyze reduction vs self-servicing	2-3 months

Cost/Income Potential unclear since reducing lender fees may reduce program participation

Phase	Cost	Income	Net
Start-up (FY96)	$8,200	$0	($8,200)

Costs based on staff time.

Results Analysis will determine whether a reduction in servicing fees is viable; a reduction in servicing fees paid from .375% to .25% would result in savings of approximately $500,000 on the current portfolio, with no additional cost.

Other Considerations

- The action of reducing servicing fees needs to be considered in conjunction with Action #2, which would take all servicing in-house.

Continued...

10D Increase Revenues Thru Loan Servicing Modifications and New Investment Opportunities *(formerly F.5)* (Continued)

Action #2 Explore VHFA direct servicing of loans

Goals

1. Determine feasibility of direct servicing
2. Assess political impact with regard to relations with lenders and effect upon origination of mortgages
3. Acquire portfolio loans from servicers for servicing
4. Purchase software to enable self-servicing

Time Period for Implementation During Year 2 of Strategic Plan (FY97)
Action #2 - total time frame 9-12 months.

Action Plan	Time Frame (# of Months)
1. Review feasibility of direct servicing	2-4 months
2. Acquire loans for servicing	3-9 months
3. Setup computer program	3-6 months

Cost/Income Strong income generator

Phase	Cost	Income	Net
First year	$245,000	$600,000	$355,000
Subsequent years	$400,400	$1,200,000	$800,600

Costs include staff time, travel reimbursement and overhead. Income based on servicing fee earnings.

Results If program is successful, it is anticipated that a significant enhancement to revenues will be realized (see cost/income table above), as well as a reduction or improvement in delinquencies or defaults.

Other Considerations

- This action would be a profound shift in the way we do business and the interaction with current lender/servicers.
- It might be necessary to consider direct lending or a change in the point structure to keep lenders origination mortgages, if they do not retain servicing.
- It may also be necessary to purchase servicing of loans from lenders, which could approximate $4 million for all loans currently being serviced.
- Five additional staff members needed.

. . . . . .

THE FOLLOWING WAS SUGGESTED BY A BOARD MEMBER. FURTHER ANALYSIS IS NEEDED.

Action #3 Maximize revenues through fiscally responsible and aggressive investment of Agency resources

Goals

1. Achieve yields higher than comparable short term money rates.
2. Review investment strategies on an ongoing basis.

Time Period for Implementation During Year 1 of Strategic Plan (FY96)
Action #3 - Ongoing.

Cost/Income Already in place; low- to moderate-income producer over current levels; difficult to project based on ever-fluctuating market

Results

A Place to Live is the Place to Start

A Statement of Principles for Changing HUD to Meet America's Housing and Community Priorities

January 1995

U.S. Department of Housing and Urban Development

This is a statement of principles which will be followed by legislative proposals in February. The purpose of this report is to explain how HUD's priorities will be sustained by the proposed reinvention of the Department.

Table of Contents

A Message From The Secretary i

Accelerating HUD's Reinvention 1

Priorities 13

- Expanding Homeownership 14
- Expanding Affordable Rental Opportunity 16
- Reducing Homelessness 18
- Transforming Public Housing 20
- Opening Housing Markets 22
- Strengthening Competitive Cities 24
- Revitalizing Neighborhoods 26

A Message From The Secretary

President Clinton has proposed dramatic changes which will radically alter the way the U.S. Department of Housing and Urban Development serves America's communities. I believe strongly that these changes will result in an agency that is fully responsive to local needs and supportive of local efforts to help people improve their own lives.

This report, *"A Place to Live is the Place to Start: A Statement of Principles for Changing HUD to Meet America's Housing and Community Priorities,"* is intended to answer three questions:

- How is the Department of Housing and Urban Development changing to meet the needs of America's communities?
- What will these changes mean for the priorities the Administration has already set for HUD?
- How will HUD conduct its ongoing business as it transforms itself into a leaner organization whose job is to support rather than prescribe?

HUD has a vital mission to perform: making America's communities better places to live by supporting local efforts to expand affordable housing, homeownership and job opportunities. HUD was established 30 years ago because Congress recognized that many communities needed federal help. Congress decided then to consolidate federal housing and urban development efforts in one department to sharpen their focus, maximize their impact and strengthen the creative, cooperative relationships between the federal and state and local governments that are vital to real change in local communities.

In the intervening decades, millions of Americans have benefited from HUD programs.

- The Federal Housing Administration, which HUD runs, has insured new mortgages and refinanced loans for 23 million homeowners.
- Approximately 7.3 million people have lived in public housing supported by HUD subsidies.
- Nearly 12.5 million households -- including millions of senior citizens and people with disabilities -- have lived in privately owned, federally assisted multi-family rental housing developments.
- About 6.5 million households have used Section 8 certificates and vouchers to obtain affordable rental housing on the open market. HUD provided financial assistance to rehabilitate 1.6 million owner-occupied homes and 750,000 apartments for low- and moderate-income Americans.
- More than 70,000 units of housing for Native Americans have been built and another 10,000 units are in development.

Today, there are those who call for the dismantling of HUD. But that would be a tragic mistake. There are tasks which no other federal department undertakes which would be abandoned if HUD were dismantled and its various functions spun off to other agencies. Further, the effectiveness of federal efforts to strengthen our communities is enhanced when they are combined. Today, HUD strengthens communities by:

- Providing federal resources in a way that encourages the further leveraging of private resources and engagement of business and nonprofit organizations in local initiatives for change;
- Making affordable housing serve as a starting point for families striving toward stability and self-sufficiency, encouraging and rewarding work and education, and promoting secure environments for families;
- Helping meet the housing needs of our nation's poorest and most vulnerable people, such as the homeless, frail elderly and the disabled;
- Advocating for the housing sector, an industry that is vital to the nation's economy and financial health, and helping the private housing market meet the needs of more Americans for affordable homeownership and rental housing;
- Asserting and strengthening the role of cities and greater metropolitan areas in the national economy and in the furtherance of national ideals, such as racial integration and full economic opportunity for all Americans; and
- Protecting Americans' rights to fair housing and equal opportunity, as guaranteed by law and the Constitution.

When all these goals are pursued by a single agency like HUD, with its unique perspective and mission, the whole literally becomes greater than the sum of its parts.

To carry out its vital mission, HUD must change the way it does business. When I came to HUD two years ago, I found an organization more interested in bureaucratic process than results, slavishly loyal to non-performing

programs, and distrustful of creative initiatives by local community leaders. Clearly, HUD could not continue doing business "as usual."

With President Clinton's strong support, with the support of thousands of dedicated HUD employees and in collaboration with union partners, the Administration has been working hard since 1993 to turn HUD around. We have made significant progress:

- We have streamlined programs and done a better job of getting resources to communities;
- We have essentially resolved the multifamily housing disposition crisis we inherited.
- We have reduced our overhead, cutting HUD's staff 10 percent -- from 13,200 to 11,900 employees in two years.

Step by step, we have been transforming HUD into a customer-oriented, performance-driven organization that is more responsive to local needs.

Our ongoing efforts to change HUD have been driven by key priorities which we identified early on as central to the Department's mission:

- Expanding homeownership;
- Expanding affordable rental opportunity;
- Reducing homelessness;
- Transforming public housing;
- Opening housing markets;
- Strengthening competitive cities; and
- Revitalizing neighborhoods;

These priorities will gain new primacy under President Clinton's three components of reinvention.

First, under the President's proposals, 60 major HUD operational programs will be consolidated into three performance-based funds by 1998. One of the funds would consolidate HUD programs for community economic development into a single Community Opportunity Fund. The other two funds would be devoted to carrying out HUD's historical low-income and affordable housing missions -- one by funding portable rental assistance to enable recipients to obtain decent housing in the private market, and the other by funding local and state initiatives to expand the supply of affordable housing.

Second, the President has proposed fundamentally changing the nature of federal subsidies to public housing authorities. Public housing residents would receive portable rental certificates wherever practicable, permitting them to seek better housing elsewhere. This would force housing authorities to compete with private landlords for subsidized and unsubsidized tenants. Tenant-based rental assistance would be governed by a pricing system that pegs assistance to the local cost of decent housing.

Third, President Clinton has proposed to turn the Federal Housing Administration, which has insured home loans for millions of working families, into a government-owned corporation which will run more like a modern insurance company than a bureaucracy.

These changes will give local communities maximum flexibility to combine federal resources with their own public and private resources to support local initiatives that make a real difference in people's lives. They will put tangible results firmly ahead of bureaucratic process both at HUD and in communities from coast to coast and border to border. They will enable HUD to truly fulfill the mission set for the Department 30 years ago when it was charged to ensure that every family in America can live in dignity in a decent home, in a neighborhood full of pride, a community replete with opportunity and a city burgeoning with promise and hope.

There is no doubt about the need to strengthen America's communities today. Thousands of communities, and millions of people across America rely on HUD's help and HUD must do better by them. As President Clinton has told us repeatedly: "We can do better." With enactment of the President's proposals, we will.

Accelerating HUD's Reinvention

Accelerating HUD's Reinvention

The overhaul of the U.S. Department of Housing and Urban Development begun in January 1993 must be accelerated, and reinvention must be expanded, for HUD to achieve its mission.

Principles of Reinvention

Our proposed changes share a set of common-sense principles:

Low- and moderate-income families should have greater power to make decisions about their lives, and government should support their quest for self-sufficiency.

Public and assisted-housing rules have locked families into substandard housing, impeded their ability to lift themselves to better lives, and allowed badly managed agencies and absentee owners to operate with impunity. Federal policy must serve people, not institutions.

Decision makers at the neighborhood, local and state levels should have maximum flexibility.

Local leaders know best how to set and achieve community development and housing goals. In recent years, local capacity to solve problems has grown as state and local government, private industry, nonprofit organizations and community-based groups throughout the nation have formed creative partnerships to promote affordable housing and economic growth. Federal policies must support local effort and encourage full engagement of local public and private resources.

The very character of HUD must change if the reinvention of policies and programs is to succeed.

Traditional federal solutions have been top-down, bureaucratic, complex and overly prescriptive. The federal government must become a true partner for change in communities, facilitating rather than prescribing. HUD must act primarily as a clearinghouse for innovative solutions, sharing information with funding recipients about new models of housing finance, and providing technical support to government, community-based groups and others.

The federal government has a necessary role to play in upholding Americans' fundamental Constitutional and legal rights.

Protection of Americans' civil rights in places where local community practices and politics have permitted housing discrimination is a prime example of the need for continued federal leadership. Racial minorities, people with disabilities and families with children have all been victims of discrimination at the local level. There are times when the federal government must step in as the ultimate guarantor of fairness and due process, and when local officials must rely on the clarity of federal standards and the certainty of enforcement to move a community to follow a just course.

One of the greatest challenges to America's urban future is the persistent concentration and isolation of poor people and minorities in the central cities of our greater metropolitan areas.

Meeting this challenge requires serious efforts to increase housing choice for the working poor. Barriers to mobility must be eliminated, and metropolitan and regional coalitions must be engaged in fair housing, employment and education strategies. There is no scenario in which the nation's cities can be revitalized without real dedication to resolving these issues. And transcending the fate of our cities, our national ideal of racial harmony in a civil society requires us to redouble our efforts to reverse housing patterns which divide Americans by race, income and class.

Overview of HUD's Reinvention Plan

Our plan for completing the reinvention of HUD has three components:

Consolidate programs and move to performance-based funding

Reinvention would consolidate HUD's 60 programs into three flexible, performance-based funds: Housing Certificates for Families and Individuals; the Affordable Housing Fund; and the Community Opportunity Fund. These funds would give mayors and governors the flexibility to develop local demand and supply-side housing and community investment strategies that, by their nature, vary from jurisdiction to jurisdiction and change from year to year.

Reinvention would be an exercise of responsible devolution. Localities and states would be required to design and implement plans that are consistent with national objectives (e.g. income targeting, fair housing, community-based participation, attention to special populations). Localities and states would also be held accountable for their actions; performance measures would be used to help both communities and the federal government

evaluate recipients on their real progress in meeting community investment and housing needs.

Transform public housing

Reinvention would end the current public housing system, which simply has not worked for too many people or communities, especially in some of our larger metropolitan areas. HUD would convert operating subsidies in unsatisfactory public housing projects to rental assistance for residents, who would be free to choose to stay where they are or seek housing in the private rental market. Public housing agencies would then be compelled to compete in the marketplace for low-income residents. Well-run agencies would survive because they can compete with private, nonprofit organizations. Poorly run agencies would go out of business.

Create an entrepreneurial, government-owned FHA corporation

Reinvention would transform the Federal Housing Administration into a government-owned corporation, thereby enhancing the ability of the public and private sectors to expand homeownership opportunities and affordable rental housing for millions of Americans. The new FHA would become a model of a government that is streamlined, downsized, entrepreneurial and accountable -- using public private partnerships and market mechanisms to achieve its public purposes.

I. Program Consolidation and Performance-Based Funding

HUD's three flexible, performance-based funds would include:

Housing Certificates for Families and Individuals to provide housing assistance for rental and homeownership opportunities. All current public housing, assisted housing and Section 8 rental assistance programs would be combined into a single housing-assistance fund administered by local and state governments, which would issue housing certificates to low-income people. This assistance, based on local rental housing costs, would become the principal means for meeting the housing needs of low-income families and individuals, who would have maximum housing choice: the power to move.

Local and state governments, with a premium on metropolitan strategies, would allocate these flexible, portable Housing Certificates to low-income families and hold owners and managers of affordable housing to the discipline of the marketplace. The Certificates would, thereby, enable the federal government to intervene on the demand side of the low-income housing market -- as distinct from supporting the production of affordable housing units.

The current public and assisted housing system of tying subsidies to units rather than people would be phased out over the next three years. Like current recipients of federal rental assistance, residents in public and assisted housing would ultimately be allowed to move to apartments of their own choice. Federal support for substandard apartments would cease as residents are permitted -- for the first time in 60 years -- to make their own, informed housing choices.

Affordable Housing Fund to support development and rehabilitation of affordable housing. All current HUD grant programs for housing production and rehabilitation, including HOME, housing for the elderly and persons with disabilities, housing counseling and the National Homeownership Fund, would be consolidated into a single fund to provide localities and states with flexible, formula grants for acquisition, rehabilitation and construction of affordable housing and for homeownership efforts that help stabilize distressed communities. This consolidation would replace existing, multiple affordable housing programs -- with their separate requirements, applications, formulas and monitoring -- with a single source of funds, with simple rules and criteria for use. Resource allocation under the Affordable Housing Fund would be the same as under the HOME program: 60 percent for localities and 40 percent for states.

The focus on the development side of affordable housing is particularly important because of the lack of sufficient affordable housing supply in many jurisdictions and the expertise of private actors (e.g. nonprofits, community-based organizations, developers) in this area.

The new Affordable Housing Fund would provide formula grants to local and state governments, with a national set-aside for Native Americans. The allocation split between localities and states would be the same as under the HOME program, 60 percent for localities, 40 percent for states. Jurisdictions would be permitted to use the federal grants for a wide range of activities, including:

- housing acquisition, rehabilitation and construction of affordable housing, particularly housing for special populations; and
- homeownership efforts that draw moderate-income families back to or help stabilize distressed communities.

The extent to which local and state jurisdictions would be required to match federal funding, as in HOME and other HUD programs, would be a subject for legislative discussion.

To ensure strong participation by community-based organizations, set-asides for entities such as the community housing development organizations ("CHDOs") recognized under existing law would continue.

Community Opportunity Fund to stimulate community economic revitalization. Current HUD grants for community economic development including Community Development Block Grants (CDBG) and Economic Development Initiative (EDI) grants would be consolidated into a single fund to provide flexible help allowing local and state governments to meet the most critical economic and revitalization needs of distressed communities, with a national set-aside for Native Americans. The allocation split between localities and states would be the same as under the CDBG program: 70 percent for localities and 30 percent for states.

Jurisdictions would be permitted to use the federal grants for a wide range of activities, including:

- Assistance to community-based organizations for neighborhood revitalization efforts;
- Business loans to entrepreneurs to build supermarkets or commercial centers in distressed areas;
- "Mobility to work" efforts that link residents in distressed communities with job opportunities elsewhere in the metropolitan area; and
- Environmental cleanup of "brownfield sites" to prepare for economic or housing development.

To achieve maximum leveraging, a loan guarantee mechanism would be made available to localities and states along the lines of the existing Section 108 program.

As with the other two Funds, a strong framework for results-oriented accountability would be established.

Five percent of funds for this consolidated program would be set aside to reward metropolitan areas that develop integrated economic development strategies.

From fiscal year 1996 to 1997, CDBG and EDI would be immediately consolidated into the new Community Opportunity Fund.

National standards. The new, performance-based funding will give localities and states greater flexibility to pursue their own solutions, in exchange for compliance with certain national standards. HUD has identified the following conditions which would apply to local use of the consolidated funds:

- Adherence to income targeting rules;
- Compliance with federal fair housing laws;
- Attention to vulnerable populations, including the homeless, disabled, people with HIV/AIDS and the frail elderly;
- Emphasis on transitions to economic independence and homeownership in the design and implementation of programs; and
- Participation by community-based organizations.

HUD administration of the new performance-based funds would be further shaped by the following standards:

Local strategies. Local and state strategic plans for housing and community development would need to be devised before federal funds would be disbursed. These plans would spell out how localities and states would use federal funds to meet the housing needs of moderate-low-, and very-low-income people and spur business development and job growth in underserved communities, while adhering to specific funding conditions.

Accountability. Fund recipients would be held accountable for results by being evaluated on a series of nationally and locally defined performance measures. Recent leadership by state and local officials in Oregon and other jurisdictions on performance measures holds great promise for a results-oriented working partnership.

Performance bonuses and sanctions. Success or failure would have real consequences for recipients of federal funds. Superior performers, for example, would have access under each fund to a 10 percent bonus pool and would be permitted to "flex" resources between different funds, as is currently allowed under highway and transit programs. Low performers would not be eligible for any performance bonus or flexibility and, at the extreme, could have funding reduced and reallocated to other recipients.

Transition rules. Transition rules would allow for the orderly transfer of administrative responsibilities as well as ensure the continued emphasis on service-enriched housing for special populations.

Transitions:

Consolidation of HUD programs into performance-based funds will occur in two phases. In FY 1996, 60 separately funded HUD programs will be consolidated into eight funds for public housing capital development and operating subsidies, individual housing assistance, assisted housing, community development, affordable housing development, homeless assistance and housing for persons with AIDS. [Exhibit A]

Consolidation will be completed in FY 1998, with the merger of eight funds into three -- Housing Certificates for Families and Individuals, and the Community Opportunity Fund.

Exhibit A

Summary of HUD's Program Consolidation

Current Major Programs (60)	FY 1996	FY 1998
PH/IH Development PH/IH Amendments PH Major Reconstruction PH Severely Distressed Housing PH/IH Modernization PH Vacancy Reduction Tenant Opportunity Program Family Investment Centers Youth Apprenticeship	PH/IH Capital Fund	Housing Certificates for Families and Individuals
PH/IH Operating Subsidies Community Partnership Against Crime Family Self Sufficiency Coordinators PH Service Coordinators PH/IH Early Childhood Development	PH/IH Operating Subsidies	
Section 8 Certificates Section 8 Vouchers Section 8 Certificates for Persons w/ Disabilities Section 8 Certificates for AIDS Section 8 Certificates for Homeless Section 8 Contract Renewals Section 8 Family Unification Section 8 Opt-Outs Choice in Residency	Housing Certificates for Families and Individuals	
Flexible Subsidy Title VI Preservation Program Section 8 Property Disposition Section 8 Loan Management Set-Aside Elderly Housing Service Coordinators Project-Based Service Coordinators Congregate Housing Services	Assisted Housing Quality Fund	
CDBG Empowerment Zones Economic Development Initiative LIFT Community Viability Fund Special Purpose Grants Colonias Historically Black Colleges Work Study Program Joint Community Development Community Outreach Partnership Centers	Community Opportunity Fund	Community Opportunity Fund
HOME National Homeownership Fund Housing Counseling Elderly Housing (S. 202) Housing for the Disabled (S. 811) Pension Fund Certificates IH Loan Guarantees Native American Finance Service Organization HOPE II HOPE III Youthbuild Lead Based Paint Hazard Reduction	Affordable Housing Fund	Affordable Housing Fund
Shelter Plus Care Section 8 SRO Section 8 Veterans Affairs Supportive Housing Emergency Shelter Grants Supportive Housing Innovative Homeless Initiative Housing Opportunities for Persons w/AIDS	Homeless Block Grant Housing Opportunities for Persons w/ AIDS	

II. Transforming Public Housing

Public housing, which began 60 years ago as transitional housing for working people who had fallen on hard times, has too often become a trap for the poorest of the poor rather than a launching pad for families trying to improve their lives. While public housing has worked in many communities, the rigidly bureaucratic, top-down, command-and-control public housing management system that has evolved over the years has left tens of thousands of people living in squalid conditions at a very high cost in wasted lives and federal dollars.

Our new approach to housing assistance for families and individuals has the following components:

- Give residents maximum market choice in the search for affordable housing, particularly in underperforming projects.

  Operating and capital subsidies for housing authorities would be converted to fair market rent-based Housing Certificates for Families and Individuals.

- Break the monopoly of housing authorities over federal housing resources.

  HUD would require housing authorities to compete in the marketplace for low-income residents with other providers of affordable housing.

- Support families that are working to achieve self-sufficiency.

  In the new Housing Certificate program, in addition to giving traditional preferences to seniors and the disabled, HUD will give greater preference to families who are working or are participating in "work-ready" and education programs.

- Change the landscape of distressed inner-city neighborhoods.

HUD would accelerate the demolition of uninhabitable and nonviable public housing projects. HUD would also end support for construction of "public housing" developments that are exclusively occupied by the very poor.

Transitions:

In FY 1996-1997, in the first of two transition phases, all public housing programs would be consolidated into two accounts for capital expenditures and operating subsidies. Funds would continue to support the formation and operation of resident councils. [Exhibit B]

A performance-based system would be instituted through deregulation of more than 3,000 well-performing public housing authorities (PHAs) and partnerships with state and local officials to improve the operations of more than 100 troubled PHAs. These PHA's would be on probation. Those that could not be restored would be moved through a two-year process divesting them of properties and management control.

Tens of thousands of severely deteriorated housing units would be demolished and replaced by vouchers where appropriate and/or small-scale, scattered-site housing. Public housing rules would be changed to make work pay for residents, give greater preference to working families and people in "work ready" and education programs, and speed evictions of disruptive residents.

In the second phase, all direct capital and operating subsidies to PHAs would cease, with subsidy funds being converted to rent certificates to the maximum extent practicable.

These two steps, completing the transition, would be accomplished by FY 1998.

Exhibit B

The Transformation of Public Housing

Current System	*FY 1996-1997*	*FY 1998 and Beyond*
Duplicative programs and funding streams	Consolidate all programs into 2 accounts	All public housing capital and operating subsidies would be converted to rental certificates
Separate programs for development, modernization, operating subsidies, anti-crime efforts and child care activities	Combine all Public and Indian Housing programs into Public Housing Capital Fund and Public Housing Operating Subsidies	Residents would have more options to seek apartments of their own choice
HUD micromanages 3,400 public housing authorities	Move to performance-based system	Public housing authorities would not receive direct funding from HUD. Authorities would compete for low-income families in a certificate system
Byzantine system of law, regulation and practice	Deregulate over 3,000 well-performing PHAs	
Dozens of handbooks guide every conceivable activity of housing authorities	Partner with state and local officials to improve the operations of over 100 troubled PHAs	
Law inhibits demolition of worst developments	Change the landscape of distressed inner city neighborhoods	
Housing authorities cannot use modernization funding to demolish and replace non-viable projects	Demolish tens of thousands of severely deteriorated units	
Law requires one-for-one replacement of all public housing units, even units that have been vacant for years	Support the development of replacement housing that is small scale, economically integrated and architecturally attractive	
Public housing traps families in dependency	Support families that are working to achieve self-sufficiency	
Rent rules discourage work	Change rent rules to make work pay	
Admission rules do not reward work	Give greater preference to families who are working or are participating in "work ready" and education programs	
Grievance procedures delay and prevent evictions	Repeal administrative grievance procedures to speed evictions of disruptive residents	

III. A New, Entrepreneurial FHA

HUD plays an important role in providing housing opportunities for people whom the private market cannot serve on its own. Working Americans, minorities, and immigrants struggling to provide decent homes for their families, as well as the poor, elderly, and those with special needs, have relied on HUD programs. Since its inception 60 years ago, HUD's Federal Housing Administration (FHA) has used the unmatched credit of the federal government to help private enterprise and nonprofits provide decent, affordable housing to 23 million American homeowners and at least 4.5 million renters.

In the last decade, the private housing finance market grew far more sophisticated and efficient at delivering capital to housing, but FHA -- once an effective market leader -- lagged behind. At the same time, fewer and fewer young American families were able to afford their own homes, and the gap between rents and what people could afford to pay grew in many parts of the country.

Between 1980 and 1992, the homeownership rate for young families -- headed by people under 35 -- fell from 44.5 percent to 37.6 percent. During a comparable period, from 1978 to 1991, the number of families with children and elderly people paying more than half their incomes for rent, or living in severely inadequate rental housing, grew 50 percent, from 2.4 million to 3.6 million households. Most of the affected households were families with children, who were saddled with rising rent burdens.

President Clinton recently charged HUD with developing an unprecedented public-private partnership to help a record number of families achieve the dream of homeownership by the year 2000. To achieve this goal, HUD and its private-sector partners must make homeownership affordable for more first-time homebuyers, residents of inner cities, and other groups and communities currently underserved by the private market.

FHA has a vital role to play in this effort. But to operate effectively, it must change dramatically, relying more on market incentives and private-sector partners to boost housing production and expand homeownership. At the same time, to serve the national goal of expanding homeownership to underserved groups and communities, it must remain a public-sector institution.

The Argument for Continued Public Ownership of FHA

Today, FHA insures loans to families and communities that private mortgage insurers cannot and will not ensure on their own. When private insurers pull out of a market, FHA remains and becomes the principal source of mortgage insurance for borrowers there. FHA can do this because it is publicly owned. Public ownership confers important advantages on FHA -- most importantly, lower capital costs which reduce the cost of doing business. FHA's reduced costs enable it to ensure loans -- at little or no cost to the taxpayer -- that would be unprofitable for a private-sector insurer.

If FHA were privately owned, as some have proposed, this flexibility would be lost. A private FHA doing the same business as today would need to set aside greater reserves, borrow funds at higher cost, pay taxes and return profits to shareholders. The consequences for potential homebuyers and current homeowners would be stark:

- *Higher premiums* -- To serve the same borrowers profitably, a private FHA would have to charge higher premiums, which would make homeownership unaffordable for many current FHA borrowers. For others, housing costs would consume a higher percentage of income.

- *Higher interest rates* -- If lenders seek to do some of the same business they do today with FHA, but cannot obtain insurance covering the risk that FHA now insures, lenders may increase interest rates to compensate for greater perceived risk, and that could put the cost of homeownership beyond the reach of more Americans.

- *Fewer homeownership options* -- Ultimately, a private FHA would mirror the decisions of today's private mortgage insurers (PMI's). Despite the recent introduction of pilot programs requiring only a three-percent down payment, today's PMIs simply do not serve many of the first-time homebuyers, low- and moderate-income working families, minorities, and central city residents that FHA insures.

- *Greater risk of home-value loss* -- During regi downturns, such as the one suffered by the o: states in the 1980s, PMI's leave the market. ... some capital to finance home sales, home values would plummet further, wiping out people's equity in their homes and exacerbating local economic problems. A publicly owned FHA can continue to insure new mortgages in depressed markets, thereby bolstering demand, steadying home values and preserving homeowners' equity and personal borrowing power. A privately owned FHA would abandon these markets.

Managers of privately owned enterprises have a fiduciary duty to their shareholders to maximize return on investment. When profit maximization and public purposes conflict, private owners must -- by law -- focus on their

shareholders' interests. In the complex world of mortgage finance, where all other players are stockholder-controlled, there is a need for a national player like FHA with purely public purposes, because homeownership is a vital national objective.

Americans agree that expanding homeownership is an important public goal because homeownership strengthens families and communities. FHA serves this goal -- by making capital available for housing needs which the private sector does not and cannot serve on its own. FHA must continue to serve this goal, and for this reason, must remain publicly owned. But in order to better serve the public purposes for which it was established, FHA must change the way it does business.

The New FHA Corporation

HUD's reinvention of FHA would transform a slow-moving government bureaucracy into a government-owned, streamlined, market-driven enterprise which would use federal credit enhancement to finance expanded homeownership opportunities and the development of affordable rental housing. Continued HUD oversight would ensure that the new FHA corporation would provide state and local governments and community-based housing providers with an effective credit enhancement tool to leverage demand-side subsidies available through Housing Certificates For Families and Individuals, supply-side subsidies from the Affordable Housing Fund and the Community Opportunity Fund.

The new FHA corporation would consolidate FHA's existing insurance programs into single-family and multifamily broad insurance authorities.

The new FHA would rely increasingly on partnerships with well-capitalized, sophisticated financial institutions, including Fannie Mae and Freddie Mac, the Federal Home Loan Banks, private mortgage insurance companies, state and local housing finance agencies, and community-based organizations, to design a variety of products that meet market needs. This new partnership will ensure that FHA insurance and credit enhancement is delivered as efficiently and effectively as possible.

FHA's performance will be judged by the effectiveness of its products in serving diverse needs not otherwise being met in the market place. These new risk-sharing partnerships would allow FHA to develop innovative products to meet unique community needs.

Partnerships would include risk sharing, reinsurance, pool loan insurance and other forms of credit enhancement. However, essential current products and delivery systems would be retained to ensure that all markets are served.

Operational changes to reduce costs, losses and streamlined processing will dramatically improve the health of the single-family insurance program.

A new FHA would be authorized to design and price its own products, subject to its ability to meet performance goals measuring social outcomes and impact, budget needs and financial performance.

Transitions:

In FY 1996 and FY 1998, FHA's existing programs will be consolidated into two: single-family insurance and multifamily insurance. The multifamily portfolio will be restructured. A new FHA corporate charter will be implemented. [Exhibit C]

In FY 1998 and FY 1999, the FHA corporation will complete restructuring of 80 percent of its multifamily portfolio, shift an increasing share of its new, single-family product origination to "wholesale" partnerships, and originate more multifamily product through similar partnerships.

FHA's portfolio restructuring will be completed by FY 2000. In subsequent years, FHA's single-family and multifamily products and partnerships will be continually reassessed to insure they remain relevant to the marketplace and the nation's unmet housing needs and safety and soundness goals.

Exhibit C

Transition to a New FHA Corporation

FY 1996 - FY 1997

Consolidation of Programs

- Single family insurance
- Multifamily insurance
- Multifamily portfolio restructuring

New Charter for FHA Implementation Activities

- Appointment by President and Senate confirmation of Administrator
- Appointment by President of Advisory Council members
- Identification of employees to be transferred to new corporation
- Development of "business-type" budgets
- Development of personnel and procurement systems
- Establishment and capitalization of a single new insurance fund
- Establishment by the Secretary of personnel and procurement systems
- Delivery of report to Congress (at end of fiscal year) on performance against goals

Single Family Insurance

- Creation of centralized underwriting and processing centers
- 20% of new origination business would be done "wholesale" through new risk sharing partnerships
- Sale of existing note inventory and contracting out servicing for remainder
- Property disposition activities transferred to private sector partners

Multifamily Insurance

- Origination activity consolidated into a few offices
- A growing proportion of new business would be done "wholesale" through new risk sharing partnerships
- Revisions to underwriting standards, loan terms and products
- Traditional origination activity processes re-engineered
- Capacity developed to oversee partners, market products to potential partners and housing providers, and identify market gaps

Multifamily Portfolio Restructuring

- Development of pilots for restructuring
- Begin property-by-property assessment
- Implementation of portfolio restructuring for 40% of portfolio

FY 1998 - FY 1999

FHA Corporation Continues Activities Launched in FY 1996

- Complete restructuring of 80% of multifamily portfolio
- Origination of 40% of new single family product through "wholesale" partnerships
- Origination of more of new multifamily product through "wholesale" partnerships

FY 2000 and Beyond

Portfolio Restructuring Completed

- Single family and multifamily products and partnerships periodically reassessed for relevance to marketplace, unmet needs and contribution to meeting safety and soundness goals

The Need for Reinvented Housing Assistance

HUD's paramount task is to ensure that all Americans have access to decent, affordable housing. The Department must seek the most effective avenue to accomplish this task, based on a clear understanding of the real causes of housing problems in America, and without regard to vested interests in existing and potentially outmoded programs.

The Department believes and national data confirm that the overwhelming cause of severe housing problems is lagging household incomes and high housing costs, rather than broad-based housing shortages. For example, more than 90 percent of the 5.4 million very-low income renters with congressionally defined "worst case housing needs" do not receive federal housing aid and currently spend more than half their meager incomes for rent. Some 78 percent of these renters live in decent, uncrowded housing. Excessive rent relative to their income is their sole housing problem. Tenant-based assistance could relieve their problems, without new housing units being built.

This view is supported by the Heritage Foundation, which stated in a 1989 report, *Mandate for Leadership III: Policy Strategies for the 1990s*:

The problem of the poor is not the unavailability of housing, but a lack of sufficient funds to pay for quality housing. Vouchers give the poor the funds that make this private housing affordable.

Nevertheless, housing market conditions vary significantly across the country. Although many markets have an ample supply of affordable units, shortages of units affordable to the very poor are common. Most markets also lack an adequate supply of affordable rental units for larger families with children. In some very tight markets, particularly in California and Northeastern metropolitan areas, more widespread shortages of affordable housing are evident. Because of the persistence of localized or special housing shortages, HUD's housing assistance reinvention strategy contains both demand- and supply-side components, though with more emphasis on the former than the latter.

For the Department's intentions to be fully understood, all elements of the reinvention plan must be taken into consideration.

Underlying Premises

The Department's reinvention strategy is based on seven premises:

1. HUD rental assistance should provide household choice and opportunities for mobility to the maximum extent practicable.

2. When the responsibility for administering low-income rental assistance are devolved to localities and states, certificates will continue to be pegged to the local costs of decent rental housing and vary from market to market.

3. Requiring owners and operators of HUD-subsidized housing to compete for tenants -- with and without subsidies -- will make them more responsive to quality and performance.

4. The large majority of public housing authorities can become capable of competing for low-income tenants in a deregulated market.

5. Where public housing developments, especially in large cities, are in such poor condition that they could not successfully compete for tenants if the operating subsidies they receive were to be converted to portable, tenant-based rental assistance, housing authorities and private investors can be given an opportunity to improve the condition of as much of this stock as is financially feasible prior to the separation of the subsidy from the unit.

   This is why HUD's reinvention plan calls for a transition period during which owners and managers will adjust to a competitive market environment while investing in the physical improvement of their poorest quality stock.

6. Budget realities make it impossible to preserve every public and assisted housing unit, regardless of quality or cost. Absent reinvention, budget constraints would require some losses from the project-based inventory. HUD will propose modifications to the one-for-one replacement provisions of current public housing law which has prevented housing authorities from demolishing obsolete and uninhabitable housing for lack of funds to replace them. The Department also will recommend dramatic changes in the preservation program which has provided windfall gains to owners of assisted housing who are eligible to prepay their FHA mortgages and cancel their subsidy contracts. With the devolution of administrative responsibilities for rental assistance to localities and states, these same budget realities will permit decisions about which housing can be feasibly maintained as part of a local affordable housing inventory to be made at the local level, where they should be made.

7. An orderly transition period is also required to give owners and managers of assisted housing time to adjust to the discipline of market-based budgeting and the concept of financial feasibility in contrast to the present practice of needs-based budgeting. Those housing authorities and owner entities that

cannot make the successful transition to a competitive market environment should be replaced.

Components of the New Housing Assistance

HUD's reinvention plan for housing assistance has four elements:

1. *Issuing housing certificates for families and individuals.* Tenant-based assistance will be provided to income-eligible households at subsidy levels that are pegged to the costs of decent rental housing in the recipients' local market. All tenant-based rental assistance will be pegged to a local fair market rent system.

2. *Ending the direct funding of public housing authorities to the maximum extent practicable.* At the end of a three-year transition period, federal funding of public housing operating subsidies will be converted to rental assistance that residents can use to move to better housing.

3. *Restructuring the financing of the assisted inventory.* Over time, privately owned, HUD-assisted rental housing will also be converted from project-based subsidies to portable tenant-based assistance. Despite the loss of project-based assistance, most of this stock will remain an integral part of local affordable housing inventories through the process of "marking-to-market." This means that the FHA-insured mortgages on these properties will be reduced to levels that can be supported by modest rents that in most cases will be no higher than prevailing Section 8 fair market rents. In some cases, continued use restrictions will be part of the debt restructuring process. In general, this means that current low-income residents who receive rental certificates when project-based assistance is terminated will be able to remain in place if they choose, or they will be able to take their certificates and move to better housing. With their debt having been restructured by FHA, owners of these projects will be able to attract other low-income certificate holders or unsubsidized tenants who can afford to pay market rents. By virtue of the marking-to-market process, HUD expects to be able to preserve the overwhelming proportion of the existing inventory of 3.1 million low-income subsidized housing in low-income use for many years to come.

4. *Proving more flexibility for localities and states.* The new Affordable Housing Fund (AHF) will provide localities and states with more flexible funding to enable them to expand affordable housing supplies. Capital from the AHF can be used to leverage other public and private funds for the development and rehabilitation of affordable owner-occupied and rental housing, including low-income housing tax credits, and funds from state housing finance agencies. The affordable housing financed through the AHF can be made accessible to very low-income persons with rental certificates by underwriting the new supply at rent levels pegged to prevailing local rents for modest apartments.

The Result: A New Department of Housing and Urban Development

The consolidation of programs into broad funds and the devolution of program design and implementation to localities and states would require HUD to dramatically change the way it does business. HUD would continue to collaborate with its community and union partners as this transformation moves forward.

HUD would shift from administering multiple programs to supporting local initiatives, while ensuring that federal funds are spent in ways that are fiscally prudent and adhere to national objectives and goals. The shift from program administration to spending oversight would result in a significant downsizing of the Department. HUD's workforce, about 12,000 today, would be cut to less than 7,500 employees over a five-year period, and the number of field offices would be reduced.

In addition to supporting local initiatives, HUD would reinforce the performance of localities and states by acting as a clearinghouse for information and innovative ideas and a catalyst for the replication of successful local initiatives nationwide.

The following functions will be central to the new way of doing business at HUD:

Performance Measurement and Accountability

HUD programs will incorporate rigorous performance standards and measures to improve program management and assure positive results. Performance measures describe how funds are being used and how people and communities are benefiting.

This approach is being pioneered in Oregon, where state officials are able to negotiate with federal agencies on how funds are used--but then must set goals and achieve results. Performance measurement in HUD programs, and especially in the proposed block grants, will provide the flexibility that local decision-makers need to address local problems. But, it will hold these decision-makers accountable for results.

The emphasis of HUD's performance measurement will be on the cost, quality, timeliness and effectiveness of program activities, not on the extent to which federal rules are being followed, as has often been the case in the

past. HUD will generally not prescribe the means by which programs should be administered, but instead will collect and disseminate information on program results that informs program recipients, Congress and the public on the benefits achieved for the dollars spent.

HUD will hold back a portion of funds to reward exceptional performance, and may reduce funding where local results are not being achieved. HUD will also publish rankings of performance measures for program recipients. These rankings will be used to determine where technical assistance or additional HUD oversight is needed. And, the mere existence of these rankings will create pressure locally to improve performance where it is found lacking.

Financial Accountability

HUD will ensure that taxpayer interests are protected in the administration and expenditure of federal performance-based funds through careful monitoring and will keep the public informed through periodic reports written in clear language.

Clearinghouse

Each community should not have to reinvent the wheel. HUD will play an important role in identifying and disseminating model housing production and community revitalization strategies that can be replicated in other jurisdictions. Information-sharing will be enhanced through conferences, demonstrations, awards for model programs and projects, and through the use of modern technology.

Regulatory Oversight

HUD will continue to provide regulatory oversight in a number of key areas, including civil rights, operation of government-sponsored enterprises, real estate settlement processes, enforcement of lead-based paint standards, manufactured housing, ensuring that federal housing funds are used to create jobs for low-income residents and regulation of interstate land sales.

The Bottom Line

The reinvention initiative described in this section represents the most dramatic changes proposed for federal housing and development policy in the past 20 years. These recommendations for fundamental change are not made lightly; they are made in recognition that the current way in which HUD conducts its business is outmoded and inefficient, and most significantly they are proposed for the purpose of better serving low- and moderate-income people. In the end, making a positive difference in peoples' lives is what matters -- and it should be on that ground that these and other proposals are ultimately judged.

II Priorities

Expanding Homeownership

The dream of homeownership is fading for too many people in America today.

- After increasing steadily for 46 years, the national homeownership rate fell from 65.6 percent in 1980 to 64.6 percent in 1993.
- The homeownership rate for households headed by people under 35 fell from 44.5 percent in 1980 to 37.6 percent in 1992.
- The homeownership rate for low- and moderate-income households fell from 37 percent in 1979 to 29 percent in 1989.
- The homeownership rates for African Americans and Hispanics are 43 percent and 40 percent, respectively, compared to 70 percent for white households.

Guiding Principles

Owning a home is key to individual economic advancement in America, and homeownership is an important goal for Americans. HUD must do everything it can to help more Americans become homeowners.

New public-private partnerships in the nation's housing sector will result in unprecedented cooperation to boost homeownership to an all-time high in America by the end of this century.

A reinvigorated FHA will reclaim HUD's role in helping American families achieve homeownership, particularly lower-income, minority families and nontraditional buyers locked out of the conventional market. HUD will also look to localities and states to help public housing residents and others make the transition from renters to homeowners through the new performance-based funds.

Progress to Date

Expanding homeownership has been a key goal for this Administration. For two years, HUD has worked steadily to increase opportunities for affordable homeownership for low- and moderate-income working families. Substantial progress has already been made:

- FHA insured more than 1.3 million single-family loans in FY 1994, including 450,000 for first-time buyers. FHA's FY 1994 single-family loan volume was the second-highest in its 60-year history.
- The upfront premium for Federal Housing Administration (FHA) insured mortgages has been reduced. It is estimated that this change will save homebuyers, on average, $750 over the life of a mortgage.
- FHA's 34-year-old 203(k) Program, potentially HUD's most effective tool to help people buy and rehabilitate existing homes, has been streamlined, making it much easier for homebuyers, investors and lenders to use. In fiscal 1994, 3,742 new 203(k) loans were insured, an 11 percent increase over the previous year.
- HUD has expanded homeownership opportunities for low- and moderate-income families and strengthened communities by broadening the FHA Single Family Property Disposition Program, under which HUD-owned homes are sold at a discount to nonprofit groups for rehabilitation and resale to eligible buyers. Last year, FHA sold 1,663 properties to 325 nonprofits and localities.
- HUD began allowing government agencies to purchase HUD-owned properties for resale to public safety employees, such as police officers, firefighters and paramedics.
- HUD changed the Real Estate Settlement Procedures Act (RESPA) escrow rule to reduce the upfront costs of homebuying and save homeowners billions of dollars. It is estimated that when this rule change is implemented in April, 1995, it will save homeowners nationwide up to $2 billion in escrow fees and save homebuyers an average $250 at closing.
- The Government National Mortgage Association (Ginnie Mae) began a new multiclass securities program, which helps to increase affordable housing opportunities by reducing financial costs for FHA and VA borrowers.

HUD is making FHA more responsive and efficient by better using electronic communication, consolidating processing functions and eliminating duplicative paper-

work. For example, FHA has cut its processing time for single-family loan insurance endorsements from four to five weeks to three to five days. Changes in appraisal rules are expected to reduce the average waiting time for closing on an FHA-insured home mortgage by one to two weeks.

New partnerships are also being developed with mortgage lenders, local and State governments, and housing advocates to increase homeownership opportunities for underserved and unserved populations.

Actions taken by the Administration in its first 24 months have laid a solid foundation for a dramatic increase in homeownership in America by the end of this century. HUD will continue to build on this foundation through program consolidation, restructuring of FHA and expansion and strengthening of public-private partnerships.

Transitions: 1995

The President has directed HUD to develop a strategy to boost the nation's homeownership rate to a record high by the end of this century.

Recognizing that the most powerful engine for homeownership expansion is the private market, HUD is designing a National Homeownership Strategy that forges a new public-private coalition of housing industry leaders, local and state governments, and housing advocates to pursue national homeownership goals, increase financing availability, cut production costs, open housing opportunities to underserved populations, and focus on specific communities as targeted areas for homeownership.

Two homeownership demonstrations to assist low- and moderate-income first-time homebuyers are being implemented. In the first demonstration, HUD will work with public and nonprofit partners to provide downpayment and second mortgage assistance. In the second, HUD funds will serve as a catalyst for large-tract development of affordable housing in designated "homeownership zones."

FHA underwriting guidelines are being modified to increase homeownership opportunities for nontraditional and underserved borrowers. The guidelines will encourage maximum, prudent flexibility and will be sensitive to fair-lending principles.

FHA insurance in underserved markets is being expanded by conducting innovative demonstrations and entering into joint venture partnerships, such as the ones with Fannie Mae and Freddie Mac, to service more low- and moderate-income people.

HUD is expanding FHA's single family property disposition initiative and increasing the sale of HUD-owned homes to individuals, nonprofit organizations and local governments to promote local homeownership efforts and neighborhood revitalization. A comprehensive housing counseling program that includes extensive outreach to potential home buyers is also being implemented.

1996 And Beyond

Two transition phases will be completed by FY 1998: public housing programs will be consolidated into two accounts; for capital expenditures and operative subsidies; then all direct subsidies will cease.

Expanding Affordable Rental Opportunity

There is a serious shortage of affordable rental housing in many communities today, and high rents are making it hard for working families to get ahead.

- America went from a surplus of 400,000 affordable housing units in 1979 to a shortage of 4.1 million units in 1989.
- The number of families with children and elderly people paying more than half their incomes for rent, or living in substandard housing, increased 50 percent -- from 2.4 million to 3.6 million households -- between 1978 and 1991.
- Approximately 43 percent of very-low-income households paid more than half their income for rent in 1991.

Guiding Principles

Decent, affordable housing is a building block of stable family life and a launching pad for economic advancement. Because many Americans must rent, and because there is a serious shortage of affordable rental housing in America today, we must expand tenant-based rental assistance, preserve existing affordable rental housing and expand the production of quality affordable rental housing.

The centerpiece of HUD's assistance is tenant-based assistance, enabling families to afford rental housing in the private market.

Rental properties owned and operated by private owners and managers under various HUD-FHA mortgage insurance and rent-subsidy programs are a vital affordable-housing asset, which must be improved and maintained.

HUD is placing major emphasis on partnerships with community-based, nonprofit developers, private developers, state and local governments and financial intermediaries to produce quality, affordable rental housing. HUD is working with developers, local governments, and social service providers to ensure that family support services -- training, education, and work opportunities -- are designed into projects to build momentum for self-improvement and self-sufficiency.

Progress to Date

- During the Administration's first two years, HUD has provided 101,900 additional households with five-year rental certificates and vouchers and proposed to merge the two similar programs into a single, more efficient program. In addition, HUD provided emergency, 18-month housing vouchers to 13,000 Southern California households displaced by the Northridge earthquake.
- In FY 1994, more than 1,596 action plans were negotiated with private owners to repair and rehabilitate housing complexes, including conversions of multifamily projects to homeownership.
- HUD closed 98 property sales out of inventory and closed 80 foreclosure sales, drastically reducing an inherited inventory problem that had literally grown out of control. The closings reflect an inventory reduction of 34 percent for the fiscal year. HUD replaced 324 management agents by September 1994 and expects to replace a total of 400 agents. HUD foreclosed on 102 individual owners.
- Risk-sharing agreements have been signed with 33 state and local housing finance agencies, Fannie Mae, Freddie Mac, and the National Cooperative Bank for housing production. As a result, 45,000 affordable homes will be produced.
- HUD has launched the Section 8 Community Investment Demonstration to encourage pension fund investment in multifamily housing production or preservation. HUD awarded $100 million to six pension funds, selected to participate in a demonstration, that finance affordable housing development nationwide to create 2,500 multifamily units, 1,000 of which will be Section 8 assisted.
- Congress increased HOME funding from $1.275 billion in FY 1994 to $1.4 billion in FY 1995, permitting HUD to fund additional units for low-income people. By November, 1994, more than 100,000 units had received commitments under HOME -- 75,500 more units than a year earlier.
- HUD funded 7,665 units (116 projects) of Section 202 Housing for the elderly, totaling $499 million.

- HUD funded 2,559 units of housing for the disabled under Section 811, totaling $157.8 million.

Transitions: 1995

In 1995, HUD will continue to draw on existing programs to increase the number of households provided rental assistance, preserve the existing supply of privately-owned subsidized housing and expand the supply of affordable housing.

Assisted-living opportunities for elderly households will be increased through increased production under the Section 232 program.

HUD will implement Phase II of FHA's risk-sharing demonstration, expanding the number of partners and the types of risk-share products.

HUD will implement subsidy layering guidelines to effectively integrate the use of FHA insurance with the federal low-income housing tax credits.

HUD will seek out sources of capital not now invested in multifamily housing opportunities, and identify products, programs and partnerships that will encourage the flow of capital to multifamily housing.

HUD will strengthen enforcement by removing unscrupulous owners and management agents and extensively publicizing HUD's zero-tolerance standards.

The Department will more effectively involve tenants in the control of their housing through increased resident management opportunities, outreach and resident ownership.

HUD will continue aggressive efforts to sell HUD-owned multifamily properties and HUD-held notes.

1996 And Beyond

HUD will begin to rationalize its rental housing assistance structures into three basic components: Housing Certificates for Families and Individuals to provide housing subsidies to low-income households; an Affordable Housing Fund to support development and rehabilitation of affordable housing, and a new, streamlined FHA corporation to spearhead the restructuring of the assisted housing stock and provide products to enhance multifamily rental housing production.

HUD's reinvention will devolve administrative responsibility for housing certificates to local and state governments who could choose entities other than public housing authorities to administer certificates.

Preservation

A new debt restructuring group within the new FHA corporation will be responsible for restructuring, project-by-project, the debt on the nation's portfolio of assisted housing in a process known as "marking-to-market." In many cases the debt will be restructured based on the property's true market value, so HUD can reduce costly rent subsidies and secure the properties' physical and financial health.

FHA's restructuring plan would subject assisted housing projects to competitive market forces, improving their financial management and residents' living conditions.

Housing opportunities for current residents will be assured through a combination of portable certificates, and where appropriate, continuing project-specific use restrictions.

Housing Production

All federal housing development activities will be consolidated in the Affordable Housing Fund. The Fund would provide localities and states with flexible funding for housing production, rehabilitation and homeownership initiatives.

The new FHA will supplement the role of the Affordable Housing Fund as a financing tool for the development of affordable rental housing. The new FHA will increasingly relying on third-party partners to deliver its mortgage insurance and credit enhancement products.

HUD will continue to update multifamily goals for the secondary market lenders, Fannie Mae and Freddie Mac.

Reducing Homelessness

Homelessness is a tragic scar on the face of America.

- More than 7 million people were homeless for at least one night between 1985 and 1990.
- An estimated 600,000 people in America are homeless on any given night.
- In 1993, families with children accounted for 43 percent of the homeless population, up from 32 percent in 1992.
- Half of all homeless people have alcohol and drug-abuse problems.

Guiding Principles

No group of people in America lives in greater desperation than those who are homeless. From the beginning of this Administration it has been understood that a department whose name begins with "housing" must address the needs of people who are unhoused.

HUD must acknowledge the true extent and causes of homelessness in America and the federal government must do its part to help men, women, and children who are homeless move beyond the current, patchwork system of emergency shelters and soup kitchens.

According to *"Priority: Home! The Federal Plan to Break the Cycle of Homelessness,"* there are two broad, sometimes overlapping, categories of problems that cause homelessness: crisis poverty, including devastating changes in the job and housing markets and in families which push people into the streets; and chronic disabilities, such as mental illness, substance abuse, AIDS, tuberculosis, and other health-related disabilities.

In contrast to previous homeless strategies which focused almost entirely on housing as if shelter itself were enough, HUD has promoted a continuum of care approach that the Department believes is necessary to make real, lasting reductions in the number of homeless Americans.

Under the continuum of care approach, HUD is helping communities develop the housing and services necessary to address the root causes of homelessness through prevention efforts, outreach, transitional housing with job training and other services, substance-abuse treatment, supportive housing for people with mental disabilities, and permanent housing options. The goal of a continuum of care is to provide permanent, affordable housing and appropriate services, where needed, so people who are homeless can become self-sufficient. Not every family or individual will need all steps of the continuum, but communities should develop the full range of services to meet the varying needs of a multifaceted homeless population.

HUD believes nonprofit providers are the key to delivering top-notch housing and services to homeless people. The capacity of local nonprofit agencies to reduce homelessness must be increased by integrating mainstream institutions (e.g., businesses) and resources (e.g., Community Development Block Grants) into local efforts through local homeless boards. It must be further enhanced through federal interagency collaboration, which is a vital element of the President's national plan to reduce homelessness.

Progress to Date

For two years, the Administration has been working to forge a coherent, comprehensive, national approach to homelessness that will make a lasting difference in people's lives and result in real reductions in the number of people who are homeless in America.

In 1993, President Clinton issued an Executive Order to establish a single, coordinated Federal Plan to break the cycle of homelessness. In May 1994, HUD, HHS, VA and 14 other agencies released *"Priority: Home! The Federal Plan to Break the Cycle of Homelessness."* These agencies are now implementing this plan, which has received widespread support for its realistic assessment of the problem and its proposals to reduce homelessness.

Federal support for homeless assistance has increased dramatically, enabling HUD to back this new approach to homelessness with real funding muscle. In FY 1994, HUD's budget to assist homeless individuals and families was increased 44 percent, to $823 million, and in FY 1995, it was further doubled, to $1.7 billion. Communities throughout the nation are already benefiting from these funding increases proposed by President Clinton and enacted by Congress.

In 1993, Congress approved the Clinton Administration's Innovative Homeless Initiatives Demonstration Program, with funding set at $100 million. HUD has selected the District of Columbia, Los Angeles, Denver, Miami, the San Francisco Bay Area, and Philadelphia as demonstration areas to develop continuum of care systems. Innovative approaches such as performance-based contracting and a "social contract" spelling out the respective rights and responsibilities of the community and people receiving assistance highlight these demonstration initiatives.

Increased funding has enabled HUD to support hundreds of nonprofit organizations and city homeless programs. A total of 422 grants, awarding more than $766 million in homeless assistance, were announced by HUD in FY 1994. Grants were approved in all 50 states and Puerto Rico. The awards made in FY 1994 are expected to help an additional 195,000 families and individuals who are currently homeless find shelter or receive essential services.

For the first time, in FY 1994, 100 percent of all Supportive Housing Program grants were awarded to programs incorporating a comprehensive and coordinated continuum of care approach. These HUD-funded programs include emergency, transitional and permanent housing assistance for homeless people, as well as critical mental health, outreach and other supportive services.

HUD gave special attention to the needs of homeless people with particularly acute problems, including people with AIDS and people who live in New York City subway tunnels.

Even as HUD has continued to provide homeless assistance through multiple, existing programs during the Administration's first two years, all current programs have been infused with the new continuum of care philosophy. Funding consolidation will result in acceleration of this trend.

Transitions: 1995

HUD is working with Congress to enact the consolidation of McKinney programs in order to merge six separate programs into a single, flexible grant, allocate funds for the consolidated program through a needs-driven formula to states and cities, and foster comprehensive homeless assistance in America's cities, enabling homeless persons to leave the streets and achieve self-sufficient lives.

Fifteen thousand certificates will be made available to help homeless families and persons with AIDS obtain permanent housing.

HUD is finalizing the regulations implementing the recently enacted Base Closure Redevelopment and Homeless Assistance Act. HUD will work to ensure that redevelopment plans foster growth which addresses economic redevelopment needs, affordable housing needs, and homeless-assistance needs of communities adjoining closed military bases.

HUD is working with communities to help ensure that reducing homelessness is a central part of consolidated plans which communities must prepare to receive CDBG funds.

1996 And Beyond

The consolidated homeless block grant would be kept separate during a three-year transition period, to enable jurisdictions to develop a continuum of care for their homeless populations. The homeless block grant would be consolidated into the new Affordable Housing Fund in fiscal year 1998, and local and state governments would address homelessness in their plans for these funds.

Transforming Public Housing

Most of the nation's 1.4 million public housing units are in good condition and well-run, but too many developments are in bad shape and ill-managed, and have become warehouses for poor people.

- Across the country, 100 local public housing authorities responsible for more than 207,000 units are "troubled."
- Nationwide, there are 86,000 severely distressed public housing units and 100,000 vacancies.
- Average household income for public housing residents declined from 33 percent of area median incomes in 1980 to 17 percent in 1992.
- The proportion of public housing residents whose income was less than 1 percent of area median doubled from 10 percent to 20 percent between 1974 and 1991.

Guiding Principles

Housing should be a starting place for personal and family mobility and self-improvement. Working in partnership with residents and community leaders, HUD can ensure that federally assisted housing and rental assistance promote this goal.

HUD is transforming public housing as it exists today because the current system has failed many residents, especially people living in public housing in some of our larger cities. HUD plans to convert operating subsidies for public housing agencies to rental assistance for residents, to give them the choice to stay where they are or move to apartments in the private rental market.

By giving residents a real choice in housing, HUD will encourage communities to create mixed-income developments where work and education are valued and role models are present to instill positive values. HUD will eliminate the worst examples of public housing, where law-abiding citizens and their families are forced to live in constant fear, virtual prisoners in their own homes.

Just as importantly, HUD will shift the focus, and much of the responsibility for providing affordable housing opportunities to communities. HUD will encourage these communities to place a higher priority on jobs and economic development, training programs, and the creation of partnerships between residents, nonprofit organizations, and affordable housing developers. Those housing authorities that provide quality housing will continue to do so; those which do not will, and should, be eliminated.

Progress to Date

- HUD has broken three decades of gridlock in the demolition of some of the worst public housing in the nation. The wrecking ball has already has been taken to Newark, New Jersey's Christopher Columbus, Washington, D.C.'s Fort Dupont, and Denver's North Lincoln projects.
- For the first two years of this Administration, HUD has been working steadily to transform public housing, both through physical improvements and through initiatives to make public housing safer places to live, which offer residents opportunities for education, job training and self-advancement.
- An Office of Distressed and Troubled Housing Recovery was created to turn around specific developments by intervening aggressively with housing authorities in Washington, D.C., Philadelphia, New Orleans, Chicago, Baltimore, Houston, Detroit and Kansas City.
- Under the HOPE VI program, grant agreements totalling $1.01 billion were executed with 33 severely distressed developments to finance their comprehensive revitalization.
- The Youth Apprenticeship Program was initiated to increase the availability of job training and career opportunities for public and assisted-housing youth. HUD has helped public housing residents take greater leadership roles and build stronger public housing communities through the Tenant Opportu-

nity Program (TOP). For example, this year, HUD has funded $25 million in TOP grants to 257 residents groups for substance-abuse treatment, health care needs, day care centers, and resident security patrols.

- Housing authorities have been given greater flexibility in setting resident-selection preferences, based on local housing needs and priorities. This makes possible a better mix of incomes among public housing residents, in contrast to previous selection criteria which concentrated the poorest of the poor in public housing.

- HUD has helped public housing residents working to make their communities safer and drug-free by initiating a new interagency effort, Operation Safe Home, to combat violent crime and white collar crime and fraud in public and assisted housing. In 1994, HUD awarded over $228 million to public and Indian housing authorities to combat drug abuse and drug-related criminal activity.

- HUD has completely revamped its modernization program. Red tape has been cut and needless bureaucracy has been eliminated, making the program more flexible and easier to use, and increasing PHAs' ability to expedite commitment of billions of dollars already in the modernization pipeline.

- The actions already taken by HUD in the Administration's first two years are the initial steps along a path leading to decent, affordable housing for low-income people that is both an asset to the community and compatible with conventional housing.

Transitions: 1995

HUD is supporting leveraging of public funds to promote mixed-income communities and scattered-site housing by cultivating public/private partnerships with HOPE VI grantees.

HUD is also encouraging the use of Section 8 certificates to help speed the relocation of residents from projects that should be demolished.

HUD will promote free and fair housing choice by providing counseling for recipients of Section 8 certificates who are working or work-ready.

1996 And Beyond

Under HUD's reinvention, at the end of a three-year transition, HUD would get out of the direct funding of public housing by converting public housing subsidies to rental assistance.

The transition would be completed in two steps by fiscal year 1998.

For FY 1996 and 1997, HUD would deregulate all PHAs to make them more effective developers and managers of low-income housing. HUD would aggressively work with local and state governments and other groups to improve more than 100 severely troubled housing authorities. These PHAs would be on probation. HUD then would move the 10 to 15 most troubled housing authorities that cannot be restored through a two-year, receiver-like process, divesting them of properties and management control.

HUD would consolidate all public housing programs into two programs -- a Public Housing Capital Fund and Public Housing Operating Subsidies. Funds would continue to support the formation and operation of resident councils.

Localities and states would have the option to receive all housing funds through Housing Certificates for Families and Individuals.

In FY 1998, no housing authorities would receive funds directly from HUD; they would compete for capital and service funds through a locality or state. Localities and states would have the option of replacing non-performing housing authorities with community-based groups or others.

All former public housing operating subsidies would be converted to certificates.

Opening Housing Markets

Housing discrimination remains a serious problem in America today, restricting the housing choice of millions of people and barring working families from homeownership.

- African American and Hispanic households experience discrimination more than half the time they visit a rental or sales agent in response to an ad in a major newspaper.
- According to a 1992 Boston Federal Reserve Bank study, African Americans are 60 percent more likely to be turned down for home mortgage loans than whites of similar economic status.
- In 1993, 34 percent of African Americans and 25.5 percent of Hispanics were turned down for home loans, compared to 15.4 percent of whites and 14.5 percent of Asians.

Guiding Principles

Housing opportunity must be made a reality for all Americans. The availability of homeownership opportunities and rental housing free from discriminatory impediments are essential to strengthening America's communities. HUD must expand housing choice and eliminate discriminatory housing barriers.

As the statistics in the table above illustrate, there is no question that housing discrimination remains a serious problem in America today.

HUD is taking steps to ensure that housing markets are open to all qualified home seekers, that action is taken at the federal, state and local levels to eliminate discriminatory barriers and that federal fair housing and civil rights laws are vigorously enforced.

Progress to Date

- HUD has taken action on a number of fronts to reduce barriers to homeownership caused by unlawful discrimination. Over the past year, HUD has undertaken a review of the Federal Housing Administration underwriting standards and business practices to ensure that policies put in place to protect the financial strength of the FHA fund also promote access to homeownership for minorities and other protected classes. The Department has developed the Mortgage Lending Information System, which permits the user to overlay census data with Home Mortgage Disclosure Act data for monitoring purposes. HUD has also stepped up investigation of fair lending and property insurance complaints.

- To provide clarity to the lending industry, and a unified voice on fair lending policy, HUD, the Department of Justice, and the nation's bank regulatory agencies have adopted a joint Policy Statement on Discrimination in Lending. The statement provides a vehicle for coordinating federal fair lending policy and resolves a number of issues to assist lenders' efforts to comply with federal fair lending standards. HUD continues to work with these agencies through the Interagency Task Force on Fair Lending to coordinate federal fair lending policy and enforcement efforts.

- In an effort to establish broadly accepted fair lending standards, the Secretary signed best practices agreements with the Mortgage Bankers Association and a number of individual lenders. The agreement with the MBA commits both organizations to work in partnership to eliminate lending discrimination and to expand opportunities for affordable housing.

- HUD has moved to open up rental markets through improved enforcement of the Fair Housing Act. HUD has restructured its fair housing enforcement operation to improve service to individuals who have been subjected to housing discrimination in the private market. Ten enforcement centers have been established throughout the country to more efficiently and effectively enforce Title VIII of the Fair Housing Act.

- To encourage the devolution of fair housing enforcement responsibility to state and local governments, HUD has sought increased funding for the Fair Housing Assistance Program. This program allows HUD to reimburse states and localities which have laws "substantially equivalent" to the federal Fair Housing Act for their enforcement activities.

- Federal efforts to affirmatively further fair housing have proceeded on several fronts. HUD has settled several major lawsuits which involved allegations

that the Department had fostered segregation and housing discrimination through its programs over the years.

- In a historic move, HUD took over the public housing authority in Vidor, Texas because it had failed to protect the civil rights of minorities. In early 1994, federal officials helped four African-American families move to the Vidor development. Twenty-one African-American families are now in residence there.

- HUD reduced the grant processing time for the Fair Housing Initiatives Program (FHIP) from 131 weeks to 36 weeks, resulting in a projected five-year cost savings totaling more than $1.9 million. This streamlining effort won awards from Vice President Gore and Price Waterhouse.

Transitions: 1995

HUD will reduce housing discrimination through continued enforcement of Title VIII of the Fair Housing Act. HUD will provide increased support to local and state agencies for their enforcement of substantially equivalent fair housing laws and ordinances, and to private fair housing organizations for enforcement, education and outreach activities.

HUD's Title VIII function will be significantly improved in 1995. The intent is to improve the quality of fair housing investigations and to speed the resolution of complaints.

HUD will promote access to homeownership through a voluntary affirmative marketing agreement with the National Association of Homebuilders. This partnership agreement will enlist both organizations in a marketing and outreach effort to promote fair and equal homeownership opportunities for all persons regardless of race, color, religion, sex, handicap, familial status or national origin.

In an effort to obtain broad compliance with fair lending standards, HUD will continue to negotiate best practices agreements with mortgage lenders. Our goal is to sign at least 75 voluntary agreements with mortgage companies.

HUD will promote affordable and fair housing goals for the government sponsored enterprises. Fannie Mae and Freddie Mac will have clear guidance on their obligation to support fair lending objectives through their secondary market operations.

To ensure that localities and states receiving federal housing and community development funds employ them in a way that complies with fair housing, localities and states receiving federal housing and community development funds will conduct their own analyses of the impediments to fair housnig in their jurisdictions and develop locally based solutions to these problems.

HUD will lead the President's Cabinet-level Fair Housing Council, which will ensure that federal programs affirmatively further fair housing. The Fair Housing Council is in the process of reviewing key programs in order to implement fair housing goals.

HUD will increase housing choice for persons with disabilities, including those living in public and assisted housing reserved for the elderly. Three thousand Section 8 certificates will be made available through PHAs to enable people with disabilities to access "mainstream" housing which is not exclusively for frail or needy populations.

1996 and Beyond

HUD is moving to consolidate programs and initiate performance-based funding. As a result, localities and states will have greater flexibility to administer federal housing resources. Compliance with federal fair housing and civil rights laws would be one of the considerations used by federal, state, and local entities to govern administration of the new performance-based funds.

Strengthening Competitive Cities

Serious problems are weakening America's great urban centers and reducing their potential as engines of growth for the nation's economy.

- Urban manufacturing employment declined 11 percent from 1980 to 1990.
- Abandoned buildings and vacant lots account for up to one-fifth of land use in America's cities today.
- Between 1970 and 1990, poor people became increasingly concentrated in inner cities. According to one measure, concentration of the poor in America's 25 largest metropolitan areas increased 18 percent during this period.
- In America's urban areas, there is one murder every 22 minutes, one forcible rape every five minutes, a robbery every 49 seconds and an aggravated assault every 30 seconds.

Guiding Principles

America's economic health and social stability are inextricably linked with the health and stability of its cities. Our cities continue to be our economic centers as well as our population centers. It is also in and around our cities where educational resources are concentrated, and where Americans find their greatest opportunities for educational, economic and social advancement. For everyone who is willing to work, our cities have always been and continue to be America's most promising gateway to a better life.

It is critical to the future of our nation that we preserve and strengthen our cities as engines of economic adaptation and growth, and as dynamic centers of opportunity for the tens of millions of who yearn for a better life for themselves and their children.

HUD works to strengthen America's cities by helping city, county and state elected officials and agencies work with business, unions, chambers of commerce, educational institutions, foundations, nonprofit organizations, citizen groups and others to fashion and implement metropolitanwide housing and economic development strategies.

Progress to Date

- HUD is focusing on empowerment zones and enterprise communities to demonstrate that federal agencies can work together in areas that have suffered from years of neglect. In June 1994, communities submitted 292 applications for urban empowerment zones and enterprise communities. In December 1994, six communities were designated as urban empowerment zones, two as supplemental urban empowerment zones and 65 were designated as enterprise communities. With HUD's help these communities will jump start revitalization efforts in their most distressed neighborhoods through local partnership initiatives. These initiatives will seek to attract new jobs to these neighborhoods and prepare residents to fill these jobs and move into the nation's economic mainstream.

- HUD increased localities' ability to spur neighborhood retail and industrial development and expand economic opportunity for low-income people by making its Section 108 Loan Guarantee Program easier for local governments to use, especially in conjunction with other HUD programs, such as the Economic Development Initiative and empowerment zones and enterprise communities tax incentives. Localities' use of the Section 108 Loan Guarantee program increased from $229 million in fiscal 1993 to $350 million in fiscal 1994.

- HUD allocated $19 million in Economic Development Initiative grants, which leveraged more than $250 million in additional economic investment, to create jobs for low-income people.

- Localities have been provided with new tools to remove obstructions that hinder job creation (e.g., land assembly,"brownfields") through expanded technical assistance.

- Institutions of higher learning have been urged to participate in strengthening their communities and regional economies by recognizing, rewarding, and showing examples of university-community partnerships.

Transitions: 1995

HUD consolidated planning, application and reporting requirements for four separate formula-grant programs -- CDBG, HOME, Emergency Shelter Grants and Housing for People with AIDS -- into a single, seamless process. This change, effective in 1995, dramatically reduces paperwork for localities and states, and gives them more flexibility. It also encourages them to forge comprehensive, communitywide and regional action plans that involve community-based groups and individual residents and integrate economic and housing development strategies with strategies for making neighborhoods safer, reducing homelessness, increasing housing mobility, expanding job opportunities through training and education and strengthening families. This new, consolidated planning process will serve as the basis for local and state applications for HUD's new performance-based funds.

HUD will implement the empowerment zones and enterprise communities program, expediting waivers for selected communities and taking other actions to ensure the program's success.

HUD will continue to assist private-sector job creation for low-income persons by allocating up to $50 million in Economic Development Initiative grants.

1996 and Beyond

Reinvention would consolidate current HUD grants for community economic development into a single Community Opportunity Fund, described earlier in *Accelerating HUD's Reinvention.*

Revitalizing Neighborhoods

Too many neighborhoods in America's communities are cut off from the nation's economic mainstream and falling behind, even as the economy improves.

- Between 1970 and 1990, the percentage of people in America's 100 largest cities living in extreme-poverty neighborhoods increased from 5 percent to 11 percent.
- In the poorest neighborhoods of our nation's largest cities, 40 percent of all male youths and adults between the ages of 16 and 64 are unemployed, compared to 19 percent in other neighborhoods.
- According to a 1991 study by the New York City Department of Consumer Affairs, significantly fewer supermarkets serve poor neighborhoods than middle- and upper-income neighborhoods, a pattern that is duplicated nationwide. Residents of inner-city neighborhoods spend as much as $400 to $1,000 annually traveling to distant markets by public transit or taxi.

Guiding Principles

The benefits and opportunities of expanding urban economies must reach all corners of our greater metropolitan areas. The best way to enable all urban residents, including those who live in distressed neighborhoods, to participate in economic expansion is through bottom-up, community-based initiatives.

HUD must support the efforts of local government, community-based nonprofit groups, churches, neighborhood leaders, and community residents to develop and carry out initiatives to develop affordable housing, and promote business and job growth block by block, neighborhood by neighborhood.

Progress to Date

Community Development Block Grant funding increased from $4 billion in FY 1993 to $4.6 billion in FY 1995. CDBG supports a wide range of community development activities. Recent CDBG regulations have made it much easier for localities to use CDBG for innovative development activities that create jobs and focus on neighborhood revitalization.

Numerous barriers to effective implementation of the HOME program have been removed, providing both localities and community-based organizations with greater flexibility to use HOME for neighborhood revitalization.

HUD designated 20 innovative community development corporations to receive tax benefits for programs to create jobs and provide training for low-income residents.

HUD awarded $38 million in Youthbuild grants to help disadvantaged youth learn employment skills through constructing and rehabilitating housing for low-income and homeless people.

The Office of Community Viability was established to empower neighborhood groups to participate in local community decision-making.

HUD invested in the National Community Development Initiative, which uses HUD funds to leverage funding from private foundations for capacity building in community development corporations. Twenty million dollars was invested by HUD and was matched by $67 million from private foundations and corporations. Communities have been empowered by improving housing production capacity and establishing alliances with foundations, churches, national community organizations, and CDCs.

HUD has given citizens and groups support by creating an innovative software package to provide clear information about how communities spend their money.

Collaboration among foundations, corporations, nonprofit groups, community organizing networks, advocacy organizations, arts and sports organizations, local and state governments, and other federal agencies, has been fostered.

Greater emphasis has been placed on addressing the needs of underserved populations, such as migrant farmworkers, Americans living in the colonias and in rural areas, and Native Americans in tribal communities.

Transitions: 1995

HUD will fully implement job programs, such as the CDBG = Jobs initiative to facilitate creation of jobs for low-income workers.

1996 and Beyond

Participation by community-based organizations would be a critical element under the new performance-based funds.

To ensure the continued, strong participation of community-based groups in housing development, current legally mandated set-asides for such groups as community housing development organizations ("CHDOs") would be incorporated in the Affordable Housing Fund.

VERMONT HOUSING FINANCE AGENCY

March 6, 1995

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

Dear Ms. Carpenter:

The Vermont Housing Finance Agency will be having its regular monthly Board Meeting on Thursday, March 16, at 1:30 p.m., at the office of the Commissioner of Banking, Insurance and Securities, 89 Main Street, Montpelier, Vermont.

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

Sincerely,

Barbara M Parker

Barbara M. Parker
Executive Assistant

3/13/95
Notice did not appear in Free Press.
Per Marie Carpenter, she did submit the notice for publication, but she has no control over what gets published. VHFA met its requirements for public notice - no further action required. - BP

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

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director

DATE: March 10, 1995

RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held at 1:30 p.m. Thursday, March 16, at the office of the Commissioner of Banking, Insurance and Securities, 89 Main Street, Montpelier, Vermont.

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

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Montpelier at 1:30 March 16!

VERMONT HOUSING FINANCE AGENCY

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

Thursday, March 16, 1995 at 1:30 p.m.

1. Review and approval of minutes of February 16, 1995

2. Development
   - ⌂ Limehurst Mobile Home Park **[Jenkins//Enclosure]**
   - ⌂ Westview (Springfield) Multi-Family Phase **[Jenkins//Enclosure]**
   - ⌂ LIHTC 1995 Round 1 Allocations **[Jenkins//Enclosure]**
   - ⌂ Winchester Place Update **[Jenkins//Enclosure]**

3. Operations
   - ⌂ Single Family Program Activity Report **[Lothrop//Enclosure]**
   - ⌂ Servicing Activity for January 1995 **[Lothrop//Enclosure]**

4. Administration
   - ⌂ Executive Director's Report **[Hunt]**
   - ⌂ Venture Place Update **[Francis]**

5. Multi-Family Management
   - ⌂ Section 8 Contract Rent Reduction Proposal **[Falzone//Enclosure]**

6. Finance
   - ⌂ Multi-Family Refunding Update **[Schoenbeck//Enclosure]**
   - ⌂ Investment Policy Revisions **[Schoenbeck//Enclosure]**
   - ⌂ 12/31/94 Financial Statements **[Schoenbeck]**

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

8. Communications
   - ⌂ Final Strategic Plan Document **[Gent//Enclosure]**

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

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

EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

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

Thursday, February 16, 1995

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

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

The meeting was called to order by the Chairman at 2:10 p.m. Upon a motion made by Mr. Seelig and seconded by Mr. Candon, the minutes of January 18 were amended to note that Mr. Candon is not on the Lead Paint Hazard Commission; with this amendment noted, the minutes were unanimously accepted.

Mr. Hunt reviewed the "Community Investment Demonstration Program (Pension Fund/Section 8)" as described in the memo of February 10 from Ms. Jenkins, included in the Board packet. This program provides Section 8 assistance for up to 50 percent of the housing units in a development in which a pension fund invests; this assistance is available for a period of no fewer than five years and no more than 15 years. During the first year of this initiative there was a restriction on the use of the program that made it impractical to propose an application by the State pension funds. This restriction has now been removed for a portion of the program and staff is proposing that the Agency prepare a joint application on behalf of the State Employees, Municipal Employees, and Teachers Pension Funds. Mr. Hunt reported that staff has already proposed this strategy to the State Treasurer's office. One of the State's pension funds met last week to discuss this opportunity; staff will review the program options with other pension fund representatives at their regularly scheduled Board meetings. Mr. Hunt further explained that the Agency plans to sell bonds to the pension funds; in this manner, they would not make actual or direct investments in these projects. Staff is waiting to receive additional written information from HUD regarding this program, but it may be possible for public or private pension funds, including perhaps the Burlington employees' pension fund, to invest in these bonds as well. Mr. Seelig observed that the Vermont Housing and Conservation Trust Fund participated in this program through the AFL-CIO this year and received a small allocation for Vermont; he suggested that Ms. Jenkins talk with his staff about the program. While no formal Board action was taken, there was general agreement that staff should proceed with the application for this program.

Mr. Lothrop reviewed the "Single Family Program Activity Report for January 1995" as included in the Board packet. For the first two weeks in February, just under $2 million in reservations were made, exceeding the reservation activity for every previous February. Delinquencies show a slight rise which has occurred in every previous holiday season, but repayments have begun. REO sales activity has been good; since the January Board meeting, four properties have been sold while six others are under contract; three that were under contract fell through due to poor credit reports, but five have offers being negotiated. A slightly different report will be distributed next month, tracking REO activity in a more effective manner. Mr. Hunt explained that one frustration is that the aggregate delinquency numbers do not change, although much of the Agency's resources and staff time have been devoted to addressing delinquencies. Mr. Lothrop observed that although the recession may be behind the upper strata of Vermont borrowers, those who borrowed from the Agency, or who would fall within or below the Agency's income guidelines, are still struggling and are trying hard to reduce delinquencies.

Ms. Canney inquired if the success or failure of a workout situation appears to be linked to the effectiveness of a lending institution's staff. In response, Mr. Lothrop noted that any foreclosure recommended by a lender must be approved by the Agency. Once a lender recommends foreclosure, the Agency writes directly to the borrower(s) outlining their options. Borrowers seem to respond well to these letters, with foreclosure sometimes being averted. Ms. Canney suggested that staff consider offering training to lenders on the workout process, in an effort to improve lender's response time and methods. However, Mr. Lothrop cautioned that this would not appear to be an appropriate role for the Agency to assume. The lenders must report delinquencies on a regular basis; if those reports indicate no borrower contact, the Agency immediately attempts to contact the borrowers directly. Mr. Candon also noted that the bank examiners and the Department of Banking, Insurance and Securities review lender's delinquency activities closely.

However, Mr. Candon did express some concern with the servicing of BancBoston loans, as BancBoston is located out of state, and any problems which may arise now that KeyBank has taken over Bank of Vermont. Mr. Lothrop pointed out that KeyBank will not be servicing loans; the Agency will buy the servicing rights from KeyBank at ½ point, which is considered to be a very competitive rate for buying servicing rights in the current market. Mr. Lothrop further reported that he is currently negotiating with Graystone Mortgage Corp. for servicing. This would allow Graystone, a licensed lender in Vermont that does not yet originate loans in the state, to sub-service for the Agency. The monthly servicing fee to participating lenders is approximately $23.40; Graystone would charge the Agency $6-10 per month for the same services. Chairman White noted that successfully negotiating this arrangement would allow the Agency its first step into servicing loans, which is consistent with the Agency's strategic plan. According to

Mr. Hunt, Graystone has an excellent reputation in dealing with borrowers. Mr. Lothrop will visit their offices before the contract is finalized and presented for the Board's review. As for BancBoston, Mr. Hunt noted that they service loans out of Florida and tend to send computer generated warnings. While BancBoston may be interested in selling the Agency's loan servicing back, their level of interest and the actual cost of such a buy back have not yet been determined. Mr. Lothrop further noted that Graystone assumed a troubled portfolio from Statewide, which accounts for the seemingly high delinquency numbers. These delinquencies are not from Graystone's loan originations. No formal Board action was taken on the proposed Graystone contract, pending further information to be presented at a future Board meeting.

Mr. Lothrop then introduced a "Discussion of Property Inspections on Certain High Loan-to-Value (LTV) Mortgage Loans" as described in his memo of February 9, included in the Board packet. According to Mr. Lothrop, staff has been exploring the possibility of requiring a property inspection on mortgage loans with an LTV greater than 95 percent. This property inspection would identify aspects of a dwelling that may need a major expense or replacement within five years of the purchase date. Prior to receiving a commitment from either the Agency or VHMGB, a property inspection would need to focus on the plumbing, heating and electrical systems, the well (if applicable), septic system (if applicable), roof and foundation. Mr. Lothrop explained that property appraisers determine the market value of a property, but are not responsible for noting the actual condition of the property, although some may point out apparent problems in the course of the appraisal. A major concern for the Agency is liability: if the Agency refers a potential borrower to a list of approved property inspectors, but the inspection fails to cite a problem, the borrower could approach the Agency for recompense. Chairman White noted that the law considers the appraiser to be working on behalf of the lender, leaving the borrower no recourse if there is any negligence on the part of the appraiser. The Agency would need to carefully structure any arrangement with appraisers to perform inspections, if that is considered to be the best approach.

Another consideration is who would bear the cost of the inspection if the potential borrower does not purchase the property. Mr. Hunt observed that the Agency could consider paying inspectors to perform the inspections at a point in time when it seems reasonable that the loan will be approved and the sale of the property will go through as expected; this inspection fee could then be recovered in closing costs or wrapped into the total loan amount. In other cases, the Agency would become liable for the cost of the inspection. Mr. Seelig recommended that staff discuss this proposal with the Farmers Home Administration, as a property inspection could affect the purchase price or market value. Ms. Canney noted that FmHA performs their own appraisals, taking into consideration many of the same features the Agency is proposing to have inspected. After the loan is approved, the borrower signs a form acknowledging the appraiser's opinion of the furnace, electrical and water systems being in good condition,

which acts as a validation of the appraiser's opinion. Mr. Seelig pointed out that while property inspections may be of value for loans at 95 percent LTV, the Agency's statistics would appear to show that other loans are at greater risk of becoming delinquent due to major repairs that become necessary and thus affect the borrower's ability to make timely mortgage payments. Mr. Lothrop noted that the proposal is to start with loans above 95 percent LTV since they appear to be the most vulnerable, and to then consider requiring inspections for loans with a 90 percent LTV. This broader inspection requirement would affect 90 percent of the loans the Agency purchases. Mr. Seelig repeated his concern that in order to address the REO and delinquency problem, the Agency needs to address loans where a property inspection might have had an impact on the loan's approval, rather than creating a program to address loans at 95 percent LTV, when it has not yet been shown that a problem property inspection would have affected loan approval for that group of loans. In response, Mr. Hunt noted that no down payment loans are more likely to become part of the Agency's REO portfolio. Borrowers have no equity in their homes when no down payment loans are issued. No formal Board action was taken; however, staff was directed to pursue this issue further and present recommendations to the Board at a future meeting.

In his Executive Director's report, Mr. Hunt noted that H.188, under consideration by the Vermont House of Representatives would, among other things, allow VHMGB to raise fees. This is important as there is some concern on the part of the Board of the VHMGB about its financial viability. VHMGB is taking more risks and paying higher claims without a commensurate increase in fees. Although the fee increase is fairly modest, there has been some consumer feedback opposing higher fees; Mr. Hunt noted that he would be testifying on that bill. Mr. Hunt also noted that he will visit Vermont's Congressional delegation in Washington, D.C., at the end of February to discuss the Mortgage Revenue Bond and Low Income Housing Tax Credit programs. Although these programs were "permanently" extended by Congress during 1994, there is some fear that these programs could fall victim to efforts to reduce the budget deficit. Mr. Hunt also noted that he will be discussing the HUD Section 8 program with the Vermont contingent, as there has been some talk of not renewing Section 8 contracts. The Agency currently has 82 Section 8 projects in its portfolio, which are only viable as a result of the Section 8 subsidies received by these projects. HUD has indicated an interest in reducing the financial burden of these contracts, if possible, by not allowing any increases in rents or by not renewing the contracts, even though many have an automatic renewal process. The Agency's multi-family portfolio includes $100 million in Section 8 projects; very few would be viable without those Section 8 contracts. Mr. Seelig suggested that individual Board members contact Senator Jeffords' Vermont staff to discuss housing issues and budget concerns.

Continuing his report, Mr. Hunt informed the Board that the Agency has hired Barbara Mervine on a consulting basis. Ms. Mervine was successful in Buffalo, N.Y., at creating a program making homeownership possible for borrowers earning 50-70 percent

of median income. Ms. Mervine is conducting a housing study and determining how best to transfer her successes to Vermont, either through the nonprofit housing network or through other organizations. The study should prove helpful in addressing the needs of lower income Vermonters. Mr. Hunt also noted that members of The Netherlands delegation, including Mr. Derks, will be back in Vermont in April and again in October. The October trip will include a delegation of 30-40 people who are interested in meeting with Governor Dean to discuss opportunities to apply successful Dutch housing programs to Vermont's housing needs.

The "Venture Place Renovations—Status Report" was reviewed by Mr. Francis, as further detail to his memo of February 7, included in the Board packet. Construction and renovation activities are on schedule for completion by the end of March. Plans call for the staff to relocate during the first week of April. Although the budget has grown to $386,000, the construction company has assured Mr. Francis that final figures should be at least $19,000 less. Considering the savings attributable to construction and the Burlington Electric Department program, the Agency's outlay for this project should approximate $350,000. Recovery of energy conservation costs over five years should total $35,000, with the ultimate cost to the Agency of $315,000 for building renovations. Board members had been invited to tour the building prior to the meeting, and Ms. Bradley reported that she had done so and was impressed with the space and the improvements. Mr. Francis further reported that the logistics of the move have not yet been worked out, but estimates are that it will take 3-4 days to move the Agency's furniture and fixtures. No Board action was necessary.

Mr. Schoenbeck reviewed the "Multi-Family Refunding Update" offered in his memo of February 10, included in the Board packet. PaineWebber has indicated that the Agency can still consider selling bonds, even though the properties funded by these bonds receive Section 8 subsidies. The HUD contract renewals may only be for a one-year period, which may raise concerns by rating agencies or bond purchasers. As Mr. Schoenbeck explained, before the Agency can buy back outstanding bonds, new proceeds would need to be available. Mr. Hunt further noted that the loans were primarily made to small landlords with Agency financing. These properties received a Section 8 contract from HUD, allowing them to rent to people at or below 50 percent of median income, with HUD subsidizing the rent costs. Over the years, the rents have been adjusted; because of the regulatory agreements in place, profits are building into a residual receipts account. If the contracts terminate, the lower income tenants paying 5-10 percent of the real cost to operate the projects would be protected by HUD issuing vouchers or certificates to the individual, rather than to the project. In theory, the tenants are being protected at the expense of both the owner and the mortgagee of the property. Mr. Schoenbeck also pointed out that in pre-1981 projects the residual receipts went to the owners, but for post-1981 projects they are now under the control of HUD. The Agency would be in no worse position by refunding these bonds rather than waiting to issue new bonds, and would probably be in a better position financially due to the

lower debt cost. The refunding bonds would be issued for the remaining term of the existing HUD contracts and Agency mortgages. No Board action was necessary.

The Quarterly Budget Performance reports for the period ended September 30, 1994, were distributed by Mr. Schoenbeck. This report was delayed due to problems with the computer conversion. However, it appears that the problems causing these delays have been resolved, and December 31, 1994, financials should be available in time for the March Board meeting, which would put the Agency within one month of being current. Mr. Schoenbeck also distributed computer generated balance sheets and statements of income for the first quarter of FY95, which appear in a format similar to that used for the audited financial statements. Chairman White asked that the accounting on REO properties indicate the amount of the valuation reserve that was utilized. Mr. Candon suggested that Mr. Lothrop's monthly report be revised to include book value and sales price of REO properties sold, since those figures do not appear in these quarterly reports. No Board action was necessary.

Next, Mr. Jarrett presented an "Amendment to Pine Meadow Bond Resolution" as detailed in his memo of February 7, included in the Board packet. Middlebury College has agreed to reduce the interest rate owed to them by three percent. This project was made possible through Housing Vermont in partnership with a local nonprofit in Middlebury. There has been much tenant turnover, resulting in higher expenses than projected. Upon a motion made by Mr. Seelig and seconded by Mr. Douglas, the "Resolution Amending Resolution of VHFA Authorizing the Issuance of Its Housing Project Bond (Federally Taxable Issue) Pine Meadow Development" was unanimously adopted, as attached to these minutes.

Mr. Jarrett then reviewed three bills in the Vermont Legislature which are of direct interest to the Agency. The first is H.188, which Mr. Hunt had already reviewed, regarding increased fees for VHMGB. H.60 would give condominium associations and mechanic's liens priority of first mortgage liens; Mr. Jarrett stated that he had testified earlier this month regarding the Agency's concerns with the impact of this bill. A third piece of legislation, H.239, concerns licensed lenders and is a rewrite of existing statute. This bill does not apply to an instrumentality of the state, and thus does not directly affect the Agency; however, it may apply to certain nonprofits involved in housing around the state, and is thus being tracked closely by Mr. Jarrett. Upon a motion by Mr. Seelig which was seconded by Mr. Candon, the Board voted to go on record as not being in support of H.60 as passage of this bill would not be in the Agency's interest and would not be beneficial to the Agency's clientele. The Board also noted that H.188 is fully supported, as it was drafted and presented by the Agency on behalf of VHMGB.

The next item of discussion was the latest draft of the Agency's "Strategic Plan" as attached to Ms. Gent's memo of February 9, included in the Board packet. Ms. Gent reported that a number of changes were made to this document based upon a full review

of the Plan by members of the staff and the Board. These changes were marked in the draft distributed to the Board. Mr. Seelig reminded the Board of the importance of considering this as a living document, to be reviewed and altered periodically. He further noted that the Board needs to determine the best way to decide whether and when to invest in a program or action which has no financial return, but which does have a benefit in terms of helping the Agency accomplish its mission. The Board offered some comments on the document, which will be incorporated into the final version. Ms. Bradley noted that the document is an excellent plan in terms of the layout and the presentation of the goals, strategies and actions. Ms. Gent acknowledged the many contributions by Mrs. Parker in terms of editing and finalizing the document. A motion was then made by Mr. Seelig and seconded by Mr. Candon to adopt the strategic plan as presented, with the comments noted by the Board to be incorporated into the final document.

Under other old or new business, Mr. Hunt reported that the Agency sent a draft agreement to the various parties involved in negotiations regarding Winchester Place. One of the key points of this proposed agreement was that the Agency would agree to defer its loan by approximately $100,000 per year. Both Housing Vermont and St. Michael's College responded that they expected that amount might be *forgiven* each year, rather than deferred. Although no formal Board action was taken, staff was directed not to agree to give up the $100,000 per year, but to continue talks, pursuing all options including foreclosure.

Chairman White reminded the Board that the investment subcommittee comprised of himself, Mr. Seelig and Mr. Douglas, appointed at the January Board meeting, still needs to meet with Mr. Schoenbeck to draft revisions to the Agency's investment policy. Mr. Schoenbeck noted that he has been gathering information from the State Treasurer's office, the pension funds, and other housing finance agency investment policies in preparation for this discussion. According to Mr. Schoenbeck, he will prepare a draft to be circulated to the subcommittee, to be followed by a conference call to discuss the proposal. This should occur prior to the March Board meeting.

Chairman White then appointed a subcommittee comprised of Mr. Seelig, Mr. Candon, and the Chairman to review the procedure for evaluating the performance of senior staff, including the Executive Director. This subcommittee will prepare a draft evaluation for presentation to the Board at the March Board meeting.

The next meeting was scheduled for Thursday, March 16, in Montpelier. There being no further business, and following a motion duly made and seconded, the meeting adjourned at 4:35 p.m.

Respectfully submitted,

Allan S. Hunt, Secretary

RESOLUTION AMENDING RESOLUTION OF VERMONT HOUSING FINANCE AGENCY AUTHORIZING THE ISSUANCE OF ITS HOUSING PROJECT BOND (FEDERALLY TAXABLE ISSUE) PINE MEADOW DEVELOPMENT

WHEREAS, on March 28, 1991, the Agency passed a resolution entitled "Resolution of Vermont Housing Finance Agency Authorizing the Issuance of its Housing Project Bond (Federally Taxable Issue) Pine Meadow Development" (the "Resolution"); and

WHEREAS, after the passage of the Resolution, the Agency sold a federally taxable bond in the amount of $795,000 and bearing an interest rate of 9.0% per annum and a term of 25 years to the President and Fellows of Middlebury College ("Middlebury College") (the "Bond") to provide the funds for a permanent loan to the owner of the Pine Meadow development in Middlebury (the "Development"); and

WHEREAS, subsequent to the passage of the Resolution, the Agency made a loan to Pine Meadow Housing Limited Partnership that bears an interest rate of 9.75% per annum for a term of 25 years (the "Loan"); and

WHEREAS, the Development has been operating with financial difficulty in recent years; and

WHEREAS, Middlebury College has agreed to a reduction of the interest rate on the Bond to enable the Agency to reduce the interest rate on the Loan by a commensurate amount;

NOW, THEREFORE, it is hereby RESOLVED:

1. Pursuant to Section 504 of the Resolution, the Agency hereby amends Article IV of the Resolution to reduce the interest rate on the Bond from 9.0% per annum to 6.0% per annum, effective February 1, 1995.

2. The Executive Director is directed to secure the consent of Middlebury College to this rate reduction, as required by Section 504 of the Resolution.

3. The Executive Director is directed to take all other steps necessary to implement the rate reduction on the Loan, including, but not limited to, the execution of a loan modification agreement with Pine Meadow Housing Limited Partnership.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont, on February 16, 1995.

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

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: March 8, 1995

RE: Limehurst Mobile Home Park

THE DEVELOPMENT

1. General Description

The Limehurst Mobile Home Park is located on Route 14 in Williamstown and has 33 pads, all of which have homes on them. Central Vermont Community Land Trust (CVCLT) has been actively trying to acquire the park for over two years, and in September 1994 signed a Purchase and Sale Agreement with the owner. CVCLT has been working with the tenant organization, and by vote the tenants have endorsed CVCLT as purchaser of the park.

A summary of sources and uses of funds, rents, operating expenses, and financial projections is attached.

2. Projected Funding Sources

VHFA Primary Debt	$281,000	36.84%
VHCB Grant	120,000	15.73%
CDBG Grant	280,000	36.71%
RECD Secondary Debt	80,000	10.49%
Owner's Equity	2,000	.26%
Total	$763,000	100.00%

The sponsor has contributed the equity as a deposit on the Purchase and Sale Agreement. At its meeting of March 6, the Vermont Housing and Conservation Board (VHCB) conditionally committed $112,000 (previously $8,000 had been advanced as a feasibility loan). None of the other sources has been committed, but all are projected for March, 1995. The sponsor has requested a 20 year loan with a 30 year amortization; the balance on the loan at the end of year 20 will be $182,600.

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

EQUAL HOUSING OPPORTUNITY

3. Unit Breakdown and Rents

The homes are primarily two bedroom units. The current park owners have converted this park from a family park to an "adults only" park, and currently there are about 60 residents. At this time only one household in the park has any minor children. The pad rent is $230 per month, which includes water and sewer; tenants pay for all other utilities. Tenants are also responsible for their own trash removal expenses.
Five of the units have small, one-car garages, and the rent on these pads is $250 per month.

The tenant incomes break down as follows:

% of Area Median Income	# of Households
<50%	11 (33%)
50% - 80%	12 (36%)
80% - 100%	5 (15%)
over 100%	5 (15%)

4. Site/Location

The site is approximately 22 acres on the west side of Route 14 in Williamstown, approximately 1.5 miles south of the center of town. The terrain is level immediately around the homes, but there are downward slopes into gullies and wetlands all around the park, limiting the potential for future park expansion or infrastructure placement. The park is abutted to the north by the town transfer station, formerly the town landfill (see Section 9 of this memo, "Environmental Concerns"), and to the northwest by a pond and seasonal campground. There are on-site water and septic systems, with three drilled wells and seven septic tanks.

5. Renovation Plan

Based on the engineer's evaluation, the sponsor is proposing improvements to the water, septic, and electrical distribution systems. The electrical system will be brought up to current code requirements. The water system will have the three wells tied together (currently only two are linked). A water storage and chlorination system will also be installed. Rural Economic and Community Development Services (RECD - formerly the Farmers' Home Administration) has been approached for a loan of $80,000 for the water system improvements; this loan would be permanent financing only, so an interim source of financing for these improvements is needed. The septic system will have two small steel septic tanks replaced with larger concrete tanks. Stone will be added around two drywells to improve leaching. At VHFA's request, prior to closing on the loan, CVCLT will have the engineer explore the potential for future leach bed locations. There is limited room for future leach fields (should the current locations fail), and the last time the systems failed they were replaced in the same locations. Although the

engineer believes that the soil would physically permit future replacement in the same locations, it is unknown whether the state would allow such a replacement in the future. Staff is looking further into this issue.

The engineer has recommended that water saving fixtures be installed in the homes. The sponsor intended to do this upgrade, but only out of unused contingency (or, if all construction contingency was used, out of the operating budget over time). Given the risks associated with the septic system and the potential for increasing numbers of residents in the park under CVCLT's ownership, VHFA staff recommends that our loan be conditioned upon this upgrade occurring during the construction phase. The costs budgeted for the water and septic system improvements are based on the engineer's estimate. The electrical system upgrade is based upon an engineer's inspection and correspondence with an electrical contractor.

In addition to these improvements the sponsor will do minor upgrades to the roads and mailboxes. There will also be a full boundary survey and site plan which shows the locations of all improvements, and from this site plan a water source protection plan will be prepared. This will help in lowering operating costs by reducing the number of water system tests required by the state.

6. Loan to Value

The requested loan amount is $281,000; the appraised value is $510,000, making the loan to value ratio 55%. The ratio of the loan to total development cost is approximately 37%. If VHFA provides the short-term loan for water system improvements of $80,000, the loan-to-value ratio on the total of these loans will be 71%.

7. Management

The sponsor has proposed that Community Property Management (CPM), an affiliate of CVCLT, manage the park. Shortly after closing on the Bromur Apartments, however, the staff of CPM (two persons) resigned. For at least the first year of the park's operation, and until CVCLT/CPM can demonstrate capacity, staff recommends that this loan be conditioned upon independent, third-party property management.

We also have concerns about CVCLT itself in terms of its organizational ability to be an ongoing, viable entity and to act as property owner. We are consulting with VHCB on this issue.

8. Market Demand

All 33 of the homes in the park are paying pad rent at this time. Six of the homes are rentals and the remaining 27 are owner occupied. Four of the six rental homes are owned by the current park owners. There are currently three unoccupied homes: two

are rental homes in which the owner of the trailer is paying the pad rent; the third was occupied until recently by an owner now deceased, and his estate continues to pay the rent. The park has been in operation for over 25 years and has in recent years maintained full or nearly full occupancy. The pad rent of $230 per month is high compared to the statewide median of $190, however, and continued steep rent increases would decrease the marketability of units in the park. The appraisal listed ten parks in Orange County and the Barre-Montpelier area whose monthly rents ranged from $175 to $278. Cash flow projections show the park is financially feasible even if rents are held at current levels for a three year period from the last increase. As with all developments, any rent increases will require VHFA's approval as part of the annual budget process.

9. Environmental Concerns

The sponsor has submitted a Level I Environmental Site Assessment. The one major concern this report raises is in regards to an adjacent 44 acre site, five acres of which served as the Williamstown landfill from 1971 to 1988. Over this time several Volatile Organic Compounds (VOCs) were dumped at the landfill. Because of this, the site is considered by the state to be an active hazardous waste site. The landfill is approximately 3/4 of a mile in a straight line from the park, and the concern is that the VOCs might contaminate the groundwater in the park's wells.

Since the landfill closed in 1988, there have been numerous water tests from two wells in the park, none of which have shown any presence of VOCs. The park is south and slightly west of the former landfill; the groundwater flows in an east and northeasterly direction from the former landfill. The engineer recommends getting test results from all three wells initially, as well as annual testing for VOCs. This initial testing will be done as needed. The engineer also thinks it unlikely that this former landfill contamination will affect the wells in the park because of the direction of the groundwater flow.

DISCUSSION

Strengths

a) The proposed loan would have a relatively low loan-to-value-ratio, and the underwriting assumptions (7% vacancy rate, 1.5% income trending rate and 3% expense trending rate, well capitalized replacement reserves) are fairly conservative.

b) This park has had a long history of tenant/landlord conflicts, and the tenants could potentially be facing even more rent increases in the near future. The acquisition by CVCLT is what the tenants desire, and VHFA's oversight of future rent increases and operating budgets would be an improvement over the current situation.

c) CVCLT would make infrastructure improvements that would increase the long-term viability of the park.

Weaknesses

a) VHFA staff has reservations about CVCLT's ability to own and manage the park and to continue as an ongoing concern.

b) The park has limited land for future expansion or replacement of leach fields. If the current systems fail and the state requires replacement leach fields in a new location, meeting this standard may be impossible (or only achievable through the elimination of some of the homes). However, the existing systems are unlikely to fail soon, and the engineer is seeking written guidance from the state regarding the "grandfathering" of systems currently in use. Also, the engineer will investigate future potential leach field sites.

RECOMMENDATION

Staff recommends that the Board issue a Resolution for a Letter of Interest to provide permanent financing in the amount of $281,000, with a 30 year amortization and a 20 year term. The interest rate will be determined by the source of funds. The proposed source of funds for the permanent loan is Federal Home Loan Bank Board funds, which would currently result in a loan rate of 9.25% - 9.5%. Staff also recommends a Resolution of Interest to provide short-term construction financing in an amount of up to $80,000 for water system improvements with a one year term and at a rate of 8%. The source of funds would be Agency general funds. The Resolution of Interest to provide the permanent financing also authorizes the Executive Director to issue a Letter of Commitment subject to the sponsor meeting the conditions below. The transaction is contingent upon the sponsor providing:

1) Updated CVCLT audited financial statements satisfactory to VHFA staff;

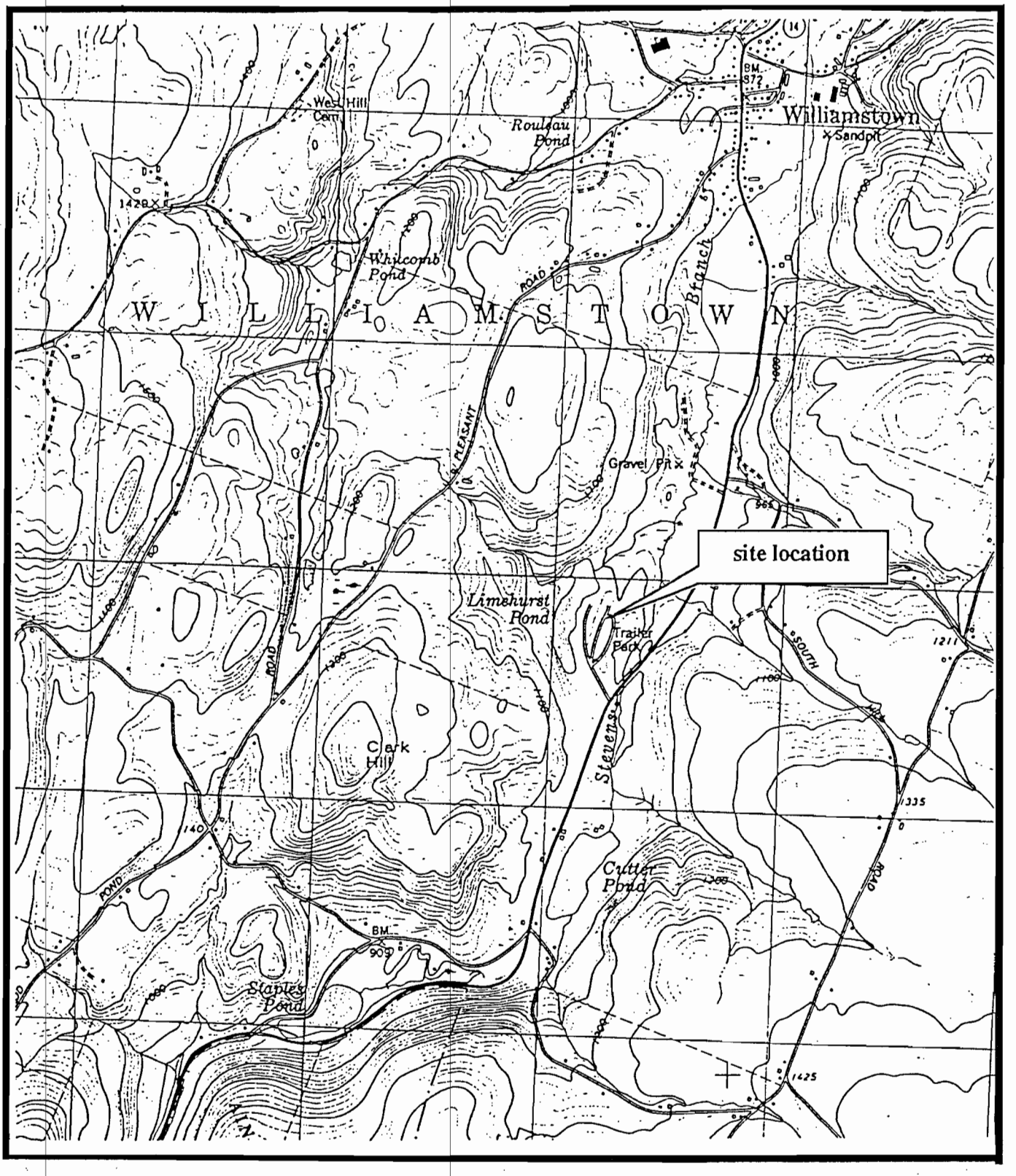
2) Documentation of testing for Volatile Organic Compounds (VOCs) from all three wells in the park, with the results of such tests being acceptable to VHFA;

3) Documentation of testing for alternative leach field sites. This documentation should consist of a letter from the engineer with test pit results and a recommendation for future leach field sites (if the tests show any feasible alternate sites);

4) Evidence of requisite financing in the form of commitment letters that are acceptable to VHFA;

5) Agreement with VHFA regarding the developer's fee that will specify the amount of the fee (not to exceed $82,500) and the timing of the payment of this fee. Staff is recommending one third of the fee paid at the VHFA loan closing, one-third paid at RECD closing and repayment of VHFA interim loan of $80,000, and one-third paid upon completion of all other proposed capital improvements;

6) Revised development budget which includes an allowance for installing water saving fixtures in the homes in the park as recommended in the Chenette Engineering report.


WILLIAMSTOWN
Williamstown
Sandpit
West Hill Cem.
Rouleau Pond
Whitcomb Pond
Branch
ROAD
PLEASANT
Gravel Pit
site location
Limehurst Pond
Trailer Park
SOUTH
Clark Hill
Stevens
Cutler Pond
POND
BM
Staples Pond
1425
1335
1211
965

S:\DEVEL\MFLOAN\PROJECTS\LIMEHRST.WQ1

Project:	Limehurst MHP	RUN DATE:	07-Mar-95

Total Residential Units:	33	Increase Low Income Units	1.50%
Restricted Units:	33	Increase Market	1.50%
% units below 100% AMGI:	84.85%	Expense increase:	3.00%
Avg Net Monthly Rent:	217	Vacancy Rate:	7.00%
Total Dev Costs	763,000	% of working capital	
TDC/Unit	23,121	assumed available at	
		the end of year 1:	30%
Use of Repl Reserves:			
Amount needed every 5 years:	5,000		

FINANCING SOURCES					Amortization
	Amount	% of TDC	Interest	Term	Period
VHFA Primary debt	281,000	36.83%	9.50%	20	30
RECD secondary debt	80,000	10.48%	5.65%	30	30
CDBG Grant	280,000	36.70%	0.00%	0	
VHCB Grant	112,000	14.68%	0.00%	0	
VHCB Feasability	8,000	1.05%	N/A	N/A	
Owner's Equity	2,000	0.26%	N/A	N/A	
	763,000	100.00%			

Limehurst MHP	DEVELOPMENT BUDGET		
		Budget	Per Unit
ACQUISITION & CONSTRUCTION			
Land & Improvements		506,250	15,341
Purchase of Building(s)			0
Water System Upgrade		55,000	1,667
Electrical Upgrade		27,000	818
Septic Upgrade		5,500	167
Road Improvements		2,000	61
Signage, Mailboxes, Misc.		1,000	30
General Requirements	0.00%		0
Contractor Overhead	0.00%		0
Contractor Profit	0.00%		0
Construction Contingency	13.23%	11,974	363
START-UP WELL TESTING		2,000	61
Subtotal		610,724	18,507
PROFESSIONAL SERVICES			
Engineering - Water		16,900	512
Engineering - Electrical		5,500	
Engineering - Sanitary		2,000	
Survey		1,800	55
Legal - contract review, etc.		1,000	30
Legal - Acquisition		3,500	106
Subtotal		30,700	703
INTERIM COSTS			
VENTURES INTEREST		120	4
Construction Interest		2,133	65
Construction Loan Origination Fee		800	24
Taxes			0
Subtotal		3,053	93
OTHER SOFT COSTS			
Property Appraisal		2,000	61
Other Consultants		0	0
Environmental Report		1,100	33
Permits/Approval fees		5,113	155
Marketing			0
Subtotal		8,213	249
FINANCING FEES & EXPENSES			
Credit Report			0
Permanent Loan Origination Fee		2,810	85
RECD Loan Fees			0
Cost of Issuance			0
Title & Recording			0
Counsel's Fee			0
Other			0
Subtotal		2,810	85
SYNDICATION COSTS			
Organizational (Partnership)			0
Bridge Loan Fees & Expenses			0
Tax Opinion			0
Subtotal		0	0
DEVELOPER'S FEES			
Developer's Overhead & Profit		82,500	2,500
Consultant Fees			0
Subtotal	12.59%	82,500	2,500
PROJECT RESERVES			
Rent-up (Deficit Escrow) Reserve			0
Replacement Reserve		15,000	455
Working Capital		10,000	303
Operating Reserve/Sinking Fund			0
Subtotal		25,000	758
TOTAL DEVELOPMENT COSTS		763,000	23,121

Limehurst MHP	INCOME & EXPENSE BUDGET	07-Mar-95

INCOME

RENTS

Bedrooms	Type	Sq.Feet	Number	Rent	Utilities	Total Annual Rent
						0
Home Owned, no Garages			22	230		60,720
Home Owned, Garages			5	250		15,000
Rented			6	230		16,560
						0
	Totals	0	33			92,280

Bedrooms	Type	Sq.Feet	Number	Rent	Utilities	Total Annual Rent
			0	0		0
			0	0		0
			0	0		0
	Totals	0	0			0
All Units						
	Grand Totals	0	33			92,280
		Less Vacancy	7.00%			(6,460)
					NET RENT	85,820

OTHER INCOME

Interest Income	0
Laundry	0
Parking	0
Total Other Income	0

TOTAL INC	85,820

Limehurst MHP	EXPENSE BUDGET			07-Mar-95
	Annual	Monthly	Per Unit Per Month	
Administration				
Management	6,000	500	15	6.5%
Resident Manager		0	0	
Marketing/Misc.	1,000	83	3	
Legal	1,500	125	4	
Audit	1,000	83	3	
Telephone		0	0	
Office Payroll		0	0	
Rent		0	0	
Resident Organization	396	33	1	
Other		0	0	
TOTAL ADMINISTRATIVE	9,896	825	25	
Utilities				
Water System	4,600	383	12	
Resident System operator	3,000	250	8	
Electric	1,500	125	4	
Sanitary System	3,000	250	8	
Other		0	0	
TOTAL UTILITIES	12,100	1,008	31	
Maintenance				
Maintenance Payroll		0	0	
Supplies		0	0	
Trash Removal	500	42	1	
Snow/Grounds	4,200	350	11	
Repairs		0	0	
Paint/Decorating		0	0	
Exterminating		0	0	
Contract Maintenance		0	0	
Equipment Debt		0	0	
Service Lease		0	0	
Other (Contingency)	3,000	250	8	
TOTAL MAINTENANCE	7,700	642	19	
Taxes	11,000	917	28	
Insurance	4,000	333	10	
Replacement Reserves	3,000	250	8	
Farmer's Home Reserve	554	46	1	
Total	48,250	4,021	114	

07-Mar-95 Limehurst M HP		PRO FORMA									
	Year	1	2	3	4	5	6	7	8	9	10
Residential Rent		92,280	92,280	93,664	95,069	96,495	97,943	99,412	100,903	102,416	103,953
Less Res Vacancy		(6,460)	(6,460)	(6,556)	(6,655)	(6,755)	(6,856)	(6,959)	(7,063)	(7,169)	(7,277)
Plus Other Income		0	0	0	0	0	0	0	0	0	0
Total Actual Income		85,820	85,820	87,108	88,414	89,741	91,087	92,453	93,840	95,247	96,676
Less Operating Expense		44,696	46,037	47,418	48,841	50,306	51,815	53,369	54,970	56,620	58,318
Less FmHA Reserves		554	554	554	554	554	554	554	554	554	554
Less Reserves		3,000	3,045	3,091	3,137	3,184	3,232	3,280	3,330	3,379	3,430
Net Operating Income		37,570	36,185	36,045	35,883	35,697	35,486	35,249	34,986	34,694	34,374
Less VHFA Debt Service		28,354	28,354	28,354	28,354	28,354	28,354	28,354	28,354	28,354	28,354
Less FmHA Debt Service		5,541	5,541	5,541	5,541	5,541	5,541	5,541	5,541	5,541	5,541
Cash Flow		3,675	2,289	2,150	1,988	1,802	1,591	1,354	1,091	799	479
Oper Subsidy		0	0	0	0	0	0	0	0	0	0
Net Cash		3,675	2,289	2,150	1,988	1,802	1,591	1,354	1,091	799	479
DCR		110.84%	106.75%	106.34%	105.86%	105.32%	104.69%	104.00%	103.22%	102.36%	101.41%
Cumulative Cash Flow		6,675	8,965	11,115	13,102	14,904	16,495	17,849	18,940	19,739	20,218
Replacement Reserve											
Beginning Balance		15,000	18,360	21,833	25,422	29,130	27,861	31,715	35,695	39,805	44,048
Deposits/(Withdrawls)		3,000	3,045	3,091	3,137	(1,816)	3,232	3,280	3,330	3,379	(1,570)
Interest	2%	360	428	498	571	546	622	700	780	864	850
Ending Balance		18,360	21,833	25,422	29,130	27,861	31,715	35,695	39,805	44,048	43,328

[redacted] Limehurst M

Year		11	12	13	14	15	16	17	18	19	20
Residential Rent		105,512	107,095	108,701	110,332	111,987	113,666	115,371	117,102	118,859	120,641
Less Res Vacancy		(7,386)	(7,497)	(7,609)	(7,723)	(7,839)	(7,957)	(8,076)	(8,197)	(8,320)	(8,445)
Plus Other Income		0	0	0	0	0	0	0	0	0	0
Total Actual Income		98,126	99,598	101,092	102,608	104,148	105,710	107,295	108,905	110,538	112,196
Less Operating Expense		60,068	61,870	63,726	65,638	67,607	69,635	71,724	73,876	76,092	78,375
Less FmHA Reserves		554	554	554	554	554	554	554	554	554	554
Less Reserves		3,482	3,534	3,587	3,641	3,695	3,751	3,807	3,864	3,922	3,981
Net Operating Income		34,023	33,641	33,225	32,776	32,292	31,770	31,211	30,611	29,970	29,287
Less VHFA Debt Service		28,354	28,354	28,354	28,354	28,354	28,354	28,354	28,354	28,354	28,354
Less FmHA Debt Service		5,541	5,541	5,541	5,541	5,541	5,541	5,541	5,541	5,541	5,541
Cash Flow		128	(255)	(670)	(1,119)	(1,603)	(2,125)	(2,685)	(3,284)	(3,925)	(4,608)
Oper Subsidy		0	255	670	1,119	1,603	2,125	2,685	3,284	3,925	4,608
Net Cash		128	0	0	0	0	0	0	0	0	0
DCR		100.38%	99.25%	98.02%	96.70%	95.27%	93.73%	92.08%	90.31%	88.42%	86.40%
Cumulative Cash Flow		20,345	20,091	19,421	18,302	16,699	14,574	11,889	8,605	4,681	73
Replacement Reserve											
Beginning Balance		43,328	47,746	52,305	57,010	61,863	61,770	66,831	72,051	77,433	82,982
Deposits/(Withdrawls)		3,482	3,534	3,587	3,641	(1,305)	3,751	3,807	3,864	3,922	(1,019)
Interest	2%	936	1,026	1,118	1,213	1,211	1,310	1,413	1,518	1,627	1,639
Ending Balance		47,746	52,305	57,010	61,863	61,770	66,831	72,051	77,433	82,982	83,602

RESOLUTION PERTAINING TO RESOLUTION OF INTEREST
RE: LIMEHURST MOBILE HOME PARK (WILLIAMSTOWN)

WHEREAS, a proposal has been presented to the Agency by Central Vermont Community Land Trust, Inc., involving the acquisition and rehabilitation of Limehurst Mobile Home Park, a mobile home park containing 33 pads located on Route 14 in Williamstown (the "Development"); and

WHEREAS, the proposal contemplates a permanent mortgage loan of $281,000 with an amortization period of 30 years with a balloon payment at the end of 20 years, with the interest rate to be determined by the Agency depending on the source of funds; and

WHEREAS, the proposal also contemplates an additional construction loan of approximately $80,000 for a term of not more than one year at a rate of 8% per annum that will be replaced by a permanent loan from the Rural and Economic Development Authority; and

WHEREAS, Central Vermont Community Land Trust, Inc., will qualify as a housing sponsor within the meaning of the Vermont Housing Finance Agency Act (the "Act"); and

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

It is hereby DETERMINED:

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

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

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

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

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

6. The sponsor is a financially responsible organization.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a first mortgage loan to the Central Vermont Community Land Trust, Inc., for the acquisition and rehabilitation of the Limehurst Mobile Home Park in Williamstown in an amount not to exceed $281,000 and in providing an additional construction loan for water system improvements in an amount not to exceed $80,000, for which the Rural and Economic Development Authority will make a permanent loan replacing the Agency's loan. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The letter of interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, construction financing, or for other purposes with the consent of the Agency

2. The Executive Director is authorized, in his discretion, to issue a Commitment Letter (the "Commitment Letter") for the two loans for acquisition and rehabilitation of the Development, in an amount to be determined by the Executive Director, but not to exceed $281,000 and $80,000 upon satisfaction of conditions listed below for the issuance of a Commitment Letter.

3. The Commitment Letter shall be issued to Central Vermont Community Land Trust, Inc.

4. The commitment of the Agency shall be subject to receipt, on or before the date of the closing, of a commitment fee in an amount equal to one percent (1.0%) of the combined principal amount of the permanent and construction loans.

5. The Commitment Letter shall provide that the interest rate to be charged on the permanent mortgage loan shall be determined by the Agency depending on the source of funds, with the amortization of the loan to be calculated on a term of 30 years, but with a payment of all outstanding principal and accrued interest due after 20 years and that the interest rate to be charged on the construction loan shall be 8.0% per annum.

6. The Executive Director may, in his discretion, issue a Commitment Letter, if the items enumerated below have been satisfied, including, but not limited to any documents required being submitted in form and content acceptable to the Agency:

    (a) Updated CVCLT audited financial statements satisfactory to VHFA staff;

(b) Documentation of testing for volatile organic compounds from all three wells in the park, with the results of such tests being acceptable to the Agency;

(c) Documentation of testing for alternative leach field sites;

(d) Evidence of requisite financing in the form of commitment letters from all other funding sources;

(e) An Agreement regarding the developer's fee specifying the amount and timing of the fee; with a maximum amount of $82,500; and

(f) A revised development budget including an allowance for installing water saving fixtures in the homes in the Development as recommended in the engineering report submitted by Chenette Engineering.

7. The Commitment Letter will be conditioned on the satisfaction by the Developer of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.

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

T:\devel\limeint.res

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

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

DATE: March 8, 1994

RE: Westview Terrace, Springfield - Multifamily Phase

THE DEVELOPMENT

1. General Description

Westview Terrace is a large rental development currently consisting of 106 units in 31 buildings near Route 106 in Springfield. The sponsor, Realty Resources, Chartered of Rockport, Maine, has signed an option agreement with The Merchants Bank, the current owner. The sponsor has developed five Farmers Home 515 rental housing projects which have received tax credit allocations from VHFA.

The sponsor intends to divide the project into two phases, one for single family housing and one for multifamily. On the single family site, all nine existing structures will be demolished and some sitework will be done. This current proposal does not include the costs or revenues of the single family phase. In the multifamily phase, the sponsor intends to demolish seven complete buildings and a portion of one other. The completed multifamily phase of this project will consist of 58 units in 15 renovated buildings, a new community building, and a maintenance building.

In addition to the application for permanent first mortgage financing, the sponsor has applied to VHFA for second mortgage financing, an allocation of Low Income Housing Tax Credits, and a bridge loan (see Section 2 of this memo, "Projected Funding Sources"). At this time, however, numerous financing assumptions and sources need to be more fully developed, and only the first mortgage financing request is being brought to the Board for action. It is important to stress that the proposal is still preliminary. The request for permanent first mortgage financing will be brought back before this Board for a Letter of Commitment, along with the bridge loan and second mortgage financing requests.

A summary of sources and uses of funds, rents, operating expenses, and financial projections is attached.

2. Projected Funding Sources

	Amount	Percent
VHFA First Mortgage	$450,000	10.71%
VHFA Second Mortgage	358,126	8.52%
VHCB Grant*	450,000	10.71%
VHCB Lead Paint Grant	203,000	4.83%
CDBG Grant	350,000	8.33%
Tax Credit Equity	2,335,374	55.56%
Project Cash Flow	56,800	1.35%
Totals	$4,203,300	100.00%

* At this time only the VHCB grant of $450,000 has been committed.

The sponsor will apply for CDBG funds for the June 1995 funding round. The VHCB Lead Paint Grant eligibility will depend on results of the lead testing, which is anticipated to be done by March 20. VHCB staff have indicated that approval of the Lead Paint Grant could follow quickly if all of the program requirements are met.

The VHFA bridge loan (estimated at $1.2 million) would be for an intermediate term (seven to eight years), to cover the period over which tax credit investors would pay in to the equity fund. Enterprise Social Investment Corporation (ESIC) is the proposed syndicator. If VHFA is able to negotiate reasonable loan terms with the sponsor and ESIC, the project would benefit from a "net yield from syndication" that is higher than the national equity markets can usually provide. This would mean more tax credit equity, and less debt or grant funds needed.

In the application, the source of construction financing listed is the same as the seller, the Merchants Bank. Realty Resources has used Merchants Bank as a source of construction financing on many of its other developments. In the budget submitted, however, the fees and interest rate seem to be high (two point origination fee, 9.75% rate), and staff will request the sponsor to renegotiate for more competitive terms or seek another source.

3. Unit Breakdown and Rents

The proposed unit breakdown is as follows:

	Units	Rents	Sq. Ft.
One Bedroom	9	$311 / $345	528
One Bedroom Handicapped	3	311 / 345	528
Two Bedroom	16	371 / 412	782
Three Bedroom	24	429 / 476	1,012
Four Bedroom	4	479 / 531	1,101
Four Bedroom Handicapped	2	479 / 531	+/-1,300
Totals	58		

The completed development will have 14 four-unit buildings and one two-unit building. Tenants will pay for electricity and the owner will pay for oil heat and hot water. Half of the units at each bedroom size will have rents set at levels affordable to households earning no more than 50% of the Area Median Gross Income (AMGI). The remaining rents would be set at levels affordable to 55% of AMGI. In order to qualify for the amount of tax credits requested, all of the units would have to be occupied by households earning no more than 60% of AMGI.

There are approximately 38 households with Section 8 Certificates or Housing Vouchers, which are forms of tenant-based rental assistance. These tenants pay 30% of their household income towards rent and utilities, and the Section 8 contract pays the difference between this amount and the "contract rent" on the unit. Because the Section 8 contract rents are higher than those proposed by the sponsor, the project has the potential to generate substantial cash flows. However, because these rental assistance contracts are only for five year terms, and because the tenants would take the assistance with them if they moved out of the project, all 38 units cannot be counted as Section 8 units in underwriting the project. As a more conservative estimate, the sponsor has proposed and we have agreed to include 12 units at the Section 8 rents in our underwriting.

4. Site/Location

The site is located north of Route 106 in Springfield (see attached location map). The total site is 16.08 acres excluding road right-of-ways (the project is located on a town-owned cul-de-sac). The single family phase is 3.65 acres and the multifamily phase is 12.43 acres; the terrain is flat. The site is located less than one mile from the center of town.

5. Renovation Plan

The buildings need extensive renovations. They were originally constructed as temporary housing during World War II, and the structures are not on permanent foundations. The construction budget includes jacking up the buildings, pouring full frostwall foundations, and replacing the rotted sills. Approximately half of the buildings have flat roofs, which will be replaced with gable roofs. Roofing, siding, doors, windows, electrical and mechanical systems will be either completely replaced or upgraded. Five of the completed units will be fully handicapped accessible. The sponsor has submitted preliminary plans and specifications.

The sponsor does not intend to competitively bid the general contract, but will use Pen-Bay Builders, an identity-of-interest general contractor (Pen-Bay and Realty Resources are both owned by the same individual, Joseph Cloutier). All of the construction subcontracts will be competitively bid. The VHCB commitment requires that the grantee obtain independent third party cost estimates. The Low Income Housing Tax

Credit Allocation Plan contains limits on builder's overhead, builder's profit, and general requirements. The sponsor is proposing that the final project audit and certification of cost be used by VHFA to verify that the hard costs are "reasonable" (i.e., within the limits). VHFA may require an independent review of plans and specifications and will coordinate with VHCB on the third party cost estimate.

Because of the extensive rehabilitation, tenants will be temporarily relocated to other buildings on-site during construction. A few households have higher incomes than qualify for the tax credits, and these households will be offered permanent relocation benefits, in accordance with the federal Uniform Relocation Act. The cost of this temporary and permanent relocation will be paid for out of operating cash flow during the construction period. VHFA staff is evaluating the feasibility of this proposal.

6. Loan to Value

An appraisal has been commissioned and has not yet been completed. The maximum first mortgage loan amount proposed is $450,000. The actual loan amount will depend upon the availability of other sources of financing and final rent and operating expense projections. A loan of $450,000 would have a loan-to-total development cost ratio of approximately 11%. The combined ratio from both the first mortgage and the proposed second mortgage is approximately 21%. Assuming both the first and second mortgages are made at the current proposed levels, and that the bridge loan is also made, the most VHFA would have out on the project at any one time would be approximately $2.05 million, or 49% of total development cost.

At this time the proposed source of funds for the second mortgage loan is Section 8 bond refunding proceeds. The application for approval of the bond refunding and use of savings has been made to the U.S. Department of Housing and Urban Development (HUD) and staff anticipates a bond sale possibly as early as May of 1995. The rate and term of the second mortgage in the attached proforma are preliminary pending further review and negotiation, and are subject to Board approval of the use of bond refunding proceeds and specific Board approval of the second mortgage loan.

7. Management

Springfield Housing Authority (SHA) is the proposed management entity. SHA is currently administering the tenant-based rental assistance to most of the households in the project and is currently managing the project on behalf of the Merchants Bank. Bill Morelock is the Executive Director of SHA; he has been working with the tenants at Westview for over one year, and his involvement is considered by many to be a stabilizing influence on the project.

Because this is a tax credit project, the ownership entity would be a partnership. Springfield Housing Unlimited (SHU), a 501(c)3 non-profit that is wholly owned by the

SHA, and Realty Resources would be co-general partners. In addition, SHU would have an option to purchase the project after the initial 15 year tax credit compliance period.

The sponsor has expressed an intent to have a social service component of the project, and has included an office in the community building for this purpose. VHFA staff feel that this will contribute greatly to the project's success. The operating budget does not have a line item for social services, however, and one proposal the sponsor has made is to pay for the social services out of the project's cash flow. A second alternative discussed has been to utilize some outside source of subsidy to pay for ongoing social services. Given that VHFA's secondary debt service may be paid for out of cash flow, staff is recommending the sponsor pursue an outside source of operating funds for the social service component.

8. Market Demand

The sponsor has submitted a market study. Fifty-four of the units at the project are currently occupied and the market study estimated that at least 75% of the households that would occupy the completed project are current tenants. This assumption seems realistic: 39% of the tenants at the park have lived there for over five years, 44% have lived there for three to five years, and 17% have lived there for two years or less. There are actually four households that have lived at this project for over 20 years. Based on anecdotal evidence, many households consider this development their permanent home. Although the Springfield rental housing market is not considered strong, the project has features which should help it thrive. The market analysis indicates that the proposed rents would be approximately 15% - 20% below the market rates for similar sized units in the area, and that this rent differential, combined with the good condition of the completed project, would make the project "very competitive." The study concludes that the units not occupied by current households upon completion of the renovations should rent up within a three month period.

9. Environmental Concerns

A Level I Environmental Site Assessment has been completed and submitted with no major findings. The assessment generally does not test for either lead paint or asbestos. One of the proposed funding sources is a $203,000 grant, administered through VHCB, for the remediation of lead paint hazards. Lead paint testing is being done in accordance with the requirements of this program, and the same consultant who is performing the lead tests is also testing various materials for asbestos. It is very likely that both lead and asbestos are present in these structures in some form, and the renovations will have to abate these potential hazards.

The State Historic Preservation Office (SHPO) initially had concerns about the proposed renovations at this project, which is just old enough to trigger SHPO involvement. The sponsor has negotiated with the SHPO a solution that involves documenting the history

of the project. The sponsor's architect will coordinate with the SHPO. The sponsor believes that the physical structures themselves are in too poor a condition to justify any historic preservation measures on the buildings themselves.

DISCUSSION

Strengths

a) The project has been allowed to deteriorate both physically and from a management and ownership perspective for years. Undertaking these renovations would greatly improve the quality of life for tenants there as well as the stock of affordable housing in the Springfield area. For a project of this size, marketability issues appear to be relatively minor. A reduction in density at the site coupled with an ultimate mix of rental and owner-occupied housing will make this project both marketable and financially feasible.

b) The project has a substantial number of households with tenant-based Section 8 rental assistance, and given the renovation and the involvement of the Springfield Housing Authority, it is likely that the presence of Section 8 tenants will continue. The rent differential between Section 8 Fair Market Rents and the sponsor's proposed rents provide a source of revenue that will benefit the project.

c) A non-profit co-general partner that will have an option to purchase the project ensures that long term affordability will be maintained. In addition, a proposed management entity with proven capacity and history at the project should make the transition of ownership, rehabilitation, and long term operation relatively smooth.

Weaknesses

a) Commitments for all of the proposed funding sources, with the exception of the $450,000 VHCB grant, need to be secured. In the event that all of the proposed sources cannot be obtained, alternative sources will need to be explored. Even if the proposed sources as listed are obtained, there are other financing and related issues to be resolved: What social services will be provided and how will they be paid for? Will the VHFA second mortgage debt service ultimately be repaid from cash flow or as a budgeted operating expense?

b) The project has a substantial number of households on tenant-based rent assistance. The potential for cash flow is higher because of this, but at the same time there are risks associated with this type of subsidy. Balancing the

use of this cash flow, should it be generated, against the reliance upon it (only to have it not materialize), is important.

RECOMMENDATION

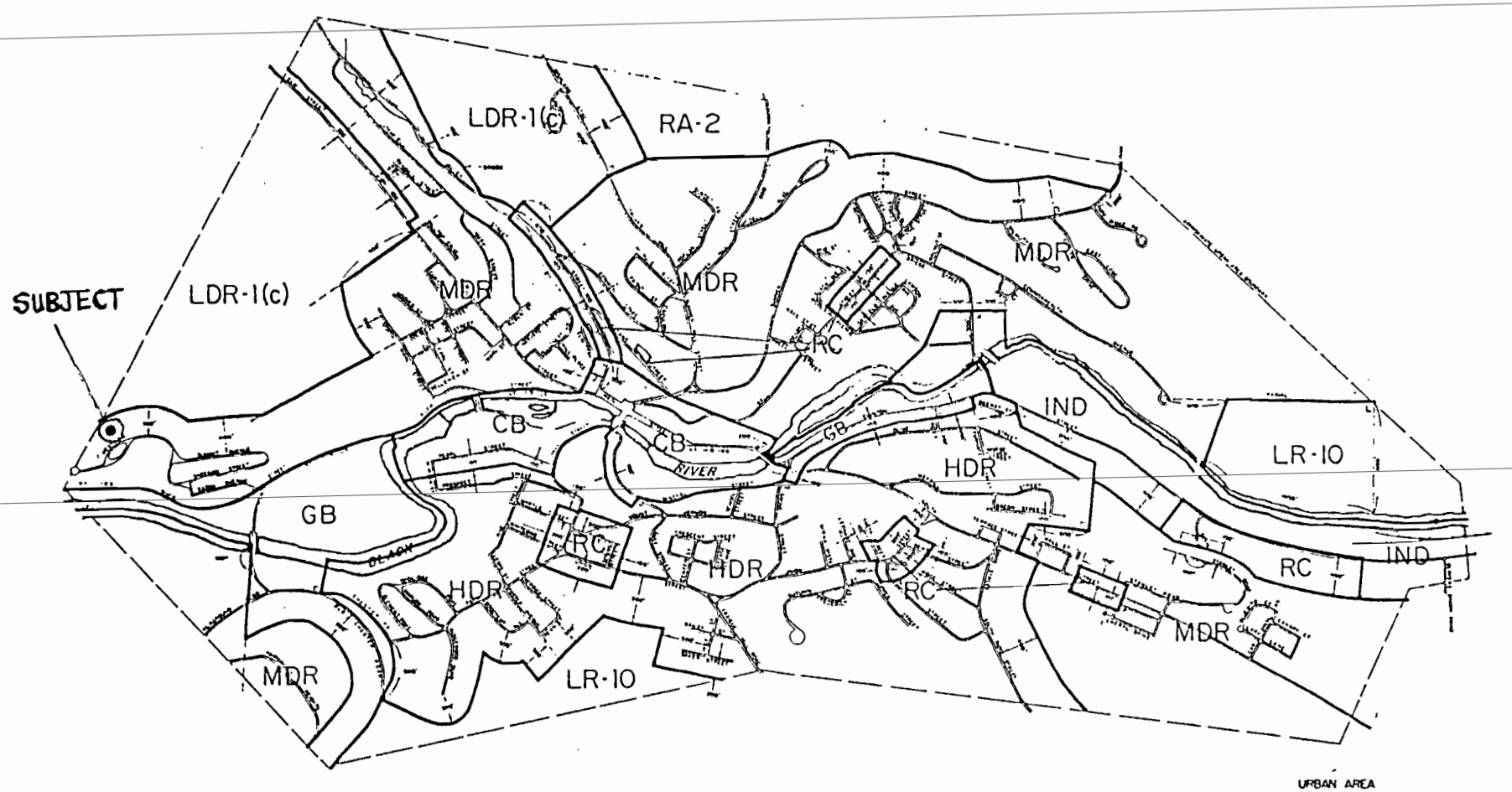
Staff recommends that the Board issue a Resolution for a Letter of Interest to provide permanent first mortgage financing for the Westview Terrace project in an amount up to $450,000 with a 30 year amortization and a term of up to 25 years; the rate will be based upon the funding source, currently proposed to be taxable bond proceeds or Federal Home Loan Bank funds. The transaction is contingent upon the sponsor providing the following:

1) commitments of requisite financing, with the amount and terms of such financing to be as shown on the attached development budget dated March 6, 1995, or their equivalent;

2) a plan describing the social services to be provided to the tenants at the project and how these services will be funded;

3) documentation for all costs in the development and operating budgets;

Staff will bring the financing package to the Board for commitment when the terms of the second mortgage financing and bridge loan are determined.



ZONING MAP

LEGEND

LDR-1(c)	LOW DENSITY RESIDENTIAL ONE ACRE - conditional
MDR	MEDIUM DENSITY RESIDENTIAL
HDR	HIGH DENSITY RESIDENTIAL
RA-2	RESIDENTIAL - AGRICULTURAL TWO ACRE - conditional
GB	GENERAL BUSINESS
CB	CENTRAL BUSINESS
RC	RESIDENTIAL - COMMERCIAL
LR-10	LAND RESERVE TEN ACRE
IND	INDUSTRIAL

SCALE IN FEET

URBAN AREA

SPRINGFIELD

WINDSOR COUNTY

VERMONT

HAMS KLUMPER ASSOCIATES - CONSULTANTS

CPA 81-36-1002 (3K)

S:\DEVEL\LIHTC\PROJECTS\WESTTERR.WQ1

Project:	Westview Terrace	RUN DATE:	09-Mar-95
Total Residential Units:	58	Increase LIHTC	1.50%
Restricted Units:	58	Increase Market	1.50%
Percent Restricted:	100.00%	Expense increase:	3.00%
Avg Net Monthly Rent:	409	Vacancy Rate:	5.00%
Total Dev Costs	4,203,300	Partner's Tax Rate:	34.00%
TDC/Unit	72,471	Depreciation Schedule:	27.5
		Sponsor's Estimated Yield:	59.48%
		% of operating cash	
Total Credit Amount	379,612	put into cumulative cash:	75%
Net Syndication	2,335,374		
LIHTC - 9%	8.85%	(March '95)	
LIHTC - 4%	3.79%		

FINANCING SOURCES

	Amount	% of TDC	Interest	Term	Amortization	
VHFA Primary debt	450,000	10.71%	9.75%	25	30	
CDBG	350,000	8.33%	0.00%	15	*	
Lead Paint grant	203,000	4.83%	0.00%	30	grant	
VHFA Secondary Debt	358,126	8.52%	0.00%	30	to be repaid from cash flow	
VHCB grant	450,000	10.71%	0.00%	30	grant	
Cash Flow	56,800	1.35%	N/A	N/A		
Tax Credit Equity	2,335,374	55.56%	N/A	N/A		
	4,203,300	100.00%				
Gap/(Surplus)	0					

L.P. Capital Contrib.	2,235,374
G.P. Capital Contrib.	100,000
Total Equity	2,335,374

ASSUMPTIONS:

Social Services paid out of a separate funding source

VHFA Secondary Debt Service paid out of net cash flow

* Deferred, interest accruing, 15 yrs then 15 year amortization

VHCB funds structured to be in basis

Westview Terrace	DEVELOPMENT BUDGET				08-Mar-95
		Budget	Per Unit	Per s.f.	Acquisition Credit	Rehab/Const Credit
ACQUISITION & CONSTRUCTION						
Land		125,000	2,155	2.49		
Purchase of Building(s)		450,000	7,759	8.97	450,000	
Demolition		15,000	259	0.30		
Rehabilitation (inc. contingency)		1,723,550	29,716	34.37		1,723,550
New Buildings			0	0.00		0
PERMITS		20,000	345	0.40		20,000
Sitework		226,000	3,897	4.51		226,000
Builder's O/H, Profit, Gen. Req.	11.15%	285,450	4,922	5.69		285,450
	0.00%		0	0.00		0
	0.00%		0	0.00		0
	0.00%		0	0.00		0
			0	0.00		0
Subtotal		2,845,000	49,052	56.74	450,000	2,255,000
PROFESSIONAL SERVICES						
Architect Fee		110,000	1,897	2.19		110,000
SURVEY		5,000	86	0.10		5,000
Attorney		26,000	448	0.52		26,000
Legal - Title & Recording		8,000		0.16		8,000
ACCOUNTING		5,000	86	0.10		5,000
Subtotal		154,000	2,517	3.07	0	154,000
INTERIM COSTS						
CONSTRUCTION LOAN INSPECTIONS		2,500	43	0.05		2,500
Construction Interest		126,000	2,172	2.51		126,000
Construction Loan Origination Fee		42,000	724	0.84		42,000
Taxes			0	0.00		0
Subtotal		170,500	2,940	3.40	0	170,500
OTHER SOFT COSTS						
Property Appraisal			0	0.00		0
RELOCATION		56,800	979	1.13		56,800
Market Study/Appraisal		7,000	121	0.14		7,000
Environmental Report			0	0.00		0
Tax Credit Fees		16,000	276	0.32		16,000
Marketing		15,000	259	0.30		
Subtotal		94,800	1,634	1.89	0	79,800
FINANCING FEES & EXPENSES						
Credit Report			0	0.00		
Permanent Loan Origination Fee		8,000	138	0.16		
Construction Guarantee Fee		7,150	123	0.14		7,150
Cost of Issuance			0	0.00		
Title & Recording		10,000	172	0.20		
Counsel's Fee			0	0.00		
Soft Cost Contingency		207,850	3,584	4.15		167,850
Subtotal		233,000	4,017	4.65	0	175,000
SYNDICATION COSTS						
Organizational (Partnership)		30,000	517	0.60		
Bridge Loan Fees & Expenses			0	0.00		
Tax Opinion			0	0.00		
Subtotal		30,000	517	0.60	0	0
DEVELOPER'S FEES						
Developer's Overhead & Profit		520,000	8,966	10.37		520,000
Consultant Fees			0	0.00		0
Subtotal	14.74%	520,000	8,966	10.37	0	520,000
PROJECT RESERVES						
Rent-up (Deficit Escrow) Reserve			0	0.00		
Replacement Reserve			0	0.00		
Working Capital			0	0.00		
Operating Reserve/Sinking Fund		156,000	2,690	3.11		
Subtotal		156,000	2,690	3.11	0	0
TOTAL DEVELOPMENT COSTS		4,203,300	72,471	83.83	450,000	3,354,300
LESS:	Amount of Non-qualified Financing					203,000
LESS:	Historic tax Credit (Residential Portion)					
			Total Eligible Basis		450,000	3,151,300
TIMES:	Adjusted for QCT/DDA			130.0%		4,096,690
TIMES:	Applicable Fraction			100.00%	450,000	4,096,690
			Total Qualified Basis		450,000	4,096,690
TIMES:	Applicable Percentage				3.79%	8.85%
			Total Annual Credit Qualified		17,055	362,557

Total Tax Credits Requested		385,518
Estimated Net Syndi. Proceeds	2,293,082	
Estimated Yield - LIHTC Syndi.	59.48%	
Equity Gap	2,335,374	
Credits Needed to fill Equity Gap		392,628

379,612

Westview Terrace	INCOME & EXPENSE BUDGET	08-Mar-95

INCOME

RENTS

Restricted Units

Bedrooms	Type	Sq.Feet	Number	Rent	Utilities	Total Annual Rent
1 Br	50% MAI		5	311	28	18,660
2 Br	50% MAI		5	371	35	22,260
3 Br	50% MAI		11	429	40	56,628
4 Br	50% MAI		2	479	45	11,496
1 Br	55% MAI		5	345	28	20,700
2 Br	55% MAI		5	412	35	24,720
3 Br	55% MAI		11	476	40	62,832
4 Br	55% MAI		2	531	45	12,744
	Sec. 8		12	485		69,840
	Totals	0	58			299,880

Market Rate Units

Bedrooms	Type	Sq.Feet	Number	Rent	Utilities	Total Annual Rent
1 Br			0	0		0
2 Br			0	0		0
3 Br			0	0		0
	Totals	0	0			0

All Units

	Grand Totals	50,140	58			299,880
		Less Vacancy	5.00%			(14,994)
					NET RENT	284,886
		OTHER INCOME				
		Interest Income				0
		Laundry				2,900
					ADJUSTMENT	1,448
		Total Other Income				4,348
					TOTAL INCOM	289,234

Westview Terrace	EXPENSE BUDGET			08-Mar-95
	Annual	Monthly	Per Unit Per Month	
Administration				
Management Fee	31,320	2,610	45	10.4%
Marketing	2,900	242	4	
Audit/Accounting	4,000	333	6	
Legal	1,500	125	2	
Office Expense		0	0	
Telephone		0	0	
Office Payroll		0	0	
Rent		0	0	
Compliance Monitoring	1,392	116	2	
Other		0	0	
TOTAL ADMINISTRATIV	41,112	3,426	59	
Utilities				
Water/Sewer	13,050	1,088	19	
Electric		0	0	
Fuel	35,500	2,958	51	
Other		0	0	
TOTAL UTILITIES	48,550	4,046	70	
Maintenance				
Maintenance Payroll		0	0	
Supplies		0	0	
Trash Removal	12,992	1,083	19	
Snow/Grounds		0	0	
Repairs	37,300	3,108	54	
Paint/Decorating		0	0	
Exterminating		0	0	
Contract Maintenance		0	0	
Equipment Debt		0	0	
Service Lease		0	0	
Other		0	0	
TOTAL MAINTENANCE	50,292	4,191	72	
Taxes	40,600	3,383	58	
Insurance	6,000	500	9	
Replacement Reserves	11,210	934	16	
Other	4,764	397	7	
Total	202,528	16,877	291	

09-Mar-95 Westview Terrace — PRO FORMA

		Year 1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Residential Rent		299,880	304,378	308,944	313,578	318,282	323,056	327,902	332,820	337,813	342,880	348,023	353,243	358,542	363,920	369,379
Less Res Vacancy		(14,994)	(15,219)	(15,447)	(15,679)	(15,914)	(16,153)	(16,395)	(16,641)	(16,891)	(17,144)	(17,401)	(17,662)	(17,927)	(18,196)	(18,469)
Plus Other Income		4,348	4,413	4,479	4,547	4,615	4,684	4,754	4,826	4,898	4,971	5,046	5,122	5,199	5,277	5,356
Total Actual Income		289,234	293,573	297,976	302,446	306,982	311,587	316,261	321,005	325,820	330,707	335,668	340,703	345,813	351,001	356,266
Less Operating Expense		191,318	197,058	202,969	209,058	215,330	221,790	228,444	235,297	242,356	249,627	257,115	264,829	272,774	280,957	289,386
Less Reserves		11,210	11,378	11,549	11,722	11,898	12,076	12,257	12,441	12,628	12,817	13,010	13,205	13,403	13,604	13,808
Net Operating Income		86,706	85,137	83,458	81,665	79,754	77,721	75,560	73,267	70,836	68,263	65,543	62,669	59,637	56,440	53,072
Less: VHFA primary DS		46,394	46,394	46,394	46,394	46,394	46,394	46,394	46,394	46,394	46,394	46,394	46,394	46,394	46,394	46,394
Lead Paint Loan DS		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CDBG Repayment		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
VHFA Second DS		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash Flow		40,312	38,742	37,064	35,271	33,360	31,326	29,165	26,872	24,442	21,869	19,148	16,275	13,242	10,045	6,678
Operating Subsidy		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash		40,312	38,742	37,064	35,271	33,360	31,326	29,165	26,872	24,442	21,869	19,148	16,275	13,242	10,045	6,678
DCR before subsidy		186.89%	183.51%	179.89%	176.02%	171.91%	167.52%	162.86%	157.92%	152.68%	147.14%	141.27%	135.08%	128.54%	121.65%	114.39%
DCR after subsidy	105.0%	186.89%	183.51%	179.89%	176.02%	171.91%	167.52%	162.86%	157.92%	152.68%	147.14%	141.27%	135.08%	128.54%	121.65%	114.39%
USES OF NET CASH:																
VHFA Second DS		11,938	11,938	11,938	11,938	11,938	11,938	11,938	11,938	11,938	11,938	11,938	11,938	11,938	10,045	6,678
Cumulative Cash		28,374	26,805	25,126	23,333	21,423	19,389	17,228	14,935	12,504	9,931	7,211	4,337	1,305	0	0
Social Services		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL:		40,312	38,742	37,064	35,271	33,360	31,326	29,165	26,872	24,442	21,869	19,148	16,275	13,242	10,045	6,678
CUMULATIVE CASH FLOW:																
Beginning Balance		117,000	148,884	180,156	210,686	240,340	268,973	296,431	322,552	347,163	370,083	391,116	410,061	426,700	440,806	454,030
Deposits		28,374	26,805	25,126	23,333	21,423	19,389	17,228	14,935	12,504	9,931	7,211	4,337	1,305	0	0
Interest	3.0%	3,510	4,467	5,405	6,321	7,210	8,069	8,893	9,677	10,415	11,102	11,733	12,302	12,801	13,224	13,621
Withdrawls (Subsidy)		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance		148,884	180,156	210,686	240,340	268,973	296,431	322,552	347,163	370,083	391,116	410,061	426,700	440,806	454,030	467,651
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Net Operating Income		86,706	85,137	83,458	81,665	79,754	77,721	75,560	73,267	70,836	68,263	65,543	62,669	59,637	56,440	53,072
Plus Reserves		11,210	11,378	11,549	11,722	11,898	12,076	12,257	12,441	12,628	12,817	13,010	13,205	13,403	13,604	13,808
Less Interest Expense		(43,759)	(43,491)	(43,194)	(42,868)	(42,509)	(42,112)	(41,676)	(41,194)	(40,664)	(40,080)	(39,436)	(38,726)	(37,944)	(37,083)	(36,133)
Less Depreciation		(138,164)	(138,164)	(138,164)	(138,164)	(138,164)	(138,164)	(138,164)	(138,164)	(138,164)	(138,164)	(138,164)	(138,164)	(138,164)	(138,164)	(138,164)
Taxable Income (Loss)		(84,007)	(85,139)	(86,351)	(87,644)	(89,020)	(90,479)	(92,022)	(93,650)	(95,364)	(97,163)	(99,047)	(101,016)	(103,068)	(105,203)	(107,417)
Cash Flow		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings		28,562	28,947	29,359	29,799	30,267	30,763	31,287	31,841	32,424	33,035	33,676	34,345	35,043	35,769	36,522
Plus Tax Credits		379,612	379,612	379,612	379,612	379,612	379,612	379,612	379,612	379,612	379,612					
Plus Historic Tax Credit		0														
Less Cap Gain Tax																0
After Tax Cash Flow	(2,335,374)	408,174	408,559	408,972	409,411	409,879	410,375	410,900	411,453	412,036	412,647	33,676	34,345	35,043	35,769	36,522
Total 15 years		4,277,761												Original Basis		4,203,300
Internal Rate of Return:	12.21%													Less Depreciation		(2,072,455)
														Basis at Sale		2,130,845
														Sales Price		894,018
														Gain		(1,236,828)
														Tax	34.00%	0
Current Cash Flows		408,174	408,559	408,972	409,411	409,879	410,375	410,900	411,453	412,036	412,647	33,676	34,345	35,043	35,769	36,522
Future Value of Cash Flows at Yr 15:		1,994,794	1,782,746	1,593,343	1,424,157	1,273,021	1,138,002	1,017,372	909,592	813,286	727,226	52,990	48,253	43,958	40,061	36,522
Total Years	15	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Reinvestment Rate	12.00%															
LIHTC Pay Ins	85%, 8%, 7%	(1,985,068)	(186,830)	(163,476)												
Present Value of Pay Ins		(1,985,068)	(166,812)	(130,322)												
Cash Flows		(2,282,202)	0	0	0	0	0	0	0	0	0	0	0	0	0	12,895,323
IRR	13.17%															

09-M	Westview Terr								PRO FORMA	09-Mar-95
Year	16	17	18	19	20	21	22	23	24	25
Residential Rent	374,920	380,543	386,252	392,045	397,926	403,895	409,953	416,103	422,344	428,679
Less Res Vacancy	(18,746)	(19,027)	(19,313)	(19,602)	(19,896)	(20,195)	(20,498)	(20,805)	(21,117)	(21,434)
Plus Other Income	5,436	5,518	5,600	5,684	5,770	5,856	5,944	6,033	6,124	6,215
Total Actual Income	361,610	367,034	372,539	378,127	383,799	389,556	395,400	401,331	407,351	413,461
Less Operating Expense	298,067	307,009	316,220	325,706	335,477	345,542	355,908	366,585	377,583	388,910
Less Reserves	14,015	14,225	14,439	14,655	14,875	15,098	15,325	15,555	15,788	16,025
Net Operating Income	49,527	45,799	41,881	37,766	33,447	28,916	24,167	19,191	13,980	8,526
Less: VHFA primary DS	46,394	46,394	46,394	46,394	46,394	46,394	46,394	46,394	46,394	46,394
Lead Paint Loan DS	0	0	0	0	0	0	0	0	0	0
CDBG Repayment	23,333	23,333	23,333	23,333	23,333	23,333	23,333	23,333	23,333	23,333
VHFA Second DS	0	0	0	0	0	0	0	0	0	0
Cash Flow	(20,200)	(23,928)	(27,847)	(31,962)	(36,281)	(40,811)	(45,561)	(50,537)	(55,748)	(61,202)
Operating Subsidy	23,687	27,415	31,333	35,448	39,767	44,298	49,047	54,023	59,234	64,688
Net Cash	3,486	3,486	3,486	3,486	3,486	3,486	3,486	3,486	3,486	3,486
DCR before subsidy	71.03%	65.68%	60.06%	54.16%	47.97%	41.47%	34.66%	27.52%	20.05%	12.23%
DCR after subsidy 105.0%	105.00%	105.00%	105.00%	105.00%	105.00%	105.00%	105.00%	105.00%	105.00%	105.00%
USES OF NET CASH:										
VHFA Second DS	3,486	3,486	3,486	3,486	3,486	3,486	3,486	3,486	3,486	3,486
Cumulative Cash	0	0	0	0	0	0	0	0	0	0
Social Services	0	0	0	0	0	0	0	0	0	0
TOTAL:	3,486	3,486	3,486	3,486	3,486	3,486	3,486	3,486	3,486	3,486
CUMULATIVE CASH FLOW:										
Beginning Balance	467,651	457,283	442,764	423,774	399,976	371,015	336,519	296,096	249,335	195,804
Deposits	0	0	0	0	0	0	0	0	0	0
Interest 3.0%	13,319	12,896	12,343	11,650	10,806	9,802	8,624	7,262	5,703	3,933
Withdrawls (Subsidy)	(23,687)	(27,415)	(31,333)	(35,448)	(39,767)	(44,298)	(49,047)	(54,023)	(59,234)	(64,688)
Ending Balance	457,283	442,764	423,774	399,976	371,015	336,519	296,096	249,335	195,804	135,050

Net Operating Income	
Plus Reserves	
Less Interest Expense	
Less Depreciation	
Taxable Income (Loss)	
Cash Flow	
Plus Tax Savings	
Plus Tax Credits	
Plus Historic Tax Credit	
Less Cap Gain Tax	
After Tax Cash Flow	(2,335,374)
Total 15 years	
Internal Rate of Return:	12.21%

Current Cash Flows	
Future Value of Cash Flows at Yr 15:	
Total Years	15
Reinvestment Rate	12.00%
LIHTC Pay Ins	85%, 8%, 7%
Present Value of Pay Ins	
Cash Flows	
IRR	13.17%

RESOLUTION PERTAINING TO RESOLUTION OF INTEREST
RE: WESTVIEW TERRACE (SPRINGFIELD)

WHEREAS, a proposal has been presented to the Agency by Realty Resources, Chartered, of Rockport, Maine, (the "Sponsor") involving the acquisition and rehabilitation of Westview Terrace, a rental development in Springfield currently containing 106 units in 31 buildings located north of Route 106 in Springfield (the "Property"); and

WHEREAS, the Sponsor's proposal contemplates dividing the Property into two sections: one for multi-family housing to include 58 units in 15 buildings (the "Development") and the second for single family housing, which at this time will not involve the Agency or the proposed loan; and

WHEREAS, the proposal contemplates a permanent mortgage loan of up to $450,000 with an amortization period of 30 years with a term of up to 25 years, with the interest rate to be determined by the Agency depending on the source of funds; and

WHEREAS, the proposal also contemplates an second mortgage loan of up to $400,000 from the Agency and a bridge loan for tax credit equity, which elements are not being recommended by staff at present; and

WHEREAS, the Sponsor proposes to create a limited partnership with the Sponsor and Springfield Housing Unlimited, a non-profit corporation wholly owned by the Springfield Housing Authority as co-general partners; and

WHEREAS, the proposed 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;

It is hereby DETERMINED:

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

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

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

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

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

6. The Sponsor is a financially responsible organization and the proposed ownership entity is expected to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

The Executive Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a first mortgage loan to Realty Resources, Chartered, as representative of a to-be-formed limited partnership whose general partners will be Realty Resources, Chartered, and Springfield Housing Unlimited, a non-profit corporation wholly owned by the Springfield Housing Authority for the acquisition and rehabilitation of the Westview Terrace Development in Springfield in an amount not to exceed $450,000. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The letter of interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, construction financing, or for other purposes with the consent of the Agency.

T:\devel\sprngint.res

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Irene Jenkins, Director of Development
Joe Erdelyi, Multi-Family Development Underwriter
Paul Cummings, Development Assistant

DATE: March 10, 1995

RE: March 1995 LIHTC Reservations

VHFA evaluated six applications for tax credits in the March round, the first round of 1995. The attached project summary sheet shows the relevant data for each project. In all, $761,536 (99%) of the state's total credit ceiling of $772,264 was requested. Of the six applications received, five were recommended for tax credit reservations. The balance of the credit authority remaining for allocation in 1995 will be $233,638 if credits are reserved at the recommended levels. All of the tax credit units in all of the projects are at or below the maximum tax credit income and rent limits.

The Joint Committee on Tax Credits is scheduled to meet on March 15, 1995. If the Joint Committee endorses the staff recommendation, we request Board approval of the tax credit reservations.

RECOMMENDED BOARD ACTION

Staff requests Board approval of the attached-described reservations, subject to payment by the sponsors of required reservation fees, and of allocations subject to the conditions described below. This recommendation is conditioned upon Joint Committee endorsement of the staff recommendation.

PROJECT SUMMARIES

Name:	Westview Terrace
Location:	Springfield
Sponsor:	Realty Resources, Chartered
Unit Breakdown:	58 total: Twelve 1-Bedroom, 528 square feet; sixteen 2-Bedroom, 782 square feet; twenty-four 3-Bedroom, 1,012 square feet; six 2-Bedroom, 1,101 square feet; Three 1-Bedroom units and two 4-Bedroom units will be handicapped accessible.
Cost:	$4,203,300 total; $72,471/unit; $45/s.f. hard construction cost
Income Targeting:	Half of the units below 50% of Area Median Income; half below 55% of Area Median Income

The proposed project is located near Route 106 in Springfield. The sponsor has applied for financing from VHFA, VHCB, and CDBG funds from DCA (see attached pro-forma). The project involves an overall reduction in density from 106 units to 58 rental units and a single family development on an adjacent parcel. The buildings were constructed as temporary housing during World War II, and they need extensive renovations. The structures are not situated on permanent foundations, and about half of the buildings have flat roofs. The rehabilitation includes full frostwall foundations, gable roofs, and complete interior and exterior renovations. The only source of funds committed currently is the $450,000 VHCB grant. The project is expected to receive a letter of interest for a first mortgage loan from VHFA at its March Board meeting, and the CDBG funds will be pursued in the June funding round.

The project has a number of objectives to accomplish before the tax credit budget as proposed can be realized. The $450,000 VHCB funds are shown as a grant; usually any costs that are funded with grants cannot be included in eligible basis. It is the sponsor's proposal to establish a structure wherein the grantee and the taxpayer are not the same entity (the $450,000 would be granted to Springfield Housing Unlimited, a 501(c)3 non-profit and co-general partner, who would in turn make an interest-free deferred loan to the partnership). Staff is recommending an attorney or tax accountant's opinion letter regarding the feasibility of this structure under the Code.

The sponsor is also requesting tax credits on acquisition costs. However, a project that has been placed in service as housing within the last ten years does not generally qualify for acquisition credits. A waiver, which the sponsor has requested, may be obtained from the Secretary of the Treasury. The acquisition credits will be conditioned upon the receipt of such a waiver.

The sponsor is proposing that Pen-Bay Builders, an identity of interest contractor, construct the project. The subcontracts would be competitively bid, but not the general contract. The combined builder's overhead, builder's profit, and general requirements in the attached

budget is at 11.15%, within the cost guidelines of 14% (6% / 2% / 6%). VHFA and VHCB are both going to require as a condition of their financing that an independent cost estimate be provided to establish cost reasonableness. Many of the soft costs in the proposed development budget seem high, including legal and construction loan fees. Staff will require documentation of costs as well as justification of any costs it determines to be excessive.

This one application would use approximately 50% of VHFA's estimated 1995 credit authority. The sponsor has stated that of the two applications submitted for consideration this round (Westview and Okemo), Westview is a priority. Since Okemo would also use a substantial amount of credit and does not have any committed financing at this time, staff is only recommending Westview for a reservation this round.

Recommendation: Staff recommends a reservation of credits in the amount of $379,612, with a carryover allocation subject to the following conditions:

1) Sponsor must demonstrate that it has incurred at least 10% of the project's "reasonably expected eligible basis" costs by no later than 10/31/95 and that the sponsor (or a partnership formed by the sponsor) has basis in the property for tax purposes.

2) Sponsor must demonstrate that requisite financing has been committed according to the following schedule:

VHFA First Mortgage	May 31, 1995
VHFA Second mortgage	May 31, 1995
VHCB Lead Paint Grant	May 31, 1995
CDBG Grant	June 30, 1995

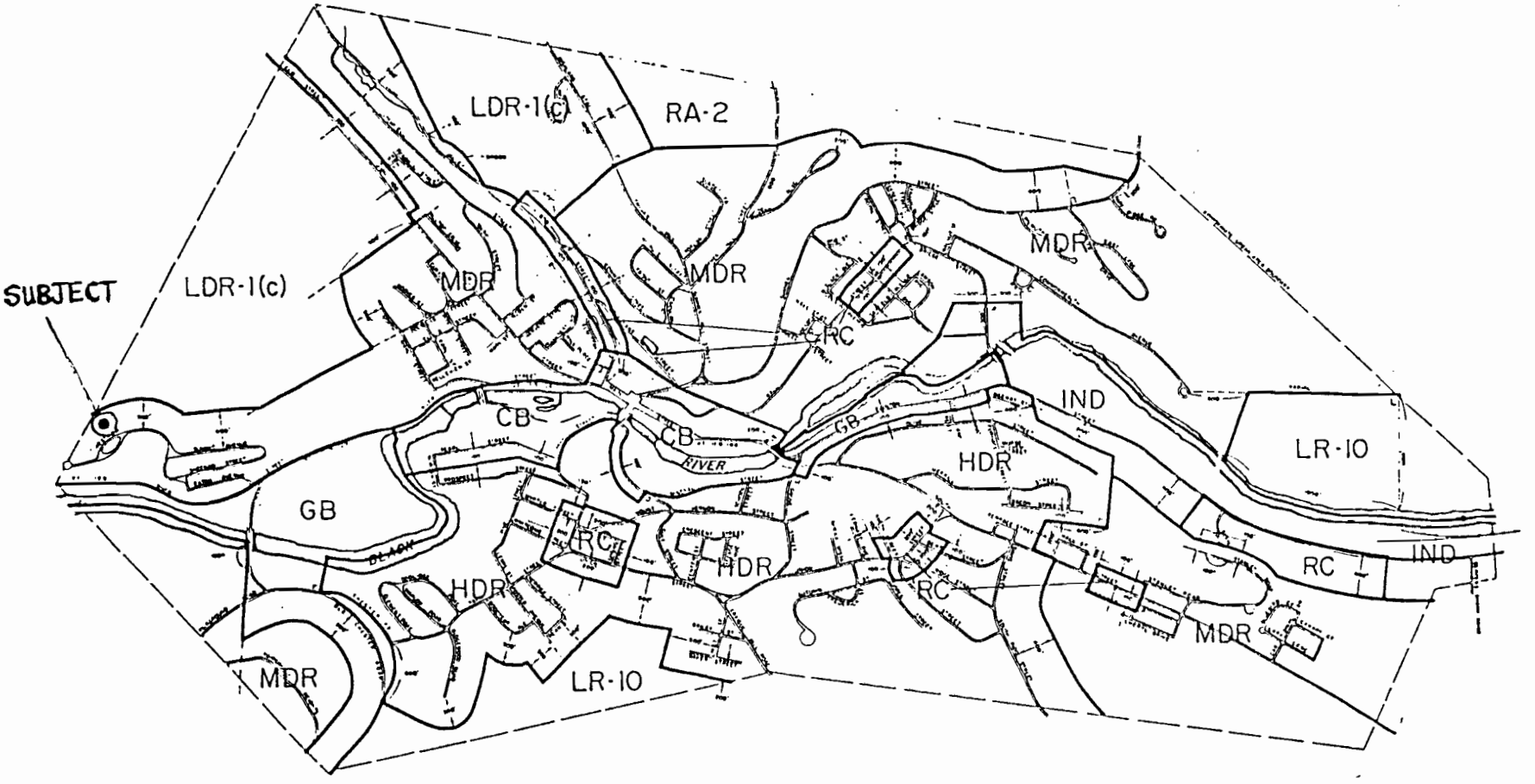
"Requisite financing" means the amount and terms of each of the sources of funding represented on the tax credit application or their equivalent.

3) Sponsor must receive a waiver from the IRS to the "10 year placed in service" rule by July 15, 1995.

4) Sponsor must provide an opinion from an attorney or a qualified tax accountant which expressly renders the opinion that the proposed structure for putting the VHCB funds in to the project allows these funds to be included in basis.

5) Sponsor must provide a detailed operating budget by June 30, 1995.

6) Sponsor must provide a revised development budget showing all committed financing by June 30, 1995.



ZONING MAP

LEGEND

LDR-1(c)	LOW DENSITY RESIDENTIAL	ONE ACRE - conditional
MDR	MEDIUM DENSITY RESIDENTIAL	
HDR	HIGH DENSITY RESIDENTIAL	
RA-2	RESIDENTIAL - AGRICULTURAL	TWO ACRE - conditional
GB	GENERAL BUSINESS	
CB	CENTRAL BUSINESS	
RC	RESIDENTIAL - COMMERCIAL	
LR-10	LAND RESERVE	TEN ACRE
IND	INDUSTRIAL	

SCALE IN FEET

URBAN AREA

SPRINGFIELD

WINDSOR COUNTY

VERMONT

HANS KLUNDER ASSOCIATES - CONSULTANTS

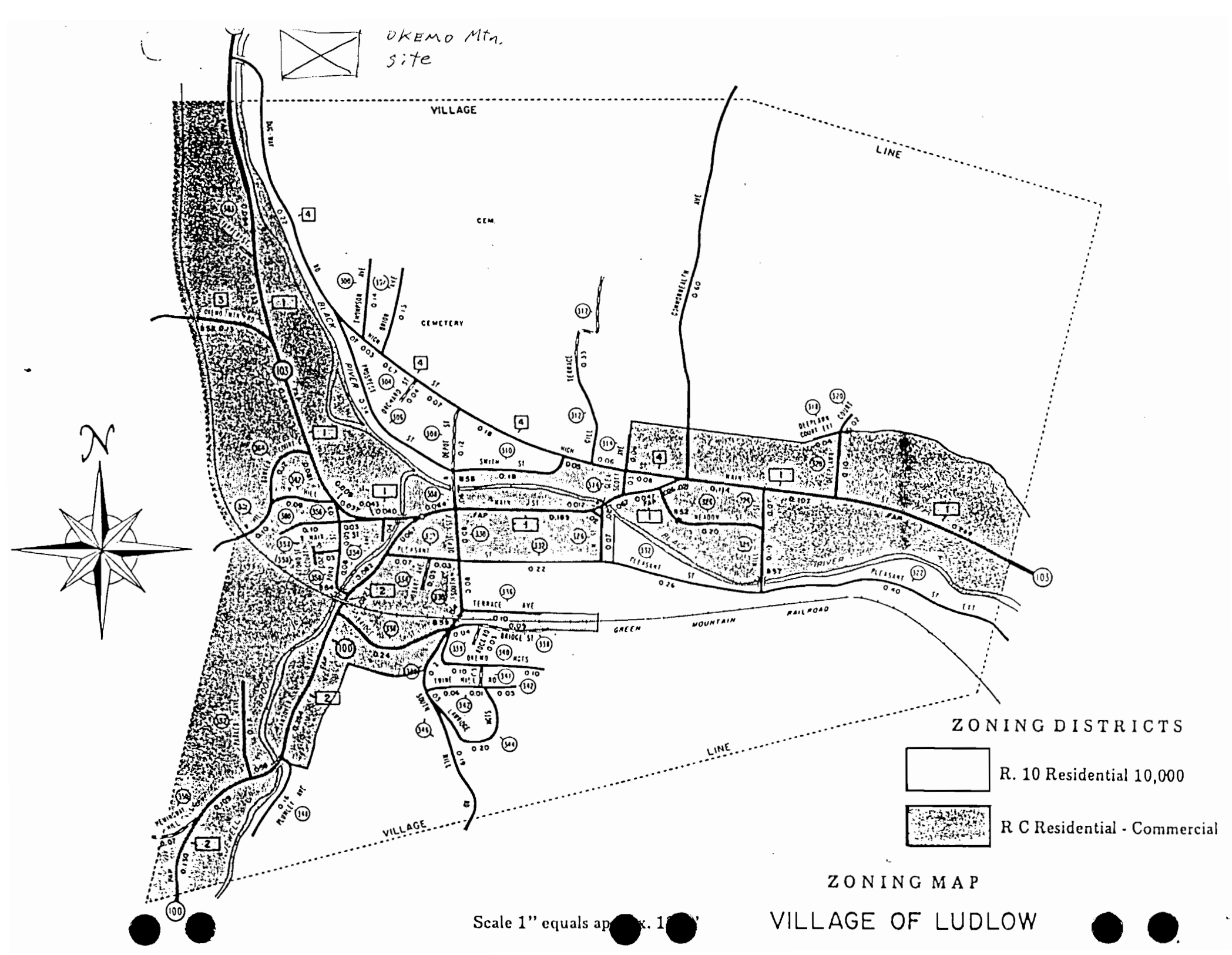
CPS 01-36-1002 (3K)

Name:	Okemo Mountain
Location:	Ludlow
Sponsor:	Realty Resources, Chartered
Unit Breakdown:	25 total: fifteen 2-Bedroom, 968 square feet; ten 2-Bedroom, 1,056 square feet
Cost:	$2,070,073 total; $82,803/unit; $55/s.f. hard construction cost
Income Targeting:	100% of units below 60% of Area Median Income

This project is new construction family housing, primarily townhouse units, except for two handicapped accessible units. The site is located adjacent to the snow making pond that serves the resort, and the land is currently owned by Timothy Mueller, President of Okemo Mountain, Inc., who would be a co-general partner with Realty Resources. The other sources of funding proposed are $100,000 VHCB grant and both first and second mortgage financing from VHFA (see attached budget).

The amount of credits requested is $217,038, approximately 28% of the anticipated 1995 credit authority. This project needs to obtain local approvals and an Act 250 permit as well as the required financing commitments. Since this request exceeds 25% of the 1995 credit authority and the project does not have any financing committed, staff is not recommending a reservation of credits at this time.

Recommendation: Staff recommends that this application be held over until the next tax credit reservation round, which will be announced as a competitive round and scheduled after this meeting.


Okemo Mtn. site
VILLAGE
LINE
CEM.
CEMETERY
BLACK RIVER
MAIN ST
HIGH ST
SMITH ST
PLEASANT ST
TERRACE AVE
BRIDGE ST
GREEN MOUNTAIN RAILROAD
VILLAGE
LINE
N
ZONING DISTRICTS
R. 10 Residential 10,000
R C Residential - Commercial
ZONING MAP
Scale 1" equals approx. 1
VILLAGE OF LUDLOW

Name:	St. Albans Special Needs Rehabilitation
Location:	St. Albans City
Sponsor:	Housing Vermont / Lake Champlain Housing Development Corp.
Unit Breakdown:	19 total: one 0-Bedroom, 300 square feet; eight 1-Bedroom, 425-1,000 square feet; five 2-Bedroom, 1,005-1,500 square feet; five 3-Bedroom, 850-1,750 square feet
Cost:	$1,671,985 total; $87,999/unit; $41/s.f. hard construction cost
Income Targeting:	31%-41% of Area Median Income

The proposed project consists of the acquisition and rehabilitation of 19 units in three buildings in downtown St. Albans (see attached site map). Two of the buildings (99-101 Fairfield and 61-63 Lincoln) are approximately 100 year old, three story residential structures. The third building (the Marshall Center) is a large (approximately 15,000 square feet), three story (two stories above a raised basement) school building that the sponsor proposes to turn into twelve residential units.

This project is a response to the 1993 report commissioned by five Vermont State agencies titled "A Housing Assessment for Persons with Special Housing Needs." Lake Champlain Housing Development Corporation (LCHDC) initiated discussions with the Franklin-Grand Isle Mental Health Services (FGIMH) in an effort to provide affordable units for FGIMH clients who can live independently in conjunction with case management services. FGIMH is a two-county, non-profit mental health organization that has provided comprehensive support services to people with mental illness and mental retardation since 1958. The sponsor has proposed to provide at least six units for FGIMH clients; all three buildings are located within three blocks of FGIMH's offices. The sponsor has proposed that six units would be handicapped accessible. Currently there are a few vacancies in the Fairfield and Lincoln buildings and the Marshall Center (proposed 12 units) is vacant; the existing tenants would be relocated during rehabilitation.

The sponsor has indicated that the cost of existing properties in and around FGIMH's offices was a factor in significantly increasing the costs of the units. In addition, the conditions of the HUD Special Purpose funding required the project to be located in the downtown district. The costs of the units do not meet the cost limits shown in the 1995 Allocation Plan if only tenant relocation and capitalized accounts are subtracted from the total development cost; however, if lead abatement is allowed as an exception because of extraordinary environmental clean-up costs, then the average unit costs are within the limits shown in the 1995 Allocation Plan. All of the units in all of the buildings will be affordable to persons earning less than 42 percent of the Burlington MSA median income.

The project will be managed by Lake Champlain Housing Ventures, a wholly owned, for-profit subsidiary of LCHDC that acts as a real estate partner and management agent. LCHDC and Lake Champlain Housing Ventures own and/or manage approximately 240 units of affordable housing in Chittenden and Franklin Counties; Lake Champlain Housing

Ventures also has experience managing special needs populations such as the Allen House group home in Winooski.

The project has not received local or Act 250 approvals. The sponsor anticipates having all permits in hand by June, 1995 (they expect to have the required Lincoln and Fairfield permits by May, 1995). The sponsor has proposed to begin construction on the Lincoln and Fairfield buildings in May, 1995 and the Marshall Center building in August, 1995. All financing sources have been secured except for the tax credits and HOME funding for the Marshall Center building; the sponsor is planning to submit an application to VHCB for the HOME funds in May (award would be made June 16, 1995). The sponsor has supplied a market study for the proposed project which indicates a demand for 25-30 assisted one-three bedroom units in St Albans. The study anticipates that 75% of the units will be filled immediately upon completion of the project, with the balance renting up over a two month period.

Recommendation: Staff recommends a reservation of credits in the amount of $91,629, with a carryover allocation subject to the following conditions:

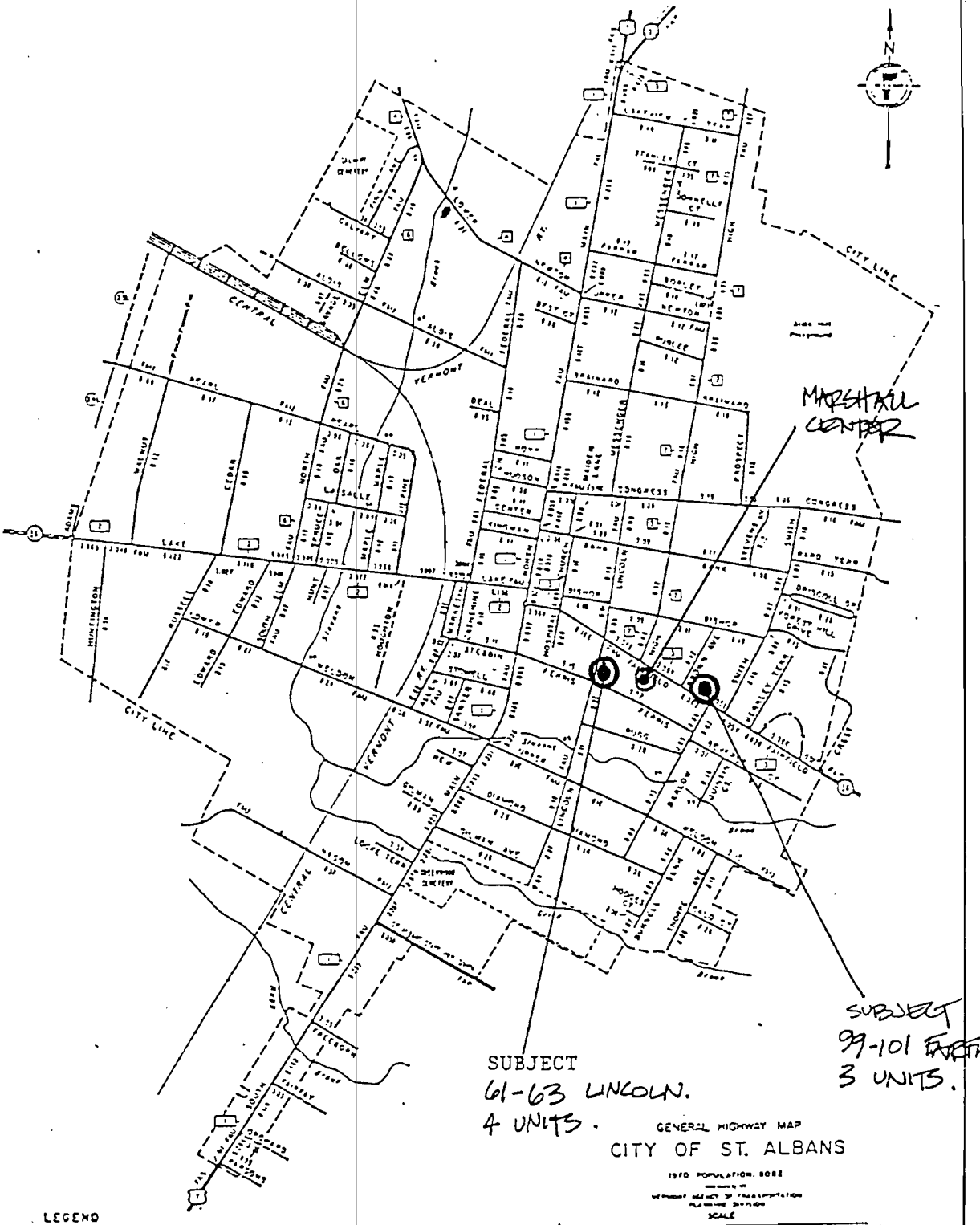
1) Sponsor must demonstrate that it has incurred at least 10% of the project's "reasonably expected eligible basis" costs by no later than 10/31/95 and that the sponsor (or a partnership formed by the sponsor) has basis in the property for tax purposes.

2) Sponsor must demonstrate that requisite financing has been committed or obtained by June 30, 1995. "Requisite financing" means the amount and terms of each of the sources of funding represented on the tax credit application or their equivalent.

3) Sponsor must provide evidence that construction prices were obtained through competitive bidding.

4) Sponsor must provide a detailed operating budget at time of a request for a carryover allocation.

5) Sponsor must provide a revised development budget at time of a request for a carryover allocation.



GENERAL HIGHWAY MAP

CITY OF ST. ALBANS

1970 POPULATION: 8082

LEGEND

HIGHWAYS

ROAD SURFACE TYPES

BRIDGES

MISCELLANEOUS

NOTE

MILEAGE SUMMARY

CLASS 1 TOWN HIGHWAYS		
TOTAL CLASS 1 TOWN HIGHWAYS		3.742
CLASS 2 TOWN HIGHWAYS		
TOTAL CLASS 2 TOWN HIGHWAYS		2.370
CLASS 3 TOWN HIGHWAYS		17.247
TOTAL TOWN MILEAGE		23.359
STATE HIGHWAYS		
TOTAL STATE MILEAGE		0.039
TOTAL TRAVELED MILEAGE FEB 10, 1970		23.281*

TRANSPORTATION DISTRICT NO. 8

FRANKLIN COUNTY

Name:	St. Johnsbury I - Phase II
Location:	St. Johnsbury
Sponsor:	NCHC / HVT
Unit Breakdown:	32 total: one 0-Bedroom, 250 square feet; four 1-Bedroom, 410-510 square feet; eight 2-Bedroom, 520-910 square feet; thirteen 3-Bedroom, 825-1,045 square feet; five 4-Bedroom, 1,035-1,125 square feet; one 5-Bedroom, 1,245 square feet
Cost, This Round:	$844,534 total; $26,392/unit; $26/s.f. hard construction cost
Cost, Total:	$2,828,540 total; $88,392/unit;
Income Targeting:	60% or less of Area Median Income for 29 of the 32 units

The project is a scattered sites rehabilitation of 32 units in St. Johnsbury. Because of a stagnant rental market and extensive work needed upon turnover, the project has run out of cash and is facing large operating deficits. NCHC last applied for an additional allocation of credits in May of 1994, but elected not to pursue the credits at that time. NCHC decided to first focus its efforts on the Caledonia Housing Partnership (St. Johnsbury II project).

In December of 1994 VHFA, NCHC, and Housing Vermont reached a workout agreement for the St. Johnsbury Housing Partnership project. The components of this agreement were that the partnership would receive a one year moratorium on debt service payments, and in that year would apply for financing (including tax credits, VHCB, and possibly HOME funds) to alleviate its ongoing financial problems. The attached budget differs from the "workout" budget in a few ways. The amount of credits and equity to be raised in the "workout" budget were $25,031 and $172,724, respectively. The attached budget currently shows $25,361 and $180,009, respectively. The "workout" budget listed VHCB's funding at $893,637; the current budget shows $543,204 in VHCB and $371,320 in HOME, for a total of $914,524. The increased costs are for capitalization of a sinking fund at $28,000. The "workout" budget showed the sinking fund to be entirely capitalized through the project's internal cash flow and interest, and a revised calculation shows this method to be insufficient. Despite the increased costs, the total development cost for both rounds is within the program limits: the total cost excluding cash accounts and relocation, is $2,495,353, and the limits would permit a total cost of $2,763,160.

The sponsor has had extensive conversations with VHCB staff regarding the funding sources and amounts, and will apply for the HOME and VHCB funds in May, 1995.

Recommendation: Staff recommends a reservation of credits in the amount of $25,361 with a carryover allocation subject to the following conditions:

1) Sponsor must demonstrate by June 30, 1995 that the project is financially feasible for the tax credit compliance period and the extended use period, and that this feasibility can be achieved and maintained through the tax credit

equity raised under this reservation in conjunction with the VHCB funding. Financial feasibility in this instance will mean that the project will generate a positive cash flow. (This depends in part on Federal Home Loan Bank approval of partial prepayment of the VHFA loan).

2) Sponsor must demonstrate that it has incurred at least 10% of the project's "reasonably expected eligible basis" costs by no later than 10/31/95 and that the sponsor (or a partnership formed by the sponsor) has basis in the property for tax purposes.

3) Sponsor must demonstrate that requisite financing has been committed or obtained.

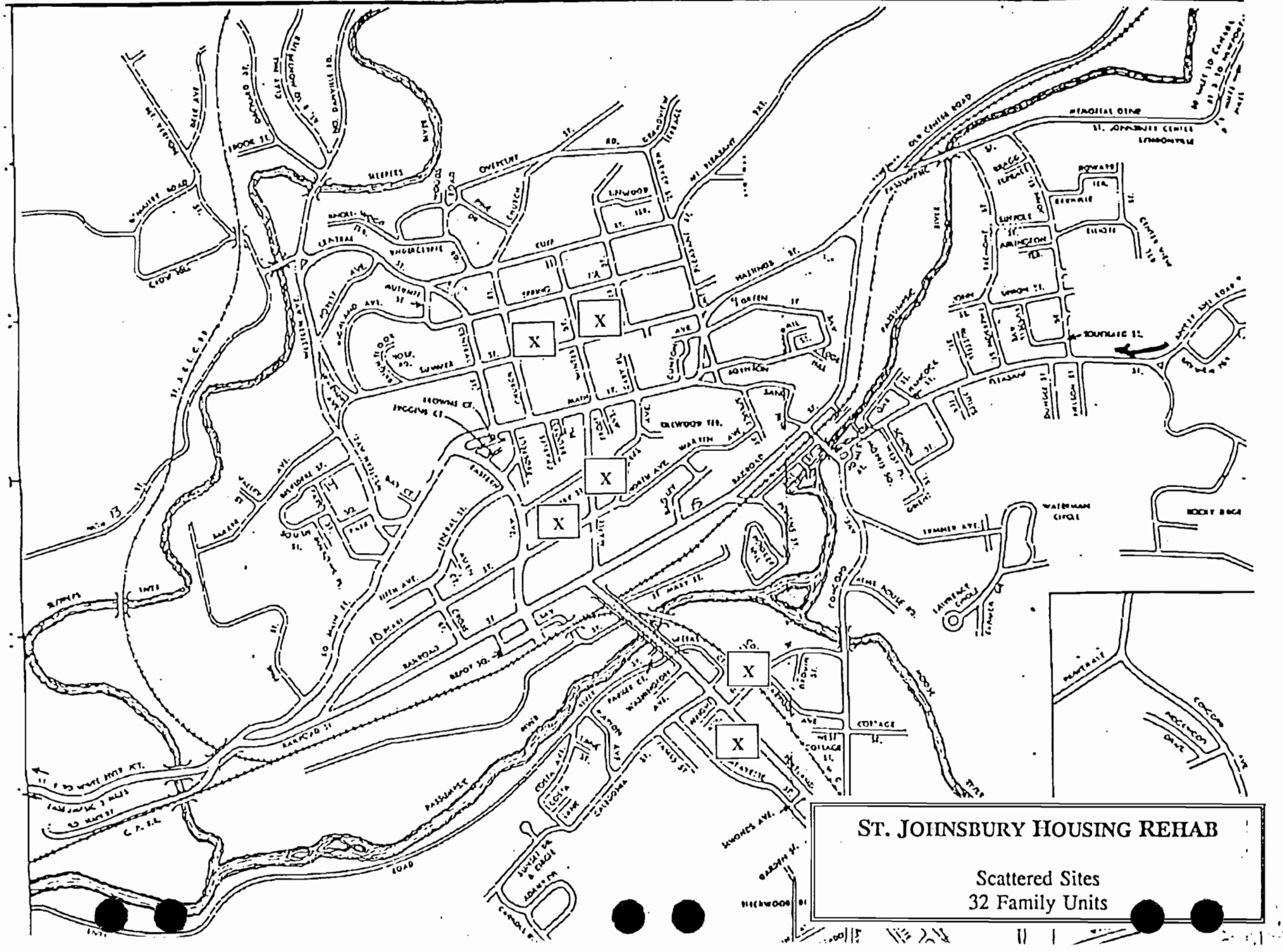
VHCB	June 30, 1995
HOME	June 30, 1995
Equity	June 30, 1995

"Requisite financing" means the amount and terms of each of the sources of funding represented on the tax credit application or their equivalent.

4) Sponsor must provide evidence that construction prices were obtained through competitive bidding.

5) Sponsor must provide a detailed operating budget.

6) Sponsor must provide a revised development budget at time of a request for a carryover allocation.


ST. JOHNSBURY HOUSING REHAB
Scattered Sites
32 Family Units

Name:	Lyndon Housing Rehabilitation
Location:	Lyndon
Sponsor:	NCHC / HVT
Unit Breakdown:	14 total: two 1-Bedroom, 475-600 square feet; ten 2-Bedroom, 625-910 square feet; two 3-Bedroom, 1,040-1,090 square feet
Cost, This Round:	$349,227 total; $24,945/unit; $17/s.f. hard construction cost
Cost, Total:	$ 917,095 total; $65,507/unit;
Income Targeting:	60% of Area Median Income for 12 of the 14 units

This project consists of 14 units in two rehabilitated buildings in Lyndon. Three households currently have tenant-based Section 8 rental assistance, and 12 of the 14 would be tax credit units. The primary uses of the funds raised by the syndication of tax credits would be for additional rehabilitation, soft costs, and to capitalize a sinking fund. This project last received an allocation of credits in December of 1993. As with the St. Johnsbury Housing Partnership and Caledonia Housing Partnership loans, the rental market has stagnated, the original financial projections have not been met, and the project is running out of cash. The rehabilitation involves window replacement and a small amount of lead paint abatement in one of the two buildings, finishes, cabinets, and bathroom fixtures throughout. The only other source of funds proposed is CDBG, at $220,613. The sponsor intends to apply for these funds for the June 1995 round. The sponsor has two equity investors, and one (Passumpsic Savings Bank) is also an investor on the St. Johnsbury Housing Partnership project. Neither investor has been approached about making an additional equity investment specifically in this project, but the sponsor intends to obtain the required equity commitments prior to the CDBG application deadline in April.

In addition to the tax credits, the sponsor is increasing the project's depreciable basis and at the same time is projecting greater after-tax losses than in the original budget. The result of syndicating these additional after-tax benefits along with the credits is that the yield appears artificially high ($.77 per tax credit dollar). The actual yield from both rounds of credits is approximately $.72 per tax credit dollar.

Recommendation: Staff recommends a reservation of credits in the amount of $16,704 with a carryover allocation subject to the following conditions:

1) Sponsor must demonstrate by June 30, 1995 that the project is financially feasible for the tax credit compliance period and the extended use period, and that this feasibility can be achieved and maintained through the tax credit equity raised under this reservation in conjunction with the VHCB funding. Financial feasibility in this instance will mean that the project will generate a positive cash flow.

2) Sponsor must demonstrate that it has incurred at least 10% of the project's "reasonably expected eligible basis" costs by no later than 10/31/94 and that

the sponsor (or a partnership formed by the sponsor) has basis in the property for tax purposes.

3) Sponsor must demonstrate that requisite financing has been committed or obtained according to the following schedule:

Equity	April 30, 1995
CDBG funds:	June 30, 1995

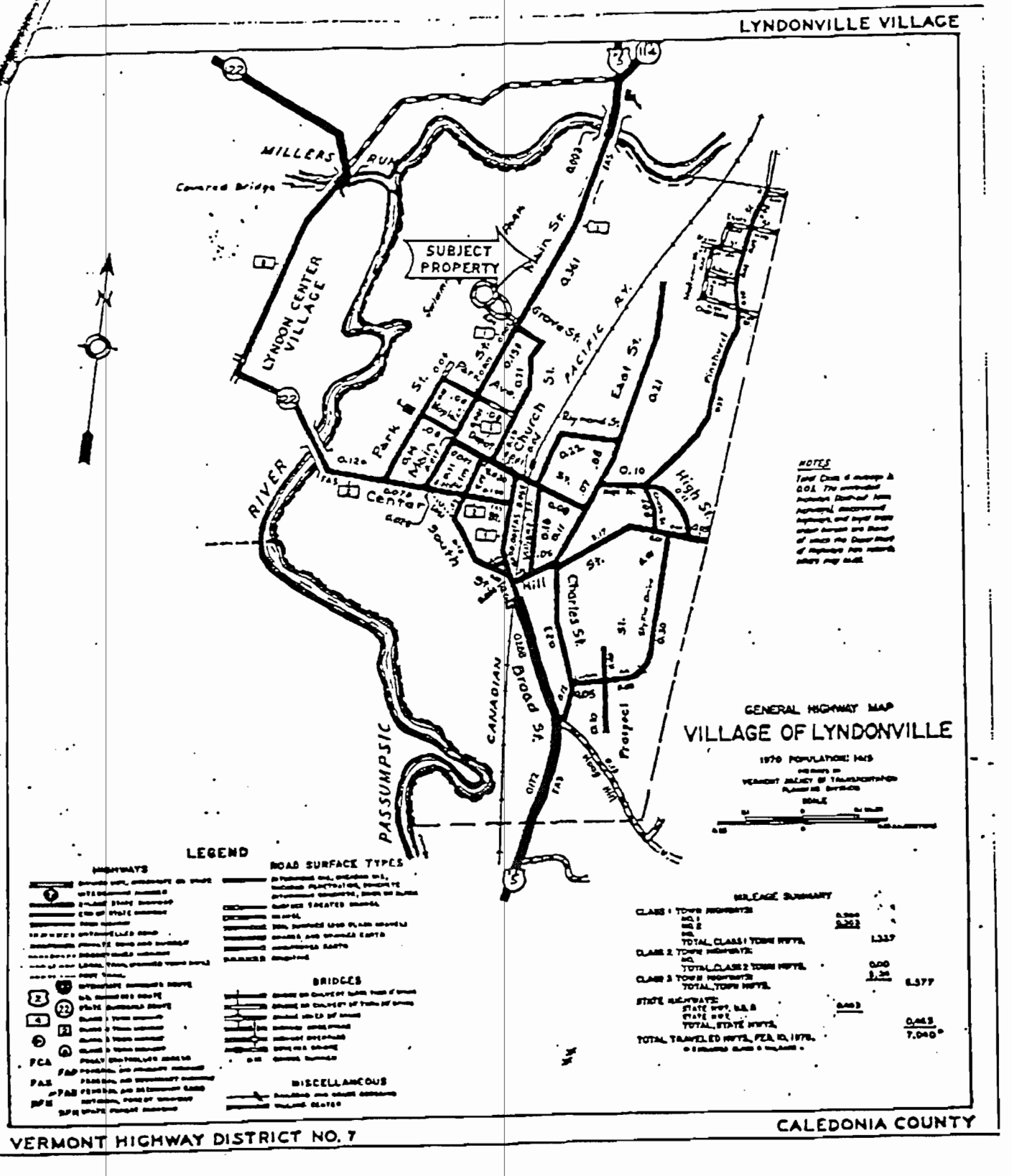
"Requisite financing" means the amount and terms of each of the sources of funding represented on the tax credit application or their equivalent.

4) Sponsor must provide evidence that construction prices were obtained through competitive bidding.

5) Sponsor must provide a detailed operating budget by April 30, 1995

6) Sponsor must provide a revised development budget at time of a request for a carryover allocation.

LOCATION MAP
SUBJECT PROPERTY



Name:	Morse Block
Location:	Barre
Sponsor:	Vermont Housing Enterprise, Inc.
Unit Breakdown:	15 total: eight efficiencies, 450 square feet; seven 1-Bedroom, 500 square feet;
Cost:	$724,000 total; $48,267/unit; $44/s.f. hard construction cost
Income Targeting:	100% Below 50% of Area Median Income (project-based rental assistance)

The Morse Block received a carryover allocation of credits in the amount of $41,656 in December, 1994. Since that time a number of developments have created a funding gap. Major structural problems were discovered, and the solution, which involves installing major new structural members, added approximately $100,000 to the rehabilitation budget. In addition to this cost, bids came in $50,000 over budget. The sponsor had originally expected that the equity pay-in schedule would eliminate the need for a separate construction loan. Now with the added costs, time delays, and need for an additional allocation and additional equity, the sponsor needs a construction loan, which adds fees and interest to the development budget. Finally, the sponsor has encountered difficulty in evicting non-paying commercial tenants, and the legal budget has quadrupled accordingly. A few items in the development budget have decreased, partially offsetting these overages, and the net increase is $174,000, or around $11,000 per residential unit (this number is misleading, however, because this is a mixed-use commercial and residential property).

Despite these cost overruns, the whole project is within the per unit cost guidelines in the allocation plan: the total development cost, excluding relocation and cash reserves, is $694,593, and the limit is $1,219,080. The additional costs are to be paid through an additional $35,000 from Barre Neighborhood Housing Services and an additional $140,000 in tax credit equity.

Recommendation: Staff recommends an allocation of credits in the amount of $25,320, with a carryover allocation subject to the following conditions:

1) Sponsor must demonstrate that requisite financing has been committed or obtained by the following deadlines:

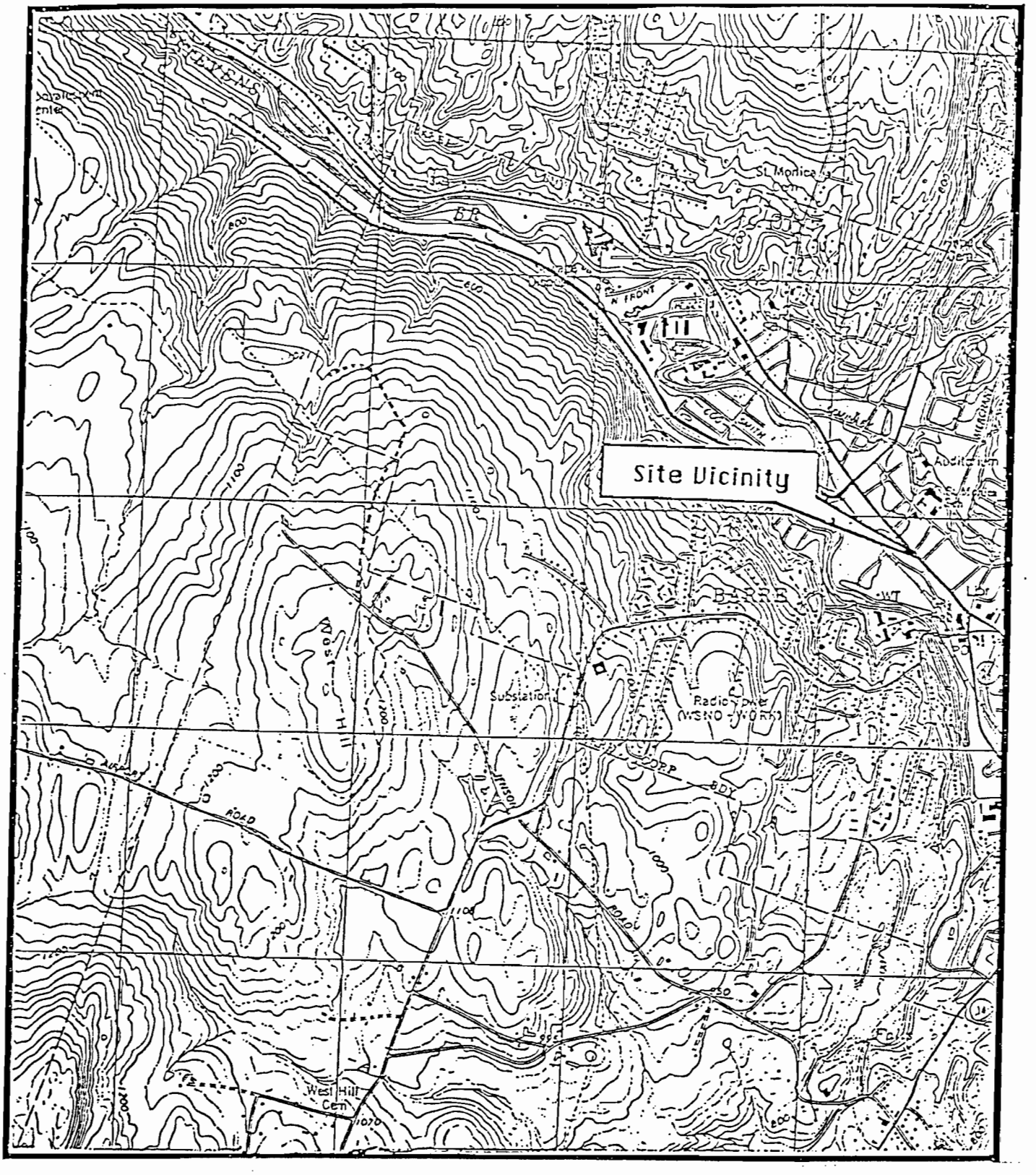
Barre NHS	April 30, 1995
Equity	April 30, 1995

"Requisite financing" means the amount and terms of each of the sources of funding represented on the tax credit application or their equivalent.

2) Sponsor must provide evidence that construction prices were obtained through competitive bidding.

3) Sponsor must provide documentation of additional costs, including a bid summary sheet, the increased costs due to structural work, and any other additional work. Any architectural or engineering analysis or correspondence regarding these increased costs must also be provided.

3) Carryover Allocation will be subject to completion of the Subsidy Layering Review (24 CFR 911) as required justifying this amount of tax credit.



MORSE BLOCK

12,000 Sqft Parcel
Acquisition/Rehabilitation
16 Special Needs Units

Total 1995 LIHTC Available

VHFA 1995 LOW INCOME HOUSING TAX CREDITS APPLICATIONS TO DATE AND ANALYSIS

3/9/95

1995 Per Capita Credits	$725,000
1994 Credits deemed 1995 returns	47,264
Total Available	772,264
Less: Round 1 Reservations	538,626
Remaining for Allocation in 1995:	233,638

Project Name	City	Sponsor	Total # of Units	# of LIHTC Units	Project Type	Recommended Allocation	Credit Type	Non-Profit?	Total Development Cost	Total Cost Per Unit	Alloc. Per Unit	Equity Yield Per $ of Tax Credit	Total Equity	Dev. Fee as % of TDC	Developer's Fee
Westview Terrace	Springfield	Realty Resources	58	58	acquis/rehab	379,612	Both	No	4,203,300	72,471	6,545	$0.62	2,335,374	14.12%	520,000
St. Albans Special Needs Rehab	St. Albans	Housing Vermont / LCHDC	19	18	acquis/rehab	91,629	Both	Yes	1,671,985	87,999	5,091	$0.86	785,869	9.69%	147,750
Morse Block	Barre	VHEI	15	15	rehab	25,320	9%	Yes	724,000	48,267	4,465	$0.55	369,000	10.37%	68,000
St. Johnsbury I - Phase II	St. Johnsbury	NCHC / HVT	32	29	rehab	25,361	4%	Yes	844,534	26,392	875	$0.71	180,009	0.00%	0
Lyndon Housing Rehab	Lyndon	NCHC / HVT	14	12	rehab	16,704	9%	Yes	349,227	24,945	1,392	$0.77	128,614	0.00%	0
Reservations - Round 1			138	132		538,626									
			138	132		538,626									

RESOLUTION REGARDING
LOW INCOME HOUSING TAX CREDIT
PROJECT RESERVATIONS

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

WHEREAS, the JTCC met on March 15, 1995 and considered recommendations for a total of $538,626 in reservations of tax credits for five proposed projects; and

WHEREAS, the Agency staff recommended all five of the projects to the JTCC for a reservation and the JTCC accepted the staff's recommendations on each of the projects; and

WHEREAS, staff has prepared a memorandum dated March 10, 1995 containing descriptions of the five projects (the "Memorandum"), and

NOW, THEREFORE, it is hereby RESOLVED:

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

2. The Agency approves the reservations for the five projects recommended by staff for reservations in the Memorandum and accepted by the JTCC: Westview Terrace, St. Albans Special Needs Rehabilitation, Morse Block, St. Johnsbury I (Phase II) and Lyndon Housing Rehabilitation, subject to the payment of applicable reservation fees, and of allocations subject to the conditions discussed in the Memorandum.

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

T:\devel\lihtcbrd.395

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Irene D. Jenkins, Director of Development

DATE: March 9, 1995

RE: Winchester Place Update

Attached is a copy of a revised restructuring proposal and cover letter that staff presented on March 6, 1995 to Housing Vermont, Merchants Bank, and Saint Michael's College. As described in the letter, we believe that this proposal addresses most of the major issues that have been raised by the other parties in response to our previous proposal.

At this date, we have not received a formal response to the proposal from Housing Vermont or The Merchants Bank. However, we did get a positive response from Don Dickson in a meeting on March 8, 1995. There are a few technical issues raised by Housing Vermont. The main substantive issue for Housing Vermont at this point appears to be the deferral of the $9,960 investor services fee for up to ten years if necessary. However, at the time of our meeting Don Dickson had not conferred yet with Merchants.

On March 9 we received the attached response from St. Michael's College. Mr. Gutman appears to misunderstand VHFA's position and interests. His objections to our proposal seem to center around our interest in recovering VHFA's subsidies, if and when the property increases in value. The College hopes to acquire a relatively unencumbered limited partnership interest in the property as a gift from Merchants. While Merchants has expressed its intent to gift this interest after the tax credit compliance period if this is possible without adverse tax consequences, there is no legally binding agreement to do this. As a practical matter, VHFA will only be able to recover its subsidies, if ever, after the tax credit compliance period, from cash flow, proceeds of sale, or refinancing. Mr. Gutman's response is also inconsistent with his statements that the College's primary interest is continued receipt of the ground lease payments, not other income from the improvements or ownership of the improvements themselves. We believe that our current proposal, which eliminates accrual of interest on the subsidies, meets his previous objections. We will discuss this further at the Board meeting.

We remain hopeful that we can reach a restructuring agreement that meets the needs of all the parties. However, we also think that we must prepare for the possibility of foreclosure if a reasonable agreement cannot be reached shortly.

RECOMMENDED ACTION

Continue its authorization of December 16, 1994, to the Executive Director to negotiate an agreement with the key parties and to commit the Agency upon consultation with and approval by the Chairman of the Board.

FILE

vhfa

VERMONT HOUSING FINANCE AGENCY

March 6, 1995

Mr. Don Dickson, President
Housing Vermont
One Burlington Square
Burlington, VT 05401

Mr. Joe Boutin, President
The Merchants Bank
123 Church Street
Burlington, VT 05401

Mr. John Gutman, Vice President
Saint Michael's College
Winooski Park
Winooski, VT 05439

RE: Winchester Place Memorandum of Understanding

Dear Don:

This letter is in response to Housing Vermont's proposal dated February 21, 1995 and to our discussions with Don Dickson on February 22. We are discouraged by the positions taken by the general and limited partners but continue to hope that we can reach an agreement with all parties that will permit continuation of Winchester Place as an affordable housing development. Consistent with this hope we are making the enclosed proposal.

Key points in this proposal are:

1. Winchester Associates would contribute no more than $100,000 per year towards operating deficits, as additional capital and not as a loan, for 10 years. The Limited Partner is not separately named as a contributor.

2. Housing Vermont would contribute no more than $9,960 per year towards operating deficits for 10 years.

3. VHFA and St. Michael's College (SMC) would share the balance of the expected deficits for ten years in accordance with the formula for SMC's contribution relative to VHFA's contribution previously agreed to by SMC, with caps for both VHFA and SMC as stated in the proposal.

4. All subsidies other than those of the Mortgagor would constitute loans, but they would not earn or accrue interest.

5. The outstanding balance of the VHFA loan, including additional advances, would be due and payable one year after the termination of the 15 year tax credit compliance period.

6. Between the end of the tax credit compliance period and the date on which the VHFA note falls due, VHFA would have an option to purchase the development for the outstanding balance of the mortgage loan, including subsidies.

7. Subsidies provided by VHFA, Housing Vermont, and St. Michael's College will be repaid (without interest) on a pro rata basis from net cash flow or from the proceeds of sale.

We think that these points and the other revisions to our previous proposal address most of the major issues expressed to us by and/or on behalf of all the parties. The subsidy time-frame has been reduced to ten years. Deferred payments and subsidies will not accrue interest and therefore will not add to the debt burden of the project. Winchester Associates will not be asked to contribute more than $100,000 in any year. Repayment of subsidies provided by VHFA, Housing Vermont, and St. Michael's College will be made on a pro rata basis.

St. Michael's College expressed a concern regarding control of the replacement reserve. Our proposal would not affect the provisions of the ground lease regarding SMC approval of use of the replacement reserve; we have revised the proposal to clarify this.

Housing Vermont wishes to tie its contribution of its investor services fee to the occupancy rate. We continue to reject this formula, in part because it is not, in fact, performance-based. At the current actual occupancy rate, Housing Vermont would contribute nothing towards operating deficits. In the future, occupancy could easily be maintained (e.g. by reducing rents) at the same time that deficits could grow.

We request a written response to this proposal within ten days of receipt. The proposal itself provides for completion of a Restructure Agreement by April 15, 1995. If it does not appear likely that we will be able to reach agreement within that time-frame, then we plan to begin proceedings to draw on the working capital letter of credit in order to protect our bondholders.

Please call Irene Jenkins at extension 231 if you have any questions concerning our proposal.

Sincerely,

for Allan S. Hunt
Executive Director

cc: Mark Snelling, Housing Vermont

MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding effective the __ day of March, 1995 (the "Memorandum") outlines the understandings in principle reached among Vermont Housing Finance Agency ("VHFA"), Winchester Associates ("Mortgagor"), Housing Vermont ("HV"), H.V. Winchester, Inc. (the "General Partner"), The Merchants Bank (the "Bank") and St. Michael's College ("SMC") concerning the restructuring of financial obligations of Mortgagor pertaining to Winchester Place Apartments.

The parties have agreed as follows, with capitalized terms used herein and not otherwise defined having the same meaning as they have in the Regulatory Agreement between Winchester Associates and VHFA dated December 19, 1989:

I. PROJECTIONS

1. The Development is likely to suffer substantial Operating Deficits (as hereinafter defined) for a substantial period of time.

2. As used in this Memo, the term "Operating Deficit" means the excess of Operating Expenses of the Development (including, without limitation, Ground Lease rent) over Gross Revenues (exclusive of the Financial Subsidies described in Section II, below and actually received).

3. The parties agree that the pro-forma dated March 3, 1995 and attached hereto (the "Pro-Forma") is reasonable.

II. FINANCIAL SUBSIDIES

1. Basic understandings for 1995:

A. In 1995, VHFA will make payments of $9421.92 per month to The Howard Bank as trustee (the "Trustee"), to be credited against the promissory note secured by the Mortgage Loan (the "Note"). The sum of such payments is approximately 113,063.00 and is equal to 14.48 per cent of total Debt Service for the year.

B. SMC will defer rent falling due under the Ground Lease in 1995 by $26,069.00, which is an amount proportionate to twice the effective percentage reduction in Debt Service.

Simultaneously with the execution and delivery of the Restructure Agreement, for years beginning after 1995, the rent schedule in the Ground Lease shall be amended to provide for equal annual rent adjustments such that the rent level of $136,000 (before any reduction for Operating Deficits) will be achieved in Year 17 (2006 A.D.). Thereafter through the end of the term of the Ground Lease the total annual Ground Lease rent shall be consistent with original terms of the Ground Lease.

C. HV and the General Partner jointly and severally shall pay $830 per month to the Trustee to be credited against the Note. The sum of such payments is $9960.

D. Mortgagor shall contribute $100,000 to the Development Operations Account to be used for Operating Expenses.

To the extent that the sum of Surplus Cash (including negative Surplus Cash) for 1994 (as verified by the 1994 audit) and the amount on deposit in the Sinking Fund (after payment or allowance for all scheduled sewer system improvements, other capital improvements performed in 1994, and capital improvements scheduled for 1995, including exterior painting and trim repairs) exceeds zero, sums on deposit in the Sinking Fund may be applied toward satisfaction of the 1995 contribution.

2. Basic understandings for 1996:

A. In 1996, VHFA will make payments of $8,027.83 per month to The Howard Bank as trustee (the "Trustee"), to be credited against the promissory note secured by the Mortgage Loan (the "Note"). The sum of such payments is approximately $ 96,334.00, which is equal to 12.34 per cent of the total Debt Service for the year.

B. SMC will defer rent falling due under the Ground Lease in 1996 by $22,212.00, which bears the same ratio to the 1995 Ground Lease rent as is proportionate to twice the effective percentage reduction in Debt Service.

C. HV and the General Partner jointly and severally shall pay $830 per month to the Trustee to be credited against the Note. The sum of such payments is $9960.

D. Mortgagor shall contribute $100,000 to the Development Operations Account to be used for Operating Expenses.

3. For years beginning after 1996, and subject to the provisions of Section VIII(2), below:

A. Mortgagor and HV/General Partner each shall increase or decrease their respective annual subsidies by an amount proportionate to the percentage increase or decrease in the Operating Deficit; subject, however, to the following maximum annual subsidies to be provided by those parties:

(1) HV and the General Partner jointly and severally: $9,960.00.

(2) Mortgagor: $100,000.00

B. VHFA and SMC shall contribute annual subsidies such that the sum of their contributions shall equal the Operating Deficit less the sum of the contributions of Mortgagor and HV/General Partner, subject to the following:

(1) VHFA shall contribute an amount not to exceed $104,913.00, which is an amount equal to 13.44% of the initial total annual Debt Service.

(2) SMC shall contribute the lesser of (a) that amount which bears the same ratio to the 1995 Ground Lease rent as is proportionate to twice the effective percentage reduction in Debt Service, or (b) $24,190.00.

III. CHARACTERIZATION AND TIMING OF SUBSIDIES.

1. All VHFA subsidies shall be paid in on the due date of each monthly payment falling due under the Note, and shall not accrue interest. All VHFA subsidies shall constitute additional advances under, and shall be secured by, the Mortgage, and shall constitute a first lien on the Development. At the request of VHFA, the Mortgagor shall execute and deliver, in a timely fashion, one or more notes evidencing such VHFA subsidies.

2. All HV/General Partner subsidies shall constitute loans to the Mortgagor, shall be paid in to the Trustee on the date monthly Debt Service is due, shall not accrue interest, and shall be secured in a second lien position ratably with subsidies provided by SMC.

3. All SMC subsidies shall constitute loans to the Mortgagor, shall be deemed made proportionately on the date that monthly Debt Service is due, shall not accrue interest, and shall be secured in a second lien position ratably with subsidies provided by HV/General Partner.

4. All Mortgagor annual subsidies shall be made in four equal installments and in advance on the first day of each calendar quarter. All Mortgagor subsidies shall constitute contributions to capital of the Mortgagor.

IV. TREATMENT OF WORKING CAPITAL AND REPLACEMENT RESERVE REQUIREMENTS

1. The Bank will cancel the debt of $171,300 incurred by the Mortgagor as a result of the recent drawing on the Replacement Reserve Fund letter of credit by VHFA.

2. The parties agree that the amount of funds constituting Replacement Reserve funds as of the year ended 12/31/94, to wit: $212,077.00, shall be deemed to satisfy the Replacement Reserve requirement through 12/31/94 for all purposes of the Regulatory Agreement and the Ground Lease.

3. The Working Capital letter of credit issued by the Bank and currently outstanding will not be required to be renewed upon its expiration, and the Working Capital requirement will be waived by VHFA.

4. All funds constituting Replacement Reserve funds, including funds under the sole control of VHFA as a result of the recent drawing under the Replacement Reserve Fund letter of Credit and funds on deposit under the joint control of the Mortgagor and VHFA will be consolidated in a single account under the sole control of VHFA (subject to the applicable terms and provisions of the Ground Lease pertaining to the use of Replacement Reserve funds).

V. TREATMENT OF RENT AND OCCUPANCY RESTRICTIONS

1. Simultaneously with the execution and delivery of the Restructure Agreement, the parties will enter into an amendment of the "Winchester Place Housing Subsidy Covenants" dated July 12, 1989 (the "Housing Subsidy Covenants") which will cause the Housing Subsidy Covenants to terminate as of the end of the §42 tax credit compliance period except for provisions pertain-

ing to the transition period and displacement allowances, will cause the four year transition period to be reduced to three years commencing immediately after the end of the tax credit compliance period, and will reduce the displacement allowance to an amount that can be funded with the fund for displacement allowance maintained by the Bank pursuant to paragraph 2D of the Housing Subsidy Covenants.

2. Simultaneously with the execution and delivery of the Restructure Agreement, SMC and the Mortgagor will amend the Ground Lease to delete all rent and occupancy restrictions.

3. Promptly after execution and delivery of the Restructure Agreement, the Mortgagor, with the cooperation of all parties, will seek deletion of all rent and occupancy restrictions from the Act 250 Permit applicable to the Development.

VI. AMENDMENTS TO NOTE AND VHFA OPTION TO PURCHASE

1. Simultaneously with the execution of the Restructure Agreement, the Note and Mortgage shall be amended to provide that all sums secured thereunder shall fall due and payable in full on the first anniversary of the last day of the §42 tax credit compliance period.

2. Simultaneously with the execution of the Restructure Agreement, the Mortgagor will execute and deliver to VHFA an option to purchase the Development at any time between the first day after the end of the §42 tax credit compliance period and the date on which the Note falls due, for a price equal to the outstanding balance of all sums secured by the Mortgage. Such option shall lapse and be of no further force or effect if all sums secured by the Mortgage are paid in full prior to the first date on which the option may be exercised.

VII. PROVISIONS PERTAINING TO REPAYMENT OF THE SUBSIDIES OF THE PARTIES

1. For so long as the Mortgage Loan remains outstanding, all "net cash flow" contemplated by the Pro Forma shall be applied pro rata to repayment of the subsidies of VHFA, SMC, and HV/General Partner. If the Development is sold by the Mortgagor, all net proceeds of sale after payment of all sums due under the Note shall be applied pro rata to repayment of the subsidies of VHFA, SMC, and HV/General Partner.

Wants subordination to HUT.

2. If and after the Mortgage is extinguished by acquisition of the Development by VHFA, either as a result of foreclosure or the exercise of its option, and notwithstanding any extinguishment of the subordinate liens, all net cash flow after payment of debt service on the VHFA bonds that originally provided funds for the Development or any substitute bonds ("VHFA Bonds") shall be applied pro rata to repayment of the subsidies of VHFA, SMC, and HV/General Partner. If the Development is sold by VHFA, all net proceeds of sale after payment of all sums needed to redeem the VHFA Bonds shall be applied pro rata to repayment of the subsidies of VHFA, SMC, and HV/General Partner.

VIII. PROVISIONS PERTAINING TO THE TERM OF THE AGREEMENT AND PERFORMANCE OF THE DEVELOPMENT AT VARIANCE WITH EXPECTATIONS.

1. For the period ending with the last day of the year in which the §42 tax credit compliance period expires (the "End of the Term"), the Restructure Agreement will obligate the ~~parties~~ Winchester accounts, VHFA, SMC, and HV to continue to make contributions each year for so long as the Operating Deficit for any year is no larger than the applicable Operating Deficit projected by the Pro Forma. In the event that the Operating Deficit for any year (as verified by the audited financial statements for that year) is less than the Operating Deficit projected by the Pro Forma for that year, each party shall be entitled to a pro-rata reduction in subsidy contributions for the ensuing year, commencing with the third calendar quarter of such ensuing year.

2. In the event that the Operating Deficit for any year (as indicated by the unaudited quarterly reports for that year or as shown by the audited financial statements for that year) is greater than the Operating Deficit projected by the Pro Forma for that year, or in the event that the operating budget presented by the Mortgagor pursuant to the Regulatory Agreement and deemed realistic by VHFA will result in an Operating Deficit for the applicable year greater than the Operating Deficit projected by the Pro Forma, the parties shall consult with each other. If the parties cannot agree on a method of eliminating the excess Operating Deficit, there shall be deemed to exist an event entitling VHFA to declare a default

under the Mortgage Loan, accelerate the indebtedness secured by the Mortgage, and seek any and all remedies available to it under the the terms of the Mortgage Loan.

3. No party shall be obligated to contribute any subsidy after the End of the Term.

IX. CONSTRUCTION OF THIS MEMORANDUM OF UNDERSTANDING

1. This Memorandum of Understanding reflects the result to date of discussions among the representatives of the parties. It does not represent a final agreement, but rather constitutes a framework for a binding legal agreement (the "Restructure Agreement") expected to be finally negotiated in good faith, executed, and delivered among the parties by April 15, 1995.

2. The existence of this Memorandum does not preclude the possibility that some issues properly includable in the Restructure Agreement have not been addressed. However, as the details of the Restructure Agreement are negotiated and refined, it is the good faith expectation of all parties that no party will use the need for further negotiation as a basis for seeking a material change in the agreements expressed above.

IN WITNESS WHEREOF, the parties have caused this Memorandum to be executed effective as of the date first above written.

VERMONT HOUSING FINANCE AGENCY

By _____

Executive Director

WINCHESTER ASSOCIATES BY ITS GENERAL PARTNER, H.V. WINCHESTER, INC.

By _____

President

HOUSING VERMONT

By _____

President

H.V. WINCHESTER, INC.

By _____

President

ST. MICHAEL'S COLLEGE

By _____

President

THE MERCHANTS BANK

By _____

President

WINCHESTER PLACE 10b 06-Mar-95 03:11 PM TEN YEAR PLAN

ASSUMPTIONS--1994 PROJECTIONS

VACANCY	4.00%			
INCOME/ MKT LIHTC	1.50%	1.50%		
EXPENSE TREND	3.00%			
LEASE DISC RATE	9.00%			
VHFA LOAN RATE	9.00%	TERM	26	YEARS

MERCHANTS SINKING FUND BALANCE 12/31/94= $98,000

	1995	1996			%
MORTGAGOR SUBSIDY	100,000	100,000	MAXIMUM	(100,000)	41.83%

BEG 100,000/YR, DECREASING OR INCREASING PROPORTIONATELY (BASE YEAR =1996) WITH DEFICITS; MAXIMUM=100,000.

HV SUBSIDY	9,960	9,960	MAXIMUM	(9,960)	4.17%

INVESTOR SERVICES FEE, DECREASING OR INCREASING PROPORTIONATELY (BASE YEAR =1996) WITH DEFICITS; MAXIMUM=9,960.

VHFA SUBSIDY	113,063	96,334	MAXIMUM	(104,913)	43.89%
SMC SUBSIDY	26,069	22,212	MAXIMUM	(24,190)	10.12%

[CURRENT LEASE BEG YR 33--RENT = GREATER OF 136,000 OR 30%NCF (PRIOR YR'S NOI MINUS LEASE PMT)]

CAPITAL IMPROVEMENTS ARE PAID FROM REPLACEMENT RESERVE AFTER 1995--$17000 IN 1996
REPLACEMENT RESERVE FUNDED IN CASH END 1994 AND ADDED TO ANNUALLY @ .0418*EFFECTIVE RENTS

WINCHESTER PLACE 10b FINANCIAL ANALYSIS TEN YEAR PLAN 03-Mar-95 01:30 PM
1994 RENT TABLE REVISED 12/21/94

ESTIMATED 1995	#	RENT--NET OF UTILITIES (HT, HW, ELEC, W&S)
MARKET RATE	93	741,854
LIHTC	73	406,951
TOTAL	166	1,148,805

ESTIMATED 1996	#	RENT--NET OF UTILITIES (HT, HW, ELEC, W&S)
MARKET RATE	93	747,517
LIHTC	73	413,751
TOTAL	166	1,161,268

WINCHESTER PLACE 10b TEN YEAR PLAN		ACTUAL	ACTUAL	ACTUAL	ACTUAL	PROJECTED					
1994 PROJECTIONS	YEAR	1	2	3	4	5	6	7	8	9	10
03-Mar-95		1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
01:30 PM											
Rent/Market Units							741,854	747,517	758,730	770,111	781,662
Rent/LIHTC Units							406,951	413,751	419,957	426,257	432,650
Vacancies	4.0%						(45,952)	(46,451)	(47,147)	(47,855)	(48,573)
Plus Other Income							3,400	3,451	3,503	3,555	3,609
EFFECTIVE GROSS INCOME		871,683	1,070,270	1,077,064	1,083,699	1,099,194	1,106,253	1,118,268	1,135,042	1,152,068	1,169,349
Less Operating Exp.		341,756	431,423	432,930	472,178	502,016	435,566	422,313	434,982	448,032	461,473
Less Capital Exp.						20,000	37,146	0			
Less Other--EQUIP							3,000	3,000	3,000	3,000	3,000
REPLACEMENT RESERVE (ADDITIONS BEG 1995)							46,099	46,599	47,298	48,008	48,728
NOI BEFORE LEASE PAYMENT		529,927	638,847	644,134	611,521	577,178	584,442	646,356	649,762	653,028	656,148
RVSD LEASE PMT	1,159,056	46,669	80,000	80,000	80,000	80,000	90,000	94,182	98,364	102,545	106,727
n[illegible]	9.00%										
NOI AFTER RVSD LEASE PMT		483,258	558,847	564,134	531,521	497,178	494,442	552,174	551,398	550,483	549,421
Less Primary Debt Service		497,672	780,548	779,656	780,166	780,679	780,679	780,679	780,679	780,679	780,679
CF AFTER DS & LEASE PMT		(14,414)	(221,701)	(215,522)	(248,645)	(283,501)	(286,238)	(228,505)	(229,282)	(230,197)	(231,259)
+: Sink Fund (& HV $ for 1995 cap exp)		0	285,265	217,000	244,440	283,501	37,146	0	0	0	0
Net Cash Flow		(14,414)	63,564	1,478	(4,205)	(0)	(249,092)	(228,505)	(229,282)	(230,197)	(231,259)
[OPERATING DEFICITS]		(14,414)	(221,701)	(215,522)	(248,645)	(283,501)	(286,238)	(228,505)	(229,282)	(230,197)	(231,259)
PV@ YRS 1990-2042	5.00%	(2,492,099)									
[NPV CF AFTER DS AND LEASE]											
NPV@ YRS 1990-2042	9.00%	(1,059,395)									
		TOTAL PV		TOTAL NOMINAL $							
MORTGAGOR DEFICIT SUBSIDY							(100,000)	(100,000)	(100,000)	(100,000)	(100,000)
PV@	9.00%	(641,766)		(1,000,000)							
HV DEFICIT SUBSIDY							(9,960)	(9,960)	(9,960)	(9,960)	(9,960)
P[illegible]	9.00%	(63,920)		(99,600)							
D[illegible] SERVICE SUBSIDY							(113,063)	(96,334)	(96,965)	(97,708)	(98,571)
PV@	9.00%	(650,471)		(1,013,087)							
LEASE SUBSIDY							(26,069)	(22,212)	(22,357)	(22,528)	(22,727)
PV@	9.00%	(149,978)		(233,586)							
TOTAL SUBSIDIES		(1,506,135)		(2,346,273)							

WINCHESTER PLACE 10b TEN YEAR PLAN		ACTUAL					
1994 PROJECTIONS	YEAR	1	11	12	13	14	15
03-Mar-95		1990	2000	2001	2002	2003	2004
01:30 PM							
Rent/Market Units			793,387	805,288	817,367	829,628	842,072
Rent/LIHTC Units			439,140	445,727	452,413	459,199	466,087
Vacancies	4.0%		(49,301)	(50,041)	(50,791)	(51,553)	(52,326)
Plus Other Income			3,663	3,718	3,773	3,830	3,888
EFFECTIVE GROSS INCOME		871,683	1,186,889	1,204,693	1,222,763	1,241,104	1,259,721
Less Operating Exp.		341,756	475,317	489,577	504,264	519,392	534,973
Less Capital Exp.							
Less Other--EQUIP			3,000	3,000	3,000	3,000	3,000
REPLACEMENT RESERVE (ADDITIONS BEG 1995)			49,459	50,201	50,954	51,718	52,494
NOI BEFORE LEASE PAYMENT		529,927	659,113	661,915	664,545	666,995	669,254
RVSD LEASE PMT	1,159,056	46,669	110,909	115,091	119,273	123,455	127,636
npv @	9.00%						
NOI AFTER RVSD LEASE PMT		483,258	548,204	546,824	545,273	543,540	541,617
Less Primary Debt Service		497,672	780,679	780,679	780,679	780,679	780,679
CF AFTER DS & LEASE PMT		(14,414)	(232,475)	(233,855)	(235,407)	(237,139)	(239,062)
+: Sink Fund (& HV $ for 1995 cap exp)		0	0	0	0	0	0
Net Cash Flow		(14,414)	(232,475)	(233,855)	(235,407)	(237,139)	(239,062)
[OPERATING DEFICITS]		(14,414)	(232,475)	(233,855)	(235,407)	(237,139)	(239,062)
PV@ YRS 1990-2042	5.00%	(2,492,099)					
[NPV CF AFTER DS AND LEASE]							
NPV@ YRS 1990-2042	9.00%	(1,059,395)					
		TOTAL PV					
MORTGAGOR DEFICIT SUBSIDY			(100,000)	(100,000)	(100,000)	(100,000)	(100,000)
PV@	9.00%	(641,766)					
HV DEFICIT SUBSIDY			(9,960)	(9,960)	(9,960)	(9,960)	(9,960)
PV@	9.00%	(63,920)					
DEBT SERVICE SUBSIDY			(99,560)	(100,681)	(101,942)	(103,350)	(104,913)
PV@	9.00%	(650,471)					
LEASE SUBSIDY			(22,955)	(23,214)	(23,505)	(23,829)	(24,190)
PV@	9.00%	(149,978)					
TOTAL SUBSIDIES		(1,506,135)					

cc: Irene
Roger
Glenn

SAINT MICHAEL'S COLLEGE

Office of the Vice President for
Administration and Business, Treasurer

March 8,1995

RECEIVED
MAR 0 9 1995
VHFA

Mr. Allan S. Hunt
Executive Director
Vermont Housing Finance Agency
P.O. Box 408
Burlington, VT 05402-0408

Dear Allan:

I was most disappointed to read your proposal dated March 6, 1995.

Your first effort to document the agreement reached by the parties on December 27, 1994 contained changes and additions to that which was agreed upon. In response to our collective concerns you have now crafted a new proposal which departs so significantly from the agreement reached on December 27, 1994 (particularly items 5 and 6) it is not in good faith with the process.

I suggest that the parties need to return to the table and to the agreement already reached.

Sincerely,

John T. Gutman
Vice President Administration

cc: Mr. Joe Boutin, The Merchants Bank
Mr. Don Dickson & Mr. Mark Snelling, Housing Vermont
Ms. Susan Crampton

WINCHESTER PLACE ANALYSIS 1/17/95
FORECLOSURE SCENARIO (WIN11.WQ1)--TRANSITION TO 100% MARKET RATE BY 1998

	1995	1998 (@ MKT RENTS)
1.5/3.0		
VALUE (DISCOUNTED CF)	5,283,985	5,642,994
VALUE (DIRECT CAP)	4,494,923	6,614,213
MTG BAL	7,219,889	6,771,018
3.0/3.0		
VALUE (DISCOUNTED CF)	6,570,568	7,481,492
VALUE (DIRECT CAP)	4,494,923	6,960,798
MTG BAL	7,219,889	6,771,018

WINCHESTER PLACE FINANCIAL ANALYSIS 17-Jan-95 03:25 PM
1994 RENT TABLE REVISED 12/21/94

ESTIMATED 1995	#	RENT--NET OF UTILITIES (HT, HW, ELEC, W&S)
MARKET RATE	93	741,854
LIHTC	73	406,951
TOTAL	166	1,148,805

ESTIMATED 1996	#	RENT--NET OF UTILITIES (HT, HW, ELEC, W&S)
MARKET RATE	93	747,517
LIHTC	73	413,751
TOTAL	166	1,161,268

WINCHESTER PLACE			PROPOSED 1996				
100% MARKE	Flat	8	740	71,040			
	Townhouse	134	660	1,061,280			
	T. w/Loft	24	740	213,120			
	TOTAL	166		1,345,440	1,365,622	1,386,106	
			YEAR	7	8	9	
TRANSITION TO MARK RAT		1996	1997	1996	1997	1998	
MARKET	FLAT	3	5	935,760	1,161,728	1,386,106	
	TH	89	112				
	TH/LOFT	23	24				

B3

WINCHESTER PLACE--FORECLOSURE SCENARIO

ASSUME FORECLOSURE MID-1995

PROPERTY TAX PAYMENTS STOP AS OF 4TH 1/4 1995

TRANSITION TO MARKET RATE BEGINS IN 1995; REVENUE AFFECTED BEG. 1996

1995 PROPERTY TAX 119,267

1994 PROJECTIONS	YEAR	1	2	3	4	5	6	7	8	9	10	11	12
17-Jan-95		1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
NOI AFTER ORIG LEASE PMT							494,442	604,815	666,459	727,563	733,301	728,924	724,423
Less Primary Debt Service							780,679	780,679	780,679	780,679	780,679	780,679	780,679
CF AFTER DS & LEASE PMT							(286,238)	(175,865)	(114,221)	(53,116)	(47,378)	(51,756)	(56,257)
DEFICIT OFFSETS													
BALANCE MERCHANTS SINKING FUND (ESTIMATED)							98,000						
PROPERTY TAX NOT PAID							29,817	122,845	126,530	130,326	134,236	138,263	142,411
NET (DEFICIT) SURPLUS--VHFA OWNERSHIP							(158,421)	(53,020)	12,310	77,210	86,858	86,508	86,155
VALUATION:													
DIRECT CAPITALIZATION													
CAP Rate:							11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%
Capitalized Value:							4,494,923	5,498,315	6,058,715	6,614,213	6,666,377	6,626,581	6,585,663
DISCOUNTED YIELD APPROACH													
Yield Rate:							13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
NPV of NOI:							5,283,985	5,476,461	5,583,586	5,642,994	5,649,020	5,650,091	5,655,679
remaining lease term,YRS:							47	46	45	44	43	42	41
OUTSTANDING MORTGAGE BALANCE							7,219,889	7,083,463	6,934,240	6,771,018	6,592,485	6,397,204	6,183,604

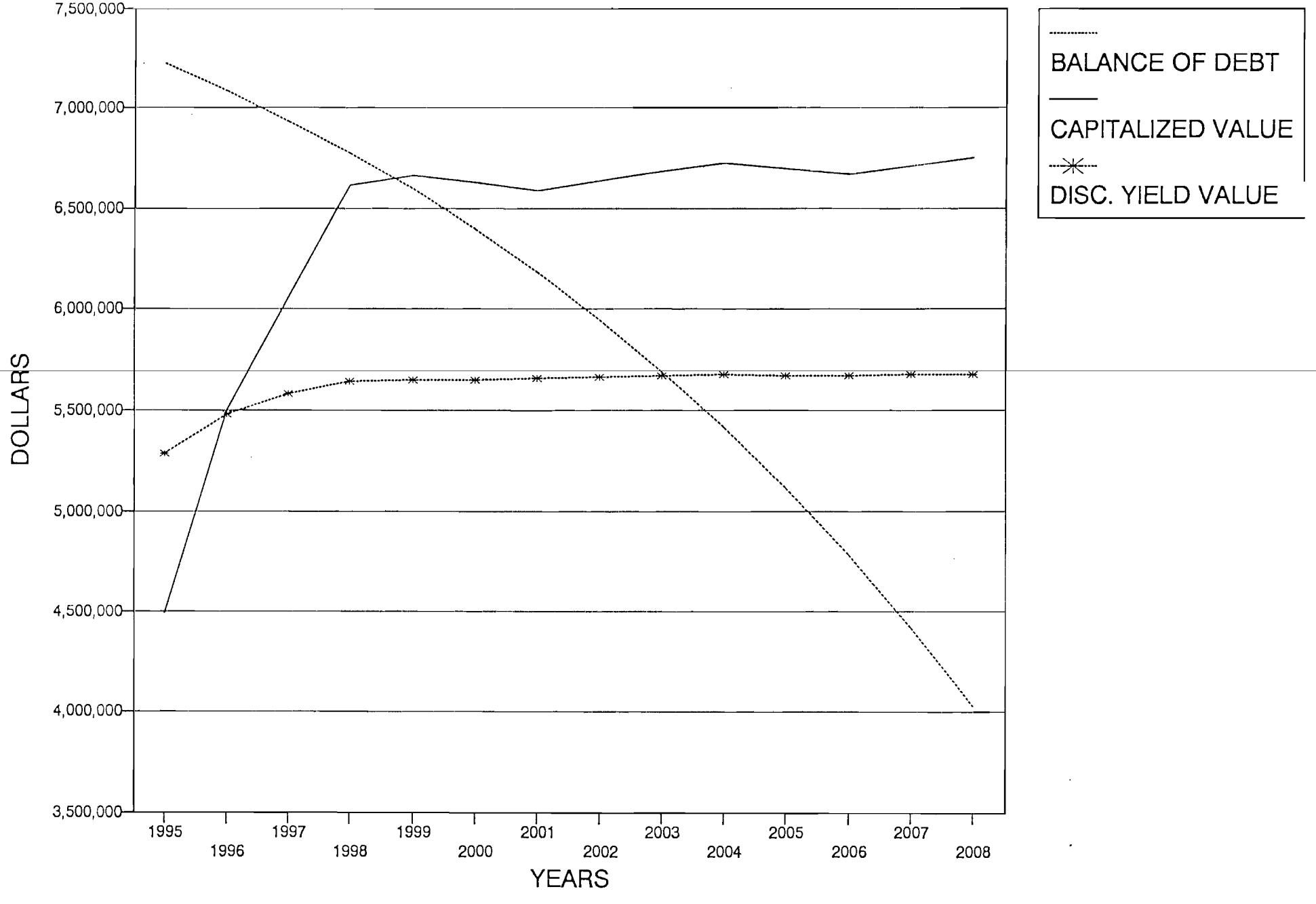
WINCHESTER PLACE--FORECLOSURE SCENARIO

ASSUME FORECLOSURE MID-1995
PROPERTY TAX PAYMENTS STOP AS OF 4TH 1/4 1995
TRANSITION TO MARKET RATE BEGINS IN 1995; REVENUE AFFECTED BEG. 1996
1995 PROPERTY TAX 119,267

1994 PROJECTIONS YEAR	13	14	15	16	17	18	19
17-Jan-95	2002	2003	2004	2005	2006	2007	2008
NOI AFTER ORIG LEASE PMT	729,791	735,019	740,098	737,020	733,775	738,353	742,745
Less Primary Debt Service	780,679	780,679	780,679	789,663	789,663	789,663	789,663
CF AFTER DS & LEASE PMT	(50,889)	(45,661)	(40,582)	(52,643)	(55,888)	(51,310)	(46,918)
DEFICIT OFFSETS							
BALANCE MERCHANTS SINKING FUND (ESTIMATED)							
PROPERTY TAX NOT PAID	146,683	151,084	155,616	160,285	165,093	170,046	175,148
NET (DEFICIT) SURPLUS--VHFA OWNERSHIP	95,795	105,423	115,035	107,642	109,205	118,736	128,229
VALUATION:							
DIRECT CAPITALIZATION							
CAP Rate:	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%
Capitalized Value:	6,634,461	6,681,987	6,728,163	6,700,180	6,670,680	6,712,301	6,752,225
DISCOUNTED YIELD APPROACH							
Yield Rate:	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
NPV of NOI:	5,666,494	5,673,348	5,675,864	5,673,629	5,674,180	5,678,049	5,677,842
remaining lease term,YRS:	40	39	38	37	36	35	34
OUTSTANDING MORTGAGE BALANCE	5,949,968	5,694,414	5,414,888	5,113,535	4,783,098	4,420,766	4,023,459

WINCHESTER

1.5%/3.0% Income/Expense Trending



BG

WINCHESTER PLACE--FORECLOSURE SCENARIO

ASSUME FORECLOSURE MID-1995
PROPERTY TAX PAYMENTS STOP AS OF 4TH 1/4 1995
TRANSITION TO MARKET RATE BEGINS IN 1995; REVENUE AFFECTED BEG. 1996
1995 PROPERTY TAX 119,267

1994 PROJECTIONS	YEAR	1	2	3	4	5	6	7	8	9	10	11	12
17-Jan-95		1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
NOI AFTER ORIG LEASE PMT							494,442	604,866	684,311	765,688	791,748	808,591	826,239
Less Primary Debt Service							780,679	780,679	780,679	780,679	780,679	780,679	780,679
CF AFTER DS & LEASE PMT							(286,238)	(175,814)	(96,369)	(14,992)	11,069	27,911	45,559
DEFICIT OFFSETS													
BALANCE MERCHANTS SINKING FUND (ESTIMATED)							98,000						
PROPERTY TAX NOT PAID							29,817	122,845	126,530	130,326	134,236	138,263	142,411
NET (DEFICIT) SURPLUS--VHFA OWNERSHIP							(158,421)	(52,969)	30,162	115,335	145,305	166,175	187,970
VALUATION:													
DIRECT CAPITALIZATION													
CAP Rate:							11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%
Capitalized Value:							4,494,923	5,498,778	6,221,008	6,960,798	7,197,713	7,350,826	7,511,260
DISCOUNTED YIELD APPROACH													
Yield Rate:							13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
NPV of NOI:							6,570,568	6,930,301	7,226,374	7,481,492	7,688,398	7,896,141	8,114,049
remaining lease term,YRS:							47	46	45	44	43	42	41
OUTSTANDING MORTGAGE BALANCE							7,219,889	7,083,463	6,934,240	6,771,018	6,592,485	6,397,204	6,183,604

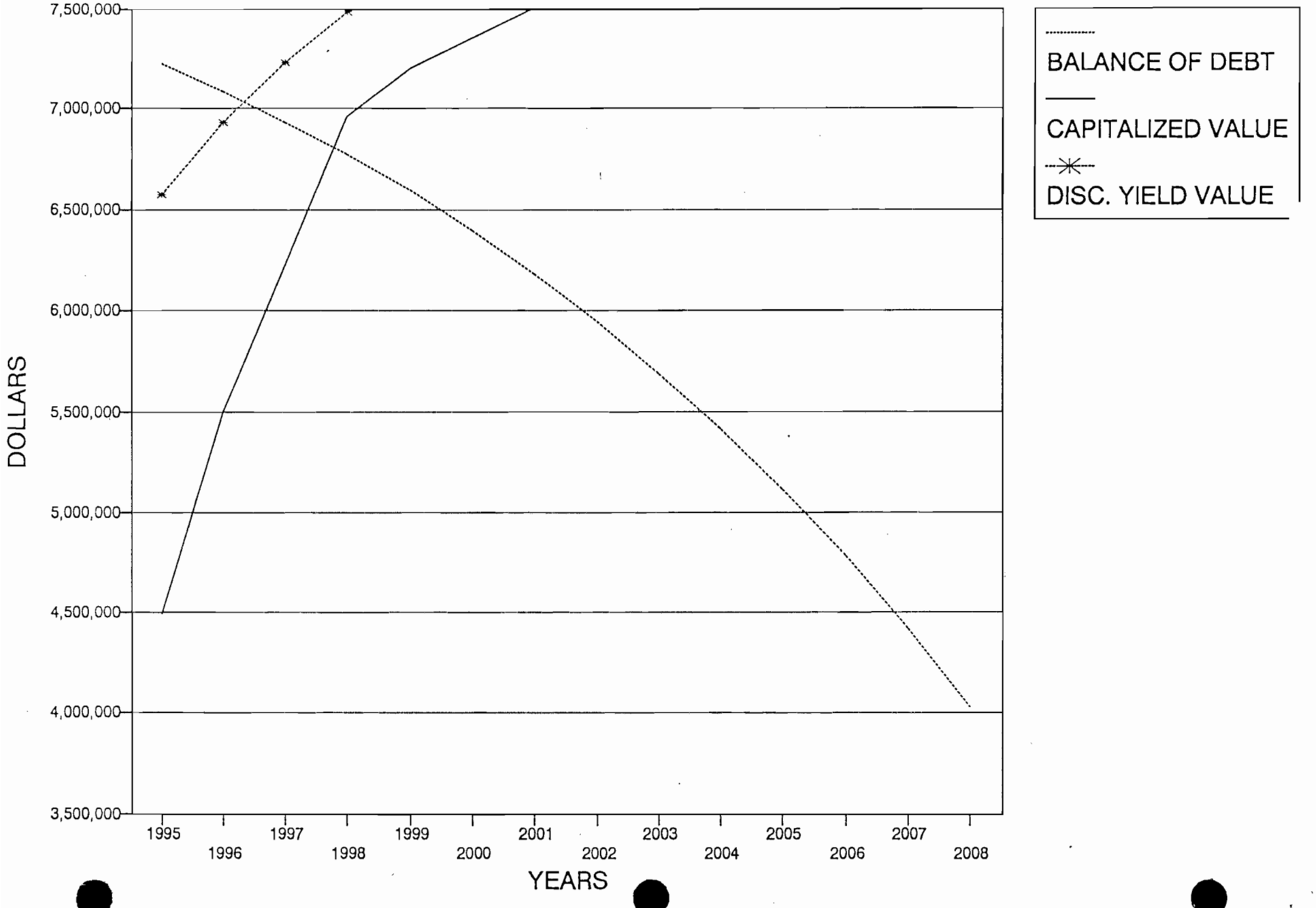
WINCHESTER PLACE--FORECLOSURE SCENARIO

ASSUME FORECLOSURE MID-1995
PROPERTY TAX PAYMENTS STOP AS OF 4TH 1/4 1995
TRANSITION TO MARKET RATE BEGINS IN 1995; REVENUE AFFECTED BEG. 1996
1995 PROPERTY TAX 119,267

1994 PROJECTIONS YEAR	13	14	15	16	17	18	19
17-Jan-95	2002	2003	2004	2005	2006	2007	2008
NOI AFTER ORIG LEASE PMT	854,716	884,047	914,259	937,376	961,428	994,441	1,028,444
Less Primary Debt Service	780,679	780,679	780,679	789,663	789,663	789,663	789,663
CF AFTER DS & LEASE PMT	74,036	103,368	133,579	147,713	171,765	204,778	238,781
DEFICIT OFFSETS							
BALANCE MERCHANTS SINKING FUND (ESTIMATED)							
PROPERTY TAX NOT PAID	146,683	151,084	155,616	160,285	165,093	170,046	175,148
NET (DEFICIT) SURPLUS--VHFA OWNERSHIP	220,720	254,452	289,196	307,998	336,858	374,824	413,928
VALUATION:							
DIRECT CAPITALIZATION							
CAP Rate:	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%
Capitalized Value:	7,770,144	8,036,793	8,311,443	8,521,604	8,740,252	9,040,369	9,349,489
DISCOUNTED YIELD APPROACH							
Yield Rate:	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
NPV of NOI:	8,342,636	8,572,463	8,802,836	9,032,946	9,269,853	9,513,506	9,755,821
remaining lease term,YRS:	40	39	38	37	36	35	34
OUTSTANDING MORTGAGE BALANCE	5,949,968	5,694,414	5,414,888	5,113,535	4,783,098	4,420,766	4,023,459

WINCHESTER

3.0%/3.0% Income/Expense Trending



VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA BOARD OF COMMISSIONERS

FROM: DOUGLAS R. LOTHROP, DIRECTOR OF SINGLE FAMILY OPERATIONS

DATE: March 1, 1995

RE: SINGLE FAMILY PROGRAM ACTIVITY REPORT FOR FEBRUARY, 1995

MORTGAGE PURCHASE PROGRAMS

Month	No.	Amount	Previous Year	No.	Amount
Reservations	78	$ 4,948,802		46	$ 2,741,764
Commitments	31	$ 2,134,056		11	$ 629,872
Purchases	65	$ 4,148,275		88	$ 5,732,993

Period to Date	No.	Amount	Previous Year	No.	Amount
Reservations	122	$ 7,795,426		75	$ 4,024,742
Commitments	38	$ 2,621,161		22	$ 1,283,597
Purchases	158	$ 9,923,547		158	$10,051,432

MORTGAGE PLUS

Month	No.	Amount	Previous Year	No.	Amount
Reservations	2	$ 149,009		6	$ 505,260
Commitments	2	$ 181,450		4	$ 324,250
Issued	4	$ 332,725		19	$ 1,506,937

Period to Date	No.	Amount	Previous Year	No.	Amount
Reservations	4	$ 315,409		13	$ 1,098,760
Commitments	7	$ 580,675		8	$ 623,462
Issued	31	$ 2,288,305		33	$ 2,561,515

VERMONT HOUSING FINANCE AGENCY
DELINQUENCY STATISTICAL REPORT
SINGLE FAMILY PORTFOLIO
EFFECTIVE: JANUARY 31, 1995

Lenders	Total Loans	30 Days		60 Days		90+ Days		Auth FCL		Total Delinq		REO	
BancBoston Mortgage Corp.	327	9	2.75%	3	0.92%	4	1.22%	2	0.61%	18	5.50%	2	0.61%
Banknorth Mortgage Co.	772	34	4.40%	5	0.65%	5	0.65%	5	0.65%	49	6.35%	6	0.78%
Bennington Co-op S&L Assoc.	35	1	2.86%	0	0.00%	1	2.86%	0	0.00%	2	5.71%	0	0.00%
Brattleboro Savings & Loan	10	1	10.00%	0	0.00%	0	0.00%	0	0.00%	1	10.00%	0	0.00%
Chittenden Bank	848	54	6.37%	9	1.06%	17	2.00%	4	0.47%	84	9.91%	5	0.59%
Citizens Savings Bank	72	0	0.00%	2	2.78%	0	0.00%	0	0.00%	2	2.78%	1	1.39%
Comfed Mortgage Co.	5	1	20.00%	0	0.00%	0	0.00%	0	0.00%	1	20.00%	0	0.00%
Community National Bank	232	9	3.88%	2	0.86%	4	1.72%	1	0.43%	16	6.90%	1	0.43%
Factory Point Nat. Bank	26	2	7.69%	0	0.00%	0	0.00%	0	0.00%	2	7.69%	0	0.00%
First Brandon Nat. Bank	1	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
First Northern Mortgage Corp.	3	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Fleet Mortgage	16	3	18.75%	0	0.00%	1	6.25%	0	0.00%	4	25.00%	0	0.00%
Graystone Mortgage Company	176	13	7.39%	10	5.68%	6	3.41%	3	1.70%	32	18.18%	3	1.70%
Green Mountain Bank	181	10	5.52%	2	1.10%	1	0.55%	1	0.55%	14	7.73%	1	0.55%
Lomas & Nettleton Company	11	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Lyndonville Savings Bank	61	3	4.92%	1	1.64%	1	1.64%	0	0.00%	5	8.20%	1	1.64%
Marble Bank	229	10	4.37%	0	0.00%	2	0.87%	1	0.44%	13	5.68%	0	0.00%
Merchants Bank	328	17	5.18%	5	1.52%	8	2.44%	0	0.00%	30	9.15%	1	0.30%
Mortgage Service Ctr. of NE	66	1	1.52%	1	1.52%	1	1.52%	0	0.00%	3	4.55%	3	4.55%
National Bank of Middlebury	63	2	3.17%	1	1.59%	0	0.00%	0	0.00%	3	4.76%	0	0.00%
New England IBM Employees FCU	53	0	0.00%	1	1.89%	0	0.00%	0	0.00%	1	1.89%	0	0.00%
Northfield Savings Bank	114	12	10.53%	1	0.88%	1	0.88%	0	0.00%	14	12.28%	1	0.88%
Passumpsic Savings Bank	175	4	2.29%	5	2.86%	4	2.29%	0	0.00%	13	7.43%	3	1.71%
Peoples Trust Co.	104	9	8.65%	0	0.00%	1	0.96%	0	0.00%	10	9.62%	0	0.00%
Randolph National Bank	50	3	6.00%	0	0.00%	1	2.00%	0	0.00%	4	8.00%	0	0.00%
Union Bank	159	10	6.29%	3	1.89%	1	0.63%	0	0.00%	14	8.81%	0	0.00%
Vermont Development CU	15	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Vermont Federal Bank	816	40	4.90%	5	0.61%	9	1.10%	4	0.49%	58	7.11%	11	1.35%
Vermont National Bank	601	16	2.66%	12	2.00%	9	1.50%	1	0.17%	38	6.32%	1	0.17%
Wells River Savings Bank	35	2	5.71%	0	0.00%	0	0.00%	0	0.00%	2	5.71%	0	0.00%
Totals	5584	266	4.76%	68	1.22%	77	1.38%	22	0.39%	433	7.75%	40	0.72%
Totals Previous Month	5511	272	4.94%	78	1.42%	75	1.36%	18	0.33%	443	8.04%	38	0.69%

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Douglas R. Lothrop, Director of Single Family Operations

DATE: March 7, 1995

RE: Servicing Activity for January, 1995

SERVICING ACTIVITY

Collections:			
Last months 90+ accounts:			75
Additions:		+8	
Reductions:		- 6	
Under payment arrangement:	35		
Default Notice Sent:	40		
Foreclosure recommendations:	2		
January, 1995 90+ accounts:			77
In Foreclosure:			
Last months foreclosure accounts:			18
New foreclosures:		+7	
To REO:		- 3	
Successful interventions:	2		
Negotiating workouts:	2		
January, 1995 foreclosure accounts:			22
Real Estate Owned:			
Last months REO's:			38
New REO's:		+4	
Properties sold:		- 2	
Properties under contract:	3		
January, 1995 REO's:			40

serv/servact.195

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

EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

Board Property Disposition Report

Month of: January, 1995

Properties Sold

Property	Listing Price	Sale Price	Principal Balance	Interest	To Date Expenses	Claim Payment	Gain/ (Loss)	Audit Valuation Offset	Gain/ (Loss)
Jardine/Shaw Brattleboro	$60,000	$52,500	$54,528	$8,861	$11,224	$11,875	($10,238)	($10,559)	$321
King Shaftsbury	$37,000	$37,000	$43,702	$3,741	$6,330	$$10,850	($5,923)	N/A	N/A

Properties Under Contract

Property	Listing Price	Contract Price	Principal Balance	Interest	Estimated Expenses	Estimated Claim Payment	Gain/ (Loss)	Audit Valuation Offset	Gain/ (Loss)
Angell St. Albans	$75,900	$72,000	$63,554	$8,166	$20,350	$13,700	($6,370)	$10,559	($16,929)
Fitzgerald Huntington	$39,900	$27,500	$58,947	$10,044	$12,492	$14,063	($39,920)	($25,309)	($14,611)
Nichols Rockingham	$34,500	$28,500	$57,298	$3,494	$9,586	$12,300	($29,578)	($12,587)	($16,996)

C:\DATA\OPERATE\SERVICE\BDREOEV

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: **VHFA Board of Commissioners**

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

DATE: **March 9, 1995**

RE: **SECTION 8 CONTRACTS AND RENTS**

At last month's meeting, Allan discussed HUD's recent threats to not renew Section 8 rent subsidy contracts and/or reduce contract rent levels at these multifamily rental properties. Staff has completed a comprehensive analysis of the impact these proposals would have on the Agency's Section 8 portfolio. On the reverse side of this memo is a summary of the results developed using a computer model.

Allan presented this information in discussions with Vermont's Congressional delegation and senior HUD staff during his visit to Washington D.C. for the Legislative Conference. Nic Retsinas, Assistant Secretary for Housing, said that he believed HUD would honor its contractual commitments for the full term of State Agency financed Section 8 properties although there would likely be a significant effort to reduce contract rents to market level. Nic also told Allan that he expected that State HFA's would be involved in this effort, acknowledging the damage that could be done to related financings and outstanding bonds. While this is somewhat encouraging, if rents are compressed to the Section 8 Existing Program Fair Market Rent as proposed, much of our Section 8 inventory would not be financially viable.

Relating to this problem, we have identified three areas that may be critical to an equitable resolution to this matter: 1) HUD must approve our refunding submission and agree to allow VHFA access to a greater proportion of savings to be used for financially distressed properties, 2) we must convince HUD that any proposed rent reductions need to be considered on a project-by-project basis and be based on reasonable operating expense levels (a formula approach may achieve the government's deficit reduction goals but lead to massive defaults of Section 8 properties), and 3) VHFA must convey to Owners and Managers the importance of operating properties in a way that preserves the total subsidy dollars committed to each project for the full term of the mortgage and Section 8 contract. This means that VHFA would need to be more restrictive in approving capital expense requests that are not essential and exert rigorous discipline on all variable expense line items in its review and approval of annual budgets and audits.

RECOMMENDED BOARD ACTION

Staff seeks the Board's support in continuing these efforts as outlined above.

SECTION 8 PROPOSED CONTRACT RENT REDUCTIONS
February, 1995

In an effort to improve efficiencies at HUD, a series of proposals are currently being considered that would impose HUD spending cuts of $13 billion. One proposal of great concern to VHFA would reduce the current Section 8 contract rent levels under the New Construction/Substantial Rehab program to amounts no greater than the Section 8 Existing program in the county which the property is located. If this action takes place prior to the expiration of VHFA's mortgage and bond terms, it would lead to severe financial repercussions for property owners, VHFA, and MRB bond holders and be a destabilizing event in the future availability of affordable housing. If HUD does not honor its long-term contractual commitment under the Housing Assistance Payments (HAP) Contract for the full term of the mortgage and bonds, more than $100 million in VHFA mortgages would be at risk of default.

- As a direct result of this proposed change, reductions in rental income to owners would produce operating deficits for 90% of the 82 Section 8 properties in VHFA's portfolio.
    - A total of $6.7 million in annual reductions in rental income would be caused by these planned reductions in contract rents. This would translate into an average $300 per unit per month reduction in contract rents.
- VHFA would expect to see a 75% default rate in its multi-family loan portfolio for the Section 8 properties (approximately 62 properties).
- With the option to refinance the higher interest rates for 34 of the Section 8 mortgages in VHFA's portfolio, a total savings of $1 million would result. However, this savings would still leave the portfolio with $4.5 million in operating deficits.

This HUD proposal would have a devastating impact on Vermont's affordable housing stock and lead to massive defaults in the repayment of loans by Section 8 property owners. Ultimately, the availability of safe and decent affordable housing options for low-income Vermonters would be diminished. VHFA would be forced into foreclosure actions and possible bond redemptions. These defaults and corresponding reduced property values would expose the Agency to a potential loss of more than $26 million.

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: **VHFA BOARD OF COMMISSIONERS**

FROM: **ROGER A. SCHOENBECK, DIRECTOR OF FINANCE** RAS

DATE: **MARCH 10, 1995**

RE: **MULTI-FAMILY REFUNDING UPDATE**

We are continuing to move forward on the multi-family refunding. The bond lawyers have produced the first drafts of the Official Statement and the amended Bond Resolution. We will be having a conference call with the working group to incorporate changes on Monday, March 13. We expect to hear from HUD regarding our proposal by the middle of next week. HUD's primary concern seems to be whether to allow VHFA to collect an administration fee for the projects we are administering as well as allowing us to earn a "spread" on the bonds.

We have put together a preliminary schedule for financing which would call for a bond pre-pricing conference call on Monday, April 17; pricing on Wednesday, April 19; and sale at the regularly scheduled Board meeting on Thursday, April 20. The transaction would close during the first week of May.

Hopefully we will have some further updates by the time of the Board meeting.

If you have any questions, please contact me at Extension 236 at your earliest convenience.

RECOMMENDED ACTION
No action required.

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

EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: **VHFA Board of Commissioners**

FROM: **Roger A. Schoenbeck, Director of Finance** RAS

DATE: **March 9, 1995**

RE: **Investment Policy Revisions**

Scott Baker (our investment officer) and I have completed our update of VHFA's investment policy and forwarded the revised policy to the Board committee. We have a conference call scheduled for Monday, March 13. In preparing the revision, we attempted to incorporate the concerns verbalized at the January Board meeting. We reviewed other investment policies from selected State HFA's (those that have them), the Vermont Retirement systems, the Vermont Home Mortgage Guarantee Board, and the State of Vermont to assist us with language modifications.

We are hopeful that we will be able to make final revisions to the investment policy and should have it available at the Board meeting on Thursday for full Board approval.

Recommended Action
Approval of revised policy as distributed at the March 16 meeting.

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

EQUAL HOUSING OPPORTUNITY

BUDGET PERFORMANCE REPORT
VERMONT HOUSING FINANCE AGENCY
DECEMBER 31, 1994

	APPROVED BUDGET	ACTUAL 12/31/94	% BUDGET RECOGNIZED
INCOME			
SINGLE FAMILY FEES	(115,000)	(104,793)	91.12%
MULTI-FAMILY FEES	142,000	91,150	64.19%
PROJECT ADMIN FEES	130,000	60,510	46.55%
INTEREST INCOME-LOANS	300,000	170,682	56.89%
INTEREST INCOME-INVEST	75,000	55,600	74.13%
VHMGB CHARGES	300,000	162,826	54.28%
MISCELLANEOUS	30,000	25,777	85.92%
TOTAL INCOME	862,000	461,752	53.57%
FUND TRANSFERS			
SINGLE FAM HOUSING	50,000	15,470	30.94%
SHAWMUT MTG PURCHASE	100,000	50,000	50.00%
HOWARD MTG PURCHASE	1,250,000	1,250,000	100.00%
HOWARD HOME MTG PURCH	325,000	149,200	45.91%
HOWARD MULTI-FAMILY	430,000	220,000	51.16%
CONN NATL MULTI-FAMILY	85,000	36,143	42.52%
HOUSING DEVELOP BDS-MF	10,000	10,000	100.00%
DIRECT PLACEMENT BONDS	35,000	31,750	90.71%
TOTAL TRANSFERS	2,285,000	1,762,563	77.14%
TOTAL INC & TFRS	3,147,000	2,224,315	70.68%
EXPENSES			
ADVERTISING & PROMOTION	123,500	45,887	37.16%
AUDIT	36,000	26,000	72.22%
ANNUAL REPORT	12,500	0	0.00%
COMMISSIONERS EXPENSES	5,000	1,734	34.68%
CONSTRUCTION INSPECTION	15,000	1,234	8.23%
CONSULTING FEES	43,500	43,482	99.96%
DUES & SUBSCRIPTIONS	25,635	10,818	42.20%
INSURANCE	208,114	90,013	43.25%
INTEREST EXPENSE	52,000	26,054	50.10%
LEGAL	46,500	17,251	37.10%
MISCELLANEOUS	4,000	3,992	99.80%
OFFICE EXPENSES	35,000	12,389	35.40%
PENSION PLAN	125,000	50,235	40.19%
POSTAGE	24,000	8,810	36.71%
RENT	135,000	78,907	58.45%
REPAIRS & MAINTENANCE	52,500	39,049	74.38%
SALARIES & WAGES	1,420,919	701,452	49.37%
STAFF TRAVEL & TRAINING	62,500	17,341	27.75%
SUBSIDY-HOUSING VT, ERH	81,000	56,190	69.37%
TAXES-PAYROLL	108,475	52,304	48.22%
TELEPHONE	33,000	16,375	49.62%
TRUSTEE & CREDIT FEES	250,000	97,697	39.08%
DEPRECIATION	130,000	65,380	50.29%
TOTAL EXPENSES	3,029,143	1,462,594	48.28%
SURPLUS (DEFICIT)	117,857	761,721	646.31%

BALANCE SHEET AS OF 12/31/1994 PAGE 1

	GENERAL FUND	SINGLE FAMILY	MULTI FAMILY				TOTAL
ASSETS							
Cash and cash equivalents	3,694,736	141,874,636	6,763,027				152,332,399
Investments	1,449,154	28,884,141	10,122,369				40,455,664
Mortgage and construction loan	6,500,288	283,345,954	81,413,374				371,259,616
Accrued interest receivable							
-Mortgage and notes	129,380	1,976,403	499,658				2,605,441
-Investments	31,562	1,162,673	298,990				1,493,225
Deferred cost of bond issuance		2,032,754	417,675				2,450,429
Office furniture and fixtures	1,069,501						1,069,501
Less: accumulated depreciation	770,004						770,004
Land	775,000						775,000
Building	603,664						603,664
Other receivables:prepaids	447,307	135,405	34,062				616,774
Interfund receivables	1,980,974-	2,436,079	455,105-				
Other assets		2,830,841					2,830,841
TOTAL ASSETS	11,949,614	464,678,886	99,094,050				575,722,550
LIABILITIES & FUND BALANCE							
Deferred income	1,031,105						1,031,105
Accounts payable	250,049	430,258	15,194				695,501
Escrowed cash deposits	3,002,084	13,307					3,015,391
Notes payable	75,000						75,000
Accrued interest	486	4,025,680	2,560,502				6,586,668
Accreted interest		3,663,657					3,663,657
Bonds payable	633,793	433,810,807	92,218,861				526,663,461
Unamortized premium on bonds		4,908,386-	1,520,379-				6,428,765-
Fund balance	6,957,097	27,643,563	5,819,872				40,420,532
TOTAL LIABILITIES & FUND BAL	11,949,614	464,678,886	99,094,050				575,722,550

GL104- 2

STATEMENT OF REVENUES AND EXPENSES AS OF 12/31/1994 PAGE 1

	GENERAL FUND	SINGLE FAMILY	MULTI FAMILY				TOTAL
REVENUES:							
Interest Income:							
Mortgage & construction loans	170,681	11,646,849	3,990,820				15,808,350
Investments	55,603	4,006,844	631,531				4,693,978
Gain on sale of investments							
Fee income:							
Multi-family programs	96,009		60,510				156,519
Single family programs	81,354						81,354
Grant income							
VHMGB income	162,826						162,826
Miscellaneous income	25,779						25,779
TOTAL REVENUES	592,252	15,653,693	4,682,861				20,928,806
EXPENSES:							
Financing costs: including interest and amortization of premium, discount & costs of issuance	26,054	13,838,658	4,159,347				18,024,059
Mortgage service, contract administration fees, & property disposition expense		520,012	34,062				554,074
Salaries and benefits	885,656						885,656
Operating expenses	376,294						376,294
Professional fees	68,548						68,548
Trustee and assignee fees	97,699						97,699
Loss on bond redemptions							
Foreclosed property loss							
TOTAL EXPENSES	1,454,251	14,358,670	4,193,409				20,006,330
Excess (deficiency) of revenues over expenses	861,999-	1,295,023	489,452				922,476
Fund balance, beginning	5,996,018	27,813,273	5,688,838				39,498,129
Transfer to program funds							
Transfer to General Fund	1,823,073	1,464,670-	358,403-				
Fund balance, end of period	6,957,092	27,643,626	5,819,887				40,420,605

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Cathleen Gent, Director of Communications

DATE: March 10, 1995

RE: VHFA Strategic Plan

Attached is the final version of the Strategic Plan for Vermont Housing Finance Agency for Fiscal Years 1996-2000. Comments made at the February Board meeting are reflected in this document. The Board's tremendous contributions truly make this strategic plan a tool which will greatly assist the Agency in planning for our future.

Copies of the Strategic Plan will be mailed to members of the Strategic Planning Advisory Committee as well as individuals who were interviewed during the external assessment phase of the planning process.

Staff work on the Agency's FY96 Business Plan will begin immediately, incorporating into the workplan the strategic planning strategies scheduled to commence in FY96. The FY96 Business Plan is scheduled to be presented at the Board's May meeting.

Please do not hesitate to call me at extension 224 if you would like extra copies of the strategic plan to be sent to you or to individuals in addition to members of the advisory committee or interviewees.

Recommended Board Action: No Board Action is required.

STRATEGIC PLAN

VERMONT HOUSING FINANCE AGENCY

FOR FISCAL YEARS 1996-2000

February 1995

vhfa
VERMONT HOUSING FINANCE AGENCY

The Strategic Plan of the Vermont Housing Finance Agency for fiscal years 1996 through 2000 was developed with the cooperation of the VHFA Board of Commissioners, staff, and a special Strategic Planning Advisory Committee. Many additional individuals offered insightful comments which are reflected in the following document.

FOR FURTHER INFORMATION ABOUT THIS DOCUMENT, PLEASE CONTACT

Cathleen L. Gent
Director of Communications
Vermont Housing Finance Agency
PO Box 408
Burlington, VT 05402-0408

802-864-5743, ext. 224

VERMONT HOUSING FINANCE AGENCY

February 1995

Greetings,

In recognition of our 20th anniversary, VHFA conducted a strategic planning process to reflect upon the past and to plan and prepare the Agency for the future.

The VHFA Strategic Plan for Fiscal Years 1996 through 2000 serves as a working, breathing document to help guide VHFA staff and the Board of Commissioners in conjunction with our annual business plans. The scope of VHFA's strategic planning was broad, encompassing our vision for the next five years through our mission, overall goals, objectives, and specific strategies or actions.

This strategic planning effort was greatly enhanced through the thoughtful work of the special Strategic Planning Advisory Committee and the insightful comments offered by the many representatives of organizations who were interviewed or surveyed during the course of our work. Our appreciation and thanks are extended to those individuals who contributed so positively to this, our first strategic planning document.

The future may bring new challenges in addressing the affordable housing needs of Vermonters: we look forward to working with our affordable housing partners to meet those needs.

Sincerely,

Richard C. White
Chairman
Board of Commissioners

Allan S. Hunt
Executive Director

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/287-VHFA

TABLE OF CONTENTS

Introduction 1

Overview of VHFA Strategic Planning Process 1

VHFA Today and Tomorrow 3

VHFA Activity 3

Current Financial Condition 4

Organizational Structure 5

External Factors 5

Mission Statement 7

Overall Goals 7

Planning Objectives 8

Recommended Strategies 9

Projected Timeline 10

Actions in Support of Strategies 11

- Encourage and Support A Productive and Positive Work Environment 13
- Expand Down Payment Assistance 15
- Develop Home and Energy Improvement Lending Programs 17
- Expand Financing Options for Mobile Home Purchases 19
- Provide Financing for Co-op Housing 21
- Improve Financing to 3 and 4 Unit Properties 23
- Expand Energy Lending Activities 25
- Expand (as Consortium) Use of FHLB in Conjunction with LIHTC 27
- Address Homelessness 29
- Collaborate to Develop Programs for Support and Special Needs 31
- Increase Efficiency of Multi-Family Lending Process 33
- Improve Financing for 3 and 4 Unit Investor-Owned Properties 35
- Finance Program for Environmental Hazard Management Multi-Family Projects . . 37
- Financing Housing Infrastructure 39
- Collaborate with Other Agencies to Achieve Efficiencies 41
- Maintain Data Collection, Analysis, and Dissemination of Housing Data 43
- Promote Homeownership Through Expansion of Home Buyer Education 45
- Expansion of Financing to Non-Housing Activities 47
- Better Utilize VHMGB to Enhance Services/Products of VHFA 49
- Reduce Operating and User Costs 51
- Increase Revenues Thru Loan Servicing Modifications and New Investment Opportunities 53

Appendix A VHFA Strategic Planning Advisory Committee

Appendix B Listing of Interviews and Surveys Completed for VHFA Strategic Plan

Appendix C VHFA/VHMGB Organization Chart

INTRODUCTION

VHFA is at a critical crossroads, given our history, national and local public policy priorities, financial resources and constraints, and the dynamic nature of Vermont's housing delivery system in response to changing affordable housing needs. As we entered our twentieth year, VHFA initiated a strategic planning process to prepare us for the future.

The scope of VHFA's strategic planning was broad: our vision for the next five years encompassed VHFA's mission, overall goals, objectives, and specific strategies or actions. This strategic plan covers Fiscal Years 1996-2000 (from July 1995 to June 2000) and will be integrated each year with VHFA's Business Plan, an annual statement of activities and goals for the Agency.

Since this represented the first formal strategic planning effort by VHFA, a substantial amount of information was assembled and reviewed. This information serves as a core for both present and future Agency planning activities.

During the period of time in which the strategic planning process was completed, VHFA underwent a number of significant changes which altered the nature of some decisions. It was particularly timely and beneficial to develop the five year plan during this time of change.

OVERVIEW OF VHFA STRATEGIC PLANNING PROCESS

The central question asked throughout VHFA's strategic planning process was: Where does VHFA want to be in the next five years? Attention was focused on this question through each phase of the work as VHFA endeavored to achieve a comprehensive plan for VHFA's future.

The VHFA strategic planning process included an internal and external analysis of the policy, economic, demographic, and financial market trends affecting the delivery of housing in Vermont, housing needs and demands in the state, as well as VHFA's capacity, weaknesses, and strengths.

The consulting firm of Lanzikos, McDonough and Associates, which specializes in conducting strategic planning for housing organizations, was retained to assist VHFA in designing and implementing our strategic planning process. In particular, the consultants guided the Strategic Planning Advisory Committee, the VHFA Board of Commissioners, and the VHFA staff in identifying our strengths, weaknesses, opportunities, and threats.

In September 1993, VHFA's Board of Commissioners (the Board) appointed a high caliber panel of advisors to assist in this planning effort. The dedication of the VHFA Strategic Planning Advisory Committee greatly sustained much of VHFA's strategic planning work. Appendix A contains a list of the Strategic Planning Advisory Committee members. Sadly, Emory Hebard, former State Treasurer and VHFA Board member and a member of the Strategic Planning Advisory Committee, passed away before the work of the Advisory Committee was completed.

As part of the VHFA internal and external analyses, individuals representing different constituent groups and organizations were interviewed or surveyed, which provided a valuable resource in examining the current and future affordable housing needs of Vermonters, VHFA's role in the housing delivery system, as well as the likely funding and financing climate in which VHFA will operate. Appendix B contains a complete listing of individuals and organizations interviewed and surveyed.

The VHFA research analyst completed a comprehensive "situational analysis" for VHFA. During the course of completing the strategic planning process, VHFA consolidated with the Vermont Home Mortgage Guarantee Board (VHMGB). A "situational analysis" for VHMGB was also completed. These documents included data and information gathered in order to help VHFA assess historical activities for single family, multi-family and VHMGB activities, financial conditions, and special initiatives. An external assessment was also conducted including a review of federal policy and tax laws, state policy, the housing delivery system, the economy and housing, and population/demographics. The situational analyses were completed for VHFA in December 1993 and for VHMGB in February 1994.

VHFA staff and Commission members were also instrumental in the process: the full staff and Board separately participated with Lanzikos, McDonough and Associates in their SWOT exercise and individual staff members served as advisors in developing the strategies and actions for plan implementation.

The results of the situational analyses, interviews, surveys, and analytical exercises were presented in early 1993 to the Strategic Planning Advisory Committee for their consideration as they identified and prioritized key strategic issues, options, and challenges facing the organization. In May 1994, the advisory committee's recommended strategies for Agency implementation over the next five years were submitted to the Board, covering a broad array of potential activities for the Agency. Their insightful reflections and thoughtful recommendations provided an excellent base upon which the Board and staff made decisions about the direction of the strategic plan.

From June through September 1994, the Board revised VHFA's statements of mission, overall goals, and objectives. The strategies or actions needed to carry out the goals and objectives were then determined by VHFA staff. The Board adopted VHFA's 1996-2000 Strategic Plan in February 1995, for integration into the Agency's Annual Business Plan. The strategies will then be reviewed and updated each year, thus creating an on-going monitoring system.

VHFA TODAY AND TOMORROW

The primary reason for conducting a strategic planning process is to assess current and expected future operational and environmental conditions and to plan in a manner which maximizes efficiencies and offers a unique resource. In VHFA's strategic planning work, internal and external assessments were conducted through interviews, surveys, and a systematic review of our history, national and local public policy priorities, financial resources and constraints, Vermont's housing delivery system, and current and projected demographic conditions and housing needs. The results of these assessments formed the basis on which VHFA's mission, overall goals, objectives, and specific strategies or actions were decided.

A. VHFA ACTIVITY

During our twenty-year history, VHFA has loaned over $1 billion through multi-family and single family activities. Multi-family loan volume accounts for approximately $100 million of the $1 billion invested by VHFA in affordable housing throughout Vermont.

VHFA has assisted more than 18,000 low- and moderate-income Vermonters gain homeownership. New types of programs have been introduced over the years, but the primary vehicle for VHFA loan originations has been the Mortgages for Vermonters (MOVE) Program. Outreach efforts have been launched in counties with less than optimal levels of VHFA activities, particularly in southern Vermont. Since 1987, VHFA has offered home buyer education courses and workshops across Vermont, usually in conjunction with local lenders and real estate professionals.

The distribution of VHFA borrower incomes varies significantly in relation to the state's median household income, with almost 60% earning ***below*** 80% of the state's median income amount. The following breakdown shows the income profiles for VHFA borrowers from July 1, 1993 through June 30, 1994:

Income Category	Number of Loans	Percent of Loans
Over 100% of Median	42	6
80-100% of Median	261	38
50-79% of Median	320	46
30-49% of Median	67	10
Less than 30% of Median	5	1

As of June 30, 1994, a total of 3,531 elderly and family rental units were financed by VHFA. By far, the largest number of units (1,935) were produced under the Section 8 Program between 1974 and 1984. Since 1987, the Low Income Housing Tax Credit (LIHTC) Program has been administered by VHFA and has provided a major vehicle for the creation and preservation of rental units in Vermont. The Multi-Family Management department is responsible for servicing and monitoring the multi-family portfolio, HUD Contract Administration, and tax credit compliance monitoring.

A major challenge for VHFA in financing affordable rental housing is that the developments serving low- and very low-income households can assume little or no debt. The Agency has very few debt-free funding vehicles to assist these developers. Even with this limitation, 98% of renter households living in units financed by VHFA between July 1, 1993 and June 30, 1994 earned less than 50% of the state's median household income:

Income Category	Number of Units	Percent of Units
50-79% of Median	2	2
30-49% of Median	23	18
Less than 30% of Median	100	80

A financial analysis of VHFA was completed by Evensen Dodge Inc. in June 1993. One conclusion reached in that study was that "VHFA has aggressively and efficiently used its assets and fund balances to provide affordable housing." A list of resource initiatives accomplished with VHFA fund balances includes the capitalization of Housing Vermont, the second mortgage pool for the Officers' Row development at Fort Ethan Allen, and the deferred loan funds used to create five Homeless Shelters. VHFA has also provided financial and in-kind support to Energy Rated Homes of Vermont and other initiatives linking energy efficiency and mortgage lending, as well as to the Vermont Development Credit Union, the Vermont Community Loan Fund, and the Robert Wood Johnson pilot grant program providing supportive services to elderly residents of subsidized housing.

The no-point mortgage option feature offered in 1993 and 1994 was initially subsidized by VHFA with a payment to the lenders for every mortgage originated with this feature. VHFA has also supported nonprofit developers using Vermont Housing and Conservation Trust Fund resources and VHFA's Homeownership Opportunities Using Shared Equity (HOUSE) program to provide shared equity homeownership opportunities to low-income households. While these special initiatives provide direct, added benefit to the consumer, many of these activities provide a major and much needed stimulus to the state's economy. For example, the creation of Housing Vermont resulted in the production of nearly 2,000 rental units and equity investment of approximately $20 million.

B. CURRENT FINANCIAL CONDITION

VHFA has proven itself willing to take risks and break new ground; our ability to continue to use our fund balances creatively is dependent upon current and future financial conditions. The Agency must always be mindful of its mission and must balance meeting the affordable housing needs of Vermonters with maintaining our financial viability. The Evensen Dodge study was commissioned by VHFA in order to understand better and identify available resources for future housing programs and related purposes. Some recommendations made by Evensen Dodge being implemented or under consideration by VHFA include:

1) Tracking of single family and multi-family loan prepayments
2) Increasing the amount in VHFA's Fund Balance
3) Creating a Construction Loan Program

Formal actions regarding the future allocation of funds will be taken at the conclusion of VHFA's strategic planning process.

C. ORGANIZATIONAL STRUCTURE

Throughout our history, VHFA has undertaken a number of organizational transitions to better align the staffing structure according to specific activities and functions. A major transition took place in 1988, in which five departments were developed. In 1991, the Multi- Family Management department evolved. As mentioned previously, during the strategic planning process, the programs of the Vermont Home Mortgage Guarantee Program (VHMGB) were assumed under VHFA's umbrella, to increase efficiencies in providing homeownership mortgage and guarantee programs for low- and moderate-income Vermonters. (See Appendix C for the current VHFA organizational chart.) While this increased the total number of employees at VHFA, combining responsibilities for a number of positions did result in the elimination of four positions, which was achieved through attrition. VHFA staffing levels reflect the complexity of creating and preserving affordable housing through multi-layered funding sources as well as the continuing growth and need for management and servicing of VHFA's loan portfolio to maintain and ensure fiscally sound operations. Periodic reviews of staffing level needs will be conducted as part of VHFA's Business Plan.

D. EXTERNAL FACTORS

Numerous changes in federal tax laws have had a significant impact on the efficiency of Mortgage Revenue Bonds (MRBs) in providing affordable housing opportunities. On the single family side, these changes have restricted program eligibility to certain income levels and have reduced the earnings potential for the Agency which was previously derived from the issuance and operation of tax-exempt bond programs. On the multi-family side, changes in the 1986 tax code resulted in the general decline in investment for rental real estate by reducing the incentive for investors. While the Low Income Housing Tax Credit Program was created as part of the 1986 revision of tax laws and is today the major engine for the production of rental housing, it is an intricate program and has taken time for investors to understand and support. Permanent extensions of both the MRB and Tax Credit programs were passed by Congress in 1993. While further restrictions are unlikely, MRB programs have become more complicated and produce less income than when the programs were instituted in 1983. The challenge is to find a new vehicle which satisfies the needs of home buyers and works to the benefit of VHFA.

Vermont's efforts to meet the housing needs of low- and moderate-income residents involve five state agencies, nonprofit developers, and private developers. The Enterprise Foundation, a national nonprofit community development intermediary, evaluated the effectiveness of the current configuration of state housing agencies and the state's affordable housing delivery system. In a February 1993 report, Enterprise outlined a series of recommendations to improve efficiencies and to make programs easier to use for Vermont's housing partners, especially nonprofit organizations. Discussion about ways to implement their recommendations today continues across state agencies, including VHFA.

During the 1980's, Vermont enjoyed a robust economic period, featuring a rapidly expanding job market, growth in incomes, and low unemployment. The housing market expanded significantly in that decade, which pushed up the prices of owner-occupied and rental housing and resulted in housing affordability problems, especially for low-income households. But the Vermont economy began to decline and, by 1989, entered a recession. Job losses occurred in manufacturing, real estate appreciation halted, and unemployment grew in the construction sector. While Vermont is no longer in a recession, economic forecasts indicate there is no significant engine of economic growth. The fundamentals of the Vermont economy remain weak, with subdued job and income growth rates.

Reflecting fundamental demographic shifts occurring nationally, Vermont's population is aging: the average age of 33 represents an increase of 3.6 years between 1980 and 1990, with baby-boomers driving the shift upward. The number of elderly over the age of 75 rose 18% between 1980 and 1990 and now comprises 5% of Vermont's population. Actual population losses between 1980 and 1990 occurred in the under 18 and the 19-24 age categories.

Between 1980 and 1990, household size decreased from 2.7 to 2.5 persons in Vermont. While Vermont's population is expected to increase slightly, the household size will be smaller.

According to CACI Marketing Systems projections, incomes will rise slowly in Vermont in the next four years (5%) to a $34,600 household income. The income groups targeted by VHFA's homeownership programs - the $15,000 to $35,000 groups - will have about 66,000 households in 1998, a number slightly larger than today's. The dream of homeownership for rental households continues, as indicated in surveys conducted for VHFA in 1992 and 1993. The difficulties of having sufficient incomes for down payment and monthly housing payments remains a barrier, despite the relatively lower housing costs in the past several years. In addition, lower-income households (both renter and owner-occupied) generally pay a greater proportion of their incomes for housing.

Specific housing and services are needed for a number of special population groups in Vermont: frail elderly, homeless, persons with mental health/mental retardation difficulties, substance abusers, persons with dementia, persons with physical handicaps, ex-offenders, and persons with AIDS. The total number of persons with special housing needs who cannot live independently without supportive services is estimated to be 18,000 to 52,000.

Over the next several years, VHFA must target its resources carefully to meet the needs of low- and moderate-income homeowners, elderly and family rental households, and other special needs populations to ensure that appropriate housing is made available. This challenge is addressed in the Agency's Strategic Plan for Fiscal Years 1996-2000 and will be considered in our annual business plans.

VHFA MISSION, OVERALL GOALS, AND OBJECTIVES

Utilizing the information gathered through the internal and external assessments and after reviewing the recommendations of the VHFA Strategic Planning Advisory Committee, the VHFA Board approved the following revised mission statement, overall goals, and specific objectives. The subsequent strategies were developed in accordance with the mission, overall goals, and planning objectives. These goals have not been prioritized.

MISSION

VHFA's mission is to finance and promote affordable, safe, and decent housing opportunities for low- and moderate-income Vermonters.

OVERALL GOALS

1) To provide access to low cost, flexible, innovative programs for individuals who are otherwise unable to qualify for mortgage financing.

2) To stimulate the development and preservation of affordable housing, including rental and ownership housing opportunities for low- and moderate-income Vermonters; and to encourage mechanisms to ensure that this housing remains perpetually affordable.

3) To maintain a sound fiscal structure and meet all fiduciary requirements in a professional manner.

4) To work in partnership with state government, municipalities and the private sector to: (a) encourage and support quality planning for affordable housing; (b) address the special needs of Vermonters who have disabilities or require supportive services; and (c) address homelessness in Vermont.

5) To heighten general awareness of housing needs for low- and moderate-income Vermonters, particularly with groups who can have an impact on the production of such housing, including the legislature, community officials and the business community.

6) To create and sustain a workplace conducive to attracting and retaining a quality staff.

PLANNING OBJECTIVES - LINKED TO OVERALL AGENCY GOALS

Objective 1:	To encourage and support a work environment that enables staff to realize their full potential as employees of VHFA.
Objective 2:	To enhance affordability and habitability that will maintain and increase homeownership.
Objective 3:	To improve flexibility of financing tools as a lender for rental housing.
Objective 4:	To create and enhance affordable housing integrated with services to provide realistic alternatives for people with special needs.
Objective 5:	To increase the efficiency and responsiveness of the multi-family lending process.
Objective 6:	To develop programs to finance the mitigation or elimination of environmental hazards that may inhibit the production or preservation of safe and decent affordable housing.
Objective 7:	To work with other housing and regulatory agencies to facilitate the development and preservation of affordable housing.
Objective 8:	To inform policy makers on an on-going basis regarding affordable housing issues and needs.
Objective 9:	To promote VHFA's affordable housing programs and to build upon VHFA's successful public education and information efforts.
Objective 10:	To enhance the long-term financial viability of VHFA by improving efficiency, reducing costs and increasing revenues.

RECOMMENDED STRATEGIES

Following the direction of the Board, VHFA staff developed strategies to implement an action plan based upon the mission statement, overall goals, and objectives established by the Board. The following summary shows the strategies as they apply to VHFA's strategic planning objectives. These strategies are not in ranked order.

1. *To encourage and support a work environment that enables staff to realize their full potential as employees of VHFA.*
   a. Encourage and support a productive and positive work environment

2. *To enhance affordability and habitability that will maintain and increase homeownership*
   a. Expand Down Payment Assistance
   b. Develop Home and Energy Improvement Lending Programs
   c. Expand Financing Options for Mobile Home Purchases
   d. Provide Financing for Co-op Housing
   e. Improve Financing for 3 and 4 Unit Owner-Occupied Properties

3. *To improve flexibility of financing tools as a lender for rental housing*
   a. Expand Energy Lending Activities
   b. Expand (as Consortium) Use of FHLB in Conjunction with LIHTC

4. *To create and enhance affordable housing integrated with services to provide realistic alternatives for people with special needs.*
   a. Address Homelessness
   b. Collaborate to Develop Programs for Support and Special Needs

5. *To increase the efficiency and responsiveness of the multi-family lending process.*
   a. Increase Efficiency of Multi-Family Lending Process
   b. Improve Financing for 3 and 4 Unit Investor-Owned Properties

6. *To develop programs to finance the mitigation or elimination of environmental hazards that may inhibit the production or preservation of safe and decent affordable housing.*
   a. Finance Program for Environmental Hazard Mgmt of Multi-Family Properties
   b. Financing Housing Infrastructure

7. *To work with other housing and regulatory agencies to facilitate the development and preservation of affordable housing.*
   a. Collaborate with Other Agencies To Achieve Efficiencies

8. *To inform policy makers on an ongoing basis regarding affordable housing issues and needs.*
   a. Maintain Data Collection/Analysis/Dissemination of Housing Data

9. *To promote VHFA's affordable housing programs and to build upon VHFA's successful public education and information efforts.*
   a. Promote Homeownership Through Expansion of Home Buyer Education

10. *To enhance the long-term financial viability of VHFA by improving efficiency, reducing costs and increasing revenues.*
    a. Expansion of Financing to Non-Housing Activities
    b. Better Utilize VHMGB to Enhance Services/Products of VHFA
    c. Reduce Operating and User Costs
    d. Increase Revenues Through Loan Servicing Modifications and New Investment Opportunities

VHFA STRATEGIC PLAN - PROJECTED TIMELINE

	STRATEGY	ACTION #	DATE OF IMPLEMENTATION	YEAR 1 - FY96 JUL-DEC 95	YEAR 1 - FY96 JAN-JUN 96	YEAR 2 - FY97 JUL-DEC 96	YEAR 2 - FY97 JAN-JUN 97	YEAR 3 - FY98 JUL-DEC 97	YEAR 3 - FY98 JAN-JUN 98	YEAR 4 - FY99 JUL-DEC 98	YEAR 4 - FY99 JAN-JUN 99
1A	Encourage and Support a Productive & Positive Work Environment		Ongoing	<	.	.	.	.	.	.	>
10C	Reduce Operating/User Costs		Ongoing	<	.	.	.	.	.	.	>
10D	Increase Revenues Thru Loan Svcg Mod/New Invest Oppties	#3	Ongoing	<	.	.	.	.	.	.	>
2B	Develop Home and Energy Improvement Lending Programs		Year 1	<--6 to 8 Months-->							
3B	Expand (as Consortium) Use of FHLB in Conjunction with LIHTC		Year 1	<--6 to 9 Months-->							
8A	Maintain Data Collection, Analysis, and Dissemination of Housing Data		Year 1	<2-6 Mos>							
4A	Address Homelessness		Year 1	<----3 to 12 Months--->							
10A	Expansion of Financing to Non-Housing Activities	#1	Year 1	<----9 to 12 Months--->							
4B	Collaborate to Develop Programs for Support/Special Needs	#2	Year 1	<6 Months>							
10A	Expansion of Financing to Non-Housing Activities	#2	Year 1	<----9 to 12 Months--->							
10D	Increase Revenues Thru Loan Servicing Mod/New Invest Oppties	#1	Year 1	<6 to 8 Months>							
5A	Increase Efficiency of M-F Lending Process	#1	Year 1	<3 Mos>							
		#2	Year 1	<6 Months>							
		#3	Year 1	<4 Mos>							
		#4	Year 1	<6 Months>							
2D	Provide Financing for Co-op Housing		Yrs 1+2	<4-6 Months>		<4-6 Months>					
7A	Collaborate with Other Agencies to Achieve Efficiencies	#1	Yrs 1+2	<----------24 Months---------->							
		#2	Yrs 1+2	<----------24 Months---------->							
2C	Expand Financing Options for Mobile Home Purchases		Year 2			<--6 to 8 Months-->					
2A	Expand Down Payment Assistance	#1	Year 1	<--6 to 8 Months-->							
		#2	Year 2			<--10 to 12 Months--->					
3A	Expand Energy Lending Activities		Year 2			<----9 to 12 Months--->					
4B	Collaborate to Develop Programs for Support/Special Needs	#1	Year 2			<----9 to 12 Months--->					
9A	Promote Homeownership Thru Expansion of Home Buyer Education	#1	Year 2			<----8 to 12 Months--->					
		#2	Year 2			<----8 to 12 Months--->					
10A	Expansion of Financing to Non-Housing Activities	#2	Year 2			<----9 to 12 Months--->					
10B	Better Utilize VHMGB to Enhance Svcs/Products of VHFA	#1	Year 2			<6 to 8 Months>					
		#2	Year 2			<6 to 9 Months->					
10D	Increase Revenues Thru Loan Svcg Mod/New Invest Oppties	#2	Year 2			<---9 to 12 Months---->					
7A	Collaborate with Other Agencies to Achieve Efficiencies	#3	Yrs 2+3			<----------24 Months---------->					
2E	Improve Financing for 3 and 4 Unit Owner-Occupied Properties		Year 2			<----10 Months---->					
5B	Improve Financing for 3 and 4 Unit Investor-Owned Properties		Year 2			<-----12 Months------>					
6B	Financing Housing Infrastructure		Year 3					<--6 Months-->			
10B	Better Utilize VHMGB to Enhance Svcs/Products of VHFA	#3	Year 3					<1-3 Months>			
6A	Finance Program for Environmental Hazard Management M-F Properties		Year 4							<---9 to 12 Months---->	

ACTIONS IN SUPPORT OF STRATEGIES

1A Encourage and Support a Productive and Positive Work Environment

Action

Sustain and enhance a highly productive workplace conducive to attracting and retaining a quality staff

Goals

1. To provide a competitive compensation package in a cost-effective approach.

2. To provide employees the resources they need to perform their duties effectively and efficiently by assuring access to information, suitable equipment and work space and training opportunities.

3. To create a quality work environment which provides clear direction to employees, holds them accountable for their actions and allows for straightforward communications in evaluating performance.

Time Period for Implementation Ongoing

Action - Ongoing. Annually review VHFA's compensation package; provide regular opportunities for both informal and formal communication pertaining to performance, office climate and quality of supervision; conduct regularly scheduled staff discussions about organizational goals and the resources required to achieve those goals.

Results

- Staff will be retained.
- Quality staff will be attracted.
- The workplace atmosphere will be enhanced, improving employee productivity and morale.

THIS PAGE RESERVED
FOR FUTURE ACTIONS
IN SUPPORT
OF THIS STRATEGY

2A Expand Down Payment Assistance

Action #1 Extend Down Payment Assistance Pilot Program with VHMGB.

Goals

1. Provide 100% financing to individuals who would otherwise not be able to purchase a home with emphasis on borrowers with the lowest income.

2. Require pre-purchase home inspections and provide pre-purchase homeownership counseling and post-purchase counseling in conjunction with early intervention, self-servicing of these loans to reduce the number of defaults. VHFA would work with three nonprofit groups to develop their capacity over a two year period to assist delinquent borrowers to avoid foreclosure. This support would include $20,000 to each group for year one, and $10,000 for each group for year two. VHFA would then reimburse each group for work they do for VHFA to avoid foreclosures. The service would also be available on conventional loans. Like VHFA, other lenders would pay fees to an organization to prevent foreclosures. The rationale is that most lenders (including VHFA) lose money when they foreclose. Early intervention may result in a reduced number of foreclosures.

3. Determine whether loans with no down payment have a greater incident of default than loans with a 5% down payment.

Time Period for Implementation During Year 1 of Strategic Plan (FY96)

Action # 1 - Total time frame of 6 to 8 months. Some activities will happen concurrently with other activities and some activities can begin only after other activities are completed. Develop a pre- and post-purchase counseling strategy; determine additional program requirements and targeting; obtain approval of VHFA and VHMGB Boards; revise procedures and notify lenders

Results

150 additional Vermonters per year who would otherwise be unable to purchase a home because of the lack of down payment will become homeowners.
The risk of default will be reduced because of pre-purchase and post-purchase counseling. The risk of loss will be reduced because of pre-purchase home inspections and early delinquency intervention.

Other Considerations

Cost estimates do not include cost and income from self-servicing including additional staffing that might be required and also does not include the costs of development and operation for pre-purchase and post-purchase counseling. Income does not include principal payments and pre-payments. VHFA may consider the options of self-servicing these loans and requiring an energy component.

Continued...

Action #2 Down Payment Assistance Using a Second Mortgage Program

Goals

1. Provide up to 95% first mortgage financing and a 5% second mortgage to individuals who would otherwise not be able to purchase a home. Emphasis would be placed on borrowers with lower incomes.

2. Increase financing available to assist buyers without down payments.

3. Require pre-purchase home inspections and provide pre-purchase homeownership counseling and post-purchase counseling in conjunction with early intervention, self-servicing of these loans to reduce the number of defaults.

4. Determine whether loans with no down payment have a greater incident of default than loans with a 5% down payment.

Time Period for Implementation During Year 2 of Strategic Plan (FY97)

Action # 2 - Total time frame of 10 to 12 months. Some activities will happen concurrently with other activities and some activities can only begin after other activities are completed. Develop a pre- and post-purchase counseling strategy; determine program eligibility requirements and targeting; develop procedures; locate a source of funding; implement program with lenders.

Results Over a five year period, 225 additional Vermonters who would otherwise be unable to purchase a home because of lack of down payment will become homeowners.

The risk of default will be reduced because of pre-purchase and post-purchase counseling. The risk of loss will reduced because of pre purchase home inspections and early delinquency intervention.

Other Considerations Cost estimates do not include cost and income from self-servicing including additional staffing that might be required and also does not include the costs of development and operation for post-purchase counseling. Income does not include principal payments and pre-payments. VHFA may consider the options of self-servicing these loans and requiring an energy component.

2B Develop Home and Energy Improvement Lending Programs

Action Develop Home and Energy Improvement Lending Program to preserve affordable housing stock.

Goals

1. Improve access to home improvement funds to low- and moderate-income homeowners who do not have a substantial amount of equity in their homes.
2. Improve energy efficiency of existing housing stock.
3. Eliminate hazards from lead-based paint and other health hazards.

Time Period for Implementation During Year 1 of Strategic Plan (FY96)

Action - Total time frame of 6 to 8 months. Some activities will happen concurrently with other activities and some activities can only begin after other activities are completed. Determine appropriate loan guarantors/Insurers and become approved; develop a source of funds; recruit participating lenders/technical assistance; develop procedures; implement program.

Results Financing to preserve affordable housing will be available to homeowners without equity in their homes. Improved safety of housing for occupants by eliminating lead-based paint, asbestos, and other hazards that may exist.

Other Considerations

- Time and Resources to develop financing source.
- Staff capacity to develop, implement, and operate program.
- System requirements and changes to service loans and to meet any special requirements of the HUD FHA Title One Home Improvement Loan Program.
- Losses not covered by HUD.
- Supplies to promote and operate program.
- Pre-payments.
- Cost of Technical Assistance.

THIS PAGE RESERVED
FOR FUTURE ACTIONS
IN SUPPORT
OF THIS STRATEGY

2C Expand Financing Options for Mobile Home Purchases

Action Develop program to finance mobile homes in privately owned mobile home parks with short term leases.

Goals

1. Expand homeownership options for lower income Vermonters who do not have the resources to qualify for financing to purchase a mobile home through a bank or finance company.

2. Provide financing for longer terms, lower down payment requirements, and more flexible qualifying requirements than currently available.

Time Period for Implementation During Year 2 of Strategic Plan (FY97); some planning will occur in FY96.

Action - Total time frame 6 to 8 months. Some activities will happen concurrently with other activities and some activities can only begin after other activities are completed. Identify source of funds; determine program requirements and targeting; develop criteria for approving mobile home parks; recruit participating lenders; develop program procedures and forms; implement program with lenders.

Results More lower income Vermonters will become homeowners.

Other Considerations

- ⌂ Self servicing costs and income not included.
- ⌂ Resources to develop financing source.
- ⌂ Staff capacity and to operate program.
- ⌂ Staff capacity and the cost to self-service loans.

THIS PAGE RESERVED
FOR FUTURE ACTIONS
IN SUPPORT
OF THIS STRATEGY

2D Provide Financing for Co-op Housing

Action Provide financing for the development of limited equity cooperative housing.

Goals

1. To provide construction and permanent financing (blanket mortgages) for the development of limited equity cooperative housing units.

2. To provide construction and permanent financing (blanket mortgages) for the development and/or conversion of mobile home parks into Cooperative Mobile Home Parks.

3. To provide share loans to tenant stockholders.

Time Period for Implementation During Years 1 and 2 of Strategic Plan (FY96 and FY97)

Action - Total time frame of 4-6 months. Develop source of funds for blanket and share loans; program development including input from local nonprofit housing organizations and recruitment of nonprofits to do tenant organization and assistance with share lending; program implementation.

Results Limited equity cooperative housing provides a form of homeownership to very low-income individuals and families.

Other Considerations Requires participation by local or regional nonprofit organizations for organizational development and share lending.

THIS PAGE RESERVED
FOR FUTURE ACTIONS
IN SUPPORT
OF THIS STRATEGY

2E Improve Financing for 3 and 4 Unit Owner-Occupied Properties

Action Develop Financing Option for 3 and 4 Unit Owner-Occupied Properties through the MOVE and HOUSE Programs.

Goals

1. Increase homeownership among lower income families.
2. Revitalize communities by increasing the number of owner-occupied properties and decreasing absentee landlords.

Time Period for Implementation During Year 2 of Strategic Plan (FY97)

Action - Total time frame of 10 months. Develop pre-purchase counseling and post-purchase counseling on how to become a homeowner and how to be a landlord; determine method of delivery of pre-purchase counseling and post-purchase counseling; develop delivery system for technical assistance to complete rehabilitation and repairs; develop lender procedures and train lenders; implement program.

Results More lower income households would become homeowners. Older communities would be revitalized.

Other Considerations

- ⌂ It is assumed that many of the properties financed will require rehabilitation and that technical assistance would be available to new homeowners/landlords.
- ⌂ It is assumed that 3-4 unit properties would be financed through the MOVE and HOUSE programs and that another source would not have to be developed. Program available only in targeted neighborhoods and communities using additional dollars for rehab thru CDBG and other funding sources.

THIS PAGE RESERVED
FOR FUTURE ACTIONS
IN SUPPORT
OF THIS STRATEGY

3A Expand Energy Lending Activities

Action Develop multi-family lending program to improve multi-family affordable housing stock by making loan funds available for energy efficiency improvements.

Goals

1. Improve access to financing for eligible owners of multi-family properties desiring to make their properties more energy efficient.
2. Create an awareness on the part of property owners relative to the desirability of making properties more energy efficient.
3. Promote a lending environment where the value of energy efficiency is recognized in appraisals and loan underwriting.
4. Target multi-family developments of 5+ units.
5. Explore feasibility of providing financing in collaboration with energy services companies, which would administer program(s).

Time Period for Implementation During Year 2 of Strategic Plan (FY97)

Action - Total time frame 9-12 months. Survey property owners to determine demand for energy improvement loan capital; coordinate with other entities doing energy lending and who will support this initiative; identify/develop source of funds; identify/develop sources of guarantee; develop procedures and initiate program.

Results Financing to create energy efficiency and affordable rental units. A market which recognizes the value of energy improvements.

THIS PAGE RESERVED
FOR FUTURE ACTIONS
IN SUPPORT
OF THIS STRATEGY

3B Expand (as Consortium) Use of FHLB in Conjunction with LIHTC

Action

Develop a consortium of banks and VHFA to participate in the financing of affordable housing. VHFA would provide administrative assistance, loan underwriting, and loan servicing, for which it would receive fees and other revenue. VHFA might also participate in loans depending upon the competitiveness with which it can access funds. Initially the consortium would focus on FHLB lending for LIHTC projects.

Goals

1. To expand the financing options for housing developed with Low Income Housing Tax Credits.

2. Provide a service for banks to allow them to finance affordable housing developments.

3. Utilize the expertise that exists on staff to generate fee income for VHFA.

Time Period for Implementation During Year 1 of Strategic Plan (FY96)

Action - Total time frame of 6-9 months. Solicit interest and input from community banks and other Lenders; program development; program implementation.

Results

Housing will be created and preserved using resources already available to communities, other banks and expertise that exists within VHFA. Benefits to participating banks would be risk-sharing, CRA credit, access to loan underwriting and servicing expertise, and program knowledge of VHFA staff.

Other Considerations

- Expenses and Revenues are highly sensitive to both the number and size of loans.
- Above projections are based upon lending $2.0 million per year for 10 projects.

THIS PAGE RESERVED
FOR FUTURE ACTIONS
IN SUPPORT
OF THIS STRATEGY

4A Address Homelessness

Action Support research and public education via all available mechanisms.

Goals

1. Assist other state agencies in their efforts to define the nature and extent of the homeless problem.

2. Help disseminate the results of this research to support efforts to finance initiatives for housing homeless population.

Time Period for Implementation During Year 1 of Strategic Plan (FY96)

Action - Total time frame of 3-12 months. Participate in work group for conducting survey; assist in disseminating survey results; assist in public education.

Results Collaboration with other state agencies involved with this work would be achieved. Promotes efforts to provide safe and decent affordable housing. Public awareness of issue would be enhanced.

Other Considerations

- ⌂ Current VHFA financing mechanisms could not be used to finance these facilities or other non-debt approaches to create shelters for homeless persons and families.
- ⌂ No new staff would be needed.

THIS PAGE RESERVED
FOR FUTURE ACTIONS
IN SUPPORT
OF THIS STRATEGY

4B Collaborate to Develop Programs for Support and Special Needs

Action #1 Finance assisted living units which provide services for the elderly, child care centers in family housing developments, housing for the developmentally disabled, and supportive services in traditional elderly and family units. The focus of this analysis is on financing assisted living units for the elderly.

Goals

1. To combine affordable housing developed for the elderly with supportive services. Housing developed could include owner-occupied and rental units.

Time Period for Implementation During Year 2 of Strategic Plan (FY97)

Action # 1 - Total time frame of 9-12 months. Program development (in-state); obtain agreements or waivers (federal); implement program.

Results Residents of owner-occupied and rental units will have the support necessary to continue to live in their homes.

Other Considerations

- ⌂ The above numbers assume that subsidy to fund services and housing for low income residents will be available through other state agencies or other outside sources.

Continued...

4B Collaborate to Develop Programs for Support and Special Needs (Continued)

Action #2 Work with Area Mental Health Agencies to Develop Financing for Homeownership for Adults with Developmental Disabilities. Developmentally Disabled Participants would purchase a home through their legal guardian using their SSI or SSA benefits for housing debt, taxes, insurance, utilities, and maintenance. The service component would be funded through Medicaid waivers.

Goals

1. Expand the housing options available for adults with developmental disabilities.
2. Provide homeownership opportunities to very low income Vermonters.

Time Period for Implementation During Year 1 of Strategic Plan (FY96)

Action #2 - Total time frame of 6 months. Work with area mental health agencies to identify participants, develop budget for the home and source for subsidy; identify underwriting variances that might be required to qualify participants; obtain approval from VHFA and VHMGB Boards; develop procedures and train participating lenders; implement program.

Results Developmentally Disabled adults would have the stability that homeownership provides.

Other Considerations

- ⌂ Assumes that subsidy will be available from VHCB or other sources to lower the purchase price.
- ⌂ Medicaid waiver or other funds will be available to provide on-site services, where necessary.
- ⌂ First mortgage financing through VHFA's MOVE or HOUSE programs.

5A Increase Efficiency of Multi-Family Lending Process

Action #1 Review Underwriting Criteria for Validity and Revise as Necessary

Goals

1. Eliminate any unnecessary obstacles to making loans.
2. Refine financial feasibility analysis and due diligence by incorporating results of recent experience into underwriting process.

Time Period for Implementation During Year 1 of Strategic Plan (1996)

Action #1 - Total time frame of 3 months. Review underwriting criteria; analyze data on existing loans; meet with representative for-profit and nonprofit borrowers for input; revise criteria and present to Loan Review Committee; present recommended changes to Board.

Results Revenues will increase, through fees and interest payments, if lending activity increases.

. . . . . .

Action #2 Develop new informational, application, and marketing materials for multi-family loan programs.

Goals

1. Make programs more accessible and user-friendly.
2. Obtain necessary information in the way most efficient for both borrower and VHFA.
3. Increase lending activity.

Time Period for Implementation During Year 1 of Strategic Plan (1996)

Action #2 - Total time frame of 6 months. Develop one-page descriptions (fact sheets) of all programs for mailing and handouts; develop new application materials for permanent and construction loan programs, including new proforma. NOTE: Done in 1994 for LIHTC Program; in process for permanent and construction lending programs; completion expected in 3-4 months.

Results Revenues will increase, through fees and interest payments, if lending activity increases.

Continued...

5A Increase Efficiency of Multi-Family Lending Process (Continued)

Action #3 Accelerate Loan Processing.

Goals

1. Be as responsive as possible to borrower needs.
2. Increase lending activity.

Time Period for Implementation During Year 1 of Strategic Plan (1996)

Action #3 - Total time frame of 4 months. Promulgate new Multi-Family Rules that facilitate Board action. *(NOTE: Rules approved by Board 1994/1995 and filed with Secretary of State and Legislative Rules Comm; request Board to delegate approval to Executive Director and/or to a subcommittee of the Board for loans meeting defined standards and within specified amounts.)*

Results Revenues will increase, through fees and interest payments, if lending activity increases.

. . . . . .

Action #4 Increase Efficiency of Closing Process.

Goals

1. Improve quality; reduce risk as much as possible within lending parameters.
2. Accelerate process.
3. Increase lending activity while achieving adequate security.

Time Period for Implementation During Year 1 of Strategic Plan (1996)

Action #4 - Total time frame of 6 months. Validate and standardize loan and other closing documents; improve coordination among Legal, Development, Multi-Family Management and Finance staffs; refine pre-Closing process; document Closing process and any deviations from standards.

Results Revenues will increase, through fees and interest payments, if lending activity increases.

5B Improve Financing for 3 and 4 Unit Investor-Owned Properties

Action #1 Provide capital for 3-4 unit investor-owned properties.

Goals 1. To assure properties are maintained and used as affordable rental housing.

Time Period for Implementation During Year 2 of Strategic Plan (FY97)

Action - Total time frame of 12 months. Identify need for loan program; work with lenders/nonprofits to develop program; identify source of funds; implement program.

Results Older communities would be revitalized and low-income rental housing would be preserved.

Other Considerations

- ⌂ Must be implemented through lenders to assure cost-effectiveness.
- ⌂ Must identify new source of taxable funding (tax-exempt cannot be used).

THIS PAGE RESERVED
FOR FUTURE ACTIONS
IN SUPPORT
OF THIS STRATEGY

6A Finance Program for Environmental Hazard Management M-F Properties

Action

Develop multi-family lending program to improve and preserve multi-family affordable housing stock by making loan funds available to address environmental hazards (e.g., lead paint, asbestos, radon and other toxic substances).

Goals

1. Improve access to financing for eligible owners of multi-family properties desiring to address environmental hazards affecting their properties.

2. Reduce and eliminate environmental hazards which are detrimental or potentially detrimental to the residents of a multi-family building.

3. Develop options for multi-family loan guarantees for the purposes of providing forms of security other than mortgages for these loans.

4. Promote a lending environment where the value of environmental improvements is recognized in appraisals.

Time Period for Implementation During Year 4 of Strategic Plan (FY99)

Action - Total time frame of 9-12 months. Survey property owners to ascertain extent of demand for environmental loan capital; identify/develop sources of funds; identify/develop sources of guarantee; initiate address of appraisal issues; develop procedures and initiate program.

Results

- ⌂ Financing to create environmentally safe and affordable rental units.
- ⌂ Promotes a market which recognizes the value of the environmental improvements.
- ⌂ Provides a source(s) for loan security other than a mortgage.

THIS PAGE RESERVED
FOR FUTURE ACTIONS
IN SUPPORT
OF THIS STRATEGY

6B Financing Housing Infrastructure

Action

VHFA would provide financing for housing infrastructure which could include sewer, water, drainage, utilities, and roads for new or existing conventional housing as well as mobile home parks. The focus for strategic planning is on financing for existing mobile home park infrastructure.

Goals

1. To correct health and safety problems that have arisen (or are imminent) in mobile home parks.

Time Period for Implementation During Year 3 of Strategic Plan (FY98)

Action - Total time frame of 6 months. Analyze need and economic feasibility in conjunction with Agency of Natural Resources; collaborate with Agency of Natural Resources and Dept of Housing and Community Affairs to develop and implement standards for appropriate infrastructure systems; develop source of funds; develop underwriting standards and physical park standards; outreach and program marketing.

Results

Health and safety problems in mobile home parks, which represent a large percentage of the state's affordable housing stock, would be corrected.

Other Considerations

- It is assumed that VHFA would finance approximately 30% of the cost of improvements and that CDBG, VHCB, or other soft second financing would be available.
- Economic feasibility depends on the size of loans and achieving efficiencies of high volume loan production.
- Initial action steps will be to better determine feasibility in terms of costs and potential revenues based on the environment (e.g., state regulation of mobile home parks) in 1997.

THIS PAGE RESERVED
FOR FUTURE ACTIONS
IN SUPPORT
OF THIS STRATEGY

7A Collaborate with Other Agencies To Achieve Efficiencies

Action #1 Improve affordable housing program compliance monitoring.

Goals

1. To streamline and make the multiple program and agency compliance monitoring more efficient with minimal overlap.

Time Period for Implementation During Years 1 and 2 of Strategic Plan (FY96 and FY97)

Action #1 - Total time frame of 24 months. Continue discussions with statewide housing agencies; identify specific areas where compliance monitoring activities can be consolidated; establish and publish a written plan for how future compliance monitoring will be managed; begin implementation; evaluation ongoing throughout.

Results The compliance monitoring process will be less complicated and more efficient. Owners, managers and residents will have fewer interruptions related to multiple agency and program compliance monitoring requirements. Will achieve cost effective monitoring while meeting all compliance guidelines.

Other Considerations

- Additional income projections, beyond existing tax credit and Contract Administration fees, are difficult to predict.

Continued...

Action #2 Streamline and make more user friendly the application process related to the multiple housing agencies and programs for a given housing development.

Goals

1. To design a simplified process for housing sponsors that reduces the burden of separate applications and budget forms.

2. To the extent possible, implement the use of a standard development and operating budget submission for all affordable housing programs and agencies.

Time Period for Implementation During Year 1 and 2 of Strategic Plan (FY96 and FY97)

Action #2 - Total time frame of 24 months. Continue discussions with statewide housing agencies; identify specific areas where these application and budget requirements can be consolidated; design/print new uniform applications, forms and budgets; begin implementation phase using revised and coordinated materials for all housing related proposals.

Results The delivery system for new affordable housing projects will be less complicated and more efficient.

Other Considerations

- Must establish energy standard requirements and policy direction regarding new construction vs. rehabilitation
- Supportive services
- Role of private sector
- Income targeting

. . . . . .

Action # 3 Improve the overall quality and create efficiencies in gathering data related to overall monitoring.

Goals

1. To establish standardized reports and data collection procedures related to all program monitoring.

Time Period for Implementation During Years 2 and 3 (1997-1998)

Action #3 - Total time frame of 24 months. Continue discussions with statewide housing agencies; identify areas where data collection can be consolidated; prepare plan for management of data; begin implementation.

Results Reduces the burden of reporting and data gathering required of housing owners and managers. Net savings of time and money produced by VHFA and other housing agencies.

8A Maintain Data Collection, Analysis, and Dissemination of Housing Data

Action Maintain current level of data collection, analysis, and dissemination for internal VHFA use and external projects as appropriate.

Goals

1. To provide information in programmatic and fiscal decision-making processes.
2. To update data on a regular basis for VHFA staff in a variety of professional and public contexts.
3. To broaden an understanding of the issues surrounding affordable housing.
4. To support efforts by other affordable housing organizations and state government to gather and disseminate housing data.

Time Period for Implementation During Year 1 of Strategic Plan (FY96)

Action - Total time frame of 2 to 6 months. Update Housing Data Book and other sources; produce program evaluations as needed; continue the work of the Housing Needs Assessment Work Group; coordinate data collection for housing agency production (multiple agencies); collaborate in data collection and dissemination efforts to highlight homeless problem.

Results This will enhance or improve decision-making and the allocation of resources for VHFA and other housing agencies.

Other Considerations

- ⌂ Good data collection is fundamental to VHFA decision-making and to advancing the need for affordable housing in Vermont.
- ⌂ Opportunities of collaboration with other agencies will develop and shift over time, depending upon current needs.

THIS PAGE RESERVED
FOR FUTURE ACTIONS
IN SUPPORT
OF THIS STRATEGY

9A Promote Homeownership Through Expansion of Home Buyer Education

Action #1 Offer "Introduction to Homeownership" workshops (including VHFA programs)

Goals

1. To enhance viability of VHFA programs *today* and generate loans among targeted groups: older "empty-nesters" wanting to get back into homeownership, new young work force, persons living in publicly assisted housing, refugees and immigrants, special circumstance renters (e.g., farm worker tenants).

2. To offer "Introduction to Homeownership" workshops on a fee basis for lender's conventional loan programs as well as VHFA programs.

Time Period for Implementation During Year 2 of Strategic Plan (FY97)

Action # 1 - Total time frame of 8-12 months. Ascertain interest among lenders; develop workshop materials and syllabus; schedule and hold first workshop; evaluation will be ongoing.

Results 50 VHFA loans are generated and fees for offering workshops on behalf of lenders across Vermont are sufficient to support ½ time position ($15,000 annually based on estimates of 300 participants @ $50 each).

Other Considerations

- Sufficient fees will be needed to cover the costs of administering this program.
- Income estimates do not include income generated by the purchase of the 50 loans.

Continued...

9A Promote Homeownership Through Expansion of HB Education (Continued)

Action #2 Offer "Successful Homeownership" post-purchase workshops for VHFA first time buyers and buyers in lender conventional loan programs

Goals

1. To prepare first time home buyers (VHFA and conventional loan program buyers) more fully about the process of owning a home: budgeting for house repairs and regular maintenance; common areas needing repair; how to seek professional help to repair problems; working with lender if financial difficulties arise; how stepped rate works (HOUSE borrowers).

2. To reduce levels of delinquencies and foreclosures for VHFA and conventional lending loan programs and thus protect investment.

Time Period for Implementation During Year 2 of Strategic Plan (FY97)

Action #2 - Total time frame of 8-12 months. Ascertain interest among lenders; develop workshop materials and syllabus; schedule and hold first workshop; evaluation will be ongoing.

Results Delinquencies and foreclosures will be reduced by 25% (Year 1) and 30% (subsequent years). Fees for offering workshops on behalf of lenders across Vermont should be sufficient to support ½ time position ($15,000 based on estimates of 300 participants @ $50 each).

Other Considerations

- Even if the program is not fully funded by fee income alone, VHFA could target down payment assistance loans and reduce loan losses.
- Revenues/income (reduction of REO losses) not calculated in dollars.

10A Expansion of Financing to Non-Housing Activities

Action #1 Explore feasibility of integration of existing entity functions

Goals

1. Determine opportunities for integration of services, for which VHFA would provide administrative and financial support.
2. Prove overall savings both in costs and efficiencies available through consolidation of activities.
3. Show earnings potential to VHFA.
4. Indicate possible increased usage based on marketing and outreach.
5. Get legislature/governor's office support.

Time Period for Implementation During Year 1 of Strategic Plan (FY96)

Action #1 - Total time frame 9-12 months. Obtain political support and authority; financial feasibility study; marketing study for increased usage.

Results VHFA would provide the administrative and financial services for multiple purposes in a cost effective way, while generating additional revenues and diversifying into areas outside housing.

Other Considerations

- ⌂ Expansion of staff will be necessary for this activity and will require additional space and fixed costs.

Continued...

10A Expansion of Financing to Non-Housing Activities (Continued)

Action #2 Implement integration of auxiliary financing functions into VHFA

Goals

1. Assimilate existing organizations' records and activities
2. Purchase of specialized computer software and hardware
3. Integration of staff and functions into VHFA infrastructure
4. Maintain current program usage and expand into under served areas

Time Period for Implementation During Year 2 of Strategic Plan (FY97)

Action #2 - Total time frame 9-12 months. Set up records and procedures; implement new computer system; maintain existing customer base; expand into new market areas.

Results Create new loan financings of $20 million per year and service loans at a yield of 1% over bond cost.

Other Considerations

- The integration of this function into the existing VHFA infrastructure may have significant ramifications in the areas of inter-department communication and organization.

10B Better Utilize VHMGB to Enhance Services/Products of VHFA

Action #1 Develop a guarantee product for home improvement loans.

Goals

1. Create a borrower-friendly home improvement loan guarantee program for VHFA borrowers for loans not eligible for Title I.

2. Support VHFA's home improvement lending program.

Time Period for Implementation During Year 2 of Strategic Planning (FY97)

Action #1 - Total time frame of 6 to 8 months. Seek legislative approval for home improvement guarantees; identify source of guarantee; develop procedures; implement program.

Results

1. Financing to preserve affordable housing will be available to homeowners without equity in their homes or those whose borrowing status is otherwise affected.
2. Quality and value of housing improved through participation in this program will increase.

Continued...

10B Better Utilize VHMGB to Enhance Services/Products of VHFA (Continued)

Action #2 Develop a guarantee product for three and four unit owner-occupied residences.

Goals

1. Increase VHMGB limits to provide for owner-occupied multi-family residences.
2. Help facilitate acquisition of 3-4 unit properties by moderate income home purchasers.
3. Determine feasibility of a program addressing 3-4 unit properties.

Time Period for Implementation During Year 2 of Strategic Plan (FY97)

Action #2 - Total time frame of 6 to 9 months. Seek legislative approval for increases to VHMGB limits (for multi-family properties); seek increase to guarantee authority to reflect inclusion of owner-occupied multi-family loans; develop procedures; advertise and implement program.

Results

1. Financing will be more available to low- and moderate-income Vermonters desiring to purchase owner-occupied 3-4 unit multi-family properties.
2. Low- and moderate-income Vermonters will enjoy an opportunity for greater economic stability through ownership of income producing properties.

. . . . . .

Action #3 Develop a guarantee program for refinanced single family mortgage loans with LTV higher than 100%.

Goals

1. Develop a guarantee program for owners of residences who are experiencing difficulty refinancing because of declining property values.
2. Determine a method for underwriting loan guarantees which weighs security factors other than equity.
3. Develop a source of funds for a loan loss reserve pool.
4. Enhance the economic status of participating homeowners by increasing their disposable income while addressing their ability to make payments.

Time Period for Implementation During Year 3 of Strategic Plan (1998)

Action #3 - Total time frame of 1-6 months. Research the need and demand for such a guarantee program; review underwriting and security considerations; develop, announce and implement program.

Results More Vermont homeowners will have the opportunity to refinance their homes, thus enhancing their economic vitality. Reduce incidence of defaults and enhance security of the loans.

10C Reduce Operating and User Costs

Action Enhance VHFA's long term viability by reducing operating costs when and where appropriate.

Goals

1. Under-perform CPI for overall budget (depending upon actual revenue growth).
2. Stabilize benefits costs.
3. Promote the concept of a "paperless" office.

Time Period for Implementation Ongoing

Action - Total time frame is ongoing. Analyze options (including cafeteria plan) for benefit cost stabilization; continue implementation and development of cost saving measures on an ongoing basis; on incremental basis, with review on semi-annual basis, progress toward diminished reliance on hard copy in both internal and external business matters with a goal of achievement of the "paperless" office by year end 1997.

Results Achievement of cost savings when and where possible. Enhancement of VHFA's long term viability. Improve efficiency through reduction and elimination of paper usage.

THIS PAGE RESERVED
FOR FUTURE ACTIONS
IN SUPPORT
OF THIS STRATEGY

10D Increase Revenues Thru Loan Servicing Modifications and New Investment Opportunities

Action #1 Explore reducing servicing fees to servicers

Goals

1. Research potential negative impact of reduced fees on program participation or quality of servicing.
2. Review legality of reducing fees on current programs.
3. Design method to implement reduced fees on new programs.
4. Measure impact of reducing fees versus self-servicing.

Time Period for Implementation During Year 1 of Strategic Plan (FY96)

Action #1 - Total time frame 6-8 months. Research impact of reduced fees; review reduced fees on old programs; set up reduction fees for new programs; analyze reduction vs. self-servicing.

Results Analysis will determine whether a reduction in servicing fees is viable; a reduction in servicing fees paid from .375% to .25% would result in savings of approximately $500,000 on the current portfolio, with no additional cost.

Other Considerations

- ⌂ The action of reducing servicing fees needs to be considered in conjunction with Action #2, which would take all servicing in-house.

Continued...

10D Increase Revenues Thru Loan Servicing Modifications and New Investment Opportunities (Continued)

Action #2 Explore VHFA direct servicing of loans

Goals

1. Determine feasibility of direct servicing
2. Assess political impact with regard to relations with lenders and effect upon origination of mortgages
3. Acquire portfolio loans from servicers for servicing
4. Purchase software to enable self-servicing

Time Period for Implementation During Year 2 of Strategic Plan (FY97)

Action #2 - total time frame 9-12 months. Review feasibility of direct servicing; acquire loans for servicing; set up computer program.

Results If program is successful, it is anticipated that a significant enhancement to revenues will be realized, as well as a reduction or improvement in delinquencies or defaults.

Other Considerations

- ⌂ This action would be a profound shift in the way we do business and the interaction with current lender/servicers.
- ⌂ It might be necessary to consider direct lending or a change in the point structure to keep lenders originating mortgages, if they do not retain servicing.
- ⌂ It may also be necessary to purchase servicing of loans from lenders, which could approximate $4 million for all loans currently being serviced.
- ⌂ Five additional staff members needed.

. . . . . .

Action #3 Maximize revenues through fiscally responsible and aggressive investment of Agency resources

Goals

1. Achieve yields higher than comparable short term money rates.
2. Review investment strategies on an ongoing basis.

Time Period for Implementation During Year 1 of Strategic Plan (FY96)

Action #3 - Ongoing.

Results Improve the performance of VHFA's investment portfolio.

APPENDIX A

VHFA STRATEGIC PLANNING ADVISORY COMMITTEE

Mrs. Sally Conrad	Former State Senator
The Honorable David L. Deen	State Representative
The Honorable Elizabeth Mullikin Drake *(VHFA Board of Commissioners)*	Former Commissioner, Department of Housing & Community Affairs
Mr. Charles F. Kireker	President, Twin Birches Ltd.
Mr. Gustave Seelig *(VHFA Board of Commissioners)*	Executive Director, Vermont Housing and Conservation Trust Fund
Mr. Mark Snelling	President, Shelburne Corporation
Mr. John Varsames	President, Northshore Development
Mr. Richard C. White *(Chairman, VHFA Board of Commissioners)*	President, Community National Bank

APPENDIX B

LISTING OF INTERVIEWS AND SURVEYS COMPLETED FOR VHFA STRATEGIC PLAN

VHFA would like to thank these individuals who generously offered their time and ideas which contributed greatly to the development of the VHFA Strategic Plan.

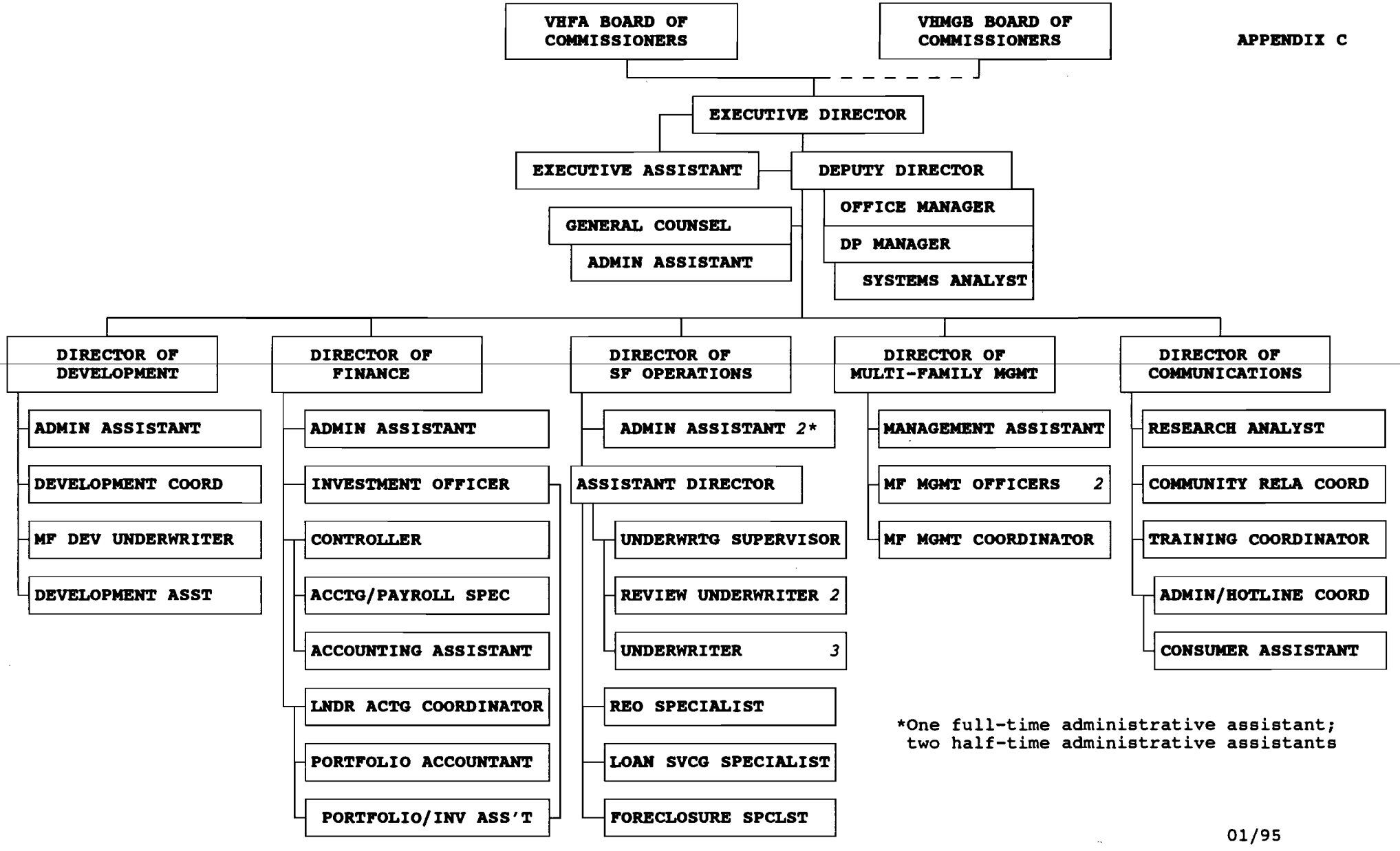
INTERVIEWS

David Berge, Vermont National Bank
Diane Binnick, Regional Affordable Housing Corporation
Sr. Lucille Bonvouloir, Community on Temporary Shelter
Charles Brush, Green Mountain Development Corporation
Jon Chaffee, Town of Hartford Housing Authority
Joe Cloutier, Realty Resources
John Davis, City of Burlington Community and Economic Development Office
Paul Dettman, Lake Champlain Housing Development Corporation
Paul Giuliani, Esq., McKee, Giuliani & Cleveland
Andrew Gurley, PaineWebber, Inc.
Russell Hahn, housing consultant
Roberta Harold, USDA, Farmers Home Administration
David Harrity, US-HUD, Manchester Office
Joseph Hatfield, West Virginia Housing Development Fund
Stephen Hedger, Central Vermont Community Action Agency
Sec. Cornelius Hogan, Agency of Human Services
Carolyn Lyman, Chittenden Bank
John McEvoy, National Council of State Housing Agencies
Trudy McFall, Maryland Community Development Administration
Lynne Metz, Vermont Center for Independent Living
Polly Nichol, Vermont Housing and Conservation Board
Chris Owre, Northern Community Housing Corporation
Lisa Randall, New England IBM Employees Federal Credit Union
Michael Richardson, Housing Vermont
Beth Sachs, Vermont Energy Investment Corporation
Jim Watson, Jim Watson Realty
Richard Williams, Vermont State Housing Authority
Arthur Woolf, Economics Department, University of Vermont
Representative Ralph Wright, Speaker, Vermont House of Representatives

SURVEYS
VHFA Staff Survey
VHFA Participating Lender Survey
Nonprofit Housing Developer Survey

VERMONT HOUSING FINANCE AGENCY/VERMONT HOME MORTGAGE GUARANTEE BOARD

APPENDIX C



*One full-time administrative assistant;
two half-time administrative assistants

01/95

VERMONT HOUSING FINANCE AGENCY

April 10, 1995

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

Dear Ms. Carpenter:

The Vermont Housing Finance Agency will be having its regular monthly Board Meeting on Thursday, April 20, at 1:30 p.m., at the office of the Commissioner of Banking, Insurance and Securities, 89 Main Street, Montpelier, Vermont.

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

Sincerely,

Barbara M Parker

Barbara M. Parker
Executive Assistant

4/19

Notice did not appear in BFP
See E-Mail documentation and
clarification (following pages).

- BP

ADMIN

BOARD

802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

From: Barbara Parker
To: Glenn
Date: Wednesday, April 19, 1995 1:07 pm
Subject: MEETING NOTICE--UPDATE

I've spoken with Mary Shroyer in Secy of Admin's office. She assures me that we HAVE met our Open Meeting Law requirements. She assists Marie Carpenter every week in preparing the notices, which are sent to the Associated Press, and through them to the Burlington Free Press and other papers. She suggested that we contact BFP and ask why they have not published our meeting notices lately. I asked if there were other meeting notices that had not been published, but she didn't know the answer to that (no one else had called, apparently). Glenn: Do you have any ideas WHO (what department?) at Free Press we should call? I don't want to turn this into a banner headline ("VHFA TO MEET TODAY!"), but again, simply "satisfying" the open meeting law requirements does not get the notice printed. Perhaps Cathleen could be of some assistance?

CC: Allan, Cathleen

From: Barbara Parker
To: Glenn
Date: Wednesday, April 19, 1995 12:26 pm
Subject: NO MEETING NOTICE PUBLISHED FOR 04/20

I have a call in to the Secy of Admin's office (unfortunately, Marie Carpenter is on vacation all week). Once again, notice of our meeting has not been published with the "State Meeting Notices" in Monday's Free Press. This is the third time in a row. However, this time I DON'T know if we've satisfied our open meeting law requirements (the past two times we did, since Marie had received the notice and sent it out, and AP (via the Free Press) decided not to print it. The person in Finance and Management who is covering for the Secy of Admin's office in Marie's absence sounded very vague and didn't know WHO could possibly help on this...if I don't hear anything definite by 3:30 today, I'll fax notices to BFP, Rutland Herald, and WCAX to satisfy the requirements. Gosh, this is fun! And when Marie gets back, I'll ask for an address where we can write to complain...how can it TRULY be an open meeting if the notice never appears in print?

CC: Allan

From: Barbara Parker
To: Cathleen
Date: Wednesday, April 19, 1995 1:08 pm
Subject: NO MEETING NOTICE PUBLISHED FOR 04/20 -Forwarded

Forwarded Mail received from: Barbara Parker

See also my "MEETING NOTICE--UPDATE" E-Mail. Any ideas?

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director

DATE: April 14, 1995

RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held at 1:30 p.m. Thursday, April 20, at the office of the Commissioner of Banking, Insurance and Securities, 89 Main Street, Montpelier, Vermont.

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

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Montpelier at 1:30 April 20!

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

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

Thursday, April 20, 1995 at 1:30 p.m.

1. Review and approval of minutes of March 16, 1995

2. Operations
   - ⌂ Single Family Program Activity Report **[Lothrop//Enclosure]**

3. Administration
   - ⌂ Executive Director's Report **[Hunt]**
   - ⌂ New VHFA Building Update **[Francis]**

4. Development
   - ⌂ Homeownership for Developmentally Disabled Adults **[Jenkins/Crady//Encl.]**
   - ⌂ Homeownership Center Initiative **[Jenkins/Crady//Encl.]**

5. Finance
   - ⌂ Multi-Family Refunding Update **[Schoenbeck]**
   - ⌂ FY95 Budget Adjustments **[Schoenbeck]**

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

7. Communications
   - ⌂ Evaluation of Down Payment Assistance Loans **[Gent/Schroeder//Encl.]**

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

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

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

Thursday, March 16, 1995

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

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

Guests: Mr. Moffi (Central Vermont Community Land Trust); Mr. Allen (Board Member, CVCLT); Mr. Shanahan (Realty Resources, Chartered)

The meeting was called to order by the Chairman at 1:35 p.m. Upon a motion made by Mr. Candon and seconded by Ms. Canney, the minutes of February 16 were amended to note that the Board will evaluate the performance of the Executive Director, and not the remainder of the senior staff; with this amendment noted, the minutes were unanimously accepted.

Mr. Erdelyi reviewed his memo on "Limehurst Mobile Home Park" dated March 8, included in the Board packet. Mr. Moffi, of the Central Vermont Community Land Trust, was introduced to the Board, along with Mr. Allen, a member of the CVCLT Board. According to Mr. Erdelyi, Limehurst consists of 33 pads in Williamstown and is primarily occupied by small households (without children), due to policies introduced by the previous owner. One concern is that as the number of park residents increases, the present septic system may become overburdened. Mr. Erdelyi noted that replacement or repair of the septic system would help to address this concern. The park has had septic system failures before, with replacement of the system made in the same general area of the property. Due to geographical conditions, there is only a limited area of the property available for system replacement or expansion. Mr. Candon inquired if the "adults only" policy for the park was legal, and Mr. Erdelyi explained that the current owners were motivated to sell the park after losing a lawsuit that had been brought based on charges of age discrimination.

{Mr. Seelig joined the meeting at this time.}

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

Mr. Erdelyi noted that CVCLT is considering hiring Technical Planning and Management, Inc. (TPM), of Montpelier, as a third party property management firm. Addressing the Board, Mr. Moffi explained that although some of the homes in the park are older, there are many long term residents who have replaced their homes with newer units in recent years. Chairman White asked about the effect of current rent control laws governing mobile home parks, as well as lender liabilities for environmental site concerns. As Mr. Jarrett noted, the rent increase law will expire in June 1995, with another version of the law already being considered by the legislature. Park owners are subject to challenge if seeking to increase rents by more than five or ten percent, depending on whether the lot rent in the park exceeds the state average, and any increases must be justified based on park expenses. The Agency of Development and Community Affairs considers all proposed park rent increases. Chairman White expressed concern about potential problems caused by the nearby landfill. However, Mr. Jarrett explained that there should be no liability to the park owners or the lender, since the landfill emissions are already being tracked. Mr. Erdelyi further noted that contaminants had been dumped by an identified dry cleaning establishment.

Mr. Moffi pointed out that during March three major funding sources (the Agency of Development and Community Affairs, the Vermont Housing and Conservation Board, and the Agency) will be making decisions on financing this proposal. The last outstanding financing piece would be from the Farmers Home Administration, which is expected to make a final determination in April. Mr. Seelig informed the Board that VHCB had already approved financing for the park at its most recent Board meeting. Mr. Moffi then reviewed the property management history of CVCLT, assuring the Board that the organization has decided to follow the recommendations of the Agency and VHCB to hire an independent management company to oversee Limehurst for the next 12 months. Mr. Allen informed the Board that he has served on the Board of CVCLT for the past six years; due to recent decisions made by that Board, CPM's future performance should have a positive effect on the cashflow of the properties it manages. There was also discussion about staff's recommendation for payment of the development fee, which Mr. Moffi and staff will further discuss and agree upon.

A motion was then made by Mr. Candon and seconded by Ms. Canney to adopt the "Resolution Pertaining to Letter of Interest re: Limehurst Mobile Home Park (Williamstown)" as attached to these minutes. This motion carried unanimously, although Mr. Smith was absent for the vote, with the Board's concerns about property management to be satisfied by having an independent property manager assigned to Limehurst for at least one year, at which time the Agency will review the CPM's performance and consider a change in property management. Mr. Moffi and Mr. Allen left the meeting after the vote was taken.

The proposed financing for "Westview Terrace, Springfield—Multi-Family Phase" was reviewed by Mr. Erdelyi, as further detail to his memo of March 8, included in the Board packet. Westview Terrace is a large rental development currently consisting of 106 units in 31 buildings located in Springfield. The sponsor, Realty Resources,

Chartered, intends to divide the project into two phases: one for single family and one for multi-family housing. The proposal under consideration by the Board does not include the costs or revenues of the single family phase. The completed multi-family phase of this project will consist of 58 units in 15 renovated buildings, along with a new community building and a maintenance building. Mr. Erdelyi explained that over half of the units are vacant and the buildings are old and in poor condition. Mr. Shanahan, of Realty Resources, Chartered, was introduced to the Board. The Springfield Housing Authority is currently managing the property for the Merchants Bank, and has acted as a stabilizing influence. Mr. Erdelyi noted that many funding sources are required to make this project feasible, including a commitment from VHCB for a $450,000 grant, as well as tax credits, pending Board action on the Low Income Housing Tax Credit recommendations to be considered later in today's meeting. According to Ms. Jenkins, this is an important project for the town of Springfield, as restoration of these housing units would help to reduce density in the existing project while improving the state of the aging buildings. The town has submitted a Community Development Block Grant application for this project. Mr. Shanahan explained that the buildings and property are considered historic sites; many of the structural walls are salvageable, although the mechanical and electrical systems need to be replaced. As Mr. Shanahan further noted, the expected life of the renovated project is 50 years; local approvals have already been obtained, including a zoning review. Mr. Seelig noted that VHCB would prefer to make a loan to this project, rather than a grant; however, Ms. Jenkins responded that the project does not appear to have the ability to repay a loan, and that the tax credit analysis was based on the assumption that VHCB would *grant* the funds, rather than issuing a *loan*. Mr. Erdelyi suggested that a VHCB loan might be possible if repayable only from available cashflow after debt service in the first and on any second mortgage loans. After some further discussion, a motion was made by Mr. Seelig and seconded by Mr. Candon to adopt the "Resolution Pertaining to Letter of Interest re: Westview Terrace (Springfield)" as attached to these minutes. This motion carried unanimously, and Mr. Shanahan left the meeting following the vote.

Ms. Jenkins then reviewed the "March 1995 LIHTC Reservations" as described in her memo of March 10, included in the Board packet. Of the six applications received for tax credits in the March round, the first round of 1995, five have been recommended for tax credit reservations and approved by the Joint Tax Credit Committee. Chairman White noted that he would not participate in the discussion or vote due to a potential conflict of interest on the St. Johnsbury and Lyndonville projects. A motion was made by Mr. Candon to approve reservations of credits in the total amount of $538,626, with carryover allocations subject to the conditions noted in Ms. Jenkins above-described memo. This motion was seconded by Mr. Seelig and carried unanimously.

The "Winchester Place Update" was reviewed next by Ms. Jenkins, referring to her memo of March 9, included in the Board packet. According to Ms. Jenkins, the response from St. Michael's College (SMC) to the latest restructuring proposal was not encouraging. As Mr. Hunt noted, the primary concern of the Board was to try to recover the principal amount of the subsidy, as well as some interest. The ensuing discussion

focused on the benefits and risks of foreclosure, the implications of not recovering interest on the subsidies, and gifting the project to SMC by Year 33. A motion was then made by Mr. Seelig that the Agency should continue negotiating with the other parties with several goals in mind: the Agency should seek to recover its principal at the earliest opportunity; the Agency should not agree to a transfer of the development to St. Michael's College in Year 33, unless all principal has been recovered. Should the Agency be forced to foreclose during the tax credit compliance period (i.e., during the next ten years), e.g., because Merchants does not participate in subsidies during that entire period, then the Agency would have no obligation to transfer the project to St. Michael's College. After being seconded by Ms. Canney this motion was unanimously approved.

Mr. Lothrop reviewed the "Single Family Program Activity Report for February 1995" as detailed in his memo of March 1, included in the Board packet. Activity has been strong during the past month. There has been some reduction in the total number of delinquencies. There are five REO properties scheduled to close before the end of March, with three more under contract and negotiations underway on an additional five properties. Mr. Candon expressed his appreciation for the new report structure. The "Servicing Activity for January 1995" was reviewed by Mr. Lothrop. No Board action was necessary.

In his Executive Director's report, Mr. Hunt noted that he had traveled to Washington, D.C., to meet with Vermont's Congressional delegates at the end of February. Mr. Hunt distributed information on planned rescissions which might affect the Agency's programs. While there have been no Legislative discussions about terminating either the Low Income Housing Tax Credit or Mortgage Revenue Bond programs, this may be raised as a possibility during tax program discussions in the coming legislative year. The entire Congressional delegation indicated strong support for the Agency's programs and unhappiness with the rescissions. Mr. Hunt continued his report by updating the Board on the proposed participation of the State's pension funds in a pilot program offered by HUD. The teachers' pension fund declined to participate; while the state employees' pension fund did not take a formal vote on this topic, they did not offer a commitment in time to submit the application. Staff will discuss the program's potential further with the State 's pension fund representatives.

Mr. Francis informed the Board that renovations at the Agency's new office building are proceeding on schedule, with plans to move staff and furniture targeted for March 31 through April 3. Change of address notices will be sent to everyone appearing on the Agency's mailing list. There have been no substantial surprises or changes to the total amount of expenses incurred in the process of renovating this building, outside of discussions previously held with the Board. Mr. Hunt noted that the Agency's telephones would be disconnected on Friday afternoon, March 31, but would be back in operation by April 3.

"Section 8 Contracts and Rents" were reviewed by Mr. Falzone as follow-up to his memo of March 9, included in the Board packet. The Board will need to discuss refunding and how best to access the savings that may result. It is important to convince HUD that applying one national formula does not result in fair treatment for HFA's in smaller or more rural states. Mr. Falzone also stressed the necessity of conveying to owners and managers of multi-family properties the importance of controlling expenses in order to preserve Section 8 funding for the long term. As of March 7, HUD implemented a rent comparability law which will eliminate all rent increases on Section 8 properties in Vermont. According to Mr. Falzone, HUD hopes to rescind the 1987 law and thus reduce rents further, which would result in greater losses for these properties. Mr. Falzone noted that in some places in Vermont the rent reduction would be $300 per unit per month. As these projects already have high debt service, the Agency is awaiting HUD approval to restructure the debt service and share the savings resulting from refunding. While no formal Board action was taken, staff was encouraged to continue efforts as outlined in Mr. Falzone's memo.

On a related topic, Mr. Schoenbeck offered a "Multi-Family Refunding Update" as per his memo of March 10, included in the Board packet. Mr. Schoenbeck reported that HUD is reviewing the waiver request and should respond before the end of the month. Although other HFA's have gone ahead with bond financings prior to receiving HUD approval, this is not being recommended in this instance. HUD's response time may delay the bond issue. No Board action was necessary.

Mr. Schoenbeck then noted that his memo of March 9, included in the Board packet, entitled "Investment Policy Revisions," refers to a review of the revised policy to be distributed at today's meeting. However, Chairman White advised the Board that the subcommittee which was to discuss revisions to the Agency's Investment Policy met and suggested changes to the policy as drafted. However, the committee feels that the policy should be expanded to include prohibited transactions as well as concentration limits of investment types, while including further explanation of the lack of discretion available due to bond indentures. The new policy should incorporate these changes; after the committee reconvenes, a revised policy will be made available for the Board's review at an upcoming Board meeting. Mr. Smith noted that the State is revising its short term investment policies; he will forward drafts to Mr. Schoenbeck as soon as they are available.

Next, Mr. Schoenbeck distributed and reviewed the financial statements for December 1994, along with a balance sheet and statement of revenues and expenses. These reports will now be available on a more timely basis. Mr. Schoenbeck noted that there has been a significant improvement in the Agency's "excess/deficiency of revenues over expenses," thanks in part to a slightly better investment environment. The Agency is beginning to realize the anticipated savings made possible after the consolidation with VHMGB. However, adjustments to certain budget categories will be necessary due to costs involved with renovating the Agency's office building and in the areas of consulting

and occupancy. Further details on these adjustments will be available at the April Board meeting.

Turning to Legislative news, Mr. Jarrett noted that a scheduled hearing on VHMGB's proposed rule changes has been rescheduled for the following week. Other bills of interest to the Agency concerns disclosure of the physical condition of a housing unit prior to sale, as well as a model energy code. The VHMGB Actuarial Study was received in final form March 15, and is being reviewed. No Board action was necessary.

Ms. Gent reviewed the final form of the "Strategic Plan" as attached to her memo of March 10 and included in the Board packet. Copies of the final document will be distributed to members of the advisory committee, people who were interviewed during the strategic planning process, and other organizations that have expressed an interest in reviewing this document. The Board recognized the significant efforts of Ms. Gent in preparing the Strategic Plan and keeping the process on track. Ms. Gent noted that Mr. Francis would be heading efforts to prepare the FY96 Business Plan, based on strategies determined during this planning process.

Under other old or new business, Ms. Jenkins reviewed a financing request received from a developer in the Burlington area, for the Hunting Ridge development in Milton. Of 71 units scheduled to be built, 15 have been completed, with 14 sold and one serving as a model unit. The current construction lender will not extend any further loan unless the project shows more equity available. The houses currently have sold for about $110,000 to $130,000, but the developer is proposing building future homes to be sold for closer to $95,000. Mr. Hunt noted that this is not a risk-free project and is on the edge of the Agency's affordability limits. However, some of these homes would be affordable to borrowers at 80-85 percent of median income. No formal Board action was requested or taken, but the Board advised staff to continue reviewing this project. The Board cited credit concerns as well as concerns about the ability of the Agency to provide financing for this project, should this preclude the Agency from funding other more affordable developments. More details would need to be provided before the Board can make a determination.

The next meeting was scheduled for Thursday, April 20, in Montpelier. There being no further business, and following a motion duly made and seconded, the meeting adjourned at 4:30 p.m.

Respectfully submitted,

Allan S. Hunt, Secretary

RESOLUTION PERTAINING TO LETTER OF INTEREST
RE: WESTVIEW TERRACE (SPRINGFIELD)

WHEREAS, a proposal has been presented to the Agency by Realty Resources, Chartered, of Rockport, Maine, (the "Sponsor") involving the acquisition and rehabilitation of Westview Terrace, a rental development in Springfield currently containing 106 units in 31 buildings located north of Route 106 in Springfield (the "Property"); and

WHEREAS, the Sponsor's proposal contemplates dividing the Property into two sections: one for multi-family housing to include 58 units in 15 buildings (the "Development") and the second for single family housing, which at this time will not involve the Agency or the proposed loan; and

WHEREAS, the proposal contemplates a permanent mortgage loan of up to $450,000 with an amortization period of 30 years with a term of up to 25 years, with the interest rate to be determined by the Agency depending on the source of funds; and

WHEREAS, the proposal also contemplates an second mortgage loan of up to $400,000 from the Agency and a bridge loan for tax credit equity, which elements are not being recommended by staff at present; and

WHEREAS, the Sponsor proposes to create a limited partnership with the Sponsor and Springfield Housing Unlimited, a non-profit corporation wholly owned by the Springfield Housing Authority as co-general partners; and

WHEREAS, the proposed 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;

It is hereby DETERMINED:

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

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

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

of the residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families.

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

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

6. The Sponsor is a financially responsible organization and the proposed ownership entity is expected to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

The Executive Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a first mortgage loan to Realty Resources, Chartered, as representative of a to-be-formed limited partnership whose general partners will be Realty Resources, Chartered, and Springfield Housing Unlimited, a non-profit corporation wholly owned by the Springfield Housing Authority for the acquisition and rehabilitation of the Westview Terrace Development in Springfield in an amount not to exceed $450,000. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The letter of interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, construction financing, or for other purposes with the consent of the Agency.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on March 16, 1995.

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

RESOLUTION PERTAINING TO LETTER OF INTEREST
RE: LIMEHURST MOBILE HOME PARK (WILLIAMSTOWN)

WHEREAS, a proposal has been presented to the Agency by Central Vermont Community Land Trust, Inc., involving the acquisition and rehabilitation of Limehurst Mobile Home Park, a mobile home park containing 33 pads located on Route 14 in Williamstown (the "Development"); and

WHEREAS, the proposal contemplates a permanent mortgage loan of $281,000 with an amortization period of 30 years with a balloon payment at the end of 20 years, with the interest rate to be determined by the Agency depending on the source of funds; and

WHEREAS, the proposal also contemplates an additional construction loan of approximately $80,000 for a term of not more than one year at a rate of 8% per annum that will be replaced by a permanent loan from the Rural and Economic Development Authority; and

WHEREAS, Central Vermont Community Land Trust, Inc., will qualify as a housing sponsor within the meaning of the Vermont Housing Finance Agency Act (the "Act"); and

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

It is hereby DETERMINED:

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

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

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

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

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

6. The sponsor is a financially responsible organization.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a first mortgage loan to the Central Vermont Community Land Trust, Inc., for the acquisition and rehabilitation of the Limehurst Mobile Home Park in Williamstown in an amount not to exceed $281,000 and in providing an additional construction loan for water system improvements in an amount not to exceed $80,000, for which the Rural and Economic Development Authority will make a permanent loan replacing the Agency's loan. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The letter of interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, construction financing, or for other purposes with the consent of the Agency

2. The Executive Director is authorized, in his discretion, to issue a Commitment Letter (the "Commitment Letter") for the two loans for acquisition and rehabilitation of the Development, in an amount to be determined by the Executive Director, but not to exceed $281,000 and $80,000 upon satisfaction of conditions listed below for the issuance of a Commitment Letter.

3. The Commitment Letter shall be issued to Central Vermont Community Land Trust, Inc.

4. The commitment of the Agency shall be subject to receipt, on or before the date of the closing, of a commitment fee in an amount equal to one percent (1.0%) of the combined principal amount of the permanent and construction loans.

5. The Commitment Letter shall provide that the interest rate to be charged on the permanent mortgage loan shall be determined by the Agency depending on the source of funds, with the amortization of the loan to be calculated on a term of 30 years, but with a payment of all outstanding principal and accrued interest due after 20 years and that the interest rate to be charged on the construction loan shall be 8.0% per annum.

6. The Executive Director may, in his discretion, issue a Commitment Letter, if the items enumerated below have been satisfied, including, but not

limited to any documents required being submitted in form and content acceptable to the Agency:

(a) Updated CVCLT audited financial statements satisfactory to VHFA staff;

(b) Documentation of testing for volatile organic compounds from all three wells in the park, with the results of such tests being acceptable to the Agency;

(c) Documentation of testing for alternative leach field sites;

(d) Evidence of requisite financing in the form of commitment letters from all other funding sources;

(e) An Agreement regarding the developer's fee specifying the amount and timing of the fee; with a maximum amount of $82,500; and

(f) A revised development budget including an allowance for installing water saving fixtures in the homes in the Development as recommended in the engineering report submitted by Chenette Engineering.

7. The Commitment Letter will be conditioned on the satisfaction by the Developer of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.

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

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on March 16, 1995.

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

VERMONT HOUSING FINANCE AGENCY
MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Douglas R. Lothrop, Director of Single Family Operations

DATE: April 3, 1995

RE: Single Family Program Activity Report For March, 1995

MORTGAGE PURCHASE PROGRAMS

Month	No.	Amount	Year	Previous No.	Amount
Reservations	78	$ 4,911,980		102	$ 6,320,388
Purchases	34	$ 2,105,619		25	$ 1,575,619

Period to Date	No.	Amount	Year	Previous No.	Amount
Reservations	200	$12,707,606		177	$10,345,130
Purchases	192	$12,029,166		183	$11,627,051

MORTGAGE PLUS

Month	No.	Amount	Year	Previous No.	Amount
Reservations	3	$ 223,150		8	$ 619,495
Issued	3	$ 313,900		11	$ 884,405

Period to Date	No.	Amount	Year	Previous No.	Amount
Reservations	7	$ 538,559		21	$ 1,718,255
Issued	34	$ 2,602,239		44	$ 3,445,920

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Douglas R. Lothrop, Director of Single Family Operations

DATE: April 7, 1995

RE: Servicing Activity

SERVICING ACTIVITY

Collections:

Last months 90+ accounts:		77
Additions:	17	
Reductions:	5	
Under payment arrangement:	40	
February, 1995 90+ accounts:		89

In Foreclosure:

Last months foreclosure accounts:		22
New foreclosures:	3	
To REO:	1	
Successful interventions:	3	
Negotiating workouts:	3	
February, 1995 foreclosure accounts:		21

Real Estate Owned:

Last months REO's:		40
New REO's:	1	
Properties sold:	3	
Properties under contract:	7	
February, 1995 REO's		38

VERMONT HOUSING FINANCE AGENCY
DELINQUENCY STATISTICAL REPORT
SINGLE FAMILY PORTFOLIO
EFFECTIVE: FEBRUARY 28, 1995

Lenders	Total Loans	30 Days		60 Days		90+ Days		Auth FCL		Total Delinq		REO	
BancBoston Mortgage Corp.	332	18	5.42%	2	0.60%	3	0.90%	2	0.60%	25	7.53%	1	0.30%
Banknorth Mortgage Co.	777	35	4.50%	8	1.03%	5	0.64%	5	0.64%	53	6.82%	5	0.64%
Bennington Co-op S&L Assoc.	35	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Brattleboro Savings & Loan	10	1	10.00%	0	0.00%	0	0.00%	0	0.00%	1	10.00%	0	0.00%
Chittenden Bank	850	48	5.65%	11	1.29%	16	1.88%	4	0.47%	79	9.29%	5	0.59%
Citizens Savings Bank	75	1	1.33%	1	1.33%	1	1.33%	0	0.00%	3	4.00%	1	1.33%
Comfed Mortgage Co.	5	1	20.00%	0	0.00%	0	0.00%	0	0.00%	1	20.00%	0	0.00%
Community National Bank	234	6	2.56%	3	1.28%	4	1.71%	0	0.00%	13	5.56%	1	0.43%
Factory Point Nat. Bank	28	2	7.14%	1	3.57%	0	0.00%	0	0.00%	3	10.71%	0	0.00%
First Brandon Nat. Bank	1	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
First Northern Mortgage Corp.	3	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Fleet Mortgage	18	2	11.11%	0	0.00%	1	5.56%	0	0.00%	3	16.67%	0	0.00%
Graystone Mortgage Company	181	11	6.08%	5	2.76%	11	6.08%	3	1.66%	30	16.57%	3	1.66%
Green Mountain Bank	180	11	6.11%	4	2.22%	1	0.56%	1	0.56%	17	9.44%	1	0.56%
Lomas & Nettleton Company	11	2	18.18%	0	0.00%	0	0.00%	0	0.00%	2	18.18%	0	0.00%
Lyndonville Savings Bank	61	1	1.64%	2	3.28%	1	1.64%	0	0.00%	4	6.56%	2	3.28%
Marble Bank	278	12	4.32%	0	0.00%	1	0.36%	1	0.36%	14	5.04%	0	0.00%
Merchants Bank	329	18	5.47%	3	0.91%	8	2.43%	0	0.00%	29	8.81%	1	0.30%
Mortgage Service Ctr. of NE	67	2	2.99%	1	1.49%	1	1.49%	0	0.00%	4	5.97%	3	4.48%
National Bank of Middlebury	125	2	1.60%	0	0.00%	0	0.00%	0	0.00%	2	1.60%	0	0.00%
New England IBM Employees FCU	52	0	0.00%	0	0.00%	1	1.92%	0	0.00%	1	1.92%	0	0.00%
Northfield Savings Bank	116	9	7.76%	1	0.86%	1	0.86%	0	0.00%	11	9.48%	1	0.86%
Passumpsic Savings Bank	175	8	4.57%	2	1.14%	6	3.43%	0	0.00%	16	9.14%	3	1.71%
Peoples Trust Co.	104	6	5.77%	1	0.96%	1	0.96%	0	0.00%	8	7.69%	0	0.00%
Randolph National Bank	50	3	6.00%	0	0.00%	2	4.00%	0	0.00%	5	10.00%	0	0.00%
Union Bank	162	9	5.56%	2	1.23%	2	1.23%	0	0.00%	13	8.02%	0	0.00%
Vermont Development CU	15	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Vermont Federal Bank	833	45	5.40%	5	0.60%	10	1.20%	4	0.48%	64	7.68%	10	1.20%
Vermont National Bank	608	20	3.29%	10	1.64%	13	2.14%	1	0.16%	44	7.24%	1	0.16%
Wells River Savings Bank	35	2	5.71%	0	0.00%	0	0.00%	0	0.00%	2	5.71%	0	0.00%
Totals	5750	275	4.78%	62	1.08%	89	1.55%	21	0.37%	447	7.77%	38	0.66%
Totals Previous Month	5584	266	4.76%	68	1.22%	77	1.38%	22	0.39%	433	7.75%	40	0.72%

VERMONT HOUSING FINANCE AGENCY

Board Property Disposition Report

Month of: February, 1995

Properties Sold

Property	Listing Price	Sale Price	Principal Balance	Interst	To Date Expenses	Claim Payment	Gain/ (Loss)	Audit Valuation Offset	Gain/ (Loss)
Fitzgerald Huntington	$39,900	$27,500	$58,947	$10,044	$12,492	$14,063	($39,920)	($25,309)	($14,611)
Manfredi Rutland	$79,500	$79,500	$80,073	$ 9,528	$21,300	$17,000	($14,401)	($ 5,058)	($ 9,343)
Bridge Rockingham	$39,900	$35,000	$48,617	$ 3,523	$$ 6,449)	$10,700	($22,532)	N/A	N/A

Properties Under Contract

Property	Listing Price	Contract Price	Principal Balance	Interest	Estimated Expenses	Estimated Claim Payment	Gain/ (Loss)	Audit Valuation Offset	Gain/ (Loss)
Angell St. Albans	$75,900	$72,000	$63,554	$ 8,166	$20,350	$13,700	($6,370)	$10,559	($16,929)
Nichols Rockingham	$34,500	$28,500	$57,298	$ 3,494	$ 9,586	$12,300	($29,578)	($12,587)	($16,996)
Willard Milton	$89,900	$89,900	$77,981	$ 7,069	$27,716	$16,450	($ 6,416)	N/A	N/A
Pigeon St. Albans	$45,000	$30,000	$64,630	$ 7,582	$ 8,656	$14,000	($36,865)	($ 6,146)	($30,722)
Castro S. Burlington	$70,900	$70,900	$73,487	$ 1,294	$ 3,612	$ 7,493	$ 0	N/A	N/A

C:\DATA\OPERATE\SERVICE\BDREOEV.295

Properties Under Contract (Cont't)

Property	Listing Price	Contract Price	Principal Balance	Interest	Estimated Expenses	Estimated Claim Payment	Gain/ (Loss)	Audit Valuation Offset	Gain (Loss)
Martin Troy	$18,000	$13,500	$22,897	$ 2,032	$12,412	$ 4,884	($23,841)	($ 3,925)	($18,957)
Converse	$65,000	$65,000	$36,282	$ 5,788	$12,094	$ 0	$10,836	$ 6,685	$ 4,151

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: April 13, 1995

RE: Homeownership for Adults with Developmental Disabilities

In August 1994, VHFA staff attended a workshop sponsored by the National Home of Your Own Alliance promoting homeownership for adults with developmental disabilities. Representatives of the Vermont Agency of Human Services, Department of Mental Health/Mental Retardation, and several service providers were also present. Since that time, service providers have worked to identify clients who might be good candidates for homeownership: several have indicated a desire to have a home of their own.

Using the experience of the New Hampshire Housing Finance Authority, VHFA has worked with service providers to develop a method in which to qualify a borrower for the MOVE or HOUSE program based on the projected cost of the home (debt service, taxes, insurance, repair reserve, and utilities) using SSI benefits and Home and Community Based Waiver program funding instead of applying typical debt to income qualifying ratios. Because most developmentally disabled individuals do not have car loans and other consumer debt, a higher percentage of funding available to them to support community living can be used for housing costs.

VHFA will work with the individuals, their legal guardians, and the service providers to prequalify potential homeowners for financing and then facilitate their applications with participating lenders in the area where the properties are located. VHFA plans to purchase 10-15 loans with special underwriting criteria. If there is a strong demand, we may recommend that special underwriting considerations for individuals with developmental and other disabilities become a regular feature of VHFA homeownership and VHMGB guarantee programs.

BOARD ACTION REQUESTED

No Board action is requested at this time.

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, Development Coordinator PAC
Irene D. Jenkins, Director of Development ID

DATE: April 13, 1995

RE: Preliminary Report -- Homeownership Center Initiative

At the February Board meeting, staff reported that VHFA is working with Barbara Mervine, formerly with West Side Neighborhood Housing Services (WSNHS) of Buffalo, New York to complete a study to determine the feasibility of implementing in Vermont some of the programs she developed at WSNHS. Ms. Mervine's organization operated in an inner city neighborhood of about 29,000 people. Using municipal, state, federal, and private funds, and resources from Neighborhood Reinvestment Corporation (NRC), WSNHS assisted 215 low income households (50% to 70% of median income) to become homeowners during a two year period.

Ms. Mervine was successful in establishing a Homeownership Center to provide a full range of services to assist low income households to become home owners. The Homeownership Center was a cooperative effort among government agencies, the private sector (especially lending institutions), and WSNHS. Services provided at the Homeownership Center include:

EDUCATIONAL/TECHNICAL ASSISTANCE SERVICES

- ⌂ Orientation Seminars -- Introduction to home buying process and services and products offered at the Homeownership Center.

- ⌂ Pre-purchase Counseling -- Individualized counseling involving budgeting, establishing credit, correcting credit blemishes, and the responsibilities of homeownership and advantages and disadvantages of purchasing a multi-family house. The home buying process is explained from beginning to end including choosing a real estate agent, the purchase/sale agreement, the home inspection process, and applying for a mortgage.

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

- Home Inspection Service -- Inspection of each house (with the prospective buyer present) -- identifying positive features along with potential and present problems. An immediate repair plan along with a long range rehabilitation plan is devised. The purchaser's ability to maintain the property determines the desirability of that purchase.

- Post-Purchase Counseling -- Visiting new buyers one month after move in for "hands on" home maintenance training; follow-up phone calls to new homeowner at two months, six months, and one year. The Homeownership Center provides continued budget counseling (when requested) and early intervention delinquency counseling (if necessary).

- Home Rehabilitation Service -- Technical assistance for completing and financing home repairs and improvements.

- Home Maintenance Workshops -- Required classes for new homeowners on general home maintenance and seasonal maintenance.

- Landlord Training -- Required training for families purchasing a multi-family home to provide skills to become successful landlords.

LOAN SERVICES

- Debt Restructuring Loans -- Loans to potential home buyers to restructure short term debt to longer term debt to reduce monthly payments.

- Down Payment Assistance/Closing Cost Assistance Loans -- Loans to assist with down payment and closing costs (amortized or deferred until sale).

- First Mortgages -- First mortgages for purchase and purchase/rehabilitation.

- Rehabilitation Second Mortgages -- Second Mortgages with low interest rates and flexible repayment terms to allow rehabilitation of older properties.

Ms. Mervine's report for Phase I recommends establishing three pilot groups based in Chittenden, Rutland and Orleans counties that would deliver Homeownership Center services to residents of Caledonia, Chittenden, Bennington, Essex, Orleans, and Rutland counties. Implementation of Phase I would use existing community based nonprofit organizations and use resources and technical assistance from VHFA, Neighborhood Reinvestment Corporation (NRC), and other organizations.

The Homeownership Centers would have access to a secondary market for rehabilitation second mortgages (at 5% interest) through NRC. Other resources will need to be available to fund start-up costs, and to assist with downpayment, closing costs, debt restructuring, additional subsidy (in areas with high housing costs), and to provide reserves for rehabilitation loans sold to NRC. Possible sources of funds include; CDBG, HOME, Interest on Real Estate Trust Accounts (IORTA), VHCB Homeland Grants, and assistance from private lending institutions. If Phase I is successful, Phase II would establish Homeownership Centers to serve: Addison, Franklin, Lamoille, Orange, Washington, Windham, and Windsor counties.

Staff is in the process of a further review of Ms. Mervine's proposal to determine resources that would be needed to implement this initiative. We plan to have additional information available at the Board meeting.

BOARD ACTION REQUESTED

No Board action requested at this time.

s:\devel\board\hocenter.1

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Cathleen Gent, Director of Communications
Steve Schroeder, Research Analyst

DATE: April 14, 1995

RE: Evaluation of Down Payment Assistance Loans

In an effort to make homeownership opportunities available to eligible borrowers who lack the necessary cash for down payment and closing costs, VHFA has offered two major down payment assistance programs. Prior to the introduction of the Down Payment Assistance pilot program in June 1992, VHFA and the Vermont Home Mortgage Guarantee Board (VHMGB) entered into a Risk Share Agreement which required that an annual program review and evaluation be performed. The pilot portion of that three-year program is completed, during which annual reviews of the program were performed. Continued on-going evaluation of these down payment assistance loans provides valuable information about their performance and assists in planning for future down payment assistance programs. The results of the December 1994 evaluation are described below.

I. Description of Agreement

In June 1992, with the cooperation of VHMGB, VHFA introduced a new limited feature to its MOVE and HOUSE Programs which allowed eligible buyers the opportunity to purchase a home with "no down payment". Loans with "no down payment" were available to 150 home buyers each year representing a total of 450 loans, over a three-year period. The last reservation for these loans was taken in December 1994. (A limited number of reservations may become available again due to loan rejections and lender withdrawal of previously held reservations.)

The risk that VHFA assumed by offering these "no down payment" loans is offset by interest received from deposits on real estate transactions into interest-bearing escrow accounts. Act 86 of the 1991 Legislature required all Vermont real estate brokers to place deposits on certain real estate transactions into interest-bearing accounts (IORTA), with the interest earnings directed to VHFA. Funds must be used by VHFA to assist home buyers with down payment and/or closing costs. Under this program, a goal was set by VHFA to target

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

50% of the loans made each year to persons whose income is below 90% of state median income and/or persons purchasing perpetually affordable homes.

II. Description of Analysis

Prior to the release of authority each year, VHFA and VHMGB were required to evaluate the performance of the "no down payment" loans with 95% LTV MOVE loans made during the same period. In addition to reviewing the performance of the "no down payment" loans made since June 1992, the Risk Share Agreement required that an analysis of the performance be done of a group of Down Payment Assistance loans originated from January 1987 through May 1992. This "loans past due" analysis included a comparison of these original down payment assistance loans with a 95% LTV group of loans.

In addition to comparing the "loans past due" status of the loans, the evaluation includes an analysis of the characteristics of the loans and borrowers with respect to the purchase price, geographic distribution of loans, annual income, housing debt, total debt, number of wage earners, and household size. This is done to ensure that the down payment assistance group and the 95% LTV comparison group are similar in all respects other than amounts of down payments and loans.

III. Evaluation Results

The December 1994 evaluation includes both the original down payment assistance loans (made between January 1987 and May 1992) and the IORTA "no down payment" loans (made between June 1992 and December 1994) with 95% LTV loans made during the same time periods. All cases in the 95% LTV loan groups were used and *weighted* in order to use as many cases as possible in the analysis. This technique reduces the possibility of biasing the sample (because the removal or inclusion of one case has a greater effect than it would with large groups in which sampling is often a preferred technique).

A. Borrower Characteristics

The Down Payment Assistance loans and the 95% LTV loans have been compared to ensure that no differences exist with respect to borrower characteristics. The original down payment assistance loans (January 1987 through May 1992) were similar in borrower characteristics to the 95% LTV comparison group. This was documented in previous evaluations.

The following tables show the comparison of the IORTA down payment assistance loans toe the current 95% LTV comparison group (June 1992 through December 1994).

The two groups were compared with respect to income, purchase price, household characteristics, and debt ratios. This involved using a statistical test comparing averages (means) for these variables. Statistically there were no significant differences between the

IORTA and the 95% LTV loans for income, purchase price, and number of wage earners. The differences between the two groups in the remaining characteristics (particularly in relation to debt ratios) suggest that the down payment assistance program be targeted more carefully in the future. However, the integrity of the current analysis is not affected.

Table 1. BORROWER CHARACTERISTICS

COMPARISON OF "NO DOWN PAYMENT" LOANS AND 95% LTV LOANS PURCHASED 6/1/92 THROUGH 12/31/94		
Characteristics	IORTA Loans	95% LTV Loans* (Actual)
Number of Loans	371	371 (1,067)
Average Annual Income	$29,367	$28,082
Average Purchase Price	$63,702	$68,688
Average Number of Defendants	2.6	1.8
Average Number of Wage Earners	1.58	1.46
Average Household Debt	24.4%	26.4%
Average Total Debt	33.8%	34.7%

* Weighting Factor = .348

B. "Past Due" Status

As of December 31, 1994, the "past due" status rates for the loans made through the IORTA Down Payment Assistance Program were not significantly higher than those of the 95% LTV comparison group, as seen in Table 2. It should be noted that the loans were made relatively recently (since June 1, 1992). The actual delinquency rates are therefore less than what might be expected with loans made three or more years ago. Also, this comparison does not include any loans made after December 31, 1994. The number of "past due" loans was 24 for the IORTA loans and 22 for the 95% LTV comparison group. With respect to REO-status loans, there was one in Foreclosure Approval and one REO for the IORTA group. The weighted number of REO-status loans in the 95% LTV loans was one in Foreclosure Approval and three *actual* loans in Foreclosure Approval status.

Table 2. IORTA Down Payment Assistance and 95% LTV Loans

Past Due Report Date	# of IORTA Loans	Weighting Factor (95% LTV Loans)	IORTA LOANS				95% LTV Loans			
			30	60	90+	Total	30	60	90+	Total
3/31/93	83	.54	1	0	1	2	1	0	0	1
5/31/93	100	.58	0	0	1	1	1	0	0	1
12/31/93	186	.62	1	1	0	2	2	0	0	2
3/31/94	192	.59	4	0	0	4	5	1	0	6
12/31/94	371	.35	10	3	11	24	13	3	6	22

An evaluation of the original Down Payment Assistance Loan Program also shows no significant difference in delinquency rates between the Down Payment Assistance and the 95% LTV Comparison Group loans (Table 3). As of December 31, 1994, the 95% LTV and the original Down Payment Assistance loans have comparable delinquency rates.

In comparison with VHFA's total loan portfolio of 5511 loans, as of December 1994, the total delinquency rate for this analysis was comparable, if not slightly lower. As expected, the newer IORTA and 95% LTV loans had lower total delinquency rates, 6.5% and 6.0% respectively. The original down payment assistance program and associated 95% LTV loans had rates comparable to the portfolio average of 8.0%.

Table 3. Original Program Comparison (Loans Purchased from 1/1/87 through 5/31/92)

Past Due Report Date	DOWN PAYMENT ASS. LOANS *				95% LTV Loans **			
	30	60	90+	Total	30	60	90+	Total
3/31/93	10	0	8	18	8	3	4	15
5/31/93	8	0	5	13	13	2	3	18
12/31/93	10	2	5	17	11	3	4	18
3/31/94	10	3	6	19	8	2	6	16
12/31/94	13	2	0	15	11	2	4	17

* 191 Loans ** Weighting Factor = .264

C. At or Below 90% of Median Income

One of the goals set forth in the Risk Sharing Agreement was that at least 50% of the down payment assistance loans would be made to borrowers earning incomes at or below 90% of the state median income. As seen in Table 4, sixty-six percent of the IORTA down payment

assistance loans were below the target set in the agreement. The program was successful in meeting this goal; however, the 95% LTV loan comparison group had an even larger number of loans with household incomes at or below 90% of the state median income. More research into the dynamic of incomes and ability to buy a house with respect to down payment assistance programs is needed.

Table 4. DOWN PAYMENT ASSISTANCE LOAN DISTRIBUTION AT OR BELOW 90% OF MEDIAN INCOME (12/31/94)

"NO DOWN PAYMENT" LOANS AND 95% LTV LOANS AT OR BELOW 90% OF MEDIAN INCOME		
Median Income	# of "No Down Payment" Loans	# of 95% LTV Loans* (Weighted)
- Above 90%	126 (34%)	102 (27%)
- At or Below 90%	245 (66%)	269 (73%)
Total	371	371

* Weighting Factor = .348

Recommended Board Action: No Board Action is required.

VERMONT HOUSING FINANCE AGENCY

TO: **VHFA Board of Commissioners**

FROM: **Roger A. Schoenbeck, Director of Finance**

DATE: **April 11, 1995**

RE: **Multi-Family Refunding Update**

We wanted to advise you of some changes in our financing plan as we continue to move forward on the multi-family refunding of $24,960,000. We are nearing completion of the drafts of the Official Statement and the amended Bond Resolution. HUD has denied our request to allow VHFA to collect an administration fee for the projects we are administering in addition to allowing us to earn a "spread" on the bonds. They also cannot give us any assurances that contemplated reduction of rent levels will be assisted by HUD from their share of the savings. Given these facts, we have revisited the issue with Kutak Rock about going forward with a financing and not getting HUD's approval. They concur that based on our prior approval from HUD in 1991 allowing us to keep the full savings, which has never been rescinded, that we have full authority to proceed with this strategy. Under that procedure, VHFA would keep all the savings (currently estimated to be $900,000 per year) as opposed to splitting the savings with HUD.

There are two minor risks involved in the "full savings program". Under the prior plan, where we split the savings with HUD, we were guaranteed our half of the savings even if the projects prepaid their mortgage loans. Under the new program, we will have no guarantees if projects prepay and the prepayment would reduce the annual savings. Since the projects collect no additional cash by prepaying and we have a larger pool of funds to help them if they need it, we feel prepayment is not a serious threat. The only other potential issue is that HUD may try to link the refunded bonds to the debt service of the existing projects and would somehow achieve a prorata reduction in rents. Kutak Rock believes this is a real stretch at the very least.

The current schedule for financing calls for a bond pre-pricing conference call on Monday, April 17; pricing on Tuesday, April 18 and Wednesday, April 19; and sale at the regularly scheduled Board meeting on Thursday, April 20. The transaction is planned to close during the first week of May, depending on investor requirements.

As we intend to adhere to this schedule, please call Allan or myself as soon as possible if you have any questions or concerns about the alteration in our refunding program.

RECOMMENDED ACTION

Proceed with the full savings plan as outlined above.

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director, Ext. 221 ASH

DATE: April 17, 1995

RE: SUPPLEMENT TO 04/20/95 BOARD PACKET

Enclosed please find a memo from Pat Crady and Irene Jenkins regarding "Pinecrest Village, Williston." This will be discussed in detail at our upcoming Board meeting (Thursday, April 20).

Please be sure to bring this memo to the meeting with you. If you have any questions, feel free to call Irene at Ext. 231.

Enclosure

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: April 17, 1995

RE: Pinecrest Village, Williston

At the January meeting, the Board approved a resolution to provide a loan in an amount not to exceed $560,000 to John Varsames to complete the construction of the final 11 units at Pinecrest Village, Williston. I have attached a copy of that request. Since that time, VHFA has received updated construction costs and a revised construction schedule that indicates the maximum loan outstanding will be $700,000. Attached is an updated sources and uses summary and construction cash flow.

When VHFA first reviewed Mr. Varsames request, his plan was to build nine attached units (three duplexes and one triplex) and two detached units. Since that time, Mr. Varsames has decided to build another duplex on the site reserved for the two detached units. The result is that all eleven units are affordable to households at or below the income limits for VHFA's MOVE program ($39,300 1-2 person households, $45,100 3+ person households). A total of seven units are under contract with no contingencies: six of the seven buyers (55%) have incomes below the MOVE limits.

The above changes will result in total fees and profit to the housing sponsor of a maximum of $66,251 or 6% of the total development cost (compared to the original projections of approximately $113,695 or 10% of the total development cost). VHFA's statute limits the maximum loan to value on loans to for-profit Housing Sponsors to 90% of the total development cost. The total value of this project is $1,115,500 and the current projected development cost is $1,033,034 (93% of the total development cost). Based on these amounts, $29,084 in additional equity would be required. However, Mr. Varsames has indicated that he believes that once finalized (prior to closing) costs will actually be $30,000 to $50,000 less. The maximum amount eligible for financing is $1,003,950. VHFA will have construction contracts at closing and any additional equity required will be determined prior to closing.

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

BOARD ACTION REQUESTED

Staff requests approval of the attached Resolution to provide financing in an amount not to exceed $750,000 to complete the construction of 11 units at Pinecrest Village, Williston. (Although current cash flow projections indicate that the maximum amount outstanding will be $700,000, staff requests $750,000 to allow construction to continue in the event a closing is delayed for a short time period.)

s:\devel\board\pinecrst.3

PINECREST VILLAGE, WILLISTON t:\quattro\pinecrst.su2
DEVELOPMENT/CONSTRUCTION LOAN
SOURCES AND USES 17-Apr-95 09:39 AM

USES	Budget	Per Unit	% of TDC
LAND ACQUISITION	200,000	18,182	18.14%
SOFT COSTS			
Legal/Closing	6,500	591	0.59%
Title Insurance	2,000	182	0.18%
VHFA Origination Fee (1%)	7,500	682	0.68%
VHFA Interest Expense (8%)	15,914	1,447	1.44%
Construction Management	20,000	1,818	1.81%
VHFA Construction Inspection	1,500	136	0.14%
Fees/Permits	17,000	1,545	1.54%
Engineering/Architect	3,000	273	0.27%
Misc. Selling Exp (concessions)	5,000	455	0.45%
Advertising/Marketing Expenses	10,000	909	0.91%
Marketing Fees (6%)	66,930	6,085	6.07%
TOTAL SOFT COSTS	155,344	14,122	14.09%
CONSTRUCTION COSTS			
Sitework	51,600	4,691	4.68%
Landscaping	12,000	1,091	1.09%
Unit Construction	618,170	56,197	56.06%
General Conditions	65,000	5,909	5.89%
Temporary Utilities	600	55	0.05%
TOTAL CONSTRUCTION COSTS	747,370	67,943	67.78%
TOTAL DEVELOPMENT COSTS	1,102,714	100,247	100.00%

SOURCES	Budget
SALE OF UNITS	1,115,500
NET PROFIT	12,786

PINECREST VILLAGE, WILLISTON
CONSTRUCTION CASH FLOW

t:\quattro\pinecrst.cf2

17-Apr-95 09:35 AM

	Budget	At Closing	June 95	July 95	Aug 95	Sept 95	Oct 95	Nov 95	Total
LAND ACQUISITION	200,000	200,000	0	0	0	0	0	0	200,000
SOFT COSTS									
Legal/Closing	3,750	3,750	0	0	0	0	0	0	3,750
Title Insurance	2,000	2,000	0	0	0	0	0	0	2,000
VHFA Origination Fee (1%)	7,500	7,500	0	0	0	0	0	0	7,500
VHFA Interest Expense (8%)	15,914	0	2,745	4,596	4,418	2,965	1,190	0	15,914
Construction Management	20,000	3,500	7,000	6,000	3,500	0	0	0	20,000
VHFA Construction Inspection	1,500	250	500	250	250	250	0	0	1,500
Fees/Permits	17,000	4,650	6,150	3,100	3,100	0	0	0	17,000
Engineering	3,000	3,000	0	0	0	0	0	0	3,000
Misc. Selling Exp (concessions)	5,000	0	0	2,000	1,000	1,000	1,000	0	5,000
Advertising/Marketing	10,000	3,000	2,000	2,000	2,000	1,000	0	0	10,000
TOTAL SOFT COSTS	85,664	27,650	18,395	17,946	14,268	5,215	2,190	0	85,664
CONSTRUCTION COSTS									
Sitework	51,600	15,000	16,600	10,000	10,000	0	0	0	51,600
Landscaping	12,000	0	5,000	5,000	2,000	0	0	0	12,000
Unit Construction	618,170	159,661	221,349	99,955	137,205	0	0	0	618,170
General Conditions	65,000	15,000	20,000	15,000	15,000	0	0	0	65,000
Temporary Utilities	600	100	200	200	100	0	0	0	600
TOTAL CONSTRUCTION COSTS	747,370	189,761	263,149	130,155	164,305	0	0	0	747,370
TOTAL DEV. COSTS	1,033,034	417,411	281,544	148,101	178,573	5,215	2,190	0	1,033,034
SALE OF UNITS	11	0	0	2	4	3	2	0	11
Sale Price	1,115,500	0	0	186,800	426,200	293,500	209,000	0	1,115,500
Less Marketing (6%)	66,930	0	0	11,208	25,572	17,610	12,540	0	66,930
Less Legal $250 unit	2,750	0	0	500	1,000	750	500	0	2,750
Net Sale Price	1,045,820	0	0	175,092	399,628	275,140	195,960	0	1,045,820
VHFA LOAN BALANCE		417,411	698,955	671,963	450,909	180,984	(12,786)	(12,786)	

RESOLUTION PERTAINING TO COMBINED LETTER OF INTEREST AND COMMITMENT LETTER RE: PINECREST VILLAGE DEVELOPMENT (WILLISTON)

WHEREAS, a proposal has been presented to the Agency by John Varsames of Northshore Development involving the construction of 11 single family units in Pinecrest Village, an 87 unit Planned Residential Development in Williston (the "Development"); and

WHEREAS, this development has been the subject of a previous resolution by the Agency on January 18, 1995; and

WHEREAS, the proposal contemplates that a majority of the 11 units to be constructed in the Development will be affordable to a family at or below the income limits for the Agency's MOVE Program; and

WHEREAS, the proposal seeks a loan by the Agency of up to $750,000 to refinance the site and for construction; and

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

Therefore, it is hereby DETERMINED:

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

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

3. The housing sponsor undertaking the Development will increase the supply of well-planned, well-designed permanent housing for persons and families of low and moderate income, and the sponsors are financially responsible persons or organizations.

4. The construction costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Vermont Housing Finance Agency Act.

5. More than one half of the floor area and total development cost are allocated to single family dwelling units for persons and families of low and moderate income.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a letter of commitment (the "Commitment Letter") to provide a construction loan (the "Loan") in an amount to be determined by the Executive Director, but not to exceed $750,000, for the Pinecrest Village Development.

2. The Commitment Letter shall be issued to John Varsames, as representative of a to-be-formed housing sponsor.

3. The commitment of the Agency shall be subject to receipt, on or before the date of the closing on the Loan of a commitment fee in an amount equal to 1.0% of the principal amount of the Loan.

4. The Loan shall bear an interest rate of 8.0% per annum for a term ending on December 31, 1995 and be repayable in part each time one of the homes is sold.

5. The Commitment Letter shall be conditioned on a satisfactory credit review of the Housing Sponsor and its principal(s) and the satisfaction by the Developer of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish, including but not limited to the following documents that must be submitted in form and substance acceptable to the Agency:

   (a) Appraisal of all three types of units;

   (b) Phase I environmental assessment;

   (c) Financial statements for Borrower and its principals;

   (d) Personal guarantees of principals of the Housing Sponsor (and spouse(s) if assets are held jointly);

   (e) Dual obligee performance and payment bonds or a letter of credit from a financial institution approved by the Agency in an amount deemed acceptable by the Executive Director, but in no event more than 25% of the contract amount; and

   (f) Articles of Incorporation or Partnership Agreement for the Housing Sponsor containing language indicating that the Housing Sponsor is organized on a limited profit basis.

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

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: January 17, 1995

RE: Update -- Pinecrest Village Loan Request

Staff has received updated information from John Varsames on his application for financing to complete the construction of the last 11 units at Pinecrest Village, Williston. A memo dated January 10, 1995, requests Board approval of a loan in an amount not to exceed $530,000: updated construction costs, and a revised construction schedule indicates that the maximum loan amount will be $560,000. A recent quote received by the housing sponsor from the general contractor indicate that construction costs will be higher than initially estimated. The higher construction costs will result in total fees and profit to the housing sponsor of approximately $113,695 or 10% of the total development cost (compared to the original projections of approximately $156,000 or 15% of the total development cost). Attached is a revised sources and uses summary and projected cash flow.

A total of six units are under contract with no contingencies: all six buyers have incomes below the income limits for VHFA's MOVE program. There are two duplex units, one triplex unit, and two detached units that are not under contract at this time.

BOARD ACTION REQUESTED

Staff requests approval of the attached Resolution to provide financing in an amount not to exceed $560,000 to complete the construction of 11 units at Pinecrest Village, Williston.

s:\devel\board\pinecrst.up

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

PINECREST VILLAGE, WILLISTON — c:\quattro\pinecrst.su
DEVELOPMENT/CONSTRUCTION LOAN
SOURCES AND USES — 17-Jan-95 — 03:30 PM

USES	Budget	Per Unit	% of TDC
LAND ACQUISITION	200,000	18,182	17.82%
SOFT COSTS			
Legal/Closing	6,500	591	0.58%
Title Insurance	2,000	182	0.18%
VHFA Origination Fee (1%)	5,600	509	0.50%
VHFA Interest Expense (8%)	18,033	1,639	1.61%
Construction Management	20,000	1,818	1.78%
VHFA Construction Inspection	1,500	136	0.13%
Fees/Permits	17,000	1,545	1.51%
Engineering/Architect	3,000	273	0.27%
Misc. Selling Exp (concessions)	6,000	545	0.53%
Advertising/Marketing Expenses	11,000	1,000	0.98%
Marketing Fees (6%)	70,851	6,441	6.31%
TOTAL SOFT COSTS	161,484	14,680	14.39%
CONSTRUCTION COSTS			
Sitework	51,600	4,691	4.60%
Landscaping	12,000	1,091	1.07%
Unit Construction	626,901	56,991	55.84%
General Conditions	70,000	6,364	6.24%
Temporary Utilities	600	55	0.05%
TOTAL CONSTRUCTION COSTS	761,101	69,191	67.80%
TOTAL DEVELOPMENT COSTS	1,122,585	102,053	100.00%

SOURCES	Budget
SALE OF UNITS	1,180,855
NET PROFIT	58,270	5,297	5.19%

PINECREST VILLAGE, WILLISTON c:\quattro\pinecrst.cf
CONSTRUCTION CASH FLOW

17-Jan-95 03:26 PM

	Budget	At Closing	March 95	April 95	May 95	June 95	July 95	Aug 95	Sept 95	Total
LAND ACQUISITION	200,000	200,000	0	0	0	0	0	0	0	200,000
SOFT COSTS										
Legal/Closing	6,500	3,750	0	500	750	250	750	250	250	6,500
Title Insurance	2,000	2,000	0	0	0	0	0	0	0	2,000
VHFA Origination Fee (1%)	5,600	5,600	0	0	0	0	0	0	0	5,600
VHFA Interest Expense (8%)	18,033	0	1,390	2,696	3,664	3,455	2,428	3,150	1,250	18,033
Construction Management	20,000	0	3,500	3,500	3,500	3,500	6,000	0	0	20,000
VHFA Construction Inspection	1,500		215	215	215	215	215	215	210	1,500
Fees/Permits	17,000	0	4,650	3,100	3,100	3,050	3,100	0	0	17,000
Engineering	3,000	0	3,000	0	0	0	0	0	0	3,000
Misc. Selling Exp (concessions)	6,000	0	0	2,000	1,000	1,000	1,000	1,000	0	6,000
Advertising/Marketing	11,000	0	2,000	2,000	2,000	2,000	2,000	1,000	0	11,000
Marketing Fees (6%)	70,851	0	0	0	12,357	17,994	5,730	18,810	15,960	70,851
TOTAL SOFT COSTS	161,484	11,350	14,755	14,011	26,586	31,464	21,223	24,425	17,670	161,484
CONSTRUCTION COSTS										
Sitework	51,600	0	15,000	10,000	10,000	6,600	10,000	0	0	51,600
Landscaping	12,000	0	2,000	2,000	0	2,000	6,000	0	0	12,000
Unit Construction	626,901	0	154,866	109,097	125,371	91,567	146,000	0	0	626,901
General Conditions	70,000	0	12,000	12,000	12,000	12,000	22,000	0	0	70,000
Temporary Utilities	600	0	100	100	100	100	200	0	0	600
TOTAL CONSTRUCTION COSTS	761,101	0	183,966	133,197	147,471	112,267	184,200	0	0	761,101
TOTAL DEV. COSTS	1,122,585	211,350	198,721	147,208	174,057	143,731	205,423	24,425	17,670	1,122,585
SALE OF UNITS	1,180,855	0	0	0	205,955	299,900	95,500	313,500	266,000	1,180,855
VHFA LOAN BALANCE		211,350	410,071	557,279	525,381	369,212	479,135	190,060	(58,270)	

RESOLUTION PERTAINING TO COMBINED LETTER OF INTEREST AND COMMITMENT LETTER RE: PINECREST VILLAGE DEVELOPMENT (WILLISTON)

WHEREAS, a proposal has been presented to the Agency by John Varsames of Northshore Development involving the construction of 11 single family units in Pinecrest Village, an 87 unit Planned Residential Development in Williston (the "Development"); and

WHEREAS, the proposal contemplates that a majority of the 11 units to be constructed in the Development will be affordable to a family at or below the income limits for the Agency's MOVE Program; and

WHEREAS, the proposal seeks a loan by the Agency of up to $560,000 to refinance the site and for construction; and

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

Therefore, it is hereby DETERMINED:

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

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

3. The housing sponsor undertaking the Development will increase the supply of well-planned, well-designed permanent housing for persons and families of low and moderate income, and the sponsors are financially responsible persons or organizations.

4. The construction costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Vermont Housing Finance Agency Act.

5. More than one half of the floor area and total development cost are allocated to single family dwelling units for persons and families of low and moderate income.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a letter of commitment (the "Commitment Letter") to provide a construction loan (the

"Loan") in an amount to be determined by the Executive Director, but not to exceed $560,000, for the Pinecrest Village Development.

2. The Commitment Letter shall be issued to John Varsames, as representative of a to-be-formed housing sponsor.

3. The commitment of the Agency shall be subject to receipt, on or before the date of the closing on the Loan of a commitment fee in an amount equal to 1.0% of the principal amount of the Loan.

4. The Loan shall bear an interest rate of 8.0% per annum for a term ending on December 31, 1995 and be repayable in part each time one of the homes is sold.

5. The Commitment Letter shall be conditioned on a satisfactory credit review of the Housing Sponsor and its principal(s) and the satisfaction by the Developer of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish, including but not limited to the following documents that must be submitted in form and substance acceptable to the Agency:

   (a) Appraisal of all three types of units;

   (b) Phase I environmental assessment;

   (c) Financial statements for Borrower and its principals;

   (d) Personal guarantees of principals of the Housing Sponsor (and spouse(s) if assets are held jointly);

   (e) Dual obligee performance and payment bonds or a letter of credit from a financial institution approved by the Agency in an amount deemed acceptable by the Executive Director, but in no event more than 25% of the contract amount; and

   (f) Articles of Incorporation or Partnership Agreement for the Housing Sponsor containing language indicating that the Housing Sponsor is organized on a limited profit basis.

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

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: January 10, 1995

RE: Pinecrest Village, Williston -- Loan Request from John Varsames

SUMMARY OF REQUEST

Staff requests approval of the attached Resolution of Interest/Commitment for a loan in an amount not to exceed $530,000 to pay off a first mortgage and to finance the construction of 11 units at Pinecrest Village, Williston. Pinecrest Village is an 87-unit Planned Residential Development (PRD): 76 units have been built and sold. Those units were developed by T F Limited Partnership (John Varsames is a limited partner, Northshore Development is the general partner). Another limited partner, Rod Whittier died unexpectedly in November 1993. Mr. Varsames will form a limited profit corporation to complete the development of the remaining eleven units. The development is served by town water and sewer and is fully permitted. The infrastructure is 100% complete. VHFA's loan would be used to pay off a $200,000 first mortgage loan held by the Merchants Bank, and to finance the sitework and construction of 11 units.

The Merchants Bank provided financing for the site development and construction of the first 76 units. Mr. Varsames has indicated that changes at the Merchants Bank, brought on by the FDIC and the new management's desire to reduce their portfolio of development loans, will make it difficult to continue to work with Merchants Bank to complete this project. In addition, the estate of Mr. Whittier has other obligations to the Merchants Bank which make it difficult to continue a business relationship with that institution.

THE PROJECT

Housing Sponsor

The Housing Sponsor will be a limited profit corporation established by John Varsames and Northshore Companies. Northshore Companies has completed affordable housing projects in Burlington and Williston, and has developed more than 500 units of housing since 1986. Northshore has demonstrated a willingness to work with nonprofit developers and has

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

completed two projects in Burlington where permanently affordable housing was created as a result: nine lots at the Howe Meadows development were sold to the Burlington Community Land Trust (BCLT) at a cost that was substantially below market; and an additional six lots were provided on Wood Street and Northview Drive. All of these homes remain perpetually affordable through a ground lease. Staff has not completed a credit review of the sponsor and has also not reviewed financial statements at this time. Staff will complete a review prior to issuing a commitment.

Project Description

Pinecrest Village is an 87-unit PRD located on a 40 acre site in the Town of Williston: 76 units are built and sold. A total of 13 units were sold to BCLT and Lake Champlain Housing Development Corporation (LCHDC) at below market prices. The average price paid by LCHDC was approximately $70,083, and the average price per unit paid by BCLT was approximately $83,000. LCHDC leases their units to persons and families at or below 60% of median income. The units purchased by BCLT were sold to households at or below 85% of median income.

The infrastructure is 100% complete. There are 11 units left to build. The units are located in three duplex buildings, one triplex building, and there are two detached units. Sales prices range from $96,600 to $110,000. Unit sizes range from 1048 to 2,134 square feet and are townhouse style. All units will have two bedrooms and one bathroom. Additional finished space is an option for most units. All units will have attached garages. Pinecrest Village is served by town water and sewer and underground utilities. Amenities include a playground, inground swimming pool, and a community building. Units have received a FOUR STAR PLUS rating from Energy Rated Homes of Vermont.

A total of six units (55%) are under contract (3 units at a base price of $96,600 and one unit at a base price of $103,950). We do not have the purchase price information for the other two units under contract at this time. Of the six units under contract we know that four buyers have incomes below the maximum income limits for VHFA's MOVE program (currently $39,300 for 1-2 person households, and $45,100 for households of three persons and greater). Income information on the buyers of the other two units is not available at this time. VHFA requires that 51% of the units financed through the Single Family Development Loan Program be sold to persons and families at or below the income limits for VHFA's MOVE program. To meet this requirement, two additional units must be sold to MOVE program income qualified buyers. A possibility does exist that a purchaser of a detached unit, which has a base price of $110,000, could select options that would increase the sale price to $132,950. VHFA would not be able to provide financing because the purchase price would exceed VHFA's maximum limit for new construction of $120,000. The purchase of a unit priced at $132,950 would also require an annual income of $52,670, which exceeds VHFA's maximum income limit. Mr. Varsames had indicated that he is in the process of reworking the numbers with his contractor, which may result in numbers slightly different than those indicated above. That information will be available at the Board meeting.

A Phase I Environmental Assessment has been completed on the Pinecrest site; however, it has not been received or reviewed by staff.

Affordability/Marketability

Units available at Pinecrest Village at $96,600 would be affordable to a family size of one person earning 104% of median income, a family size of two persons earning 91% of median income, a family size of three persons earning 81% of median income, and a family size of 4 persons earning 73% of median income. (Attachment A provides a complete affordability analysis of units at Pinecrest Village.)

Since the start of construction in 1991, an average of 28 units per year have sold. Of the six units under contract, four of those units sold in November and December of 1994, traditionally a slow time for home sales in Vermont. The sponsor believes that an additional three to four units will be sold before construction begins in early Spring 1995. The model unit has been sold; however, the closing is not scheduled to take place until March 1995, and the sponsor has arranged with the buyer to lease the unit through July 1995 for use as a sales model.

Financing Request

The sponsor requests a loan in an amount not to exceed $530,000 to finance the site acquisition by the new development entity and to finance the construction of the remaining 11 units. (The sponsor is in the process of reviewing the development budget and projected cash flow with his contractor. Options selected by the buyers may require a slightly higher maximum loan amount. Current information will be available at the Board meeting.) Merchants Bank currently holds a first mortgage of $200,000 on the remaining sites. The estimated value of the sites is approximately $387,000. Based on this estimated site value, sponsor equity is estimated to be $187,000 or approximately 18% of the total development costs. VHFA's loan to value ratio will be approximately 46%. VHFA's total loan to development cost ratio is approximately 52%. (Attachment B provides a sources and uses summary and projected cash flow.)

The sponsor will receive reimbursement for marketing expenses and broker fees, and construction management fees; however, profit from sales (approximately $101,600), will not be received by the sponsor until the sale of the final unit and after VHFA has been paid in full. Total fees and profit that will be received by the housing sponsor will be approximately $156,000 or 15% of the total development cost. (Total fees and profit include 50% of the marketing fees or $34,500, construction management fee of $20,000, and net profit of $101,600.) Mr. Varsames has indicated that the actual marketing fees received by the corporation will be less than $34,500. When a unit is sold by a co-broker or buyer-broker, all of the marketing fees are paid to the brokers involved. The corporation receives 50% of the broker fees only when the unit is sold by Bill Wheeler who is an independent contractor for Northshore Realty.

Construction of individual units will not begin until at least one of the units in a duplex building are sold, and two units in the triplex building are sold. A detached unit will be presold before construction begins. While the developer believes that an additional three

to four units will be sold before the start of contruction in March 1995, the possibility does exists that up to four units would be constructed that are not presold.

Strengths/Weaknesses

Strengths

- The developer has a proven track record of developing, building, marketing, and managing affordable housing in Chittenden County.
- A total of 55% of the units are presold.

Weaknessess

- The possibility exists that up to four units will be constructed that are not presold.
- The sales price of the two detached units may exceed VHFA's maximum purchase price limit and may not be affordable to a buyer whose income is within the income limits for the MOVE program.

Conditions to Commitment/Closing

As mentioned previously, staff has not reviewed financial statements and have also not completed a credit review of the sponsor, which we plan to do prior to issuing a commitment. In addition to standard conditions, VHFA will require that the following additional information be provided and conditions be met by the housing sponsor in satisfactory form prior to closing.

- An appraisal of each type of unit (duplex, triplex, detached).
- A satisfactory Phase I Environmental Assessment.
- Articles of Incorporation or Partnership Agreement for the new development entity.
- Personal guaranty of principals of Housing Sponsor (and spouse(s) if assets are held jointly).
- Dual obligee 100% payment and performance bonds from the general contractor in amount and with sureties acceptable to VHFA, or a letter of credit from a financial institution acceptable to VHFA, in an amount acceptable to the Executive Director, but in no event more than to 25% of the contract amount.

BOARD ACTION REQUESTED

Staff requests approval of the attached Resolution to provide financing in an amount not to exceed $530,000 to complete the construction of 11 units at Pinecrest Village, Williston.

ATTACHMENT A

Pinecrest Village -- Affordability Analysis c:\data\pinecres.t 12-Jan-95

Purchase Price	Type of Financing	Income Needed to Support	Percentage of Median 1 Person	2 Person	3 Person	4 Person
96,600	VHFA 8.25% 95% LTV	33,362	104%	91%	81%	73%
96,600	Conv 9.25% W/25% MCC	34,549	108%	94%	84%	76%
103,950	VHFA 8.25% 95% LTV	35,635	111%	97%	87%	78%
103,950	Conv 9.25% w/25% MCC	36,865	115%	101%	90%	81%
110,000	VHFA 8.25% 95% LTV	37,506	117%	102%	91%	82%
110,000	Conv 9.25% w/25% MCC	38,771	121%	106%	94%	85%
132,950	Conv 9.25%	52,670	165%	144%	128%	115%

Assumptions: Housing Expense to Income Ratio of 33% (VHFA) and 28% (Conv)

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Irene D. Jenkins, Director of Development

DATE: April 19, 1995

RE: Winchester Place Update

Attached is a copy of a revised restructuring proposal and cover letter that staff presented on April 5, 1995 to Housing Vermont, Merchants Bank, and Saint Michael's College. This proposal reflects the discussion that occurred at the March Board Meeting concerning gifting the project to Saint Michael's College (SMC) after recovery of VHFA's subsidies.

Key changes from previous proposals include:

1. The Mortgagor's required contribution for 1995 is specified based upon review of the 1994 project audit.

2. The General Partner (rather than Housing Vermont) would contribute no more than $9,960 per year towards operating deficits for 10 years.

3. Language is added to clarify that SMC's subsidies would retain their character as rent under the ground lease.

4. All subsidies other than those of the Mortgagor would constitute loans, but they would not earn or accrue interest (except under the limited circumstances described in Paragraph IX.3. of the Memorandum.)

5. VHFA would convey the project to SMC under the circumstances and within the time frames described in Section IX of the Memorandum.

From VHFA's standpoint, the major change is VHFA's commitment to convey the project (if acquired after the tax credit compliance period by foreclosure or otherwise) to SMC by Year 33 if VHFA has received repayment of the principal amount of its subsidy or as soon thereafter as VHFA has received repayment of the principal amount of the subsidy. If VHFA receives repayment of both the principal amount of the subsidies and imputed interest thereon prior to Year 33 then conveyance would occur earlier. (The projections that we are using show full repayment of principal in Year 30.)

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

Our commitment to convey the project to SMC effectively prevents VHFA from selling the project to another party to recover the loan balance, subsidies, or interest. The attached projections assume that after the tax credit compliance period, VHFA alone continues to subsidize the project through the remaining original term of the loan.

At its April meeting, Housing Vermont's Board approved the deferral of the $9,960 annual investor services fee, enabling the General Partner to contribute this amount to the workout. Although we have received no formal response from Merchants Bank, Housing Vermont has informed us that the latest proposal appears to satisfy the Bank's major concerns, subject to review by the Bank's attorney. One potential problem area is the amount of the required net new 1995 contribution ($75,222), which is higher than the Bank expected because previous contributions by the Bank were needed to fund 1994 deficits to a greater extent than the Bank anticipated. SMC has indicated its basic satisfaction with the agreement subject to its attorney's review.

Assuming agreement by the parties, the next steps will be to obtain signatures on the Memorandum of Understanding, initiate the process to amend the Act 250 permit, and enter into the Restructure Agreement. These steps must be taken quickly because beginning in May the project will have insufficient cash to cover its expenses.

RECOMMENDED ACTION

Continue its authorization of December 16, 1994, to the Executive Director to negotiate an agreement with the key parties and to commit the Agency upon consultation with and approval by the Chairman of the Board.

VERMONT HOUSING FINANCE AGENCY

April 5, 1995

Mr. Don Dickson
President
Housing Vermont
One Burlington Square
Burlington, VT 05401

Mr. Joe Boutin
President
The Merchants Bank
123 Church Street
Burlington, VT 05401

Mr. John Gutman
Vice President
Saint Michael's College
Winooski Park
Winooski, VT 05439

RE: Winchester Place Memorandum of Understanding

Dear Don, John and Joe:

Enclosed is a revised Memorandum of Understanding that addresses the issues that Saint Michael's College (SMC), The Merchants Bank, and Housing Vermont raised in response to our previous draft.

Key changes include:

1. The Mortgagor's required contribution for 1995 is specified based upon review of the 1994 project audit.

2. The General Partner (rather than Housing Vermont) would contribute no more than $9,960 per year towards operating deficits for 10 years.

3. Language is added to clarify that SMC's subsidies will retain their character as rent under the ground lease.

4. All subsidies other than those of the Mortgagor would constitute loans, but they would not earn or accrue interest (except under the limited circumstances described in Paragraph IX.3. of the Memorandum.)

5. VHFA would convey the project to SMC under the circumstances and within the time frames described in Section IX of the Memorandum.

Also enclosed is a revised proforma that reflects this revised Memorandum.

We hope that the revision is satisfactory and that we can complete a Restructure Agreement by April 30, 1995.

Please call Irene Jenkins at extension 231 if you have any questions concerning our proposal.

Sincerely,

Allan S. Hunt
Executive Director (Ext. 221)

ASH630/bp

Enclosure

MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding effective the __ day of April, 1995 (the "Memorandum") outlines the understandings in principle reached among Vermont Housing Finance Agency ("VHFA"), Winchester Associates ("Mortgagor"), Housing Vermont ("HV"), H.V. Winchester, Inc. (the "General Partner"), The Merchants Bank (the "Bank") and St. Michael's College ("SMC") concerning the restructuring of financial obligations of Mortgagor pertaining to Winchester Place Apartments.

The parties have agreed as follows, with capitalized terms used herein and not otherwise defined having the same meaning as they have in the Regulatory Agreement between Winchester Associates and VHFA dated December 19, 1989:

I. PROJECTIONS

1. The Development is likely to suffer substantial Operating Deficits (as hereinafter defined) for a substantial period of time.

2. As used in this Memorandum, the term "Operating Deficit" means the excess of Operating Expenses of the Development (including, without limitation, Ground Lease rent) over Gross Revenues (exclusive of the Financial Subsidies described in Section II, below and actually received).

3. The parties agree that the pro-forma dated April 5, 1995 and attached hereto (the "Pro-Forma") reflects reasonable performance expectations for the Development.

II. FINANCIAL SUBSIDIES

1. Basic understandings for 1995:

A. In 1995, VHFA will make payments of $9421.92 per month to The Howard Bank as trustee (the "Trustee"), to be credited against the promissory note secured by the Mortgage Loan (the "Note"). The sum of such payments is approximately 113,063.00 and is equal to 14.48 per cent of total Debt Service for the year.

B. SMC will defer rent falling due under the Ground Lease in 1995 by $26,069.00 ($2,172.42 per month), which is an amount proportionate to twice the effective percentage reduction in Debt Service.

Simultaneously with the execution and delivery of the Restructure Agreement, for years beginning after 1995, the rent schedule in the Ground Lease shall be amended to provide for equal annual rent adjustments such that the rent level of $136,000 (before any reduction for Operating Deficits) will be achieved in Year 17 (2006 A.D.). Thereafter through the end of the term of the Ground Lease the total annual Ground Lease rent shall be consistent with original terms of the Ground Lease.

C. General Partner shall pay $830 per month to the Trustee to be credited against the Note. The sum of such payments is $9960.

D. Mortgagor shall contribute $100,000 to the Development Operations Account to be used for Operating Expenses.

To the extent that the sum of Surplus Cash (including negative Surplus Cash) for 1994 (as verified by the 1994 audit) and the amount on deposit in the Sinking Fund after payment or allowance for all scheduled sewer system improvements and other capital improvements performed in 1994 exceeds zero, the amount on deposit in the Sinking Fund may be applied toward satisfaction of the 1995 contribution. In accordance with the attached "VHFA Surplus Cash Calculation," the amount which may be so applied is $24,778.00, resulting in a net additional cash contribution requirement of $75,222.00.

E. In addition to the contribution required pursuant to subparagraph D, above, the Mortgagor shall contribute $25,146.00 to the Development Operations Account as and when needed to pay for capital improvements scheduled for 1995, including exterior painting and trim repairs.

2. Basic understandings for 1996:

A. In 1996, VHFA will make payments of $7,892.33 per month to The Howard Bank as trustee (the "Trustee"), to be credited against the promissory note secured by the Mortgage Loan (the "Note"). The sum of such payments is approximately $ 94,708.00, which is equal to 12.13 per cent of the total Debt Service for the year.

B. SMC will defer rent falling due under the Ground Lease in 1996 by $21,837.00, which bears the same ratio to the 1995 Ground Lease rent as is proportionate to twice the effective percentage reduction in Debt Service.

C. General Partner shall pay $830 per month to the Trustee to be credited against the Note. The sum of such payments is $9960.

D. Mortgagor shall contribute $100,000 to the Development Operations Account to be used for Operating Expenses.

3. For years beginning after 1996, and subject to the provisions of Section VIII(2), below:

A. Mortgagor and General Partner each shall increase or decrease their respective annual subsidies by an amount proportionate to the percentage increase or decrease in the Operating Deficit; subject, however, to the following maximum annual subsidies to be provided by those parties:

(1) General Partner: $9,960.00.

(2) Mortgagor: $100,000.00

B. VHFA and SMC shall contribute annual subsidies such that the sum of their subsidies shall equal the Operating Deficit less the sum of the subsidies of Mortgagor and General Partner, subject to the following:

(1) VHFA shall contribute an amount not to exceed $104,913.00, which is an amount equal to 13.44% of the initial total annual Debt Service.

(2) SMC shall contribute the lesser of (a) that amount which bears the same ratio to the 1995 Ground Lease rent as is proportionate to twice the effective percentage reduction in Debt Service, or (b) $24,190.00.

III. CHARACTERIZATION AND TIMING OF SUBSIDIES.

1. All VHFA subsidies shall be paid in on the due date of each monthly payment falling due under the Note, and shall not accrue interest other than imputed interest under the circumstances contemplated by section IX. All VHFA subsidies shall constitute additional advances under, and shall be secured by, the Mortgage, and shall constitute a first lien on the Development subject only to the Ground Lease. At the request of VHFA, the Mortgagor shall execute and deliver, in a timely fashion, one or more notes evidencing such VHFA subsidies.

2. All General Partner subsidies shall constitute loans to the Mortgagor, shall be paid in to the Trustee on the due date of each monthly payment falling due under the Note, shall not accrue interest other than imputed interest under the circumstances contemplated by section IX, and shall be secured in a second lien position.

3. All SMC subsidies shall constitute loans to the Mortgagor, shall be deemed made proportionately on the date that monthly rent under the Ground Lease is due, and shall not accrue interest other than imputed interest under the circumstances contemplated by section IX. Although SMC subsidies shall be repayable only as provided herein (i.e., ratably from net cash flow as provided below), they shall not lose their character as rent under the Ground Lease. In other words, a failure of the Mortgagor or any successor in interest to the Mortgagor to repay the SMC subsidies in accordance with the provisions hereof shall constitute a breach of the Ground Lease.

4. All Mortgagor annual subsidies shall be made in four equal installments and in advance on the first day of each calendar quarter. All Mortgagor subsidies shall constitute contributions to capital of the Mortgagor and shall not be made from Gross Revenues.

5. The annual amounts rather than the periodic amounts specified in this Section III shall be controlling. All sums which would have been required to have been paid as of the actual date of the Restructure Agreement if the

Restructure Agreement had been in effect since January 1, 1995 shall be immediately due and payable upon execution and delivery of the Restructure Agreement.

IV. TREATMENT OF WORKING CAPITAL AND REPLACEMENT RESERVE REQUIREMENTS

1. The Bank will cancel the debt of $171,300 incurred by the Mortgagor as a result of the recent drawing on the Replacement Reserve Fund letter of credit by VHFA.

2. The parties agree that the amount of funds constituting Replacement Reserve funds as of the year ended 12/31/94, to wit: $212,077.00, shall be deemed to satisfy the Replacement Reserve requirement through 12/31/94 for all purposes of the Regulatory Agreement and the Ground Lease.

3. The Working Capital letter of credit issued by the Bank and currently outstanding will not be required to be renewed upon its expiration, and the Working Capital requirement will be waived by VHFA.

4. All funds constituting Replacement Reserve funds, including funds under the sole control of VHFA as a result of the recent drawing under the Replacement Reserve Fund letter of Credit and funds on deposit under the joint control of the Mortgagor and VHFA will be consolidated in a single account under the sole control of VHFA (subject to the applicable terms and provisions of the Ground Lease pertaining to the use of Replacement Reserve funds).

V. TREATMENT OF RENT AND OCCUPANCY RESTRICTIONS

1. Simultaneously with the execution and delivery of the Restructure Agreement, the parties will enter into an amendment of the "Winchester Place Housing Subsidy Covenants" dated July 12, 1989 (the "Housing Subsidy Covenants") which will cause the Housing Subsidy Covenants to terminate as of the end of the §42 tax credit compliance period except for provisions pertaining to the transition period and displacement allowances, will cause the four year transition period to be reduced to three years commencing immediately after the end of the tax credit compliance period, and will reduce the displacement allowance to an amount that can be funded with the fund for displacement allowance maintained by the Bank pursuant to paragraph 2D of the Housing Subsidy Covenants.

2. Simultaneously with the execution and delivery of the Restructure Agreement, SMC and the Mortgagor will amend the Ground Lease to delete all rent and occupancy restrictions.

3. Promptly after execution and delivery of the Restructure Agreement, the Mortgagor, with the cooperation of all parties, will seek deletion of all rent and occupancy restrictions from the Act 250 Permit applicable to the Development.

VI. AMENDMENTS TO NOTE AND VHFA OPTION TO PURCHASE

1. Simultaneously with the execution of the Restructure Agreement, the Note and Mortgage shall be amended to provide that all sums secured thereunder shall fall due and payable in full on the first anniversary of the last day of the §42 tax credit compliance period.

2. Simultaneously with the execution of the Restructure Agreement, the Mortgagor will execute and deliver to VHFA an option to purchase the Development at any time between the first day after the end of the §42 tax credit compliance period and the date on which the Note falls due, for a price equal to the outstanding balance of all sums secured by the Mortgage. Such option shall lapse and be of no further force or effect if all sums secured by the Mortgage are paid in full prior to the first date on which the option may be exercised.

VII. PROVISIONS PERTAINING TO REPAYMENT OF THE SUBSIDIES OF THE PARTIES

1. For so long as the Note remains outstanding or the Development is owned by VHFA, all "net cash flow" contemplated by the Pro Forma (that is, net cash flow after payment of operating expenses, replacement reserve, and ground rent, and payment to or retention by VHFA of an amount equal to the amount shown in the Pro Forma as "Primary Debt Service") shall be applied pro rata to repayment of the subsidies of VHFA, SMC, and General Partner.

2. If the Development is sold by the Mortgagor, all net proceeds of sale after payment of all sums due under the Note shall be applied pro rata to repayment of the subsidies of VHFA, SMC, and General Partner.

3. If the Development is sold by VHFA, all net proceeds of sale after payment of all sums needed to redeem the VHFA bonds that originally provided funds for the Development or any substitute bonds ("VHFA Bonds") shall be applied pro rata to repayment of the subsidies of VHFA, SMC, and General Partner.

VIII. PROVISIONS PERTAINING TO THE TERM OF THE AGREEMENT AND PERFORMANCE OF THE DEVELOPMENT AT VARIANCE WITH EXPECTATIONS.

1. For the period ending with the last day of the year in which the §42 tax credit compliance period expires (the "End of the Term"), the Restructure Agreement will obligate the parties to continue to supply subsidies each year for so long as the Operating Deficit for any year is no larger than the applicable Operating Deficit projected by the Pro Forma. In the event that the Operating Deficit for any year (as verified by the audited financial statements for that year) is less than the Operating Deficit projected by the Pro Forma for that year, each party shall be entitled to a pro-rata reduction in subsidy for the ensuing year, commencing with the third calendar quarter of such ensuing year.

2. In the event that the Operating Deficit for any year (as indicated by the unaudited quarterly reports for that year or as shown by the audited financial statements for that year) is greater than the Operating Deficit projected by the Pro Forma for that year, or in the event that the operating budget presented by the Mortgagor pursuant to the Regulatory Agreement and deemed realistic by VHFA will result in an Operating Deficit for the applicable year greater than the Operating Deficit projected by the Pro Forma, the parties shall consult with each other. If the parties cannot agree on a method of eliminating the excess Operating Deficit, there shall be deemed to exist an event entitling VHFA to declare a default under the Mortgage Loan, accelerate the indebtedness secured by the Mortgage, and seek any and all remedies available to it under the the terms of the Mortgage Loan.

3. No party shall be obligated to contribute any subsidy after the End of the Term.

IX. CONVEYANCE TO SMC; IMPUTED INTEREST UNDER CERTAIN CIRCUMSTANCES

1. In the event that, after the End of the Term, but not otherwise, VHFA takes the Mortgagor's title to the Development (the "Title"), whether by foreclosure, deed in lieu of foreclosure, or by purchase, and provided that all subsidies of the parties and any additional amounts needed to eliminate

any Operating Deficit in excess of the Operating Deficits contemplated by the pro forma through the End of the Term are paid in fact through the End of the Term, then VHFA shall convey Title or cause Title to be conveyed to SMC on that date which is the first to occur of:

A. The later of

(i). December 31, 2021; or

(ii). December 31 of that year in which VHFA has recovered all VHFA subsidies (without interest), including all subsidies required hereby, subsidies paid in fact by VHFA during the Term to compensate for Operating Deficits in excess of Operating Deficits contemplated by the Pro Forma, if any, and subsidies paid in fact by VHFA that may be necessary to compensate for Operating Deficits after the End of the Term, if any;

or

B. December 31 of that year in which VHFA has recovered the total of the sums described in subparagraph (1)(A)(ii), above, plus all imputed interest on such sums, calculated in accordance with subparagraph 3, below.

2. It is understood and agreed that VHFA shall not be obligated to convey Title to SMC or to cause Title to be conveyed if (a) VHFA never takes Title, or (b) VHFA takes Title as a result of foreclosure proceedings properly initiated before the End of the Term.

3. In the event that (a) VHFA has not taken Title as a result of foreclosure proceedings properly initiated before the End of the Term, and (b) all subsidies (calculated without interest) of General Partner, SMC, and VHFA (the "Lending Subsidies") have been recovered in full prior to December 31, 2021, but not otherwise, then annual compound interest at the rate of nine per cent (9%) per annum shall be imputed to the principal balance of each of the Lending Subsidies outstanding from the date of first advance to the date

of final payment of all of the subsidies (calculated without interest), and the aggregate amount so calculated for each of the Lending Subsidies shall be repayable pro-rata (without interest) from net cash flow as contemplated by the Pro Forma until the earlier of (a) the date on which all of the imputed interest is paid in full and (b) the date, if any, on which VHFA is obligated to convey Title to SMC.

X. CONSTRUCTION OF THIS MEMORANDUM OF UNDERSTANDING

1. This Memorandum of Understanding reflects the result to date of discussions among the representatives of the parties. It does not represent a final agreement, but rather constitutes a framework for a binding legal agreement (the "Restructure Agreement") expected to be finally negotiated in good faith, executed, and delivered among the parties by April 30, 1995.

2. The existence of this Memorandum does not preclude the possibility that some issues properly includable in the Restructure Agreement have not been addressed. However, as the details of the Restructure Agreement are negotiated and refined, it is the good faith expectation of all parties that no party will use the need for further negotiation as a basis for seeking a material change in the agreements expressed above.

IN WITNESS WHEREOF, the parties have caused this Memorandum to be executed effective as of the date first above written.

VERMONT HOUSING FINANCE AGENCY

By _____

Executive Director

WINCHESTER ASSOCIATES BY ITS GENERAL PARTNER, H.V. WINCHESTER, INC.

By _____

President

HOUSING VERMONT

By _____

President

H.V. WINCHESTER, INC.

By _____

President

ST. MICHAEL'S COLLEGE

By _____

President

THE MERCHANTS BANK

By _____

President

March 30, 1995

WINCHESTER PLACE
VHFA Surplus Cash Calculation
Year Ended December 31, 1994

ASSETS

Cash		$ 0
Sinking Fund	98,195	
Sinking Fund Adjustments		
Unearned Rental Income	(20,937)	
Cash Overdraft	(782)	
Sewer System Improvements	(14,000)	
Adjusted Sinking Fund Balance		62,476
Rents Receivable		2,220
Prepaid Taxes		19,226
Prepaid Insurance		5,080
Total Liquid Assets		89,002

LIABILITIES

Accounts Payable (except sewer improvements)	(25,759)
Accrued Interest	(38,465)
Total Adjustments	(64,224)

SURPLUS CASH	$24,778

WINCHESTER PLACE 10b 05-Apr-95 09:20 AM

ASSUMPTIONS--1994 PROJECTIONS

VACANCY	4.00%			
INCOME/ MKT LIHTC	1.50%	1.50%		
EXPENSE TREND	3.00%			
LEASE DISC RATE	9.00%			
VHFA LOAN RATE	9.00%	TERM	26	YEARS

SUBSIDIES:

	1995	1996			%
PARTNERSHIP SUBSIDY	100,000	100,000	MAXIMUM	(100,000)	41.83%
BEG 100,000/YR, DECREASING OR INCREASING PROPORTIONATELY (BASE YEAR =1996) WITH DEFICITS; MAXIMUM=100,000.					
GENERAL PARTNER SUB	9,960	9,960	MAXIMUM	(9,960)	4.17%
BEG 9,960/YR, DECREASING OR INCREASING PROPORTIONATELY (BASE YEAR =1996) WITH DEFICITS; MAXIMUM=9,960.					
VHFA SUBSIDY	113,063	94,708	MAX thru 2004	(104,913)	43.89%
SMC SUBSIDY	26,069	21,837	MAXIMUM	(24,190)	10.12%
[CURRENT LEASE BEG YR 33--RENT = GREATER OF 136,000 OR 30%NCF (PRIOR YR'S NOI MINUS LEASE PMT)]					

CAPITAL IMPROVEMENTS (EXCEPT 1996 PAYMENT FOR SEWER IMPROVEMENTS) ARE PAID FROM REPLACEMENT RESERVE AFTER 1995--$15000 IN 1996.
REPLACEMENT RESERVE FUNDED IN CASH END 1994 AND ADDED TO ANNUALLY @ .0418*EFFECTIVE RENTS

WINCHESTER PLACE 10b FINANCIAL ANALYSIS 05-Apr-95 09:20 AM

1994 RENT TABLE REVISED 12/21/94

ESTIMATED 1995	#	RENT--NET OF UTILITIES (HT, HW, ELEC, W&S)
MARKET RATE	93	741,854
LIHTC	73	406,951
TOTAL	166	1,148,805

ESTIMATED 1996	#	RENT--NET OF UTILITIES (HT, HW, ELEC, W&S)
MARKET RATE	93	747,517
LIHTC	73	413,751
TOTAL	166	1,161,268

WINCHESTER PLACE		PROPOSED 1996	
100% MARK Flat	8	740	71,040
Townhouse	134	660	1,061,280
T. w/Loft	24	740	213,120
TOTAL	166		1,345,440

YEAR 7

3-YEAR TRANSITION TO MKT RATE YRS 16-18

WINCHESTER PLACE 10b TEN YEAR PLAN		ACTUAL	ACTUAL	ACTUAL	ACTUAL	PROJECTED							
1994 PROJECTIONS	YEAR	1	2	3	4	5	6	7	8	9	10	11	12
05-Apr-95		1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
09:20 AM													
Rent/Market Units							741,854	747,517	758,730	770,111	781,662	793,387	805,288
Rent/LIHTC Units							406,951	413,751	419,957	426,257	432,650	439,140	445,727
Vacancies	4.0%						(45,952)	(46,451)	(47,147)	(47,855)	(48,573)	(49,301)	(50,041)
Plus Other Income							3,400	3,451	3,503	3,555	3,609	3,663	3,718
EFFECTIVE GROSS INCOME		871,683	1,070,270	1,077,064	1,083,699	1,099,194	1,106,253	1,118,268	1,135,042	1,152,068	1,169,349	1,186,889	1,204,693
Less Operating Exp.		341,756	431,423	432,930	472,178	502,016	435,566	422,313	434,982	448,032	461,473	475,317	489,577
Less Capital Exp.						20,000	37,146	0					
Less Other--EQUIP							3,000	3,000	3,000	3,000	3,000	3,000	?
REPLACEMENT RESERVE	(ADDITIONS BEG 1995)						46,099	46,599	47,298	48,008	48,728	49,459	5(
NOI BEFORE LEASE PAYMENT		529,927	638,847	644,134	611,521	577,178	584,442	646,356	649,762	653,028	656,148	659,113	661,915
REVISED LEASE PMT	1,159,056	46,669	80,000	80,000	80,000	80,000	90,000	94,182	98,364	102,545	106,727	110,909	115,091
npv @	9.00%												
NOI AFTER RVSD LEASE PMT		483,258	558,847	564,134	531,521	497,178	494,442	552,174	551,398	550,483	549,421	548,204	546,824
Less Primary Debt Service		497,672	780,548	779,656	780,166	780,680	780,680	780,680	780,680	780,680	780,680	780,680	780,680
CF AFTER DS & LEASE PMT		(14,414)	(221,701)	(215,522)	(248,645)	(283,502)	(286,238)	(228,505)	(229,282)	(230,197)	(231,259)	(232,475)	(233,855)
+: Sink Fund (& HV $ for 1995 cap exp)		0	285,265	217,000	244,440	283,501	37,146	2,000	0	0	0	0	0
NET CASH FLOW		(14,414)	63,564	1,478	(4,205)	(1)	(249,092)	(226,505)	(229,282)	(230,197)	(231,259)	(232,475)	(233,855)
[OPERATING DEFICITS]		(14,414)	(221,701)	(215,522)	(248,645)	(283,502)	(286,238)	(228,505)	(229,282)	(230,197)	(231,259)	(232,475)	(233,855)
PV@ YRS 1990-2042	5.00%	(2,525,593)											
[NPV CF AFTER DS AND LEASE]													
NPV@ YRS 1990-2042	9.00%	(1,112,379)											
		TOTAL PV		TOTAL NOMINAL $									
PARTNERSHIP SUBSIDY							(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)
PV@	9.00%	(641,766)		(1,000,000)									
GENERAL PARTNER SUBSIDY							(9,960)	(9,960)	(9,960)	(9,960)	(9,960)	(9,960)	(9,9
PV@	9.00%	(63,920)		(99,600)									
VHFA SUBSIDY							(113,063)	(94,708)	(96,965)	(97,708)	(98,571)	(99,560)	(100,681)
PV@	9.00%	(843,229)		(1,636,026)									
SMC SUBSIDY							(26,069)	(21,837)	(22,357)	(22,528)	(22,727)	(22,955)	(23,214)
PV@	9.00%	(149,663)		(233,211)									
TOTAL SUBSIDIES		(1,698,577)		(2,968,837)			(249,092)	(226,505)	(229,282)	(230,197)	(231,259)	(232,475)	(233,855)

WINCHESTER PLACE 10b TEN YEAR PLAN

1994 PROJECTIONS	YEAR	13	14	15	16	17	18	19	20	21	22	23	24
05-Apr-95		2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
09:20 AM													
Rent/Market Units		817,367	829,628	842,072	1,065,733	1,326,282	1,584,860	1,608,633	1,632,762	1,657,253	1,682,112	1,707,344	1,732,954
Rent/LIHTC Units		452,413	459,199	466,087	330,507	164,443	0	0	0	0	0	0	0
Vacancies	4.0%	(50,791)	(51,553)	(52,326)	(55,850)	(59,629)	(63,394)	(64,345)	(65,310)	(66,290)	(67,284)	(68,294)	(69,318)
Plus Other Income		3,773	3,830	3,888	3,946	4,005	4,065	4,126	4,188	4,251	4,315	4,379	4,445
EFFECTIVE GROSS INCOME		1,222,763	1,241,104	1,259,721	1,344,336	1,435,101	1,525,530	1,548,413	1,571,639	1,595,214	1,619,142	1,643,429	1,668,081
Less Operating Exp.		504,264	519,392	534,973	551,023	567,553	584,580	602,117	620,181	638,786	657,950	677,688	698,019
Less Capital Exp.													
Less Other--EQUIP		3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,(
REPLACEMENT RESERVE (ADDITIONS BE		50,954	51,718	52,494	56,028	59,820	63,597	64,551	65,519	66,502	67,500	68,512	69,5..
NOI BEFORE LEASE PAYMENT		664,545	666,995	669,254	734,285	804,728	874,353	878,745	882,939	886,926	890,693	894,229	897,522
REVISED LEASE PMT	1,159,056	119,273	123,455	127,636	131,818	136,000	136,000	136,000	136,000	136,000	136,000	136,000	136,000
npv @	9.00%												
NOI AFTER RVSD LEASE PMT		545,273	543,540	541,617	602,467	668,728	738,353	742,745	746,939	750,926	754,693	758,229	761,522
Less Primary Debt Service		780,680	780,680	780,680	784,423	789,663	789,663	789,663	789,663	789,663	789,663	789,663	789,663
CF AFTER DS & LEASE PMT		(235,407)	(237,140)	(239,062)	(181,955)	(120,935)	(51,310)	(46,918)	(42,724)	(38,738)	(34,970)	(31,434)	(28,141)
+: Sink Fund (& HV $ for 1995 cap exp)		0	0	0	0	0	0	0	0	0	0	0	0
NET CASH FLOW		(235,407)	(237,140)	(239,062)	(181,955)	(120,935)	(51,310)	(46,918)	(42,724)	(38,738)	(34,970)	(31,434)	(28,141)
[OPERATING DEFICITS]		(235,407)	(237,140)	(239,062)	(181,955)	(120,935)	(51,310)	(46,918)	(42,724)	(38,738)	(34,970)	(31,434)	(28,141)
PV@ YRS 1990-2042	5.00%												
[NPV CF AFTER DS AND LEASE]													
NPV@ YRS 1990-2042	9.00%												
PARTNERSHIP SUBSIDY		(100,000)	(100,000)	(100,000)	0	0	0	0	0	0	0	0	
PV@	9.00%												
GENERAL PARTNER SUBSIDY		(9,960)	(9,960)	(9,960)	0	0	0	0	0	0	0	0	0
PV@	9.00%												
VHFA SUBSIDY		(101,942)	(103,350)	(104,913)	(181,955)	(120,935)	(51,310)	(46,918)	(42,724)	(38,738)	(34,970)	(31,434)	(28,141)
PV@	9.00%												
SMC SUBSIDY		(23,505)	(23,829)	(24,190)	0	0	0	0	0	0	0	0	0
PV@	9.00%												
TOTAL SUBSIDIES		(235,407)	(237,140)	(239,062)	(181,955)	(120,935)	(51,310)	(46,918)	(42,724)	(38,738)	(34,970)	(31,434)	(28,141)

WINCHESTER PLACE 10b TEN YEAR PLAN

1994 PROJECTIONS	YEAR	25	26	27	28	29	30	31	32	33	34	35	36
05-Apr-95		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
09:20 AM													
Rent/Market Units		1,758,948	1,785,333	1,812,113	1,839,294	1,866,884	1,894,887	1,923,310	1,952,160	1,981,442	2,011,164	2,041,331	2,071,951
Rent/LIHTC Units		0	0	0	0	0	0	0	0	0	0	0	0
Vacancies	4.0%	(70,358)	(71,413)	(72,485)	(73,572)	(74,675)	(75,795)	(76,932)	(78,086)	(79,258)	(80,447)	(81,653)	(82,878)
Plus Other Income		4,512	4,579	4,648	4,718	4,788	4,860	4,933	5,007	5,082	5,159	5,236	5,314
EFFECTIVE GROSS INCOME		1,693,102	1,718,499	1,744,276	1,770,440	1,796,997	1,823,952	1,851,311	1,879,081	1,907,267	1,935,876	1,964,914	1,994,388
Less Operating Exp.		718,960	740,528	762,744	785,627	809,195	833,471	858,475	884,230	910,757	938,079	966,222	995,208
Less Capital Exp.													
Less Other--EQUIP		3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,0
REPLACEMENT RESERVE (ADDITIONS BE		70,583	71,642	72,716	73,807	74,914	76,038	77,179	78,336	79,511	80,704	81,915	83,1
NOI BEFORE LEASE PAYMENT		900,559	903,328	905,815	908,006	909,887	911,443	912,657	913,515	913,999	914,093	913,778	913,036
REVISED LEASE PMT	1,159,056	136,000	136,000	136,000	136,000	136,000	136,000	136,000	136,000	136,000	233,400	204,208	212,871
npv @	9.00%												
NOI AFTER RVSD LEASE PMT		764,559	767,328	769,815	772,006	773,887	775,443	776,657	777,515	777,999	680,693	709,570	700,165
Less Primary Debt Service		789,663	789,663	384,393	0	0	0	0	0	0	0	0	0
CF AFTER DS & LEASE PMT		(25,104)	(22,335)	385,422	772,006	773,887	775,443	776,657	777,515	777,999	680,693	709,570	700,165
+: Sink Fund (& HV $ for 1995 cap exp)		0	0	0	0	0	0	0	0	0	0	0	0
NET CASH FLOW		(25,104)	(22,335)	385,422	772,006	773,887	775,443	776,657	777,515	777,999	680,693	709,570	700,165
[OPERATING DEFICITS]		(25,104)	(22,335)	0	0	0	0	0	0	0	0	0	0
PV@ YRS 1990-2042	5.00%												
[NPV CF AFTER DS AND LEASE]													
NPV@ YRS 1990-2042	9.00%												
PARTNERSHIP SUBSIDY		0	0	0	0	0	0	0	0	0	0	0	0
PV@	9.00%												
GENERAL PARTNER SUBSIDY		0	0	0	0	0	0	0	0	0	0	0	0
PV@	9.00%												
VHFA SUBSIDY		(25,104)	(22,335)	0	0	0	0	0	0	0	0	0	0
PV@	9.00%												
SMC SUBSIDY		0	0	0	0	0	0	0	0	0	0	0	0
PV@	9.00%												
TOTAL SUBSIDIES		(25,104)	(22,335)	0	0	0	0	0	0	0	0	0	0

WINCHESTER PLACE 10b TEN YEAR PLAN

1994 PROJECTIONS	YEAR	37	38	39	40	41	42	43	44	45	46	47	48
05-Apr-95		2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
09:20 AM													
Rent/Market Units		2,103,031	2,134,576	2,166,595	2,199,094	2,232,080	2,265,561	2,299,545	2,334,038	2,369,048	2,404,584	2,440,653	2,477,263
Rent/LIHTC Units		0	0	0	0	0	0	0	0	0	0	0	0
Vacancies	4.0%	(84,121)	(85,383)	(86,664)	(87,964)	(89,283)	(90,622)	(91,982)	(93,362)	(94,762)	(96,183)	(97,626)	(99,091)
Plus Other Income		5,394	5,475	5,557	5,641	5,725	5,811	5,898	5,987	6,077	6,168	6,260	6,354
EFFECTIVE GROSS INCOME		2,024,304	2,054,668	2,085,488	2,116,771	2,148,522	2,180,750	2,213,461	2,246,663	2,280,363	2,314,568	2,349,287	2,384,526
Less Operating Exp.		1,025,064	1,055,816	1,087,491	1,120,116	1,153,719	1,188,331	1,223,981	1,260,700	1,298,521	1,337,477	1,377,601	1,418,929
Less Capital Exp.													
Less Other--EQUIP		3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,0
REPLACEMENT RESERVE (ADDITIONS BE		84,390	85,656	86,941	88,245	89,569	90,912	92,276	93,660	95,065	96,491	97,939	99,
NOI BEFORE LEASE PAYMENT		911,849	910,195	908,056	905,410	902,234	898,507	894,204	889,303	883,777	877,601	870,748	863,190
REVISED LEASE PMT	1,159,056	210,050	210,540	209,897	209,448	208,789	208,034	207,142	206,119	204,955	203,646	202,186	200,568
npv @	9.00%												
NOI AFTER RVSD LEASE PMT		701,799	699,656	698,159	695,962	693,446	690,473	687,062	683,184	678,822	673,954	668,561	662,621
Less Primary Debt Service		0	0	0	0	0	0	0	0	0	0	0	0
CF AFTER DS & LEASE PMT		701,799	699,656	698,159	695,962	693,446	690,473	687,062	683,184	678,822	673,954	668,561	662,621
+: Sink Fund (& HV $ for 1995 cap exp)		0	0	0	0	0	0	0	0	0	0	0	0
NET CASH FLOW		701,799	699,656	698,159	695,962	693,446	690,473	687,062	683,184	678,822	673,954	668,561	662,621
[OPERATING DEFICITS]		0	0	0	0	0	0	0	0	0	0	0	0
PV@ YRS 1990-2042	5.00%												
[NPV CF AFTER DS AND LEASE]													
NPV@ YRS 1990-2042	9.00%												
PARTNERSHIP SUBSIDY		0	0	0	0	0	0	0	0	0	0	0	0
PV@	9.00%												
GENERAL PARTNER SUBSIDY		0	0	0	0	0	0	0	0	0	0	0	0
PV@	9.00%												
VHFA SUBSIDY		0	0	0	0	0	0	0	0	0	0	0	0
PV@	9.00%												
SMC SUBSIDY		0	0	0	0	0	0	0	0	0	0	0	0
PV@	9.00%												
TOTAL SUBSIDIES		0	0	0	0	0	0	0	0	0	0	0	0

WINCHESTER PLACE 10b TEN YEAR PLAN

1994 PROJECTIONS	YEAR	49	50	51	52	53
05-Apr-95		2038	2039	2040	2041	2042
09:20 AM						
Rent/Market Units		2,514,422	2,552,138	2,590,420	2,629,276	2,668,716
Rent/LIHTC Units		0	0	0	0	0
Vacancies	4.0%	(100,577)	(102,086)	(103,617)	(105,171)	(106,749)
Plus Other Income		6,449	6,546	6,644	6,744	6,845
EFFECTIVE GROSS INCOME		2,420,294	2,456,599	2,493,448	2,530,849	2,568,812
Less Operating Exp.		1,461,497	1,505,342	1,550,502	1,597,017	1,644,928
Less Capital Exp.						
Less Other--EQUIP		3,000	3,000	3,000	3,000	3,000
REPLACEMENT RESERVE (ADDITIONS BE		100,899	102,412	103,948	105,508	107,090
NOI BEFORE LEASE PAYMENT		854,899	845,845	835,997	825,325	813,794
REVISED LEASE PMT	1,159,056	198,786	196,834	194,703	192,388	189,881
npv @	9.00%					
NOI AFTER RVSD LEASE PMT		656,112	649,011	641,294	632,936	623,913
Less Primary Debt Service		0	0	0	0	0
CF AFTER DS & LEASE PMT		656,112	649,011	641,294	632,936	623,913
+: Sink Fund (& HV $ for 1995 cap exp)		0	0	0	0	0
NET CASH FLOW		656,112	649,011	641,294	632,936	623,913
[OPERATING DEFICITS]		0	0	0	0	0
PV@ YRS 1990-2042	5.00%					
[NPV CF AFTER DS AND LEASE]						
NPV@ YRS 1990-2042	9.00%					
PARTNERSHIP SUBSIDY		0	0	0	0	0
PV@	9.00%					
GENERAL PARTNER SUBSIDY		0	0	0	0	0
PV@	9.00%					
VHFA SUBSIDY		0	0	0	0	0
PV@	9.00%					
SMC SUBSIDY		0	0	0	0	0
PV@	9.00%					
TOTAL SUBSIDIES		0	0	0	0	0

WINCHESTER PLACE

						PROJECTED						
	YEAR	1	2	3	4	5	6	7	8	9	10	11	12
05-Apr-95		1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
SUBSIDY RECOVERY													
VHFA													
P DEFERRED							113,063	94,708	96,965	97,708	98,571	99,560	100,681
INTEREST @	0.00%	(SHOWN AS ANNUAL ON PRIOR YR BALANCE)					0	0	0	0	0	0	0
REPAYMENT							0	0	0	0	0	0	0
CUM (deferred)	YEAR 32 END	0					113,063	207,771	304,736	402,444	501,015	600,575	701,256
	MAX		1,636,026										
SMC													
LEASE SUBSIDY							26,069	21,837	22,357	22,528	22,727	22,955	23,214
INTEREST @	0.00%						0	0	0	0	0	0	0
REPAYMENT							0	0	0	0	0	0	0
CUM (deferred)	YEAR 32 END	0					26,069	47,905	70,262	92,791	115,518	138,474	16
	MAX		233,211										
PARTNERSHIP	(REPAYMENT OF SUBSIDIES PROVIDED AFTER YEAR 15)												
PARTNER LOAN							0	0	0	0	0	0	0
INTEREST @	0.00%						0	0	0	0	0	0	0
REPAYMENT							0	0	0	0	0	0	0
CUM (deferred)	YEAR 32 END	0					0	0	0	0	0	0	0
	MAX		0										
GENERAL PARTNER													
FEE DEFERRAL							9,960	9,960	9,960	9,960	9,960	9,960	9,960
INTEREST @	0.00%						0	0	0	0	0	0	0
REPAYMENT							0	0	0	0	0	0	0
CUM (deferred)	YEAR 32 END	0					9,960	19,920	29,880	39,840	49,800	59,760	69,720
	MAX		99,600										
		======											
TOTAL YEAR 32 END		0											
TOTAL ANNUAL REPAYMENT							0	0	0	0	0	0	
ANNUAL NET CASH FLOW MINUS REPAYMENT			TOTAL NOMINAL	16,597,487			0	0	0	0	0	0	
		PV @	9.00%	874,423									

WINCHESTER PLACE

		YEAR	13	14	15	16	17	18	19	20	21	22	23	24
05-Apr-95			2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
SUBSIDY RECOVERY														
VHFA														
P DEFERRED			101,942	103,350	104,913	181,955	120,935	51,310	46,918	42,724	38,738	34,970	31,434	28,141
INTEREST @	0.00%		0	0	0	0	0	0	0	0	0	0	0	0
REPAYMENT			0	0	0	0	0	0	0	0	0	0	0	0
CUM (deferred)		YEAR 32 END MAX	803,199	906,549	1,011,462	1,193,417	1,314,352	1,365,662	1,412,581	1,455,304	1,494,042	1,529,012	1,560,447	1,588,588
SMC														
LEASE SUBSIDY			23,505	23,829	24,190	0	0	0	0	0	0	0	0	0
INTEREST @	0.00%		0	0	0	0	0	0	0	0	0	0	0	0
REPAYMENT			0	0	0	0	0	0	0	0	0	0	0	
CUM (deferred)		YEAR 32 END MAX	185,192	209,022	233,211	233,211	233,211	233,211	233,211	233,211	233,211	233,211	233,211	233,211
PARTNERSHIP		(REPAYMENT O												
PARTNER LOAN			0	0	0	0	0	0	0	0	0	0	0	0
INTEREST @	0.00%		0	0	0	0	0	0	0	0	0	0	0	0
REPAYMENT			0	0	0	0	0	0	0	0	0	0	0	0
CUM (deferred)		YEAR 32 END MAX	0	0	0	0	0	0	0	0	0	0	0	0
GENERAL PARTNER														
FEE DEFERRAL			9,960	9,960	9,960	0	0	0	0	0	0	0	0	0
INTEREST @	0.00%		0	0	0	0	0	0	0	0	0	0	0	0
REPAYMENT			0	0	0	0	0	0	0	0	0	0	0	0
CUM (deferred)		YEAR 32 END MAX	79,680	89,640	99,600	99,600	99,600	99,600	99,600	99,600	99,600	99,600	99,600	99,600
TOTAL YEAR 32 END														
TOTAL ANNUAL REPAYMENT			0	0	0	0	0	0	0	0	0	0	0	
ANNUAL NET CASH FLOW MINUS REPAY			0	0	0	0	0	0	0	0	0	0	0	0

WINCHESTER PLACE

	YEAR	25	26	27	28	29	30	31	32	33	34	35	36
05-Apr-95		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
SUBSIDY RECOVERY													
VHFA													
P DEFERRED		25,104	22,335	0	0	0	0	0	0	0	0	0	0
INTEREST @	0.00%	0	0	0	0	0	0	0	0	0	0	0	0
REPAYMENT		0	0	(320,271)	(641,507)	(643,070)	(31,179)	0	0	0	0	0	0
CUM (deferred)	YEAR 32 END MAX	1,613,692	1,636,026	1,315,756	674,249	31,179	0	0	0	0	0	0	0
SMC													
LEASE SUBSIDY		0	0	0	0	0	0	0	0	0	0	0	0
INTEREST @	0.00%	0	0	0	0	0	0	0	0	0	0	0	0
REPAYMENT		0	0	(45,654)	(91,445)	(91,668)	(4,444)	0	0	0	0	0	
CUM (deferred)	YEAR 32 END MAX	233,211	233,211	187,557	96,112	4,444	0	0	0	0	0	0	
PARTNERSHIP	(REPAYMENT O												
PARTNER LOAN		0	0	0	0	0	0	0	0	0	0	0	0
INTEREST @	0.00%	0	0	0	0	0	0	0	0	0	0	0	0
REPAYMENT		0	0	0	0	0	0	0	0	0	0	0	0
CUM (deferred)	YEAR 32 END MAX	0	0	0	0	0	0	0	0	0	0	0	0
GENERAL PARTNER													
FEE DEFERRAL		0	0	0	0	0	0	0	0	0	0	0	0
INTEREST @	0.00%	0	0	0	0	0	0	0	0	0	0	0	0
REPAYMENT		0	0	(19,498)	(39,054)	(39,150)	(1,898)	0	0	0	0	0	0
CUM (deferred)	YEAR 32 END MAX	99,600	99,600	80,102	41,048	1,898	0	0	0	0	0	0	0
TOTAL YEAR 32 END													
TOTAL ANNUAL REPAYMENT		0	0	(385,422)	(772,006)	(773,887)	(37,521)	0	0	0	0	0	
ANNUAL NET CASH FLOW MINUS REPAY		0	0	0	0	0	737,921	776,657	777,515	777,999	680,693	709,570	700,165

WINCHESTER PLACE

	YEAR	37	38	39	40	41	42	43	44	45	46	47	48
05-Apr-95		2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
SUBSIDY RECOVERY													
VHFA													
P DEFERRED		0	0	0	0	0	0	0	0	0	0	0	0
INTEREST @	0.00%	0	0	0	0	0	0	0	0	0	0	0	0
REPAYMENT		0	0	0	0	0	0	0	0	0	0	0	0
CUM (deferred)	YEAR 32 END MAX	0	0	0	0	0	0	0	0	0	0	0	0
SMC													
LEASE SUBSIDY		0	0	0	0	0	0	0	0	0	0	0	0
INTEREST @	0.00%	0	0	0	0	0	0	0	0	0	0	0	^
REPAYMENT		0	0	0	0	0	0	0	0	0	0	0	
CUM (deferred)	YEAR 32 END MAX	0	0	0	0	0	0	0	0	0	0	0	∪
PARTNERSHIP	(REPAYMENT O												
PARTNER LOAN		0	0	0	0	0	0	0	0	0	0	0	0
INTEREST @	0.00%	0	0	0	0	0	0	0	0	0	0	0	0
REPAYMENT		0	0	0	0	0	0	0	0	0	0	0	0
CUM (deferred)	YEAR 32 END MAX	0	0	0	0	0	0	0	0	0	0	0	0
GENERAL PARTNER													
FEE DEFERRAL		0	0	0	0	0	0	0	0	0	0	0	0
INTEREST @	0.00%	0	0	0	0	0	0	0	0	0	0	0	0
REPAYMENT		0	0	0	0	0	0	0	0	0	0	0	0
CUM (deferred)	YEAR 32 END MAX	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL YEAR 32 END													
TOTAL ANNUAL REPAYMENT		0	0	0	0	0	0	0	0	0	0	0	∪
ANNUAL NET CASH FLOW MINUS REPAY		701,799	699,656	698,159	695,962	693,446	690,473	687,062	683,184	678,822	673,954	668,561	662,621

WINCHESTER PLACE

		YEAR	49	50	51	52	53
05-Apr-95			2038	2039	2040	2041	2042
SUBSIDY RECOVERY							
VHFA							
P DEFERRED			0	0	0	0	0
INTEREST @		0.00%	0	0	0	0	0
REPAYMENT			0	0	0	0	0
CUM (deferred)	YEAR 32 END		0	0	0	0	0
	MAX						
SMC							
LEASE SUBSIDY			0	0	0	0	0
INTEREST @		0.00%	0	0	0	0	0
REPAYMENT			0	0	0	0	0
CUM (deferred)	YEAR 32 END		0	0	0	0	0
	MAX						
PARTNERSHIP	(REPAYMENT O						
PARTNER LOAN			0	0	0	0	0
INTEREST @		0.00%	0	0	0	0	0
REPAYMENT			0	0	0	0	0
CUM (deferred)	YEAR 32 END		0	0	0	0	0
	MAX						
GENERAL PARTNER							
FEE DEFERRAL			0	0	0	0	0
INTEREST @		0.00%	0	0	0	0	0
REPAYMENT			0	0	0	0	0
CUM (deferred)	YEAR 32 END		0	0	0	0	0
	MAX						
TOTAL YEAR 32 END							
TOTAL ANNUAL REPAYMENT			0	0	0	0	0
ANNUAL NET CASH FLOW MINUS REPAY			656,112	649,011	641,294	632,936	623,913

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE

DATE: APRIL 19, 1995

RE: GENERAL FUND BUDGET ADJUSTMENT REQUESTS

As promised at the last Board meeting, following are areas of the budget that we feel need adjustment to balance through the end of the fiscal year.

VHMGB Adjustments. At the Vermont Home Mortgage Guarantee Board meeting held earlier this month, adjustments of $32,000 were approved. Since we recognize those expenses as income to VHFA, the net effect will be $0. However, expenses were increased by $12,000 in Appraiser/Consulting, $3,500 in both the Computer and Depreciation categories, $3,000 in Pension expense and $10,000 in Salaries. All of these adjustments will increase those budget categories in the VHFA budget.

Consulting Fees. Additional computer, building and housing consulting expenses are expected to exceed the original budget by $25,000 of which $12,000 is explained above for VHMGB.

Rent/Occupancy Expense. Expenses related to the occupancy of the new building were not originally budgeted. These expenses amount to $5,000 for property taxes, $20,000 for electic, $1,000 for water and sewer and $2,500 for custodian. In addition, we have not been successful in negotiating a buyout of our current lease and will end up with an additional $13,000 of rent payments on One Burlington Square. Moving expenses cost an additional $8,500. These additional expenses total $59,000.

Capital Budget.. It appears that the total costs for retrofit and rehab of the new building at Venuture Place will total $400,000 in addition to the purchase of the building for $675,000.

RECOMMENDED BOARD ACTION

Approval of the adjustments to the operating and capital budgets as referenced above.

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

TO: **VHFA Board of Commissioners**

FROM: **Roger A. Schoenbeck, Director of Finance**

DATE: **April 20, 1995**

RE: **Multi-Family Refunding Update**

We have continued to work with the underwriters and bond lawyers to come up with the best possible plan for VHFA in connection with the refunding of $24 million of Multi-Family bonds. The latest draft of the Official Statement is attached. There are basically three scenarios available to us. They are as follows:

1. Retain Existing financing. Currently we are earning $120,000 per year on HUD admin fees; there are no earnings from the bond financing. We need to do nothing to facilitate this plan. This would keep our options open for the future, but would not provide additional funds for housing and we could get locked into this scenario forever based on future law changes.

2. HUD Sharing Plan. Under this plan we would earn about $200,000 annually from the bond financing and collect $450,000 (guaranteed) annually from HUD that would need to be invested into very low income housing for a 10 year period. After the 10 years, the proceeds would be available for any purpose. We could charge interest rates on any loans made during the 10 year period. We would lose about $50,000 a year on admin fees we now collect. This was the plan we originally started with.

3. Full Savings Plan. This plan can be done without the approval of HUD. We would earn over $20 million over the term of the bonds. We are permitted to keep only $200,000 annually and $900,000 a year of "excess yield" would have to spent for housing purposes. We would also need to purchase into our General Fund a $300,000 mortgage. We would keep the $120,000 admin fees collected each year. The $900,000 a year excess yield would be available to help distressed properties and would provide funding for new housing initiatives. We are at some risk of a reduction in this stream of income if any of the projects prepay. In addition to the savings generated annually, we would need to provide additional funding to "burn the excess yield." The schedule attached provides the options to burn the yield.

RECOMMENDED ACTION

Proceed with the full savings plan and use the second mortgages purchased from the Vermont Housing and Conservation Board in the original amount of $2.5 million to help satisfy our "yield burn" requirements.

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

24,3

Vermont Housing Finance Agency
Multi-Family Housing Bonds

Alternative Yield Burning Strategies

	I Projected Mortgage Yield	II Allowable Mortgage Yield	III Difference
Mortgage Yeild with No Adjustments	12.7337642	7.589028	-5.1447362
Base Case: (1) $200,000 Annual Grant from savings (2/1996- 2/2011) (2) Remaining savings used to Make 0% non-amortizing loans, (2/1996 - 2/2011). (3) All 0% Mortgages will repay 2/2014. (4) Yield Adjusted for Cost of Issuance.	8.9232454	7.589028	-1.3342174
Option 1. Base Case Assumptions plus: Forgive $10.4 Million of 0% loans 2/2014.	7.5813413	7.589028	0.0076867
Option 2. Base Case Assumptions plus: Agency makes $3.4 Million of additional 0% loans upfront.	7.5862061	7.589028	0.0028219
Option 3. Base Case Assumptions plus: Agency makes $2.5 Million upfront in additional Grants.	7.5863890	7.589028	0.0026390
Option 4. Base Case Assumptions plus: Agency makes $290,000 additional grants annually, 8/1996 - 8/2011.	7.5811576	7.589028	0.0078704

Vermont Housing Finance Agency
Multi-Family Housing Bonds, 1995 Series A

Savings Analysis - Mortgage Payments

Date	Prior Mort. Pay	Refunding Mort. Pay	Gross Savings	Resolution Transfers to Agency	Total Available Funds
Aug 15, 1995	819,933.00	592,766.00	227,167.00		227,167.00
Feb 15, 1996	1,639,867.00	1,185,531.00	454,336.00	-	454,336.00
Aug 15, 1996	1,639,867.00	1,185,531.00	454,336.00	459,701.00	914,037.00
Feb 15, 1997	1,639,867.00	1,185,531.00	454,336.00	-	454,336.00
Aug 15, 1997	1,639,867.00	1,185,531.00	454,336.00	292,150.00	746,486.00
Feb 15, 1998	1,639,867.00	1,185,531.00	454,336.00	-	454,336.00
Aug 15, 1998	1,639,867.00	1,185,531.00	454,336.00	294,474.00	748,810.00
Feb 15, 1999	1,639,867.00	1,185,531.00	454,336.00	-	454,336.00
Aug 15, 1999	1,639,867.00	1,185,531.00	454,336.00	290,129.00	744,465.00
Feb 15, 2000	1,639,867.00	1,185,531.00	454,336.00	-	454,336.00
Aug 15, 2000	1,639,867.00	1,185,531.00	454,336.00	284,796.00	739,132.00
Feb 15, 2001	1,639,867.00	1,185,531.00	454,336.00	-	454,336.00
Aug 15, 2001	1,639,867.00	1,185,531.00	454,336.00	278,641.00	732,977.00
Feb 15, 2002	1,639,867.00	1,185,531.00	454,336.00	-	454,336.00
Aug 15, 2002	1,639,867.00	1,185,531.00	454,336.00	281,841.00	736,177.00
Feb 15, 2003	1,639,867.00	1,185,531.00	454,336.00	-	454,336.00
Aug 15, 2003	1,639,867.00	1,185,531.00	454,336.00	284,207.00	738,543.00
Feb 15, 2004	1,639,867.00	1,185,531.00	454,336.00	-	454,336.00
Aug 15, 2004	1,639,867.00	1,185,531.00	454,336.00	271,106.00	725,442.00
Feb 15, 2005	1,639,867.00	1,185,531.00	454,336.00	-	454,336.00
Aug 15, 2005	1,639,867.00	1,185,531.00	454,336.00	273,889.00	728,225.00
Feb 15, 2006	1,639,867.00	1,185,531.00	454,336.00	-	454,336.00
Aug 15, 2006	1,639,867.00	1,185,531.00	454,336.00	284,612.00	738,948.00
Feb 15, 2007	1,639,867.00	1,185,531.00	454,336.00	-	454,336.00
Aug 15, 2007	1,639,867.00	1,185,531.00	454,336.00	158,949.00	613,285.00
Feb 15, 2008	1,639,867.00	1,185,531.00	454,336.00	-	454,336.00
Aug 15, 2008	1,639,867.00	1,185,531.00	454,336.00	102,124.00	556,460.00
Feb 15, 2009	1,639,867.00	1,185,531.00	454,336.00	-	454,336.00
Aug 15, 2009	1,639,867.00	1,185,531.00	454,336.00	77,444.00	531,780.00
Feb 15, 2010	1,639,867.00	1,185,531.00	454,336.00	-	454,336.00
Aug 15, 2010	1,639,867.00	1,185,531.00	454,336.00	50,736.00	505,072.00
Feb 15, 2011	1,550,379.00	1,122,935.00	427,444.00	13,608.00	441,052.00
Aug 15, 2011	1,009,171.00	744,827.00	264,344.00	8,436.00	272,780.00
Feb 15, 2012	772,778.00	579,681.00	193,097.00	-	193,097.00
Aug 15, 2012	572,774.00	441,536.00	131,238.00	-	131,238.00
Feb 15, 2013	381,730.00	308,770.00	72,960.00	-	72,960.00
Aug 15, 2013	73,681.00	55,351.00	18,330.00	-	18,330.00
Feb 15, 2014	34,305.00	22,749.00	11,556.00	-	11,556.00
Aug 15, 2014	-		-		-
Feb 15, 2015	-		-	-	-
	53,590,828.00	38,841,779.00	14,976,216.00	3,706,843.00	18,455,892.00

PaineWebber

Exhibit A
VHFA Loan Participation Purchase
Loan Balances as of June 15, 1994

Project Name	VHCB Project #	Principal Balance	Accrued Interest	Total	VHFA's 83.42% Ownership
New Heineburg Senior Housing Partnership (8% deferred till 2020)	88-026	625,000	263,386	888,386	741,092
Highgate Housing Limited Partership (3% deferred till 2012)	89-055	950,000	92,362	1,042,362	869,398
Pine Meadow Housing Limited Partnership	89-083				
Loan #1 (4% deferred till 2001)		222,780	35,385	258,165	215,361
Loan #2 (4% deferred till 2016)		47,855	5,980	53,835	44,909
Riverside Housing Partnership (Salmon Run) (8.5% deferred 2005)	88-020	250,000	97,334	347,334	289,746
Whitney Hill Homestead Limited Partnership (4% deferred 2001)	90-041	370,000	36,969	406,969	339,494
Total		$2,465,635	$531,416	$2,997,051	$2,500,000

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED APRIL __, 1995

NEW ISSUE

In the opinion of Bond Counsel, assuming compliance with certain covenants and agreements which are intended to ensure compliance with Section 103 of the Internal Revenue Code of 1986, as amended, under existing laws, regulations, rulings and judicial decisions, interest on the 1995 Series A Bonds is excludable from gross income for federal income tax purposes. Interest on the 1995 Series A Bonds is not a specific tax preference item for purposes of calculating the alternative minimum tax imposed on individuals and corporations. Bond Counsel expresses no opinion concerning the exclusion of interest on the 1995 Series A Bonds for any periods for which a 1995 Series A Bond is held by a "substantial user" of the facilities provided by the 1995 Series A Bonds, or held by a "related person" to a "substantial user." For information regarding certain requirements for and exceptions to such exclusion, see "TAX EXEMPTION." The Vermont Housing Finance Agency Act provides that the 1995 Series A Bonds and the interest thereon are exempt from all Vermont taxation, franchise fees or special assessments except for transfer, inheritance and estate taxes.

$24,960,000*
Vermont Housing Finance Agency
Multi-Family Housing Bonds, 1995 Series A

Dated: April 1, 1995 **Due: February 15, As shown below**

The 1995 Series A Bonds are issuable only as fully registered bonds, without coupons, and, when issued, are expected to be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company ("DTC"), New York, New York. Individual purchases will be made in book-entry form only, in the principal amount of $5,000 and integral multiples thereof. Purchasers will not receive certificates representing their interest in the 1995 Series A Bonds purchased. Principal and interest on the 1995 Series A Bonds is payable by Shawmut Bank Connecticut, National Association, Hartford, Connecticut, as Trustee, to DTC, which will be responsible for remitting such principal and interest to its Participants, who will be responsible for remitting such principal and interest to the Beneficial Owners of the 1995 Series A Bonds, as described under the caption "THE 1995 SERIES A BONDS -- Book-Entry Bonds" herein.

The 1995 Series A Bonds will bear interest from April 1, 1995, payable on February 15 and August 15 of each year commencing August 15, 1995 until maturity or earlier redemption of such 1995 Series A Bonds. The 1995 Series A Bonds will bear interest at the respective rates, and will mature on the dates and in the principal amounts shown below.

The 1995 Series A Bonds are subject to redemption prior to maturity under the circumstances set forth herein under "THE 1995 SERIES A BONDS -- Sinking Fund Redemption," "-- Optional Redemption" and "-- Special Redemption."

The 1995 Series A Bonds are being issued by the Agency to provide a portion of the funds necessary to refund bonds previously issued by it to fund Mortgage Loans (as herein defined) to finance multi-family residential housing located in the State of Vermont (the "State"), which include units occupied by persons of low and moderate income who are eligible for assistance under Section 8 of the United States Housing Act of 1937, all as described herein.

For a description of certain risks with regard to the security for the 1995 Series A Bonds, see "CERTAIN INFORMATION REGARDING HOUSING ASSISTANCE PAYMENT CONTRACTS" herein.

The 1995 Series A Bonds will be general obligations of the Agency payable out of any of the Agency's revenues, money or assets, subject to agreements heretofore or hereafter made with holders of obligations of the Agency other than the Bonds (as herein defined) pledging particular revenues, money or assets for the payment thereof. The Agency has no taxing power. Neither the faith and credit nor the taxing power of the State of Vermont or of any political subdivision thereof is pledged for the payment of the 1995 Series A Bonds.

$13,370,000* Serial Bonds

Due February 15	Principal Amount*	Interest Rate	Price or Yield	Due February 15	Principal Amount*	Interest Rate	Price or Yield
1996	$795,000	%	%	2002	$1,120,000	%	%
1997	860,000			2003	1,180,000		
1998	900,000			2004	1,260,000		
1999	950,000			2005	1,330,000		
2000	1,005,000			2006	1,405,000		
2001	1,065,000			2007	1,500,000		

$11,590,000* ____% Term Bond due February 15, 2014, @ ____%
(Accrued interest from April 1, 1995 to be added)

The 1995 Series A Bonds are offered when, as and if issued and received by the Underwriters, subject to the approval of legality by Kutak Rock, Atlanta, Georgia, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Agency by Glenn A. Jarrett, Esq., General Counsel of the Agency, and for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe, New York, New York. It is expected that the 1995 Series A Bonds in book-entry form will be available through the facilities of DTC in New York, New York on or about May __, 1995.

PaineWebber Incorporated

Lehman Brothers

Smith Barney Inc.

Bear, Stearns & Co. Inc.

Goldman, Sachs & Co.

April __, 1995

* Preliminary, subject to change.

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement, in connection with the offering of the 1995 Series A Bonds described herein, and if given or made, such information or representations must not be relied upon as having been authorized by the Agency or the Underwriters. This Official Statement does not constitute an offer to sell the 1995 Series A Bonds or a solicitation of an offer to buy nor shall there be any sale of the 1995 Series A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been furnished by the Agency and from other sources that are believed to be reliable but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation of the Underwriters. The information and expressions of opinion herein are subject to change without notice and under no circumstances shall the delivery of the Official Statement or any sale made hereunder create any implication that there has been no change in the affairs of the Agency since the date hereof.

IN MAKING ANY INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE AGENCY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

IN CONNECTION WITH THE OFFERING OF THE 1995 SERIES A BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT LEVELS ABOVE THOSE THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

TABLE OF CONTENTS

	Page
INTRODUCTORY STATEMENT	1
THE AGENCY	4
Purpose and Powers	4
Management	4
Operations to Date	7
Multi-Family Mortgage Bond Program	8
Outstanding Indebtedness	8
PLAN OF FINANCING	9
Refunding the Refunded Bonds	9
Debt Service Savings	9
THE PROGRAM	9
General	10
Financed Mortgage Loans	10
SECURITY FOR THE BONDS	12
Revenues	12
Loans and Mortgage Loans	13
Capital Reserve Fund	14
Loan Reserve Fund	15
CERTAIN INFORMATION REGARDING HOUSING ASSISTANCE PAYMENT CONTRACTS	15
Adjustments in Contract Rents	15
Limitations on Increases in Housing Assistance Payments	16
Recent Developments	16
THE 1995 SERIES A BONDS	17
Description	17
Book-Entry System	18
Sinking Fund Redemption	20
Optional Redemption	21
Special Redemption	21
Notice of Redemption of Bonds	21
Additional Bonds	22
Conditions Precedent to the Delivery of Bonds	22
ESTIMATED SOURCES AND USES OF FUNDS	23
SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION	23
Certain Definitions	24
General Resolution To Constitute Contract	28
Notes	28
Pledge of the General Resolution	28
Establishment of Funds and Accounts	29
Application of Bond Proceeds	29
Program Covenants; Use of Loan Accounts	30
Application of Revenues and Other Money	30
Application of Funds	32
Investment of Funds and Accounts	33
Events of Default	34
Remedies	34
Application of Revenues and Other Money After Default	35
Supplemental Resolutions	36
Removal of Trustee	37
Defeasance	37
TAX EXEMPTION	37
Vermont Taxes	39
PLEDGE AND AGREEMENT OF THE STATE	39
NO LITIGATION	39
FINANCIAL STATEMENTS OF THE AGENCY	39
APPROVAL OF LEGALITY	40
RATINGS	40
UNDERWRITING	40
MISCELLANEOUS	41
APPENDIX I - Audited Financial Statements for year ending June 30, 1994	
APPENDIX IA - Unaudited Financial Statements for six months ending December 31, 1994	
APPENDIX II - Description of the Projects	
APPENDIX III - Summary of Section 8 Program	
APPENDIX IV - Multi-Family Processing and Evaluation	
APPENDIX V - Proposed Form of Opinion of Bond Counsel	

OFFICIAL STATEMENT

relating to

$24,960,000*

Vermont Housing Finance Agency
Multi-Family Housing Bonds, 1995 Series A

This Official Statement of the Vermont Housing Finance Agency (the "Agency") is provided for the purpose of setting forth information concerning the Agency; its Multi-Family Housing Bonds issued under the Agency's Multi-Family Housing Bond Resolution adopted on September 25, 1981 (the "Original Resolution"); the Original Resolution, as amended and restated as of May __, 1995 (the "General Resolution"); and its Multi-Family Housing Bonds, 1995 Series A to be issued in the aggregate principal amount of $24,960,000* (the "1995 Series A Bonds") under its Fourth Supplemental Multi-Family Housing Bond Resolution adopted on April ____, 1995 (the "Fourth Supplemental Resolution"). The Fourth Supplemental Resolution is adopted under and supplemental to the Original Resolution until the General Resolution becomes effective. Upon the effective date of the General Resolution, the Fourth Supplemental Resolution will be supplemental to the General Resolution. Upon the date of issuance and delivery of the 1995 Series A Bonds and the simultaneous defeasance of the Refunded Bonds (as hereinafter defined), the Original Resolution will be amended and restated as set forth in the General Resolution and the terms and provisions of the General Resolution will become effective. See "PLAN OF FINANCING" and "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION" herein. The 1995 Series A Bonds and all other bonds issued under the General Resolution are herein collectively referred to as the "Bonds." The General Resolution and the Fourth Supplemental Resolution are sometimes herein collectively referred to as the "Resolutions." Certain terms not defined elsewhere in this Official Statement are defined in "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION."

INTRODUCTORY STATEMENT

The 1995 Series A Bonds will be the first series secured under the provisions of the General Resolution and will be issued in accordance with the provisions of the Resolutions and the Vermont Housing Finance Agency Act, being No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended (the "Act"). The Agency has previously issued, under the terms and provisions of the Original Resolution, $15,460,000 original principal amount of Multi-Family Housing Bonds, 1981 Series A (the "1981 Series A Bonds"), $8,250,000 original principal amount of Multi-Family Housing Bonds, 1982 Series A (the "1982 Series A Bonds") and $7,590,000 original principal amount of Multi-Family Housing Bonds, 1983 Series A (the "1983 Series A Bonds"; the 1981 Series A Bonds, the 1982 Series A Bonds and the 1983 Series A Bonds are herein collectively referred to as the "Prior Bonds"). As of the date hereof, $24,960,000 aggregate principal amount of the Prior Bonds remain outstanding (the "Refunded Bonds"). Additional series of Bonds may be issued by the Agency on a parity with or subordinate to the 1995 Series A Bonds. Each additional series must be authorized by a supplemental resolution adopted in accordance with and under the provisions of the General Resolution and the Act.

---

* Preliminary, subject to change.

The Agency expects to apply the proceeds of the 1995 Series A Bonds, together with other available funds of the Agency, to refund the Refunded Bonds on a current basis. Upon the date of issuance and delivery of the 1995 Series A Bonds (i) the Refunded Bonds will be defeased and thus deemed to have been paid pursuant to the terms of the Original Resolution, (ii) the pledge, security and all other rights granted under the Original Resolution in respect of the Prior Bonds will be discharged and satisfied and (iii) the terms and provisions of the General Resolution will become effective. The initial holders of the 1995 Series A Bonds, by virtue of having purchased such Bonds, will be deemed to have consented to the amendment of the Original Resolution, as set forth in the General Resolution, as of the date of issuance and delivery of the 1995 Series A Bonds.

The Act provides that the Agency constitutes a public instrumentality of the State of Vermont (the "State") exercising public and essential governmental functions, and the exercise by the Agency of the powers conferred by the Act is deemed to be an essential governmental function of the State. The Act authorizes the Agency to issue bonds and notes in such principal amounts as the Agency may determine. The Act presently provides that the total principal amount of bonds and notes of the Agency, including the 1995 Series A Bonds, outstanding at any one time may not exceed $900,000,000. The Act permits the Agency to engage in an additional limited obligation program not subject to the debt limitation. As of March 31, 1995, the Agency had $519,363,055 principal amount of debt outstanding, all of which is subject to the debt limitation. For information regarding the Agency's outstanding indebtedness, see "THE AGENCY - Outstanding Indebtedness" and Appendix I hereto.

The General Resolution authorizes Bonds to be issued to provide funds to make mortgage loans ("Mortgage Loans") to housing sponsors eligible under the Act for the purpose of financing residential housing developments containing dwelling units intended for occupancy on a rental or cooperative basis by persons and families of low and moderate income and to refund Bonds or any other indebtedness of the Agency issued for such purpose. The Act requires that such housing sponsors be organized on a nonprofit or limited profit basis. Certain information with respect to the developments that have been financed with proceeds of the Prior Bonds are described in Appendix II. The General Resolution also authorizes Bonds to be issued to provide funds to make loans to mortgage lenders ("Loans") for the purpose of financing housing developments containing dwelling units intended for occupancy on a rental or cooperative basis by persons and families of low and moderate income. The multi-family housing program financed and to be financed with the proceeds of the Bonds is herein called the "Program."

Pursuant to the provisions of the Act and the Resolutions, the Agency has authorized the issuance of the 1995 Series A Bonds to provide a portion of the funds necessary to refund the aggregate principal amount of Refunded Bonds on a current basis. The proceeds of the 1995 Series A Bonds together with other available funds of the Agency will be an amount sufficient to pay the principal of, the respective redemption premiums on, and accrued interest on the Refunded Bonds to the date of redemption thereof. Upon the date of issuance and delivery of the 1995 Series A Bonds, the Refunded Bonds will be defeased and thus deemed to have been paid under the terms of the Original Resolution and will no longer be outstanding thereunder. See "PLAN OF FINANCING" and "ESTIMATED SOURCES AND USES OF FUNDS."

The Prior Bonds were issued to provide funds to finance the cost of housing developments containing five or more dwelling units intended for occupancy on a rental or cooperative basis by persons and families of low and moderate income. All such developments have been completed and receive subsidy payments on behalf of eligible tenants pursuant to Section 8 ("Section 8") of the United States Housing Act of 1937, as amended (the "Housing Act") as more fully described herein. The Section 8

subsidy payments are funded by the United States Department of Housing and Urban Development ("HUD") through its obligations under certain Annual Contributions Contracts and certain Housing Assistance Payments Contracts relating to the 33 Section 8 developments that were financed with proceeds of the Prior Bonds and are being included in the refunding described herein (such developments are sometimes herein referred to as the "Projects"). The terms of the Housing Assistance Payments Contracts relating to the Projects are 20 years and are subject to renewal under the circumstances described under "THE PROGRAM—Mortgage Loan Securing the Bonds—Financed Mortgage Loans." The full faith and credit of the United States is pledged to the payment of annual contributions pursuant to the Annual Contributions Contracts. The 1995 Series A Bonds are not to be construed as a debt or indebtedness of HUD or the United States and payment of the 1995 Series A Bonds is not guaranteed by the United States.

For a discussion of certain information and risks with respect to Housing Assistance Payments Contracts and payments thereunder, see "CERTAIN INFORMATION REGARDING HOUSING ASSISTANCE PAYMENT CONTRACTS."

The Agency is issuing the 1995 Series A Bonds to provide moneys to refund the Refunded Bonds on a current basis. The Agency expects to use the amount of debt service saved through the refunding of the Refunded Bonds by the 1995 Series A Bonds, which is to be realized over the remaining term of the applicable subsidy contracts under the Section 8 Program, to provide loans to developers to assist in providing decent, safe and sanitary housing affordable to families and persons of low to moderate income in the State. The Agency may use all or a portion of the debt service saved through the refunding of the Refunded Bonds to assist owners of the Projects in making their payments due under their Mortgage Loans. *Although such savings may be pledged to Bondholders to pay debt service on the 1995 Series A Bonds, the Agency is permitted to use such savings for any of its legally permissible purposes so long as the Agency complies with federal tax laws. Therefore, there can be no assurance that at any time any of such savings will, in fact, be available to pay debt service on the 1995 Series A Bonds.* See "PLAN OF FINANCING -- Debt Service Savings."

The Vermont Housing Authorities Act, 24 V.S.A. §4005(d) (the "Housing Authorities Act") provides that the Vermont State Housing Authority (the "State Housing Authority") is responsible for receiving allocations, subject to Agency approval, and administering federal housing assistance payments under Section 8.

All Bonds issued under the General Resolution, including the 1995 Series A Bonds, are secured, to the extent and as provided in such Resolution, by (a) the rights and interests of the Agency in the Mortgage Loans, Loans, Loan Agreements, Collateral Assignment Agreements and Loan Collateral; (b) all Revenues, Prepayments, Recovery Payments and Acquired Development Operating Income; (c) all money and securities in all Funds and Accounts (except the Rebate Fund) pledged under the General Resolution, including the Loan Reserve Fund and the Capital Reserve Fund (except Assigned Rents, Escrow Payments and the Housing Development Escrow Payment Account in the General Fund); and (d) any and all other property of every kind and nature from time to time hereafter, by delivery or by writing of any kind, conveyed, pledged, assigned or transferred as and for additional security thereunder. In addition, the Bonds are general obligations of the Agency payable from any of the Agency's revenues, money or assets, subject to agreements heretofore or hereafter made with holders of obligations of the Agency, other than the Bonds, pledging particular revenues, money or assets for the payment thereof. Pursuant to the Act, the principal or redemption price, if any, of and interest on the Bonds are payable solely from the revenues or assets of the Agency, which has no taxing power. The State is not obligated

to pay the principal thereof or interest thereon, and neither the faith and credit nor the taxing power of the State or of any political subdivision thereof is pledged to the payment of the principal or redemption price, if any, of or the interest on the Bonds. There is no statutory provision for the maintenance of the Capital Reserve Fund or any other funds or accounts pledged under the Resolutions.

THE AGENCY

Purpose and Powers

The Agency was created as a body politic and corporate of the State. Under the Act, the purpose of the Agency is to promote the expansion of the supply of funds available for mortgages on residential housing and to encourage an adequate supply of safe and decent housing at reasonable costs.

Under the Act, the Agency has the power, among other things, to make loans to housing sponsors and mortgage lenders and to purchase mortgage loans from mortgage lenders to finance the making of new residential mortgage loans and rehabilitation mortgage loans for the benefit of persons and families of low and moderate income, to include in any borrowing amounts to pay Agency expenses necessary or incident to such borrowing, to issue bonds and notes, and to do any and all things necessary or convenient to carry out its purposes and exercise the powers granted in the Act.

Management

The powers of the Agency are vested in seven commissioners, consisting of the State Commissioner of Banking, Insurance and Securities, the State Treasurer, the Secretary of Development and Community Affairs, or their designees, and four members appointed by the Governor with the advice and consent of the State Senate. The appointed commissioners serve for terms of four years or until a successor is appointed and qualified.

The present commissioners are:

Richard C. White - Chairman, term expired January 31, 1995[1]. Mr. White is President and Chief Executive Officer of Community National Bank and Community Bancorp, Derby, Vermont. He is a former Chairman of the Vermont Bankers Association and was engaged in the private practice of law before entering banking. He served as law clerk to the Hon. Albert W. Coffrin of the United States District Court for the District of Vermont. Mr. White is a graduate of the University of North Carolina and the Cornell Law School.

James H. Douglas - State Treasurer, ex officio member. Mr. Douglas was elected State Treasurer in November, 1994. Previously, he served as Secretary of State from 1981-1992. He also served in the Vermont House of Representatives from 1973-1979, was Executive Assistant to the Governor from 1979-1980 and has served on the boards of several civic and charitable organizations. Mr. Douglas is a graduate of Middlebury College.

(1) Members whose terms have expired serve until reappointed or a successor has been appointed and qualified.

Dagyne T. Canney - Term expires January 31, 1998. Ms. Canney is a real estate broker and a member of the National and Vermont Association of Realtors. She was formerly a member and Vice Chairperson of the Vermont Real Estate Commission. Ms. Canney is a graduate of the University of Vermont.

Gustave A. Seelig - Term expires January 31, 1997. Since 1987, Mr. Seelig has been Executive Director of the Vermont Housing and Conservation Board. From 1982-1987 he was Executive Director of the Central Vermont Community Action Council. Mr. Seelig has served on the Energy Committee of the National Community Action Foundation since 1983 and the Central Vermont Regional Planning Commission since 1982. He was also appointed to the Governor's Task Force on Housing for 1985 and 1986.

Elizabeth R. Costle - Commissioner of Banking, Insurance and Securities, ex officio member. Ms. Costle has been Deputy Commissioner and General Counsel of the Department of Banking, Insurance and Securities, and assistant general counsel for the Federal National Mortgage Association (Fannie Mae). Ms. Costle holds degrees from Georgetown University Law Center, the University of California at Berkeley and Radcliffe College. She is Chair of the Vermont Home Mortgage Guarantee Board and is a member of the Vermont Teachers Retirement System Board of Trustees.

Lisa Mitiguy Randall - Term expires January 31, 1996. Ms. Randall is Senior Vice President, Retail Services, New England IBM Employees Federal Credit Union. She formerly was a Vice President of BancBoston Mortgage Corporation and the Bank of Vermont and held a variety of positions at The Howard Bank, N.A., all in Burlington, Vermont. She has served on a number of boards of charitable organizations. She is a graduate of the University of Vermont.

William C. Shouldice, IV - Secretary of Development and Community Affairs, ex officio member. Mr. Shouldice was Deputy Secretary of Development and Community Affairs from 1991-1993. Prior to that, he was Executive Director of the Rutland Industrial Development Authority for five years. Mr. Shouldice graduated from Merrimack College and completed the John F. Kennedy School of Government for Senior Executives in State and Local Government at Harvard University.

The following are the principal staff members of the Agency:

Allan S. Hunt is Executive Director of the Agency. He has been Executive Director since 1986 and served as Chairman of the Agency from 1985 to 1986. Mr. Hunt was formerly Deputy Director and Director of Financing for the California Housing Finance Agency (1982-1984), Executive Director of the Vermont Housing Finance Agency (1976-1982), Director of Development of the New England Nonprofit Housing Development Corporation and a Housing Specialist for the Department of Housing and Urban Development. Mr. Hunt is a graduate of the University of Vermont.

Jeffrey D. Francis is Deputy Director of the Agency. He was formerly Secretary of Development and Community Affairs for the State of Vermont, Deputy Secretary of Development and Community Affairs, and a municipal manager for the Town of Rockingham, Vermont. He received a Master of Public Administration degree from Northeastern University.

Roger A. Schoenbeck is Director of Finance for the Agency. Mr. Schoenbeck is a certified public accountant and a member of the American Institute of CPAs and the Vermont and New York State Societies of CPAs. Prior to joining the Agency in 1982, he was an officer of the public accounting firm of Bach & Schoenbeck, P.C., located in Norwich, New York. He received his Bachelor of Science in business administration from the State University of New York at Buffalo in 1971.

Samuel J. Falzone is Director of Multi-Family Management for the Agency. Mr. Falzone has been with the Agency for fifteen years, supervising the management of multi-family properties. He is a Certified Housing Manager. Prior to joining the Agency, Mr. Falzone worked as a District Property Manager in New England for the National Corporation for Housing Partnerships. He attended the University of Massachusetts and completed the John F. Kennedy School of Government Program for Senior Executives of State Housing Agencies.

Glenn A. Jarrett is General Counsel of the Agency. Prior to joining the Agency, he was an Assistant Attorney General for the State of Vermont from 1978-1987. Mr. Jarrett has also served as Deputy Defender General for the State of Vermont and as law clerk to Hon. Albert W. Coffrin of the United States District Court for the District of Vermont. Mr. Jarrett graduated from Middlebury College and the Georgetown University Law Center.

Irene D. Jenkins is the Agency's Director of Development. Previously, she worked as a housing development coordinator at the Rhode Island Housing and Mortgage Finance Corporation. She holds a Master of Science degree in Real Estate Development from the Massachusetts Institute of Technology and is a member of the American Institute of Certified Planners.

Currently the Agency has 48 employees who are responsible for the operation and management of the Agency's single family and multi-family programs. Of these employees, 13 are charged with responsibility for the multi-family program. Included on the staff of the Agency are professionals with experience in mortgage underwriting and portfolio and investment management.

Operations to Date

As of December 31, 1994, the Agency had financed or assisted in the development of over 18,927 housing units in the State through its various programs. Of these, approximately 3,526 units have been financed with the proceeds of bonds issued to provide funds to make multi-family mortgage loans, 14,219 units have been financed with the proceeds of bonds issued to provide funds to purchase single family mortgage loans under four general bond resolutions, and 1,182 units have been financed with the proceeds of bonds issued to provide funds to make loans to mortgage lenders under two general bond resolutions.

Pursuant to the Act and its agreements with bondholders, a substantial portion of the Agency's assets are pledged to secure specific obligations or are otherwise restricted. The Agency maintains separate restricted funds for each of its programs financed by the issuance of bonds under a particular general bond resolution. Such funds and programs have separate sets of self-balancing accounts set up in accordance with the Act and the various general bond resolutions. Assets and revenues of such funds and programs are restricted by various resolutions and agreements and are not available in any manner

other than as provided in the various general bond resolutions adopted by the Agency for its programs. Money in excess of restricted fund requirements is transferred periodically from these restricted funds to the General Fund. All of the Agency's outstanding bonds, other than its Single Family Housing Bonds, are general obligations of the Agency, secured by and payable from any of the Agency's revenues, money or assets, including the General Fund, subject to agreements heretofore or hereafter made with holders of notes and bonds, pledging particular revenues, money or assets for the payment thereof.

The Agency has not pledged any money in the General Fund to the payment of any particular bonds of the Agency. The General Fund balance is affected by operations of the Agency as well as transfers from or to any of the Agency's restricted funds under its general bond resolutions. At December 31, 1994, the Agency had a General Fund balance of $6,957,086. Since December 31, 1994, there has been no material change in the balance of the General Fund. For more information concerning the General Fund balance and the balances of the Agency's restricted funds see Appendix I and Appendix IA.

Multi-Family Mortgage Bond Program

The Agency has multi-family mortgage bonds outstanding under a prior general bond resolution of the Agency entitled "Multi-Family Mortgage Bond Resolution". The revenues, money and assets pledged to those multi-family bonds secure only such bonds. The revenues, money and assets pledged under the General Resolution will secure only the Bonds.

Of the 53 developments consisting of approximately 1,000 units financed with the proceeds of bonds issued under the Multi-Family Mortgage Bond Resolution, all have been occupied for more than one year. The Agency receives financial reports on each development at least quarterly. As of December 31, 1994, the percentage of units occupied in these developments ranged from 99% to 100%. All of the developments permanently financed with proceeds of such multi-family bonds are current in their mortgage payments.

Outstanding Indebtedness

Since September 1974, the Agency has issued $1,045,840,543 aggregate principal amount of bonds, of which $519,363,055 was outstanding as of March 31, 1995, to finance its various programs. The proceeds of the bonds have been or will be used to make mortgage loans to sponsors of multi-family residential housing units for persons and families of low and moderate income in the State, to purchase mortgage loans on single family residential housing units for persons and families of low and moderate income in the State, to make loans to mortgage lenders to finance such single family housing and to make loans to finance certain other multi-family housing developments. The bonds are secured pursuant to the terms of the resolutions under which they were issued.

For additional information with respect to outstanding indebtedness of the Agency, see the Agency's audited financial statements for the year ending June 30, 1994 included as Appendix I and the Agency's unaudited financial statements for the six months ending December 31, 1994 included as Appendix IA.

PLAN OF FINANCING

Refunding the Refunded Bonds

The 1995 Series A Bonds are being issued to provide a portion of the funds necessary to refund the Refunded Bonds on a current basis. The proceeds of the 1995 Series A Bonds along with other available funds of the Agency will be held by the Trustee and will be an amount sufficient to pay the principal of, the respective redemption premiums on, and accrued interest on the Refunded Bonds to the date of redemption thereof. The refunding and defeasance of the Refunded Bonds will occur on the date of issuance and delivery of the 1995 Series A Bonds. Upon and after such date of issuance and delivery and the deposit with the Trustee of the amounts mentioned herein to provide for the payment in full of the Refunded Bonds, the Refunded Bonds will be deemed to have been paid, will no longer constitute outstanding indebtedness under the Original Resolution and will cease to be entitled to any lien, benefit or security thereunder. See "ESTIMATED SOURCES AND USES OF FUNDS."

Upon the date of issuance and delivery of the 1995 Series A Bonds and the defeasance of the Refunded Bonds, the terms and provisions of the Original Resolution will cease to be in effect and the terms and provisions and the pledge and security and all other rights granted under the General Resolution will become effective.

Debt Service Savings

The interest rates and principal amortization schedules established with respect to the Financed Mortgage Loans were determined based in part upon the interest rates and principal amortization schedules with respect to the Prior Bonds. The Agency expects that the proposed refunding of the Refunded Bonds, as described herein, will result in an effective reduction in debt service allocable to the Financed Mortgage Loans. However, the interest rates and principal amortization schedules with respect to the Financed Mortgage Loans (which upon issuance of the 1995 Series A Bonds will secure such 1995 Series A Bonds) will *not* be adjusted to reflect the expected debt service reduction on the 1995 Series A Bonds, and, accordingly, neither the Housing Assistance Payment Contracts with respect to the Projects (the "HAPCs") nor the Annual Contributions Contracts with respect to the Projects (the "ACCs") will be modified as a result of the refunding. See "THE PROGRAM."

The Agency expects to use the debt service savings received by it to provide loans to developers to assist in providing decent, safe and sanitary housing affordable to families and persons of low to moderate income in the State. The Agency may use all or a portion of the debt service saved through the refunding of the Refunded Bonds to assist owners of the Projects in making their payments due under their Mortgage Loans. *Although such savings may be pledged to Bondholders to pay debt service on the 1995 Series A Bonds, the Agency is permitted to use such savings for any of its legally permissible purposes so long as the Agency complies with federal tax laws. Therefore, there can be no assurance that at any time any of such savings will, in fact, be available to pay debt service on the 1995 Series A Bonds.*

THE PROGRAM

The following discussion provides certain information with respect to the Program and the Financed Mortgage Loans. Such information is not comprehensive or definitive.

General

Under the Program, the Agency may make Mortgage Loans which may be secured by a lien on real property or a leasehold estate for the construction or rehabilitation and permanent financing of multi-family residential housing intended for occupancy primarily by persons and families of low and moderate income or, if not so secured, may be a Mortgage Loan which will not adversely affect the rating on the Outstanding Bonds. Although the Resolutions do not require the dwelling units in developments financed or to be financed with the proceeds of Bonds to be assisted by the federal government under the Section 8 program, all of the dwelling units in the developments financed with the proceeds of the Prior Bonds are so assisted. Section 8 is the primary source of federal assistance for multi-family housing developments of the type the Agency has financed and proposes to finance under its Program. In the future the Agency may make Mortgage Loans for developments that do not have Section 8 assistance. The Department of Housing and Urban Development ("HUD") is responsible for the administration of the Section 8 program on a national basis and the State Housing Authority is responsible for the administration of certain Section 8 money allocated to the State of Vermont. The cities of Burlington and Winooski, Vermont are responsible for the allocation of certain Section 8 money reserved to them under HUD's "Neighborhood Strategies Area" ("NSA") Program. By agreement with the State Housing Authority, the Agency has undertaken to administer Section 8 money in the Burlington and Winooski NSAs. (See "SUMMARY OF SECTION 8 PROGRAM" in Appendix III.)

Although no Loans to Mortgage Lenders were made with the proceeds of the Prior Bonds, the General Resolution also authorizes Bonds to be issued for the making of Loans to Mortgage Lenders for the financing of housing developments intended for occupancy on a rental or cooperative basis by persons and families of low and moderate income. For a description of such Loans and the requirements of the General Resolution with respect thereto, see "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION - Program Covenants; Use of Loan Accounts."

Financed Mortgage Loans

All 33 of the developments that were financed with the proceeds of the Prior Bonds and are included in the refunding described herein are completed, occupied and have their permanent Mortgage Loans in place. All of these Projects are receiving Section 8 assistance by HUD. See "CERTAIN INFORMATION REGARDING HOUSING ASSISTANCE PAYMENT CONTRACTS" below and "SUMMARY OF SECTION 8 PROGRAM" in Appendix III. For selected information regarding these Projects, see Appendix II.

Each of the Financed Mortgage Loans permits the borrower to prepay, at its option, the Mortgage Loan in full at any time after the date set forth therein, upon payment of a prepayment penalty. All of such Financed Mortgage Loans are currently prepayable. The prepayment penalty applicable to the Mortgage Loans financed with the proceeds of the 1981 Series A Bonds is 3% of the unpaid principal balance until February 15, 1998, 2% of the unpaid principal balance thereafter until February 15, 2000, 1% of the unpaid principal balance thereafter until February 15, 2001, and 0% thereafter. The prepayment penalty applicable to the Mortgage Loans financed with the proceeds of the 1982 Series A Bonds is 4% of the unpaid principal balance until February 15, 1996, 3% of the unpaid principal balance thereafter until February 15, 1999, 2% of the unpaid principal balance thereafter until February 15, 2001, 1% of the unpaid principal balance thereafter until February 15, 2002, and 0% thereafter. The prepayment penalty applicable to the Mortgage Loans financed with the proceeds of the 1983 Series A Bonds is 5% of the unpaid principal balance until February 15, 1997, 4% of the unpaid principal balance

thereafter until February 15, 1999, 3% of the unpaid principal balance thereafter until February 15, 2002, 2% of the unpaid principal balance thereafter until February 15, 2004, 1% of the unpaid principal balance thereafter until February 15, 2005, and 0% thereafter. The General Counsel to HUD has taken the position that a reduction in debt service on any mortgage loan secured by a development receiving Section 8 subsidies permits HUD to reduce the payments under the HAPC in a similar manner.

Prepayments on the Financed Mortgage Loans will be applied to redeem 1995 Series A Bonds at the principal amount thereof plus accrued interest thereon, if any, without premium. The Agency will retain any prepayment penalty paid in connection with the prepayment of any Financed Mortgage Loan. See "THE 1995 SERIES A BONDS—Special Redemption."

All of the Financed Mortgage Loans are current in payment of principal and interest.

As of the date hereof, approximately 99% of the units in the Projects are occupied. An unaudited Summary of Revenues, Expenses and Fund Balances for the Multi-Family Housing Program for the periods ended June 30, 1993 and 1994 and December 31, 1993 and 1994 appears in the following table.

	Six Months Ended December 31		Year Ended June 30	
	1994	1993	1994	1993
Revenues:				
Interest on Mortgage Loans	$1,481,760	$1,499,957	$2,992,797	$3,037,290
Interest on Investments	270,778	251,110	512,023	508,675
Fee income	60,511	60,510	121,017	120,042
Total Revenues	$1,813,057	$1,811,577	$3,625,837	$3,666,007
Expenses:				
Financing Costs	1,712,664	1,733,571	3,451,445	3,490,567
Excess Revenues over Expenses	$ 100,393	$ 78,006	$ 174,392	$ 175,440
Fund balance, beginning of period	1,358,511	1,388,829	1,388,829	1,437,068
Transfers (to) General Fund	(96,654)	0	(204,710)	(223,679)
Fund balance, end of period	$1,362,250	$1,466,835	$1,358,511	$1,388,829

Each Housing Assistance Payment Contract ("HAPC") between the State Housing Authority and the owner of a development, pursuant to which annual housing assistance payments made by HUD are made available to the owner, is subject to renewal from time to time. The HAPCs pertaining to the Projects provide that such HAPCs are automatically renewed unless the owner and HUD agree to not renew the HAPC. Agreements between the Agency and the owners of the Projects require the owners to renew the HAPC during the term of the related Financed Mortgage Loan. The HAPCs pertaining to the Projects expire prior to the expiration of the Mortgages securing the Financed Mortgage Loans and on or prior to the final maturity of the 1995 Series A Bonds.

SECURITY FOR THE BONDS

The 1995 Series A Bonds are being issued pursuant to, and will be secured under, the terms and provisions of the General Resolution, as supplemented by the Fourth Supplemental Resolution. The General Resolution and the security and rights granted thereunder will become effective upon the date of issuance and delivery of the 1995 Series A Bonds and the defeasance of the Refunded Bonds.

The 1995 Series A Bonds will be payable from and secured equally and ratably with all Bonds issued or to be issued pursuant to the General Resolution by a pledge of, to the extent of and as provided in such Resolution (a) the rights and interest of the Agency in the Mortgage Loans, Loans, Loan Agreements, Collateral Assignment Agreements and Loan Collateral, (b) all Revenues, Prepayments, Recovery Payments and Acquired Development Operating Income, (c) all money and securities in all Funds and Accounts (except the Rebate Fund) pledged under the General Resolution, including the Loan Reserve Fund and the Capital Reserve Fund (except Assigned Rents, Escrow Payments and the Housing Development Escrow Payment Account in the General Fund) and (d) any and all other property of every kind and nature from time to time hereafter, by delivery or by writing of any kind, conveyed, pledged, assigned or transferred as and for additional security thereunder. In addition, the 1995 Series A Bonds will be general obligations of the Agency payable out of any of the Agency's revenues, money or assets, subject to agreements heretofore or hereafter made with holders of obligations of the Agency other than the Bonds pledging particular revenues, money or assets for the payment thereof.

Although the savings attributable to the refunding of the Refunded Bonds may be pledged to Bondholders to pay debt service on the Bonds, including the 1995 Series A Bonds, the Agency is permitted to use such savings for any of its legally permissible purposes so long as the Agency complies with federal tax laws. Therefore, there can be no assurance that at any time any of such savings will, in fact, be available to pay debt service on the Bonds, including the 1995 Series A Bonds.

For a description of certain matters and recent developments which may adversely affect the security for the Bonds, including the 1995 Series A Bonds, see "CERTAIN INFORMATION REGARDING HOUSING ASSISTANCE PAYMENT CONTRACTS."

Revenues

Revenues are all payments, proceeds, charges, fees, rents and all other income (except for amounts held in the Rebate Fund) derived by or for the account of the Agency from or relating to the Program (unless otherwise provided in the Supplemental Resolution authorizing the financing thereof or pledging the same), including, without limiting the generality of the foregoing, (i) scheduled amortization payments of principal of and interest on Mortgage Loans but not including Escrow Payments, Prepayments, Recovery Payments, Acquired Development Operating Income, Assigned Rents or financing, commitment or inspection fees or any payments or charges constituting construction or operating contingency, performance or completion payments or replacement reserves required pursuant to the applicable Mortgage Loan, (ii) scheduled amortization payments of principal and interest on Loans, and any penalty payments on account of overdue Loan payments, unless the due date of the Loan has been accelerated, but not including any Prepayments, Recovery Payments or any amounts paid on account of acceleration of the due date of a Loan or any initial fee or charge of the Agency payable by a Mortgage Lender with respect to a Loan, and (iii) interest received on any money, securities or

deposits held pursuant to the General Resolution and paid into or retained in the Revenue Fund or the Debt Service Fund.

All Revenues are deposited by the Trustee into or retained in the Revenue Fund. Money in the Revenue Fund is withdrawn monthly and deposited in the Funds and Accounts in the order and to the extent set forth below:

(1) First into the Debt Service Fund, to the extent, if any, needed to increase the amount in the Debt Service Fund so that it equals the Debt Service Requirement (and, if such month is a month in which a payment of interest or a Principal Installment is due, the Debt Service Requirement calculated as of the day of such month on which such payment is due);

(2) Second into the Capital Reserve Fund, to the extent, if any, needed to increase the amount in the Capital Reserve Fund so that it equals the Capital Reserve Fund Requirement;

(3) Third into the Acquired Development Expense Fund, to the extent, if any, needed to increase the amount in the Acquired Development Expense Fund so that it equals the Acquired Development Expense Requirement;

(4) Fourth into the Loan Reserve Fund, to the extent, if any, needed to increase the amount in the Loan Reserve Fund so that it equals the Loan Reserve Requirement or such greater amount as may be specified by the Agency;

(5) Fifth at the written direction of the Agency, to the credit of the Rebate Fund such amounts and at such times as the Agency shall determine are necessary to comply with the provisions of the General Resolution and any Supplemental Resolution, as appropriate; and

(6) Sixth at the written direction of the Agency, to the General Fund, any balance remaining, but only upon receipt by the Trustee of a Cash Flow Certificate giving effect to the transfer of such amounts to the General Fund and release of the same from the lien of the General Resolution, in which case the Trustee may, upon receipt of such Cash Flow Certificate and an Officer's Certificate, transfer such amount or any part thereof to any Fund or Account under the General Resolution or to the Agency, free and clear of the lien or pledge created by the General Resolution, to be used for any lawful purpose of the Agency, all as directed by the Agency in the Officer's Certificate.

For further discussion of the Funds and Accounts set forth above and the application of certain other amounts including Prepayments and Recovery Payments, see "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION."

Loans and Mortgage Loans

The Agency covenants in the General Resolution, among other things, that Loans and Mortgage Loans financed with the proceeds of the Bonds shall have scheduled payments of principal and interest or other legally enforceable payments available for payment of Principal Installments of and interest on the Bonds which, together with other money reasonably anticipated to be available therefor, shall be at least sufficient to pay the Principal Installments of and interest on the Bonds when due.

Additionally, the Agency covenants that at annual intervals, and at such other times required by the General Resolution, the Agency shall file with the Trustee an Officer's Certificate setting forth a schedule of anticipated Revenues to be derived from all Loans and Mortgage Loans outstanding or anticipated to be made, after giving effect to any estimated Prepayments, and stating that the Agency expects that such Prepayments, if any are estimated, will be made on or before the dates as of which they have been estimated to be made in such schedule, together with a schedule of Principal Installments of and interest on all Bonds outstanding after giving effect to any redemptions and purchases to be made with such Prepayments and stating that the Agency expects to make such redemptions and purchases, and showing that such anticipated Revenues and Prepayments, together with any other amounts held in the Loan Accounts, the Debt Service Fund, the Capital Reserve Fund, the Loan Reserve Fund and the Redemption Fund (and the anticipated earnings on such Accounts and Funds) will at least be sufficient to pay as and when due all of such Principal Installments and interest. Excluded from such computation are any Revenues or Prepayments expected to be received by the Agency which are allocable to the portion of any Mortgage Loan financed from the General Fund.

The scheduled payments of the principal of and the interest on the 1995 Series A Bonds have been based on the assumed receipt of mortgage payments paid to the Agency on Mortgage Loans or portions thereof financed with proceeds of the Prior Bonds (see "PLAN OF FINANCING"), together with certain investment income on certain Funds and Accounts established by the Resolutions, to the extent provided therein, and the use of money in the Capital Reserve Fund. To the extent that such investment income differs from the amounts estimated to be received, or any Mortgage Loans go into default, the money available for the payment of the principal of and interest on the 1995 Series A Bonds may be affected; however, as is described elsewhere in this Official Statement, money may be available from other sources including the Capital Reserve Fund and the Loan Reserve Fund.

For additional covenants with respect to the Program, see "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION."

Capital Reserve Fund

The General Resolution establishes a capital reserve fund (the "Capital Reserve Fund") and specifies a capital reserve fund requirement (the "Capital Reserve Fund Requirement"). The Capital Reserve Fund Requirement is an amount as of any particular date of computation, for a Series of Bonds, the amount specified for such Series of Bonds in the related Supplemental Resolution and, for the General Resolution, means the aggregate of the Capital Reserve Fund Requirements for all Series of Outstanding Bonds. The Fourth Supplemental Resolution provides that the Capital Reserve Fund Requirement in respect of the 1995 Series A Bonds will be _____. On the date of issuance of the 1995 Series A Bonds, $_____ will be on deposit in the Capital Reserve Fund, which will be equal to the Capital Reserve Requirement with respect to the 1995 Series A Bonds.

If, after making transfers to the Debt Service Fund from a Capitalized Interest Account and transfers, if any, from the Loan Reserve Fund, there shall not be a sufficient amount in the Debt Service Fund to make payment of Principal Installments of or interest on the Bonds, the Trustee shall withdraw from the Capital Reserve Fund and pay into the Debt Service Fund the amount of such deficiency. There is no statutory provision for the maintenance of the Capital Reserve Fund or any other funds or accounts pledged under the Resolutions.

Any excess in the Capital Reserve Fund on the last day of any month shall be deposited in the Revenue Fund or to any Account in the Redemption Fund specified in the Officer's Certificate.

Loan Reserve Fund

The General Resolution establishes a loan reserve fund (the "Loan Reserve Fund") and provides that the Loan Reserve Requirement (the "Loan Reserve Requirement") shall be the aggregate of the amounts, if any, that may be determined with respect to each series of Bonds pursuant to a Supplemental Resolution to be maintained in the Loan Reserve Fund. The Fourth Supplemental Resolution provides that the Loan Reserve Requirement with respect of the 1995 Series A Bonds will be $0.

For a description of the application of funds, if any, which may be on deposit in the Loan Reserve Fund, see "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION—Application of Funds—*Loan Reserve Fund.*"

CERTAIN INFORMATION REGARDING HOUSING ASSISTANCE PAYMENT CONTRACTS

A summary of the Section 8 Housing Assistance Payments Program (the "Section 8 program") appears under "SUMMARY OF SECTION 8 PROGRAM" contained in Appendix III to this Official Statement. The summary in Appendix III contains certain information with respect to HAPCs and their administration and other information with respect to the Section 8 program.

The following discussion provides certain information with regard to the HAPCs and the Section 8 program which may affect payments made by HUD pursuant to the HAPCs and a discussion of recent developments with respect to HUD and the Section 8 program. Such information is not comprehensive or definitive and, as appropriate, is qualified in its entirety by reference to the Housing Act.

Adjustments in Contract Rents

Each HAPC provides for certain adjustments in contract rents. At least annually HUD publishes an automatic annual adjustment factor; interim revisions may be made where market conditions warrant. The automatic annual adjustment factor is applied on the anniversary date of each HAPC to contract rents, resulting in upward or downward adjustment except that contract rents may not be reduced below the contract rents that were in effect on the effective date of the HAPC. In addition, special additional adjustments may be granted to reflect increases in the actual and necessary expenses of owning and maintaining the Development which have resulted from substantial general increases in real property taxes, assessments, utility rates or similar costs if the owner demonstrates that the automatic annual adjustments have not provided adequate compensation. Adjustments may not, however, result in material differences between rents charged for assisted units and unassisted units of similar quality and age in the same market area, as determined by the Secretary of HUD. If the Secretary of HUD or appropriate state agency does not complete and submit to the project owner a comparability study at least 60 days before the anniversary date of the assistance contract, the automatic annual adjustment factor will be applied. Under current law, "[t]he Secretary may not reduce the contract rents in effect on or after April 15, 1987, for newly constructed, substantially rehabilitated, or moderately rehabilitated projects assisted under this section . . . , unless the project has been refinanced in a manner that reduces the periodic

payments of the owner." 42 U.S.C. §1437f(c)(1)(C). In addition, for projects with respect to which a HAPC was executed after October 1, 1981, adjustments in contract rents may not exceed the amount of the increases in operating expenses incurred by owners of comparable projects in the area as determined by HUD. There can be no assurance that adjustments in contract rents will result in revenues sufficient to compensate for increased operating expenses of the Developments. There can be no assurance that there will not be a decrease in contract rents which would adversely affect the ability of the owners of the Projects to pay principal and interest on the Financed Mortgage Loans, which in turn would adversely affect the ability of the Agency to make timely payments of interest and Principal Installments on the Bonds, including the 1995 Series A Bonds, with amounts pledged under the Resolution. See "— Recent Developments," below.

Limitations on Increases in Housing Assistance Payments

An increase in contract rents, because of the application of an automatic annual adjustment factor or a special additional adjustment, will normally result in an increase in Housing Assistance Payments payable to the owner under the HAPC. The annual maximum Housing Assistance Payments are, however, initially limited to the initial contract rents. A project account is required to be established and maintained by HUD in an amount determined by HUD to be consistent with its responsibilities under the Housing Act out of amounts by which the annual maximum housing assistance commitment under the HAPC (which is set forth in each HAPC) exceeds the amount actually paid out under the HAPC each year. Furthermore, whenever the estimated annual Housing Assistance Payment exceeds the annual maximum housing assistance commitment and would cause the amount in the project account to be less than 40 percent of such maximum commitment, HUD is required within a reasonable period of time to take additional steps authorized by Section 8(c)(6) of the Housing Act in order to assure that Housing Assistance Payments will be increased on a timely basis. Section 8(c)(~~6~~) of the Housing Act authorizes, among other things, "the reservation of annual contributions authority for the purpose of amending housing assistance contracts, or the allocation of a portion of new authorizations for the purpose of amending housing assistance contracts" to provide for such assurance.

Recent Developments

As of the date of this Official Statement there have been numerous pronouncements from HUD officials, the White House Administration and members of Congress as to the future of HUD and the Section 8 program. The scope of these pronouncements have ranged from a total elimination of HUD and of the Section 8 program to a restructuring of HUD and the administration and reduction in funding of the Section 8 program. Proposals by HUD have included changing assistance under the Section 8 program from being project-based to being tenant-based. Under such a proposal, assistance payments would go directly to tenants as opposed to the owners of Developments as parties to the HAPCs. In addition, the consolidation of HUD's programs has been proposed as well as the transfer of certain administrative responsibilities for HUD programs, including the Section 8 program, to state and local governments and other entities. Furthermore, Congress has proposed reductions in all federal spending including the funding of HUD and its programs, including the Section 8 program.

HUD officials have considered proposing to Congress that it repeal the provision of the Housing Act prohibiting the Secretary of HUD from reducing contract rents below the contract rents in effect as of April 15, 1987, as described above under "Adjustments in Contract Rents." It is not clear whether such a repeal would withstand a constitutional challenge. The effect of repealing those provisions would be to permit HUD to reduce the contract rents for the Developments to "market rents," but not lower

than the initial contract rents approved by HUD for the development. The Agency believes that market rents for the units in the Projects would be significantly lower than the current contract rents and that the corresponding reduction in housing assistance payments on the Projects would materially adversely affect the ability of the owners of the Projects to pay principal and interest on the Financed Mortgage Loans, which in turn would adversely affect the ability of the Agency to make timely payments of interest and Principal Installments on the Bonds, including the 1995 Series A Bonds, with amounts pledged under the Resolutions.

At this time, the Agency cannot predict the terms of the legislation, if any, which may be enacted which may restructure and change HUD, its administration and its programs (including the Section 8 program) and the funding of HUD and its programs. The Agency cannot predict whether any such legislation, if enacted, would adversely affect the ability of the Agency to make timely payments of interest and Principal Installments on the Bonds, including the 1995 Series A Bonds, with amounts pledged under the Resolutions.

Furthermore, there have been several recent court decisions with respect to the Section 8 program and the HAPCs. The United States Supreme Court, in its 1993 decision, *Cisneros v. Alpine Ridge Group, et al.*, held that housing assistance payment contracts between private landlords and HUD did not prohibit the use of comparability studies with private market rents to impose an independent cap on formula-based rent adjustments. In a 1994 decision, *National Leased Housing Association, et al., v. United States,* the U.S. Court of Federal Claims held that the "overall limitation" provision contained in the rent adjustment section in HAPCs (which states, in effect, that notwithstanding any other provision of the HAPC, adjustments provided for in that section of the HAPC shall not result in material differences between the rents charged for assisted and comparable unassisted units as determined by HUD) permits HUD to use comparability studies to decrease contract rents to eliminate any material differences between rents charged for assisted and comparable unassisted units.

At this time, the Agency is unable to predict what actions, if any, HUD will take in the future in accordance with such court decisions. Actions by HUD in the future could have the effect of limiting upward adjustments in contract rents or of decreasing contract rents currently in effect to eliminate any material difference between the contract rents and rents charged for comparable unassisted units. Such actions, if taken, could adversely affect the ability of the owners of the Projects to pay principal and interest on the Financed Mortgage Loans, which in turn could adversely affect the ability of the Agency to make timely payments of interest and Principal Installments on the Bonds, including the 1995 Series A Bonds, with amounts pledged under the Resolutions.

THE 1995 SERIES A BONDS

Description

The 1995 Series A Bonds will be issued as fully registered bonds in denominations of $5,000 or integral multiples thereof.

The 1995 Series A Bonds will be dated as of and bear interest from April 1, 1995, payable on February 15 and August 15 in each year, commencing August 15, 1995, at the rates per annum set forth on the cover of this Official Statement and will mature on the dates and in the amounts set forth on the cover of this Official Statement subject to the redemption provisions herein.

Other than as provided below under "Book-Entry System," principal and redemption price, if any, of the 1995 Series A Bonds will be payable at the principal office of Shawmut Bank Connecticut, National Association, Hartford, Connecticut, Trustee, Bond Registrar and Paying Agent, or, at the option of the registered owner, at the principal office of Shawmut Trust Company of New York, New York, New York, Paying Agent. Other than as provided below under "Book-Entry System," interest on the 1995 Series A Bonds will be payable by check mailed to the registered owner thereof at his address as shown on the registration books of the Trustee. As of the date of this Official Statement, it is expected that Shawmut Bank Connecticut, National Association, will merge with Fleet Bank, National Association, by November 1995.

Book-Entry System

When the 1995 Series A Bonds are issued, ownership interests will be available to purchasers only through a book-entry system (the "Book-Entry System") maintained by The Depository Trust Company ("DTC"), New York, New York, or such other depository institution designated by the Agency pursuant to the Resolution. Purchasers of beneficial interests in the 1995 Series A Bonds will not receive certificates reflecting their interests in the 1995 Series A Bonds.

DTC will act as securities depository for the 1995 Series A Bonds. The 1995 Series A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered security certificate will be issued for each maturity of the 1995 Series A Bonds in the aggregate principal amount thereof, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its Direct Participants and Indirect Participants (as defined hereinafter, and collectively, the "Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. "Direct Participants" include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of 1995 Series A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 1995 Series A Bonds on DTC's records. The ownership interest of each actual purchaser of each 1995 Series A Bond (a "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 1995 Series A Bonds are to be accomplished by entries made on

the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 1995 Series A Bonds, except in the event that use of the book-entry system for the 1995 Series A Bonds is discontinued.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE 1995 SERIES A BONDS, AS NOMINEE FOR DTC, REFERENCES HEREIN TO THE BONDHOLDERS OR REGISTERED OWNERS OR OWNERS OF THE 1995 SERIES A BONDS SHALL MEAN CEDE & CO., AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE 1995 SERIES A BONDS.

To facilitate subsequent transfers, all 1995 Series A Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of 1995 Series A Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 1995 Series A Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such 1995 Series A Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyances of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the 1995 Series A Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such 1995 Series A Bonds to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the 1995 Series A Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Agency as soon as possible after the "record date." The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 1995 Series A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal or redemption price of and interest payments on the 1995 Series A Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the date payment is due in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the date payment is due. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, the Bond Registrar, the Paying Agent or the Agency, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal or redemption price of and interest to DTC is the responsibility of the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 1995 Series A Bonds at any time by giving reasonable notice to the Agency or the Trustee. Under such

circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered.

The Agency may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered.

NEITHER THE AGENCY NOR THE TRUSTEE NOR THE BOND REGISTRAR NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE DIRECT PARTICIPANTS, TO THE INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT; (II) THE TIMELY PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE WITH RESPECT TO THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE 1995 SERIES A BONDS; (III) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS BY DTC UNDER THE RESOLUTION; (IV) THE SELECTION BY DTC OF ANY DIRECT OR INDIRECT PARTICIPANT AND THE SELECTION BY SUCH DIRECT OR INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNER TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE 1995 SERIES A BONDS; OR (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

The information included under this caption (except for the preceding paragraph) has been provided by DTC. No representation is made by the Agency or the Underwriters as to the accuracy or adequacy of such information provided by DTC or as to the absence of material adverse changes in such information subsequent to the date hereof.

Sinking Fund Redemption

The 1995 Series A Bonds maturing on February 15, 2014 are subject to mandatory redemption in part commencing on February 15, 2008, and on each February 15 thereafter, to and including February 15, 2014, at the principal amount thereof and accrued interest thereon, without premium, from funds in the Debt Service Fund in the years and amounts as follows:

Year	Amount	Year	Amount
2008	$	2012	$
2009		2013	
2010		2014 (final maturity)	
2011			

Amounts of annual sinking fund installments shown in the table above are subject to reduction as a result of optional or special redemption of 1995 Series A Bonds subject to sinking fund redemption. At the time of any special or optional redemption of any such 1995 Series A Bonds, the amount of each future sinking fund installment will be reduced as shall be determined in an Officer's Certificate such that the total amount of such reductions equals the amount of such special or optional redemption.

Optional Redemption

The 1995 Series A Bonds are subject to redemption, at the option of the Agency, other than by operation of sinking fund installments, either as a whole on any date, or in part on any interest payment date, on or after February 15, ____, from money deposited in the Optional Redemption Account in the Redemption Fund, at the following prices plus accrued interest to the date of redemption:

Period (Both Dates Inclusive)	Redemption Prices (Expressed as a Percentage of Principal Amount)

Special Redemption

The 1995 Series A Bonds are also subject to redemption by operation of the Special Redemption Account in the Redemption Fund, as a whole or in part at any time at the principal amount thereof plus accrued interest thereon, if any, without premium, from (a) Recovery Payments with respect to the Financed Mortgage Loans or (b) Prepayments on the Financed Mortgage Loans or (c) any permitted reductions and withdrawals from the reserve funds under the Resolutions. Each of the Financed Mortgage Loans permits the borrower to prepay the Mortgage Loan in full at any time at the option of the borrower. See "THE PROGRAM -- Mortgage Loans Securing the Bonds -- Financed Mortgage Loans."

Notice of Redemption of Bonds

When the Trustee receives notice from the Agency, according to the provisions of the Resolutions, of its election to redeem Bonds, or when a redemption of Bonds is required by the provisions of the General Resolution or the applicable Supplemental Resolution, the Trustee will give notice (which may be revocable and conditional) of such redemption to holders of Bonds which notice will specify whether the redemption is subject to the deposit of moneys (or whether such notice is revocable and conditional), the series and maturities of the Bonds to be redeemed, the redemption date and the places where amounts due upon redemption will be payable, and other information if less than all of the Bonds of any like Series and maturity are to be redeemed or if a Bond is to be redeemed in part. Unless otherwise provided or permitted by the applicable Supplemental Resolution, such notice shall be given by mailing a copy of such notice, postage prepaid, not less than twenty-five days before the redemption date, to the registered owners of any Bonds or portions of Bonds which are to be redeemed, at their last addresses, if any, appearing upon the registry books. Failure to mail such notice will not affect the validity of the redemption of Bonds as to which no failure or defect shall have occurred. The Fourth Supplemental Resolution provides that while the 1995 Series A Bonds are in the Book-Entry System, the Trustee will mail copies of such notice not less than twenty-five days and not more than sixty days before the redemption date to DTC with a request of DTC to forward such notice to the Participants so that they may forward such notice to the Beneficial Owners. Neither the Agency, the Trustee nor the Underwriters can make any assurance that DTC, the Direct Participants or the

Indirect Participants will distribute such redemption notices to the Beneficial Owners of the 1995 Series A Bonds, or that they will do so on a timely basis.

The obligation of the Trustee to give the notice required by the General Resolution shall not be conditioned upon the prior payment to the Trustee or Paying Agent of moneys or Investment Obligations sufficient to pay the Redemption Price of the Bonds to which such notice relates or the interest thereon to the redemption date.

Additional Bonds

The General Resolution permits the issuance of additional Bonds thereunder for the purpose of providing funds for the purposes set forth in the General Resolution and, in addition, to refund outstanding Bonds issued under the General Resolution. Any additional Bonds issued under the General Resolution will be on a parity with or subordinate to the 1995 Series A Bonds, and will be entitled to the equal or subordinate benefit, protection and security of the provisions, covenants and agreements of the General Resolution. The General Resolution provides that upon the issuance of any such additional Bonds there will be deposited in the Capital Reserve Fund so much of the proceeds thereof as is required to establish the amount therein at, or to increase the amount therein to, the Capital Reserve Fund Requirement.

No additional series of Bonds shall be issued subsequent to the issuance of the initial series of Bonds under the General Resolution unless: at the time of the issuance of such Bonds, the Capital Reserve Fund and the Loan Reserve Fund shall equal, respectively, the Capital Reserve Fund Requirement and the Loan Reserve Requirement; and, as evidenced by an Officer's Certificate, after such issuance (i) no event of default as described in the General Resolution will have happened and will then be continuing and (ii) no event has occurred which has had or may have a material adverse effect on the ability of the Agency to pay the Principal Installments of and the interest on the Bonds then outstanding, including the Series of Bonds to be issued. The Agency expressly reserves the right to adopt one or more other general bond resolutions and reserves the right to issue other obligations so long as such obligations do not constitute a charge or lien prohibited by the General Resolution.

Conditions Precedent to the Delivery of Bonds

Except as provided in sections of the General Resolution relating to transfer of Bonds, and lost, mutilated or stolen Bonds, the Agency shall deliver Bonds issued pursuant to the General Resolution only upon receipt of a certificate of the Trustee stating that it has received, among other things:

(1) A counsel's opinion stating in effect that the General Resolution as from time to time amended and the applicable supplemental resolutions have been duly adopted by the Agency, are valid and binding upon the Agency and are enforceable in accordance with their terms; that the General Resolution creates the valid pledge which it purports to create, subject to its provisions; and that the Bonds of such series are valid and binding general obligations of the Agency, enforceable in accordance with their terms and the terms of the General Resolution and entitled to the benefits of the Act and the General Resolution; provided that such opinion may take an exception on account of the laws of bankruptcy and insolvency and of other laws affecting creditors' rights generally and the exercise of judicial discretion in accordance with general equitable principles.

(2) An Officer's Certificate setting forth a schedule of anticipated Revenues to be derived from all Loans and Mortgage Loans outstanding or anticipated to be made, after giving effect to any estimated Prepayments, and stating that the Agency expects that Loans and Mortgage Loans to be made with the proceeds of such Bonds and such Prepayments will be made on or before the dates as of which they have been estimated to be made in such schedule, together with a schedule of Principal Installments of and interest on all Bonds to be outstanding following issuance of such Bonds, after giving effect to any redemptions and purchases to be made with such Prepayments and stating that the Agency expects to make such redemptions and purchases, and showing that anticipated Revenues and Prepayments, together with any other amounts held in the Loan Accounts, the Debt Service Fund, the Capital Reserve Fund, the Loan Reserve Fund and the Redemption Fund (and the anticipated earnings on such Accounts and Funds) will at least be sufficient to pay as and when due all of such Principal Installments and interest. Excluded from such computation are any Revenues or Prepayments expected to be received by the Agency which are allocable to the portion of any Loan or Mortgage Loan financed from the General Fund.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the 1995 Series A Bonds are as follows:

Sources of Funds

Par Amount of 1995 Series A Bonds	$
Other Available Funds of the Agency	
Total Sources	$

Uses of Funds

Redemption of Refunded Bonds[1]	$
Costs of Issuance	
Deposit to Capital Reserve Fund	
Underwriters' Fee	
Total Uses	$

[1] The Refunded Bonds are being redeemed at the redemption prices of 100%, 100½% and 102% of the principal amount of the 1981 Series A Bonds, the 1982 Series A Bonds and the 1983 Series A Bonds, respectively.

SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION

The 1995 Series A Bonds are being issued pursuant to, and will be secured under, the terms and provisions of the General Resolution, as supplemented by the Fourth Supplemental Resolution. The

General Resolution and the security and rights granted thereunder will become effective upon the date of issuance and delivery of the 1995 Series A Bonds and the defeasance of the Refunded Bonds.

The General Resolution contains terms and conditions relating to the issuance and sale of Bonds under it, including various covenants and security provisions, certain of which are summarized below. This summary does not purport to be comprehensive or definitive and is subject to all of the provisions of the General Resolution, to which reference is hereby made, copies of which are available from the Agency or the Trustee.

Certain Definitions

The following are definitions in summary form of certain terms contained in the General Resolution and used herein:

Acquired Development. A development or a portion thereof owned, possessed, operated, or managed by or on behalf of, or in trust for, the Agency as a result of the protection or enforcement of its rights conferred by law or the applicable Mortgage Loan.

Acquired Development Expense Requirement. The amount of money as may be fixed from time to time by an Officer's Certificate filed with the Trustee to be necessary for the payment of any costs and expenses incurred by the Agency in connection with an Acquired Development.

Acquired Development Operating Income. All money received by the Agency from the operation of an Acquired Development.

Assigned Rents. All payments, proceeds, charges, rents and all other income from a Development (other than an Acquired Development) paid to the Agency for the account of the mortgagor under the terms of the contract documents relating to a Mortgage Loan, but not including Escrow Payments.

Capital Reserve Fund Requirement. As of any particular date of computation for a Series of Bonds, the amount specified for such Series of Bonds in the related Supplemental Resolution and, for the General Resolution, means the aggregate of the Capital Reserve Fund Requirements for all Series of Outstanding Bonds.

Development. A residential housing development containing dwelling units intended for occupancy pursuant to a leasehold estate or cooperative ownership by persons and families of low and moderate income as authorized by the Act, as from time to time amended.

Escrow Payment. All payments made to the Agency under a Mortgage Loan and customarily escrowed by a mortgagor, including payments for mortgage insurance and fire and other hazard insurance and payments for taxes, governmental charges and other similar charges.

Investment Obligations. Any of the following which at the time are legal investments for money of the Agency: (i) direct general obligations of the United States of America, (ii) obligations the payment of the principal of and interest on which, by act of Congress or in the opinion of the Attorney General of the United States in office at the time such obligations

were issued, are unconditionally guaranteed by the United States of America, **(iii)** obligations, bonds, debentures, participation certificates or notes or similar evidences of indebtedness issued by any of the following: Bank for Cooperatives, Federal Financing Bank, Federal Land Banks, Federal Home Loan Banks, Federal Intermediate Credit Banks, Federal National Mortgage Association (excluding securities representing only interest payments), Export-Import Bank of the United States, Student Loan Marketing Association, Farmers Home Administration, Federal Home Loan Mortgage Corporation (but only to the extent timely payment of principal and interest is guaranteed), Rural Economic and Community Development or Government National Mortgage Association, or any other agency or corporation which has been or may hereafter be created by or pursuant to an Act of the Congress of the United States as an agency or instrumentality thereof the bonds, debentures, participation certificates, notes or other evidences of indebtedness of which are unconditionally guaranteed by the United States of America, **(iv)** to the extent (at the time of such investment) they do not adversely affect the ratings on the Outstanding Bonds, securities representing an undivided beneficial interest in identified payments to be made on an obligation listed in clauses (i), (ii) or (iii) above, **(v)** public housing bonds fully secured by annual contributions contracts with the United States of America, or temporary notes, preliminary notes or project notes issued by public agencies or municipalities fully secured by a requisition payment agreement with the United States of America, **(vi)** to the extent (at the time of such investment) they do not adversely affect the ratings on the Outstanding Bonds, bank time deposits evidenced by certificates of deposit issued by banks (which may include the Trustee or a Paying Agent) which are members of the Federal Deposit Insurance Corporation, provided that, to the extent such time deposits exceed available federal deposit insurance, such time deposits are fully secured by obligations described in clauses (i) through (v) above, by general obligations of the State, by bonds, notes or other obligations of the Agency, or by mortgages insured or guaranteed by the Federal Housing Administration, the United States Veterans Administration, the United States Farmers Home Administration, or the Vermont Home Mortgage Guarantee Board, which at all times have a market value (exclusive of accrued interest) at least equal to such bank time deposits so secured, including interest, **(vii)** repurchase agreements for obligations of the type specified in clauses (i) through (v) above, **(viii)** general obligations of any state of the United States to the payment of which the full faith and credit of such state is pledged and which at the time of purchase are rated not lower than the rating of the applicable Series of Bonds by Moody's Investors Service and Standard & Poor's Ratings Group, if in each case such rating service then has a current rating on such Series of Bonds, and any other obligations issued by any such state or by any agency, instrumentality or local governmental unit of any such state which at the time of purchase are rated not lower than the rating of the applicable Series of Bonds by Moody's Investors Service and Standard & Poor's Ratings Group, if in each case such rating service then has a current rating on such Series of Bonds, and general obligations of or obligations fully guaranteed by the State, **(ix)** shares of a diversified open-end management investment company, as defined in the Investment Company Act of 1940, which is a money market fund and which at the time of purchase is rated at least "Prime-1" by Moody's Investors Service and "Am" or "Am-G" by Standard & Poor's Ratings Group, if in each case such rating service then has a current rating on such Series of Bonds, **(x)** bonds, debentures, notes, commercial paper, certificates of deposit, interest-bearing accounts (in financial institutions selected without regard for relative participation as qualified mortgage lenders in Agency programs, and which may include the Trustee), repurchase agreements and other investment agreements which are in each case issued or fully guaranteed by a person having unsecured debt obligations rated at the time of purchase not lower than the rating of the applicable Series of Bonds by Moody's Investors Service and Standard & Poor's Ratings Group, if in each case such

rating service then has a current rating on such Series of Bonds, or any investment agreement described in the applicable Supplemental Resolution or approved by the rating services having a current rating on such Series of Bonds, or **(xi)** any investment contract and any other investment that will not adversely affect the ratings on the Bonds and that is approved by the Agency.

The definition of Investment Obligations shall be, and be deemed to be, expanded, or new definitions and related provisions shall be added to the General Resolution by a Supplemental Resolution, thus permitting investments with different characteristics from those permitted above which the Agency deems from time to time to be in the interest of the Agency to include as Investment Obligations if at the time of inclusion such inclusion will not, in and of itself, adversely affect the ratings on the Outstanding Bonds.

In determining whether a particular investment would adversely affect the ratings on the Outstanding Bonds, the Agency may rely upon the most recent credit publications of the applicable rating agency, or written or oral determinations thereof, provided that if oral determinations are made, the Agency shall maintain a written summarization of the results of such oral communication.

Loan. Any loan made by the Agency to a Mortgage Lender, pursuant to the General Resolution for the financing of a Development.

Loan Reserve Requirement. The aggregate of the amounts, if any, which may be determined with respect to each Series of Bonds pursuant to the applicable Supplemental Resolution, to be maintained in the Loan Reserve Fund.

Mortgage. A mortgage deed, deed of trust, or other instrument constituting a lien on real property in fee simple and improvements or on a leasehold under a lease having a remaining term, which at the time such mortgage is acquired does not expire for at least that number of years beyond the maturity date of the interest-bearing obligation secured by such mortgage as is equal to the number of years remaining until the maturity date of such obligation.

Mortgage Lender. Any bank or trust company, or other financial institution or governmental agency or instrumentality approved by the Agency which customarily provides or aids in the financing of mortgages on residential housing located in the State.

Mortgage Loan. An interest-bearing loan to a mortgagor, made by the Agency pursuant to the General Resolution, for financing the construction, rehabilitation or ownership of a Development, which loan is secured by a Mortgage on such Development and a lien on or security interest in all personal property acquired with the proceeds of such loan and attached to or used or to be used in connection with such Development, provided that a Mortgage Loan need not be secured by a Mortgage so long as the same does not adversely affect the rating on the Outstanding Bonds.

Notes. Obligations of the Agency (other than Bonds) issued to finance the Program.

Outstanding. When used with reference to Bonds, means, as of any particular date, all Bonds theretofore and thereupon being authenticated and delivered except (a) any Bond cancelled

by the Trustee, or proven to the satisfaction of the Trustee to have been cancelled by the Agency or by any other Paying Agent, at or before said date, (b) any Bond for the payment or redemption of which moneys, equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, shall have theretofore been deposited with the Trustee or one or more of the Paying Agents in trust (whether upon or prior to maturity or the redemption date of such Bond) and, except in the case of a Bond to be paid at maturity, of which notice of redemption shall have been given or provided for in accordance with the provisions of the General Resolution, (c) any Bond in lieu of or in substitution for which another Bond shall have been delivered pursuant to the provisions of the General Resolution and (d) any Bond deemed to have been paid as provided in the provisions of the General Resolution.

Prepayment. Any money received or recovered from any payment of principal on any Loan or Mortgage Loan, prior to the scheduled payments of principal and interest called for by such Loan or Mortgage Loan, other than money constituting a Recovery Payment or prepayment penalty, but including any fee, premium or other additional charge as may be provided by the terms of such Loan or Mortgage Loan, and any money received or recovered from the sale, assignment or other disposition of a Loan or a Mortgage Loan or Loan Collateral other than money constituting a Recovery Payment.

Principal Installment. As of any particular date of calculation, an amount of money equal to the sum of (a) the principal amount of outstanding Bonds which mature on a single future date, reduced by the aggregate principal amount of such outstanding Bonds which would at or before said future date cease to be outstanding by reason, but only by reason, of the application in accordance with the General Resolution of sinking fund installments at or before said future date, and (b) the amount of any sinking fund installment required to be paid on said future date.

Program. The Agency's program of financing Developments, either by making, acquiring or financing Loans or by making, acquiring or financing Mortgage Loans, including the payment when due of principal and redemption premium, if any, of and interest on Notes.

Recovery Payment. Any money received or recovered by the Agency, less the expenses necessarily incurred by the Agency in connection with the collection of such amount, from (i) the condemnation of mortgaged premises, (ii) proceedings taken in the event of default by the Mortgagor or Mortgage Lender, (iii) any claim settlement for mortgage insurance, guarantee or hazard insurance, (iv) the sale or other disposition of an Acquired Development, (v) the sale or other disposition of any Loan Collateral or the maturity, redemption or other Payment of Loan Collateral held by the Agency due to a default on a loan, and (vi) the sale or other disposition of a Loan or a Mortgage Loan which is in default for the purpose of realizing on the Agency's interest therein; but not including, Assigned Rents, Escrow Payments, Acquired Development Operating Income, or payments or charges constituting construction or operating contingency, performance or completion payments or replacement reserves required pursuant to the applicable Mortgage Loan.

Revenues. All payments, proceeds, charges, fees, rents and all other income (except for amounts held in the Rebate Fund) derived by or for the account of the Agency from or related to the Program (unless otherwise provided in the Supplemental Resolution authorizing the financing thereof or pledging the same), including, without limiting the generality of the foregoing, (i) scheduled amortization payments of principal of and interest on Loans, and any

penalty payments on account of overdue Loan payments unless the due date of the Loan has been accelerated, but not including any Recovery Payments or Prepayments or any amounts paid on account of acceleration of the due date of a Loan or any initial fee or charge of the Agency payable by a Mortgage Lender with respect to a Loan; (ii) interest received on any money, securities or deposits held pursuant to the General Resolution and paid into or retained in the Revenue Fund or the Debt Service Fund and (iii) scheduled amortization payments of principal of and interest on Mortgage Loans, but not including Assigned Rents, Prepayments, Recovery Payments, Acquired Development Operating Income, Escrow Payments or financing, inspection or commitment fees or any payments or charges constituting construction or operating contingency, performance or completion payments or replacement reserves required pursuant to the applicable Mortgage Loan.

General Resolution To Constitute Contract

The General Resolution constitutes a contract between the Agency and the Bondholders. The pledge made in the General Resolution and the covenants and agreements therein are for the equal benefit and security of the holders of all Bonds, all of which, regardless of their times of issue or maturity, rank equally without preference, priority or distinction of any Bond over another except as expressly provided in the General Resolution.

Notes

The Agency may by resolution authorize the issuance of Notes (and renewals thereof) in anticipation of the issuance of Bonds of a Series. The principal of and interest on such Notes and renewals thereof shall be payable from any money of the Agency available therefor, from the proceeds of such Notes or from the proceeds of the sale of the Bonds in anticipation of which such Notes are issued. The proceeds of such Bonds may be pledged for the payment of the principal of and interest on such Notes and any such pledge shall have a priority over any other pledge of such proceeds created by the General Resolution. The Agency may also pledge to the payment of such Notes, the Loans and Mortgage Loans made with the proceeds of such Notes and the Revenues on account of such Loans and Mortgage Loans.

Pledge of the General Resolution

The Bonds are general obligations of the Agency payable out of the Agency's revenues, money or assets, subject only to agreements heretofore or hereafter made with the holders of obligations of the Agency other than the Bonds pledging particular revenues, money or assets for the payment thereof. The General Resolution pledges to the payment of Bonds, subject only to the provisions of the General Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the General Resolution, (i) the Mortgage Loans and all rights and interests of the Agency incident thereto and the proceeds of such rights, (ii) the rights and interests of the Agency in and to the Loans, the Loan Agreements, Collateral Assignment Agreements and Loan Collateral and the proceeds of such rights, (iii) all Revenues, Prepayments, Recovery Payments, and Acquired Development Operating Income, (iv) all money and securities in all Funds and Accounts (except the Rebate Fund) created by or pursuant to the General Resolution (except Assigned Rents, Escrow Payments and the Housing Development Escrow Payment Account in the General Fund), and (v) any and all other property of every kind and nature from time to time hereafter, by delivery or by writing of any kind, conveyed, pledged, assigned or transferred as and for additional security thereunder.

Although the savings attributable to the refunding of the Refunded Bonds may be pledged to Bondholders to pay debt service on the Bonds, including the 1995 Series A Bonds, the Agency is permitted to use such savings for any of its legally permissible purposes so long as the Agency complies with federal tax laws. Therefore, there can be no assurance that at any time any of such savings will, in fact, be available to pay debt service on the Bonds, including the 1995 Series A Bonds.

Establishment of Funds and Accounts

The General Resolution creates the following Funds and Accounts to be held by the Trustee:

(1) Program Fund, and therein
    Loan Accounts
    Cost of Issuance Accounts
    Capitalized Interest Accounts
    Note Repayment Accounts
(2) Revenue Fund
(3) Debt Service Fund
(4) Capital Reserve Fund
(5) Acquired Development Expense Fund
(6) Redemption Fund, and therein
    Optional Redemption Account
    Special Redemption Account
(7) Loan Reserve Fund
(8) Rebate Fund

The Housing Development Escrow Payment Account is created within the General Fund held by the Agency.

Application of Bond Proceeds

The application of the proceeds of each Series of Bonds is governed by the General Resolution and the applicable Supplemental Resolution providing for their issue. With respect to all Series, the General Resolution requires that proceeds of sale be applied to fund the Capital Reserve Fund at the Capital Reserve Fund Requirement, paying costs of issuance, funding any capitalized interest on the Bonds and funding the Loan Reserve Fund at the Loan Reserve Requirement. The balance of such proceeds shall be deposited in the Loan Account established for the series of Bonds, or if the applicable Supplemental Resolution so provides, in a Note Repayment Account to pay Notes. The balance of proceeds of Refunding Bonds shall be applied as provided in the applicable Supplemental Resolution to effect the refunding of Bonds.

Program Covenants; Use of Loan Accounts

Amounts in the Loan Accounts established for each Series of Bonds shall be used for the making of Loans to Mortgage Lenders and the making of Mortgage Loans, and may be used to pay Notes issued to finance a Development.

Amounts in the Loan Accounts shall not be disbursed for making a Mortgage Loan unless the Mortgage Loan and the Mortgage have been duly executed and delivered and, as of the date that such disbursement is made, constitute valid and binding agreements between the parties thereto, enforceable in accordance with their terms, except as enforcement may be limited by operation of bankruptcy, insolvency or similar laws affecting the rights of creditors, subject only to Permitted Encumbrances, and any filings or recordings necessary to perfect or give effect to the interest of the Agency in connection with the financing of the Mortgage Loan shall have been duly made in accordance with the requirements of existing law. The Mortgage may be a participation by the Agency with others in a Mortgage Loan similarly secured so long as their interests have equal priority as to lien in proportion to the amount of the loan secured, but need not be equal as to interest rate, time or rate of amortization or otherwise. Each mortgagor must also provide an amount equal to the difference between the cost of the Development and the Mortgage Loan of the Agency, have acquired title to the site of the Development, or an interest in real property sufficient for the location thereon of the Development, free and clear of all liens and encumbrances which would materially affect the value or usefulness of such site or interest in real property, and have obtained the approval by the Agency of drawings and specifications of the Development.

Amounts in the Loan Accounts shall not be disbursed for making a Loan to a Mortgage Lender unless the Loan constitutes a general obligation of the Mortgage Lender, and the Loan documents have been duly executed and delivered and, as of the date that such disbursement is made, constitute valid and binding agreements between the parties thereto, enforceable in accordance with their terms, except, as enforcement may be limited by operation of bankruptcy, insolvency or similar laws affecting the rights of creditors. Each Loan must also be secured by a pledge of loan collateral, which shall be maintained in an amount equal to the amount specified by the Agency.

Application of Revenues and Other Money

All Revenues, Prepayments, Recovery Payments and Acquired Development Operating Income will be deposited daily, as far as practicable, in the name of the Trustee with one or more banks appointed by the Agency as depositories. Not later than the last business day of each month, all Revenues, Prepayments and Recovery Payments will be transferred to the Trustee, for deposit as follows: (i) Revenues shall be credited to the Revenue Fund, (ii) Prepayments shall be credited to the applicable Loan Account in the Program Fund or the Special Redemption Account or the Optional Redemption Account in the Redemption Fund as directed by the Agency, provided Prepayments allocable to that portion of any Loan or Mortgage Loan financed from the General Fund shall be credited to the Revenue Fund, and (iii) Recovery Payments shall be credited to the appropriate Account in the Redemption Fund as directed by the Agency, except when the Agency determines to sell land not required to complete an Acquired Development and to use the proceeds of sale to finance completion of the Acquired Development, provided that any Recovery Payments in excess of the amount required to redeem all Bonds issued to finance the applicable Loan or Mortgage Loan will be deposited in the Revenue Fund.

Acquired Development Operating Income may remain on deposit with a depository, or may be transferred to the Trustee, for use as described below under "Application of Funds." Acquired Development Operating Income shall be credited to the Acquired Development Expense Fund to fulfill the Acquired Development Expense Requirement, and the remaining Acquired Development Operating Income shall be credited to the Revenue Fund.

All Assigned Rents shall be held by the Agency, a depository or the Trustee in trust for the account of the Mortgagor. The Agency shall segregate Assigned Rents into Revenues and Prepayments for deposits as described above. The remaining Assigned Rents shall be applied by the Agency to the operation and maintenance of the applicable Development by payment to the Mortgagor or to other persons. Escrow Payments received by the Agency shall be deposited in the Housing Development Escrow Payment Account and shall be promptly applied by the Agency to the purpose for which such payments were received.

The Trustee, as of the first day of each month and within five business days thereafter, shall apply amounts in the Revenue Fund in the following order of priority:

First: To the Debt Service Fund, the amount, if any, needed to increase the amount in the Debt Service Fund so that it equals the Debt Service Requirement (and, if such month is a month in which a payment of interest or a Principal Installment is due, the Debt Service Requirement calculated as of the day of such month on which such payment is due);

Second: To the Capital Reserve Fund, the amount, if any, needed to increase the amount in the Capital Reserve Fund so that it equals the Capital Reserve Fund Requirement.

Third: To the Acquired Development Expense Fund, the amount, if any, needed to increase the amount in the Acquired Development Expense Fund so that it equals the Acquired Development Expense Requirement;

Fourth: To the Loan Reserve Fund, the amount, if any, needed to increase the amount in the Loan Reserve Fund so that it equals the Loan Reserve Requirement, or such greater amount as may be specified by the Agency from time to time in a resolution of the Agency filed with the Trustee;

Fifth: At the written direction of the Agency, to the credit of the Rebate Fund such amounts and at such times as the Agency shall determine are necessary to comply with the provisions of the General Resolution and any Supplemental Resolution, as appropriate; and

Sixth: At the written direction of the Agency, to the General Fund, any balance remaining, but only upon receipt by the Trustee of a Cash Flow Certificate giving effect to the transfer of such amounts to the General Fund and release of the same from the lien of the General Resolution, in which case the Trustee may, upon receipt of such Cash Flow Certificate and an Officer's Certificate, transfer such amount or any part thereof to any Fund or Account under the General Resolution or to the Agency, free and clear of the lien or pledge created by the General Resolution, to be used for any lawful purpose of the Agency, all as directed by the Agency in the Officer's Certificate.

Application of Funds

Debt Service Fund. Amounts in the Debt Service Fund will be applied to pay interest and Principal Installments (including sinking fund payments) due on the Bonds. Amounts accumulated in the Debt Service Fund with respect to any sinking fund installment may, and if so directed by the Agency, shall, be applied by the Trustee prior to the 45th day preceding the due date of such sinking fund installment, to (i) the purchase of Bonds of the Series and maturity for which such sinking fund installment was established, at prices not exceeding the applicable sinking fund redemption price and in such manner as the Trustee shall determine, or (ii) the redemption of such Bonds then redeemable by their terms. As soon as practicable after the 45th day preceding the due date of any such sinking fund installment, the Trustee will call for redemption on such due date Bonds of the Series and maturity for which such sinking fund installment was established in an amount sufficient to complete the retirement of the principal amount of the Bonds of such Series and maturity specified for such sinking fund installment, whether or not the balance in the Debt Service Fund is sufficient to pay all such Bonds. In satisfaction, in whole or part, of any sinking fund installment, the Agency may deliver to the Trust Bonds of the Series and maturity entitled to such payment. All Bonds so delivered to the Trustee will reduce the amount of the sinking fund installment by the amount of the aggregate of the sinking fund redemption prices of such Bonds. The Trustee shall not purchase or accept Bonds in lieu of any sinking fund installment during the 45 days prior to the due date of any sinking fund installment or such lesser period as permitted by a Supplemental Resolution.

Capital Reserve Fund. If at any time the amount on deposit and available therefor in the Capitalized Interest Accounts, the Debt Service Fund and the Loan Reserve Fund is insufficient to pay the principal and redemption price of and interest on the Bonds then due, the Trustee will withdraw from the Capital Reserve Fund and deposit in the Debt Service Fund the amount necessary to meet the deficiency. If on the last business day of any month, the amount on deposit in the Capital Reserve Fund is in excess of the Capital Reserve Fund Requirement (calculated as of the first day of the next succeeding month), if directed by the Agency in an Officer's Certificate, the excess will be deposited in the Revenue Fund or to any Account in the Redemption Fund specified in the Officer's Certificate.

Loan Reserve Fund. If at any time the amount on deposit and available therefor in the Capitalized Interest Accounts and the Debt Service Fund is insufficient to pay the principal and redemption price of and interest on the Bonds then due, the Trustee will withdraw from the Loan Reserve Fund and deposit in the Debt Service Fund the amount necessary to meet the deficiency. Amounts in the Loan Reserve Fund may also be applied (i) for deposit in the Special Redemption Account for payment of premiums on Bonds to be redeemed, (ii) for deposit in the Acquired Development Expense Fund or payment of costs and expenses of Acquired Developments for which amounts on deposit in such Fund are insufficient or (iii) for payment or reimbursement to the Agency for costs and expenses incurred by the Agency in preserving or protecting the Agency's interest in any Loan or Mortgage Loan. If on the last business day of any month, the amount on deposit in the Loan Reserve Fund is in excess of the Loan Reserve Requirement (calculated as of the first day of the next succeeding month), and if so directed by the Agency in an Officer's Certificate, the excess will be deposited in the Revenue Fund or into any Account in the Redemption Fund specified in the Officer's Certificate.

Redemption Fund. The Redemption Fund includes a Special Redemption Account and an Optional Redemption Account. Amounts in the Special Redemption Account are to be applied by the Trustee for the purchase or redemption of Bonds, to the extent provided in a Supplemental Resolution,

at a price as set forth in the applicable Supplemental Resolution. Amounts in the Optional Redemption Account are to be applied by the Trustee for the purchase or redemption of Bonds at a price set forth in the applicable Supplemental Resolution. The Agency will select the Series of Bonds to be purchased, and the amount and maturities of the Bonds to be redeemed. Such purchases or redemption will be made by the Trustee in the manner provided in the General Resolution.

Prior to any purchase or redemption of Bonds the Agency must file with the Trustee a certificate setting forth a schedule of anticipated Revenues to be derived from all Loans and Mortgage Loans outstanding and anticipated to be made after giving effect to any estimated Prepayments and stating that the Agency expects that such Prepayments will be made on or before the dates as of which they have been estimated to be made in such schedule, together with a schedule of Principal Installments of and interest on all Bonds which will be outstanding after giving effect to such purchase or redemption, and other purchases and redemptions expected to be made with such Prepayments, and showing that such anticipated Revenues, together with any other amounts to be held in the Loan Accounts, the Debt Service Fund, the Capital Reserve Fund, the Loan Reserve Fund and the Redemption Fund after such purchase or redemption, will at least be sufficient to pay as and when due all of such Principal Installments and interest. Excluded from such computation are any Revenues or Prepayments expected to be received by the Agency that are allocable to the portion of any Loan or Mortgage Loan financed from the General Fund.

Acquired Development Expense Fund. Money deposited in the Acquired Development Expense Fund pursuant to the General Resolution is to be applied to the payment of any of the costs and expenses incurred by the Agency in connection with Acquired Developments. In the event that the Agency is in possession of an Acquired Development the Agency shall, on a monthly or other reasonable basis, file with the Trustee a certificate stating the amounts required (less the unencumbered amount remaining from the previous filing period) by the Agency for operation and maintenance of such Acquired Developments, stating in general the purpose of such costs and expenses, and the Trustee shall transfer to the Agency the amount so required.

General Fund. Except as provided in the General Resolution, all amounts paid to the Agency for deposit in the General Fund, including amounts deposited therein in repayment of any portion of a Mortgage Loan financed from the General Fund, shall be free and clear of any lien or pledge created by the General Resolution and may be used for any lawful purpose, including without limiting the generality of the foregoing, payments to the Revenue Fund, the Debt Service Fund, the Capital Reserve Fund, the Loan Reserve Fund, the Redemption Fund, any Loan Account, the Housing Development Escrow Payment Fund or the Acquired Development Expense Fund.

Investment of Funds and Accounts

Money in the Funds and Accounts held under the General Resolution shall be invested in Investment Obligations the maturity or redemption date of which shall coincide as nearly as practicable with the times at which money in said Fund or Account will be required for the purposes provided in the General Resolution. Such investments shall be made directly or may be made by purchase of the shares of an investment company registered under the Investment Act of 1940, whose shares are registered under the Securities Act of 1933, so long as the investments of such company are only Investment Obligations.

In computing the amount in any Fund or Account held by the Trustee, Investment Obligations shall be valued at par if purchased at par or at amortized value if purchased at other than par. Valuation on any particular date shall include the amount of interest then earned or accrued to such date on any Investment Obligations.

The Agency has covenanted not to permit any of the proceeds of the Bonds or any other funds of the Agency to be used directly or indirectly to acquire any securities or obligations the acquisition of which would cause any of the Bonds to be an "arbitrage bond" as defined in Section 148 of the Internal Revenue Code of 1986, as amended (the "Code").

Events of Default

Events of Default specified in the General Resolution include:

(1) default in the payment of the principal or redemption price of any Bond when due, whether at maturity or by call for redemption, or otherwise, or in the payment of any sinking fund installment or installment of interest on any Bond when due,

(2) default by the Agency in the performance or observance of any other covenants provided in the General Resolution or in the Bonds which continues for a period of 30 days after written notice thereof is given to the Agency by the Trustee or to the Agency and the Trustee by the holders of 51% in principal amount of the Bonds outstanding; provided that if such default cannot be remedied within such 30-day period, it shall not constitute an Event of Default if corrective action is instituted by the Agency within such period and diligently pursued until the default is remedied,

(3) entrance of an order, judgment or decree appointing a receiver, trustee, or liquidator for the Agency or the whole or any substantial part of its assets, granting relief in involuntary proceedings with respect to the Agency under the Federal Bankruptcy Act, or assuming custody or control of the Agency or of the whole or any substantial part of its assets under any law for the relief of debtors, which order, judgment or decree is not set aside or stayed within 60 days of its date, or

(4) the Agency admitting in writing its inability to pay its debts generally as they become due, commencing voluntary proceedings in bankruptcy or seeking a composition of indebtedness, making an assignment for the benefit of its creditors, consenting to the appointment of a receiver of the whole or any substantial part of its assets, or consenting to the assumption by any court of competent jurisdiction under any law for the relief of debtors of custody or control of the Agency or of the whole or any substantial part of its assets.

Remedies

Upon the happening and continuance of an Event of Default, the Trustee in its own name may proceed, and upon the written request of the holders of not less than 51% in principal amount of the Bonds then outstanding, shall proceed, to protect and enforce its rights and the rights of the holders of Bonds under the laws of the State or under the Resolutions by such suits, actions or proceedings as the Trustee shall deem most effectual to protect and enforce such rights, including for defaults other than

a default in the performance of covenants, declaring the principal of all the Bonds then outstanding, and the interest accrued thereon, to be due and payable immediately.

Unless otherwise provided in a Supplemental Resolution, upon the happening of an Event of Default which continues for a period of ten days after a written request of the Trustee or of the Holders of not less than 51% in principal amount of the Outstanding Bonds to cure such default, the Agency shall effectuate the assignment of any or all of the Loans, Mortgages, Mortgage Loans, Loan Agreements, Loan Collateral and Collateral Assignment Agreements held by the Agency to the Trustee.

Application of Revenues and Other Money After Default

The Agency covenants that if an Event of Default happens and is not remedied, the Agency, upon demand of the Trustee, will pay over to the Trustee all money, securities and funds then held by the Agency in any Fund or Account pledged under the General Resolution and upon receipt thereof all Revenues, Prepayments, Recovery Payments, Assigned Rents, Acquired Development Operating Income and other money and funds pledged thereunder. Unless otherwise directed by a court, all such Revenues, Prepayments, Recovery Payments, Assigned Rents, Acquired Development Operating Income and other money and funds, and any other money received or collected by the Trustee shall, except as provided below, be applied as provided in the General Resolution.

During the continuance of an Event of Default, the funds held by the Trustee and any other money received or collected by the Trustee after payment of any expenses of the Trustee, shall be applied as follows (except for amounts held in the Rebate Fund):

(i) unless the principal of all the Bonds has been declared due and payable,

First: To the payment of all installments of interest then due in the order of the maturity of such installments, and, if the amount available is not sufficient to pay in full any installment, then to the payment thereof ratably without any discrimination or preference, except with respect to any Bonds subject to subordination; and

Second: To the payment of the unpaid Principal Installments of any Bonds which have become due, whether at maturity or by call for redemption, in the order of their due dates and, if the amount available is not sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably without any discrimination or preference;

(ii) if the principal of all of the Bonds has been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any Bond over any other Bond, ratably, without any discrimination or preference, except with respect to any Bonds subject to subordination.

Supplemental Resolutions

Any of the provisions of the Resolutions may be amended by the Agency by a Supplemental Resolution with the written consent of the holders of at least 51% in principal amount of the Bonds outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like series, maturity and interest rate remain outstanding, the consent of the holders of such Bonds shall not be required; and provided, further, that no such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any outstanding Bonds or on any installment of interest thereon or a reduction in the principal amount or the redemption price thereof or the rate of interest thereon without the consent of the holder of such Bond, or shall reduce the percentages or otherwise affect the description of Bonds, the consent of the holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of the Trustee without the filing with the Trustee of its written assent thereto.

The Agency may adopt (without the consent of any holders of the Bonds or the Trustee) Supplemental Resolutions for the following purposes:

(i) to close the General Resolution against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the General Resolution on, the issuance in the future of Bonds, or of other notes, bonds, obligations or other evidences of indebtedness; (ii) to add to the covenants or agreements of the Agency contained in the General Resolution other covenants or agreements to be observed by the Agency which are not contrary to or inconsistent with the General Resolution; (iii) to add to the limitations or restrictions contained in the General Resolution other limitations or restrictions to be observed by the Agency which are not contrary to or inconsistent with the General Resolution as theretofore in effect; (iv) to surrender any right, power or privilege reserved to or conferred upon the Agency by the General Resolution; (v) to confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the General Resolution, of the Revenues or of any other moneys, securities or funds; (vi) to specify, determine or authorize any and all matters and things relative to the Bonds of a Series or the proceeds thereof which are not contrary to or inconsistent with the General Resolution; (vii) to modify any of the provisions of the General Resolution or any Supplemental Resolution in any respect whatever, provided that (A) such modification shall be, and be expressed to be, effective only after all Bonds of any Series Outstanding at the date of the adoption of such modified General Resolution or Supplemental Resolution shall cease to be Outstanding and (B) such modified General Resolution or Supplemental Resolution shall be specifically referred to in the text of all Bonds of any Series delivered after the date of the adoption of such Supplemental Resolution and of Bonds issued in exchange therefor or in place thereof; (viii) to evidence the appointment of a separate or co-Trustee or a co-registrar or transfer agent of the succession of a new Trustee, Paying Agent or registrar hereunder; (ix) to make any change as shall be necessary in order to obtain for any Series of Bonds a rating (which is at least investment grade) from a nationally recognized rating service or to qualify them to be in book-entry form; (x) to make any change as shall be necessary in order to maintain the exclusion of interest on any of the Bonds, if the Agency so intends, from gross income of the holders of such Bonds for federal income tax purposes; and (xi) with confirmation of the ratings on the Bonds then Outstanding from any rating agency then maintaining a rating on the Bonds, to make any other change, except for any change which requires the consent of the Holder of an affected Bond or the consent of the Trustee.

For any one or more of the following purposes and at any time or from time to time, a resolution of the Agency amending or supplementing the General Resolution may be adopted with the consent of the Trustee: (i) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the General Resolution; (ii) to provide for additional duties of the Trustee in connection with the Loans and Mortgage Loans or to expand the duties or responsibilities of the Trustee; (iii) to insert such provisions clarifying matters or questions arising under the General Resolution as are necessary or desirable and are not contrary to or inconsistent with the General Resolution as in effect at the time of such resolution; (iv) to make such modifications or changes that are not materially adverse to the interests of the Bondholders, in the judgment of the Trustee, which may rely on an opinion of counsel; (v) to grant to or confer upon the Trustee for the benefit of the Holders of the Bonds or any credit provider, including any bond insurer, any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Holders of the Bonds or any credit provider, including any bond insurer, or the Trustee or any of them; (vi) to make any modifications or changes that shall adversely affect the Trustee's rights, immunities and protections; and (vii) to make any and all changes necessary to implement credit enhancement, including bond insurance, which do not adversely affect the ratings of the Bonds.

Removal of Trustee

The General Resolution provides that unless an Event of Default, or an event which with notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing, the Agency shall have the right to remove the Trustee at any time upon filing with the Trustee an instrument in writing for such reason as shall be determined in the sole discretion of the Agency, in accordance with the terms of the General Resolution.

Defeasance

If the Agency pays the principal, interest and redemption price, if any, to become due on all outstanding Bonds, then the pledge of money and securities and all other rights granted by the General Resolution will be discharged and satisfied. All outstanding Bonds of any series will, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning of the foregoing sentence, if among other things, there has been deposited with the Trustee either money in an amount sufficient or Investment Obligations as defined in clauses (i) and (ii) of the definition of Investment Obligations the principal of and interest on which when due will provide money in an amount sufficient to pay when due the principal or redemption price, if applicable, of and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, at the case may be.

TAX EXEMPTION

In the opinion of Bond Counsel, assuming compliance with certain covenants and agreements which are intended to ensure compliance with Section 103 of the Code, under existing laws, regulations, rulings and judicial decisions, interest on the 1995 Series A Bonds is excludable from gross income of the holders thereof for federal income tax purposes. Bond Counsel is also of the opinion that interest on the 1995 Series A Bonds is not a "specific tax preference item" directly subject to the alternative minimum tax imposed on individuals and corporations under the Code. Bond Counsel expresses no opinion concerning the exclusion of interest on the 1995 Series A Bonds for any periods for which a

1995 Series A Bond is held by a "substantial user" of the facilities provided by the 1995 Series A Bonds, or held by a "related person" to a "substantial user."

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the 1995 Series A Bonds. The Agency has covenanted to comply with certain restrictions designed to assure that interest on the 1995 Series A Bonds will not become includable in gross income for federal income tax purposes. The Agency has also covenanted to take all lawful action necessary under the Code to ensure that interest on the 1995 Series A Bonds will remain excluded from gross income for federal income tax purposes and to refrain from taking any action which would cause interest on the 1995 Series A Bonds to become included in gross income. In the opinion of Bond Counsel these covenants and agreements, if followed, will cause such restrictions, conditions and requirements to be satisfied. Failure to comply with these covenants and agreements may result in interest on 1995 Series A Bonds being includable in federal gross income, possibly from the date of issuance of the 1995 Series A Bonds. The opinion of Bond Counsel assumes compliance with these covenants and agreements.

In addition, Section 148 of the Code sets forth, as a condition to exclusion of interest from gross income for federal income tax purposes on governmental obligations, such as the 1995 Series A Bonds, certain restrictions regarding the investment of the "gross proceeds" of such obligations. These "arbitrage" provisions set forth limitations on the yield of investments acquired with "gross proceeds" of the 1995 Series A Bonds, and also provide for periodic rebate of specified portions of the arbitrage profit derived from such investments. Failure to comply with such requirements at any time could retroactively affect the exclusion from gross income for federal income tax purposes of interest on the 1995 Series A Bonds. The Agency has covenanted to comply with the ongoing requirements of Section 148 of the Code, including requirements regarding, among other things, limitations on investment of the 1995 Series A Bonds proceeds and rebate to the federal government, which covenants, if complied with, will satisfy Section 148 of the Code.

The 1995 Series A Bonds are subject to requirements that the facilities refinanced with the proceeds of the 1995 Series A Bonds must be used as "residential rental projects" for the "qualified project period." In order to qualify as "residential rental projects" at least 20% of the residential units in the development must be occupied by individuals whose income is 80% or less of area median gross income.

The "qualified project period" is defined as that period of time beginning on the first day on which at least 10% of the units in the development are occupied and ending on the latest of (a) the date which is 10 years after the date on which at least 50 percent of the units in the project that are provided with the proceeds of the issue are first occupied, (b) the date which is 50% of the term of the obligation with the longest maturity, including the longest maturity of any refunding obligation, used to provide the project, or (c) the date on which any assistance provided with respect to the project under Section 8 of the United States Housing Act of 1937 terminates.

Although Bond Counsel has rendered an opinion that interest on the 1995 Series A Bonds is excluded from gross income for federal income tax purposes, the accrual or receipt of interest on the 1995 Series A Bonds may otherwise affect a holder's federal income tax liability. The nature and extent of these other tax consequences will depend upon a holder's particular tax status and the holder's other items of income or deduction. Bond Counsel express no opinion regarding any such consequences. Purchasers of the 1995 Series A Bonds, particularly purchasers that are corporations (including S

corporations and United States branches of foreign corporations), property and casualty insurance companies, banks, thrifts or other financial institutions or recipients of Social Security or Railroad Retirement benefits, are advised to consult their tax advisors as to the tax consequences of purchasing or holding the 1995 Series A Bonds.

Vermont Taxes

The Act provides that bonds and notes of the Agency, including the 1995 Series A Bonds, and the interest thereon are at all times free from all Vermont taxation, franchise fees or special assessments except for transfer, inheritance and estate taxes. The 1995 Series A Bonds and the income therefrom may be subject to taxation under the laws of states other than the State.

PLEDGE AND AGREEMENT OF THE STATE

Under the Act, the State pledges and agrees with the holders of bonds that the State will not limit or restrict the rights vested in the Agency to perform its obligations and to fulfill the terms of any agreement made with the holders of its bonds or in any way impair the rights and remedies of the holders of the bonds until the bonds and interest thereon are fully met, paid and discharged.

The Act provides that Bonds and other obligations of the Agency will not be deemed to constitute a debt or liability or obligation of the State or of any political subdivision thereof or a pledge of the faith and credit of the State or of any political subdivision, but will be payable solely from revenues or assets of the Agency.

NO LITIGATION

There is no controversy or litigation of any nature now pending or, to the knowledge of the Agency, threatened to restrain or enjoin the issuance, sale, execution or delivery of the 1995 Series A Bonds, or the making of Loans or Mortgage Loans with the proceeds of the 1995 Series A Bonds, or in any way contesting or affecting any authority for the issuance of or the validity of the 1995 Series A Bonds, any proceedings of the Agency taken with respect to the issuance or sale thereof, the pledge or application of any money or security provided for the payment of the 1995 Series A Bonds, or the existence or powers of the Agency.

FINANCIAL STATEMENTS OF THE AGENCY

The financial statements of the Agency for the year ended June 30, 1994 included in Appendix I have been examined by KPMG Peat Marwick, independent certified public accountants, whose report thereon is also included in Appendix I. The unaudited financial statements of the Agency for the six months ended December 31, 1994 included in Appendix IA have been prepared by the staff of the Agency.

APPROVAL OF LEGALITY

All legal matters related to the authorization, issuance, sale and delivery of the 1995 Series A Bonds are subject to the approval of Kutak Rock, Atlanta, Georgia, Bond Counsel. The unqualified approving opinion of Bond Counsel in substantially the form attached as Appendix IV will be delivered with the 1995 Series A Bonds. Certain legal matters will be passed upon for the Agency by Glenn A. Jarrett, Esq., General Counsel of the Agency, and for the Underwriters by Orrick, Herrington & Sutcliffe, New York, New York, Counsel to the Underwriters.

RATINGS

Standard & Poor's Rating Group, a division of McGraw-Hill, Inc., ("S&P") and Moody's Investors Service ("Moody's") have assigned the municipal bond rating of "____" and "____," respectively, to the 1995 Series A Bonds.

Certain information was supplied by the Agency to the rating agencies to be considered in evaluating the 1995 Series A Bonds. Each rating issued reflects only the views of S&P and Moody's, respectively, and any explanation of the significance of such rating may be obtained only from S&P or Moody's, as applicable. No assurance can be given that either such rating will be retained for any given period of time or that it will not be revised or withdrawn entirely if, in the judgment of S&P or Moody's, as applicable, circumstances so warrant. The Agency and Trustee undertake no responsibility to bring to the attention of the holders of the 1995 Series A Bonds any revision or withdrawal of either such rating. Any such revision or withdrawal of either such rating obtained may have an adverse effect on the market price of the 1995 Series A Bonds.

UNDERWRITING

The Underwriters have jointly and severally agreed, subject to certain conditions, to purchase the 1995 Series A Bonds from the Agency at a price equal to 100% of the principal amount thereof, plus accrued interest. The Underwriters will receive an underwriting fee equal to $_____. The obligation of the Underwriters to purchase the 1995 Series A Bonds is subject to certain terms and conditions set forth in the Purchase Contract entered into between the Underwriters and the Agency. The 1995 Series A Bonds may be offered and sold to certain dealers, banks and others at prices lower than the initial public offering prices, and such initial offering prices may be changed, from time to time, by the Underwriters.

MISCELLANEOUS

The references herein to the Act, the General Resolution and the Fourth Supplemental Resolution are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and reference is made to the Act, the General Resolution, and the Fourth Supplemental Resolution for full and complete statements of such provisions. The agreements of the Agency with the holders of the 1995 Series A Bonds are fully set forth in the General Resolution and the Fourth Supplemental Resolution, and this Official Statement is not to be construed as a contract with the purchasers of the 1995 Series A Bonds. So far as any statements are made in this Official Statement involving matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact. Copies of the Act, the General Resolution and the Fourth Supplemental Resolution mentioned in this paragraph are on file with the office of the Agency. The address of the Agency is Post Office Box 408, Burlington, Vermont 05402 and its telephone number is (802) 864-5743.

The Agency prepares annual financial statements for the fiscal year ending on June 30 of each year; however, the Agency is under no obligation to file its annual financial statements with any repository or other entity. The Agency has covenanted, pursuant to the General Resolution, to maintain, or cause to be maintained, proper books of record and account with respect to the Program and all Funds and Accounts and the General Fund, which are subject to inspection by Bondholders and the Trustee pursuant to the terms of the General Resolution. Furthermore, the Agency has covenanted to file certain certifications with the Trustee and certain officials of the State, as may be required by the Act, with respect to anticipated Revenues and other financial matters. As of the date of this Official Statement, the Agency is reviewing proposals to provide information other than the information required to be provided as described herein and as set forth in the Resolutions.

The execution and delivery of this Official Statement by its Executive Director have been duly authorized by the Agency.

VERMONT HOUSING FINANCE AGENCY

By_____
Executive Director

APPENDIX I

AUDITED FINANCIAL STATEMENTS
YEAR ENDING JUNE 30, 1994

UNAUDITED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDING DECEMBER 31, 1994

The unaudited balance sheets of the various funds of the Vermont Housing Finance Agency as of December 31, 1994, and the related unaudited statements of revenues, expenses and changes in fund balance, and statements of cashflows for the six months then ended have not been audited by independent certified public accountants, but, in the opinion of the staff of the Agency all adjustments (all of which were normal recurring accruals) necessary for a fair presentation of the financial position of the various funds as of December 31, 1994 and the results of their operations and the changes in cash position for the six months then ended have been included.

/s/Roger A. Schoenbeck
Director of Finance

APPENDIX II

DESCRIPTION OF THE PROJECTS

Location(1)	Total No. and Type (Elderly or Family) of Units	Approximate Annual Gross Rents (1994)(2)	HAPC Payments (1994)	Expiration Date of HAPC(3)	Approximate Annual Expenses (1994)(4)	Original Mortgage Loan Balance(5)	Unpaid Principal Balance as of December 31, 1994	Mortgage Loan Interest Rate	Maturity Date
Funded with Proceeds of 1981 Series A Bonds									
Island Pond	22E							14 %	
North Troy	6E, 8F							13 3/4	
Bridgewater	10E, 4F							13 3/4	
Vergennes	24E							13 3/4	
Colchester	5F							13 3/4	
Fairfax	20E							14	
St. Albans	31E							13 3/4	
Poultney	11E							14	
Jericho	24E							14	
Waitsfield	12E, 12F							14	
Alburg	16E							13 3/4	
Middlebury	12F							13 3/4	
Swanton	12F							13 3/4	
Burlington NSA (73-75, 128 King St.)	7F							13 3/4	
St. Johnsbury	14E, 14F							13 3/4	
North Bennington	24E							14	
Burlington NSA (Church and Pine St.)	27F							13 3/4	
Fairfield	8E							13 3/4	
Funded with Proceeds of 1982 Series A Bonds									
Benson (5)	15E							14	
Canaan	12E							14	
Castleton	12F							14	
Newport	12F							14	
Proctor	12E							14	
St. Albans	12F							14	
Burlington NSA (Champlain St.) (6)	51F							13 1/2	
West Burke	6F, 9E							14	
Westminster	9F							14	
Burlington NSA (South St. Paul St.)	15F							14	
Randolph	9F							14	

Location(1)	Total No. and Type (Elderly or Family) of Units	Approximate Annual Gross Rents (1994)(2)	HAPC Payments (1994)	Expiration Date of HAPC(3)	Approximate Annual Expenses (1994)(4)	Original Mortgage Loan Balance(5)	Unpaid Principal Balance as of December 31, 1994	Mortgage Loan Interest Rate	Maturity Date
Funded with Proceeds of 1983 Series A Bonds									
Rutland	75E							10.45	
Burlington NSA (Elmwood Ave.)	36E, 5F							10.45	
Burlington NSA (Monroe St.)	7F							10.45%	
Hardwick	14E							10.45	
Hardwick	8F							10.45	

(1) All of the developments indicated except the Swanton, Benton and Randolph developments will be owned by limited partnerships organized for limited profit.

(2) Includes HAPC payments and assumes 100% occupancy and rent collection. As of the date of this Official Statement, the occupancy rates on the developments averaged approximately 99%. For a discussion of gross rents and the tenants' contributions thereto, see "SUMMARY OF SECTION 8 PROGRAM" in Appendix III.

(3) Assumes all permitted renewals. Renewals of the HAPCs are subject to certain conditions. See "THE PROGRAM—Mortgage Loans Securing the Bonds—Financed Mortgage Loans."

(4) Includes Mortgage Loan debt service, administrative expenses, management fee, utilities, ordinary maintenance, real estate taxes, insurance, and reserve for replacements. All of the Mortgage Loans provide for payments of principal and interest on a level debt service basis.

(5) The Agency loaned additional amounts which are secured by the Mortgage Loan with respect to certain of the developments, from its General Fund. Certain other of the developments are encumbered by additional financing that is subordinate to the related Mortgage Loan. See "MULTI-FAMILY PROCESSING AND EVALUATION—Permanent Mortgage Financing" in Appendix IV.

(6) All of the Mortgage Loans have original terms to maturity of 30 years.

SUMMARY OF SECTION 8 PROGRAM

Introduction

The United States Department of Housing and Urban Development ("HUD"), created by the Housing and Urban Development Act of 1965, is responsible for the administration of various federal programs authorized under the United States Housing Act of 1937, as amended.

The following summary of the Section 8 Housing Assistance Payments Program (the "Section 8 program") is not comprehensive or definitive and is qualified in its entirety by reference to the Statutes, regulations and agreements referred to herein.

Section 8 Housing Assistance Payments Program

Section 8 of the United States Housing Act of 1937, as amended by the Housing and Community Development Act of 1974, established a federal housing assistance program of federal assistance for multi-family housing developments of the type that the Agency finances under its Program. The Section 8 program is administered on the federal level by HUD and on the state level by the State Housing Authority. Basically, the Section 8 program involves the distribution of housing assistance payments to the owners of housing developments assisted under such program.

Pursuant to regulations issued by HUD under the Section 8 program, HUD has granted "set-asides" for state housing agencies (i.e., reservations of annual housing assistance payments under the Section 8 program) which an agency, with HUD approval, can allocate to developments according to its own housing program. As provided in the regulations, HUD reserved a portion of such set-asides to the State Housing Authority to be used in connection with the new construction or substantial rehabilitation of housing.

Eligible tenants for rental units assisted under the Section 8 program are families with family income not in excess of 50% of the median income for the area in which the development is located, as determined by HUD and adjusted for family size. HUD regulations define the term "family" to include elderly, disabled, handicapped, or displaced single persons and, under certain limited conditions, other single persons. In the State of Vermont, 50% of median income ranges from a low of $12,050 per year for one person to a high of $30,300 for a family of eight persons.

Section 8 housing assistance payments will be provided, in the case of developments that are permanently financed by the Agency and that utilize a portion of the State Housing Authority's annual set-asides of Section 8 contract authority, through an Annual Contributions Contract ("ACC") between HUD and the State Housing Authority and a Housing Assistance Payment Contract ("HAPC") between the State Housing Authority and the owner of the assisted development. Pursuant to the ACC, the State Housing Authority will receive an annual contribution from HUD, payable monthly in advance, with respect to each assisted dwelling unit and will, in turn, disburse monthly housing assistance payments to the owner of the development under the HAPC.

Either the developer or the Agency and State Housing Authority together submit proposals to HUD for each development to be assisted under the Section 8 program. Such proposals include information relating to the "contract rents" and the cost of utilities; schematic drawings of the proposed buildings; and a certificate specifying (i) the Agency's projected rate of borrowing for the funds which will be used for permanent financing of the development, (ii) the projected rate and term of permanent financing for the development, (iii) the projected capital cost of the development, and (iv) the projected monthly debt service for such permanent financing. Gross rents equalling contract rents plus an allowance for utilities proposed in this manner cannot exceed the HUD-determined "fair market rents" for comparable units, except that such rents may exceed HUD-established fair market rents by up to 10% with the approval of the HUD area office, and by up to 20% with the approval of the HUD central office.

Under the Section 8 program, the owner must determine the portion of the gross rent to be paid by the tenant in accordance with HUD's schedules and criteria, based on 30% of the eligible tenant's income (as defined by HUD). The balance of the gross rent will be paid to the owner by HUD, the State Housing Authority or the Agency in the form of monthly housing assistance payments.

If a vacancy exists, other than as a result of action by the owner which is in violation of the lease, the owner will be entitled to housing assistance payments equal to 80% of the contract rent for a vacancy period not exceeding sixty days, so long as the owner diligently endeavors to fill the vacancy with an eligible tenant. Such payments for vacancies will be reduced to the extent the owner receives payment from the tenant for such vacancy period or the owner is otherwise entitled to payments from any other source, including a security deposit, for the vacant unit. In addition, if a unit continues to be vacant after this 60-day period, the owner may receive additional payments of up to one year for each vacancy, equal to the principal and interest payments required to amortize the debt attributable to that unit, provided that (i) the unit is in decent, safe and sanitary condition during the vacancy period, (ii) the owner has taken and continues to take all feasible actions to fill the vacancy, (iii) the development is not providing the owner with revenues equal to costs incurred and the amount of the payments do not exceed the deficiency, and (iv) the owner submits a statement with supporting evidence satisfactory to HUD (or the State Housing Authority if it is administering the HAPC) that the development can achieve financial soundness within a reasonable time. HUD (or the State Housing Authority or the Agency) may deny any claim for additional payments if it determines that, based on the owner's statement and other evidence, there is not a reasonable prospect that the development can achieve financial soundness within a reasonable time. Housing assistance payments are not payable with respect to units that are occupied by tenants who are not eligible for Section 8 assistance. However, if the dwelling unit is subsequently reoccupied by an eligible tenant, housing assistance payments will again become available to the owner unless the HAPC has been modified in the interim by deleting that dwelling unit from its coverage.

The State Housing Authority or the Agency is permitted, but not required, to delete from the HAPC any units that the owner fails, for substantial periods of time, to lease or make available for lease by eligible tenants. The Agency's mortgage loan documents prohibit the owner from leasing more than 20% of the dwelling units to ineligible tenants without prior approval from the Agency.

HUD's Section 8 regulations and the ACCs provide that the initial contract rents for the assisted dwelling units in each development may be adjusted annually pursuant to a HUD-established automatic annual adjustment factor notice. Special additional adjustments may be approved by HUD

to reflect actual and necessary expenses of owning and maintaining the development that have resulted from substantial general increases in real property taxes, utility rates or similar costs (i.e., assessments and utilities not covered by regulated rates), but only to the extent that such general increases are not compensated for by the automatic annual adjustment. In addition, for projects (such as the developments financed with the proceeds of the Prior Bonds) with respect to which a HAPC was executed after October 1, 1981, adjustments in contract rents may not exceed the amount of the increases in operating expenses incurred by owners of comparable projects in the area as determined by HUD. There can be no assurance that increases in contract rents will be sufficient to compensate for increased operating expenses of the developments.

The maximum total annual contribution that may be contracted for in an ACC will equal the initial gross rents for all assisted units in the development. If the amount of housing assistance payments actually disbursed under an ACC in any given year is less than the total available amount, the excess (initially an amount equal to the portion of the gross rents payable by the tenants) is available to be set aside by HUD in an account (the "project account") for the particular development and will be available for future years to fund increases in contract rents for the development or decreases in family incomes. If and when a project account falls below a specified level, HUD undertakes in the ACC to provide additional funding, to the extent permitted by law, in order to increase the maximum annual contribution payable under the ACC.

Although the Section 8 housing assistance payments are made directly or indirectly to the owner and, in effect, represent rental income, the HAPC may, with HUD's approval, be pledged by the owner to the Agency as mortgage lender on the development. All of the HAPC's covering the Agency's developments have been so pledged. However, the owner will retain the right to collect such payments so long as the owner is in compliance with the provisions of the HAPC and the Agency's Mortgage Loan documents. Housing assistance payments by HUD do not terminate if the mortgage on the development goes into default, so long as the owner has not breached any of his obligations under the HAPC, including, among other responsibilities, his obligation to maintain and operate the development so as to provide decent, safe and sanitary housing. In the event of breach by the owner, HUD may abate or terminate housing assistance payments after giving the owner and the State Housing Authority an opportunity to take corrective action.

Neighborhood Strategies Area (NSA) Program

On January 31, 1978, HUD issued new Section 8 regulations providing for set-asides of units under the Section 8 program to local governments for specific neighborhoods ("Neighborhood Strategy Areas" or NSAs). These regulations require that the Section 8 funds be applied in conjunction with other public and private resources in the revitalization of each NSA.

The cities of Burlington and Winooski, Vermont have been awarded 470 units to be constructed over a period of three years, for substantial rehabilitation of the NSAs. Under the HUD regulations, each city is required to review all proposals and transmit to HUD those it certifies as meeting its requirements and restrictions. The Agency has provided permanent financing for 17 units in Winooski and 252 units in Burlington.

MULTI-FAMILY PROCESSING AND EVALUATION

The following discussion provides certain information with respect to the Agency's Mortgage Loan review process. Such information is not comprehensive or definitive. The limits, reserves, rules and criteria described below are not required by the Resolutions and are subject to modification or waiver by the Agency, as a whole or in part at any time.

Introduction

The ability of owners of multi-family rental developments to make mortgage payments is affected by a variety of factors, including the achievement and maintenance of a sufficient level of occupancy; sound management of the developments; timely and adequate increases in rents to cover increases in operating expenses including taxes, utility rates, and maintenance costs; changes in applicable laws and governmental regulations; and social and economic trends affecting the localities in which the developments are located, the State and the United States in general. In recognition of these factors, the Agency has established certain reserve and escrow requirements and certain procedures for monitoring operations with respect to Mortgage Loans. The Agency may waive or modify its requirements and procedures on a case by case basis, except when it is prohibited by law from doing so. In deciding whether to make a Mortgage Loan on a development the Agency considers, among other things, the extent of the need for subsidized rental housing in the market area, the quality and location of the proposed site, the experience and stability of the developers, the quality of management experience, and the sufficiency of projected revenues to pay anticipated operating expenses in the face of expected economic trends and conditions. The Agency also requires design standards which supplement HUD minimum property standards in order to foster better housing design and meet the special needs of residents of the State.

Preliminary Proposal Review

Under its regulations, the Agency must review and approve each multi-family development prior to making a Mortgage Loan. Potential sponsors of the multi-family housing developments are required by the Agency to submit information about themselves and their experience in developing multi-family rental projects, the proposed development team (such as the architect, attorney, general contractor and other persons), site information (including a map showing the location of the site, evidence of legal ownership or option to acquire the site, and indication of state and local government requirements which must be met), and a description and schematic drawings of buildings (if available).

The initial stage of Agency review focuses on the acceptability of the development team and the site proposed for the development. The Agency's development personnel conduct field inspections of all proposed sites. Based on this initial review, the Agency may encourage the developer to submit a detailed proposal.

Project Feasibility Review

The second stage of Agency review focuses on the building description and drawings, together with proposed development and operating budgets. The Agency reviews the plans of the development for their compatibility with the site, general compliance with HUD minimum property standards and the Agency's supplemental standards, the applicable state and local building codes, and consistency with the State's environmental land use legislation.

The Agency also reviews proposed operating expenses including administration, maintenance and utilities. Special local factors are considered, including taxes, utilities and insurance, which might cause expenses to deviate from the norm. Included in estimated operating expenses are reserves for replacements and allowances for vacancies. The Agency's primary concern is that sufficient allowances have been made to assure that the management and maintenance will be of high quality.

In connection with its feasibility review the Agency requires the developer to submit an estimated development cost based upon the schematic drawings. If such estimated development cost, or any revisions thereto required by the Agency, falls within Agency guidelines established for similar types of construction, the Agency approves such development cost as a basis for computing the maximum Mortgage Loan commitment. The Agency generally requires an appraisal of land and existing buildings and an independent cost analysis of the project before determining such maximum commitment.

The initial total annual revenue needs for the development are calculated as the sum of estimated operating expenses, permanent Mortgage Loan debt service, and, for limited profit owners, an allowable return on equity of up to 10 percent.

Market Analysis

In connection with its evaluation of development proposals, the Agency analyzes the market for subsidized rental housing units in the area in which the proposed development will be located. The market analysis focuses on the measurement of housing need, including a determination of the rental vacancy rate in the town for which the project is proposed.

The Agency conducts research including discussions with knowledgeable local groups such as senior citizens' centers, the Area Agency on Aging, the Visiting Nurses Association, town and regional planning officials and realtors. If necessary to confirm the adequacy of the housing market, the developer may be required to conduct a full-scale marketing study. This includes an advertising campaign through local news media, the distribution of information and questionnaires to places frequented by area residents, direct mail and informational meetings.

Construction Financing, Completion Provisions and Monitoring

In cases where the Agency does not provide construction financing, the Agency reviews all construction loan financing documents. The Agency may require the execution of an agreement (the "Three-Party Agreement") among the Agency, the developer and the construction lender at the time of the construction loan closing, which provides for the making of a permanent Mortgage Loan (see "Permanent Mortgage Financing" below) by the Agency upon completion of construction and subject

to the conditions of the Agency's commitment. At this time, the developer may be required to pay to the Agency the commitment fee for the permanent Mortgage Loan. Among other conditions imposed on each developer at the time of a construction loan financing is a 100 percent performance and payment bond or 25 percent letter of credit to assure completion of construction. The construction lender is required by the Three-Party Agreement to retain 10 percent of construction loan disbursements until completion of construction. Such amount to be retained may be reduced with the approval of the construction lender and the Agency upon the achievement of specified stages of construction. While it is the primary responsibility of the construction lender to administer the construction loan, the Agency will inspect the project during construction to monitor conformity with approved working drawings and other conditions of the Agency's commitment.

The Agency provided construction financing for approximately one-third of the developments financed with the proceeds of the Prior Bonds, and may provide construction financing for developments financed with the proceeds of additional Series of Bonds. For the developments for which the Agency has provided construction financing, the Agency has established the following procedures and requirements intended to assure timely completion of construction and to provide reserves in the event difficulties are encountered during construction:

1. Assurance of Completion: The Agency requires the developer of each development to execute a construction contract acceptable to the Agency. Under this contract, the contractor agrees to complete construction in conformity with the plans and specifications approved by the Agency. In order to assure completion of construction, the contractor provides payment and performance bonds equal to 100% of the contract price or an irrevocable letter of credit or pledged securities which in the aggregate is equal to at least 25% of the contract price.

Although the Agency believes that its policies provide for the establishment of sufficient reserves and reasonable estimates of the amounts required to finance the developments, there is no assurance that each development will be completed in accordance with construction estimates and schedules or without the necessity for an increase in the amount of the Mortgage Loan.

2. Guarantee of Completion: The Agency generally requires the developer to guarantee the payment of any additional money needed to complete the development. The Agency generally requires an assignment by the developer of the construction contract and the architectural contract and all leases and contracts pertaining to the development. Such assignment is designed to take effect upon the occurrence of any event of default.

3. Monitoring During Construction: The Agency requires regular inspections by the supervising architect to insure adherence to the construction schedule and conformity with the plans and specifications. The Agency reviews and approves all payment requisitions, which are submitted monthly by the developer, and all construction change orders and architects' field orders. These change orders are approved by the developer, supervising architect and, to the extent required by any applicable performance bond, by the bonding company or other surety.

It is the Agency's policy to withhold 10% of the total amount due the contractor until the completion of the first 50% of the construction. If construction is proceeding satisfactorily, the

Agency may grant a request by the developer to reduce the retention retroactively to 5%. The Agency usually pays the developer on a monthly basis based upon the percentage of construction completed and materials suitably stored, as determined by actual work items and as agreed to by the developer, the supervising architect, and the Agency's development department.

Permanent Mortgage Financing

When construction is substantially complete, the development is ready for occupancy and has been accepted by the Agency, the Agency will make the permanent Mortgage Loan on the development. Any remaining construction work, normally landscaping work awaiting seasonal conditions, is covered by an escrowed amount equal to at least 150% of the estimated cost of completion. The Agency also may require the prior payment or escrowing of the first year's insurance premiums. At the closing of the permanent Mortgage Loan, the developer is required to deposit in the development's operations account cash or a letter of credit in an amount sufficient to constitute a total working capital deposit of 40% of annual debt service on the Mortgage Loan. One-quarter of this working capital deposit is released to the developer after the first successful operating year of the development, and one-third of the balance is released after each ensuing successful operating year.

The amount of the total permanent financing to be provided by the Agency is no more than 100 percent of the Agency-approved development cost for non-profit developers and no more than 95 percent of such cost for limited-profit developers (all developers other than non-profit). Certain fees may be included in the permanent financing, such as the commitment fee. In the case of limited-profit developers, the Agency accepts the developer's equity in cash, land and existing buildings, and paid invoices for qualified development costs.

The permanent financing for certain of the developments listed in Appendix II has been provided primarily from two sources, the proceeds of the Prior Bonds and General Fund money. The mortgages on those developments listed in Appendix II that have been financed from both proceeds of Prior Bonds and General Fund money secures both notes evidencing the obligations to repay such moneys. The portion of the permanent Mortgage Loans financed with proceeds of the Prior Bonds is the maximum amount that can be supported by the initial contract rents approved by HUD at the applicable interest rate. These amounts are listed in Appendix II.

In addition to the Financed Mortgage Loans, the Agency has additional loans outstanding to eight of the Projects. These loans were made with monies from the Agency's General Fund, bear interest at a rate of eight percent per annum and are coterminous with the Financed Mortgage Loan for each of the eight Projects.

The Hardwick developments listed in Appendix II have been developed by the same general partnership. Each of those developments will be encumbered by a lien subordinate to the lien of the Mortgages granted to the Agency on such developments. In addition, the Hardwick elderly development is encumbered by an additional lien subordinate to the Agency's Mortgage on said development. Such additional lien secures a loan of Community Development Block Grant funds to be made by the Town of Hardwick to the general partnership to finance the development, which loan bears interest at the rate of 2% per annum. The Agency requires that the terms of the mortgages creating subordinate liens provide that no action may be taken by the holder of either of such liens to enforce the same without the consent of the Agency.

Development Monitoring and Regulation

A regulatory agreement is executed by the Agency and the developer that provides for the on-going monitoring and regulation of the development by the Agency. Under the regulatory agreement, the Agency establishes various reporting and accounting requirements with respect to the maintenance, operation and leasing of the development. Moreover, the regulatory agreement requires the owner to make monthly or quarterly deposits from development revenues to the reserve for replacements to provide for estimated costs of replacing mechanical and structural systems and components. All project revenues including housing assistance payments, tenants' rents and non-housing income, if any, are required to be deposited to a development operations account from which the owner is authorized to make withdrawals only for ordinary and necessary operating expenses. Such expenses include funding of the various reserves and escrows required under the Mortgage Loan and the regulatory agreement. The Mortgage Loan documents of the Agency may require the monthly deposit in an escrow account of amounts sufficient to meet tax and insurance requirements. Distributions from the development operations account to the owner are authorized under the regulatory agreement only after all debt service and operating expenses for the preceding year have been paid, all repair and other maintenance work has been completed and all reserves are fully funded.

In order to assure compliance with the foregoing provisions of the regulatory agreement, the Agency requires owners to submit audited annual financial statements within sixty days of the close of the development's fiscal year and annual operating budgets prior to the beginning of each fiscal year. In addition, the owners must provide to the Agency on a quarterly basis a statement of revenues and expenditures, as well as such reasonable additional materials as the Agency may request. The Agency will inspect the developments annually to monitor the owners' and managers' operations and to ensure that the owners are meeting the requirements of the HAPC and the Agency's Mortgage Loan documents. The Agency reserves the right in the regulatory agreement to require the replacement of the managing agent if the Agency determines that a development is not being properly maintained or managed.

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director, Ext. 221

DATE: April 24, 1995

RE: MULTI-FAMILY REFUNDING CONFERENCE CALLS

A special Board meeting will be held via conference call at 9:00 a.m. Friday, April 28, to approve the multi-family refunding bonds. We will need to have a quorum of the Board available; please let Barbara (Ext. 255) or me know if you are *unable* to participate in this call. We will assume that we will be able to reach each of you at your regularly listed telephone numbers, unless you indicate otherwise.

Also, Chairman White will participate in a conference call at 9:30 a.m. on Wednesday, April 26, to price the multi-family refunding bonds. The rest of the Board is not *required* to participate in Wednesday's call, but you may do so if you wish. Let me or Barbara know if you want to participate.

Before 3:00 Thursday, April 27, please let me (or Barbara) know if you are not available for the Friday a.m. conference call.

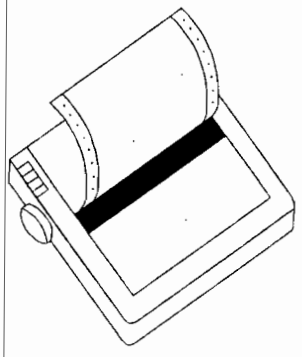
164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

vhfa

VERMONT HOUSING FINANCE AGENCY

FACSIMILE COVER SHEET



Sent By BP
Date 4/24
Time 10:25

DATE April 24, 1995

TIME 10:00

TO

NAME Marie Carpenter

ORGANIZATION Dept of Administrations

TITLE/DEPT

FAX PHONE NUMBER ( ) 828-2428

FROM

NAME Glenn Jarrett, Ext. 226

TITLE/DEPT General Counsel

FAX PHONE NUMBER: (802) 864-5746

DOCUMENT CONSISTS OF 2 PAGES INCLUDING COVER SHEET.

REMARKS: To satisfy open/public meeting requirements. Also faxed to Burlington Free Press, Rutland Herald, and WCAX-TV.

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

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

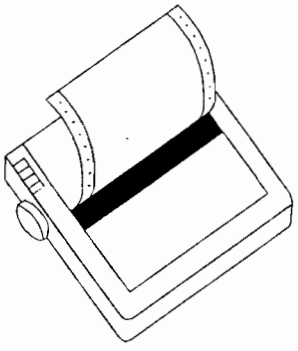
164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

vhfa

VERMONT HOUSING FINANCE AGENCY

FACSIMILE COVER SHEET



Sent By BP
Date 4/24
Time 10:25

DATE April 24, 1995

TIME 10:00

TO

NAME WCAX-TV

ORGANIZATION Newsroom

TITLE/DEPT

FAX PHONE NUMBER ( ) 658 6300, ext. 110

FROM

NAME Jerr Jarrett, Ext. 226

TITLE/DEPT General Counsel

FAX PHONE NUMBER: (802) 864-5746

DOCUMENT CONSISTS OF 2 PAGES INCLUDING COVER SHEET.

REMARKS: To satisfy open/public meeting requirements. Call if questions.

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

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

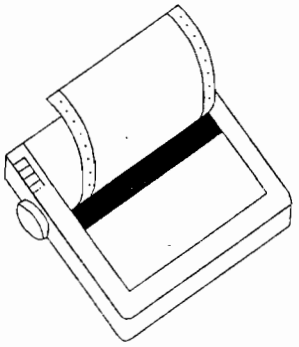
164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

vhfa

VERMONT HOUSING FINANCE AGENCY

FACSIMILE COVER SHEET



Sent By BP
Date 4/24
Time 10:25

DATE April 24, 1995

TIME 10:00

TO

NAME Rutland Herald

ORGANIZATION Newsroom

TITLE/DEPT

FAX PHONE NUMBER ( ) 775-2423

FROM

NAME Glenn Jarrett, Ext. 226

TITLE/DEPT General Counsel

FAX PHONE NUMBER: (802) 864-5746

DOCUMENT CONSISTS OF 2 PAGES INCLUDING COVER SHEET.

REMARKS: To satisfy public/open meeting requirements. Call if questions.

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

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

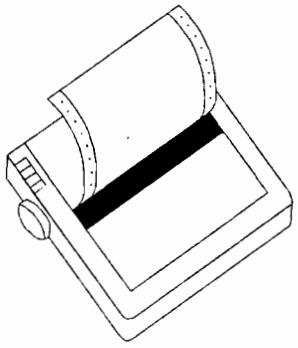
164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

vhfa

VERMONT HOUSING FINANCE AGENCY

FACSIMILE COVER SHEET



Sent By BP
Date 4/24
Time 10:25

DATE April 24, 1995

TIME 10:00

TO

NAME Burlington Free Press

ORGANIZATION Newsroom

TITLE/DEPT

FAX PHONE NUMBER ( ) 660-1802

FROM

NAME Glenn Jarrett, Ext. 226

TITLE/DEPT General Counsel

FAX PHONE NUMBER: (802) 864-5746

DOCUMENT CONSISTS OF 2 PAGES INCLUDING COVER SHEET.

REMARKS: Meeting notice to satisfy Open Meeting Notice requirements. Call if questions.

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

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

NOTICE OF SPECIAL MEETING

The Board of Commissioners of the Vermont Housing Finance Agency will meet via telephone conference call on Friday, April 28, 1995, at 9:00 a.m. to consider the pricing of an issue of multi-family housing bonds to be issued by the Vermont Housing Finance Agency, as well as any other matters properly before the meeting. The public may attend the meeting in the Board Room at the Agency's offices at 164 St. Paul Street, Burlington, Vermont 05401.

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE RAS

DATE: APRIL 26, 1995

RE: MULTI-FAMILY BOND FINANCING

Attached to this memorandum is a copy of the Preliminary Official Statement (P.O.S.) that was distributed to potential bondholders; a copy of the Amended Multi-Family Housing Bond Resolution; a copy of the Fourth Supplemental Multi-Family Housing Bond Resolution; a copy of the Purchase Contract between VHFA and the Underwriters for purchase of our bonds.

We priced the bonds today and received an excellent price: the bonds will cost us about 5.8% and will generate about $1 million per year in savings to be applied to projects.

Kutak Rock (our bond counsel), PaineWebber (the lead underwriters) and Orrick Herrington (PaineWebber's bond counsel) will be on the conference call at 9:00 a.m. Friday, April 28. They will be explain the financing and seek the Board's approval to authorize the sale of the bonds.

If you have any questions on any of the documents received, please call Allan (Ext. 221) or me (Ext. 236) at your convenience.

Recommended Action
Ratification of the Fourth Supplemental Multi-Family Housing Bond Resolution and acceptance of the Purchase Contract.

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

faxed 11:45 4/27

MEMORANDUM

VIA FACSIMILE: 212-713-6051

TO: Pat Maffia, PaineWebber

FROM: Barbara Parker, Ext. 255

DATE: April 27, 1995

RE: MULTI-FAMILY REFUNDING CONFERENCE CALL

The conference call scheduled for 9:00 Friday, April 28, should be made as follows:

VHFA: Allan Hunt/Roger Schoenbeck	802-862-1305
Richard White (Chairman)	802-334-7915
Michael Smith (Deputy State Treasurer)	802-828-2301
Jo Bradley (Development & Comm Affairs)	802-253-8919
Gus Seelig (VT Housing & Conservation)	802-828-3251
Lisa Randall (New England IBM Fed Credit Union)	802-879-8790
Dagyne Canney	802-438-5699

I'm expecting confirmation of participation by 3:00 today. If any of these numbers (or names) change I'll be sure to let you know ASAP.

cc: Roger Schoenbeck

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

A RESOLUTION APPROVING AND AUTHORIZING THE ISSUANCE OF THE 1995 SERIES A BONDS; ADOPTION OF AN AMENDED AND RESTATED MULTI-FAMILY HOUSING BOND RESOLUTION AND A FOURTH SUPPLEMENTAL MULTI-FAMILY HOUSING BOND RESOLUTION; A PRELIMINARY AND FINAL OFFICIAL STATEMENT; AND A PURCHASE CONTRACT.

WHEREAS, the Vermont Housing Finance Agency (the "Agency") has developed a multifamily housing program pursuant to the Resolution adopted September 25, 1981 (the "Original Resolution"); and

WHEREAS, the Agency desires to move forward forthwith to take advantage of currently favorable interest rates; and

WHEREAS, the Agency hereby confirms its previous designation of the firms of PaineWebber Incorporated, Lehman Brothers, Smith Barney Inc., Bear, Stearns & Co. Inc. and Goldman, Sachs & Co., as underwriters (the "Underwriters"), for the authorization, issuance and delivery of the bonds (hereinafter authorized); and

WHEREAS, there has been presented to the Agency on this date the following:

1. The Multi-Family Housing Bond Resolution, as amended and restated (the "Amended and Restated Resolution"), and the Fourth Supplemental Multi-Family Housing Bond Resolution for the Multi-Family Housing Bonds, 1995 Series A (the "Fourth Supplemental Resolution") (collectively, the Amended and Restated Resolution and Fourth Supplemental Resolution are referred to herein as the "Resolutions");

2. A Preliminary Official Statement; and

3. A Purchase Contract; and

WHEREAS, each of the instruments above referred to is now before each of the commissioners of the Agency, is in appropriate form and is an appropriate instrument for the purposes intended;

NOW, THEREFORE, BE IT RESOLVED BY THE AGENCY AS FOLLOWS:

Section 1. ***Authorization of Issuance and Sale of Bonds.*** There is hereby approved and authorized the issuance by the Agency and the sale to the Underwriters of its Multi-Family Housing Bonds, 1995 Series A (the "Bonds") in an amount specified in a presentation on this date, containing the terms and conditions approved on this date by the Agency; provided, however, the sale of such Bonds shall be upon terms substantially as set forth in the Purchase Contract hereinafter authorized and otherwise satisfactory to the Chairman and the Executive Director of the Agency. The respective principal amounts of, and interest rates on, the Bonds

shall be determined by the Chairman and the Executive Director at the time of the execution of the Purchase Contract.

Section 2. ***Approval and Authorization of Documents***. The Resolutions, the Preliminary Official Statement and the Purchase Contract be and the same are in all respects hereby adopted, approved, authorized, ratified and confirmed, and the Chairman, Vice Chairman, Secretary, Executive Director, Deputy Director and Treasurer be and they are each separately and individually hereby authorized and directed to execute, seal and/or deliver, for and on behalf of the Agency, the Resolutions, the Preliminary Official Statement and the Purchase Contract, in substantially the form and content as presented to the Agency on this date, consistent with such conditions as described herein, but with such changes, modifications, additions and deletions therein as shall to them be necessary, desirable or appropriate. The Executive Director or Director of Finance is hereby authorized to certify to the Underwriters that the Preliminary Official Statement is deemed final by the Agency for the purposes of Rule 15c2-12 of the Securities and Exchange Commission promulgated under the Securities Exchange Act of 1934.

Section 3. ***Authority To Execute and Deliver Additional Documents***. The Authorized Officers, as defined in the Original Resolution and Fourth Supplemental Resolution, and any other persons authorized in the Amended and Restated Resolution, when effective, are hereby authorized to execute and deliver for and on behalf of the Agency any and all additional certificates, documents and other papers and to perform all other acts as they may deem necessary or appropriate to implement and carry out the purposes and intent of this Resolution, including the preamble hereto, including, without limitation, upon entry into the Purchase Contract, a final Official Statement.

Section 4. ***Approval of Refunding of Prior Issues***. The refunding of certain of the bonds of the Prior Issues, as such term is defined in the Fourth Supplemental Resolution, and the redemption of all of the outstanding bonds of the Prior Issues are hereby approved.

Passed the 28th day of April, 1995.

VERMONT HOUSING FINANCE AGENCY

By _____

ATTEST:

_____

Secretary

(SEAL)

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director, Ext. 221

DATE: May 2, 1995

RE: MAY AND JUNE BOARD MEETING PLANS AND OPEN HOUSE

The May 18 Board meeting has been cancelled. The next Board meeting is scheduled for Wednesday, June 7, and will be held here at our new offices at 164 St. Paul Street, in Burlington. The Board meeting will begin at 1:30 p.m., but will be preceded by a luncheon at 12:00 noon, to which several important guests will be invited. During that luncheon we will dedicate our new Board room.

The "Open House" for participating lenders, realtors, nonprofits, and other organizations with which VHFA staff regularly comes into contact will be held the following week, on Wednesday, June 14. Plans for the Open House are still underway.

I hope that each of you will be available for the June 7 luncheon, dedication and Board meeting. Your additional presence at the Open House June 14 would be most welcome!

If you have any questions, please give me a call. I look forward to seeing you in Burlington on June 7 (and perhaps again on June 14).

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

vhfa

VERMONT HOUSING FINANCE AGENCY

May 10, 1995

Again –
Should a copy of this letter & the notice go in the Board packet archive?
5/11
TJS -BP

The Honorable James H. Douglas
State Treasurer
133 State Street
Montpelier, VT 05633-6200

Dear Jim:

Allan asked me to write to each of the Commissioners to explain the legal notice that appeared in the Burlington Free Press and the Rutland Herald on Tuesday, a copy of which is enclosed. In order to issue tax-exempt bonds, the Agency is required to comply with a public approval process set out in the Internal Revenue Code and known as the TEFRA procedure. That process entails the publication of a notice of a public hearing, the hearing itself, and the approval of the Governor after a review of the minutes of the public hearing.

When the bonds being refunded were issued, they were not subject to the TEFRA procedures. Therefore, the developments that were financed with the proceeds of those bonds must be TEFRA'd for the refunding issue that the Agency recently sold. In addition to the 33 developments that were financed previously, we recently became aware that there is approximately $2.3 million in a capital reserve fund in the resolution that might be available for use for financing. That money is considered to be "bond proceeds" and any projects that money is used for must also be TEFRA'd. There was only a short time between the discussions of using the capital reserve fund monies for loans and the deadline for publishing the TEFRA notice. Because of the short time available, staff did not have an opportunity to put out an RFP to seek out possible projects that the capital reserve fund could be used for. However, we did include in the TEFRA notice several projects that the Board is familiar with (e.g., Winchester, Westgate, Applegate and Dalton Drive), or that have been reviewed for an allocation of tax credits. We were not able to discuss this with the entire Board, but I did consult with the Chairman before sending the notice to the newspapers.

It is possible that some of the owners of the existing Section 8 projects will be concerned about the use of the refunding savings. They had been kept informed about our progress toward the refunding over the years. However, they had not been updated recently, after the decision was made to proceed without HUD participation. In addition, there may be concern expressed by others who have projects they are proposing that were not included

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 · 1-800/339-5866 · TDD: 1-800/586-5832
Fax: 802/864-5746 · Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

in the newspaper notices. Any projects other than those included in the notice cannot be financed with proceeds of the bond issue or the capital reserve fund. However, the notice has no bearing on what projects can be funded with the savings the Agency expects to realize from the refunding. Because the savings are not considered to be bond proceeds, we do not have to TEFRA the projects that receive the benefit of the savings.

If you hear from any people who have questions or concerns about the legal notice, please refer them to staff. Allan, Roger, Sam and I would be happy to answer their questions. If you have any questions, please don't hesitate to call one of us.

Sincerely,

Glenn A. Jarrett
General Counsel (Ext. 226)

Allan, FYI

VERMONT HOUSING FINANCE AGENCY
NOTICE OF PUBLIC HEARING ON BOND ISSUE

Notice is hereby give that a Public Hearing will be conducted by the Vermont Housing Finance Agency (the "Agency") on Wednesday the 24th day of May at 9:00 a.m. in its offices located at 164 St. Paul Street, Burlington, Vermont, as required by Section 147(f) of the Internal Revenue Code of 1986 with respect to the proposed issuance of tax exempt refunding bonds, the aggregate principal amount of which will not be in excess of $25 million. The bonds will be issued for the purpose of refunding certain series of tax-exempt bonds, the proceeds of which were used to finance the multifamily rental housing developments described below that are located at the locations described below in the State of Vermont.

Abenaki Family
Bushey St.
(Off Rte. 7, 1 mi. south of Swanton)
Swanton, VT
No. of Units: 12
Owner: Abenaki Self-Help Assoc.

Canterbury N&S
South Main St. and 3,7, and 9 North Ave.
St. Johnsbury, VT
No. of Units: 28
Owner: Canterbury Housing Co.

Chester Arthur Apts.
Rte. 36
(1/4 mi. west from Sheldon-Fairfax Rd.)
Fairfield, VT
No. of Units: 8
Owner: Chester Arthur Assoc.

Holy Angel Apts.
247 Lake St.
St. Albans, VT
No. of Units: 31
Owner: Holy Angel Commons Assoc.

Homestead News Apts.
Rte. 67A (South side, in Village)
North Bennington, VT
No. of Units: 24
Owner: North Bennington Home Assoc.

Jeri-Hill Apts.
Willow Lane (Raceway Rd. to Willow Ln.)
Jericho, VT
No. of Units: 24
Owner: Jeri-Hill Assoc.

Kassell-King Street Apts.
73-75 and 128 King St.
Burlington, VT
No. of Units: 7
Owner: Kassell Partnership

Lake Champlain Apts.
243-247 Church St. and 185 Pine St.
Burlington, VT
No. of Units: 27
Owner: A&A Realty

Mad River Meadows
Town Road 38 (Off Rte. 100)
Waitsfield, VT
No. of Units: 24
Owner: Valley Housing Assoc.

Mill Village
Rte. 4 (Northerly side of Rte. 4)
Bridgewater, VT
No. of Units: 14
Owner: The Simpson Partn

Mountain View Apts.
School St. (Off Town
Fairfax, VT
No. of Units: 2
Owner: Mor

Pine G
Sout
N
No. o
Owner:

Pine Manor
Lake St. (In town, west off Rte, 2)
Alburg, VT
No. of Units: 16
Owner: Pine Manor Assoc.

Point School Apts.
Porters Point Rd.
(North side of Porters Point Rd.)
Colchester, VT
No. of Units: 5
Owner: Point School Assoc.

School House Apts.
Main St. (Fmr. side of Old Town School)
Poultney, VT
No. of Units: 11
Owner: Schoolhouse Apartments

Sugarwood Apts.
Peterson Terrace
Middlebury, VT
No. of Units: 12
Owner: Sugarwood Assoc.

Sunrise Manor
Main St. (Brighton Park Project site,
on Island Pond)
Island Pond, VT
No. of Units: 22
Owner: Vaisflan

Valley View
Walker Ave. (At the end of Walker Ave.)
Vergennes, VT
No. of Units: 24
Owner: Valley View Assoc.

Benson Heights
Old Stage Rd. (Old Town Hall Bldg., nr.
Congregational Church)
Benson, VT
No. of Units: 15
Owner: First Congregational Church

Bobbin Mill Apts.
234 South Champlain St. and
235 Pine St.
Burlington, VT
No. of Units: 51
Owner: Bobbin Mill Building Co.

Green Hill Apts.
Route 27 (North side of Rte. 27)
Canaan, VT
No. of Units: 12
Owner: Canaan Assoc.

Proctor Place
28 Main St.
Proctor, VT
No. of Units: 12
Owner: SCI Group, Ltd.

South St. Paul Street Apts.
349 South St. Paul St.
Burlington, VT
No. of Units: 15
Owner: South St. Paul Assoc.

West Burke Housing
Church St. (Nr. West Burke
Methodist Church)
West Burke, VT
No. of Units: 15
Owner: Burke Land Enterprises

Westminster Family
Route 5 (South side of Rte. 5)
Westminster, VT
No. of Units: 9
Owner: Westminster Housing Assoc.

Willey Street Apts.
Willey St. (North side of Willey St.)
Newport, VT
No. of Units: 12
Owner: Willey St. Ltd. Partnership

Bardwell House
Crnr. of Merchants Row & Washington St.
Rutland, VT
No. of Units: 75
Owner: Bardwell House Assoc.

Bernis Block Apts.
Main St. (in town)
Hardwick, VT
No. of Units: 14
Owner: Hardwick Housing Co.

Hardwick Family Housing
Crnr. of Cherry St. and Dale St.
Hardwick, VT
No. of Units: 8
Owner: Hardwick Housing Co.

McKenzie House Apts.
43 Elmwood Ave.
Burlington, VT

All persons
the public hearing
Street, P.O. Box 40
ted to the General Co
Project will be available a
Issuance of the proposed

May 9, 1995

VERMONT HOUSING FINANCE AGENCY

May 30, 1995

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

Dear Ms. Carpenter:

The Vermont Housing Finance Agency will be having its regular monthly Board Meeting on Wednesday, June 7, at 1:30 p.m., here at our new office location, 164 St. Paul Street, Burlington, Vermont.

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

Sincerely,

Barbara M. Parker

Barbara M. Parker
Executive Assistant

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director

DATE: June 1, 1995

RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held at 1:30 p.m. Wednesday, June 7, here at our new offices, 164 St. Paul Street (corner of King and St. Paul Streets), Burlington, Vermont.

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

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Burlington at 1:30 June 7!

REMINDER *The dedication of the Myette-Shaw Board Room will begin at 12:00, followed by a buffet luncheon.*

Following the dedication and luncheon, and just before the Board meeting begins, we will have a photographer available to take photos of the Board members for the FY95 Annual Report.

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

VHFA BOARD MEETING AGENDA
164 St. Paul Street
Burlington, Vermont

Wednesday, June 7, 1995 at 1:30 p.m.

1. Review and approval of minutes of April 20, 1995

2. Review and approval of minutes of April 28, 1995

3. Development
   - ⌂ Utilization of Section 8 Bond Refunding Savings **[Jenkins//Encl.]**
   - ⌂ Quechee Pines Construction/Permanent Loan **[Jenkins/Erdelyi//Encl.]**
   - ⌂ Okemo First and Second Mortgage Loans **[Jenkins/Erdelyi//Encl.]**
   - ⌂ Westview First and Second Mortgage Loans **[Jenkins/Erdelyi//Encl.]**
   - ⌂ Alfred Court (Fair Haven) Construction Loan **[Jenkins/Erdelyi//Encl.]**
   - ⌂ Homeownership Centers Update **[Jenkins/Crady//Encl.]**
   - ⌂ New Income Limits for MOVE/HOUSE Programs **[Jenkins/Crady//Encl.]**
   - ⌂ Energy Loan Program: Partnership with VT OEO **[Jenkins//Encl.]**
   - ⌂ Ventures Program Update and Increased Funding **[Jenkins/Cummings//Encl.]**

4. Operations
   - ⌂ Single Family Program Activity Report **[Lothrop//Enclosure]**
   - ⌂ Servicing Activity for April 1995 **[Lothrop//Enclosure]**
   - ⌂ Property Disposition Report **[Lothrop//Enclosure]**

5. Multi-Family Management
   - ⌂ Directors Report **[Falzone//Enclosure]**

6. Administration
   - ⌂ Executive Director's Report **[Hunt]**
   - ⌂ Benefits Review **[Hunt//Enclosure]**
   - ⌂ FY96 Proposed Business Plan **[Francis//Enclosure]**

7. Finance
   - ⌂ Multi-Family Refunding Status **[Schoenbeck//Encl.]**
   - ⌂ Single Family Reset of Program Rates **[Schoenbeck//Encl.]**
   - ⌂ Financial Statements as of 03/31/94 **[Schoenbeck]**
   - ⌂ FY96 Proposed Budget **[Schoenbeck//Encl.]**

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

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

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

Thursday, April 20, 1995

PRESENT: Chairman White; Commissioners Bradley, Canney, Douglas, Randall, Seelig

Agency Staff: Mr. Hunt, Mr. Francis, Mr. Schoenbeck, Mr. Jarrett, Ms. Gent, Ms. Jenkins, Mrs. Parker, Mr. Schroeder

Guests: Mr. Gurley (PaineWebber)

The meeting was called to order by the Chairman at 1:35 p.m. A motion was made by Mr. Seelig to clarify page 3 of the March 16 minutes to indicate that in the discussion of Westview Terrace, the Vermont Housing & Conservation Board (VHCB) *has* made a grant to the project, so the consideration of a loan vs. a grant refers specifically to the lead hazard funding necessary for this project; on page 6, under legislative news, Mr. Jarrett was referring to the proposed *legislation* pending, as there are no *rule* changes for VHMGB. This motion was seconded by Mr. Douglas and the minutes were accepted as amended, with Ms. Randall abstaining.

As Mr. Lothrop was not available for the meeting, Mr. Hunt reviewed the "Single Family Program Activity Report for March 1995" as described in Mr. Lothrop's memo of April 3, included in the Board packet. During the first week of April, the Agency received 44 reservations of funds, totalling nearly $3 million. Ms. Randall informed the Board that she had heard many positive comments regarding the radio advertisement by Governor Dean, describing the Agency's programs. According to Mr. Hunt, many HELPline callers indicate they are contacting the Agency after hearing this radio advertisement. Turning to delinquencies and servicing activity, Mr. Hunt reported that updated numbers for March were now available, showing a reduction to 78 loans delinquent 90 days or more. The total number of properties in the Agency's REO portfolio is 32, with five properties under contract; no new REO's came into the portfolio in March. Mr. Hunt further noted that the high level of delinquencies appearing under Graystone Mortgage Company is a direct result of their purchase of

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

Statewide Funding's portfolio; also, the Agency took over servicing for KeyBank and has contracted with Graystone to service these loans.

Chairman White observed that the expenses related to REO properties appear high. However, Mr. Jarrett noted that most of these properties are in bad shape when they are assumed by the Agency, with some of the properties appearing to have been vandalized by the previous owners or tenants immediately before or during foreclosure proceedings. There are other instances where pipes have burst, or where properties have remained in the Agency's portfolio for a long period of time. Mr. Hunt also noted that borrowers often manage to keep their mortgage current while becoming delinquent on property tax payments. Participating lenders are now being asked to track tax payments in an effort to keep tax delinquencies to a minimum. A suggestion was made by Mr. Seelig that the Agency consider conducting an analysis of the original appraisal value of a property vs. the value as determined after the property becomes part of the Agency's REO portfolio, in an effort to determine whether appraisers are giving accurate values for these properties. Mr. Jarrett pointed out that most of the REO properties were purchased during the late 1980's when market values were high, and Mr. Hunt assured the Board that staff would continue to track property values to ensure that appraisals do not overlook significant property problems. As delinquent tax payments constitute a default on the mortgage, new lender agreements require that the lender determine if borrowers have made current tax payments and advise the Agency of any property tax delinquencies.

Next, Mr. Francis reported that the move to the new building had been successfully completed as scheduled, with some minor operational details being addressed on a daily basis. Approximately $33,000 in change order expenses have been incurred since the February update, with roughly half of that amount attributable to code requirements for the City of Burlington. Meeting fire code compliance resulted in a cost of $17,000 which had not originally been anticipated, with the balance of changes attributable to fit up of space, improvements to the lease space areas to make them more marketable, and some energy saving actions such as the installation of low flow toilets. Many of the fire code requirements were determined over the course of time, as repeat inspections were made, rather than during an initial tour of the building. A rebate of approximately $20,000 is expected from the Burlington Electric Department, with payback of costs for the energy saving lights and toilets to occur over the next six years. It is expected that the final costs will be $24,000 under the original estimation. No Board action was required.

Beginning his Executive Director's report, Mr. Hunt noted that along with Mr. Jarrett he had spent much time at the Legislature pursuing adoption of VHMGB's bill regarding increased fees. This bill has been approved by the House and Senate, and

was signed into law by the Governor earlier this week. The process was extremely time consuming, with a great deal of assistance received from Ms. Costle, who serves as Chairman of the Board for VHMGB; Ms. Costle was available at a moment's notice to testify before various legislative committees to support and explain the need for this legislation. Mr. Hunt noted that an update on the Winchester Place agreement would be provided by Ms. Jenkins later in the meeting, while Mr. Schoenbeck would report on the multi-family refunding. The sale of Building 504 at Dalton Drive, one of the two commercial buildings remaining at Fort Ethan Allen, should occur in the next few weeks. This building is expected to be sold to a partnership consisting of Dalton Drive Neighborhood Inc. and two individuals who plan to use the property as a combination residence and office. The purchase price for the building is $165,000. There has been some interest in Building 600, the other commercial building on Dalton Drive, including use of the space as a living residency and support facility for people afflicted with AIDS. The Vermont/Netherlands housing project is proceeding; Mr. Derks, of Smallingerland in the Netherlands, visited Vermont a few weeks ago. His travel plans included several site visits and meetings with organizations involved in negotiations to purchase a site on Mansfield Avenue in Burlington. The Sisters of Mercy presently own the land and have expressed strong interest in the project and have been extremely helpful and cooperative. As the Agency is likely to be a lender in this endeavor, Mr. Hunt's role in this activity has been limited to observer. Mr. Douglas stated that he had attended the reception for Mr. Derks and noted that it would be interesting to have foreign pension funds invest in Vermont projects.

Ms. Jenkins reviewed her memo of April 13, included in the Board packet, regarding "Homeownership for Adults with Developmental Disabilities." The objective of this program is to provide homeownership opportunities for adults who often have legal guardians who live with them to provide in-home care and support. Several service providers throughout the state have expressed interest in a homeownership program, rather than group homes. While the Agency's MOVE and HOUSE programs would be utilized to provide financing for these loans, standard underwriting practices would not necessarily apply. Qualification would be based on projected housing costs versus SSI benefits and waiver program funding. As most developmentally disabled individuals do not have car loans or other consumer debt, a higher percentage of funding available to them to support community living can be used to cover housing costs. Although this is not expected to be a high-volume program, the first loan under this program is already in process. Ms. Canney observed that she has been involved in a handful of real estate transactions involving developmentally disabled adults, and in most cases consumer counseling would have been helpful for these borrowers. While they have the cash available to buy a home, should they use these funds for home purchase they would not have future income available for future expenses. Counseling for these borrowers would help to explain the buying concept. Ms. Jenkins noted that service providers throughout

the state have been contacted regarding the availability of this program. It is expected that borrowers would work closely with their legal guardians and would receive assistance through service providers in their geographic area. No Board action was necessary.

The "Preliminary Report—Homeownership Center Initiative" was reviewed by Ms. Jenkins as further detail to her memo of April 13, included in the Board packet. The Agency is working with Ms. Mervine, formerly with West Side Neighborhood Housing Services of Buffalo, N.Y., to complete a study to determine the feasibility of implementing some of Ms. Mervine's program suggestions in Vermont. Ms. Mervine traveled throughout Vermont visiting nonprofits and conducting a feasibility study to determine if homeownership initiatives used in Buffalo could be set up to meet the needs of Vermonters who earn 50 to 70 percent of median income. The report resulting from this study is being reviewed by staff and will be presented to the Board at a future meeting. As proposed, each Homeownership Center would provide: pre- and post-purchase counseling; assistance with home rehabilitation; soft second financing to cover rehabilitation costs, closing costs or down payment funds; and other additional subsidies in high cost areas of the state or for homes needing substantial rehabilitation. The homeowner would be required to provide $500 to cover down payment and/or closing costs, with other funds coming from first mortgage financing. Under consideration as pilot homeownership centers are Burlington Community Land Trust, to serve Chittenden County; Rutland West Neighborhood Housing, to serve the southwestern area of the state; and Gilman Housing Trust for the Northeast Kingdom. If the pilot homeownership centers are successful, the program would be expanded to encompass all 14 counties. A key ingredient is to determine sources for subordinate financing and grants to make the program accessible to low income Vermonters.

Mr. Hunt noted that a target group of potential homeowners has been identified by the Vermont State Housing Authority, which has 130 families who earn between 50 and 70 percent of median income and receive Section 8 subsidies. Should these families become homeowners, their rental subsidies could be made available to other Vermonters. As the primary lender, each bank would benefit from having these homeownership centers in the community or region, and there would be benefits to the nonprofits involved as well. Ms. Jenkins noted that the homeownership center proposed for Burlington would be located in the Enterprise Community, and the City is interested in allocating block grant funds to assist in this endeavor. Mr. Seelig cautioned that it might be appropriate to consider having the southernmost counties of the state be covered in Phase I of the program, since historically the Agency has been perceived to have higher activity in the northern part of the state. As Ms. Randall observed, it would

probably not be appropriate to assume that all currently participating lenders will participate in this program; it is important that it be under a separate contract and perceived as a separate program. There was no Board action necessary.

Ms. Jenkins then reviewed her memo of April 17 regarding "Pinecrest Village, Williston," which had been distributed to the Board earlier as an addendum to the Board packet. Updated construction costs and a revised construction schedule for this project indicate the maximum loan outstanding will be $700,000. An additional $50,000 is requested to address potential delays in the closing or problems with the construction schedule or monthly cash flow. Upon a motion made by Ms. Randall and seconded by Mr. Douglas, the "Resolution Pertaining to Combined Letter of Interest and Commitment Letter re: Pinecrest Village Development (Williston)" was unanimously adopted as attached to these minutes.

Next, Ms. Gent reviewed the "Evaluation of Down Payment Assistance Loans" as detailed in her memo of April 14, included in the Board packet. Mr. Schroeder, the Agency's Research Analyst, was introduced to the Board. Ms. Gent explained that the Agency has offered a down payment assistance program for eligible borrowers who lack the cash necessary for down payment and closing costs. The funds for this program are the result of Act No. 86 of the 1991 Legislature, requiring that Interest on Real Estate Trust Accounts (IORTA) be directed to the Agency. A risk share agreement with VHMGB required that an annual program review and evaluation be performed. The three-year pilot portion of the program offered 150 no down payment loans per calendar year, for a total of 450 loans. When compared with a control group, the no down payment assistance loans show no significant differences in terms of delinquencies. After commenting that this was an excellent piece of research, Mr. Seelig asked how the borrower profiles might change if Chittenden County borrowers were separated from the other participants. Ms. Gent indicated that follow-up research would be completed and noted that the two study groups were similar in terms of geographic location. Ms. Gent also explained that although there are more no down payment loans delinquent for 90 days or more, the total numbers are similar for both groups. As Mr. Schroeder pointed out to the Board, IORTA borrowers are of generally higher incomes than other MOVE borrowers. The research suggests that higher income people who do not save to buy a home may have sufficient income to support a mortgage but not the initial down payment. No Board action was necessary.

Mr. Schoenbeck reviewed the "Multi-Family Refunding Update" as described in his memo of April 11, included in the Board packet, and distributed another memo with the same title, dated April 20, as well as the Preliminary Official Statement, for the Board's review. Mr. Gurley was re-introduced to the Board. As Mr. Schoenbeck explained, the 1981-1983 bond series produce $120,000 in annual fees which are collected

from HUD as administrative fees. In the early 1980's the Agency opted to collect the administrative fees rather than interest earnings on the bond issue since the interest rates are so high. The three scenarios for the refunding described in the April 20 memo were reviewed in detail. The two main choices are to split the bond savings with HUD; although this reduces the earnings available, it gives the Agency more certainty as to the availability of the funds and more flexibility after ten years. The recommended option was the "full savings" plan which gives the Agency twice as much earnings but does contain more restrictions on how the earnings are spent. The total earnings available under this option would amount to $900,000 annually. These earnings must be spent over the life of the bonds for qualified purposes, including assisting distressed properties and making new housing loans. The replacement bonds are estimated to cost 6.1%, and any loans made to help a distressed multi-family property would have to be pledged to this refunding resolution. Mr. Schoenbeck also reminded the Board that under an agreement with the State of Vermont reached in 1994 the Agency agreed to invest $2.5 million in loans the VHCB was holding. The loans purchased from VHCB could be used to meet the "yield burn" tests as required by tax law. Following an extensive discussion, a motion was made by Mr. Seelig to proceed with the "full savings plan" option as described in Mr. Schoenbeck's April 20 memo, with staff to bring recommendations to the Board on how to appropriately use the yield and meet the refunding requirements. After being seconded by Ms. Bradley, this motion carried unanimously.

Mr. Gurley then explained the next steps to be taken to complete the refunding transaction. The Official Statement could be distributed April 21, with investors receiving it by early the following week. Pricing could occur on Wednesday, April 26, with a commitment from PaineWebber to purchase the bonds on Friday, April 28. The closing could be held four weeks after the purchase, perhaps May 26. Mr. Schoenbeck noted that the new bonds will cost 6.1 percent or less, while the old bonds had a cost of 12 percent. New investors will be paid with the existing monthly mortgage payments, rather than being paid from the savings. A conference call to price the bonds was scheduled for 9:30 a.m. Wednesday, April 26, with Chairman White to participate. A second conference call, for the purchase of the bonds, was scheduled for 9:00 Friday, April 28; a Board quorum would be necessary for this conference call.

Mr. Schoenbeck distributed his memo of April 19 detailing the "General Fund Budget Adjustment Requests." Mr. Hunt noted that the Agency is below budget on most budget categories. After reviewing Mr. Schoenbeck's memo, a motion was made by Ms. Bradley and seconded by Ms. Canney to approve a budget expense increase of $72,000; an offsetting increase of income and expense of $72,000 for adjustments to the VHMGB budget, and a final authorized cost of $400,000 in capital expenses for retrofit

and rehabilitation of the new building, in addition to the original $650,000 for the purchase of the building. This motion carried unanimously.

Turning to the "Winchester Place Update," Ms. Jenkins distributed her memo dated April 19 and reported that there had been positive feedback on the last proposal sent out April 5. The most recent draft of the proposed agreement between Housing Vermont, Merchants Bank, St. Michael's College and the Agency incorporated the results of the discussion at the March 16 Board meeting. This draft also provides for conveyance of the property to St. Michael's College after the Agency recovers the principal amount of the subsidies, preferably no later than Year 33 or as soon as possible thereafter. Chairman White expressed the Board's appreciation for Ms. Jenkins' and Mr. Hunt's efforts in this matter, and urged staff to continue to negotiate an agreement with the key parties.

The May Board meeting was cancelled. No firm date was set for the next meeting, but it was agreed that it would be early in June. Staff left the meeting at 4:05. The Board continued to meet to discuss the Executive Director's performance evaluation. No formal action was taken, but it was agreed that Chairman White would share the results of the evaluation with Mr. Hunt.

There being no further business, and following a motion duly made and seconded, the meeting adjourned at 4:30 P.M.

Respectfully submitted,

Allan S. Hunt, Secretary

RESOLUTION PERTAINING TO COMBINED LETTER OF INTEREST AND COMMITMENT LETTER RE: PINECREST VILLAGE DEVELOPMENT (WILLISTON)

WHEREAS, a proposal has been presented to the Vermont Housing Finance Agency (the "Agency") by John Varsames of Northshore Development involving the construction of 11 single family units in Pinecrest Village, an 87 unit Planned Residential Development in Williston (the "Development"); and

WHEREAS, this development has been the subject of a previous resolution by the Agency on January 18, 1995; and

WHEREAS, the proposal contemplates that a majority of the 11 units to be constructed in the Development will be affordable to a family at or below the income limits for the Agency's MOVE Program; and

WHEREAS, the proposal seeks a loan by the Agency of up to $750,000 to refinance the site and for construction; and

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

Therefore, it is hereby DETERMINED:

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

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

3. The housing sponsor undertaking the Development will increase the supply of well-planned, well-designed permanent housing for persons and families of low and moderate income, and the sponsors are financially responsible persons or organizations.

4. The construction costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Vermont Housing Finance Agency Act.

5. More than one half of the floor area and total development cost are allocated to single family dwelling units for persons and families of low and moderate income.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a letter of commitment (the "Commitment Letter") to provide a construction loan (the "Loan") in an amount to be determined by the Executive Director, but not to exceed $750,000, for the Pinecrest Village Development.

2. The Commitment Letter shall be issued to John Varsames, as representative of a to-be-formed housing sponsor.

3. The commitment of the Agency shall be subject to receipt, on or before the date of the closing on the Loan of a commitment fee in an amount equal to 1.0% of the principal amount of the Loan.

4. The Loan shall bear an interest rate of 8.0% per annum for a term ending on December 31, 1995 and be repayable in part each time one of the homes is sold.

5. The Commitment Letter shall be conditioned on a satisfactory credit review of the Housing Sponsor and its principal(s) and the satisfaction by the Developer of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish, including but not limited to the following documents that must be submitted in form and substance acceptable to the Agency:

    (a) Appraisal of all three types of units;

    (b) Phase I environmental assessment;

    (c) Financial statements for Borrower and its principals;

    (d) Personal guarantees of principals of the Housing Sponsor (and spouse(s) if assets are held jointly);

    (e) Dual obligee performance and payment bonds or a letter of credit from a financial institution approved by the Agency in an amount deemed acceptable by the Executive Director, but in no event more than 25% of the contract amount; and

(f) Articles of Incorporation or Partnership Agreement for the Housing Sponsor containing language indicating that the Housing Sponsor is organized on a limited profit basis.

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

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on April 20, 1995.

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

VERMONT HOUSING FINANCE AGENCY

CONFERENCE CALL BOARD MINUTES
Vermont Housing Finance Agency
164 St. Paul Street
Burlington, Vermont

Friday, April 28, 1995

PRESENT: (via speakerphone) Chairman White; Commissioners Bradley, Canney, Randall, Seelig, Smith (designee of Douglas)

Agency Staff: Mr. Hunt, Mr. Francis, Mr. Schoenbeck, Mrs. Parker

Guests: (via speakerphone) Mr. Gurley, Mr. Irvin, Mr. Carr, Mr. Feery (PaineWebber); Ms. Huffman, Mr. Millett (Orrick Herrington); Mr. Wagner, Mr. Amsden (Kutak Rock)

The meeting was called to order by the Chairman at 9:05 a.m. Participants were identified by roll call, and it was agreed that all votes would be taken by roll call as well.

At Mr. Schoenbeck's request, Mr. Gurley reviewed the steps taken up to this point in the multi-family refunding process. Mr. Gurley reminded the Board that it has taken six years to complete the refunding, with much active participation by Agency staff including Mr. Hunt, Mr. Schoenbeck, Mr. Falzone and Mr. Jarrett. Mr. Feery was then introduced to the Board and explained the Agency's refunding as it related to other current issues coming to the market. According to Mr. Feery, the timing of this issue was very positive, as the market has continued to lose ground since the transaction was initiated by the Agency on April 26. The refunded bonds were pre-marketed on an extensive basis through the management team, resulting in the sale of $19 million (out of the total $25 million) to investors in Vermont. Comparable transactions in Connecticut and Maryland were reviewed by Mr. Feery, showing that the Agency did very well in its sale. Mr. Gurley explained to the Board that documentation on the transaction would be made available for mailing prior to the next Board meeting.

As Mr. Schoenbeck noted, the refunding was originally priced to yield a 6.1 percent rate, but the transaction ultimately resulted in a rate of 5.8 percent. This would result in $966,000 per year in excess savings, with the Agency continuing to receive spreads on the bonds of $160,000 per year. Mr. Gurley informed the Board that the underwriting group had been working with Fannie Mae to determine their interest in

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

buying term bonds, but Fannie Mae declined to place an order for the bonds. The four components of the underwriting spread were explained to the Board by Mr. Gurley as follows: management fee at $2.50 per bond; underwriting fee at $0 per bond; the average take down was $5.76 per bond; expenses were $5.55 per bond. However, Mr. Gurley noted that the expense reimbursement covers the past six years. The total underwriting spread is $13.82 per bond, with the cost recoverable in the spread by adjusting the arbitrage yield upward to increase cash flow and recover costs. Mr. Hunt assured the Board that these fees appear reasonable, as the expense portion includes legal costs incurred over the past six years.

Mr. Wagner then reviewed the various documentation included in the Board packet, with the Board members acknowledging receipt of the following: Multi-Family Housing Bond Resolution; Fourth Supplemental Multi-Family Housing Bond Resolution; Purchase Contract; and a form of resolution approving and authorizing the issuance of the 1995 Series A bonds and the previously mentioned resolutions and purchase contract. As Mr. Wagner explained, the amended and restated bond resolution would give the Agency much more flexibility in terms of investment alternatives and options for utilization of the bond proceeds.

Upon a motion made by Mr. Seelig and seconded by Ms. Bradley, the "Resolution Approving and Authorizing the Issuance of: the 1995 Series A Bonds; Adoption of an Amended and Restated Multi-Family Housing Bond Resolution and a Fourth Supplemental Multi-Family Housing Bond Resolution; a Preliminary and Final Official Statement; and a Purchase Contract" was unanimously adopted, as attached to these minutes. Ms. Bradley commended staff and the underwriters involved on a job well, noting that the rate received will provide money to promote affordable housing.

Mr. Schoenbeck then explained that the closing for this refunding has been tentatively scheduled for May 30 and May 31, with redemption of the old bonds to occur June 1. Mr. Gurley informed the Board that PaineWebber had wired a good faith deposit of $250,000 to the Howard Bank on the morning of the meeting.

Chairman White then expressed the Board's appreciation for the efforts of Mr. Schoenbeck and Mr. Hunt, as well as other Agency staff members who helped to make this refunding possible. The Board also thanked PaineWebber and Kutak Rock for their contributions.

There being no further business, and following a motion duly made and seconded, the meeting adjourned at 9:30 a.m.

Respectfully submitted,

Allan S. Hunt, Secretary

**RESOLUTION APPROVING AND AUTHORIZING THE ISSUANCE OF:
THE 1995 SERIES A BONDS;
ADOPTION OF AN AMENDED AND RESTATED MULTI-FAMILY HOUSING
BOND RESOLUTION AND A FOURTH SUPPLEMENTAL
MULTI-FAMILY HOUSING BOND RESOLUTION;
A PRELIMINARY AND FINAL OFFICIAL STATEMENT;
AND A PURCHASE CONTRACT**

WHEREAS, the Vermont Housing Finance Agency (the "Agency") has developed a multi-family housing program pursuant to the Resolution adopted September 25, 1981 (the "Original Resolution"); and

WHEREAS, the Agency desires to move forward forthwith to take advantage of currently favorable interest rates; and

WHEREAS, the Agency hereby confirms its previous designation of the firms of PaineWebber Incorporated, Lehman Brothers, Smith Barney Inc., Bear, Stearns & Co. Inc. and Goldman Sachs & Co., as underwriters (the "Underwriters"), for the authorization, issuance and delivery of the bonds (hereinafter authorized); and

WHEREAS, there has been presented to the Agency on this date the following:

1. The Multi-Family Housing Bond Resolution as amended and restated (the "Amended and Restated Resolution"); and the Fourth Supplemental Multi-Family Housing Bond Resolution for the Multi-Family Housing Bonds, 1995 Series A (the "Fourth Supplemental Resolution") (collectively, the Amended and Restated Resolution and Fourth Supplemental Resolution are referred to herein as the "Resolutions");

2. A Preliminary Official Statement; and

3. A Purchase Contract; and

WHEREAS, each of the instruments above referred to is now before each of the commissioners of the Agency, is in appropriate form and is an appropriate instrument for the purposes intended;

NOW, THEREFORE, BE IT RESOLVED BY THE AGENCY AS FOLLOWS:

Section 1. *Authorization of Issuance and Sale of Bonds.* There is hereby approved and authorized the issuance by the Agency and the sale to the Underwriters of its Multi-Family Housing Bonds, 1995 Series A (the "Bonds") in an amount specified in a presentation on this date, containing the terms and conditions approved on this date by the Agency; provided, however, the sale of such Bonds shall be upon terms substantially as set forth in the Purchase Contract hereinafter authorized and otherwise satisfactory to

the Chairman and the Executive Director of the Agency. The respective principal amounts of, and interest rates on, the Bonds shall be determined by the Chairman and the Executive Director at the time of the execution of the Purchase Contract.

Section 2. *Approval and Authorization of Documents.* The Resolutions, the Preliminary Official Statement and the Purchase Contract be and the same are in all respects hereby adopted, approved, authorized, ratified and confirmed, and the Chairman, Vice Chairman, Secretary, Executive Director, Deputy Director and Treasurer be and athey are each separately and individually hereby authorized and directed to execute, seal and/or deliver, for and on behalf of the Agency, the Resolutions, the Preliminary Official Statement and the Purchase Contract, in substantially the form and content as presented to the Agency on this date, consistent with such conditions as described herein, but with such changes, modifications, additions and deletions therein as shall to them be necessary, desirable or appropriate. The Executive Director or Director of Finance is hereby authorized to certify to the Underwriters that the Preliminary Official Statement is deemed final by the Agency for the purposes of Rule 15c12-12 of the Securities and Exchange Commission promulgated under the Securities Exchange Act of 1934.

Section 3. *Authority To Execute and Deliver Additional Documents.* The Authorized Officers, as defined in the Original Resolution and Fourth Supplemental Resolution, and any other persons authorized in the Amended and Restated Resolution, when effective, are hereby authorized to execute and deliver for and on behalf of the Agency any and all additional certificates, documents and other papers and to perform all other acts as they may deem necessary or appropriate to implement and carry out the purposes and intent of this Resolution, including the preamble hereto, including, without limitation, upon entry into the Purchase Contract, a final Official Statement.

Section 4. *Approval of Refunding of Prior Issues.* The refunding of certain of the bonds of the Prior Issues, as such term is defined in the Fourth Supplemental Resolution, and the redemption of all of the outstanding bonds of the Prior Issues are hereby approved.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont, on April 28, 1995.

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

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Irene D. Jenkins, Director of Development

DATE: June 1, 1995

RE: Utilization of Section 8 Bond Refunding Savings

As a result of the recent Section 8 bond refunding, the Agency is required to use the savings, which will be realized from the reduction in bond rates, for housing purposes. The Agency will also have the opportunity to invest the capital reserve funds in the bond issue in mortgage loans.

The maximum savings to be realized are estimated at $80,500 monthly ($966,000 annually) through the term of the bond issue, which matures in 2014. This amount will decrease if mortgages prepay or are delinquent or in default. The two greatest risks to realization of the cash flow appear to be the potential for prepayment and the potential for HUD rollbacks in Section 8 rents, which would jeopardize the financial viability of the Section 8 projects. In order to comply with the tax code's yield restrictions on tax exempt financings, the Agency must "burn yield" by either granting or lending these savings at an effective interest rate of zero percent. There are restrictions on how these funds may be used.

The capital reserve fund of $2.3 million could be invested in mortgages at an interest rate of up to 7.31%. (The guaranteed investment contract for these funds will generate a yield of 5.9%.) These loans may be made only to projects that have been subjected to a TEFRA notice and hearing in conjunction with this bond issue.

Staff have identified many potential uses for the savings. Several of these would reduce the risks associated with the potential for prepayment and for HUD rollback of Section 8 rents on the projects in the bond issue, as well as the risk of HUD rollback of Section 8 rents on other Section 8 projects in the Agency's portfolio. Another would assist in the workout of currently troubled multi-family projects in the portfolio and in the management of the single family REOs. Others would provide funds for new strategic initiatives in both homeownership and rental housing and leverage the Agency's first mortgage financing. Both development-specific and programmatic proposals have also been received from developers and nonprofit organizations.

Following is an initial compilation of proposed program categories.

A. Homeownership
   1. Single Family REO Management
   2. Homeownership Centers
   3. Home Improvement and Energy Loans
   4. Down Payment Assistance
   5. Financing for 3-4 Unit owner-occupied properties
   6. Cooperative share lending
   7. Infrastructure financing
   8. Mobile Home Park acquisition and development financing
   9. Mobile Home Purchase financing
   10. Homeownership for the Developmentally Disabled

B. Rental
   1. Multi-Family Workouts (Winchester Place, St. Johnsbury I)
   2. Preservation Agreements for "refunded" Section 8 projects
   3. Section 8 Reserves
   4. Nonprofit Acquisitions of Section 8 projects
   5. Expiring Use Section 8 project (Cummings Street)
   6. Westgate and Applegate Preservation
   7. New Rental (and COOP) Projects, including 1-4 unit investor-owned properties
   8. VHCB Loan Write-offs
   9. Lead Paint Removal (and other environmental hazard management) & Energy loans
   10. Infrastructure financing
   11. Ventures II Feasibility

C. Dalton Drive Buildings

These categories are not mutually exclusive or all inclusive. In addition, we have not yet systematically requested ideas from the affordable housing community at large. Staff is in the process of determining exactly how these funds can be used and how they can be combined with other available resources. Staff is also estimating the need for funds to reduce the risks associated with the bond refunding itself and to deal with single family REOs and troubled rental developments.

Several specific new multi-family developments that are being presented to the Board today are potential users of the refunding savings in the form of zero percent non-amortizing second mortgage loans. Westview Terrace was proposed to us in late 1994, while Okemo and Quechee Pines are recent proposals. We understand that use of the refunding savings for these or other projects is subject to Board review and approval of a plan for allocation of the refunding savings as a whole as well as of the specific projects.

RECOMMENDED BOARD ACTION: None at this time, but any Board input would provide helpful guidance in the preparation of the proposed allocation plan. Staff anticipates bringing a proposed plan to the Board for review at the July meeting.

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Joseph A. Erdelyi, Multifamily Development Underwriter JE
Irene D. Jenkins, Director of Development

DATE: May 31, 1995

RE: Quechee Pines, Quechee

THE DEVELOPMENT

SUMMARY OF REQUEST

Twin Pines Housing Trust ("Twin Pines"), a non-profit developer, has requested $157,840 in permanent first mortgage financing for the acquisition and rehabilitation of a nine unit project in Quechee.

This development needs VHFA second mortgage financing at 0% interest, with the principal due as a balloon payment in 20 years. The financial feasibility of this proposal depends upon Board approval of the allocation of Section 8 refunding bond savings to a proposed program that is not currently before the Board, but will be brought to the Board for action at a later date (estimated for July).

1. General Description

The project consists of nine units in two buildings off Route 4 in Quechee. The buildings have two story "townhouse" style units, each with two bedrooms and one bath. Two individuals, Robert Haynes and Michael Vereline, have an option to purchase the units from the current owner and builder, Roger Shepard. The sponsor has an agreement to purchase the buildings from Mr. Haynes and Mr. Vereline. (The property's listing did not come to the sponsor's attention until after Mr. Haynes and Mr. Vereline had signed the purchase and sales agreement).

Because the seller has reportedly refused to extend the option beyond June 7, Twin Pines has approached Marble Bank for bridge financing to facilitate this closing and to

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

provide time for VHFA Board review, commitment, and closing. In order to meet the seller's deadline, however, VHCB must approve this early closing. VHCB is providing HOME funds and other grants totalling approximately 70% of the required funding.

A summary of sources and uses of funds, rents, operating expenses, and financial projections is attached.

2. Sponsor Information

Twin Pines Housing Trust is a non-profit developer that operates in the White River Junction/Upper Valley area in both New Hampshire and Vermont. Twin Pines intends to purchase and rehabilitate the units, and to operate them as affordable rental housing for low and moderate income families. Previously, Twin Pines has undertaken one development with VHFA financing: Starlake Village in Norwich, an affordable single family development in which homeowners lease the land from Twin Pines. VHFA has had a difficult experience with Twin Pines as developer of the Starlake Village project. This loan for Quechee Pines will require close attention on the part of VHFA staff during the development and management phases.

3. Projected Funding Sources

VHFA First Mortgage Debt	$115,200	22.12%
VHFA Second Mortgage	42,640	8.19%
VHCB Feasibility grant	3,500	00.67%
VHCB grant	176,500	33.89%
HOME Grant	182,936	35.17%
Totals	$520,776	100.00%

The VHCB and HOME funds have been conditionally committed. The application for and approval of those funds was made prior to a thorough building review and rehabilitation assessment. VHCB staff now share VHFA staff concerns regarding the building condition and proposed rehabilitation (see section 5, "Renovation Plan").

In addition to the sources listed, Twin Pines intends to apply to the utility company, CVPS, for funds for energy efficient lighting fixtures ($1,080 total for all nine units).

4. Unit Breakdown and Rents

There are nine two-bedroom units in two buildings. Currently the owner pays for oil forced hot water heat; the tenants pay for electricity and electric hot water. After rehabilitation, Twin Pines intends to pay for oil heat and hot water, and the tenants would pay for electricity. The following table shows the proposed rent and utility costs after rehabilitation and the income group to which these costs are affordable:

Rent plus utilities	Affordable to % of median	# of units	
$406	47%	3	HOME
481	56%	1	
506	59%	1	HOME
591	68%	4	

After rehabilitation, the sponsor intends to hold rents at this level for at least a year, and thereafter a 1% annual increase has been projected.

One household is occupied by a relative of Mr. Shepard, and her rent is currently lower than the other non-HOME units ($481/month vs $591/month, including utilities). Twin Pines has agreed to hold this rent at this level for one year after purchasing the property and then raise the rent to match the other non-HOME units.

5. Site/Location

The buildings are located on nine acres on Hathaway Road in Quechee, across the road from the Tall Timbers Mobile Home Park. The units are "townhouse" style and all have similar layouts. The first building with five units was built 18 years ago, and one year later a four unit building was constructed. There is also a five bedroom, single family house adjacent to the two buildings that was recently subdivided off onto its own two acre lot. The basement of one building has a laundry room with coin operated machines. The lot is level to gently sloping around the buildings, and the slope increases to a fairly steep, wooded hill behind the newer building. This hill may contribute to water problems in the basement of the newer building (see Section 5, "Renovation Plan").

In addition to the two buildings, the site improvements include a gravel parking lot and an in-ground swimming pool.

6. Renovation Plan

The buildings need extensive work for their age. The original construction was poor quality (e.g., particle board sheathing and subflooring, staples throughout instead of nails, T-111 and vertical pine siding). The buildings have severe moisture problems, including running water in the basement of one building and moist attic insulation from improper ventilation. The unit interiors show signs of age, and replacement of appliances and finishes as needed will be undertaken; the budget includes $2,000 per unit for interior unit renovations excluding appliances. The heating, insulation, and ventilation systems are all inferior, and most of the rehabilitation budget is for a new heating system, ventilation improvements, and additional insulation. Other work includes replacing shingles on both roofs, low-flow plumbing fixtures, pool area fencing upgrade, a new leachfield, and exterior siding painting and repair. Because of the limited time staff has

had for review of the scope of work, staff is recommending that the Board action be subject to staff review and final approval of the rehabilitation plan. The sponsor has had three individuals, (an architect, a contractor and a housing inspector), walk through the buildings and provide cost estimates and rehabilitation assessments. Because of differences in their assessments, VHCB is requesting an independent assessment of the adequacy of the rehabilitation plan and an independent cost estimate. We concur with this recommendation.

One amenity that has attracted current tenants is the pool. Twin Pines currently plans to install a six foot high fence with a self-closing, self-locking gate to secure the pool area. Staff feel that including any pool costs (e.g., maintenance, insurance) in the operating budget would be inappropriate. If Twin Pines and the tenants agree to maintain and operate the pool (which is their expressed intention), any costs associated with the pool must be handled by the tenants and Twin Pines under a separate agreement.

7. Loan to Value

Initially Twin Pines submitted an appraisal to VHCB that was not acceptable to VHCB staff because of obvious inaccuracies. The sponsor had a second appraisal done which shows a value of $395,000. Although there are some problems with the format and content of this appraisal (e.g., comparables are poor, capitalization rate is not market-derived), the overall loan to value and loan to cost ratios are low, and staff is not advising another. Because of the recently discovered physical problems with the buildings, the sellers have reduced the price to $375,000. The loan request is for $157,840, or 40% of the appraised value. The requested loan to total cost ratio is approximately 30%.

A critical assessment of the operating budget assumptions and the cash flow projections do not demonstrate the capacity to carry the requested level of debt. Based on its underwriting assumptions, staff is recommending a maximum first mortgage loan amount of $115,200, which leaves a funding gap of $42,640. Staff is recommending that Section 8 refunding bond savings be used to fill this gap. These funds could be lent at no interest, principal due as a balloon payment in 20 years.

8. Management

It is the sponsor's intention to manage the project directly. Twin Pines currently manages 14 units of cooperative and rental housing in three projects, a nine unit mobile home park, and in addition has developed 25 "for-sale" homes on leased land. VHFA has had no experience with Twin Pines as a management entity. Staff is recommending that financing be conditioned upon VHFA approval of Twin Pines as management agent or an alternative management agent.

9. Market Demand

All units were occupied when Twin Pines entered into negotiations with the sellers. The current owner has reportedly never had vacancy problems. Because the sale is planned, the seller has not filled units as they have become vacant recently, and there are two units now vacant. Staff has not requested an independent market study. Twin Pines did submit rental data from the area, and the proposed rents are below average rents for similar sized units in the area. Given the project size, location, and history, it does not appear that market demand will be an issue.

10. Environmental Concerns

The sponsor has commissioned a Phase I Environmental Site Assessment, but it has not been completed at this time. Based on staff's site visit and the environmental assessment checklist done by VHCB staff, it seems unlikely that hazards will be found. Staff is recommending that the loan be conditioned upon the receipt of an acceptable Environmental Site Assessment.

The site visit and property inspection revealed no obvious hazards from friable asbestos. Given the age of the buildings, it is unlikely they contain any lead paint (lead paint was no longer legal for residential use beginning in 1978). The sponsor has a letter from the current owner stating that he did not use lead paint in the construction of these buildings, and therefore the sponsor does not intend to test for lead paint.

DISCUSSION

Strengths

a) VHFA would have a relatively low overall loan-to-value ratio (40%) and adequate security.

b) The VHCB Housing Subsidy Covenant would ensure that the property remains as low income affordable housing in perpetuity.

c) The project would support non-profit development in the White River Junction area, an economically strong region of the state where growth may diminish the supply of available affordable housing.

Weaknesses

a) The presence of the swimming pool may become an ongoing management and safety concern.

b) The property was poorly built originally. The proposed rehabilitation must address the housing quality concerns, and neither VHFA nor VHCB staff is highly confident at this time that it does. It is staff's intention, however, to rely upon an independent assessment of the proposed rehabilitation and independent cost estimate that VHCB is initiating, in order to address these concerns.

c) Twin Pines has limited development experience; the one project they have developed with VHFA financing has been subject to lengthy delays and cost overruns. Although Twin Pines intends to strengthen its capacity to develop and manage by undertaking this project, VHFA has some concerns about its current development and management capacity.

RECOMMENDATION

Staff recommends Board approval of the attached Resolution to provide a Letter of Interest for both first and second mortgage financing in the total amount of $157,840. At this time the proposed split in this funding would be $115,200 in first mortgage financing and $42,640 in second mortgage financing. However, we request the flexibility to change this split based on selection of funding sources, refinement of costs, and any adjustments in underwriting standards.

The terms of the first mortgage financing would be: loan amount of up to $157,840 (currently estimated loan amount is $115,200); interest rate and term will vary depending on the final source of funds. The proposed source of funds is recycled Section 8 bond funds. The interest rate will be 7.22%, the term and amortization period 25 years. An alternative source of funds under consideration is Section 8 capital reserve account funds, which have an interest rate of 7.33%, 18 year term, 25 year amortization period.

The terms of the second mortgage financing would be: loan amount of up to $42,640, no interest, 20 year balloon payment on the principal. The source of the second mortgage loan would be Section 8 refunding bond savings.

Letter of Interest is subject to the following conditions:

1) an independent assessment of the adequacy of the rehabilitation plan;

2) evidence of competitive bidding or independent cost estimate to establish reasonableness of construction cost;

3) VHFA Board approval of the use of Section 8 refunding bond savings and capital reserve account funds;

4) VHFA approval of management agent;

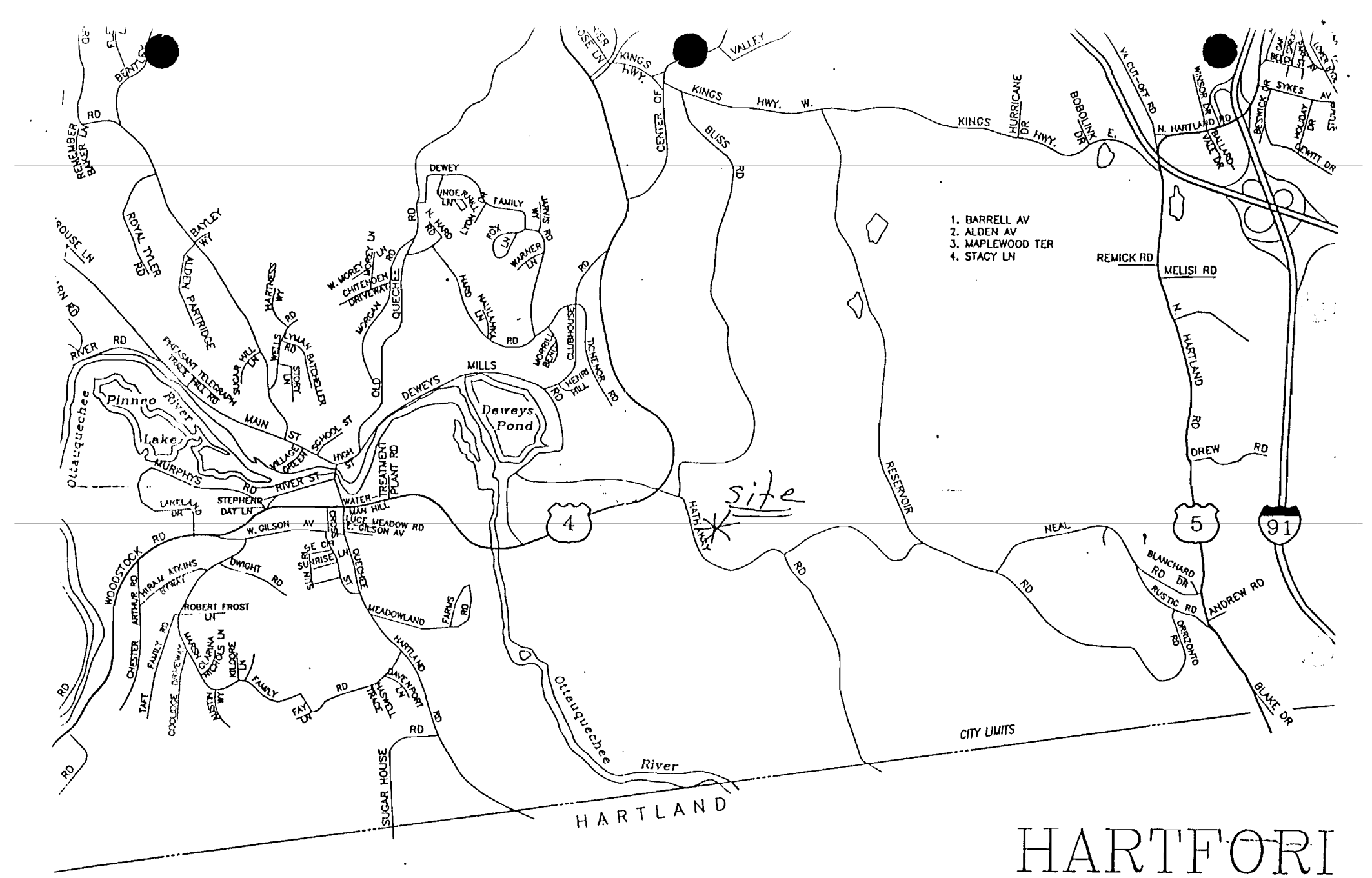
This Resolution also authorizes the Executive Director to issue a Letter of Commitment upon the satisfaction of these conditions. This Letter of Commitment is subject to the following conditions:

1) VHFA approval of final plans and specifications;

2) a level I Environmental Site Assessment acceptable to staff;

3) VHFA approval of the pool maintenance agreement between Twin Pines and the tenants;

4) all other standard VHFA financing conditions.



HARTFORI
VERMONT

• 1988 USWEST MARKETING RESOURCES Printing Divisio

C D E F G H I

S:\DEVEL\MFLOAN\PROJECTS\QUECHEE.WQ1

Project:	Quechee Pines	RUN DATE:	31-May-95
Total Residential Units:	9	Increase LIHTC	1.00%
Restricted Units:	9	Increase Market	1.00%
Percent Restricted:	100.00%	Expense increase:	2.50%
Avg Net Monthly Rent:	449	Vacancy Rate:	5.00%
Total Dev Costs	520,776		
TDC/Unit	57,864		

FINANCING SOURCES

	Amount	% of TDC	Interest	Term	
VHFA First Mortgage Debt	115,200	22.12%	7.22%	25	
VHFA Second Mortgage	42,640	8.19%	0	20	non-amortizing
VHCB Feasibility Grant	3,500	0.67%	0.00%	0	
VHCB grant	176,500	33.89%	0.00%	0	
HOME Grant	182,936	35.13%	0.00%	0	
	520,776	100.00%			

Quechee Pines	DEVELOPMENT BUDGET			01-Jun-95
		Budget	Per Unit	Per s.f.
ACQUISITION & CONSTRUCTION				
			0	0.00
Purchase of Building(s) & Land		375,000	41,667	41.09
Demolition			0	0.00
Rehabilitation		79,978	8,886	8.76
New Buildings			0	0.00
Accessory Building(s)			0	0.00
Sitework			0	0.00
General Requirements	0.00%		0	0.00
Contractor Overhead	0.00%		0	0.00
Contractor Profit	0.00%		0	0.00
Construction Contingency	10.00%	7,998	889	0.88
APPLIANCES			0	0.00
Subtotal		462,976	51,442	50.73
PROFESSIONAL SERVICES				
Architect Fee - Design		4,799	533	0.53
Construction Management		3,999	444	0.44
Attorney		2,000	222	0.22
Legal - Title & Recording		1,500	167	0.16
Subtotal		12,298	1,366	1.35
INTERIM COSTS				
Construction Insurance			0	0.00
Construction Interest			0	0.00
Construction Loan Origination Fee			0	0.00
Taxes			0	0.00
Subtotal		0	0	0.00
OTHER SOFT COSTS				
Property Appraisal & Inspections		3,500	389	0.38
Market Study			0	0.00
Environmental Report		1,200	133	0.13
Tax Credit Fees			0	0.00
Marketing			0	0.00
Subtotal		4,700	522	0.51
FINANCING FEES & EXPENSES				
Credit Report			0	0.00
Permanent Loan Origination Fee		1,566	174	0.17
MARBLE BANK FEES		741	82	0.08
Cost of Issuance			0	0.00
Title & Recording			0	0.00
Counsel's Fee			0	0.00
Other			0	0.00
Subtotal		2,307	256	0.25
SYNDICATION COSTS				
Organizational (Partnership)			0	0.00
Bridge Loan Fees & Expenses			0	0.00
Tax Opinion			0	0.00
Subtotal		0	0	0.00
DEVELOPER'S FEES				
Developer's Overhead & Profit		31,500	3,500	3.45
Consultant Fees		1,000	111	0.11
Subtotal	7.98%	32,500	3,611	3.56
PROJECT RESERVES				
Rent-up (Deficit Escrow) Reserve			0	0.00
Replacement Reserve			0	0.00
Working Capital	3,322	5,995	666	0.66
Operating Reserve/Sinking Fund			0	0.00
Subtotal		5,995	666	0.66
TOTAL DEVELOPMENT COSTS		520,776	57,864	57.06

Quechee Pines | INCOME & EXPENSE BUDGET | 31-May-95

INCOME

RENTS

Bedrooms	Type	Sq.Feet	Number	Rent	Utilities	Total Annual Rent
2 Br	HOME	1,019	3	371	35	13,356
2 Br		1,019	1	446	35	5,352
2 Br	HOME	1,019	1	471	35	5,652
2 Br		1,008	4	556	35	26,688
						0
	Totals	9,127	9			51,048

Bedrooms	Type	Sq.Feet	Number	Rent	Utilities	Total Annual Rent
1 Br			0	0		0
2 Br			0	0		0
3 Br			0	0		0
	Totals	0	0			0

All Units

Grand Totals	9,127	9		51,048
	Less Vacancy	5.00%		(2,552)
			NET RENT	48,496
	OTHER INCOME			
	Interest Income			0
	Laundry			936
	Parking			0
	Total Other Income			936
			TOTAL INC	49,432

Quechee Pines	EXPENSE BUDGET			01-Jun-95
	Annual	Monthly	Per Unit Per Month	
Administration				
Management Fee	4,320	360	40	8.5%
Marketing	250	21	2	
Audit/Accounting	1,500	125	14	
Legal	1,007	84	9	
On-site Manager		0	0	
Telephone		0	0	
Office Payroll		0	0	
Rent		0	0	
Compliance Monitoring		0	0	
Other		0	0	
TOTAL ADMINISTRATIV	7,077	590	66	
Utilities				
Water/Sewer	750	63	7	
Electric	2,223	185	21	
Fuel	2,343	195	22	
Other		0	0	
TOTAL UTILITIES	5,316	443	49	
Maintenance				
Maintenance Payroll		0	0	
POOL SUPPLIES		0	0	
Trash Removal	1,944	162	18	
Snow/Grounds	1,080	90	10	
Repairs	3,780	315	35	
Paint/Decorating	540	45	5	
Exterminating		0	0	
Contract Maintenance		0	0	
Equipment Debt		0	0	
Service Lease		0	0	
Other		0	0	
TOTAL MAINTENANCE	7,344	612	68	
Taxes	8,000	667	74	
Insurance	2,800	233	26	
Replacement Reserves	3,780	315	35	
Other		0	0	
Total	34,317	2,860	318	

01-Jun-95 Quechee Pine s				PRO FORMA									
Year	1	2	3	4	5	6	7	8	9	10	11	12	13
Residential Rent	51,048	51,670	52,186	52,708	53,235	53,768	54,305	54,848	55,397	55,951	56,510	57,075	57,646
Less Res Vacancy	(2,552)	(2,583)	(2,609)	(2,635)	(2,662)	(2,688)	(2,715)	(2,742)	(2,770)	(2,798)	(2,826)	(2,854)	(2,882)
Plus Other Income	936	945	955	964	974	984	994	1,004	1,014	1,024	1,034	1,044	1,055
Total Actual Income	49,432	50,031	50,532	51,037	51,547	52,063	52,584	53,109	53,640	54,177	54,719	55,266	55,819
Less Operating Expense	30,537	31,300	32,083	32,885	33,707	34,550	35,414	36,299	37,206	38,137	39,090	40,067	41,069
Less Reserves	3,780	3,818	3,856	3,895	3,933	3,973	4,013	4,053	4,093	4,134	4,175	4,217	4,259
Net Operating Income	15,115	14,913	14,593	14,258	13,907	13,540	13,157	12,758	12,341	11,906	11,453	10,981	10,490
Less Debt Service	9,965	9,965	9,965	9,965	9,965	9,965	9,965	9,965	9,965	9,965	9,965	9,965	9,965
Cash Flow	5,149	4,948	4,627	4,292	3,941	3,575	3,192	2,792	2,376	1,941	1,488	1,016	525
Oper Subsidy	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash	5,149	4,948	4,627	4,292	3,941	3,575	3,192	2,792	2,376	1,941	1,488	1,016	525
DCR	151.67%	149.65%	146.44%	143.07%	139.55%	135.87%	132.03%	128.02%	123.84%	119.48%	114.93%	110.20%	105.27%
Cumulative Cash Flow	5,149	10,097	14,725	19,017	22,958	26,533	29,725	32,518	34,893	36,834	38,322	39,338	39,863

Year	14	15	16	17	18	19	20	21	22	23	24	25
Residential Rent	58,223	58,805	59,393	59,987	60,587	61,193	61,804	62,422	63,047	63,677	64,314	64,957
Less Res Vacancy	(2,911)	(2,940)	(2,970)	(2,999)	(3,029)	(3,060)	(3,090)	(3,121)	(3,152)	(3,184)	(3,216)	(3,248)
Plus Other Income	1,065	1,076	1,087	1,098	1,109	1,120	1,131	1,142	1,154	1,165	1,177	1,188
Total Actual Income	56,377	56,940	57,510	58,085	58,666	59,252	59,845	60,443	61,048	61,658	62,275	62,898
Less Operating Expense	42,096	43,148	44,227	45,332	46,466	47,627	48,818	50,038	51,289	52,572	53,886	55,233
Less Reserves	4,302	4,345	4,388	4,432	4,477	4,521	4,567	4,612	4,658	4,705	4,752	4,800
Net Operating Income	9,979	9,447	8,895	8,320	7,723	7,104	6,460	5,793	5,100	4,382	3,637	2,865
Less Debt Service	9,965	9,965	9,965	9,965	9,965	9,965	9,965	9,965	9,965	9,965	9,965	9,965
Cash Flow	14	(518)	(1,071)	(1,645)	(2,242)	(2,862)	(3,505)	(4,173)	(4,865)	(5,584)	(6,328)	(7,100)
Oper Subsidy	0	518	1,071	1,645	2,242	2,862	3,505	4,173	4,865	5,584	6,328	7,100
Net Cash	14	0	0	0	0	0	0	0	0	0	0	0
DCR	100.14%	94.80%	89.26%	83.49%	77.50%	71.28%	64.83%	58.13%	51.18%	43.97%	36.50%	28.75%
Cumulative Cash Flow	39,877	39,359	38,288	36,643	34,401	31,539	28,034	23,862	18,996	13,413	7,084	(16)

Note: principal balloon payment
of 42,640 due in year 20.

RESOLUTION PERTAINING TO LETTER OF INTEREST
RE: QUECHEE PINES (QUECHEE)

WHEREAS, a proposal has been presented to the Agency by Twin Pines Housing Trust, a non-profit corporation located in Hartford, Vermont (the "Sponsor") involving the acquisition and rehabilitation of Quechee Pines, a rental development in Quechee containing nine units in two buildings located on nine acres on Hathaway Road in Quechee (the "Development"); and

WHEREAS, the proposal contemplates a permanent mortgage loan of up to $157,840 amortized over a period of 25 years with an interest rate of approximately 7.22% per annum; and

WHEREAS, the Sponsor has received conditional commitments for grants from the Vermont Housing and Conservation Board and from HOME funds; and

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Irene Jenkins and Joseph Erdelyi dated May 31, 1995 containing information and recommendations about the Development (the "Memorandum");

It is hereby DETERMINED:

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

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

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

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

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

6. The Sponsor is a financially responsible organization and the proposed ownership entity is expected to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a first mortgage loan to Twin Pines Housing Trust for the acquisition and rehabilitation of the Quechee Pines Development in Quechee in an amount not to exceed $158,000. The term and interest rate will depend on the Agency's source of funds. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, construction financing, or for other purposes with the consent of the Agency.

2. The Letter of Interest shall require the Sponsor to provide the following items in form and content satisfactory to the Agency:

   (a) an independent assessment of the adequacy of the rehabilitation plan;

   (b) evidence of completitive bidding or independent cost estimate to establish the reasonableness of construction costs;

   (c) approval of the Agency's Board of the use of Section 8 refunding savings and/or proceeds of the Agency's Multi-Family Housing Bonds, 1995 Series A; and

   (d) approval by the Agency of the Development's management agent.

3. The Executive Director is authorized, once the conditions set out herein have been achieved to his satisfaction, to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a second mortgage loan to Twin Pines Housing Trust for the 9 unit development in Quechee in an amount not to exceed $43,000. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

4. The Executive Director may, in his discretion, issue Commitment Letters for two loans for the acquisition and rehabilitation of the Developments, in an amount to be determined by the Executive Director, but with the combined principal amount of the two loans not to exceed $158,000. The first mortgage loan shall bear interest at a rate of 7.22 percent per annum for a term of 25 years. The second mortgage loan shall be in an amount up to $43,000. Subject to approval of the Board of Commissioners, the source of funds will be Section 8 refunding savings, in which case the loan will not be amortizing and will have a rate of interest of 0%. All principal will be due 20 years from the date of the second mortgage loan. If the Board of Commissioners does not approve the use of Section 8 refunding savings, the terms of any second mortgage loan will differ from those set out in this paragraph. The Commitment Letters shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish, including but not limited to the following documents that must be submitted in form and content acceptable to the Agency:

   (a) VHFA approval of final plans and specifications;

   (b) a level I Environmental Site Assessment acceptable to staff;

   (c) VHFA approval of the pool maintenance agreement between Twin Pines and the tenants; and

   (d) confirmation that the conditional commitments for grants have all been made unconditional.

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

T:\aboard\quechint.res

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Irene D. Jenkins, Director of Development
Joseph A. Erdelyi, Multifamily Development Underwriter

DATE: June 1, 1995

RE: Westview Terrace, Springfield - Multifamily Phase

SUMMARY OF REQUEST

Realty Resources, Chartered, has requested first mortgage financing of $450,000 for the acquisition and rehabilitation of 58 units in Springfield. They have also requested $378,220 in second mortgage financing from the Section 8 refunding bond proceeds.

This development needs VHFA second mortgage financing at 0% interest, with the principal due as a balloon payment in 20 years. The financial feasibility of this proposal depends upon Board approval of the allocation of Section 8 refunding bond savings or capital reserve account funds to a proposed program that is not currently before the Board, but will be brought to the Board for action at a later date (estimated for July).

THE DEVELOPMENT

1. General Description

Westview Terrace is a large rental development currently consisting of 106 units in 31 buildings near Route 106 in Springfield. The sponsor has signed an option agreement with The Merchants Bank, the current owner.

The sponsor intends to divide the project into two phases, one for single family housing and one for multifamily. On the single family site, all nine existing structures will be demolished and some sitework will be done. This current proposal does not include the acquisition, demolition, or other costs or revenues of the single family phase. The most recent budget VHFA has for the single family phase indicates the total cost is $160,000: $75,000 for land acquisition and $85,000 for demolition and sitework. In the multifamily

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

phase, the sponsor intends to demolish seven complete buildings and a portion of one other. The completed multifamily phase of this project will consist of 58 units in 15 renovated buildings, a new community building, and a maintenance building.

At this time the sponsor has received a reservation of tax credits and a Letter of Interest on the first mortgage debt from VHFA. The sponsor has also received a conditional commitment for the VHCB funds and the Lead Program funds, and anticipates word on the CDBG application by mid-June, 1995. Since this proposal was last brought before the Board, the sponsor has applied to the Federal Home Loan Bank of Boston ("FHLBB") for a grant of $300,000 under the Affordable Housing Program; FHLBB is not recommending the project for funding because of a low score relative to other applicants. Because of this, the sponsor has applied for approximately $378,000 in second mortgage funding from VHFA. The request before the Board is to authorize a Letter of Commitment for the first mortgage, and also to issue a Letter of Interest on the second mortgage, with the Executive Director authorized to issue the Letter of Commitment on the second mortgage.

A summary of sources and uses of funds, rents, operating expenses, and financial projections is attached.

2. Sponsor Information

The project sponsor is Realty Resources, Chartered, of Rockport, Maine. The sponsor has developed five Farmers Home 515 rental housing projects which have received tax credit allocations from VHFA. Realty Resources utilizes Pen-Bay Builders, an identity-of-interest contractor, for all of its developments (Pen-Bay and Realty Resources are both owned by the same individual, Joseph Cloutier). Because this is a tax credit project, the ownership entity would be a partnership. The ownership entity will be Springfield Housing Associates; co-general partners in this partnership will be Joseph Cloutier and Springfield Housing Unlimited, a 501(c)3 non-profit that is wholly owned by the Springfield Housing Authority (see section 8 "Management.")

3. Projected Funding Sources

	Amount	Percent
VHFA First Mortgage	$450,000	10.71%
VHFA Second Mortgage	378,220	9.00%
VHCB Deferred Loan	450,000	10.71%
VHCB Lead Paint Grant	203,000	4.83%
CDBG Grant	350,000	8.33%
Tax Credit Equity	2,292,306	54.54%
Project Cash Flow	56,800	1.35%
Gap	22,974	00.53%
Totals	$4,203,300	100.00%

The CDBG funds will carry a condition that the units that are demolished must be replaced "one-for-one." The sponsor has applied for a waiver from this rule to HUD Manchester (who are authorized to grant this request) and expects a response in early June.

In the application, the source of construction financing listed is the same as the seller, the Merchants Bank. Realty Resources has used Merchants Bank as a source of construction financing on many of its other developments. In the budget submitted, however, the fees and interest rate seem to be high (two point origination fee, 9.75% rate). The sponsor is currently re-negotiating the terms of this loan with Merchants Bank, and VHFA's commitments will be conditioned upon satisfactory terms. The total development budget should be lower when construction loan terms are finalized.

We have recently been advised that both the Section 8 bond refunding savings and capital reserve funds are considered tax exempt bond financing and therefore may not be included in basis for the higher "nine percent" low income housing tax credit. If this is so and no alternative structure can be devised to put these funds back into basis, the project is left with a funding gap, currently projected at $22,974 (the sponsor's proposed budget did not show a funding gap). Staff will work with the sponsor to resolve this issue.

4. Unit Breakdown and Rents

The proposed unit breakdown is as follows:

	Units	Rents*	Sq. Ft.
One Bedroom	9	$313 / $348	528
One Bedroom Handicapped	3	313 / 348	528
Two Bedroom	16	375 / 416	782
Three Bedroom	24	433 / 481	1,012
Four Bedroom	4	483 / 536	1,101
Four Bedroom Handicapped	2	483 / 536	+/-1,300
Totals	58		

* Note: Does not show Section 8 rents. Sponsor will provide a breakdown of the Section 8 units by bedroom size.

The completed development will have 14 four-unit buildings and one two-unit building. Tenants will pay for electricity and the owner will pay for oil heat and hot water. Half of the units at each bedroom size will have rents set at levels affordable to households earning no more than 50% of the Area Median Gross Income (AMGI). The remaining rents would be set at levels affordable to 55% of AMGI. In order to qualify for the amount of tax credits requested, all of the units would have to be occupied by households earning no more than 60% of AMGI.

Approximately 38 households currently living in the project have tenant-based rental assistance under the Section 8 Certificate program. Because these rental assistance contracts are only for five year terms, and because the tenants would take the assistance with them if they moved out of the project, all 38 units cannot be counted as Section 8 units in underwriting the project (Section 8 rents are on average higher than the rents shown). However, there is a long history of tenancy among many Section 8 households at the project. The sponsor has proposed and we have agreed to include 12 units at the Section 8 rents in our underwriting.

5. Site/Location

The site is located north of Route 106 in Springfield (see attached location map). The total site is 16.08 acres excluding road right-of-ways (the project is located on a town-owned cul-de-sac). The single family phase is 3.65 acres and the multifamily phase is 12.43 acres; the terrain is flat. The site is located less than one mile from the center of town.

6. Renovation Plan

The construction budget includes jacking up the buildings, pouring full frostwall foundations, and replacing the rotted sills. Approximately half of the buildings have flat roofs, which will be replaced with gable roofs. Roofing, siding, doors, windows, electrical and mechanical systems will be either completely replaced or upgraded. Five of the completed units will be fully handicapped accessible. The sponsor has submitted preliminary plans and specifications. The sponsor does not intend to competitively bid the general contract, but will use Pen-Bay Builders as general contractor. All of the construction subcontracts will be competitively bid. The VHCB commitment requires that the grantee obtain independent third party cost estimates. VHFA will require an independent review of plans and specifications and independent cost estimate, and staff will coordinate with VHCB on these to avoid duplication of costs.

Because of the extensive rehabilitation, tenants will be temporarily relocated to other buildings on-site during construction. A few households have higher incomes than qualify for the tax credits, and these households will be offered permanent relocation benefits, in accordance with the federal Uniform Relocation Act. The cost of this temporary and permanent relocation will be paid for out of operating cash flow during the construction period. Because of the risk of using cash flow as a source of funds during construction, staff has requested that the sponsor provide surety to cover this amount ($56,800), and the sponsor has agreed.

7. Loan to Value

An appraisal has been completed by Cable and Associates, Inc. and only recently submitted to VHFA. One condition of VHFA financing is final review and acceptance

of the appraisal. The appraised value of the project "as-is" is $700,000. After the proposed improvements, the projected value as a tax credit project (i.e., with tax credit restricted rents) is $1,425,000. (The value as a "market rate" rental project after improvements is $1,675,000.) The first mortgage loan amount requested is $450,000, or 32% of value. The second mortgage loan is $378,220, or 26% of value, and VHFA's total investment would therefore be 58% of the project's value. These two loans combined comprise approximately 20% of the total development cost.

8. Management

Springfield Housing Authority (SHA) is the proposed management entity; they also currently manage the project on behalf of Merchants Bank. Springfield Housing Unlimited, the non-profit affiliate of SHA, would have an option to purchase the project after the initial 15 year tax credit compliance period.

The sponsor has expressed an intent to have a social service component of the project, and has included an office in the community building for this purpose. VHFA staff feel that this will contribute greatly to the project's success. The operating budget does not have a line item for social services, however, and one proposal the sponsor has made is to pay for the social services out of the project's cash flow. A second alternative discussed has been to utilize some outside source of subsidy to pay for ongoing social services. Staff is recommending the sponsor pursue an outside source of operating funds for the social service component. The attached pro forma does not include payment of social services out of cash flow.

9. Market Demand

The sponsor has submitted a market study that has been reviewed and accepted by staff. Many of the tenants at Westview are long term residents, and most are anticipated to remain throughout and after the renovation work. The study concludes that the units not occupied by current households upon completion of the renovations should rent up within a three month period.

10. Environmental Concerns

A Level I Environmental Site Assessment has been completed and submitted with no major findings. The assessment generally does not test for either lead paint or asbestos. Lead paint testing has been done in accordance with the requirements of the Lead Program, and the same consultant who performed the lead tests also tested various materials for asbestos. Both lead and asbestos are present in these structures in some form, and the renovations will have to abate these potential hazards.

DISCUSSION

Strengths

a) The project has been allowed to deteriorate both physically and from a management and ownership perspective for years. Undertaking these renovations would greatly improve the quality of life for tenants there as well as the stock of affordable housing in the Springfield area. For a project of this size, marketability issues appear to be relatively minor. A reduction in density at the site coupled with an ultimate mix of rental and owner-occupied housing will make this project both marketable and financially feasible.

b) The project has a substantial number of households with tenant-based Section 8 rental assistance, and given the renovation and the involvement of the Springfield Housing Authority, it is likely that the presence of Section 8 tenants will continue. The rent differential between Section 8 Fair Market Rents and the sponsor's proposed rents provide a source of revenue that will benefit the project.

c) A non-profit co-general partner that will have an option to purchase the project ensures that long term affordability will be maintained. In addition, a proposed management entity with proven capacity and history at the project should make the transition of ownership, rehabilitation, and long term operation relatively smooth.

Weaknesses

a) The terms of many of the proposed funding sources still need to be finalized. The CDBG funding and VHCB funding are in at rates and terms that the sponsor and VHFA staff agree upon, but these terms have not been given the approval of the funding agencies (although this approval is anticipated). Any change in the terms used would impact the long term financial feasibility of the project and would necessitate a re-evaluation of the terms of the other sources. At this time the syndicator and tax credit investors have not been selected. The particulars of the syndication of the tax credits will also impact the final budget.

b) The project has a substantial number of households on tenant-based rent assistance. The potential for cash flow is higher because of this, but at the same time there are risks associated with this type of subsidy. Balancing the use of this cash flow, should it be generated, against the reliance upon it (only to have it not materialize), is important.

RECOMMENDATION

The total financing requested is $828,220: $450,000 in first mortgage and $378,000 in second mortgage financing.

Staff recommends that the Board issue a Resolution for a Letter of Commitment to provide permanent first mortgage financing for the Westview Terrace project in an amount up to $450,000 with a 30 year amortization and a 20 year term; the rate will be based upon the funding source, proposed to be Federal Home Loan Bank funds, taxable bond proceeds, Section 8 recycled funds, or Section 8 refunding bond capital reserve funds.

Staff also recommends that the Board issue a Resolution for a Letter of Interest to provide permanent second mortgage financing in an amount up to $378,220, with a 20 year term, no interest; this loan will not be amortizing, but will balloon in the amount of the principal after 20 years. The source would be Section 8 refunding bond savings. Cost savings that are achieved will be reflected to the extent possible in a reduction of the second mortgage loan. This resolution also authorizes the Executive Director to issue a Letter of Commitment when the conditions listed below have been met.

The Letter of Commitment for first mortgage financing is subject to sponsor providing the following:

1) commitments of requisite financing, with the amount and terms of such financing to be as shown on the attached development budget dated June 1, 1995, or their equivalent;

2) adequate additional funding or reduction in development costs to close the funding gap, currently estimated at $22,974;

3) a plan describing the social services to be provided to the tenants at the project and how these services will be funded;

4) documentation for all costs in the development and operating budgets, which may include an independent review of plans and specifications and an independent cost estimate;

5) adequate surety to cover relocation costs;

In addition, this first mortgage loan is conditioned upon:

6) VHFA Board approval of the proposed use of Section 8 refunding bond savings and capital reserve account funds;

7) VHFA staff approval of the appraisal;

8) VHFA staff approval of any required construction and/or bridge financing;

9) VHFA staff approval of final plans and specifications

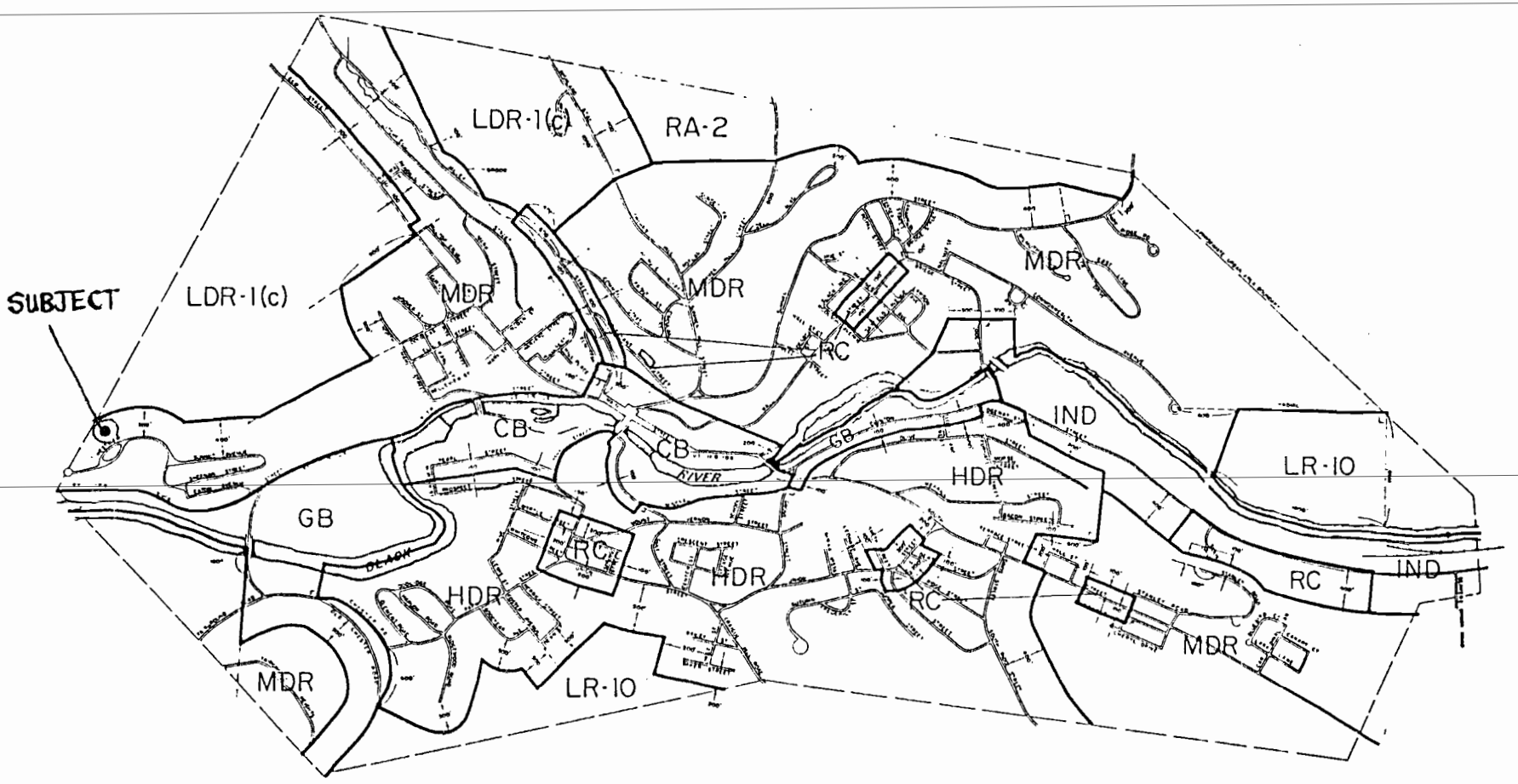
10) determination by staff of final funding sources;

11) all other standard VHFA financing conditions.

The Letter of Interest on the second mortgage financing is subject to the following conditions:

1) VHFA Board approval of the proposed use of Section 8 refunding bond savings and capital reserve account funds;

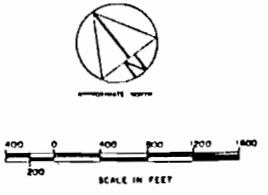
2) VHFA staff approval of final total development cost; any cost savings that are achieved will be reflected to the extent possible in a reduction of the second mortgage loan.



ZONING MAP

LEGEND

LDR-1(c)	LOW DENSITY RESIDENTIAL	ONE ACRE - conditional
MDR	MEDIUM DENSITY RESIDENTIAL	
HDR	HIGH DENSITY RESIDENTIAL	
RA-2	RESIDENTIAL - AGRICULTURAL	TWO ACRE - conditional
GB	GENERAL BUSINESS	
CB	CENTRAL BUSINESS	
RC	RESIDENTIAL - COMMERCIAL	
LR-10	LAND RESERVE	TEN ACRE
IND	INDUSTRIAL	



URBAN AREA

SPRINGFIELD

WINDSOR COUNTY

VERMONT

HANS KLUNDER ASSOCIATES - CONSULTANTS

The preparation of this map was financially aided through a federal grant from the Department of Housing and Urban Development under the Housing and Community Development Act of 1974, as amended, and through a grant from the Vermont Planning Office.

F:\DEVEL\LIHTC\PROJECTS\WESTTERR.WQ1

Project:	Westview Terrace	RUN DATE:	01-Jun-95
Total Residential Units:	58	Increase LIHTC	1.50%
Restricted Units:	58	Increase Market	1.50%
Percent Restricted:	100.00%	Expense increase:	3.00%
Avg Net Monthly Rent:	412	Vacancy Rate:	5.00%
Total Dev Costs	4,203,300	Partner's Tax Rate:	34.00%
TDC/Unit	72,471	Depreciation Schedule:	27.5
		Sponsor's Estimated Yield:	59.48%
		% of sinking funds	
Total Credit Amount	372,298	put into cumulative cash:	75%
Net Syndication	2,292,306		
LIHTC - 9%	8.77%	(April '95)	
LIHTC - 4%	3.76%		

FINANCING SOURCES

	Amount	% of TDC	Interest	Term	Amortization
VHFA Primary debt	450,000	10.71%	9.00%	20	30
CDBG	350,000	8.33%	0.00%	15	*
Lead Paint grant	203,000	4.83%	0.00%	30	grant
VHFA Secondary Debt	378,220	9.00%	0.00%	20	balloon in year 20
VHCB deferred debt	450,000	10.71%	0.00%	30	non-amortizing
Cash Flow	56,800	1.35%	N/A	N/A	
Tax Credit Equity	2,292,306	54.54%	N/A	N/A	
	4,180,326	99.45%			
Gap	22,974				
L.P. Capital Contrib.	2,192,306				
G.P. Capital Contrib.	100,000				
Total Equity	2,292,306				

ASSUMPTIONS:

Social Services paid out of a separate funding source

VHCB funds structured to be in basis

* Deferred, interest accruing 15 yrs then 15 year amortization

Westview Terrace	DEVELOPMENT BUDGET					01-Jun-95
					Acquisition	Rehab/Const
		Budget	Per Unit	Per s.f.	Credit	Credit
ACQUISITION & CONSTRUCTION						
Land		125,000	2,155	2.49		
Purchase of Building(s)		450,000	7,759	8.97	450,000	
Demolition		15,000	259	0.30		
Rehabilitation (inc. contingency)		1,723,550	29,716	34.37		1,723,550
New Buildings			0	0.00		0
PERMITS		20,000	345	0.40		20,000
Sitework		226,000	3,897	4.51		226,000
Builder's O/H, Profit, Gen. Req.	11.15%	285,450	4,922	5.69		285,450
	0.00%		0	0.00		0
	0.00%		0	0.00		0
	0.00%		0	0.00		0
			0	0.00		0
Subtotal		2,845,000	49,052	56.74	450,000	2,255,000
PROFESSIONAL SERVICES						
Architect Fee		110,000	1,897	2.19		110,000
SURVEY		5,000	86	0.10		5,000
Attorney		26,000	448	0.52		26,000
Legal - Title & Recording		8,000		0.16		8,000
ACCOUNTING		5,000	86	0.10		5,000
Subtotal		154,000	2,517	3.07	0	154,000
INTERIM COSTS						
CONSTRUCTION LOAN INSPECTIONS		2,500	43	0.05		2,500
Construction Interest		126,000	2,172	2.51		126,000
Construction Loan Origination Fee		42,000	724	0.84		42,000
Taxes			0	0.00		0
Subtotal		170,500	2,940	3.40	0	170,500
OTHER SOFT COSTS						
Property Appraisal			0	0.00		0
RELOCATION		56,800	979	1.13		56,800
Market Study/Appraisal		7,000	121	0.14		7,000
Environmental Report			0	0.00		0
Tax Credit Fees		16,000	276	0.32		16,000
Marketing		15,000	259	0.30		
Subtotal		94,800	1,634	1.89	0	79,800
FINANCING FEES & EXPENSES						
Credit Report			0	0.00		
Permanent Loan Origination Fee		8,000	138	0.16		
Construction Guarantee Fee		7,150	123	0.14		7,150
Cost of Issuance			0	0.00		
Title & Recording		10,000	172	0.20		
Counsel's Fee			0	0.00		
Soft Cost Contingency		207,850	3,584	4.15		167,850
Subtotal		233,000	4,017	4.65	0	175,000
SYNDICATION COSTS						
Organizational (Partnership)		30,000	517	0.60		
Bridge Loan Fees & Expenses			0	0.00		
Tax Opinion			0	0.00		
Subtotal		30,000	517	0.60	0	0
DEVELOPER'S FEES						
Developer's Overhead & Profit		520,000	8,966	10.37		520,000
Consultant Fees			0	0.00		0
Subtotal	14.74%	520,000	8,966	10.37	0	520,000
PROJECT RESERVES						
Rent-up (Deficit Escrow) Reserve			0	0.00		
Replacement Reserve			0	0.00		
Working Capital			0	0.00		
Operating Reserve/Sinking Fund		156,000	2,690	3.11		
Subtotal		156,000	2,690	3.11	0	0
TOTAL DEVELOPMENT COSTS		4,203,300	72,471	83.83	450,000	3,354,300

LESS:	Amount of Non-qualified Financing				237,220
LESS:	Historic tax Credit (Residential Portion)				
		Total Eligible Basis		450,000	3,117,080
TIMES:	Adjusted for QCT/DDA		130.0%		4,052,204
TIMES:	Applicable Fraction		100.00%	450,000	4,052,204
		Total Qualified Basis		450,000	4,052,204
TIMES:	Applicable Percentage			3.76%	8.77%
		Total Annual Credit Qualified		16,920	355,378

Total Tax Credits Requested		385,518
Estimated Net Synd. Proceeds	2,293,082	
Estimated Yield - LIHTC Synd.	59.48%	
Equity Gap	2,315,280	
Credits Needed to fill Equity Gap		389,250

Total Credits, Acquisition and Rehab: 372,298

Westview Terrace	INCOME & EXPENSE BUDGET	01-Jun-95

INCOME

RENTS

Restricted Units

Bedrooms	Type	Sq.Feet	Number	Rent	Utilities	Total Annual Rent
1 Br	50% MAI		5	313	28	18,780
2 Br	50% MAI		5	375	35	22,500
3 Br	50% MAI		11	433	40	57,156
4 Br	50% MAI		2	483	45	11,592
1 Br	55% MAI		5	348	28	20,880
2 Br	55% MAI		5	416	35	24,960
3 Br	55% MAI		11	481	40	63,492
4 Br	55% MAI		2	536	45	12,864
	Sec. 8		12	485		69,840
	Totals	0	58			302,064

Market Rate Units

Bedrooms	Type	Sq.Feet	Number	Rent	Utilities	Total Annual Rent
1 Br			0	0		0
2 Br			0	0		0
3 Br			0	0		0
	Totals	0	0			0

All Units

Grand Totals	50,140	58		302,064
	Less Vacancy	5.00%		(15,103)
			NET RENT	286,961
	OTHER INCOME			
	Interest Income			0
	Laundry			2,900
			ADJUSTMENT	1,381
	Total Other Income			4,281
			TOTAL INCOM	291,242

Westview Terrace	EXPENSE BUDGET			01-Jun-95
	Annual	Monthly	Per Unit Per Month	
Administration				
Management Fee	31,320	2,610	45	10.4%
Marketing	2,900	242	4	
Audit/Accounting	4,060	338	6	
Legal	1,450	121	2	
Office Expense		0	0	
Telephone		0	0	
Office Payroll		0	0	
Rent		0	0	
Compliance Monitoring	1,392	116	2	
Other		0	0	
TOTAL ADMINISTRATIV	41,122	3,427	59	
Utilities				
Water/Sewer	13,050	1,088	19	
Electric		0	0	
Fuel	35,670	2,973	51	
Other		0	0	
TOTAL UTILITIES	48,720	4,060	70	
Maintenance				
Maintenance Payroll		0	0	
Supplies		0	0	
Trash Removal	12,760	1,063	18	
Snow/Grounds		0	0	
Repairs	37,410	3,118	54	
Paint/Decorating		0	0	
Exterminating		0	0	
Contract Maintenance		0	0	
Equipment Debt		0	0	
Service Lease		0	0	
Other		0	0	
TOTAL MAINTENANCE	50,170	4,181	72	
Taxes	40,600	3,383	58	
Insurance	5,800	483	8	
Replacement Reserves	11,310	943	16	
Other	3,422	285	5	
Total	201,144	16,762	289	

01-Jun-95 Westview Terrace				PRO FORMA							
	Year	1	2	3	4	5	6	7	8	9	10
Residential Rent		302,064	306,595	311,194	315,862	320,600	325,409	330,290	335,244	340,273	345,377
Less Res Vacancy		(15,103)	(15,330)	(15,560)	(15,793)	(16,030)	(16,270)	(16,514)	(16,762)	(17,014)	(17,269)
Plus Other Income		4,281	4,345	4,410	4,477	4,544	4,612	4,681	4,751	4,823	4,895
Total Actual Income		291,242	295,610	300,045	304,545	309,113	313,750	318,456	323,233	328,082	333,003
Less Operating Expense		189,834	195,529	201,395	207,437	213,660	220,070	226,672	233,472	240,476	247,690
Less Reserves		11,310	11,480	11,652	11,827	12,004	12,184	12,367	12,552	12,741	12,932
Net Operating Income		90,098	88,602	86,998	85,282	83,450	81,496	79,418	77,209	74,865	72,381
Less: VHFA primary DS		43,450	43,450	43,450	43,450	43,450	43,450	43,450	43,450	43,450	43,450
Lead Paint Loan DS		0	0	0	0	0	0	0	0	0	0
CDBG Repayment		0	0	0	0	0	0	0	0	0	0
VHFA Second DS		0	0	0	0	0	0	0	0	0	0
Cash Flow		46,648	45,152	43,548	41,832	40,000	38,047	35,968	33,759	31,415	28,931
Operating Subsidy		0	0	0	0	0	0	0	0	0	0
Net Cash		46,648	45,152	43,548	41,832	40,000	38,047	35,968	33,759	31,415	28,931
DCR before subsidy		207.36%	203.92%	200.23%	196.28%	192.06%	187.57%	182.78%	177.70%	172.30%	166.59%
DCR after subsidy	105.0%	207.36%	203.92%	200.23%	196.28%	192.06%	187.57%	182.78%	177.70%	172.30%	166.59%
USES OF NET CASH:											
VHFA Second DS		0	0	0	0	0	0	0	0	0	0
Cumulative Cash		46,648	45,152	43,548	41,832	40,000	38,047	35,968	33,759	31,415	28,931
Social Services		0	0	0	0	0	0	0	0	0	0
TOTAL:		46,648	45,152	43,548	41,832	40,000	38,047	35,968	33,759	31,415	28,931
CUMULATIVE CASH FLOW:											
Beginning Balance		117,000	167,158	217,325	267,393	317,247	366,764	415,814	464,257	511,944	558,718
Deposits		46,648	45,152	43,548	41,832	40,000	38,047	35,968	33,759	31,415	28,931
Interest	3.0%	3,510	5,015	6,520	8,022	9,517	11,003	12,474	13,928	15,358	16,762
Withdrawls (Subsidy)		0	0	0	0	0	0	0	0	0	0
Ending Balance		167,158	217,325	267,393	317,247	366,764	415,814	464,257	511,944	558,718	604,410

		1	2	3	4	5	6	7	8	9	10
Net Operating Income		90,098	88,602	86,998	85,282	83,450	81,496	79,418	77,209	74,865	72,381
Plus Reserves		11,310	11,480	11,652	11,827	12,004	12,184	12,367	12,552	12,741	12,932
Less Interest Expense		(40,375)	(40,087)	(39,771)	(39,426)	(39,049)	(38,636)	(38,185)	(37,691)	(37,150)	(36,560)
Less Depreciation		(138,164)	(138,164)	(138,164)	(138,164)	(138,164)	(138,164)	(138,164)	(138,164)	(138,164)	(138,164)
Taxable Income (Loss)		(77,131)	(78,169)	(79,285)	(80,481)	(81,759)	(83,119)	(84,564)	(86,093)	(87,708)	(89,411)
Cash Flow		0	0	0	0	0	0	0	0	0	0
Plus Tax Savings		26,225	26,577	26,957	27,364	27,798	28,261	28,752	29,272	29,821	30,400
Plus Tax Credits		372,298	372,298	372,298	372,298	372,298	372,298	372,298	372,298	372,298	372,298
Plus Historic Tax Credit		0									
Less Cap Gain Tax											
After Tax Cash Flow	(2,292,306)	398,523	398,876	399,255	399,662	400,096	400,559	401,050	401,570	402,119	402,698
Total 15 years		4,152,326									
Internal Rate of Return:	12.03%										

Current Cash Flows		398,523	398,876	399,255	399,662	400,096	400,559	401,050	401,570	402,119	402,698
Future Value of Cash Flows at Yr 15:		1,947,626	1,740,492	1,555,489	1,390,244	1,242,639	1,110,781	992,985	887,743	793,712	709,691
Total Years	15	1	2	3	4	5	6	7	8	9	10
Reinvestment Rate	12.00%										
LIHTC Pay Ins	85%, 8%, 7%	(1,948,460)	(183,384)	(160,461)							
Present Value of Pay Ins		(1,948,460)	(163,736)	(127,919)							
Cash Flows		(2,240,115)	0	0	0	0	0	0	0	0	0
IRR	13.11%										

01-Jun-95 Westview Terr

	Year	11	12	13	14	15	16	17	18	19	20
Residential Rent		350,558	355,816	361,153	366,571	372,069	377,650	383,315	389,065	394,901	400,824
Less Res Vacancy		(17,528)	(17,791)	(18,058)	(18,329)	(18,603)	(18,883)	(19,166)	(19,453)	(19,745)	(20,041)
Plus Other Income		4,968	5,043	5,118	5,195	5,273	5,352	5,433	5,514	5,597	5,681
Total Actual Income		337,998	343,068	348,214	353,437	358,739	364,120	369,582	375,125	380,752	386,464
Less Operating Expense		255,121	262,775	270,658	278,778	287,141	295,755	304,628	313,767	323,180	332,875
Less Reserves		13,126	13,323	13,522	13,725	13,931	14,140	14,352	14,568	14,786	15,008
Net Operating Income		69,751	66,971	64,034	60,934	57,667	54,225	50,602	46,791	42,787	38,581
Less: VHFA primary DS		43,450	43,450	43,450	43,450	43,450	43,450	43,450	43,450	43,450	329,282
Lead Paint Loan DS		0	0	0	0	0	0	0	0	0	0
CDBG Repayment		0	0	0	0	0	23,333	23,333	23,333	23,333	23,333
VHFA Second DS		0	0	0	0	0	0	0	0	0	378,220
Cash Flow		26,302	23,521	20,584	17,485	14,217	(12,558)	(16,181)	(19,992)	(23,996)	(692,255)
Operating Subsidy		0	0	0	0	0	15,898	19,521	23,331	27,336	695,594
Net Cash		26,302	23,521	20,584	17,485	14,217	3,339	3,339	3,339	3,339	3,339
DCR before subsidy		160.53%	154.13%	147.37%	140.24%	132.72%	81.20%	75.77%	70.06%	64.07%	5.28%
DCR after subsidy	105.0%	160.53%	154.13%	147.37%	140.24%	132.72%	105.00%	105.00%	105.00%	105.00%	105.00%
USES OF NET CASH:											
VHFA Second DS		0	0	0	0	0	0	0	0	0	3,339
Cumulative Cash		26,302	23,521	20,584	17,485	14,217	3,339	3,339	3,339	3,339	0
Social Services		0	0	0	0	0	0	0	0	0	0
TOTAL:		26,302	23,521	20,584	17,485	14,217	3,339	3,339	3,339	3,339	3,339
CUMULATIVE CASH FLOW:											
Beginning Balance		604,410	648,844	691,831	733,170	772,650	810,046	821,312	829,184	833,368	833,553
Deposits		26,302	23,521	20,584	17,485	14,217	3,339	3,339	3,339	3,339	0
Interest	3.0%	18,132	19,465	20,755	21,995	23,179	23,824	24,054	24,176	24,181	4,139
Withdrawls (Subsidy)		0	0	0	0	0	(15,898)	(19,521)	(23,331)	(27,336)	(695,594)
Ending Balance		648,844	691,831	733,170	772,650	810,046	821,312	829,184	833,368	833,553	142,098

		11	12	13	14	15
Net Operating Income		69,751	66,971	64,034	60,934	57,667
Plus Reserves		13,126	13,323	13,522	13,725	13,931
Less Interest Expense		(35,913)	(35,206)	(34,433)	(33,587)	(32,662)
Less Depreciation		(138,164)	(138,164)	(138,164)	(138,164)	(138,164)
Taxable Income (Loss)		(91,200)	(93,077)	(95,040)	(97,091)	(99,228)
Cash Flow		0	0	0	0	0
Plus Tax Savings		31,008	31,646	32,314	33,011	33,737
Plus Tax Credits						
Plus Historic Tax Credit						
Less Cap Gain Tax						(13,798)
After Tax Cash Flow	(2,292,306)	31,008	31,646	32,314	33,011	19,940
Total 15 years				Original Basis		3,567,080
Internal Rate of Return:	12.03%			Less Depreciation		(2,072,455)
				Basis at Sale		1,494,625
				Sales Price		1,535,207
				Gain		40,582
				Tax	34.00%	13,798
Current Cash Flows		31,008	31,646	32,314	33,011	19,940
Future Value of Cash Flows at Yr 15:		48,792	44,460	40,534	36,972	19,940
Total Years	15	11	12	13	14	15
Reinvestment Rate	12.00%					
LIHTC Pay Ins	85%, 8%, 7%					
Present Value of Pay Ins						
Cash Flows		0	0	0	0	12,562,100
IRR	13.11%					

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Joseph A. Erdelyi, Multifamily Development Underwriter
Irene D. Jenkins, Director of Development

DATE: June 1, 1995

RE: Okemo Mountain, Ludlow

SUMMARY OF REQUEST

Realty Resources, Chartered has applied for permanent first mortgage financing of $250,000 for the new construction of 25 units in Ludlow. In addition, they have applied for second mortgage financing of $339,922 from the Section 8 refunding bond proceeds.

This development needs VHFA second mortgage financing at 0% interest, with the principal due as a balloon payment in 20 years. The financial feasibility of this proposal depends upon Board approval of the allocation of Section 8 refunding bond savings to a proposed program that is not currently before the Board, but will be brought to the Board for action at a later date (estimated for July).

THE DEVELOPMENT

1. General Description

The proposed project consists of 25 newly constructed units of family housing in Ludlow. The land is currently owned by the president of Okemo Mountain, Inc. In 1991, the ski area's expansion plan received Act 250 approval with conditions, and one of those conditions was that Okemo Mountain, Inc. create 25 units of affordable housing. This development would satisfy that condition.

A summary of sources and uses of funds, rents, operating expenses, and financial projections is attached.

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

2. Projected Funding Sources

VHFA first mortgage debt	$250,000	11.96%
VHFA secondary debt	$339,922	16.26%
Tax Credit Equity	$1,325,554	63.40%
Gap	$175,418	8.38%
Totals	$2,145,394	100.00%

At this time none of the financing sources has been committed. The sponsor has approached VHCB for HOME funding and has been informed that their funding will not be available in the immediate future. The sponsor has applied for tax credits under the second round and will have a decision by late July or August. The sponsor intends to privately place the credits, rather than syndicating them in the national equity markets.

One issue that is of concern is the developer's fee, currently set at the maximum allowed by the tax credit program (15% of total cost). This project is new construction on vacant land, which should be a less risky venture than Westview Terrace, which involves a long construction period, tenant relocation, and the uncertainties of rehabilitation. Both projects, however, are carrying approximately 15% for the developer's fee. Staff intends to review this issue with the sponsor to either negotiate a lower fee or justify the level of the fee prior to issuing either a tax credit reservation or a loan commitment.

We have recently been advised that both the Section 8 bond refunding savings and capital reserve funds are considered tax exempt bond financing and therefore may not be included in basis for the higher "nine percent" low income housing tax credit. If this is so and no alternative structure can be devised to put these funds into basis, the project is left with a funding gap, currently projected at $175,418 (The sponsor's proposed budget did not show a funding gap). Staff will work with the sponsor to resolve this issue.

3. Sponsor Information

The sponsor is Realty Resources Chartered of Rockport, Maine. The sponsor has developed five Farmers Home 515 rental housing projects which have received tax credit allocations from VHFA. The land is currently owned by Timothy and Diane Mueller; Timothy Mueller is president of Okemo Mountain, Inc., which would be an equity investor and limited partner in Ludlow Housing Partnership, the ownership entity. Other equity investors are currently being sought, and the sponsors have had discussions with two Vermont banks.

4. Unit Breakdown and Rents

There are 15 two-bedroom units and 10 three-bedroom units in five buildings. The tenants will pay for electricity and electric cooking; oil heat and hot water will be

included in the rent. The following table shows the proposed rent and utility costs and the income group to whom these costs are affordable:

Rent (plus utilities)	Affordable to % of median	# of units
$450	55%	15 (2 Br)
521	55%	10 (3 Br)

The sponsor estimated increases in rental income of 2% annually and increases in expenses of 3% annually. For underwriting purposes, staff generally utilizes a 1.5% spread between these rates, and utilized 1.0% and 2.5% trending rates respectively.

5. Site/Location

The site is on the east side of Route 100/103 in Ludlow approximately 1.5 miles from the center of town (see attached map). Portions of the site have previously been excavated as a gravel pit; the exposed areas of the pit have been seeded and stabilized, and the site looks like a reclaimed excavation, not an active pit. Okemo Mountain Inc. is currently in the process of getting Act 250 approvals for both the expanded gravel excavation and affordable housing. These approvals are anticipated for July. It is the sponsor's intention that gravel extraction activities would precede the housing construction so that the road clearing and other sitework costs to the housing would be reduced because of this excavation. The site will be subdivided into a lot of approximately 12 acres immediately surrounding the housing; the sponsor anticipates this subdivision to be approved by July 1. Subsequent gravel extraction would occur on the same hill, but not proximate to the housing.

6. Construction Plan

The housing would consist of a total of 25 units in five buildings: 15 two-bedroom units and 10 three-bedroom units. There would be two "flat" handicapped-accessible/adaptable apartments and the remainder would be townhouse style. There would be on site parking and approximately 700 square feet of common space that will include an office, storage, and laundry facilities.

7. Loan to Value

The sponsor has not yet submitted an appraisal, and any VHFA financing would be contingent upon receipt of an appraisal acceptable to staff. The loan to total development cost ratio of the primary debt requested is 12%; for the second mortgage requested, 16%. VHFA's total loan to total development cost ratio would be 28%. The loan to value ratio for the two loans combined may be higher than this figure.

The amount of first mortgage financing requested is $250,000. Whether or not the project can support this level of amortizing debt depends upon the terms of the second mortgage loan. The attached cash flow projection shows that in year 20, when both the first and second mortgages balloon, the amount needed to refinance the project would be approximately $385,000.

8. Management

The proposed management entity would be Rockingham Area Community Land Trust ("RACLT"). Currently RACLT manages 113 units of affordable rental housing. RACLT has not yet entered into an option agreement to purchase the housing after the initial 15 year tax credit compliance period. However, RACLT has expressed an interest in entering into such an option agreement and are currently working on the specific language of the agreement.

9. Market Demand

The sponsor has submitted a market analysis prepared by Douglas J. Kennedy & Associates in April of 1993, and staff have some concerns about this study. The specific site within Ludlow was not identified when the study was completed. This by itself should not significantly impact the data submitted, but site considerations can affect marketability and can be relevant when considering proximity to amenities. The study is two years old; the data contained should be updated in light of any population and income statistics that have become available within the last two years.

The original study considered two types of housing: 1) deeply subsidized, rent-assisted FmHA 515 rental housing; and 2) for-sale housing (both under a land trust model and as conventional sales). However, neither of these options is now being contemplated. The proposal before the Board is for 25 units of rental housing in Ludlow, but with tax credit equity, not project-based rental assistance. The current proposal is for all 25 units to be tax credit units, and to have the rents set at levels affordable to households earning 55% of the area median income. It should be noted that the creation of 25 units of affordable housing in Ludlow was an Act 250 requirement, which indicates the additional burden on affordable housing that the ski area expansion is likely to have.

To be most useful, the market analysis should examine: 1) the market rents relative to the proposed tax credit rents; 2) the population within the market area by income distribution, to identify the potential market of those who could afford the proposed housing; and 3) the effect the proposed development would have on the existing subsidized and unsubsidized rental housing in the market. Staff is recommending that the sponsor and their consultant provide additional information on these issues prior to the issuance of a Letter of Commitment.

10. Environmental Concerns

The site has no permanent structures on it and appears to have been previously used only as an excavation pit. The housing would be located near a large snow-making pond, which is surrounded by a high, sturdy fence and warning signs. Should the ground give way around the pond and create a flood, the housing is sited so it would be unaffected (although the access road might wash out). Based on a staff site visit, the possibility of this flood occurring seems extremely remote.

The sponsor has not yet provided a Level I Environmental Site Assessment; staff is recommending that any Letter of Commitment be conditioned upon receipt and satisfactory review of an Environmental Site Assessment.

DISCUSSION

Strengths

a) The project would result in the creation of newly constructed affordable housing units. The tax credit Housing Subsidy Covenant would ensure that the units remain affordable (as defined under the LIHTC program) for a 30 year extended use period.

b) Local placement of the tax credits will result in high net yield from syndication of the tax credits, which allows this limited resource to go farther.

c) Management by a local non-profit as proposed supports non-profit capacity.

d) Partnership between a local ski area and an affordable housing developer will help to satisfy the need for affordable housing as well as meet the condition that will allow the expansion of a local business.

Weaknesses

a) The tax credits required to make the project financially feasible have not been committed and may not be available. The request for low income housing tax credits would utilize approximately 80% of the credits remaining available for allocation in 1995, and staff anticipates strong competition for these credits.

b) The sponsor has not yet demonstrated the market demand for affordable housing of this type and at the proposed rents. Revised market data is reportedly forthcoming.

c) The project currently has a funding gap of $175,418. Increasing the amount of second mortgage financing alone cannot fill this gap, because increases in

this funding reduce the credit basis, and therefore reduce the amount of equity that can be raised. Closing this funding gap will require changes to the pro-forma that may include additional first or second mortgage financing, decrease in costs, increasing the general partners' capital contributions, and securing a higher tax credit yield.

d) The maximum developer's fee permitted by the tax credit program has been requested by the sponsor, which increases the overall project cost. Possible reduction of the fee should be negotiated.

RECOMMENDATION

Staff recommends the Board pass the attached Resolution to provide a Letter of Interest for first mortgage financing. The loan terms would be: $250,000 first mortgage loan, 30 year amortization period, and 20 year term. The rate will be determined by the proposed source of funds; Federal Home Loan Bank funds are the source proposed in the attached pro-forma. As alternative funding sources, VHFA could use Section 8 recycled funds, Section 8 refunding capital reserve account funds, or taxable bond proceeds.

The Letter of Interest would be subject to the sponsor providing:

1) commitments of other financing, including a reservation of Low Income Housing Tax Credits and any other financing necessary to make the project financially feasible;

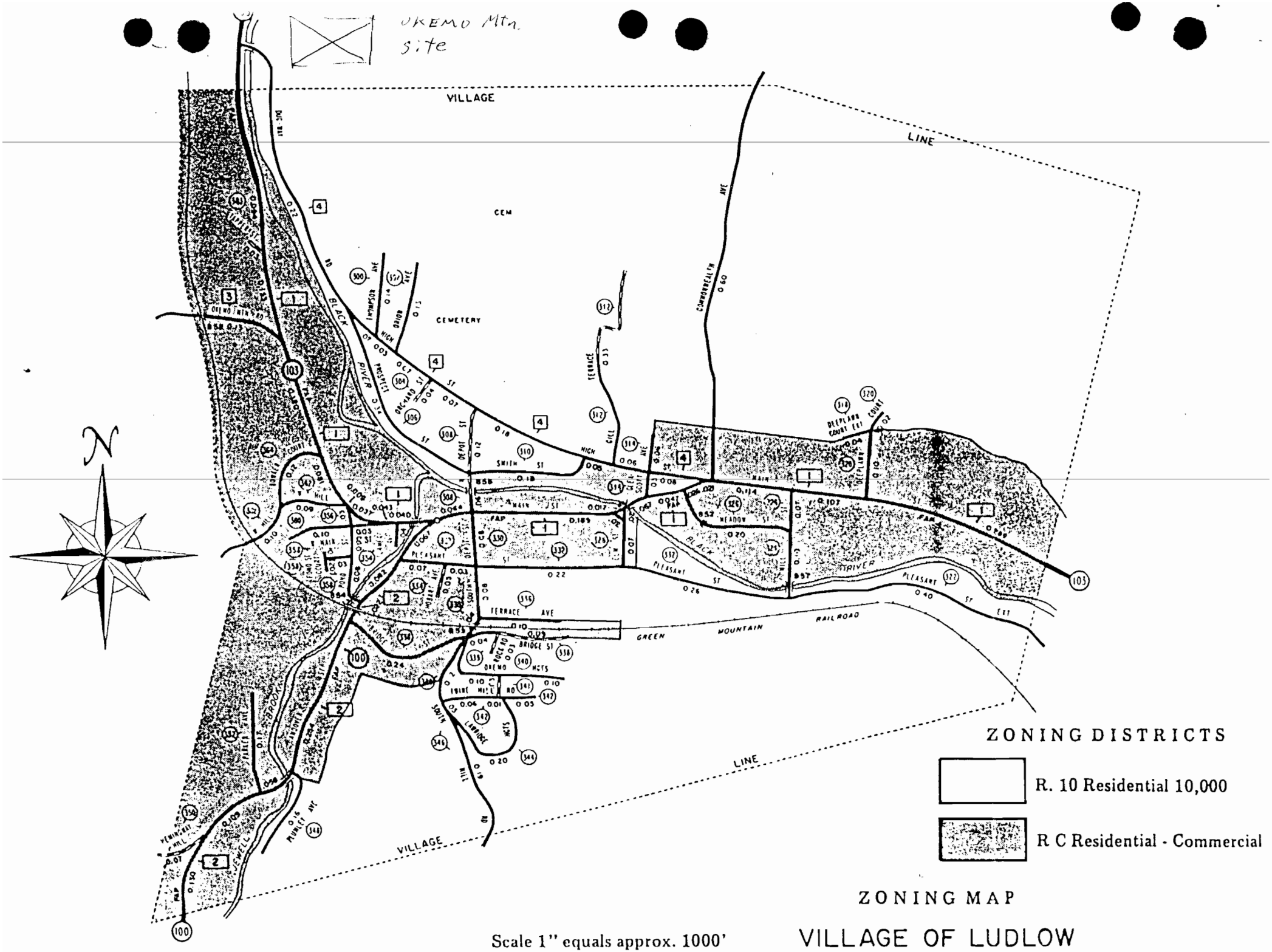
2) Environmental Site Assessment acceptable to staff;

3) revised market study;

4) evidence of all required local and state approvals;

5) appraisal acceptable to staff.

Subject to the above conditions being met, it is the staff's intention to bring this project back to the Board at the next meeting for a Letter of Commitment on the first mortgage financing as well as a Letter of Interest (with the Executive Director authorized to issue a Letter of Commitment) for the second mortgage financing.


OREMO Mtn. site
VILLAGE
LINE
CEM
CEMETERY
BLACK RIVER
GREEN MOUNTAIN RAIL ROAD
TERRACE AVE
PLEASANT ST
MAIN ST
HIGH ST
DEPOT ST
SMITH ST
BRIDGE ST
ORCHARD ST
PROSPECT ST
OREMO MTN RD
ROUTE 10
ROUTE 100
ROUTE 103
N
ZONING DISTRICTS
R. 10 Residential 10,000
R C Residential - Commercial
ZONING MAP
Scale 1" equals approx. 1000'
VILLAGE OF LUDLOW

S:\DEVEL\LIHTC\PROJECTS\OKEMO2ND.WQ1

Project:	Okemo Mountain	RUN DATE:	01-Jun-95

Total Residential Units:	25	Increase LIHTC	1.00%
Restricted Units:	25	Increase Market	1.00%
Percent Restricted:	100.00%	Expense increase:	2.50%
Avg Net Monthly Rent:	419	Vacancy Rate:	5.00%
Total Dev Costs	2,090,894	Partner's Tax Rate:	34.00%
TDC/Unit	83,636	Depreciation Schedule:	27.5
		Sponsor's Estimated Yield:	66.78%
Total Credit Amount	198,490		
Net Syndication	1,325,554		
LIHTC - 9%	8.72%	(May '95)	
LIHTC - 4%	3.74%		

FINANCING SOURCES

	Amount	% of TDC	Interest	Amortization	Term
VHFA First Mortgage	250,000	11.96%	9.00%	30	20
VHFA Second Mortgage	339,922	16.26%	0.00%	20	non-amort.
		0.00%	0.00%	0	
		0.00%	N/A	N/A	
		0.00%	N/A	N/A	
Tax Credit Equity	1,325,554	63.40%	N/A	N/A	
	1,915,476	91.61%			
Gap	175,418				

Okemo Mountain	DEVELOPMENT BUDGET					01-Jun-95
		Budget	Per Unit	Per s.f.	Acquisition Credit	Rehab/Const Credit
ACQUISITION & CONSTRUCTION						
Land		100,000	4,000	3.99		
Purchase of Building(s)			0	0.00	0	
Demolition			0	0.00		0
Rehabilitation			0	0.00		0
New Buildings		963,550	38,542	38.42		963,550
OFF SITE IMPROVEMENTS		49,400	1,976	1.97		49,400
Sitework		214,700	8,588	8.56		214,700
General Requirements	15.00%	199,150	7,966	7.94		199,150
Contractor Overhead	0.00%		0	0.00		0
Contractor Profit	0.00%		0	0.00		0
Construction Contingency	0.00%		0	0.00		0
APPLIANCES			0	0.00		0
Subtotal		1,526,800	61,072	60.88	0	1,426,800
PROFESSIONAL SERVICES						
Architect Fee - Design		33,000	1,320	1.32		33,000
Architect Fee - Supervision		4,500	180	0.18		4,500
Attorney		10,000	400	0.40		10,000
SURVEY/ENGINEERING		19,200	768	0.77		19,200
ACCOUNTING		4,000	160	0.16		4,000
Legal - Title & Recording		5,000	200	0.20		5,000
Subtotal		75,700	3,028	3.02	0	75,700
INTERIM COSTS						
Construction Insurance			0	0.00		0
Construction Interest		37,500	1,500	1.50		37,500
Construction Loan Origination Fee		17,844	714	0.71		17,844
Taxes		4,000	160	0.16		4,000
Subtotal		59,344	2,374	2.37	0	59,344
OTHER SOFT COSTS						
Property Appraisal			0	0.00		0
Market Study		6,000	240	0.24		6,000
Environmental Report			0	0.00		0
CONTINGENCY		50,000	2,000	1.99		40,000
PERMITS/FEES - STATE		10,000	400	0.40		10,000
PERMITS/FEES - LOCAL		16,850	674	0.67		16,850
Tax Credit Fees		8,000	320	0.32		8,000
Marketing (RENT UP)			0	0.00		
Subtotal		90,850	3,634	3.62	0	80,850
FINANCING FEES & EXPENSES						
Credit Report			0	0.00		
Permanent Loan Origination Fee		2,000	80	0.08		
Credit Enhancement			0	0.00		
Cost of Issuance			0	0.00		
Title & Recording		5,000	200	0.20		
Counsel's Fee			0	0.00		
Other			0	0.00		
Subtotal		7,000	280	0.28	0	0
SYNDICATION COSTS						
Organizational (Partnership)		15,000	600	0.60		
Bridge Loan Fees & Expenses			0	0.00		
Tax Opinion			0	0.00		
Subtotal		15,000	600	0.60	0	0
DEVELOPER'S FEES						
Developer's Overhead & Profit		266,200	10,648	10.61		266,200
Consultant Fees			0	0.00		0
Subtotal	15.00%	266,200	10,648	10.61	0	266,200
PROJECT RESERVES						
Rent-up (Deficit Escrow) Reserve			0	0.00		
Replacement Reserve			0	0.00		
Working Capital			0	0.00		
Operating Reserve/Sinking Fund		50,000	2,000	1.99		
Subtotal		50,000	2,000	1.99	0	0
TOTAL DEVELOPMENT COSTS		2,090,894	83,636	83.37	0	1,908,894

LESS:	Amount of Non-qualified Financing				157,922
LESS:	Historic tax Credit (Residential Portion)				
		Total Eligible Basis		0	1,750,972
TIMES:	Adjusted for QCT/DDA		130.0%		2,276,264
TIMES:	Applicable Fraction		100.00%	0	2,276,264
		Total Qualified Basis		0	2,276,264
TIMES:	Applicable Percentage			3.74%	8.72%
		Total Annual Credit Qualified		0	198,490

Total Tax Credits Requested		224,612
Estimated Net Synd. Proceeds	1,500,000	
Estimated Yield - LIHTC Synd.	66.78%	
Equity Gap	1,500,972	
Credits Needed to fill Equity Gap		224,758

Okemo Mountain	INCOME & EXPENSE BUDGET			01-Jun-95		
	INCOME					
RENTS						
Restricted Units						Total
Bedrooms	Type	Sq.Feet	Number	Rent	Utilities	Annual Rent
1 Br						0
2 Br	Townhouse	968	15	415	35	74,700
2 Br						0
2 Br						0
3 Br	Townhouse	1,056	10	481	40	57,720
	Totals	25,080	25			132,420
Market Rate Units						Total
Bedrooms	Type	Sq.Feet	Number	Rent	Utilities	Annual Rent
1 Br			0	0		0
2 Br			0	0		0
3 Br			0	0		0
	Totals	0	0			0
All Units						
	Grand Totals	25,080	25			132,420
		Less Vacancy	5.00%			(6,621)
					NET RENT	125,799
		OTHER INCOME				
		Interest Income				0
		Laundry				1,260
		Parking				0
		Total Other Income				1,260
					TOTAL INC	127,059

Okemo Mountain	EXPENSE BUDGET			01-Jun-95
	Annual	Monthly	Per Unit Per Month	
Administration				
Management Fee	13,500	1,125	45	10.2%
Marketing	1,250	104	4	
Audit/Accounting	2,000	167	7	
Legal	500	42	2	
Office Expense		0	0	
Telephone		0	0	
Office Payroll		0	0	
Rent		0	0	
Compliance Monitoring	600	50	2	
Other		0	0	
TOTAL ADMINISTRATIV	17,850	1,488	60	
Utilities				
Water/Sewer	5,625	469	19	
Electric		0	0	
Fuel		0	0	
Other	15,300	1,275	51	
TOTAL UTILITIES	20,925	1,744	70	
Maintenance				
Maintenance Payroll		0	0	
Supplies		0	0	
Trash Removal	2,500	208	8	
Snow/Grounds		0	0	
Repairs	13,750	1,146	46	
Paint/Decorating		0	0	
Exterminating		0	0	
Contract Maintenance		0	0	
Equipment Debt		0	0	
Service Lease		0	0	
Other		0	0	
TOTAL MAINTENANCE	16,250	1,354	54	
Taxes	25,000	2,083	83	
Insurance	3,000	250	10	
Replacement Reserves	4,553	379	15	
Other		0	0	
Total	87,578	7,298	277	

tain			PRO FORMA							
1	2	3	4	5	6	7	8	9	10
132,420	133,744	135,082	136,432	137,797	139,175	140,566	141,972	143,392	144,826
(6,621)	(6,687)	(6,754)	(6,822)	(6,890)	(6,959)	(7,028)	(7,099)	(7,170)	(7,241)
1,260	1,273	1,285	1,298	1,311	1,324	1,338	1,351	1,364	1,378
127,059	128,330	129,613	130,909	132,218	133,540	134,876	136,224	137,587	138,963
83,025	85,101	87,228	89,409	91,644	93,935	96,284	98,691	101,158	103,687
4,553	4,599	4,645	4,691	4,738	4,785	4,833	4,881	4,930	4,980
39,481	38,630	37,740	36,809	35,836	34,820	33,759	32,652	31,499	30,296
24,139	24,139	24,139	24,139	24,139	24,139	24,139	24,139	24,139	24,139
0	0	0	0	0	0	0	0	0	0
15,342	14,492	13,602	12,671	11,697	10,681	9,620	8,514	7,360	6,157
0	0	0	0	0	0	0	0	0	0
15,342	14,492	13,602	12,671	11,697	10,681	9,620	8,514	7,360	6,157
163.56%	160.04%	156.35%	152.49%	148.46%	144.25%	139.85%	135.27%	130.49%	125.51%
15,342	29,988	43,889	56,998	69,266	80,640	91,066	100,491	108,856	116,102
153	300	439	570	693	806	911	1,005	1,089	1,161
0	0	0	0	0	0	0	0	0	0
15,496	30,287	44,328	57,568	69,958	81,446	91,977	101,496	109,944	117,263

11	12	13	14	15	16	17	18	19	20
146,274	147,737	149,214	150,706	152,213	153,736	155,273	156,826	158,394	159,978
(7,314)	(7,387)	(7,461)	(7,535)	(7,611)	(7,687)	(7,764)	(7,841)	(7,920)	(7,999)
1,392	1,406	1,420	1,434	1,448	1,463	1,477	1,492	1,507	1,522
140,352	141,756	143,173	144,605	146,051	147,512	148,987	150,477	151,981	153,501
106,279	108,936	111,659	114,451	117,312	120,245	123,251	126,332	129,491	132,728
5,029	5,080	5,130	5,182	5,234	5,286	5,339	5,392	5,446	5,501
29,044	27,740	26,383	24,972	23,505	21,981	20,397	18,752	17,045	15,273
24,139	24,139	24,139	24,139	24,139	24,139	24,139	24,139	24,139	182,935
0	0	0	0	0	0	0	0	0	339,922
4,905	3,601	2,245	834	(633)	(2,158)	(3,742)	(5,387)	(7,094)	(507,584)
0	0	0	0	633	2,158	3,742	5,387	7,094	507,584
4,905	3,601	2,245	834	0	0	0	0	0	0
120.32%	114.92%	109.30%	103.45%	97.38%	91.06%	84.50%	77.68%	70.61%	2.92%
122,168	126,991	130,505	132,644	133,971	134,677	133,866	131,463	127,391	121,570
1,222	1,270	1,305	1,326	1,340	1,347	1,339	1,315	1,274	1,216
0	0	0	0	(633)	(2,158)	(3,742)	(5,387)	(7,094)	(507,584)
123,389	128,261	131,811	133,971	134,677	133,866	131,463	127,391	121,570	(384,798)

RESOLUTION REGARDING LETTER OF INTEREST RE:
OKEMO MOUNTAIN (LUDLOW)

WHEREAS, a proposal has been presented to the Agency by Realty Resources, Chartered, of Rockport, Maine, (the "Sponsor") as the general partner of Ludlow Housing Partnership, a to-be-formed limited partnership (the "Partnership"), involving the permanent first mortgage financing for a 25 unit development of affordable rental housing in Ludlow (the "Development");

WHEREAS, the proposed development will contain 25 two and three bedroom units in five buildings located on a 12 acre site on the east side of Routes 100 and 103 in Ludlow, approximately one and a half miles from the town center (the "Property");

WHEREAS, the Sponsor has applied for low income housing tax credits, which, if allocated, would enable the Sponsor to raise equity money through the sale of tax credits;

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

WHEREAS, the Sponsor has also applied to the Agency for a second mortgage loan of approximately $340,000;

WHEREAS, the Board of Commissioners has been presented with a memorandum from Irene Jenkins and Joseph Erdelyi dated June 1, 1995 containing information and recommendations about the Development (the "Memorandum");

It is hereby DETERMINED:

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

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

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

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

5. The Sponsor is a financially responsible organization and the proposed ownership entity is expected to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, once the conditions set out herein have been achieved to his satisfaction, to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a first mortgage loan to the Partnership for the 25 unit development in Ludlow in an amount not to exceed $250,000. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, construction financing, or for other purposes with the consent of the Agency.

2. The Letter of Interest shall require the Sponsor to provide the following items in form and content satisfactory to the Agency:

   (a) appraisal of the property;

   (b) Environmental Site Assessment;

   (c) revised market study; and

   (d) evidence of all required federal, state and local approvals.

T:\aboard\okemoint.res

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Irene D. Jenkins, Director of Development
Joe Erdelyi, Multifamily Development Underwriter

DATE: May 31, 1995

RE: Alfred Court, Fair Haven -- Construction Financing

SUMMARY OF PROJECT

On behalf of Fair Haven Housing Limited Partnership, Jack Heaton has requested construction financing of $1.27 million for the new construction of 26 units in Fair Haven.

1. General Description

The proposed project would have six 1 bedroom units and twenty 2 bedroom units of family housing in two newly constructed buildings. The site is approximately six acres and is centrally located on Airport Road and Washington Street in Fair Haven (see attached site map).

This loan request represents the first application for financing under the Multifamily Construction Loan Program. The Board approved this program at its meeting of September 1994, and staff have been seeking proposals for projects with secure permanent financing, such as that historically offered by the Farmer's Home Administration 515 program. The security for the loan is in the permanent take-out financing, and therefore less evaluation is given to market conditions and rent levels, and more emphasis to the developer's capacity and financial strength and to the conditions of the permanent financing, and capacity of the permanent lender.

2. Project Budget

The project budget shows a total development cost of $1,898,397 or $73,015 per unit. In December of 1994 the project received a carryover allocation of tax credits. The permanent financing sources are $1.27 million in debt from the Rural Economic and Community Development ("RECD" - formerly Farmer's Home Administration) and the balance from owner's equity and/or tax credit equity. The sponsor has not submitted a construction

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

schedule because the timing of the RECD financing commitment is not known. Any VHFA financing commitment would be contingent upon the receipt of a construction cash flow schedule.

3. Sponsor Information

The project would be owned by Fair Haven Housing Limited Partnership; Guy A. Thomas is the sole general partner. Jack Heaton is working as a consultant for the partnership for the purpose of obtaining financing. In addition, Mr. Heaton's management company (THM, Inc.) would manage the property. Mr. Heaton has previously developed two Section 8 projects with VHFA financing. Mr. Thomas has undertaken commercial real estate development in the past, and this would be his first venture into low income housing development. Mr. Heaton and Mr. Thomas are both general partners in Fair Haven Housing Partners, the entity that currently owns the site of the proposed housing. The sponsor has not yet submitted personal financial statements, but VHFA will require personal guarantees of construction, so these statements will need to be submitted and reviewed. Cheshire Builders of Keene, New Hampshire is the selected general contractor; there is no identity of interest between the contractor and the sponsor.

4. Permanent Financing Commitment

The RECD Section 515 program provides project-based rental assistance, permanent financing with a 50 year term and amortization, and an interest rate "credit," so that the effective interest rate on the permanent loan is one percent. Under this program, all of the households are very low income, and all pay no more than 30% of their incomes towards rent. These loans may not be prepaid.

Recently the Section 515 program has had its funding drastically reduced and the remaining funding has been allocated to new priorities. RECD regional offices must give first priority to existing RECD-assisted projects in need of rehabilitation. Only after these have been assisted can any "new construction" projects receive funding. In addition, the RECD regional offices receive limited funding authorization on a weekly basis. Because of this system, RECD is unable to predict if or when this project will get a commitment for permanent funding. At this time two facts have been established: this project is the next in line in this region (i.e., there are no "rehabilitation" projects awaiting funding), and the amount of permanent financing RECD is willing to provide ($1,270,000) is greater than the balance of funding available to be authorized for this state ($890,000). RECD has indicated that additional funding could be sought from the national office to fill this estimated $380,000 gap.

Mr. Heaton has also requested that VHFA provide a small portion of the permanent financing (tentatively estimated at $100,000) if necessary to help fill the gap. RECD has expressed an interest in shared permanent financing with VHFA, should the project be otherwise unable to proceed. Staff does not know at this time the amount of VHFA

permanent funding that might be needed or the terms required for financial feasibility. If a permanent loan from VHFA is needed, a request will be brought to the Board at a later date.

With the security of a permanent loan commitment from RECD as well as a commitment for project based rental assistance, this construction loan should provide VHFA with a low risk investment and an opportunity to actively participate in the creation of new, deeply subsidized units.

RECOMMENDATION

Staff recommends the Board approve the attached resolution to provide a Letter of Interest and to authorize the Executive Director to provide a Letter of Commitment to Fair Haven Housing Partners for construction financing of the Alfred Court project in Fair Haven. This Letter of Interest will remain in effect for a period of six months. This construction financing would be in an amount up to $1,270,000 at a rate of up to 8% and for a term of 1 year. The source of funds will be VHFA general funds. The Letter of Commitment will be issued upon the sponsor providing:

1) a firm commitment for permanent financing and project-based rental assistance from RECD under the Section 515 program;

2) other such permanent financing commitments as needed to assure long term financial feasibility;

3) a Level I Environmental Site Assessment acceptable to VHFA staff; and

4) personal financial statements of the principals of the partnership satisfactory to VHFA staff.

The Letter of Commitment will be subject to a number of standard conditions including:

1) VHFA approval of final plans and specifications;

2) evidence of clear and marketable title;

3) evidence of all local and state land use approvals;

4) personal guarantees of the sponsors;

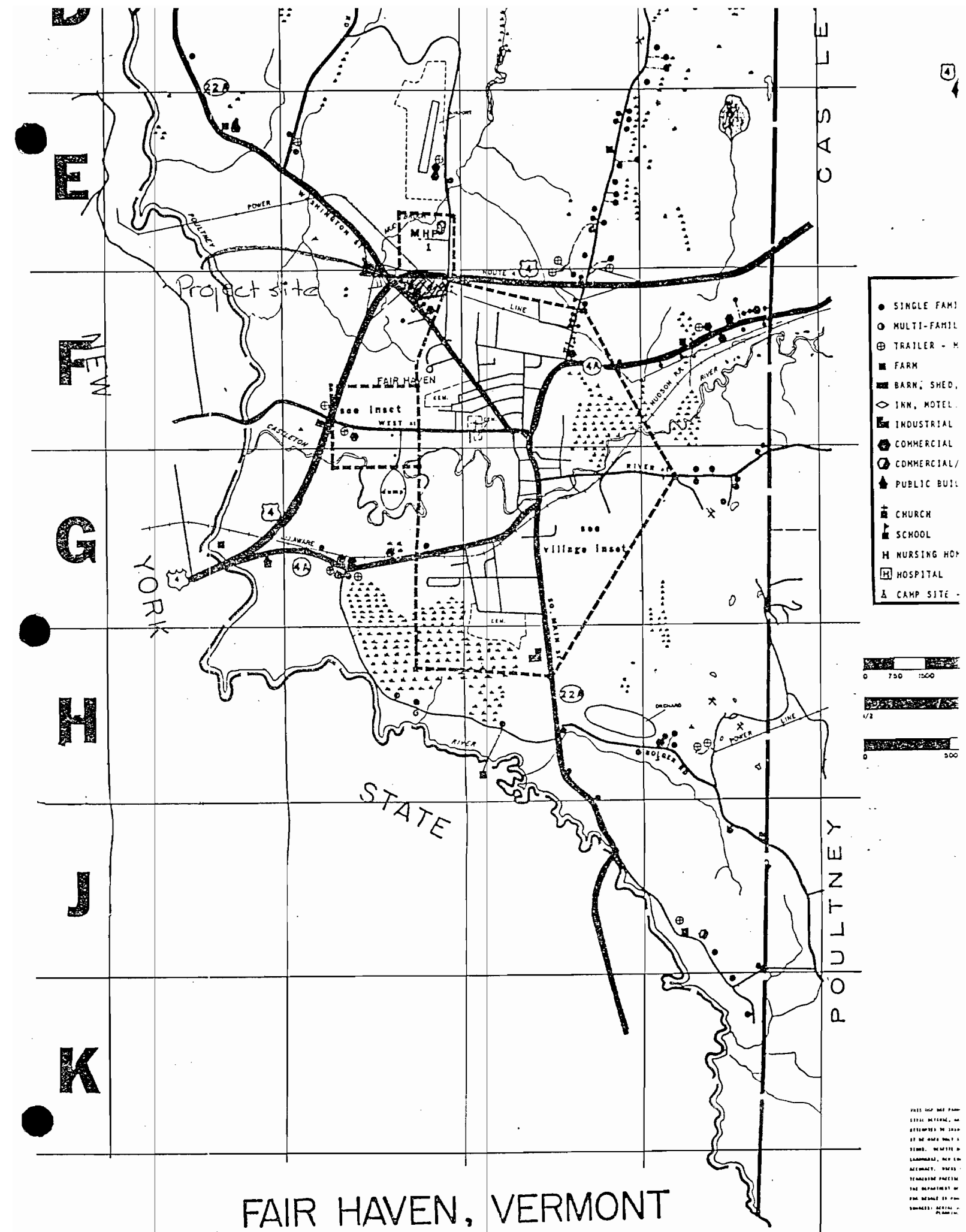
5) adequate construction surety (i.e. performance bond or irrevocable letter of credit);

6) payment of loan fees;

7) assignment of RECD commitment(s); and

8) assignment of the contracts, plans and specifications; and

9) all other standard VHFA financing conditions.



FAIR HAVEN, VERMONT

S:\DEVEL\LIHTC\PROJECTS\HAVEN.WQ1

Project:	Fair Haven Ptshp	RUN DATE	31-May-95

Total Residential Units:	26	Increase LIHTC	3.00%
Restricted Units:	26	Increase Market	3.00%
Percent Restricted:	100.00%	Expense increase:	3.00%
Avg Net Monthly Rent:	485	Vacancy Rate:	2.00%
Total Dev Costs	1,898,396	Partner's Tax Rate:	34.00%
TDC/Unit	73,015	Depreciation Schedule:	27.5

Total Credit Amount	76,432	
Net Syndication	412,734	
LIHTC - 9%	8.82%	(Nov '94)
LIHTC - 4%	3.78%	

FINANCING SOURCES

	Amount	% of TDC	Interest	Term
Primary debt	1,270,000	66.90%	1.00%	50
secondary debt	0	0.00%	0.00%	0
HUD deferred debt	0	0.00%	0.00%	0
VHCB debt	0	0.00%	0.00%	0
Owner's Equity	215,663	11.36%	N/A	N/A
Tax Credit Equity	412,734	21.74%	N/A	N/A
	1,898,397	100.00%		
Gap	(0)			

Fair Haven Pship	DEVELOPMENT BUDGET					31-May-95
		Budget	Per Unit	Per s.f.	Acquisition Credit	Rehab/Const Credit
ACQUISITION & CONSTRUCTION						
Land		250,000	9,615	12.34		
Purchase of Building(s)			0	0.00		
Demolition			0	0.00		
Rehabilitation			0	0.00		
New Buildings		909,400	34,977	44.89		909,400
Accessory Building(s)			0	0.00		
Sitework		163,600	6,292	8.08		163,600
General Requirements	3.78%	50,000	1,923	2.47		50,000
Contractor Overhead	2.74%	40,000	1,538	1.97		40,000
Contractor Profit	4.63%	67,500	2,596	3.33		67,500
Construction Contingency	0.00%		0	0.00		
Construction Bond Fee		18,458	710	0.91		18,458
Subtotal		1,498,958	57,652	73.99	0	1,248,958
PROFESSIONAL SERVICES						
Architect Fee - Design		35,000	1,346	1.73		35,000
Architect Fee - Supervision		5,000	192	0.25		5,000
SURVEY/ENGINEERING		10,000				
Attorney		4,500	173	0.22		4,500
Legal - Title & Recording		500	19	0.02		500
Subtotal		55,000	1,731	2.22	0	45,000
INTERIM COSTS						
Construction Insurance		1,000	38	0.05		1,000
Construction Interest		31,500	1,212	1.55		31,500
Construction Loan Origination Fee		12,700	488	0.63		12,700
Taxes			0	0.00		
Subtotal		45,200	1,738	2.23	0	45,200
OTHER SOFT COSTS						
Property Appraisal		2,000	77	0.10		2,000
Market Study		3,500	135	0.17		3,500
Environmental Report		800	31	0.04		800
Tax Credit Fees		3,281	126	0.16		3,281
Marketing		3,500	135	0.17		
Subtotal		13,081	503	0.65	0	9,581
FINANCING FEES & EXPENSES						
Credit Report			0	0.00		
Permanent Loan Origination Fee			0	0.00		
Credit Enhancement			0	0.00		
Cost of Issuance		15,000	577	0.74		
Title & Recording			0	0.00		
Counsel's Fee		4,500	173	0.22		
Other			0	0.00		
Subtotal		19,500	750	0.96	0	0
SYNDICATION COSTS						
Organizational (Partnership)			0	0.00		
Bridge Loan Fees & Expenses			0	0.00		
Tax Opinion		15,000	577	0.74		
Subtotal		15,000	577	0.74	0	0
DEVELOPER'S FEES						
Developer's Overhead & Profit		206,657	7,948	10.20		206,657
Consultant Fees			0	0.00		
Subtotal	12.55%	206,657	7,948	10.20	0	206,657
PROJECT RESERVES						
Rent-up (Deficit Escrow) Reserve			0	0.00		
Replacement Reserve		15,000	577	0.74		
Working Capital		30,000	1,154	1.48		
Operating Reserve/Sinking Fund			0	0.00		
Subtotal		45,000	1,731	2.22	0	0
TOTAL DEVELOPMENT COSTS		1,898,396	73,015	93.21	0	1,555,396

LESS:	Amount of Non-qualified Financing				
LESS:	Historic tax Credit (Residential Portion)				
		Total Eligible Basis		0	1,555,396
TIMES:	Adjusted for QCT/DDA		130.0%		2,022,015
TIMES:	Applicable Fraction		100.00%	0	2,022,015
		Total Qualified Basis		0	2,022,015
TIMES:	Applicable Percentage			3.78%	3.78%
		Total Annual Credit Qualified		0	76,432

Total Tax Credits Requested by Sponsor		77,031
Sponsor's Estimated Net Syndication Proceeds	379,367	
Sponsor's Estimated Yield - LIHTC Syndication	49.25%	
Equity Gap	628,396	
Credits Needed to fill Equity Gap		116,370 @.54

Note: The net yield from syndication given by the sponsor in the application for tax credits was below market. In underwriting the tax credit allocation, staff based the allocation on a "market yield" of $0.54 per tax credit dollar.

RESOLUTION PERTAINING TO LETTER OF INTEREST
RE: ALFRED COURT (FAIR HAVEN)

WHEREAS, a proposal has been presented to the Agency by Jack Heaton, representing the Fair Haven Housing Limited Partnership, involving providing construction financing of approximately $1.27 million for the construction of a 26 unit development located in Fair Haven (the "Development"); and

WHEREAS, the permanent lender for the Development is anticipated to be the Rural Economic and Community Development agency of the United States ("RECD") under its Section 515 program; and

WHEREAS, Fair Haven Housing 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 request is made under the Agency's Multifamily Construction Loan Program; and

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

It is hereby DETERMINED:

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

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

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

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

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

6. The sponsor is expected to be a financially responsible organization.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a construction loan secured by a first mortgage to the Fair Haven Housing Limited Partnership for the construction of the Alfred Court development in Fair Haven in an amount not to exceed $1,270,000. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency

2. The Commitment Letter shall be issued to Fair Haven Housing Limited Partnership.

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

4. The Commitment Letter shall provide that the interest rate to be charged on the mortgage loan shall be determined by the Agency depending on its source of funds, but not to exceed 8% per annum.

5. The Executive Director may, in his discretion, issue a Commitment Letter for a loan for the construction of the Development, in an amount to be determined by the Executive Director, but not to exceed $1,270,000, if the conditions set out below have been satisfied, including, but not limited to any documents required being submitted in form and content acceptable to the Agency:

    (a) evidence of a firm commitment for permanent financing and project-based rental assistance from RECD under the Section 515 program;

    (b) evidence of other such permanent financing commitments as are needed to assure long term financial feasibility;

    (c) a Level I Environmental Site Assessment; and

    (d) personal financial statements of the principals of the Sponsor.

6. The Commitment Letter will be conditioned on the satisfaction by the Developer of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish, including, but not limited to, the following:

(a) final plans and specifications;

(b) evidence of clear and marketable title to site;

(c) evidence of all federal, state and local permits and land use approvals;

(d) personal guarantees of the principals of the Sponsor, and spouses, if necessary for a meaningful guarantee;

(e) adequate construction surety (performance bond or letter of credit);

(f) payment of all loan fees required by the Agency;

(g) assignment of RECD commitment; and

(h) assignment of plans, specifications, drawings and the construction, architect's and engineer's contracts.

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

T:\aboard\alfrdint.res

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: May 30, 1995

RE: Single Family Programs -- New Income Limit Recommendations

Median income figures for 1995 for all of Vermont were released by HUD earlier this year. The new median income figures show a slight increase in state median income from $36,100 to $36,700. For the past several years, VHFA has established statewide income limits for its single family programs based on 100% of the state median income for 1-2 person households, and 115% of state median income for 3+ person households. Prior to that time, income limits were established for each county and the Burlington MSA. VHFA has the ability under current MRB regulations to implement much higher income limits in most areas of the state. Attachment A provides a table of the maximum income limits allowable under current MRB regulations.

At the August 1994 meeting, the Board approved higher income limits for the Burlington MSA and Chittenden County to reduce the disparity between the statewide median income and the actual median income of residents in Chittenden County. Since that time, staff has received requests from lenders and real estate brokers to consider an increase in income limits in other counties where VHFA has the ability to do so. Lenders indicate they are unable to qualify some two income families who need the flexibility that VHFA financing provides but are slightly over VHFA's current income limits.

Staff recommends that income limits for some counties and towns in Vermont be increased to the levels currently in effect for Chittenden County (with a modest adjustment to the current limit to reflect the modest increase in median income). Staff also recommends that income limits in Addison, Bennington, Grand Isle (non-Burlington MSA towns), and Windsor counties be increased to the maximum allowable under current MRB regulations. This recommendation also provides for the same income limits for the MOVE, HOUSE, and Mortgage Plus Programs. Attachment B shows the current income limits and the recommended income limits for all three programs.

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

The recommended changes should not significantly increase the average income served by VHFA for the MOVE and HOUSE programs. VHFA will continue to offer financing only to those buyers who are unable to obtain a conventional fixed rate loan. This increase will not negatively impact the ability of lower income home buyers to access financing. In fact, the development and implementation of the Homeownership Center Initiative will actually increase VHFA's potential for serving a higher percentage of households with incomes at 50% to 70% of median income.

The recommended changes will create a disparity between Addison, Bennington, Grand Isle (non-Burlington MSA towns), and Windsor counties and the rest of Vermont. The median income for those counties is lower than the state median income, and they have been designated by HUD as non-targeted. In the targeted counties, VHFA may set maximum income limits for 1-2 person households based on 120% of the greater of county or state median income, and 140% for 3+ person households. In the non-targeted counties, maximum income limits for 1-2 person households are limited to 100% of the greater of county or state median income, and 115% for 3+ person households. Although Chittenden County is non-targeted, the county median income and the median income for the Burlington MSA are substantially higher than the state median income.

VHFA may wish to conduct a review of targeted and non-targeted areas and counties in Vermont and then submit the data to HUD and the Department of the Treasury for approval. There is some risk in doing this; while a review could result in additional counties or areas receiving a targeted designation, the reverse is also possible. Vermont could end up with fewer targeted counties. The experience of other Housing Finance Agencies indicates that Vermont would probably not have additional targeted counties approved; however, VHFA might be successful in having certain towns or communities designated as targeted. Other HFA's also indicate that in some cases counties/areas formerly designated as targeted were changed to non-targeted by HUD.

To request a review, VHFA would submit the data listed on Attachment C to HUD. Cathleen Gent, VHFA's Director of Communications, will contact HUD to determine whether VHFA must submit data for the entire state, or just for the areas/counties VHFA would like reviewed.

BOARD ACTION REQUESTED

Staff requests approval of the proposed income limits indicated on Attachment #2. Changes would be implemented as soon as we are able to update information and give notice of the change to lenders. Staff will have additional information and a recommendation at the Board meeting on how to proceed with a possible HUD review.

MAXIMUM INCOME LIMITS FOR MRB PROGRAMS BY COUNTY

Area/County	1&2 persons	3+ persons
Burlington MSA	45,700	52,555
Addison	36,700	42,205
Bennington	36,700	42,205
Caledonia	44,040	51,380
Chittenden	45,900	52,785
Essex	44,040	51,380
Franklin	44,040	52,785
Grand Isle	36,700	42,205
Lamoille	44,040	51,380
Orange	44,040	51,380
Orleans	44,040	51,380
Rutland	44,040	51,380
Washington	45,600	53,200
Windham	44,040	51,380
Windsor	36,700	42,205

s:\devel\maxincom.e

Attachment B

CURRENT INCOME LIMITS

MOVE AND HOUSE PROGRAMS

Burlington MSA[1] and Chittenden County	$39,300 1-2 person households $45,100 3+ person households
All Other Counties and Towns	$36,100 1-2 person households $41,500 3+ person households

MORTGAGE PLUS

Addison, Bennington, Grand Isle (non-Burlington MSA towns), and Windsor Counties	$36,100 1-2 person households $41,500 3+ person households
Burlington MSA, and All Other Counties and Towns	$39,300 1-2 person households $45,100 3+ person households

PROPOSED INCOME LIMITS

MOVE, HOUSE, AND MORTGAGE PLUS

Addison, Bennington, Grand Isle (non-Burlington MSA towns), and Windsor Counties	$36,700 1-2 person households $42,200 3+ person households
Burlington MSA, and All Other Counties and Towns	$40,000 1-2 person households $46,000 3+ person households

[1]Burlington MSA includes: Chittenden County -- Burlington, Charlotte, Colchester, Essex, Essex Junction, Hinesburg, Jericho, Milton, Richmond, St. George, Shelburne, So. Burlington, Williston and Winooski; Franklin County -- Fairfax, Georgia, St. Albans City, St. Albans Town and Swanton; Grand Isle County -- Grand Isle and South Hero.

AREA OF CHRONIC ECONOMIC DISTRESS DETERMINATION

Criteria

A. The Condition of the housing stock, including the age of the housing and the number of abandoned and substandard residential units.

Pertinent Data:

Number and percentage of housing units that were constructed prior to 1940, the average age of the housing stock, the number and percentage of abandoned units, and the number and percentage of the substandard residential units.

B. The need of area residents for owner financing under a qualified mortgage bond issue as indicated by low per capita income, a high percentage of families in poverty, a high number of welfare recipients, and high unemployment rates.

Pertinent Data:

Per capita income of the population in the area, the number and percentage of the families eligible to receive food stamps from a program pursuant to 7 U.S.C. 2011, the number and percentage of families eligible to receive payments under the Aid to Families with Dependent Children program, and the unemployment rate.

C. The potential for use of owner financing under a qualified mortgage bond issue to improve housing conditions in the area.

Pertinent Data:

The number and percentage of owner-occupied homes that are substandard, the number and percentage of families that are low- or moderate-income renters, and the number and percentage of substandard units in the area that will be improved through the use of owner financing provided by the proceeds of a qualified mortgage bond issue.

D. The existence of a housing assistance plan which provides a displacement program and a public improvements and improvements and services program (similar to the Housing Assistance Plan (HAP) required by HUD under the CDBG program).

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: May 31, 1995

RE: Update -- Homeownership Center Initiative

At the April Board meeting, staff reported on a study conducted by Barbara Mervine to determine the feasibility of implementing in Vermont some of the programs she developed when she was Executive Director of West Side Neighborhood Housing Services (WSNHS) in Buffalo, New York. WSNHS operated in an inner city neighborhood of about 29,000 people. Using municipal, state, federal, and private funds, and resources from Neighborhood Reinvestment Corporation (NRC), WSNHS utilized a "Full Cycle Lending" approach to assist 215 low income households (50% to 70% of median income) to become homeowners during a two year period. Attached is a preliminary draft description of a Homeownership Center Initiative that incorporates many of the features of Ms. Mervine's program and adapts them to utilize Vermont's community based nonprofit housing organizations.

VHFA's role would be to:

- Provide funding and technical assistance for the development and implementation of a common curriculum and materials to assure consistent quality of counseling services;
- Provide funding and technical assistance for the development and implementation of a training program for Homeownership Center staff;
- Provide funding and technical assistance to develop marketing and outreach materials;
- In cooperation with other entities, assist in the funding of initial start-up costs of the Homeownership Centers;
- Provide first mortgage financing to eligible buyers through the MOVE and HOUSE programs;

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

D R A F T

May 31, 1995

HOMEOWNERSHIP PROPOSAL FOR LOW INCOME BUYERS
HOMEOWNERSHIP CENTERS INITIATIVE

t:\hocnter2.pro

OVERVIEW

In 1994, Vermont Housing Finance Agency (VHFA) through its MOVE (Mortgages for Vermonters) and HOUSE (Homeownership Opportunities Using Shared Equity) programs assisted 763 households to become homeowners. A total of 224 households (30%) had incomes at or below 70% of median income. While VHFA has had some success in reaching lower income buyers, it believes that there are still many households who could become homeowners with special counseling services and technical assistance.

Reaching low income families requires a creative mix of flexible first and second mortgage financing, counseling and technical assistance, subsidy dollars, the ability to purchase older houses that might require rehabilitation, and the acquisition of multi-family properties where the rent from the units can assist the purchaser's qualifying income. The Homeownership Center initiative outlined in this proposal will provide a full range of services and loan products to assist low income households to become home owners.

Homeownership Centers would be developed and operated with the cooperation of community based nonprofit groups with technical assistance from VHFA, Neighborhood Reinvestment Corporation, Vermont Development Credit Union (VDCU) and other organizations and lenders.

Objectives of Homeownership Centers

- To provide access to a complete finance and service package that would allow low income families with minimal savings to purchase and rehabilitate their own homes.
- To empower households earning below 70% of the area median income with home ownership.
- To implement housing programs in conjunction with the existing community based housing organizations to provide those organizations with a continuing source of revenue independent of government funding.
- To increase the number of owner occupied dwellings, especially in neighborhoods with a high percentage of non-owner occupied housing.
- To preserve and improve older housing stock.
- To assist low income families to purchase multi-unit dwellings.

Counseling and Technical Assistance

- Orientation Seminars -- Introduction to home buying process and services and products offered at the Homeownership Center.

- Pre-purchase Counseling -- Individualized counseling involving budgeting, establishing credit, correcting credit blemishes, and the responsibilities of homeownership and advantages and disadvantages of purchasing a multi-family house. The home buying process is explained from beginning to end including choosing a real estate agent, the purchase/sale agreement, the home inspection process, and applying for a mortgage.

- Home Inspection Service -- Inspection of each house (with the prospective buyer present) -- identifying positive features along with potential and present problems. An immediate repair plan along with a long range rehabilitation plan is devised. The purchaser's ability to maintain the property determines the desirability of that purchase.

- Post-Purchase Counseling -- Visiting new buyers one month after move in for "hands on" home maintenance training; follow-up phone calls to new homeowner at two months, six months, and one year. The Homeownership Center provides continued budget counseling (when requested or necessary due to late payments).

- Home Rehabilitation Service -- Technical assistance for completing and financing home repairs and improvements.

- Home Maintenance Workshops -- Required classes for new homeowners on general home maintenance and seasonal maintenance. (As an incentive to attend, home buyers would pay $150 at closing and receive a $50 refund for attending each of three required workshops.)

- Landlord Training -- Required training for families purchasing a multi-family home to provide skills to become successful landlords.

- Early Intervention Servicing -- If any loan payment (first or second mortgage) is late the Homeownership Center staff would contact the borrower to determine the reason and to counsel the borrower on how to avoid a default. Early Intervention Servicing would also be available to any lender in the service area to assist them to work with their borrowers to avoid a default and potentially large losses. Fees for this service would be negotiated with the lender.

Loan Services

- Debt Restructuring Loans -- Loans to potential home buyers to restructure short term debt to longer term debt to reduce monthly payments.

- ⌂ Down Payment Assistance/Closing Cost Assistance Loans -- Loans to assist with down payment and closing costs (amortized or deferred until sale).

- ⌂ First Mortgages -- First mortgages with flexible underwriting criteria for purchase and purchase/rehabilitation. (While the Homeownership Center will assist buyers to access first mortgages through VHFA's MOVE and HOUSE programs and affordable housing programs offered by other lenders, participating lenders will actually originate the first mortgage.)

- ⌂ Rehabilitation Second Mortgages -- Second Mortgages with low interest rates and flexible repayment terms to allow rehabilitation of older properties.

DEVELOPMENT/IMPLEMENTATION OF INITIATIVE

Homeownership Centers would be developed, implemented, and operated with the assistance and cooperation of community based nonprofit groups. Technical assistance from VHFA, Neighborhood Reinvestment Corporation, Vermont Development Credit Union (VDCU) and other organizations and lenders. VHFA's role would be to:

- ⌂ Provide funding and technical assistance for the development and implementation of a common curriculum and materials to assure consistent quality of counseling services;

- ⌂ Provide funding and technical assistance for the development and implementation of a training program for Homeownership Center staff;

- ⌂ Provide funding and technical assistance to develop marketing and outreach materials;

- ⌂ In cooperation with other entities, assist in the funding of initial start-up costs of the Homeownership Centers;

- ⌂ Provide first mortgage financing to eligible buyers through the MOVE and HOUSE programs;

- ⌂ Provide access to low interest rate second mortgage loans to assist with down payment, closing costs, debt restructuring, and rehabilitation.

The implementation of a Homeownership Center Initiative, by utilizing a "Full Cycle Lending" approach, would provide access to homeownership to individuals and families who would otherwise be unable to purchase a home. A complete financing package coupled with pre-purchase and post-purchase counseling, and technical assistance to complete repairs and rehabilitation would be offered at the Homeownership Centers. The financing package would include: (1) a flexible first mortgage loan product; (2) a below market rate second mortgage available for downpayment, closing costs, rehabilitation, and debt restructuring (if necessary); (3) additional subsidy in the form of a grant or deferred mortgage (if needed).

First mortgage financing would be provided through VHFA's MOVE or HOUSE programs and affordable housing programs offered by private lenders (if the borrower is not eligible for a VHFA loan). Second mortgage funds may be available through the Neighborhood Reinvestment Corporation's secondary market (Neighborhood Housing Services of America -- NHS), Community Development Block Grants (CDBG), HOME funds, or by creating a local secondary market for these loans. A secondary market would allow the recycling of loan dollars and allow the initiative to have a greater impact. In addition, organizations will need to capitalize a loan loss reserve to secure second mortgage loans sold to a secondary market. Possible sources include HOME funds, CDBG, or Interest on Real Estate Trust Accounts (IORTA). Subsidy in the form of grants (similiar to VHCB's Homeland Program) and deferred loans would need to be available for the purchase of homes requiring a substantial amount of rehabilitation, for high cost areas of the state, or to assist very low income buyers.

A home buyer must have at least $500 of their own funds for downpayment or closing costs. To access the loan services, the buyer must participate in pre-purchase and post-purchase counseling, home inspection and home rehabilitation services (if needed), home maintenance workshops, and landlord training (for families who purchase multi-family homes). In some cases (especially on three or four unit properties), the homeowner may wish to hire the community based housing organization to manage the rental units until they develop the skills necessary to be successful landlords.

The first mortgage would be packaged by the Homeownership Center and then given to a VHFA participating lender for final processing and closing. (During the pilot stage of this initiative, an RFP might be sent to lenders in each area to determine their interest and the amount of origination fee they are willing to share with the Homeownership Center.) The second mortgage may be originated and serviced by the Homeownership Center or another entity or lender. Because the Homeownership Center will work with the homeowners to assist them in avoiding late payments and/or defaults, good communication between the servicer of the first mortgage and the second mortgage will be critical to the success of this initiative. VHFA may elect to service Homeownership Center first mortgage loans directly or contract with another lender to service these loans.

VHFA and the Vermont Home Mortgage Guarantee Board's (VHMGB) underwriting guidelines would require modification to qualify some buyers using one ratio of 38% (or 41% with compensating factors such as a four star energy rating, a child's job, roommate etc.) In addition, both VHFA and VHMGB would have to change eligibility for financing and mortgage insurance to allow for a combined loan-to-value that exceeds 100% of the purchase price. VHFA and VHMGB may also have to increase its purchase price limits (VHFA) and loan limits (VHMGB) to allow for the purchase of 3-4 unit homes.

Generally, a second mortgage would be a fully amortized loan and used for downpayment, closing costs, lowering the client's debt ratio, and rehabilitation and repairs. Additional subsidies -- necessary especially in areas with high housing costs and in areas where the housing stock is in need of extensive rehabilitation would also need to be available. Use of this subsidy would commit the property to permanent affordability either through the Community Land Trust model or a housing affordability covenant. Transactions where funding is provided entirely through amortized loans or loans paid upon sale, would be permanently affordable at the option of the community based housing organization or if required by the funding source.

Marketing strategies would be directed by the Homeownership Centers which would involve expansion beyond traditional television, radio, and print advertising. Information would be distributed at formal and informal gatherings, school meetings, town meetings, neighborhood get-togethers, tenant association meetings, church services, senior centers, local service agencies, local festivals, family health clinics, laundromats, etc. Flyers could be delivered to area multi-family rental projects, mobile home parks, and to shoppers at area discount and grocery stores. Area lenders and real estate brokers may also refer potential home buyers to the Homeownership Center for assistance.

IMPLEMENTATION PLAN

This proposal recommends the development of Homeownership Centers with three pilot groups in different sections of the state. The first group represents an urban area; the second group serves a sparsely populated area with affordable housing stock; the third group involves an outreach partnership model to effect home ownership in rural environments, in towns and in small cities.

The three recommended pilot groups include:

Burlington Community Land Trust (BCLT) in cooperation with Burlington Ecumenical Action Ministry (BEAM) -- BCLT's service area is Chittenden county; BCLT has an experienced staff who have successfully used the Community Land Trust model to develop single-family, rental, and cooperative housing. Homeownership funds available to BCLT through the Enterprise Community grant and designated for use in Burlington's Old North End, can add to the impact of this initiative. BCLT has applied to Neighborhood Reinvestment Corporation (NRC) to become an affiliate organization. If this application is approved, BCLT will have access to the NRC secondary market. BEAM has recently announced that it is in the process of developing and implementing a homeownership counseling initiative. A coordination of the expertise of both organizations could provide the services necessary to operate a Homeownership Center. The participation of a third entity may be necessary to expand services to buyers of homes that are not subject to permanent affordability through resale restrictions.

Gilman Housing Trust (GHT) -- Gilman Housing Trust operates in Essex, Caledonia and Orleans counties, the most rural sections of Vermont. GHT's staff believes that there is significant demand for home ownership in their service area. Several of GHT's present tenants have expressed the desire to own their own homes. The counties in the Northeast Kingdom have the lowest median sales prices in Vermont. Many older houses needing rehabilitation would be affordable to low income families if they could access the downpayment/rehabilitation loans. Additional subsidies may not be necessary. GHT has also indicated that they will make an application to NRC to become an affiliate organization.

Rutland West Neighborhood Housing Services (RWNHS) in cooperation with Rutland County Community Land Trust and Regional Affordable Housing Corporation - RWNHS presently serves Rutland County. If RWNHS were to establish outreach offices at Rutland County Community Land Trust (RCCLT) and at the Regional Affordable Housing Corporation (RAHC) in Bennington, they would be able to add Bennington County to their service area. As a designated Neighborhood Reinvestment Corporation "Home Ownership City," RWNHS has the capacity to operate a Homeownership Center. Involving RCCLT and RAHC provides a vehicle for permanent affordability and allows for additional services to residents of Rutland and Bennington counties.

If the Homeownership Centers established with the three pilot groups are successful, this initiative would be expanded to all counties of the state using the existing community based housing organizations.

EVALUATION OF INITIATIVE

To be determined by VHFA and the Pilot Groups.

BUDGET

Administrative Budget

To be determined by VHFA and the Pilot Groups.

Service Fees To Be Charged by the Homeownership Centers

To be determined by VHFA and the Pilot Groups.

Average Costs Incurred Per Loan

To be determined by VHFA and the Pilot Groups.

Second Mortgage Funds and Subsidy Needed to Serve 60 homebuyers

To be determined by VHFA and the Pilot Groups.

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Irene D. Jenkins, Director of Development
Paul M. Cummings, Development Officer

DATE: June 1, 1995

RE: Vermont Housing Ventures: Program Update and Increased Funding Request

There has been a strong demand for funds in the Vermont Housing Ventures revolving loan program during the past two years and nonprofit sponsors continue to seek Ventures funding for their projects. Currently, $194,770 is committed to 11 Vermont Housing Ventures loans, leaving only $55,230 available for commitment under the $250,000 Ventures cap. In the history of the Ventures program, a total of $891,560 has been committed.

Nonprofits cite availability of these funds as critical to getting proposed developments started. Inherent in this program is the high risk nature of predevelopment lending. Currently these nonrecourse loans are offered with an interest rate of three percent and with no origination fee. To date, approximately 91% of Ventures loans have been repaid.

One of the initial motivations of the Ventures loan program was the notion that predevelopment loans would lead to an increase in our construction and/or permanent lending. Currently four (36%) of the 11 active loans may provide such an opportunity: Southeast Summit (LCHDC), Intergenerational Assisted Living project (Cathedral Square), Westview Terrace (SHU) and Limehurst Mobile Home park (CVCLT - financing committed). A fifth loan, St. Johnsbury (NCHC), was made in conjunction with additional rehabilitation for a development to which we have already made a loan (St. Johnsbury I).

In 1991, the Board temporarily increased Ventures fund lending authority to accommodate increased demand. Staff has currently received and approved requests for loans that exceed the $250,000 Ventures cap and we also anticipate additional requests.

RECOMMENDATION
Staff recommends the Board approve a temporary increase of the Vermont Housing Ventures fund from $250,000 to $325,000 to make it possible to provide this much needed low interest Ventures financing to eligible nonprofit sponsored developments.

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Irene D. Jenkins, Director of Development

DATE: May 31, 1995

RE: Energy Loan Program--VHFA/VHMGB/Vermont OEO Partnership

VHFA staff are engaged in an effort to develop an energy loan program in partnership with the Vermont Office of Economic Opportunity (OEO). Under this program, Vermont OEO would use $300,000 in funding to leverage financing for energy improvements to rental units. OEO would take applications from owners, prepare specifications for the weatherization work and provide grant funds for a portion of the work.

We have distinguished between properties with 1 to 4 units and properties with 5 units or more.

1. 1-4 Unit Properties.

For these properties, we have proposed that third party lenders (such as the Vermont Community Development Credit Union) originate and service loans for both owner-occupied and investor-owned properties. Vermont OEO funds could provide a loan loss reserve to VHMGB in a ratio of e.g. 1/5. To the extent possible, VHMGB would guarantee the loans. Loan security would be a personal guarantee, rather than a mortgage; underwriting would be based on lender and VHMGB consumer loan underwriting standards. VHMGB would collect its usual fee for those loans that it guaranteed.

A primary issue is whether VHMGB is able and would agree to guarantee loans for investor-owned as well as owner-occupied properties. At the very least, Board approval and possibly a Rules change would be required. Another primary issue is the source of loan funds. Other issues include funding, origination and servicing for non-VHMGB guaranteed loans, and whether, for all loans, origination by third party lenders and servicing should be combined or separated.

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

2. Properties with 5 or more units.

VHFA could originate and service loans for these properties. We envision a loan loss reserve funded by Vermont OEO in a ratio of 1/5. Many issues, including underwriting criteria and how the loan loss reserve would function, remain to be negotiated.

Major issues include the likely effective demand for such a program, the credit standards for borrowers and security requirements (personal guarantees, mortgages) and the source of funds. In addition, VHFA would have to be able to quickly determine loan eligibility and the maximum loan amount based upon agreed-upon underwriting standards, overall credit analysis, and real estate cash flow.

BOARD ACTION REQUESTED

Vermont OEO would like the program to be up and running in the Fall, 1995. With the Board's consent, we will continue to work with Vermont OEO and its consultant, Real Estate Skills for the Environment, to develop a workable joint energy loan program. This would be consistent with our Strategic Plan objective to improve the flexibility of financing tools as a lender for rental housing and specifically to expand energy lending activities. We will return to the Board for approval of a complete program design.

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Douglas R. Lothrop, Director of Single Family Operations

DATE: May 8, 1995

RE: Single Family Program Activity Report For April, 1995

MORTGAGE PURCHASE PROGRAMS

Month	No.	Amount	Previous Year	No.	Amount
Reservations	134	$ 9,058,530		70	$ 4,323,861
Purchases	56	$ 3,940,399		44	$ 2,765,406

Period to Date	No.	Amount	Previous Year	No.	Amount
Reservations	334	$21,766,136		247	$14,668,991
Purchases	248	$15,969,565		227	$14,392,457

MORTGAGE PLUS

Month	No.	Amount	Previous Year	No.	Amount
Reservations	5	$ 359,150		12	$ 901,852
Issued	3	$ 203,300		13	$ 1,006,209

Period to Date	No.	Amount	Previous Year	No.	Amount
Reservations	12	$ 897,709		33	$ 2,620,107
Issued	46	$ 2,805,539		57	$ 4,452,137

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Douglas R. Lothrop, Director of Single Family Operations

DATE: May 18, 1995

RE: Servicing Activity for April

SERVICING ACTIVITY

Collections:

Last months 90+ accounts:		78
Additions:	3	
Reductions:	3	
Under payment arrangement:	46	
April, 1995 90+ accounts:		78

In Foreclosure:

Last months foreclosure accounts:		26
New foreclosures:	5	
To REO:	3	
Successful interventions:	1	
Negotiating workouts:	3	
April, 1995 foreclosure accounts:		27

Real Estate Owned:

Last months REO's:		32
New REO's:	3	
Properties sold:	1	
Properties under contract:	4	
April, 1995 REO's:		34

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY
DELINQUENCY STATISTICAL REPORT
SINGLE FAMILY PORTFOLIO
EFFECTIVE: APRIL 30, 1995

Lenders	Total Loans	30 Days		60 Days		90+ Days		Auth FCL		Total Delinq		REO	
BancBoston Mortgage Corp.	334	6	1.80%	2	0.60%	5	1.50%	2	0.60%	15	4.49%	1	0.30%
Banknorth Mortgage Co.	782	30	3.84%	9	1.15%	7	0.90%	4	0.51%	50	6.39%	5	0.64%
Bennington Co-op S&L Assoc.	35	1	2.86%	0	0.00%	1	2.86%	0	0.00%	2	5.71%	0	0.00%
Brattleboro Savings & Loan	10	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Chittenden Bank	853	43	5.04%	12	1.41%	7	0.82%	7	0.82%	69	8.09%	5	0.59%
Citizens Savings Bank	79	2	2.53%	0	0.00%	0	0.00%	0	0.00%	2	2.53%	1	1.27%
Community National Bank	239	6	2.51%	3	1.26%	5	2.09%	0	0.00%	14	5.86%	0	0.00%
Factory Point Nat. Bank	29	1	3.45%	3	10.34%	0	0.00%	0	0.00%	4	13.79%	0	0.00%
First Brandon Nat. Bank	1	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
First Northern Mortgage Corp.	3	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Fleet Mortgage	27	2	7.41%	1	3.70%	1	3.70%	0	0.00%	4	14.81%	0	0.00%
Graystone Mortgage Company	182	10	5.49%	4	2.20%	10	5.49%	2	1.10%	26	14.29%	5	2.75%
Green Mountain Bank	179	6	3.35%	1	0.56%	1	0.56%	2	1.12%	10	5.59%	0	0.00%
Lomas & Nettleton Company	16	3	18.75%	0	0.00%	0	0.00%	0	0.00%	3	18.75%	0	0.00%
Lyndonville Savings Bank	60	1	1.67%	0	0.00%	0	0.00%	0	0.00%	1	1.67%	0	0.00%
Marble Bank	230	10	4.35%	0	0.00%	0	0.00%	2	0.87%	12	5.22%	0	0.00%
Merchants Bank	324	15	4.63%	4	1.23%	7	2.16%	0	0.00%	26	8.02%	1	0.31%
Mortgage Service Ctr. of NE	67	0	0.00%	1	1.49%	2	2.99%	0	0.00%	3	4.48%	2	2.99%
National Bank of Middlebury	64	3	4.69%	0	0.00%	0	0.00%	0	0.00%	3	4.69%	0	0.00%
New England IBM Employees FCU	51	0	0.00%	0	0.00%	1	1.96%	0	0.00%	1	1.96%	0	0.00%
Northfield Savings Bank	115	4	3.48%	4	3.48%	1	0.87%	1	0.87%	10	8.70%	1	0.87%
Passumpsic Savings Bank	174	8	4.60%	2	1.15%	4	2.30%	0	0.00%	14	8.05%	3	1.72%
Peoples Trust Co.	103	9	8.74%	1	0.97%	0	0.00%	1	0.97%	11	10.68%	0	0.00%
Randolph National Bank	49	3	6.12%	0	0.00%	0	0.00%	1	2.04%	4	8.16%	0	0.00%
Union Bank	164	9	5.49%	3	1.83%	3	1.83%	0	0.00%	15	9.15%	0	0.00%
Vermont Development CU	15	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Vermont Federal Bank	851	19	2.23%	19	2.23%	9	1.06%	4	0.47%	51	5.99%	9	1.06%
Vermont National Bank	614	20	3.26%	10	1.63%	14	2.28%	1	0.16%	45	7.33%	1	0.16%
Wells River Savings Bank	36	1	2.78%	1	2.78%	0	0.00%	0	0.00%	2	5.56%	0	0.00%
Totals	5686	212	3.73%	80	1.41%	78	1.37%	27	0.47%	397	6.98%	34	0.60%
Totals Previous Month	5658	229	4.05%	50	0.88%	78	1.38%	26	0.46%	383	6.77%	32	0.57%

VERMONT HOUSING FINANCE AGENCY

Board Property Disposition Report

Month of: March & April, 1995

Properties Sold

Property	Listing Price	Sale Price	Principal Balance	Interst	To Date Expenses	Claim Payment	Gain/ (Loss)	Audit Valuation Offset	Gain/ (Loss)
Martin Troy	$18,000	$13,500	$22,897	$ 2,032	$12,811	$ 5,063	($19,177)	($ 3,925)	($15,252)
Converse	$65,000	$65,000	$36,282	$ 5,788	$14,295	$ 0	$ 8,635	$ 6,685	$ 1,950
Nichols Rockingham	$34,500	$28,500	$57,298	$ 3,494	$ 8,003	$12,300	($27,955)	($12,587)	($15,408)
Willard Milton	$89,900	$89,900	$77,981	$ 7,069	$29,234	$16,450	($ 7,934)	N/A	N/A
Angell St. Albans	$75,900	$72,000	$63,554	$ 8,166	$17,574	$13,700	($3,594)	$10,559	($14,153)
Castro S. Burlington	$70,900	$70,900	$73,487	$ 1,294	$ 8,821	$16,175	$ 3,473	N/A	N/A
Beck Burke	$40,000	$22,000	$44,306	$ 4,999	$13,387	$ 9,400	($27,819)	($ 8,700)	($19,119)

Properties Under Contract

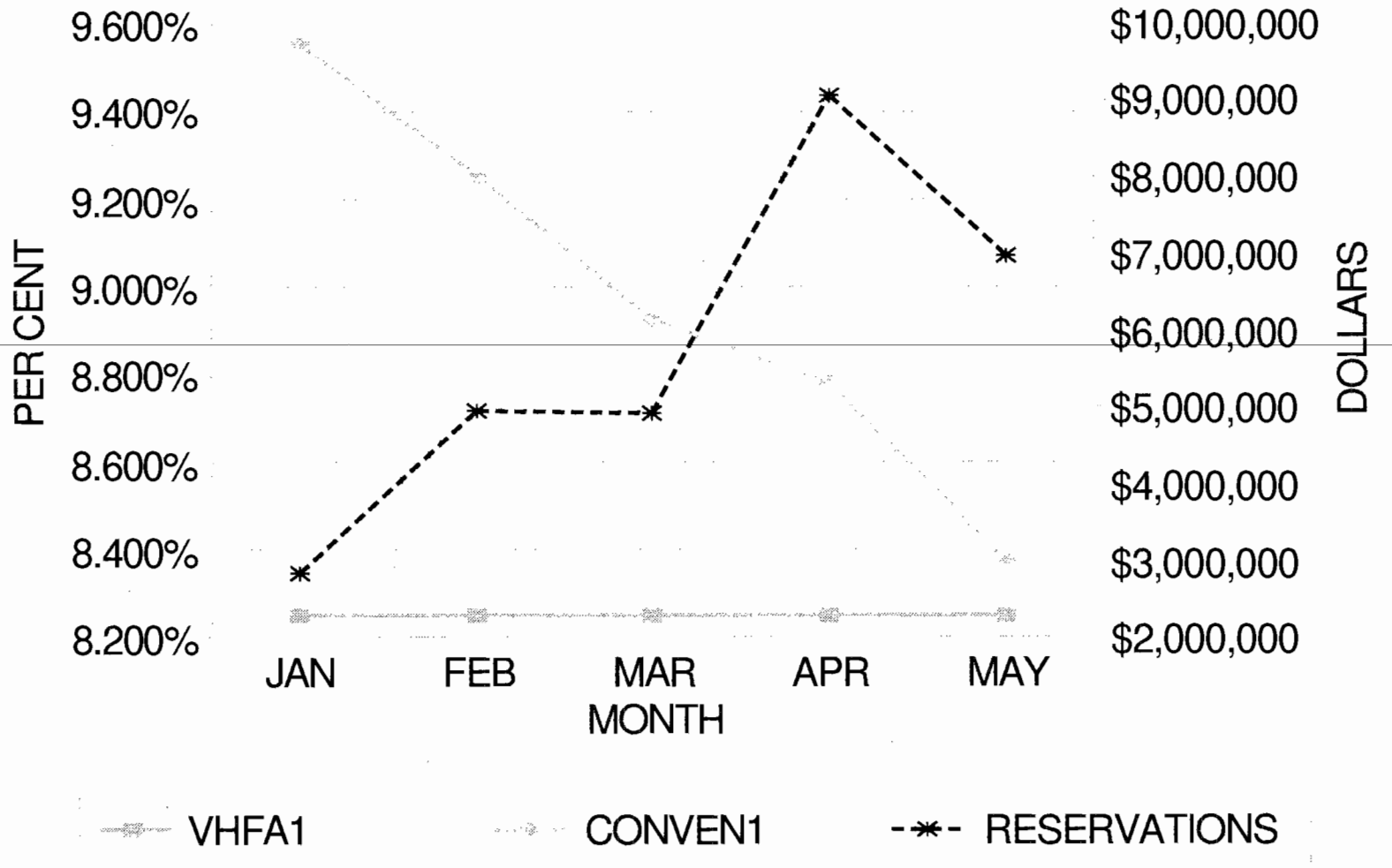
Property	Listing Price	Contract Price	Principal Balance	Interest	Estimated Expenses	Estimated Claim Payment	Gain/ (Loss)	Audit Valuation Offset	Gain/ (Loss)
Pigeon St. Albans	$45,000	$30,000	$64,630	$ 7,582	$ 8,656	$14,000	($36,865)	($ 6,146)	($30,722)
Lafontaine Rutland	$89,900	$89,900	$78,332	$10,175	$19,440	$14,857	$ 0	N/A	N/A

C:\DATA\OPERATE\SERVICE\BDREOEV

Properties Under Contract (Cont't)

Property	Listing Price	Contract Price	Principal Balance	Interest	Estimated Expenses	Estimated Claim Payment	Gain/ (Loss)	Audit Valuation Offset	Gain (Loss)
Audette Hartford	$84,900	$81,100	$79,390	$13,704	$27,783	$17,000	($22,777)	$16,708)	($ 6,069)
Milizi Winooski	$89,000	$89,000	$61,102	$10,686	$23,799	$ 6,587	$ 0	N/A	N/A
Bartolomeo	$45,000	$32,000	$57,402	$ 4,323	$10,639	$14,175	($26,189)	($ 3,281)	($22,908)

INTEREST RATE/RESERVATION COMPARISON



RESOLUTION REGARDING AUTHORITY
TO EXECUTE CONTRACTS, DEEDS AND OTHER DOCUMENTS
FOR THE SECOND QUARTER 1995 VERMONT BANK AUCTION

WHEREAS, the Agency is participating in the Second Quarter 1995 Vermont Bank Auction with several banks that is scheduled for June 25, 1995; and

WHEREAS, the Auction is set up so that purchase and sales contracts will be entered into at the Auction and closings will be held at the Auction or shortly thereafter; and

WHEREAS, it is essential that the Agency's representative at the Auction be authorized to execute the documents necessary to transfer the Agency's properties that are included in the Auction;

THEREFORE, it is hereby RESOLVED:

That the Agency's Real Estate Disposition Specialist, Linda C. Wilson, and/or any designee of the Executive Director, be and hereby is authorized to execute all documents necessary to enter into contracts and transfer real estate owned by the Agency and included in the Second Quarter 1995 Vermont Bank Auction, including, but not limited to, the following:

Purchase and Sales Contracts, deeds and property transfer tax returns for the sale of real estate owned by the Agency.

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: May 31, 1995

RE: MULTI-FAMILY MANAGEMENT REPORT

The attached report for the year ending December 31, 1994, is provided for the Board's information and includes the status of various financial aspects of the Multi-Family portfolio. The report also contains narratives on department activities through April 30, 1995, as well as detailed project reports for properties that have outstanding maintenance or other unusual issues or problems.

I will be available at the Board meeting to answer any questions or provide additional information if it is desired. You may also reach me at ext. 235 should you like clarification on any point prior to the meeting.

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

MULTI-FAMILY MANAGEMENT
DIRECTOR'S REPORT

For the Period Ending December 31, 1994

1. DELINQUENT MORTGAGE LOAN PAYMENTS

PROJECT NAME	12 MONTH HISTORY	MONTH	NO. OF DAYS	PENALTY/INTEREST
None				

2. ACC AND HAP CONTRACT AMENDMENTS REQUIRED IN FY '95/96

PROJECT NAME	ORIGINAL ACC COMMITMENT	CURRENT AMENDMENT	PROJECT ACCOUNT BALANCE
Alburg Lamphere	114,285	144,000	39,378
Alburg Dubie	70,164	129,160	30,536
Bradford Elderly	60,360	90,800	14,035
Brandon	79,449	116,396	44,152
Bridgewater	102,127	118,127	11,556
Burlington Baker	72,876	92,876	28,593
Burlington Bobbin	397,273	432,273	127,623
Burlington Duggan	95,904	125,904	20,444
Canaan	93,814	0	17,837
Danville St. John	99,096	140,400	12,269
Depot I	50,310	0	34,107
Derby Line	46,200	78,790	24,738
Fairfax	150,785	0	26,867
Fairfield	56,737	59,737	4,623
Hardwick Bemis	83,769	0	25,673
Hardwick Freeman	65,688	87,415	1,083
Island Pond Elderly	141,960	0	12,764
Island Pond Family	75,216	89,369	11,176
Jericho	182,326	226,680	7,600
Lyndonville	136,704	190,800	-242
Milton	88,452	147,760	38,380
Montpelier DuBrul	215,040	312,650	31,419
Morrisville	101,976	152,936	6,284
North Bennington	180,403	220,000	22,380
North Troy	101,496	0	22,313

PROJECT NAME	ORIGINAL ACC COMMITMENT	CURRENT AMENDMENT	PROJECT ACCOUNT BALANCE
Plainfield	68,028	93,028	24,905
Poultney Swenor	76,449	102,000	20,675
Randolph Caron	127,080	158,780	36,150
Randolph Wishcamper	210,744	352,994	4,666
Rochester	33,198	43,198	1,551
Rutland Bardwell	558,504	0	153,070
Rutland Kohlhepp	78,504	113,954	15,266
Saxtons River	103,776	123,776	-5,162
St. Albans Holy Angels	227,988	294,000	11,954
St. Johnsbury NCIC	217,324	0	25,376
Swanton Abenaki	103,909	160,200	21,573
Vergennes	156,152	204,000	68,591
Waitsfield	190,194	0	68,872
Waterbury Parisi	54,744	71,880	-1,277
Waterbury Steele	53,928	67,828	-12,593
West Burke	115,664	0	20,383
West Rutland	68,784	93,360	9,408
Windsor	313,596	432,273	127,623
Winooski	102,492	136,492	40,196
Woodstock I	40,920	72,000	3,234
Woodstock II	63,612	102,742	20,248

3. SALES, PRESERVATION AGREEMENTS, AND OPTIONS EITHER CLOSED OR UNDER NEGOTIATION

CLOSED			IN NEGOTIATION	
PROJECT NAME	# YEARS LOCK-IN	OPTION (Y/N)	PROJECT NAME	STATUS
Bethel Depot II**	40	NP*	Derby Line	Preservation Agreement Under discussion
Burlington Ashline	20	Y	Fairfield	Preservation Agreement under discussion
Burlington Baker	20	Y	Montpelier Babcock	VPHT still interested in acquisition
Burlington Duggan	20	Y	Westminster	Preservation Agreement under discussion
Burlington Eno Apts.	19	Y		
Burlington Harrington	19	Y		
Burlington Kassell	20	Y		
Cummings Street**	28	NP*		
Danville/St. Johnsbury	17	Y		
Enosburg	20	Y		
Fairfax	18	Y		

3. SALES, PRESERVATION AGREEMENTS, AND OPTIONS EITHER CLOSED OR UNDER NEGOTIATION

CLOSED			IN NEGOTIATION	
PROJECT NAME	# YEARS LOCK-IN	OPTION (Y/N)	PROJECT NAME	STATUS
Georgia	50	Y		
Hardwick Freeman	18	Y		
Highgate**	Perpetuity	NP*		
Milton**	15	N		
Montpelier Dubrul**	15	Y		
Northfield	20	NP*		
Northgate**	Perpetuity	NP*		
Plainfield	20	NP*		
Randolph Faith	22	NP*		
Randolph Wishcamper**	48	NP*		
Richford	30	Y		
Rockingham	71	Y		
Rutland Linden Terrace	50	NP*		
St. Albans Cioffi	17	Y		
Swanton Elderly**	19	NP*		
Swanton Abenaki	60	NP*		
Windsor	23	NP*		
White River Junction	Perpertuity	NP*		
Woodstock I & II	25	Y		

** LIHTC * Non-Profit

4. CASH FLOW PROBLEMS

	OPERATING CASH BALANCE	OPERATING PROFIT/(LOSS) QUARTER ENDED 12/31/94	
PROJECT NAME	BALANCE	BUDGET	ACTUAL
Montpelier Babcock	$567	$3,900	$1,536
Pine Meadow	$3,012	$(11,690)	$(37,026)
Plainfield	$4,579	$320	$(8,802)
Salmon Run	$603	$2,223	$(23,692)
St. Johnsbury HP I	$5,708	$(26,095)	$(41,026)
Winchester	$(1,290)	$(205,957)	$(243,083)

5. **HAVE OUTSTANDING MAINTENANCE OR OTHER UNUSUAL ISSUES OR PROBLEMS:** see attached Monthly Narratives

PROJECT NAME

Alburg Lamphere	Montpelier - Cummings Street
Barre - Bromur Apts.	Northfield
Bellows Falls - Rockingham Canal House	Plainfield
Bradford	Randolph Faith
Burlington Kassell	St. Albans - Upper Welden
Burlington - Salmon Run	St. Johnsbury Housing Partnership I
Enosburg Brownway	White River Junction - Templeton
Hardwick	Winchester
Highgate	Windsor
Middlebury - Pine Meadow	Woodstock - Mellishwood I & II
Montpelier Babcock	

MULTI-FAMILY MANAGEMENT MONTHLY ACTIVITY REPORT
For the Month ending April 30, 1994

A. Multi-Family Management Activity - Narrative

1. Bond Refunding
2. Mitas Computer Conversion
3. Tenant Rental Assistance Certification System (TRACS)

B. Project Reports (see attached narratives)

1. Alburg Lamphere
2. Barre - Bromur Apts.
3. Bellows Falls - Rockingham Canal House
4. Bradford
5. Burlington Kassell
6. Burlington - Salmon Run
7. Enosburg Brownway
8. Hardwick Family Housing
9. Highgate
10. Middlebury - Pine Meadow
11. Montpelier Babcock
12. Montpelier - Cummings Street
13. Northfield
14. Plainfield
15. Randolph Faith
16. St. Albans - Upper Welden
17. St. Johnsbury Housing Partnership I
18. White River Junction - Templeton
19. Winchester
20. Windsor
21. Woodstock - Mellishwood I & II

A. Multi-Family Management Activity - Narrative

1. Bond Refunding

Over the past several months, an intensive effort has finally produced a successful refunding bond closing. The thirty-three multi-family properties in the '95 Series A Bond Issue came under intense scrutiny from bond counsel, underwriters, and rating agencies. Compounding this effort was the uncertainty of how best to go forward with the transaction (with HUD approval under the 50% McKinney Act provision or under prior 1991 HUD approval which would yield 100% of savings). In addition, the one FAF project loan that was part of this group of projects will now be purchased with Agency General Fund proceeds.

The most critical issue that needed to be addressed as part of the refunding process was an analysis of various rent reduction scenarios that have been proposed by HUD and the administration. Multi-Family staff, with help from Communications, designed and ran several cash flow models that showed the potential impact these rent reductions may have on the refunding project group and VHFA's entire Section 8 portfolio. As Congress continues to look at more serious cuts in HUD's budget for 1996, the Section 8 program is expected to be targeted for deeper cuts. Our plans for the use of the expected refunding savings must incorporate a contingency that will offer relief for properties should these rent reductions be implemented. We must also do everything possible to secure prepayment protection from these projects in the form of Preservation Agreements in order to protect the cash flow derived from refunding savings.

2. Mitas Computer Conversion

The Multi-Family portion of our computer conversion has begun in earnest. Many staff meetings and on site visits with Mitas have produced the structure of a new database and we have new screens, hard-programmed reports and test data which we are working on to verify the validity of an HP3000 conversion to our new system. The move to our new building and the refunding has delayed completion of our data testing although early indications are that we will have much work to do to bring the Mitas system up to the standards and sophistication we have come to rely on with the HP3000. Since the Mitas system is theoretically an integrated one, it is critical that the Finance and Development components are completed and on line to fully complement the Multi-Family database. Without this integration, there will be severe limitations in our ability to use the Mitas system as theoretically envisioned.

We are most thankful that the HP3000 made the move with us to Venture Place. It was an important part of our ability to answer questions and get information that was required for the refunding bond issue. We have decided to maintain the HP3000 database including updates until we have determined that the Mitas system is operationally its equivalent.

3. **Tenant Rental Assistance Certification System (TRACS)**

As Contract Administrator, VHFA was required to comply with HUD's nationwide effort to automate which is designed to make the process of funding and budgeting subsidy payments more accurate and efficient. We purchased and installed a 486 DX computer which is on its own dedicated telephone line. This enables owners/managers and HUD to communicate directly with us on all transmissions through the on line modem. A software product known as HFA Manager was purchased from A & M Software in Colchester Vermont. As of March 1st we were operational and are now receiving monthly requisitions electronically from all properties required to submit under the TRACS format. We have also begun discussions with A & M on the design and implementation of Phase II of TRACS which will enable us to complete HUD yearly budgets, quarterly and monthly requisitions, and year end reconciliations. This is projected to be a part of release 1.8 and will be required sometime after August '95.

B. Project Reports

1. **Alburg Lamphere:** The energy conversion is complete thanks to the availability of an Energy loan from VHFA. The tenants are enthusiastic about the new heating system and owner, Jim Lamphere, is grateful for our participation.

2. **Barre - Bromur Apts:** With the resignation of Richard Moffi, the loss of other key staff, and a critical management review of CPM, VHFA may require CVCLT to hire another Management Agent within 30 days who has experience in working with VHFA and VHCB and a solid background in property management. The project's performance during the initial quarter of 1995 was dismal (an operating loss of <$6,848> rather than the projected operating profit of $3,371, Accounts Payable of $5,026 and Tenant Rent Receivables of $3,599). The modest margin for error that was used in the underwriting stage is gone.

3. **Bellows Falls - Rockingham Canal House:** Due to the uncertainty of a coolant used with the innovative heating system installed at the Rockingham Canal House, we are actively pursuing possible alternatives to the existing geothermal heat pump system. In addition to VEIC and GMP energy audits, an independent engineer has been hired by manager Loring Smith and is in the process of compiling his report. He believes that the heat pumps may not have to be replaced but rather have some rehab work done which could extend the life of the equipment and also preserve precious coolant which will be more tightly controlled by the EPA beginning in 1996. The price of coolant is expected to rise by a factor of 10 when these regulations take effect. In addition, rehab work is much more manageable than a conversion to an entirely new system and, optimistically, the work should occur before the '96 heating season. We will keep a close eye on this due to the potential danger of losing a heating system at an elderly property during a Vermont winter.

4. **Bradford:** The energy conversion is complete! The cooperation between CVPS, VEIC, George Huntington (the owner/manager), and VHFA was gratifying and the residents will be more comfortable and not be exposed to the spikes of winter electric heating bills.

5. **Burlington Kassell:** An Energy Conversion took place this fall which should provide a substantial reduction in heating costs. A Preservation Agreement was signed at the beginning of this year which encompassed funding for the energy work and drainage/landscaping work which will begin this spring. The long overdue fence replacement at 73-75 King Street has been completed and looks great!

6. **Burlington - Salmon Run:** In 1994, Salmon Run had an operating loss of $23,000. This is substantially different than what was projected in the operating budget (1994 profit of $2,000). The reason for this large discrepancy is that the project was carrying an accounts payable (administration expenses) of $18,000 from 1993. These payables have now been retired and there is $27,000 in the working capital account.

7. **Enosburg - Brownway:** Abe Brown has brought to our attention that his promissory note calls for a rate adjustment at year 10 (1996) and he is interested in learning what kind of rate VHFA will have to offer. He also indicated his intention to make a partial prepayment of at least $100,000. The Howard Bank is the investor in this tax exempt bond and is obligated to remain in this position until the maturity date. Abe said he will be looking at other financing packages that may be offered by local banks.

8. **Hardwick Family Housing:** NCMC presented VHFA with a proposal to install a new Rinnai gas heater in one of the units as a test to see if it could improve the comfort and efficiency of the heating system at this property. We agreed to let them go forward with this experiment with the stipulation that they take the opportunity to have the system evaluated by an energy consultant before allowing installation in other units. NCMC is very happy with the results of the installation and are currently working with Tim Maker to calculate the benefits and savings of completing the entire conversion.

9. **Highgate:** HUD has finally granted a waiver of the requirement that rents be reduced from 120% to 110% of the Fair Market Rent. This was essential to the continued successful operation of the property and the culmination of more than two years of work by Highgate Housing Ltd., Maloney Properties, Housing Vermont, and VHFA.

10. **Middlebury - Pine Meadow:** Pine Meadow had been experiencing financial difficulties over the last several years due to higher than projected operating expenses and tenant turnover. Middlebury College agreed to reduce the interest rate on their taxable bond to help maintain financial feasibility at this property. On February 1, 1995, Pine Meadow Limited Partnership and VHFA signed a Loan Modification Agreement that reduced the interest rate on this mortgage by 3%. The new rate is now 6.75% and the budget is showing a positive cash flow.

11. **Montpelier Babcock:** Even without having received the 1994 financial statements, we are certain that there has been little change in the fiscal problems this property is facing. Until there is some kind of relief gained through refunding proceeds, financial restructuring or transfer of ownership, the physical needs of the property will not be comprehensively addressed. Technical Planning & Management are making a valiant effort under the circumstances but are hampered by the absence of funds. If the owner, through his attorney, doesn't release the '94 audit soon, we intend to use the threat of a default to get them to send the audit which was due on March 1st.

12. **Montpelier - Cummings Street:** The owner, Housing Vermont, is tapping into their reserves and utilizing the VHFA Energy Loan Program to replace the roofs, upgrade insulation, and improve ventilation at each of the three buildings at Cummings Street Apartments. VEIC was recently on-site performing a preliminary energy inspection and discovered that poor ventilation of the bathroom fans had caused premature deterioration of the roof sheathing. VEIC has also made some suggestions about how to tighten the buildings up and since the roofs were already open, it would be the best time to implement these recommendations.

    The owner is also currently working with VEIC and GMP to consider a plan for implementing a heating system conversion. They have a cost estimate of $100,000 or $5,000/unit and are now in the process of going out to bid on this project. We are working with them on how they will fund these improvements although VEIC's analysis shows that utility savings will allow the project to achieve positive cash flow by the third year after conversion. They hope to complete this conversion before the '96 heating season. We have also begun to turn our attention to the fact that this project's HAP Contract expires in 1998 and our mortgage will still have another 20 years remaining.

13. **Northfield - Dogwood Glen II:** The vacancies at this project have caused more than a $16,000 difference in actual profit compared to budget during 1994. The high vacancy rate has been attributed to excessive electric bills in the winter due to their current electric heating system. After three years of trying to get VSHA/HFI to implement an energy conversion, we have finally made some progress. We have received a proposal from Energy Efficiency Associates on the scope of work and the cost to do an energy conversion at Northfield and Richard Williams has agreed to follow through. We have required that this conversion be completed by the end of their fiscal year (September 1995). The conversion is scheduled to begin on June 1, 1995.

14. **Plainfield - School Street Apartments:** There is concern at School Street Apartments over the poor cash flow and the underfunded Replacement Reserve account. VSHA has advanced over $13,000 to the project for operating deficits, which needs to be repaid before we can begin to increase the Replacement Reserve Deposits. We have adjusted the contract rent up to the gross rent following the energy conversion. This adjustment should increase income by $6,780 per year and will be a much needed improvement to their cash flow.

15. **Randolph Faith:** In March, CVPS notified CVCAC that there is a 180 day window of opportunity for their demand-side program energy conversion participation. Finally, the Management Agent was directed to update the two year old bids by CVCAC and we have been made aware of their intention to transfer the property to another nonprofit. It is our intention to force the current owners to participate through the CVPS program in the heating system conversion with the hope of completing the work by the '96 heating season.

16. **St. Albans - Upper Welden:** Rehab cost overruns caused the development to generate an operating loss in 1994. Now that the rehab work is finally finished at Upper Welden, they should start to see positive cash flow. Their first quarter report already shows that they are doing better than the proposed operating budget.

17. **St. Johnsbury Housing Partnership I:** St. Johnsbury Housing Partnership has been experiencing financial distress due to outstanding rehab demands that cannot be addressed in the operating budget as currently proposed. VHFA and St. Johnsbury Housing Partnership have entered into a Debt Service Moratorium Agreement which defers mortgage payments for one year. During this debt free period of time, they will work on a proposal that will make this property financially feasible. Currently, the owner is working closely with VHCB for additional funding and has submitted an application for another allocation of Low Income Housing Tax Credits.

18. **White River Junction - Templeton:** The development department has taken the lead at Templeton. They have contacted the VSHA to see what the plan is for finishing the rehab work which began in 1991. The cost estimate to finish the work is now $49,000 and proposed funding is the VHFA Rehab Escrow and cash from the project operating account. We are still concerned that the final bids may come in higher than the estimated $49,000. We have made it clear that if this happens, the owner will have to lend the project money to cover the difference.

19. **Winchester:** The Sinking Fund and project operating account are virtually exhausted with only the Working Capital Letter of Credit and Replacement Reserves allowing us any small measure of comfort. The revised Restructuring Agreement has not yet been formally adopted by all of the concerned parties, yet progress seems to be imminent. Without such an agreement, the property will soon be in default.

20. **Windsor:** With the acquisition by HVT now complete, the rehabilitation is now well underway and should be successfully completed in just a few weeks. We must note with regret the resignation of the longtime (17 years!) Supervisor of Maintenance who is now serving as Clerk of the Works for the rehabilitation. His contributions have been immense.

21. **Woodstock - Mellishwood I & II:** In early 1995, Geoffrey Nichols, the General Partner of Woodstock, signed a preservation agreement with VHFA. In return for a higher return on equity and access to a portion of the reserve accounts to pay off the limited partners, we have locked this project into affordability for the full term of the HAP contract.

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Jeff Francis, Deputy Director

DATE: May 31, 1995

RE: FY96 Business Plan

Attached is the proposed FY96 Business Plan for consideration. The Plan was prepared in a simpler format this year in an effort to make it easier to use and to conserve paper. Specifically, the accompanying guide to programs and initiatives provided in prior years was eliminated on the premise that most users of the document were reasonably knowledgeable about VHFA programs and initiatives. Furthermore, if more elaborate information about any specific program or initiative is requested, staff would be available to provide details. The document is organized into four categories:

Ongoing Programs
Programs and Initiatives Being Developed
Analyze for Future Implementation
Activities in Support of Programs

Results of our activities in FY95 through April are reflected; this section will be updated to reflect FY95 year end results sometime prior to the September Board meeting. The FY96 goals for specific activities were developed through a collaborative process involving employees responsible for those activities. One addition to the FY96 Plan is the inclusion of certain activities set forward in the Strategic Plan and scheduled for implementation in FY96. Those activities are denoted by an asterisk in the first column.

At the Board meeting, other members of the senior staff and I will be happy to answer any specific question you may have about the plan. Thank you for your consideration.

Recommended Board Action:

Consideration and approval of the FY96 VHFA Business Plan for implementation, incorporating any further suggestions or recommendations made by the Board.

FY95 TO DATE (July 1, 1994 through April 30, 1995) vs. FY96				
* = FROM STRATEGIC PLAN	FY95 ACTUALS TO DATE	FY96 GOALS	DEPARTMENT	FY96 ACTUALS TO DATE
ONGOING PROGRAMS				
MOVE (Includes IORTA)	662 mtges purch; $42,368,000	825 mtges purch; $55,000,000	SF Ops	
MCC (Mortgage Plus)	128 MCCs issued; $ 9,859,296	154 MCCs issued; $11,900,000	SF Ops	
HOUSE (Includes IORTA)	38 loans purch; $ 3,008,804	75 loans purch; $ 4,900,000	Devel	
Rural VT Mtge	29 mtges purch; $ 961,000	25 mtges purch; $ 850,000	SF Ops	
IORTA Down Payment Assist	113 loans purch; $ 7,286,934	(See "Prog/Init Being Devel" section)	SF Ops	
Mobile Home Park Financing (MF)	0 units; $ 0 Limehurst close 06/95 33 units $281,000	30 units; $ 300,000	Devel	
Preservation-Section 8	4 Pres Agree signed (114 units)	Pres Agree for 20 projects (400 units)	MF Mgmt	
LIHPRHA Preservation/Westgate	Westgate Tenants Assoc funded; option agreement negotiations ongoing for Westgate/Applegate; projects on hold pending Congressional action on HUD proposals and budget	On hold pending Congressional action on HUD proposals and budget; possibly complete renegotiation of option agreement or alternative course of action	Devel	DRAFT
MF Financing	94 units closed; $3,030,506 53 units commit; $ 484,750+ pending	3 loans, 92 units $1,478,000 Expand in conjunction with refunding	Devel	
VT Housing Ventures	6 loans closed; $ 132,300 2 loans pending; $ 60,000	7 loans $ 200,000 Continue program; evaluate risk; possibly add funding	Devel	
SF Development/Construction	11 units; $ 750,000 Pinecrest loan closed 05/17/95	50 units; $2,700,000	Devel	
LIHTC	CAL 94: 409 units/383 TC units; $1,455,953 allocated CAL 95: 138 units/132 TC units reserved; $535,214	CAL 95: Allocate 100% of available credit ($772,264 plus National Pool)	Devel	
Nonprofit Training/Technical Assist	LIHTC training workshop in collaboration with VHCB	Training on new programs, other as needed	Devel	
Home Buyer Education	4 home buyer fairs; 853 attendees 4 home buy basics wkshp; 147 attendees 4 other homeownership classes; 76 attendees	2 home buyer fairs; 850 attendees 4 home buy basics wkshp; 150 attendees 8 other homeownership classes; 150 attendees; non-VHFA events as requested	Comm	
Cooperative Advertising w/Nonprofits	$7,500 allocated to 7 nonprofits; $2,073 dispersed to 4 nonprofits	$8,000 allocated for nonprofits; develop cooperative advertising program for lenders and real estate firms	Comm	
Dalton Drive Commercial Buildings	#504 under negotiation; P&S pending; #600 active interest from local nonprofit	Sell both buildings, with VHFA financing both acquisitions	Admin	
Section 8 Refunding	Program development in process for refunding savings; $24,325,000 refunding bonds closing 05/21/95; allocation process begun	Implementation of programs with $80,000/month refunding savings; complete allocation and first year program development	Finance	

FY95 TO DATE (July 1, 1994 through April 30, 1995) vs. FY96					
	* = FROM STRATEGIC PLAN	FY95 ACTUALS TO DATE	FY96 GOALS	DEPARTMENT	FY96 ACTUALS TO DATE
ONGOING PROGRAMS (Continued)					
	Lead Paint Response	Committed $1,000,000 loan participation in VHCB lead paint program; HB.471 (comprehensive response required) introduced; no payout until signed into law	Individual loan commitments up to $1,000,000 for MF/SF lead paint remediation; continue participation in policy issues	Admin/ Devel	
	VHMGB Program Administration	All current VHMGB guarantee programs now being administered by VHFA	Separate business plan being developed for VHMGB programs (attached)	SF Ops	
	MF Construction	Formal program initiated; 1 loan pending; 26 units; $1,270,000	3 loans $2,000,000 Market program and expand lending	Devel	
	Special Needs Housing	1 application pending 05/95 $85,000; group home; 1 homeownership application in process $57,500; homeownership initiative started	MOVE/HOUSE Pilot 10 loans; $600,000	Devel	
	Bridge Financing Initiative	Lines of credit for nonprofit acquisitions of SF resales. LCHDC $150,000; RAHC $36,000; "Bridge" Financing Initiative"	Monitor existing lines of credit	Devel	
PROGRAMS/INITIATIVES BEING DEVELOPED					
*	Home Improvement/Qualified Rehab	Program development in process	Implement; 150 loans; $1,300,000	Devel	
	Proactive Servicing (SF)	Research in progress; computer system implemented	Accomplish direct billing and/or implement tape to tape services with individual lenders during FY96	Finance	
	Expand Down Payment Assistance (IORTA)		Secure at least 150 more Down Payment Assistance guarantees from VHMGB for MOVE. Better utilize the RECD guarantee program.	SF Ops	
*	Monitoring: Streamline Statewide Programs	Coordination with VSHA ongoing; has begun with HVT and Burlington City Inspections	Combine VHFA, HVT, Section 8, Tax Credit and VHCB monitoring requirements where practicable	MF Mgmt	
	Condominium Project Inspections	Compiling list of VHFA-approved condo projects and locations; formatting inspection protocols	Conduct inspections using MF form and photograph at each location (50 condo developments)	MF Mgmt	
	Burlington Enterprise Community	Committed initiatives up to $2,000,000; program development begun	Program development and implementation in conjunction with CEDO and local nonprofits	Devel	

DRAFT

FY95 TO DATE (July 1, 1994 through April 30, 1995) vs. FY96					
	* = FROM STRATEGIC PLAN	FY95 ACTUALS TO DATE	FY96 GOALS	DEPARTMENT	FY96 ACTUALS TO DATE
PROGRAMS/INITIATIVES BEING DEVELOPED (Continued)					
*	Expand Use of FHLB in conjunction with LIHTC via Loan Consortium		Program development	Devel	
*	Homeownership Centers: Expand Down Payment Assistance; Improve Financing for 3-4 unit owner-occupied	In program development	Program implementation in 3 pilot centers; 20 loan closings	Devel	
*	Expand Energy Lending Activities	In program development for rental properties (owner-occupied and investor-occupied)	Program development and implementation in conjunction with VT OEO weatherization program	Devel	
	Homeownership Counseling	Continuation of feasibility study in light of strategic planning	Complete feasibility study; explore and review VHFA's role in developing counseling programs in conjunction with down payment assistance program and homeownership centers	Comm	
ANALYZE FOR FUTURE IMPLEMENTATION					
*	Financing for Assisted Living	Participated in advisory committee on assisted living	Develop financing options in conjunction with other state agencies, et al.	Devel	
ACTIVITIES IN SUPPORT OF PROGRAMS					
*	Increase Efficiency of MF Lending Process	1. Review underwriting standards 2. Develop new informational application and marketing materials (underway); one page program descriptions completed; others in development 3. Accelerate loan processing 4. Increase efficiency of closing process	1. Finalize and implement new standards 2. Complete and coordinate with other state agencies 3. Continue work on closing process 4. Identify and implement other potential efficiencies.	Devel	
	Housing Policies State/Fed Level	Assisted living advisory committee; FNMA Special Needs Task Force; Federal cutbacks meetings	Identify and participate on critical issues	Admin	
	Housing Vermont	Evaluation ongoing	Continue evaluation and monitoring; maintain oversight role	Finance	
	Cash Flow: Analyze Alternatives	No progress	Review demo programs in-house	Finance	
	Statewide Affordable Housing Activity/Promotion	Housing "Action Day" held 09/94	Participate in planning and conducting FY96 activity in conjunction with Governor's office	Comm	
	MF Management	97 developments (2,771 units)	100 developments (2,900 units) Provide effective servicing and monitoring of MF portfolio; administer HUD Section 8 funds, $2.9 million/year	MF Mgmt	

DRAFT

	FY95 TO DATE (July 1, 1994 through April 30, 1995) vs. FY96				
	* = FROM STRATEGIC PLAN	FY95 ACTUALS TO DATE	FY96 GOALS	DEPARTMENT	FY96 ACTUALS TO DATE
ACTIVITIES IN SUPPORT OF PROGRAMS (Continued)					
	Lender Training	38 sessions held; 327 participants	50 sessions; 500 participants Evaluate training format/efficiency	Comm	
	Computer Software/Hardware Convert	Computer conversion in progress	Finalize installation of all MITAS modules; retire HP system	Admin	
	HUD Consolidated Plan (formerly CHAS) Performance	LIHTC allocation plan developed consistent with HUD Consolidated Plan	Maintain consistency with HUD Consolidated Plan and implement as applicable	Admin	
*	Direct Servicing		Pursue service opportunities for VHFA mortgage loans when/where appropriate; VHFA currently services 152 loans totalling $1.7 million; of these, 115 are mortgage loans	Finance	
	LIHTC Compliance Monitoring	45 projects totalling 1,900 units	59 projects totalling 2,223 units	MF Mgmt	
	Training for RE Professionals	4 course sessions held; 80 attendees; presentations made at 5 regional RE Board meetings	6 course sessions; 200 attendees; presentations at 8 RE Board meetings	Comm	
	Strategic Planning	Completed for FY96-FY2000	Integrate Year 1 goals into Bus Plan	Comm	
	Regional Attorneys	Opened 45 files; supervised 61 cases; closed 39 files	Continue utilization and monitoring of efficiency of regional attorney system	Admin	
	Quality Control		Conform VHFA Quality Control procedure with Freddie Mac guidelines for originating lenders and integrate with VHMGB quality control process	SF Ops	
*	Address Homelessness		Assist other agencies in defining and determining the level of homelessness and disseminating results; consider using refunding resources	Devel/Comm	
*	Data Collection, Analysis, Dissemination of Housing Data		Maintain current level of data collection, analysis and dissemination for internal VHFA use and external projects	Comm	
	Promote VHFA's Affordable Housing Programs Through Advertising		Maintain advertising campaign to generate consumer interest and result in loans at current levels for VHFA homeownership mortgage programs	Comm	
	Communications Plan		Develop for program promotion, development of materials and/or outreach to meet VHFA's needs	Comm	
	Loan Servicing	31 lenders 5,683 loans $293 million	Maintain current levels as needed	Finance	

DRAFT

VERMONT HOME MORTGAGE GUARANTEE BOARD SUMMARY OF ACTIVITY FY95 (THROUGH APRIL 24, 1995)

FY95 vs. FY96 TO DATE (July 1, 1995 through April 30, 1996)			
	FY95 ACTUALS TO DATE	FY96 GOALS	FY96 ACTUALS TO DATE
ONGOING PROGRAMS			
Guarantees Issued	1,039 issued; $14,357,107 coverage	1,250 issued; $21,100,000 coverage	
Lead Hazard Mgmt Loan Guarantee	Guarantee program developed and initiated	10 loans @ $5,000 per loan; $45,000 coverage	
PROGRAMS/INITIATIVES BEING DEVELOPED			
Monthly Premium	Initial research underway; preliminary discussions held with VHMGB Board. Fee structure statutorily in place to make this a viable option.	Board approval and program implementation by 12/31/95	
Universal Claim Form	Available on computer for automatic electronic completion	Obtain VHMGB Board approval for the replacement of current claim form. Introduce change to lending community by 09/30/95.	
Claim Payment Policy		Obtain VHMGB Board approval to pay guarantee claims prior to sale of property by lender.	
ANALYZE FOR FUTURE IMPLEMENTATION			
Home Improvement Loans		Participate with VHFA Development in expansion of current VHMGB loan guarantee program to incorporate home improvement loans	
Delegated Underwriting	Initially researched process used by PMI industry: approved lenders may obtain authority to underwrite conventional mortgage loans for guarantee/mortgage insurance coverage.	Obtain VHMGB Board approval of concept and position VHMGB to offer this in the later part of 1996	
ACTIVITIES IN SUPPORT OF PROGRAMS			
Procedural Guide Consolidation		Completely rewrite VHFA and VHMGB guides to consolidate origination and servicing process; to be completed by 12/31/96	
Quality Control	Per agreement with secondary market, quality control process was backlogged by 9 months; process brought current and VHMGB passed secondary market audit	Continue to keep quality control process current and in compliance with secondary market guidelines	
Reinsurance		Ascertain whether guarantee authority can be expanded through the use of this vehicle and present findings to VHMGB Board	
Computer Data Clean-Up		Review data methodically to locate incorrect information that may change significantly the data reviewed to make business decisions	

DRAFT

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director, Ext. 221

DATE: June 2, 1995

RE: ATTACHED MEMO ON BENEFITS REVIEW

I have attached a copy of a memo recently received from the Agency's Benefits Review Committee. I am supportive of the Committee's recommendations and am interested in receiving comments from the Board as well. After reviewing the Committee and Board recommendations I will consider implementation of any or all of the resulting suggestions.

Although no Board action is necessary, I did want to keep the Board apprised of the staff's activity on this topic, which arose several times during Strategic Planning discussions.

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

MEMORANDUM

TO: Allan Hunt, Executive Director

FROM: Benefits Review Committee
Jeff Francis, Deputy Director, Ext. 210

DATE: June 2, 1995

RE: BENEFITS REVIEW

OVERVIEW

Based on interest expressed by the Board of Commissioners at the October 1994 Board meeting and the recently completed Strategic Plan for fiscal years 1996-2000, VHFA established a Benefits Review Committee (the "Committee"), consisting of representatives from staff and management. This Committee reviewed the current benefits offered to VHFA employees to determine if a reasonable strategy could be developed to address possible increases in benefit costs during the next three fiscal years (through FY 1998).

REVIEW OF EMPLOYEE BENEFITS

The Committee considered every benefit currently offered employees as part of an employee's total compensation package. Although this committee was established to consider only the benefits portion of compensation, it was clear that employees value their benefits considerably, especially with respect to recent modest salary increases (2.5% Cost of Living increases during the last three fiscal years). The benefits offered to employees were summarized in Jeff's memo to the Board titled "Salary and Benefits Information" dated September 8, 1994. The following list describes VHFA employee benefits offered during FY95:

- HEALTH INSURANCE. Employees are offered health coverage (for employees and dependents) through the Community Health Plan's (CHP) Share 5 program: Employees are required to pay a $5 co-payment for most routine outpatient procedures, a $100 co-payment for outpatient surgical procedures and a $240 co-payment for inpatient hospital care (which VHFA currently reimburses 50%).

Average annual cost per employee is approximately $3,034 (precise costs are $1629—single person coverage, $4201—family coverage)

- DENTAL INSURANCE. Employees are offered fully paid dental insurance (for employees and dependents) through Northeast Delta Dental. Coverage includes 100% for diagnostic and preventative procedures, 80% for restorative procedures, 50% for prosthodontics and 50% for orthodontics, with a maximum annual benefit of $1,000 per person. Average annual cost per employee is approximately $511.

- LIFE INSURANCE. VHFA provides fully paid life insurance equivalent to the employee's annual salary. Average annual cost per employee is approximately $71.

- PENSION PLAN. VHFA participates in a defined contribution pension fund administered by Northwestern National Life Insurance. VHFA contributes 10% of the employee's salary annually and employees are fully vested after five years. Average annual cost per employee is approximately $3,133.

- SHORT TERM DISABILITY. Employees are offered short term disability insurance which provides compensation in the event of disabling illness or injury 30 days after affliction for a period up to 22 weeks. Compensation is provided at 60% of salary. Average annual cost per employee is approximately $119.

- LONG TERM DISABILITY. Long term disability coverage takes effect after the 181st day of a disabling illness or injury and provides compensation for the duration of the disability at a level of 70% of basic monthly earnings. Average annual cost per employee is approximately $220.

- FICA. FICA contributions are required and currently paid at 7.65% of employee salary.

- MISCELLANEOUS. Employees are provided with several miscellaneous benefits, including an employee assistance program, educational/training opportunities, coverage of some membership dues and partial parking reimbursement, as well as the option of participating in a deferred compensation plan.

These are benefits which affect VHFA's expenses and are considered along with salaries to make up the total employee compensation package. Other indirect benefits (not direct budget expense items) include holidays, sick time and vacation time. The Committee has taken great care to acknowledge the concerns of all staff in reviewing the benefits offered to employees, including both direct and indirect benefits.

The Committee compared VHFA employee benefits with those of other organizations in the state. Employee benefits offered by other state affiliated housing organizations (VSHA, DHCA, VHCB and Housing Vermont) seem relatively comparable except for some differences in health care coverages including different plans (i.e., Blue Cross/Blue Shield vs. CHP) and employer paid premiums (i.e., employee contributions for dependents). VHFA and Housing Vermont are currently the only organizations in this comparison group that offer long and short term disability plans. (This analysis of state housing organizations' employee benefits, including review of holidays, sick time and vacation, is shown as an Attachment.)

The Committee faced two major issues in completing this review:

- FIRST COMPREHENSIVE SUMMARY. This was the first objective consideration of all employee benefits in the history of the Agency involving the staff. This fact made it difficult to evaluate the appropriate level of benefits for Agency employees; therefore, the Committee has had to primarily rely on the experience and level of benefits offered by similar organizations.

- FAIR VALUATION OF BENEFITS. There was some concern on the part of staff that the formation of this Committee could have a substantially negative impact on the level of benefits offered employees. The primary concern pertained to the valuation criteria used by the Committee in considering the stabilization of benefit costs. For example, five of the eight benefits mentioned above are tied to salary and therefore costs would likely increase independent of increases/ decreases in coverage premiums. The Committee determined that any consideration of reducing the level of benefits for cost stabilization reasons should consider%age goals rather than dollar caps for those benefits tied to salary increases/decreases.

Based on the review of employee benefits, the Committee considered cost effective changes in the benefits that would be effective in FY96. The Committee also looked at components of employee benefits that may be targeted for long term (three years) cost stabilization in the event that benefit costs increased dramatically.

FY96 RECOMMENDATIONS

The Committee recommends implementing the following changes to FY96 benefits. Based on the determination that current benefits are comparable to other similar organizations, the recommendations below would minimize changes/reductions in benefits to staff while actively seeking to reduce benefit costs to the Agency.

1) HEALTH INSURANCE. Based on VHFA's contract with CHP, the FY96 premium for existing coverage is only slated to increase by 1.67%. The Committee recommends renewing CHP Share 5 contract. In addition, the Committee recommends the following changes to health insurance coverage and Agency reimbursement policy in an effort to further contain costs:

   a) Reduce the number of CHP family plans by offering a monetary incentive to employees who are able to get health coverage under their spouse's employer or who are willing to change to a CHP single plan (with spouse covered as single person under his/her employer's plan). Based on an office survey, a number of employees have shown interest in this buy-out plan. However, because of different health plan enrollment periods and employee circumstances, it is uncertain what this change could save the agency. (A potential total savings in the range of $6,000-$9,000 is estimated.)

   b) Eliminate VHFA's 50% reimbursements of hospitalization/surgical co-payments. This change could save the Agency approximately $500 annually.

   c) Change the full-time student rider from age 25 (currently) to age 23. Although this is a valued benefit, it is our belief that the traditional college student would be ending their college career at age 22-23 and feel the rider to age 25 is unnecessary. This change saves the agency $870 annually. (The Committee also discussed the possibility of phasing out the full time student rider—see FY97 and FY98 recommendations.)

2) DENTAL INSURANCE. Based on discussion with Northeast Delta Dental, VHFA's dental premium would be reduced by 3% this year; the Committee recommends renewing existing coverage at the reduced rate.

3) SHORT TERM DISABILITY. VHFA has negotiated with a provider of short term disability coverage to secure a premium quote that would be a 14% reduction from the amount paid in FY95. Recommend renewing existing coverage at reduced rate.

4) LONG TERM DISABILITY. The Committee recommends reducing long term disability coverage from 70% to 60% of monthly salary. This change has already been implemented and saves the Agency $3,649 annually.

5) PART TIME EMPLOYEE BENEFITS. Currently part-time employees working a reduced work week (more than 30 but less than 37.5 hours per week) earn full-time benefits. The Committee recommends requiring these employees to pay a

pro-rated share of their benefit cost, unless covered by some pre-arranged benefits agreement already on file. Although this only affects a small%age of employees, they had already been informed that at some point VHFA could ask them to pay some portion of benefits if they continued in an approved reduced hour schedule. This change could save the Agency $2,000 annually.

6) EMPLOYEE ASSISTANCE PROGRAM. The Committee considered reducing eligible EAP visits from a maximum of 6 visits to 3 visits. Based on anticipated costs savings of only $100-$200 annually the Committee did not consider this a cost effective change.

7) HOLIDAYS AND UNUSED SICK LEAVE CONVERSION. Beginning early in our discussion about benefits, it became apparent that you felt strongly that VHFA's holiday policy was not consistent with that of other organizations and could be construed as excessive in that it provided 14 holidays where other organizations typically offered a maximum of 13. That view, coupled with the fact that VHFA currently observes both Lincoln's birthday and President's Day in February, prompted your proposal that the Agency observe only President's Day in February. In conjunction, a proposal was made to modify VHFA's sick leave conversion policy. Currently, an employee who works six consecutive months (specifically January through June, July through December) without being absent for illness can convert a sick day to a vacation day. Under the proposed revision, the six month period would roll, and the conversion credit would become 1.5 personal days.

While the Committee agreed that the conversion proposal did not offset the loss of the holiday, it did favor the concept of the rolling time period and felt that the policy modification was worthwhile.

8) VACATION POLICY. The Committee also recommends consideration of revisions to VHFA's vacation policy. Currently, employees accrue one day of vacation per month in years one through five with an additional credit in years two through five equal to the years of service to the organization on their anniversary date. This policy is cumbersome to administer. As an alternative, the Committee proposes that the policy maintain accrual of vacation at one day per month for years one through three, with an accrual of 1.5 days per month beginning thereafter. The effect of this policy is that after six years of service an employee will have received a total of 90 days of vacation (over the entire six year period) under the proposed policy as compared to 88 days of vacation (over the entire six year period) under the existing policy.

Fiscal Year 1996 Benefit Cost Analysis

	Increase	Decrease
Health Insurance	$2,229	
Pro-rate part-time employees		$2,000
Buy-out plan-dual coverage		$6,000
Eliminate co-pay		$500
Student Rider to age 23		$870
Dental Insurance		$696
Short Term Disability		$737
Long Term Disability		$3,649
Life Insurance	$125	
Holiday (Eliminated)*		$5,500
Grand Totals	$2,354	$19,952
Total Savings in FY96	**$17,598**	

Benefits Directly Impacted by Employee Salary Increases

	Increase	Decrease
FICA	$4,400	
Pension Plan	$6,000	
Grand Totals	$10,400	$0
Total Savings in FY96 (Including Pension & FICA)	**$7,198**	

* Daily VHFA payroll costs equal $5,500.

FISCAL YEAR 1997 AND FISCAL YEAR 1998 RECOMMENDATIONS

In conducting its work, the Committee acknowledged the importance of finding ways to reduce costs to the Agency. At the same time, however, it recognized that one focus of the strategic plan was the need to increase future revenues. The Committee believed strongly that it was preferable to address future cost increases by enhancing revenues

rather than reducing employee benefits. With that stated, the committee recommends that the Agency consider the following ideas for future review of and changes to employee benefits:

- HEALTH & DENTAL INSURANCE. It is the Committee's consensus decision not to make a recommendation for future benefit reductions in either of these areas. If and when one of these coverages increases in cost, a review of the cost savings needed to offset the increase be conducted to determine where at least an equal amount of savings could be realized, as has been done for FY 96. If costs in either of these plans increase substantially, the Agency may need to consider changing carriers or reducing the level of benefits in manner that is equitable to employees (at different salary levels and family sizes) and competitive with plans (as considered with all other benefits/compensation) offered by other organizations.

  The Committee also considered a possible three to four year phase out of the full time student rider as a potential source of savings. The Committee suggested that any decision to eliminate this rider should consider the costs carefully because this is a very important benefit to some family employees.

- DISABILITY BENEFITS. Based on the Committee's review of other Vermont housing organizations, it was noted that we are one of the few agencies offering long and short term disability benefits. The Committee discussed this and determined that we should only drop the coverage of the long term coverage to 60% of salary at this time. (See FY96 Recommendations.) The Committee acknowledged that disability coverage is a valued benefit to staff.

- STAFF COMMITTEE. All members of the Committee appreciated the opportunity to participate in this review process and recognized the value and knowledge derived from the information we received and the considerations we were asked to make. We recommend that these efforts be continued as necessary and that two or three staff members continue to assist in the evaluation of VHFA's benefits program. You have expressed your support for this idea.

EQUITY ISSUES

One of the primary concerns of the Committee is that any specific long term recommendations (FY97 and FY98) could be implemented without review of the total compensation package and the possible employee inequities. For example, if benefit costs increase substantially prior to FY97 and Agency revenues decline, the Agency will have to look for ways to stabilize cost increases in a restricted income environment. One solution could be asking employees with families to pay for some share of their dependents coverage for health or dental insurance. However, if this was done without

considering the impacts to employees at the bottom end of the salary scale and/or with a large families, it could present a substantial financial burden on certain employees. This could create a situation that would be inconsistent with the Strategic Planning goals that encourage attracting and retaining staff. The Committee encourages the Agency and the Board to acknowledge the importance of review in an effort to offer employees a total compensation package that is competitive and cost effective.

CONCLUSION

The Committee is available to review any and all of the recommendations described in this memo at any time that would be convenient for you.

ATTACHMENT 1

BENEFITS REVIEW - VERMONT HOUSING AGENCIES

	Vermont Housing Finance Agency	Vermont State Housing Authority	State of Vermont Employees	Vermont Housing & Consv. Board	Housing Vermont
INCOME OTHER THAN SALARY					
Overtime	NO	NO	NO	NO	NO
Bonuses	NO	NO	NO	NO	NO
Longevity	NO	NO	NO	NO	NO
Stipends	NO	NO	NO	NO	NO
LEAVES & TIME OFF					
Vacation Earned - Days per Month:					
1.00 Days per Month	First Month	First Month	First Month	NA	First Month
1.25 Days per Month	NA	3 Years	NA	First Month	2 Years
1.50 Days per Month	5 Years	6 Years	3 Years	3 Years	4 Years
1.75 Days per Month	NA	10 Years	NA	NA	NA
Accrued Vacation Time can be used	First Month	Sixth Month	Sixth Month	First Month	Sixth Month
Vacation Earned - Year Anniversary:					
Year 1	1	NA	NA	NA	NA
Year 2	2	NA	NA	NA	NA
Year 3	3	NA	NA	NA	NA
Year 4	4	NA	NA	NA	NA
Year 5	5	NA	NA	NA	NA
Year 6 Plus	NA	NA	NA	NA	NA
Vacation Day Earned - No Sick Day Used	6 Months	NA	NA	NA	NA
Max Number of Vacation Carry Forward	15 Days	41 Days (> 10 Yrs)	No Maximum	1 Year's Accrual	1 Year's Accrual
Personal Days Earned - No Sick Day Used:					
1.00 Personal Day per time period	NA	NA	3 Months	NA	NA
1.25 Personal Days per time period	NA	3 Months (1/2 SD)	NA	NA	NA
1.50 Personal Days per time period	NA	NA	NA	NA	NA
Personal Days - Given	NA	NA	NA	3.00	2.00
Holidays	14.00	13.00	13.00	13.00	10.00
Holidays that are floating	6.00	2.00	3.00	NA	NA
Administrative Days	NA	1.00	By Department	NA	NA
Sick Days - Days per Month					
1.00 Days per Month	First Month	First Month	First Month	First Month	First Month
1.25 Days per Month	NA	5 Years	3 Years	NA	NA
1.50 Days per Month	5 Years	10 Years	10 Years	NA	NA
1.75 Days per Month	NA	20 Years	NA	NA	NA
Bereavement Leave - Immediate	Yes	5.00 Days	Yes	Open	Up to 3 Days
INSURANCE					
Automobile Liability	No	No	No	No	No
Dental	100%	100%	100%	100%	100%
Disability - Short Term	Yes	No	No	No	Yes
Disability - Long Term	Yes - 70%	No	No	No	Yes
Life Insurance	Yes - 1xSalary *	Yes	Yes - 2xSalary *	Yes - $35K	Yes
Medical (% of Premium Paid by Employer)	100%	75%	80%	100%	100%
% of Dependents Premium Paid	100%	75%	80%	100%	20%-100% **
Per Person Deductibile (In-Patient)	$240 **	No	No	$300 + 20% to $3K	$240
Co-Payment	$5/Visit	No	No	No	$5/Visit
RETIREMENT & TAX AVOIDANCE					
Pension Plan Type	Def. Contribution	Def. Contribution	Def. Benefit	Def. Contribution	401K
Defined Contribution Plan - % Funded	10% of Salary	13.7% of Salary	1 2/3% per Yr x Sal	10% of Salary	Per Employee
Social Security	Yes - 7.65%	Yes - 7.65%	Yes - 7.65%	Yes - 7.65%	Yes - 7.65%
Deferred Compensation	Yes	No	Yes	No	No
Flexible Benefits (Cafeteria Plan)	Yes	No	Yes	No	Yes
EMPLOYER OFFERINGS, MISC.					
Car Provided	No	No	No	No	No
Car Allowance	No	No	No	No	No
Mileage Reimbursement Rate $/Mile	$0.29	$0.30	$0.30	$0.30	$0.29
Parking Permit/Space	Allowance	Yes	Yes	Yes	Allowance
Employee Assistance Program	Yes	Yes	Yes	No	No
Education Assistance	Yes	75%	Yes	Yes	Yes
Employee Credit Union	Yes	Yes	Yes	Yes	Yes
Payroll Direct Deposit	Yes	Yes	Yes	Yes	Yes

* Insurance cap at $50K
** 50% of Deductible reimb. by VHFA

* Assumed Insur. cap at $50K

** Employer pays additional 20% per year for dependents coverage

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE RAS

DATE: JUNE 2, 1995

RE: SINGLE FAMILY BOND REMARKETING

When our Single Family bonds were issued last December, a provision was included to remarket the portion of bonds equivalent to non-purchased mortgages if bond rates dropped by more than 50 basis points after issuance. To date we have purchased about $9 million in mortgages and have commitment on another $10 million. This would leave about $40 million of "unexpended proceeds" worth of bonds that could be remarketed.

The trigger date to implement the remarketing of bonds is June 15. Along with Evensen Dodge, our financial advisor for the transaction, Allan and I spoke with Fannie Mae (who bought all the bonds) about a possible adjustment to their bond rate. Another call is scheduled during the week of June 5 to discuss their willingness to accept a lower rate on their bonds. As of this week, bond rates are approximately 75 basis points lower than when we issued the bonds. If we could remarket the bonds at the lower rate, we would be able to adjust our mortgage rate from the current 8.25% to 7.5%. However, if Fannie Mae will not accept a lower rate on the bonds they purchased, we have the right to call their bonds and remarket them to the general public. We would need to utilize PaineWebber to sell the bonds, pay the fees and go through many of the steps that are involved in a new bond issue.

Additional costs of remarketing the bonds would have to be paid from the General Fund since no provision was made for these potential costs. Obviously, it is highly preferable to negotiate a new rate with Fannie Mae than to remarket through the underwriters.

RECOMMENDED BOARD ACTION:
Proceed with renegotiating a bond rate with Fannie Mae; if unsuccessful, authorize staff to analyze a remarketing through PaineWebber.

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY
MEMORANDUM

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE RAS

DATE: JUNE 2, 1995

RE: FISCAL YEAR JUNE 1996 BUDGET

The accompanying table shows the current year approved budget, the proposed budget for FY96 as formulated by staff, and a dollar and percentage increase or decrease comparison between the two years. As a reminder, we are showing total expenses including VHMGB expenses in the various categories and also showing the charges to VHMGB as income. A goal of our budgeting and financial process is to generate a surplus and increase the General Fund balance, while keeping fund balance transfers relatively constant.

Income. Total income is expected to increase by 20% over FY95. Single family fee income should improve based on the replacement of no-point mortgages where we paid the lender a full point for origination with the one point mortgage other than for stepped rate HOUSE program mortgages. Multi-family fee income is budgeted lower than FY95 due to less tax credits available and lower amount of construction lending anticipated. Project administration fees will decrease because of our need to give up some of the fees on the refunding where we are now earning a full bond yield. Interest income for loans may remain steady even though we have less funds to lend, because of higher yielding loans. We have projected additional rental income for the building in the miscellaneous category.

Fund Balance Transfers. The amounts indicated in this area of the budget represent transfers from existing bond programs to help supplement income to pay expenses. Transfers from the Home Mortgage Purchase program will decrease as loan losses are paid from this program. The Shawmut-Connecticut program is the refunding bond issue that we just closed which should generate $150,000 in future years. It is anticipated that no takeouts will occur from the Housing Development Bond resolution since that represents the Winchester development.

Capital Budget. The capital portion of the budget is $113,000 which is slightly higher than the $92,795 budgeted for capital items last year (excluding the building purchase.) The majority of the FY96 capital budget is for computer hardware and software upgrades.

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

Expenses. The following part of this memorandum will discuss individual expense items, which are either areas of special interest or items that show a significant increase or decrease over the FY95 budget. Total expenses are level funded with last year.

Advertising. In addition to the listed budget for advertising, $50,000 expenses are assumed to be subsidized by bond issuances during FY96.

Consulting Fees. Construction inspection, which was a separate category last year has been merged into consulting. $35,000 of consulting expense has been budgeted in conjunction with the homeownership center counseling concept. Appraisal fees of $32,000 of this category is for the secondary market quality control compliance requirements for VHMGB.

Dues and Subscriptions. The National Council of State Housing Agencies fees have increased over $2,500. They continue to be a strong advocate with Congress, but have had to expend many more dollars to deal with the upheaval in Washington.

Interest Expense. We will be paying the Federal Home Loan Bank interest on a $200,000 advance that we utilized for the Bristol development.

Insurance. As you will read in the benefits memo as prepared by Jeff Francis, a considerable amount of time and effort was put into the task of stabilizing and reducing benefit costs. These reductions are included in this category.

Occupancy Expense. Due to the purchase of the new building, occupancy expenses (formerly rent) will be reduced dramatically. Depreciation of the building over a 25 year term at an approximate $40,000 per year is the reason for the increase in that category.

Salaries and Wages. Salary adjustments have been factored in at a total of 4%. Discretionary adjustments of between 3% and 5% have been suggested pending approval of the budget. The past two year's increases have been limited to 2.5%. A separate schedule of salaries will be available at the meeting.

Subsidy--Housing Vermont, ERH, etc. Included in this category are sustaining membership fees of $15,000 for Energy Rated Homes and $15,000 for Housing Vermont. The ERH subsidy is $35,000 less than FY95.

If you have any questions regarding the budget, please feel free to call upon Allan or myself at your convenience or bring any questions to the Board meeting.

Recommended Board Action: Approval of the operating budget as shown on the attached schedule and the capital budget as explained above.

PROPOSED BUDGET
VERMONT HOUSING FINANCE AGENCY
F/Y/E JUNE 30, 1996

	APPROVED FYE 6/30/95	PROPOSED FYE 6/30/96	$ INCREASE (DECREASE)	PERCENT CHANGE
INCOME				
SINGLE FAMILY FEES	(115,000)	66,000	181,000	157.39%
MULTI-FAMILY FEES	142,000	125,000	(17,000)	-11.97%
PROJECT ADMIN FEES	130,000	104,000	(26,000)	-20.00%
INTEREST INCOME-LOANS	300,000	300,000	0	0.00%
INTEREST INCOME-INVEST	75,000	90,000	15,000	20.00%
VHMGB CHARGES	332,000	350,000	18,000	5.42%
MISCELLANEOUS	30,000	45,000	15,000	50.00%
TOTAL INCOME	894,000	1,080,000	186,000	20.81%
FUND TRANSFERS				
SINGLE FAM HOUSING	50,000	75,000	25,000	50.00%
SHAWMUT MTG PURCHASE	100,000	100,000	0	0.00%
HOWARD MTG PURCHASE	1,250,000	1,250,000	0	0.00%
HOWARD HOME MTG PURCH	325,000	300,000	(25,000)	-7.69%
HOWARD MULTI-FAMILY	430,000	430,000	0	0.00%
SHAWMUT CONN MULTI-FAM	85,000	75,000	(10,000)	-11.76%
HOUSING DEVELOP BDS-MF	10,000	0	(10,000)	-100.00%
DIRECT PLACEMENT BONDS	35,000	35,000	0	0.00%
TOTAL TRANSFERS	2,285,000	2,265,000	(20,000)	-0.88%
TOTAL INC & TFRS	3,179,000	3,345,000	166,000	5.22%
EXPENSES				
ADVERTISING & PROMOTION	123,500	112,000	(11,500)	-9.31%
ANNUAL REPORT	12,500	7,500	(5,000)	-40.00%
AUDIT	36,000	36,000	0	0.00%
COMMISSIONERS EXPENSES	5,000	5,000	0	0.00%
CONSULTING FEES	83,500	101,300	17,800	21.32%
DEPRECIATION	133,500	180,000	46,500	34.83%
DUES & SUBSCRIPTIONS	25,635	29,440	3,805	14.84%
INSURANCE	208,114	190,000	(18,114)	-8.70%
INTEREST EXPENSE	52,000	60,000	8,000	15.38%
LEGAL	46,500	45,000	(1,500)	-3.23%
MISCELLANEOUS	4,000	5,000	1,000	25.00%
OCCUPANCY EXPENSE	194,000	120,000	(74,000)	-38.14%
OFFICE EXPENSES	35,000	30,000	(5,000)	-14.29%
PENSION PLAN	128,000	132,000	4,000	3.13%
POSTAGE	24,000	25,000	1,000	4.17%
REPAIRS & MAINTENANCE	52,500	55,000	2,500	4.76%
SALARIES & WAGES	1,430,919	1,491,697	60,778	4.25%
STAFF TRAVEL & TRAINING	62,500	65,000	2,500	4.00%
SUBSIDY-HOUSING VT, ERH	81,000	40,000	(41,000)	-50.62%
TAXES-PAYROLL	108,475	113,200	4,725	4.36%
TELEPHONE	33,000	35,000	2,000	6.06%
TRUSTEE & CREDIT FEES	250,000	250,000	0	0.00%
TOTAL EXPENSES	3,129,643	3,128,137	(1,506)	-0.05%
SURPLUS (DEFICIT)	49,357	216,863	167,506	339.38%

VERMONT HOUSING FINANCE AGENCY
BALANCE SHEET
AS AT MARCH 31, 1995

	1995			
	GENERAL FUND	SINGLE FAMILY MORTGAGE PROGRAMS	MULTI-FAMILY MORTGAGE PROGRAMS	TOTALS
ASSETS				
Cash and cash equivalents	$2,819,106	$130,886,770	$4,444,567	$138,150,443
Investments	$1,449,199	$27,881,215	$10,122,565	$39,452,979
Mortgage and construction loans receivable	$5,906,510	$292,265,616	$81,293,284	$379,465,410
Accrued interest receivable				
-Mortgage and notes	$147,730	$2,055,418	$566,890	$2,770,038
-Investments	$28,656	$3,341,762	$145,497	$3,515,915
Deferred cost of bond issuance		$1,968,493	$407,909	$2,376,402
Office furniture and fixtures (at cost)	$1,095,129			$1,095,129
Accumulated depreciation	($803,587)			($803,587)
Land	$775,000			$775,000
Building	$914,634			$914,634
Other receivables: prepaid expenses	$606,434	$130,279	$17,031	$753,744
Interfund receivables (payables)	($1,459,449)	$2,026,674	($567,225)	$0
Other assets		$2,642,333		$2,642,333
TOTAL ASSETS	$11,479,362	$463,198,560	$96,430,518	$571,108,440
LIABILITIES & FUND BALANCES				
Deferred income	$911,489			$911,489
Accounts payable	$154,405	$360,468	$9,463	$524,336
Escrowed cash deposits	$2,969,636	($195,430)	$171,300	$2,945,506
Notes payable	$75,000			$75,000
Accrued interest	$12,905	$11,658,481	$1,062,352	$12,733,738
Accreted interest		$1		$1
Bonds payable	$633,793	$427,925,000	$90,804,262	$519,363,055
Unamortized premium (discount) on bonds		($4,690,676)	($1,502,786)	($6,193,462)
Fund balance	$6,722,134	$28,140,716	$5,885,927	$40,748,777
TOTAL LIABILITIES & FUND BALANCE	$11,479,362	$463,198,560	$96,430,518	$571,108,440

VERMONT HOUSING FINANCE AGENCY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
FOR THE PERIOD ENDED MARCH 31, 1995

	1995			
	GENERAL FUND	SINGLE FAMILY MORTGAGE PROGRAMS	MULTI- FAMILY MORTGAGE PROGRAMS	TOTALS
REVENUES:				
Interest Income:				
Mortgage and construction loans	$266,847	$17,873,803	$5,922,769	24,063,419
Investments	$79,295	$6,648,101	$930,727	7,658,123
Fee income:				
Multi-family programs	$99,471		$90,765	190,236
Single-family programs	$209,289			209,289
VHMGB income	$254,918			254,918
Miscellaneous income	$48,919			48,919
TOTAL REVENUES	$958,739	$24,521,904	$6,944,261	32,424,904
EXPENSES:				
Financing costs: including interest and amortization of premium, discount & costs of issuance	$38,473	$21,564,862	$6,218,553	27,821,888
Mortgage service, contract administration fees, & property disposition expense		$796,113	$51,093	847,206
Salaries and benefits	$1,338,166			1,338,166
Operating expenses	$570,358			570,358
Professional fees	$85,797			85,797
Trustee and assignee fees	$155,425			155,425
Loss on bond redemptions		$226,154		226,154
Foreclosed property loss		$77,226		77,226
TOTAL EXPENSES	$2,188,219	$22,664,355	$6,269,646	31,122,220
Excess (deficiency) of revenues over expenses	($1,229,480)	$1,857,549	$674,615	1,302,684
Fund balance, beginning of period	$5,996,018	$27,761,237	$5,688,838	39,446,093
Transfer to program funds				0
Transfer to General fund	$1,955,596	($1,478,070)	($477,526)	0
Fund balance, end of period	$6,722,134	$28,140,716	$5,885,927	40,748,777

BUDGET PERFORMANCE REPORT
VERMONT HOUSING FINANCE AGENCY
MARCH 31, 1995

	APPROVED BUDGET	ACTUAL 12/31/94	% BUDGET RECOGNIZED
INCOME			
SINGLE FAMILY FEES	(115,000)	(60,783)	52.85%
MULTI-FAMILY FEES	142,000	102,103	71.90%
PROJECT ADMIN FEES	130,000	121,016	93.09%
INTEREST INCOME-LOANS	300,000	266,849	88.95%
INTEREST INCOME-INVEST	75,000	79,290	105.72%
VHMGB CHARGES	332,000	254,918	76.78%
MISCELLANEOUS	30,000	48,915	163.05%
TOTAL INCOME	894,000	812,308	90.86%
FUND TRANSFERS			
SINGLE FAM HOUSING	50,000	15,470	30.94%
SHAWMUT MTG PURCHASE	100,000	50,000	50.00%
HOWARD MTG PURCHASE	1,250,000	1,250,000	100.00%
HOWARD HOME MTG PURCH	325,000	162,600	50.03%
HOWARD MULTI-FAMILY	430,000	240,000	55.81%
CONN NATL MULTI-FAMILY	85,000	71,761	84.42%
HOUSING DEVELOP BDS-MF	10,000	10,000	100.00%
DIRECT PLACEMENT BONDS	35,000	34,750	99.29%
TOTAL TRANSFERS	2,285,000	1,834,581	80.29%
TOTAL INC & TFRS	3,179,000	2,646,889	83.26%
EXPENSES			
ADVERTISING & PROMOTION	123,500	47,617	38.56%
AUDIT	36,000	26,000	72.22%
ANNUAL REPORT	12,500	8,347	66.78%
COMMISSIONERS EXPENSES	5,000	2,657	53.14%
CONSTRUCTION INSPECTION	15,000	1,234	8.23%
CONSULTING FEES	68,500	82,893	121.01%
DUES & SUBSCRIPTIONS	25,635	19,107	74.53%
INSURANCE	208,114	140,632	67.57%
INTEREST EXPENSE	52,000	38,473	73.99%
LEGAL	46,500	28,700	61.72%
MISCELLANEOUS	4,000	5,166	129.15%
OFFICE EXPENSES	35,000	28,148	80.42%
PENSION PLAN	128,000	103,011	80.48%
POSTAGE	24,000	14,676	61.15%
RENT	194,000	139,936	72.13%
REPAIRS & MAINTENANCE	52,500	38,747	73.80%
SALARIES & WAGES	1,430,919	1,062,211	74.23%
STAFF TRAVEL & TRAINING	62,500	26,037	41.66%
SUBSIDY-HOUSING VT, ERH	81,000	58,941	72.77%
TAXES-PAYROLL	108,475	81,018	74.69%
TELEPHONE	33,000	25,482	77.22%
TRUSTEE & CREDIT FEES	250,000	155,423	62.17%
DEPRECIATION	133,500	102,464	76.75%
TOTAL EXPENSES	3,129,643	2,236,920	71.48%
SURPLUS (DEFICIT)	49,357	409,969	830.62%

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE RAS

DATE: JUNE 1, 1995

RE: MULTI-FAMILY BOND REFUNDING

Attached to this memo is a pricing book prepared by PaineWebber regarding the 1995 Series A Multi-Family Housing Bonds refunding which closed on May 31. In addition to the information provided in the pricing book, there are a few other items of note. The Mutual Group Financial Products, Inc., is providing the Guaranteed Investment Contract on this financing at the rate of 5.9%, covering the Capital Reserve fund and the collection account for the next 19 years. I am happy to report that the final takeout from the "old bond" program is about $485,000, which will be transferred to the General Fund. A small contribution of around $50,000 may have to go back to the program in August to help pay debt service.

The pricing book contains some interesting information you may want to review, and Andy Gurley will be available at the Board meeting to answer any further questions you may have regarding the financing.

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

RESOLUTION DEDICATING THE VERMONT HOUSING FINANCE AGENCY BOARD ROOM TO THE MEMORIES OF RICHARD A. MYETTE, JR. AND HORACE B. SHAW, JR.

WHEREAS, the Vermont Housing Finance Agency wishes to honor the memories of two former chairmen of the Agency, Richard A. Myette, Jr. and Horace B. Shaw, Jr.; and

WHEREAS, the Vermont Housing Finance Agency has recently occupied its new building at 164 St. Paul Street, which is the first office that the Agency has owned in its 21 year history, and the Agency desires to name the Board Room in its new building; and

WHEREAS, Richard A. Myette, Jr. was instrumental in achieving the passage by the Vermont Legislature of the Vermont Housing Finance Agency Act, which created the Agency in 1974, served as the first Chairman of the Agency from 1974-77, served as a commissioner of the Agency for the first 20 years of the Agency's existence, was an active participant in community and political affairs and was an indispensable member of the Board of Commissioners for his entire tenure; and

WHEREAS, Horace B. Shaw, Jr. was a member of the Board of Commissioners of the Agency for the first 19 years of the Agency's existence, served as Vice-Chairman of the Agency for nine years and as Chairman for seven years, provided indispensable guidance, advice and wisdom to the Board and the staff of the Agency from his perspective as a banker, gave of himself to serve his profession, his community, his church and his state in many capacities over the years; and

WHEREAS, they were well-respected by all who knew them as family men and public servants and they are sorely missed by all their friends, colleagues and others who had the privilege of being associated with them during their lifetime;

NOW, THEREFORE, BE IT RESOLVED THAT to honor the contributions of Richard A. Myette, Jr. and Horace B. Shaw, Jr., the Board Room of the Vermont Housing Finance Agency be, and hereby is, named the "Myette-Shaw Board Room;" and

Be it further resolved that the Staff of the Agency is directed to provide a copy of this resolution to the families of Richard A. Myette, Jr. and Horace B. Shaw, Jr.

operating subsidies, mortgage insurance, construction financing, or for other purposes with the consent of the Agency.

6. The Executive Director may, in his discretion, issue a Commitment Letter for the second mortgage loan for the acquisition and rehabilitation of the Development, in an amount to be determined by the Executive Director, but not to exceed $380,000. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish, including but not limited to the following documents that must be submitted in form and content acceptable to the Agency:

   (a) VHFA Board approval of the proposed use of Section 8 refunding bond savings and capital reserve account funds; and

   (b) VHFA staff approval of final total development cost; any cost savings that are achieved will be reflected to the extent possible in a reduction of the amount of the second mortgage loan.

   (c) confirmation that the conditional commitments for grants have all been made unconditional.

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

T:\aboard\spring.res

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director, Ext. 221

DATE: June 22, 1995

RE: CANCELLING JULY MEETING; RESCHEDULING TO AUGUST 24

The July Board meeting has been cancelled due to conflicting vacation schedules. I would also like to propose that we reschedule our August Board meeting to Thursday, August 24, at 10:30 a.m. here in Burlington. The August meeting will constitute the Annual Meeting and will include the election of officers, and will be followed by the Agency's annual summer outing (as in picnic) to be held in the Burlington area.

I also wanted to let you know that Irene Jenkins has resigned as Director of Development, effective the end of June, to pursue an opportunity with a private company in the Boston area.

It may be necessary to have a brief Board meeting via conference call prior to August 24 to discuss tax credit allocations and pending loans; if so, I will try to give you as much advance notice as possible.

I wish you all a pleasant and relaxing summer and look forward to meeting with you in Burlington in August. Please let me (or Barbara, Ext. 255) know if you will *not* be available August 24.

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

vhfa

VERMONT HOUSING FINANCE AGENCY

August 15, 1995

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

Dear Ms. Carpenter:

The Vermont Housing Finance Agency will be having its regular monthly Board Meeting on Thursday, August 24, at 10:30 a.m., here at our office, 164 St. Paul Street, Burlington, Vermont.

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

Sincerely,

Barbara M. Parker

Barbara M. Parker
Executive Assistant

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director

DATE: August 17, 1995

RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held at 10:30 a.m. Thursday, August 24, here at our office building, 164 St. Paul Street (corner of King and St. Paul Streets), Burlington, Vermont.

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

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Burlington at 10:30 August 24!

REMINDER The office will close at 1:00 for the annual picnic. A memo is attached, explaining further details and giving directions and a map. Hope you can join us for this fun event!

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

VHFA BOARD MEETING AGENDA
164 St. Paul Street
Burlington, Vermont

Thursday, August 24, 1995 at 10:30 a.m.

1. Review and approval of minutes of June 7, 1995

2. Annual Meeting and Election of Officers **[Jarrett//Enclosure]**

3. Development
   - ⌂ August 1995 Tax Credit Reservations **[Erdelyi/Cummings//Encl.]**
   - ⌂ VTOEO Weatherization Program **[Crady//Enclosure]**
   - ⌂ National Home of Your Own Alliance **[Crady//Enclosure]**
   - ⌂ Down Payment Assistance Program **[Crady//Enclosure]**
   - ⌂ Westview Terrace Update **[Erdelyi//Enclosure]**
   - ⌂ St. Johnsbury Housing Partnership Workout **[Erdelyi//Enclosure]**

4. Operations
   - ⌂ Single Family Program Activity Report **[Lothrop//Enclosure]**
   - ⌂ REO Marketing Plan **[Lothrop//Enclosure]**
   - ⌂ Auction of REO Properties **[Lothrop//Enclosure]**

5. Communications
   - ⌂ Community Outreach Activities **[Gent//Enclosure]**
   - ⌂ FY96 Media Marketing Plan **[Gent//Enclosure]**

6. Administration
   - ⌂ Executive Director's Report **[Hunt]**
   - ⌂ FY96 Proposed Business Plan *(Tabled 06/95)* **[Francis//Enclosure]**

7. Finance
   - ⌂ Investment Policy Update **[Schoenbeck//Encl.]**
   - ⌂ Multi-Family Bond Earnings Usage Plan **[Schoenbeck//Encl.]**
   - ⌂ Line of Credit (Howard Bank) **[Schoenbeck//Encl.]**

8. Legal
   - ⌂ Qualified Housing Projects Resolution **[Jarrett/Enclosure]**

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

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

BOARD MINUTES
Vermont Housing Finance Agency
164 St. Paul Street
Burlington, Vermont

Wednesday, June 7, 1995

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

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

Guests: Mr. Gurley (PaineWebber); Mr. Cole (AG Edwards); Mr. Dickson (Housing Vermont); Mr. Roberts (Twin Pines Housing Trust); Mr. Shanahan (Realty Resources); Mr. Morlock (Springfield Housing Authority)

The meeting was called to order by Chairman White at 1:25 p.m. The Chairman distributed an article recognizing Mr. Francis as recipient of a distinguished alumni award from Lyndon State College. Upon a motion duly made by Mr. Seelig and seconded by Ms. Bradley, the minutes of April 20, 1995, were accepted as written. A motion was then made by Mr. Douglas to amend the minutes of April 28, 1995, in the second paragraph on the second page to read "a job well *done*"; after being seconded by Ms. Randall, the motion carried unanimously and the minutes were accepted as amended.

Ms. Jenkins reviewed her memo of June 1, included in the Board packet, regarding "Utilization of Section 8 Bond Refunding Savings." As Ms. Jenkins explained, the maximum savings to be realized are estimated at $966,000 annually through the term of the bond issue, which matures in 2014. The actual savings would vary if owners prepaid loans on projects in the current bond issue. Since the savings must be used for housing purposes, staff has begun identifying potential uses for those funds, and Ms. Jenkins reviewed the list of potential uses contained in her memo. No proposals have been solicited from outside parties in any formal manner yet, but several requests have been made by potential fund users. Chairman White reminded staff that it is important to also consider the Strategic Planning process, which identified many items of great

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

need but which the Agency may not have the capacity to address. In response, Ms. Jenkins assured the Board that the proposed list was crafted with the Strategic Plan in mind, as was the Business Plan; any new items appearing on the list are directly related to implementation of the Strategic Plan. Mr. Hunt noted that staff is also considering ways to utilize those funds to exchange liabilities in an effort to enhance the Agency's financial situation. Mr. Seelig cautioned that although the listed items are appropriate and consistent with previous Board discussions, the Board should discuss the underlying principles and the most important use of the funds before specific projects are discussed or considered. Ms. Randall concurred, further noting that many potential borrowers are not yet aware that the possibility of accessing these funds exists. As Mr. Seelig pointed out, the funds do not amount to a great deal of money relative to other amounts previously available from the Agency; the clearer the Board can be about the priorities and standards for utilization of these funds, the easier it will be to interact with the applicants. No formal Board action was taken.

The Board then reviewed Mr. Erdelyi's memorandum entitled "Quechee Pines, Quechee", dated May 31 and included in the Board packet. Twin Pines Housing Trust, a nonprofit developer, has requested permanent financing for the acquisition and rehabilitation of a nine-unit project consisting of two buildings in Quechee. Mr. Erdelyi introduced Mr. Roberts, Executive Director of Twin Pines Housing Trust. Following a brief discussion, a motion was made by Mr. Douglas and seconded by Ms. Bradley to adopt the "Resolution Pertaining to Letter of Interest re: Quechee Pines (Quechee)" as attached to these minutes. The second mortgage financing from refunding savings is subject to Board approval of an allocation plan for these savings. This motion carried, with Mr. Seelig abstaining. Mr. Roberts left the meeting following the vote.

Mr. Erdelyi next introduced discussion of his memo on "Westview Terrace, Springfield—Multi-Family Phase" dated June 1, included in the Board packet. Mr. Shanahan, of Realty Resources, Chartered, and Mr. Morlock, director of Springfield Housing Authority, were introduced to the Board. Westview Terrace is a large rental development currently consisting of 106 units in 31 buildings located in Springfield. The sponsor intends to divide the project into two phases, one for single family and one for multi-family housing. A Resolution pertaining to a letter of interest for Westview Terrace was adopted by the Board at the March 16, 1995, meeting. Ms. Randall noted that if funding for this project is approved, it would mean a commitment of nearly half of the refunded savings available for this year, with no formal guidelines developed by the Board defining utilization of the funds. Agreeing, Mr. Seelig further cautioned staff that applicants need to clearly understand that it is possible for the Board to reverse its decision after future policy discussions are held. Mr. Hunt informed the Board that staff is trying to determine the possibility of having an aggregate block of capital available from the bond issue, in addition to the refunding savings. If this is possible, the

Westview project may not need the refunding savings. Mr. Hunt also assured the Board that staff is currently only seeking approval of the first mortgage on this project, with the second mortgage funding to be reviewed after a broader discussion regarding fund utilization occurs at the next Board meeting. A Resolution regarding a commitment letter and letter of interest was distributed to the Board for review. Following some further discussion, a motion was made by Ms. Randall and seconded by Ms. Canney, and the Board unanimously voted to adopt the "Resolution Pertaining to Commitment Letter for First Mortgage and Letter of Interest for Second Mortgage re: Westview Terrace (Springfield)" as attached to these minutes.

Next, Mr. Erdelyi reviewed his memo of June 1, included in the Board packet, regarding "Okemo Mountain, Ludlow." This proposed project consists of 25 newly constructed units of family housing in Ludlow. Realty Resources, Chartered, has applied for permanent first mortgage financing, as well as requesting second mortgage financing from the Section 8 refunded bond savings. A motion was made by Mr. Seelig to table action on this project until the Board's next meeting or after the Joint Tax Credit Committee has acted on this project. Ms. Randall seconded the motion and it carried unanimously. Following the vote, Mr. Shanahan and Mr. Morlock left the meeting.

The Board then reviewed Mr. Erdelyi's memo of May 31, regarding "Alfred Court, Fair Haven—Construction Financing" as included in the Board packet. The proposed project would have six one-bedroom units and 20 two-bedroom units of family housing in two newly constructed buildings. This is the first application for financing under the Agency's Multi-Family Construction Loan Program. The permanent financing sources would be the Rural Economic and Community Development (formerly Farmers Home Administration) and the owner's equity and/or tax credit equity. A motion was made by Mr. Seelig to amend the "Resolution Pertaining to Letter of Interest re: Alfred Court (Fair Haven)" as attached to these minutes, adding a time limit of September 30, 1995, to paragraph 5(a), for obtaining RECD financing. After being seconded by Mr. Douglas, the motion carried unanimously.

Mr. Lothrop reviewed the "Single Family Program Activity Report for April 1995" as detailed in his memo of May 8, included in the Board packet. Activity is at an all-time high, with no new release of funds to point to as a reason for increased activity. Mr. Lothrop distributed a graph illustrating comparisons between conventional and Agency interest rates and reservation activity. Reservations are continuing at a fairly steady pace, reaching $1.4 million for the first four working days of June, even though conventional rates have dropped below the Agency's current mortgage rate of 8.25%. Ms. Canney praised staff for the effective advertising campaign. The "Servicing Activity for April 1995" and the monthly property disposition report were also reviewed by Mr. Lothrop, who noted that of 33 properties in REO status, seven are under contract,

four have offers being negotiated, and five will be included in the Vermont Bank auction to be held June 25. A Resolution regarding staff authorization for that auction was distributed to the Board. After a motion was made by Ms. Canney and seconded by Ms. Randall, the Board voted unanimously to adopt the "Resolution Regarding Authority to Execute Contracts, Deeds and Other Documents for the Second Quarter 1995 Vermont Bank Auction" as attached to these minutes. Mr. Lothrop also noted that staff is preparing a request for proposal to Vermont banks regarding sub-servicing opportunities from the Agency; staff will keep the Board up to date on this activity.

Ms. Crady addressed the Board next, offering an "Update—Homeownership Center Initiative" as described in her memo of May 31, included in the Board packet. Staff has been reviewing the feasibility of implementing some programs developed by Barbara Mervine when she was Executive Director of West Side Neighborhood Housing Services in Buffalo, New York. Specific aspects of the proposed role for the Agency were reviewed, as described in Ms. Crady's memo. Mr. Seelig asked for an explanation of the level of financial assistance that would be necessary to allow local nonprofit organizations to provide this counseling service. As Ms. Crady explained, some financial support during the training period, for pilot programs and beyond, would be necessary, as well as operational support to allow staff to be able to focus on providing homeownership counseling services rather than other development activities. Mr. Hunt noted that Ms. Mervine's feasibility study reflects a training budget of $35,000 and stipends of $3,000 per organization to help them develop the program. Methods for sustaining that operation are still under consideration, but sources for additional funds could include program users and lenders which make referrals, as well as some funding from the Agency. Although no formal Board action was taken, it was generally agreed that staff should continue reviewing the Homeownership Center Initiative and present further information for Board consideration at an upcoming meeting. Ms. Crady agreed to forward a copy of the feasibility study to Mr. Seelig for his review.

The "Single Family Programs—New Income Limit Recommendations" were then reviewed by Ms. Crady, as further detail to her memo of May 30, included in the Board packet. For the past several years the Agency has established statewide income limits for Single Family programs based on a percentage of the state median income. Ms. Canney observed that there appeared to be a portion of the population not served by the Agency's Single Family programs, as many borrowers appear willing to purchase homes and perform needed renovations, but are forced to purchase at a higher price based on their debt to income ratio. Ms. Crady noted that income limits for Addison and Bennington are lower than those in Caledonia and Orleans based upon HUD income limits. HUD has designated certain counties as targeted and certain counties as non-targeted counties. In non-targeted counties, the Agency's income limits cannot exceed 100% of the greater of state or area median income for 1-2 person households, and

115% for 3+ person households; for targeted counties, the limits cannot exceed 120% of the state median income for 1-2 person households, and 140% for 3+ person households. Staff is considering contacting HUD to have certain communities, including Bennington and Vergennes, designated as targeted; however, further analysis is necessary before a formal request is submitted to HUD. A motion was then made by Mr. Douglas and seconded by Ms. Canney to approve the proposed income limits as indicated on Attachment C to Ms. Crady's memo, referenced above, with changes to be implemented as soon as staff can update information and give notice of the change to lenders. This motion carried unanimously.

Ms. Jenkins reviewed the "Energy Loan Program—VHFA/VHMGB/Vermont OEO Partnership" as described in her memo of May 31, included in the Board packet. No formal Board action was taken, but staff was instructed to continue to work with Vermont OEO and its consultant to develop a joint energy loan program. Staff will return to the Board for approval of a complete program design at a later meeting.

The "Vermont Housing Ventures: Program Update and Increased Funding Request" as described in his memo of June 1, included in the Board packet, was reviewed by Mr. Cummings. Based on the strong demand for funds in this revolving loan program during the past two years, staff is requesting an increase in the funds available. A motion was made by Ms. Bradley and after it was seconded by Ms. Randall, the Board voted unanimously to increase the fund temporarily from $250,000 to $325,000, with no specific expiration date cited for the increase.

Mr. Schoenbeck brought the Board up to date on the "Multi-Family Bond Refunding" as per his memo of June 1, included in the Board packet. The pricing book distributed along with that memo contained valuable and interesting information regarding the refunding which closed on May 31. Mr. Schoenbeck noted that it had taken six years to complete this transaction successfully. According to Mr. Gurley, for the first time in recent history that no complaints were received from retail brokers regarding the availability of these bonds within Vermont. Chairman White commended staff, especially Mr. Schoenbeck, for their efforts over the past few years, and also expressed the Board's thanks to Mr. Gurley for his help and perseverance in this transaction. As Chairman White noted, although much of the work in this bond refunding has been behind the scenes and is often unrecognized, the efforts of all were greatly appreciated.

At this time the Board meeting was adjourned briefly and Mr. Gurley left the meeting. When the Board reconvened, a motion was made by Mr. Seelig and seconded by Ms. Randall to adopt the "Resolution Dedicating the Board Room to the Memories

of Richard A. Myette, Jr., and Horace B. Shaw, Jr." as attached to these minutes. The motion carried unanimously.

Mr. Schoenbeck then distributed copies of the Agency's financial statements as of March 31, 1995. Through May 1995 the Agency has realized an additional $160,000 in foreclosed property losses, which will be reflected in the fourth quarter financial statements. Mr. Schoenbeck explained that the valuation offset of REO's at the end of the fiscal year is based on appraised values and sale prices, as well as other factors. An analysis of the REO's remaining in the Agency's portfolio will be conducted to set reasonable valuations of these properties, which will affect the current year income. It is anticipated that the Agency will finish FY95 with $1 million in earnings. In addition to actual losses of $250,000 on REO properties sold, the FY95 financial statements will also show an estimated loss connected with properties held in the Agency's portfolio at year end. No Board action was necessary.

The General Fund's "Budget Performance Report" was distributed to the Board for review, showing FY95 income and expenses through March 31, 1995. After reviewing this information, the Board turned to the "Fiscal Year 1996 Budget" as proposed in Mr. Schoenbeck's memo of June 2, included in the Board packet. The overall budget reflects a decrease in expenses of .05% for FY96. Mr. Hunt stated that he was pleased with the outcome of the budget planning process; while the Evensen Dodge financial analysis projected budget increases of 2.5% per year, the Agency has managed to hold the budget well below that figure for the past two years. Chairman White expressed his appreciation to the staff for holding down expenses and keeping the budget in line. A motion was then made by Mr. Seelig and seconded by Mr. Douglas to approve the operating budget as attached to Mr. Schoenbeck's memo, referenced above, including the anticipated capital budget expenditures further described in that memo. This motion carried unanimously.

Mr. Schoenbeck then reviewed the "Single Family Bond Remarketing" described in his memo of June 2, included in the Board packet. A provision was included in the Single Family bonds issued in December 1994, allowing the Agency to remarket a portion of the bonds equivalent to non-purchased mortgages if bond rates dropped by more than 50 basis points after issuance. Bond costs have decreased by approximately 75 basis points since the bonds were sold. According to Mr. Schoenbeck, Fannie Mae (the Federal National Mortgage Association) is willing to consider a decrease in the rate to the current market rate. Currently, there is a balance of nearly $40 million in "unexpended proceeds" not purchased or committed that could be remarketed. Any "true" remarketing would need to be done through PaineWebber, the lead bond underwriter, in accordance with the remarketing agreement signed at the time the bonds were issued. However, a reduction in rate could be negotiated and realized without

PaineWebber's participation. A motion was made by Ms. Canney to adopt the "Resolution Pertaining to Letter of Interest re: Single Family Bond Remarketing" as attached to these minutes. After being seconded by Ms. Bradley, the motion carried unanimously.

A motion was then made by Mr. Seelig, seconded by Ms. Bradley and carried unanimously tabling discussion of the Business Plan until the next meeting, due to time constraints.

The Board acknowledged receipt of the "Multi-Family Management Report" attached to Mr. Falzone's memo of May 31, included in the Board packet. No Board action was necessary.

In an abbreviated Executive Director's report, Mr. Hunt noted that he has been asked to serve on a Fannie Mae advisory panel on homeownership counseling; is working with RECD regarding leveraging of funds; participated in HUD partnership day; and will be traveling to Washington, D.C., to meet with Vermont's Congressional delegation regarding Section 8 and other funding cutbacks in CDBG and HOME funds.

Mr. Hunt then introduced discussion of the "Benefits Review" memorandum dated June 2, included in the Board packet. As Mr. Hunt explained, Mr. Francis and a staff committee reviewed the Agency's benefits package. The committee accepted the challenge of stabilizing the costs of benefits over the next three years and has come up with an acceptable plan. Mr. Francis further noted that the Agency is already in the process of updating and rewriting personnel policies to keep them current; the proposed changes to benefits offered are significant enough to render the existing Employee Handbook obsolete, but committee members agreed that the changes appear to be appropriate. Chairman White noted that no formal Board action was required and suggested that further questions or comments from the Board could be raised through the Executive Director or Deputy Director, or brought up for discussion at a future meeting. The Chairman also expressed his appreciation for the comprehensive review undertaken by the committee and for their responsiveness to the Board's request for this review.

Under old or new business, Mr. Hunt brought the Board up to date on negotiations with St. Michael's College (the "College") and The Merchants Bank (the "Bank") regarding Winchester Place in Colchester. A recently received report from the owner and management agent cites problems with deterioration of the buildings that may be more severe in nature than originally anticipated; a thorough analysis is underway. The College is now seeking assurance that they will gain ownership of the project through an escalation of rents in the last 20 years of the lease. However, the escalation

clause, as proposed, might prevent the Agency from locating outside purchasers for the property in order to fully recover its investment. The Bank has also requested consideration of sharing revenues when the project begins to generate excess revenues. An option would be for the Agency to continue to pay the contracted amount of the ground lease and cease further negotiations with the College. This would result in no reduced ground lease payments by maintaining the existing contract, but would eliminate the need to include the College in further negotiations on this project. Although no formal Board action was taken, staff was instructed to continue negotiations and keep the Board informed.

{Ms. Randall and Ms. Canney left the meeting at this time.}

Mr. Hunt then reported that the St. Johnsbury Scattered Site project, sponsored by the St. Johnsbury Housing Partnership, is having further financial difficulties. This project was discussed in detail at the Board's August 18, 1994, meeting. According to Mr. Hunt, the Vermont Housing & Conservation Board is willing to put more than $500,000 to the needed total of $900,000; a substitution of 0% debt for the financing is being considered. No commitment has been made to the sponsor, but the project will be on the agenda for discussion at the Board's next meeting.

The next Board meeting was scheduled for July 20 *{later cancelled and rescheduled to August 24 in Burlington}*. Chairman White announced that he would be pleased to host a meeting in Derby or the new Community National Bank office in St. Johnsbury at some time during the summer or early fall. There being no further business, and following a motion duly made and seconded, the meeting adjourned at 4:55 p.m.

Respectfully submitted,

Allan S. Hunt, Secretary

RESOLUTION PERTAINING TO LETTER OF INTEREST
RE: QUECHEE PINES (QUECHEE)

WHEREAS, a proposal has been presented to the Agency by Twin Pines Housing Trust, a non-profit corporation located in Hartford, Vermont (the "Sponsor") involving the acquisition and rehabilitation of Quechee Pines, a rental development in Quechee containing nine units in two buildings located on nine acres on Hathaway Road in Quechee (the "Development"); and

WHEREAS, the proposal contemplates a permanent mortgage loan of up to $157,840 amortized over a period of 25 years with an interest rate of approximately 7.22% per annum; and

WHEREAS, the Sponsor has received conditional commitments for grants from the Vermont Housing and Conservation Board and from HOME funds; and

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Irene Jenkins and Joseph Erdelyi dated May 31, 1995 containing information and recommendations about the Development (the "Memorandum");

It is hereby DETERMINED:

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

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

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

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

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

6. The Sponsor is a financially responsible organization and the proposed ownership entity is expected to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a first mortgage loan to Twin Pines Housing Trust for the acquisition and rehabilitation of the Quechee Pines Development in Quechee in an amount not to exceed $158,000. The term and interest rate will depend on the Agency's source of funds. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, construction financing, or for other purposes with the consent of the Agency.

2. The Letter of Interest shall require the Sponsor to provide the following items in form and content satisfactory to the Agency:

   (a) an independent assessment of the adequacy of the rehabilitation plan;

   (b) evidence of competitive bidding or independent cost estimate to establish the reasonableness of construction costs;

   (c) approval of the Agency's Board of the use of Section 8 refunding savings and/or proceeds of the Agency's Multi-Family Housing Bonds, 1995 Series A; and

   (d) approval by the Agency of the Development's management agent.

3. The Executive Director may, in his discretion, issue a Commitment Letter for a loan for the acquisition and rehabilitation of the Development, in an amount to be determined by the Executive Director, but not to exceed $158,000. The loan shall bear interest at a rate of 7.22 percent per annum for a term of 25 years. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish, including but not limited to the following documents that must be submitted in form and content acceptable to the Agency:

(a) VHFA approval of final plans and specifications;

(b) a level I Environmental Site Assessment acceptable to staff;

(c) VHFA approval of the pool maintenance agreement between Twin Pines and the tenants; and

(d) confirmation that the conditional commitments for grants have all been made unconditional.

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

5. The Executive Director is authorized, once the conditions set out herein have been achieved to his satisfaction, to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a second mortgage loan to Twin Pines Housing Trust for the 9 unit development in Quechee in an amount not to exceed $43,000. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont, on June 7, 1995.

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

RESOLUTION REGARDING AUTHORITY
TO EXECUTE CONTRACTS, DEEDS AND OTHER DOCUMENTS
FOR THE SECOND QUARTER 1995 VERMONT BANK AUCTION

WHEREAS, the Agency is participating in the Second Quarter 1995 Vermont Bank Auction with several banks that is scheduled for June 25, 1995; and

WHEREAS, the Auction is set up so that purchase and sales contracts will be entered into at the Auction and closings will be held at the Auction or shortly thereafter; and

WHEREAS, it is essential that the Agency's representative at the Auction be authorized to execute the documents necessary to transfer the Agency's properties that are included in the Auction;

THEREFORE, it is hereby RESOLVED:

That the Agency's Real Estate Disposition Specialist, Linda C. Wilson, and/or any designee of the Executive Director, be and hereby is authorized to execute all documents necessary to enter into contracts and transfer real estate owned by the Agency and included in the Second Quarter 1995 Vermont Bank Auction, including, but not limited to, the following:

Purchase and Sales Contracts, deeds and property transfer tax returns for the sale of real estate owned by the Agency.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont, on June 7, 1995.

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

RESOLUTION DEDICATING THE VERMONT HOUSING FINANCE AGENCY BOARD ROOM TO THE MEMORIES OF RICHARD A. MYETTE, JR. AND HORACE B. SHAW, JR.

WHEREAS, the Vermont Housing Finance Agency wishes to honor the memories of two former chairmen of the Agency, Richard A. Myette, Jr. and Horace B. Shaw, Jr.; and

WHEREAS, the Vermont Housing Finance Agency has recently occupied its new building at 164 St. Paul Street, which is the first office that the Agency has owned in its 21 year history, and the Agency desires to name the Board Room in its new building; and

WHEREAS, Richard A. Myette, Jr. was instrumental in achieving the passage by the Vermont Legislature of the Vermont Housing Finance Agency Act, which created the Agency in 1974, served as the first Chairman of the Agency from 1974-77, served as a commissioner of the Agency for the first 20 years of the Agency's existence, was an active participant in community and political affairs and was an indispensable member of the Board of Commissioners for his entire tenure; and

WHEREAS, Horace B. Shaw, Jr. was a member of the Board of Commissioners of the Agency for the first 19 years of the Agency's existence, served as Vice-Chairman of the Agency for nine years and as Chairman for seven years, provided indispensable guidance, advice and wisdom to the Board and the staff of the Agency from his perspective as a banker, gave of himself to serve his profession, his community, his church and his state in many capacities over the years; and

WHEREAS, they were well-respected by all who knew them as family men and public servants and they are sorely missed by all their friends, colleagues and others who had the privilege of being associated with them during their lifetime;

NOW, THEREFORE, BE IT RESOLVED THAT to honor the contributions of Richard A. Myette, Jr. and Horace B. Shaw, Jr., the Board Room of the Vermont Housing Finance Agency be, and hereby is, named the "Myette-Shaw Board Room;" and

Be it further resolved that the Staff of the Agency is directed to provide a copy of this resolution to the families of Richard A. Myette, Jr. and Horace B. Shaw, Jr.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont, on June 7, 1995.

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

RESOLUTION PERTAINING TO COMMITMENT LETTER FOR FIRST MORTGAGE AND LETTER OF INTEREST FOR SECOND MORTGAGE RE: WESTVIEW TERRACE (SPRINGFIELD)

WHEREAS, a proposal has been presented to the Agency by Realty Resources, Chartered, of Rockport, Maine, (the "Sponsor") involving the acquisition and rehabilitation of Westview Terrace, a rental development in Springfield currently containing 106 units in 31 buildings located north of Route 106 in Springfield (the "Property"); and

WHEREAS, the Sponsor's proposal contemplates dividing the Property into two sections: one for multi-family housing to include 58 units in 15 buildings (the "Development") and the second for single family housing, which at this time will not involve the Agency or the proposed loan; and

WHEREAS, the proposal contemplates a permanent mortgage loan of up to $450,000 with an amortization period of 30 years with a term of 20 years, with the interest rate to be determined by the Agency depending on the source of funds; and

WHEREAS, the proposal also contemplates a second mortgage loan of up to $400,000 from the Agency, which is only being recommended for a letter of interest by staff at present; and

WHEREAS, the Sponsor proposes to create a limited partnership with the Sponsor and Springfield Housing Unlimited, a non-profit corporation wholly owned by the Springfield Housing Authority as co-general partners; and

WHEREAS, the Sponsor has obtained commitments for a deferred loan of $450,000 and a lead paint grant of $203,000 from the Vermont Housing and Conservation Board and has applied for a Community Development Block Grant of $350,000 from the Town of Springfield and projects the receipt of tax credit equity in the approximate amount of $2,292,306; and

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

WHEREAS, the Board has been presented with a memorandum dated June 1, 1995 from Irene Jenkins and Joseph Erdelyi (the "Memorandum"); and

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

It is hereby DETERMINED:

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

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

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

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

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

6. The Sponsor is a financially responsible organization and the proposed ownership entity is expected to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director may, in his discretion, issue a Commitment Letter for a loan for the acquisition and rehabilitation of the Development, in an amount to be determined by the Executive Director, but not to exceed $450,000. The loan shall bear interest at a rate to be determined by the Agency depending on its source of funds and payments shall be amortized over a period of 30 years, but shall require the payment of all outstanding principal and interest 20 years after the date of the loan. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish, including but not limited to the following documents that must be submitted in form and content acceptable to the Agency:

   (a) Evidence of availability of other financing, with the amount and terms of such financing to be as shown on the development budget dated May 31, 1995, or their equivalent;

   (b) a plan describing the social services to be provided to the tenants of the Development and providing how these services will be funded;

   (c) documentation for all costs in the development and operating budgets, which shall include an independent review of plans and specifications and an independent cost estimate;

   (e) an appraisal of the Development;

   (f) a description of any required construction and/or bridge financing;

(g) evidence of adequate sureties provided by Sponsor to cover tenants' relocation costs;

(h) final plans and specifications; and

(i) approval by the Agency's Board of the proposed use of Section 8 refunding bond savings and/or capital reserve account funds, as applicable.

2. The Commitment Letter shall be issued to Realty Resources, Chartered, as representative of a to-be-formed limited partnership whose general partners will be Joseph Cloutier and Springfield Housing Unlimited, a non-profit corporation wholly owned by the Springfield Housing Authority.

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

4. The Commitment Letter shall require the Developer to demonstrate to the satisfaction of the Executive Director that a combination of equity, grant and deferred loan funds are available in an amount at least equal to the difference between the total development cost as accepted by the Agency and the amount of the first mortgage financing commitment plus the amount of the second mortgage that is the subject of the Agency's Letter of Interest.

5. The Executive Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a second mortgage loan to Realty Resources, Chartered, as representative of a to-be-formed limited partnership whose general partners will be Joseph Cloutier and Springfield Housing Unlimited, a non-profit corporation wholly owned by the Springfield Housing Authority for the acquisition and rehabilitation of the Westview Terrace Development in Springfield in an amount not to exceed $380,000. Subject to approval of the Board of Commissioners, the source of funds will be Section 8 refunding savings, in which case the loan will not be amortizing and will have a rate of interest of 0%. All principal will be due 20 years from the date of the second mortgage loan. If the Board of Commissioners does not approve the use of Section 8 refunding savings, the terms of any second mortgage loan will differ from those set out in this paragraph. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, construction financing, or for other purposes with the consent of the Agency.

6. The Executive Director may, in his discretion, issue a Commitment Letter for the second mortgage loan for the acquisition and rehabilitation of the Development, in an amount to be determined by the Executive Director, but not to exceed $380,000. The Commitment Letter shall be conditioned

on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish, including but not limited to the following documents that must be submitted in form and content acceptable to the Agency:

(a) VHFA Board approval of the proposed use of Section 8 refunding bond savings and capital reserve account funds; and

(b) VHFA staff approval of final total development cost; any cost savings that are achieved will be reflected to the extent possible in a reduction of the amount of the second mortgage loan.

(c) confirmation that the conditional commitments for grants have all been made unconditional.

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

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont, on June 7, 1995.

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

RESOLUTION PERTAINING TO LETTER OF INTEREST
RE: ALFRED COURT (FAIR HAVEN)

WHEREAS, a proposal has been presented to the Agency by Jack Heaton, representing the Fair Haven Housing Limited Partnership, involving providing construction financing of approximately $1.27 million for the construction of a 26 unit development located in Fair Haven (the "Development"); and

WHEREAS, the permanent lender for the Development is anticipated to be the Rural Economic and Community Development agency of the United States ("RECD") under its Section 515 program; and

WHEREAS, Fair Haven Housing 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 request is made under the Agency's Multifamily Construction Loan Program; and

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

It is hereby DETERMINED:

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

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

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

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

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

6. The sponsor is expected to be a financially responsible organization.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a construction loan secured by a first mortgage to the Fair Haven Housing Limited Partnership for the construction of the Alfred Court development in Fair Haven in an amount not to exceed $1,270,000. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency

2. The Commitment Letter shall be issued to Fair Haven Housing Limited Partnership.

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

4. The Commitment Letter shall provide that the interest rate to be charged on the mortgage loan shall be determined by the Agency depending on its source of funds, but not to exceed 8% per annum.

5. The Executive Director may, in his discretion, issue a Commitment Letter for a loan for the construction of the Development, in an amount to be determined by the Executive Director, but not to exceed $1,270,000, if the conditions set out below have been satisfied, including, but not limited to any documents required being submitted in form and content acceptable to the Agency:

    (a) evidence of a firm commitment for permanent financing and project-based rental assistance from RECD under the Section 515 program received no later than September 30, 1995;

    (b) evidence of other such permanent financing commitments as are needed to assure long term financial feasibility;

    (c) a Level I Environmental Site Assessment; and

    (d) personal financial statements of the principals of the Sponsor.

6. The Commitment Letter will be conditioned on the satisfaction by the Developer of all requirements of the Act, the applicable regulations of the

Agency, and such further requirements as the Agency may establish, including, but not limited to, the following:

(a) final plans and specifications;

(b) evidence of clear and marketable title to site;

(c) evidence of all federal, state and local permits and land use approvals;

(d) personal guarantees of the principals of the Sponsor, and spouses, if necessary for a meaningful guarantee;

(e) adequate construction surety (performance bond or letter of credit);

(f) payment of all loan fees required by the Agency;

(g) assignment of RECD commitment; and

(h) assignment of plans, specifications, drawings and the construction, architect's and engineer's contracts.

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

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont, on June 5, 1995.

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

RESOLUTION PERTAINING TO LETTER OF INTEREST
RE: SINGLE FAMILY BOND REMARKETING

WHEREAS, the interest rate on conventional mortgages has fallen relative to mortgages financed with the proceeds of Vermont Housing Finance Agency's (the "Agency's") Series 6 Single Family Housing Bonds (the "Bonds") issued in December 1994; and

WHEREAS, the Bond documents permit the Agency to remarket the Bonds when conventional interest rates have fallen a sufficient amount; and

WHEREAS, the Agency wishes to remarket a certain portion of the Bonds; and

WHEREFORE, it is hereby RESOLVED:

1. Staff is authorized to proceed to renegotiate a bond rate with Fannie Mae subject to analysis by Evensen Dodge and Kutak Rock;

2. If renegotiation with Fannie Mae is unsuccessful, staff is authorized to pursue remarketing with PaineWebber, pursuant to the remarketing agreement already in existence.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont, on June 5, 1995.

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

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Glenn A. Jarrett, General Counsel GAJ

DATE: August 17, 1995

RE: Annual Meeting

BACKGROUND:

The Agency is required by its by-laws to conduct an annual meeting in July unless the Chairman for good cause designates another date. Since the Board did not meet in July this year, staff would like to have the August meeting constitute the Annual Meeting. A Vice-Chairman and a Treasurer must be elected. At present, there is no Vice-Chairman since Paul Ruse left office in January and was not replaced as Vice-Chairman.

Attached is a resolution setting out some necessary decisions and delegations. Delegations and duties specified in prior resolutions are incorporated by reference. The powers of the Single Family Operations loan servicing staff have been amended slightly: In paragraph C 4, the words "and modification" have been added and the first "RESOLVED" paragraph on page two has been added.

REQUESTED ACTION:

Approval of the attached resolution.

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

RESOLUTIONS ADOPTED AT THE ANNUAL MEETING OF VERMONT HOUSING FINANCE AGENCY, AUGUST 24, 1995

RESOLVED, In addition to the officers specified as "Authorized Officers" under particular bond resolutions of the Agency, the Deputy Director shall be an "Authorized Officer" within the meaning of any and every bond resolution of the Agency whether now existing or to exist in the future.

RESOLVED, _____ is elected Vice Chairman of the Agency for the fiscal year commencing July 1, 1995 and until h__ successor be elected and qualified.

RESOLVED, Roger A. Schoenbeck is elected Treasurer of the Agency for the fiscal year commencing July 1, 1995 and until his successor be elected and qualified.

RESOLVED, the following persons shall be authorized to sign checks drawn against the Agency's General Fund:

Executive Director	_____	Allan S. Hunt
Deputy Director	_____	Jeffrey D. Francis
Director of Single Family Operations	_____	Douglas R. Lothrop
Director of Finance	_____	Roger A. Schoenbeck
Controller	_____	Timothy M. Gutchell

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

RESOLVED, all actions taken in the resolution entitled "Resolutions Adopted at the Annual Meeting of the Vermont Housing Finance Agency, August 18, 1994" not inconsistent with the resolutions contained herein are deemed to be ratified and will continue in force until changed by affirmative action of the Board of Commissioners.

RESOLVED, that the Agency's Real Estate Disposition Specialist, Loan Servicing Specialist and Foreclosure Specialist be and hereby are authorized to execute documents of the following character for all of the Agency's single family loan programs, whether secured or unsecured:

A. Endorsements to property insurance claim checks pertaining to property on which the Agency holds a valid lien, in amounts up to $10,000 for the Foreclosure Specialist and $5,000 for the Real Estate Disposition Specialist and the Loan Servicing Specialist;

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

C. Authorizations to mortgage lenders and other appropriate persons for actions of the following character:

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

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

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

4. Forbearance and modification agreements with delinquent borrowers; and

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

D. Consent to actions of the following character:

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

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

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

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

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

Director of Finance: _____
(Signature)

Controller: _____
(Signature)

Lender Accounting Coordinator: _____
(Signature)

Portfolio Accountant: _____
(Signature)

Investment/Portfolio Assistant: _____
(Signature)

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

T:\board\annres.95

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Joe Erdelyi, Multifamily Development Underwriter JE
Paul Cummings, Development Officer

DATE: August 17, 1995

RE: August 1995 LIHTC Reservations

VHFA evaluated five applications for tax credits in the August round, the second round of 1995. The attached project summary sheet shows the relevant data for each project. In all, approximately $606,000 (213%) of the state's total remaining available 1995 credit of $284,383 was requested. Of the five applications received, three were recommended for tax credit reservations. The three recommended applications utilized all of the remaining 1995 tax credits. All of the tax credit units in all of the projects are at or below the maximum tax credit income and rent limits.

The Joint Committee on Tax Credits met on August 9, 1995 and endorsed the staff recommendations for all the projects for this round.

RECOMMENDED BOARD ACTION

Staff requests Board approval of the attached-described reservations, subject to payment by the sponsors of required reservation fees, and Board approval of final allocations subject to the conditions described below.

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

PROJECT SUMMARIES

Name:	Rose Street Co-op
Location:	Burlington
Sponsor:	Burlington Community Land Trust / Housing Vermont
Unit Breakdown:	12 total: One 0-bedroom (efficiency), 600 square feet; two 1-bedroom, 750 square feet; eight 2-Bedroom, 900-990 square feet; one 3-bedroom, 1,200 square feet; Three units will be handicapped accessible.
Cost:	$1,029,558 total; $85,797/unit; $49/s.f. hard construction cost.
Income Targeting:	100% of units below 50% of Area Median Income; rents set at levels affordable to households earning 48%-49% of Area Median Gross Income.

The proposed project includes the rehabilitation and creation of 12 residential units in a vacant warehouse located in the Old North End in Burlington. The project is being proposed as an artists' leased cooperative that would have community/gallery space, a common studio, and individual studio spaces in the basement. The former building owner, the Pomerleau Family Partnership, granted the property to the Burlington Community Land Trust (BCLT) in January, 1995. The sponsor has applied for financing from VHCB, the City of Burlington (HOME funds, Enterprise Community grant funds, CDBG funds), VHFA (permanent loan), and an Energy Audit Grant. The source(s) of funds committed currently include the HOME funds, the VHCB funds, the Enterprise Community grant and the CDBG funds.

BCLT reached an agreement with Housing Vermont whereby Housing Vermont would assist in the development of the project, would directly place the tax credits, and act as co-general partner in the tax credit partnership ownership entity to be formed. The sponsors are currently working with the architect to revise the proposed scope of work and reduce any unneeded repairs; even with approval of the sponsors' request that the lead/asbestos abatement be allowed as an exception, the proposed per unit costs are at the maximum cost limits listed in the 1995 Allocation Plan. The sponsor has indicated a level of confidence in being able to build the units under the proposed budget based on the structural integrity of the existing building and an estimate of $49/sq. ft. on the rehabilitation. The project will need to secure local approvals, including approval of the proposed windows to be added to the rear of the building that would be located on the lot line. BCLT would manage the units and has already begun some preliminary marketing in an effort to generate a project waiting list.

Recommendation: Staff recommends a reservation of credits in the amount of $74,434 with a carryover allocation subject to the following conditions:

1) Sponsor must demonstrate that it has incurred at least 10% of the project's "reasonably expected eligible basis" costs by no later than 10/31/95 and that the sponsor (or a partnership formed by the sponsor) has basis in the property for tax purposes.

2) Sponsor must demonstrate that requisite financing has been committed according to the following schedule:

VHCB Funds	October 31, 1995
Permanent Loan	October 31, 1995

"Requisite financing" means the amount and terms of each of the sources of funding represented on the tax credit application or their equivalent.

3) Sponsor must secure all local planning permits, including any possible waivers, by October 31, 1995.

4) Sponsor must provide revised scope of work, working/final architectural drawings and specifications, and refined estimation of costs by October 31, 1995.

5) Sponsor must demonstrate cost reasonableness by providing documentation of competitive bid process for all construction contracts.

6) Sponsor must provide a revised development budget showing all committed financing by October 31, 1995.

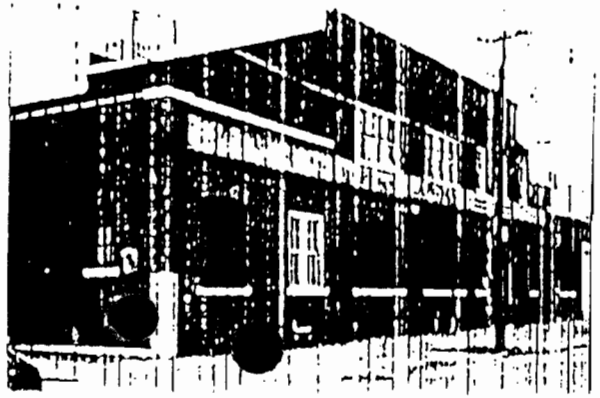
7) Sponsor must acknowledge that based on proposed development costs that are at the LIHTC Allocation Plan maximum limits, VHFA and the Joint Committee on Tax Credits will not consider any future requests for additional tax credits for this project.

WARD 2
DISTRICT
7–4
(one member)

WARD 3
DISTRICT
7–7
(two members)

(7-7) (7-1)

78 Rose St



Rose Street Co-op

Name:	The Woodlands
Location:	Bristol
Sponsor:	Green Mountain Development Group, Inc. / Addison County Community Action Group
Unit Breakdown:	45 total: Eight 1-Bedroom, 480-710 square feet; thirty 2-Bedroom, 850-980 square feet; seven 3-Bedroom, 1,150 square feet; Seven units will be handicapped accessible.
Cost:	$2,267,004 total; $50,378/unit; $12/s.f. hard construction cost
Income Targeting:	31% of the units at or below 50% of Area Median Income; 64% of the units at or below 60% of Area Median Income.

The proposed project includes the acquisition and rehabilitation of 45 units in 8 buildings located on a 19 acre site in Bristol. The site is secluded in a wooded area approximately one mile from the village green in Bristol. The sponsor is proposing to expand the size of two units in seven of the eight buildings by creating a two-bedroom (from an efficiency) handicapped accessible unit and a three-bedroom unit (from a two-bedroom). The buildings themselves, built between 1979 and 1986, are well built and would receive limited rehabilitation: new appliances throughout, repair/replacement of any areas with water damage, landscaping and painting. All of the units in the completed development would be affordable to households earning less than median income and 35 units would be tax credit units affordable to 60 percent of median income or less. The sponsor has applied for financing from Vermont Federal Bank and the Vermont Housing and Conservation Trust Fund. Based on a market study and tenant survey completed by the sponsor, it would appear that the proposed mixed LIHTC/non-LIHTC development would do the following: 1) allow LIHTC eligible households currently in the project to remain at reduced rent levels, 2) possibly require no permanent relocation of households earning less than median income because of unit affordability mix, and 3) potentially have little if any effect on other subsidized housing in Bristol which is primarily targeted towards lower incomes. In addition, if the Trust Fund approves funding for this project, it is expected that one of their requirements would be a covenant on the property insuring that all units remain affordable.

The sponsor has approached the Addison County Community Action Group (ACCAG) as a potential partner in the development of Woodlands; although ACCAG has given the Green Mountain Development Group a letter of intent, the sponsor is still determining what role ACCAG would have in the development/operation of this project besides being given a right-of-first-refusal on the property. The sponsor has proposed either T.P.M. or Coburn and Feeley as possible management firms, stating that the choice would be determined through a competitive bid process. The sponsor is proposing to syndicate the tax credits through East Coast Capital and has been offered a yield of $0.56/$1.00.

Recommendation: Staff recommends a reservation of credits in the amount of $126,827 with a carryover allocation subject to the following conditions:

1) Sponsor must demonstrate that it has incurred at least 10% of the project's "reasonably expected eligible basis" costs by no later than 12/1/95 and that the sponsor (or a partnership formed by the sponsor) has basis in the property for tax purposes.

2) Sponsor must demonstrate that requisite financing has been committed according to the following schedule:

VHCB	November 20, 1995
Source of funds to fill remaining funding gap	November 20, 1995

"Requisite financing" means the amount and terms of each of the sources of funding represented on the tax credit application or their equivalent. If the sponsor is unable to obtain commitments of "requisite financing", the sponsor may have to reduce costs from the development budget so that the total uses of funds matches the total sources of funds. "Requisite financing" could also include an additional reservation of tax credits if they become available in 1995 and the project demonstrates sufficient qualified basis and need to warrant an additional reservation of credits.

3) Sponsor must demonstrate that proposed determination of LIHTC rehabilitation qualified basis is consistent with requirements of Section 42 of the tax code by November 20, 1995, in a form satisfactory to staff.

4) Sponsor must demonstrate cost reasonableness by providing documentation of competitive bid process for all construction contracts.

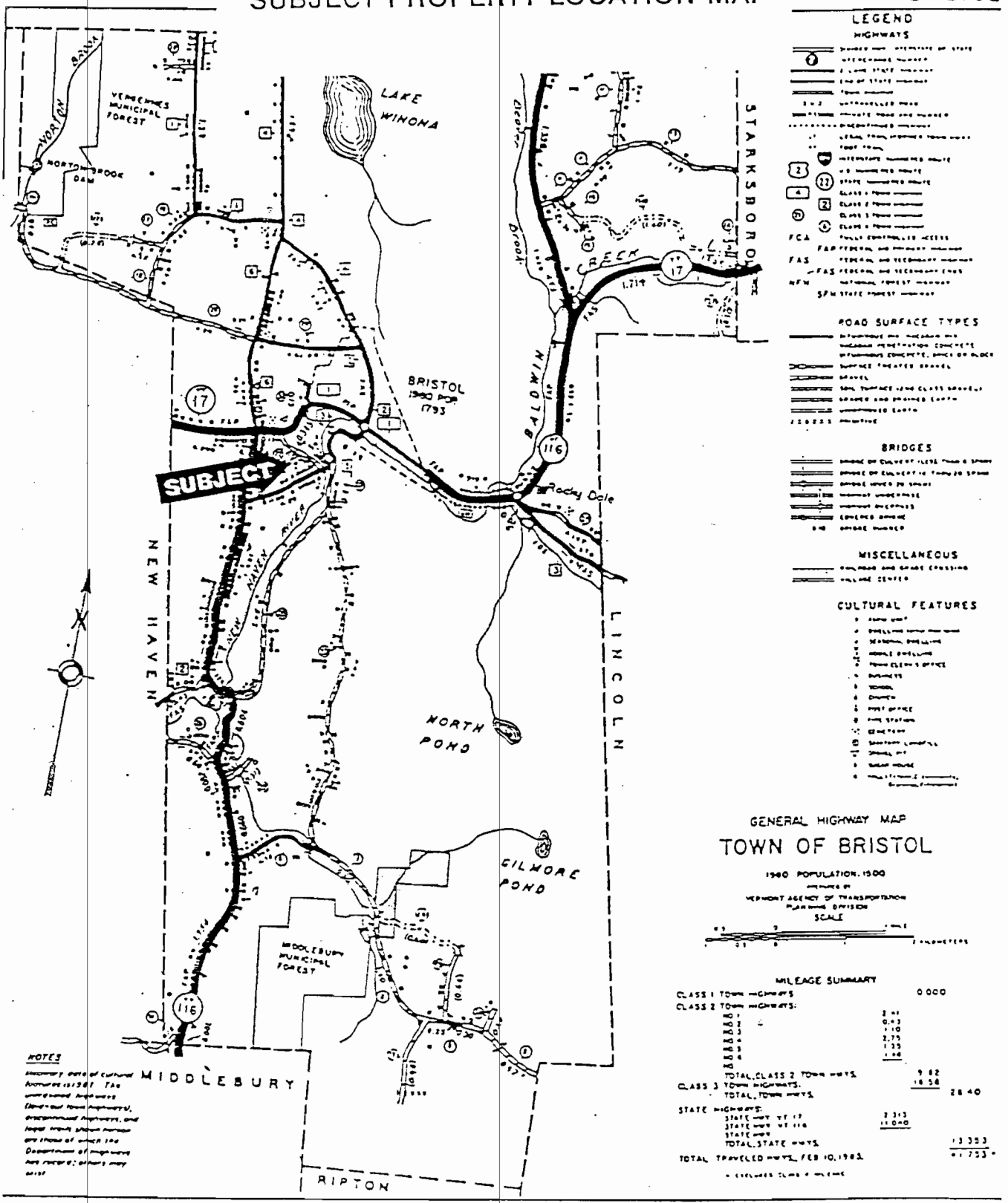
5) Sponsor must provide a revised development budget showing all committed financing by November 20, 1995.

6) Sponsor must demonstrate adequate funding of reserves by increasing annual replacement reserve contributions at the annual income inflator.

7) Sponsor must demonstrate best effort to obtain more favorable financing from the lending institution providing the permanent loan. To the extent that more favorable financing terms can be obtained, sponsor should maximize debt that the project can carry in an effort to fill the funding gap cited in condition #2.

The Woodlands

SUBJECT PROPERTY LOCATION MAP



TRANSPORTATION DISTRICT NO. 5

ADDISON COUN

Name:	Adams House
Location:	Fair Haven
Sponsor:	Rutland County Community Land Trust / Housing Vermont
Unit Breakdown:	13 total: 13 1-Bedroom, 500 - 540 square feet; all units will be handicapped accessible
Cost:	$1,268,952 total; $97,612/unit; $84/sf. hard construction cost
Income Targeting:	100% below 60% of Area Median Income; rents would be set at the maximum levels, affordable to households at 60% of Area Median Income

The proposed project is located at 5 South Park Place in Fair Haven (see attached site map). The proposed project involves the acquisition of two buildings, a main house and a carriage barn, and renovations that would include 13 one bedroom apartments and a community room. The buildings are approximately 132 years old and are part of a district listed on the National Register of Historic Places. Exterior walls are marble-block, and there are numerous ornate architectural details. The apartments in the main house will be fully handicapped accessible; the main house would be served by an elevator. The sponsor has applied for financing from VHCB, the Freeman Foundation (for a historic renovation grant), and the Community Development Block Grant program. Only VHCB funds have been committed. Housing Vermont has been approached and has agreed to be a partner and help RCCLT privately place the tax credits.

The overall budget exceeds the per unit cost limits set in the 1995 Allocation Plan. However, the sponsor has proposed that certain costs associated with the historic renovations be allowed as exceptions to the cost limits. The total per unit cost is $97,612. If the requested costs are allowed as an exception, the relevant per unit cost would be $79,570. (The per unit cost is $75,800 if deficit escrow is excluded from unit costs.) Based on the Allocation Plan, the per unit limit for this project is $78,380. The sponsor has commissioned Steve Pitkin to complete a cost estimate dividing the budget for hard construction cost into two categories: housing rehabilitation ($37,794 or $55/sq. ft.) and historic rehabilitation ($18,042 or $29/sq. ft.). Staff recommends that this project receive an exception to the Allocation Plan unit cost limits but that the tax credits be based on acquisition and non-preservation rehabilitation basis only.

Recommendation: Staff recommends a reservation of credits in the amount of $79,609 with a carryover allocation subject to the following conditions:

1) Sponsor must demonstrate that it has incurred at least 10% of the project's "reasonably expected eligible basis" costs by no later than 12/15/95 and that the sponsor (or a partnership formed by the sponsor) has basis in the property for tax purposes.

2) Sponsor must demonstrate that requisite financing has been committed

according to the following schedule:

CDBG	December 15, 1995
Freeman Foundation Funds	December 15, 1995

"Requisite financing" means the amount and terms of each of the sources of funding represented on the tax credit application or their equivalent.

3) Sponsor must demonstrate cost reasonableness by providing documentation of competitive bid process for all construction contracts.

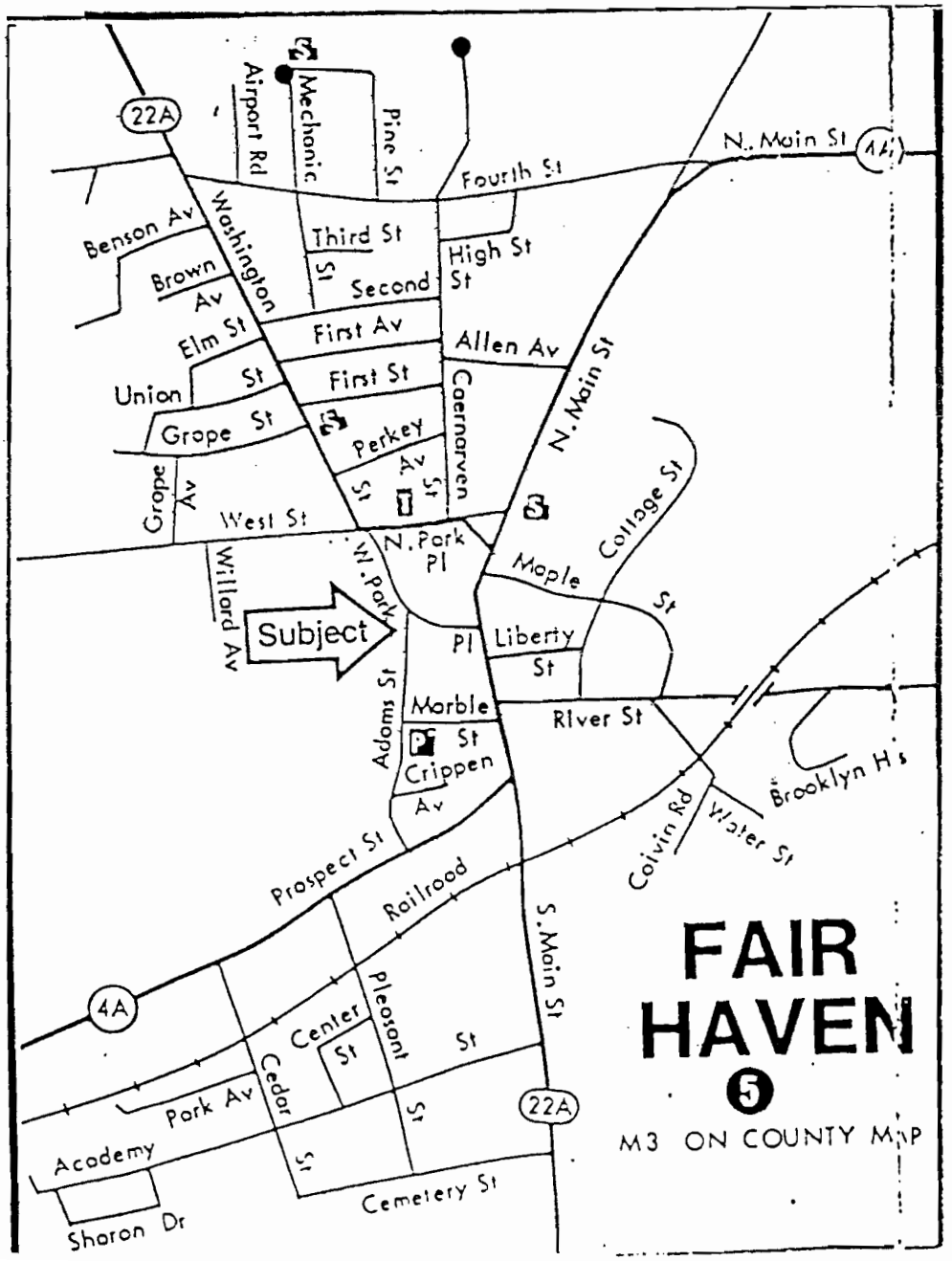
4) Sponsor must provide a revised development budget showing all committed financing by December 15, 1995.

5) Sponsor must demonstrate market demand.

6) Sponsor must negotiate a total project purchase price with current owner of no more than $150,000 by September 1, 1995.

Adams House

LOCATION MAP



Name:	Wells River Village Revitalization
Location:	Wells River
Sponsor:	Wells River Action Program, Inc. / Housing Vermont
Unit Breakdown:	22 total: Six 1-Bedroom, 578-700 square feet; twelve 2-Bedroom, 584-900 square feet; four 3-Bedroom, 960-1,078 square feet; five units will be handicapped accessible.
Cost:	$1,769,021 total; $80,410/unit; $62/s.f. hard construction cost
Income Targeting:	100% of units below 50% of Area Median Income; rents set at levels affordable to households earning 45% of Area Median Gross Income.

The sponsors have proposed to acquire and rehabilitate 22 units in four buildings in Wells River Village in the Town of Newbury (Orange County). The largest building, the dilapidated Ottati building, contains 10 residential units and street level commercial spaces and is centrally located along main street (Vermont Route 5). A 1994 document, the Wells River Action Plan, specifically targeted the Ottati building as a structure to focus on for nonprofit acquisition/rehabilitation because of its current state of disrepair and its prominence in the village. At this time, the only funds that have been committed to this project include a feasibility grant from VHCB and a predevelopment Ventures loan from VHFA. The sponsor has applied for financing from VHCB in the form of grants, deferred loans, lead paint abatement grant, and HOME funds. The sponsor's request for approximately $800,000 in HOME funds exceeds the current funding availability. In addition, because it may be unlikely for the sponsors to secure such a large HOME commitment, staff would like to encourage the sponsors to look at other funding sources including but not limited to:

1) Federal Home Loan Bank of Boston; and

2) Community Development Block Grants.

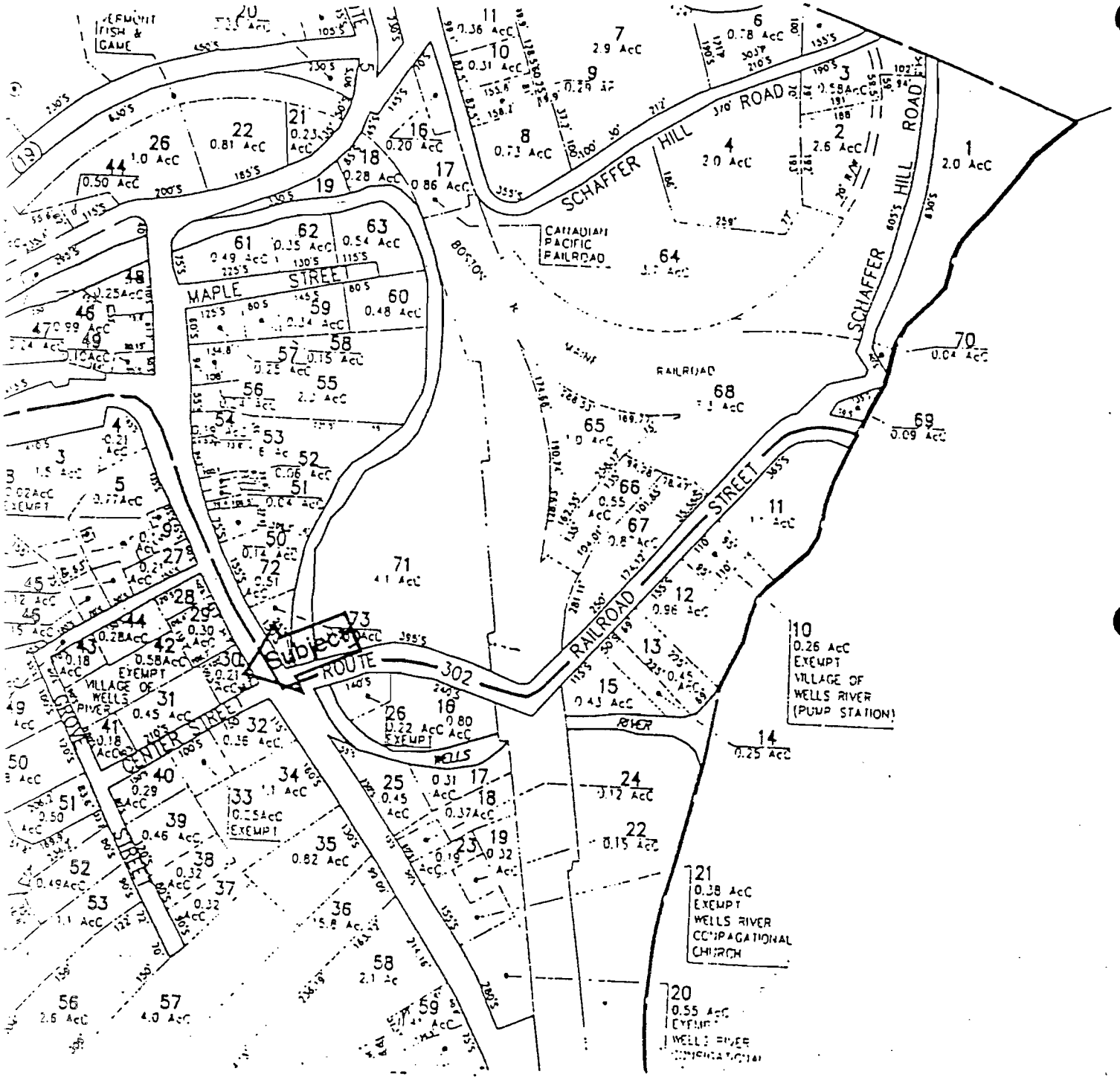
Recommendation: Staff recommends that no reservation of credits be made at this time. This application will be held for evaluation under a later round when the following issues have been satisfactorily resolved:

1) securing site control of Ottati building to ensure acquisition will be incurred this calendar year;

2) securing adequate funding commitments to ensure acquisition and/or "10% of reasonably expected basis" costs will be incurred this calendar year; and

3) sponsor demonstrates best efforts to secure funding through sources other than proposed, including but not limited to Community Development Block Grant funds and Federal Home Loan Bank of Boston.

Wells River Village Revitalization



Name:	Okemo Mountain
Location:	Ludlow
Sponsor:	Realty Resources, Chartered
Unit Breakdown:	25 total: fifteen 2-Bedroom, 968 square feet; ten 2-Bedroom, 1,056 square feet
Cost:	$2,090,894 total; $83,636/unit; $55/s.f. hard construction cost
Income Targeting:	100% of units below 60% of Area Median Income; rents set at levels affordable to households earning 55% of Area Median Gross Income (92% of maximum)

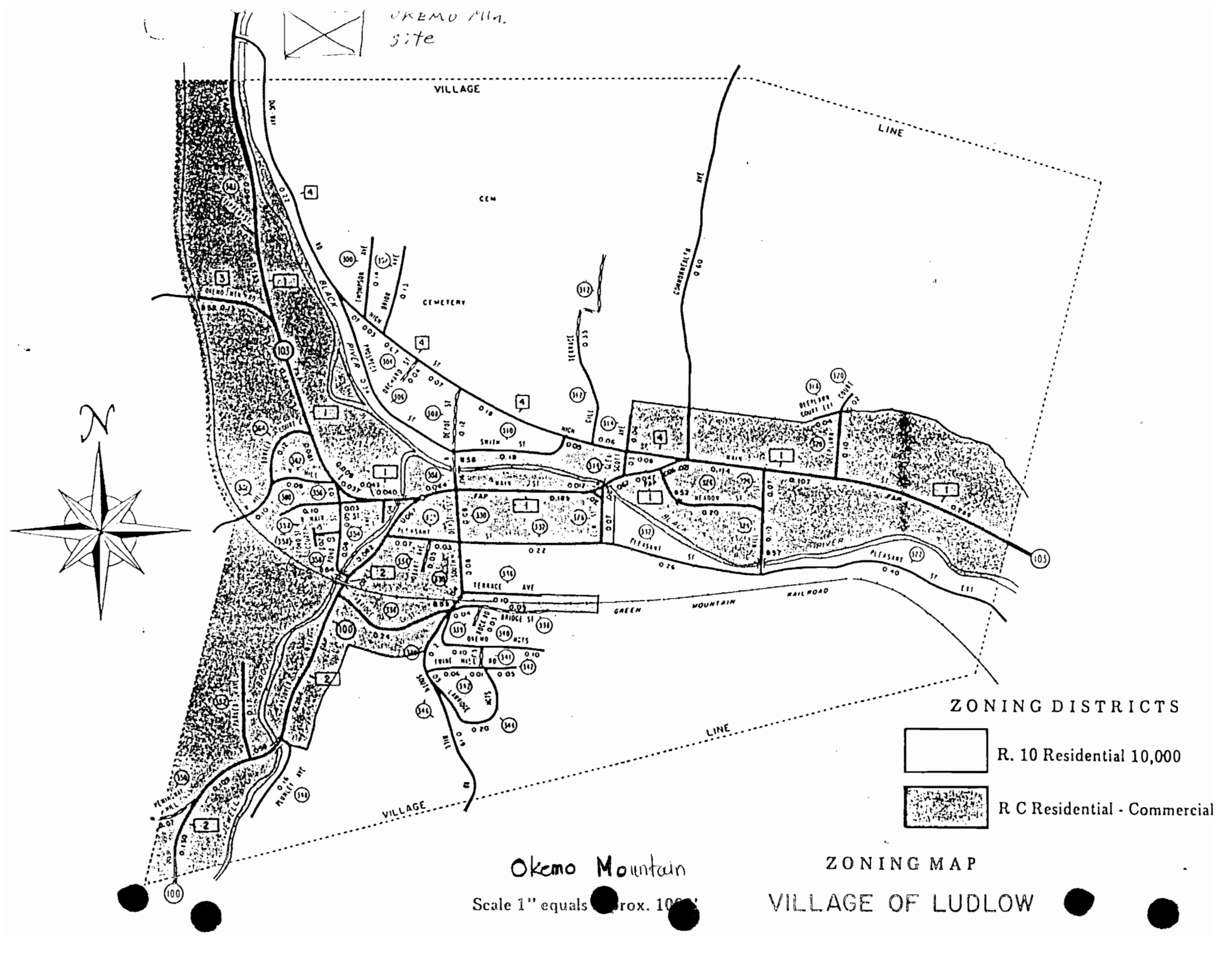
This project is new construction family housing, primarily townhouse units, except for two handicapped accessible units. The site is located adjacent to the snow making pond that serves the resort, and the land is currently owned by Timothy Mueller, President of Okemo Mountain, Inc., who would be a co-general partner with Realty Resources. The other sources of funding proposed are first and second mortgage financing from VHFA. This project cannot proceed as proposed unless VHFA secondary mortgage financing is provided from Section 8 refunding bond proceeds. VHFA's Board of Directors has not enacted a program to use the funds in this manner, and no action is planned for using these funds for at least two months. (Alternatively, the project could utilize some other source, such as the FHLB Affordable Housing Program.)

The amount of credits requested total $198,490, approximately 24% of the anticipated 1995 credit authority. This project needs to obtain local approvals and an Act 250 permit as well as the required financing commitments.

Recommendation: Staff recommends that no reservation of credits be made at this time. This application will be held for evaluation under a later round when the following issues have been satisfactorily resolved:

1) VHFA second mortgage financing, or requisite financing from some other source, has become available;

2) securing adequate funding commitments to ensure acquisition and/or "10% of reasonably expected basis" costs will be incurred this calendar year.


Okemo Mtn. site
VILLAGE
LINE
CEM
CEMETERY
BLACK RIVER
MAIN ST
PLEASANT ST
TERRACE AVE
GREEN MOUNTAIN RAILROAD
BRIDGE ST
SMITH ST
DEPOT ST
SCOTT HILL
VILLAGE
LINE
N
ZONING DISTRICTS
R. 10 Residential 10,000
R C Residential - Commercial
Okemo Mountain
Scale 1" equals approx. 100'
ZONING MAP
VILLAGE OF LUDLOW

RESOLUTION REGARDING
LOW INCOME HOUSING TAX CREDIT
PROJECT RESERVATIONS

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

WHEREAS, the JTCC met on August 9, 1995 and considered recommendations for a total of $557,209 in reservations of tax credits for five proposed projects; and

WHEREAS, the Agency staff recommended three of the five projects to the JTCC for a reservation and the JTCC accepted the staff's recommendations on each of the projects; and

WHEREAS, staff has prepared a memorandum dated August 17, 1995 containing descriptions of the five projects (the "Memorandum"), and

NOW, THEREFORE, it is hereby RESOLVED:

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

2. The Agency approves the reservations for the three projects recommended by staff for reservations in the Memorandum and accepted by the JTCC: Rose Street Co-op, The Woodlands, and Adams House, subject to the payment of applicable reservation fees, and of allocations subject to the conditions discussed in the Memorandum.

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

T:\devel\lihtc\lihtcbrd.895

Total 1995 LIHTC Available

VHFA 1995 LOW INCOME HOUSING TAX CREDITS APPLICATIONS TO DATE AND ANALYSIS

8/14/95

1995 Per Capita Credits	$725,000
1994 Credits deemed 1995 returns	47,264
1995 Returns	4,167
1995 National Pool	43,166
Total Available	819,597
Less: Round 1 Reservations	535,214
Less: Round 2 Reservations	282,385
Remaining for Allocation in 1995:	1,998

Project Name	City	Sponsor	Total # of Units	# of LIHTC Units	Project Type	Recommended Allocation	Credit Type	Non-Profit?	Total Development Cost	Total Cost Per Unit	Alloc. Per Unit	Equity Yield Per $ of Tax Credit	Total Equity	Dev. Fee as % of TDC	Developer's Fee
Westview Terrace	Springfield	Realty Resources Chartered	58	58	acquis/rehab	376,200	Both	No	4,203,300	72,471	6,486	$0.62	2,335,374	14.12%	520,000
St Albans Special Needs Rehab	St Albans	Housing Vermont / LCHDC	19	18	acquis/rehab	91,629	Both	Yes	1,671,985	87,999	5,091	$0.86	785,869	9.69%	147,750
Morse Block	Barre	Vermont Housing Enterprises,	15	15	rehab	25,320	9%	Yes	724,000	48,267	4,465	$0.55	369,000	10.37%	68,000
St Johnsbury I - Phase II	St Johnsbury	NCHC / HVT	32	29	rehab	25,361	4%	Yes	844,534	26,392	875	$0.71	180,009	0.00%	0
Lyndon Housing Rehab	Lyndon	NCHC / HVT	14	12	rehab	16,704	9%	Yes	349,227	24,945	1,392	$0.77	128,614	0.00%	0
Reservations - Round 1			138	132		535,214									
The Woodlands	Bristol	Green Mountain Development /	45	35	acquis/rehab	126,827	Both	No	2,267,004	50,378	3,624	$0.56	715,300	13.28%	265,768
Adams House	Fair Haven	Rutland Co. Community Land Tr	13	12	acquis/rehab	79,609	9%	Yes	1,268,952	97,612	6,634	$0.80	634,000	7.73%	91,000
Rose Street Co-op	Burlington	Housing Vermont / BCLT	12	12	rehab	74,434	9%	Yes	1,029,558	85,797	6,203	$0.85	630,058	10.22%	95,500
Erastus Thayer House	Brandon	Housing Vermont / RCCLT	9	8	rehab	1,515	9%	Yes	694,313	77,146	3,976	$0.97	310,103	9.09%	57,850
Reservations - Round 2			79	67		282,385									
			217	199		817,599									

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, Development Coordinator PAC

DATE: August 16, 1995

RE: VTOEO Weatherization Program -- Cooperative Initiative

SUMMARY OF REQUEST

At the June meeting, staff updated the Board on efforts to develop an energy loan program in cooperation with the Vermont Office of Economic Opportunity (VTOEO). VTOEO has asked VHFA to assist it to create a financing program for owners of rental housing units eligible for services under VTOEO's Weatherization Program. VTOEO rules require a building owner to pay a portion of the cost of heating system replacements and for the cost of work related to units not occupied by eligible individuals. This requirement is waived if the owner is also income eligible. The availability of loan funds at reasonable terms will encourage and assist owners to share the costs of work on their properties. VTOEO has proposed placing $300,000 in VTOEO funds with VHFA in a dedicated loan loss reserve fund. The reserve fund would assist to leverage loan funds from private lenders by agreeing to purchase loans in the event of a default by the borrower. This initiative is consistent with VHFA's Strategic Plan Strategy 3A, Expand Energy Lending Activities.

OVERVIEW OF VTOEO -- COOPERATIVE INITIATIVE

The Weatherization Assistance Program administered by the Vermont Office of Economic Opportunity (VTOEO) assists low-income, elderly, and disabled persons to improve the energy efficiency of their homes and apartments. Weatherization not only improves the quality of the low-income housing stock in Vermont by increasing its energy efficiency, but also reduces the burden of energy costs to those who can least afford it. The Weatherization Assistance Program targets households at or below 150% of the Federal poverty income guidelines and is funded annually by the United States Department of Energy (DOE) and the Vermont Weatherization Trust Fund.

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

An application for weatherization assistance under the program is made to one of five regional agencies who operate the program for VTOEO. Once an application is approved, the local agency will conduct a comprehensive energy audit of the residence, and based on that audit and the funds available, will install or have installed weatherization measures that would be the most cost-effective in reducing the energy consumption and increase the comfort level. Priority is given to households where elderly people, handicapped persons, or children age five or younger live. The next level of priority is for all other households at or below 125% of the federal poverty guidelines.

Property eligible for weatherization includes mobile homes, single-family homes, and multi-family homes. Weatherization work often improves rental and property values and reduces ongoing maintenance and replacement costs. VTOEO rules require a building owner to pay a portion of the cost of heating system replacements and for the cost of work related to units not occupied by eligible individuals. This requirement is waived if the owner is also income eligible. It is a goal of VTOEO to gain an average of fifty percent (50%) payment by owners for weatherization costs in units occupied by eligible tenants. These contributions recognize the value created for owners and maximize the amount of work the program can do with the resources available.

Since 1980, the DOE has been a constant funding source for the Weatherization Program; however, funding has been subject to large swings and has steadily declined over time. In 1990, the Vermont General Assembly, recognizing that a continuing source of funds was vital, established a Weatherization Trust Fund with a one-half of one percent fuel gross receipts tax as a funding mechanism, thereby providing stable funding.

There is typically a long wait between when a family applies for services and when they get "weatherized". As of November 1, 1994, there were 1724 families on the weatherization waiting list statewide. This represents one and one-half years of program production. All eligible households are served, although some families must stay on the waiting list for a considerable amount of time before receiving weatherization services.

VTOEO has asked VHFA to assist it to create a financing program for owners of rental housing units eligible for weatherization services. VTOEO has proposed the placement of $300,000 in VTOEO funds with VHFA in a dedicated loan loss reserve account. The reserve account would assist to leverage loan funds from private lenders by agreeing to purchase loans in the event of a default. This "partnership" of VTOEO, Vermont Lenders, and VHFA will not only leverage funds available to weatherize units for low-income Vermonters, it will also help to lessen the impact of federal funding cuts to programs that assist low-income renters with their heating costs by reducing energy costs and making those households more able to withstand the loss or reduction in assistance.

ROLE OF VTOEO IN THE INITIATIVE

VTOEO will make grant funds available through five regional organizations who will create and carry out the weatherization projects, will market and obtain owner applications for the loans, and will coordinate pay out of the loan with the lender. VTOEO estimates weatherization of approximately 350 rental units per year. Approximately 100 of these would be non-owner occupied, single-family dwellings and mobile homes. The remaining units would be units in multi-unit dwellings. Average weatherization costs are approximately $3,400 per unit. VTOEO's goal is to achieve an owner's investment share of at least 50% of the costs. Based on this goal, annual loan demand for the first year would be approximately $600,000.

ROLE OF LENDERS IN THE INITIATIVE

Initially, VTOEO and VHFA will seek the participation of two or three lenders so that all counties in Vermont are served by the initiative. Lenders will be encouraged to originate unsecured personal loans of less than $25,000 with their own funds and would own and service the loans until they are paid in full. The loan loss reserve fund would agree to purchase a loan that is in default for an amount not to exceed 90% of the outstanding principal balance plus accrued interest and collection costs up to a maximum limit of the original loan amount. Lenders may originate fixed or adjustable rate loans. Lenders would be asked to commit to lend based on a fixed spread over some appropriate index and would be encouraged to lend for terms up to ten years to keep the payments affordable.

ROLE OF VHFA IN THE PROPOSED PARTNERSHIP

VHFA will accept funds from VTOEO and establish a loan loss reserve fund to back loans made by lenders. Staff believes that an initial maximum liability to fund balance ratio of five-to-one would be adequate. VHFA's agreement with VTOEO would provide for the periodic review of the loss experience and obligations ratio, compensation to VHFA to operate the fund, and other terms and conditions. Loan losses that exceed $300,000 would be backed by the full faith and credit of VHFA.

VHFA anticipates that it will delegate underwriting authority to the lender for loan of less than $25,000. Lender underwriting will consist primarily of appropriate review of borrower credit history, other obligations and cash flow. Loans of $25,000 or greater must be prior approved by VHFA and will generally require investment underwriting of the property and a mortgage on the property as security. Weatherization staff or the lender may also refer loans of $25,000 or greater to VHFA for origination and funding.

BOARD ACTION REQUESTED

Staff requests approval of the attached resolution giving authority to the Executive Director to negotiate with the VTOEO an agreement to create a loan loss reserve fund in the amount of $300,000 with funds from VTOEO and negotiate terms of the agreement including: compensation or fees to VHFA; interest to be paid on the funds; periodic review of the agreement; and other requirements necessary to protect VHFA. The resolution also gives authority to the Executive Director to negotiate an agreement with participating lenders to purchase loans that are in default made to owners of rental units through this initiative.

s:\devel\board\vtoeo.2

RESOLUTION PERTAINING TO
AGREEMENTS WITH VERMONT
OFFICE OF ECONOMIC OPPORTUNITY
AND LENDERS REGARDING WEATHERIZATION

WHEREAS, the Weatherization Assistance Program administered by the Vermont Office of Economic Opportunity (VTOEO) assists low-income, elderly, and disabled persons to improve the energy efficiency of their homes and apartments. Weatherization not only improves the quality of the low-income housing stock in Vermont by increasing its energy efficiency, but also reduces the burden of energy costs to those who can least afford it. The Weatherization Assistance Program targets households at or below 150% of the Federal poverty income guidelines and is funded annually by the United States Department of Energy and the Vermont Weatherization Trust Fund; and

WHEREAS, property eligible for weatherization includes mobile homes, single-family homes, and multi-family homes; and

WHEREAS, weatherization work often improves rental and property values and reduces ongoing maintenance and replacement costs; and

WHEREAS, VTOEO has asked VHFA to assist them to create a financing program for owners of rental housing units eligible for weatherization services. The availability of financing at reasonable terms will encourage and assist owners to share the costs of work; on their properties; and

WHEREAS, VTOEO has proposed the placement of $300,000 in VTOEO funds with VHFA in a dedicated loan loss reserve account. The reserve account would assist to leverage loan funds from private lenders by agreeing to purchase loans in the event of a default; and

WHEREAS, the Board has been presented with a memorandum by Patricia A. Crady, Development Coordinator, dated August 16, 1995 (the "Memorandum"); and

WHEREAS, VHFA has been asked to help develop an agreement between it, VTOEO and the private lenders that will be involved in the program.

NOW, THEREFORE, it is hereby DETERMINED:

1. This proposed program is within the Agency's statutory mission, to encourage an adequate supply of safe and decent housing at reasonable cost, and specifically is within the purview of 10 V.S.A. § 621(5), to provide advice, technical information, assistance in obtaining federal and state aid, and such grants, loans, or advances as will assist the planning, construction, rehabilitation, and operation of residential housing primarily for persons of low and moderate income; § 621(6) to conduct research and promote development in housing, building technology, and related fields; and § 621(3), which allows the Agency to receive and accept grants, aid or contributions, from any source, of money,

property, labor or other things of value, to be held, used and applied or awarded to carry out the purposes of this chapter subject to the conditions upon which the grants, aid and contributions may be made.

2. The Agency's participation in the proposed program will leverage funds available to weatherize units for low-income Vermonters and will help to lessen the impact of federal funding cuts for programs that assist low-income tenants with their heating costs by reducing energy costs and making those households better able to withstand a loss or reduction in assistance.

NOW, THEREFORE, it is hereby RESOLVED:

1. The Agency supports staff's work in developing an energy loan program in conjunction with the Vermont Office of Economic Opportunity, as expressed in the Memorandum.

2. The Executive Director is authorized to negotiate with the VTOEO an agreement to create a loan loss reserve fund in the amount of $300,000 with funds from VTOEO to leverage up to $1.5 million in loan funds from private lenders and to negotiate terms of the agreement including: compensation or fees to VHFA; interest to be paid on the funds; periodic review of the agreement; and other requirements necessary to protect VHFA.

3. The Executive Director is authorized to negotiate an agreement with participating lenders to purchase loans that are in default made through this initiative.

T:\aboard\vtoeo.res

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, Development Coordinator PAC

DATE: August 16, 1995

RE: National Home of Your Own Alliance

SUMMARY OF REQUEST

A number of public and private agencies and organizations have indicated an interest in creating a statewide coalition to respond to an RFP sent out by the National Home of Your Own Alliance. The National Home of Your Own Alliance is interested in working with coalitions of housing finance and disability organizations who want to implement initiatives on homeownership and control for people with developmental and other disabilities. Five states will be selected to receive technical assistance from the Alliance and join a network of eight state coalitions working on similar initiatives. Staff recommends that VHFA join in this application by providing both technical and financial support to the coalition if it is selected by the Alliance to receive technical assistance.

BACKGROUND ON NATIONAL HOME OF YOUR OWN ALLIANCE

In September 1993, the Institute on Disability, a University Affiliated Program at the University of New Hampshire, entered into a five year cooperative agreement with the United States Department of Human Services Administration on Developmental Disabilities to create a national technical assistance center on homeownership and control for persons with disabilities. This national center called the National Home of Your Own Alliance is currently working with coalitions of housing finance and disability organizations to develop pilot projects of home ownership and control in eight states.

The Alliance plans to negotiate agreements with an additional 15 states over the next three years, building coalitions of housing and disability organizations led by individuals with disabilities, their families, friends and advocates. Each state will be assisted to maximize its unique opportunities and to overcome its distinct challenges in creating homeownership and control.

People with disabilities are often not afforded basic choices about where and with whom they live and how they spend their time. They are among the most underserved groups in the mortgage and real estate industries, especially when they are lower income. Housing options generally consist of their families' homes, congregate facilities, group homes and nursing homes, where servicies and housing are linked. Home of Your Own initiatives around the country have demonstrated that disability-related entitlements can be used to help people to own homes with cost-effective personalized supports that more closely conform to their preferences and needs.

VERMONT'S RESPONSE TO THE ALLIANCE

Although rental and assisted living housing have been developed in Vermont over the past several years, limited homeownership opportunities have been available for people with disabilities. VHFA is currently working with a developmentally disabled client of Upper Valley Services to purchase a home in Bradford. This application has taken much longer than anyone anticipated as issues related to budget approval and Probate Court approval are dealt with. A formal partnership with the National Home of Your Own Alliance will assist VHFA and all organizations working with disabled persons to establish options and support for the period of the pilot project and beyond the pilot phase.

A coalition of the State of Vermont Agency of Human Services, The Vermont Center for Independent Living, the Association for Cerebral Palsy, VHFA, VHCB, Agency of Development and Community Affairs, and the Alliance for the Mentally Ill will respond to the RFP from the National Home of Your Own Alliance for assistance in developing "The Homeownership for All Project." To be considered by the Alliance, the Vermont coalition must demonstrate a commitment of $45,000 to be used in the state. A total of $20,000 of these funds can be cash or in-kind services but must come from non-federal sources. An additional $25,000 in cash must be raised for the initiative. These funds can be federal, state, local, or private funds.

VHFA's ROLE IN "THE HOMEOWNERSHIP FOR ALL PROJECT"

VHFA has been asked to serve as a nucleus of a statewide coalition to respond to the Alliance's RFP. A lead role for VHFA is very appropriate as we continue to define ways to reach very low-income individuals and people with special needs with our programs. This initiative also coordinates well with the Homeownership Center initiative that is under development. A linkage of both initiatives will provide the necessary counseling support and assistance at the local level for people with disabilities.

To assist the coalition to meet matching fund requirements, staff recommends that in addition to our work as a member of the coalition, VHFA commit a minimum of $5,000 in technical assistance and $5,000 in cash for use by the coalition to offset the costs of outreach and to prepare buyers to become successful home owners. VHFA's participation in the "Homeownership for all Project" is consistent with Strategic Plan Strategy 4B, Action #2, Collaborate to Develop Programs for Support and Special Needs.

BOARD ACTION REQUESTED

Staff requests approval for the Executive Director to commit to work with a statewide coalition and with the "Homeownership for All Project," and to provide technical assistance to the coalition in a minimum amount equal to $5,000, plus $5,000 in cash for use by the coalition to offset the costs of outreach and to prepare buyers to become successful home owners.

s:\devel\board\homeown.2

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, Development Coordinator PAC

DATE: August 17, 1995

RE: Down Payment Assistance Program

SUMMARY OF REQUEST

In June 1992, VHFA, with the cooperation of VHMGB, introduced a new limited feature to its MOVE and HOUSE Programs which allowed eligible buyers the opportunity to purchase a home with "no down payment." Loans with "no down payment" were available to 150 home buyers each year representing a total of 450 loans over a three-year period. As of June 1, 1995, approximately 400 of the original 450 loans authorized through the risk share agreement that VHFA has with VHMGB have been either committed to or purchased.

At its June 14, 1995 meeting, VHMGB's Board considered and approved a request from VHFA staff to increase the total loans in the pilot program to 500 to allow for the release of 100 "no down payment" loans early this fall. VHFA staff also proposed changes that will target the program to buyers with incomes lower than the average MOVE program borrower, require a minimum investment from the borrower of $500 that could be used for either down payment or closing costs and require an inspection of the property being purchased.

Staff requests approval to modify VHFA's agreement with VHMGB to include an additional 50 loans in the pilot "no down payment" program.

DOWN PAYMENT ASSISTANCE -- CURRENT PROGRAM AND PROPOSED CHANGES

The risk that VHFA assumed by offering "no down payment" loans is offset by interest received from deposits on real estate transactions into interest-bearing escrow accounts. Act 86 of the 1991 Legislature required all Vermont real estate brokers to place deposits on certain real estate transactions into interest-bearing accounts (IORTA), with the interest earnings directed to VHFA. Funds must be used by VHFA to assist home buyers with down payment/and or closing costs. Under this program, a goal was set by VHFA to target 50% of the loans made each year to persons whose income is below 90% of state median income and/or persons purchasing perpetually affordable homes.

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

VHMGB has approved 50 additional "no down payment" loans. Staff would like to release these loans with the 50 loans that were not committed during the previous fiscal year so that there are sufficient loans available to warrant marketing and outreach to buyers, brokers, and lenders. Staff would also like to implement several changes to the program that would target funds to households with incomes lower than the current MOVE and HOUSE program income limits, require a minimum investment from the borrower of $500 that could be used for either down payment or closing costs and require an inspection of the property being purchased.

Staff have discussed the proposed changes with lenders and real estate brokers and are currently in the process of seeking input from property inspectors to determine the feasibility of limiting the scope of the inspection to structural, mechanical, water, and sewer/septic systems.

Lenders and brokers have both indicated that they do not believe that requiring $500 from the buyers' own funds or targeting assistance to households with incomes below the current limits will significantly impact the program. They indicate that most buyers have some cash and use their own funds for a deposit and for loan application fees. Lenders and brokers also indicate that they understand VHFA's desire to target a scarce resource. Some indicate that the greater problem for moderate income buyers was the availability of affordably priced housing stock to purchase based on their income.

All lenders agreed that an inspection requirement with a low or no downpayment program makes sense (some indicate that they require or strongly encourage them on their affordable housing programs). Brokers indicate that they suggest and encourage property inspections as a standard office procedure. Lenders and brokers were concerned about the cost to buyers who have limited resources and felt that if VHFA were to limit the scope of the inspection it might reduce the cost. Brokers commented that a limited inspection might not be much of an education for the buyer.

STAFF RECOMMENDATIONS

Staff recommends that VHFA make available 100 "no down payment" loans by October 1, 1995. In addition to standard eligibility criteria for the MOVE and HOUSE programs and underwriting criteria already in place, "no down payment" loans would have the following additional requirements:

- ⌂ Borrowers must contribute a minimum of $500 to be used for down payment, application fees, or other closing costs;

- ⌂ "No down payment" loans will be available to households at or below 90% of current income limits for the MOVE and HOUSE Programs (see attachment A);

- Existing housing units must be inspected for adequacy of structural, mechanical, water and sewer systems by a property inspector acceptable to VHFA. Generally, any system that the inspector believes will require replacement within a five year period would have to be replaced as a condition of VHFA's purchase of the loan and may be financed provided the appraisal justifies a higher loan amount.

To help offset the cost of a property inspection, staff recommends that VHFA agree to reimburse borrowers for up to 50% of the cost of an inspection, to a maximum reimbursement of $100. Staff plans to work with inspectors to develop a format that would produce useful information for the buyer that could be completed by the property inspector for a reasonable fee.

BOARD ACTION REQUESTED

Staff requests approval for the Executive Director to modify VHFA's agreement with VHMGB to include an additional 50 loans in the pilot Down Payment Assistance Program. VHFA would release the loans with the 50 loans that were not committed to during the previous fiscal year and implement changes to the program as outlined above.

s:\devel\board\downpmt.1

ATTACHMENT A

MOVE AND HOUSE INCOME LIMITS

PROPOSED INCOME LIMITS FOR DOWN PAYMENT ASSISTANCE PROGRAM

AREA/COUNTY	MOVE/HOUSE INCOME LIMITS	PROPOSED INCOME LIMITS DOWN PAYMENT ASSISTANCE PROGRAM
Addison, Bennington, Chittenden[1], Grand Isle[2], and Windsor Counties	1-2 person households $36,700 3+ person households $42,200	1-2 person households $33,000 3+ person households $38,000
Burlington MSA[3], and All Other Counties and Towns	1-2 person households $40,000 3+ person households $46,000	1-2 person households $36,000 3+ person households $41,000

S:\DEVEL\BOARD\DOWNPMT.A

---

[1]Includes the towns of Bolton, Buels Gore, Huntington, Underhill and Westford; other cities/towns in Chittenden County are included in the Burlington MSA.

[2]Includes the towns of Alburg, Isle La Motte and North Hero; other towns in Grand Isle County are included in the Burlington MSA.

[3]Includes -- Chittenden County: Burlington, Charlotte, Colchester, Essex, Essex Junction, Hinesburg, Jericho, Milton, Richmond, St. George, Shelburne, So. Burlington, Williston and Winooski; Franklin County: Fairfax, Georgia, St. Albans City, St. Albans Town and Swanton; Grand Isle County: Grand Isle and South Hero.

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Joe Erdelyi, Multifamily Development Underwriter JE

DATE: August 17, 1995

RE: Westview Terrace, First Mortgage Commitment

EXECUTIVE SUMMARY

The purpose of this memorandum is to update the Board on the status of the commitment to provide first mortgage financing for Westview Terrace. The first mortgage loan is being increased, from $450,000 to $687,000, and the second mortgage loan is being eliminated. This change was motivated by a need to minimize the use of Section 8 refunding proceeds, which were the proposed source for the second mortgage financing.

BACKGROUND

At the June 1995 meeting, the Board resolved to provide a Letter of Commitment for first mortgage financing, and a Letter of Interest to provide second mortgage financing, to the Westview Terrace project in Springfield. Since this meeting, proposed legislation in Washington D.C. has forced staff to reconsider the use of refunding savings for anything other than protecting its current portfolio.

In light of this new perspective, the Executive Director has asked staff to minimize the need for a second mortgage using Section 8 refunding proceeds, while at the same time continuing to follow prudent underwriting steps. Staff worked extensively with the sponsor, Realty Resources, Chartered, to refine the assumptions and come up with a solution. The attached table summarizes the previous assumptions used, the current assumptions, and a brief explanation of the reason for the change.

The effective gross income under the current pro forma is approximately $20,000 higher ($311,000 vs. $291,000) than in the previous budget. There are two reasons for this increase: 1) the breakdown of units by bedroom size for both the Section 8 units and all other units is now firmly established; and 2) 20 Section 8 units are being counted in the income mix, versus 12 previously. This increased income translates into an increased capacity for

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

amortizing debt, from $450,000 to $687,000. This change, along with the increased CDBG funding and decreased sinking fund capitalization, results in a viable project with no VHFA secondary debt.

The sponsor has represented that it intends to pursue two additional avenues that could affect the VHFA loan amount; securing a higher net yield from the syndication of tax credits (either through a private placement of credits or through negotiations with a syndicator), and possibly a reduction in sales price through negotiations with Merchants Bank, the seller. To the extent that cost savings or additional sources are obtained, VHFA intends to adjust its loan amount downward accordingly. Staff informed the sponsor that both of these alternatives should still be vigorously pursued, despite the financial feasibility of the current pro forma.

DISCUSSION

The overall exposure to VHFA on this project has declined, from $828,000 to $687,000. However, since all of this financing is now first mortgage debt, the project's operating budget expense for debt service has increased. Given the long history of Section 8 tenancy and the management by Springfield Housing Authority, it seems likely that high occupancy levels by Section 8 Certificate households will continue. The project appears to be financially feasible at this proposed level of debt, equity, and grant funds.

RECOMMENDATION

Staff recommends the Board pass the attached Resolution to provide a commitment for first mortgage financing, in the amount of $687,000, at a interest rate of 8.5%, 20 year term, 30 year amortization. All prior conditions precedent remain in effect.

AMENDED RESOLUTION PERTAINING TO COMMITMENT LETTER FOR FIRST MORTGAGE RE: WESTVIEW TERRACE (SPRINGFIELD)

WHEREAS, a proposal has been presented to the Agency by Realty Resources, Chartered, of Rockport, Maine, (the "Sponsor") involving the acquisition and rehabilitation of Westview Terrace, a rental development in Springfield currently containing 106 units in 31 buildings located north of Route 106 in Springfield (the "Property"); and

WHEREAS, this proposal was previously the subject of an Agency resolution dated June 7, 1995 that provided for a first mortgage loan and a second mortgage loan from the Agency; and

WHEREAS, the revised proposal contemplates a permanent mortgage loan of up to $687,000 with an amortization period of 30 years with a term of 20 years, with the interest rate to be determined by the Agency depending on the source of funds and no second mortgage; and

WHEREAS, the Sponsor proposes to create a limited partnership with the Sponsor and Springfield Housing Unlimited, a non-profit corporation wholly owned by the Springfield Housing Authority as co-general partners; and

WHEREAS, the Sponsor has obtained commitments for a deferred loan of $450,000, a lead paint grant of $203,000 from the Vermont Housing and Conservation Board and a Community Development Block Grant of $400,000 from the Town of Springfield and projects the receipt of tax credit equity in the approximate amount of $2,315,281; and

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

WHEREAS, the Board has been presented with a memorandum dated August 14, 1995 from Joseph Erdelyi (the "Memorandum"); and

WHEREAS, the determinations made by the Agency in its June 7, 1995 resolution are reaffirmed;

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director may, in his discretion, issue a Commitment Letter for a loan for the acquisition and rehabilitation of the Development, in an amount to be determined by the Executive Director, but not to exceed $690,000. The loan shall bear interest at a rate to be determined by the Agency depending on its source of funds and payments shall be amortized over a period of 30 years, but shall require the payment of all outstanding principal and interest 20 years after the date of the loan. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such

further requirements as the Agency may establish, including but not limited to the following documents that must be submitted in form and content acceptable to the Agency:

(a) Evidence of availability of other financing, with the amount and terms of such financing to be as shown on the development budget dated August 14, 1995, or their equivalent;

(b) a plan describing the social services to be provided to the tenants of the Development and providing how these services will be funded;

(c) documentation for all costs in the development and operating budgets, which shall include an independent review of plans and specifications and an independent cost estimate;

(e) a description of any required construction and/or bridge financing;

(f) evidence of adequate sureties provided by Sponsor to cover tenants' relocation costs; and

(g) final plans and specifications.

2. The Commitment Letter shall be issued to Realty Resources, Chartered, as representative of a to-be-formed limited partnership whose general partners will be Joseph Cloutier and Springfield Housing Unlimited, a non-profit corporation wholly owned by the Springfield Housing Authority.

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

4. The Commitment Letter shall require the Developer to demonstrate to the satisfaction of the Executive Director that a combination of equity, grant and deferred loan funds are available in an amount at least equal to the difference between the total development cost as accepted by the Agency and the amount of the first mortgage financing commitment .

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

Westview Terrace
changes in budget and underwriting

	Previous Assumption	Current Assumption	Notes:
VHFA 1st Mortgage Loan	450,000	687,219	Debt service payments increase from $43,450/year to $63,409/year. Any increase in equity or decrease in sales price will be reflected in a reduction of the VHFA loan amount.
VHFA 2nd Mortgage Loan	378,000	0	Overall VHFA exposure decrease from $828,220 to $687,219 ($141,000 decrease).
Effective Gross Income	291,000	311,000	More detail on unit breakdown of Section 8 units and tax credit units has been provided. Current assumption (for completed project) is lower than both current collections and appraisal figure.
Interest Rate, VHFA 1st	9%	8.5%	Lower rate seems achievable in current environment. The 9% rate was used to hedge against sudden rate changes in FHLB funds.
Number of Section 8 Certificates counted in income projections	12	20	Currently 38 households are receiving Section 8 assistance.
Projected Cash Balance, Year 20 (after payoff of VHFA loans)	142,098	332,000	Lower overall VHFA loan amounts translate to lower repayment when loans balloon.
CDBG Funding	350,000	400,000	More funding (for community space) obtained from CDBG program than projected.
Initial Balance, Sinking Fund/ Operating Reserve Account	156,000	65,000	Lower sinking fund needed.

s:\devel\mfloan\projects\westview.tab

S:\DEVEL\LIHTC\PROJECTS\WESTTERR.WQ1

Project:	Westview Terrace	RUN DATE:	14-Aug-95

Total Residential Units:	58	Increase LIHTC	1.50%
Restricted Units:	58	Increase Market	1.50%
Percent Restricted:	100.00%	Expense increase:	3.00%
Avg Net Monthly Rent:	443	Vacancy Rate:	5.00%
Total Dev Costs	4,112,300	Partner's Tax Rate:	34.00%
TDC/Unit	70,902	Depreciation Schedule:	27.5
		Sponsor's Estimated Yield:	59.48%
Potential Credit	376,200	% of sinking funds	
Total Credit Reserved	376,200	put into cumulative cash:	75%
Net Syndication	2,315,281		
LIHTC - 9%	8.77%	(April '95)	
LIHTC - 4%	3.76%		

FINANCING SOURCES

	Amount	% of TDC	Interest	Term	Amortization
VHFA Primary debt	687,219	16.71%	8.50%	20	30
CDBG	400,000	9.73%	0.00%	15	*
Lead Paint grant	203,000	4.94%	0.00%	30	grant
VHFA Secondary Debt	0	0.00%	0.00%	20	balloon in year 20
VHCB deferred debt	450,000	10.94%	0.00%	30	non-amortizing
Cash Flow	56,800	1.38%	N/A	N/A	
Tax Credit Equity	2,315,281	56.30%	N/A	N/A	
	4,112,300	100.00%			

Gap (0)

L.P. Capital Contrib.	2,215,281
G.P. Capital Contrib.	100,000
Total Equity	2,315,281

ASSUMPTIONS:

Social Services paid out of a separate funding source

VHCB funds structured to be in basis

* Deferred, interest accruing 15 yrs then 15 year amortization

Westview Terrace	DEVELOPMENT BUDGET					14-Aug-95
		Budget	Per Unit	Per s.f.	Acquisition Credit	Rehab/Const Credit
ACQUISITION & CONSTRUCTION						
Land		125,000	2,155	2.49		
Purchase of Building(s)		450,000	7,759	8.97	450,000	
Demolition		15,000	259	0.30		
Rehabilitation (inc. contingency)		1,723,550	29,716	34.37		1,723,550
New Buildings			0	0.00		0
PERMITS		20,000	345	0.40		20,000
Sitework		226,000	3,897	4.51		226,000
Builder's O/H, Profit, Gen. Req.	11.15%	285,450	4,922	5.69		285,450
	0.00%		0	0.00		0
	0.00%		0	0.00		0
	0.00%		0	0.00		0
			0	0.00		0
Subtotal		2,845,000	49,052	56.74	450,000	2,255,000
PROFESSIONAL SERVICES						
Architect Fee		110,000	1,897	2.19		110,000
SURVEY		5,000	86	0.10		5,000
Attorney		26,000	448	0.52		26,000
Legal - Title & Recording		8,000		0.16		8,000
ACCOUNTING		5,000	86	0.10		5,000
Subtotal		154,000	2,517	3.07	0	154,000
INTERIM COSTS						
CONSTRUCTION LOAN INSPECTIONS		2,500	43	0.05		2,500
Construction Interest		126,000	2,172	2.51		126,000
Construction Loan Origination Fee		42,000	724	0.84		42,000
Taxes			0	0.00		0
Subtotal		170,500	2,940	3.40	0	170,500
OTHER SOFT COSTS						
Property Appraisal			0	0.00		0
RELOCATION		56,800	979	1.13		56,800
Market Study/Appraisal		7,000	121	0.14		7,000
Environmental Report			0	0.00		0
Tax Credit Fees		16,000	276	0.32		16,000
Marketing		15,000	259	0.30		
Subtotal		94,800	1,634	1.89	0	79,800
FINANCING FEES & EXPENSES						
Credit Report			0	0.00		
Permanent Loan Origination Fee		8,000	138	0.16		
Construction Guarantee Fee		7,150	123	0.14		7,150
Cost of Issuance			0	0.00		
Title & Recording		10,000	172	0.20		
Counsel's Fee			0	0.00		
Soft Cost Contingency		207,850	3,584	4.15		167,850
Subtotal		233,000	4,017	4.65	0	175,000
SYNDICATION COSTS						
Organizational (Partnership)		30,000	517	0.60		
Bridge Loan Fees & Expenses			0	0.00		
Tax Opinion			0	0.00		
Subtotal		30,000	517	0.60	0	0
DEVELOPER'S FEES						
Developer's Overhead & Profit		520,000	8,966	10.37		520,000
Consultant Fees			0	0.00		0
Subtotal	14.74%	520,000	8,966	10.37	0	520,000
PROJECT RESERVES						
Rent-up (Deficit Escrow) Reserve			0	0.00		
Replacement Reserve			0	0.00		
Working Capital			0	0.00		
Operating Reserve/Sinking Fund	0	65,000	1,121	1.30		
Subtotal		65,000	1,121	1.30	0	0
TOTAL DEVELOPMENT COSTS		4,112,300	70,902	82.02	450,000	3,354,300

LESS:	Amount of Non-qualified Financing				203,000
LESS:	Historic tax Credit (Residential Portion)				
		Total Eligible Basis		450,000	3,151,300
TIMES:	Adjusted for QCT/DDA		130.0%		4,096,690
TIMES:	Applicable Fraction		100.00%	450,000	4,096,690
		Total Qualified Basis		450,000	4,096,690
TIMES:	Applicable Percentage			3.76%	8.77%
		Total Annual Credit Qualified		16,920	359,280

Total Tax Credits Requested		385,518	
Estimated Net Synd. Proceeds	2,293,082		
Estimated Yield - LIHTC Synd.	59.48%	Total Credits, Acquisition and Rehab:	376,200
Equity Gap	2,315,281		
Credits Needed to fill Equity Gap		389,250	

Westview Terrace	INCOME & EXPENSE BUDGET	14-Aug-95

INCOME

RENTS

Restricted Units

Bedrooms	Type	Sq.Feet	Number	Rent	Utilities	Total Annual Rent
1 Br	50% MAI		2	313	28	7,512
2 Br	50% MAI		7	375	35	31,500
3 Br	50% MAI		8	433	40	41,568
4 Br	50% MAI		2	483	45	11,592
1 Br	55% MAI		2	348	28	8,352
2 Br	55% MAI		7	416	35	34,944
3 Br	55% MAI		8	481	40	46,176
4 Br	55% MAI		2	536	45	12,864
1 Br	Sec. 8		3	436	28	15,696
2 Br	Sec. 8		7	502	35	42,168
3 Br	Sec. 8		8	590	40	56,640
4 Br	Sec. 8		2	658	45	15,792
						0
	Totals	0	58			324,804

Market Units

Bedrooms	Type	Sq.Feet	Number	Rent	Utilities	Total Annual Rent
1 Br			0	0		0
2 Br			0	0		0
3 Br			0	0		0
	Totals	0	0			0

All Units

Grand Totals	50,140	58		324,804
	Less Vacancy	5.00%		(16,240)
			NET RENT	308,564

OTHER INCOME

Interest Income		0
Laundry		2,900
Total Other Income		2,900
	TOTAL INCOM	311,464

Westview Terrace	EXPENSE BUDGET			14-Aug-95
	Annual	Monthly	Per Unit Per Month	
Administration				
Management Fee	31,320	2,610	45	9.6%
Marketing	2,900	242	4	
Audit/Accounting	4,060	338	6	
Legal	1,450	121	2	
Office Expense		0	0	
Telephone		0	0	
Office Payroll		0	0	
Rent		0	0	
Compliance Monitoring	1,392	116	2	
Other		0	0	
TOTAL ADMINISTRATIV	41,122	3,427	59	
Utilities				
Water/Sewer	13,050	1,088	19	
Electric		0	0	
Fuel	35,670	2,973	51	
Other		0	0	
TOTAL UTILITIES	48,720	4,060	70	
Maintenance				
Maintenance Payroll		0	0	
Supplies		0	0	
Trash Removal	12,760	1,063	18	
Snow/Grounds		0	0	
Repairs	37,410	3,118	54	
Paint/Decorating		0	0	
Exterminating		0	0	
Contract Maintenance		0	0	
Equipment Debt		0	0	
Service Lease		0	0	
Other		0	0	
TOTAL MAINTENANCE	50,170	4,181	72	
Taxes	44,700	3,725	64	
Insurance	5,800	483	8	
Replacement Reserves	11,310	943	16	
Other	3,422	285	5	
Total	205,244	17,104	295	

[redacted]95 Westview Terrace — PRO FORMA

Year		1	2	3	4	5	[redacted]	7	8	9	10
Residential Rent		324,804	329,676	334,621	339,641	344,735	349,906	355,155	360,482	365,889	371,378
Less Res Vacancy		(16,240)	(16,484)	(16,731)	(16,982)	(17,237)	(17,495)	(17,758)	(18,024)	(18,294)	(18,569)
Plus Other Income		2,900	2,944	2,988	3,032	3,078	3,124	3,171	3,219	3,267	3,316
Total Actual Income		311,464	316,136	320,878	325,691	330,576	335,535	340,568	345,677	350,862	356,125
Less Operating Expense		193,934	199,752	205,745	211,917	218,274	224,823	231,567	238,514	245,670	253,040
Less Reserves		11,310	11,480	11,652	11,827	12,004	12,184	12,367	12,552	12,741	12,932
Net Operating Income		106,220	104,904	103,481	101,947	100,298	98,528	96,634	94,610	92,451	90,153
Less: VHFA primary DS		63,409	63,409	63,409	63,409	63,409	63,409	63,409	63,409	63,409	63,409
Lead Paint Loan DS		0	0	0	0	0	0	0	0	0	0
CDBG Repayment		0	0	0	0	0	0	0	0	0	0
VHFA Second DS		0	0	0	0	0	0	0	0	0	0
Cash Flow		42,810	41,495	40,072	38,538	36,888	35,119	33,224	31,200	29,042	26,744
Operating Subsidy		0	0	0	0	0	0	0	0	0	0
Net Cash		42,810	41,495	40,072	38,538	36,888	35,119	33,224	31,200	29,042	26,744
DCR before subsidy		167.51%	165.44%	163.20%	160.78%	158.18%	155.38%	152.40%	149.20%	145.80%	142.18%
DCR after subsidy	105.0%	167.51%	165.44%	163.20%	160.78%	158.18%	155.38%	152.40%	149.20%	145.80%	142.18%
USES OF NET CASH:											
VHFA Second DS		0	0	0	0	0	0	0	0	0	0
Cumulative Cash		42,810	41,495	40,072	38,538	36,888	35,119	33,224	31,200	29,042	26,744
Social Services		0	0	0	0	0	0	0	0	0	0
TOTAL:		42,810	41,495	40,072	38,538	36,888	35,119	33,224	31,200	29,042	26,744
CUMULATIVE CASH FLOW:											
Beginning Balance		48,750	93,023	137,308	181,499	225,482	269,135	312,328	354,922	396,770	437,715
Deposits		42,810	41,495	40,072	38,538	36,888	35,119	33,224	31,200	29,042	26,744
Interest	3.0%	1,463	2,791	4,119	5,445	6,764	8,074	9,370	10,648	11,903	13,131
Withdrawls (Subsidy)		0	0	0	0	0	0	0	0	0	0
Ending Balance	187,029	93,023	137,308	181,499	225,482	269,135	312,328	354,922	396,770	437,715	477,590

		1	2	3	4	5	6	7	8	9	10
Net Operating Income		106,220	104,904	103,481	101,947	100,298	98,528	96,634	94,610	92,451	90,153
Plus Reserves		11,310	11,480	11,652	11,827	12,004	12,184	12,367	12,552	12,741	12,932
Less Interest Expense		(58,214)	(57,755)	(57,255)	(56,711)	(56,119)	(55,475)	(54,774)	(54,010)	(53,179)	(52,275)
Less Depreciation		(138,164)	(138,164)	(138,164)	(138,164)	(138,164)	(138,164)	(138,164)	(138,164)	(138,164)	(138,164)
Taxable Income (Loss)		(78,848)	(79,535)	(80,286)	(81,101)	(81,981)	(82,926)	(83,937)	(85,012)	(86,151)	(87,354)
Cash Flow		0	0	0	0	0	0	0	0	0	0
Plus Tax Savings		26,808	27,042	27,297	27,574	27,874	28,195	28,538	28,904	29,291	29,700
Plus Tax Credits		376,200	376,200	376,200	376,200	376,200	376,200	376,200	376,200	376,200	376,200
Plus Historic Tax Credit		0									
Less Cap Gain Tax											
After Tax Cash Flow	(2,315,281)	403,008	403,242	403,497	403,774	404,074	404,395	404,738	405,104	405,491	405,900
Total 15 years		4,198,580									
Internal Rate of Return:	12.04%										

Current Cash Flows		403,008	403,242	403,497	403,774	404,074	404,395	404,738	405,104	405,491	405,900
Future Value of Cash Flows at Yr 15:		1,969,547	1,759,543	1,572,015	1,404,549	1,254,991	1,121,419	1,002,117	895,556	800,368	715,335
Total Years	15	1	2	3	4	5	6	7	8	9	10
Reinvestment Rate	12.00%										
LIHTC Pay Ins	85%, 8%, 7%	(1,967,989)	(185,223)	(162,070)							
Present Value of Pay Ins		(1,967,989)	(165,377)	(129,201)							
Cash Flows		(2,262,567)	0	0	0	0	0	0	0	0	0
IRR	13.11%										

14-Aug-95 Westview Terr

	Year	11	12	13	14	15	16	17	18	19	20
Residential Rent		376,948	382,603	388,342	394,167	400,079	406,080	412,172	418,354	424,629	430,999
Less Res Vacancy		(18,847)	(19,130)	(19,417)	(19,708)	(20,004)	(20,304)	(20,609)	(20,918)	(21,231)	(21,550)
Plus Other Income		3,366	3,416	3,467	3,519	3,572	3,626	3,680	3,735	3,791	3,848
Total Actual Income		361,466	366,888	372,392	377,978	383,647	389,402	395,243	401,172	407,189	413,297
Less Operating Expense		260,631	268,450	276,504	284,799	293,343	302,143	311,207	320,543	330,160	340,064
Less Reserves		13,126	13,323	13,522	13,725	13,931	14,140	14,352	14,568	14,786	15,008
Net Operating Income		87,710	85,116	82,366	79,454	76,374	73,119	69,684	66,061	62,244	58,225
Less: VHFA primary DS		63,409	63,409	63,409	63,409	63,409	63,409	63,409	63,409	63,409	489,597
Lead Paint Loan DS		0	0	0	0	0	0	0	0	0	0
CDBG Repayment		0	0	0	0	0	26,667	26,667	26,667	26,667	26,667
VHFA Second DS		0	0	0	0	0	0	0	0	0	0
Cash Flow		24,300	21,706	18,956	16,044	12,964	(16,957)	(20,392)	(24,015)	(27,832)	(458,039)
Operating Subsidy		0	0	0	0	0	21,461	24,896	28,519	32,336	483,852
Net Cash		24,300	21,706	18,956	16,044	12,964	4,504	4,504	4,504	4,504	25,813
DCR before subsidy		138.32%	134.23%	129.90%	125.30%	120.45%	81.17%	77.36%	73.34%	69.10%	11.28%
DCR after subsidy	105.0%	138.32%	134.23%	129.90%	125.30%	120.45%	105.00%	105.00%	105.00%	105.00%	105.00%
USES OF NET CASH:											
VHFA Second DS		0	0	0	0	0	0	0	0	0	0
Cumulative Cash		24,300	21,706	18,956	16,044	12,964	4,504	4,504	4,504	4,504	25,813
Social Services		0	0	0	0	0	0	0	0	0	0
TOTAL:		24,300	21,706	18,956	16,044	12,964	4,504	4,504	4,504	4,504	25,813
CUMULATIVE CASH FLOW:											
Beginning Balance		477,590	516,218	553,411	588,970	622,683	654,328	656,357	654,908	649,685	640,373
Deposits		24,300	21,706	18,956	16,044	12,964	4,504	4,504	4,504	4,504	25,813
Interest	3.0%	14,328	15,487	16,602	17,669	18,680	18,986	18,944	18,792	18,520	4,696
Withdrawls (Subsidy)		0	0	0	0	0	(21,461)	(24,896)	(28,519)	(32,336)	(483,852)
Ending Balance	187,029	516,218	553,411	588,970	622,683	654,328	656,357	654,908	649,685	640,373	187,029

		11	12	13	14	15
Net Operating Income		87,710	85,116	82,366	79,454	76,374
Plus Reserves		13,126	13,323	13,522	13,725	13,931
Less Interest Expense		(51,291)	(50,220)	(49,054)	(47,785)	(46,404)
Less Depreciation		(138,164)	(138,164)	(138,164)	(138,164)	(138,164)
Taxable Income (Loss)		(88,619)	(89,945)	(91,329)	(92,770)	(94,263)
Cash Flow		0	0	0	0	0
Plus Tax Savings		30,131	30,581	31,052	31,542	32,049
Plus Tax Credits						
Plus Historic Tax Credit						
Less Cap Gain Tax						0
After Tax Cash Flow	(2,315,281)	30,131	30,581	31,052	31,542	32,049
Total 15 years				Original Basis		3,601,300
Internal Rate of Return:	12.04%			Less Depreciation		(2,072,455)
				Basis at Sale		1,528,845
				Sales Price		1,386,601
				Gain		(142,245)
				Tax	34.00%	0
Current Cash Flows		30,131	30,581	31,052	31,542	32,049
Future Value of Cash Flows at Yr 15:		47,411	42,965	38,952	35,327	32,049
Total Years	15	11	12	13	14	15
Reinvestment Rate	12.00%					
LIHTC Pay Ins	85%, 8%, 7%					
Present Value of Pay Ins						
Cash Flows		0	0	0	0	12,692,145
IRR	13.11%					

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Joe Erdelyi, Multifamily Development Underwriter

DATE: August 17, 1995

RE: St. Johnsbury Housing Partnership Workout

EXECUTIVE SUMMARY

The St. Johnsbury Housing Partnership has proposed a modification to the loan workout. VHFA staff have been negotiating with the Partnership for the last 18 months. The primary changes to the workout are: 1) that the loan prepayment amount be increased, from $250,000 to $275,000; and 2) that VHFA provide an additional loan, using Section 8 refunding proceeds, in lieu of a portion of the previously proposed VHCB funding. The prior workout proposal required approximately $894,000 in VHCB funding; at this time, VHCB is unable to provide this level of funding. The requested amount from Section 8 refunding proceeds is $401,110 (see attached pro forma).

BACKGROUND

In 1994, the Partnership approached VHFA with a workout proposal. The project, 32 units of family housing on scattered sites in St. Johnsbury, was expected to exhaust its operating sinking fund by the end of 1994. Although major systems had been addressed during the original rehabilitation, most of the finishes and fixtures were old. The owner was finding the units to be unmarketable upon turnover unless a substantial upgrade of these finishes and fixtures was undertaken. In addition, the original windows had not been replaced, and the management agent received more maintenance calls for windows than any other single problem. These factors have caused the maintenance portion of the operating budget to greatly exceed projections. A stagnant rental market has kept rents below projections as well, and this combination of low revenues and high expenses has caused the owner to seek a workout.

Under previous proposals, the owner explored the possibility of capitalizing a large sinking fund to subsidize the operating costs while keeping rents low. After some discussion with VHFA staff, the owner agreed to pursue a plan that involved a partial prepayment of

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

VHFA's loan and refinancing of the remaining loan balance. This plan would utilize lower debt service payments instead of a capitalized sinking fund to make the project financially feasible. The workout has always included the following elements: a second phase of rehabilitation (including replacement windows, fixtures, finishes, and door repair or replacement), substantial new VHCB funding, and additional tax credit equity.

The workout proposal was brought to the Board in August 1994, and an update was provided in November 1994. Since this last proposal, VHCB has informed the owner that all of the funding needed is not available. In order to make the project work, other "soft" financing is needed, and the only source that could be readily available is VHFA's Section 8 refunding proceeds. Because the project is under a Debt Service Moratorium Agreement that expires at the end of 1995, and also because the reservation of tax credits must become a carryover allocation by the end of this year, the sponsor is endeavoring to finalize the workout details as soon as possible.

PRIOR OUTSTANDING CONDITIONS

In the previous Board Memorandum dated November 11, 1994, there were a number of conditions listed for the loan workout. Four conditions are either outstanding or in need of modification:

1) FHLB approval of loan prepayment - David Parish of the Federal Home Loan Bank of Boston has only recently been able to make progress with the Federal Housing Finance Board in Washington DC. Based on his recent efforts (see attached letter, dated August 10, 1995), it would appear that this approval is not required so long as VHFA meets certain conditions, including re-lending the $275,000 prepayment in similar low income development, and continuing to make regular, periodic bond payments to Key Bank of Vermont on its bond.

2) Source of funds for the workout - The Debt Service Moratorium Agreement required a "best efforts" letter from VHCB to provide $894,000 in funds. Including HOME and Lead Paint Grant funds, VHCB is providing $528,500 in new funding.

3) Amount of Partial Loan Prepayment - The previous proposal included a partial prepayment by the owner of $250,000. Based on a number of recent changes to the budgets, including the ability to utilize less tax credits due to a tenant finding employment, the project optimal level for the loan prepayment is $275,000. No initial capitalization of a sinking fund is required at this level.

4) Key Bank of Vermont Approvals - Key Bank must provide "any required approvals." Since Key Bank should not be affected by the restructuring of this

loan (essentially they are being held harmless), their approval is expected to coincide with the approval of the Federal Housing Finance Board.

DISCUSSION

Strengths

1) VHFA staff reviewed the assumptions in the workout proposal and believe them to be realistic. The workout plan should be achievable, given the degree of refinement in the development and operating budgets.

2) The proposed rehabilitation will reduce and stabilize operating expenses for the owner, and at the same time eliminate the need for thousands of dollars of upgrades upon tenant turnover. The installation of new windows will make the tenant's housing costs more affordable by reducing utility expenses.

Weaknesses

1) VHFA's overall exposure is increasing, from $12,495 per unit currently to $16,436 per unit upon completion.

2) VHFA will need to re-lend the $275,000 prepayment quickly in order to maintain the payments to Key Bank on the bond without having to cover the costs. The terms are expected to be 8.5%, 25 year amortization with a 10 year balloon. Staff believe that these funds can be re-loaned within the next two to three months.

RECOMMENDED BOARD ACTION

Staff recommends that the Board pass the attached Resolution to provide $401,110 in second mortgage position financing, 0% interest rate, 20 year term, principal payments deferred with a balloon payment on the outstanding principal balance due in 20 years. The source of funds will be Section 8 refunding proceeds. This loan is subject to the following conditions: any required approvals of the partial prepayment or workout plan from Key Bank of Vermont; requisite financing as shown in the attached budget dated August 14, 1995; and subordination to the VHFA first and second mortgages of all other financing.

RESOLUTION RELATING TO
ST. JOHNSBURY HOUSING PARTNERSHIP

WHEREAS, in 1990 the Agency made a mortgage loan (the "Loan") to St. Johnsbury Housing Partnership (the "Sponsor") for the acquisition and rehabilitation of 32 units in seven buildings located on scattered sites in St. Johnsbury (the "Development"); and

WHEREAS, the general partners of the Sponsor are controlled by Housing Vermont and Northern Community Housing Corporation ("NCHC"); and

WHEREAS, the Agency funded the loan by selling a federally taxable bond to the Bank of Vermont (now, Key Bank of Vermont) that carries an interest rate of 100 basis points less than the interest rate on the Agency's Loan to the Sponsor; and

WHEREAS, the Development has been the subject of previous resolutions by the agency since it was completed and placed in service; and

WHEREAS, the Board has been presented with a memorandum by Joe Erdelyi, Multifamily Development Underwriter dated August 17, 1995 detailing changes in the anticipated workout strategy for the Development (the "Memorandum");

NOW, THEREFORE, it is hereby RESOLVED:

1. The Agency is interested in taking steps to avoid a default on the Loan by the Sponsor.

2. The Executive Director is authorized to take all necessary actions to accomplish a workout plan substantially as outlined in the Memorandum.

3. In his discretion, and after consultation with a committee of the Board consisting of James Douglas, Thomas Candon and Jo Bradley, the Executive Director may accept a partial or full prepayment of the Loan without penalty and may renegotiate the terms of any loan remaining, including rate, term and amortization schedule. A condition precedent to any concession on the part of the Agency is that staff make a determination that changes in the loan terms, in combination with other resources to be provided by VHCB, the Sponsor's partners, and/or other parties, will result in both long-term viability of the Development and likely repayment of the Loan on terms as advantageous as possible to the Agency.

4. The Executive Director is also authorized to take all necessary steps for the Agency to loan the St. Johnsbury Housing Partnership up to $405,000 in additional financing (the "New Loan") from Section 8 refunding proceeds. The New Loan will carry an interest rate of 0% per annum, will have a 20 year term, deferred principal payments with a balloon payment on the outstanding principal balance in 20 years and will have a second mortgage position.

5. The New Loan is subject to the following conditions:

a) any required approvals of the partial prepayment or the workout plan be obtained from Key Bank of Vermont;

b) requisite financing as shown in the budget dated August 14, 1995 attached to the Memorandum be obtained; and

c) all other financing be subordinated to the VHFA first and second mortgages.

T:\multi\stjhpres.895

Federal Housing Finance Board
1777 F Street, N.W., Washington, D.C. 20006
Telephone: (202) 408-2500 Facsimile: (202) 408-1435

August 10, 1995

Mr. David Parish
Vice President
Federal Home Loan Bank of Boston
Post Office Box 9106
Boston, Massachusetts 02205-9106

Re: St. Johnsbury Housing Partnership Key Bank of Vermont (formerly Bank of Vermont) 90AO107

Dear David:

In response to your July 14, 1995 memo, the following is my understanding of the proposed actions on the St. Johnsbury project:

1) The Vermont Housing Finance Agency will receive $275,000 from tax credit proceeds and other sources.

2) VHFA will use the $275,000 to reduce the mortgage it holds on the St. Johnsbury project. This action will enable the project to meet its debt obligations.

3) VHFA will in turn loan the $275,000 to assist in the development of other affordable housing units.

4) VHFA will continue to make the required bond payments to Key Bank of Vermont.

5) Key Bank will continue to make the required payments on the AHP advance from the FHLBank of Boston.

6) The project will continue to serve the targeted population.

If my understanding of this transaction is correct and there are no changes to any aspect of the approved AHP application, there appears to be no need for a project modification.

Please let me know if my analysis of this situation is correct.

Sincerely,

Richard Tucker
Associate Director
Office of Housing Finance

ST JOHNSBURY HOUSING PARTNERSHIP — SUMMARY — C:SHP2-17H — 14-Aug-95

Total Units	32		Assumptions		Assume VHCB approval 6/95, closing 8/95, constr in service 5/96,
Tax Credit Units	28	5 new TC units	Income incr	1.50%	equity pd when constr placed in service,
HOME Units	16	16 HOME units	Expense incr	3.50%	VHFA principal converted and 95 interest pd end 95
1995:	Total	PUM	Appreciation	2.75%	
Post Rehab Rent*	134,641	351	Vacancy Rate	6.00%	275,000 VHFA principal converted to deferred loan end 95
Post Rehab Exp	99,689	260	Tax Rate	34.00%	126,110 VHFA additional funds - deferred loan
NOI	34,952	91	Depreciation	27.5	401,110 VHFA total Round 2
Reserves	(11,904)	(31)	LIHTC % Bonds	3.79%	
Debt Service	(10,974)	(29)	LIHTC % HOME	3.79%	
Cash	12,074	31	Tax Credits	24,645	29,989 VHFA accrued interest for 95 @ 7.5% - paid at
* net rent			Invest Rate	3.00%	end 95
			Br Loan Rate	6.00%	

	First Round	Second Round	Total	Per Unit	
Equity	514,898	165,229	680,127	21,254	
VHFA	411,608	126,110	537,718	16,804	
VHCB **	432,900	262,027	694,927	21,716	
VHCB Lead ****	0	101,003	101,003		
CDBG ***	369,600	0	369,600	11,550	0 PUM
HOME ****	0	165,412	165,412	5,169	HOME and VHCB Lead Funds
Other Grants	5,000	0	5,000	156	
Subtotal *	1,734,006	819,781	2,553,787	79,806	
Total *	1,734,006	819,781	2,553,787	79,806	
Sink Fund, Wkg Cap *	79,000	18,312	97,312	3,041	
Total less this cash	1,655,006	801,469	2,456,475	76,765	
Construction (w/o super	725,135	563,517	1,288,652	40,270	
NCHC/HV Fees Taken	151,062	0	151,062	4,721	
Percent Total Devel Cost				5.92%	
NCHC/HV Fees Foregone	0	96,523	96,523	3,016	
Percent Total Devel Cost				3.78%	

* Second Round is total new funds; in addition part of VHFA First Round replaced with VHFA 0% funds

* Second Round includes no sink fund; just amt for repl reserve to abate lead jambs on turnover in units where relocation not needed otherwise.

** VHCB repaid 1991 11,000
VHCB drawn 1994 53,000

*** CDBG Round 2 not possible; Town wants lead abatement program not limited to SJHP;
no one available to administer such a program

**** HOME and VHCB Lead Funds substituted for some VHCB Round 2 Bond $ (will reduce rents)
No 9% tax credit; can't further restrict "tenant pool"

Construction est. updated (BUD10 9/13/94) per "final" plans/specs

Tenant incomes updated per 12/1/94 income certs, includes recent updates
1994 income/expense updated per 12 mos actual
1995 income/expense updated per current budget

COMPARISON WITH SHP2-14H, APPROVED WITH TAX CREDIT APPLICATION

SOURCES	SHP2-16H	SHP2-14H	CHANGE
Equity	165,229	180,009	(14,780) fewer tax credits (tenant got job), less losses from interes
VHCB	262,027	543,204	(281,177)
HOME	165,412	371,320	(205,908)
Lead	101,003	0	101,003
VHFA (New)	126,110	0	126,110
Subtotal New	819,781	1,094,533	(274,752)
VHFA Replace	275,000	0	275,000 *
Total	1,094,781	1,094,533	248

	Amount	% of Total	Per Unit	Interest	Term	
Equity	165,229	20.16%	5,163			
VHCB New Loan 1	262,027	31.96%	8,188	1.00%	40	PVT ACTIVITY
VHCB New Loan 2	0	0.00%	0	1.00%	40	
HOME Funds	165,412	20.18%	5,169	1.00%	40	
VHCB Lead Funds	101,003	12.32%	3,156	1.00%	40	
VHFA (New funds)	126,110	15.38%	3,941	0.00%	20	
NCHC/HV Cash *						
Total New	819,781	100.00%	25,618	1.00%	interest on "old" loans	
Gap	(0)					
VHFA Replacement	275,000		8,594	0.00%	20	
New + Replacement	1,094,781		34,212			
* rent subsidy	50,000	See proforma for use of this subsidy				
VHCB New Loan 1:	262,027	Amount from SOURCES page; entered as hard entry above.				
VHCB New Loan 2:		Hard entry above to reduce gap to zero.				
Potential Equity	165,229	Potential from EQUITY page				
Surplus (Deficit)	(0)					

* choice was replace only 250,000 and borrow 25,000 - from VHFA to fund sink fund to pay debt service or replace addnl 25,000 and eliminate need for sink fund; chose the latter.

USES

See SOURCES AND USES

ST JOHNSBURY HOUSING PARTNERSHIP | SOURCES & USES | 14-Aug-95

USES		Budget	Per Unit	Per Sq Ft	SOURCES	0	0	0	0	0	0
						165,229	262,027	0	165,412	101,003	126,110
						Equity	VHCB Loan 1 (Bonds)	VHCB Loan 2 (Trust Fund)	HOME Loan	VHCB Lead	VHFA
Constr Est (alloc by bldg)	0	503,106	15,722	19.35			262,027		165,412		75,667
Lead Abatement	0	101,003	3,156	3.89						101,003	
Contingency (% bldg constr)	0	60,411	1,888	2.32		39,957			0		20,454
Subtotal Constr Hard Costs		664,520	20,766	25.56							
Super (alloc by constr $)	0	21,144	661	0.81		21,144		0	0		
CONSTRUCTION *		685,664	21,427	26.38							
									0		
Legal/Acctg	0	3,000	94	0.12		3,000		0	0		
Title/Record	0	1,000	31	0.04		1,000		0	0		
Lead Tests	0	10,000	313	0.38		10,000		0	0		
Arch/CM	0	14,270	446	0.55		14,270		0	0		
	0	2,870	90	0.11		2,870		0	0		
Temp Reloc (alloc by unit)	0	36,875	1,152	1.42		36,875		0	0		
Subtotal		68,015	2,125	2.62							
Contingency	0	6,801	213	0.26		6,801		0	0		
HV Fee	0	0	0	0.00				0	0		
NCHC Fee	0	0	0	0.00				0	0		
SOFT COSTS IN BASIS		74,816	2,338	2.88							
Cap HV/VHFA fees	0	0	0	0.00		0		0			
Tax Credit Fee	0	1,000	31	0.04		1,000		0			
Pay off VHFA Loan end 1995	0	29,989	937	1.15		0		0			29,989
Intrst Bridge Loan **	0	10,000	313	0.38		10,000		0			
Capitalize Repl Reserve ***	0	18,312	572	0.70		18,312		0			
Sink Fund (addnl needed)	0	0	0	0.00		0		0			
SOFT COSTS NOT IN BASIS		59,301	1,853	2.28							
TOTAL COST		819,781	25,618	31.54		165,229	262,027	0	165,412	101,003	126,110

** on costs to be paid from equity which can't be funded until equity call

*** just to abate Pb on door jambs on turnover

ST JOHNSBURY HOUSING PARTNERSHIP INCOME & EXPENSE BUDGET 14-Aug-95

32 units 25,995 sq ft

Annual Rent Potent 12/31/95 143,976 Annual rent potential at point in time; not projection for calendar yr 1995
See HOME and TC Rent Analysis (Separate Page)

Annual Rent Potent for 1995 143,895 Per budget less 75P#8 chg- includes projected mid-year rent increases
(before HOME reductions end 95)

Section 8 Project Based Certificates were renewed for 5 years as of 10/31/94

Section 8 tenant certificate rents counted in income stream based on experience to date.

	Budget 1994	Actual 1994	Variance 1994	Projected During Rehab 1995	Proforma Post Rehab 1995	per mo	per unit	PUM
INCOME								
Rent Potential incl S8 certs	138,096	141,374	3,278	143,895	143,235	11,936	4,476	373
Vac/Delinq Rate Routine				6.00%	6.00%			
Vacancy/Delinq Routine				(8,634)	(8,594)	(716)	(269)	(22)
Vac Rate Rehab				5.51%				
Rehab Rent Loss				(7,929)				
Less Vac/Delinq/Rent Loss	(8,286)	(18,633)	(10,347)	(16,562)	(8,594)	(716)	(269)	(22)
TOTAL INCOME	129,810	122,741	(7,069)	127,333	134,641	11,220	4,208	351

OPER EXPENSES	Budget 1994	Actual 1994	Variance 1994	Projected During Rehab 1995	Proforma Post Rehab 1995	per mo	per unit	PUM
Admin/Audit	20,896	20,365	(531)	19,242	19,242	1,604	601	50
Utilities	11,800	11,937	137	14,000	14,000	1,167	438	36
Maint/Repairs	46,507	60,831	14,324	45,132	41,447	3,454	1,295	108
Taxes	18,057	20,030	1,973	20,100	20,100	1,675	628	52
Insurance	5,145	4,713	(432)	4,900	4,900	408	153	13
TOTAL EXPENSES	102,405	117,876	15,471	103,374	99,689	8,307	3,115	260
NOI	27,405	4,865	(22,540)	23,959	34,952	2,913	1,092	91
Repl Reserve	(11,520)	(11,763)	(243)	(11,520)	(11,904)	(992)	(372)	(31)
Debt Service *	(37,979)	(41,145)	(3,166)	0	(10,974)	(915)	(343)	(29)
CASH FLOW **	(22,094)	(48,043)	(25,949)	12,439	12,074	1,006	377	31

ST. J. HOUSING PARTNERSHIP — 15 YEAR PRO FORMA — 14-Aug-95

FORECAST CASH FLOW	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Gross Possible Rent				141,374	143,895	145,384	147,564	149,778	152,024	154,305	156,619	158,969	161,353	163,773
Less Vacancy/Delinquency				(18,633)	(16,562)	(8,723)	(8,854)	(8,987)	(9,121)	(9,258)	(9,397)	(9,538)	(9,681)	(9,826)
Rental Income from Tenants				122,741	127,333	136,661	138,710	140,791	142,903	145,046	147,222	149,431	151,672	153,947
Rent Subsidies (Affiliates)	50,000					3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333
use 1/15th for 15 yrs, balance (from interest) in yr 16														
Total Income				122,741	127,333	139,994	142,044	144,124	146,236	148,380	150,556	152,764	155,005	157,280
Less Operating Exp.				(117,876)	(103,374)	(103,178)	(106,789)	(110,527)	(114,395)	(118,399)	(122,543)	(126,832)	(131,271)	(135,866)
Net Operating Income				4,865	23,959	36,816	35,255	33,598	31,841	29,981	28,013	25,932	23,734	21,415
Less VHFA Debt Service				(41,145)	0	(10,974)	(10,974)	(10,974)	(10,974)	(10,974)	(10,974)	(10,974)	(10,974)	(10,974)
Less VHCB Debt Service				0	0	0	0	0	0	0	0	0	0	0
Less Reserves				(11,763)	(11,520)	(12,321)	(12,505)	(12,693)	(12,883)	(13,077)	(13,273)	(13,472)	(13,674)	(13,879)
Cash Flow before Sink Fund					12,439	13,521	11,775	9,930	7,983	5,930	3,765	1,486	(914)	(3,439)
Cover deficit from sink fund					0	0	0	0	0	0	0	0	1,914	4,439
Cash flow after sink fund					12,439	13,521	11,775	9,930	7,983	5,930	3,765	1,486	1,000	1,000
Cash Flow Added to Sink Fund if Positive			66,829	0	12,439	13,521	11,775	9,930	7,983	5,930	3,765	1,486	0	0

3.00% Interest Rate			1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
S Fund Beg Bal	Deficit Cover 1995-2011	108,975		12,171	25,161	39,640	52,781	64,444	74,480	82,733	89,037	93,216	94,070
Plus Cash Flow	Fund from Round One (1/1/95)	12,171		12,439	13,521	11,775	9,930	7,983	5,930	3,765	1,486	0	0
Less Deficit	Addnl Avail from Cash Fl	66,829		0	0	0	0	0	0	0	0	(1,914)	(4,439)
Plus Interest	Interest 1995-2011	31,449		552	958	1,366	1,732	2,053	2,323	2,538	2,693	2,768	2,756
End Balance	Addnl Needed Above That	0	12,171	25,161	39,640	52,781	64,444	74,480	82,733	89,037	93,216	94,070	92,387
	Cash Balance End 2011	1,474											
	VHFA Loan Replacement	275,000	(enough to eliminate										

NCIC/HV Rental Subsidy Fund	need for sinking fund)	1996	1997	1998	1999	2000	2001	2002	2003	2004
Beg Balance		50,000	48,067	46,075	44,024	41,912	39,736	37,494	35,186	32,808
Less Subsidy Used		(3,333)	(3,333)	(3,333)	(3,333)	(3,333)	(3,333)	(3,333)	(3,333)	(3,333)
Plus Interest		1,400	1,342	1,282	1,221	1,157	1,092	1,025	956	884
End Balance	Cash Balance End 2010 14,042	48,067	46,075	44,024	41,912	39,736	37,494	35,186	32,808	30,359

FORECAST CASH FLOW	2005	2006	2007	2008	2009	2010	2011
Gross Possible Rent	166,230	168,724	171,254	173,823	176,431	179,077	181,763
Less Vacancy/Delinquency	(9,974)	(10,123)	(10,275)	(10,429)	(10,586)	(10,745)	(10,906)
Rental Income from Tenants	156,256	158,600	160,979	163,394	165,845	168,332	170,857
Rent Subsidies (Affiliates)	3,333	3,333	3,333	3,333	3,333	3,333	14,042
use 1/15th for 15 yrs, balance (							
Total Income	159,590	161,933	164,312	166,727	169,178	171,666	184,899
Less Operating Exp.	(140,621)	(145,543)	(150,637)	(155,909)	(161,366)	(167,013)	(172,859)
Net Operating Income	18,969	16,391	13,676	10,818	7,812	4,652	12,041
Less VHFA Debt Service	(10,974)	(10,974)	(10,974)	(10,974)	(10,974)	(10,974)	(10,974)
Less VHCB Debt Service	0	0	0	0	0	0	0
Less Reserves	(14,087)	(14,299)	(14,513)	(14,731)	(14,952)	(15,176)	(15,404)
Cash Flow before Sink Fund	(6,093)	(8,882)	(11,812)	(14,887)	(18,114)	(21,498)	(14,337)
Cover deficit from sink fund	7,093	9,882	12,812	15,887	19,114	22,498	15,337
Cash flow after sink fund	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Cash Flow Added to Sink Fund if Pos	0	0	0	0	0	0	0

3.00%	2005	2006	2007	2008	2009	2010	2011
S Fund Beg Bal	92,387	87,959	80,568	69,981	55,955	38,233	16,545
Plus Cash Flow	0	0	0	0	0	0	0
Less Deficit	(7,093)	(9,882)	(12,812)	(15,887)	(19,114)	(22,498)	(15,337)
Plus Interest	2,665	2,491	2,225	1,861	1,392	810	266
End Balance	87,959	80,568	69,981	55,955	38,233	16,545	1,474

	2005	2006	2007	2008	2009	2010	2011
NCIC/HV Rental Subsidy Fund							
Beg Balance	30,359	27,836	25,238	22,562	19,806	16,966	14,042
Less Subsidy Used	(3,333)	(3,333)	(3,333)	(3,333)	(3,333)	(3,333)	(14,042)
Plus Interest	811	735	657	577	494	409	0
End Balance	27,836	25,238	22,562	19,806	16,966	14,042	0

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Douglas R. Lothrop, Director of Single Family Operations

DATE: August 1, 1995

RE: Single Family Program Activity Report For July

MORTGAGE PURCHASE PROGRAMS

Month	No.	Amount	Previous Year	No.	Amount
Reservations	77	$ 4,840,998		79	$ 4,921,819
Purchases	84	$ 5,498,009		59	$ 3,653,820

Period to Date	No.	Amount	Previous Year	No.	Amount
Reservations	641	$39,748,507		544	$32,962,582
Purchases	451	$29,040,928		369	$23,160,934

MORTGAGE PLUS

Month	No.	Amount	Previous Year	No.	Amount
Reservations	7	$ 537,550		2	$ 174,000
Issued	10	$ 725,360		17	$ 1,311,711

Period to Date	No.	Amount	Previous Year	No.	Amount
Reservations	41	$ 3,221,718		31	$ 2,360,390
Issued	69	$ 4,506,049		88	$ 6,938,125

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY
DELINQUENCY STATISTICAL REPORT
SINGLE FAMILY PORTFOLIO
EFFECTIVE: JULY 31, 1995

Lenders	Total Loans	30	Days	60	Days	90+	Days	Auth	FCL	Total Delinq		REO	
BancBoston Mortgage Corp.	324	14	4.32%	2	0.62%	4	1.23%	1	0.31%	21	6.48%	2	0.62%
Banknorth Mortgage Co.	781	35	4.48%	7	0.90%	7	0.90%	3	0.38%	52	6.66%	4	0.51%
Bennington Co-op S&L Assoc.	34	0	0.00%	1	2.94%	1	2.94%	0	0.00%	2	5.88%	0	0.00%
Brattleboro Savings & Loan	11	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Chittenden Bank	872	54	6.19%	23	2.64%	9	1.03%	4	0.46%	90	10.32%	3	0.34%
Citizens Savings Bank	83	1	1.20%	1	1.20%	1	1.20%	0	0.00%	3	3.61%	0	0.00%
Community National Bank	249	7	2.81%	4	1.61%	6	2.41%	1	0.40%	18	7.23%	0	0.00%
Factory Point Nat. Bank	29	0	0.00%	1	3.45%	0	0.00%	0	0.00%	1	3.45%	0	0.00%
First Brandon Nat. Bank	1	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
First Northern Mortgage Corp.	3	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Fleet Mortgage	29	3	10.34%	1	3.45%	2	6.90%	0	0.00%	6	20.69%	0	0.00%
Graystone Mortgage Company	194	8	4.12%	4	2.06%	11	5.67%	2	1.03%	25	12.89%	6	3.09%
Green Mountain Bank	179	9	5.03%	1	0.56%	0	0.00%	2	1.12%	12	6.70%	0	0.00%
Lomas & Nettleton Company	16	1	6.25%	0	0.00%	1	6.25%	0	0.00%	2	12.50%	0	0.00%
Lyndonville Savings Bank	60	3	5.00%	0	0.00%	0	0.00%	0	0.00%	3	5.00%	1	1.67%
Marble Bank	240	13	5.42%	3	1.25%	1	0.42%	1	0.42%	18	7.50%	1	0.42%
Merchants Bank	327	13	3.98%	3	0.92%	9	2.75%	1	0.31%	26	7.95%	0	0.00%
Mortgage Service Ctr. of NE	69	2	2.90%	2	2.90%	4	5.80%	0	0.00%	8	11.59%	1	1.45%
National Bank of Middlebury	64	4	6.25%	1	1.56%	0	0.00%	0	0.00%	5	7.81%	0	0.00%
New England Federal CU	49	0	0.00%	0	0.00%	0	0.00%	1	2.04%	1	2.04%	0	0.00%
Northfield Savings Bank	116	10	8.62%	1	0.86%	4	3.45%	0	0.00%	15	12.93%	0	0.00%
Passumpsic Savings Bank	174	9	5.17%	0	0.00%	2	1.15%	4	2.30%	15	8.62%	1	0.57%
Peoples Trust Co.	102	8	7.84%	1	0.98%	0	0.00%	0	0.00%	9	8.82%	0	0.00%
Randolph National Bank	49	2	4.08%	0	0.00%	1	2.04%	1	2.04%	4	8.16%	0	0.00%
Union Bank	164	8	4.88%	3	1.83%	3	1.83%	0	0.00%	14	8.54%	0	0.00%
Vermont Development CU	16	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Vermont Federal Bank	896	30	3.35%	7	0.78%	9	1.00%	2	0.22%	48	5.36%	9	1.00%
Vermont National Bank	619	22	3.55%	6	0.97%	14	2.26%	3	0.48%	45	7.27%	3	0.48%
Wells River Savings Bank	36	3	8.33%	0	0.00%	0	0.00%	0	0.00%	3	8.33%	0	0.00%
Totals	5786	259	4.48%	72	1.24%	89	1.54%	26	0.45%	446	7.71%	31	0.54%
Totals Previous Month	5746	244	4.25%	58	1.01%	79	1.37%	30	0.52%	411	7.15%	29	0.50%

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Douglas R. Lothrop, Director of Single Family Operations

DATE: August 16, 1995

RE: Servicing Activity for July

SERVICING ACTIVITY

Collections:

Last months 90+ accounts:		79
Additions:	13	
Reductions:	3	
Under payment arrangement:	52	
July, 1995 90+ accounts:		89

In Foreclosure:

Last months foreclosure accounts:		30
New foreclosures:	1	
To REO:	2	
Successful interventions:	3	
Negotiating workouts:	3	
July, 1995 foreclosure accounts:		26

Real Estate Owned:

Last months REO's:		29
New REO's:	9	
Properties sold:	7	
Properties under contract:	5	
July, 1995 REO's:		31

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

Board Property Disposition Report

Month of: July, 1995

Properties Sold

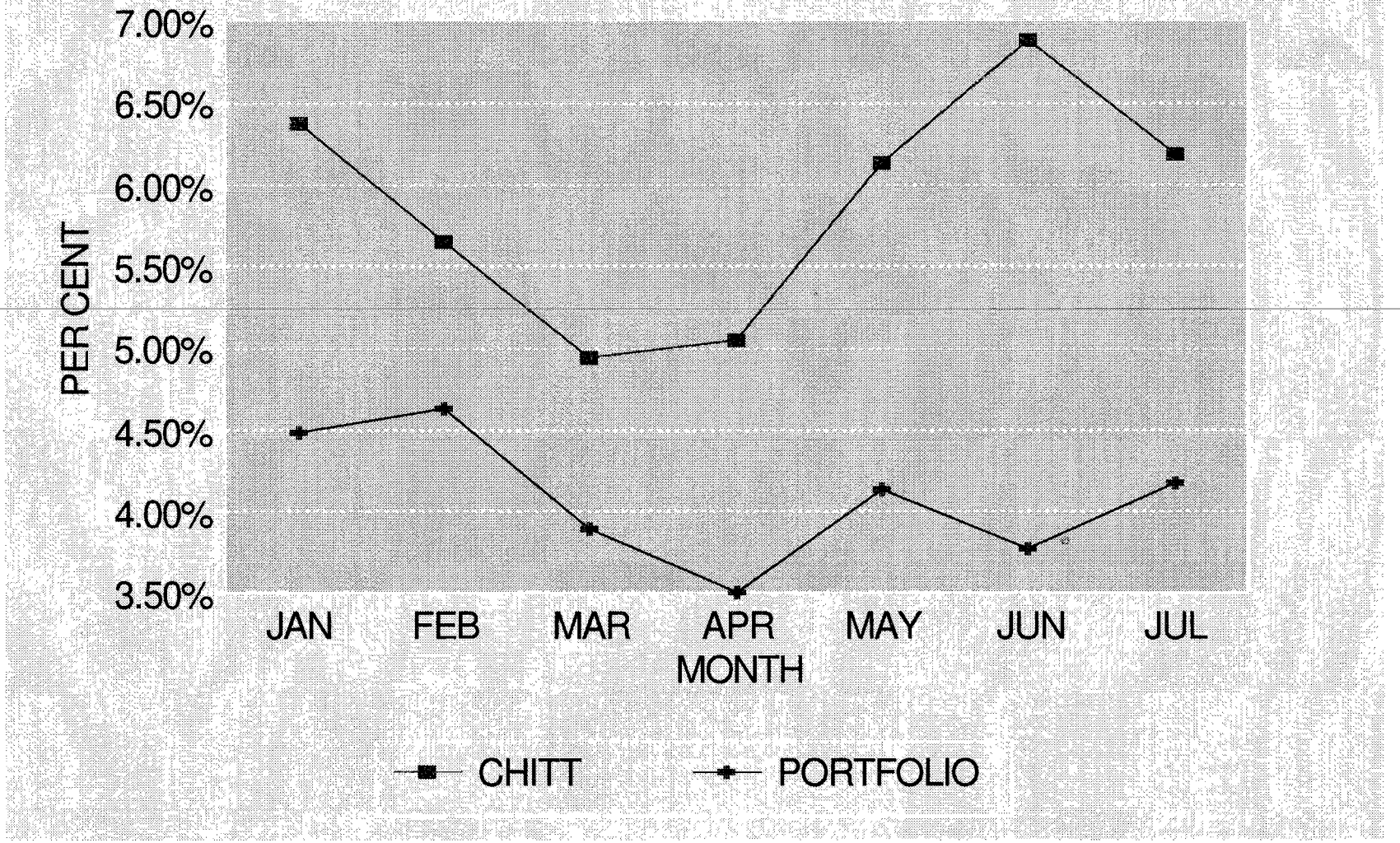
Property	Listing Price	Sale Price	Principal Balance	Interest	To Date Expenses	Claim Payment	Gain/ (Loss)	Audit Valuation Offset	Gain/ (Loss)
Perusse Northfield	$69,900	$64,500	$59,751	$ 5,404	$33,966	$12,800	($21,821)	N/A	N/A
Forcier Underhill	$25,000	$25,000	$42,757	$ 4,530	$ 9,511	$ 9,700	($22,090)	N/A	N/A
Phelps St. Johnsbury	$19,000	$10,900	$24,832	$1,457	$13,322	$ 5,125	($23,586)	($ 9,802)	($13,784)
Gingras St Johnsbury	N/A	$ 8,800	$25,649	$1,857	$ 9,300	$ 6,438	($21,565)	N/A	N/A
Collazo St. Johnsbury	$18,900	$ 6,800	$20,902	$1,373	$14,018	$ 4,125	($25,368)	($ 4,929)	($20,439)
Morrill Fair Haven	$29,000	$ 9,000	$65,678	$8,376	$28,898	$13,975	($79,977)	($33,221)	($46,756)
Egri/Murphy Northfield	$23,000	$18,200	$54,017	$7,999	$19,405	$12,000	($51,221)	($30,604)	($20,617)
Quintin Essex	$70,000	$65,000	$53,211	$11,664	$20,633	$11,975	($ 8,533)	$ 8,782	($17,315)

Properties Under Contract

Property	Listing Price	Contract Price	Principal Balance	Interest	Estimated Expenses	Estimated Claim Payment	Gain/ (Loss)	Audit Valuation Offset	Gain/ (Loss)
Chase Corinth	$25,000	$22,000	$53,494	$ 3,534	$ 3,898	$10,294	($28,632)	N/A	N/A
Gross Colchester	$85,000	$85,000	$86,133	$ 2,577	$ 5,618	$10,859	$ 1,531	N/A	N/A
Price Fair Haven	$76,000	$76,000	$71,661	$ 9,552	$20,674	$12,000	($13,687)	N/A	N/A
Kenehan	$25,000	$22,500	$56,004	$ 6,074	$ 5,462	$12,200	($32,840)	N/A	N/A

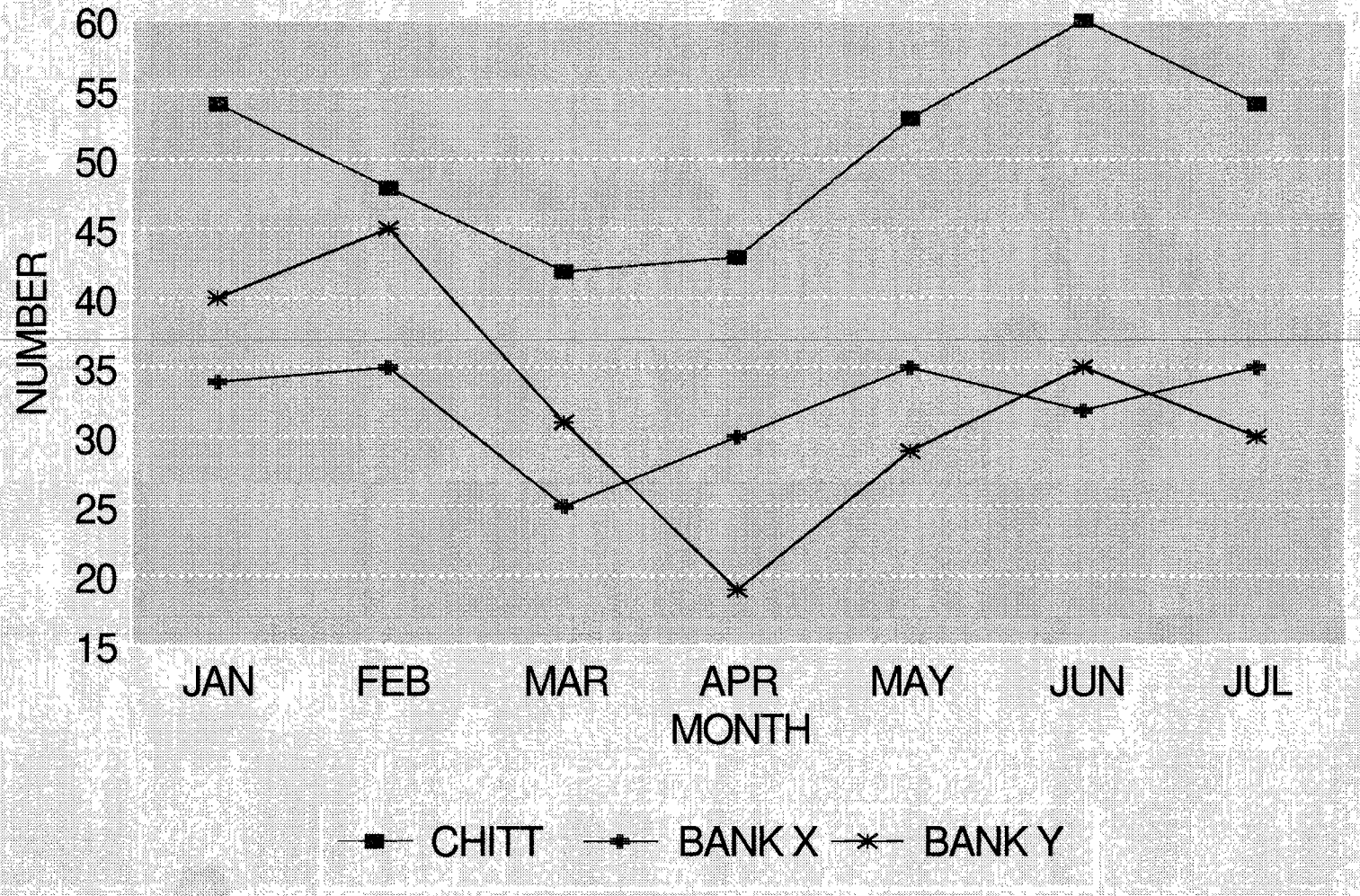
VHFA DELINQUENCY COMPARISON

1995 30 DAY DELINQ PERCENTAGES



VHFA DELINQUENCY COMPARISON

1995 30 DAY DELINQUENCIES



VERMONT HOUSING FINANCE AGENCY
MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Douglas R. Lothrop, Director of Single Family Operations

DATE: August 14, 1995

RE: Real Estate Owned (REO) marketing plan

Outlined below is a summary of our current practices regarding sales of REOs.

Actions before a property becomes an REO

Once it is determined that a borrower does not have the ability or desire to continue to make mortgage payments, we encourage the borrower to maintain the dwelling, to obtain a market analysis of the property and have the property listed for sale. In instances where the borrower cooperates, we are often able to prevent a property from becoming an REO.

When it is inevitable that VHFA will take title to a property, the servicing staff takes steps to have the property inspected, obtain an accurate valuation of the asset, and obtain estimates for needed repairs and clean-up. In addition, discussions with a real estate professional take place to get the property on the market as rapidly as possible once VHFA has taken title.

Marketing the REO

Non-profit Marketing

Anticipated REO's are brought to the attention of non-profits operating in the area where the REO is located. By notifying the non-profit in advance, they are able to inspect the property and have an opportunity to purchase the property prior to VHFA taking title. This is accomplished by mailing a letter to the appropriate non-profit notifying them of the address and current owner. The letter requests that the non-profit notify us of their interest not later than 30 days after receipt of the letter.

Once the property becomes an REO, the non-profits are notified that the property is owned by VHFA. This is accomplished by monthly mailings of listings of available REOs to the non-profits. A sample of this listing is attached.

Listings

Properties are normally listed with a real estate professional who is a member of the local Multiple Listing Service (MLS). MLS gives the property the maximum exposure possible. If there is no active MLS in the area in which the property is located, the property is listed with at least two real estate professionals on an open listing basis. The initial listing period will normally be for 90 days. The listing price is one that has been indicated to sell the property within 60 days. If the property does not come under contract within 60 days, the price is reduced to one which should result in a purchase and sales contract within 30 days. Any real estate professional obtaining a listing from VHFA must also agree to sign an addendum which gives VHFA the right to cancel the listing agreement, and all the terms of the agreement, if VHFA decides to sell the property by auction. The addendum gives the real estate professional forty-five (45) days notice of intent to cancel. Real estate agents are required to furnish VHFA with marketing and activity levels on all properties on which they have a listing.

Properties which are in poor condition (based on the property inspection) are priced at a level to encourage a purchase and sales contract within 30 days.

Financing

REO's which are in good condition are marketed to the public with favorable VHFA financing terms including Down Payment Assistance when available. The ability to offer financing on our REOs has been a substantial incentive to prospective purchasers.

Auctions

Properties which have not been sold by the end of the initial listing period will be evaluated for being sold at auction. In some cases the properties may be included in a Vermont lender auction or a smaller auction. It is anticipated that statewide lender auctions will be held twice a year. If a property is to be put in the next auction, the property will be listed, in the interim, and the listing real estate agent will be notified that it is our intent to put the property up for auction (when one is scheduled) if the property has not sold or is not under contract.

Other possible strategies for discussion

1. As part of the next bond issue, up to $1 million dollars, at 2 points below the MOVE rate, would be made available to finance REO's.

2. Use some of the recent multi-family refunding funds to finance non-profit purchase and rehabilitation of REOs. We would most likely not, get paid back

all of the funds lent. However, if VHFA is willing to accept some level of non-repayment this may be a good short term use of some of these funds.

Board Action Requested

Consideration of the REO marketing plan currently in place with comments and approval.

ESSEX COUNTY	Listing Price: $ 15,900.00	Listing Agent: Jonathan Larsen	3 Bed Rooms
		17 Century 21 / Select Realty North	2.00 Bath Room
SOUTH STREET		802 334-5895	Not Occupied
BRIGHTON, VT 05846	FRAME/STICK BUILT		
FRANKLIN COUNTY	Listing Price: $ 29,900.00	Listing Agent: Mark Ledoux	2 Bed Rooms
		2 Lang Associates Realtors	1.00 Bath Room
MAIN STREET		802 524-6763	Not Occupied
FRANKLIN, VT 05457	FRAME/STICK BUILT		
GRAND ISLE COUNTY	Listing Price: $ 74,900.00	Listing Agent: Jim Murray	3 Bed Rooms
		13 Century 21 / Jack Associates	2.00 Bath Room
OFF ROUTE 314		802 893-2415	Not Occupied
GRAND ISLE, VT 05458	MOBILE HOME		
ORANGE COUNTY	Listing Price: $ 31,900.00	Listing Agent: Susanne Joyce	2 Bed Rooms
		23 Asset Disposition Management	1.00 Bath Room
RT 25		800 357-7449	Not Occupied
TOPSHAM, VT 05076	MOBILE HOME		
ORLEANS COUNTY	Listing Price: $ 39,000.00	Listing Agent: Jonathan Larsen	3 Bed Rooms
		17 Century 21 / Select Realty North	1.00 Bath Room
RT 105		802 334-5895	Not Occupied
CHARLESTON, VT 05855	FRAME/STICK BUILT		
ORLEANS COUNTY	Listing Price: $ 35,500.00	Listing Agent: Jonathan Larsen	2 Bed Rooms
		17 Century 21 / Select Realty North	1.00 Bath Room
TOWN HIGHWAY #3		802 334-5895	Not Occupied
ALBANY, VT 05820	FRAME/STICK BUILT		
RUTLAND COUNTY	Listing Price: $ 34,900.00	Listing Agent: Susanne Joyce	5 Bed Rooms
		23 Asset Disposition Management	2.50 Bath Room
CORNER OF POTTER & YORK ST EX		800 357-7449	Not Occupied
POULTNEY, VT 05764	FRAME/STICK BUILT		
RUTLAND COUNTY	Listing Price: $ 67,500.00	Listing Agent: Bill Brooks	3 Bed Rooms
		5 Coldwell Banker / Accent Realty	2.00 Bath Room
54 CAERNARVON ST		800 639-0022 ext 34	Not Occupied
FAIR HAVEN, VT 05731	FRAME/STICK BUILT		

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Douglas R. Lothrop, Director of Single Family Operations

DATE: August 4, 1995

RE: Auction of REO Properties

On Sunday, June 25, J. P. King Auction Group of Gadsden, AL conducted a real estate auction in Vermont. The purpose of the auction was to give participating lenders an opportunity to sell properties which they held in their Real Estate Owned (REO) portfolio. The J. P. King Auction Group has held several auctions of this nature in Vermont and all reports from the lenders indicated that they were a success. Success, in this case, indicates that all or a vast majority of properties in the auction were sold at a reasonable price.

In this auction VHFA placed five (5) properties. All of the properties placed in the auction were either in poor condition, properties which we had been unable to sell through conventional means, or both. In addition to moving these properties out of the VHFA inventory of REOs, VHFA also wished to investigate an auction as a desirable means of selling properties. All of the properties which VHFA placed in the auction were sold. The attached Auction Property Disposition Report provides financial information on the sale of the properties. The Property Disposition Report also provides a comparison with a normal sale assuming the properties sold for the same price and the additional auction expenses were not incurred.

For your information, included with this memorandum is a copy of the marketing publication, which was widely distributed throughout the New England and New York area. The VHFA properties included in the auction are number 16 on page 8, number 25 on page 10 and numbers 84, 85 and 86 on page 17.

All the above properties had little or no activity since they became an REO. VHFA was unable to offer bond proceeds financing on the manufactured housing (Phelps, Gingras and Collazo) as they were in a Mobile Home Park that we were not able to negotiate a subordination of the park mortgage to our first mortgage loans. On page seventeen of the attached auction booklet, is a manufactured home listed as #83. This property sold for $22,500. If the value of the acreage sold with the dwelling unit is $12,000, or $3000 per acre than the actual manufactured home sold in the same price range as ours. The property in

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

Fair Haven was a duplex in very poor condition located in a less than desirable neighborhood and in very poor condition. The property in Northfield was a single family property in very poor condition, including well and septic, which was located on 10 acres (+/-).

Based on our experience and the experience of Vermont lenders, an auction appears to be a viable method of selling property if other methods have proven unsuccessful. The expense to VHFA of this particular auction was higher than would normally be the case as we did not get involved until very late in the process. As an example, we used the legal firm that was recommended by the lead participating lender. The cost was $1,350 per property with the exception of the three manufactured homes located in the same park which they agreed to do as one property. If we had time to negotiate, we may have been able to have the legal work completed for less cost. As a minimum, it takes approximately six weeks for an auction firm to market the auction and properties to be in the auction to gain the best exposure and selling price. As a rule of thumb, a property sold at auction should be able to be sold at 90% of the "quick sale" price of the property. VHFA was not able to obtain this type of sales results due to the circumstances of the properties we had in the auction.

One of the keys to the success of this auction as a whole was the up front work done. This includes the establishment of an auction information office 15 days prior to the actual auction, a widely circulated brochure listing all of the properties to be included in the auction, the holding of open houses so prospective bidders can view the property, establishing the title on the property and establishing the financing on the property. Another key to the success of the auction was consummating the sale of the properties on the day of the auction in as many cases as possible.

VHFA staff time incurred to participate in this auction was approximately 7 hours per property or a total of 35 hours. This involved copying of property documents, working with the participants, auction company, real estate agents, legal firm and attending the auction. A large part of this time, 20 hours, can be accounted for in participating in the actual auction.

Based on this experience with an auction, staff believes that an auction should be used eliminate properties from our REO inventory when conventional methods of sale are not successful. I believe that if the REO marketing plan is approved by the board and followed closely future auctions will be more successful in bringing higher sales prices. There may be another auction this fall. Should VHFA decide that the auction process is a viable sales tool, we can review our REO portfolio to determine if there are properties which should be included.

VERMONT HOUSING FINANCE AGENCY

Auction Property Disposition Report

Auction Date: June 25, 1995

Properties Included in Auction

Property	Listing Price	Auction Sale Price	Principal Balance	Interest	To Date Expenses	Claim Payment	Gain/ (Loss)
Phelps, St Johnsbury	$19,000	$10,900	$24,832	$1,457	$13,322	$ 5,125	($23,586)
Gingras, St Johnsbury	N/A	$ 8,800	$25,649	$1,857	$ 9,300	$ 6,438	($21,565)
Collazo, St. Johnsbury	$18,900	$ 6,800	$20,902	$1,373	$14,018	$ 4,125	($25,368)
Morrill, Fair Haven	$29,000	$ 9,000	$65,678	$8,376	$28,898	$13,975	($79,977)
Egri/Murphy, Northfield	$23,000	$18,200	$54,017	$7,999	$19,405	$12,000	($51,221)

Properties Included in Auction (Less Additional Auction Expense)

Property	Listing Price	Auction Sale Price	Principal Balance	Interest	To Date Expenses	Claim Payment	Gain/ (Loss)
Phelps, St Johnsbury	$19,000	$10,900	$24,832	$1,457	$11,409	$ 5,125	($21,673)
Gingras, St Johnsbury	N/A	$ 8,800	$25,649	$1,857	$ 7,418	$ 6,438	($19,683)
Collazo, St. Johnsbury	$18,900	$ 6,800	$20,902	$1,373	$12,216	$ 4,125	($23,566)
Morrill, Fair Haven	$29,000	$ 9,000	$65,678	$8,376	$26,113	$13,975	($77,192)
Egri/Murphy, Northfield	$23,000	$18,200	$54,017	$7,999	$16,482	$12,000	($48,298)

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Cathleen Gent, Director of Communications

DATE: August 14, 1995

RE: Community Outreach Activities

The foundation for VHFA's community-based outreach activities rests in the areas of consumer education, real estate professional outreach, and training. VHFA's Strategic Plan affirmed the importance of maintaining on-going efforts in these areas. During the past year, numerous community-based outreach and education efforts resulted in valuable information about VHFA programs being disseminated and the expansion of our working relationships with a network of affordable housing partners. The following information shows the community outreach activity for FY95 and planned activities for FY96 in the areas of consumer education outreach, real estate professional outreach, and training (lender and nonprofit). The scheduling of training or outreach events is linked to specific times of the year in order to increase the numbers of attendees.

CONSUMER EDUCATION

The goal of our consumer education is to reach potential VHFA borrowers through media communications, instruction, and materials that will meet their needs as cost effectively as possible. Organized by Marcia Mattoon, VHFA's Community Relations Coordinator, this outreach is designed to accommodate the needs of a wide range of consumers in varying stages of the home buying process.

In FY95, consumer education was focused on homeownership education through VHFA-sponsored home buyer fairs and home buying basics classes. A number of new formats were utilized in FY95, and proved to be very successful.

Consumer education activities included the following:

- Four VHFA Home Buyer Fairs - 853 attendees
  [Bellows Falls (63 attendees), Rutland (62 attendees), St. Johnsbury (40 attendees), South Burlington (750 attendees)]

- Four VHFA Home Buying Basics Classes - 137 attendees
  [Barre, Bennington, Brattleboro, Morrisville]

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

- Two Continuing Education Home Buying Basics Classes - 31 attendees **(New)**
  [Burlington High School]

- Two Sessions - Preparation for Home Buying Basics in English as a Second Language (ESL) Classes - 35 attendees **(New)**
  [Sara Holbrook Center - Burlington]

- One Community Land Trust Home Buyer Education Class - 33 attendees
  [Rockingham Area Community Land Trust]

- One Deepwood Mobile Home Park Home Buyer Education Class - 15 attendees
  [Brattleboro]

- Cable TV Interviews with Marcia Mattoon **(New)**
  ["The American Dream" on Chittenden County public access channel 15 and "The Weekly Homebuyer" in Central Vermont]

While VHFA was invited to participate in six other lender-sponsored events, all were cancelled by the sponsors due to poor registration response.

To measure the overall experience and quality of the outreach, a variety of surveys and follow-up contacts with attendees and vendors were used. This feedback formed the basis for mid-year corrections and decisions about future outreach events.

An analysis of the FY95 results showed that Chittenden County offers the only financially viable location to hold a large scale home buyer fair. The number of attendees in the other sites did not justify VHFA's costs and resources needed to sustain the interest of vendors to participate. The ratio of vendors to attendees was 1 to 25 in South Burlington and less than 1 to 3 in the other fair locations. In addition, a higher percentage of participants in the Home Buying Basics presentations appear to qualify more often for VHFA programs. With limited resources, it is more productive to focus our efforts on those potential buyers who will most benefit from our outreach. The Home Buying Basics Workshops offer a reasonable alternative for the non-Chittenden County areas of the state.

Home Buyer Fair - provides information about the home buying process and an opportunity to meet one-on-one with lenders, real estate agents, and nonprofits to discuss financing and housing options in a free, fair-like atmosphere. This format is geared toward households planning to purchase a home in the near future (within the next 12 months) *and will be expanded to include sessions offered throughout the day providing an overview of the home buying process.*

Home Buying Basics Workshop - is designed to provide more in-depth information about the home buying process and is geared toward households who would like to own a home someday, but have little or no understanding of the process of home purchase. Presenters may include VHFA staff, local lenders, and real estate professionals. In areas served by a

local housing nonprofit, a representative is invited to participate. In addition, Home Buying Basics information is offered through high school continuing education classes and English as a Second Language (ESL) seminars.

Non-VHFA Event Sponsored by Other Organizations - The events in which VHFA participates vary in format: some are home buyer events, others involve panel discussions or "home buyer days" (with prequalifying services and general information in a local setting).

FY96 Outreach Activity Plan

Event	Locations
Home Buying Basics Seminars	Brandon, Enosburg, Ludlow, Randolph
Home Buying Basics - Adult Educ.	Bennington, Bradford, Essex Junction (Fall Semester) Burlington, Newport, Springfield (Spring Semester)
Home Buying Basics - English as a Second Language (ESL)	Burlington
Home Buyer Fair	Chittenden County - Hampton Inn, Colchester (March)

In addition to these activities, it is anticipated that VHFA will participate in non-VHFA sponsored events as requests are received. Over the last year, the numbers of "fairs" and "basics" workshops sponsored by lenders, real estate firms, and nonprofits have decreased significantly. However, VHFA's plan for the coming year (see above) includes more small-group outreach activities to supplement the reduced number of non-VHFA sponsored events.

Throughout the year, new endeavors in the areas of consumer education are being considered:

- Homeownership counseling - Reflected in the FY96 Business Plan, VHFA's role in homeownership counseling is primarily to provide training, technical assistance, and cooperative advertising to the organizations which would actually carry out the counseling.
- Targeted Basics workshops - For renters in public subsidized housing and others who may have special needs which can be addressed in specially-designed workshops. (The ESL classes and the Vermont State Housing Authority-owned Deepwood Mobile Home Park workshop are examples of specially targeted workshops conducted in FY95.)

LENDER & NONPROFIT TRAINING

The training coordinator position, newly held by Patricia Underwood, is responsible for educating lenders and housing nonprofit staff who participate in one or more of VHFA's homeownership programs. The training focuses on the areas of new programs and changes in program guidelines. Lender training dovetails with the activities of the Single Family Operations department by providing feedback from lenders regarding specific program features and by educating lenders. This outreach results in better quality loan packages received by VHFA.

In FY95, the lender trainer held 46 sessions with 341 participants.

Evaluations from attendees indicated the workshops were very successful in improving lenders' understanding of our programs. Planning for FY96 reflects requests for special topic lender training sessions.

Additionally, the FY96 outreach plan calls for new nonprofit training initiatives, to be coordinated with the Single Family Development Coordinator. These nonprofit training initiatives will serve two purposes: 1) to ensure that nonprofit organization staff are sufficiently trained in VHFA program guidelines to refer borrowers to participating lenders; 2) to assist in training nonprofit staff to carry out homeownership counseling initiatives.

The general goals for lender/nonprofit training in FY96 include:

- Conduct 50 lender/nonprofit sessions with 500 participants;
- Hold one or more sessions in every county;
- Initiate at least 4 training sessions with housing nonprofits, in conjunction with the Development Department, in the areas of program and homeownership counseling training.

Content goals for lender training include:

- Enhance the present training sessions with hands-on activities and handouts;
- Create new special topic training sessions in these areas:
  - VHMGB Guidelines and Procedures
  - Underwriting Guidelines
  - Informational Updates
  - VHFA Recapture
  - VHFA/RECD Guarantee Loans (RECD county supervisors)
  - New Participating Lenders
- Improve evaluation forms/feedback
- Schedule lender training events between October and May.

The number of attendees varies widely depending upon the topic of the session and the geographic location in the state. Overview-based sessions can accommodate larger numbers of attendees since the discussions are more general in nature. While economies of scale are

created by inviting several lending institutions to a given training session, it is sometimes not possible to bring the staff together in one location.

REAL ESTATE PROFESSIONAL OUTREACH

Real estate professionals represent a critical link for delivering VHFA homeownership programs. Primary goals for real estate professional outreach are: 1) to enhance real estate professionals' working familiarity with VHFA programs; 2) to maintain and expand VHFA's relationship with REALTORs as partners in providing affordable homeownership opportunities to Vermonters. To these ends, real estate outreach was conducted in two primary ways in FY95. First, the popular VHFA Financing Options course was offered with the approval of the Vermont Real Estate Commission. Second, outreach was initiated through the Vermont Association of REALTORS, regional real estate Boards, and individual real estate offices.

Taught by Marcia Mattoon, the VHFA Financing Options is a four-credit course for professional real estate licensees explaining in detail VHFA financing options for low- and moderate-income home buyers. This course continues to receive overwhelmingly positive response from participants.

The other approach for reaching real estate professionals was through presentations by VHFA staff (Allan Hunt, Marcia Mattoon) at the monthly regional Real Estate Board meetings, a display at the two VAR statewide conferences, and regular mailings to regional Board and agency offices throughout the state.

In FY95, outreach to real estate professionals included:

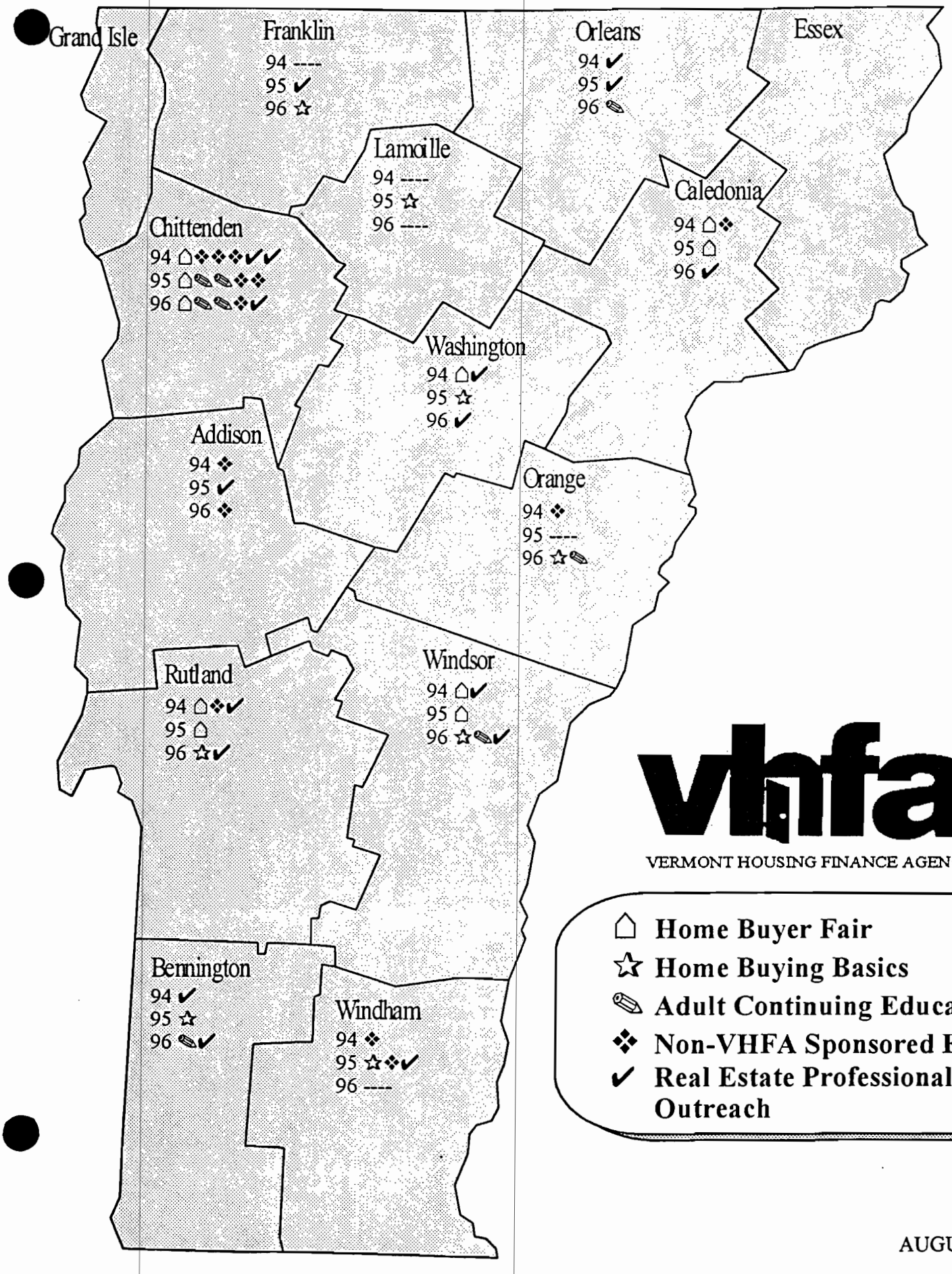
- VHFA Financing Options Course - 4 sessions held, 79 attendees
- Presentations made at 5 regional real estate Board meetings

Planned real estate professional outreach activities in FY96 follow the formats used in FY95 and include the following:

- VHFA Financing Options Course
  - Ascutney (September)
  - Lyndonville (November)
  - Manchester (December)
  - Colchester (January)
  - Rutland (February)
  - Waterbury/Stowe (March)
- Regional Real Estate Boards - Presentations at 6 regional Boards will be made.

BOARD ACTION REQUESTED No Board action is needed.

VHFA OUTREACH FY94 -FY96



vhfa

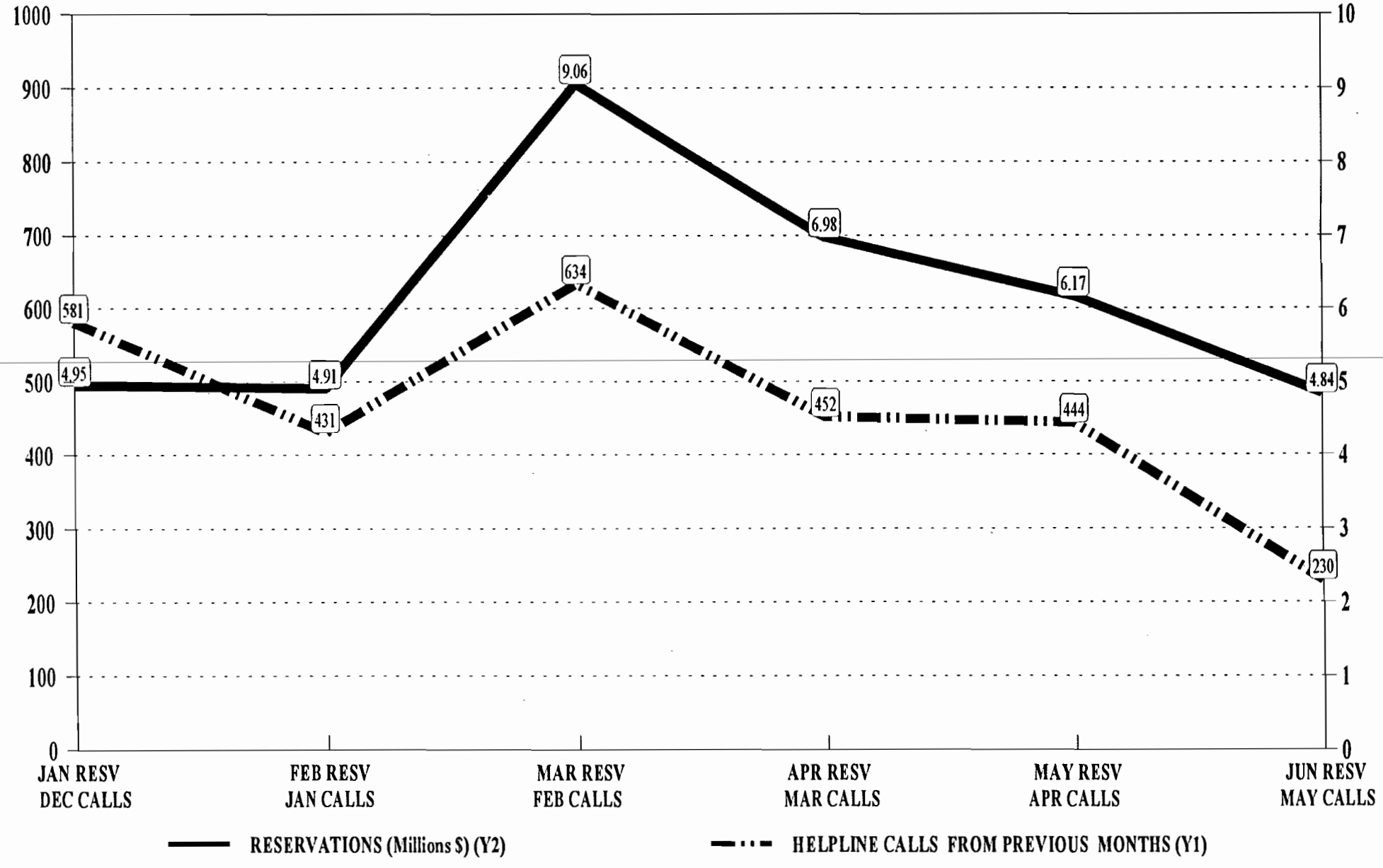
VERMONT HOUSING FINANCE AGENCY

⌂ **Home Buyer Fair**
☆ **Home Buying Basics**
✎ **Adult Continuing Education**
❖ **Non-VHFA Sponsored Events**
✔ **Real Estate Professional Outreach**

AUGUST 1995

1995 RESERVATIONS vs HELPLINE CALLS

MRB RESERVATIONS COMPARED TO HELPLINE CALLS FROM THE PREVIOUS MONTH



SOURCE: VHFA AUGUST 1995

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: CG Cathleen Gent, Director of Communications

DATE: August 14, 1995

RE: FY96 Media Marketing Plan

A year ago, the overall purpose of our advertising campaign was in question. Today, through discussions during the Agency's strategic planning process, the purpose and direction of the media campaign are clear: to promote VHFA's affordable housing programs and to build upon VHFA's successful public education and information efforts (Strategic Planning Objective #9).

Advertising is one of the vehicles in the promotion of VHFA's programs and enhancement of single family portfolio. Our consumer outreach program, training efforts, real estate professional contacts, and opportunities via the press all contribute to "getting the word out" about VHFA.

The FY95 advertising campaign increased the number of calls to VHFA's toll free Helpline by 40 percent! In turn, this resulted in many consumers learning about VHFA and directing inquiries to participating lenders.

There is a direct link between the number of calls to the Helpline and reservation dollars the following month. As might be expected, a strong correlation also exists with respect to the number of Helpline calls and dollars spent in advertising. A VHFA research model shows that advertising contributes positively to MOVE loan volume. While additional work must be done to understand these relationships more completely, knowing that advertising does play a major role in generating loan activity reinforces our efforts to date.

FY96 - Theme and Targeting of Campaign

The goal of the FY96 media marketing plan is to continue to build upon VHFA's very successful FY95 media campaign. Without an increase in our advertising budget, we can encourage low- and moderate-income Vermonters to actively begin the home-buying process and to inform them about VHFA's programs and our role as a not-for-profit with a mission to assist Vermonters in their pursuit of homeownership.

The FY95 campaign demonstrated that the overall theme of "homeownership is closer than

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

you think" worked well and the target audience was reached. The general approaches utilized last year will be employed again in FY96 with minor modifications:

A. General Theme
- Continue to enhance VHFA's name recognition among low- and moderate-income renters statewide.
- Given that the vast majority of renters *do* want to own homes, our message will continue to emphasize that homeownership is possible - even for people who think they cannot get a mortgage.
- Maintain our educational message (via Gov. Dean) that VHFA is a not-for-profit created to help Vermonters become homeowners - when they cannot qualify using conventional loan programs.
- Continue to target our message to the $20,000 to $40,000 income households.

B. Targeting Approaches
- Within the constraints of the current budget, we will have a year-round media presence (except Holiday season) because the home buying process is not seasonal in nature. We want buyers to know about VHFA programs *before* they begin discussions with a lender or real estate professional.
- Continue to stretch our print and radio media dollars by targeting outlets in the four larger counties which provide statewide coverage. In 13 of 14 counties, the percentage of Helpline calls increased in FY95 using this approach.
- Emphasize radio advertising in order to reach the younger, radio-listening segment of our target population.
- Develop lender/real estate company cooperative advertising which complements our print ads and creates an integrated approach.
- New computer software (to be ready for use in November) will enable us to send better targeted collateral materials to the Helpline callers.
- Develop and use a mail-in consumer coupon to complement VHFA's 800 toll-free number option.

FY96 - General Goals

The media advertising budget allocation in the FY96 budget is $100,000, the same amount budgeted in FY95. Our goals for FY96 include:

1) Maintain the volume of inquiries (calls and coupons) to the Helpline;
2) Develop a cooperative program which encourages real estate agencies and lenders to advertise VHFA in their ads at no cost to VHFA via a consistent radio and print reference;
3) Demonstrate a positive correlation between: 1) advertising and volume of loans; 2) advertising and Helpline inquiries; 3) Helpline inquiries and volume of loans.

Previous VHFA research shows that the vast majority of Vermont renters want to own a home. Our goal is to help them achieve homeownership in the near future using VHFA products when appropriate. Planning our media campaign in conjunction with our outreach efforts with consumers, lenders, housing nonprofits and real estate professionals will bring about very positive results.

Recommended Board Action: No Board action is needed.

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Jeff Francis, Deputy Director

DATE: August 17, 1995

RE: FY96 Business Plan—Updated to Reflect FY95 Year End Results

Attached is the proposed FY96 Business Plan for consideration. The Plan was prepared in a simpler format this year in an effort to make it easier to use and to conserve paper. Specifically, the accompanying guide to programs and initiatives provided in prior years was eliminated on the premise that most users of the document were reasonably knowledgeable about VHFA programs and initiatives. Furthermore, if more elaborate information about any specific program or initiative is requested, staff would be available to provide details. The document is organized into four categories:

Ongoing Programs
Programs and Initiatives Being Developed
Analyze for Future Implementation
Activities in Support of Programs

FY96 goals for specific activities were developed through a collaborative process involving employees responsible for those activities. One addition to the FY96 Plan is the inclusion of certain activities set forward in the Strategic Plan and scheduled for implementation in FY96. Those activities are denoted by an asterisk in the first column.

At the Board meeting, other members of the senior staff and I will be happy to answer any specific question you may have about the plan. Thank you for your consideration.

Recommended Board Action:

Consideration and approval of the FY96 VHFA Business Plan for implementation, incorporating any further suggestions or recommendations made by the Board.

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

	FY95 (July 1, 1994 through June 30, 1995) vs. FY96				
	* = FROM STRATEGIC PLAN	FY95 ACTUALS	FY96 GOALS	DEPARTMENT	FY96 ACTUALS TO DATE
ONGOING PROGRAMS					
	MOVE (Includes IORTA)	775 mtges purch; $49,790,073	825 mtges purch; $55,000,000	SF Ops	
	MCC (Mortgage Plus)	147 MCCs issued; $11,336,000	154 MCCs issued; $11,900,000	SF Ops	
	HOUSE (Includes IORTA)	45 loans purch; $ 2,789,832	75 loans purch; $ 4,900,000	Devel	
	Rural VT Mtge	25 mtges purch; $ 859,560	25 mtges purch; $ 850,000	SF Ops	
	IORTA Down Payment Assist	122 loans purch; $ 7,871,585	(See "Prog/Init Being Devel" section)	SF Ops	
	Mobile Home Park Financing (MF)	33 units; $ 281,000	30 units; $ 300,000	Devel	
	Preservation-Section 8	4 Pres Agree signed (114 units)	Pres Agree for 20 projects (400 units)	MF Mgmt	
	LIHPRHA Preservation/Westgate	Westgate Tenants Assoc funded; option agreement negotiations ongoing for Westgate/Applegate; projects on hold pending Congressional action on HUD proposals and budget	On hold pending Congressional action on HUD proposals and budget; possibly complete renegotiation of option agreement or alternative course of action	Devel	
	MF Financing	94 units closed; $3,030,506 53 units commit; $ 484,750+ pending	3 loans, 92 units $1,478,000 Expand in conjunction with refunding	Devel	
	VT Housing Ventures	6 loans closed; $ 132,300 2 loans pending; $ 60,000	7 loans $ 200,000 Continue program; evaluate risk; possibly add funding	Devel	
	SF Development/Construction	11 units; $ 750,000	50 units; $2,700,000	Devel	
	LIHTC	CAL 94: 409 units/383 TC units; $1,455,953 allocated CAL 95: 138 units/132 TC units reserved; $535,214	CAL 95: Allocate 100% of available credit ($772,264 plus National Pool)	Devel	
	Nonprofit Training/Technical Assist	LIHTC training workshop in collaboration with VHCB	Training on new programs, other as needed	Devel	
	Home Buyer Education	4 home buyer fairs; 853 attendees 4 home buy basics wkshp; 137 attendees 5 other homeownership classes; 99 attendees	2 home buyer fairs; 850 attendees 4 home buy basics wkshp; 150 attendees 8 other homeownership classes; 150 attendees; non-VHFA events as requested	Comm	
	Cooperative Advertising	$7,500 allocated to 7 nonprofits; $5,465 dispersed to 6 nonprofits	$8,000 allocated for nonprofits; develop cooperative advertising program for lenders and real estate firms	Comm	
	Dalton Drive Commercial Buildings	#504 under negotiation; P&S pending; #600 active interest from local nonprofit	Sell both buildings, with VHFA financing both acquisitions	Admin	
	Section 8 Refunding	Program development in process for refunding savings; $24,325,000 refunding bonds closing 05/21/95; allocation process begun	Implementation of programs with $80,000/month refunding savings; complete allocation and first year program development	Finance	

	FY95 (July 1, 1994 through June 30, 1995) vs. FY96				
	* = FROM STRATEGIC PLAN	FY95 ACTUALS	FY96 GOALS	DEPARTMENT	FY96 ACTUALS TO DATE
ONGOING PROGRAMS (Continued)					
	Lead Paint Response	Committed $1,000,000 loan participation in VHCB lead paint program; HB.471 (comprehensive response required) introduced; no payout until signed into law	Individual loan commitments up to $1,000,000 for MF/SF lead paint remediation; continue participation in policy issues	Admin/ Devel	
	VHMGB Program Administration	All current VHMGB guarantee programs now being administered by VHFA	Separate business plan being developed for VHMGB programs (attached)	SF Ops	
	MF Construction	Formal program initiated; 1 loan pending; 26 units; $1,270,000; letter of interest	3 loans $2,000,000 Market program and expand lending	Devel	
	Special Needs Housing	1 application pending 05/95 $85,000; group home; 1 homeownership application in process $57,500; homeownership initiative started	MOVE/HOUSE Pilot 10 loans; $600,000 In coordination with Home of Your Own Alliance Coalition	Devel	
	Bridge Financing Initiative	Lines of credit for nonprofit acquisitions of SF resales. ~~LCHDC $150,000; RAHC $36,000;~~ "Bridge" Financing Initiative"	Monitor existing lines of credit	Devel	
PROGRAMS/INITIATIVES BEING DEVELOPED					
*	Home Improvement/Qualified Rehab	Home improvement program development in process	Implement; 150 loans; $1,300,000	Devel	
	Proactive Servicing (SF)	Research in progress; computer system implemented	Accomplish direct billing and/or implement tape to tape services with individual lenders during FY96	Finance	
	Expand Down Payment Assistance (IORTA)	VHMGB has granted an additional 50 guarantees in support of this program for FY96; staff working on issues of property inspections, targeting and energy	Secure at least 150 more Down Payment Assistance guarantees from VHMGB for MOVE. Better utilize the RECD guarantee program.	SF Ops	
*	Monitoring: Streamline Statewide Programs	Coordination with VSHA ongoing; has begun with HVT and Burlington City Inspections	Combine VHFA, HVT, Section 8, Tax Credit and VHCB monitoring requirements where practicable	MF Mgmt	
	Condominium Project Inspections	Compiling list of VHFA-approved condo projects and locations; formatting inspection protocols	Conduct inspections using MF form and photograph at each location (50 condo developments)	MF Mgmt	
	Burlington Enterprise Community	Committed up to $2,000,000 for a rental rehabilitation initiative	Program development and implementation in conjunction with CEDO and local nonprofits	Devel	

FY95 (July 1, 1994 through June 30, 1995) vs. FY96					
	* = FROM STRATEGIC PLAN	FY95 ACTUALS	FY96 GOALS	DEPARTMENT	FY96 ACTUALS TO DATE
PROGRAMS/INITIATIVES BEING DEVELOPED (Continued)					
*	Expand Use of FHLB in conjunction with LIHTC via Loan Consortium		Program development	Devel	
*	Homeownership Centers: Expand Down Payment Assistance; Improve Financing for 3-4 unit owner-occupied	In program development	Program implementation in 3 pilot centers; 20 loan closings	Devel	
*	Expand Energy Lending Activities	In program development for rental properties (owner-occupied and investor-occupied)	Program development and implementation in conjunction with VT OEO weatherization program	Devel	
	Homeownership Counseling	Continuation of feasibility study in light of strategic planning	Complete feasibility study; explore and review VHFA's role in developing counseling programs in conjunction with down payment assistance program and homeownership centers	Comm	
ANALYZE FOR FUTURE IMPLEMENTATION					
*	Financing for Assisted Living	Participated in advisory committee on assisted living	Develop financing options in conjunction with other state agencies, et al.	Devel	
ACTIVITIES IN SUPPORT OF PROGRAMS					
*	Increase Efficiency of MF Lending Process	1. Review underwriting standards 2. Develop new informational application and marketing materials (underway); one page program descriptions completed; others in development 3. Accelerate loan processing 4. Increase efficiency of closing process	1. Finalize and implement new standards 2. Complete and coordinate with other state agencies 3. Continue work on closing process 4. Identify and implement other potential efficiencies.	Devel	
	Housing Policies State/Fed Level	Assisted living advisory committee; FNMA Special Needs Task Force; Federal cutbacks meetings	Identify and participate on critical issues	Admin	
	Housing Vermont	Evaluation ongoing	Continue evaluation and monitoring; maintain oversight role	Finance	
	Cash Flow: Analyze Alternatives	No progress	Review demo programs in-house	Finance	
	Statewide Affordable Housing Activity/Promotion	Housing "Action Day" held 09/94	Participate in planning and conducting FY96 activity in conjunction with Governor's office	Comm	
	MF Management	97 developments (2,771 units)	100 developments (2,900 units) Provide effective servicing and monitoring of MF portfolio; administer HUD Section 8 funds, $2.9 million/year	MF Mgmt	

	FY95 (July 1, 1994 through June 30, 1995) vs. FY96				
	* = FROM STRATEGIC PLAN	FY95 ACTUALS	FY96 GOALS	DEPARTMENT	FY96 ACTUALS TO DATE
ACTIVITIES IN SUPPORT OF PROGRAMS (Continued)					
	Lender Training	46 sessions held; 341 participants	50 sessions; 500 participants Evaluate training format/efficiency	Comm	
	Computer Software/Hardware Convert	Computer conversion in progress	Finalize installation of all MITAS modules; retire HP system	Admin	
	HUD Consolidated Plan (formerly CHAS) Performance	LIHTC allocation plan developed consistent with HUD Consolidated Plan	Maintain consistency with HUD Consolidated Plan and implement as applicable	Admin	
*	Direct Servicing		Pursue service opportunities for VHFA mortgage loans when/where appropriate; VHFA currently services 152 loans totalling $1.7 million; of these, 115 are mortgage loans	Finance	
	LIHTC Compliance Monitoring	45 projects totalling 1,900 units	59 projects totalling 2,223 units	MF Mgmt	
	Training for RE Professionals	4 course sessions held; 79 attendees; presentations made at 5 regional RE Board meetings	6 course sessions; 200 attendees; presentations at 8 RE Board meetings	Comm	
	Strategic Planning	Completed for FY96-FY2000	Integrate Year 1 goals into Bus Plan	Comm	
	Regional Attorneys	Opened 45 files; supervised 61 cases; closed 39 files	Continue utilization and monitoring of efficiency of regional attorney system	Admin	
	Quality Control	Procedures are being developed to conform VHFA and VHMGB quality control process and procedures to secondary market requirements	Conform VHFA Quality Control procedure with Freddie Mac guidelines for originating lenders and integrate with VHMGB quality control process	SF Ops	
*	Address Homelessness		Assist other agencies in defining and determining the level of homelessness and disseminating results; consider using refunding resources	Devel/Comm	
*	Data Collection, Analysis, Dissemination of Housing Data		Maintain current level of data collection, analysis and dissemination for internal VHFA use and external projects	Comm	
	Promote VHFA's Affordable Housing Programs Through Advertising		Maintain advertising campaign to generate consumer interest and result in loans at current levels for VHFA homeownership mortgage programs	Comm	
	Communications Plan		Develop for program promotion, development of materials and/or outreach to meet VHFA's needs	Comm	
	Loan Servicing	31 lenders 5,683 loans $293 million	Maintain current levels as needed	Finance	

FY95 (July 1, 1994 through June 30, 1995) vs. FY96			
	FY95 ACTUALS TO DATE	FY96 GOALS	FY96 ACTUALS TO DATE
ONGOING PROGRAMS			
Guarantees Issued	1,222 issued; $16,929,216 coverage	1,250 issued; $21,100,000 coverage	
Lead Hazard Mgmt Loan Guarantee	Guarantee program developed and initiated	10 loans @ $5,000 per loan; $45,000 coverage	
PROGRAMS/INITIATIVES BEING DEVELOPED			
Monthly Premium	Initial research underway; preliminary discussions held with VHMGB Board. Fee structure statutorily in place to make this a viable option.	Board approval and program implementation by 12/31/95	
Universal Claim Form	Available on computer; will incorporate with re-write of VHMGB procedural guide	Obtain VHMGB Board approval for the replacement of current claim form. Introduce change to lending community by 09/30/95.	
Claim Payment Policy		Obtain VHMGB Board approval to pay guarantee claims prior to sale of property by lender.	
ANALYZE FOR FUTURE IMPLEMENTATION			
Home Improvement Loans	Program parameters being developed; may use FHA Title I as guarantee vehicle in pilot stage	Participate with VHFA Development in expansion of current VHMGB loan guarantee program to incorporate home improvement loans	
Delegated Underwriting	Initially researched process used by PMI industry: approved lenders may obtain authority to underwrite conventional mortgage loans for guarantee/mortgage insurance coverage.	Obtain VHMGB Board approval of concept and position VHMGB to offer this in the later part of 1996	
ACTIVITIES IN SUPPORT OF PROGRAMS			
Procedural Guide Consolidation		Completely rewrite VHFA and VHMGB guides to consolidate origination and servicing process; to be completed by 12/31/96	
Quality Control	Per agreement with secondary market, quality control process was backlogged by 9 months; process brought current and VHMGB passed secondary market audit	Continue to keep quality control process current and in compliance with secondary market guidelines	
Reinsurance	VHMGB Board has authorized staff to research possibilities	Ascertain whether guarantee authority can be expanded through the use of this vehicle and present findings to VHMGB Board	
Computer Data Clean-Up	Reconciliation of loans sent out to lenders for completion	Review data methodically to locate incorrect information that may change significantly the data reviewed to make business decisions	

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE

DATE: AUGUST 17, 1995

RE: INVESTMENT POLICY UPDATE

VHFA Investment Officer, Scott Baker and I have been working on updating our internal investment policy along with a Board committee consisting of Chairman White and Commissioners Douglas, Seelig and Bradley. Many suggestions and helpful input from the Board members have resulted in the attached revised proposed investment policy.

The main changes from the existing policy were to include a performance measurement section, add a definition area, involve a socially responsible policy, adjust the Vermont bank investment parameters and clarify the overall goals. During a conference call with the committee held today, it was suggested to incorporate a diversification schedule to the policy. Scott and I will work on the schedule during the coming week and will have it available to be distributed at the Board meeting.

RECOMMENDED ACTION
Adopt the attached revised investment policy.

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

INVESTMENT POLICY

A. Goals

The overriding goal of the investment policy of the Agency is to provide optimum coverage of risk exposure and maintain liquidity necessary for future cash needs while maximizing the return on investments. Monies are deposited as soon as possible after receipt by utilizing such vehicles as sweep investment accounts in tandem with guaranteed investment contracts. An in-depth analysis is performed on each debt service date to identify investment alternatives for surplus cash in each program.

B. Definitions

1. Guaranteed investment contracts (GIC's) are agreements with top rated banks or insurance companies which have guaranteed long-term rates of return, but typically have draw provisions equal to short-term investments. Generally, collections of loan payments are required by credit rating agencies to be reinvested in GIC's.

2. Short-term investments are actual cash or highly liquid investments, such as money market accounts which mature or can be redeemed with no principal loss within one year.

3. Long-term investments are typically reserve funds for the various bond programs and are required to be invested for the term of the related bonds. Examples of long-term investments, those with maturities of more than one year, are government bonds, agency securities and flexible guaranteed investment contracts.

C. Eligible Investments

Investment obligations in the General Fund and various programs of the Agency must meet the credit standards of nationally recognized credit rating agencies, and are governed by individual resolution requirements which generally allow the following types of investments:

1. Direct general obligations of the United States and obligations which are unconditionally guaranteed by the United States, its agencies and instrumentalities. This also includes such instruments as:

Bank for Cooperatives
Export-Import Bank of the United States
Federal Farm Credit Bank
Federal Financing Bank
Federal Home Loan Bank System
Federal Home Loan Mortgage Corporation

Federal Intermediate Credit Banks
Federal Land Banks
Federal National Mortgage Association
Government National Mortgage Association
Rural Economic Community Development Service
Student Loan Marketing Association
Tennessee Valley Authority

2. Obligations of any state of the United States, or public agency or instrumentality of any state.

3. Repurchase obligations secured by collateral in which the Agency might invest directly.

4. Investment agreements with banks or bank holding companies, insurance companies, or other financial institutions which are rated at least A by nationally recognized credit rating agencies.

5. "Derivative" type investments which qualify under bond indenture requirements and in the aggregate do not exceed 5% of fund balances at any point in time.

6. Public housing bonds which are fully secured by a pledge of annual contributions.

7. For the following investment alternatives, collateral is required to be maintained at a level equal to the uninsured portion of the deposits. The collateral is required to be held by a third party, which may be a trust department of a depository bank.

Interest bearing time deposits, certificates of deposit or other depository arrangements with banks, insured under the Federal Deposit Insurance Corporation or similar insurance. Preference will be given to Banks located in Vermont when bids are comparable. For these types of deposits, collateral consisting of mortgages insured or guaranteed by the Federal Housing Administration, the Rural Economic Community Development Service or the Vermont Home Mortgage Guarantee Board is acceptable, as well as securities that the Agency may invest in directly.

8. Deposits may be targeted to entities that follow socially responsible policies when they provide a competitive rate of return and adhere to the requirements of the investment classification listed.

D. Diversification Requirement

The diversification requirement will be governed by Schedule A *{to be attached}*.

E. Prohibited Investments

Prohibited investments include any security which is not mentioned as a permitted investment above, unless it is rated as A or better by a nationally recognized credit rating agency.

F. Communications

The institution which holds the Agency's investments is required to provide the Agency or its trustee with reports on account investment activity as well as collateralization levels, if collateral is required, on at least a monthly basis. In the event of a rating downgrade below the minimum acceptable quality level stated herein, the investing institution must contact the Agency immediately to determine how to requalify the instrument as an eligible investment.

G. Performance Measurement

Investment performance will be measured against the following alternatives:

1. Short-Term Investments

   a. the average yield on the money market sweep vehicle
   b. the average yield on certificates of deposit for the equivalent period
   c. the average yield on U.S. Treasury Bills and other Government Agencies for the equivalent period

2. Long-Term Investments

   The investment objective of the long-term securities is to produce a total return at least as high as the corresponding bond cost, if possible. Any earnings in excess of the bond cost are generally subject to arbitrage regulations, and are rebated to the U. S. Treasury.

H. Approval

Any deviations from the stated investment policies are subject to approval by the Treasurer, Finance Director and the Investment Officer, and require consent from the VHFA Board of Commissioners.

VERMONT HOUSING FINANCE AGENCY

INVESTMENT POLICY

SCHEDULE A

Diversification requirements

The Agency shall structure its investment portfolio so that there is constant compliance with the following diversification limits:

Diversification limitations	Maximum % of portfolio
U.S. Government and Agency securities	100 %
U.S. Treasury money market funds	100 %
Guaranteed investment contracts	100 %
Fully collateralized certificates of deposit	25 %
Fully collateralized repurchase agreements	25 %
State and public agency securities	10 %
Public housing bonds	5 %
Derivative type securities	5 % of fund balance

VERMONT HOUSING FINANCE AGENCY
INVESTMENT SUMMARY
6/30/95

	FACE VALUE	*AMORTIZED COST*	*PORTFOLIO %*
Money Market			
Federated	$15,724,886.10	$15,724,886.10	9.93%
Investment Agreements			
Citicorp/Citibank	$10,761,542.61	$10,761,542.61	
Morgan Guaranty	$16,757,716.87	$16,757,716.87	
Pittsburgh National Bank	$6,748,248.15	$6,748,248.15	
Transamerica	$7,868,051.70	$7,868,051.70	
Prudential	$8,203,619.30	$8,203,619.30	
FGIC	$5,650,000.00	$5,650,000.00	
Assured Return Mgt	$50,586,000.00	$50,586,000.00	
TMG	$2,530,448.75	$2,530,448.75	
	$109,105,627.38	$109,105,627.38	68.91%
Certificates of Deposit			
VDCU	$100,000.00	$100,000.00	0.06%
U.S. Government Securities			
U.S. Treasuries	$16,786,000.00	$16,820,810.46	10.62%
U.S. Government Agencies			
FHLB	$8,399,916.30	$8,385,512.01	
FNMA	$4,717,930.83	$4,685,841.78	
TFLB	$1,270,000.00	$1,262,116.91	
FHLMC	$550,000.00	$540,068.94	
FHLMC-Derivative	$1,462,314.68	$1,462,314.68	
FFCB	$250,000.00	$250,000.00	
	$16,650,161.81	$16,585,854.32	10.48%
TOTAL	$158,366,675.29	$158,337,178.26	100.00%

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE

DATE: AUGUST 16, 1995

RE: MULTI-FAMILY BOND EARNINGS USAGE PLAN

Subsequent to the June 7 Board meeting, we engaged Evensen Dodge to review the various options associated with the excess earnings (yield compliance) generated by the refunding of the Multi-Family bonds on June 1. As discussed at the June Board meeting, Federal policies as they relate to HUD are under extreme scrutiny by Congress. These actions have made us much more cautious about committing future revenues, given that they may evaporate before they become available.

An executive summary as prepared by Evensen Dodge is attached to this memo. Their recommendations indicate a series of uses which focus on assisting existing portfolio loans and then utilizing remaining funds for new development. They also suggest that future commitments be made on a limited basis, generally a one to two year time frame.

RECOMMENDED ACTION

Approve in concept the recommendations included in the Evensen Dodge memorandum, with the understanding that the Board will approve on a case by case basis the actual commitment of funds.

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

EVENSEN DODGE INC

MEMORANDUM
(Executive Summary)

DATE: August 14, 1995

TO: Vermont Housing Finance Agency

FROM: Evensen Dodge Inc

SUBJECT: Multi-family Housing Bonds, 1995 Series A
Yield Compliance Alternatives

The 1995 Series A bonds were issued to refund three outstanding series of bonds. The yield on the existing loans transferred to the Series A bonds is more than what is permitted by the Internal Revenue Code. Therefore, the Agency has covenanted to take actions over time to bring the loan yield into compliance with the tax requirements.

The 1995 Series A bond issue will generate excess cash flow totaling $965,904 per year from 1996 to 2011. In order to be in yield compliance, the excess cash flow during the next sixteen years will need to be used for (i) grants, interest rate reductions, or principal forgiveness on existing loans and (ii) nonamortizing, interest free loans with a stated maturity of not earlier than 2014. In addition, the Agency needs to take additional steps between now and 2014 to be in compliance with yield requirements. For example, the Agency could immediately make nonamortizing, interest free loans totaling $3,355,483 with a stated maturity of not earlier than 2014, could immediately make grants of approximately $2,500,000 to pledged loan mortgagors, or could forgive $9,768,666 of loans on 2014. The dollar amounts in this paragraph would be reduced for the impact of any loan prepayments and for any loan losses which occur.

There are two important items which the Agency should take into consideration.

1. The Agency may need to provide subsidies to existing Section 8 projects. Both HUD and Congress are looking at ways in which to reduce the federal government's cost of this program. As a result, it is possible that the existing Section 8 projects under the 1995 Series A bond issue may not be able to support the high interest rate level on their loans. Therefore, the Agency should be prepared to assist these projects prior to making any loans for new projects. Currently, the Agency has earmarked $200,000 of the $965,904 per year for this purpose. This amount of subsidy is based upon decreasing Section 8 rents to 1987 contract rent levels. Substantial additional subsidies would be required if Section 8 rents are decreased to comparable rent levels.

601 Second Avenue South, Suite 5100, Minneapolis, MN 55402
612/338-3535 800/328-8200 FAX 612/338-7264

2. Evensen Dodge prepared a report on the Agency's financial condition in 1993. This report shows that the Agency's General Fund is expended by the year 2012 and concluded that the Agency should take advantage of future opportunities to improve its financial condition. Therefore, the Agency should use the nonamortizing, interest free loans to maximize the value of its existing assets prior to making any loans for new projects.

Recommendations

The "yield-compliance" loans should first be used for existing Agency financed projects, including Section 8 projects discussed above, or real estate owned which need financial assistance. This will reduce losses that the Agency would otherwise occur and will improve the Agency's long term financial position.

The Agency should make "yield-compliance" loans only as excess money from the 1995 Series A bonds becomes available or will become available within one or two years. The Agency will have $965,904 per year available. This series of annual decisions preserves the Agency's ability to react to future events.

The Agency should not transfer funds from its General Fund to make "yield-compliance" loans since this action would decrease the size of the General Fund and would restrict the funds until 2014. But the Agency should consider transferring existing loans purchased from VHCB to the 1995 Series A bond issue. These loans have characteristics for which interest rate reductions or loan forgiveness may be required or desirable whether they remain in the General Fund or are transferred to the 1995 Series A bond issue. This transfer of loans can reduce the amount of other yield-compliance actions otherwise required. Additional research is needed to determine whether a reduced interest rate would be acceptable to the borrowers of those loans due to tax consequences.

Loan forgiveness, as a final action needed for yield compliance, should be deferred either until a specific circumstance justifies this action or towards the end of the bond issue when an exact amount of forgiveness can be determined.

EVENSEN DODGE INC

MEMORANDUM

DATE: August 14, 1995

TO: Vermont Housing Finance Agency

FROM: Evensen Dodge Inc

SUBJECT: Multi-family Housing Bonds, 1995 Series A
Yield Compliance Alternatives

The 1995 Series A bonds were issued to refund three outstanding series of bonds. The yield on the existing loans transferred to the Series A bonds is more than what is permitted by the Internal Revenue Code. Therefore, the Agency has covenanted to take actions over time to bring the loan yield into compliance with the tax requirements.

The decisions to be made over the next nineteen years will be affected by future events. For example, uncertainties include the level of future loan prepayments, HUD's actions relating to establishing contract rents for projects with Section 8 contracts, and loan losses. Individual decisions and courses of action are also interrelated. Due to this dynamic situation, a simple course of action is not available. We would recommend that the Agency's Board establish general parameters within which future actions can take place.

Portfolio Management Tool

There will be opportunities to make new loans or provide loan forgiveness which will strengthen the Agency's financial position. When these opportunities arise, the Agency should place high priority on using the funds in this manner.

Evensen Dodge prepared a report on the Agency's financial condition in 1993. This report found that the (i) Agency's total fund balances were in the bottom second quartile nationally in comparison to other state housing agencies and that (ii) the Agency's risk profile was higher than many other state agencies due to its relatively large uninsured, unsubsidized rental housing loan portfolio. Since the report was issued, HUD and Congress have been looking at ways of reducing the cost of the Section 8 rent subsidy program which will likely have a negative impact on some of the Agency's loans.

601 Second Avenue South, Suite 5100, Minneapolis, MN 55402
612/338-3535 800/328-8200 FAX 612/338-7264

The report concluded that the Agency has the ability to repay its debt obligation under both the expected-case scenario and the economic-stress scenario. But the Agency's ability to support administrative operations is limited. Under the expected-case scenario, the General Fund is expended in the year 2012. Under the stress-case scenario, the General Fund is expended prior to the year 2000. An important point is that the Agency will have opportunities as time passes to take actions to improve its financial position. The Agency's need to come into yield compliance for the 1995 Series A issue is one of these opportunities.

Alternative Yield Compliance Strategies

Paine Webber and Kutak Rock have provided the Agency with a basic strategy and rules for yield compliance. These numbers assume no loan prepayments and no loan losses. The basic strategy is as follows.

1. Provide $200,000 of grants, interest rate reductions, or principal forgiveness to existing borrowers per year starting in February, 1996 and ending in February, 2011.

2. Make $765,904 of nonamortizing, interest free loans with a stated maturity of not earlier than February, 2014 per year on a semi-annual basis in February/August, 1996 and ending in February/August, 2011. In total, this amounts to $12,254,464 of loans over 16 years.

3. In addition to the above two actions, one of the following must be done.

   (i) Make nonamortizing, interest free loans with a stated maturity of not earlier than February, 2014 totaling $3,355,483 on May 31, 1995.

   (ii) Forgive $9,768,666 of existing loans or future loans on or before February, 2014.

Sources of Funds

In order to make loans, a source of funds needs to be identified. Potential sources of funds include annual excess cash flow from the 1995 Series A bonds, funds released from the Debt Service Reserve Fund, excess funds within the Bond Resolution, and the Agency's General Fund. Additional information on a couple of these sources of funds is provided below.

Debt Service Reserve Fund (DSRF)

These funds, if released as a result of a surety bond or letter of credit, would be available only for the existing Section 8 projects for which TEFRA hearings were held prior to the bond sale. Loans for new projects would not be eligible due to the TEFRA hearing requirement for bond proceeds.

The DSRF earns 5.81% (the bond yield) and its balance of $2,303,465 is used to retire bonds in February, 2014. The annual earnings on the DSRF are used to support the Agency's annual takeout from the Bond Resolution to the Agency's General Fund. The use of DSRF funds for loans would need to have a similar cash receipts pattern in order to redeem the bonds in February, 2014 and to have funds for the Agency's annual takeout. The implementation of the above would be difficult.

Yield compliance runs and cash flows would need to be prepared to determine the exact impact of using the DSRF in this way. To the extent that the loans are made at below the maximum allowable loan yield of 7.3123%, the result would be to either assist the Agency in complying with 3(i) above, reducing the amount of forgiveness needed in 3(ii) above, or reducing the amount of nonamortizing loans in 2 above. If the use of the DSRF for loans in conjunction with yield compliance sounds complex, it is.

This preliminary analysis of the use of the DSRF for loans has resulted in more negatives than positives. It would be difficult to match the cash flow from the loans to the existing cash flow of the DSRF investment. It would add to the complexity of the loan yield compliance strategies. Finally, the use of a letter of credit or surety bond for the 1995 Series A issue will decrease the amount of credit support it can obtain for other purposes such as for it single family bond issues.

Agency's General Fund

The Agency could transfer funds from its General Fund to the 1995 Series A bond issue to make nonamortizing, interest free loans with at stated maturity of not earlier than February, 2014 in order to comply with 3(i) above. The disadvantage of this option is that is solving the "worse-case" yield compliance situation since there may be other future events which may decrease the need for this action. In addition, it is decreasing the amount of funds in the Agency's General Fund.

The other option is to transfer existing loans held by the General Fund to the 1995 Series A bond issue. To the extent that the loans are below the maximum allowable loan yield of 7.3123% or are forgiven in whole or in part, this assists the Agency in yield compliance. To the extent that these loans are transferred and forgiven earlier rather than later, the impact on yield compliance will be greater.

Some problematic issues exist in the case of the loans purchased from the Vermont Housing Conservation Board (VHCB).

The first issue is the value of these loans. To the extent that they are poor quality loans or loans which will be possibly forgiven in the future in order to maintain the project for affordable housing, it becomes financially beneficial for the Agency to transfer these loans to the bond issue for yield compliance since a lower interest rate or loan forgiveness will likely occur anyway.

The second issue is a tax issue for borrowers of the VHCB loans. An interest rate reduction going forward may be acceptable and beneficial to the partnerships. But any loan forgiveness or interest forgiveness of accrued interest to date would probably not be acceptable to the partnerships at the current time. I would recommend that the Agency pursue these questions with the partnerships now so that the Agency will know whether this is an option which can be used.

Types of Yield-Compliance Loans

Newly originated multi-family loans or multi-family loans transferred from the Agency's General Fund are eligible if such loans are pledged to repay the 1995 Series A bonds. Bond counsel is currently exploring whether single family loans, which could be used for real estate owned, would be eligible to be made from the annual excess revenues. If this is permitted, this is an excellent opportunity to maximize the value of the Agency's real estate owned portfolio through the use of a 0% amortizing loan pool.

Recommendations

These yield-compliance loans should first be used for existing Agency financed projects or real estate owned which need financial assistance. This will reduce losses that the Agency would otherwise occur and will improve the Agency's long term financial position.

The Agency should make yield-compliance loans only as excess money from the 1995 Series A bonds is available or will become available within one or two years. This means the Agency should take actions consistent with action items 1 and 2 above. This series of annual decisions gives the Agency more flexibility as to how to use the funds and reduces the Agency's risk that more subsidies than required are made. One of the Agency's major concerns over time should be to maintain adequate subsidy funds, if needed, for the existing Section 8 projects before committing the funds to new projects.

Action item 3(i) should be considered for existing loans (such as VHCB) and not for new loans, since it is currently uncertain whether this amount of nonamortizing, interest free loans will be required. Actions under item 3(ii) will need to be evaluated on an ongoing basis and the preferable action is to forgive loans that have the lowest probability of repayment at their due date.

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE

DATE: AUGUST 17, 1995

RE: LINE OF CREDIT

We have recently had conversations with Howard Bank (our main trustee) about the possibility of providing a line of credit to VHFA. This discussion was initiated due to our increasing need for construction loan funding and our diminishing capacity to provide those funds from current resources. Our original thought was to see if there were some way to finance the purchase of our building through some type of tax-exempt rate. If the rate were low enough it would make sense for us to arbitrage the loan by utilizing the funds to make higher rate loans. After a review of our financial statements and research related to tax-exempt financing of our building, the Howard Bank determined that it made most sense for them to offer us a line of credit based on the strength of our financials and not involve the real estate.

Howard has offered us a $1 million line of credit for one year. Our charge for use of the funds would be 75% of the Prime Interest Rate. Currently, it would cost us 6.56% to access the line of credit. In addition we would be charged 10 basis point a year on any unused portion. There are still further details to be worked out, but this appears to be an important tool in our arsenal of money management options.

If this initiative is effective, we would suggest expanding its usage in the future by preparing a request for proposals to other Vermont banks to obtain the best competitive rate.

RECOMMENDED ACTION
Authorize staff to enter into an agreement for a line of credit offered by the Howard Bank, under the terms and conditions as listed above.

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Glenn A. Jarrett, General Counsel

DATE: August 17, 1995

RE: "Qualified housing project" in Brandon

****

Background:

Per 8 V.S.A. § 1108(b), banks can only invest in qualified housing projects, defined as "residential real estate in Vermont that is intended to primarily benefit lower income Vermonters throughout the period of investment, as determined by the board of commissioners of the Vermont housing finance agency." (emphasis added).

Housing Vermont has created a partnership, the Erastus Thayer Housing Limited Partnership, that recently acquired rental property in Brandon for the purpose of rehabilitating the units and creating eight units of permanently affordable housing (out of nine total units in the project). The rehabilitated units have been occupied since February, 1995.

The project has received a Low Income Housing Tax Credit Allocation and therefore has been reviewed by VHFA staff.

RECOMMENDED BOARD ACTION:

Approval of the attached resolution for a Housing Vermont partnership that is verified by Agency staff to be a "qualified housing project".

T:\board\hvmemo.895

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

RESOLUTION REGARDING DETERMINATION
OF QUALIFIED HOUSING PROJECT
PURSUANT TO 8 V.S.A. § 1108

WHEREAS, the Vermont Legislature has given the Vermont Housing Finance Agency ("VHFA") Board of Commissioners the duty of determining whether bank investments in residential real estate in Vermont are intended to primarily benefit lower income Vermonters throughout the period of the investment; and

WHEREAS, Housing Vermont has created a limited partnership, the Erastus Thayer Housing Limited Partnership (the "Partnership"), for affordable housing that banks have invested in through the Vermont Equity funds; and

WHEREAS, the development owned by the Partnership has received an allocation of low income housing tax credits from VHFA; and

WHEREAS, the development has been reviewed by VHFA staff for the purposes of such allocation of low income housing tax credits and staff agrees with the characterization of the development as a qualified housing project; and

WHEREAS, Housing Vermont has requested the VHFA Board of Commissioners to determine that development owned by the Partnership created by Housing Vermont that Vermont banks have heretofore invested in is a qualified housing project for purposes of 8 V.S.A. § 1108;

NOW, THEREFORE, the Board determines as follows:

The Erastus Thayer Housing Limited Partnership acquired rental property for rehabilitation of units and the creation of nine units of permanently affordable housing stock in Brandon. The project, which has been allocated low income housing tax credits, and has been placed in service, is a qualified housing project within the meaning of 8 V.S.A. § 1108.

T:\lihtc\branreso.895

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director, Ext. 221

DATE: August 22, 1995

RE: APPOINTMENT OF HOUSING VERMONT BOARD MEMBERS

As a sustaining member of Housing Vermont (HVT), we are entitled to appoint half of their Board membership. This year there are three positions we need to fill at their annual meeting on September 6, 1995. I recommend we reappoint for two year terms Mark Snelling (current chair of HVT) and John Simson, both of whom are original Board members appointed by us. Both John and Mark have a wealth of experience and have proven to be effective HVT Board members.

Robert P. Lord (resume enclosed) is president of E.F. Wall & Associates, a construction company based in Barre, Vermont. Bob was recommended by Les Seaver, another long term HVT Board member, and will provide much needed knowledge in the construction field. He would be appointed to serve a two year term as well.

I apologize for this late notice. The only excuse I have is that I was on vacation and completely forgot about needing to do this when the Board packages were being put together!

We will need to take formal action on these appointments at Thursday's meeting. Please call me if you have any questions or comments.

REQUESTED BOARD ACTION

Approval of Mark Snelling, John Simson, and Robert Lord as Directors of Housing Vermont for two year terms.

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

ROBERT P. LORD

I.	POSITION	President - Chairman of the Board
II.	EDUCATION	Burdett College Boston, Massachusetts
III.	RESPONSIBILITIES	General Administration Finance and Insurance
IV.	EMPLOYMENT RECORD	
	1983 - Present	President E. F. Wall & Associates, Inc.
	1970 - 1982	Executive Vice President E. F. Wall & Associates, Inc.
	1964 - 1970	Manager of Products Kelley Construction Company, Inc. Barre, Vermont
	1957 - 1964	Partner B. E. Lord & Sons, Inc. East Barre, Vermont
	1956 - 1957	Installer Blake's Linoleum & Floor Covering East Barre, Vermont
	1955 - 1956	Engineering Survey and Contract Supervision U. S. Government, Soil Conservation Service
	1953-1955	Corporal, U. S. Army Artillery

LIST OF ROBERT P. LORD, SR. ACTIVITIES

- Associated General Contractors of Vermont - Past President & Treasurer
- Central Vermont Economic Development Corporation - Director
- Northern New England Chapter of Metal Building Dealers Association - Director
- Chamber of Commerce - Committee Member
- E. F. Wall & Associates, Inc., President, Treasurer, Director
- Satlow, Inc. - Vice President, Director
- College Town Industrial Plaza - Partner
- College Town Industrial Plaza, Inc. - President
- East Atlantic Construction Co., Inc. - Director
- Davis Building Construction Co., Inc. - Director
- Wedgewood Tennis Unlimited - Director
- Barre Area Development - Director
- Vermont National Bank - Director
- Vermont Employer Support of the Guard & Reserve - Committee Member
- Barre Lions Club
- Barre Development Corporation - Stockholder
- Capitol Earthmoving - Vice President-Director
- Barre Regional Vocational Technical Center - Advisory Committee Member
- Oxbow Vocational Center - Heavy Equipment Operations Program Advisory Committee Member
- Vermont Technical College - Construction Practice & Management Advisory Committee
- Wall Street Investments - Partner
- Central Vermont Chamber of Commerce - Building Committee Chairman
- Housing of Vermont - Board of Directors
- Employer Support of the Guard & Reserves - State Chairman

RECOGNITION

Robert P. Lord, Sr. of Barre was selected as the Small Business Administration Vermont Small Business Person of the Year for 1986.

Bob, President of E. F. Wall & Associates, Inc. was one of the founders of the company in 1970. Since then, the company has grown steadily to its present size of approximately 125 employees.

E. F. Wall & Associates, Inc. was the first company to insulate buildings from the outside, and invented staging on wheels which could be moved around a building and up and down, avoiding the rigid staging and expense of building up and tearing down.

Bob and his wife, Shirley, were honored in special ceremonies in Washington, DC during Small Business Week, May 18 - 24, 1986.

Co-sponsoring Organizations:

Vermont Small Business Administration
Associated General Contractors of VT
Vermont State Chamber of Commerce
Central Vermont Chamber of Commerce
Central Vermont Economic Development Corp.

The Burlington Free Press

Money

Saturday, July 29, 1995

Business Editor
Julie Warwick, 660-1866
or (800) 427-3124

VHFA rates lowest in 19 years

Agency hopes drop boosts home sales

The Associated Press

The Vermont Housing Finance Agency, which provides mortgage loans to moderate-income residents, announced Friday that it was lowering its interest rate to the lowest level in 19 years.

The non-profit, state-affiliated agency, which provides about 800 mortgages a year, said it had lowered its interest rate on a flat-rate, 30-year mortgage from 8 percent to 7.55 percent.

VHFA officials said the offer was made possible by special financing through Fannie Mae, a federally backed investor in home loans. The $40 million program will enable about 600 borrowers to get financing for homes, officials said.

"VHFA financing makes the difference for those home buyers who may not qualify for conventional mortgage financing," VHFA Executive Director Allan Hunt said.

"I am pleased that VHFA is able to offer such attractive mortgage financing to stimulate the home buying market and to boost the overall economy of the state," Hunt said.

VHFA borrowers must not have owned a home in the previous three years if they're buying in Addison, Bennington, Chittenden, Grand Isle and Windsor counties; that restriction does not apply elsewhere.

Top purchase prices in Addison, Bennington and Windsor counties are $92,300 for an existing one-family, $104,000 for an existing two-family and $120,000 for a new house.

In the Burlington metropolitan area, which includes parts of Chittenden, Grand Isle and Franklin counties, price caps are $99,000 for a single-family, $107,000 for a two-family and $120,000 for new construction.

Those higher price caps also apply in other parts of state.

Income caps range from $36,700 for one- and two-member households in some parts of Vermont to $46,000 for larger household units in parts of Vermont where housing is more expensive.

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director
Paul M. Cummings, Development Officer

DATE: August 15, 1995

RE: Winchester Place Update -- **CONFIDENTIAL**

This is to update the Board on the status of Winchester Place.

RESTRUCTURING AGREEMENT

The negotiations between Housing Vermont ("HV", general partner), Merchants Bank (limited partner), St. Michael's College ("SMC", land lessor), and VHFA have been put on hold. Two primary reasons for this delay in the negotiation process are as follows:

1) SMC, the land owner and lessor, was dissatisfied with the revised Memorandum of Understanding (restructuring agreement) sent April 5, 1995. Specifically, SMC wanted a guarantee that Winchester Place would be conveyed to SMC ownership on or before year 33 (December 31, 2021) of the ground lease regardless of the status of subsidy repayments for other concerned parties, including VHFA. VHFA has determined that SMC's conveyance condition is unacceptable and would have to be resolved before negotiations could continue.

2) All of the Winchester Place concerned parties are awaiting the estimate of proposed rehabilitation required to replace signs of deterioration at Winchester Place. Areas of concern include rotting trim, eve fascias and soffits, rusting and corroding metal doors, and possible wall sheathing water damage. Based on the unexpected level of deterioration, VHFA and HV have determined that it is necessary to wait until we have received an accurate assessment of the problems and costs before finalizing the restructuring agreement.

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

ASSESSMENT OF DETERIORATION AND STRATEGY TO FUND REPAIRS

There have been several efforts to determine the level of deterioration at Winchester Place:

1) Based on observation, VHFA and HV determined that deterioration of wood trim and metal doors at Winchester place has occurred.

2) In an effort to further identify the level of deterioration at Winchester Place, HV commissioned an independent assessment of the property. This assessment, based on one site visit (observation only) and a review of the original plans and specifications, was completed on July 10, 1995 (the "July Assessment"). This assessment identified the following major areas at Winchester Place that may need repair/replacement: wood trim (rotting), vinyl siding (improperly installed), metal doors (rusting) and sheathing/structural members under siding (rotting in areas).

3) Because the July Assessment was based on observation and review of the plans only, VHFA and HV determined that a more detailed item-by-item assessment must be completed. HV is currently working with the consultant used to complete the July Assessment in an effort to create a comprehensive checklist that would enable an accurate assessment of replacement/rehabilitation costs.

Using the findings of the July Assessment, HV met with both the original architect (Wiemann-Lamphere Architects) and contractor (Kessel/Duff Construction) to discuss the level of deterioration at Winchester Place, possible causes, and feasible solutions/actions. Based on these meetings, HV has indicated that both the architect and contractor would like to cooperate in efforts to resolve the deterioration problem at Winchester Place.

HV proposed to the contractor that they replace deteriorating items at cost (no profit). Based on this proposal, HV needs to determine how this replacement would be paid for.

In a meeting between VHFA and HV it was suggested that the primary strategy be to focus on the contractor's and/or architect's liability insurance. Attorneys from both VHFA and HV are looking into the issue and intend to reach a preliminary agreement between the architect, contractor and insurance carriers in as soon as 30 days.

RECOMMENDED ACTION

Continue Board authorization of December 16, 1994, to the Executive Director to negotiate an agreement with the key parties and to commit the Agency upon consultation with and approval by the Chairman of the Board.

vhfa

VERMONT HOUSING FINANCE AGENCY

September 13, 1995

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

Dear Ms. Carpenter:

The Vermont Housing Finance Agency will be having its regular monthly Board Meeting on Thursday, September 21, at 1:30 p.m., here at our office, 164 St. Paul Street, Burlington, Vermont.

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

Sincerely,

Barbara M. Parker

Barbara M. Parker
Executive Assistant

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director

DATE: September 18, 1995

RE: CONFIRMATION OF UPCOMING BOARD CONFERENCE CALL

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held at 1:30 p.m. Thursday, September 21. The call will originate from our offices here at 164 St. Paul Street, Burlington, Vermont.

Attached is the information you will need for the discussion.

Please feel free to contact me should you have any questions prior to the meeting. I look forward to talking with you from Burlington at 1:30 September 21!

REMINDER The October meeting has been rescheduled to Thursday, October 12.

VERMONT HOUSING FINANCE AGENCY

VHFA BOARD MEETING AGENDA
CONFERENCE CALL
164 St. Paul Street
Burlington, Vermont

Thursday, September 21, 1995 at 1:30 p.m.

1. Finance
   - ⌂ Line of Credit **[Schoenbeck//Enclosure]**

2. Development
   - ⌂ Morrisville Scattered Sites **[Erdelyi//Enclosure]**

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

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE

DATE: SEPTEMBER 18, 1995

RE: LINE OF CREDIT

We have continued to have discussions with the Howard Bank regarding the $1 million line of credit that was discussed at the last Board meeting. As you may remember, Howard had originally offered us a rate calculated at 75% of the Prime Rate. The pricing was based on their expectation that we would qualify any draws under the line of credit as tax exempt. After discussions with bond attorneys, it was determined that the qualification on a tax exempt basis was not feasible.

Not surprisingly, Howard has adjusted their pricing on the line of credit because it is now a taxable loan. They have now offered us a rate calculated at LIBOR (London Inter Bank Offering Rate) plus 75 basis points. As of Friday, September 15th LIBOR was at 5.875% for terms of one, three, six months and a year. The LIBOR index is the most widely recognized rate in the world, is highly liquid and more responsive to global economic conditions. Since 1987, LIBOR has consistently tracked the Prime Rate, averaging about 223 basis points under prime with a maximum 300 basis points and a minimum of 94 basis points differential. The index offered would translate to a 6.625% rate to VHFA. Under the original pricing of Prime at 75%, our rate would be 6.56%. The new index would be 6.5 basis points higher. The Board gave us discretion to negotiate a rate with Howard based on the original calculation plus 5 basis points. I believe that the current offer from the Howard is the best that we will be able to do, even though the rate translates to slightly higher than the Board parameters.

RECOMMENDED ACTION

Authorize staff to enter into an agreement for a line of credit offered by the Howard Bank, under the terms and conditions as listed above.

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Joseph A. Erdelyi, Multifamily Development Underwriter

DATE: September 18, 1995

RE: Morrisville Scattered Sites permanent financing

Executive Summary

The Lamoille Housing Partnership, Inc. (LHP) has applied to VHFA for $115,074 in permanent first mortgage financing. The proposed project consists of ten units in three buildings on Cherry, Summer, and George Streets in Morrisville (see attached site map). The rehabilitation plan includes: reconfiguration of some of the unit layouts, VEIC-recommended energy improvements, lead paint abatement, and interior fixtures and finishes.

The seller of one property has informed the sponsor that he is unwilling at this time to extend the deadline for closing in the Purchase and Sales Agreement beyond September 30. For this reason, staff have accommodated the sponsor's request to present this proposal to VHFA's Board of Commissioners in September. By obtaining a Letter of Interest from VHFA, the sponsor intends to either obtain an extension from the seller or to close on the acquisition of this property using non-VHFA funds.

A summary of sources and uses of funds, rents, operating expenses, and financial projections is attached.

THE DEVELOPMENT

Projected Funding Sources

VHFA First Mortgage	$116,130	17.62%
VHCB Grant	$170,000	25.79%
HOME Grant	$338,872	51.41%
VHCB Feasibility Grant	$6,900	1.05%
VHCB Lead Paint Program Grant	$25,700	3.90%
Energy Grant	$1,500	.23%
Totals	$659,102	100.00%

The loan to value ratio for the VHFA financing is approximately 42%. The VHFA loan to cost ratio is approximately 18%.

Unit Breakdown and Rents

Eight of the ten units are targeted to families at or below 60% of median income, as required by the HOME funding requirements. (Three of those eight are targeted to households at or below 50% of median). The remaining two households are at or below 80% of area median income. The unit size and rent breakdown is as follows:

Size	#	Rents
0 BR	1	$289
1 BR	2	$295-$400
2 BR	4	$353-$450
3 BR	3	$507

These rents include heat and hot water. Tenants will pay for electricity and electric cooking.

This project contains three apartments that are currently renting for substantially less than the market rent (from $58 to $218 per month below the rent LHP would charge). To ease the rent shock on these tenants while avoiding displacement, LHP has proposed a sinking fund of $16,500, to subsidize these units over a seven year period. Staff has evaluated this proposal and recommends that this fund be initially capitalized at $11,000, which is sufficient to cover the projected subsidies. To the extent that the rehabilitation budget or any other line item in the development budget is not ultimately needed, the VHFA loan amount and the sinking fund will be reduced accordingly.

Sponsor, Management & Market

LHP has developed 23 units of affordable rental housing and eight units of owner-occupied housing; Jane Milner is the Executive Director of the Lamoille Housing Partnership. In 1994 LHP, in partnership with Housing Vermont, was involved with the development of a 12 unit, two building HOME/tax credit project that included acquisition and rehabilitation of older structures on Congress and Park Streets in Morrisville. The construction cost estimator (Steve Pitkin) and the proposed management agent (Technical Planning and Management) for this project both worked on the Congress and Park project. TPM will maintain waiting lists for tenants for both projects, making their management presence in Morrisville more efficient. LHP has 11 of the 12 units at Congress and Park street filled, and based on her experience, Ms. Milner perceives a strong demand for rental housing in Morrisville. In the proposed project, nine units are currently occupied. The Purchase and Sales Agreements specify that as tenants move out, the owner will not rent the units (so that compliance with the HOME occupancy restrictions will be easier for LHP after they acquire the properties).

In the operating budget submitted, LHP included a line item of $10 per unit per month for their own management oversight. Staff have considered this proposal and recommend that such an expense not be included in the budget, but rather allowed as a distribution from cash flow. In the past, cash distributions have usually been permitted as a return on an equity investment. For this project, staff recommends that this distribution only be permitted if certain conditions are met. For years one through three of project operation, the cash flow projections were run with a 10% vacancy/rent loss rate (double the rate otherwise used), to cover the initial difficulties in establishing the project. During these years, the LHP cash distribution would only be approved if the actual vacancy rate is below this level. From year 4 and on, the distribution would be approved as long as net cash (cash remaining after payment of all expenses and debt service) is positive. LHP is agreeable to this structure.

Site & Environmental Concerns

The scope of work will include abatement of any identified environmental hazards. The sponsor has commissioned a Level I Environmental Site Assessment, as well as testing for lead and asbestos. Lead paint abatement will follow the protocols of the VHCB Lead Paint Program, which is providing funding. The buildings are approximately 80 years old, and preliminary results indicate that they contain some hazardous materials. Temporary relocation of the tenants during construction has been budgeted.

Currently the building on Cherry Street contain 5 apartments, which is an illegal non-conforming use. However, this lot and the George Street property are adjacent. By acquiring both properties, LHP will have seven units on these two lots, which is reportedly permitted by zoning.

DISCUSSION

The Board should note that this project was evaluated with slightly different underwriting standards than recent projects. A more detailed description of these underwriting changes will be provided at the October Board meeting. The changes from previous practices are: 1) greater focus on the first year's operating budget, with considerably more emphasis on verifying each line item; 2) income and expense trending ratios that were determined by the specific project, including an analysis of historical tax and water bills for these specific properties; and 3) changes to the emphasis given to cash flow projections. A greater emphasis is placed on earlier years, when the projections can be made with some accuracy. The projections were run with the vacancy rate doubled from 5% to 10% for the first three years to allow for greater stresses on the project that usually occur in initial years. Also, the cash flow projection was only run for 15 years because of the inaccuracies that develop in long term projections of this nature. The net result is that the project has the capacity for more debt than requested, and based on the rehabilitation budget and sinking fund the total debt anticipated at this time is $116,130.

Strengths

a) The development team have had recent experience with a similar rehabilitation in the same market, and therefore should be able to accurately assess the effort required for this project.

b) VHFA would have a low overall loan-to-value ratio (42%), first mortgage position with a loan of approximately $11,600 per unit, and the debt coverage ratio in the first year is 1.36 to 1. The loan security looks strong.

Weaknesses

a) The rehabilitation budget is based on a preliminary estimate by Steve Pitkin; while his estimates tend to be accurate, there results of the Level I Environmental Site Assessment, lead paint and asbestos tests could affect this budget. Until these results can be quantified, and until the plans and specifications are further developed, the rehabilitation budget remains open. Staff have, however, increased the rehabilitation budget by $7,000 to offset this uncertainty; if not needed, the VHFA loan amount would be reduced.

RECOMMENDATION

Staff recommends Board approval of the attached Resolution to provide a Letter of Interest to provide permanent financing in an amount of up to $120,000, loan term of 25 years and interest rate of 7.22%. Staff further recommends that the Board authorize the Executive Director to issue a Commitment Letter upon satisfaction of certain conditions described below. The proposed source of funds is recycled Section 8 funds. The Letter of Interest shall include the following conditions:

1) sponsor must provide a Level I Environmental Site Assessment and testing for lead and asbestos, with satisfactory remediation measures being incorporated into the work specifications; and

2) sponsor must provide written confirmation by town that five units at Cherry Street and two at George Street will be an acceptable density, once both properties come under common ownership.

The Commitment Letter shall be subject to the following conditions:

1) sponsor must provide final plans and specifications for VHFA approval;

2) sponsor must provide evidence of competitive bidding;

3) VHFA approval of the final selection of management agent.

S:\DEVEL\MFLOAN\PROJECTS\MORSCATT.WQ1

ect:	Morrisville Scattered Sites	15-Sep-95

Total Residential Units:	10	Increase, Restricted	2.4%
Restricted Units:	10		
Percent Restricted:	100.00%	Overall Expense increase:	5.2%
Avg Net Monthly Rent:	378		
Total Dev Costs	659,102		
TDC/Unit	65,910		
		Vacancy Rate, years 1-3:	10.00%
		Vacancy Rate, year 4 +:	5.00%

FINANCING SOURCES

	Amount	% of TDC	Interest	Term	Amortization Period
VHFA First Mortgage Debt	116,130	17.62%	7.22%	25	25
VHCB Grant	170,000	25.79%	0.00%	0	0
HOME Grant	338,872	51.41%	0.00%	0	0
VHCB Feasability Grant	6,900	1.05%	0.00%	0	
Lead Grant	25,700	3.90%	N/A	N/A	
Energy Grant	1,500	0.23%	N/A	N/A	
	659,102	100.00%			

Morrisville Scattered Sites	DEVELOPMENT BUDGET		15-Sep-95
	Budget	Per Unit	Per s.f.
ACQUISITION & CONSTRUCTION			
		0	0.00
Purchase of Land & Buildings	258,000	25,800	40.24
Demolition		0	0.00
Rehabilitation	270,000	27,000	42.11
Permits	1,000	100	0.16
LEAD ABATEMENT	20,700	2,070	3.23
ASBESTOS ABATEMENT	3,200	320	0.50
General Requirements 0.00%		0	0.00
Contractor Overhead 0.00%		0	0.00
Contractor Profit 0.00%		0	0.00
Construction Contingency 8.92%	26,300	2,630	4.10
APPLIANCES		0	0.00
Subtotal	579,200	57,920	90.33
PROFESSIONAL SERVICES			
Architect - Preliminary & As-Built	4,800	480	0.75
Architectural & Engineering	15,780	1,578	2.46
COST ESTIMATE	1,050	105	0.16
Attorney	2,000	200	0.31
Legal - Title & Recording		0	0.00
Subtotal	23,630	2,363	3.69
INTERIM COSTS			
Construction Insurance		0	0.00
Construction Interest		0	0.00
Construction Loan Origination Fee		0	0.00
Taxes		0	0.00
Subtotal	0	0	0.00
OTHER SOFT COSTS			
Property Appraisal	1,050	105	0.16
LEAD & ASBESTOS TEST	1,800	180	0.28
Environmental Report	700	70	0.11
ENERGY AUDIT	1,500	150	0.23
RELOCATION	6,472	647	1.01
Subtotal	11,522	1,152	1.80
FINANCING FEES & EXPENSES			
TAX & UTILITY PRORATION	2,250	225	0.35
Permanent Loan Origination Fee	1,500	150	0.23
Credit Enhancement		0	0.00
Cost of Issuance		0	0.00
Title & Recording		0	0.00
Counsel's Fee		0	0.00
Other		0	0.00
Subtotal	3,750	375	0.58
SYNDICATION COSTS			
Organizational (Partnership)		0	0.00
Bridge Loan Fees & Expenses		0	0.00
Tax Opinion		0	0.00
Subtotal	0	0	0.00
DEVELOPER'S FEES			
Developer's Overhead & Profit	25,000	2,500	3.90
Consultant Fees		0	0.00
Subtotal 4.77%	25,000	2,500	3.90
PROJECT RESERVES			
Rent-up (Deficit Escrow) Reserve		0	0.00
Replacement Reserve		0	0.00
Working Capital	5,000	500	0.78
Operating Reserve/Sinking Fund	11,000	1,100	1.72
Subtotal	16,000	1,600	2.50
TOTAL DEVELOPMENT COSTS	659,102	65,910	102.79

Morrisville Scattered Sites | INCOME & EXPENSE BUDGET | 15-Sep-95

INCOME

RENTS

Restricted Units

Bedrooms	Targetted to	Sq.Feet	Number	Rent	Utilities	Total Annual Rent
0 Br	50% Median		1	289		3,468
1 Br	50% Median		1	295		3,540
1 Br	80% Median		1	400		4,800
2 Br	50% Median		1	353		4,236
2 Br	60% Median		1	446		5,352
2 Br	60% Median		1	446		5,352
2 Br	80% Median		1	450		5,400
3 Br	60% Median		3	507		18,252
	Totals	0	10			50,400

Market Rate Units

Bedrooms	Type	Sq.Feet	Number	Rent	Utilities	Total Annual Rent
1 Br			0	0		0
2 Br			0	0		0
3 Br			0	0		0
	Totals	0	0			0

All Units

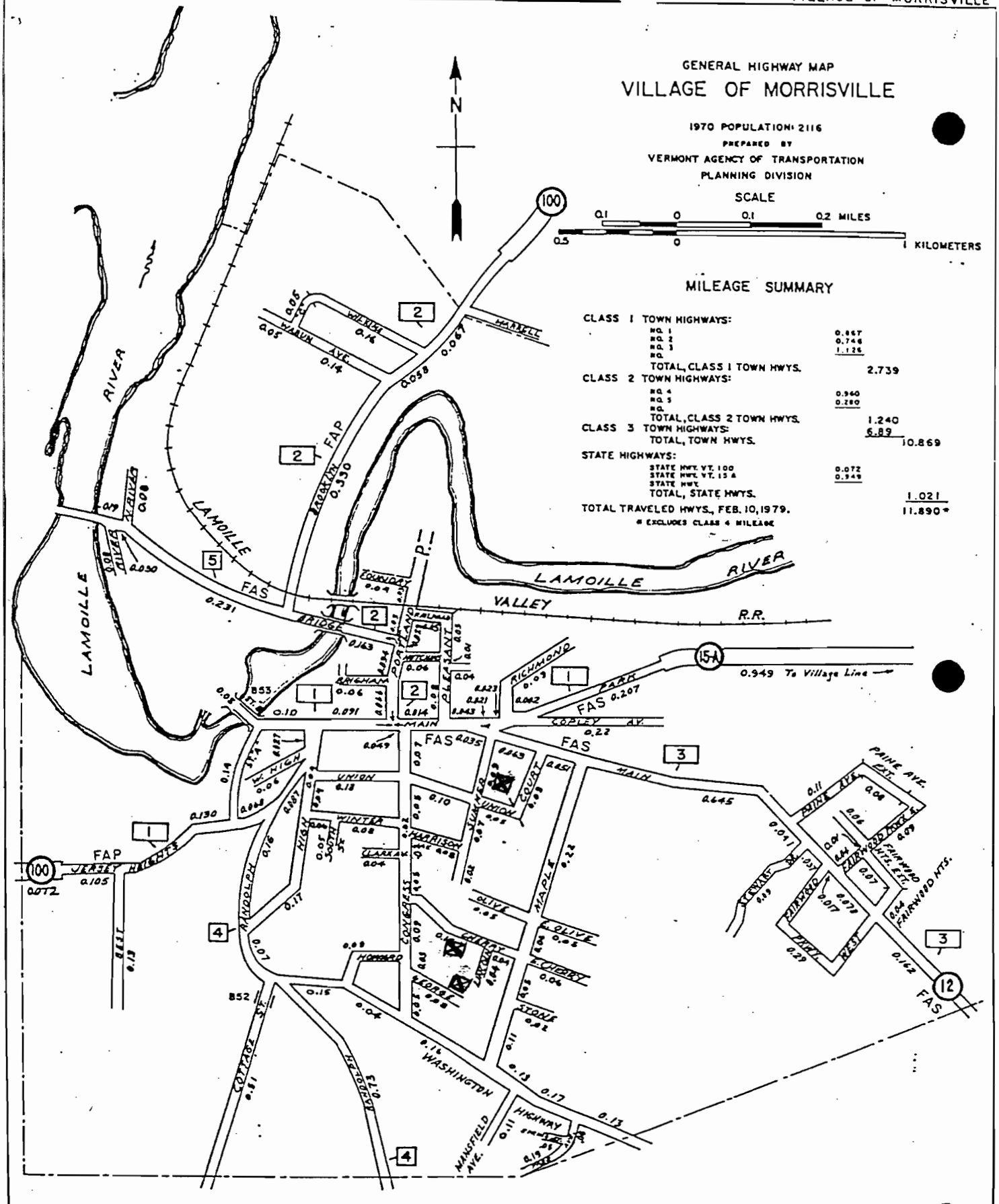
Grand Totals	0	10			50,400
	Less Vacancy	10.00%			(5,040)
				NET RENT	45,360

OTHER INCOME

	Interest Income				0
	Laundry				1,560
	Parking				0
	Total Other Income				1,560
				TOTAL INC	46,920

Morrisville Scattered Sites	EXPENSE BUDGET			15-Sep-95
	Annual	Monthly	Per Unit Per Month	
Administration				
Management Fee	4,200	350	35	8.3%
Marketing	240	20	2	
Bookkeeping	360	30	3	
Legal	600	50	5	
		0	0	
		0	0	
		0	0	
		0	0	
		0	0	
		0	0	
TOTAL ADMINISTRATIV	5,400	450	45	
Utilities				
Water	975	81	8	
Sewer	2,160	180	18	
Other (LP Cooking)	497	41	4	
Electric	2,688	224	22	
Fuel - Heat	1,932	161	16	
Fuel - Hot Water	647	54	5	
TOTAL UTILITIES	8,899	742	74	
Maintenance				
		0	0	
Supplies	120	10	1	
Trash Removal	1,440	120	12	
Snow/Grounds	1,440	120	12	
Repairs	4,800	400	40	
Paint/Decorating	1,080	90	9	
		0	0	
		0	0	
		0	0	
		0	0	
Other		0	0	
TOTAL MAINTENANCE	8,880	740	74	
Taxes	6,250	521	52	
Insurance	2,040	170	17	
Replacement Reserves	1,800	150	15	
Other		0	0	
Total	33,269	2,772	277	

15.5...95		Morrisville Scattered Sites			PRO FORMA											
	Year	1	2	3	4	5	[redacted]	7	8	9	10	11	12	13	14	15
Residential Rent		50,400	51,610	52,848	54,117	55,415	56,745	58,107	59,502	60,930	62,392	63,890	65,423	66,993	68,601	70,247
Less Res Vacancy		(5,040)	(5,161)	(5,285)	(2,706)	(2,771)	(2,837)	(2,905)	(2,975)	(3,046)	(3,120)	(3,194)	(3,271)	(3,350)	(3,430)	(3,512)
Plus Other Income		1,560	1,597	1,636	1,675	1,715	1,756	1,799	1,842	1,886	1,931	1,978	2,025	2,074	2,123	2,174
Total Actual Income		46,920	48,046	49,199	53,086	54,360	55,664	57,000	58,368	59,769	61,204	62,673	64,177	65,717	67,294	68,909
Less Operating Expense		31,469	32,950	34,524	36,198	37,980	39,878	41,900	44,057	46,360	48,819	51,447	54,257	57,265	60,486	63,937
Less Reserves		1,800	1,843	1,887	1,933	1,979	2,027	2,075	2,125	2,176	2,228	2,282	2,337	2,393	2,450	2,509
Net Operating Income		13,651	13,253	12,788	14,955	14,401	13,760	13,025	12,186	11,233	10,157	8,944	7,583	6,059	4,358	2,464
Less Debt Service		10,046	10,046	10,046	10,046	10,046	10,046	10,046	10,046	10,046	10,046	10,046	10,046	10,046	10,046	10,046
Cash Flow		3,605	3,207	2,742	4,909	4,355	3,715	2,979	2,140	1,188	111	(1,102)	(2,463)	(3,987)	(5,687)	(7,582)
Plus: Operating Subsidy		0	0	0	0	0	0	0	0	0	0	1,102	2,463	3,987	5,687	7,582
Net Cash		3,605	3,207	2,742	4,909	4,355	3,715	2,979	2,140	1,188	111	0	0	0	0	0
DCR		135.89%	131.92%	127.29%	148.87%	143.35%	136.98%	129.66%	121.30%	111.82%	101.10%	89.03%	75.48%	60.32%	43.38%	24.52%
Beginning Balance		11,000	9,341	8,035	7,609	9,673	12,386	15,154	17,481	19,071	19,759	20,452	20,066	18,306	14,960	9,796
Plus Cash Flow		3,605	3,207	2,742	4,909	4,355	3,715	2,979	2,140	1,188	111	0	0	0	0	0
Plus Interest	3.5%	448	383	329	352	415	499	583	649	688	693	716	702	641	524	343
Less Subsidy		(5,712)	(4,896)	(3,497)	(1,998)	(856)	(245)	(35)	0	0	0	(1,102)	(2,463)	(3,987)	(5,687)	(7,582)
Less LHP Distribution	10	0	0	0	(1,200)	(1,200)	(1,200)	(1,200)	(1,200)	(1,188)	(111)	0	0	0	0	0
Ending Balance		9,341	8,035	7,609	9,673	12,386	15,154	17,481	19,071	19,759	20,452	20,066	18,306	14,960	9,796	2,556
Subsisdy for Low Rent Units:		7	6	5	4	3	2	1	0	0						
200	20,644	5,712	4,896	4,080	3,264	2,448	1,632	816	0	0						
218	15,933	5,712	4,896	3,497	1,998	856	245	35	0							
58																
No. of Years:	7															


GENERAL HIGHWAY MAP
VILLAGE OF MORRISVILLE
1970 POPULATION: 2116
PREPARED BY
VERMONT AGENCY OF TRANSPORTATION
PLANNING DIVISION
SCALE
0.1 0 0.1 0.2 MILES
0.5 0 1 KILOMETERS
N
MILEAGE SUMMARY
CLASS 1 TOWN HIGHWAYS:
NO. 1 0.857
NO. 2 0.746
NO. 3 1.126
TOTAL, CLASS 1 TOWN HWYS. 2.739
CLASS 2 TOWN HIGHWAYS:
NO. 4 0.960
NO. 5 0.280
TOTAL, CLASS 2 TOWN HWYS. 1.240
CLASS 3 TOWN HIGHWAYS: 6.89
TOTAL, TOWN HWYS. 10.869
STATE HIGHWAYS:
STATE HWY. VT. 100 0.072
STATE HWY. VT. 15 A 0.949
STATE HWY.
TOTAL, STATE HWYS. 1.021
TOTAL TRAVELED HWYS., FEB. 10, 1979. 11.890*
* EXCLUDES CLASS 4 MILEAGE
RIVER
LAMOILLE
LAMOILLE RIVER VALLEY R.R.
FAP
FAS
0.949 To Village Line
MAIN
UNION
HIGH
WINTER
HARRISON
CLARK
COURT
OLIVE
CHERRY
STORE
MAPLE
PAINE AVE. EXT.
FAIRWOOD HTS. EXT.
FAIRWOOD HTS.
PARK AVE.
PARK WEST
RANDOLPH
CONGRESS
HOWARD
COTTAGE ST.
HARRISON ST.
WASHINGTON
HIGHWAY
MANSFIELD AVE.
WILKINS
MARVIN AVE.
MARVELL
FRANKLIN
BRIDGE
ARNHAM
POMEROY
PLEASANT
RICHMOND
PARK
COPLEY AV.
JERSEY HIGHLANDS
0.072
852
853

RESOLUTION PERTAINING TO LETTER OF INTEREST
RE: LAMOILLE HOUSING PARTNERSHIP, INC. (MORRISVILLE)

WHEREAS, a proposal has been presented to the Agency by the Lamoille Housing Partnership, Inc., a non-profit corporation located in Morrisville, Vermont (the "Sponsor") involving the acquisition and rehabilitation of three multi-family residential properties containing ten units on Cherry, Summer, and George Streets in Morrisville (the "Development"); and

WHEREAS, the proposal contemplates a permanent mortgage loan of up to $120,000 amortized over a period of 25 years with an interest rate of approximately 7.22% per annum; and

WHEREAS, the Sponsor has received conditional commitments for grants from the Vermont Housing and Conservation Board and from HOME funds; and

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Joseph Erdelyi dated September 18, 1995 containing information and recommendations about the Development (the "Memorandum");

It is hereby DETERMINED:

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

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

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

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

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

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

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a first mortgage loan to Lamoille Housing Partnership, Inc. for the acquisition and rehabilitation of the Development in Morrisville in an amount not to exceed $120,000. The term of the loan will be 25 years and the interest rate will be 7.22% per annum. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, construction financing, or for other purposes with the consent of the Agency.

2. The Letter of Interest shall require the Sponsor to provide the following items in form and content satisfactory to the Agency:

   a) sponsor must provide a Level I Environmental Site Assessment and testing for lead and asbestos, with satisfactory remediation measures being incorporated into the work specifications; and

   b) sponsor must provide written confirmation by the Town of Morrisville that five units at Cherry Street and two at George Street will be an acceptable density, once both properties come under common ownership.

3. The Executive Director may, in his discretion, issue a Commitment Letter for a loan for the acquisition and rehabilitation of the Development, in an amount to be determined by the Executive Director, but not to exceed $120,000. The loan shall bear interest at a rate of 7.22 percent per annum for a term of 25 years. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish, including but not limited to the following documents that must be submitted in form and content acceptable to the Agency:

   (a) Final plans and specifications for the rehabilitation of the Development;

   (b) Evidence of competitive bidding for construction contract; and

   (c) Approval of the final selection of the management agent.

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

T:\devel\mvillint.res

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director ASH

DATE: September 11, 1995

RE: CANCELLING SEPTEMBER BOARD MEETING AND RESCHEDULING OCTOBER BOARD MEETING

This is to notify you that the September meeting of the Vermont Housing Finance Agency Board of Commissioners has been cancelled. The next Board meeting will be held at 1:30 p.m. on Thursday, October 12, in Montpelier. (The agenda and Board packet will be mailed to you on October 6.) Chairman White will be unavailable during October, due to a previously scheduled vacation, and Vice Chairman Seelig will host the October meeting. Commissioner Randall will also be unable to attend the meeting.

At some point in September the Board will probably need to meet via conference call, for no more than one-half hour, to discuss a few development projects that are in process. You will be given ample warning before the conference call is scheduled.

Attached is a copy of the proposed final "Home Improvement Loans Rules and Regulations." At the August 24 Board meeting, several members had requested a copy of these Rules for review, since the Rules were originally submitted to the Board in January. No comments were received during the public comment period.

Please feel free to contact me should you have any questions. I look forward to meeting with you in Montpelier on October 12.

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY
HOME IMPROVEMENT LOANS
RULES AND REGULATIONS

I: SCOPE AND DEFINITIONS

A. Scope and Authority

These rules are made and published pursuant to Section 621(12), Section 623(a)(2), and Section 622(7) of Title 10, Vermont Statutes Annotated, being the Vermont Housing Finance Agency Act of 1974, as amended ("the Act") and relate to providing home improvement loans to eligible borrowers for rehabilitation of existing residential housing.

B. Purpose

The basic purpose of home improvement loans is to encourage and preserve an adequate supply of safe and decent housing at reasonable cost for occupancy by persons and families of low- and moderate-income.

C. Definitions

The following words and terms, unless the context clearly indicates a different meaning, shall have the following meaning;

1. "Eligible Lender" means any bank or lending institution (including public agency or nonprofit organization) having an office in Vermont, and having a minimum of two years experience originating and servicing home improvement or home equity loans;

2. "Eligible Borrower" means persons and families of low- and moderate-income so defined from time to time by VHFA for purposes of its single-family programs, having due regard for changing economic conditions and the criteria set forth in 10 V.S.A. Section 601(11);

3. "Eligible Property" means residential housing located in Vermont which contains no more than four separate dwelling units, that has been completed and occupied for at least 90 days prior to the date of application for the home improvement loan, and is the principal residence of the borrower;

4. "Eligible Improvement" means permanent improvements, alterations, and repairs that protect, preserve, and improve the livability, accessibility, or energy efficiency of the property. In addition, costs and fees associated with completing improvements, alterations and repairs and obtaining a home improvement loan that are eligible for financing under HUD/FHA Title I requirements, the Vermont Home Mortgage Guarantee Board, or other insurance programs, may be included in the home improvement loan;

5. "Mortgage" means a mortgage deed, deed of trust, or other instrument which shall constitute a lien on real property in fee simple or on a leasehold having a remaining term, at the time such mortgage is acquired, consistent with the Act;

6. "Real Property" means all lands, including improvements and fixtures thereon, and property of any nature appurtenant thereto, or used in connection therewith, and every estate, interest and right, legal or equitable, therein including terms of years and liens by way of judgment, mortgage or otherwise and the indebtedness secured by such liens;

7. "Rehabilitation" means the improvement and repair of residential housing and facilities incidental thereto undertaken primarily to provide dwelling accommodations for occupancy by persons and families in the State;

8. "Residential Housing" means single family or multifamily residential housing comprised of not more than four units designed and used primarily to provide principal dwelling accommodations for persons and families, including the land and the improvements are situated on;

9. "VHFA" means the Vermont Housing Finance Agency created by the Act.

D. Waivers

The provisions of these rules may be waived by the Commissioners upon their determination that the application of such rules, in specific cases, may result in undue hardship and that such waiver is not inconsistent with the Act.

E. Separability

If any word, phrase, sentence, paragraph, section or part of these rules is finally adjudged by a court of competent jurisdiction to be invalid, such judgment shall not affect, impair, or invalidate the remainder of the rules.

II: APPLICATION PROCEDURES

A. Lender Participation Procedures

1. An Application and Commitment Agreement and a Loan Purchase and Servicing Agreement may be submitted by an Eligible Lender to VHFA. Execution of such agreements by VHFA will authorize the lender to originate, sell, and service home improvement loans made for the purchase of making Eligible Improvements to Eligible Properties.

2. Lenders shall receive a fee for originating/processing a loan application and a fee for servicing a loan purchased by VHFA.

3. All loans must be "direct loans" as defined by HUD/FHA Title I regulations. Loans involving "dealers" are not eligible.

4. Lenders shall be required to certify (a) as to the eligibility of the borrower, the property, and the proposed improvements in accordance with these regulations; and (b) that the borrower is a reasonable credit risk with reasonable ability to repay the loan obligation, according to the underwriting standards established by VHFA for home improvement loans.

B. Direct Lending Procedures

VHFA may receive applications from prospective borrowers and may make home improvement loans directly to eligible borrowers. In such cases, VHFA shall receive the origination/processing fee and shall determine that the conditions specified in paragraph A 4. of this section are met. VHFA may also elect to service home improvement loans originated by VHFA or an Eligible Lender or contract with another Eligible Lender or an organization specializing in the servicing of home improvement loans.

C. Applicant Certifications

Before the Note (loan) is signed the applicant must complete and sign a certification including:

1. The type and extent of proposed improvements, including a detailed written description of the work to be performed and the materials to be furnished and their estimated costs, or a proposal or contract to complete the work that describes in detail the work to be completed and estimated or actual cost;

2. A statement that the improvements to be financed by the loan shall be completed within six months and a completion certificate will be returned to the lender or VHFA within thirty days of completion;

3. A statement that VHFA or an authorized representative shall have the right to inspect the property at any time upon giving reasonable notice to the borrower(s);

4. Other reasonable certifications that may be required by VHFA to comply with the Act or regulations of the HUD FHA Title I program, VHMGB, or another insurer of home improvement loans.

III: FINANCING TERMS

A. Amount of Loan/Term

The maximum principal amount, loan fees, including loan fees that might be eligible for financing, and the term of a loan shall be determined from time to time by VHFA and will depend on the source of funds available to purchase home improvement loans, and requirements for HUD/FHA Title I Home Improvement Loans, the Vermont Home Mortgage Guarantee Board, or other insurance programs.

B. Repayment Provisions

The minimum monthly payment on a loan shall be $10.00. For example, for the principal amount desired, if a 20 year maturity (term) results in a monthly payment of less than $10.00, then the term shall be decreased to yield a monthly payment of not less than $10.00. There shall be no prepayment penalties, and the loan shall be paid in full upon sale of the property.

C. Security for Loans

At the option of VHFA, loans may be secured by the property being improved.

IV: LOAN SERVICING

A. Inspections

If the borrower fails to return a completion certificate to VHFA, or at its option after giving reasonable notice, VHFA may inspect the property to determine that the improvements specified in the Applicant Certification have been completed and that no unauthorized use has been made of loan funds. Such inspection may be made by the originating lender, the servicing lender or organization, VHFA staff, or any other VHFA authorized inspector.

B. Servicing and Collection of Payments

VHFA may service and collect payments itself or contract with one or more agents to service and collect payments.

vhfa

VERMONT HOUSING FINANCE AGENCY

October 2, 1995

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

Dear Ms. Carpenter:

The Vermont Housing Finance Agency will be having its regular monthly Board Meeting on Thursday, October 12, at 1:30 p.m., at the office of the Vermont Housing and Conservation Trust Fund, 136½ Main Street, Montpelier, Vermont.

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

Sincerely,

Barbara M. Parker

Barbara M. Parker
Executive Assistant

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director

DATE: October 6, 1995

RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held at 1:30 p.m. Thursday, October 12, at the office of the Vermont Housing and Conservation Trust Fund, 136½ Main Street, Montpelier, Vermont.

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

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Montpelier at 1:30 October 12!

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

VHFA BOARD MEETING AGENDA
Office of the Vermont Housing and Conservation Trust Fund
136½ Main Street
Montpelier, Vermont

Thursday, October 12, 1995 at 1:30 p.m.

1. Review and approval of minutes of August 24, 1995

2. Review and approval of minutes of September 21, 1995

3. Development
   - ⌂ Depot Street Refinance Permanent Financing **[Cummings//Encl.]**
   - ⌂ Multifamily Underwriting Standards Update **[Erdelyi//Encl.]**
   - ⌂ Home Improvement Loan Survey Results **[Crady//Encl.]**
   - ⌂ Update: Homeownership Counseling Centers **[Crady//Encl.]**

4. Operations
   - ⌂ Single Family Program Activity Report **[Lothrop//Enclosure]**

5. Multifamily Management
   - ⌂ Director's Report **[Falzone//Enclosure]**

6. Administration
   - ⌂ Executive Director's Report **[Hunt]**
   - ⌂ Supplemental Program for Lead Hazard Reduction Loans **[Francis//Enclosure]**

7. Finance
   - ⌂ FY95 Audit Results and Management Letter **[Schoenbeck//Encl.]**
   - ⌂ Preliminary Discussion of Single Family Bond Issues **[Schoenbeck//Encl.]**

8. Legal
   - ⌂ Ratification of Loan on Building 504 at Dalton Drive **[Jarrett/Enclosure]**

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

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

BOARD MINUTES
Vermont Housing Finance Agency
164 St. Paul Street
Burlington, Vermont

Thursday, August 24, 1995

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

Agency Staff: Mr. Hunt, Mr. Francis, Mr. Schoenbeck, Mr. Jarrett, Ms. Gent, Mr. Falzone, Mr. Lothrop, Mrs. Parker, Mr. Erdelyi, Ms. Crady, Mr. Baker, Ms. Mattoon, Ms. Underwood, Mr. Schroeder

Guests: Ms. Pond (Realty Resources, Chartered); Ms. Owre (Northern Community Investment Corporation); Ms. Beyer (Housing Vermont)

Although a quorum was not yet present at 10:35, but having been advised that Mr. Smith and Mr. Seelig would be joining the meeting shortly, Chairman White suggested that staff report on activities which would not require Board action.

Mr. Lothrop reviewed the "Single Family Program Activity Report for July," which was included in the Board packet. Reservation activity is strong and the MOVE program is doing well. The delinquency report shows an increase in delinquencies, primarily in one bank's portfolio of loans. This rising number of delinquencies appears to result from the bank's use of an automated system which results in delayed borrower contact, and efforts are underway to modify their strategies. Mr. Lothrop assured the Board that staff members plan to continue to meet with representatives of each of those banks with a high ratio of delinquencies. Graphs were displayed for the Board depicting delinquency comparisons between various participating lenders with similar-sized loan portfolios and also comparisons with the Agency's loan portfolio. Mr. Lothrop also reviewed the "Servicing Activity for July," as per his memo of August 16, included in the Board packet. No Board action was necessary.

The "Real Estate Owned (REO) Marketing Plan" as detailed in his memo of August 14, included in the Board packet, was reviewed by Mr. Lothrop. This memo describes current practices as well as some plans for selling REO properties on a more timely basis. Chairman White noted that if a conventional lender sells an REO property on favorable terms that are different from the manner in which properties are normally

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

sold, i.e., preferential financing or no down payment required, the bank may not be able to take the property out of REO status until the property comes into compliance with standard bank practices. This limitation is an issue from the standpoint of both bank regulators and auditors, and Chairman White advised staff to determine if this limitation applies to the Agency's REO portfolio as well. Mr. Schoenbeck assured the Board that as yet no REO properties had been financed at below market rates; however, he will discuss the issue with the auditors during the upcoming FY95 audit. Chairman White also noted that the losses on recent dispositions are significant and perhaps the Agency should consider taking the losses up front as the properties enter the REO portfolio. Mr. Schoenbeck reminded the Board that for the first time the Agency took property valuation losses in the prior fiscal year, based on recommendations from the auditors. Losses on properties held during FY95 will appear on the June 1995 financials once the audit is completed. The Agency's practice has been to calculate losses at the end of the fiscal year. Due to carrying costs, etc., actual losses were greater than originally anticipated. Mr. Lothrop explained that the primary reason properties enter REO status is due to domestic difficulty; a secondary reason is the borrower's loss of employment; and third, the borrower becomes over-obligated or has developed a disproportionate ratio of debt to income. Mr. Seelig, who had arrived during the previous discussion, asked about REO properties where the sale price is dramatically different from the outstanding principal balance; in these instances, the property may have been overvalued to begin with, which would suggest a review of the appraiser for that particular property. Mr. Lothrop assured the Board that staff is already reviewing the possibility of over-valuation by appraisers and closely tracking the value placed on and actual sale prices received for REO properties. No Board action was necessary.

Next, Mr. Lothrop reviewed his memo of August 4, included in the Board packet, regarding the "Auction of REO Properties" which was held June 25. This auction was viewed as an effective method of selling properties once other traditional methods have been exhausted. The biggest expense to the Agency is the length of time properties are held in the Agency's portfolio. Mr. Candon noted that the Agency's mobile home REO's had sold for less than $10,000, which would appear to indicate that the Agency should find less costly ways to dispose of these units. However, Mr. Lothrop advised the Board that these three mobile homes were located in the only mobile home park approved for financing by the Agency that is not run by a nonprofit, and that this park was not viewed favorably by the nearby community. Although mobile homes are still an affordable method of homeownership available to Vermonters, a mobile home on owned land would bring a higher sale price. Mr. Lothrop suggested that the Board may need to review the Agency's financing techniques for mobile homes at some future date. Mr. Hunt reported that he had attended the auction briefly and found it to be well run and well attended. No Board action was taken, but it was generally agreed that future auctions should be considered for the disposal of REO properties.

As Mr. Smith had arrived during the previous discussion, Chairman White noted that a quorum was now present and called the meeting to order at 11:00 a.m. Upon a motion duly made by Mr. Seelig and seconded by Ms. Randall, the minutes of June 7, 1995, were accepted as written.

The Annual Meeting and Election of Officers was held next, and Chairman White nominated Mr. Seelig, the most senior member of the Board, as vice chairman. This nomination was seconded by Ms. Randall. A motion was then made by Mr. Candon and seconded by Ms. Randall to accept the "Resolutions Adopted at the Annual Meeting" as attached to these minutes; this motion carried unanimously.

Mr. Erdelyi then reviewed the "August 1995 LIHTC Reservations" as described in his memo of August 17, included in the Board packet. Allocations were considered for three out of the five properties submitted for review. Mr. Candon observed that the sponsor for one of the properties had been requested to demonstrate market demand, but this was not requested for the other properties. In response, Mr. Erdelyi noted that one of the other properties is already occupied, and the other has a list of interested tenants for the units being created. Mr. Seelig advised the Board that the Vermont Housing and Conservation Board (VHCB) had deferred a decision on the Woodlands project at their most recent meeting, with plans calling for reconsidering the project at their November meeting. A motion was then made by Mr. Candon to approve the "Resolution Regarding LIHTC Project Reservations" as attached to these minutes. After being seconded by Mr. Smith, this motion carried, with Mr. Seelig abstaining.

The "Westview Terrace First Mortgage Commitment" was reviewed by Mr. Erdelyi as further detail to his memo of August 17, included in the Board packet. Ms. Pond, representing the developer, Realty Resources, Chartered, was introduced to the Board. Westview Terrace is a large rental development currently consisting of 106 units in 31 buildings located in Springfield. The sponsor intends to divide the project into two phases, one for single family and one for multi-family housing. Under the previous financing proposal brought before the Board, the Agency was to provide both first and second mortgage loans in the combined amount of $828,000. Staff re-evaluated this project in an effort to eliminate the need for a second mortgage using Section 8 bond refunding proceeds. Based on revised underwriting assumptions regarding the loan rate, sinking fund capitalization, and the number of Section 8 Certificate holders in the income projection, the current proposal is for an increase in the first mortgage loan commitment from $450,000 to $687,000, thus eliminating the second mortgage loan. Ms. Pond also explained that the project hopes to close by September. A motion was then made by Mr. Seelig and after being seconded by Ms. Randall, the "Amended Resolution Pertaining to Commitment Letter for First Mortgage re: Westview Terrace (Springfield)" was unanimously adopted, as attached to these minutes. Ms. Pond left the meeting following the vote.

Mr. Erdelyi then reviewed the "St. Johnsbury Housing Partnership Workout" as presented in his memo of August 17, included in the Board packet. The primary modifications of the workout proposal are that the loan prepayment amount be increased from $250,000 to $275,000, and that the Agency would provide an additional loan, using Section 8 refunding proceeds, in lieu of a portion of the previously proposed VHCB funding. Mr. Erdelyi explained that VHCB does not have funding available for this project during the current fiscal year. In addition to the increase in the loan prepayment amount and the use of Section 8 refunding bond proceeds, other conditions of the Debt Service Moratorium Agreement that are outstanding include: Federal Home Loan Bank approval of either recycling the prepayment or partially prepaying the affordable housing partnership advance without penalty; and, any required approvals from KeyBank of Vermont. The Board was given a letter from the Federal Housing Finance Board indicating their approval of the recycling of the prepayment into another affordable housing project or projects. KeyBank of Vermont is expected to give their approval as well. Mr. Candon asked for an explanation of how the modifications would affect the previously approved debt moratorium. Ms. Owre, of the Northern Community Investment Corporation, was introduced to the Board and explained that the project has been very careful about using operating reserves. Expenses have been lower than originally anticipated since construction is planned to begin soon and scheduled maintenance has been deferred until the second round of rehabilitation begins. According to Ms. Owre, there has been strong tenant response to the 28 units improved in Caledonia. Vacancy rates have been low, with no vacancies for three months at a time; some units are being held vacant pending the scheduled construction. Ms. Beyer, of Housing Vermont, cautioned the Board that low expenditures in the first round of rehabilitation resulted in the need for the second round of rehab being proposed with higher costs. As Ms. Beyer also noted, tenants have put up with the mess involved with occupied rehab in Caledonia and have been happy with the results. Action on this project was deferred pending the following discussion of bond earnings usage.

Mr. Schoenbeck reviewed the "Multi-Family Bond Earnings Usage Plan" attached to his memo of August 16, included in the Board packet. The recommendation from Evensen Dodge, who performed the Agency's financial analysis, is that the Agency not make commitments of more than one to two years of projected savings, based on the current HUD environment. Excess earnings are projected to be nearly $80,000 per month, or about $1 million in earnings for the year. The original assumption was that $200,000 would be needed for existing projects refunded in that portfolio and $765,000 per year would be available to make zero percent deferred loans. Forgiving loans, as described in the executive summary from Evensen Dodge, would be a last resort, to be utilized only if there is a problem with yield compliance. Other alternatives to address the yield compliance issue were also discussed. Mr. Seelig observed that the overall recommendation on bond earnings usage appears sensible, but noted that depending on the outcome of congressional deliberations, the Agency may want to consider using a

small portion of the projected savings in a way that would be generally recognized as a beneficial contribution to the most needy citizens of the state. Although no formal Board action was taken, it was the general consensus of the Board to pursue the bond earnings strategy as outlined. Following this decision, a motion was made by Mr. Candon to adopt the "Resolution Relating to St. Johnsbury Housing Partnership" as attached to these minutes. This motion was seconded by Mr. Seelig and carried unanimously.

The "VTOEO Weatherization Program—Cooperative Initiative" was reviewed by Ms. Crady, as per her memo of August 16, included in the Board packet. Ms. Crady explained that the Vermont Office of Economic Opportunity (VTOEO) is trying to leverage funds from the Department of Energy and the Vermont Weatherization Trust Fund to allow weatherization of more units occupied by low income residents. VTOEO has proposed placing $300,000 in VTOEO funds with the Agency in a dedicated loan loss reserve fund, which would help to leverage loan funds from private lenders through an agreement for the Agency to purchase the loans in the event of default by the borrower. Ms. Crady also explained that VHMGB currently issues guarantees only on owner-occupied homes, and a rule change would be required for VHMGB to be allowed to guarantee loans for non-owner-occupied units. As participating lenders would be pre-approved by the Agency based on their lending criteria, including underwriting and due diligence, they would be authorized to issue loans to a certain dollar limit. Staff time would be minimal, as the Agency would not review documentation on each loan unless or until a claim is filed; lenders would certify that the appropriate paperwork is on file. Timely reporting by the lenders and a thorough review by Agency staff should keep the risks fairly minimal. Mr. Seelig then made a motion to adopt the "Resolution Pertaining to Agreements with Vermont Office of Economic Opportunity and Lenders Regarding Weatherization" as attached to these minutes. The motion carried unanimously, after being seconded by Mr. Candon. Mr. Schoenbeck explained that this commitment will appear as a footnote in the Agency's financial statements indicating a potential contingent liability.

Next, Ms. Crady reviewed the "National Home of Your Own Alliance" proposal as explained in her memo of August 16, included in the Board packet. The Alliance will select five states to receive technical assistance and join a network of eight state coalitions of housing finance and disability organizations. Together, this group would implement initiatives on homeownership and control for people with developmental and other disabilities. Mr. Hunt explained that the Agency has made similar contributions for specific projects in prior years. Also, Ms. Crady noted that this contribution could be considered part of the cooperative advertising program listed in the Agency's FY96 Business Plan, which would be discussed later in the meeting. A motion was then made by Mr. Candon authorizing the Executive Director to work with a statewide coalition and with the "Homeownership for All Project" and to provide technical assistance to the

coalition in a minimum amount equal to $5,000, plus $5,000 in cash for use by the coalition to offset the costs of outreach and to prepare buyers to become successful home owners. This motion was seconded by Mr. Smith and carried unanimously. Following the vote, Mr. Schoenbeck explained that this commitment would require an adjustment to the FY96 General Fund budget.

The "Down Payment Assistance Program" was reviewed by Ms. Crady, who referred to her memo of August 17, included in the Board packet. The Agency introduced a new limited feature to its MOVE and HOUSE programs in 1992 which allows eligible buyers the opportunity to purchase a home with "no down payment." Under an agreement with VHMGB, loans with no down payment were made available to 150 home buyers each year, representing a total of 450 loans over a three-year period. In June, the Board of VHMGB approved a request from VHFA staff to increase the total loans in the pilot program to 500 to allow for the release of 100 no down payment loans early this fall. For this group of loans, a minimum investment of $500 will be required from the borrower, to be used either for down payment or closing costs; an inspection of the property being purchased would also be required. Ms. Crady explained that the requirement of property inspections on down payment assistance loans is meant to help ensure that certain mechanical systems of a home such as septic, heating, and electrical are in working order, as well as non-mechanical considerations such as the roof.

Chairman White suggested that staff could consider using a property evaluation rather than an appraisal, as the evaluation is less costly. According to Chairman White, many banking regulators no longer require full appraisals on properties, allowing evaluations to be conducted instead. If the cost of a property inspection is being imposed on lower income borrowers, it would be sensible for staff to review the appraisal requirement to offset the cost to the borrower. Ms. Randall concurred, noting that "home equity appraisals" cost up to $150 and use the same three comparison measurements as standard appraisals. As Ms. Crady noted, borrowers with limited resources would be better off having a home inspection completed to identify or avoid problems in the first five years of homeownership. However, Mr. Candon urged caution in switching from appraisers, who are licensed in Vermont, to an inspection system which might result in non-standardization of property reviews and valuations. In response, Mr. Lothrop pointed out that property inspectors are certified and provide statewide coverage; the appraisers' liability is limited, as any conditions the inspection did not find must be discovered by the owner during a given time period, usually 30-45 days after the inspection. Mr. Lothrop also noted that mortgage insurers may be concerned about using property evaluations rather than appraisals.

The proposed seller disclosure form that the State has been considering has not yet been approved or implemented, and would probably offer less information than that

revealed in a property inspection. Mr. Candon also noted that should the Agency pay for the inspection, it may be considered liable for any deficiencies not discovered in the course of the inspection; if the purchaser pays for the inspection, the Agency would not be considered liable. A motion was made by Mr. Seelig to authorize the Executive Director to modify the Agency's agreement with VHMGB to include an additional 50 loans in the pilot "Down Payment Assistance Program," with the Agency to release the additional loans with the 50 loans that were not committed to during the previous fiscal year, and for the most part with the changes to that pilot program as described in Ms. Crady's memo, cited above; however, the motion also included instructions for staff to determine the best method of administering home inspection's costs, considering using a portion of the $500 required as down payment costs to cover the cost of the property inspection. After being seconded by Mr. Smith, this motion carried unanimously.

Mr. Schoenbeck then reviewed the "Investment Policy Update" as outlined in his memo of August 17, included in the Board packet, and distributed the referenced "Attachment A" and a current investment summary for the Board's review. As Mr. Schoenbeck noted, the Board traditionally is provided with the financials produced at the end of each fiscal year, showing only totalled categories of the Agency's $158 million investment portfolio. There is not much flexibility possible because of investment agreement contractual requirements. Mr. Baker, the Agency's investment officer, explained that the year end financials break down the amounts invested in government agencies, investment agreements, money market accounts, certificates of deposit, and government securities. Mr. Seelig pointed out that paragraph #8 under the "Eligible Investments" section appears to preclude investments such as that in the Vermont Development Credit Union, or a similar organization.

Another concern raised by Mr. Seelig was the Agency's ability to ensure socially responsible investing when utilizing the funding methods described in the investment summary. Mr. Baker cautioned the Board that it would be difficult to avoid inadvertently making such investments, but noted that the Agency is not allowed to purchase corporate bonds or common stocks. As Mr. Baker further noted, VHMGB does have corporate bond investments, as recommended by their investment advisor, but he is unaware of specific limitations for VHMGB. Chairman White also explained that the Agency has invested in one derivative type investment, which staff plans to divest once it reaches market value; after that divestiture, no further derivative investments will be made by the Agency. Some discussion followed on the ability of the Agency to invest in funds with lesser returns that would enhance the Agency's mission, such as the credit union investment. A motion was then made by Mr. Seelig and seconded by Mr. Candon to amend paragraph #8 of the investment policy, as attached to these minutes, to insert the words *"Subject to the prior approval of the Board,"* at the beginning of that paragraph, and to replace the word "competitive" with the word "reasonable" in that same paragraph. This motion carried unanimously.

Mr. Schoenbeck then reviewed his memo of August 17, included in the Board packet, describing a "Line of Credit" available to the Agency. The Howard Bank has offered to provide a $1 million line of credit for one year at 75 percent of the Prime Interest Rate. This line of credit would be used to address the Agency's increasing need for construction loan funding and the diminishing capacity to provide those funds from current resources. Mr. Schoenbeck explained that discussions are continuing with the Howard Bank, their bond attorney, and the Agency's bond counsel. After a brief discussion, a motion was made by Mr. Smith to authorize staff to enter into an agreement for a line of credit of $1 million as offered by the Howard Bank, under the conditions described in Mr. Schoenbeck's memo cited above, with staff given discretion to negotiate the usage charge within five basis points of that quoted in the memo. After being seconded by Ms. Randall, this motion unanimously carried.

Mr. Seelig expressed his regrets and left the meeting at this time.

Before reviewing the "Community Outreach Activities" as described in her memo of August 14, included in the Board packet, Ms. Gent introduced Ms. Underwood and Ms. Mattoon, members of the Communications department. Plans to reach many counties directly were reviewed by Ms. Gent, who also explained that many activities listed for Chittenden County are non-VHFA sponsored events held in coordination with other nonprofit, lender or real estate organizations. Two graphs were distributed to the Board exhibiting the Agency's outreach activities from FY94-FY95 and plans for FY96, as well as a comparison of 1995 loan reservation activity in relationship with calls to the Agency's toll-free HELPline. Ms. Gent noted that advertising continues to play a key role in the Agency's loan activities, and expressed her pleasure that correlations between HELPline and reservations activity appear to exist. No Board action was necessary.

Ms. Gent then reviewed the FY96 "Media Marketing Plan" included in the Board packet. The goal of the campaign is to help promote homeownership and to make Vermonters aware that homeownership is an option for many of them. Efforts will be taken to identify areas within the advertising campaign to ensure cost-effectiveness. The nonprofit cooperative advertising campaign will make funds available throughout the state. A special cooperative program is being planned as pilot homeownership centers are developed, and a cooperative advertising program is being developed with lenders and real estate companies statewide. There was no Board action required.

In his Executive Director's report, Mr. Hunt announced that the Annex to the Agency's building has been rented to the Chicago Bicycle Company at the rent level anticipated in the proforma developed when the building was purchased. A suitable tenant for the first floor space is still being sought. The closing on Building 504 at Dalton Drive in Fort Ethan Allen occurred as scheduled, and renovations are underway to turn it into a combination of home and office space for the purchasers. The Board

will need to ratify the financing method for this building at a future meeting. A preliminary purchase agreement has been reached with the Burlington Community Land Trust for Building 600 at Dalton Drive; a feasibility study is underway to determine the viability of using the building as a residence for AIDS-afflicted individuals. Mr. Hunt also reported that he had toured the Highgate Apartment complex in Barre with Senator Jeffords earlier in the week, in an effort to demonstrate how cutbacks of Section 8 funding would directly affect that project, as well as others throughout Vermont. The Section 8 subsidy contract is due to expire in 1996 and would affect 113 tenants residing there who rely on this subsidy.

Reviewing the latest U.S. House of Representatives action on the HUD budget, Mr. Hunt noted that it was not as drastic as originally anticipated, with some funds remaining for contract renewals. The House is deliberating on the possibility of fair market rent reductions from 45 percent to 40 percent, which might have a negative impact on various rental properties around the state. Mr. Hunt then informed the Board that a contingent of 25 to 30 people would be visiting Vermont from the Netherlands during October. Details of this visit will be sent to the Board as it becomes available, with plans underway for the Board to meet with these representatives at some time during the first week of October. Mr. Hunt then offered an update on the Winchester Place restructuring agreement negotiations which have been underway, and distributed a memo from Mr. Cummings detailing the latest issues to arise; no Board action was taken.

The "FY96 Business Plan—Updated to Reflect FY95 Year End Results," as included in the Board packet, was reviewed by Mr. Francis. After a thorough review, a motion was made by Mr. Smith and seconded by Mr. Candon to adopt the Business Plan as presented. Mr. Hunt expressed his appreciations for Mr. Francis' efforts on the Business Plan in general and on handling the difficulties inherent in completing the computer transition.

The Board then discussed the "'Qualified Housing Project' in Brandon" as described in Mr. Jarrett's memo of August 17, included in the Board packet. A motion was made by Mr. Candon and after being seconded by Ms. Randall, the Board voted unanimously to adopt the "Resolution Regarding Determination of Qualified Housing Project Pursuant to 8 V.S.A. §1108" as attached to these minutes.

Mr. Hunt then reviewed the "Appointment of Housing Vermont Board Members" as distributed to the Board earlier; a motion was made by Mr. Smith to approve the appointments to the Board as recommended. This motion was seconded by Mr. Candon and was unanimously approved.

Mr. Jarrett then explained that the Agency's home improvement rules had been approved by the Board earlier this year and have been published, pending public comment. As the comment deadline is during the last week of August, a motion was made by Ms. Randall and seconded by Mr. Candon to approve the Rules as originally presented, assuming no major changes are necessary; should comments be received after this Board meeting, the Board would need to review the rules in their entirety. This motion carried unanimously.

The next Board meeting was scheduled for September 21 in Burlington. A motion was then made by Ms. Randall and seconded by Mr. Candon to enter Executive Session for the purpose of an evaluation of personnel. After a motion made by Mr. Candon which was seconded by Ms. Randall, the Board came out of Executive Session. A motion was then made by Mr. Candon and seconded by Mr. Smith to approve a salary increase of 5% for the Executive Director, effective July 1, 1995; this motion carried unanimously. There being no further business, and following a motion duly made and seconded, the meeting adjourned at 1:50 p.m.

Respectfully submitted,

Allan S. Hunt, Secretary

RESOLUTIONS ADOPTED AT THE ANNUAL MEETING OF VERMONT HOUSING FINANCE AGENCY, AUGUST 24, 1995

RESOLVED, In addition to the officers specified as "Authorized Officers" under particular bond resolutions of the Agency, the Deputy Director shall be an "Authorized Officer" within the meaning of any and every bond resolution of the Agency whether now existing or to exist in the future.

RESOLVED, Gustave Seelig is elected Vice Chairman of the Agency for the fiscal year commencing July 1, 1995 and until his successor be elected and qualified.

RESOLVED, Roger A. Schoenbeck is elected Treasurer of the Agency for the fiscal year commencing July 1, 1995 and until his successor be elected and qualified.

RESOLVED, the following persons shall be authorized to sign checks drawn against the Agency's General Fund:

Executive Director	_____	Allan S. Hunt
Deputy Director	_____	Jeffrey D. Francis
Director of Single Family Operations	_____	Douglas R. Lothrop
Director of Finance	_____	Roger A. Schoenbeck
Controller	_____	Timothy M. Gutchell

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

RESOLVED, all actions taken in the resolution entitled "Resolutions Adopted at the Annual Meeting of the Vermont Housing Finance Agency, August 18, 1994" not inconsistent with the resolutions contained herein are deemed to be ratified and will continue in force until changed by affirmative action of the Board of Commissioners.

RESOLVED, that the Agency's Real Estate Disposition Specialist, Loan Servicing Specialist and Foreclosure Specialist be and hereby are authorized to execute documents of the following character for all of the Agency's single family loan programs, whether secured or unsecured:

A. Endorsements to property insurance claim checks pertaining to property on which the Agency holds a valid lien, in amounts up to $10,000 for the Foreclosure Specialist and $5,000 for the Real Estate Disposition Specialist and the Loan Servicing Specialist;

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

C. Authorizations to mortgage lenders and other appropriate persons for actions of the following character:

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

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

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

4. Forbearance and modification agreements with delinquent borrowers; and

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

D. Consent to actions of the following character:

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

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

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

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

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

Director of Finance: _____
(Signature)

Controller: _____
(Signature)

Lender Accounting Coordinator: _____
(Signature)

Portfolio Accountant: _____
(Signature)

Investment/Portfolio Assistant: _____
(Signature)

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

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont, on August 24, 1995.

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

RESOLUTION REGARDING
LOW INCOME HOUSING TAX CREDIT
PROJECT RESERVATIONS

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

WHEREAS, the JTCC met on August 9, 1995 and considered recommendations for a total of $557,209 in reservations of tax credits for five proposed projects; and

WHEREAS, the Agency staff recommended three of the five projects to the JTCC for a reservation and the JTCC accepted the staff's recommendations on each of the projects; and

WHEREAS, staff has prepared a memorandum dated August 15, 1995 containing descriptions of the five projects (the "Memorandum"), and

NOW, THEREFORE, it is hereby RESOLVED:

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

2. The Agency approves the reservations for the three projects recommended by staff for reservations in the Memorandum and accepted by the JTCC: Rose Street Co-op, The Woodlands, and Adams House, subject to the payment of applicable reservation fees, and of allocations subject to the conditions discussed in the Memorandum.

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

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont, on August 24, 1995.

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

AMENDED RESOLUTION PERTAINING TO COMMITMENT LETTER FOR FIRST MORTGAGE RE: WESTVIEW TERRACE (SPRINGFIELD)

WHEREAS, a proposal has been presented to the Agency by Realty Resources, Chartered, of Rockport, Maine, (the "Sponsor") involving the acquisition and rehabilitation of Westview Terrace, a rental development in Springfield currently containing 106 units in 31 buildings located north of Route 106 in Springfield (the "Property"); and

WHEREAS, this proposal was previously the subject of an Agency resolution dated June 7, 1995 that provided for a first mortgage loan and a second mortgage loan from the Agency; and

WHEREAS, the revised proposal contemplates a permanent mortgage loan of up to $687,000 with an amortization period of 30 years with a term of 20 years, with the interest rate to be determined by the Agency depending on the source of funds and no second mortgage; and

WHEREAS, the Sponsor proposes to create a limited partnership with the Sponsor and Springfield Housing Unlimited, a non-profit corporation wholly owned by the Springfield Housing Authority as co-general partners; and

WHEREAS, the Sponsor has obtained commitments for a deferred loan of $450,000, a lead paint grant of $203,000 from the Vermont Housing and Conservation Board and a Community Development Block Grant of $400,000 from the Town of Springfield and projects the receipt of tax credit equity in the approximate amount of $2,315,281; and

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

WHEREAS, the Board has been presented with a memorandum dated August 14, 1995 from Joseph Erdelyi (the "Memorandum"); and

WHEREAS, the determinations made by the Agency in its June 7, 1995 resolution are reaffirmed;

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director may, in his discretion, issue a Commitment Letter for a loan for the acquisition and rehabilitation of the Development, in an amount to be determined by the Executive Director, but not to exceed $690,000. The loan shall bear interest at a rate to be determined by the Agency depending on its source of funds and payments shall be amortized over a period of 30 years, but shall require the payment of all outstanding principal and interest 20 years after the date of the loan. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish, including but

not limited to the following documents that must be submitted in form and content acceptable to the Agency:

(a) Evidence of availability of other financing, with the amount and terms of such financing to be as shown on the development budget dated August 14, 1995, or their equivalent;

(b) a plan describing the social services to be provided to the tenants of the Development and providing how these services will be funded;

(c) documentation for all costs in the development and operating budgets, which shall include an independent review of plans and specifications and an independent cost estimate;

(e) a description of any required construction and/or bridge financing;

(f) evidence of adequate sureties provided by Sponsor to cover tenants' relocation costs; and

(g) final plans and specifications.

2. The Commitment Letter shall be issued to Realty Resources, Chartered, as representative of a to-be-formed limited partnership whose general partners will be Joseph Cloutier and Springfield Housing Unlimited, a non-profit corporation wholly owned by the Springfield Housing Authority.

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

4. The Commitment Letter shall require the Developer to demonstrate to the satisfaction of the Executive Director that a combination of equity, grant and deferred loan funds are available in an amount at least equal to the difference between the total development cost as accepted by the Agency and the amount of the first mortgage financing commitment .

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

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont, on August 24, 1995.

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

RESOLUTION RELATING TO ST. JOHNSBURY HOUSING PARTNERSHIP

WHEREAS, in 1990 the Agency made a mortgage loan (the "Loan") to St. Johnsbury Housing Partnership (the "Sponsor") for the acquisition and rehabilitation of 32 units in seven buildings located on scattered sites in St. Johnsbury (the "Development"); and

WHEREAS, the general partners of the Sponsor are controlled by Housing Vermont and Northern Community Housing Corporation ("NCHC"); and

WHEREAS, the Agency funded the loan by selling a federally taxable bond to the Bank of Vermont (now, Key Bank of Vermont) that carries an interest rate of 100 basis points less than the interest rate on the Agency's Loan to the Sponsor; and

WHEREAS, the Development has been the subject of previous resolutions by the agency since it was completed and placed in service; and

WHEREAS, the Board has been presented with a memorandum by Joe Erdelyi, Multifamily Development Underwriter dated August 17, 1995 detailing changes in the anticipated workout strategy for the Development (the "Memorandum");

NOW, THEREFORE, it is hereby RESOLVED:

1. The Agency is interested in taking steps to avoid a default on the Loan by the Sponsor.

2. The Executive Director is authorized to take all necessary actions to accomplish a workout plan substantially as outlined in the Memorandum.

3. In his discretion, and after consultation with a committee of the Board consisting of James Douglas, Thomas Candon and Jo Bradley, the Executive Director may accept a partial or full prepayment of the Loan without penalty and may renegotiate the terms of any loan remaining, including rate, term and amortization schedule. A condition precedent to any concession on the part of the Agency is that staff make a determination that changes in the loan terms, in combination with other resources to be provided by VHCB, the Sponsor's partners, and/or other parties, will result in both long-term viability of the Development and likely repayment of the Loan on terms as advantageous as possible to the Agency.

4. The Executive Director is also authorized to take all necessary steps for the Agency to loan the St. Johnsbury Housing Partnership up to $405,000 in additional financing (the "New Loan") from Section 8 refunding proceeds. The New Loan will carry an interest rate of 0% per annum, will

have a 20 year term, deferred principal payments with a balloon payment on the outstanding principal balance in 20 years and will have a second mortgage position.

5. The New Loan is subject to the following conditions:

   a) any required approvals of the partial prepayment or the workout plan be obtained from Key Bank of Vermont;

   b) requisite financing as shown in the budget dated August 14, 1995 attached to the Memorandum be obtained; and

   c) all other financing be subordinated to the VHFA first and second mortgages.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont, on August 24, 1995.

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

RESOLUTION PERTAINING TO AGREEMENTS WITH VERMONT OFFICE OF ECONOMIC OPPORTUNITY AND LENDERS REGARDING WEATHERIZATION

WHEREAS, the Weatherization Assistance Program administered by the Vermont Office of Economic Opportunity (VTOEO) assists low-income, elderly, and disabled persons to improve the energy efficiency of their homes and apartments. Weatherization not only improves the quality of the low-income housing stock in Vermont by increasing its energy efficiency, but also reduces the burden of energy costs to those who can least afford it. The Weatherization Assistance Program targets households at or below 150% of the Federal poverty income guidelines and is funded annually by the United States Department of Energy and the Vermont Weatherization Trust Fund; and

WHEREAS, property eligible for weatherization includes mobile homes, single-family homes, and multi-family homes; and

WHEREAS, weatherization work improves rental and property values and often reduces ongoing maintenance and replacement costs; and

WHEREAS, VTOEO has asked VHFA to assist them to create a financing program for owners of rental housing units eligible for weatherization services. The availability of financing at reasonable terms will encourage and assist owners to share the costs of work; on their properties; and

WHEREAS, VTOEO has proposed the placement of $300,000 in VTOEO funds with VHFA in a dedicated loan loss reserve account. The reserve account would assist to leverage loan funds from private lenders by agreeing to purchase loans in the event of a default; and

WHEREAS, the Board has been presented with a memorandum by Patricia A. Crady, Development Coordinator, dated August __, 1995 (the "Memorandum"); and

WHEREAS, VHFA has been asked to help develop an agreement between it, VTOEO and the private lenders that will be involved in the program.

NOW, THEREFORE, it is hereby DETERMINED:

1. This proposed program is within the Agency's statutory mission, to encourage an adequate supply of safe and decent housing at reasonable cost, and specifically is within the purview of 10 V.S.A. § 621(5), to provide advice, technical information, assistance in obtaining federal and state aid, and such grants, loans, or advances as will assist the planning, construction, rehabilitation, and operation of residential housing primarily for persons of low and moderate income; § 621(6) to conduct research and promote

development in housing, building technology, and related fields; and § 621(3), which allows the Agency to receive and accept grants, aid or contributions, from any source, of money, property, labor or other things of value, to be held, used and applied or awarded to carry out the purposes of this chapter subject to the conditions upon which the grants, aid and contributions may be made.

2. The Agency's participation in the proposed program will leverage funds available to weatherize units for low-income Vermonters and will help to lessen the impact of federal funding cuts for programs that assist low-income homeowners and tenants with their heating costs by reducing energy costs and making those households better able to withstand a loss or reduction in assistance.

NOW, THEREFORE, it is hereby RESOLVED:

1. The Agency supports staff's work in developing an energy loan program in conjunction with the Vermont Office of Economic Opportunity, as expressed in the Memorandum.

2. The Executive Director is authorized to negotiate with the VTOEO an agreement to create a loan loss reserve fund in the amount of $300,000 with funds from VTOEO and to negotiate terms of the agreement including: compensation or fees to VHFA; interest to be paid on the funds; periodic review of the agreement; and other requirements necessary to protect VHFA.

3. The Executive Director is authorized to negotiate an agreement with participating lenders to purchase loans that are in default made through this initiative.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont, on August 24, 1995.

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

VERMONT HOUSING FINANCE AGENCY

INVESTMENT POLICY

A. Goals

The overriding goal of the investment policy of the Agency is to provide optimum coverage of risk exposure and maintain liquidity necessary for future cash needs while maximizing the return on investments. Monies are deposited as soon as possible after receipt by utilizing such vehicles as sweep investment accounts in tandem with guaranteed investment contracts. An in-depth analysis is performed on each debt service date to identify investment alternatives for surplus cash in each program.

B. Definitions

1. Guaranteed investment contracts (GIC's) are agreements with top rated banks or insurance companies which have guaranteed long-term rates of return, but typically have draw provisions equal to short-term investments. Generally, collections of loan payments are required by credit rating agencies to be reinvested in GIC's.

2. Short-term investments are actual cash or highly liquid investments, such as money market accounts which mature or can be redeemed with no principal loss within one year.

3. Long-term investments are typically reserve funds for the various bond programs and are required to be invested for the term of the related bonds. Examples of long-term investments, those with maturities of more than one year, are government bonds, agency securities and flexible guaranteed investment contracts.

C. Eligible Investments

Investment obligations in the General Fund and various programs of the Agency must meet the credit standards of nationally recognized credit rating agencies, and are governed by individual resolution requirements which generally allow the following types of investments:

1. Direct general obligations of the United States and obligations which are unconditionally guaranteed by the United States, its agencies and instrumentalities. This also includes such instruments as:

Bank for Cooperatives
Export-Import Bank of the United States
Federal Farm Credit Bank
Federal Financing Bank
Federal Home Loan Bank System
Federal Home Loan Mortgage Corporation
Federal Intermediate Credit Banks
Federal Land Banks
Federal National Mortgage Association
Government National Mortgage Association

Rural Economic Community Development Service
Student Loan Marketing Association
Tennessee Valley Authority

2. Obligations of any state of the United States, or public agency or instrumentality of any state.

3. Repurchase obligations secured by collateral in which the Agency might invest directly.

4. Investment agreements with banks or bank holding companies, insurance companies, or other financial institutions which are rated at least A by nationally recognized credit rating agencies.

5. "Derivative" type investments which qualify under bond indenture requirements and in the aggregate do not exceed 5% of fund balances at any point in time.

6. Public housing bonds which are fully secured by a pledge of annual contributions.

7. For the following investment alternatives, collateral is required to be maintained at a level equal to the uninsured portion of the deposits. The collateral is required to be held by a third party, which may be a trust department of a depository bank.

Interest bearing time deposits, certificates of deposit or other depository arrangements with banks, insured under the Federal Deposit Insurance Corporation or similar insurance. Preference will be given to Banks located in Vermont when bids are comparable. For these types of deposits, collateral consisting of mortgages insured or guaranteed by the Federal Housing Administration, the Rural Economic Community Development Service or the Vermont Home Mortgage Guarantee Board is acceptable, as well as securities that the Agency may invest in directly.

8. Subject to the prior approval of the Board, Deposits may be targeted to entities that follow socially responsible policies when they provide a reasonable rate of return and adhere to the requirements of the investment classification listed.

D. Diversification Requirement

The diversification requirement will be governed by Schedule A (attached).

E. Prohibited Investments

Prohibited investments include any security which is not mentioned as a permitted investment above, unless it is rated as A or better by a nationally recognized credit rating agency.

F. Communications

The institution which holds the Agency's investments is required to provide the Agency or its trustee with reports on account investment activity as well as collateralization levels, if collateral is required, on at least a monthly basis. In the event of a rating downgrade below the minimum acceptable quality level stated herein, the investing institution must contact the Agency immediately to determine how to requalify the instrument as an eligible investment.

G. Performance Measurement

Investment performance will be measured against the following alternatives:

1. Short-Term Investments

   a. the average yield on the money market sweep vehicle
   b. the average yield on certificates of deposit for the equivalent period
   c. the average yield on U.S. Treasury Bills and other Government Agencies for the equivalent period

2. Long-Term Investments

   The investment objective of the long-term securities is to produce a total return at least as high as the corresponding bond cost, if possible. Any earnings in excess of the bond cost are generally subject to arbitrage regulations, and are rebated to the U. S. Treasury.

H. Approval

Any deviations from the stated investment policies are subject to approval by the Treasurer, Finance Director and the Investment Officer, and require consent from the VHFA Board of Commissioners.

I hereby certify that the foregoing is a true copy of a policy of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont, on August 24, 1995.

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

VERMONT HOUSING FINANCE AGENCY

INVESTMENT POLICY

SCHEDULE A

Diversification requirements

The Agency shall structure its investment portfolio so that there is constant compliance with the following diversification limits:

Diversification limitations	Maximum % of portfolio
U.S. Government and Agency securities	100 %
U.S. Treasury money market funds	100 %
Guaranteed investment contracts	100 %
Fully collateralized certificates of deposit	25 %
Fully collateralized repurchase agreements	25 %
State and public agency securities	10 %
Public housing bonds	5 %
Derivative type securities	5 % of fund balance

RESOLUTION REGARDING DETERMINATION OF QUALIFIED HOUSING PROJECT PURSUANT TO 8 V.S.A. § 1108

WHEREAS, the Vermont Legislature has given the Vermont Housing Finance Agency ("VHFA") Board of Commissioners the duty of determining whether bank investments in residential real estate in Vermont are intended to primarily benefit lower income Vermonters throughout the period of the investment; and

WHEREAS, Housing Vermont has created a limited partnership, the Erastus Thayer Housing Limited Partnership (the "Partnership"), for affordable housing that banks have invested in through the Vermont Equity funds; and

WHEREAS, the development owned by the Partnership has received an allocation of low income housing tax credits from VHFA; and

WHEREAS, the development has been reviewed by VHFA staff for the purposes of such allocation of low income housing tax credits and staff agrees with the characterization of the development as a qualified housing project; and

WHEREAS, Housing Vermont has requested the VHFA Board of Commissioners to determine that development owned by the Partnership created by Housing Vermont that Vermont banks have heretofore invested in is a qualified housing project for purposes of 8 V.S.A. § 1108;

NOW, THEREFORE, the Board determines as follows:

The Erastus Thayer Housing Limited Partnership acquired rental property for rehabilitation of units and the creation of nine units of permanently affordable housing stock in Brandon. The project, which has been allocated low income housing tax credits, and has been placed in service, is a qualified housing project within the meaning of 8 V.S.A. § 1108.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont, on August 24, 1995.

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

VERMONT HOUSING FINANCE AGENCY

BOARD CONFERENCE CALL MINUTES
Vermont Housing Finance Agency
164 St. Paul Street
Burlington, Vermont

Thursday, September 21, 1995

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

Agency Staff: Mr. Hunt, Mr. Francis, Mr. Schoenbeck, Mr. Jarrett, Ms. Gent, Mrs. Parker, Mr. Erdelyi, Mr. Cummings

The meeting was called to order by Chairman White at 1:35 p.m. Participants were identified by roll call and it was agreed that all votes would be taken in the same manner.

Mr. Schoenbeck reviewed his memo of September 18, regarding the "Line of Credit," as included in the Board packet. As Mr. Schoenbeck noted, negotiations with The Howard Bank have continued, as had been agreed to by the Board at the August meeting. However, bond counsel has determined that pursuing this line of credit on a tax exempt basis would not be realistically feasible. A line of credit provided on a taxable basis was also determined not to be satisfactory to the Agency's needs because of the high interest rate changes. Further negotiations resulted in a rate calculated at the London Inter Bank Offering Rate (LIBOR) plus 75 basis points, translating to a 6.625 percent rate for the Agency. This compares favorably with the previously considered term of Prime at 75 percent, which would have yielded a rate of 6.56 percent.

Mr. Candon asked about the decision not to pursue a line of credit from other Vermont banks. In response, Mr. Schoenbeck reminded the Board that the line of credit had been offered by The Howard Bank based upon the Agency's previous and current banking relationship with that bank. It would not appear likely at this time that another lending institution would offer the Agency a comparable rate. Mr. Douglas commented that as a strong proponent of competition he would prefer to review a proposal from another lending institution to help assure that The Howard Bank's offer is, in fact, the best available rate for a line of credit. As Mr. Hunt noted, a major consideration in pursuing the line of credit was the Agency's immediate need for cash and liquidity at the

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

outset of negotiations. While the cashflow situation has moderated somewhat, the need for liquidity still remains. With the Finance department staff involved in this year's audit of the Agency, an upcoming annual audit for VHMGB, and the likelihood of a new single family bond issue in the near future, Mr. Hunt indicated that it would be in the Agency's best interest to adopt the line of credit offered and undertake a request for proposal at a later time. A motion was then made by Mr. Candon and seconded by Ms. Canney authorizing staff to enter into an agreement for a line of credit as offered by The Howard Bank, under the terms and conditions outlined in the memo referenced above, with the understanding that competitive bids for a line of credit would be undertaken before this line of credit is to be considered for renewal. This motion carried unanimously.

The "Morrisville Scattered Sites Permanent Financing" proposal was reviewed next by Mr. Erdelyi, who referred the Board to his memo of September 18, included in the Board packet. Mr. Erdelyi explained that the Lamoille Housing Partnership had applied for financing to accomplish the acquisition and rehabilitation of ten units of housing located in three separate buildings in Morrisville. The rehabilitation plan includes reconfiguration of some of the unit layouts, energy improvements as recommended by the Vermont Energy Investment Corporation (VEIC), lead paint abatement, and replacement of certain interior fixtures and finishes. After the memo had been sent to the Board, staff received preliminary results of the environmental site assessments, indicating some levels of lead and asbestos in the properties, which should not severely impact the project at this point. Financing from the Vermont Housing and Conservation Board and HOME funds are conditionally committed to the project, subject to finalization of the other financing required. Mr. Erdelyi advised the Board that the seller of one of the properties has a terminal illness and is interested in selling the property as soon as possible, thus creating the need for the Board's immediate review of the financing request. Cash flow projections through the first 15 years of the project were included for the Board's review; as Mr. Erdelyi explained, the further into the future a cash flow is projected, the less it can be relied upon for accuracy. Relying upon a cumulative cash flow balance beyond 15 years is not recommended for underwriting purposes. A motion was then made by Mr. Douglas to adopt the "Resolution Pertaining to Letter of Interest re: Lamoille Housing Partnership, Inc. (Morrisville)" as attached to these minutes. After being seconded by Ms. Randall, the motion carried, with Mr. Seelig abstaining.

Turning to other business, Mr. Hunt advised the Board that the House Ways and Means Committee had voted to sunset the Low Income Housing Tax Credit (LIHTC) program as of 1997, as part of the overall budget reconciliation bill. This comes as a surprise to most of the people involved in the program, as there had been a long struggle

to have the program made permanent, which was accomplished in August 1993. There is some hope that the Senate will be more deliberative about continuing the LIHTC program. Governor Dean's office is in the process of sending letters to the Senate Finance Committee and the National Governor's Association urging their support for continuation of the program. Chairman White advised the Board that he would be sending a letter to the Vermont Bankers Association to alert them to the issue, and he is also trying to determine the likelihood of support from the American Bankers' Association. Mr. Hunt indicated that a packet of information would be sent to the Board, to be used to encourage support for the LIHTC program from other constituents.

The next Board meeting was scheduled for October 12, to be held in Montpelier. As Chairman White will not be available for that meeting, Vice Chairman Seelig will act as chair. There being no further business, and following a motion duly made and seconded, the meeting was adjourned at 1:55 p.m.

Respectfully submitted,

Allan S. Hunt, Secretary

RESOLUTION PERTAINING TO LETTER OF INTEREST
RE: LAMOILLE HOUSING PARTNERSHIP, INC. (MORRISVILLE)

WHEREAS, a proposal has been presented to the Agency by the Lamoille Housing Partnership, Inc., a non-profit corporation located in Morrisville, Vermont (the "Sponsor") involving the acquisition and rehabilitation of three multi-family residential properties containing ten units on Cherry, Summer, and George Streets in Morrisville (the "Development"); and

WHEREAS, the proposal contemplates a permanent mortgage loan of up to $120,000 amortized over a period of 25 years with an interest rate of approximately 7.22% per annum; and

WHEREAS, the Sponsor has received conditional commitments for grants from the Vermont Housing and Conservation Board and from HOME funds; and

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Joseph Erdelyi dated September 18, 1995 containing information and recommendations about the Development (the "Memorandum");

It is hereby DETERMINED:

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

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

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

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

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

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

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a first mortgage loan to Lamoille Housing Partnership, Inc. for the acquisition and rehabilitation of the Development in Morrisville in an amount not to exceed $120,000. The term of the loan will be 25 years and the interest rate will be 7.22% per annum. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, construction financing, or for other purposes with the consent of the Agency.

2. The Letter of Interest shall require the Sponsor to provide the following items in form and content satisfactory to the Agency:

   a. sponsor must provide a Level I Environmental Site Assessment and testing for lead and asbestos, with satisfactory remediation measures being incorporated into the work specifications; and
   b. sponsor must provide written confirmation by the Town of Morrisville that five units at Cherry Street and two at George Street will be an acceptable density, once both properties come under common ownership.

3. The Executive Director may, in his discretion, issue a Commitment Letter for a loan for the acquisition and rehabilitation of the Development, in an amount to be determined by the Executive Director, but not to exceed $120,000. The loan shall bear interest at a rate of 7.22 percent per annum for a term of 25 years. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish, including but not limited to the following documents that must be submitted in form and content acceptable to the Agency:

   a. Final plans and specifications for the rehabilitation of the Development;
   b. Evidence of competitive bidding for construction contract; and
   c. Approval of the final selection of the management agent.

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

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont, on September 21, 1995.

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

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Paul M. Cummings, Development Officer

DATE: October 4, 1995

RE: Depot Street Refinance permanent financing

Executive Summary

The Regional Affordable Housing Corporation (RAHC) has applied to VHFA for $150,000 in permanent first mortgage financing. The proposed project consists of seven units in two buildings on Depot Street in Bennington (see attached site map). The loan would be used to refinance two loans provided by the Vermont National Bank (VNB) and to provide modest rehabilitation in two units.

RAHC approached both VHFA and VNB in 1992 seeking first mortgage financing for the acquisition and rehabilitation of the seven unit, two building Depot Street project. After reviewing the proposed lending terms, RAHC chose to utilize a combination of VNB and Vermont Community Loan Fund (VCLF - used for collateral on VNB 2nd) loans to finance the project. Because RAHC is concerned about an increase in the VNB loan interest rates at year five (1997) and the possibility of losing Section 8 rental assistance (all units currently receive Section 8 assistance), they are interested in refinancing the first mortgage debt with our 7.22% recycled Section 8 money.

A summary of sources and uses of funds, rents, operating expenses, and financial projections is attached.

THE DEVELOPMENT

Projected Funding Sources

VHFA First Mortgage	$157,000	53.19%
Town of Bennington	$28,000	9.49%
VHCB Deferred Debt	$84,213	28.53%
VHCB Development Grant	$17,133	5.80%
Existing Replacement Reserves	$5,770	1.95%
VHCB Feasibility Grant	$3,033	1.03%
Totals	$295,149	100.00%

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

Because VHFA has not reviewed the recently commissioned appraisal of the property, the loan to value ratio for the VHFA financing is not yet determined. The VHFA loan to cost ratio is approximately 53%.

The current debt RAHC is proposing to refinance includes the following loans:

VNB First Mortgage	$84,000	9.5%
VNB Second Mortgage	$70,000	6.0%

On November 6, 1996 (End of year 4), both of these VNB loans would change to a 10% interest rate. In addition to the VNB loans, RAHC is also paying monthly interest (6%) payments on a $70,000 loan from VCLF that is being held as collateral in an interest earning CD with VNB. Based on the existing agreements, VNB would release the $70,000 CD back to VCLF at the end of year 4 (1996) and the interest earned would pay down some of the remaining VNB principal.

Unit Breakdown and Rents

Currently, all seven units have Section 8 project based rental assistance and thus are targeted to families at or below 50% of median income. However, the Section 8 (Housing Assistance Payment) HAP contract covering all seven units expires on November 30, 1996. Therefore, the project is underwritten assuming that three tenant based Section vouchers would remain and the other four units would be rented at market rents. The proposed rents would be affordable to families earning at or below 60% of median income and are based on current rents in the Bennington area, experience of sponsor in renting other similar type of units, and analysis of historical data (including the 1990 Census, the 1995 State of Vermont Housing Needs Assessment and current HUD Fair Market Rents). The unit size and rent breakdown is as follows:

Section 8 Rents			Market Rents after 11/30/96		
Size	#	Rents	Size	#	Rents
2 BR	1	$435	2 BR	3	$450
3 BR	2	$541	3 BR	1	$550

These rents include heat and hot water. Tenants will pay for electricity and electric cooking.

At VHFA's request, the sponsor has commissioned an energy audit for both buildings to determine if energy efficiency issues should be addressed. Staff would like to leave open the opportunity to lend additional funds to this project if the audit recommends energy improvements that would substantially increase energy efficiency and reduce utility costs.

Sponsor, Management & Market

Dianne Binnick is the Executive Director of the Regional Affordable Housing Corporation; RAHC also has two part-time assistants. RAHC has developed four rental developments, one condominium development, one mobile home park, and one tax credit/rental property. RAHC currently manages all of the properties (59 units) in its portfolio although some of the management responsibilities have been contracted out to different organizations in the area (i.e., the Bennington Housing Authority). RAHC has proposed to continue management of the Depot Street project of which currently six of the seven units are currently occupied.

In the operating budget submitted, RAHC based the operating expenses on historical experience. Staff has reviewed this proposal and determined that the $235 per unit/per month shown would be insufficient if another manager were required to replace RAHC. Therefore, staff has increased the projected operating expenses to $284 per unit/per month for income projection purposes. In addition, based on the proposed changes in VHFA's underwriting standards this loan was subjected to sensitivity tests. Primarily, for years two through four of project operation, the cash flow projections were run with a 10% vacancy/rent loss rate (double the rate otherwise used), to cover the possible rent-up difficulties of losing the Section 8 rental assistance.

Site & Environmental Concerns

The project received a Level I Environmental Assessment prior to RAHC's acquisition and rehabilitation of the project in 1992, as well as testing for lead and asbestos. This report found evidence of asbestos and lead paint, although a secondary evaluation was not recommended. The lead paint and damaged asbestos were addressed in the rehabilitation following RAHC's purchase in 1992. The buildings are approximately 125 years old (3 units in two story building) and 76 years old (4 units in three story building).

DISCUSSION

The Board should note that this project was evaluated with slightly different underwriting standards than recent projects. A more detailed description of these underwriting changes will be provided at the October Board meeting. The changes from previous practices are: 1) greater focus on the first year's operating budget, with considerably more emphasis on verifying each line item and 2) changes to the emphasis given to cash flow projections. Because an energy audit has not yet been completed, the income (1.5%) and operating expenses (3%) trends used were generated from VHFA experience in similar type properties. A greater emphasis is placed on earlier years, when the projections can be made with some accuracy. In the case of this loan, the project suffers substantially from staff's increase in the estimated operating expenses. In addition, the projections were run with the vacancy rate doubled from 5% to 10% for the three years

following the expiration of the HAP contract to allow for greater stresses on the project without significant rental assistance. Also, the cash flow projection was only run for 15 years because of the inaccuracies that develop in long term projections of this nature. The net result is that the project has the capacity for more debt than requested (primarily to fund a working capital account), and based on the rehabilitation budget and sinking fund the total debt anticipated at this time is $157,000.

VHFA would like the Board to acknowledge that the recycled Section 8 funds are a scarce resource that should be used wisely. In fact, the 7.22% permanent mortgage rate is one of the lowest rates we have ever offered for long multifamily term debt. It is important then to determine if a proposal to refinance existing debt, such as being proposed for Depot Street, is an appropriate use of these funds versus keeping the funds for projects needing new debt. At this time, there are no new projects pending that have requested use of these funds. In this development, a substantial increase in property taxes (RAHC is planning to appeal the tax assessment in 1996) and the possibility of losing all Section 8 rental subsidies could jeopardize the long term viability of the project. Therefore, we have decided that this project is an appropriate use of these Section 8 funds.

Strengths

a) The sponsor has successfully managed the development during the last three years as a part of a portfolio of approximately 60 units, and therefore should be able to effectively manage the property based on the proposed budget.

b) The development received rehabilitation following RAHC's purchase in 1992 including lead paint abatement, some window replacement, and new interior finishes.

Weaknesses

a) The project currently relies on Section 8 rental assistance to provide sufficient income to cover all operating expenses and debt service payments.

b) The project has not had a heating system review or replacement following RAHC's purchase.

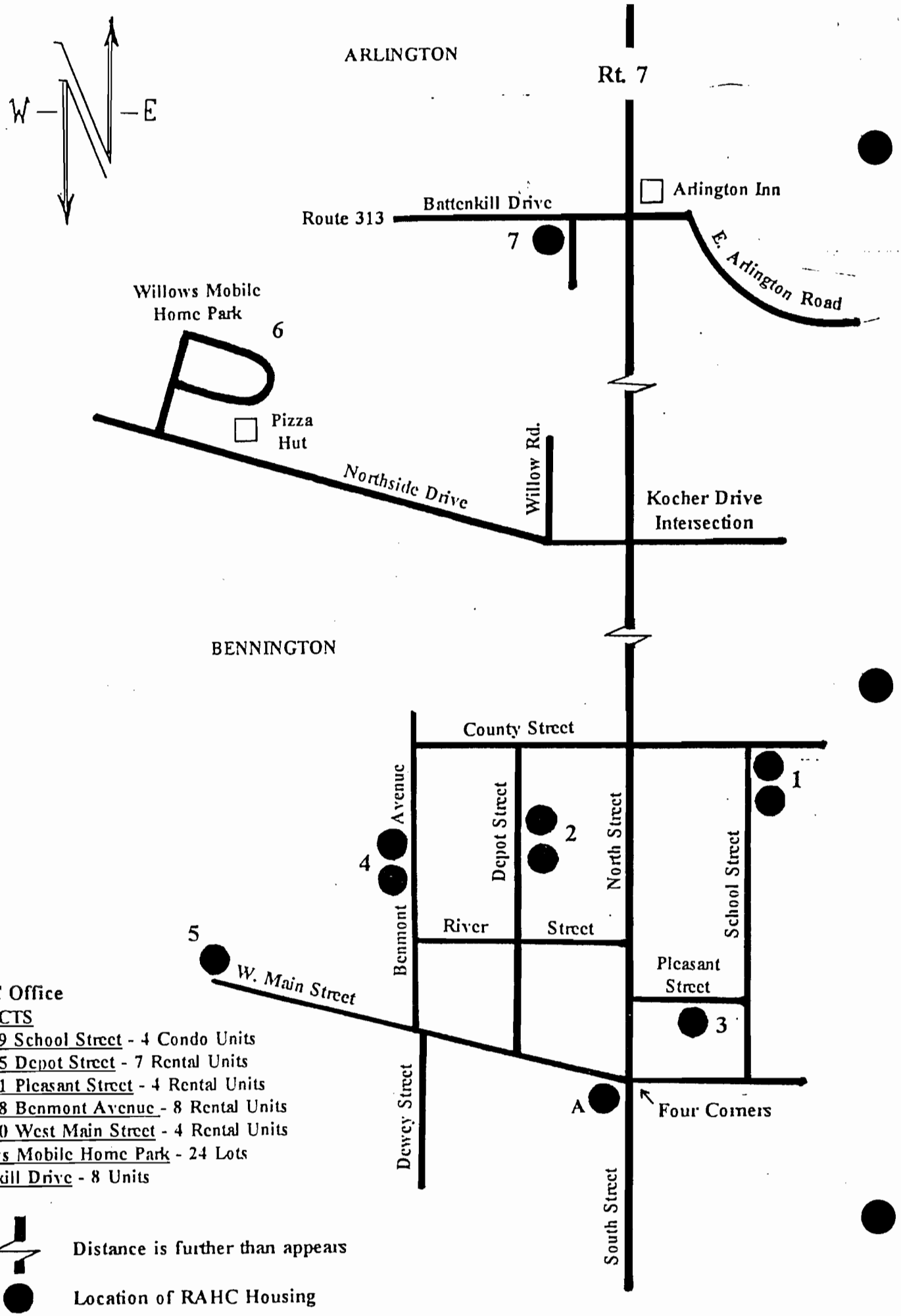
c) Even with a reduction in debt service of approximately $4,150, the project does not show a positive cash flow with staff adjustments to the operating budget and proposed trending rates.

RECOMMENDATION

Staff recommends Board approval of the attached Resolution to provide a Letter of Interest to provide permanent financing in an amount of up to $157,000, loan term of 25 years and interest rate of 7.22%. The proposed source of funds is recycled Section 8 funds. The Letter of Interest shall include the following conditions:

1) sponsor must provide an appraisal, satisfactory to staff, that indicates a value at least equal to the first mortgage debt being provided by VHFA; and

2) sponsor must provide an energy audit, satisfactory to staff, assessing current energy efficiency of units and heating systems and making recommendations for improvements that would reduce utility costs.



A RAHC Office

RAHC PROJECTS

1 343-349 School Street - 4 Condo Units
2 211-215 Depot Street - 7 Rental Units
3 119-121 Pleasant Street - 4 Rental Units
4 132-138 Benmont Avenue - 8 Rental Units
5 128-130 West Main Street - 4 Rental Units
6 Willows Mobile Home Park - 24 Lots
7 Battenkill Drive - 8 Units

Key:

Distance is further than appears

Location of RAHC Housing

S:\DEVEL\MFLOAN\PROJECTS\DEPOTST.WQ1

Project:	Depot Street	RUN DATE:	06-Oct-95

Total Residential Units:	7		
Restricted Units:	3	Increase - Rents	1.50%
Percent Restricted:	42.86%	Increase - Expenses	3.00%
Avg Net Monthly Rent:	462	Vacancy Rate (Years 2-4):	10.00%
Total Dev Costs	295,149	Vacancy Rate:	5.00%
TDC/Unit	42,164		

FINANCING SOURCES	Amount	% of TDC	Interest	Term	Amortization Period
VHFA Primary debt	157,000	53.19%	7.22%	25	25
Town of Bennington	28,000	9.49%	5.50%	20	20
VHCB deferred debt	84,213	28.53%	2.00%	30	30
VHCB develop. grant	17,133	5.80%	N/A	N/A	
Existing Replmt Reserves	5,770	1.95%	N/A	N/A	
VHCB feasibility Grant	3,033	1.03%	N/A	N/A	
	295,149	100.00%			

Gap 0

Depot Street	DEVELOPMENT BUDGET	04-Oct-95

		Budget	Per Unit
ACQUISITION & CONSTRUCTION			
Land			0
Refinance VNB1 and VNB2 Loan		137,255	19,608
Balance of Original Purchase/Rehab Cost		133,379	
Demolition			0
Rehabilitation		12,745	1,821
New Buildings			0
Accessory Buildings			0
Sitework			0
General Requirements	0.00%		0
Contractor Overhead	0.00%		0
Contractor Profit	0.00%		0
Construction Contingency	0.00%		0
APPLIANCES			0
Subtotal		283,379	21,429
PROFESSIONAL SERVICES			
Architect Fee - Design			0
Architect Fee - Supervision			0
Attorney			0
Legal, Title & Recording			0
Subtotal		0	0
INTERIM COSTS			
Construction Insurance			0
Construction Interest			0
Construction Loan Origination Fee			0
Taxes			0
Subtotal		0	0
OTHER SOFT COSTS			
Property Appraisal		500	71
Market Study			0
Energy Audit		1,200	171
Environmental Report			0
Tax Credit Fees			0
Marketing			0
Subtotal		1,700	243
FINANCING FEES & EXPENSES			
Credit Report			0
Permanent Loan Origination Fee		1,570	224
Credit Enhancement			0
Cost of Issuance			0
Title & Recording			0
Counsel's Fee			0
Other			0
Subtotal		1,570	224
SYNDICATION COSTS			
Organizational (Partnership)			0
Bridge Loan Fees & Expenses			0
Tax Opinion			0
Subtotal		0	0
DEVELOPER'S FEES			
Developer's Overhead & Profit			0
Consultant Fees			0
Subtotal		0	0
PROJECT RESERVES			
Rent-up (Deficit Escrow) Reserve			0
Replacement Reserve (Existing once WC is funded)		3,000	429
Working Capital (40% of Debt Service)		5,500	786
Operating Reserve/Sinking Fund			0
Subtotal		8,500	1,214
TOTAL DEVELOPMENT COSTS		295,149	42,164

Depot Street | INCOME & EXPENSE BUDGET | 05-Oct-95

INCOME

RENTS

Project Based Section 8 Units

Bedrooms	Type	Sq.Feet	Number	Rent	Utilities	Total Annual Rent
3 Br	Depot 211	740	1	541	188	6,492
2 Br	Depot 213	806	1	425	159	5,100
3 Br	Depot 213	740	1	541	188	6,492
	Totals	2,286	3			18,084

Market Rate Units After 11/30/1996 (HAP Expiration Date)

Bedrooms	Type	Sq.Feet	Number	Rent	Utilities	Total Annual Rent
2 Br	Depot 211	806	1	450	TBD	5,400
3 Br	Depot 213	840	1	550	TBD	6,600
2 Br	Depot 215	983	1	450	TBD	5,400
2 Br	Depot 215	983	1	450	TBD	5,400
	Totals	2,772	4			22,800
All Units						
	Grand Totals	5,058	7			40,884
		Less Vacancy	5.00%			(2,044)
					NET RENT	38,840

YEAR 2

OTHER INCOME

Interest Income	300
Laundry	0
Parking	0
Total Other Income	300
TOTAL INC	39,140

Depot Street | EXPENSE BUDGET | *********

	Annual	Monthly	Per Unit Per Month	
Administration				
Management Fee	2,232	186	27	5.5%
VHFA Undrwrtng Adjstmt	4,500	375	54	
Audit/Accounting		0	0	
Legal		0	0	
Office Expense		0	0	
Telephone		0	0	
Office Payroll		0	0	
Rent		0	0	
Other		0	0	
TOTAL ADMINISTRATIV	6,732	561	80	
Utilities				
Water/Sewer	1,645	137	20	
Electric	600	50	7	
Fuel		0	0	
Other		0	0	
TOTAL UTILITIES	2,245	187	27	
Maintenance				
Maintenance Payroll	3,150	263	38	
Supplies		0	0	
Trash Removal	1,080	90	13	
Snow Removal		0	0	
Repairs	600	50	7	
Paint/Decorating		0	0	
Exterminating	960	80	11	
Contract Maintenance		0	0	
Equipment Debt		0	0	
Service Lease		0	0	
Other		0	0	
TOTAL MAINTENANCE	5,790	483	69	
Taxes	5,758	480	69	
Insurance	1,186	99	14	
Replacement Reserves	2,124	177	25	
Other		0	0	
Total	23,835	1,986	284	

06-Oct-95 Depot Street				PRO FORMA											
Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Residential Rent	39,876	41,497	42,120	42,752	43,393	44,044	44,704	45,375	46,056	46,746	47,448	48,159	48,882	49,615	50,359
Less Res Vacancy	(1,994)	(4,150)	(4,212)	(4,275)	(2,170)	(2,202)	(2,235)	(2,269)	(2,303)	(2,337)	(2,372)	(2,408)	(2,444)	(2,481)	(2,518)
Plus Other Income	300	300	300	300	300	300	300	300	300	300	300	300	300	300	300
Total Actual Income	38,182	37,648	38,208	38,776	41,523	42,141	42,769	43,406	44,053	44,709	45,375	46,051	46,738	47,434	48,141
Less Operating Expense	21,711	22,362	23,033	23,724	24,436	25,169	25,924	26,702	27,503	28,328	29,178	30,053	30,955	31,883	32,840
Less Reserves	2,124	2,156	2,188	2,221	2,254	2,288	2,322	2,357	2,393	2,429	2,465	2,502	2,539	2,578	2,616
Net Operating Income	14,347	13,129	12,986	12,831	14,833	14,684	14,523	14,347	14,157	13,953	13,732	13,496	13,243	12,973	12,685
Less VHCB Deferred Debt Service	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Less VHCB Manditory Principal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Less Town of Bennington Debt Serve	2,311	2,311	2,311	2,311	2,311	2,311	2,311	2,311	2,311	2,311	2,311	2,311	2,311	2,311	2,311
Less VHFA Debt Service	13,581	13,581	13,581	13,581	13,581	13,581	13,581	13,581	13,581	13,581	13,581	13,581	13,581	13,581	13,581
Cash Flow	(1,545)	(2,763)	(2,906)	(3,061)	(1,060)	(1,208)	(1,370)	(1,546)	(1,735)	(1,940)	(2,160)	(2,396)	(2,649)	(2,919)	(3,208)
Oper Subsidy	1,545	2,763	2,906	3,061	1,060	1,208	1,370	1,546	1,735	1,940	2,160	2,396	2,649	2,919	3,208
Net Cash	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
DCR	90.28%	82.61%	81.71%	80.74%	93.33%	92.40%	91.38%	90.28%	89.08%	87.79%	86.41%	84.92%	83.33%	81.63%	79.82%
Cumulative Cash Flow	(1,545)	(2,763)	(2,906)	(3,061)	(1,060)	(1,208)	(1,370)	(1,546)	(1,735)	(1,940)	(2,160)	(2,396)	(2,649)	(2,919)	(3,208)
Cumulative Cash Flow plus Reserves	9,079	8,471	7,753	6,913	8,107	9,187	10,140	10,952	11,609	12,097	12,402	12,508	12,398	12,056	11,465

06-Oct-95 Depot Street									PRO FORM	06-Oct-95
Year	16	17	18	19	20	21	22	23	24	25
Residential Rent	51,114	51,881	52,659	53,449	54,251	55,065	55,891	56,729	57,580	58,444
Less Res Vacancy	(2,556)	(2,594)	(2,633)	(2,672)	(2,713)	(2,753)	(2,795)	(2,836)	(2,879)	(2,922)
Plus Other Income	300	300	300	300	300	300	300	300	300	300
Total Actual Income	48,859	49,587	50,326	51,077	51,839	52,612	53,396	54,193	55,001	55,822
Less Operating Expense	33,825	34,840	35,885	36,962	38,070	39,212	40,389	41,601	42,849	44,134
Less Reserves	2,655	2,695	2,736	2,777	2,818	2,861	2,904	2,947	2,991	3,036
Net Operating Income	12,378	12,052	11,706	11,339	10,950	10,538	10,104	9,645	9,161	8,651
Less VHCB Deferred Debt Service	0	0	0	0	0	0	0	0	0	0
Less VHCB Manditory Principal	0	0	602	602	602	602	602	602	602	602
Less Town of Bennington Debt Servc	2,311	2,311	0	0	0	0	0	0	0	0
Less VHFA Debt Service	13,581	13,581	13,581	13,581	13,581	13,581	13,581	13,581	13,581	13,581
Cash Flow	(3,514)	(3,841)	(2,477)	(2,845)	(3,233)	(3,645)	(4,079)	(4,538)	(5,022)	(5,532)
Oper Subsidy	3,514	3,841	2,477	2,845	3,233	3,645	4,079	4,538	5,022	5,532
Net Cash	0	0	0	0	0	0	0	0	0	0
DCR	77.89%	75.83%	82.53%	79.94%	77.20%	74.30%	71.24%	68.00%	64.59%	61.00%
Cumulative Cash Flow	(3,514)	(3,841)	(2,477)	(2,845)	(3,233)	(3,645)	(4,079)	(4,538)	(5,022)	(5,532)
Cumulative Cash Flow plus Reserves	10,606	9,461	9,719	9,652	9,237	8,453	7,277	5,686	3,656	1,160

RESOLUTION PERTAINING TO LETTER OF INTEREST
RE: DEPOT STREET (BENNINGTON)

WHEREAS, a proposal has been presented to the Agency by the Regional Affordable Housing Corporation ("RAHC"), a non-profit corporation located in Bennington, Vermont (the "Sponsor") involving the refinancing and minor rehabilitation of two buildings containing seven apartments on Depot Street in Bennington (the "Development"); and

WHEREAS, the proposal contemplates a permanent mortgage loan of up to $157,000 amortized over a period of 25 years with an interest rate of 7.22% per annum; and

WHEREAS, the Sponsor has received deferred loans and grants from the Vermont Housing and Conservation Board and from the Town of Bennington; and

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Paul Cummings dated October 4, 1995, containing information and recommendations about the Development (the "Memorandum");

It is hereby DETERMINED:

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

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

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

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

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

6. The Sponsor is a financially responsible organization and is expected to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a first mortgage loan to the Regional Affordable Housing Corporation for the refinancing and rehabilitation of the Depot Street Development in Bennington in an amount not to exceed $157,000. The term will be 25 years and the interest rate will be 7.22%. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, construction financing, or for other purposes with the consent of the Agency.

2. The Letter of Interest shall require the Sponsor to provide the following items in form and content satisfactory to the Agency:

   (a) an appraisal indicating a value greater than or equal to the amount of first mortgage debt proposed to be provided by the Agency; and

   (b) an energy audit assessing the current energy efficiency of units and heating systems and making recommendations for improvements that would reduce utility costs.

T:\depot\depotint.res

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Joe Erdelyi, Multifamily Development Underwriter

DATE: October 6, 1995

RE: Multifamily Underwriting Standards - Informational Update

EXECUTIVE SUMMARY

Staff is recommending that a greater focus be placed on the diligence with which the initial year "full occupancy" operating budget is set, and less emphasis placed on the calculation of cumulative cash balances in the cash flow projections. Rental income and expense trending rates will also be tailored to the specific project.

BACKGROUND

In underwriting a multifamily loan, VHFA staff rely on three sources for guidelines: the VHFA statutes, the Multifamily Rules, and general underwriting standards (see attached table). At this time, no changes to either the statutes or the Multifamily Rules are being recommended. However, a periodic review and update of the standards serves as an opportunity to evaluate underwriting experience and implement improvements.

Staff currently look at the development budget (sources and uses), the pro-forma operating budget, and the cash flow projection. The project sponsor submits assumptions for determining all of these, and staff examine and modify these assumptions and numbers as needed. Loan-to-value ratios seldom determine the permanent loan amount, because the combination of income restrictions and operating expenses leave limited room for debt service. Often it is the rates at which rental incomes and expenses are trended in the cash flow projection that determine the loan amount. Rents that can be charged are usually tied to household income figures; for projects receiving low income housing tax credits, the tax credit rents are directly set by the HUD-published median incomes. Therefore, the rental income trending rate is set at a low level, even if the project is in a strong rental market. Based on an analysis previously done, a 1.5% differential between the rates has been used (e.g., rental incomes trended to increase at 1.5% per year, expenses to increase at 3.0% per year within the Burlington MSA; elsewhere in the state the rates used were 1.0% and 2.5%, respectively). Inevitably this leads to negative cash flows before the end of the loan term. Projects are able to demonstrate financial feasibility by saving the accumulated cash flow from earlier years and using it to subsidize operations in later years.

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

Some of the projects financed by VHFA (Quechee Pines, most recently) have the permanent first loan amount determined by this cumulative cash flow figure as of the end of the loan term. The loan amount is set at a level such that the cumulative cash balance at the end of the loan term is at or above zero. The problem with this method is that any inaccuracies in the first year operating budget or in the rental income or expense trending rates have a great effect on the later years' cumulative cash flow balance, because of the "compounding" effect of these trending rates.

Based on discussions with other HFAs and developers, staff would like to modify some of the underwriting practices. In particular, staff proposes: 1) to revise the manner in which rental income and expense trending is done; 2) to rely more on debt coverage ratio and "stress testing" and less on estimates of cumulative cash in determining the loan amount; and 3) to focus more on the first year full-occupancy expenses.

REVISED STANDARDS

Rental Income Trending:

The rents should not increase any faster than HUD-published income limits increase. The statewide average annual percentage increase is 5.3% since 1978, 2.2% since 1990, and 1.3% since 1992. The last Census was in 1990, and the most accurate income data comes from the Census, so the trending rate used would be based on increases since 1990. This data is available by county and for the Burlington MSA as well. Market data, provided directly by the sponsor (or in an independently-prepared market study) is still the best source for rental income trending for market-rate units. As VHFA's portfolio of non-Section 8 projects grows, we may be able to use historical data generated from these projects.

Expense Trending: For the purpose of trending, expenses should be divided into three categories: utilities, real estate taxes, and all other operating expenses (excluding debt service and replacement reserves). Historical information for utility and real estate taxes can be used to generate trending information specific to the project. For new construction, or if a utility conversion or energy improvements are being undertaken (so that historical property utility cost information is not relevant), data from projects with systems similar to that being proposed would be a good source. Also, VEIC energy audits include post-conversion utility cost estimates. Historical property tax increases are available town by town. If units are already existing, project-specific tax increases would be the source for the trending rate. Historical tax data covering at least the same term as the income increases will be utilized. Unlike taxes and utilities, which are monopolistic, market forces and

competition should serve to limit increases in other expense categories; therefor all other expenses are trended at the income trending rate.

Cash Flow Projections / "Stress" Testing:

The cash flow projections should be run for the full term of the mortgage, but only for internal evaluation, and not for using late-term projections to determine initial loan amounts. The project should have positive cash flow for at least five years, and should have a positive cumulative cash position for at least 15 years. As important as the year in which cumulative cash turns negative is the rapidity with which cash flow drops off over the term of the loan. A "stress test" on the project could include holding the rents level for a period of years, increasing the vacancy rate, or both. (Housing Vermont holds the rents for five years and doubles the vacancy rate, to see what effect this has; they look for positive cumulative cash for five years under this stress). The permanent loan amount should be based on what the project can support, (including the use of cumulative cash), under a stress scenario, for 15 years.

EXAMPLES

Staff are beginning to implement these standards on both new projects and on recently approved projects. Based on correspondence with the town tax offices, both Westview Terrace and Morrisville Scattered Sites have had the first-year property tax estimates increased over the initial budget submitted. Rental income and expense trending rates are being evaluated and a greater comfort level with the estimates is being achieved: the following table shows how these have been customized on two recent projects:

	proposed	Morrisville	Quechee
Rental Income Trending Rate	1.0%	2.4%	1.9%
Expense Trending Rate	2.5%	5.2%	2.8%

Quechee Pines was given commitments for a combination of $115,200 in first mortgage financing and approximately $43,000 in second mortgage financing (the second mortgage financing using Section 8 refunding proceeds). Applying these revised underwriting standards eliminates the need for this second mortgage financing.

RECOMMENDATION

Staff recommend a trial implementation of these new standards on all new applications for funding going forward. In addition, staff have already discussed the proposed changes in concept with some developers and VHCB staff, and have found a consensus that these changes are worth pursuing. Staff will now share the specifics with all affected parties.

MULTI-FAMILY PERMANENT LOAN PROGRAM
UNDERWRITING STANDARDS

BOLD = STATUTORY REQUIREMENT
ITALIC = MULTIFAMILY RULES REQUIREMENT
NORMAL = UNDERWRITING STANDARD

ITEM	VHFA CURRENT STATUTES, RULES, AND STANDARDS	PROPOSED
SECURITY	1ST POSITION ***MORTGAGE AND PROMISSORY NOTE; VARIOUS ASSIGNMENTS AND SUBORDINATIONS AS NEEDED*** **{624(a)(1) & (b)(4)}**; *II(7) & VIII(3)*	
MINIMUM STANDARDS	***ALL FEDERAL, STATE AND LOCAL CODES, INCLUDING ACCESSIBILITY MODIFICATIONS; ACT 200 COMPLIANCE*** **{624(b)(6)(B)}**; *VI(2) & VI((4)(b)(vii)*	
ELIGIBLE BORROWERS	**NON-PROFIT AND FOR PROFIT DEVELOPERS AND TENANT COOPERATIVES.** *NEED CREDIT CHECK AND BANK REFERENCES; EVALUATE CURRENT HOLDINGS AND MANAGEMENT ("...ability and intention to maintain and operate housing...") I(2)(6) & II(1);* **{601(7); 621(18) and (19); 624(a)(1) and (b)(1)}**	
APPRAISAL	*MAXIMUM LOAN BASED ON LAND VALUE PLUS VALUE OF RESIDENTIAL HOUSING AS DETERMINED BY AGENCY* - APPRAISAL USED FOR VALUE DETERMINATION **{624(b)(2)}**; *IV(1)*	
MARKET STUDY	*SPONSOR MUST DEMONSTRATE NEED FOR HOUSING PROPOSED* - INDEPENDENT, THIRD PARTY MARKET STUDY; MAY BE WAIVED IF PROJECT HAS OCCUPANCY HISTORY *VIII(1)(3)&(4)*	
ENERGY EVALUATION	**VHFA MUST ADOPT RULES FOR ENERGY EFFICIENT CONSTRUCTION AND MUST PUBLISH A MANUAL WITH ACCEPTABLE METHODS, MATERIALS, AND DEVICES {626}**	
ENVIRONMENTAL ASSESSMENT	MUST HAVE PHASE I ENVIRONMENTAL SITE ASSESSMENT (PER FEDERAL CERCLA LAWS); IF REHABILITATION, TESTING FOR LEAD AND ASBESTOS, WITH ABATEMENT PLAN. SPONSOR MAY ADOPT A STRATEGY OF ABATEMENT WITHOUT TESTING.	
BUILDING AND REHAB EVALUATION	*BUILDING PLANS AND SPECS REQUIRED BEFORE MAKING LOAN; VI(4)(B)(vi)&(vii) and VII(1)(4);* **{624(b)(6)(B) and (C); 625(4)}**	
MANAGEMENT CAPABILITY	OWNER MUST SUBMIT PROPOSED MANAGEMENT PLAN THAT DEMONSTRATES MANAGER CAPABILITY; *I(2)(10), II(1), and IV(3)*	
FEES	ONE POINT; *IV(2) & VII(4);* **624(b)(3)**	
LONG TERM AFFORDABILITY	AFFORDABILITY REQUIRED FOR TERM OF LOAN	
VHFA REGULATORY AGREEMENT	***COVERS USE OF RESERVE ACCOUNTS, TENANT INCOME MONITORING REQUIREMENTS & VHFA RIGHTS IN CASE OF DEFAULT;*** *I(2)(10) & IV(3);* **{624(b)(5) and (6)}**	

ITEM	VHFA CURRENT STATUTES, RULES, AND STANDARDS	PROPOSED
VACANCY RATE	NOT LESS THAN 5% AT STABILIZED OCCUPANCY FOR RENTAL HOUSING, EXCEPT FOR SOME SECTION 8-ASSISTED HOUSING AND SOME MOBILE HOME PARKS; HIGHER THAN 5% MAY BE REQUIRED IF MARKET STUDY INDICATES APPROPRIATE	
DEBT COVERAGE RATIO	NOT LESS THAN 1.05 TO 1	
TRENDING OF INCOME AND EXPENSES	INCOME TRENDED AT 1.5% PER YEAR AND EXPENSES TRENDED AT 3.0% PER YEAR IN BURLINGTON MSA AND 1.0% / 2.5% OUTSIDE MSA; CASH FLOW PROJECTION MADE FOR FULL TERM OF LOAN	USE MORE REALISTIC TRENDING RATES; RELY ON 15 YEAR CUMULATIVE CASH FLOW ESTIMATES; EXAMINE PROJECTION WITH PROJECT UNDER "STRESS TEST" SCENARIOS
REPLACEMENT RESERVE	FUNDED ANNUALLY AT 3% OF GROSS RENT POTENTIAL FOR FAMILY RENTAL, 2% OF ANNUAL INCOME POTENTIAL FOR MOBILE HOME PARKS AND ELDERLY RENTAL PROJECTS; VHFA MUST BE CO-SIGNATOR ON ACCOUNT; *DESCRIBED IN REGULATORY AGREEMENT - IV(3)*	
WORKING CAPITAL	CAPITALIZED AT 40% ANNUAL DEBT SERVICE. MAY BE CASH OR IRREVOCABLE LETTER OF CREDIT; USUALLY CO-MINGLED WITH OPERATING ACCOUNT, WITH SEPARATE ACCOUNTING; *DESCRIBED IN REGULATORY AGREEMENT - IV(3)*	
OPERATING ACCOUNT	NO STANDARD; *DESCRIBED IN REGULATORY AGREEMENT - IV(3)*	
DEFICIT ESCROW	SIZED AT CLOSING TO COVER EXPENSES DURING RENT-UP PERIOD; RELEASED AFTER SIX MONTHS SUSTAINED BREAKEVEN OPERATION ON AN ANNUALIZED BASIS; *DESCRIBED IN REGULATORY AGREEMENT - IV(3)*	
MINIMUM EQUITY REQUIREMENTS	*NONE, IF LOCAL OR STATE AGENCY OR NON-PROFIT; FOR ALL OTHERS, 5% IN CASH OR LAND OR A COMBINATION OF THE TWO; IV(1)(b)*	
LOAN TO VALUE	*100% OF COST OR SECURITY VALUE, WHICHEVER IS LESS, FOR NON-PROFITS OR STATE OR LOCAL AGENCIES; 95% FOR ALL OTHERS; VI(1)(a)&(b)*	
LOAN PREPAYMENT & ASSUMPTION	NO SPECIFIC STANDARD *["The housing sponsor must have the ability and intention to maintain and operate the housing for the purpose for which the loan is made." II(1)]*	
ELIGIBLE PROJECT TYPES	*NEW CONSTRUCTION, ACQUISITION/REHABILITATION OF MULTIFAMILY STRUCTURES, MOBILE HOME PARKS; INCLUDES TRANSITIONAL HOUSING, SRO, CONGREGATE CARE, RESIDENTIAL CARE, AND GROUP HOMES; I(1);* **{601(13) and (14)}**	
INCOME TARGETING	**HOUSING MUST BE PRIMARILY OCCUPIED BY PERSONS AND FAMILIES OF LOW AND MODERATE INCOME;** *75% OF HOUSING UNITS INITIALLY OCCUPIED BY HOUSEHOLDS OF LOW OR MODERATE INCOME; MAY BE WAIVED FROM 75% DOWN TO "MORE THAN HALF"; BOND FUNDED PROJECTS MAY HAVE OTHER REQUIREMENTS; III(1);* **{601(11); 625(1)}**	
RENT LIMITS	NO STANDARD; FOR COMPARISON, PROPOSED RENTS PLUS UTILITIES ARE CALCULATED TO BE AFFORDABLE TO A PERCENT OF AREA MEDIAN INCOME, USING 30% OF GROSS INCOME TO HOUSING COST RATIO; *RENTS LIMITED THROUGH REGULATORY AGREEMENT - VI(3)*	

s:\devel\mfloan\undstd.tbl

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, Development Coordinator PAC

DATE: October 4, 1995

RE: Results of Home Improvement Loan Survey

In May 1995, VHFA mailed a survey to households who had received financing from VHFA's MOVE and HOUSE programs during the past ten years to determine the potential level of interest in a home improvement loan program, and to gain input into the design of a program.

To access home equity for home improvements and other uses, lenders generally require 10%-20% equity. Some lenders offer unsecured loans for home improvements; however, the maximum term for an unsecured loan is usually limited to five years. Home owners receiving the survey were told that VHFA's goal is to develop a home improvement loan program that has an attractive interest rate, a long term (15-20 years), and the flexibility to finance repairs or improvements regardless of whether an owner has equity in their home.

Out of approximately 660 surveys, 154 were returned to VHFA. A total of 150 out of 154 respondents indicated that they intend to make home improvements at some time in the next five years, with 90% intending to make more than one type of improvement. The combined cost of planned improvements would total more than $4,000 for 90% of all respondents.

The top three types of repairs or improvements respondents were most interested in making include:

1. Exterior painting/siding with an estimated cost of $1,000 to $4,000 (41%);

2. Building a deck/porch with an estimated cost of $1,200 to $3,000 (37%)

3. Five types of repairs and improvements tied for third place (31%). (Roof repair @ $2,500 to $5,000; Addition to living space @ $5,000 to $25,000; Bathroom remodeling @ $2,500 to $4,000; Building a garage @ $6,000 to $10,000; Kitchen Remodeling @ $6,000 to $10,000).

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

Eighty-eight percent of these respondents do not currently have a home improvement loan. The most commonly sited reasons for not having a home improvement loan include:

1. "I don't want any additional loan payments at this time."

2. "I don't have enough equity in my home."

3. "Interest rates on loans for home improvement are too high" (the rate for unsecured personal loans at the time of the survey was between 10% and 12%).

Seventy-nine respondents (50%) want a loan, believe that they can afford a loan, and will be doing improvements within one year. All but one of the 79 would need $3,500 or more to complete all of the improvements they intend to make. Using a conventional loan product, only one of these households would be able to afford all of the intended repairs and improvements. With a VHFA program, 20 households would be able to afford to make all of the planned repairs and improvements. The primary reason for the increase in households reached is the longer term available through VHFA's program.

The demand for a new program is determined by the cost and type of improvements made. For small improvements costing between $1,000 and $2,000, conventional loan programs (typically five year terms) are capable of meeting the demand. For loan amounts of $3,000 or greater the need for a VHFA program increases significantly. Among respondents making home improvements costing between $4,000 and $10,000, VHFA's program would increase the number of eligible borrowers by 200%. The attached table identifies the percentage of respondents who could afford a VHFA or conventional loan at the specified dollar amounts.

Staff believes that the results of the survey demonstrates a need and demand for a home improvement loan program that is not tied to the amount of equity an owner has in their home, and that has a longer term than currently available in the conventional marketplace. Staff plans to proceed with the development of a home improvement loan program for Board approval and implementation in the Spring of 1996. This program will probably utilize insurance from the HUD FHA Title One Home Improvement Loan Program. To participate a lender would have to be approved by HUD (currently only the Vermont Development Credit Union and VHFA are approved). The loans may be originated for sale to Fannie Mae. Staff have not approached lenders to determine their interest in participating because we believe that information from the survey will be of interest to lenders.

BOARD ACTION REQUESTED

Staff requests authorization to proceed with the development of a Home Improvement Loan Program including determination of interest by lenders.

Percentage of Respondents Who Could Afford a VHFA or Conventional Loan by Dollar Amounts

SOURCE RATE TERM	CONV 9% FIVE	VHFA 9% TWENTY	CONV 10% FIVE	VHFA 10% TWENTY	CONV 11% FIVE	VHFA 11% TWENTY
$1,000	100%	100%	100%	100%	100%	100%
$2,000	90%	100%	90%	100%	90%	100%
$3,000	55%	90%	55%	90%	55%	90%
$4,000	32%	90%	32%	90%	32%	90%
$5,000	8%	90%	8%	90%	8%	55%
$6,000	8%	55%	8%	55%	8%	55%
$8,000	8%	55%	8%	32%	8%	32%
$10,000	8%	32%	8%	32%	8%	8%
$15,000	8%	8%	8%	8%	8%	8%
$20,000	8%	8%	8%	8%	8%	8%
$25,000	8%	8%	8%	8%	8%	8%

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, Development Coordinator PAC

DATE: October 3, 1995

RE: Update -- Homeownership Center Initiative

At the June Board meeting, staff reported on a study conducted by Barbara Mervine to determine the feasibility of implementing in Vermont some of the programs she developed when she was Executive Director of West Side Neighborhood Housing Services (WSNHS) in Buffalo, New York. Using municipal, state, federal, and private funds, and resources from Neighborhood Reinvestment Corporation (NRC), WSNHS utilized a "Full Cycle Lending" approach to assist 215 low income households (50% to 70% of median income) to become homeowners during a two year period.

Over the past several months, VHFA staff have worked with Ms. Mervine, David Dangler, Executive Director, Rutland West Neighborhood Housing Services (RWNHS), Brenda Torpy, Executive Director, Burlington Community Land Trust (BCLT), and Ed Stretch, Executive Director, Gilman Housing Trust (GHT) to facilitate the development of Homeownership Centers at each of the three organizations. Homeownership Centers will provide a full range of counseling and loan services to assist low income households to become homeowners. Through this initiative we believe that we can demonstrate that a greater number of low-income households can become successful homeowners.

BCLT and GHT have applied to become a member of the NEIGHBORHWORKS Network -- an initiative of Neighborhood Housing Services (NHS) to increase homeownership. Both organizations were visited by NHS staff, and based on the initial feedback from NHS, are hopeful that their application to the NEIGHBORWORKS Network will be approved this month. (NHS has indicated that they may delay approval until the Federal budget is approved by Congress.)

On September 13, 1995, BCLT, RWNHS, GHT, and VHFA staff met to discuss how to proceed with further development and implementation. It is expected that each Homeownership Center may vary as to their goals and targeting based on the needs within their particular service area. VHFA has executed an agreement with Ms. Mervine to work with each organization to develop a draft proposal that will:

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

- Define targeting and priorities;
- Establish goals;
- Develop a workplan for the next twelve, twenty-four, and thirty-six months;
- Define outreach and marketing strategies;
- Establish an implementation and operating budget;
- Identify possible source of flexible second and third mortgage funds for downpayment, closing costs, debt restructuring, and rehabilitation.

After each organization completes their draft proposal, we will meet again as a group to consolidate the proposal, identify resources necessary to implement the initiative and operate the homeownership centers for the next twelve months, develop a timeline for its implementation, and a strategy to promote the initiative to possible funding sources.

To move forward it was agreed that a flexible source of low-interest rate second and third mortgage funds need to be available to supplement financing from VHFA and conventional lending sources. Staff anticipates that a complete plan for the Homeownership Centers will be available for Board review and action in November.

BOARD ACTION REQUESTED

No action requested at this time.

s:\devel\board\hocenter.3

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Douglas R. Lothrop, Director of Single Family Operations

DATE: September 26, 1995

RE: Servicing Activity for August

SERVICING ACTIVITY

Collections:

Last months 90+ accounts:		89
Additions:	9	
Reductions:	12	
Under payment arrangement:	55	
August 90+ accounts:		86

In Foreclosure:

Last months foreclosure accounts:		26
New foreclosures:	4	
To REO:	3	
Successful interventions:	0	
Negotiating workouts:	5	
August foreclosure accounts:		27

Real Estate Owned:

Last months REO's:		33
New REO's:	5	
Properties sold:	5	
Properties under contract:	7	
August REO's:		33

VERMONT HOUSING FINANCE AGENCY
DELINQUENCY STATISTICAL REPORT
SINGLE FAMILY PORTFOLIO
EFFECTIVE: AUGUST 31, 1995

Lenders	Total Loans	30	Days	60	Days	90+	Days	Auth	FCL	Total Delinq		REO	
BancBoston Mortgage Corp.	322	10	3.11%	5	1.55%	4	1.24%	1	0.31%	20	6.21%	1	0.31%
Banknorth Mortgage Co.	780	36	4.62%	9	1.15%	6	0.77%	3	0.38%	54	6.92%	6	0.77%
Bennington Co-op S&L Assoc.	33	1	3.03%	1	3.03%	1	3.03%	0	0.00%	3	9.09%	0	0.00%
Brattleboro Savings & Loan	11	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Chittenden Bank	867	63	7.27%	15	1.73%	10	1.15%	4	0.46%	92	10.61%	3	0.35%
Citizens Savings Bank	85	1	1.18%	1	1.18%	1	1.18%	0	0.00%	3	3.53%	0	0.00%
Community National Bank	251	9	3.59%	3	1.20%	5	1.99%	2	0.80%	19	7.57%	0	0.00%
Factory Point Nat. Bank	29	1	3.45%	1	3.45%	1	3.45%	0	0.00%	3	10.34%	0	0.00%
First Brandon Nat. Bank	1	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
First Northern Mortgage Corp.	3	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Fleet Mortgage	29	4	13.79%	1	3.45%	1	3.45%	0	0.00%	6	20.69%	0	0.00%
Graystone Mortgage Company	193	6	3.11%	4	2.07%	10	5.18%	3	1.55%	23	11.92%	5	2.59%
Green Mountain Bank	179	11	6.15%	1	0.56%	1	0.56%	2	1.12%	15	8.38%	0	0.00%
Lomas & Nettleton Company	16	0	0.00%	0	0.00%	2	12.50%	0	0.00%	2	12.50%	0	0.00%
Lyndonville Savings Bank	60	1	1.67%	1	1.67%	0	0.00%	0	0.00%	2	3.33%	1	1.67%
Marble Bank	241	11	4.56%	2	0.83%	1	0.41%	1	0.41%	15	6.22%	1	0.41%
Merchants Bank	328	12	3.66%	1	0.30%	7	2.13%	1	0.30%	21	6.40%	1	0.30%
Mortgage Service Ctr. of NE	73	4	5.48%	1	1.37%	4	5.48%	0	0.00%	9	12.33%	1	1.37%
National Bank of Middlebury	64	1	1.56%	1	1.56%	0	0.00%	0	0.00%	2	3.13%	0	0.00%
New England Federal CU	49	0	0.00%	0	0.00%	0	0.00%	1	2.04%	1	2.04%	0	0.00%
Northfield Savings Bank	117	5	4.27%	1	0.85%	5	4.27%	0	0.00%	11	9.40%	0	0.00%
Passumpsic Savings Bank	171	9	5.26%	2	1.17%	1	0.58%	4	2.34%	16	9.36%	2	1.17%
Peoples Trust Co.	102	7	6.86%	1	0.98%	1	0.98%	0	0.00%	9	8.82%	0	0.00%
Randolph National Bank	49	3	6.12%	1	2.04%	0	0.00%	1	2.04%	5	10.20%	0	0.00%
Union Bank	165	10	6.06%	4	2.42%	4	2.42%	0	0.00%	18	10.91%	0	0.00%
Vermont Development CU	15	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Vermont Federal Bank	899	37	4.12%	3	0.33%	8	0.89%	1	0.11%	49	5.45%	10	1.11%
Vermont National Bank	624	23	3.69%	5	0.80%	13	2.08%	3	0.48%	44	7.05%	2	0.32%
Wells River Savings Bank	35	3	8.57%	0	0.00%	0	0.00%	0	0.00%	3	8.57%	0	0.00%
Totals	5791	268	4.63%	64	1.11%	86	1.49%	27	0.47%	445	7.68%	33	0.57%
Totals Previous Month	5786	259	4.48%	72	1.24%	89	1.54%	26	0.45%	446	7.71%	33	0.57%

VERMONT HOUSING FINANCE AGENCY

Board Property Disposition Report

Month of: August, 1995

Properties Sold

Property	Listing Price	Sale Price	Principal Balance	Interest	To Date Expenses	Claim Payment	Gain/ (Loss)	Audit Valuation Offset	Gain/ (Loss)
Quintin Essex	$70,000	$65,000	$53,211	$11,664	$16,817	$11,975	($ 4,717)	$8,782	($13,499)
Aube Milton	$96,900	$95,000	$86,266	$13,716	$24,414	$18,400	($10,996)	N/A	N/A
Simpson S. Burlington	$79,900	$79,900	$75,834	$ 5,983	$ 9,541	$12,250	$ 792	N/A	N/A
Jackman Addison	$91,000	$91,000	$54,590	$ 9,966	$26,650	$ 5,670	$ 5,465	N/A	N/A
Gross Colchester	$85,000	$85,000	$86,133	$ 2,577	$ 601	$ 5,139	$ 828	N/A	N/A

C:\DATA\OPERATE\SERVICE\BDREOEV

Properties Under Contract

Property	Listing Price	Contract Price	Principal Balance	Interest	Estimated Expenses	Estimated Claim Payment	Gain/ (Loss)	Audit Valuation Offset	Gain/ (Loss)
Geoffrey Albany	$25,000	$22,000	$26,500	$ 2,690	$ 9,443	$ 6,000	($10,633	N/A	N/A
Crepeault Brighton	$15,900	$15,000	$36,460	$ 1,677	$ 4,994	$ 7,400	($20,731)	N/A	N/A
Gordon Benson	$52,900	$48,000	$57,968	$ 4,006	$ 6,140	$14,635	($ 5,479)	N/A	N/A
LePage Washington	$33,000	$33,000	$48,854	$ 2,803	$ 2,459	$10,800	($10,316)	N/A	N/A
McMillin Burlington	$79,900	$79,900	$64,680	$ 3,123	$ 1,440	N/A	($10,657)	N/A	N/A
Kenehan Hardwick	$25,000	$22,500	$56,004	$ 6,074	$ 4,161	$12,000	($31,539)	N/A	N/A
Chase Corinth	$25,000	$22,000	$53,494	$ 3,534	$ 3,057	$10,294	($27,791)	N/A	N/A

VERMONT HOUSING FINANCE AGENCY
MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Douglas R. Lothrop, Director of Single Family Operations

DATE: September 6, 1995

RE: Single Family Program Activity Report For August

MORTGAGE PURCHASE PROGRAMS

Month	No.	Amount	Previous Year	No.	Amount
Reservations	154	$ 9,743,920		86	$ 5,342,042
Purchases	57	$ 3,677,748		81	$ 5,127,973

Period to Date	No.	Amount	Previous Year	No.	Amount
Reservations	795	$49,492,435		630	$38,304,624
Purchases	508	$32,718,676		450	$28,288,907

MORTGAGE PLUS

Month	No.	Amount	Previous Year	No.	Amount
Reservations	6	$ 86,900		10	$ 739,085
Issued	4	$ 300,800		14	$ 1,144,958

Period to Date	No.	Amount	Previous Year	No.	Amount
Reservations	47	$ 3,668,193		41	$ 3,099,475
Issued	73	$ 4,806,849		102	$ 8,083,083

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: October 3, 1995

RE: MULTI-FAMILY MANAGEMENT REPORT

The attached report for the quarter ending June 30, 1995, is provided for the Board's information and includes the status of various financial aspects of the Multi-Family portfolio. The report also contains narratives on department activities through August 31, 1995, as well as detailed project reports for properties that have outstanding maintenance or other unusual issues or problems.

I will be available at the Board meeting to answer any questions or provide additional information if it is desired. You may also reach me at ext. 235 should you like clarification on any point prior to the meeting.

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

MULTI-FAMILY MANAGEMENT
DIRECTOR'S REPORT

For the Period Ending June 30, 1995

1. DELINQUENT MORTGAGE LOAN PAYMENTS

PROJECT NAME	12 MONTH HISTORY	MONTH	NO. OF DAYS	PENALTY/INTEREST
None				

2. ACC AND HAP CONTRACT AMENDMENTS REQUIRED IN FY '96

PROJECT NAME	ORIGINAL ACC COMMITMENT	CURRENT AMENDMENT	PROJECT ACCOUNT BALANCE
Alburg Lamphere	114,285	144,000	39,378
Alburg Dubie	70,164	129,160	30,536
Bradford Elderly	60,360	90,800	14,035
Brandon	79,449	116,396	44,152
Bridgewater	102,127	118,127	11,556
Burlington Baker	72,876	92,876	28,593
Burlington Bobbin	397,273	432,273	127,623
Burlington Duggan	95,904	125,904	20,444
Canaan	93,814	0	17,837
Danville St. John	99,096	140,400	12,269
Depot I	50,310	0	34,107
Derby Line	46,200	78,790	24,738
Fairfax	150,785	0	26,867
Fairfield	56,737	59,737	4,623
Hardwick Bemis	83,769	0	25,673
Hardwick Freeman	65,688	87,415	1,083
Island Pond Elderly	141,960	0	12,764
Island Pond Family	75,216	89,369	11,176
Jericho	182,326	226,680	7,600
Lyndonville	136,704	190,800	-242
Milton	88,452	147,760	38,380
Montpelier DuBrul	215,040	312,650	31,419
Morrisville	101,976	152,936	6,284
North Bennington	180,403	220,000	22,380
North Troy	101,496	0	22,313

PROJECT NAME	ORIGINAL ACC COMMITMENT	CURRENT AMENDMENT	PROJECT ACCOUNT BALANCE
Plainfield	68,028	93,028	24,905
Poultney Swenor	76,449	102,000	20,675
Randolph Caron	127,080	158,780	36,150
Randolph Wishcamper	210,744	352,994	4,666
Rochester	33,198	43,198	1,551
Rutland Bardwell	558,504	0	153,070
Rutland Kohlhepp	78,504	113,954	15,266
Saxtons River	103,776	123,776	-5,162
St. Albans Holy Angels	227,988	294,000	11,954
St. Johnsbury NCIC	217,324	0	25,376
Swanton Abenaki	103,909	160,200	21,573
Vergennes	156,152	204,000	68,591
Waitsfield	190,194	0	68,872
Waterbury Parisi	54,744	71,880	-1,277
Waterbury Steele	53,928	67,828	-12,593
West Burke	115,664	0	20,383
West Rutland	68,784	93,360	9,408
Windsor	313,596	432,273	127,623
Winooski	102,492	136,492	40,196
Woodstock I	40,920	72,000	3,234
Woodstock II	63,612	102,742	20,248

3. SALES, PRESERVATION AGREEMENTS, AND OPTIONS EITHER CLOSED OR UNDER NEGOTIATION

CLOSED			ON HOLD PENDING CONGRESSIONAL ACTION	
PROJECT NAME	# YEARS LOCK-IN	OPTION (Y/N)	PROJECT NAME	STATUS
Bethel Depot II**	40	NP*		
Burlington Ashline	20	Y		
Burlington Baker	20	Y		
Burlington Duggan	20	Y		
Burlington Eno Apts.	19	Y		
Burlington Harrington	19	Y		
Burlington Kassell	20	Y		
Cummings Street**	28	NP*		
Danville/St. Johnsbury	17	Y		
Enosburg	20	Y		

3. SALES, PRESERVATION AGREEMENTS, AND OPTIONS EITHER CLOSED OR UNDER NEGOTIATION

CLOSED			ON HOLD PENDING CONGRESSIONAL ACTION	
PROJECT NAME	# YEARS LOCK-IN	OPTION (Y/N)	PROJECT NAME	STATUS
Fairfax	18	Y		
Georgia	50	Y		
Hardwick Freeman	18	Y		
Highgate**	Perpetuity	NP*		
Milton**	15	N		
Montpelier Dubrul**	15	Y		
Northfield	20	NP*		
Northgate**	Perpetuity	NP*		
Plainfield	20	NP*		
Randolph Faith	22	NP*		
Randolph Wishcamper**	48	NP*		
Richford	30	Y		
Rockingham	71	Y		
Rutland Linden Terrace	50	NP*		
St. Albans Cioffi	17	Y		
Swanton Elderly**	19	NP*		
Swanton Abenaki	60	NP*		
Windsor	23	NP*		
White River Junction	Perpertuity	NP*		
Woodstock I & II	25	Y		

** LIHTC * Non-Profit

4. CASH FLOW PROBLEMS

Project	Cash position	Operating Profit/Loss	
		Budget	Actual
Alburg Lamphere	3783	1724	(2560)
Ethan Allen	2709	(1774)	(6793)
Pine Meadow	4454	5094	1440
Plainfield	2198	168	(2381)
Saxtons River	1246	12235	5324
Waterbury Parisi	2161	11014	612
Winchester	1074	(114,310)	(83,417)

MULTI-FAMILY MANAGEMENT MONTHLY ACTIVITY REPORT
For the Month ending August 31, 1995

A. Multi-Family Management Activity - Narrative

1. Mitas Computer Conversion
2. Tax Credit Compliance Monitoring
3. Condo Inspections

B. Project Reports (see attached narratives)

1. Alburg Lamphere
2. Bellows Falls - Rockingham Canal House
3. Bromur Apts.
4. Burlington Eno
5. Burlington Kassell
6. Colchester - Ethan Allen
7. Highgate
8. Middlebury - Pine Meadow
9. Montpelier - Cummings Street
10. Northfield
11. Plainfield
12. Randolph Faith
13. Saxtons River
14. St. Johnsbury Housing Partnership I
15. Waterbury Parisi
16. Westminster
17. White River Junction - Templeton
18. Winchester
19. Windsor

A. Multi-Family Management Activity - Narrative

1. Mitas Computer Conversion

Work on the multi-family portion of the system has continued. We are currently involved in our third test conversion of data following earlier attempts which did not prove successful. We have continued to comment on problems observed and raise new issues as they appear. Steve Mitas has stepped back in his direct involvement with the design of our system and a new Mitas employee, Tim Kocsis, has been designated to complete work on the Multi-Family system. Thanks to Jeff's contact with Harold Mitas, we see evidence of renewed emphasis in bringing closure to this work in the near future. Our goal is to run a live data conversion to the Mitas system although we are taking the advice of other departments who have warned us to hold off on a live conversion until after all the kinks are worked out.

In the meantime, the HP3000 continues to serve our needs and we continue to use it for reports and maintain the Multi-Family current database. Unfortunately, it can only be used from the computer room and efforts to run a working cable to the third floor have proved to be problematic. Working conditions in the HP room are very poor and with the peak budget approval and audit work about to begin, a resolution to these problems is of the utmost importance.

2. Tax Credit Compliance Monitoring

One year after assuming all tax credit monitoring responsibilities, VHFA's program is fully developed and current. Forty-two out of forty-six properties subject to monitoring through 1995 have been reviewed and the remaining four will be completed by the end of this year. In general, where findings have been discovered they have been relatively minor and the number of reports on non-compliance to the IRS have been minimal. Kim Roy has done a magnificent job of organizing these very complex monitoring procedures into a system that managers can understand and other monitoring agencies envy. She has worked hard to coordinate the tax credit monitoring process in conjunction with Housing Vermont audits, Section 8 reviews and VHCB grant and HOME monitoring requirements. We are now completing HOME and VHCB grant program monitoring on properties that are subject to tax credit monitoring. Kim has provided tax credit training to the entire Multi-Family staff and the department is now capable of assisting with this monitoring work in the process of completing our annual property inspections and Section 8 Management Reviews.

3. Condo Inspections

Multi-Family staff has begun visiting and inspecting VHFA approved condo projects in response to an agreed upon condition of VHMGB's agreement to accept a higher percentage of loans in approved condo projects. Staff is scheduling these visits to coincide with multi-family project inspections and is completing a physical inspection report in addition to taking pictures of these properties. After completing the first seventeen inspections we have found most of these properties to be in very good condition. Only one could be classified as marginal and these inspection reports are being passed along to Single Family Operations staff.

B. Project Reports

Alburg Lamphere: The discrepancy in second quarter operating profit is attributable to an income shortfall of $3,872. This property, which has recently invested in an energy conversion, siding replacement and window upgrades, may yet perform as projected by year's end.

Bellows Falls - Rockingham Canal House: We are still investigating possible energy improvements at the Canal House. The existing ground source heat pump system uses a type of refrigerant that will not be manufactured after 12/31/95. Replacement refrigerant will be costly and there are compatibility problems with the existing heat pumps. Independent engineer, Doug Smith, has completed his review of VEIC and GMP energy audits and recommendations and we are awaiting a copy. We are optimistic that a contingency plan can be in place before we enter the upcoming heating season. A property inspection is scheduled for September 29th and we plan on speaking to manager Loring Smith at that time.

Bromur: Karen Mitchell, the new Executive Director of CVCLT, has hired a Management Agent experienced in working with VHFA, VHCB, and HVT. A two-year management contract was signed with Technical Planning & Management (TP&M). Cash flow performance during the second quarter of 1994 combined with a very poor first quarter leaves the property $12,834 below the budgeted operating profit of $6,742. TP&M has their work cut our for them. The hot water heating system is still being "tuned" after complaints by residents of inadequate hot water during the summer months.

Burlington Eno: Although the roof was replaced about five years ago, there are some "flat spots" which are creating deterioration to the some of window sills and soffits. Steven Knight is collecting quotes on the repairs require. The energy conversion completed at the end of last year has depleted the PCE account and much of the project's operating accounts. Our hope is that the benefits of the energy conversion will begin to improve cash flow and help cover the cost of the repairing the roof. However, this project will need to be watched closely because many major items are reaching the end of their life expectancy [ie. the porches need replacing, the appliances, and the carpets are original and are beginning to go.]

Burlington Kassell: The drainage and foundation work has begun at this building located next to VHFA's new offices. Although the project got off to a slow start with delays in getting bids and building permits, the improvements are now almost complete.

Colchester - Ethan Allen: Ethan Allen's actual year to date operating loss is $(6,793). This is substantially different than the projected amount of $(1,774). The reason for this discrepancy is that the project has had an increase in the maintenance expense line item. Specifically, they are painting the interior corridors of this building and this work was not included in the 1995 approved budget.

Highgate: HUD has not responded to the owner's request to renew the HAP Contract which is scheduled to expire in June of 1996. The current on-site Property Manager has resigned and a search is under way to find a replacement. Budget

preparation here (and at Northgate as well) is underway to accommodate the expected maternity leave of Maloney's Regional Property Manager. No rent increases are anticipated at either property for 1996.

Middlebury - Pine Meadow: Pine Meadow has shown improvement since the reduction in interest rate that went into effect on February 1, 1995, yet actual operating profit is not running as close to the budgeted number as we would like to see. This is primarily due to reductions in rental income as a result of delinquencies and bad debts. One resident has declared bankruptcy, been evicted and left owing more than $3,000. TP&M has negotiated repayment agreements with remaining delinquent tenants. Hot water tanks continue to be a problem and 3 more have failed requiring replacement. Areas of wood trim have also begun to show signs of premature rot and HVT has been made aware of the problem and sent an architect out to investigate.

Montpelier - Cummings Street: The owner HVT has decided to hold off on pursuing the $160,000 comprehensive heating system conversion/improvements package recommended by VEIC. They would like to research lower cost heating system options that may offer a more rapid payback. Also, with the uncertainty over the future of Section 8 rents, VHFA would like to hold off on financing a conversion of this size, especially with this project's HAP Contract scheduled to expire in 1998.

Northfield - Dogwood Glen II: The energy conversion has not begun and will not be completed by the upcoming heating season as we had originally hoped. The proposal from Tim Maker at Energy Efficiency Associates estimated a cost of $130,050, however, the lowest bid came in at $198,748. Richard Williams has requested a VHFA energy loan and is trying to get some funding from Northfield Electric. He has also asked Tim Maker to contact the lowest bidder to determine why there is such an outstanding difference compared to his original estimate. Once this information is collected, we will be meeting to determine how much replacement reserve funding can be utilized and what size energy loan through VHFA is possible.

Plainfield: Although, cash flow improved by $6,000 this quarter, there is still a year to date loss of $2,381. Expenses are below budgeted figures but the income is almost $8,000 below projected budgeted figures. Vacancies and no rent increases are the cause of the problem. We are still concerned over the poor cash flow, however we are beginning to see the positive impact of increased income from the energy conversion.

Randolph Faith: Wally Roberts of Twin Pines Housing Trust has expressed interest in acquiring the Prospect/Forest Homes property from CVCAC. He appears willing to proceed with the energy conversion in cooperation with CVPS. Wally has been directed to discuss his plans with HVT to learn of any possible interest in their participation using tax credit equity to fund the energy conversion. Board action may be required late in the year.

Saxtons River: The $7,373 in maintenance costs above budgeted amounts for the first two quarters are responsible for the variance in operating profit. Fortunately, with adequate levels of reserves and most of the siding replacement now completed, the project's future is reasonably secure.

St. Johnsbury Housing Partnership: It appears that the second phase of rehab will get under way soon following the Board's approval for using $400,000 in refunding proceeds to finance the additional rehab and restructuring of debt. Operating cash flow year-to-date is running more than more than $12,000 better than budget. VHFA's debt service waiver is due to expire in December 1995.

Waterbury Parisi: An income projection that was $7,654 above actual income realized in the first half of 1995, together with utility costs that were $3,604 more than anticipated, account for the difference between actual and budgeted operating profit.

Westminster: Responding to a VSHA threat to withhold HAP payments, a $12,000 VHFA energy loan was approved allowing work to proceed on the largest of the three buildings at this family property. HAP payments will continue unabated.

White River Junction - Templeton: The roof work portion of the Templeton rehab has gone out to bid and there are new questions on the extent of the revised scope of work. We have some reservations and have contacted Richard Williams to find out why he has deviated from the work that was recommended by his architect in 1992. The funds remaining in VHFA's Rehab Escrow may be insufficient to cover the cost of this work. Once we receive a copy of the final bid, we will have a better sense of what the owner must come up with to cover the difference.

Winchester: The revised restructuring proposal has still not been agreed upon by all of the concerned parties and the property will be in default by late in 1995. The project operating account is virtually exhausted with only the rental income and a monthly draw on the Working Capital account allowing the property to continue paying operating expenses with some work being deferred. The cost of repairing a serious problem with deterioration of the wood trim and associated problems with the siding has yet to be precisely determined. These repairs may ultimately cost several hundred thousand dollars to complete and make the entire workout a more complex matter. Legal action to fix a measure of liability with the architect and contractor has begun.

Windsor: Following the resignation of the Supervisor of Maintenance who had been with the property for 18 years, the Tenant Occupancy Specialist has also resigned. The loss of these qualified, experienced personnel is difficult to quantify but impossible to ignore in its impact on the residents. Peabody Properties manages the project from Boston for new owner Housing Vermont and we are all watching to see how they respond to this new challenge. The tax credit rehab connected with HVT's acquisition is now complete.

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Jeff Francis, Deputy Director

DATE: October 2, 1995

RE: Proposal for Deferred Loans for Lead Hazard Reduction

In May, Paul Dettman of the Vermont Housing & Conservation Board Lead Hazard Reduction Program submitted a concept paper outlining some of the challenges confronting the program. Dettman was proposing that VHFA assist with the Lead Hazard Reduction Program by offering interest-free deferred loans to homeowners and landlords requiring funds to address hazards at their properties but who were not eligible for the financing available under the program. Action on Dettman's proposal at the staff level was deferred pending the outcome of Board discussion of the utilization of the proceeds of the multi-family refunding.

For your review, I have summarized the content of Dettman's memo below:

The Lead Hazard Reduction Program was established to provide technical and financial assistance to homeowners and investor owners desiring to make their units lead safe. The program has been operational since November 1994, but is unable to provide assistance in every situation when a severely lead poisoned child is identified, for the following reasons:

1. VHCB's federal funds for this program have eligibility restrictions requiring that homeowners or tenants have an income below 80% of median. More significantly, in order to be eligible for participation, the rent on a unit cannot exceed the HOME rent limits and a participating private landlord must agree to keep rents below the HOME rent limit for five years. As of September 15, of 13 rental units identified as having a severely poisoned child residing there, six units were not eligible for financing due to HOME rent limitations. Furthermore, more than half of the landlords who inquire about the program and are informed of the HOME rent restrictions do not follow up with applications.

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

2. Due to the fact that VHCB designed an aggressive program with respect to the number of units to be addressed, the amount of subsidy available for privately owned units is low ($1,500 grant per unit with an additional $1,500 deferred loan available if a severely poisoned child is present) when compared to the average cost to make a unit lead safe, approximately $,6000. In many instances, VHCB has found that the property owner lacks the financial resources to move forward. Currently, VHCB has 16 units in the pipeline that need additional funding in order to proceed.

In response to this problem, the Vermont Community Development Program (VCDP), administered by the Department of Housing and Community Affairs, anticipates making a $500,000 award for the purposes of providing financing for lead hazard reduction in units where the owner wishes to participate in VHCB's program but cannot meet the HOME rent limits. VCDP funds are also restricted in that a 51% low/moderate income benefit must be demonstrated and a consortium of communities applying for the funds can only cover the four southernmost counties of the State.

VHFA participation in this program would assure the availability of funds on a statewide basis. As proposed, VHFA's participation in VHCB's Lead Program would involve a $100,000 commitment of multifamily housing bond refunding proceeds to provide interest-free deferred loans, repayable at point of sale, to homeowners and private landlords, with the following conditions:

1. Funds would be administered through the VHCB Lead Program and drawn from VHFA on an as-needed basis.

2. Funds would be utilized solely for the purpose of undertaking work in units where a severely poisoned child had been identified.

3. Funds would be used when either VHCB funds or VCDP funds could not be utilized to assist the property owner due to eligibility requirements, or when they were not available in an amount sufficient to complete a lead hazard reduction project.

4. Costs for testing, risk assessments, technical assistance and clearance testing will be borne by the VHCB Lead Program or the Vermont Department of Health Childhood Lead Poisoning Prevention Program.

5. Homeowner and resident income eligibility would be based on the income limits for VHFA's single family homeownership programs.

6. Scope of work and specifications will be developed by VHCB Lead Program Staff. VHCB staff will provide technical assistance during the bidding and construction stages, sign-off on completed work and clearance testing.

The use of excess earnings from the recent multifamily bond refunding is consistent with the recommendations on the use of those funds by Evensen Dodge, although an agreement may need to be structured with VHCB to ensure that any funds loaned are not repaid prior to the year 2014.

RECOMMENDED BOARD ACTION:

Approval of the attached resolution committing up to $100,000 of multifamily refunding proceeds for utilization by the VHCB Lead Program in making interest free deferred loans to owners of units occupied by severely lead poisoned children.

RESOLUTION OF VERMONT HOUSING FINANCE AGENCY PERTAINING TO DEFERRED LOANS FOR LEAD HAZARD REDUCTION

WHEREAS, the Lead Hazard Reduction Program was established to provide technical and financial assistance to homeowners and investor-owners desiring to make housing units lead safe and has been operational since November, 1994;

WHEREAS, federal funds available through the Vermont Housing and Conservation Board ("VHCB") have income limitations that preclude certain units from being eligible for loans;

WHEREAS, the amount of subsidy available for certain privately owned units is so low that many property owners lack sufficient financial resources to make their housing units lead safe; and

WHEREAS, the Board has been presented with a memorandum from Jeffrey Francis dated October 5, 1995 (the "Memorandum") recommending that up to $100,000 of multifamily refunding savings be made available to the Vermont Housing and Conservation Board for the purpose of providing "silent second" mortgage loans to allow the completion of work to make housing units lead safe in accordance with VHCB guidelines when either VHCB or Vermont Community Development funds are not available or sufficient to complete a lead hazard reduction project;

NOW, THEREFORE, it is hereby RESOLVED:

1. The Agency will make available up to $100,000 of multifamily refunding savings to the Vermont Housing and Conservation Board for use in VHCB's Lead Hazard Reduction Program in accordance with the conditions outlined in the Memorandum.

2. The Executive Director is authorized to execute documents in form satisfactory to him and to take other necessary steps in order to achieve the purpose of the Lead Hazard Program.

T:\aboard\leadhaz.res

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE RAS

DATE: OCTOBER 6, 1995

RE: FISCAL YEAR JUNE 30, 1995, AUDIT RESULTS

The audited financial statements for the fiscal year ended June 30, 1995, are enclosed as completed by our auditors, KPMG Peat Marwick. In addition to the audit, the auditors have prepared additional letters addressing internal controls and compliance with standards. These reports will be sent to the Auditor of Accounts as required.

Some highlights of the past year follow:

- Total assets increased from $514 million to $559 million for the year, primarily due to the purchase of mortgages exceeding prepayments by $26 million and proceeds collected from the sale of bonds exceeding redemptions of bonds by $46 million.

- On an overall basis, the Agency's total revenues exceeded expenses for the year in the amount of $1,586,818 compared to $249,000 and $2.4 million deficits in the two preceding fiscal years. Two major adjustments had an impact on the surplus for the current year. Accounting standards required us to defer costs that we assumed would be written off in connection with the Refunding Bond redemptions in the amount of $900,000 and we also established a loss reserve of $550,000 for future loan losses. This loss reserve is in addition to the valuation loss reserve on Real Estate Owned properties, which was established last year and has a balance of $427,558. We incurred actual losses on single family properties during the fiscal year of approximately $800,000 and also absorbed the Dalton Drive/Fort Ethan Allen commercial property loss of $510,000. In connection with the Multifamily refunding we also earned $1.3 million on the sale of long term investments. All of these "adjustments" distort the "regular or ordinary" earnings which would be in the area of $1.4 million or very consistent with the quarterly financials prepared during the year.

- The General Fund balance increased by $366,000 due to transfers from bond programs exceeding the loss from operations for the fiscal year, to $6.4 million, of which slightly less than $1 million is available in cash.

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

Management Letter
The auditors have made four recommendations of which three are carryovers from last year and address concerns raised at that time. We have implemented the loan loss reserve as recommended, based on an average of losses over the last three years. We are still reviewing the comment on non-accrual status of loans as it would require a programming change in the computer system. Our current policy is to stop accruing interest when we take title to the property. Since most of our mortgages have primary mortgage insurance we often collect interest after the standard time of non-accrual. The comments on the computer program are being addressed as we continue to implement the new system. We will implement the vacation accrual as noted based on the new standards. The calculation at June 30, 1995, amounted to $64,000 which would have decreased the surplus if it had been entered on the Agency's books.

Compliance Report
This report is prepared as a requirement of being a licensed lender by Freddie Mac. We have never originated for or sold to Freddie Mac. There were some minor findings noted on page 4 of the report. Single Family Operations has already updated their procedures based on the findings disclosed.

If you have any questions regarding the contents of the audited financials, the management letter, the compliance report or the contents of this memo, feel free to contact me at your convenience.

Recommended Board Action:
Acceptance of the audit, management letter and compliance report as presented.

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE

DATE: OCTOBER 6, 1995

RE: SINGLE FAMILY BOND FINANCING

It is getting to be the time to think about a new bond financing. We have approximately $15 million of 7.55 percent mortgage money remaining from the $60 million issuance from last December. Current estimates are that the remaining Series 6 funds should last until close to the end of the year.

A discussion with PaineWebber disclosed that Fannie Mae, who had purchased our bonds in the last financing, is no longer purchasing entire bond financings and is now insisting upon working through underwriters. As of today, we could not confirm that report directly with Fannie Mae, although other State HFA's have corroborated the new procedure. PaineWebber has indicated that there would be a slight reduction in underwriting costs for bonds sold to Fannie Mae, but nothing close to the magnitude realized from the last financing.

At this point in time, our plan had been to negotiate with both underwriters and Fannie Mae or to do some kind of mixed offering, selling the shorter bonds retail and the longer bonds direct. We will continue to explore the feasibility of dealing directly with Fannie Mae. If, in fact, they will *not* purchase bonds directly, we will negotiate a financing fee with bond underwriters.

Although we will examine alternatives for the financing, the only special feature we have added to the mix is to include a portion of new funds to be sold on a taxable basis which would allow us to finance some units which do not meet all the tax-exempt requirements.

I will be on vacation from October 13-25 and would plan to proceed working on the financing upon my return. If you have any suggestions or comments during my absence, please contact Allan.

Recommended Board Action:
Authorize staff to move forward under the guidelines contained in this memorandum, with the size of the issue and percentage rates still to be determined.

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Glenn A. Jarrett, General Counsel GAJ

DATE: October 6, 1995

RE: Highlights of restructure of Dalton Drive Neighborhood, Inc. Non-Housing Facilities Note and Supplemental Loan

Background: The overall purpose of this transaction is to assist the on-going operation of the Officers' Row community by facilitating the sale of Building 504 from DDNI to Keith Wagner and Aaron and Virginia Stein and its rehabilitation by Stein and Wagner.

Agency Actions: The transaction involves (i) a $30,000 partial payment against the 1991 promissory note given by DDNI to VHFA in order to finance the acquisition of Dalton Drive Buildings 504 and 600, (ii) a balance transfer in the amount of $135,000 from the 1991 note to a new note from DDNI, and (iii) a supplemental loan in the amount of up to $60,000 to DDNI.

Mechanics: The transferred balance and the supplemental loan is represented by a new note from DDNI to VHFA in the maximum amount of $195,000.00 (the "New DDNI Note"). The combined balance transfer and supplemental loan in turn permits DDNI to provide seller financing to Stein and Wagner for the acquisition and new funds for rehabilitation, initially evidenced in the form of a single note and mortgage from Stein and Wagner to DDNI.

At the conclusion of the rehabilitation, Stein and Wagner will condominiumize the building, take individual ownership of the units, and provide individual notes and mortgages to DDNI in substitution for the original collective note and mortgage.

At the option of the Agency, DDNI will assign to the Agency all of its right and title to the Stein and Wagner notes and mortgages as collateral for the New DDNI Note. Payments by Stein and Wagner under their notes to DDNI will be made directly to the Agency as collection agent for DDNI, and the Agency is further entitled under the terms of the transaction to apply those payments to the paydown of the DDNI debt to the Agency.

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

Authority: The transaction is structured as it is because the Agency could not make a loan such as the supplemental loan to Stein and Wagner as individuals. However, based on the determination that the overall purpose of the transaction is to assist the rehabilitation and operation of Officers' Row, the 1991 Regulations that were duly adopted with Dalton Drive in mind would permit either a grant or a loan to DDNI in furtherance of that purpose. In the case of a loan, the Regulations provide that the loan may be either unsecured or secured. The transaction further rests on the general statutory authority of the Agency to alter the terms of its mortgage loans.

Recommended Action:

Approval of the attached resolution, ratifying the commitment letter, the supplemental loan and the actions of the Executive Director pursuant to the terms of the commitment letter.

NOTE: Copies of the Commitment Letter with its attachments, including the Purchase and Sale Agreement, Loan Agreement and Promissory Note will be sent to you on request and will be available for review at the Board meeting on October 12. Please call me if you would like a set of documents to review before the meeting.

RESOLUTION OF VERMONT HOUSING FINANCE AGENCY
RATIFYING
RESTRUCTURING OF DALTON DRIVE NEIGHBORHOOD, INC.
NON-HOUSING FACILITIES NOTE
AND
SUPPLEMENTAL LOAN

WHEREAS, the original financing of Building Numbers 504 and 600 (the "commercial buildings") was authorized as part of a "Mixed Use Development" under "Resolution of the Vermont Housing Finance Agency Authorizing the Issuance of its Development Loan Notes (Dalton Drive Development)", adopted April 25, 1991.

WHEREAS, the original financing for the commercial buildings is evidenced by a certain Non-Housing Facilities Note of Dalton Drive Neighborhood, Inc. ("DDNI") in the original principal amount of $499,600.00 and dated December 11, 1991 (the "Non-Housing Facilities Note").

WHEREAS, DDNI is a Non-Profit Entity within the meaning of Chapter Two of the Agency's rules entitled "Grants, Loans, and Advances to Assist the Planning, Construction, Rehabilitation, and Operation of Residential Housing; Mortgage Loans to Housing Sponsors for Single Family Developments," effective date June 4, 1990 (the "Regulations"); and

NOW THEREFORE, in order to facilitate repayment of the Non-Housing Facilities Note and to assist the rehabilitation and operation of the Mixed Use Development of which the commercial buildings form a part, pursuant to 10 V.S.A. §621(14) and paragraph 5, Chapter Two of the Regulations, it is hereby

RESOLVED, as follows:

1. The Agency's commitment letter to DDNI dated July 13, 1995 captioned "Commitment Letter Concerning Restructuring of Dalton Drive Non-Housing Facilities Note and Supplemental Loan" (the "Commitment Letter") is hereby RATIFIED, CONFIRMED AND APPROVED.

2. The Supplemental Loan, as defined and described in the Commitment Letter, is hereby RATIFIED, CONFIRMED AND APPROVED.

3. All previous actions of the executive director pursuant to the terms of the Commitment Letter are hereby RATIFIED, CONFIRMED AND APPROVED, and the executive director is further authorized to fulfill the remaining commitments of the Agency in accordance with the provisions of the Commitment Letter and to enforce the terms and conditions thereof.

Attachments: Commitment Letter with its attachments, including Purchase and Sale Agreement, Loan Agreement, and Promissory Note.

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director, Ext. 221

DATE: October 20, 1995

RE: VHFA Receives NCSHA "Significant Achievement" Award!

Last Monday, I accepted on behalf of the Board and staff of VHFA a "Significant Achievement" Award at the annual National Council of State Housing Agencies conference in Boston. This award was presented to VHFA in response to an entry we submitted in the Management Innovation category of NCSHA's annual award competition. While designated a "runner-up" award by NCSHA, VHFA's accomplishment in achieving recognition is indeed significant, especially given the strong competition.

The title of our management innovation entry was "Change Is Good: Long Range Planning and Strategic Actions" (see attached entry write-up). As you are well aware, VHFA has taken a number of steps in the last two years to provide direction for long-term planning. VHFA is well positioned to move forward after "taking stock" through the Evensen Dodge financial study and our strategic planning efforts. We have made important financial decisions such as the purchase of the office building, consolidation with VHMGB, cost savings measures, and benefits review.

As members of the VHFA Board of Commissioners, your contributions certainly deserve to be recognized. Thank you for your dedication and thoughtful guidance during the last two years!

We are preparing a press release to announce this award, and I wanted to notify you in advance.

Please call me if you have any comments or questions.

Attachment

1995 ANNUAL AWARDS
EXECUTIVE SUMMARY

Category: Management Innovation

Agency name: Vermont Housing Finance Agency

Program name: CHANGE IS GOOD: Long Range Planning and Strategic Actions

VHFA's management innovation began in the spring of 1993 with a comprehensive financial study of the Agency's assets and liabilities. The results of the financial analysis inspired numerous specific strategic actions including the acquisition of our own office building; VHFA's consolidation with our affiliate organization, the Vermont Home Mortgage Guarantee Board; the implementation of operating cost savings measures recommended and developed by VHFA staff; and a comprehensive review and adjustment of VHFA's employee benefits package. The results of the study also provided the impetus for VHFA's strategic planning exercise which was started in the fall of 1993 with a thorough Situational Analysis, culminating in the development of a Strategic Plan for fiscal years 1996-2000.

In 1993 the Board of Commissioners and staff determined that, to best prepare to achieve our mission of financing and promoting affordable, safe and decent housing, and to continue to be on the cutting edge of housing innovations, VHFA needed to gain a better perspective on our long term financial position. To facilitate that perspective, VHFA engaged the financial consulting firm of Evensen Dodge, Inc. This study provided a detailed analysis of VHFA's assets and liabilities, a review of the changing nature of housing finance agency operations, and recommendations for financial goals for the organization. The report also provided an expected case and economic stress case scenario.

The information contained in the report inspired VHFA to several actions. The Agency immediately began the most comprehensive strategic planning exercise in our 20 year history. The exercise, which was facilitated by VHFA staff working with a consultant, utilized an advisory committee to complement the work of VHFA's Board of Commissioners and staff. The Committee was comprised of VHFA stakeholders, including lenders, developers, legislators and housing advocates. The strategic planning exercise culminated in the creation of VHFA's Strategic Plan for 1996-2000, a plan for action outlining ten major strategies for the Agency to pursue in the next five years. The strategies encompass more than 20 goals and objectives, with measurable outcomes attached to each strategy to enable an ongoing evaluation of the activity. The strategies are based on the premise that VHFA must remain financially viable while conducting our work in affordable housing, and include specific attention to the needs of low- and moderate-income Vermonters, both private and nonprofit developers, and the staff of the Agency.

Concurrent with our strategic planning activities, VHFA undertook more immediate actions to address our issue of financial viability. Four specific actions were undertaken including:

1. Acquisition and utilization of VHFA office building. Faced with an expiring five year lease at our headquarters, VHFA conducted an analysis of available office buildings and their values in the downtown Burlington, Vermont area. (VHFA was committed to contributing to the protection of the vitality of the downtown business core by keeping our operations there.) The analysis demonstrated that given current values, VHFA's office space requirements and lease rates for comparable spaces, VHFA could acquire and own our space at considerable savings. In October of 1994, VHFA purchased an historic building in downtown Burlington and renovated it with design input from VHFA staff. The renovations were undertaken with an eye toward conserving costs *and* creating the most comfortable and efficient workspace possible. Particular attention was paid to the heating, cooling and ventilation systems.

   VHFA's efforts resulted in an initial annual savings of more than $40,000 with long range projections of savings of more than $1.5 million over a 25 year term. The building provides an asset worth more

than $1 million, supports the downtown business district, is listed on the National Register of Historic Places, and provides a very high quality work environment for our employees.

2. In February 1994, VHFA employees were invited by the Executive Director to develop and submit suggestions of ways the Agency could reduce operating costs. The exercise was conducted in direct response to the Evensen Dodge financial analysis which recommended that VHFA reduce costs. Employees responded with more than sixty recommendations with a potential for saving VHFA up $160,000. Recommendations ranged from relying less on outside consultants, to re-evaluating marketing strategies, to standardizing guidelines for bulk mailings. The exercise was highly participatory and useful in generating a "we are all in this together" sentiment among staff. The ideas suggested were thoughtful and innovative.

3. One recommendation generated from the cost reduction exercise outlined above was to examine VHFA's fringe benefit policy as compared to other area financial and housing organizations. This exercise was challenging, given the potential "threat" perceived by employees. From the Evensen Dodge presentation and the comprehensive cost-reducing exercise, employees understood the issues. VHFA's approach was to establish a benefits review committee with the mission of stabilizing employee benefit costs to the Agency over a three year period. The committee was comprised of employees, each of whom represented a segment of VHFA's work force. The committee conducted a review of VHFA benefits as well as those of similar organizations and considered the benefit "requirements" of VHFA's work force. The results of the exercise were recommendations to the Executive Director and Board of Commissioners to modify VHFA's benefit offerings to better fit the needs of the employees and the organization and saved VHFA nearly $20,000. Again, the exercise resulted in a recognition on the part of staff that they are an active player in the Agency decision making process and that decisions by management were well informed and appreciative of the needs of the employees.

4. During the first six months of 1994, VHFA seized the opportunity to achieve even greater cost savings, while eliminating program duplication and streamlining the affordable housing system by undertaking a consolidation with our affiliate organization, the Vermont Home Mortgage Guarantee Board. This action resulted in a more efficient operation, a stronger partnership of functions and a projected $200,000 in savings annually.

5. At the end of our first 20 years of existence, VHFA undertook a comprehensive analysis of the organization, including our financial and strategic underpinnings. As a result of this analysis, VHFA achieved: (1) a consolidation with our affiliate organization that has increased efficiency and reduced overlap and costs; (2) the purchase of our own office building for the first time in our history; (3) employee-prompted cost savings in organizational and fringe benefit areas; and the strategic foundation to move ahead in new directions over the next five years.

1995 ANNUAL AWARDS
MANAGEMENT INNOVATION ENTRY FORM

Please use this form for each entry in the management innovation category. You may copy this form as many times as necessary. If you retype, please maintain this format. Label each copy of any attachments you send with your agency, program/entry, and category/subcategory names.

Each entry must be accompanied by an executive summary and a $25 entry fee. Enter as many programs as you wish in each category. Each program, however, is eligible for consideration in one category only.

Submissions must be received by NCSHA no later than close of business on September 1, 1995.

Agency name Vermont Housing Finance Agency

Program name Change Is Good: Long Range Planning and Strategic Actions

Person preparing entry Allan S. Hunt, Executive Director

1. *Identify the innovation's start date, costs, if any, to implement, and funding sources:*

VHFA's long-range planning efforts began in early 1993, with a study of the Agency's financial structure and initial planning for a strategic planning process.

Direct costs were associated with the initial planning work in the amount of $70,000 which entailed consultant costs. In addition, staff devoted several hours to the numerous activities developed (see below). VHFA's General Fund was used to cover these costs.

2. *Describe the innovation and the problem or opportunity which it addresses:*

In 1993 VHFA was at a critical crossroads, given our history, national and local public policy priorities, financial resources and constraints, and the dynamic nature of Vermont's housing delivery system in response to changing affordable housing needs. In the past two years, VHFA has undertaken a series of steps to provide direction for long-term planning. These activities include:

- Financial Study and Fund Balance Analysis—Completed for VHFA by Evensen Dodge, Inc. in June 1993. This study provided a detailed analysis of VHFA's assets and liabilities and reviewed the financial structure of VHFA. It also provided long-term cash flow forecasts under different scenarios. The study suggested that the Agency's fund balance needed to be maintained and increased to cover adequately the costs of operations. The information contained in this study also served as a "wake-up call" for VHFA to examine ways to reduce operational costs while at the same time generating new sources of income. The subsequent strategic planning activities and other long-term planning initiatives were influenced by the study results.

- Strategic Planning—The Agency's first strategic planning effort began in September 1993 and was completed in March 1995. The scope of VHFA's planning was broad: our vision for the next five years encompassed VHFA's mission, overall goals, objectives, and specific strategies or actions. The central question asked throughout the process was: Where does VHFA want to be in the next five years? A high caliber panel of advisors was assembled to assist as an Advisory Committee, and supplemented the work conducted by VHFA's Board of Commissioners and staff. Activities identified via VHFA's strategic plan are now integrated into the annual Business Plan for implementation.

- Purchase of Office Building—Purchased in October 1994 and occupied by VHFA in April 1995. For the first time in our history, VHFA purchased an office building to house our offices. The estimates indicate that VHFA will save approximately $40,000 in Year One and $1.5 million over a 25 year term. The building serves as an asset of close to $1 million, should there be a

need to sell it in the future. Through this purchase VHFA supported Burlington's downtown business district, preserved a historic building which is listed in the National Register of Historic Places, and provided a high quality work environment for our employees.

- Consolidation with Vermont Home Mortgage Guarantee Board (VHMGB) completed in May 1994. The consolidation of the two organizations has resulted in: 1) a reduction in overlap in administering affordable mortgage programs; 2) achievement of cost savings and increase in operating efficiencies; 3) reduction in turnaround time for loan reviews.

- Cost Savings Measures (involving staff in decision-making)

- Benefits Review (involving staff in decision-making)

3. *Describe the steps taken, including any special systems or technology used, to make the innovation operational:*

The long-range planning activities listed above were completed through the determination of VHFA staff, Board of Commissioners, and associated partners beginning in early 1993. The culmination of the work is now occurring, with the successful integration of these activities within VHFA's on-going operations.

4. *Describe any obstacles which were overcome:*

The major obstacle was a general fear of change. This was overcome by keeping staff and the Board of Commissioners fully informed; keeping the lines of communication open and bi-directional; soliciting input from the staff, Board, and other stakeholders and acknowledging their input; fostering an acceptance of change through open communication; and directing the focus to long term benefits rather than short term costs.

5. *Describe the benefits in terms of time, money, productivity, or other measurable improvements compared to past practice:*

By sharing the financial situation, opening the strategic planning process, and keeping staff fully informed about the planned move to the new building, VHFA staff and our constituents involved in each of these processes became sensitive to our need to earn revenues. VHFA is viewed more accurately as a business organization rather than a government entity. New programs are being developed to generate revenues, and the climate of employee participation in the management of the agency has led to increased productivity. Savings of nearly $350,000 for all of the categories outlined above are anticipated, representing nearly ten percent of the Agency's overall budget.

6. *Briefly explain why this program should be considered for an award.*

This exercise is an example of how an older, existing housing finance organization can reassess and reinvent itself, based on the recognition that an organization cannot continue running on "autopilot." Business as usual could not continue; an organization must recognize methods to be more responsive to the external "authorizing environment." This can only be accomplished after a thorough understanding of current and future financial issues; the creation and implementation of aggressive strategies to reduce costs; and the implementation of revenue enhancing programs. These efforts have combined to result in an increase in employee productivity, especially as a result of employee involvement at all stages of the process.

vhfa

VERMONT HOUSING FINANCE AGENCY

November 8, 1995

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

Dear Ms. Carpenter:

The Vermont Housing Finance Agency will be having its regular monthly Board Meeting on Thursday, November 16, at 1:00 p.m., at the office of the Commissioner of Banking, Insurance and Securities, 89 Main Street, Montpelier, Vermont.

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

Sincerely,

Barbara M. Parker

Barbara M. Parker
Executive Assistant

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director ASH

DATE: November 9, 1995

RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held at 1:00 p.m. Thursday, November 16, at the office of the Commissioner of Banking, Insurance and Securities, 89 Main Street, Montpelier, Vermont.

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

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Montpelier at 1:00 November 16!

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

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

Thursday, November 16, 1995 at 1:30 p.m.

1. Review and approval of minutes of October 12, 1995

2. Development
   - ⌂ 600 Dalton Drive Predevelopment Loan **[Cummings//Enclosure]**
   - ⌂ BCLT Rental Housing Improvement Project **[Cummings//Enclosure]**
   - ⌂ The Woodlands Letter of Interest **[Cummings//Enclosure]**
   - ⌂ Depot Street Refinance **[Cummings//Enclosure]**
   - ⌂ Westview Terrace Construction Financing **[Erdelyi//Enclosure]**
   - ⌂ Derby Center Apartments **[Erdelyi//Enclosure]**
   - ⌂ Homeownership Center Initiative Proposal **[Crady//Enclosure]**

3. Operations
   - ⌂ Single Family Program, Servicing and Property Disposition Reports **[Lothrop//Enclosure]**
   - ⌂ Request for Proposals for Sub-Servicing **[Lothrop//Enclosure]**
   - ⌂ ERH-Vermont Restructuring **[Lothrop//Enclosure]**

4. Administration
   - ⌂ Executive Director's Report **[Hunt]**
   - ⌂ First Quarter FY96 Business Plan Results **[Francis//Enclosure]**

5. Legal
   - ⌂ 1995 Private Activity Bond Volume Cap **[Jarrett/Enclosure]**

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

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

BOARD MINUTES
Vermont Housing Finance Agency
Office of the Vermont Housing & Conservation Board
136½ Main Street
Montpelier, Vermont

Thursday, October 12, 1995

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

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

Guests: Mr. Dettman (Vermont Housing & Conservation Board)

The meeting was called to order by Vice Chairman Seelig at 1:30 p.m. Upon a motion duly made by Mr. Candon and seconded by Mr. Douglas, the minutes of August 24, 1995, and of September 21, 1995, were unanimously accepted as written.

Mr. Cummings reviewed his memo of October 4, included in the Board packet, regarding the "Depot Street Refinance Permanent Financing." This project, which consists of seven units in two buildings on Depot Street in Bennington, is seeking $150,000 in permanent first mortgage financing. The loan would be used to refinance two loans provided by the Vermont National Bank and to provide modest rehabilitation in two of the units. It is the hope of the sponsor, Regional Affordable Housing Corporation (RAHC), that lower interest rates which could be provided by the Agency would help to achieve long term affordability for this project. Mr. Cummings informed the Board that the appraisal for this property had just been received, showing an appraised value of $168,000. Mr. Candon questioned the Agency's apparent competition with a conventional lender, as evidenced by the Agency taking out the Vermont National Bank loans. In response, Mr. Hunt pointed out that the sponsor had approached the lender about their ability to meet the Agency's interest rates, which the lender was unable to do; the lender recommended that the sponsor apply for Agency financing. Mr. Hunt noted that this is most likely due to the uncertainty of Section 8 rental subsidy funding from HUD. The Town of Bennington's property appraisal determined a value of $248,000; in the spring of 1996 RAHC plans to appeal the substantial tax increase. Mr. Cummings also explained that the letter of interest asks for up to $157,000; the

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

additional $7,000 could be used for energy improvements to the property. According to Mr. Cummings, the proforma expenses include the mandatory payment on the VHCB note; should RAHC continue operating the project in the same manner as they have in the past few years, it is expected that a portion of surplus funds made available would also be paid to VHCB. Mr. Cummings explained that a blend of existing underwriting standards and those proposed in Mr. Erdelyi's memo, to be discussed later in the meeting, were applied when reviewing this project. A motion was then made by Ms. Canney to amend the "Resolution Pertaining to Letter of Interest Re: Depot Street (Bennington)" as attached to these minutes to include a requirement that the sponsor appeal the property tax assessment for the Development at its earliest opportunity. This motion was seconded by Mr. Candon and carried, with Mr. Seelig abstaining.

The "Multifamily Underwriting Standards—Informational Update," as contained in his memo of October 6, included in the Board packet, was then reviewed by Mr. Erdelyi. Recommendations for revised underwriting standards include placing a greater focus on the diligence with which the initial year "full occupancy" operating budget is set, and having less emphasis placed on the calculation of cumulative cash balances in the cash flow projections. According to Mr. Erdelyi, rental income and expense trend rates would also be tailored to each specific project. The most accurate model for projecting income would be the latest census figures; this information is already available for staff to access by county and Burlington MSA. Mr. Hunt noted that several loans which had been turned down by the Agency under the current underwriting standards were approved by conventional lenders. The proposed method of underwriting appears conservative. No formal Board action was necessary; in principle the Board agreed with the proposed standards, with comments on the process to be made at future meetings.

Ms. Crady then reviewed the "Results of Home Improvement Loan Survey" as detailed in her memo of October 4, included in the Board packet. This survey was mailed in May to households which had received financing from the MOVE and HOUSE programs during the past ten years, in an effort to determine the potential level of interest in a home improvement loan program. As Ms. Crady explained, to make loans for home improvement affordable the term of the loan is often more important than the rate. Although the program is still in the early planning stages, it will most likely utilize insurance from the HUD FHA Title I Home Improvement Loan Program. Participating lenders would need to be approved by HUD; currently, only the Agency and the Vermont Development Credit Union are approved HUD lenders. The loans may be originated for sale to Fannie Mae. Although no formal Board action was taken, the Board agreed that staff should proceed with the development of a Home Improvement Loan Program, as described in Ms. Crady's memo, including determination of lender interest, with the Board to review specific details of the program before implementation.

Next, Ms. Crady offered an "Update—Homeownership Center Initiative" based on her memo of October 3, included in the Board packet. A study conducted by Barbara Mervine determined the feasibility of implementing in Vermont some of the programs she developed as executive director of the West Side Neighborhood Housing Services in Buffalo, New York. Ms. Crady reported that she has met with the executive directors of Rutland West Neighborhood Housing Services, Burlington Community Land Trust, and the Gilman Housing Trust to facilitate the development of Homeownership Centers at each of these organizations. Ms. Canney cautioned that the homeownership centers must be recognized as increasing the amount of Vermonters helped and not supplementing current programs already provided by the three participating organizations. Ms. Grimes observed that although another group is working on developing homeownership programs for people with disabilities, it would seem that these needs could be addressed under the homeownership centers program, with appropriate program design. Ms. Crady informed the Board that she had attended a forum that morning during which participants discussed providing homeownership opportunities for people with disabilities, and would continue to press for inclusion of this important consideration throughout further homeownership center planning. No Board action was necessary; a firm proposal, including funds required, will be presented to the Board at a later date.

Mr. Lothrop reviewed the "Servicing Activity for August" which was included in the Board packet. In general, activity including collections, foreclosure and the real estate owned portfolio has remained level for the past month. An REO marketing plan was approved at the last Board meeting. However, the portfolio includes ten properties that have gone through the marketing aspects of the plan and have been on the market for more than three months. Staff is considering putting a total of 19 properties up for auction to avoid carrying costs through the winter months. Proposals have been received from two auction firms, one of which is located in Vermont. Mr. Candon expressed his approval of an auction and stressed the importance of having an auctioneer familiar with conducting a multiple-property auction. As Mr. Hunt noted, some of the properties proposed for auction have not yet been exposed to the marketplace. Many are located in areas that have traditionally been "soft" real estate markets. Nonprofits would be notified of the availability of these properties before the auction. Mr. Lothrop informed the Board that an auction could be scheduled for the first week of December, thus avoiding carrying the properties through the winter. Without taking a formal vote, the Board agreed that staff should pursue the auction plan for these properties. A suggestion was also made to consider allowing the Vermont auctioneer to handle some of the properties in a particular geographic area, with the rest to be handled by the auctioneer from out of state.

Turning to the "Single Family Program Activity Report for August" as included in the Board packet, Mr. Lothrop noted that MOVE activity has remained high. The activity level can be favorably compared with that of June 1992 when down payment

assistance loans were introduced and reserved within the space of one month. Reservations for the first week of October are over $1.1 million; the total reservation amount for September was $7.8 million. There was no required Board action.

The "Multifamily Management Report," prepared by Mr. Falzone and included in the Board packet, was introduced by Mr. Hunt. This quarterly report includes the status of various financial aspects of the Agency's Multifamily portfolio. Certain problematic properties were discussed. Mr. Seelig urged staff to have the owner of Hillside Mobile Home park take speedy and appropriate action on improvements to the water system. Referring to the "Faith" property in Randolph, Mr. Seelig recommended that staff take steps to have the energy conversion addressed before winter. No Board action was required.

Mr. Hunt began his Executive Director's report with the observation that conventional loan activity for VHMGB continues to be much lower than the Agency's loan activity level. Calendar year 1995 Single Family loan activity appears headed for a record year, with no down payment loans still to be made available before the end of December. Mr. Hunt also noted that activities in response to the attempt to sunset the Low Income Housing Tax Credit program have taken up much of his time in the last month. The Ways and Means Committee of the U.S. House of Representatives voted in favor of a Budget Reconciliation Bill calling for the termination of the LIHTC program after December 31, 1997. Letters from stakeholders have been sent to Senators Leahy and Jeffords, both of whom have expressed strong support for continuation of the program. An article by Mr. Hunt favoring the permanent extension of this program appeared in *The Rutland Herald*. On an unrelated matter, Governor Dean has asked Mr. Hunt to serve on a task force which is considering the implications of a statewide model energy code for new construction. This concept was brought to the Legislature by the Northern Vermont Homebuilders Association last year, in response to concerns that district environmental Boards were asking for higher levels of code standards than those accepted by the state.

A motion was then made by Ms. Canney and seconded by Ms. Grimes for the Board to enter Executive Session to discuss civil action(s) where premature general public knowledge would clearly place the Agency at a substantial disadvantage. This motion carried unanimously. After a brief discussion, a motion was made by Mr. Candon to come out of Executive Session. This motion was seconded by Ms. Grimes and was unanimously carried.

Mr. Jarrett then briefly reviewed the "Highlights of Restructure of Dalton Drive Neighborhood, Inc., Non-Housing Facilities Note and Supplemental Loan" as detailed in his memo of October 6, included in the Board packet. Upon a motion made by Mr. Candon and seconded by Mr. Douglas, the "Resolution Ratifying Restructuring of Dalton

Drive Neighborhood, Inc., Non-Housing Facilities Note and Supplemental Loan" was unanimously adopted, as attached to these minutes.

The "Proposal for Deferred Loans for Lead Hazard Reduction" was reviewed by Mr. Francis, who referred the Board to his memo of October 2, included in the Board packet. Mr. Dettman joined the meeting for this discussion, and Mr. Seelig announced that he would not be participating in the discussion due to VHCB's involvement in the program. Mr. Francis explained that a concept paper developed by Mr. Dettman outlined some of the challenges confronting VHCB's Lead Hazard Reduction Program, which receives federal funding. Mr. Dettman is proposing that the Agency assist by offering up to $100,000 in interest-free deferred loans to homeowners and landlords requiring funds to address hazards at their properties but who are not eligible for the financing available under the program. The funds would supplement a $1 million commitment made previously by the Agency for loans made with typical Agency repayment requirements and other conditions. Of the 56 states and localities participating in this federally funded program, VHCB ranks third in activity and use of funds. Problems have arisen due to HUD's restrictions on funds and CDBG fund restrictions. Ms. Grimes reminded the Board that the original application was for $3.5 million to be available from HUD for lead hazard abatement, with $500,000 made available from CDBG funds. Mr. Schoenbeck explained that the Agency's source of funds for this program would be the excess earnings form the multifamily bond refunding, which has approximately $1 million per year that must go toward zero percent loans in order to meet tax compliance requirements. A motion was made by Ms. Grimes to amend the "Resolution Pertaining to Deferred Loans for Lead Hazard Reduction" as attached to these minutes to indicate the correct date of Mr. Francis' memo. This motion was seconded by Mr. Candon and carried, with Mr. Seelig abstaining. Mr. Dettman left the meeting following the vote.

Mr. Schoenbeck reviewed his memo of October 6, included in the Board packet, regarding the proposed "Single Family Bond Financing." After several record months of high loan activity, it is time to begin plans for a new bond financing in order to have new funds available by January 1, 1996. Currently, funds are expected to be available through December. The size of the issue has not yet been determined; a long term bond rate of 6.30 percent would be possible under current market conditions. Mr. Schoenbeck reminded the Board that the Agency has utilized the same bond underwriting group for the past five years, with PaineWebber as lead underwriter; Smith Barney, Goldman Sachs, Lehman Brothers and Bear Stearns are the other four underwriters. Mr. Hunt noted that a request for proposal (RFP) from underwriters would appear to be in order, to ensure that the co-managers of the underwriting group remain aggressive and active. Mr. Seelig cautioned that with a new financing to be completed before the end of the calendar year, it would not seem prudent to simultaneously undertake an RFP. A motion was made by Mr. Candon and seconded by Ms. Grimes to authorize staff to

move forward with a single family bond financing under the guidelines contained in Mr. Schoenbeck's memo, as referenced above, with the size of the issue and percentage rates still to be determined. The issue of timing for a bond underwriter RFP was not specifically addressed.

{Mr. Candon left the meeting at this time.}

The "Fiscal Year June 30, 1995, Audit Results" were reviewed by Mr. Schoenbeck, in follow up to his memo of October 6, included in the Board packet. This is the first time in three years that the Agency has shown any fund surplus. It is hoped that this surplus will continue on an overall basis for the next few years. Actual losses on single family properties during the fiscal year reached approximately $800,000. A loan loss reserve has been established to cover losses incurred in future years, based on past year losses, in addition to the valuation loss established for real estate owned properties. Mr. Schoenbeck pointed out that a key component of the audit is the management letter; three of the points contained in this letter are carried over from last year's audit. Those points have been addressed by staff, and the fourth standard of recognizing vacation pay accruals has also been implemented for the current fiscal year. The compliance report is submitted to Freddie Mac, as required. The Vermont Auditor of Accounts also received a copy of the audit for review. A motion was made by Ms. Grimes to accept the audit, management letter and compliance report as presented. This motion was seconded by Ms. Canney and carried unanimously.

The next Board meeting was scheduled for November 16, to be held in Montpelier. There being no further business, and following a motion duly made and seconded, the meeting was adjourned at 3:55 p.m.

Respectfully submitted,

Allan S. Hunt, Secretary

RESOLUTION PERTAINING TO LETTER OF INTEREST
RE: DEPOT STREET (BENNINGTON)

WHEREAS, a proposal has been presented to the Agency by the Regional Affordable Housing Corporation ("RAHC"), a non-profit corporation located in Bennington, Vermont (the "Sponsor") involving the refinancing and minor rehabilitation of two buildings containing seven apartments on Depot Street in Bennington (the "Development"); and

WHEREAS, the proposal contemplates a permanent mortgage loan of up to $157,000 amortized over a period of 25 years with an interest rate of 7.22% per annum; and

WHEREAS, the Sponsor has received deferred loans and grants from the Vermont Housing and Conservation Board and from the Town of Bennington; and

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Paul Cummings dated October 4, 1995, containing information and recommendations about the Development (the "Memorandum");

It is hereby DETERMINED:

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

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

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

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

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

6. The Sponsor is a financially responsible organization and is expected to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a first mortgage loan to the Regional Affordable Housing Corporation for the refinancing and rehabilitation of the Depot Street Development in Bennington in an amount not to exceed $157,000. The term will be 25 years and the interest rate will be 7.22%. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, construction financing, or for other purposes with the consent of the Agency.

2. The Letter of Interest shall require the Sponsor to provide the following items in form and content satisfactory to the Agency:

   (a) an appraisal indicating a value greater than or equal to the amount of first mortgage debt proposed to be provided by the Agency; and

   (b) an energy audit assessing the current energy efficiency of units and heating systems and making recommendations for improvements that would reduce utility costs.

3. The Sponsor shall be required to appeal the property tax assessment for the Development at its earliest opportunity.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on October 12, 1995.

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

RESOLUTION OF VERMONT HOUSING FINANCE AGENCY PERTAINING TO DEFERRED LOANS FOR LEAD HAZARD REDUCTION

WHEREAS, the Lead Hazard Reduction Program was established to provide technical and financial assistance to homeowners and investor-owners desiring to make housing units lead safe and has been operational since November, 1994;

WHEREAS, federal funds available through the Vermont Housing and Conservation Board ("VHCB") have income limitations that preclude certain units from being eligible for loans;

WHEREAS, the amount of subsidy available for certain privately owned units is so low that many property owners lack sufficient financial resources to make their housing units lead safe; and

WHEREAS, the Board has been presented with a memorandum from Jeffrey Francis dated October 2, 1995 (the "Memorandum") recommending that up to $100,000 of multifamily refunding savings be made available to the Vermont Housing and Conservation Board for the purpose of providing "silent second" mortgage loans to allow the completion of work to make housing units lead safe in accordance with VHCB guidelines when either VHCB or Vermont Community Development funds are not available or sufficient to complete a lead hazard reduction project;

NOW, THEREFORE, it is hereby RESOLVED:

1. The Agency will make available up to $100,000 of multifamily refunding savings to the Vermont Housing and Conservation Board for use in VHCB's Lead Hazard Reduction Program in accordance with the conditions outlined in the Memorandum.

2. The Executive Director is authorized to execute documents in form satisfactory to him and to take other necessary steps in order to achieve the purpose of the Lead Hazard Program.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on October 12, 1995.

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

RESOLUTION OF VERMONT HOUSING FINANCE AGENCY RATIFYING RESTRUCTURING OF DALTON DRIVE NEIGHBORHOOD, INC. NON-HOUSING FACILITIES NOTE AND SUPPLEMENTAL LOAN

WHEREAS, the original financing of Buildings Numbered 504 and 600 (the "commercial buildings") was authorized as part of a "Mixed Use Development" under "Resolution of the Vermont Housing Finance Agency Authorizing the Issuance of its Development Loan Notes (Dalton Drive Development)," adopted April 25, 1991; and

WHEREAS, the original financing for the commercial buildings is evidenced by a certain Non-Housing Facilities Note of Dalton Drive Neighborhood, Inc. ("DDNI") in the original principal amount of $499,600.00 and dated December 11, 1991 (the "Non-Housing Facilities Note"); and

WHEREAS, DDNI is a Nonprofit Entity within the meaning of Chapter Two of the Agency's rules entitled "Grants, Loans, and Advances to Assist the Planning, Construction, Rehabilitation, and Operation of Residential Housing; Mortgage Loans to Housing Sponsors for Single Family Development," effective date June 4, 1990 (the "Regulations").

NOW THEREFORE, in order to facilitate repayment of the Non-Housing Facilities Note and to assist the rehabilitation and operation of the Mixed Use Development of which the commercial buildings form a part, pursuant to 10 V.S.A. §621(14) and paragraph 5, Chapter Two of the Regulations, it is hereby

RESOLVED, as follows:

1. The Agency's commitment letter to DDNI dated July 13, 1995, captioned "Commitment Letter Concerning Restructuring of Dalton Drive Non-Housing Facilities Note and Supplemental Loan" (the "Commitment Letter") is hereby RATIFIED, CONFIRMED AND APPROVED.

2. The Supplemental Loan, as defined and described in the Commitment Letter, is hereby RATIFIED, CONFIRMED AND APPROVED.

3. All previous actions of the Executive Director pursuant to the terms of the Commitment Letter are hereby RATIFIED, CONFIRMED AND APPROVED, and the Executive Director is further authorized to fulfill the remaining commitments of the Agency in accordance with the provisions of the Commitment Letter and to enforce the terms and conditions thereof.

Attachments: Commitment Letter with its attachments, including Purchase and Sale Agreement, Loan Agreement, and Promissory Note.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on October 12, 1995.

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

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Paul M. Cummings, Development Officer

DATE: November 8, 1995

RE: 600 Dalton Drive Predevelopment Loan

Burlington Community Land Trust (BCLT) has indicated an interest to acquire and rehabilitate 600 Dalton Drive into a 10-unit assisted living facility for families and individuals living with HIV/AIDS. On July 27, 1995, BCLT and Dalton Drive Neighborhood, Inc. signed a Letter of Intent that would enable BCLT to purchase 600 Dalton Drive for $250,000 (subject to an appraisal). The purchase of the property is conditioned on determining the following by November 15, 1995: 1) that suitable funding and financing commitments are obtainable; 2) that any necessary permits and approvals can be obtained in a timely manner; 3) that necessary modification and improvement to the building can be made at reasonable cost; and 4) that there are no environmental liabilities which exist that would affect project feasibility. In addition, the Letter of Intent agreed to provide BCLT up to $30,000 through a VHFA Ventures Loan once a formal request was submitted to VHFA.

On September 21, 1995, VHFA received a request from BCLT for a $30,000 Ventures loan. In this application, BCLT estimated the total predevelopment budget at approximately $60,000; in addition to the VHFA loan, BCLT expected to fund the predevelopment activities with an approved $30,000 HUD HOPWA (Housing Opportunities for Persons With AIDS) grant. If BCLT needs additional predevelopment funds they anticipate that they would approach VHCB for feasibility funds.

BACKGROUND

BCLT's mission and primary purpose in developing this project is to provide fully accessible affordable housing that is connected to services for household living with HIV/AIDS. It is a product of the work of the HIV/AIDS Care Consortium formed in 1992. The consortium worked with VHCB staff to apply for and receive a HUD HOPWA Grant for the state of Vermont. This grant will provide 25 tenant-based Section 8 Certificates, mortgage and utility payment assistance to families who need such

support to stay housed, predevelopment funding to BCLT (for the 600 Dalton Drive project) and funding to BCLT for two fully accessible apartments for persons living with AIDS.

BCLT's request for a predevelopment loan in the amount of $30,000 exceeds what is possible through the Ventures program because of a maximum per-unit loan amount. Therefore, staff would like to offer BCLT a predevelopment loan at the requested amount that would have the same terms (specifically an interest rate of three percent) as a Ventures loan. The source of funds for this loan would be VHFA's General Fund. In approving an increased loan amount, we have sought to reduce our predevelopment exposure by releasing only up to $15,000 until at least an additional $15,000 of the approved budget has been spent and paid for by BCLT or other funding sources.

RECOMMENDED BOARD ACTION:

Staff recommends Board approval of the attached Resolution to provide a Letter of Commitment for a predevelopment loan in an amount up to $30,000 with an interest rate of three percent and the condition that no more than $15,000 of this loan would be released until BCLT has spent and paid for an additional $15,000 in activities in the approved predevelopment budget. The source of funds for this loan would be VHFA's General Fund.

RESOLUTION PERTAINING TO
PRE-DEVELOPMENT LOAN TO
BURLINGTON COMMUNITY LAND TRUST, INC.
(600 DALTON DRIVE)

WHEREAS, the Burlington Community Land Trust, Inc. ("BCLT") has expressed an interest in acquiring the building located at 600 Dalton Drive at Fort Ethan Allen (the "Property") and rehabilitating the building into a 10-unit assisted living facility for persons and families living with HIV/AIDS (the "Development"); and

WHEREAS, BCLT has signed a Letter of Intent with Dalton Drive Neighborhood, Inc. ("DDNI") that would enable BCLT to purchase the Property; and

WHEREAS, the Letter of Intent included an expectation that BCLT would be provided up to $30,000 from the Agency's Ventures Program; and

WHEREAS, BCLT submitted a request for a $30,000 loan from the Ventures program that indicated that BCLT has been approved to receive a $30,000 grant from HUD's HOPWA (Housing Opportunities for Persons with Aids) Program; and

WHEREAS, BCLT's request exceeds the amount available through the Ventures Program because of a maximum per-unit loan amount; and

WHEREAS, staff recommends that the Agency approve, pursuant to 10 V.S.A. § 621(5), a General Fund loan of up to $30,000 on the same terms as a Ventures loan, including an interest rate of three percent per annum, provided that only $15,000 of the Agency's loan would be released to BCLT until at least an additional $15,000 of the approved budget has been spent and paid for by BCLT or other funding sources;

NOW, THEREFORE, it is hereby DETERMINED:

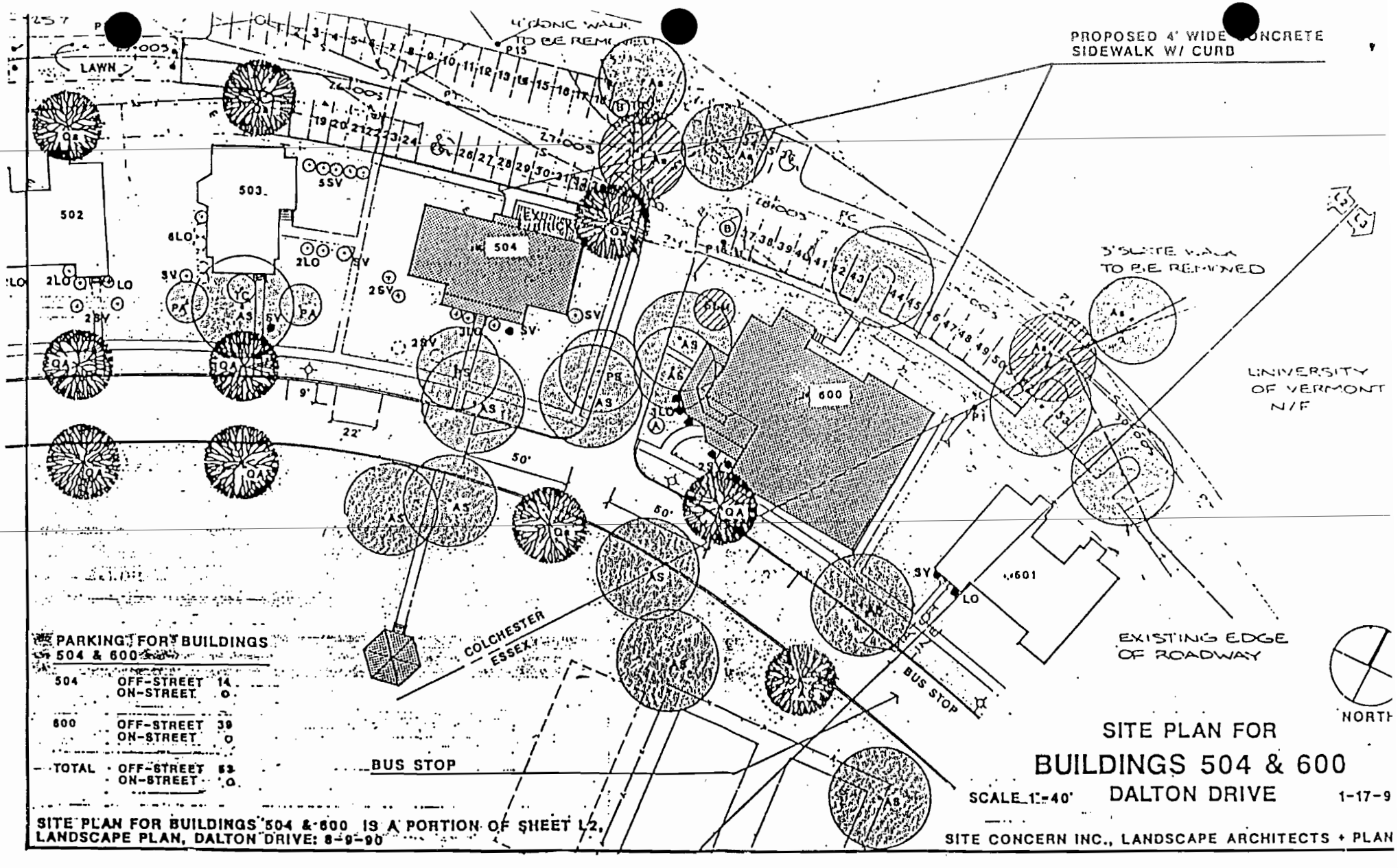
1. The Burlington Community Land Trust, Inc. is a Non-Profit Entity pursuant to the Agency's Rules on Grants, Loans and Advances to Assist the Planning, Construction, Rehabilitation and Operation of Residential Housing.

2. The proposed Loan will assist the planning or rehabilitation of Residential Housing primarily for persons and families of low and moderate income.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to make a pre-development loan (the "Loan") available to the Burlington Community Land Trust, Inc. for work on the Development intended to provide 10 units of assisted living for persons and families living with HIV/AIDS.

2. The interest rate on the Loan will be three percent per annum, the funds for the Loan will be from the Agency's General Fund, and no more than $15,000 of the Loan will be disbursed until BCLT has established, to the reasonable satisfaction of the Agency's staff, that at least $15,000 from sources other than the Agency has been disbursed for activities contained in the pre-development budget that has been approved by staff of the Agency.


PROPOSED 4' WIDE CONCRETE SIDEWALK W/ CURB
4' CONC. WALK TO BE REMOVED
LAWN
502
503
504
600
601
EXIST. CLK
5' SLATE WALK TO BE REMOVED
UNIVERSITY OF VERMONT N/F
EXISTING EDGE OF ROADWAY
COLCHESTER
ESSEX
BUS STOP
BUS STOP
NORTH
PARKING FOR BUILDINGS 504 & 600
504 OFF-STREET 14
ON-STREET 0
600 OFF-STREET 39
ON-STREET 0
TOTAL OFF-STREET 53
ON-STREET 0
SITE PLAN FOR
BUILDINGS 504 & 600
DALTON DRIVE
SCALE 1"=40'
1-17-9
SITE PLAN FOR BUILDINGS 504 & 600 IS A PORTION OF SHEET L2, LANDSCAPE PLAN, DALTON DRIVE: 8-9-90
SITE CONCERN INC., LANDSCAPE ARCHITECTS + PLAN

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Paul M. Cummings, Development Officer

DATE: November 9, 1995

RE: BCLT Rental Housing Improvement Project permanent financing

Executive Summary

The Burlington Community Land Trust (BCLT) has applied to VHFA for $413,093 in permanent first mortgage financing. The proposed project consists of the refinance and rehabilitation of 19 units in seven buildings on scattered sites in Burlington. BCLT acquired these buildings between 1988 and 1992. As a part of the rehabilitation, BCLT proposes to complete lead based paint abatement and energy efficiency improvements. BCLT is seeking to refinance the existing debt with our 7.22 percent recycled Section 8 funds.

All of the units in BCLT's proposal are currently affordable to households earning less than 80 percent of median income (initially rents would be affordable to households earning less than 65 percent of median income). BCLT has proposed that 11 (58%) of the 19 units would remain affordable to households earning less than 80 percent of median income (8 of these units would be affordable to households earning less than 60% of median income). The total proposed development cost is $57,280 per unit.

BCLT has also submitted an application to the Vermont Housing and Conservation Board (VHCB) for lead based paint abatement and grant funds. The next scheduled VHCB Board meeting is Friday, November 17. The other source of new money is an approved HOME grant from the City of Burlington.

A summary of sources and uses of funds, rents, operating expenses, and financial projections is attached.

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

THE DEVELOPMENT

Projected Funding Sources

VHFA First Mortgage	$426,579	38.45%
VHCB Loans	$203,591	18.35%
VHCB New Grants	$152,425	13.74%
City of Burlington - HOME Grant	$113,428	10.22%
VHCB Lead Program Grant	$85,200	7.68%
City of Burlington - HIP	$68,548	6.18%
VHCB Grants	$53,700	4.84%
GMFPS Loan	$6,000	0.54%
Totals	$1,109,471	100.00%

The properties have not received a recent appraisal and therefore loan-to-value has not been determined. If review of recent tax assessments are not in line with value shown on existing appraisals, staff would request an "as completed" appraisal that would indicate a value at least equal to VHFA's loan amount. The VHFA loan to cost ratio is approximately 38%.

Unit Breakdown and Rents

Initially, all of the units in the proposed refinance would be affordable to households earning less than 65 percent of median income. BCLT has projected that 11 (58%) of the 19 units would remain affordable to households earning less than 80 percent of median income with 8 (42%) of the 19 units affordable to households earning less that 50 percent of median income. The 19 units include four units in the Grant/North Union building, six units in three buildings on Pine Street, five units in the North/Front building and four units in two buildings on Hyde street. The unit size and rent breakdown is as follows:

Restricted Rents			Market Rents <80% of Median		
Size	#	Rents	Size	#	Rents
0 BR	2	$310-335	0 Br	0	
1 BR	3	$360-410	1 Br	0	
2 BR	4	$390-$515	2 BR	3	$450-480
3 BR	2	$585	3 BR	3	$570-610
			4 BR	2	$650-700

These rents do not include heat or electricity.

Sponsor, Management & Market

BCLT has managed all the properties since they were acquired except for the six units in the three Pine Street buildings. (Lake Champlain Housing Development Corporation, a nonprofit housing development/management organization in Burlington, has managed the Pine Street units.) BCLT has proposed to manage all of the units after the refinance. BCLT currently manages approximately 110 similar properties in the Burlington area, including two recent projects financed by VHFA - Burlington Scattered sites (20 units) and Johnson Street apartments (5 units).

Because the units are currently occupied and BCLT has had success marketing the units, VHFA would not require a market study.

Site & Environmental Concerns

The sponsor has been asked to determine if any environmental testing of the buildings has been done. Staff would need to determine how much environmental testing, if any, needs to be completed.

At VHFA's request, BCLT has commissioned an energy audit to determine if improvements could be made to the project that would increase energy efficiency. Based on the results of this audit, BCLT has applied to VHCB for an additional grant request of $22,425 (included in VHCB New Grants amount of $152,425).

DISCUSSION

BCLT initially purchased the buildings in this refinance proposal with their Bank of Vermont line of credit. This letter of credit was not intended to be a source of permanent financing and as BCLT sought to refinance this loan they also looked at the possibility of completing additional rehabilitation to the buildings. Staff has inspected these buildings and reviewed the proposed scope of work. At the request of VHFA and VHCB, BCLT has commissioned an energy audit that justifies additional rehabilitation and has submitted an application to VHCB for the additional funds required. The completed project would improve the quality of the units through rehabilitation, improve the energy efficiency of the units, provide lead based paint abatement, and promote long term affordability of a majority of the units through the use of VHFA's 7.22 percent recycled Section 8 funds.

Strengths

a) The sponsor has successfully developed both single family and multifamily developments, including recently completed VHFA financed properties in the

same market area (Burlington Scattered Sites and Johnson Street Apartments).

b) The project would improve the quality of housing and long term affordability for 19 units in Burlington, including rehabilitation of the units, lead based paint abatement, and energy efficiency improvements.

Weaknesses

a) The project has not an environmental review or an "as completed" appraisal. Staff would work with BCLT to determine if either of these would be required.

b) The project has not received VHCB funding for additional rehabilitation and lead based paint abatement. However, VHCB has worked with BCLT by providing funds for an energy audit and VHCB's Board is scheduled to review grant request on November 17, 1995.

RECOMMENDATION

Staff recommends Board approval of the attached Resolution to provide a Letter of Interest to provide permanent financing in an amount of up to $426,579, loan term of 25 years with an amortization schedule of 25 years and an interest rate of 7.22 percent. The proposed source of funds is recycled Section 8 funds. Staff further recommends that the Board authorize the Executive Director to issue a Commitment Letter upon satisfaction of certain conditions described below. The Letter of Interest shall include the following conditions:

1) sponsor must provide, in a form satisfactory to staff, a determination of value at least equal to the first mortgage debt being provided by VHFA.

2) sponsor must provide an energy audit, satisfactory to staff, assessing current energy efficiency of units and heating systems and making recommendations for improvements that would reduce utility costs; and

3) sponsor must demonstrate that requisite financing has been committed, including loans/grants from the Vermont Housing and Conservation Board for current scope of work and revised scope of work if warranted from results of commissioned energy audit. "Requisite financing" means the amount and terms of each of the sources of funding represented on the multifamily loan application or their equivalent. If the sponsor is unable to obtain commitments of "requisite financing", the sponsor may have to reduce costs from the development budget so that the total uses of funds matches the total sources of funds;

4) sponsor must demonstrate, in a form satisfactory to staff, structural integrity of buildings including specifically the North/Front street building and the Grant/North Union street building.

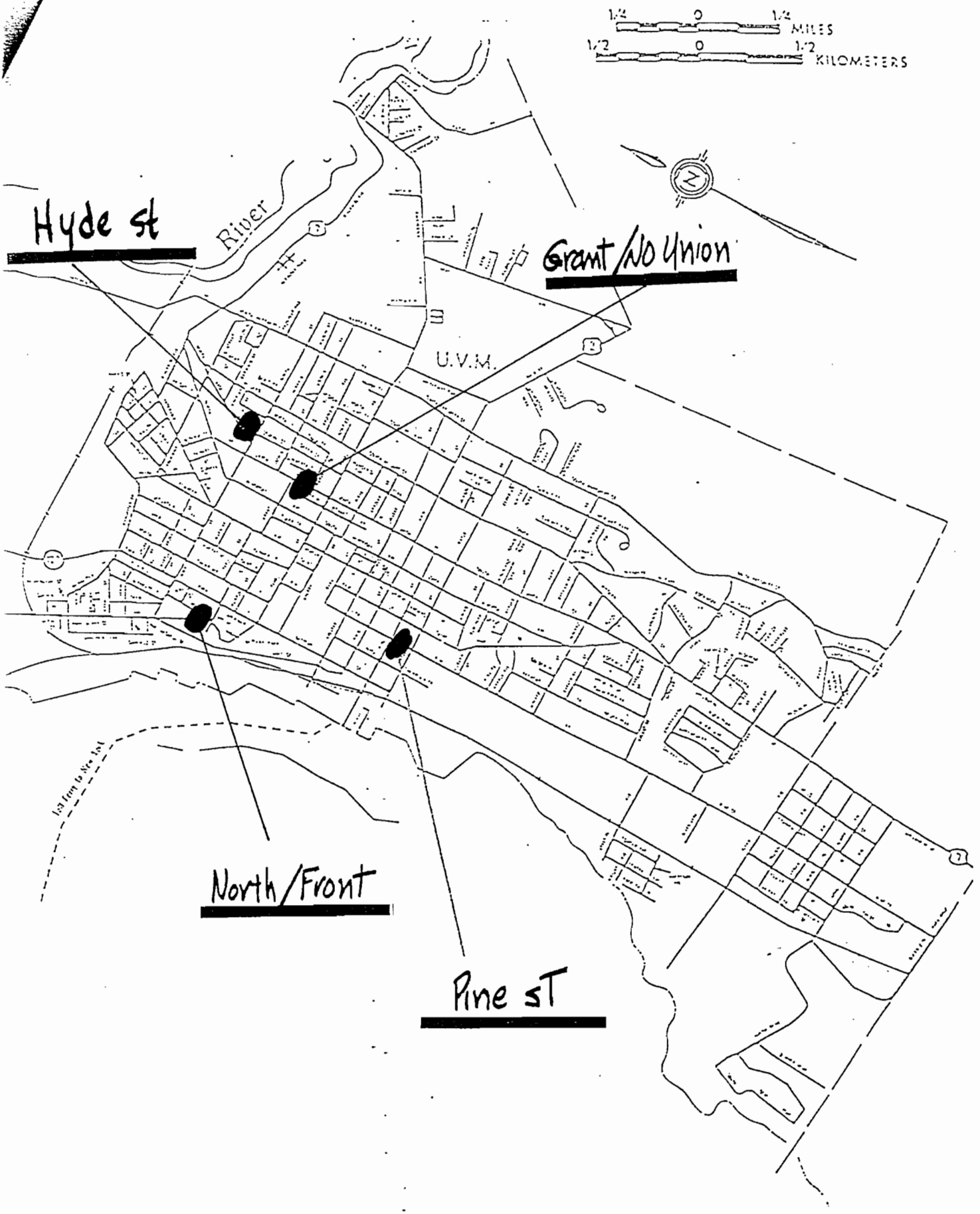
The Commitment Letter shall be subject to conditions including the following:

1) VHFA approval of final rehabilitation scope of work including specifications;

2) sponsor must provide evidence of competitive bidding.

BURLINGTON

AREA MAP



RESOLUTION PERTAINING TO LETTER OF INTEREST
RE: BURLINGTON COMMUNITY LAND TRUST
SCATTERED SITE DEVELOPMENT (BURLINGTON)

WHEREAS, a proposal has been presented to the Agency by the Burlington Community Land Trust (the "Housing Sponsor") involving the refinancing and rehabilitation of 19 rental units located in seven buildings in several locations in Burlington, as referenced in a staff memorandum dated November 9, 1995 (the "Development"); and

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

WHEREAS, all of the units in the Housing Sponsor's proposal are currently, and the majority would remain, affordable to households earning less than 80 percent of median income; and

WHEREAS, the Housing Sponsor has also submitted an application to the Vermont Housing and Conservation Board (VHCB) for lead based paint abatement and grant funds; and

WHEREAS, the Housing Sponsor has been approved for a HOME grant from the City of Burlington in the amount of $113,428; and

WHEREAS, the maximum amount of the mortgage loan will not exceed $430,000; and

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

It is hereby DETERMINED:

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

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

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

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

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

6. The Housing Sponsor is a financially responsible organization.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a first mortgage loan to Burlington Community Land Trust, Inc. for the refinancing and rehabilitation of the Development in Burlington in an amount not to exceed $430,000. The term of the loan will be 25 years and the interest rate will be 7.22% per annum. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, construction financing, or for other purposes with the consent of the Agency.

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

   a) the Housing Sponsor must provide, in a form satisfactory to staff, a determination of value at least equal to the first mortgage debt being provided by VHFA; and

   b) the Housing Sponsor must provide an energy audit, satisfactory to staff, assessing current energy efficiency of units and heating systems and making recommendations for improvements that would reduce utility costs;

   c) the Housing Sponsor must demonstrate that requisite financing has been committed, including loans/grants from the Vermont Housing and Conservation Board for the current scope of work and, if indicated by the commissioned energy audit, a revised scope of work. "Requisite financing" means the amount and terms of each of the sources of funding represented on the multifamily loan application or their equivalent. If the Housing Sponsor is unable to obtain commitments of "requisite financing", the Housing Sponsor may have to reduce costs from the development budget so that the total uses of funds matches the total sources of funds; and

   d) the Housing Sponsor must demonstrate, in a form satisfactory to staff, structural integrity of the buildings, including, specifically, the North/Front Street building and the Grant/North Union Street building.

3. The Executive Director may, in his discretion, issue a Commitment Letter for a loan for the refinancing and rehabilitation of the Development, in an amount to be determined by the Executive Director, but not to exceed $430,000. The term of the loan shall be 25 years and the interest rate shall be approximately 7.22%. The Commitment Letter may be issued to Burlington Community Land Trust. The Commitment Letter shall be conditioned on the satisfaction by the Housing Sponsor of all requirements of

the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish, including but not limited to the following:

(a) Agency approval of the scope of final rehabilitation work including specifications; and

(b) Evidence of competitive bidding for construction contract satisfactory to the Agency.

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

T:\aboard\november\bcltint.res

S:\DEVEL\MFLOAN\PROJECTS\BCLTRNTL.WB2

Project:	BCLT Rental Hsng Imprvmt	RUN DATE:	09-Nov

Total Residential Units:	19	Increase - Restricted Rents	1.75%
Restricted Units:	11	Increase - Market Rents	2.25%
Percent Restricted:	57.89%	Increase - Expenses	3.50%
Avg Net Monthly Rent:	437	Vacancy Rate (Years 1-3):	10.00%
Total Dev Costs	1,109,471	Vacancy Rate (Years 4+):	5.00%
TDC/Unit	58,393		

FINANCING SOURCES	Amount	% of TDC	Interest	Term	Amortization Period
VHFA Primary debt	426,579	38.45%	7.22%	25	25
VHCB Loans	203,591	18.35%	varies	0	0
VHCB New Grants	152,425	13.74%	N/A	N/A	
City of Burl - HOME Grnt	113,428	10.22%	N/A	N/A	
VHCB Lead Program Grant	85,200	7.68%	N/A	N/A	
City of Burl - HIP	68,548	6.18%	1.00%	30	30
VHCB Grants	53,700	4.84%	N/A	N/A	
GMFPS Loan	6,000	0.54%	0.00%	6	6
	1,109,471	100.00%			
Gap:	(0)				

BCLT Rental Hsng Imprvmt	DEVELOPMENT BUDGET		09-Nov-95
		Budget	Per Unit
ACQUISITION & CONSTRUCTION			
Land			0
Refinance KeyBank of Vermont		309,800	
Refinance Burl. Employees' Ret. System		98,074	
Refinance Vt. Community Loan Fund		56,391	
Refinance Private Individual		11,593	
Balance of Original Purchase/Rehab Cost		331,839	17,465
Energy Efficiency Rehabilitation		22,425	1,180
Rehabilitation		123,184	6,483
Haz. Mat. Test/Abatement		85,200	4,484
Contractor Overhead	0.00%		0
Contractor Profit	0.00%		0
Construction Contingency	8.26%	17,204	905
APPLIANCES			0
Subtotal		1,055,710	30,519
PROFESSIONAL SERVICES			
Architect Fee - Design			0
Architect Fee - Supervision			0
Attorney			0
Legal, Title & Recording		4,800	253
Subtotal		4,800	253
INTERIM COSTS			
Construction Insurance			0
Construction Interest			0
Construction Loan Origination Fee			0
Taxes			0
Subtotal		0	0
OTHER SOFT COSTS			
Property Appraisal		1,200	63
Market Study			0
Environmental Report			0
Tax Credit Fees			0
Marketing			0
Subtotal		1,200	63
FINANCING FEES & EXPENSES			
Credit Report			0
Permanent Loan Origination Fee		4,131	217
Credit Enhancement			0
Cost of Issuance			0
Title & Recording			0
Counsel's Fee			0
FINANCE & CLOSING			0
Subtotal		4,131	217
SYNDICATION COSTS			
Organizational (Partnership)			0
Bridge Loan Fees & Expenses			0
Tax Opinion			0
Subtotal		0	0
DEVELOPER'S FEES			
Developer's Overhead & Profit		9,500	500
Consultant Fees			0
Subtotal		9,500	500
PROJECT RESERVES			
Rent-up (Deficit Escrow) Reserve			0
Replacement Reserve		19,370	1,019
Working Capital		14,760	777
Operating Reserve/Sinking Fund			0
Subtotal		34,130	1,796
TOTAL DEVELOPMENT COSTS		1,109,471	58,393

BCLT Rental Hsng Imprvmt | INCOME & EXPENSE BUDGET | 09-Nov-95

INCOME

RENTS

Restricted Units

Bedrooms	Type	Sq.Feet	Number	Rent	Utilities	Total Annual Rent
Studio	Grant/N. Union		1	310		3,720
Studio	Grant/N. Union		1	335		4,020
1 Br	Grant/N. Union		1	360		4,320
1 Br Sec. 8	Grant/N. Union		1	410		4,920
1 Br Sec. 8	189 Pine Street		1	410		4,920
2 Br	North/Front		1	390		4,680
3 Br <80%	North/Front		2	585		14,040
2 Br	55, 55 1/2 Hyde		1	420		5,040
2 Br	55, 55 1/2 Hyde		1	423		5,076
2 Br <80%	55, 55 1/2 Hyde		1	515		6,180
	Totals	0	11			56,916

Market Rate Units

Bedrooms	Type	Sq.Feet	Number	Rent	Utilities	Total Annual Rent
2 Br	189 Pine Street		2	450		10,800
3 Br	189 Pine Street		2	570		13,680
4 Br	189 Pine Street		1	650		7,800
2 Br	North/Front		1	480		5,760
3 Br	North/Front		1	610		7,320
4 Br	55, 55 1/2 Hyde		1	700		8,400
	Totals	0	8			53,760

All Units

Grand Totals	0	19			110,676
	Less Vacancy	10.00%			(11,068)
				NET RENT	99,608
	OTHER INCOME				
	Interest Income				0
	Laundry				0
	Parking				0
	Total Other Income				0
				Tot. INCOME	99,608

BCLT Rental Hsng Imprvmt	EXPENSE BUDGET			09-Nov
	Annual	Monthly	Per Unit Per Month	
Administration				
Management Fee	6,840	570	30	6.2%
Marketing	315	26	1	
Audit	450	38	2	
Legal	315	26	1	
Office Expense		0	0	
Telephone		0	0	
Office Payroll		0	0	
Rent		0	0	
VHFA Underwriting Adj:	2,052	171	9	
Other		0	0	
TOTAL ADMINISTRATIV	9,972	831	44	
Utilities				
Water/Sewer	7,360	613	32	
Electric	1,893	158	8	
Fuel		0	0	
Other		0	0	
TOTAL UTILITIES	9,253	771	41	
Maintenance				
Maintenance Payroll	105	9	0	
Supplies		0	0	
Trash Removal	5,152	429	23	
Snow Removal	841	70	4	
Grounds	526	44	2	
Repairs	12,064	1,005	53	
Paint/Decorating	1,157	96	5	
Exterminating		0	0	
Contract Maintenance		0	0	
Equipment Debt		0	0	
Service Lease		0	0	
Other		0	0	
TOTAL MAINTENANCE	19,845	1,654	87	
Taxes	14,583	1,215	64	
Insurance	4,800	400	21	
Replacement Reserves	4,206	351	18	
Other		0	0	
Total	62,659	5,222	275	

09-Nov-95 BCLT Rental Hsng Imprvmt	PRO FORMA														
Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Residential Rent (Restricted):	56,916	57,912	58,925	59,957	61,006	62,074	63,160	64,265	65,390	66,534	67,698	68,883	70,089	71,315	72,563
Residential Rent (Market):	53,760	54,970	56,206	57,471	58,764	60,086	61,438	62,821	64,234	65,679	67,157	68,668	70,213	71,793	73,408
Less Res Vacancy	(11,068)	(11,288)	(11,513)	(5,871)	(5,989)	(6,108)	(6,230)	(6,354)	(6,481)	(6,611)	(6,743)	(6,878)	(7,015)	(7,155)	(7,299)
Plus Other Income	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Actual Income	99,608	101,593	103,619	111,556	113,782	116,052	118,368	120,731	123,143	125,603	128,113	130,674	133,287	135,953	138,673
Less Operating Expense	58,453	60,499	62,616	64,808	67,076	69,424	71,854	74,369	76,971	79,665	82,454	85,340	88,326	91,418	94,618
Less Reserves	4,206	4,301	4,397	4,496	4,598	4,701	4,807	4,915	5,025	5,139	5,254	5,372	5,493	5,617	5,743
Net Operating Income	36,949	36,794	36,605	42,252	42,108	41,927	41,708	41,448	41,146	40,799	40,405	39,962	39,467	38,918	38,312
Less VHFA Debt Service:	36,901	36,901	36,901	36,901	36,901	36,901	36,901	36,901	36,901	36,901	36,901	36,901	36,901	36,901	36,901
Less HIP Debt Service:	2,640	2,640	2,640	2,640	2,640	2,640	2,640	2,640	2,640	2,640	2,640	2,640	2,640	2,640	2,640
Less GMFPS/VHCB Debt Service:	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
Cash Flow	(3,592)	(3,747)	(3,936)	1,711	1,567	1,386	1,167	907	605	258	(136)	(579)	(1,074)	(1,623)	(2,229)
Oper Subsidy	3,592	3,747	3,936	0	0	0	0	0	0	0	136	579	1,074	1,623	2,229
Net Cash	0	0	0	1,711	1,567	1,386	1,167	907	605	258	0	0	0	0	0
VHFA DCR	100.13%	99.71%	99.20%	114.50%	114.11%	113.62%	113.03%	112.32%	111.50%	110.56%	109.49%	108.29%	106.95%	105.47%	103.82%
Cumulative Cash w/Working Capital	7,577	3,830	(107)	1,604	3,171	4,557	5,723	6,630	7,235	7,492	7,356	6,777	5,703	4,079	1,850
Cumalitive Replacement Reserves	23,576	27,877	32,274	36,770	41,368	46,069	50,876	55,790	60,816	65,954	71,209	76,581	82,074	87,691	93,434

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Paul M. Cummings, Development Officer PMC

DATE: November 9, 1995

RE: The Woodlands construction and permanent financing

Executive Summary

The Green Mountain Development Group (GMDG) has applied to VHFA for $800,000 in permanent first mortgage and construction financing. The proposed project consists of the acquisition and rehabilitation of 45 units in eight buildings on a 19 acre site in Bristol. As a part of the rehabilitation, GMDG proposes to convert seven existing 0-bedroom efficiencies into two bedroom handicap accessible units and convert seven existing 2-bedroom units into 3-bedroom units. All of the units in the proposed development would be affordable to households earning less than 80 percent of median income and 35 (78%) of the 45 units would be affordable to households earning less than 60 percent of median income. The total proposed development cost is $44,483 per unit.

GMDG has reached an agreement with the Addison County Community Action Group (ACCAG) to act as a co-general partner in the development, to participate in the ongoing management of the project, and to hold an option to purchase the property after 15 years.

GMDG has received a reservation of Low Income Housing Tax Credits (LIHTC) for the Woodlands project. The remaining (proposed) source of funding would be a combination of deferred loans/grants from the Vermont Housing and Conservation Board (VHCB) totalling $450,000. The next scheduled VHCB Board meeting is Friday, November 17.

A summary of sources and uses of funds, rents, operating expenses, and financial projections is attached.

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

THE DEVELOPMENT
Projected Funding Sources

VHFA First Mortgage	$800,000	39.97%
VHCB Deferred Debt	$330,000	16.49%
VHCB Debt/Grant	$120,000	5.99%
Tax Credit Equity	$751,730	35.62%
Totals	$2,001,730	100.00%

The property was last appraised on March 15, 1993 for a value of $1,150,000. In negotiating with the lender (Vermont Federal Bank) and the current owners, GMDG has secured a purchase price of $780,000. Because the appraisal is now almost three years old and the property is distressed, we can not determine the loan-to-value ratio. We have requested that GMDG commission an "as completed" appraisal and a condition of VHFA financing would be that the "as completed" value indicates a loan-to-value ratio of no more than 95%. The VHFA loan-to-cost ratio is approximately 40%.

Unit Breakdown and Rents

All of the units in the proposed development would be affordable to households earning less than 80 percent of median income and 35 (78%) of the 45 units would be affordable to households earning less than 60 percent of median income. In addition, the proposed VHCB funding would require perpetual affordability covenants that would ensure long term affordability. The unit size and rent breakdown is as follows:

LIHTC Rents			Market Rents <80% of Median		
Size	#	Rents	Size	#	Rents
1 BR	7	$310	1 BR	2	$400
2 BR	21	$370-$420	2 BR	8	$495
3 BR	7	$520			

These rents include heat and hot water.

Sponsor, Management & Market

John Giebink and Charlie Brush are the two principals of the Green Mountain Development Group, located in South Burlington. GMDG has been in business for over 15 years offering design, real estate development, and construction management services. Green Mountain Design Builders, a general contracting company that primarily built

residential homes, was discontinued in late 1980s. GMDG has developed over 500 residential units, including the near completion of a 53-unit affordable senior housing development and the affordable component of the Red Rocks townhomes, both in South Burlington.

GMDG has reached an agreement with Addison County Community Action Group, a nonprofit community action agency located in Middlebury, to act as a general partner in the development of the project, to participate in the ongoing management of the project, and to hold an option to purchase the property after 15 years (the term of the LIHTC compliance period). ACCAG, incorporated in 1965, began developing affordable housing in 1980 and has developed over 80 units of housing throughout Addison County. In addition, GMDG has proposed that a management company with tax credit experience would work with ACCAG to manage the property. GMDG has reached a tentative agreement with Coburn & Feeley, the same management company contracted to manage GMDG's 53-unit LIHTC project in South Burlington, the Pines.

Based on a market study and tenant survey completed by the sponsor, the proposed development would do the following: 1) allow LIHTC eligible households currently in the project to remain at reduced rent levels; 2) require no permanent relocation of households earning less than median income because of unit affordability mix; and 3) have little if any effect on other subsidized housing in Bristol which is primarily targeted towards households earning lower incomes than would be occupying this project. In addition, if VHCB approves funding for this project, it is expected that one of their requirements would be a covenant on the property insuring that all units remain affordable.

Site & Environmental Concerns

The project has not received a Level I Environmental Assessment. GMDG is planning to commission the environmental assessment with the intention that it would be completed prior to their purchase of the property (projected to be mid-December).

The project has also not received an energy audit. Staff has requested that an energy audit be completed prior to GMDG's purchase of the property.

DISCUSSION

GMDG has approached VHFA for financing because one of the conditions of being considered for VHCB financing was that they negotiate better financing terms. After meeting with the owner (Henry and Joan Cook of Bristol) and the lender (Vermont Federal Bank), GMDG was able to reduce the purchase price from $1,000,000 to

$780,000. However, the lender was not willing to offer any more favorable loan terms than 250 basis points over their cost of funds which translates into a rate of approximately 9 percent (9%). Even with the reduction in the acquisition price, the project only works with a rate of approximately eight percent (8%).

Because this is a LIHTC project that is trying to maximize the tax credit (utilize the 9% credit), the sponsor is not able to use a tax exempt source of funds such as bonds. Therefore we have considered the possibility of utilizing FHLBB funds for this loan. Based on our cost of funds from the FHLBB at current rates and the 100 basis point spread we typically add to permanent loan rates, we could provide a loan to the Woodlands at rate of approximately 8 percent (8%).

VHFA has also considered the possibility of privately placing a bond with a lending organization that could provide a competitive rate to the project. We have approached Vermont Federal Bank with this scenario and would do the same with other lending organizations in Vermont.

Strengths

a) The sponsor has successfully developed both single family and multifamily developments, including the near completion of a 53 unit affordable elderly housing LIHTC project in South Burlington.

b) The project would create 45 perpetually affordable housing units in Bristol. In addition, the sponsors would increase the unit sizes of smaller units, create handicap accessible units, reduce unit rents and rehabilitate interiors, all at a total development cost of only $44,483 per unit.

Weaknesses

a) The project has had vacancy and cash flow problems that have motivated current owner and lender to agree upon a reduced selling price. However, the market study indicates that the reduction of rents and improvement of housing quality would increase unit occupancy.

b) The project has not had an energy audit, environmental review, or an "as completed" appraisal. However, based on staff requests GMDG has indicated that these reports would be completed prior to closing.

RECOMMENDATION

Staff recommends Board approval of the attached Resolution to provide a Letter of Interest to provide permanent and construction financing in an amount of up to $800,000, loan term of 20 years with an amortization schedule of 30 years and an interest rate of based on our source of funds. Staff further recommends that the Board authorize the Executive Director to issue a Commitment Letter upon satisfaction of certain conditions described below. The proposed source of funds is Federal Home Loan Bank of Boston funds. The Letter of Interest shall include the following conditions:

1) sponsor must provide an appraisal, satisfactory to staff, that indicates a loan-to-value of no more than 95 percent; and

2) sponsor must provide an energy audit, satisfactory to staff, assessing current energy efficiency of units and heating systems and making recommendations for improvements that would reduce utility costs; and

3) sponsor must demonstrate that requisite financing has been committed by November 20, 1995, including but not limited to the Low Income Housing Tax Credits and loans/grants from the Vermont Housing and Conservation Board. "Requisite financing" means the amount and terms of each of the sources of funding represented on the multifamily loan application or their equivalent. If the sponsor is unable to obtain commitments of "requisite financing", the sponsor may have to reduce costs from the development budget so that the total uses of funds matches the total sources of funds.

The Commitment Letter shall be subject to the following conditions:

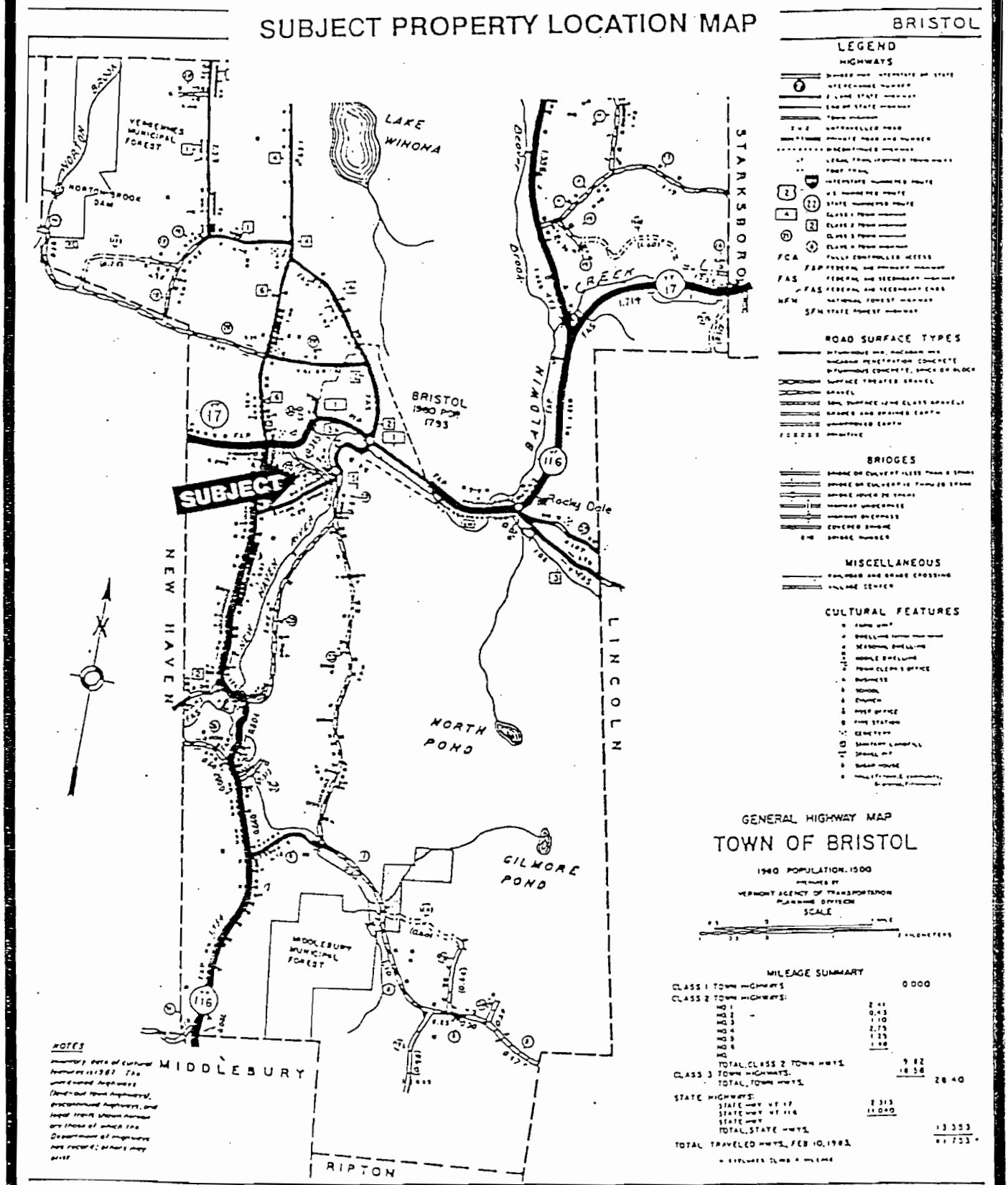
1) sponsor must provide final plans and specifications for VHFA approval;

2) sponsor must provide evidence of competitive bidding;

3) VHFA approval of the final selection of management agent.

The Woodlands

SUBJECT PROPERTY LOCATION MAP



TRANSPORTATION DISTRICT NO. 5

ADDISON COUN

F:\DEVEL\LIHTC\PROJECTS\WOODLND3.WB2

Project:	The Woodlands	RUN DATE:	08-Nov-95
Total Residential Units:	45	Increase LIHTC	1.50%
Restricted Units:	35	Increase Market	2.00%
Percent Restricted:	77.78%	Expense increase:	3.00%
Avg Net Monthly Rent:	381	Vacancy Rate (Years 4+):	5.00%
Total Dev Costs	2,001,730	Vacancy Rate (Years 1-3):	10.00%
TDC/Unit	44,483	Partner's Tax Rate:	34.00%
		Depreciation Schedule:	27.5
		Sponsor's Estimated Yield:	56.43%
Total Credit Amount	133,214		
Net Syndication	751,730		
LIHTC - 9%	8.56%	(September '95)	
LIHTC - 4%	3.67%		

FINANCING SOURCES

	Amount	% of TDC	Interest	Term	Amort Prd
Primary debt	800,000	39.97%	8.00%	20	30
VHCB deferred debt	330,000	16.49%	0.00%	40	0
VHCB debt/grant	120,000	5.99%	N/A	N/A	
Tax Credit Equity	751,730	37.55%	N/A	N/A	
	2,001,730	100.00%			

Gap (0)

The Woodlands	INCOME & EXPENSE BUDGET			08-Nov-95			
	INCOME						
RENTS							Addison Cnty Affordability Analysis
Restricted Units						Total	
Bedrooms	Type	Sq.Feet	Number	Rent	Utilities	Annual Rent	Median Income
1 Bdrm		710	7	310	28	26,040	49.89%
1 Bdrm							
2 Bdrm		900	7	370	35	31,080	49.85%
2 Bdrm		900	7	420	35	35,280	56.00%
2 Bdrm Handicap		980	7	420	35	35,280	56.00%
3 Bdrm		1,150	7	520	40	43,680	59.65%
	Totals	32,480	35			171,360	
Market Rate Units						Total	
Bedrooms	Type	Sq.Feet	Number	Rent	Utilities	Annual Rent	
1 Bdrm		480	2	400	28	9,600	63.17%
2 Bdrm		850	1	495	35	5,940	65.23%
2 Bdrm		900	7	495	35	41,580	65.23%
	Totals	8,110	10			57,120	
All Units							
	Grand Totals	40,590	45			228,480	
		Less Vacancy	10.00%			(22,848)	
					NET RENT	205,632	
		OTHER INCOME					
		Interest Income		1.00%	of Net Inc	2,056	
		Laundry		Unit/Month:	20	9,720	
		Parking				0	
		Total Other Income				11,776	
					TOT. INCOME	217,408	

The Woodlands	EXPENSE BUDGET		08-Nov-95
			Per Unit
	Annual	Monthly	Per Month
Administration			
Management Fee	12,958	1,080	24
ACCAG Services	10,000	833	19
Marketing		0	0
Audit/Accounting	3,000	250	6
Legal	2,000	167	4
Office Expense		0	0
Telephone		0	0
Office Payroll		0	0
Rent		0	0
Compliance Monitoring	840	70	2
Other		0	0
TOTAL ADMINISTRATIV	28,798	2,400	53
Utilities			
Water/Sewer	1,026	86	2
Electric	1,026	86	2
Fuel	21,546	1,796	40
Other/Common Area	3,000	250	6
TOTAL UTILITIES	26,598	2,217	49
Maintenance			
Maintenance Payroll	5,626	469	10
Supplies	500	42	1
Trash Removal	3,240	270	6
Snow/Grounds	11,000	917	20
Repairs	9,000	750	17
Paint/Decorating	5,626	469	10
Exterminating	676	56	1
Contract Maintenance	3,376	281	6
Equipment Debt		0	0
Service Lease		0	0
Other/Misc. Maint.	4,500	375	8
TOTAL MAINTENANCE	43,544	3,629	81
Taxes	29,250	2,438	54
Insurance	4,500	375	8
Replacement Reserves	13,500	1,125	25
Other		0	0
Total	146,190	12,183	271

The Woodlands	DEVELOPMENT BUDGET		08-Nov-95			
		Budget	Per Unit	Per s.f.	Acquisition Credit	Rehab/Const Credit
ACQUISITION & CONSTRUCTION						
Land		45,000	1,000	1.11		
Purchase of Building(s)		735,000	16,333	18.11	735,000	
Demolition			0	0.00		0
Rehabilitation		483,900	10,753	11.92		483,900
New Buildings			0	0.00		0
Accessory Building(s)			0	0.00		0
Sitework		50,000	1,111	1.23		50,000
Construction Management		60,390	1,342	1.49		60,390
Landscaping		25,000	556	0.62		25,000
General Requirements	0.00%		0	0.00		0
Contractor Overhead	0.00%		0	0.00		0
Contractor Profit	0.00%		0	0.00		0
Construction Contingency	12.44%	66,429	1,476	1.64		66,429
APPLIANCES		45,000	1,000	1.11		45,000
Subtotal		1,510,719	33,572	37.22	735,000	730,719
PROFESSIONAL SERVICES						
Architect Fee - Design		10,000	222	0.25		10,000
Architect Fee - Supervision			0	0.00		0
Engineer		5,000	111	0.12		5,000
Attorney/Accounting		40,000	889	0.99		40,000
Legal - Title & Recording			0	0.00		0
Subtotal		55,000	1,222	1.36	0	55,000
INTERIM COSTS						
Construction Insurance		3,047	68	0.08		3,047
Construction Interest		32,000	711	0.79		32,000
Construction - Lender Costs		10,000	222	0.25		10,000
Construction Loan Origination Fee		0	0	0.00		0
Taxes		14,000	311	0.34		14,000
Subtotal		59,047	1,312	1.45	0	59,047
OTHER SOFT COSTS						
Property Appraisal			0	0.00		0
Consultant Fees		10,000	222	0.25		10,000
Market Study		2,500	56	0.06		2,500
Environmental Report		2,500	56	0.06		2,500
Tax Credit Fees		5,600	124	0.14		
Building Permit Fees		2,000	44	0.05		2,000
Other Reimburseables		5,000	111	0.12		5,000
Soft Cost Contingency		7,000	156	0.17		7,000
Rental Coordinator		3,000	67	0.07		3,000
Marketing		5,000	111	0.12		
Subtotal		42,600	947	1.05	0	32,000
FINANCING FEES & EXPENSES						
Credit Report			0	0.00		
Permanent Loan Origination Fee		12,000	267	0.30		
Credit Enhancement			0	0.00		
Cost of Issuance			0	0.00		
Title & Recording			0	0.00		
Counsel's Fee			0	0.00		
Other/Transfer Taxes		9,750	217	0.24		
Subtotal		21,750	483	0.54	0	0
SYNDICATION COSTS						
Organizational (Partnership)		10,000	222	0.25		
Bridge Loan Fees & Expenses			0	0.00		
Tax Opinion			0	0.00		
Subtotal		10,000	222	0.25	0	0
DEVELOPER'S FEES						
Developer's Overhead & Profit		201,614	4,480	4.97		201,614
Administration		36,000	800	0.89		36,000
Subtotal	13.98%	237,614	5,280	5.85	0	237,614
PROJECT RESERVES						
Rent-up (Deficit Escrow) Reserve		45,000	1,000	1.11		
Replacement Reserve			0	0.00		
Working Capital		20,000	444	0.49		
Operating Reserve/Sinking Fund			0	0.00		
Subtotal		65,000	1,444	1.60	0	0
TOTAL DEVELOPMENT COSTS		2,001,730	44,483	49.32	735,000	1,114,380

08-Nov-95 The Woodlands		PRO FORMA														
	Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Residential Rent (LIHTC)		171,360	173,930	176,539	179,187	181,875	184,603	187,372	190,183	193,036	195,931	198,870	201,853	204,881	207,954	211,074
Residential Rent (Market)		57,120	58,262	59,428	60,616	61,829	63,065	64,326	65,613	66,925	68,264	69,629	71,022	72,442	73,891	75,369
Less Res Vacancy		(22,848)	(23,219)	(23,597)	(11,990)	(12,185)	(12,383)	(12,585)	(12,790)	(12,998)	(13,210)	(13,425)	(13,644)	(13,866)	(14,092)	(14,322)
Plus Interest Income	1.00%	1,485	1,507	1,529	1,672	1,697	1,722	1,748	1,774	1,800	1,827	1,854	1,882	1,910	1,939	1,968
Plus Laundry Income		9,720	9,866	10,014	10,164	10,316	10,471	10,628	10,788	10,950	11,114	11,280	11,450	11,621	11,796	11,973
Total Actual Income		216,837	220,346	223,914	239,649	243,532	247,478	251,490	255,568	259,713	263,926	268,209	272,563	276,989	281,487	286,060
Less Operating Expense		132,690	136,671	140,771	144,994	149,344	153,824	158,439	163,192	168,088	173,130	178,324	183,674	189,184	194,860	200,706
Less 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
Net Operating Income		70,647	69,973	69,235	80,539	79,860	79,111	78,290	77,393	76,417	75,360	74,218	72,987	71,663	70,245	68,726
Less Debt Service		70,441	70,441	70,441	70,441	70,441	70,441	70,441	70,441	70,441	70,441	70,441	70,441	70,441	70,441	70,441
Cash Flow		206	(468)	(1,207)	10,097	9,418	8,670	7,848	6,952	5,976	4,919	3,776	2,545	1,222	(197)	(1,715)
Oper Subsidy		0	468	1,207	0	0	0	0	0	0	0	0	0	0	197	1,715
Net Cash		206	0	0	10,097	9,418	8,670	7,848	6,952	5,976	4,919	3,776	2,545	1,222	0	0
Less Partnership Administration:		206	0	0	5,000	5,000	5,000	5,000	5,000	5,000	4,919	3,776	2,545	1,222	0	0
Less Incentive Mgmt Fee:		0	0	0	2,549	2,209	1,835	1,424	976	488	0	0	0	0	0	0
Net Cash		0	0	0	2,549	2,209	1,835	1,424	976	488	0	0	0	0	0	0
DCR		100.29%	99.34%	98.29%	114.33%	113.37%	112.31%	111.14%	109.87%	108.48%	106.98%	105.36%	103.61%	101.73%	99.72%	97.56%
Cash Flow (before distributions):		206	(262)	(1,469)	8,628	18,047	26,716	34,565	41,516	47,492	52,411	56,187	58,732	59,954	59,757	58,042
Deficit Reserve Balance:		45,000	44,532	43,325	43,325	43,325	43,325	43,325	43,325	43,325	43,325	43,325	43,325	43,325	43,128	41,413
Working Capital Balance:		20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Net Cash to Project:		0	0	0	2,549	2,209	1,835	1,424	976	488	0	0	0	0	0	0
Total Cumulative Cash:		65,000	64,532	63,325	65,874	65,534	65,160	64,749	64,301	63,813	63,325	63,325	63,325	63,325	63,128	61,413
Cumulative Replacement Reserves:		13,500	27,203	41,111	55,227	69,556	84,099	98,860	113,843	129,051	144,487	160,154	176,056	192,197	208,580	225,209

C:\DEVEL\LIHTC\PROJECTS\WOODLND4.WB2

Project:	The Woodlands	RUN DATE:	16-Nov-95
Total Residential Units:	45	Increase LIHTC	1.75%
Restricted Units:	35	Increase Market	2.00%
Percent Restricted:	77.78%	Expense increase:	3.00%
Avg Net Monthly Rent:	402	Vacancy Rate (Years 4+):	5.00%
Total Dev Costs	2,001,730	Vacancy Rate (Years 1-3):	5.00%
TDC/Unit	44,483	Partner's Tax Rate:	34.00%
		Depreciation Schedule:	27.5
		Sponsor's Estimated Yield:	56.43%
Total Credit Amount	133,214	Partnership Admin. Fee:	7.50
Net Syndication	751,730	Incentive Mgmt Fee:	1.09%
LIHTC - 9%	8.56%	(September '95)	
LIHTC - 4%	3.67%		

FINANCING SOURCES

	Amount	% of TDC	Interest	Term	Amort Prd
Primary debt	855,000	42.71%	8.00%	20	30
VHCB deferred debt	275,000	13.74%	0.00%	40	0
VHCB debt/grant	120,000	5.99%	N/A	N/A	
Tax Credit Equity	751,730	37.55%	N/A	N/A	
	2,001,730	100.00%			

Gap (0)

The Woodlands	DEVELOPMENT BUDGET			16-Nov-95
		Budget	Per Unit	Per s.f.
ACQUISITION & CONSTRUCTION				
Land		45,000	1,000	1.11
Purchase of Building(s)		735,000	16,333	18.11
Demolition			0	0.00
Rehabilitation		483,900	10,753	11.92
New Buildings			0	0.00
Accessory Building(s)			0	0.00
Sitework		50,000	1,111	1.23
Construction Management		60,390	1,342	1.49
Landscaping		25,000	556	0.62
General Requirements	0.00%		0	0.00
Contractor Overhead	0.00%		0	0.00
Contractor Profit	0.00%		0	0.00
Construction Contingency	12.44%	66,429	1,476	1.64
APPLIANCES		45,000	1,000	1.11
Subtotal		1,510,719	33,572	37.22
PROFESSIONAL SERVICES				
Architect Fee - Design		10,000	222	0.25
Architect Fee - Supervision			0	0.00
Engineer		5,000	111	0.12
Attorney/Accounting		40,000	889	0.99
Legal - Title & Recording			0	0.00
Subtotal		55,000	1,222	1.36
INTERIM COSTS				
Construction Insurance		3,047	68	0.08
Construction Interest		32,000	711	0.79
Construction - Lender Costs		10,000	222	0.25
Construction Loan Origination Fee		0	0	0.00
Taxes		14,000	311	0.34
Subtotal		59,047	1,312	1.45
OTHER SOFT COSTS				
Property Appraisal			0	0.00
Consultant Fees		10,000	222	0.25
Market Study		2,500	56	0.06
Environmental Report		2,500	56	0.06
Tax Credit Fees		5,600	124	0.14
Building Permit Fees		2,000	44	0.05
Other Reimburseables		5,000	111	0.12
Soft Cost Contingency		7,000	156	0.17
Rental Coordinator		3,000	67	0.07
Marketing		5,000	111	0.12
Subtotal		42,600	947	1.05
FINANCING FEES & EXPENSES				
Credit Report			0	0.00
Permanent Loan Origination Fee		12,000	267	0.30
Credit Enhancement			0	0.00
Cost of Issuance			0	0.00
Title & Recording			0	0.00
Counsel's Fee			0	0.00
Other/Transfer Taxes		9,750	217	0.24
Subtotal		21,750	483	0.54
SYNDICATION COSTS				
Organizational (Partnership)		10,000	222	0.25
Bridge Loan Fees & Expenses			0	0.00
Tax Opinion			0	0.00
Subtotal		10,000	222	0.25
DEVELOPER'S FEES				
Developer's Overhead & Profit		201,614	4,480	4.97
Administration		36,000	800	0.89
Subtotal	13.98%	237,614	5,280	5.85
PROJECT RESERVES				
Rent-up (Deficit Escrow) Reserve		45,000	1,000	1.11
Replacement Reserve			0	0.00
Working Capital		20,000	444	0.49
Operating Reserve/Sinking Fund			0	0.00
Subtotal		65,000	1,444	1.60
TOTAL DEVELOPMENT COSTS		2,001,730	44,483	49.32

The Woodlands | INCOME & EXPENSE BUDGET | 16-Nov-95

INCOME

RENTS

Restricted Units

Bedrooms	Type	Sq.Feet	Number	Rent	Utilities	Total Annual Rent	Addison Cnty Affordability Analysis Median Income
1 Bdrm		710	7	310	28	26,040	49.89%
1 Bdrm							
2 Bdrm		900	7	370	35	31,080	49.85%
2 Bdrm		900	7	420	35	35,280	56.00%
2 Bdrm Handicap		980	7	420	35	35,280	56.00%
3 Bdrm		1,150	7	520	40	43,680	59.65%
	Totals	32,480	35			171,360	

Market Rate Units

Bedrooms	Type	Sq.Feet	Number	Rent	Utilities	Total Annual Rent	
1 Bdrm		480	2	400	28	9,600	63.17%
2 Bdrm		850	1	495	35	5,940	65.23%
2 Bdrm		900	7	495	35	41,580	65.23%
	Totals	8,110	10			57,120	

All Units

Grand Totals	40,590	45			228,480	
Less Vacancy		5.00%			(11,424)	
				NET RENT	217,056	

OTHER INCOME

Interest Income	1.00%	of Net Inc		2,171
Laundry	Unit/Month:		20	10,260
Parking				0
Total Other Income				12,431
			TOT. INCOME	229,487

The Woodlands | EXPENSE BUDGET | 16-Nov-95

	Annual	Monthly	Per Unit Per Month
Administration			
Management Fee	12,958	1,080	24
ACCAG Services	10,000	833	19
Marketing		0	0
Audit/Accounting	3,000	250	6
Legal	2,000	167	4
Office Expense		0	0
Telephone		0	0
Office Payroll		0	0
Rent		0	0
Compliance Monitoring	840	70	2
Other		0	0
TOTAL ADMINISTRATIV	28,798	2,400	53
Utilities			
Water/Sewer	1,026	86	2
Electric	1,026	86	2
Fuel	21,546	1,796	40
Other/Common Area	3,000	250	6
TOTAL UTILITIES	26,598	2,217	49
Maintenance			
Maintenance Payroll	5,626	469	10
Supplies	500	42	1
Trash Removal	3,240	270	6
Snow/Grounds	11,000	917	20
Repairs	9,000	750	17
Paint/Decorating	5,626	469	10
Exterminating	676	56	1
Contract Maintenance	3,376	281	6
VHFA Adjustment:	0	0	0
Service Lease		0	0
Other/Misc. Maint.	4,500	375	8
TOTAL MAINTENANCE	43,544	3,629	81
Taxes	29,250	2,438	54
Insurance	4,500	375	8
Replacement Reserves	13,500	1,125	25
Other		0	0
Total	146,190	12,183	271

16-Nov-95 The Woodlands				PRO FORMA												
	Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Residential Rent (LIHTC)		171,360	174,359	177,410	180,515	183,674	186,888	190,159	193,486	196,872	200,318	203,823	207,390	211,019	214,712	218,470
Residential Rent (Market)		57,120	58,262	59,428	60,616	61,829	63,065	64,326	65,613	66,925	68,264	69,629	71,022	72,442	73,891	75,369
Less Res Vacancy		(11,424)	(11,631)	(11,842)	(12,057)	(12,275)	(12,498)	(12,724)	(12,955)	(13,190)	(13,429)	(13,673)	(13,921)	(14,173)	(14,430)	(14,692)
Plus Interest Income	1.00%	2,171	2,210	2,250	2,291	2,332	2,375	2,418	2,461	2,506	2,552	2,598	2,645	2,693	2,742	2,791
Plus Laundry Income		10,260	10,440	10,622	10,808	10,997	11,190	11,386	11,585	11,788	11,994	12,204	12,417	12,635	12,856	13,081
Total Actual Income		229,487	233,640	237,868	242,173	246,557	251,020	255,564	260,191	264,901	269,698	274,581	279,553	284,616	289,770	295,019
Less Operating Expense		132,690	136,671	140,771	144,994	149,344	153,824	158,439	163,192	168,088	173,130	178,324	183,674	189,184	194,860	200,706
Less Reserves		13,500	13,736	13,977	14,221	14,470	14,723	14,981	15,243	15,510	15,781	16,058	16,339	16,624	16,915	17,211
Net Operating Income		83,297	83,233	83,121	82,958	82,743	82,472	82,144	81,755	81,304	80,786	80,199	79,541	78,807	77,995	77,102
Less Debt Service		75,284	75,284	75,284	75,284	75,284	75,284	75,284	75,284	75,284	75,284	75,284	75,284	75,284	75,284	75,284
Cash Flow		8,012	7,948	7,836	7,674	7,459	7,188	6,860	6,471	6,019	5,502	4,915	4,257	3,523	2,711	1,817
Oper Subsidy		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash		8,012	7,948	7,836	7,674	7,459	7,188	6,860	6,471	6,019	5,502	4,915	4,257	3,523	2,711	1,817
Less Partnership Administration:		3,150	3,150	3,150	3,150	3,150	3,150	3,150	3,150	3,150	3,150	3,150	3,150	3,150	2,711	1,817
Less Incentive Mgmt Fee:		2,506	2,551	2,598	2,645	2,692	2,741	2,791	2,841	2,869	2,352	1,765	1,107	373	0	0
Net Cash		2,356	2,247	2,089	1,879	1,616	1,297	919	480	0	0	0	0	0	0	0
DCR		110.64%	110.56%	110.41%	110.19%	109.91%	109.55%	109.11%	108.60%	108.00%	107.31%	106.53%	105.65%	104.68%	103.60%	102.41%
Cash Flow (before distributions):		8,012	15,961	23,797	31,471	38,930	46,118	52,978	59,449	65,468	70,970	75,885	80,141	83,664	86,375	88,193
Deficit Reserve Balance:		45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000
Working Capital Balance:		20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Net Cash to Project:		2,356	2,247	2,089	1,879	1,616	1,297	919	480	0	0	0	0	0	0	0
Total Cumulative Cash:		67,356	67,247	67,089	66,879	66,616	66,297	65,919	65,480	65,000	65,000	65,000	65,000	65,000	65,000	65,000
Cumulative Replacement Reserves:		13,500	27,236	41,213	55,434	69,904	84,628	99,609	114,852	130,362	146,143	162,200	178,539	195,163	212,079	229,290

AMENDED RESOLUTION PERTAINING TO LETTER OF INTEREST RE: THE WOODLANDS (BRISTOL)

WHEREAS, a proposal has been presented to the Agency by Green Mountain Development Group, a developer located in South Burlington (the "Sponsor") on behalf of a to-be-formed limited partnership whose general partners would be Green Mountain Development Group and Addison County Community Action Group involving the acquisition and rehabilitation of the Woodlands, a rental development in Bristol containing 45 units in eight buildings located on 19 acres in Bristol (the "Development"); and

WHEREAS, the proposal contemplates a construction loan of up to $855,000 and a permanent mortgage loan of up to $855,000 amortized over a period of 30 years, but with a balloon payment at the end of 20 years, with an interest rate depending on the Agency's source of funds; and

WHEREAS, the Sponsor has applied for deferred loans and/or grants from the Vermont Housing and Conservation Board and has received a reservation of Low Income Housing Tax Credits; and

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Paul Cummings dated November 9, 1995 containing information and recommendations about the Development (the "Memorandum");

It is hereby DETERMINED:

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

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

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

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

5. The amount of the Agency's loan after the rehabilitation will not exceed 95% of the security value of the Development.

6. The Sponsor is a financially responsible organization and the proposed ownership entity is expected to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a first mortgage loan to the to-be-formed limited partnership for the acquisition and rehabilitation of the Woodlands development in Bristol in an amount not to exceed $855,000. The term and interest rate will depend on the Agency's source of funds. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, construction financing, or for other purposes with the consent of the Agency.

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

   a) Sponsor must provide an appraisal, satisfactory to staff, that indicates that the first mortgage debt being provided by the Agency does not exceed 95% of the value; and

   b) Sponsor must provide an energy audit, satisfactory to staff, assessing current energy efficiency of units and heating systems and making recommendations for improvements that would reduce utility costs; and

   c) Sponsor must demonstrate that requisite financing has been committed by November 20, 1995, including but not limited to the Low Income Housing Tax Credits and loans/grants from the Vermont Housing and Conservation Board. "Requisite financing" means the amount and terms of each of the sources of funding represented on the multifamily loan application or their equivalent. If the sponsor is unable to obtain commitments of "requisite financing", the sponsor may have to reduce costs from the development budget so that the total uses of funds matches the total sources of funds.

3. The Executive Director may, in his discretion, issue a Commitment Letter for a loan for the acquisition and rehabilitation of the Development, in an amount to be determined by the Executive Director, but not to exceed $855,000. The term of the loan shall be 20 years, but the loan may be amortized over a period of up to 30 years. The loan shall bear interest at a rate depending on the Agency's source of funds. The Commitment Letter may be issued to Green Mountain Development Group, as a representative

of the to-be-formed limited partnership. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish, including but not limited to the submission of the following in form and content acceptable to the Agency:

(a) The revised scope of work for the Development. In making its determination on the revised scope of work, the Agency may rely on the opinion of a review architect.

(b) Final plans and specifications for the rehabilitation of the Development;

(c) Evidence of competitive bidding for construction contract; and

(d) The final selection of the management agent, subject to the approval of the Agency.

(e) Evidence of all necessary state and local permits, including but not limited to evidence that the proposed rehabilitation meets the requirements of the American with Disabilites Act and any other state or local requirements for access to persons with disabilities.

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

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Paul M. Cummings, Development Officer PMC

DATE: November 8, 1995

RE: Depot Street Refinance permanent financing

Executive Summary

In October 1995, VHFA's Board passed a Resolution to provide a Letter of Interest for permanent financing to the Regional Affordable Housing Corporation (RAHC) in an amount not to exceed $157,000 for the Depot Street project in Bennington. The Board's approval was based in part on information included in the attached memorandum dated October 4, 1995.

Staff has reviewed and approved the Depot Street appraisal, indicating a value of $168,000 on September 26, 1995. At VHFA's request, RAHC has also a commissioned an energy audit to determine if improvements could be made to the property that would increase energy efficiency. Based on the pending results of this audit, staff would like to offer RAHC a loan in an amount up to the appraised value of $168,000, which would include up to $11,000 in energy efficiency improvements.

In determining the maximum loan amount, staff has underwritten this loan in two different ways (attached): 1) loan amount of $157,000 was determined utilizing a $4,500 annual underwriting adjustment increase to RAHC's operating expense budget; and 2) loan amount of $168,000 was determined utilizing RAHC's existing operating expense budget.

RECOMMENDATION

Staff recommends Board approval of the attached Resolution to provide a Letter of Commitment to provide permanent financing in an amount of up to $168,000, loan term of 25 years and interest rate of 7.22%. The proposed source of funds is recycled Section 8 funds. The Letter of Commitment shall include the following condition:

1) sponsor must provide an energy audit, satisfactory to staff, assessing current energy efficiency of units and heating systems and making recommendations for improvements that would reduce utility costs.

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Paul M. Cummings, Development Officer PMC

DATE: October 4, 1995

RE: Depot Street Refinance permanent financing

Executive Summary

The Regional Affordable Housing Corporation (RAHC) has applied to VHFA for $150,000 in permanent first mortgage financing. The proposed project consists of seven units in two buildings on Depot Street in Bennington (see attached site map). The loan would be used to refinance two loans provided by the Vermont National Bank (VNB) and to provide modest rehabilitation in two units.

RAHC approached both VHFA and VNB in 1992 seeking first mortgage financing for the acquisition and rehabilitation of the seven unit, two building Depot Street project. After reviewing the proposed lending terms, RAHC chose to utilize a combination of VNB and Vermont Community Loan Fund (VCLF - used for collateral on VNB 2nd) loans to finance the project. Because RAHC is concerned about an increase in the VNB loan interest rates at year five (1997) and the possibility of losing Section 8 rental assistance (all units currently receive Section 8 assistance), they are interested in refinancing the first mortgage debt with our 7.22% recycled Section 8 money.

A summary of sources and uses of funds, rents, operating expenses, and financial projections is attached.

THE DEVELOPMENT

Projected Funding Sources

VHFA First Mortgage	$157,000	53.19%
Town of Bennington	$28,000	9.49%
VHCB Deferred Debt	$84,213	28.53%
VHCB Development Grant	$17,133	5.80%
Existing Replacement Reserves	$5,770	1.95%
VHCB Feasibility Grant	$3,033	1.03%
Totals	$295,149	100.00%

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

Because VHFA has not reviewed the recently commissioned appraisal of the property, the loan to value ratio for the VHFA financing is not yet determined. The VHFA loan to cost ratio is approximately 53%.

The current debt RAHC is proposing to refinance includes the following loans:

VNB First Mortgage	$84,000	9.5%
VNB Second Mortgage	$70,000	6.0%

On November 6, 1996 (End of year 4), both of these VNB loans would change to a 10% interest rate. In addition to the VNB loans, RAHC is also paying monthly interest (6%) payments on a $70,000 loan from VCLF that is being held as collateral in an interest earning CD with VNB. Based on the existing agreements, VNB would release the $70,000 CD back to VCLF at the end of year 4 (1996) and the interest earned would pay down some of the remaining VNB principal.

Unit Breakdown and Rents

Currently, all seven units have Section 8 project based rental assistance and thus are targeted to families at or below 50% of median income. However, the Section 8 (Housing Assistance Payment) HAP contract covering all seven units expires on November 30, 1996. Therefore, the project is underwritten assuming that three tenant based Section vouchers would remain and the other four units would be rented at market rents. The proposed rents would be affordable to families earning at or below 60% of median income and are based on current rents in the Bennington area, experience of sponsor in renting other similar type of units, and analysis of historical data (including the 1990 Census, the 1995 State of Vermont Housing Needs Assessment and current HUD Fair Market Rents). The unit size and rent breakdown is as follows:

	Section 8 Rents			Market Rents after 11/30/96	
Size	#	Rents	Size	#	Rents
2 BR	1	$435	2 BR	3	$450
3 BR	2	$541	3 BR	1	$550

These rents include heat and hot water. Tenants will pay for electricity and electric cooking.

At VHFA's request, the sponsor has commissioned an energy audit for both buildings to determine if energy efficiency issues should be addressed. Staff would like to leave open the opportunity to lend additional funds to this project if the audit recommends energy improvements that would substantially increase energy efficiency and reduce utility costs.

Sponsor, Management & Market

Dianne Binnick is the Executive Director of the Regional Affordable Housing Corporation; RAHC also has two part-time assistants. RAHC has developed four rental developments, one condominium development, one mobile home park, and one tax credit/rental property. RAHC currently manages all of the properties (59 units) in its portfolio although some of the management responsibilities have been contracted out to different organizations in the area (i.e., the Bennington Housing Authority). RAHC has proposed to continue management of the Depot Street project of which currently six of the seven units are currently occupied.

In the operating budget submitted, RAHC based the operating expenses on historical experience. Staff has reviewed this proposal and determined that the $235 per unit/per month shown would be insufficient if another manager were required to replace RAHC. Therefore, staff has increased the projected operating expenses to $284 per unit/per month for income projection purposes. In addition, based on the proposed changes in VHFA's underwriting standards this loan was subjected to sensitivity tests. Primarily, for years two through four of project operation, the cash flow projections were run with a 10% vacancy/rent loss rate (double the rate otherwise used), to cover the possible rent-up difficulties of losing the Section 8 rental assistance.

Site & Environmental Concerns

The project received a Level I Environmental Assessment prior to RAHC's acquisition and rehabilitation of the project in 1992, as well as testing for lead and asbestos. This report found evidence of asbestos and lead paint, although a secondary evaluation was not recommended. The lead paint and damaged asbestos were addressed in the rehabilitation following RAHC's purchase in 1992. The buildings are approximately 125 years old (3 units in two story building) and 76 years old (4 units in three story building).

DISCUSSION

The Board should note that this project was evaluated with slightly different underwriting standards than recent projects. A more detailed description of these underwriting changes will be provided at the October Board meeting. The changes from previous practices are: 1) greater focus on the first year's operating budget, with considerably more emphasis on verifying each line item and 2) changes to the emphasis given to cash flow projections. Because an energy audit has not yet been completed, the income (1.5%) and operating expenses (3%) trends used were generated from VHFA experience in similar type properties. A greater emphasis is placed on earlier years, when the projections can be made with some accuracy. In the case of this loan, the project suffers substantially from staff's increase in the estimated operating expenses. In addition, the projections were run with the vacancy rate doubled from 5% to 10% for the three years

following the expiration of the HAP contract to allow for greater stresses on the project without significant rental assistance. Also, the cash flow projection was only run for 15 years because of the inaccuracies that develop in long term projections of this nature. The net result is that the project has the capacity for more debt than requested (primarily to fund a working capital account), and based on the rehabilitation budget and sinking fund the total debt anticipated at this time is $157,000.

VHFA would like the Board to acknowledge that the recycled Section 8 funds are a scarce resource that should be used wisely. In fact, the 7.22% permanent mortgage rate is one of the lowest rates we have ever offered for long multifamily term debt. It is important then to determine if a proposal to refinance existing debt, such as being proposed for Depot Street, is an appropriate use of these funds versus keeping the funds for projects needing new debt. At this time, there are no new projects pending that have requested use of these funds. In this development, a substantial increase in property taxes (RAHC is planning to appeal the tax assessment in 1996) and the possibility of losing all Section 8 rental subsidies could jeopardize the long term viability of the project. Therefore, we have decided that this project is an appropriate use of these Section 8 funds.

Strengths

a) The sponsor has successfully managed the development during the last three years as a part of a portfolio of approximately 60 units, and therefore should be able to effectively manage the property based on the proposed budget.

b) The development received rehabilitation following RAHC's purchase in 1992 including lead paint abatement, some window replacement, and new interior finishes.

Weaknesses

a) The project currently relies on Section 8 rental assistance to provide sufficient income to cover all operating expenses and debt service payments.

b) The project has not had a heating system review or replacement following RAHC's purchase.

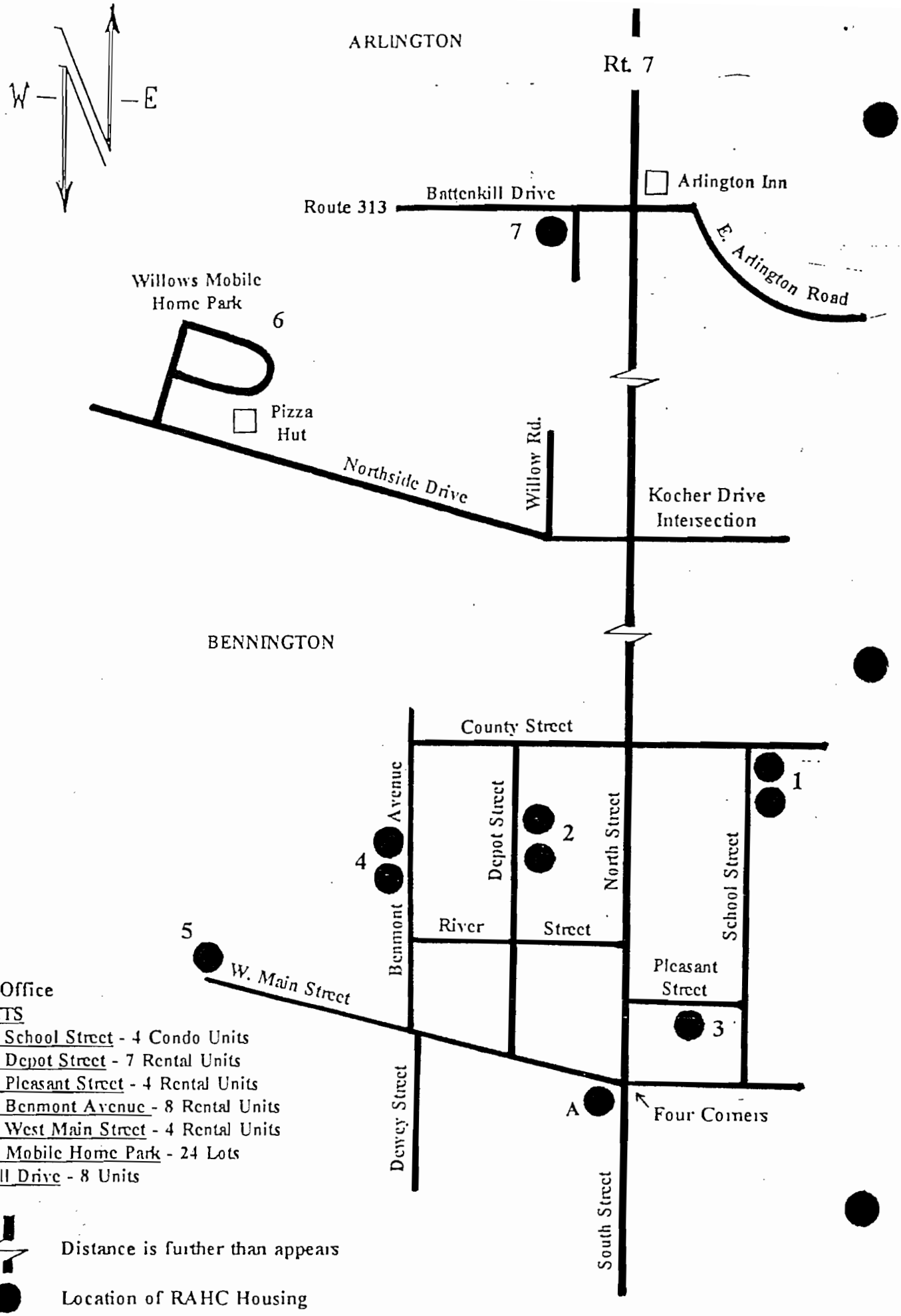
c) Even with a reduction in debt service of approximately $4,150, the project does not show a positive cash flow with staff adjustments to the operating budget and proposed trending rates.

RECOMMENDATION

Staff recommends Board approval of the attached Resolution to provide a Letter of Interest to provide permanent financing in an amount of up to $157,000, loan term of 25 years and interest rate of 7.22%. The proposed source of funds is recycled Section 8 funds. The Letter of Interest shall include the following conditions:

1) sponsor must provide an appraisal, satisfactory to staff, that indicates a value at least equal to the first mortgage debt being provided by VHFA; and

2) sponsor must provide an energy audit, satisfactory to staff, assessing current energy efficiency of units and heating systems and making recommendations for improvements that would reduce utility costs.



A RAHC Office

RAHC PROJECTS

1 343-349 School Street - 4 Condo Units
2 211-215 Depot Street - 7 Rental Units
3 119-121 Pleasant Street - 4 Rental Units
4 132-138 Benmont Avenue - 8 Rental Units
5 128-130 West Main Street - 4 Rental Units
6 Willows Mobile Home Park - 24 Lots
7 Battenkill Drive - 8 Units

Key: Distance is further than appears

Location of RAHC Housing

RESOLUTION PERTAINING TO AUTHORIZATION FOR COMMITMENT LETTER RE: DEPOT STREET (BENNINGTON)

WHEREAS, a proposal has been presented to the Agency by the Regional Affordable Housing Corporation ("RAHC"), a non-profit corporation located in Bennington, Vermont (the "Sponsor") involving the refinancing and minor rehabilitation of two buildings containing seven apartments on Depot Street in Bennington (the "Development"); and

WHEREAS, the proposal contemplates a permanent mortgage loan of up to $157,000 amortized over a period of 25 years with an interest rate of 7.22% per annum; and

WHEREAS, the Sponsor has received deferred loans and grants from the Vermont Housing and Conservation Board and from the Town of Bennington; and

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Paul Cummings dated November 8, 1995, containing information and recommendations about the Development (the "Memorandum"), including a recommendation that the Agency consider increasing the amount of its loan to allow the Sponsor to perform work to improve the energy efficiency of the buildings in the Development; and

WHEREAS, the Agency has received an appraisal of the Development indicating that the fair market value of the Development is $168,000;

NOW, THEREFORE, it is hereby DETERMINED:

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

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

3. There exists, or without the 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 refinancing of the Development will maintain the supply of well-planned, well-designed permanent housing for persons and families of low and moderate income.

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

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

WHEREFORE, it is hereby RESOLVED:

1. The Deputy Director may, in his discretion, issue a Commitment Letter for a loan for the refinancing and rehabilitation of the Development, in an amount to be determined by the Deputy Director, but not to exceed $168,000. The loan shall bear interest at a rate of 7.22% per annum and payments shall be amortized over a period of 25 years. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish, including but not limited to the following document that must be submitted in form and content acceptable to the Agency:

   an energy audit assessing the current energy efficiency of units and heating systems and making recommendations for improvements that would reduce utility costs.

2. The Commitment Letter shall be issued to the Regional Affordable Housing Corporation.

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

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

T:\depot\depocomm.res

VHFA Loan Amount: $168,000

w/ Existing Operating Expenses

S:\DEVEL\MFLOAN\PROJECTS\DEPOTST2.WQ1

Project:	Depot Street	RUN DATE:	08-Nov
Total Residential Units:	7		
Restricted Units:	3	Increase - Rents	1.50%
Percent Restricted:	42.86%	Increase - Expenses	3.00%
Avg Net Monthly Rent:	462	Vacancy Rate (Years 2-4):	10.00%
Total Dev Costs	306,149	Vacancy Rate:	5.00%
TDC/Unit	43,736		

FINANCING SOURCES	Amount	% of TDC	Interest	Term	Amortization Period
VHFA Primary debt	168,000	54.88%	7.22%	25	25
Town of Bennington	28,000	9.15%	5.50%	20	20
VHCB deferred debt	84,213	27.51%	2.00%	30	30
VHCB develop. grant	17,133	5.60%	N/A	N/A	
Existing Replmt Reserves	5,770	1.88%	N/A	N/A	
VHCB feasibility Grant	3,033	0.99%	N/A	N/A	
	306,149	100.00%			

Gap 0

Depot Street	DEVELOPMENT BUDGET		08-Nov-95
		Budget	Per Unit
ACQUISITION & CONSTRUCTION			
Land			0
Refinance VNB1 and VNB2 Loan		137,255	19,608
Balance of Original Purchase/Rehab Cost		133,379	19,054
Demolition			0
Rehabilitation		12,635	1,805
Energy Improvements Rehabilitation		11,000	1,571
Accessory Buildings			0
Sitework			0
General Requirements	0.00%		0
Contractor Overhead	0.00%		0
Contractor Profit	0.00%		0
Construction Contingency	0.00%		0
APPLIANCES			0
Subtotal		294,269	42,038
PROFESSIONAL SERVICES			
Architect Fee - Design			0
Architect Fee - Supervision			0
Attorney			0
Legal, Title & Recording			0
Subtotal		0	0
INTERIM COSTS			
Construction Insurance			0
Construction Interest			0
Construction Loan Origination Fee			0
Taxes			0
Subtotal		0	0
OTHER SOFT COSTS			
Property Appraisal		500	71
Market Study			0
Energy Audit		1,200	171
Environmental Report			0
Tax Credit Fees			0
Marketing			0
Subtotal		1,700	243
FINANCING FEES & EXPENSES			
Credit Report			0
Permanent Loan Origination Fee		1,680	240
Credit Enhancement			0
Cost of Issuance			0
Title & Recording			0
Counsel's Fee			0
Other			0
Subtotal		1,680	240
SYNDICATION COSTS			
Organizational (Partnership)			0
Bridge Loan Fees & Expenses			0
Tax Opinion			0
Subtotal		0	0
DEVELOPER'S FEES			
Developer's Overhead & Profit			0
Consultant Fees			0
Subtotal		0	0
PROJECT RESERVES			
Rent-up (Deficit Escrow) Reserve			0
Replacement Reserve (Existing once WC is funded)		3,068	438
Working Capital (40% of Debt Service)		5,432	776
Operating Reserve/Sinking Fund			0
Subtotal		8,500	1,214
TOTAL DEVELOPMENT COSTS		306,149	43,736

Depot Street	INCOME & EXPENSE BUDGET	08-Nov-95

INCOME

RENTS

Project Based Section 8 Units

Bedrooms	Type	Sq.Feet	Number	Rent	Utilities	Total Annual Rent
3 Br	Depot 211	740	1	541	188	6,492
2 Br	Depot 213	806	1	425	159	5,100
3 Br	Depot 213	740	1	541	188	6,492
	Totals	2,286	3			18,084

Market Rate Units After 11/30/1996 (HAP Expiration Date)

Bedrooms	Type	Sq.Feet	Number	Rent	Utilities	Total Annual Rent
2 Br	Depot 211	806	1	450	TBD	5,400
3 Br	Depot 213	840	1	550	TBD	6,600
2 Br	Depot 215	983	1	450	TBD	5,400
2 Br	Depot 215	983	1	450	TBD	5,400
	Totals	2,772	4			22,800
All Units						
	Grand Totals	5,058	7			40,884
		Less Vacancy	5.00%			(2,044)
					NET RENT	38,840

YEAR 2

OTHER INCOME

Interest Income	300
Laundry	0
Parking	0
Total Other Income	300
TOTAL INCO	39,140

Depot Street	EXPENSE BUDGET			08-Nov
	Annual	Monthly	Per Unit Per Month	
Administration				
Management Fee	2,232	186	27	5.5%
Marketing		0	0	
Audit/Accounting		0	0	
Legal		0	0	
Office Expense		0	0	
Telephone		0	0	
Office Payroll		0	0	
Rent		0	0	
Other		0	0	
TOTAL ADMINISTRATIV	2,232	186	27	
Utilities				
Water/Sewer	1,645	137	20	
Electric	600	50	7	
Fuel		0	0	
Other		0	0	
TOTAL UTILITIES	2,245	187	27	
Maintenance				
Maintenance Payroll	3,150	263	38	
Supplies		0	0	
Trash Removal	1,080	90	13	
Snow Removal		0	0	
Repairs	600	50	7	
Paint/Decorating		0	0	
Exterminating	960	80	11	
Contract Maintenance		0	0	
Equipment Debt		0	0	
Service Lease		0	0	
Other		0	0	
TOTAL MAINTENANCE	5,790	483	69	
Taxes	5,758	480	69	
Insurance	1,186	99	14	
Replacement Reserves	2,124	177	25	
Other		0	0	
Total	19,335	1,611	230	

08-Nov-95 Depot Street				PRO FORMA											
Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Residential Rent	39,876	41,497	42,120	42,752	43,393	44,044	44,704	45,375	46,056	46,746	47,448	48,159	48,882	49,615	50,359
Less Res Vacancy	(1,994)	(4,150)	(4,212)	(4,275)	(2,170)	(2,202)	(2,235)	(2,269)	(2,303)	(2,337)	(2,372)	(2,408)	(2,444)	(2,481)	(2,518)
Plus Other Income	300	300	300	300	300	300	300	300	300	300	300	300	300	300	300
Total Actual Income	38,182	37,648	38,208	38,776	41,523	42,141	42,769	43,406	44,053	44,709	45,375	46,051	46,738	47,434	48,141
Less Operating Expense	17,211	17,727	18,259	18,807	19,371	19,952	20,551	21,167	21,802	22,456	23,130	23,824	24,539	25,275	26,033
Less Reserves	2,124	2,156	2,188	2,221	2,254	2,288	2,322	2,357	2,393	2,429	2,465	2,502	2,539	2,578	2,616
Net Operating Income	18,847	17,764	17,760	17,748	19,898	19,901	19,896	19,881	19,858	19,824	19,780	19,725	19,659	19,582	19,492
Less VHCB Deferred Debt Service	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Less VHCB Manditory Principal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Less Town of Bennington Debt Serve	2,311	2,311	2,311	2,311	2,311	2,311	2,311	2,311	2,311	2,311	2,311	2,311	2,311	2,311	2,311
Less VHFA Debt Service	14,533	14,533	14,533	14,533	14,533	14,533	14,533	14,533	14,533	14,533	14,533	14,533	14,533	14,533	14,533
Cash Flow	2,003	920	916	904	3,054	3,057	3,052	3,037	3,014	2,980	2,936	2,881	2,815	2,737	2,648
Oper Subsidy	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash	2,003	920	916	904	3,054	3,057	3,052	3,037	3,014	2,980	2,936	2,881	2,815	2,737	2,648
DCR	111.89%	105.46%	105.44%	105.37%	118.13%	118.15%	118.12%	118.03%	117.89%	117.69%	117.43%	117.10%	116.71%	116.25%	115.72%
Cumulative Cash Flow	2,003	920	916	904	3,054	3,057	3,052	3,037	3,014	2,980	2,936	2,881	2,815	2,737	2,648
Cumulative Cash Flow plus Reserves	12,627	15,703	18,808	21,933	27,241	32,586	37,960	43,355	48,761	54,169	59,570	64,953	70,308	75,623	80,887

VHFA Loan Amount: $157,000

w/ Annual Operating Expenses Adjustment: $ 4,500

Project:	Depot Street	RUN DATE:	09-Nov
Total Residential Units:	7		
Restricted Units:	3	Increase - Rents	1.50%
Percent Restricted:	42.86%	Increase - Expenses	3.00%
Avg Net Monthly Rent:	462	Vacancy Rate (Years 2-4):	10.00%
Total Dev Costs	295,149	Vacancy Rate:	5.00%
TDC/Unit	42,164		

FINANCING SOURCES	Amount	% of TDC	Interest	Term	Amortization Period
VHFA Primary debt	157,000	53.19%	7.22%	25	25
Town of Bennington	28,000	9.49%	5.50%	20	20
VHCB deferred debt	84,213	28.53%	2.00%	30	30
VHCB develop. grant	17,133	5.80%	N/A	N/A	
Existing Replmt Reserves	5,770	1.95%	N/A	N/A	
VHCB feasibility Grant	3,033	1.03%	N/A	N/A	
	295,149	100.00%			

Gap 0

Depot Street	DEVELOPMENT BUDGET		09-Nov-95
		Budget	Per Unit
ACQUISITION & CONSTRUCTION			
Land			0
Refinance VNB1 and VNB2 Loan		137,255	19,608
Balance of Original Purchase/Rehab Cost		133,379	19,054
Demolition			0
Rehabilitation		12,745	1,821
New Buildings			0
Accessory Buildings			0
Sitework			0
General Requirements	0.00%		0
Contractor Overhead	0.00%		0
Contractor Profit	0.00%		0
Construction Contingency	0.00%		0
APPLIANCES			0
Subtotal		283,379	40,483
PROFESSIONAL SERVICES			
Architect Fee - Design			0
Architect Fee - Supervision			0
Attorney			0
Legal, Title & Recording			0
Subtotal		0	0
INTERIM COSTS			
Construction Insurance			0
Construction Interest			0
Construction Loan Origination Fee			0
Taxes			0
Subtotal		0	0
OTHER SOFT COSTS			
Property Appraisal		500	71
Market Study			0
Energy Audit		1,200	171
Environmental Report			0
Tax Credit Fees			0
Marketing			0
Subtotal		1,700	243
FINANCING FEES & EXPENSES			
Credit Report			0
Permanent Loan Origination Fee		1,570	224
Credit Enhancement			0
Cost of Issuance			0
Title & Recording			0
Counsel's Fee			0
Other			0
Subtotal		1,570	224
SYNDICATION COSTS			
Organizational (Partnership)			0
Bridge Loan Fees & Expenses			0
Tax Opinion			0
Subtotal		0	0
DEVELOPER'S FEES			
Developer's Overhead & Profit			0
Consultant Fees			0
Subtotal		0	0
PROJECT RESERVES			
Rent-up (Deficit Escrow) Reserve			0
Replacement Reserve (Existing once WC is funded)		3,068	438
Working Capital (40% of Debt Service)		5,432	776
Operating Reserve/Sinking Fund			0
Subtotal		8,500	1,214
TOTAL DEVELOPMENT COSTS		295,149	42,164

Depot Street | INCOME & EXPENSE BUDGET | 09-Nov-95

INCOME

RENTS

Project Based Section 8 Units

Bedrooms	Type	Sq.Feet	Number	Rent	Utilities	Total Annual Rent
3 Br	Depot 211	740	1	541	188	6,492
2 Br	Depot 213	806	1	425	159	5,100
3 Br	Depot 213	740	1	541	188	6,492
	Totals	2,286	3			18,084

Market Rate Units After 11/30/1996 (HAP Expiration Date)

Bedrooms	Type	Sq.Feet	Number	Rent	Utilities	Total Annual Rent
2 Br	Depot 211	806	1	450	TBD	5,400
3 Br	Depot 213	840	1	550	TBD	6,600
2 Br	Depot 215	983	1	450	TBD	5,400
2 Br	Depot 215	983	1	450	TBD	5,400
	Totals	2,772	4			22,800
All Units						
	Grand Totals	5,058	7			40,884
		Less Vacancy	5.00%			(2,044)
					NET RENT	38,840

YEAR 2

OTHER INCOME

Interest Income	300
Laundry	0
Parking	0
Total Other Income	300
TOTAL INCO	39,140

Depot Street | EXPENSE BUDGET | 09-Nov

	Annual	Monthly	Per Unit Per Month	
Administration				
Management Fee	2,232	186	27	5.5%
VHFA Undrwrtng Adjstmt	4,500	375	54	
Audit/Accounting		0	0	
Legal		0	0	
Office Expense		0	0	
Telephone		0	0	
Office Payroll		0	0	
Rent		0	0	
Other		0	0	
TOTAL ADMINISTRATIV	6,732	561	80	
Utilities				
Water/Sewer	1,645	137	20	
Electric	600	50	7	
Fuel		0	0	
Other		0	0	
TOTAL UTILITIES	2,245	187	27	
Maintenance				
Maintenance Payroll	3,150	263	38	
Supplies		0	0	
Trash Removal	1,080	90	13	
Snow Removal		0	0	
Repairs	600	50	7	
Paint/Decorating		0	0	
Exterminating	960	80	11	
Contract Maintenance		0	0	
Equipment Debt		0	0	
Service Lease		0	0	
Other		0	0	
TOTAL MAINTENANCE	5,790	483	69	
Taxes	5,758	480	69	
Insurance	1,186	99	14	
Replacement Reserves	2,124	177	25	
Other		0	0	
Total	23,835	1,986	284	

09-Nov-95 Depot Street	PRO FORMA														
Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Residential Rent	39,876	41,497	42,120	42,752	43,393	44,044	44,704	45,375	46,056	46,746	47,448	48,159	48,882	49,615	50,359
Less Res Vacancy	(1,994)	(4,150)	(4,212)	(4,275)	(2,170)	(2,202)	(2,235)	(2,269)	(2,303)	(2,337)	(2,372)	(2,408)	(2,444)	(2,481)	(2,518)
Plus Other Income	300	300	300	300	300	300	300	300	300	300	300	300	300	300	300
Total Actual Income	38,182	37,648	38,208	38,776	41,523	42,141	42,769	43,406	44,053	44,709	45,375	46,051	46,738	47,434	48,141
Less Operating Expense	21,711	22,362	23,033	23,724	24,436	25,169	25,924	26,702	27,503	28,328	29,178	30,053	30,955	31,883	32,840
Less Reserves	2,124	2,156	2,188	2,221	2,254	2,288	2,322	2,357	2,393	2,429	2,465	2,502	2,539	2,578	2,616
Net Operating Income	14,347	13,129	12,986	12,831	14,833	14,684	14,523	14,347	14,157	13,953	13,732	13,496	13,243	12,973	12,685
Less VHCB Deferred Debt Service	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Less VHCB Manditory Principal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Less Town of Bennington Debt Servc	2,311	2,311	2,311	2,311	2,311	2,311	2,311	2,311	2,311	2,311	2,311	2,311	2,311	2,311	2,311
Less VHFA Debt Service	13,581	13,581	13,581	13,581	13,581	13,581	13,581	13,581	13,581	13,581	13,581	13,581	13,581	13,581	13,581
Cash Flow	(1,545)	(2,763)	(2,906)	(3,061)	(1,060)	(1,208)	(1,370)	(1,546)	(1,735)	(1,940)	(2,160)	(2,396)	(2,649)	(2,919)	(3,208)
Oper Subsidy	1,545	2,763	2,906	3,061	1,060	1,208	1,370	1,546	1,735	1,940	2,160	2,396	2,649	2,919	3,208
Net Cash	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
DCR	90.28%	82.61%	81.71%	80.74%	93.33%	92.40%	91.38%	90.28%	89.08%	87.79%	86.41%	84.92%	83.33%	81.63%	79.82%
Cumulative Cash Flow	(1,545)	(2,763)	(2,906)	(3,061)	(1,060)	(1,208)	(1,370)	(1,546)	(1,735)	(1,940)	(2,160)	(2,396)	(2,649)	(2,919)	(3,208)
Cumulative Cash Flow plus Reserves	9,079	8,471	7,753	6,913	8,107	9,187	10,140	10,952	11,609	12,097	12,402	12,508	12,398	12,056	11,465

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Joe Erdelyi, Multifamily Development Underwriter

DATE: November 9, 1995

RE: Westview Terrace Construction Financing

In August 1995, the Board passed a Resolution to provide a Letter of Commitment for permanent financing in the amount of $690,000 to the Westview Terrace project in Springfield. The project involves demolition of existing structures and the rehabilitation of 58 apartment units; the sponsor is Realty Resources Chartered.

Key Bank of Vermont has committed to provide both construction financing and an equity investment in the development. At the advice of its counsel, the limited partner, KBVLIHTC Corp. (a corporation wholly-owned by Key Bank of Vermont), has requested that VHFA provide a fixed interest rate, or a "not-to-exceed" interest rate, for VHFA's permanent financing commitment. Because of the size of this loan and the long construction term (one year), VHFA does not have a vehicle to provide such a long-term rate commitment. In the past, VHFA has been able to provide similar commitments by taking loans into its own portfolio. Much of the funds that formerly were in VHFA's general fund are now tied up in these loans, so outside sources, such as the Federal Home Loan Bank (FHLB), are now being pursued. (VHFA is a non-member borrower of FHLB funds.) FHLB does not offer a one-year rate lock. In addition, FHLB has stringent collateral requirements, and VHFA has to receive FHLB approval for loans previously made to be used as collateral for this loan, an estimated six week process; this process will not be completed in time for the acquisition/construction closing for this development. The permanent rate VHFA staff used in its underwriting is 8.5%; Key Bank of Vermont is charging prime plus 1% (currently about 9.75%) on the construction financing. VHFA normally charges a one point spread over FHLB funds, and the current permanent rate to the project using FHLB funds, including this spread, is approximately 8.1%.

To work towards a solution, Key Bank of Vermont is willing to forgo a portion of its construction financing for a permanent rate lock. VHFA would provide a "not-to exceed" permanent rate of 9%, in exchange for the right (but not the obligation) to put its funding in during the construction period. Once FHLB has approved VHFA's collateral, staff can

monitor both the project construction and long-term interest rates, and if rates should start to rise, the FHLB funds would be drawn and put into the construction. If this occurs, VHFA would take a portion of the construction risk rather than one-year rate risk. VHFA would charge a higher premium on its funds to compensate for the construction risk and/or rate risk; however, staff will endeavor to keep the rate below the underwriting rate of 8.5%. Because this project is occupied, VHFA could charge regular amortized principal and interest payments as soon as its funding goes into the project, even during the construction period.

Staff have issued a commitment letter, with a "not-to-exceed" interest rate of 9%, and have agreed (subject to Board approval) to put up to $690,000 into the project as construction financing.

Recommended Board Action: Approval of the attached Resolution to Provide Construction financing, in an amount up to $690,000; the interest rate will be based on VHFA's cost of funds plus 100-150 basis points (with a target interest rate to the project of 8.5%), and the term up to one year. The proposed source of funds is Federal Home Loan Bank funds. The loan is conditioned upon: an agreement with Key Bank of Vermont to participate in the construction financing and VHFA being named as beneficiary under the construction completion guarantees provided by the sponsor.

RESOLUTION PERTAINING TO COMMITMENT LETTER FOR CONSTRUCTION LOAN RE: WESTVIEW TERRACE (SPRINGFIELD)

WHEREAS, a proposal has been presented to the Agency by Springfield Housing Associates, a limited partnership, (the "Sponsor") involving the acquisition and rehabilitation of Westview Terrace, a rental development in Springfield currently containing 106 units in 31 buildings located north of Route 106 in Springfield (the "Development"); and

WHEREAS, this proposal was previously the subject of Agency resolutions dated June 7, 1995 and August 24, 1995 that provided for a permanent first mortgage loan from the Agency, for which the Agency has issued a commitment letter; and

WHEREAS, the Board has been presented with a memorandum dated November 9, 1995 from Joseph Erdelyi (the "Memorandum"); and

WHEREAS, Key Bank of Vermont has committed to providing construction financing for the Development, but has requested that the Agency provide a not-to-exceed rate for its permanent loan before the construction/acquisition closing; and

WHEREAS, staff has determined that the best method of providing a maximum rate for the permanent loan without subjecting the Agency to undue risk of rising interest rates is to have an option to take an advance from the Federal Home Loan Bank of Boston if rates begin to rise and to use the advance as a part of the construction financing; and

WHEREAS, the determinations made by the Agency in its June 7, 1995 and August 24, 1995 resolutions are reaffirmed;

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director may, in his discretion, provide a maximum rate for the permanent loan for the acquisition and rehabilitation of the Development, premised on the Agency taking an advance from the Federal Home Loan Bank of Boston if interest rates begin to increase. The maximum rate shall be conditioned on an agreement with Key Bank of Vermont that the Agency has the option of making, or participating in, a portion of the construction loan in an amount not to exceed $690,000. The construction loan shall bear interest at a rate to be determined by the Agency.

2. The acts of the Executive Director in issuing a commitment letter are hereby ratified.

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

T:\spring\const.res

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Joe Erdelyi, Multifamily Development Underwriter

DATE: November 9, 1995

RE: Derby Center Apartments - permanent financing

Executive Summary

Gilman Housing Trust, Inc. (GHT), a non profit developer, has applied to VHFA for $55,000 in permanent first mortgage financing, for 14 units in two buildings in Derby (see attached site map). The project has received other funding from HOME, VHCB, CDBG, and an equity investment from Community National Bank for Historic Tax Credits. GHT acquired the properties in August of 1994, and the rehabilitation is approximately 98% complete.

A summary of sources and uses of funds, rents, operating expenses, and financial projections is attached.

THE DEVELOPMENT

Projected Funding Sources

VHFA First Mortgage	$55,000	5.91%
VHCB Deferred Loan	$280,390	30.15%
HOME Deferred Loan	$349,145	37.54%
VHCB Feasibility Deferred Loan	$2,991	0.32%
HOME Feasibility Deferred Loan	$8,500	0.91%
CDBG Deferred Loan	$115,000	12.36%
Historic Preservation Grant	$14,000	1.51%
Historic Tax Credit Equity	$105,090	11.30%
Totals	$930,116	100.00%

The loan-to-value ratio for the VHFA financing is approximately 16% (pending an update of the project's value). The VHFA loan-to-cost ratio is approximately 6%. When the rehabilitation was begun, the sponsor had obtained a commitment for $14,000 in permanent financing from Community National Bank. The VHFA funds will take out this loan, fund an operating reserve at $16,000, and pay for approximately $25,000 in

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

hard construction costs in excess of the original budget. The requested funds are at 7.22% interest rate; CNB's loan is at 10%.

Unit Breakdown and Rents

Twelve of the fourteen units are targeted to families at or below 60% of median income, as required by the HOME funding requirements. (Five of those twelve are targeted to households at or below 50% of median). The two non-HOME units are restricted to households at or below 80% of median. The unit size and rent breakdown is as follows:

Size	#	Rents	sq. footage
1 BR	10	$286 - $363	388 - 659
2 BR	4	$384 - $436	825 - 928

These rents include heat and hot water. Tenants will pay for electricity and electric cooking. At this time two of the fourteen apartments have households with Section 8 tenant-based rental assistance.

Sponsor, Management & Market

Ed Stretch is the Executive Director of Gilman Housing Trust, a regional non-profit located in Newport. Because of the equity investment in historic tax credits, GHT has formed a partnership, GHT Housing Limited Partnership I, to own the property. Including this project, GHT is responsible for the development or co-development of 100 units of affordable rental housing and one group home, for a total of 18 projects (three of these are under development, including Derby); GHT manages their entire portfolio. Mr. Stretch is proposing that GHT manage this property as well; given their local presence and experience, VHFA staff has agreed to GHT as management agent.

Because of the size of the development and its history of occupancy as rental housing, VHFA has not requested a market study. Nine of the 14 apartments have tenants, and GHT is processing applications that would fill the remaining five. GHT anticipates the project will be fully occupied within one to two months after completion of the rehabilitation.

Site & Environmental Concerns

The buildings are situated on two adjacent street corners on Main Street in Derby on approximately .42 acres. The buildings are approximately 145 years old. Behind one building a barn was removed as part of the rehabilitation; this area, and some former driveway area, has been made into a small yard. The buildings are now on town water and sewer. A Phase I Environmental Site Assessment has been performed and no site contamination was discovered. Both lead paint and asbestos were present in the buildings, and abatement of both was a part of the rehabilitation. Staff have visited the site with the sponsor and have inspected the property. The construction quality is good.

DISCUSSION

Given that the Section 8 recycled funds are a limited resource, and that this project has ample subsidies and strong financial feasibility, staff are recommending that VHFA use its general funds as the source of financing at a rate of 8.5%, 25 year term.

Strengths

a) Because the rehabilitation is substantially complete, VHFA would be taking little or no construction risk.

b) VHFA would have good loan security, with an extremely low loan-to-value ratio, first security position, and a fully rehabilitated structure.

Weaknesses

a) VHFA financing brings with it reporting and regulatory requirements, which may be inefficient for both borrower and lender for such a small loan. VHFA Multifamily Management staff are willing, however, to waive the quarterly budgeting and reporting requirements for this project. Annual audits will still be required, but VHFA will accept an itemized GHT audit with breakdowns for this project (rather than a project-specific audit).

b) The sponsor is proposing a lean operating budget ($219 per unit per month). However, VHFA's underwriting was done at a more conservative operating expense level ($250 per unit per month) for determining financial feasibility.

RECOMMENDATION

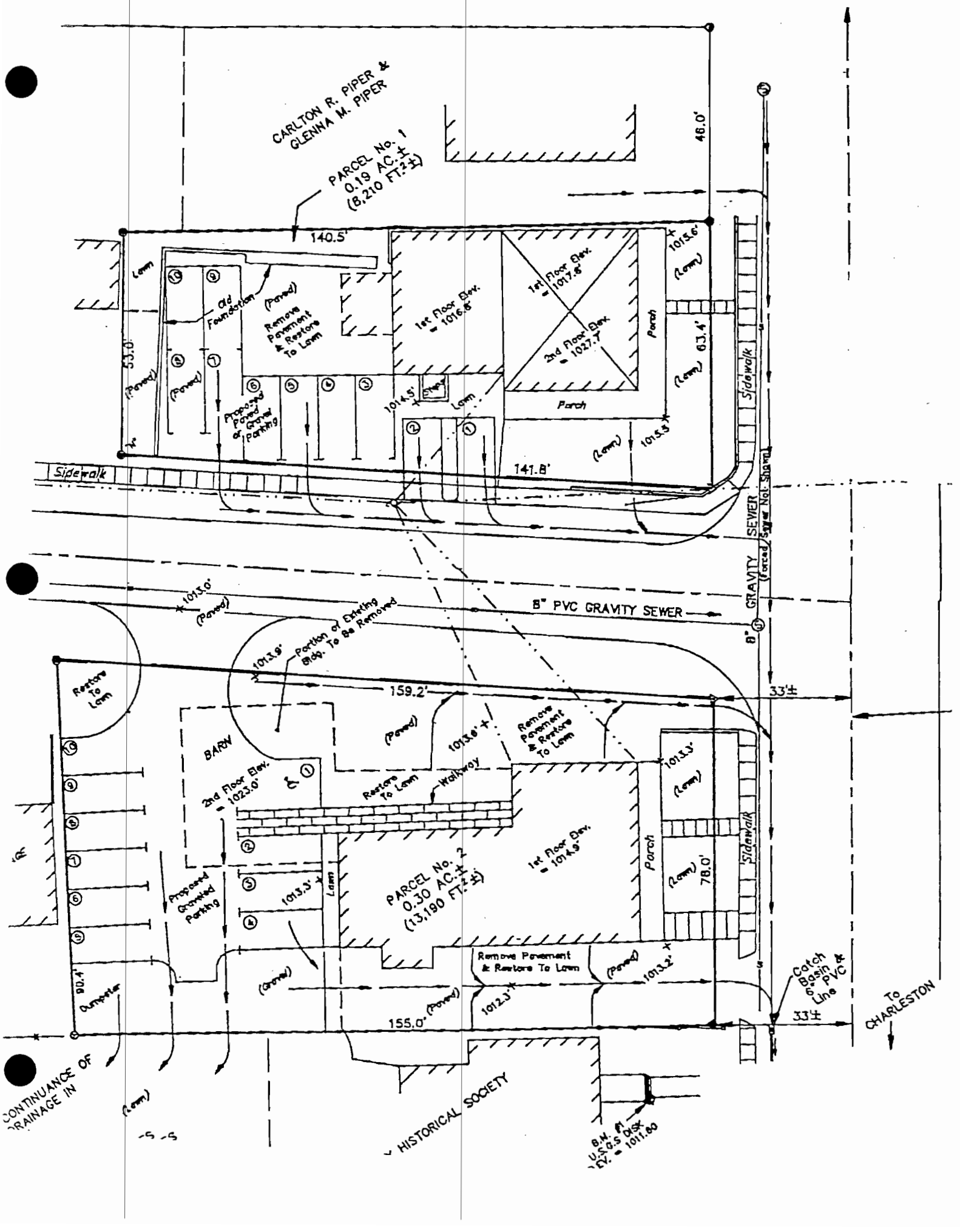
Staff recommends Board approval of the attached Resolution to provide a Letter of Interest to provide permanent financing in an amount of up to $55,000, loan term of 25 years and interest rate of 8.5%. The proposed source of funds is VHFA general funds. Staff further recommends that the Board authorize the Executive Director to issue a Commitment Letter upon satisfaction of certain conditions:

1) submission by the sponsor of an appraisal update or other suitable documentation (i.e., tax assessment) that VHFA's loan does not exceed the project's value;

2) Certificate of Occupancy by town and/or final inspection by Vermont Department of Labor and Industry;

3) any required subordinations or discharges of existing mortgages;

4) final lien waivers from all contractors and subcontractors.


CARLTON R. PIPER &
GLENNA M. PIPER
PARCEL No. 1
0.19 AC.±
(8,210 FT.²±)
46.0'
140.5'
1015.6'
(Lawn)
Old Foundation
(Paved)
Remove Pavement & Restore To Lawn
1st Floor Elev. = 1016.8'
1st Floor Elev. = 1017.8'
2nd Floor Elev. = 1027.7'
Porch
63.4'
Sidewalk
53.6'
Proposed Paved or Gravel Parking
1014.5'
Steps
Lawn
1015.5'
141.8'
Sidewalk
SEWER
(Forced Sewer Not Shown)
GRAVITY
8" PVC GRAVITY SEWER
1013.0'
Portion of Existing Bldg. To Be Removed
1013.9'
Restore To Lawn
159.2'
33'±
BARN
2nd Floor Elev. = 1023.0'
1013.6'±
Remove Pavement & Restore To Lawn
1013.3'
Walkway
Porch
1st Floor Elev. = 1014.9'
PARCEL No. 2
0.30 AC.±
(13,190 FT.²±)
78.0'
Sidewalk
Proposed Graveled Parking
90.4'
Dumpster
Remove Pavement & Restore To Lawn
1013.2'
1012.3'
155.0'
Catch Basin & 6" PVC Line
To CHARLESTON
33'±
CONTINUANCE OF DRAINAGE IN
HISTORICAL SOCIETY
B.M. #1 U.S.G.S DISK ELEV. = 1011.60

S:\DEVEL\MFLOAN\PROJECTS\KIDDER.WQ1

Project:	Derby Center Apartments	RUN DATE:	07-Nov-95

Total Residential Units:	14		
Restricted Units:	14	Increase - Rents	1.43%
Percent Restricted:	100.00%	Increase - Expenses	2.53%
Avg Net Monthly Rent:	285	Vacancy Rate, years 1-3:	10.00%
Total Dev Costs	930,116	Vacancy Rate, years 4+:	5.00%
TDC/Unit	66,437		

FINANCING SOURCES

	Amount	% of TDC	Interest	Term	Amortization Period
Primary debt	55,000	5.91%	8.50%	25	25
HOME Loan	349,145	37.54%	0.00%	20	N/A
CDBG Loan	115,000	12.36%	0.00%	30	N/A
VHCB Grant	280,390	30.15%	N/A	N/A	
Equity	105,090	11.30%	N/A	N/A	
Preservation Grant	14,000	1.51%	N/A	N/A	
HOME Feasibility	8,500	0.91%	0.00%	20	
VHCB Feasibility	2,991	0.32%	N/A	N/A	
	930,116	100.00%			

Derby Center Apartments	DEVELOPMENT BUDGET		07-Nov-95

		Budget	Per Unit	Per S.F.
ACQUISITION & CONSTRUCTION				
Land & Buildings		270,625	19,330	27.78
Construction		441,971	31,569	45.38
Demolition			0	0.00
			0	0.00
			0	0.00
			0	0.00
			0	0.00
CONSTRUCTION CLERK	0.43%	3,360	240	0.34
Contractor Overhead	0.00%		0	0.00
Contractor Profit	0.00%		0	0.00
Construction Contingency		71,226	5,088	7.31
APPLIANCES			0	0.00
Subtotal		787,182	56,227	80.82
PROFESSIONAL SERVICES				
Plans & Specs Development		15,600	1,114	1.60
Architectural		15,415	1,101	1.58
Attorney			0	0.00
Legal, Title & Recording			0	0.00
Subtotal		31,015	2,215	3.18
INTERIM COSTS				
Construction Insurance			0	0.00
Construction Interest			0	0.00
Construction Loan Origination Fee			0	0.00
Taxes			0	0.00
Subtotal		0	0	0.00
OTHER SOFT COSTS				
Property Appraisal			0	0.00
Market Study			0	0.00
Environmental Report			0	0.00
RELOCATION		15,149	1,082	1.56
Marketing			0	0.00
Subtotal		15,149	1,082	1.56
FINANCING FEES & EXPENSES				
Credit Report			0	0.00
Permanent Loan Origination Fee			0	0.00
Credit Enhancement			0	0.00
Cost of Issuance			0	0.00
Title & Recording			0	0.00
Counsel's Fee			0	0.00
FINANCE & CLOSING		30,770	2,198	3.16
Subtotal		30,770	2,198	3.16
SYNDICATION COSTS				
Organizational (Partnership)			0	0.00
Bridge Loan Fees & Expenses			0	0.00
Tax Opinion			0	0.00
Subtotal		0	0	0.00
DEVELOPER'S FEES				
Developer's Overhead & Profit		42,000	3,000	4.31
Consultant Fees			0	0.00
Subtotal		42,000	3,000	4.31
PROJECT RESERVES				
Rent-up (Deficit Escrow) Reserve			0	0.00
Replacement Reserve			0	0.00
Working Capital		8,000	571	0.82
Operating Reserve/Sinking Fund		16,000	1,143	1.64
Subtotal		24,000	1,714	2.46
TOTAL DEVELOPMENT COSTS		930,116	66,437	95.49

Derby Center Apartments	INCOME & EXPENSE BUDGET	07-Nov-95

INCOME

RENTS

Restricted Units

Bedrooms	Type	Sq.Feet	Number	Rent	Utilities	Total Annual Rent
1 Br	HOME		1	286	28	3,432
1 Br	HOME		3	287	28	10,332
1 Br	HOME		1	319	28	3,828
1 Br	HOME		5	363	28	21,780
2 Br	(1 non-HOM		2	384	35	9,216
2 Br	(1 non-HOM		2	436	35	10,464
	Totals	9,740	14			59,052

Market Rate Units

Bedrooms	Type	Sq.Feet	Number	Rent	Utilities	Total Annual Rent
1 Br			0	0		0
2 Br			0	0		0
3 Br			0	0		0
	Totals	0	0			0

All Units

Grand Totals	9,740	14			59,052
	Less Vacancy	10.00%			(5,905)
				ADJUSTME	(5,300)
				NET RENT	47,847

OTHER INCOME

Interest Income			0
Laundry			500
Parking			0
Total Other Income			500
		TOTAL INC	48,347

Derby Center Apartments	EXPENSE BUDGET			07-Nov-95
	Annual	Monthly	Per Unit Per Month	
Administration				
Management Fee	6,720	560	40	11.4%
Marketing	500	42	3	
Audit/Legal	1,400	117	8	
		0	0	
Office Expense		0	0	
Telephone		0	0	
Office Payroll		0	0	
Rent		0	0	
		0	0	
Other		0	0	
TOTAL ADMINISTRATI	8,620	718	51	
Utilities				
Water/Sewer	1,600	133	10	
Electric	1,800	150	11	
Fuel	6,000	500	36	
Other		0	0	
TOTAL UTILITIES	9,400	783	56	
Maintenance				
Maintenance Payroll	2,400	200	14	
Supplies		0	0	
Trash Removal	1,500	125	9	
Snow Removal/Grounds	1,600	133	10	
Repairs	2,500	208	15	
Paint/Decorating	700	58	4	
Exterminating		0	0	
Contract Maintenance	500	42	3	
Equipment Debt		0	0	
Service Lease		0	0	
Other	3,000	250	18	
TOTAL MAINTENANCE	12,200	1,017	73	
Taxes	5,500	458	33	
Insurance	1,800	150	11	
Replacement Reserves	4,500	375	27	
Other		0	0	
Total	42,020	3,502	250	

07-[redacted] Derby Center A partments PRO FORMA

Year		1	2	3	4	5	[redacted]	7	8	9	10	11	12	13	[redacted] 14	15
Residential Rent		59,052	59,894	60,748	61,614	62,493	63,384	64,288	65,204	66,134	67,077	68,034	69,004	69,988	70,986	71,998
Less Res Vacancy		(5,905)	(5,989)	(6,075)	(3,081)	(3,125)	(3,169)	(3,214)	(3,260)	(3,307)	(3,354)	(3,402)	(3,450)	(3,499)	(3,549)	(3,600)
Plus Other Income		500	507	514	522	529	537	544	552	560	568	576	584	593	601	610
Total Actual Income		53,647	54,412	55,188	59,055	59,897	60,751	61,618	62,496	63,387	64,291	65,208	66,138	67,081	68,037	69,007
Less Operating Expense		37,520	38,470	39,444	40,443	41,467	42,517	43,593	44,697	45,829	46,989	48,179	49,399	50,650	51,932	53,247
Less Reserves		4,500	4,564	4,629	4,695	4,762	4,830	4,899	4,969	5,040	5,112	5,184	5,258	5,333	5,409	5,487
Net Operating Income		11,627	11,378	11,114	13,917	13,668	13,404	13,125	12,830	12,519	12,190	11,845	11,480	11,098	10,696	10,274
Less Debt Service		5,314	5,314	5,314	5,314	5,314	5,314	5,314	5,314	5,314	5,314	5,314	5,314	5,314	5,314	5,314
Cash Flow		6,312	6,063	5,800	8,603	8,354	8,090	7,811	7,516	7,204	6,876	6,530	6,166	5,783	5,381	4,959
Oper Subsidy		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash		6,312	6,063	5,800	8,603	8,354	8,090	7,811	7,516	7,204	6,876	6,530	6,166	5,783	5,381	4,959
DCR		218.78%	214.09%	209.13%	261.87%	257.19%	252.23%	246.97%	241.42%	235.56%	229.38%	222.87%	216.02%	208.82%	201.26%	193.32%
Cumulative Cash Flow		6,312	17,690	28,804	42,721	56,390	69,794	82,919	95,750	108,269	120,459	132,304	143,784	154,882	165,578	175,851
Beginning Balance		16,000	22,887	29,728	36,506	46,333	56,202	66,100	76,011	85,919	95,809	105,663	115,461	125,183	134,809	144,315
Deposits		6,312	6,063	5,800	8,603	8,354	8,090	7,811	7,516	7,204	6,876	6,530	6,166	5,783	5,381	4,959
Interest	3.0%	575	778	979	1,224	1,515	1,807	2,100	2,393	2,686	2,977	3,268	3,556	3,842	4,125	4,404
Withdrawls		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance		22,887	29,728	36,506	46,333	56,202	66,100	76,011	85,919	95,809	105,663	115,461	125,183	134,809	144,315	153,678

RESOLUTION PERTAINING TO LETTER OF INTEREST AND ISSUANCE OF A COMMITMENT LETTER RE: GILMAN HOUSING TRUST (DERBY CENTER)

WHEREAS, a proposal has been presented to the Agency by Gilman Housing Trust, a non-profit corporation located in Newport, Vermont, as the general partner of a limited partnership, GHT Housing Limited Partnership I, (the "Sponsor") involving a permanent loan following the acquisition and rehabilitation of 14 units in two buildings located in Derby (the "Development"); and

WHEREAS, the proposal contemplates a permanent mortgage loan of up to $55,000 amortized over a period of 25 years with an interest rate of approximately 8.50% per annum; and

WHEREAS, the Sponsor has received commitments for deferred loans and/or grants from the Vermont Housing and Conservation Board for its funds and HOME funds, the Community Development Block Grant Program, historic preservation funds and for historic tax credits; and

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Joseph Erdelyi dated November 9, 1995 containing information and recommendations about the Development (the "Memorandum");

It is hereby DETERMINED:

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

2. The acquisition and rehabilitation costs incurred by the 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 Sponsor undertaking the Development will increase the supply of well-planned, well-designed permanent housing for persons and families of low and moderate income.

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

6. The Sponsor is a financially responsible organization and is expected to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a first mortgage loan to GHT Housing Limited Partnership I for a permanent loan following the acquisition and rehabilitation of the Development in Derby in an amount not to exceed $55,000. The term and interest rate is expected to be 8.50% per annum for a term of 25 years. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The Letter of Interest may be used by the Sponsor in support of applications for operating subsidies, mortgage insurance, construction financing, or for other purposes with the consent of the Agency.

2. Upon satisfaction of the conditions listed below, the Executive Director may, in his discretion, issue a Commitment Letter for a permanent loan for the Development, in an amount to be determined by the Executive Director, but not to exceed $55,000. The loan shall bear interest at a rate of 8.50% percent per annum for a term of 25 years. The source of funds shall be the Agency's General Fund. The conditions to be satisfied prior to the issuance of a Commitment Letter are:

   a) submission by the Sponsor of an appraisal update or other suitable documentation that VHFA's loan does not exceed the value of the project;

   b) Certificate of Occupancy by town and/or final inspection by Vermont Department of Labor and Industry;

   c) any required subordinations or discharges of existing mortgages;

   d) final lien waivers from all contractors and subcontractors.

3. 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.

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

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, Development Coordinator PAC

DATE: November 8, 1995

RE: Homeownership Center Initiative Proposal and Recommendations

HOMEOWNERSHIP CENTER PROPOSAL

At the October meeting, staff updated the Board on the progress of VHFA's work with Barbara Mervine (formerly Executive Director of West Side Neighborhood Housing Services in Buffalo, New York), and its work with Burlington Community Land Trust (BCLT), Gilman Housing Trust (GHT), and Rutland West Neighborhood Housing Services (RWNHS) to determine the interest and feasibility of implementing Homeownership Centers utilizing expertise of community based nonprofit organizations and VHFA staff. Homeownership Centers will provide a full range of counseling and loan services to assist low income households to become homeowners and would exist:

- To provide access to a complete finance and service package that would allow individuals and families below 70% of median income to purchase and rehabilitate (where necessary) their own homes;
- To increase the number of owner occupied dwellings, especially in neighborhoods with a high percentage of non-owner occupied housing;
- To preserve and improve older housing stock;
- To assist low income families to purchase two-family homes.

Certainly one drawback to acquiring a first home is that potential buyers don't have the necessary training/counseling to go from *thinking* about owning a home to actually *purchasing* one. How to go about providing home buyer training/counseling is a topic being discussed by a number of Housing Finance Agencies (HFAs) and other organizations. The NEIGHBORWORKS Network, an initiative of Neighborhood Housing Services (NHS) to increase homeownership, has successfully supported and promoted a comprehensive training/counseling with flexible financing to increase homeownership in low income neighborhood and communities. Successful education/counseling programs all appear to have a number of common elements:

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

- Local delivery of services and local broad-based support from organizations interested in housing including lenders, real estate brokers, local government, and employers;
- Support from a national or statewide organization both in the quality of the curriculum, training of local staff to deliver training/counseling, and financial support;
- Flexibility to conform to local markets and provide services to all those who may need it;
- On-going quality assurance and evaluation.

During the past ten years, Vermont housing nonprofit organizations have assisted more than 300 individuals and families to become homeowners. Nonprofit organizations work one-on-one with buyers and provide education and technical assistance; however, the degree of education varies by organization, and with limited staff and resources, they do not currently have the ability to follow-up with homeowners to assure their success.

Staff believes that there is an untapped market and that there are many renters that could become successful homeowners with special education/counseling and technical assistance, and recommend that VHFA work with three organizations, BCLT, GHT, and RWNHS on a three year pilot project to develop education/counseling services to assist individuals and families to become homeowners. A partnership between VHFA and the three organizations would bring together the key elements required for a successful program. VHFA's role would be to:

- Provide funding and technical assistance for the development and implementation of a common curriculum and materials to assure consistent quality of counseling services;
- Provide funding and technical assistance for the development and implementation of a training program for Homeownership Center staff;
- Provide funding and technical assistance to develop marketing and outreach materials;
- To provide partial operating support for each Homeownership Center for a three year period;
- To ensure that the Homeownership Centers have access to an appropriate first mortgage product;
- To assist Homeownership Centers to secure second mortgage loan funds and subsidy/grants. (VHFA will act as a catalyst for securing these funds.)

Staff believes that VHFA's role in facilitating and coordinating this initiative is consistent with VHFA's mission and critical to the success of this initiative and the future expansion of homeownership opportunities in the state. Attached is a draft description of the Homeownership Center Initiative.

BCLT, GHT, and RWNHS have provided VHFA with activity projections for the first year that vary by organization. BCLT has asked for $24,000 in operating support to assist 20 households in Chittenden County to become homeowners. Their projections were based on the availability of $87,500 in low interest rate second mortgage loans and $187,500 in subsidy. GHT has asked for $37,000 in operating support to assist 15 households in Caledonia, Essex, and Orleans counties to become homeowners. Their projections were based on the availability of $100,000 in low interest rate second mortgage loans and $70,000 in subsidy. RWNHS has asked for $35,000 in operating support to assist 30 households in Rutland county to become homeowners. Their projections were based on the availability of $150,000 in low interest rate second mortgage loans and $150,000 in subsidy.

A study completed by the New York District NEIGHBORWORKS organization for both urban and rural areas estimated the administrative costs at $1100 for loans involving counseling services only and at $1800-$2200 for loans involving counseling coupled with rehab work. This estimate factored in staff time spent on loans which never closed. Using an average cost of $2,000, and based on the activity projections provided by the three organizations, staff estimates that financial support during the first year for the three organizations will be approximately $60,000 (see attachment A).

RECOMMENDATIONS

Financial Operating Support and Technical Assistance

Staff requests that VHFA commit a total of $60,000 to BCLT, GHT, and RWNHS to support the implementation and operation of a Homeownership Center with each organization. In addition to financial support, VHFA will provide technical assistance and training, assist with the development and production of outreach materials, provide first mortgage financing to eligible buyers through its MOVE and HOUSE programs (any changes to guidelines will be presented to the Board and VHMGB for consideration at a future meeting), and assist to secure low interest rate second mortgage funds and subsidy. As mentioned above, the three organizations have requested total operating support in the amount of $96,000. Staff estimates that fees paid by the home buyers for services will cover approximately one-half of the operating costs.

This initiative is important to VHFA because it promotes greater capacity at the community level to expand the potential market of home buyers. This capacity will be important to VHFA to allow it to continue to offer "no down payment loans", and to develop homeownership programs to serve individuals with special needs. Homeownership Centers will also be a valuable resource to assist VHFA (and conventional lenders) to work with borrowers to avoid a foreclosure. Homeownership Centers could also help VHFA market its REOS to lower income buyers. Currently, many VHFA acquired properties are sold at auction to investors.

Downpayment and Closing Cost Loans from IORTA Funds

Act 86 of the 1991 Legislature that required all Vermont real estate brokers to place deposits on certain real estate transactions into interest-bearing accounts, with the interest earnings directed to VHFA to be used by VHFA to assist home buyers with down payment and/or closing costs. IORTA funds received as of September 30, 1995, by VHFA total approximately $285,000. A total of approximately $167,000 has been set-aside to secure a risk share agreement that VHFA has with VHMGB on the "no down payment loans". Approximately $118,000 is available to assist home buyers with down payment and closing costs.

Staff requests that VHFA commit up to $100,000 of the IORTA funds to create a revolving loan fund that the Homeownership Centers could access to assist eligible clients with their down payment and closing costs. Staff has not had the opportunity to discuss the use of these funds with the three pilot organizations and will need to establish eligibility requirements and how the loans would be repaid, for consideration by the Board at a future meeting.

BOARD ACTION REQUESTED

Staff requests that the Board approve a commitment to provide up to $60,000 in the first year to BCLT, GHT, and RWNHS to assist in the further development, implementation, and operation of a Homeownership Center with each organization, and authorize the Executive Director to negotiate funding agreements with each organization. In addition to operating support, VHFA will provide training and techncial assistance.

Staff also requests that VHFA commit up to $100,000 in IORTA funds to create a revolving loan funds to assist home buyers with down payment and closing costs.

s:\devel\board\1995\november\hocenter

Attachment A

Homeownership Center Pilot Initiative -- Income and Expense Projections
t:\quattro\hocenter.bud

Burlington Community Land Trust	Income	Expenses	Gap
Orientation Sessions (120 @ $10)	1,200		
Counseling Fees (35 @ $200)	7,000		
Home Inspection Fees (20 @ $150)	3,000		
Rehab Planning/Monitoring Fee			
(5% of avg. loan $5,000; 20 loans)	5,000		
Loan Packaging Fee			
(.50% of avg. loan $60,000; 20 loans)	6,000		
Average Expenses per Neighborworks ($2,000 per loan)		40,000	
	22,200	40,000	17,800

Gilman Housing Trust	Income	Expenses	Gap
Orientation Sessions (48 @ $10)	480		
Counseling Fees (25 @ $200)	5,000		
Home Inspection Fees (15 @ $150)	2,250		
Rehab Planning/Monitoring Fee			
(5% of avg. loan $6,700; 15 loans)	5,025		
Loan Packaging Fee			
(.50% of avg. loan $40,000; 15 loans)	3,000		
Average Expenses per Neighborworks ($2,000 per loan)		30,000	
	15,755	30,000	14,245

Rutland West NHS	Income	Expenses	Gap
Orientation Sessions (100 @ $10)	1,000		
Counseling Fees (45 @ $200)	9,000		
Home Inspection Fees (30 @ $150)	4,500		
Rehab Planning/Monitoring Fee			
(5% of avg. loan $10,000; 15 loans)	7,500		
Loan Packaging Fee			
(.50% of avg. loan $60,000; 30 loans)	9,000		
Average Expenses per Neighborworks ($2,000 per loan)		60,000	
	31,000	60,000	29,000

(NOTE -- The number of loans projected by each organization assumes the availability of adequate funds for second mortgage loans and subsidy)

HOMEOWNERSHIP PROPOSAL FOR LOW INCOME BUYERS

HOMEOWNERSHIP CENTER INITIATIVE

OVERVIEW

From January 1993 through June 1995, Vermont Housing Finance Agency (VHFA) through its MOVE (Mortgages for Vermonters) and HOUSE (Homeownership Opportunities Using Shared Equity) programs assisted over 1800 households to become homeowners. A total of 773 households (43%) had incomes at or below 70% of median income. While VHFA has had success in reaching lower income buyers, it believes that there are still many households who could become homeowners with special counseling services and technical assistance.

To assist low income families to become homeowners requires a creative mix of flexible first and second mortgage financing, counseling and technical assistance, subsidy dollars, the ability to purchase older houses that might require rehabilitation, and the acquisition of two-family homes where the rent from the units can assist the purchaser's qualifying income. The Homeownership Center initiative outlined in this proposal will provide a full range of services and loan products to assist households earning between 50% and 70% of the area median income to become home owners. Homeownership education and counseling services will also be available to aid other prospective homeowners.

Homeownership Centers would be developed cooperatively by VHFA and existing community based nonprofit groups. Homeownership Centers would utilize a "Full Cycle Lender" approach to provide access to homeownership to individuals and families who would otherwise be unable to purchase a home.

OBJECTIVES OF HOMEOWNERSHIP CENTERS

- ⌂ To provide access to a complete finance and service package that would allow individuals and families below 70% of median income to purchase and rehabilitate their own homes.
- ⌂ To implement housing programs in conjunction with the existing community based housing organizations.
- ⌂ To increase the number of owner occupied dwellings, especially in neighborhoods with a high percentage of non-owner occupied housing.
- ⌂ To preserve and improve older housing stock.
- ⌂ To assist low income families to purchase two-family homes.

HOMEOWNERSHIP CENTER SERVICES

Homeownership Centers would provide access to education, counseling, and special loan services to individuals and families who would otherwise be unable to purchase a home. A home buyer must have at least $500 of their own funds for downpayment or closing costs. To access the loan services, the buyer must participate in pre-purchase and post-purchase counseling, home inspection and home rehabilitation services (if needed), home maintenance workshops, and landlord training (for families who purchase two-family homes).

Education and Counseling Services

Education and Counseling Services offered by Homeownership Centers would include:

Orientation Seminars -- Introduction to homebuying process and services and products offered at the Homeownership Center.

Individualized Pre-purchase Counseling -- Individualized counseling involving budgeting, establishing credit, correcting credit blemishes, and the responsibilities of homeownership and advantages and disadvantages of purchasing a two-family house. The home buying process is explained from beginning to end including choosing a real estate agent, the purchase/sale agreement, the home inspection process, and applying for a mortgage. From that information a course of further action will be planned.

Home Inspection Service -- Inspection of each house (with the prospective buyer present) -- identifying positive features along with potential and present problems. An immediate repair plan along with a long range rehabilitation plan is devised. The purchaser's ability to maintain the property determines the desirability of that purchase.

Loan Packaging -- Determine the financing that is available and affordable including the first mortgage, any secondary financing that may be required for downpayment, closing costs, debt restructuring and rehabilitation/repair, and subsidy dollars necessary.

Home Rehabilitation Service -- Technical assistance for completing and financing home repairs and improvements.

Post-Purchase Counseling -- Visiting new buyers one month after move in for "hands on" home maintenance training; follow-up phone calls to new homeowner at two months, six months, and one year. The Homeownership Center provides continued budget counseling (when requested or necessary due to late payments).

Home Maintenance Workshops -- Required classes for new homeowners on general home maintenance and seasonal maintenance. (As an incentive to attend, home buyers would pay $150 at closing and receive a $50 refund for attending each of three required workshops.)

Landlord Training -- Required training for families purchasing a two-family home to provide skills to become successful landlords.

Early Intervention Delinquency Counseling -- If any loan payment (first or second mortgage) is late the Homeownership Center staff would contact the borrower to determine the reason and to counsel the borrower on how to avoid a default.

Loan Workout -- Work with Homeownership Center assisted buyers and other homeowners referred to the Homeownership Center by a lender to avoid foreclosure.

Loan Services and Subsidy/Grants

A complete package of loan services would be available to Homeownership Center clients and would include:

First Mortgages -- First mortgages with flexible underwriting criteria for purchase and purchase/rehabilitation. (While the Homeownership Center will assist buyers to access first mortgages through VHFA's MOVE and HOUSE programs and affordable housing programs offered by other lenders including the Rural Economic Community Development Service, participating lenders will actually originate the first mortgage.)

Second Mortgage Loans -- Second Mortgage Loans for the purpose of downpayment, closing costs, debt restructuring and rehabilitation/repairs. Second Mortgage Loans would be fully amortizing.

Subsidy/Grants -- Additional subsidy/grants will be necessary and would be allocated, if needed, only after the amortizing second mortgage loan is granted. Subsidy/grants are necessary in areas with high housing costs or with housing stock in need of extensive rehabilitation/repair.

The Homeownership Center would work with a VHFA participating lender to assist in the packaging of an application for final processing and closing by the lender. (During the pilot stage of this initiative, an RFP might be sent to lenders in each area to determine their interest and the amount of origination fee they are willing to share with the Homeownership Center.) The second mortgage may be originated and serviced by the Homeownership Center or another entity or lender. Because the Homeownership Center will work with the homeowners to assist them in avoiding late payments and/or defaults, good communication between the servicer of the first mortgage and the second mortgage will be critical to the success of this initiative. VHFA may elect to service Homeownership Center first mortgage loans directly or contract with another lender to service these loans.

VHFA and the Vermont Home Mortgage Guarantee Board's (VHMGB) underwriting guidelines would require modification to allow additional guidelines to expand the housing expense to income ratio to allow households who will experience negative or no housing payment shock to qualify for more of a first mortgage. In addition, both VHFA and VHMGB would have to change eligibility for financing and mortgage insurance to allow for a combined loan-to-value (VHFA first mortgage and subordinate financing) that exceeds 100% of the value of the home based on the after rehabilitation value.

Generally, a second mortgage would be a fully amortized loan and used for downpayment, closing costs, lowering the client's debt ratio, and rehabilitation and repairs. Additional subsidies -- necessary especially in areas with high housing costs and in areas where the housing stock is in need of extensive rehabilitation would also need to be available. Use of this subsidy would commit the property to permanent affordability either through the Community Land Trust model or a housing affordability covenant. Transactions where funding is provided entirely through amortized loans or loans paid upon sale, would be permanently affordable at the option of the community based housing organization or if required by the funding source.

IMPLEMENTATION PLAN

VHFA's Role

- Provide funding and technical assistance for the development and implementation of a common curriculum and materials to assure consistent quality of counseling services;

- Provide funding and technical assistance for the development and implementation of a training program for Homeownership Center staff;

- Provide funding and technical assistance to develop marketing and outreach materials;

- To provide partial operating support for each Homeownership Center for a three year period;

- To ensure that the Homeownership Centers have access to an appropriate first mortgage product;

- To assist Homeownership Centers to secure second mortgage loan funds and subsidy/grants. (VHFA will act as a catalyst for securing these funds.)

Establish Three Pilot Homeownership Centers

This proposal recommends the establishment of three Homeownership Centers in different sections of the state. The first group, Burlington Community Land Trust, represents an urban program; the second group, Gilman Housing Trust, operates in a sparsely populated area with affordable housing stock; the third group, Rutland West NHS, involves an outreach partnership model to effect homeownership in rural environments, in towns and in small cities.

Burlington Community Land Trust (BCLT) -- BCLT's service area is Chittenden county; BCLT has an experienced staff who have successfully used the Community Land Trust model to develop single-family, rental, and cooperative housing. Homeownership funds available to BCLT through the Enterprise Community grant and designated for use in Burlington's Old North End, can add to the impact of this initiative. BCLT has applied to Neighborhood Reinvestment Corporation (NRC) to become an affiliate organization. If this application is approved, BCLT will have access to the NRC secondary market. The participation of a third entity may be necessary to expand services to buyers of homes that are not subject to permanent affordability through resale restrictions.

Gilman Housing Trust (GHT) -- Gilman Housing Trust operates in Essex, Caledonia and Orleans counties, the most rural sections of Vermont. GHT's staff believes that there is significant demand for home ownership in their service area. Several of GHT's present tenants have expressed the desire to own their own homes. The counties in the Northeast Kingdom have the lowest median sales prices in Vermont. Many older houses needing rehabilitation would be affordable to low income families if they could access the downpayment/rehabilitation loans. Additional subsidies may not be necessary. GHT has also indicated that they will make an application to NRC to become an affiliate organization.

Rutland West Neighborhood Housing Services (RWNHS) - RWNHS presently serves Rutland County. As a designated Neighborhood Reinvestment Corporation "Home Ownership City," RWNHS has the capacity to operate a Homeownership Center and assist in expanding Homeownership Center services to Bennington County.

Cooperative partnerships between the three organizations and the Rural Economic Community Development Service (formerly Farmers Home Administration) will be encouraged.

If the Homeownership Centers established with the three pilot groups are successful, this initiative would be expanded to all counties of the state using the existing community based housing organizations.

Marketing

Marketing strategies (to be directed from each Homeownership Center with technical assistance from VHFA) involve the expansion of existing outreach initiatives and the use of both conventional and non-conventional outreach including:

- Distribution of flyers at formal and informal gatherings- school meetings, town meetings, neighborhood get-togethers, tenant association meetings, church services, senior centers, local festivals, family health clinics, doctors' offices, multi-family rental projects, public owned housing, to students in schools and community colleges, to shoppers at Ames or K Mart, social service agencies

- Use of conventional marketing- area businesses (especially real estate companies and banks), television, radio, newspapers, and organizational newsletters.

Goals for Each Pilot Organization

Because this program seeks to impact upon a totally new market, it is somewhat difficult to quantify the demand in advance. Similar programs initiated by Neighborhood Reinvestment Corporation throughout the country have been exceedingly popular.

Goals for the three pilot organizations for the first year of operation will be:

Organization	Orientation Seminars/Attendees	Households Counseled	Home Buyers Assisted
BCLT	12 Seminars/120 Households	35	20
GHT	12 Seminars/48 Households	25	15
RWNHS	12 Seminars/100 Households	45	30

Evaluation

Homeownership Centers will track monthly activity and work closely with VHFA and other organizations to maximize the use of all resources available. Activity will be evaluated quarterly against the established goals for each organization.

ADMINISTRATIVE BUDGET

Three Levels of Program Funding for Homeownership Centers

Homeownership Centers would be viable and sustainable at three levels of service. The population benefiting from the Homeownership Centers activities depends upon the availability of the special first mortgage product, funds for the low interest secondary loans and funds for the subsidies.

Level I - Level I involves the center's resources without additional loans and subsidies- will impact upon inexperienced low to moderate income buyers able to use existing VHFA and lender products. Access to the centers' counseling will result in responsible homeowners with home maintenance and budgeting skills who will be less likely to default on their loans. Lenders will be able to send marginal or presently non-qualified clients to the centers for counseling. In addition to aiding prospective homeowners, these centers will provide, when necessary, early intervention delinquency counseling based on a negotiated fee for service with VHFA and conventional lenders.

Level 2 - Level II involves the center's resources along with the down payment/closing costs/rehab loans to serve lower income buyers who do not quite qualify for existing mortgage products and will involve those homes needing rehab. The low interest amortizing loans will recycle as they are repaid or when they are sold to a secondary market.

Level 3 - Level III involves the center's resources and the availability of low interest loans and subsidies will to encourage homeownership for low income families earning 50% to 70% of the area median.

A study completed by the New York District NeighborWorks organization for both urban and rural areas estimated the administrative costs at $1100 for loans involving counseling services only and at $1800-$2200 for loans involving counseling coupled with rehab work. This estimate factored in staff time spent on loans which never closed.

Homeownership Center Fees

Fees attached to the services will help to support the Homeownership Centers' administrative costs. VHFA's additional support will assist to eliminate the gap (especially at the program's inception) between the fees brought in and dollars expended and assist the three pilot groups to leverage operating support from other lenders and organizations.

Although the center's primary purpose is to enable families earning between 50% and 70% of the area median income to purchase homes, and second mortgage loans and subsidy may only be available for lower income buyers, moderate income buyers (up to 115% of median income) will be encouraged to use the center's services. The fee schedule, however, will be slightly higher for buyers with household incomes exceeding 70% of area median income. Services for which fees are charged and an estimated amounts are as follows:

Service	Households Below 70%	Households Above 70%
Orientation	$10	$10
Counseling Fee	$200	$250
Home Inspection Fee	$125	$150
Rehab Monitoring Fee	% of Rehab Costs	% of Rehab Costs
Loan Packaging Fee	% of 1st Mortgage	% of 1st Mortgage
Intervention Servicing	% of Servicing Fee	% of Servicing Fee
Loan Workshop	negotiated fee	negotiated fee

Administrative Costs

The direct fees connected with the loan product and with the counseling cannot alone cover the Homeownership Center's administrative costs. Additional revenue will come into the centers from early intervention delinquency counseling and from loan workouts. Outside support for the centers will also be necessary especially during the first several years. Attached is a summary of projected administrative costs for the three pilot organizations for the first year of operation, projected revenue from fees, and projected funding gap.

s:\devel\board\1995\november\hocenter.att

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Douglas R. Lothrop, Director of Single Family Operations

DATE: October 3, 1995

RE: Single Family Program Activity Report For September, 1995

MORTGAGE PURCHASE PROGRAMS

Month	No.	Amount	Previous Year	No.	Amount
Reservations	117	$ 7,808,372		59	$ 3,690,312
Purchases	74	$ 4,806,041		77	$ 4,772,295

Period to Date	No.	Amount	Previous Year	No.	Amount
Reservations	912	$57,300,807		689	$41,994,936
Purchases	582	$37,524,717		527	$33,061,202

MORTGAGE PLUS

Month	No.	Amount	Previous Year	No.	Amount
Reservations	6	$ 448,651		10	$ 773,475
Issued	6	$ 447,384		8	$ 618,825

Period to Date	No.	Amount	Previous Year	No.	Amount
Reservations	53	$ 4,116,844		51	$ 3,872,950
Issued	79	$ 5,254,233		110	$ 8,701,908

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY
DELINQUENCY STATISTICAL REPORT
SINGLE FAMILY PORTFOLIO
EFFECTIVE: SEPTEMBER 30, 1995

Lenders	Total Loans	30	Days	60	Days	90+	Days	Auth	FCL	Total Delinq		REO	
BancBoston Mortgage Corp.	322	15	4.66%	3	0.93%	4	1.24%	1	0.31%	23	7.14%	1	0.31%
Banknorth Mortgage Co.	775	36	4.65%	11	1.42%	5	0.65%	3	0.39%	55	7.10%	6	0.77%
Bennington Co-op S&L Assoc.	34	1	2.94%	0	0.00%	2	5.88%	0	0.00%	3	8.82%	0	0.00%
Brattleboro Savings & Loan	11	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Chittenden Bank	930	56	6.02%	18	1.94%	9	0.97%	4	0.43%	87	9.35%	4	0.43%
Citizens Savings Bank	88	2	2.27%	1	1.14%	1	1.14%	0	0.00%	4	4.55%	0	0.00%
Community National Bank	254	12	4.72%	0	0.00%	5	1.97%	2	0.79%	19	7.48%	0	0.00%
Factory Point Nat. Bank	29	2	6.90%	0	0.00%	1	3.45%	0	0.00%	3	10.34%	0	0.00%
First Brandon Nat. Bank	1	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
First Northern Mortgage Corp.	3	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Fleet Mortgage	31	2	6.45%	1	3.23%	0	0.00%	0	0.00%	3	9.68%	0	0.00%
Graystone Mortgage Company	78	3	3.85%	2	2.56%	1	1.28%	4	5.13%	10	12.82%	4	5.13%
Green Mountain Bank	179	10	5.59%	4	2.23%	1	0.56%	2	1.12%	17	9.50%	0	0.00%
Lomas & Nettleton Company	15	2	13.33%	0	0.00%	0	0.00%	1	6.67%	3	20.00%	0	0.00%
Lyndonville Savings Bank	60	3	5.00%	1	1.67%	0	0.00%	0	0.00%	4	6.67%	1	1.67%
Marble Bank	240	12	5.00%	0	0.00%	2	0.83%	1	0.42%	15	6.25%	1	0.42%
Merchants Bank	329	11	3.34%	2	0.61%	9	2.74%	1	0.30%	23	6.99%	0	0.00%
Mortgage Service Ctr. of NE	73	7	9.59%	1	1.37%	3	4.11%	0	0.00%	11	15.07%	1	1.37%
National Bank of Middlebury	65	2	3.08%	1	1.54%	0	0.00%	0	0.00%	3	4.62%	0	0.00%
New England Federal CU	48	1	2.08%	0	0.00%	0	0.00%	0	0.00%	1	2.08%	0	0.00%
Northfield Savings Bank	118	7	5.93%	0	0.00%	4	3.39%	0	0.00%	11	9.32%	0	0.00%
Passumpsic Savings Bank	179	4	2.23%	6	3.35%	2	1.12%	4	2.23%	16	8.94%	2	1.12%
Peoples Trust Co.	102	10	9.80%	1	0.98%	0	0.00%	0	0.00%	11	10.78%	0	0.00%
Randolph National Bank	49	2	4.08%	2	4.08%	0	0.00%	1	2.04%	5	10.20%	0	0.00%
Union Bank	164	9	5.49%	3	1.83%	2	1.22%	0	0.00%	14	8.54%	0	0.00%
Vermont Development CU	16	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Vermont Federal Bank	917	42	4.58%	3	0.33%	8	0.87%	1	0.11%	54	5.89%	8	0.87%
Vermont National Bank	621	20	3.22%	6	0.97%	12	1.93%	3	0.48%	41	6.60%	2	0.32%
Wells River Savings Bank	35	1	2.86%	1	2.86%	0	0.00%	0	0.00%	2	5.71%	0	0.00%
Totals	5766	272	4.72%	67	1.16%	71	1.23%	28	0.49%	438	7.60%	30	0.52%
Totals Previous Month	5791	268	4.63%	64	1.11%	86	1.49%	27	0.47%	445	7.68%	33	0.57%

VERMONT HOUSING FINANCE AGENCY
MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Douglas R. Lothrop, Director of Single Family Operations

DATE: October 25, 1995

RE: Servicing Activity for September

SERVICING ACTIVITY

Collections:

Last months 90+ accounts:		86
Additions:	3	
Reductions:	18	
Under payment arrangement:	23	
May, 1995 90+ accounts:		71

In Foreclosure:

Last months foreclosure accounts:		27
New foreclosures:	4	
To REO:	2	
Successful interventions:	1	
Negotiating workouts:	3	
May, 1995 foreclosure accounts:		28

Real Estate Owned:

Last months REO's:		33
New REO's:	2	
Properties sold:	5	
Properties under contract:	8	
May, 1995 REO's:		30

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

Board Property Disposition Report

Month of: September, 1995

Properties Sold

Property	Listing Price	Sale Price	Principal Balance	Interest	To Date Expenses	Claim Payment	Gain/ (Loss)	Audit Valuation Offset	Gain/ (Loss)
Gordon Benson	$52,900	$48,000	$57,968	$ 4,006	$ 6,140	$14,635	($ 5,479)	N/A	N/A
LePage Washington	$33,000	$33,000	$48,854	$ 2,803	$ 2,459	$10,800	($10,316)	N/A	N/A
McMillin Burlington	$79,900	$79,900	$64,680	$ 3,123	$ 1,440	N/A	($10,657)	N/A	N/A
Kenehan Hardwick	$25,000	$22,500	$56,004	$ 6,074	$ 4,161	$12,000	($31,539)	N/A	N/A
Hoague Franklin	$29,900	$24,000	$42,334	$ 3,583	$ 5,810	$ 9,200	($18,527)	N/A	N/A

C:\DATA\OPERATE\SERVICE\BDREOEV

Properties Under Contract

Property	Listing Price	Contract Price	Principal Balance	Interest	Estimated Expenses	Estimated Claim Payment	Gain/ (Loss)	Audit Valuation Offset	Gain/ (Loss)
Geoffrey Albany	$25,000	$22,000	$26,500	$ 2,690	$ 9,443	$ 6,000	($10,633	N/A	N/A
Crepeault Brighton	$15,900	$15,000	$36,460	$ 1,677	$ 4,994	$ 7,400	($20,731)	N/A	N/A
Chase Corinth	$25,000	$22,000	$53,494	$ 4,687	$ 3,057	$10,294	($29,421)	N/A	N/A
Price Fair Haven	$76,000	$69,900	$71,661	$ 9,552	$18,084	$12,000	($17,397)	N/A	N/A
Ross/Backus Benson	$57,900	$57,900	$54,278	$ 5,914	$ 3,700	$ 6,750	$ 758	N/A	N/A
Komans Poultny	$34,900	$32,100	$88,824	$ 8,071	$ 8,521	$18,425	($54,891)	($9,800)	($45,091)
Medlar Burlington	$65,000	$41,000	$37,493	$ 7,045	$ 6,279	$ 9,200	($ 617)	N/A	N/A
Papineau Montpelier	$24,000	$22,500	$53,995	$ 7,292	$14,888	$11,480	($42,195)	($49,325)	$ 7,130

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director ASH
Paul M. Cummings, Development Officer PMC

DATE: November 15, 1995

RE: HUD-held Note Sale Pilot Program

On October 6, 1995, the Department of Housing and Urban Development (HUD) sent out requests for proposals to housing finance agencies (HFAs) interested in participating in a pilot negotiated sales program to purchase the HUD-held mortgages in their respective states. In this request, HUD indicated that they intend to approve approximately three HFAs for this pilot program. Approved HFAs would have an opportunity to negotiate with HUD on the sales price of **all** the HUD-held subsidized mortgages in the HFA's state. Proposals are due to HUD by December 4, 1995.

HUD is planning to announce the approved HFAs for this pilot program by December 31, 1995. Once an HFA has been approved, HUD expects that negotiations on the sales price of the portfolio would begin by mid-March of 1996. HUD is planning to complete the actual sale/disposition of loans by June 30, 1996.

BACKGROUND

This HUD-held note sale represents an effort by HUD to reduce the operational and budgetary costs of maintaining the insured housing portfolio. In Vermont, the following four properties have HUD-held mortgages that are eligible for this pilot program:

Property	Location	Units	Mortgage Balance
Applegate Apartments	Bennington	130	$2,280,220
Highgate Apartments	Barre	120	$1,697,972
Mountain View Apartments	Springfield	72	$1,021,443
Westgate Apartments	Brattleboro	100	$1,515,241
TOTAL UNITS		422	$6,514,876

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

These properties represent some of the largest affordable housing projects in the state. Staff considers this HUD pilot program a potential opportunity to purchase the notes on these properties at a discounted price that could preserve long term affordability. A discounted sale price might also enable much needed rehabilitation to occur in two of the properties (Applegate and Westgate). However, HUD has indicated a preference to sell these notes without insurance and with no guarantee of continued Section 8 rental assistance.

Based on the latest proposals we have reviewed from HUD, it does not appear that Applegate or Westgate would benefit from the existing Title VI preservation program. (The Federal preservation program was utilized in the sale and rehabilitation of Northgate Apartments and Highgate Apartments.) In light of the fact that these properties (specifically Applegate and Westgate) would not receive rehabilitation through the Title VI preservation program, this HUD-note sale may be one way to ensure preservation of these units as affordable housing. Therefore, staff would like to pursue this opportunity and submit a proposal to HUD for their approval.

RECOMMENDED BOARD ACTION:

Approval of the attached Resolution authorizing staff 1) to submit a proposal to HUD by December 4, 1995 that would indicate VHFA's interest in negotiating with HUD to purchase the four HUD-held notes in Vermont and 2) if approved by HUD, to begin work on valuing Vermont properties in order to determine optimum negotiated sales price for HUD-held notes.

RESOLUTION PERTAINING TO
HUD-HELD NOTE SALE PILOT PROGRAM

WHEREAS, the United States Department of Housing and Urban Development ("HUD") has requested proposals from state housing finance agencies interested in participating in a pilot negotiated sales program to purchase HUD-held mortgages secured by properties in their respective states; and

WHEREAS, Allan Hunt and Paul Cummings have submitted a memorandum dated November 15, 1995 (the "Memorandum") to the Board; and

WHEREAS, there are four properties in Vermont that secure HUD-held mortgages eligible for this program; and

WHEREAS, purchasing the HUD-held mortgages may enable the Agency to preserve the rental units in the properties securing the mortgages as affordable housing;

NOW, THEREFORE, it is hereby RESOLVED:

1. The Agency is interested in pursuing the possibility of purchasing the HUD-held mortgages secured by properties in Vermont for the reasons stated in the Memorandum.

2. The Executive Director is hereby authorized to submit a proposal to HUD indicating the Agency's interest in negotiating with HUD to purchase the four HUD-held notes in Vermont.

3. If the Agency's proposal is approved by HUD, the Executive Director is authorized to commence the process of the valuation of the Vermont properties securing the HUD-held notes in order to determine an optimum sales price for those notes.

T:\devel\hudnote.res

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Douglas R. Lothrop, Director of Single Family Operations

DATE: November 8, 1995

RE: Request for Proposal (RFP) for Sub-Servicing

As your may recall, VHFA has contracted with Graystone Mortgage Corporation, of Manchester, N. H. to act as a sub-servicer for mortgages originated by two mortgage companies which wished to originate mortgages for purchase by VHFA but were not interested in servicing. Staff negotiated the purchase of the servicing on these mortgages for a very reasonable servicing release premium. The premium paid was 50 basis points on one and 75 basis points on the other. Similar purchases of servicing by other HFA's have resulted in a servicing release premium paid of between 90 and 125 basis points.

At the Board's request, staff sent the attached RFP for Sub-servicing to Graystone Mortgage Corporation and to 23 lenders servicing VHFA mortgage loans whose home office was in Vermont.

Of the 24 RFP's which were mailed, six replies were received. One lender indicated no interest and five requested a copy of the sub-servicing agreement. Two of the lenders requesting a copy of the sub-servicing agreement, the Chittenden Bank and Vermont National Bank, have since indicated that they would not be making a proposal at this time but would like to be considered in any future RFP. The remaining three lenders have submitted, or will be submitting, proposals for the sub-servicing of VHFA serviced mortgage loans. These are Banknorth Mortgage Corporation, Vermont Federal Bank, FSB, and Graystone Mortgage Corporation.

Staff will be reviewing the proposals in the near future to make a selection of the institution which we feel will perform best as our sub-servicer for originating lenders who wish to sell the servicing.

BOARD ACTION REQUESTED

No Board action is requested.

REQUEST FOR PROPOSAL

TO:

FROM: DOUGLAS R. LOTHROP, DIRECTOR OF SINGLE FAMILY OPERATIONS

DATE: SEPTEMBER 7, 1995

SUBJECT: SUB-SERVICING FOR VHFA SERVICED LOANS

VHFA is seeking proposals from VHFA-Approved Servicers to perform sub-servicing of loans on which VHFA has acquired ownership of servicing rights. It is our intention to select and contract with one or more "Sub-Servicers" to accept and service VHFA mortgage loans on a flow and/or bulk basis. This will allow VHFA to expand its network of mortgage originators to include those that do not have the ability and/or interest in servicing VHFA loans, in addition to providing a facility to support the bulk acquisition of servicing rights by VHFA (should the need arise).

To indicate your interest in submitting a proposal and obtain a copy of the proposed sub-servicing agreement, please contact Doug Lothrop at (802) 864-5743, extension 241.

Scope of Services:

The Sub-Servicer shall be responsible for servicing a portfolio of loans with servicing rights owned by VHFA. Servicing responsibilities shall include the following and other responsibilities detailed in the sub-servicing agreement:

1. Loan Set-up on sub-servicers computer system.

2. Collection and application of mortgage loan payments including principal, interest and applicable deposits for taxes, assessments and other public charges that are generally impounded, hazard insurance premiums, FHA insurance or PMI premiums, and all other items more commonly referred to as "escrow items".

3. Maintenance of accurate loan records.

4. Maintain in full force and effect at all times applicable insurance coverage to include but not be limited to FHA mortgage insurance, PMI, hazard insurance, Fidelity Bond, Errors and Omissions, etc.

All of the above servicing responsibilities shall be provided in compliance with loan documentation, VHFA loan servicing guidelines, and standard mortgage accounting practices as promulgated by the Financial Accounting Standards Board and applicable regulatory agencies. The full range of services and responsibilities are more clearly defined in a Sub--Servicing Agreement that must be executed by VHFA and Sub-Servicer.

Qualifications:

Qualified sub-servicer candidates must be approved to service VHFA mortgage loans at the time of proposal and must be in good standing with VHFA. Qualified candidates must further demonstrate the requisite capacity and facility to satisfy any unique requirements particular to sub-servicing.

Proposals:

Prospective Sub-Servicers should prepare proposals outlining their interest, operational preferences, time frame required to establish VHFA Sub-Servicing within their organization, and cost of services. Proposals should specify a price expressed in terms of a servicing fee percentage and a fixed dollar amount per loan. Proposals should also identify the applicable area(s) of the organization that will be responsible for coordination and oversight of VHFA sub-servicing activities, the staff involved and the resumes of these staff people.

Proposed Due Date:

Proposals are due by October 16, 1995. VHFA may conduct an on-site review as part of the final selection process. VHFA reserves the right to accept or reject proposals and/or modify the scope of this program for any reason, based upon its sole discretion, prior to the execution of a formal Sub-Servicing Agreement.

Duration of Sub-Servicing Agreement:

The term of the Sub-Servicing Agreement shall be for one (l) year and shall be automatically renewed unless VHFA or Sub-Servicer serves notice of intent to terminate upon expiration of the Sub-Servicing Agreement. VHFA shall reserve the right to terminate the Sub-Servicing Agreement without cause upon service of a 90-day notice of intent to terminate on the Sub-Servicer.

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Douglas R. Lothrop, Director of Single Family Operations

DATE: November 9, 1995

RE: Energy Rated Homes of Vermont (ERH)

The staff of ERH presented to the ERH Board a restructuring plan for the organization which would make ERH a program of the Vermont Energy Investment Corporation (VEIC) rather than a separate organization. The VEIC Board would be responsible for the ERH program and would be assisted by an advisory board consisting of industry representatives on programmatic issues. The restructuring would increase efficiency and reduce administrative overhead.

Currently, ERH has contracted with VEIC to administer and deliver the Home Energy Rating Programs of ERH. In the marketplace, individuals and firms using the services of ERH should not be adversely affected by this change. Service to ERH customers should increase over time.

VHFA anticipates that it will be given the opportunity to appoint two members to the VEIC Board as long as ERH is a program of VEIC. In addition, one of the VHFA-appointed VEIC board members would serve on the advisory board to provide a direct link between the two boards.

VHFA is currently the only sustaining member of ERH. As a sustaining member, VHFA has supported ERH with up to $15,000 annually and has had the ability to appoint three members of the current ERH Board. For the current fiscal year, the VHFA budget included a line item of $5,000 for sustaining membership in ERH. Based on this, staff is bringing this issue to the Board for approval. It is anticipated that VEIC will make a similar request for funds from VHFA for at least the next fiscal year budget.

The ERH Board, based on telephone consultations is in favor of the restructuring plan. The VEIC Board has not yet considered the plan. However, Beth Sachs, the Executive Director of VEIC, believes the Board would be receptive to the proposal as outlined.

BOARD ACTION REQUESTED

Approval for staff to continue work with ERH and VEIC on the ERH restructuring plan and agreement as outlined above.

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Jeff Francis, Deputy Director, Ext. 210

DATE: November 9, 1995

RE: First Quarter FY96 Business Plan Results

Enclosed you will find the summary pages of the FY96 Business Plan indicating progress made in achieving VHFA goals during the first quarter. Staff will be prepared to answer any questions you may have relative to specific activities at the Board meeting. Please do not hesitate to contact me in the meantime with any questions, comments or concerns.

Thank you.

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

FY95 vs. FY96 (July 1, 1994 through September 30, 1995)				
* = FROM STRATEGIC PLAN	FY95 ACTUALS	FY96 GOALS	DEPARTMENT	FY96 ACTUALS TO DATE
ONGOING PROGRAMS				
MOVE (Includes IORTA)	775 mtges purch; $49,790,073	825 mtges purch; $55,000,000	SF Ops	189 mtges purch; $12,276,806
MCC (Mortgage Plus)	147 MCCs issued; $11,336,000	154 MCCs issued; $11,900,000	SF Ops	20 MCCs issued; $ 1,473,544
HOUSE (Includes IORTA)	45 loans purch; $ 2,789,832	75 loans purch; $ 4,900,000	Devel	26 loans purch; $ 1,704,992
Rural VT Mtge	25 mtges purch; $ 859,560	25 mtges purch; $ 850,000	SF Ops	26 mtges purch; $ 896,680
IORTA Down Payment Assist	122 loans purch; $ 7,871,585	(See "Prog/Init Being Devel" section)	SF Ops	7 loans purch; $ 445,073
Mobile Home Park Financing (MF)	33 units; $ 281,000	30 units; $ 300,000	Devel	45 units; $ 182,000
Preservation-Section 8	4 Pres Agree signed (114 units)	Pres Agree for 20 projects (400 units)	MF Mgmt	On hold pending HUD rent reduction proposals
LIHPRHA Preservation/Westgate	Westgate Tenants Assoc funded; option agreement negotiations ongoing for Westgate/Applegate; projects on hold pending Congressional action on HUD proposals and budget	On hold pending Congressional action on HUD proposals and budget; possibly complete renegotiation of option agreement or alternative course of action	Devel	Considering HUD note sale as an alternative to preservation program; December deadline
MF Financing	94 units closed; $3,030,506 53 units commit; $ 484,750+ pending	3 loans, 92 units $1,478,000 Expand in conjunction with refunding	Devel	2 loans, 52 units ($401,110/$210,000) St Johnsbury loan (Section 8 Refund); Burlington scattered sites (20 units)
VT Housing Ventures	6 loans closed; $ 132,300 2 loans pending; $ 60,000	7 loans $ 200,000 Continue program; evaluate risk; possibly add funding	Devel	1 loan closed; $ 11,900 1 loan pending $ 10,000 Increased funding to $ 325,000 06/95
SF Development/Construction	11 units; $ 750,000	50 units; $2,700,000	Devel	No activity; accepting applications
LIHTC	CAL 94: 409 units/383 TC units; $1,455,953 allocated CAL 95: 138 units/132 TC units reserved; $535,214	CAL 95: Allocate 100% of available credit ($772,264 plus National Pool)	Devel	100% of available credit reserved for projects
Nonprofit Training/Technical Assist	LIHTC training workshop in collaboration with VHCB	Training on new programs, other as needed	Devel	Developing training for nonprofits; SF program focus 12/95 target; also plan to develop training on appraising affordable housing
Home Buyer Education	4 home buyer fairs; 853 attendees 4 home buy basics wkshp; 137 attendees 5 other homeownership classes; 99 attendees	2 home buyer fairs; 850 attendees 4 home buy basics wkshp; 150 attendees 8 other homeownership classes; 150 attendees; non-VHFA events as requested	Comm	1 home buyer fair; 45 attendees
Cooperative Advertising	$7,500 allocated to 7 nonprofits; $5,465 dispersed to 6 nonprofits	$8,000 allocated for nonprofits; develop cooperative advertising program for lenders and real estate firms	Comm	1 mailing for nonprofits to 400 consumers; 550 flyers in RE newsletter $8,700 awarded for nonprofits
Dalton Drive Commercial Buildings	#504 under negotiation; P&S pending; #600 active interest from local nonprofit	Sell both buildings, with VHFA financing both acquisitions	Admin	#504 sold $615,000; #600 active interest from local nonprofit $250,000

	FY95 vs. FY96 (July 1, 1994 through September 30, 1995)				
	* = FROM STRATEGIC PLAN	FY95 ACTUALS	FY96 GOALS	DEPARTMENT	FY96 ACTUALS TO DATE
ONGOING PROGRAMS (Continued)					
	Section 8 Refunding	Program development in process for refunding savings; $24,325,000 refunding bonds closing 05/21/95; allocation process begun	Implementation of programs with $80,000/month refunding savings; complete allocation and first year program development	Finance	Refinanced $275,000 of St. Johnsbury project out of proceeds at 0%; instituting plan for committing only 1 year of savings in advance
	Lead Paint Response	Committed $1,000,000 loan participation in VHCB lead paint program; HB.471 (comprehensive response required) introduced; no payout until signed into law	Individual loan commitments up to $1,000,000 for MF/SF lead paint remediation; continue participation in policy issues	Admin/ Devel	Committed $1,100,000 loan participation in VHCB lead paint program; HB.471 introduced and will be under consideration this Legislative session
	VHMGB Program Administration	All current VHMGB guarantee programs now being administered by VHFA	Separate business plan being developed for VHMGB programs (attached)	SF Ops	See separate VHMGB business plan (attached)
	MF Construction	Formal program initiated; 1 loan pending; 26 units; $1,270,000; letter of interest	3 loans $2,000,000 Market program and expand lending	Devel	1 loan pending (ltr interest issued) 58 units; $700,000
	Special Needs Housing	1 application pending 05/95 $85,000; group home; 1 homeownership application in process $57,500; homeownership initiative started	MOVE/HOUSE Pilot 10 loans; $600,000 In coordination with Home of Your Own Alliance Coalition	Devel	1 loan in process; $85,000
	Bridge Financing Initiative	Lines of credit for nonprofit acquisitions of SF resales. LCHDC $150,000; RAHC $36,000; "Bridge" Financing Initiative"	Monitor existing lines of credit	Devel	LCHDC Commitment expires 12/31, RAHC commitment expires 12/28; will contact to see if they want to renew Outstanding balance = $10,500
PROGRAMS/INITIATIVES BEING DEVELOPED					
*	Home Improvement/Qualified Rehab	Home improvement program development in process	Implement; 150 loans; $1,300,000	Devel	Survey completed; preliminary program being developed
	Proactive Servicing (SF)	Research in progress; computer system implemented	Accomplish direct billing and/or implement tape to tape services with individual lenders during FY96	Finance	Began work with Merchants Bank on electronic data transfer system
	Expand Down Payment Assistance (IORTA)	VHMGB has granted an additional 50 guarantees in support of this program for FY96; staff working on issues of property inspections, targeting and energy	Secure at least 150 more Down Payment Assistance guarantees from VHMGB for MOVE. Better utilize the RECD guarantee program.	SF Ops	Obtained 50 more guarantees; coupled with what was left over from previous program, gives total of 100; seeking RFP responses from property inspectors
*	Monitoring: Streamline Statewide Programs	Coordination with VSHA ongoing; has begun with HVT and Burlington City Inspections	Combine VHFA, HVT, Section 8, Tax Credit and VHCB monitoring requirements where practicable	MF Mgmt	Coordination with VHCB has begun with their HOME and grant programs
	Condominium Project Inspections	Compiling list of VHFA-approved condo projects and locations; formatting inspection protocols	Conduct inspections using MF form and photograph at each location (50 condo developments)	MF Mgmt	18 inspections have been completed
	Burlington Enterprise Community	Committed up to $2,000,000 for a rental rehabilitation initiative	Program development and implementation in conjunction with CEDO and local nonprofits	Devel	VHFA was represented by BCLT at Enterprise Community Fair 10/14

FY95 vs. FY96 (July 1, 1994 through September 30, 1995)					
	* = FROM STRATEGIC PLAN	FY95 ACTUALS	FY96 GOALS	DEPARTMENT	FY96 ACTUALS TO DATE
PROGRAMS/INITIATIVES BEING DEVELOPED (Continued)					
*	Expand Use of FHLB in conjunction with LIHTC via Loan Consortium		Program development	Devel	No activity to date; second quarter activity planned
*	Homeownership Centers: Expand Down Payment Assistance; Improve Financing for 3-4 unit owner-occupied	In program development	Program implementation in 3 pilot centers; 20 loan closings	Devel	Plan to implement is in process
*	Expand Energy Lending Activities	In program development for rental properties (owner-occupied and investor-occupied)	Program development and implementation in conjunction with VT OEO weatherization program	Devel	01/01/96 implementation scheduled
	Homeownership Counseling	Continuation of feasibility study in light of strategic planning	Complete feasibility study; explore and review VHFA's role in developing counseling programs in conjunction with down payment assistance program and homeownership centers	Comm	Exploration of VHFA's role has begun in conjunction with Homeownership Center pilot project and other program development
ANALYZE FOR FUTURE IMPLEMENTATION					
*	Financing for Assisted Living	Participated in advisory committee on assisted living	Develop financing options in conjunction with other state agencies, et al.	Devel	No activity to date; second quarter activity planned
ACTIVITIES IN SUPPORT OF PROGRAMS					
*	Increase Efficiency of MF Lending Process	1. Review underwriting standards 2. Develop new informational application and marketing materials (underway); one page program descriptions completed; others in development 3. Accelerate loan processing 4. Increase efficiency of closing process	1. Finalize and implement new standards 2. Complete and coordinate with other state agencies 3. Continue work on closing process 4. Identify and implement other potential efficiencies.	Devel	Board approved revised MF underwriting standards; revised application form to be completed by 12/95; MF Mgmt/Dev/ Legal discussing ways to make lending process more efficient
	Housing Policies State/Fed Level	Assisted living advisory committee; FNMA Special Needs Task Force; Federal cutbacks meetings	Identify and participate on critical issues	Admin	Assisted living advisory committee; FNMA Special Needs Task Force; Federal cutbacks meetings; participation in efforts to retain LIHTC program; HUD Consolidation Plan; Lead Paint Hazard Commission
	Housing Vermont	Evaluation ongoing	Continue evaluation and monitoring; maintain oversight role	Finance	Ongoing evaluation
	Cash Flow: Analyze Alternatives	No progress	Review demo programs in-house	Finance	No action to date
	Statewide Affordable Housing Activity/Promotion	Housing "Action Day" held 09/94	Participate in planning and conducting FY96 activity in conjunction with Governor's office	Comm	No activity planned yet

FY95 vs. FY96 (July 1, 1994 through September 30, 1995)					
	* = FROM STRATEGIC PLAN	FY95 ACTUALS	FY96 GOALS	DEPARTMENT	FY96 ACTUALS TO DATE
ACTIVITIES IN SUPPORT OF PROGRAMS (Continued)					
	MF Management	97 developments (2,771 units)	100 developments (2,900 units) Provide effective servicing and monitoring of MF portfolio; administer HUD Section 8 funds, $2.9 million/year	MF Mgmt	98 developments (2,804 units)
	Lender Training	46 sessions held; 341 participants	50 sessions; 500 participants Evaluate training format/efficiency	Comm	2 sessions held; 4 participants
	Computer Software/Hardware Convert	Computer conversion in progress	Finalize installation of all MITAS modules; retire HP system	Admin	Computer conversion in progress; 02/15/96 completion anticipated
	HUD Consolidated Plan (formerly CHAS) Performance	LIHTC allocation plan developed consistent with HUD Consolidated Plan	Maintain consistency with HUD Consolidated Plan and implement as applicable	Admin	LIHTC allocation plan developed; consistent with HUD Consolidated Plan
*	Direct Servicing		Pursue service opportunities for VHFA mortgage loans when/where appropriate; VHFA currently services 152 loans totalling $1.7 million; of these, 115 are mortgage loans	Finance	Enhancing computerized direct servicing capabilities; continuing to purchase service released mortgages
	LIHTC Compliance Monitoring	45 projects totalling 1,900 units	59 projects totalling 2,223 units	MF Mgmt	12 compliance audits completed
	Training for RE Professionals	4 course sessions held; 79 attendees; presentations made at 5 regional RE Board meetings	6 course sessions; 200 attendees; presentations at 8 RE Board meetings	Comm	1 course session held; 12 attendees
	Strategic Planning	Completed for FY96-FY2000	Integrate Year 1 goals into Bus Plan	Comm	Year 1 goals integrated into Business Plan
	Regional Attorneys	Opened 45 files; supervised 61 cases; closed 39 files	Continue utilization and monitoring of efficiency of regional attorney system	Admin	Opened 8 files; supervised 42 cases; closed 19 files
	Quality Control	Procedures are being developed to conform VHFA and VHMGB quality control process and procedures to secondary market requirements	Conform VHFA Quality Control procedure with Freddie Mac guidelines for originating lenders and integrate with VHMGB quality control process	SF Ops	VHFA quality control procedures conform to secondary market guidelines; audit will verify and/or point out areas to be addressed
*	Address Homelessness		Assist other agencies in defining and determining the level of homelessness and disseminating results; consider using refunding resources	Devel/Comm	No activity to date
*	Data Collection, Analysis, Dissemination of Housing Data		Maintain current level of data collection, analysis and dissemination for internal VHFA use and external projects	Comm	
	Promote VHFA's Affordable Housing Programs Through Advertising		Maintain advertising campaign to generate consumer interest and result in loans at current levels for VHFA homeownership mortgage programs	Comm	Fall campaign underway, with revised radio and print ads

FY95 vs. FY96 (July 1, 1994 through September 30, 1995)				
* = FROM STRATEGIC PLAN	FY95 ACTUALS	FY96 GOALS	DEPARTMENT	FY96 ACTUALS TO DATE
ACTIVITIES IN SUPPORT OF PROGRAMS (Continued)				
Communications Plan		Develop for program promotion, development of materials and/or outreach to meet VHFA's needs	Comm	Will be completed during second quarter FY96
Loan Servicing	31 lenders 5,683 loans $293 million	Maintain current levels as needed	Finance	Status quo

FY95 (July 1, 1994 through June 30, 1995) vs. FY96			
	FY95 ACTUALS TO DATE	FY96 GOALS	FY96 ACTUALS TO DATE
ONGOING PROGRAMS			
Guarantees Issued	1,222 issued; $16,929,216 coverage	1,250 issued; $21,100,000 coverage	265 issued; $ 4,429,267 coverage
Lead Hazard Mgmt Loan Guarantee	Guarantee program developed and initiated	10 loans @ $5,000 per loan; $45,000 coverage	None to date
PROGRAMS/INITIATIVES BEING DEVELOPED			
Monthly Premium	Initial research underway; preliminary discussions held with VHMGB Board. Fee structure statutorily in place to make this a viable option.	Board approval and program implementation by 12/31/95	Have discussed parameter internally and requested proposal for computer work from software vendor
Universal Claim Form	Available on computer; will incorporate with re-write of VHMGB procedural guide	Obtain VHMGB Board approval for the replacement of current claim form. Introduce change to lending community by 09/30/95.	Still under consideration
Claim Payment Policy		Obtain VHMGB Board approval to pay guarantee claims prior to sale of property by lender.	Still under consideration
ANALYZE FOR FUTURE IMPLEMENTATION			
Home Improvement Loans	Program parameters being developed; may use FHA Title I as guarantee vehicle in pilot stage	Participate with VHFA Development in expansion of current VHMGB loan guarantee program to incorporate home improvement loans	Participating with VHFA in development of their program to be guaranteed by FHA Title I
Delegated Underwriting	Initially researched process used by PMI industry: approved lenders may obtain authority to underwrite conventional mortgage loans for guarantee/mortgage insurance coverage.	Obtain VHMGB Board approval of concept and position VHMGB to offer this in the later part of 1996	Still under consideration; initially, may pilot program with conventional loans
ACTIVITIES IN SUPPORT OF PROGRAMS			
Procedural Guide Consolidation		Completely rewrite VHFA and VHMGB guides to consolidate origination and servicing process; to be completed by 12/31/96	Initial staff meetings held to organize this process
Quality Control	Per agreement with secondary market, quality control process was backlogged by 9 months; process brought current and VHMGB passed secondary market audit	Continue to keep quality control process current and in compliance with secondary market guidelines	Process is up-to-date and in compliance with secondary market guidelines
Reinsurance	VHMGB Board has authorized staff to research possibilities	Ascertain whether guarantee authority can be expanded through the use of this vehicle and present findings to VHMGB Board	Initial contact made with private mortgage insurer; rates seem high; may have to look elsewhere for more reasonable quote
Computer Data Clean-Up	Reconciliation of loans sent out to lenders for completion	Review data methodically to locate incorrect information that may change significantly the data reviewed to make business decisions	Reconciliation almost completed to update VHMGB and lender records

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Jeff Francis, Deputy Director, Ext. 210

DATE: November 9, 1995

RE: First Quarter FY96 Business Plan Results

Enclosed you will find the summary pages of the FY96 Business Plan indicating progress made in achieving VHFA goals during the first quarter. Staff will be prepared to answer any questions you may have relative to specific activities at the Board meeting. Please do not hesitate to contact me in the meantime with any questions, comments or concerns.

Thank you.

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

FY95 vs. FY96 (July 1, 1994 through September 30, 1995)				
* = FROM STRATEGIC PLAN	FY95 ACTUALS	FY96 GOALS	DEPARTMENT	FY96 ACTUALS TO DATE
ONGOING PROGRAMS				
MOVE (Includes IORTA)	775 mtges purch; $49,790,073	825 mtges purch; $55,000,000	SF Ops	189 mtges purch; $12,276,806
MCC (Mortgage Plus)	147 MCCs issued; $11,336,000	154 MCCs issued; $11,900,000	SF Ops	20 MCCs issued; $ 1,473,544
HOUSE (Includes IORTA)	45 loans purch; $ 2,789,832	75 loans purch; $ 4,900,000	Devel	26 loans purch; $ 1,704,992
Rural VT Mtge	25 mtges purch; $ 859,560	25 mtges purch; $ 850,000	SF Ops	26 mtges purch; $ 896,680
IORTA Down Payment Assist	122 loans purch; $ 7,871,585	(See "Prog/Init Being Devel" section)	SF Ops	7 loans purch; $ 445,073
Mobile Home Park Financing (MF)	33 units; $ 281,000	30 units; $ 300,000	Devel	45 units; $ 182,000
Preservation-Section 8	4 Pres Agree signed (114 units)	Pres Agree for 20 projects (400 units)	MF Mgmt	On hold pending HUD rent reduction proposals
LIHPRHA Preservation/Westgate	Westgate Tenants Assoc funded; option agreement negotiations ongoing for Westgate/Applegate; projects on hold pending Congressional action on HUD proposals and budget	On hold pending Congressional action on HUD proposals and budget; possibly complete renegotiation of option agreement or alternative course of action	Devel	Considering HUD note sale as an alternative to preservation program; December deadline
MF Financing	94 units closed; $3,030,506 53 units commit; $ 484,750+ pending	3 loans, 92 units $1,478,000 Expand in conjunction with refunding	Devel	2 loans, 52 units ($401,110/$210,000) St Johnsbury loan (Section 8 Refund); Burlington scattered sites (20 units)
VT Housing Ventures	6 loans closed; $ 132,300 2 loans pending; $ 60,000	7 loans $ 200,000 Continue program; evaluate risk; possibly add funding	Devel	1 loan closed; $ 11,900 1 loan pending $ 10,000 Increased funding to $ 325,000 06/95
SF Development/Construction	11 units; $ 750,000	50 units; $2,700,000	Devel	No activity; accepting applications
LIHTC	CAL 94: 409 units/383 TC units; $1,455,953 allocated CAL 95: 138 units/132 TC units reserved; $535,214	CAL 95: Allocate 100% of available credit ($772,264 plus National Pool)	Devel	100% of available credit reserved for projects
Nonprofit Training/Technical Assist	LIHTC training workshop in collaboration with VHCB	Training on new programs, other as needed	Devel	Developing training for nonprofits; SF program focus 12/95 target; also plan to develop training on appraising affordable housing
Home Buyer Education	4 home buyer fairs; 853 attendees 4 home buy basics wkshp; 137 attendees 5 other homeownership classes; 99 attendees	2 home buyer fairs; 850 attendees 4 home buy basics wkshp; 150 attendees 8 other homeownership classes; 150 attendees; non-VHFA events as requested	Comm	1 home buyer fair; 45 attendees
Cooperative Advertising	$7,500 allocated to 7 nonprofits; $5,465 dispersed to 6 nonprofits	$8,000 allocated for nonprofits; develop cooperative advertising program for lenders and real estate firms	Comm	1 mailing for nonprofits to 400 consumers; 550 flyers in RE newsletter $8,700 awarded for nonprofits
Dalton Drive Commercial Buildings	#504 under negotiation; P&S pending; #600 active interest from local nonprofit	Sell both buildings, with VHFA financing both acquisitions	Admin	#504 sold $615,000; #600 active interest from local nonprofit $250,000

FY95 vs. FY96 (July 1, 1994 through September 30, 1995)					
	* = FROM STRATEGIC PLAN	FY95 ACTUALS	FY96 GOALS	DEPARTMENT	FY96 ACTUALS TO DATE
ONGOING PROGRAMS (Continued)					
	Section 8 Refunding	Program development in process for refunding savings; $24,325,000 refunding bonds closing 05/21/95; allocation process begun	Implementation of programs with $80,000/month refunding savings; complete allocation and first year program development	Finance	Refinanced $275,000 of St. Johnsbury project out of proceeds at 0%; instituting plan for committing only 1 year of savings in advance
	Lead Paint Response	Committed $1,000,000 loan participation in VHCB lead paint program; HB.471 (comprehensive response required) introduced; no payout until signed into law	Individual loan commitments up to $1,000,000 for MF/SF lead paint remediation; continue participation in policy issues	Admin/ Devel	Committed $1,100,000 loan participation in VHCB lead paint program; HB.471 introduced and will be under consideration this Legislative session
	VHMGB Program Administration	All current VHMGB guarantee programs now being administered by VHFA	Separate business plan being developed for VHMGB programs (attached)	SF Ops	See separate VHMGB business plan (attached)
	MF Construction	Formal program initiated; 1 loan pending; 26 units; $1,270,000; letter of interest	3 loans $2,000,000 Market program and expand lending	Devel	1 loan pending (ltr interest issued) 58 units; $700,000
	Special Needs Housing	1 application pending 05/95 $85,000; group home; 1 homeownership application in process $57,500; homeownership initiative started	MOVE/HOUSE Pilot 10 loans; $600,000 In coordination with Home of Your Own Alliance Coalition	Devel	1 loan in process; $85,000
	Bridge Financing Initiative	Lines of credit for nonprofit acquisitions of SF resales. LCHDC $150,000; RAHC $36,000; "Bridge" Financing Initiative"	Monitor existing lines of credit	Devel	LCHDC Commitment expires 12/31, RAHC commitment expires 12/28; will contact to see if they want to renew Outstanding balance = $10,500
PROGRAMS/INITIATIVES BEING DEVELOPED					
*	Home Improvement/Qualified Rehab	Home improvement program development in process	Implement; 150 loans; $1,300,000	Devel	Survey completed; preliminary program being developed
	Proactive Servicing (SF)	Research in progress; computer system implemented	Accomplish direct billing and/or implement tape to tape services with individual lenders during FY96	Finance	Began work with Merchants Bank on electronic data transfer system
	Expand Down Payment Assistance (IORTA)	VHMGB has granted an additional 50 guarantees in support of this program for FY96; staff working on issues of property inspections, targeting and energy	Secure at least 150 more Down Payment Assistance guarantees from VHMGB for MOVE. Better utilize the RECD guarantee program.	SF Ops	Obtained 50 more guarantees; coupled with what was left over from previous program, gives total of 100; seeking RFP responses from property inspectors
*	Monitoring: Streamline Statewide Programs	Coordination with VSHA ongoing; has begun with HVT and Burlington City Inspections	Combine VHFA, HVT, Section 8, Tax Credit and VHCB monitoring requirements where practicable	MF Mgmt	Coordination with VHCB has begun with their HOME and grant programs
	Condominium Project Inspections	Compiling list of VHFA-approved condo projects and locations; formatting inspection protocols	Conduct inspections using MF form and photograph at each location (50 condo developments)	MF Mgmt	18 inspections have been completed
	Burlington Enterprise Community	Committed up to $2,000,000 for a rental rehabilitation initiative	Program development and implementation in conjunction with CEDO and local nonprofits	Devel	VHFA was represented by BCLT at Enterprise Community Fair 10/14

FY95 vs. FY96 (July 1, 1994 through September 30, 1995)					
	* = FROM STRATEGIC PLAN	FY95 ACTUALS	FY96 GOALS	DEPARTMENT	FY96 ACTUALS TO DATE
PROGRAMS/INITIATIVES BEING DEVELOPED (Continued)					
*	Expand Use of FHLB in conjunction with LIHTC via Loan Consortium		Program development	Devel	No activity to date; second quarter activity planned
*	Homeownership Centers: Expand Down Payment Assistance; Improve Financing for 3-4 unit owner-occupied	In program development	Program implementation in 3 pilot centers; 20 loan closings	Devel	Plan to implement is in process
*	Expand Energy Lending Activities	In program development for rental properties (owner-occupied and investor-occupied)	Program development and implementation in conjunction with VT OEO weatherization program	Devel	01/01/96 implementation scheduled
	Homeownership Counseling	Continuation of feasibility study in light of strategic planning	Complete feasibility study; explore and review VHFA's role in developing counseling programs in conjunction with down payment assistance program and homeownership centers	Comm	Exploration of VHFA's role has begun in conjunction with Homeownership Center pilot project and other program development
ANALYZE FOR FUTURE IMPLEMENTATION					
*	Financing for Assisted Living	Participated in advisory committee on assisted living	Develop financing options in conjunction with other state agencies, et al.	Devel	No activity to date; second quarter activity planned
ACTIVITIES IN SUPPORT OF PROGRAMS					
*	Increase Efficiency of MF Lending Process	1. Review underwriting standards 2. Develop new informational application and marketing materials (underway); one page program descriptions completed; others in development 3. Accelerate loan processing 4. Increase efficiency of closing process	1. Finalize and implement new standards 2. Complete and coordinate with other state agencies 3. Continue work on closing process 4. Identify and implement other potential efficiencies.	Devel	Board approved revised MF underwriting standards; revised application form to be completed by 12/95; MF Mgmt/Dev/ Legal discussing ways to make lending process more efficient
	Housing Policies State/Fed Level	Assisted living advisory committee; FNMA Special Needs Task Force; Federal cutbacks meetings	Identify and participate on critical issues	Admin	Assisted living advisory committee; FNMA Special Needs Task Force; Federal cutbacks meetings; participation in efforts to retain LIHTC program; HUD Consolidation Plan; Lead Paint Hazard Commission
	Housing Vermont	Evaluation ongoing	Continue evaluation and monitoring; maintain oversight role	Finance	Ongoing evaluation
	Cash Flow: Analyze Alternatives	No progress	Review demo programs in-house	Finance	No action to date
	Statewide Affordable Housing Activity/Promotion	Housing "Action Day" held 09/94	Participate in planning and conducting FY96 activity in conjunction with Governor's office	Comm	No activity planned yet

FY95 vs. FY96 (July 1, 1994 through September 30, 1995)					
	* = FROM STRATEGIC PLAN	FY95 ACTUALS	FY96 GOALS	DEPARTMENT	FY96 ACTUALS TO DATE
ACTIVITIES IN SUPPORT OF PROGRAMS (Continued)					
	MF Management	97 developments (2,771 units)	100 developments (2,900 units) Provide effective servicing and monitoring of MF portfolio; administer HUD Section 8 funds, $2.9 million/year	MF Mgmt	98 developments (2,804 units)
	Lender Training	46 sessions held; 341 participants	50 sessions; 500 participants Evaluate training format/efficiency	Comm	2 sessions held; 4 participants
	Computer Software/Hardware Convert	Computer conversion in progress	Finalize installation of all MITAS modules; retire HP system	Admin	Computer conversion in progress; 02/15/96 completion anticipated
	HUD Consolidated Plan (formerly CHAS) Performance	LIHTC allocation plan developed consistent with HUD Consolidated Plan	Maintain consistency with HUD Consolidated Plan and implement as applicable	Admin	LIHTC allocation plan developed; consistent with HUD Consolidated Plan
*	Direct Servicing		Pursue service opportunities for VHFA mortgage loans when/where appropriate; VHFA currently services 152 loans totalling $1.7 million; of these, 115 are mortgage loans	Finance	Enhancing computerized direct servicing capabilities; continuing to purchase service released mortgages
	LIHTC Compliance Monitoring	45 projects totalling 1,900 units	59 projects totalling 2,223 units	MF Mgmt	12 compliance audits completed
	Training for RE Professionals	4 course sessions held; 79 attendees; presentations made at 5 regional RE Board meetings	6 course sessions; 200 attendees; presentations at 8 RE Board meetings	Comm	1 course session held; 12 attendees
	Strategic Planning	Completed for FY96-FY2000	Integrate Year 1 goals into Bus Plan	Comm	Year 1 goals integrated into Business Plan
	Regional Attorneys	Opened 45 files; supervised 61 cases; closed 39 files	Continue utilization and monitoring of efficiency of regional attorney system	Admin	Opened 8 files; supervised 42 cases; closed 19 files
	Quality Control	Procedures are being developed to conform VHFA and VHMGB quality control process and procedures to secondary market requirements	Conform VHFA Quality Control procedure with Freddie Mac guidelines for originating lenders and integrate with VHMGB quality control process	SF Ops	VHFA quality control procedures conform to secondary market guidelines; audit will verify and/or point out areas to be addressed
*	Address Homelessness		Assist other agencies in defining and determining the level of homelessness and disseminating results; consider using refunding resources	Devel/Comm	No activity to date
*	Data Collection, Analysis, Dissemination of Housing Data		Maintain current level of data collection, analysis and dissemination for internal VHFA use and external projects	Comm	
	Promote VHFA's Affordable Housing Programs Through Advertising		Maintain advertising campaign to generate consumer interest and result in loans at current levels for VHFA homeownership mortgage programs	Comm	Fall campaign underway, with revised radio and print ads

FY95 vs. FY96 (July 1, 1994 through September 30, 1995)				
* = FROM STRATEGIC PLAN	FY95 ACTUALS	FY96 GOALS	DEPARTMENT	FY96 ACTUALS TO DATE
ACTIVITIES IN SUPPORT OF PROGRAMS (Continued)				
Communications Plan		Develop for program promotion, development of materials and/or outreach to meet VHFA's needs	Comm	Will be completed during second quarter FY96
Loan Servicing	31 lenders 5,683 loans $293 million	Maintain current levels as needed	Finance	Status quo

FY95 (July 1, 1994 through June 30, 1995) vs. FY96			
	FY95 ACTUALS TO DATE	FY96 GOALS	FY96 ACTUALS TO DATE
ONGOING PROGRAMS			
Guarantees Issued	1,222 issued; $16,929,216 coverage	1,250 issued; $21,100,000 coverage	265 issued; $ 4,429,267 coverage
Lead Hazard Mgmt Loan Guarantee	Guarantee program developed and initiated	10 loans @ $5,000 per loan; $45,000 coverage	None to date
PROGRAMS/INITIATIVES BEING DEVELOPED			
Monthly Premium	Initial research underway; preliminary discussions held with VHMGB Board. Fee structure statutorily in place to make this a viable option.	Board approval and program implementation by 12/31/95	Have discussed parameter internally and requested proposal for computer work from software vendor
Universal Claim Form	Available on computer; will incorporate with re-write of VHMGB procedural guide	Obtain VHMGB Board approval for the replacement of current claim form. Introduce change to lending community by 09/30/95.	Still under consideration
Claim Payment Policy		Obtain VHMGB Board approval to pay guarantee claims prior to sale of property by lender.	Still under consideration
ANALYZE FOR FUTURE IMPLEMENTATION			
Home Improvement Loans	Program parameters being developed; may use FHA Title I as guarantee vehicle in pilot stage	Participate with VHFA Development in expansion of current VHMGB loan guarantee program to incorporate home improvement loans	Participating with VHFA in development of their program to be guaranteed by FHA Title I
Delegated Underwriting	Initially researched process used by PMI industry: approved lenders may obtain authority to underwrite conventional mortgage loans for guarantee/mortgage insurance coverage.	Obtain VHMGB Board approval of concept and position VHMGB to offer this in the later part of 1996	Still under consideration; initially, may pilot program with conventional loans
ACTIVITIES IN SUPPORT OF PROGRAMS			
Procedural Guide Consolidation		Completely rewrite VHFA and VHMGB guides to consolidate origination and servicing process; to be completed by 12/31/96	Initial staff meetings held to organize this process
Quality Control	Per agreement with secondary market, quality control process was backlogged by 9 months; process brought current and VHMGB passed secondary market audit	Continue to keep quality control process current and in compliance with secondary market guidelines	Process is up-to-date and in compliance with secondary market guidelines
Reinsurance	VHMGB Board has authorized staff to research possibilities	Ascertain whether guarantee authority can be expanded through the use of this vehicle and present findings to VHMGB Board	Initial contact made with private mortgage insurer; rates seem high; may have to look elsewhere for more reasonable quote
Computer Data Clean-Up	Reconciliation of loans sent out to lenders for completion	Review data methodically to locate incorrect information that may change significantly the data reviewed to make business decisions	Reconciliation almost completed to update VHMGB and lender records

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commisioners

FROM: Glenn A. Jarrett, General Counsel GAJ

DATE: November 9, 1995

RE: Private Activity Bond Volume Cap

BACKGROUND:

Each year the Agency is allocated part of the State's $150 million annual volume cap for private activity bonds. So far this year the Agency has been allocated $70 million in volume cap. We do expect to receive some additional volume cap when the Governor allocates the $74 million contingency near the end of the year. We have carried forward $15.175 million of our 1994 volume cap and thus have just over $85 million at present, with the Series 7 issue looming on the horizon.

The Board must take action before the end of the year to carry forward the private activity volume cap the Agency has been allocated by the State. In addition, the Board must allocate the volume cap between single family (qualified mortgage bonds and mortgage credit certificates) and multi-family (exempt facility bonds) purposes. Staff recommends that all of the 1995 volume cap, whether in hand or received before the end of the year, be allocated to single family purposes since it has been several years since the Agency issued tax-exempt multi-family bonds. Currently, the Agency has no volume cap allocated to multifamily bonds, but has no present plans to issue any tax exempt multifamily bonds. We anticipate an allocation of 1996 volume cap in January when the Emergency Board meets and can allocate a portion of that for multifamily purposes.

I would be happy to answer any questions that you may have.

REQUESTED ACTION:

Approval of the attached resolution.

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

RESOLUTION RELATING TO
VERMONT HOUSING FINANCE AGENCY
ELECTION TO ALLOCATE AND CARRYFORWARD
1995 PRIVATE ACTIVITY BOND
VOLUME CAP ALLOCATION

WHEREAS, the Vermont Housing Finance Agency (the "Agency") has been allocated $70,000,000 in 1995 private activity bond volume cap by the State of Vermont and has carried forward from 1994 an additional $15,175,000 in volume cap, which was allocated for qualified mortgage bonds and mortgage credit certificates. The Agency hereby allocates $70,000,000 of 1995 private activity bond volume cap to issue qualified mortgage revenue bonds and mortgage credit certificates.

2. If the Vermont Housing Finance Agency is allocated any additional volume cap by the State of Vermont on or after November 16, 1995, it elects to allocate all of such additional volume cap for the purposes of issuing qualified mortgage bonds or mortgage credit certificates.

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

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

T:\bonds\volcap\volcap95.res

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director, Ext. 221 ASH

DATE: November 10, 1995

RE: ENCLOSED "SUPPLEMENTAL" BOARD MEMO

Due to the sensitive nature of the enclosed memorandum regarding Winchester Place, I am sending it to each of you separate from the Board packet. Discussion of this matter at next week's Board meeting may require an Executive Session.

If you have any questions prior to the Board meeting, please feel free to contact me.

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY
MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director ASH
Paul M. Cummings, Development Officer PMC

DATE: November 10, 1995

RE: Winchester Place Update -- **CONFIDENTIAL**

This is to update the Board on the status of Winchester Place.

FORBEARANCE AGREEMENT

On November 10, 1995, Winchester Associates (Winchester Place Mortgagor) will be unable to pay the total of the debt service due ($65,056.63) on VHFA's loan and project operating expenses. The reason Winchester Associates will be unable to pay these project expenses is that the only remaining cash account available to cover project deficits, the Working Capital account, will have been exhausted.

Because the mortgagor would be facing a situation where all project costs could not be paid, VHFA drafted a Winchester Place Forbearance Agreement (attached) to identify expenses that must be paid. This agreement accomplishes the following:

1) acknowledges that Winchester Associates will not be able to pay all monthly debt service payments and operating expenses with available project income.

2) identifies all expenses, specifically project operating expenses including items such as taxes and management fees, that must be paid in full on a monthly basis.

3) identifies the minimum monthly debt service payment that Winchester Associates would be required to pay to VHFA during the next two years once approved project operating expenses have been paid. In determining the minimum debt service payment due, VHFA has increased the expected payment by $8,333 for every month after January 1996 which would translate into annual increase of $100,000. Because Winchester Associates does not have any surplus cash available, VHFA expects that Merchants Bank would be the only source able to fund this increase.

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

4) allows for VHFA approval of repair costs that may be required because of deterioration of project. Repair costs would be funded in the form of an additional loan to project.

5) strengthens VHFA's legal position in the event of foreclosure.

On November 3, 1995, the Winchester Place Forbearance agreement was sent to Winchester Associates for their review.

ASSESSMENT OF DETERIORATION AND STRATEGY TO FUND REPAIRS

Winchester Associates has commissioned, at VHFA's approval, a independent study of the deterioration at Winchester Place. However, because it was not feasible to pull down siding and trim boards on all of the buildings at Winchester Place, this study was not able to determine the full extent of deterioration.

Winchester Associates has attempted to cooperate with the original architect (Wiemann-Lamphere Architects) and contractor (Kessel/Duff Construction) in determining each party's responsibility in the deterioration and choosing the best strategy to make repairs. Although Winchester Associates has filed a lawsuit against the contractor to protect the statute of limitations (six years) since completion of the buildings, all parties have been attempting to coordinate their efforts to resolve the situation at Winchester Place.

The architect and the contractor have agreed to focus on the worst building in the project and, with no initial labor reimbursement to either party, completely rehabilitate the building. Pending results of the litigation, VHFA would approve all drawings, specifications, the scope of work, and would also pay for materials. It is expected that work would begin as soon as the drawings are completed and approved. Once this building is complete, it has been suggested that an accurate estimate of the total cost of repairs at Winchester Place could be determined.

VHFA and Winchester Associates are still focusing on the contractor's and/or architect's liability insurance as the primary source of reimbursement for any and all repairs.

RECOMMENDED ACTION

Recommend Board approval of the attached Resolution authorizing the Executive Director to execute the Winchester Place Forbearance Agreement with Winchester Associates.

RESOLUTION PERTAINING TO WINCHESTER PLACE DEVELOPMENT

WHEREAS, the Agency has been aware for some time of financial and physical problems at the Winchester Place development in Colchester (the "Development"); and

WHEREAS, staff has been negotiating with the partners of Winchester Associates, the Mortgagor, and St. Michael's College, the lessor under the ground lease for the land on which the Development sits; and

WHEREAS, Mortgagor has commenced a lawsuit against the general contractor responsible for the construction of the Development and may in the future expand the lawsuit to include as a co-defendant the architect responsible for the design of the Development and the inspection of the construction work; and

WHEREAS, a memorandum dated November 10, 1995 by Allan Hunt and Paul Cummings has been presented to the Board (the "Memorandum"), together with a draft "Winchester Place Forbearance Agreement;"

NOW, THEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to take the actions described in the Memorandum to fund the cost of materials to perform, and to review and approve repairs on one building in the Development.

2. Pursuant to 10 V.S.A. §§ 621(14) and 624(a)(2), the Agency hereby authorizes the Executive Director to take actions in accordance with the Memorandum, including, but not limited to, the execution of the Winchester Place Forbearance Agreement in form satisfactory to him.

T:winch\board.res

WINCHESTER PLACE FORBEARANCE AGREEMENT

This Winchester Place Forbearance Agreement effective the 1st day of November, 1995 (the "Agreement") between Vermont Housing Finance Agency ("VHFA") and Winchester Associates ("Mortgagor"), with capitalized terms used herein and not otherwise defined having the same meaning as they have in the Regulatory Agreement between Winchester Associates and VHFA dated December 19, 1989,

W I T N E S S E T H

WHEREAS, during the Term of this Forbearance Agreement, scheduled monthly Debt Service in the amount of $65,056.63 will fall due on the tenth day of each month under the terms of the Mortgage Loan; and,

WHEREAS, the parties acknowledge and anticipate that, commencing with the Debt Service payment falling due on November 10, 1995, the Mortgagor will be unable to pay both Debt Service and Regular Monthly Operating Costs, as defined below; and,

WHEREAS, Mortgagor has commenced a lawsuit against the general contractor responsible for construction of the Development entitled Winchester Associates v. Kessel/Duff Construction of Vermont, Inc., Docket No. 1134-95 CnC (the "Matter"), now pending in Chittenden Superior Court, and may in the future expand the Matter to include as a co-defendant the architect responsible for the design of the Development and inspection of the construction work; and,

WHEREAS, VHFA has previously consented to the institution of the Matter under the terms and conditions set forth in a certain letter dated September 12, 1995 and addressed to Mortgagor c/o Donald E. Dickson, Pres., Housing Vermont, attached hereto (the Litigation Consent Letter);

NOW THEREFORE, in consideration of the mutual and reciprocal promises and agreements hereinafter made, the parties agree as follows:

DEFINITIONS

1. "Accommodation Loans" means any loans made by VHFA to Mortgagor for payment of the cost of Repairs or legal fees.

2. "Adjusted Surplus Cash" means Surplus Cash calculated without regard to Deferred Debt Service and Accommodation Loans.

3. "Deferred Debt Service" means at any point in time the cumulative difference between monthly scheduled Debt Service and the actual amount of Debt Service paid to VHFA.

4. "Investor Services Fee" means $830 per month payable to Housing Vermont.

5. "Monthly Litigation Retainer" means $2,000.

6. "Regular Monthly Operating Costs" or "RMOC" means monthly Operating Expenses plus the Investor Services Fee and the Litigation Retainer less (i) Debt Service, (ii) the cost of maintenance of the Development in excess of routine maintenance costs as determined in accordance with applicable budgets approved or to be approved by VHFA during the Term (as defined below), and (iii) the cost of Repairs, as defined below.

7. "Minimum Monthly Debt Service Payment" means **$38,332.00** with respect to all Debt Service falling due on November 10, 1995, **$48,809.00** with respect to all Debt Service falling due on December 10, 1995, **$42,651.00** with respect to all Debt Service falling due on January 10, 1996, and **$50,984.00** with respect to all Debt Service falling due on and after February 10, 1996 through the end of the Term.

8. "Monthly Tax and Insurance Escrow Payment" means **$11,039.00.**

9. "Repairs" means repairs and improvements to the Development other than routine maintenance, including, without limitation, (i) repairs necessitated or arising from defective workmanship or materials alleged in connection with the Matter and (ii) maintenance that would cause the cost of maintenance in any month

to exceed routine maintenance costs as determined in accordance with applicable budgets approved or to be approved by VHFA during the Term (as defined below).

10. "Term" means that period of time commencing on the effective date of this Agreement and ending not later than the earlier of (a) that date which is two years after the effective date hereof or (b) the date on which (i) final judgment (exclusive of appeals) has been rendered in the Matter or the Matter has been dismissed with prejudice and (ii) all claims of the Mortgagor against the architect have been resolved by settlement or final judgment (exclusive of appeals).

11. "Terminating Event" means any of:

a. The failure of the Mortgagor to make any Minimum Monthly Debt Service Payment when due, except as otherwise permitted in accordance with the terms of this Agreement;

b. The failure of the Mortgagor to pay any RMOC when due, including, without limitation, any failure to pay the Monthly Tax and Insurance Escrow Payment when due.

c. A declaration of default under the Ground Lease by the ground lessor.

d. Any other material breach of terms and conditions of the Mortgage Loan or this Agreement.

MUTUAL AGREEMENTS

12. Each failure to pay Debt Service when due shall constitute a default under the terms of the Mortgage Loan and each instrument evidencing the Mortgage Loan. As to each and all of such defaults, except as expressly limited by this Agreement, VHFA shall be entitled to accelerate the indebtedness secured by the Mortgage, foreclose the Mortgage, and pursue any other remedy available to it in the event of default under the terms of the Mortgage Loan. VHFA may pursue any or all such remedies without notice to the Mortgagor or opportunity to cure, and any provision to the contrary contained in any document evidencing the Mortgage Loan is hereby superseded.

13. Except as expressly limited herein during the Term, all of the terms and conditions of the Mortgage Loan and all instruments and documents evidencing the Mortgage Loan remain of full force and effect. Upon the conclusion of the Term (including any extension of the Term) and thereafter, unless the parties have entered into a new written agreement providing for the accommodation of operating deficits over the long term (a "Long Term Work-Out Agreement"), the Mortgagor shall be bound by all of the terms and conditions of the Mortgage Loan without regard to the forbearance provisions of this Agreement, and all installments of Debt Service shall be due and payable strictly in accordance with the terms of the Mortgage Loan.

14. After the conclusion of the Term (including any extention thereof) VHFA shall not declare a default under the Mortgage Loan solely on account of non-payment of Debt Service properly deferred while this Agreement was in effect; however, in the event of a new occasion of default after conclusion of the Term, then VHFA may require, as a condition of cure, and in addition to any requirements arising from the new occasion of default, payment in full of all Debt Service deferred hereunder.

15. In any event, after expiration of the Term Mortgagor shall be obligated to pay Deferred Debt Service and Accommodation Loans with simple interest on principal portions thereof at the interest rate provided in the Mortgage Loan, first to the extent of Adjusted Surplus Cash available in any year, and in full upon the first to occur of the refinancing of the Development by the Mortgagor, sale of the Development by the Mortgagor, or foreclosure of the Mortgage.

SPECIFIC UNDERTAKINGS OF VHFA

16. Subject to the terms and conditions of this Agreement, until the earlier to occur of the end of the Term or the occurrence of a Terminating Event, VHFA shall forbear from accelera-

tion of the indebtedness, foreclosure of the Mortgage, and the pursuit of any other remedy otherwise available to it on account of Mortgagor's failure to pay Debt Service when due.

17. VHFA shall deposit all Monthly Tax and Insurance Escrow Payments received from Mortgagor into an identifiable interest-bearing account for the benefit of the Development, and shall make the funds therein, with interest earned thereon, available for payment of local property taxes and casualty and public liability insurance premiums as the same fall due. In the event that VHFA takes title to the Development by any lawful means, all funds then on deposit in such account shall become the property of VHFA.

SPECIFIC UNDERTAKINGS OF THE MORTGAGOR

18. The Mortgagor shall not incur any obligation or cost for Repairs to the Development except upon the express written agreement or direction of the executive director of VHFA. To the extent of obligations that can be paid for by the application of funds otherwise earmarked for the Minimum Monthly Debt Service Payment, or if otherwise funded by VHFA, the Mortgagor shall undertake any maintenance or Repair to the Development upon the express written direction of the executive director of VHFA. The Mortgagor's failure to make any Repairs not authorized or directed by VHFA shall not constitute the basis for a default under the Mortgage Loan.

19. With respect to any and all Repairs deferred, regardless of cause, the Mortgagor expressly undertakes the burden of persuading, and bears the risk of not persuading, the ground lessor to forbear from exercising the remedies available to it. It is understood that this Agreement includes the premise that VHFA is entitled to balance the amount of its repayment deferrals and resulting cash flow losses against the potential impairment of its security resulting from deferred Repairs as it determines in its sole discretion and in accordance with its own interests and the interests of its bondholders. Accordingly, except with

respect to clear matters of life safety, nothing herein shall be construed to require VHFA to consent to any particular level of repair or maintenance of the Development, even if the refusal to allow particular expenditures results in a declaration of default under the Ground Lease or other adverse consequences for the Mortgagor, nor shall any VHFA consent to or direction of Repairs in any given month imply any agreement to authorize or direct similar or other Repairs in any subsequent month.

20. The Mortgagor shall pay not less than the Minimum Monthly Debt Service Payment on each date that Debt Service falls due during the Term, together with the Monthly Tax and Insurance Escrow Payment; provided, however, that the Minimum Monthly Debt Service Payment otherwise due in a given month may be reduced by (a) the amount authorized or directed in writing by the executive director of VHFA to be paid for Repairs in that month and for which VHFA does not offer an Accommodation Loan, and (b) expenses reasonably incurred by Litigation Counsel in connection with the Matter.

21. During the Term, the Mortgagor shall pay all RMOC when due.

22. Not later than ten days after each date during the Term on which the annual audited financial statements of the Mortgagor are required to be delivered to VHFA, the Mortgagor shall pay over to VHFA all Adjusted Surplus Cash to the extent of all Accommodation Loans and Deferred Debt Service then outstanding, including interest on the principal portions thereof. All such payments of Adjusted Surplus Cash shall be applied first to the interest accrued on the principal portions of Deferred Debt Service, then to the principal portions thereof, then to the interest on Accommodation Loans, and then to the principal thereof.

23. Promptly after execution and delivery of this Agreement, the Mortgagor shall cooperate in the transfer to VHFA, for deposit in escrow under VHFA's sole control as required by the

Ground Lease, all funds constituting a portion of the Reserve Fund, including, without limitation, all portions of the Reserve Fund now on deposit with The Merchants Bank.

24. The Mortgagor shall keep the ground lessor informed as to the status of the Matter.

25. The Mortgagor shall cooperate fully with other interested parties, including VHFA and the ground lessor, in seeking the removal of Condition #2 (pertaining to restrictions on occupancy of the Development) from the Act 250 Land Use Permit applicable to the Development. Toward that end, Mortgagor expeditiously shall take all steps reasonably requested by VHFA.

RIGHTS AND DUTIES UPON THE OCCURRENCE OF A TERMINATING EVENT

26. Upon the occurrence of a Terminating Event, VHFA shall be entitled forthwith and without notice to accelerate the indebtedness and foreclose the Mortgage, and/or to pursue any other remedy available to it under the terms of the Mortgage Loan. In the event VHFA elects to foreclose, as part of the consideration for this Forbearance Agreement, Mortgagor shall waive the statutory right of redemption and shall agree to a three day redemption period.

27. VHFA at its sole option may elect to demand a deed in lieu of foreclosure, and in such event the Mortgagor, as part of the consideration for this Forbearance Agreement, shall immediately deliver to VHFA its warranty deed conveying fee simple title to the Development subject only to encumbrances accepted by VHFA when the Mortgage was delivered, together with an assignment of the Mortgagor's interest in the Ground Lease and an appropriate Vermont Property Transfer Tax Return.

28. Mortgagor recognizes that, during the Term, there is no realistic possibility that the real property and tangible personal property given as security in the Mortgage will be adequate to make VHFA whole; accordingly, in the event that VHFA demands a deed in lieu of foreclosure, at the time of delivery of its warranty deed, the Mortgagor shall also deliver to VHFA an absolute

assignment of all other assets of the Mortgagor, tangible and intangible, including, without limitation, all cash reserves, certificates of deposit, and bank accounts, leases and security deposits, all in form satisfactory to counsel for VHFA.

29. Upon the occurrence of a Terminating Event, and upon demand of VHFA, the Mortgagor shall assign to VHFA all of its right, title and interest in the Matter, including the right to direct the prosecution of the Matter and all proceeds.

NO IMPLIED WAIVER; NO LACHES

30. No right granted to VHFA in this Agreement may be waived except by the express written agreement of VHFA. No act or failure to act by VHFA shall imply waiver of a right arising herefrom. Acts or failures to act that shall not imply waiver include specifically, but without limitation, any delay in sending notice or otherwise taking action within the applicable period of limitations and/or acceptance of Debt Service or Minimum Monthly Debt Service Payments in amounts lower than those to which VHFA is then entitled.

AGREEMENTS PERTAINING TO THE MATTER

31. The Litigation Consent Letter and all of its terms and conditions is incorporated herein by reference as the express agreement of the parties, except to the extent inconsistent with the following modifications, to which the parties expressly agree:

a. The hourly rate payable to Neil H. Mickenberg ("Litigation Counsel") shall be $85 rather than $95.

b. Mortgagor shall pay Litigation Counsel the Monthly Litigation Retainer, whether the Monthly Litigation Retainer equals more or less than the $50 per hour payable currently according to the Litigation Consent Letter.

c. The account between the Mortgagor and Litigation Counsel shall be adjusted annually such that the amount paid to Litigation Counsel during the preceding twelve months (the "Running Fee") shall equal not less than Litigation

Counsel's hours reasonably spent on the the Matter times $50.00 (the Annual Interim Litigation Payment). In the event that the Running Fee exceeds the Annual Interim Litigation Payment, the excess shall be credited against the deferred portion of Litigation Counsel's hourly fees. In the event that the Running Fee exceeds all of Litigation Counsel's earned fees calculated at $85 per hour, the Mortgagor shall require Litigation Counsel to rebate the excess in cash. In the event that the Running Fee is less than the Annual Interim Litigation Payment, Mortgagor shall pay the difference first from Surplus Cash, then from special contributions of its limited partner earmarked for the payment of legal fees, or, if there is no Surplus Cash or such special contributions available to Mortgagor, with funds to be supplied by VHFA.

d. If no Terminating Event has occurred as of the time any payment falls due to Litigation Counsel (other than the Monthly Litigation Fee), and if funds sufficient to pay Litigation Counsel is then unavailable from Surplus Cash or earmarked contributions of the limited partner of the Mortgagor, VHFA shall lend to Mortgagor sufficent funds to honor its obligation to Litigation Counsel. All such loans shall constitute future advances under the Mortgage, shall be secured by the Mortgage, and, in the discretion of VHFA, may be disbursed as direct payments to Litigation Counsel. All such loans shall accrue interest at the Mortgage Loan annual rate, shall be payable to the extent of Surplus Cash in any year, and shall be payable in full upon the first to occur of the refinancing of the Development by the Mortgagor, sale of the Development by the Mortgagor, the occurrence of a Terminating Event, or foreclosure of the Mortgage.

e. Mortgagor is hereby authorized to advise Litigation Counsel that VHFA guarantees payment of all of the Mortgagor's obligations to Litigation Counsel consistent with the rates authorized in this Agreement through the date of the termination of his services in the Matter. Such guarantee shall survive the end of the Term or other termination of this Agreement. Nothing herein shall be construed to limit the right of either the Mortgagor or VHFA (but only in the event it becomes the real party in interest in the Matter), as between Litigation Counsel and themselves, to terminate the services of Litigation Counsel at any time; however, Mortgagor shall not terminate the services of Litigation Counsel without the express written consent of VHFA, which shall not be unreasonably withheld provided that arrangements for the protection of VHFA substantially similar to those enjoyed under the Litigation Consent Letter and this Agreement are made with respect to replacement counsel.

f. Mortgagor shall require Litigation Counsel to provide a monthly statement of time and expenses to it, with a copy to VHFA.

32. All proceeds of the Matter, if any, shall be applied first to the payment of any unpaid fees and expenses of Litigation Counsel, then to such Repairs of the Development as VHFA may authorize or direct, then to payment to VHFA of all Deferred Debt Service then outstanding, with interest calculated at the Mortgage Loan rate on the principal portion thereof, and then to the Reserve Fund.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed effective as of the date first above written.

VERMONT HOUSING FINANCE AGENCY

By _____
Executive Director

WINCHESTER ASSOCIATES BY
ITS GENERAL PARTNER,
H.V. WINCHESTER, INC.

By _____
Its authorized agent

RESOLUTION PERTAINING TO LOANS TO WINCHESTER ASSOCIATES

WHEREAS, the Agency has been aware for some time of financial and physical problems at the Winchester Place development in Colchester (the "Development"); on which it holds a leasehold mortgage (the "Mortgage"); and

WHEREAS, the Agency has presented H.V. Winchester, the general partner of Winchester Associates, with a proposed forbearance agreement (the "Forbearance Agreement"); and

WHEREAS, Winchester Associates has informed the Agency that it is unable to make its full mortgage payment for November, 1995 and will be unable to make full payments for the foreseeable future; and

WHEREAS, the loan to Winchester Associates was funded with the proceeds of the Agency's 1989 Series A Housing Development Mortgage Bonds (the "Bonds"), issued pursuant to the Agency's Housing Development Mortgage Bond Resolution dated July 26, 1989 (the "Bond Resolution"); and

WHEREAS, the Agency is required under the terms of the Bond Resolution to pay debt service on the Bonds and does not wish to default on such payments; and

WHEREAS, at present, the Agency is willing to make loans to Winchester Associates to insure that it receives the full amount of monthly debt service due on the loan secured by its Mortgage;

NOW, THEREFORE, it is hereby RESOLVED:

1. Pursuant to 10 V.S.A. §§ 621(14) and 624(a)(2), the Executive Director is hereby authorized, in his discretion, to make not more than two monthly loans to Winchester Associates in November and December, 1995 in an amount not to materially exceed the difference between the monthly debt service of $65,056.63 due from Winchester Associates and the Minimum Monthly Debt Service Payment for the months in question, as that term is defined in the Forbearance Agreement.

2. Upon the execution by Winchester Associates of a Forbearance Agreement in substantially the form presented to the Board, the Executive Director is authorized, in his discretion, to make a series of loans to Winchester Associates on a monthly basis in an amount not to materially exceed the difference between the monthly debt service of $65,056.63 due from Winchester Associates and the Minimum Monthly Debt Service Payment, as that term is defined in the Forbearance Agreement (the loans referred to in paragraph 1 and this paragraph shall be collectively referred to as the "Loans").

3. The Loans shall not be made after the earlier to occur of the end of the Term or the occurence of a Terminating Event, as those capitalized terms are defined in the Forbearance Agreement.

4. The Agency shall have no obligation to make any of the Loans.

5. Each of the Loans shall be evidenced by a promissory note executed by a duly authorized agent of H.V. Winchester, general partner of Winchester Associates, shall bear an interest rate of zero percent per annum, and shall be repayable in twenty years.

3. The source of funds for the Loans shall be savings from the Agency's Section 8 bond refunding.

4. The Executive Director, the Deputy Director and the Director of Finance are directed to take all necessary steps to accomplish the loans described above.

T:winch\board2.res

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director

DATE: November 29, 1995

RE: CANCEL DECEMBER BOARD MEETING/Proposed 1996 Schedule

The Board meeting for December has been cancelled. The next regularly scheduled Board meeting will be Thursday, January 18, in Montpelier. However, we will need to schedule a conference call (or two) prior to the January meeting to approve the pricing and subsequent sale of single family housing bonds. It is likely that Board action will be necessary during the week of January 8-12.

I would like to propose the following schedule for Board meetings during 1996:

January 18	1:00	Montpelier
February 15	1:00	Burlington
March 21	1:00	Montpelier
April 18	1:00	Montpelier
May 16	1:00	Burlington
June 20	1:00	Burlington
July 18	1:00	Montpelier
August 15	1:00	Burlington
September 19	1:00	Derby
October 17	1:00	Montpelier
November 21	1:00	Montpelier
December 19	1:00	Burlington

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

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director
Paul Cummings, Development Officer

DATE: December 21, 1995

RE: December Tax Credit Reservation - 1995 Round 3

**** URGENT - PLEASE RESPOND IMMEDIATELY ****

Because Vermont utilized all of its Low Income Housing Tax Credits in 1994, this year the state received a National Pool allocation of $43,166 in tax credits. Based on the IRS's regulations, the National Pool credits **cannot** be carried over to the next year. Therefore, unless we could allocate all of the credits available in 1995 ($819,987 including the National Pool credits), we would lose the National Pool credits. (The $43,166 in credits could generate at least $240,000 in equity.) Because of this reason and with the knowledge that a project with a reservation of credits would not be able to utilize them this year, VHFA noticed a third 1995 tax credit reservation round on November 30, 1995.

We received one application (The Pines, Phase 2) for the third round that could utilize the credits and close before the end of the year (a requirement for receiving an allocation of credits). The Project Summary below summarizes the application. The Joint Committee on Tax Credits met on December 20, 1995 and endorsed staff's recommendation to offer the Pines, Phase 2 a reservation of credits in the amount of $137,108. (This allocation would utilize almost all of our remaining credit - $138,180.) Normally, VHFA would seek ratification of this reservation at the January 1996 Board meeting; however, because of the timing constraints of the tax credits this will not be possible. Therefore, we would like to give the Board the opportunity to comment now prior to issuing this reservation.

BOARD ACTION REQUESTED

Staff requests that the Board review the information below pertaining to reservation of tax credits to a 33 unit elderly housing project in South Burlington. Please contact Allan Hunt (Ext. #221) or Paul Cummings (Ext. #262) indicating your support or concerns with the proposed reservation/allocation today if possible. If there are no major concerns, staff would issue the tax credit reservation and ask the Board to formalize this action at the January 1996 meeting.

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422

EQUAL HOUSING OPPORTUNITY

PROJECT SUMMARY

Name:	Pines Housing, Phase 2
Location:	South Burlington
Sponsor:	Pines Housing, L.P. (Green Mountain Development Group)
Unit Breakdown:	33 total: twenty-one 1-Bedroom, 650 square feet; eleven 2-Bedroom, 820 square feet
Cost:	$2,339,273 total; $70,887/unit; $43/s.f. hard construction cost
Income Targeting:	26 units at 60% of Area Median Income, 7 market rate units

This project consists of 33 units of newly constructed elderly housing in South Burlington (see attached site map). This project will be the second phase (first phase - 53 units) of a proposed 124 unit independent living facility with optional services (e.g. housekeeping, linen, transportation and wellness programs) and meals. All of the units will be handicap adaptable and ten percent of the units will be handicap accessible. In addition to the living units, the total development includes a 6,000 square feet senior center (South Burlington Senior Center), 1,800 square feet of communal dining and living areas, a 720 square foot commercial kitchen, 1,525 of community/activity areas, laundry facilities and landscaping (including walking trails, gardens and patios). The building also houses a satellite office of the Visiting Nurse Association. The building will be three-story wood frame construction with a centrally located elevator (completed in first phase). The project has received an Act 250 permit and local permits for all 124 units.

Based on a market study submitted with the 1994 LIHTC application and the success in renting up Phase 1, the sponsor has demonstrated sufficient demand for the additional 33 units. Phase 1 received an occupancy certificate at the end of November and all 53 units were totally occupied two weeks later. In addition, the property management firm (Coburn & Feeley) has received over 160 applications of which 130 were from very low- and low-income seniors. Based on these applications, the property manager has accepted 30 LIHTC qualified reservations for Phase 2. Coburn & Feeley would manage Phase 2.

The sponsor would provide a Right of First Refusal to Housing Vermont, which acted as a limited partner in Phase 1. However, Housing Vermont would not assist in the syndication of the credits as the syndicator would be East Coast Capital (Boston, MA). East Coast Capital, which also syndicated the tax credits for Phase 1, has offered a yield of $0.60 on the dollar in an effort to make Phase 2 feasible without the use of HOME or other grant funds. The other sources of financing include a loan (both construction and permanent) from Vermont Federal Bank and deferred developer's fees. This application meets the requirements and evaluation criteria outlined in Vermont's 1995 Allocation Plan.