VHFA
VERMONT HOUSING FINANCE AGENCY

February 2, 1987

Ms. Jean Gauthier
Pavilion Office Building
Montpelier, VT 05602

Dear Ms. Gauthier:

The Vermont Housing Finance Agency will be having its monthly Board Meeting on Thursday, February 12, 1987, 9:30 a.m., at The Honorable Emory Hebard's office (State Treasurer), 113 State Street, Montpelier, Vermont.

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

Sincerely,

Tricia

Patricia A. Scheffley
Executive Secretary

:pas

ONE BURLINGTON SQUARE • POST OFFICE BOX 408 • BURLINGTON, VERMONT 05402-0408
(802) 864-5743

State Government Meetings

Week of Feb. 9
TUESDAY

Human Services Board, 9:30 a.m., Labor Relations Board Conference Room, 13 Baldwin St., Montpelier.

Environmental Board, Houston Farms Associates, 9:30 a.m., Helen Day Art Center, School Street, Stowe.

Environmental Board, Landmark Development Corp. and Robert Slimman, 1:30 p.m., Helen Day Art Center, School Street, Stowe.

Electricians' Licensing Board, 1:30 p.m., Conference Room, Dept. of Labor and Industry, 5 Court St., Montpelier.

WEDNESDAY

Tri-State Commission, 9 a.m., Channel 21, Media Park, Concord, N.H.

Dental Board, 10 a.m., Training Center, 1[illegible] State St., Montpelier.

Dental Board, 1 p.m., Room 112, Redstone Office Building, 26 Terrace St., Montpelier.

Governor's Council on Physical Fitness and Sports, 1:30 p.m., Blue Cross/Blue Shield Office, Berlin.

Vermont Breeders Stake Board, 7 p.m., Office of Langrock, Sperry, Parker and Wool, 15 S. Pleasant St., Middlebury.

THURSDAY

Higher Education Planning Commission, 9 a.m., 5th Floor Conference Room, Pavilion Office Building, 109 State St., Montpelier.

Veterinary Board, 9 a.m., Room 112, Redstone Office Building, 26 Terrace St., Montpelier.

[redacted]

Liquor Control Board, 9:30 a.m., Office of Liquor Control Board, Green Mountain Drive, Montpelier.

Funeral Service, 10 a.m., Room 20[illegible], Redstone Office Building, 26 Terrace St., Montpelier.

Vermont Rehabilitation Corporation, 11 a.m., Office of Commissioner of Agriculture, 116 State St., Montpelier.

Veterans' Home Barn Proposal Committee, 7 p.m., Veterans' Home, 325 North St., Bennington.

FRIDAY

Psychology Board, 9 a.m., Room 112, Redstone Office Building, 26 Terrace St., Montpelier.

Appeals Panel, APD-ENG-47-86, 9:30 a.m., Labor Relations Board Hearing Room, 13 Baldwin St., Montpelier.

Appeals Panel, APL-ENG-46-86, 1:30 p.m., Labor Relations Board Hearing Room, 13 Baldwin St., Montpelier.

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: All Vermont Housing Finance Agency Board Members

FROM: Allan S. Hunt

DATE: February 5, 1987

RE: Information for the upcoming VHFA Board Meeting

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Enclosed please find the Agenda for the upcoming Board Meeting on February 12, 1987 at 9:30 a.m. at the State Treasurer's office in Montpelier, Vermont. Additional information regarding the Meeting will follow under separate cover.

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

ASH/pas

Enclosure

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VERMONT HOUSING FINANCE AGENCY

BOARD MEETING AGENDA

Vermont Housing Finance Agency
State Treasurer's Office
Montpelier, Vermont

Thursday, February 12, 1987 at 9:30 a.m.

1. Approval of Minutes of December 18 and December 29, 1986.

2. Single Family

   (A) Farmers Home status - (Lothrop)
   (B) Energy Efficient New Homes Program
   (C) Preliminary discussion of 1987 Single Family Program
   (D) Update on Energy Rated Homes Program (Exxon)

3. Multi-Family

   (A) Update on CDBG secondary market
   (B) Discussion of low income tax credits

4. Financial

   (A) Single Family prepayment discussion
   (B) Proposed revision to general fund budget
   (C) Rockingham Canal House financial summary
   (D) Results of HUD Section 8 audit

5. Legislative Update

   (A) Mortgage Credit Certificate Bill
   (B) Cooperative Financing Bill
   (C) Housing and Conservation Trust Fund Bill
   (D) Discussion on Interstate Banking Bill
   (E) Amendments to Vermont Housing Finance Agency Statute

6. Update on the Homeless Shelter Program - (Torpy)

7. Update on business plan - (Torpy)

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

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VERMONT HOUSING FINANCE AGENCY

BOARD MINUTES

Vermont Housing Finance Agency
State Treasurer's Office, 133 State Street
Montpelier, Vermont
December 29, 1986

Present: Chairman Shaw, Commissioners Gardner, Guest, Hebard, and Mr. Ellingston (designee of Menson); Mr. Hunt, Ms. Gregory, VHFA Staff.

The meeting was called to order at 9:35 a.m. by Chairman Shaw. The Minutes of the ~~October 30, 1986~~ December 18, 1986 meeting, upon a duly made motion and seconded, were unanimously approved.

"Resolution of Vermont Housing Finance Agency Authorizing the Issuance of its Canterbury Inn Housing Bond" was presented and following a brief discussion, a motion to adopt the Resolution was made, seconded and unanimously approved, and ordered appended to the minutes.

Next, a Resolution authorizing the carry forward of $19 million of unused cap for residential rental projects and the balance for qualified mortgage bonds was presented. Following a brief discussion, a motion to adopt the Resolution was made, seconded and unanimously approved, and ordered appended to the minutes.

Next, a Resolution authorizing a Mortgage Loan to Lake Champlain Housing Development Corporation for Ethan Allen Apartments in the amount of $827,000 was presented. Following a brief discussion, a motion to adopt the Resolution was made, seconded and unanimously approved, and ordered appended to the minutes.

Finally, in the spirit of the season, the Board discussed and upon a duly authorized motion and second, approved a $100,000 Homeless Family Shelter Program to help finance two or more shelters for homeless families. The funds, including interest, would be due and payable when the shelter is sold.

There being no additional business to come before the Board, upon a motion duly made and seconded, the meeting adjourned at 9:55 a.m.

Respectfully submitted,

Allan S. Hunt
Executive Director

ASH/pas.075

Attachments:

1. Resolution of Vermont Housing Finance Agency Authorizing the Issuance of its Canterbury Inn Housing Bond
2. Resolution Authorizing the Carry Forward of $19 Million of Unused Cap for Residential Rental Projects and the Balance for Qualified Mortgage Bonds
3. Resolution Authorizing Mortgage Loan to Lake Champlain Housing Development Corporation for Ethan Allen Apartments.

RESOLUTION OF VERMONT HOUSING FINANCE AGENCY AUTHORIZING THE ISSUANCE OF ITS CANTERBURY INN HOUSING BOND

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

ARTICLE I
DEFINITIONS AND AUTHORITY

Section 101. Definitions: In this Resolution unless a different meaning clearly appears from the context:

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

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

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

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

"Bond Year" means the twelve month period beginning on the Bond Date and each successive twelve month period thereafter.

"Code" means the Internal Revenue Code of 1986, as amended, and any regulations (permanent, temporary or proposed) thereafter or until such regulations are promulgated, any applicable regulations under Section 103 of the Internal Revenue Code of 1954, as amended.

"Canterbury Inn Rebate Account" means the account by that name established under Section 401 of the Resolution.

"Construction Lender" means The Howard Bank, N.A.

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

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

"Development" means the Canterbury Inn Housing Development described in Exhibit 1.

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

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

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

"Permanent Loan" means the permanent mortgage loan made by or on behalf of Agency with the proceeds of the Bond and described in paragraph 2 of the Three Party Agreement.

"Permanent Loan Amount" means the amount of the Permanent Loan established pursuant to paragraph 2 of the Three Party Agreement.

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

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

"Rebate Provision" means Section 148(f) of the Code.

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

"Reset Date" means each of the third, sixth, ninth, twelfth, fifteenth, eighteenth, twenty-first and twenty-fourth anniversaries of the Bond Date.

"Revenues" means and includes all payments, proceeds, charges, fees, rents and all other income (including without limitation income from investments in the Project Fund) derived by or for the account of the Agency from or related to the Development.

"Sinking Fund Account" means the account by that name established under Section 301 of the Resolution.

"Sponsor" means the Northern Community Care Corporation.

"Three Party Agreement" means the Three Party Agreement executed by the Sponsor, the Construction Lender and the Agency, a copy of which is attached hereto as Exhibit 2.

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

Section 102. Authority. This Resolution is adopted pursuant to the Act and shall take effect upon its adoption. The Agency is duly authorized under the Act and all applicable laws to issue the Bond, to adopt this Resolution and to pledge the Permanent Loan, the Revenues and the Project Fund and accounts therein pledged hereby in the manner and to the extent provided herein. The Agency will at all times, to the extent permitted by law, defend, preserve and protect such pledge and all the rights of the registered owner of the Bond hereunder against all claims and demands of all persons whomsoever.

Section 103. Allocation of State Volume Cap to Bond. The Agency hereby determines that $448,500 of the Agency's $115,000,000 portion of the State of Vermont's 1986 volume cap with respect to private activity bonds heretofore allocated to the Agency is allocated to the Bond.

ARTICLE II
AUTHORIZATION OF CANTERBURY INN HOUSING BOND: FINDINGS: TERMS AND SALE OF BOND

Section 201. The Bond. (A) A Bond of the Agency designated "Canterbury Inn Housing Bond" is hereby authorized to be issued in an aggregate principal amount not exceeding $448,500.

(B) The Agency hereby determines (terms used in this paragraph and not otherwise defined herein being used as defined in the Act) that

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

(2) the Permanent Loan can be issued bearing interest at a rate which will be less than the prevailing rate of interest on comparable mortgage loans available in the State of Vermont without the assistance of the Agency;

(3) the Agency will derive receipts, revenues or other income from the Permanent Loan made with the proceeds of the Bond sufficient to provide, together with all other available receipts, revenues and income of the Agency, for the payment of the Bond and the payment of all costs and expenses incurred by the Agency with respect to the Program for which the Bond is issued;

(4) the Development is primarily for occupancy by persons and families of low and moderate income;

(5) the construction costs incurred by the Sponsor under the Three Party Agreement are for housing development costs within the meaning of the Act;

(6) there exists 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; and

(7) the Sponsor of the Development will increase the supply of well-planned, well-designed housing for persons of low and moderate income and such Sponsor is a financially responsible person.

(C) The purposes for which the Bond is being issued are to provide funds for deposit in the Cost of Issuance Account and the Loan Account, in the amounts determined by or pursuant to Article III hereof.

(D) The Bond shall be issued in the form of a single fully-registered Bond, shall be dated and bear interest from the date it is issued, and shall be numbered 1.

(E) The Bond shall mature on December 18, 2011, shall bear interest at the rates and be payable in the manner, shall be subject to redemption at the price, at the times and in the manner, and shall be subject to the other terms and conditions (including certain restrictions upon transfer) set forth in Article V hereof.

Section 202. Sale of the Bond. (A) The Bond shall be sold to The Howard Bank, N.A. at the price of par, on the terms and conditions, and on the basis of the representations set forth herein and in the Three Party Agreement.

ARTICLE III
ESTABLISHMENT OF PROJECT FUND AND ACCOUNTS: APPLICATION OF BOND PROCEEDS: OBLIGATION OF BOND: PLEDGE

Section 301. Project Fund and Accounts. There is hereby established the Canterbury Inn Project Fund (the "Project Fund"), within which the following separate accounts are hereby created, or authorized to be created as provided herein, such Project Fund and all accounts therein to be held and administered by the Agency subject to the pledge herein made:

(1) Canterbury Inn Loan Account ("Loan Account")

(2) Canterbury Inn Cost of Issuance Account ("Cost of Issuance Account")

(3) Canterbury Inn Sinking Fund Account ("Sinking Fund Account")

(4) Canterbury Inn Special Redemption Account ("Special Redemption Account")

(5) Canterbury Inn General Account ("General Account")

Section 302. Application of Bond Proceeds. (A) $5,000 of the proceeds of the sale of the Bond shall be deposited in the Cost of Issuance Account and the entire balance of such proceeds shall be deposited in the Loan Account.

(B) Moneys in the Loan Account shall be used solely as follows:

(1) an amount not exceeding the Permanent Loan Amount shall be used to make the Permanent Loan;

(2) the difference, if any, between the Permanent Loan Amount and the amount deposited in the Loan Account under Section 302(A) hereof shall be promptly applied to partial redemption of the Bond by transfer to the Special Redemption Account; and

(3) if the Permanent Loan is not made by June 18, 1987, the entire balance in the Loan Account shall be promptly applied to the redemption of the Bond by transfer to the Special Redemption Account.

(C) Moneys in the Cost of Issuance Account shall be used to defray the Agency's Cost of Issuance. Any moneys not so used shall be transferred to the Sinking Fund Account not later than 120 days after the Bond Date.

Section 303. Application of Revenues. (A) The Agency shall deposit all Revenues in the Project Fund upon receipt and shall immediately allocate the same to accounts therein as follows:

(1) Revenues constituting repayments of principal which are scheduled or prepayment of the outstanding principal which is permitted under the terms of the Permanent Loan - to the Sinking fund Account;

(2) Revenues constituting Recovery Payments and excess moneys in the Loan Account under Section 302(B) hereof - to the Special Redemption Account;

(3) Revenues constituting earnings from investments in the Project Fund - to the account in which the investments were held; provided that as of the date any remaining Bond proceeds are used under Section 302(B) or (C) hereof and as of the date of any redemption of the Bond from the Sinking Fund Account or the Special Redemption Account, and to the extent such earnings are not then needed to pay interest included in the redemption price of the Bond or any portion thereof being redeemed from the applicable account, such earnings shall be transferred to the General Account; and

(4) all other Revenues - to the General Account.

(B) On each anniversary of the Bond Date, all amounts deposited in the Sinking Fund Account under Sections 303(A)(1) and 303 (E) shall be applied to the redemption of the outstanding principal of the Bond, except that, in the event that the Agency receives prepayment of the outstanding principal of the Permanent Loan under Section 303(A)(1), on the tenth anniversary of the Bond Date, and at any time thereafter, at the election of the Agency, the Bond shall be subject to redemption in whole from the amount deposited in said Account. Any amounts then in said Account under Section 303 (A)(3) shall be applied so far as needed to pay the interest included in the redemption price of such outstanding principal being redeemed.

(C) All amounts deposited into the Special Redemption Account under Sections 302(B)(2) and 303(B)(3) shall be promptly applied to the redemption of the outstanding principal of the Bond. At any time not later than six months after the date of any deposit into said Account under Section 303(A)(2), the amount so deposited shall be applied to the redemption of the outstanding principal of the Bond and any amounts then in said Account under Section 303(A)(3) shall be applied so far as needed to pay the interest included in the redemption price of such outstanding principal being redeemed.

(D) Moneys in the General Account shall be used solely as follows:

(1) on each interest payment date, to pay the interest on the Bond;

(2) on the redemption date of any portion of the Bond being redeemed hereunder, to pay any interest included in the redemption price of such portion which cannot be paid from the applicable account;

(3) on any Reset Date, if the Agency has elected to redeem the Bond in whole or in part, to pay the redemption price of the Bond or portion the Agency has determined to redeem on such Reset Date;

(4) at any time, to reimburse the Agency for any expense reasonably incurred by it in connection with the financing of the Development, including but not limited to Costs of Issuance in excess of the amount in the Cost of Issuance Account and expenses incurred in connection with the protection of the Agency's security for the Permanent Loan; and

(5) on each interest payment date, after payment of the interest on the Bond then due and provided an officer of the Agency determines that such transfer will not materially impair the Agency's ability to make future payments from the General Account sufficient for the purposes of paragraphs (1), (2) and (3) of this Section 303(D), to transfer funds to the Agency's General Fund free of the pledge herein made.

(E) Whenever funds in any account in the Project Fund are required to be applied to a payment on account of principal of the Bond, the Agency may at its election hold back such amount not exceeding $100 as will facilitate payment of principal on the Bond in rounded amounts. Payments from the Project Fund shall be deemed to have been made on the date of the Agency's check therefor and not on the date of any prior mailing of said check.

Section 304. Transfers from General Fund. From time to time, at its option, the Agency may transfer moneys from the General Fund to the General Account.

Section 305. Investment. Subject to the Rebate Provision, moneys in the Project Fund accounts may be invested by the Agency, until needed for their respective purposes, in any manner permitted by the Act. Moneys in two or more of such accounts may be invested on a commingled basis for the account of such accounts pro rata in proportion to the moneys invested on behalf of each such account.

Section 306. Obligation of Bond; Pledge. The Bond shall be a general obligation of the Agency payable out of any of the Agency's revenues, moneys or assets, subject only to agreements heretofore or hereafter made with the holders of obligations of the Agency other than the Bond pledging particular revenues, moneys or assets for the payment thereof. There are hereby pledged to the payment of the principal and interest on the Bond, subject to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution, (i) the Permanent Loan and all rights and interests of the Agency incident thereto and the proceeds of such rights, (ii) all Revenues, and (iii) all moneys and securities in the Project Fund and all accounts therein created by or pursuant to the Resolution; and the Agency will not pledge or assign or create a security interest in the rights and property pledged by this sentence for any purpose other than payment of the Bond. The Bond shall not constitute a debt or grant or loan or credit of the State of Vermont, and the State of Vermont shall not be liable thereon nor shall the Bond be payable out of any funds other than those of the Agency. The Agency is not obligated to pay the Bond or the interest hereon except from the revenues or assets of the Agency pledged herein under this Resolution and neither the faith nor credit nor taxing power of the State of Vermont or any political subdivision thereof is pledged to the payment of the principal of or interest on the Bond.

ARTICLE IV
ESTABLISHMENT OF REBATE ACCOUNT AND SPECIAL COVENANTS

401. Establishment of the Canterbury Inn Rebate Account. (A) There is hereby established in the General Fund a separate account, not subject to the pledge or lien of this Resolution, designated the "Canterbury Inn Rebate Account", moneys in which are pledged to and shall be used solely for the purposes set forth in this Section 401. The Canterbury Inn Rebate Account shall not be subject to the claim of any party (including the registered owner of the Bond) and shall not be paid over to any party other than the United States of America or the Agency to the extent provided in this Section 401.

(B) The Agency hereby covenants to establish such other separate accounts or sub-accounts within the Accounts established pursuant to this Resolution as may be necessary or desirable to account for the Gross Proceeds (hereinafter defined) of the Bond and all Nonpurpose Investments (hereinafter defined) acquired therewith in order to comply with the Rebate Provision. Such accounts or sub-accounts may be established at any time upon the written direction of an Authorized Officer.

(C) In the event that the Gross Proceeds of the Bond are not expended for the governmental purpose for which the Bond was issued within six (6) months after the Bond Date pursuant to and in accordance with Section 148(f)(4)(B) of the Code, within forty-five (45) days after the close of each Bond Year (or at such other time or times as may be required or permitted by the Rebate Provision), the Agency shall compute in reasonable detail the amount of Excess, as defined in Paragraph (D) of this Section 401, if any, for such Bond Year and shall deposit such amount into the Canterbury Inn Rebate Account from moneys held in the Project Fund or, in the event such moneys are insufficient to make such deposit, from the General Fund or from any other moneys available to the Agency and not subject to the pledge or lien of the Resolution. If for any reason funds are not available under this Resolution for such deposit into the Canterbury Inn Rebate Account, the Agency covenants to transfer moneys from its own funds for such deposit.

(D) Excess in the Canterbury Inn Rebate Account. If at the close of any Bond Year, the amount in the Canterbury Inn Rebate Account exceeds the amount that would be required to be paid to the United States under Paragraph (G) of this Section 401 if the Bond was no longer outstanding, such excess shall promptly be transferred for deposit in the General Fund.

(E) Excess. "Excess" for any period means the sum of

(i) the excess of

(a) the aggregate amount earned on all Nonpurpose Investments (other than investments attributable to an excess described in this subparagraph) acquired with any Gross Proceeds of the Bond over

(b) the amount which would have been earned if all such Nonpurpose Investments were invested at a rate equal to the Yield on the Bond, plus

(ii) any income attributable to the investment of the excess described in subparagraph (i) above.

For purposes of this Section 401 and Section 402(vii), the terms "Gross Proceeds" and "Nonpurpose Investments" shall have the meanings given in the Rebate Provision and shall be applied as provided therein. Nonpurpose Investments shall be valued at market for the purposes of this paragraph. In determining the aggregate amount earned on Nonpurpose Investments, any gain or loss on the disposition of such Investments shall be taken into account.

(F) Investment of Moneys in Canterbury Inn Rebate Account. Pending their application under Paragraph (G) of this Section 401, moneys in the Canterbury Inn Rebate Account may be invested as provided in Section 305 of this Resolution and any earnings from such investment shall be retained in the Canterbury Inn Rebate Account.

(G) Payment of Rebate to the United States. By December 18, 1991 (or such later date as the Agency may be advised in a bond counsel's opinion), and at least once in each five-year period thereafter, the Agency shall pay from the Canterbury Inn Rebate Account to the United States on behalf of the Agency the full amount then required to be paid under the Rebate Provision. Within forty-five (45) days after the earlier of (i) the redemption date on which the Bond is redeemed in whole and (ii) the final maturity date of the Bond, the Agency shall pay to the United States the full amount then required to be paid under the Rebate Provision. Each such payment shall be filed with the Internal Revenue Service Center, Philadelphia, Pennsylvania, 19255, or any other address as directed by the Internal Revenue Service, accompanied by a copy of the Form 8038 (or other similar information reporting form) filed with respect to the Bond and a statement summarizing the determination of the amount required to be paid. If the amount in the Canterbury Inn Rebate Account is insufficient to pay the amount required to be paid under the Rebate Provision, the Agency shall make up such deficiency from its own funds.

(H) Records. The Agency shall keep such records as will enable them to fulfill their responsibilities under this Section 401 and the Rebate Provision and shall retain such records for at least six (6) years following final payment of the Bond.

402. Tax Exempt Status of the Bond. To ensure that the tax exempt status of the Bond under Section 103 of the Code, the Agency hereby represents, warrants and agrees, and if applicable, shall require the Sponsor under the Permanent Loan financed with the proceeds of the Bond similarly to represent, warrant and agree, as set forth below with terms not otherwise defined herein used as defined in the applicable provisions of the Code.

(i) At least ninety-five percent (95%) of the net proceeds of the Bond will only be used for the purpose of financing the acquisition, construction, reconstruction or the improvement of land or property of a character subject to the allowance for depreciation under Section 167 of the Code.

(ii) The maturity of the Bond does not exceed one hundred and twenty percent (120%) of the average reasonably expected economic life of the facilities being financed with the proceeds of the Bond. The reasonably expected economic life of the facilities has been or will be determined as of the later of the Bond Date or the date on which the facility is placed in service (or expected to be placed in service).

(iii) Less than twenty-five percent (25%) of the net proceeds of the Bond will be used directly or indirectly for the acquisition of land (or an interest therein) and no portion of the net proceeds of the Bond will be used directly or indirectly for the acquisition of land (or an interest therein) to be used for farming purposes.

(iv) The Sponsor under the Permanent Loan will be the first user of all property (or interest therein) to be acquired with proceeds of the Bonds, except that an amount not exceeding $85,000 of Bond proceeds is to be used for the acquisition of existing buildings (and the equipment therefor). The Sponsor will incur rehabilitation expenditures, as defined in Section 147(d) of the Code with respect to such existing property. The amount of such rehabilitation expenditure will be not less than fifteen percent (15%) of the amount of the Bond proceeds used to finance the acquisition of such property, and the expenditures will be made within two (2) years after the later of the date on which such property was acquired or the Bond Date.

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

(vi) The amount of "issuance costs" (within the meaning of the Code) financed with proceeds of the Bond shall not exceed two percent (2%) of the aggregate face amount of the Bond.

(vii) The Agency will not invest any moneys in a manner or take or permit any other action which would cause the Bond to become an arbitrage bond under Section 148 of the Code.

(viii) The Agency will take all lawful action necessary under the Code to ensure that interest on the Bond will remain exempt from federal income taxes and will refrain from taking any action which would cause interest on the Bond to become subject to federal income taxes.

403. Compliance with Article IV. The provisions of this Article IV shall be complied with by the Agency in order to meet the requirements of the Code such that interest on the Bond shall be and remain exempt from federal income taxes; provided, however, that the Agency shall not be required to comply with any such provision with respect to the Bond in the event the Agency receives a bond counsel's opinion that compliance with such provision is no longer required to satisfy the requirements of the Code or that compliance with some other provision in lieu of a provision specified in this Article IV will satisfy said requirements, in which case compliance with such other provision specified in the bond counsel's opinion shall constitute compliance with the provisions specified in this Article IV.

ARTICLE V
FORM OF BOND

The Bond shall be issued substantially the following form:

VERMONT HOUSING FINANCE AGENCY
CANTERBURY INN HOUSING BOND

No. 1 $448,500.00

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

The Vermont Housing Finance Agency (herein called the "Agency"), a body politic and corporate of the State of Vermont, for value received hereby promises to pay to The Howard Bank,. N.A., 48 Railroad Street, St. Johnsbury, Vermont or registered assigns, on the eighteenth day of December, 2011, the principal sum of Four Hundred Fifty-Eight Thousand Five Hundred Dollars, upon presentation and surrender hereof, and to pay interest on the principal balance hereof outstanding from time to time from the date hereof until final payment hereof at the annual rate provided below, such interest payments to be made on June 15, 1986 and semi-annually thereafter on the fifteenth days of June and December in each year. The principal or redemption price of and interest on this bond are payable in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts and shall be payable by check or draft mailed to the registered owner at his address appearing on the registration books of the Agency kept for that purpose at the offices of the Agency; provided that the registered owner of this Bond by acceptance hereof agrees that whenever any payment on account of principal shall occur, such owner shall promptly note the date and amount thereof on the Schedule of Payments and Prepayments endorsed hereon and further agrees that this Bond shall be surrendered to the Agency upon final payment hereof.

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

1. From the date of original issue hereof (the "Bond Date") to but excluding the third anniversary of the Bond Date - 7.54%;

2. From the third, sixth, ninth, twelfth, fifteenth, eighteenth, twenty-first and twenty-fourth anniversaries of the Bond Date (each a "Reset Date") to but excluding the earlier of the next Reset Date or final maturity hereof, a rate equal to

(a) ninety-five percent (95%) of the weekly Eleven G.O. Bond Index published in The Bond Buyer not less than four nor more than ten days prior to the Reset Date on which the applicable period begins; or

(b) if that index is not then published, ninety-five percent (95%) of any published index or (if none) any index selected or created by the Agency provided, in any case, that the Agency shall in good faith determine that such index is composed of bonds with maturities, ratings and tax exempt status comparable to that of bonds in said Eleven G.O. Bond Index when last published; or

(c) if no such index is published or can be so selected or created, the rate borne by this bond immediately before such Reset Date.

This bond is issued pursuant to No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended (the "Act") and under and pursuant to the resolution of the Agency adopted December 18, 1986 entitled "Resolution of Vermont Housing Finance Agency Authorizing the Issuance of its Canterbury Inn Housing Bonds" (the "Resolution"). This bond is a general obligation of the Agency payable out of any of the Agency's revenues, moneys or assets, subject only to agreements heretofore or hereafter made with the holders of obligations of the Agency other than this bond pledging particular revenues, moneys or assets for the payment thereof, and is also secured by a pledge of the Permanent Loan, Revenues and Project Fund (defined in the Resolution) made by the Resolution and subject to all provisions and conditions therein.

The Agency is not obligated to pay this bond or the interest hereon except from the revenues or assets of the Agency pledged under the Resolution and neither the faith and credit nor the taxing power of the

State of Vermont or of any political subdivision thereof is pledged to the payment of the principal of or the interest on this bond.

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

This bond may not be transferred except to a transferee capable of making representations comparable to those made by the original owner hereof in Paragraph 13 of the Three Party Agreement described in the Resolution to the reasonable satisfaction of the Agency. Furthermore, before any transfer of this bond by the registered owner or his or its legal representative will be recognized or given effect by the Agency, the registered owner shall note hereon the date to which interest has been paid as well as the amounts of all principal payments and prepayments hereon, and shall notify the Agency of the name and address of the transferee and shall afford the Agency the opportunity of verifying the notation as to payment of interest and principal. By the acceptance hereof the owner of this bond and each transferee shall be deemed to have agreed to indemnify and hold harmless the Agency against all losses, claims, damages or liabilities arising out of any failure on the part of the owner or of any such transferee to comply with the requirements of the preceding sentence. Subject to the foregoing, this bond is transferable only upon the books of the Agency at the offices of the Agency, by the registered owner hereof in person or by his or its agent duly authorized in writing, upon surrender hereof together with a written instrument of transfer satisfactory to the Agency duly executed by the registered owner or his or its duly authorized agent, and upon the payment of the charges described in the Resolution, the Agency shall issue in the name of the transferee a new substitute registered Canterbury Inn Housing Bond with the same date and in the same form and amount as this bond, endorsed to show the principal amount of the predecessor bond or bonds paid to the delivery date of such substitute bond.

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

1. in whole or in part on each anniversary of the Bond Date without notice through application of moneys in the Sinking Fund Account as required by the Resolution;

2. in whole or in part at any time without notice through application of moneys in the Special Redemption Account as required by the Resolution;

3. in whole or in part on any Reset Date upon notice as provided below through application of moneys in the General Account as permitted by the Resolution; and

4. in whole (but not in part) on the tenth anniversary of the Bond Date, or at any time thereafter, at the election of the Agency upon notice through application of moneys deposited in the Sinking Fund Account in the event of the prepayment of the outstanding principal of the Permanent Loan as permitted by the Resolution.

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

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

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

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

ATTEST: VERMONT HOUSING FINANCE AGENCY

By:____________________________ By:____________________________
Authorized Officer Authorized Officer

Date: ____________________

Schedule of Payments and Prepayments of Principal

Principal Amount Paid	Date Paid	Balance Due	Authorized Signature and Title

(NOTICE: The within Bond may not be transferred until this schedule has been verified by the Agency)

ARTICLE VI
MISCELLANEOUS

Section 601. Authorization of Officers. The Chairman, Vice-Chairman, Executive Director, and Director of Finance (collectively, the "Authorized Officers") are each hereby authorized and directed to do all acts and things and to execute and deliver any and all documents, certificates, and other instruments necessary or desirable to effectuate the transactions contemplated by this Resolution.

Section 602. Default. If the Agency defaults in the payment of principal of or interest on the Bond when due, or in the performance of any covenant in the Resolution, then the registered owner of the Bond shall have the right, by mandamus or other suit, action or proceedings at law or in equity, to bring suit upon the Bond; to enforce its rights under the Resolution and the Bond; to compel performance by the Agency of its obligations under the Bond and the Resolution; to require the Agency to account as trustee of an express trust; to require the Agency to effectuate the assignment of the Permanent Loan to such owner; or to enjoin any acts which may be unlawful or in violation of the rights of the registered owner of the bond. No remedy conferred by the Resolution upon the registered owner of the Bond is intended to be exclusive of any other remedy, but each shall be in addition to every other remedy given under the Resolution or the Bond or provided at law or in equity or by the Act. No delay or omission of the registered owner of the Bond to exercise any right or power arising upon the happening of a default shall impair any right or power or be construed to be a waiver of the default. The registered owner of the Bond may waive any default and its consequences. No such waiver shall extend to any subsequent or other default.

Section 603. Defeasance. If the Agency shall pay or cause to be paid to the registered owner of the Bond the principal, redemption price and interest thereon at the times and in the manner stipulated therein and herein, then the pledge of the Permanent Loan, Revenues, Project Fund and accounts therein and other property pledged hereby and all other rights granted hereby shall be discharged and satisfied.

Section 604. Severability. If any provision of this Resolution is held invalid in any circumstances, that invalidity shall not affect any other provisions or circumstances.

Section 605. Transfer. The Bond may be transferred in whole but not in part to a new owner, subject to the restrictions on transfer and upon compliance with the provisions for transfer described in Article V of the Resolution and payment of a transfer fee of $100.00 for each substitute bond issued as a result of a request for transfer.

Approved per minutes of December 29, 1986

Draft 12/8/86

Vermont Housing Finance Agency

Resolution

Whereas, by vote taken November 6, 1986 the Emergency Board of the State in accordance with 12 V.S.A. Chap. 13, Subchap. 6, allocated to the Agency $115,000,000 of the State's private activity bond volume cap for calendar year 1986 (the "1986 cap allocation") as provided in Section 146 of the Internal Revenue Code of 1986, as amended (the "Code"); and

Whereas, by Executive Order No. 32 dated November 6, 1986 the Governor confirmed the 1986 cap allocation to the Agency; and

Whereas, the Agency has determined that approximately $109,000,000 of the Agency's 1986 cap allocation will not be used during calendar year 1986 for the purpose of issuing private activity bonds as defined in Section 141 of the Code; and

Whereas, Section 146(f) of the Code permits the Agency to carryforward any unused 1986 cap allocation for any carryforward purpose as defined therein;

Now, Therefore, Be It Resolved by the Vermont Housing Finance Agency and By the Commissioners Thereof As Follows:

1. That the Agency hereby elects to carryforward $ 19. million of its unused 1986 cap allocation for the purpose of issuing bonds to provide qualified residential rental projects as described in Section 141(d)(1)(A) and Section 142(a)(7) of the Code.

2. That the Agency hereby elects to carryforward the balance of its unused 1986 cap allocation as finally determined and not otherwise carried forward pursuant to Paragraph (1) of this resolution for the purpose of issuing qualified mortgage bonds as described in Section 143 of the Code.

3. That the Chairman, Vice-Chairman, Executive Director and Director of Finance are each hereby authorized and directed to take any and all action, including without limitation determining the final balance of unused 1986 cap allocation and filing reports or other elections with the Internal Revenue Service, necessary or desirable to effectuate this resolution.

2. That the Agency hereby elects to carryforward the balance of its unused 1986 cap allocation as finally determined and not otherwise carried forward pursuant to Paragraph (1) of this resolution for the purpose of issuing qualified mortgage bonds as described in Section 143 of the Code.

3. That the Chairman, Vice-Chairman, Executive Director and Director of Finance are each hereby authorized and directed to take any and all action, including without limitation determining the final balance of unused 1986 cap allocation and filing reports or other elections with the Internal Revenue Service, necessary or desirable to effectuate this resolution.

Approved per minutes of December 29, 1986

RESOLUTION AUTHORIZING MORTGAGE LOAN TO LAKE CHAMPLAIN HOUSING DEVELOPMENT CORPORATION FOR ETHAN ALLEN APARTMENTS

BE IT HEREBY RESOLVED AS FOLLOWS: Vermont Housing Finance Agency hereby determines that:

(1) Ethan Allen Apartments, housing in Colchester, Vermont, is primarily for occupancy by persons and families of low and moderate income;

(2) the rehabilitation costs incurred by the Sponsor are for housing development costs within the meaning of the Vermont Housing Finance Agency Act;

(3) there exists a shortag of decent, safe and sanitary housing at rentals or prices which persons and families of low or moderate income are able to aford within the general housing market area of Colchester, such shortage will be increased if the Sponsor is not able to carry out 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 Sponsor of the Development will increase and maintain the supply of well-planned, well-designed housing for persons and families of low and moderate income and such Sponsor is a financially responsible person;

(5) the viability of the Development depends in part on the ability of the Sponsor to acquire the underlying property before the end of 1986 and the availability of certain subordinate loan monies (the "grant monies") from the Town of Colchester and the State of Vermont;

(6) it is unlikely that final detailed construction plans, construction contracts, and all necessary permits can be in place before the end of 1986, but the Sponsor has submitted outline plans and cost estimates deemed reasonable by the Agency;

(7) the final documentation establishing the Sponsor's legal entitlement to the grant monies and the grant monies will not be available before the end of 1986;

(8) the market value of the Development, in its existing condition and prior to the contemplated rehabilitation, exceeds the amount of the requested Mortgage Loan; it is therefore,

FURTHER RESOLVED:

1. that the Executive Director in his discretion is authorized to issue the Agency's Commitment Letter to finance the Development with such departures from the Agency's customary conditions as to plans, contracts, permits, and subordinate funding as the Executive Director deems reasonable and

practicable under the circumstances; and,

2. that, pursuant to the Commitment Letter, and upon his satisfaction that the Sponsor has substantially complied with the conditions thereof, the Executive Director is authorized to make a Mortgage Loan to the Sponsor in an amount not exceeding $827,000.00, of which approximately $540,000.00 (the "Bond Portion") shall be advanced from prepayment monies available therefor in the 1977 Series B Mortgage Loan Acount established under the Agency°s "Multi-Family Mortgage Bond Resolution adopted February 3, 1977", (the "General Resolution", and the balance (the "General Fund Portion") in the approximate amount of $287,000.00 shall be advanced from the Agency°s General Fund and secured by a separate promissory note. The Bond Portion shall bear interest at a rate, and be subject to such other terms and conditions, as, in the judgment of the Director of Finance, with the advice of bond counsel for the Agency, shall assure compliance with applicable arbitrage requirements and shall be consistent with the Agency°s future debt service obligations to holders of the Agency°s Multi-Family Mortgage Bonds, 1977 Series B. The rate of interest to be borne by the General Fund Portion shall be comparable to existing market rates, and shall be fixed for three years, but may thereafter be a variable rate, and the General Fund Portion shall be subject to such other terms and conditions as, in the judgment of the Executive Director, are likely to make the General Fund Portion marketable to financial institutions on a participation basis after completion of the rehabilitation of the Development.

3. Upon disbursement, the Bond Portion of the Mortgage Loan shall be immediately subject to the pledge of the Agency set forth in Section 501 of the General Resolution. The General Fund Portion shall not be subject to such pledge, and may be sold free of such pledge to any financial institution, with the principal amount thereof being secured pro-rata with the principal amount of the Bond Portion on a participating first-lien basis, SUBJECT, HOWEVER, to the additional prudential requirements set forth in paragraph 4., below.

4. For so long as completion of the planned rehabilitation of the Development remains pending, and until receipt by the Executive Director of a certificate of completion signed by the Sponsor°s architect, the Executive Director is directed not to sell the General Fund Portion, but rather to hold the General Fund Portion for the benefit of the Agency and, in the event of a shortfall of debt service due under the Bond Portion, which shortfall continues uncured for a period of thirty days, to contribute to the Revenue Fund under the General Resolution, from the General Fund, an amount equal to so much of the debt service collected under the General Fund Portion as is necessary to compensate for such shortfall.

5. Upon completion of the rehabilitation, as evidenced by a certificate of completion executed by the Sponsor°s architect, the Executive Director, in his discretion, is authorized to sell

practicable under the circumstances; and,

2. that, pursuant to the Commitment Letter, and upon his satisfaction that the Sponsor has substantially complied with the conditions thereof, the Executive Director is authorized to make a Mortgage Loan to the Sponsor in an amount not exceeding $827,000.00, of which approximately $540,000.00 (the "Bond Portion") shall be advanced from prepayment monies available therefor in the 1977 Series B Mortgage Loan Acount established under the Agency's "Multi-Family Mortgage Bond Resolution adopted February 3, 1977", (the "General Resolution", and the balance (the "General Fund Portion") in the approximate amount of $287,000.00 shall be advanced from the Agency's General Fund and secured by a separate promissory note. The Bond Portion shall bear interest at a rate, and be subject to such other terms and conditions, as, in the judgment of the Director of Finance, with the advice of bond counsel for the Agency, shall assure compliance with applicable arbitrage requirements and shall be consistent with the Agency's future debt service obligations to holders of the Agency's Multi-Family Mortgage Bonds, 1977 Series B. The rate of interest to be borne by the General Fund Portion shall be comparable to existing market rates, and shall be fixed for three years, but may thereafter be a variable rate, and the General Fund Portion shall be subject to such other terms and conditions as, in the judgment of the Executive Director, are likely to make the General Fund Portion marketable to financial institutions on a participation basis after completion of the rehabilitation of the Development.

3. Upon disbursement, the Bond Portion of the Mortgage Loan shall be immediately subject to the pledge of the Agency set forth in Section 501 of the General Resolution. The General Fund Portion shall not be subject to such pledge, and may be sold free of such pledge to any financial institution, with the principal amount thereof being secured pro-rata with the principal amount of the Bond Portion on a participating first-lien basis, SUBJECT, HOWEVER, to the additional prudential requirements set forth in paragraph 4., below.

4. For so long as completion of the planned rehabilitation of the Development remains pending, and until receipt by the Executive Director of a certificate of completion signed by the Sponsor's architect, the Executive Director is directed not to sell the General Fund Portion, but rather to hold the General Fund Portion for the benefit of the Agency and, in the event of a shortfall of debt service due under the Bond Portion, which shortfall continues uncured for a period of thirty days, to contribute to the Revenue Fund under the General Resolution, from the General Fund, an amount equal to so much of the debt service collected under the General Fund Portion as is necessary to compensate for such shortfall.

5. Upon completion of the rehabilitation, as evidenced by a certificate of completion executed by the Sponsor's architect, the Executive Director, in his discretion, is authorized to sell

Ethan Allen Apts
Dec. 1986

RESOLUTION

Pursuant to Chapter seven, Section 2 of the Agency's regulations relating to Loans to Multi-Family Housing Sponsors, the Executive Director is authorized to issue a Letter of Intent to finance to Kenn D. Sassorossi for the partial financing of a 32 unit residential rental project with an estimated Total Development Cost of $1,030,000.

It is understood that the Agency will contribute up to $540,000 of $827,000 of a first mortgage loan with the balance of the loan to be provided by a private lender. In addition to this, subordinated loans of $93,000 and $98,000 will be made by the sponsor and town of Colchester respectively. The Agency's commitment shall be contingent upon firm commitment of all other funding, approval of counsel and Palmer & Dodge and such other information as is usually and customarily required.

February 3, 1987

Governor Madeleine Kunin
State House
Montpelier, Vermont 05602

Dear Governor Kunin:

Following ten years as a commissioner of the Vermont Housing Financing Agency, my current term ended January 31, 1987. As I believe generally in "new blood" and change, I do not wish to be considered for a new term.

I joined the agency two years after its founding, taking the place of Omar Bruley. Mr. Bruley was a former President of the Homebuilder's Association of Northern Vermont and I was then President of the Homebuilder's Association of Vermont. I believe that one of the commissioners should help represent the building community, preferrably as a builder him/herself. The most active building organization in Vermont continues to be the Homebuilder's Association of Northern Vermont. I highly recommend that you consider a replacement as may be suggested by that organization. I am copying that organization so as to simultaneously recommend to them that they suggest one or more appropriate and qualified individuals to you.

I would appreciate your prompt selection as the agency board is small and a vacant seat has in the past created moderate difficulties to our board.

Thank you.

HAWK

Sincerely,

Ben

Benjamin Gardner
President
Hawk Mountain Corporation

BG:dac

cc: Allan Hunt, Executive Director of Vermont Housing Finance Agency
John Powell, President of Northern Vermont Homeowners Association
Commissioners of Vermont Housing Finance Agency

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Commissioners

FROM: Single Family Staff

SUBJECT: New Homes Program

DATE: February 6, 1987

In the past month, Agency staff held meetings with builders to discuss a New Homes Program. Most builders attending expressed an interest in participating. They felt that for the most part the program as proposed was workable with the exception of areas where, due to high land and development costs, construction would exceed the maximums for this program.

We also received a major concession from the Agency's pool insurer, MGIC, without having to renegotiate our contract. MGIC has agreed to underwrite loans originated under this program to ratios of 30% housing, 38% total debt, not including energy costs. This is comparable to the 35% housing, 45% total debt, including energy costs, proposed by the Agency. We also received written assurance from the Northeast Region, Division Manager, that each loan would be reviewed on an individual basis. With these underwriting concessions we feel that we can meet our goal of reaching individuals whose only home ownership opportunity at the present time is existing housing and qualify them for an energy efficient new home.

Funds would be reserved for interested builders, to be made available to prospective buyers, by paying a refundable commitment fee of 1%. The commitment period would be one year. Based on anticipated demand, we may find it necessary to limit the initial allocation to an individual builder to $500,000. We also plan to set-aside a portion of the funds to accommodate applicants who are acting as their own general contractor or not working with a participating builder.

The following are program requirements and guidelines for your approval.

Eligible Property

Newly constructed single family detached, single family attached, individual condominium units and manufactured housing are eligible. Foundations must be constructed after the commencement date of this program, unless previously approved. All property must be constructed to the Agency's revised Energy Conservation Standards for New Construction. (see Attachment)

Eligible Applicants

An applicant does not need to be a first-time homebuyer as long as, of the loan closing date, they do not have an ownership interest in any other Residential property.

Income Limits

Market Area #1	$32,890

Bennington County
Burlington MSA (including Burlington, Charlotte, Colchester, Essex, Georgia (Franklin County), Grand Isle (Grand Isle County), Hinesburg, Jericho, Milton, Richmond, St. George, Shelburne, South Burlington, South Hero (Grand Isle County), Williston and Winooski)
Chittenden County
Rutland County
Windham County
Windsor County

Market Area #2	$25,850

Addison County
Caledonia County
Essex County
Franklin County
Grand Isle County
Lamoille County
Orange County
Orleans County
Washington County

Purchase Price Limits

Market Area #1	$78,000
Market Area #2	$72,600

* Market Areas were derived based on Agency statistics and review of the Vermont Housing Needs Analysis.

Loan Term

Fixed Rate, 25 years

Interest Rate

7.75% and 8.25%

Origination Fees

1.5% (.25% to the Agency at the time of purchase, 1.25% to the Lender)

Eligible Lenders

Any Vermont Lender eligible to participate in Agency Programs.

Target Date for Implementation

April 1, 1987

Estimated Size of Program

$20 million

Source of Funding

$12 million from the 1978A Program at a rate of 7.75%.

$8 million from the 1979A Program at a rate of 8.25%.

Action Requested by the Board

Approval of the above described New Homes Program and revised Energy Conservation Standards for New Construction.

/sr:pc137

Attachment

PROPOSED
VERMONT HOUSING FINANCE AGENCY
ENERGY CONSERVATION STANDARDS
(NEW CONSTRUCTION)

The underlined sections are the substitutions and additions to existing standards approved in 1980.

1. Attic or ceiling insulation shall be R-38 (i.e. 12" of fiberglass or equivalent).

2. Outside walls and walls adjacent to unheated garage, entryway and storage areas shall be insulated to R-19 (i.e. 6" of fiberglass or equivalent). Basement walls to below frost line and the perimeter of a slab-on-grade shall be insulated to R-10 (i.e. 2" of "blueboard", 3 1/2" of fiberglass on inside of basement, or equivalent).

3. Floors of heated space over unheated crawl spaces, unheated basements and/or unheated garage areas (those not containing a primary heating plant) shall be insulated to R-19. All floor joist headers/rim joists shall be insulated to R-19. A slab-on-grade shall be insulated to R-10 and have a vapor barrier under the insulation.

4. Vapor barriers must be properly installed to prevent moisture damage and air infiltration.

5. Continuous soffit and ridge venting is the recommended method for ventilating attic areas. Properly sized gable end vents may be substituted for continuous ridge vents.

6. Windows shall be double or triple glazed. Metal windows shall have a thermal break. Single glazed windows are acceptable with the installation of a storm window. All windows must be weather stripped.

7. All exterior doors shall be insulated and weather stripped. A storm door is required when the primary door is uninsulated or is over 25% glass.

8. The building exterior shall be wrapped in an air infiltration barrier (such as "Tyvek" or similar). The infiltration barrier joints and exterior building penetrations and openings shall receive proper taping, caulking or sealing to prevent air infiltration.

9. Maximum practical solar orientation shall be employed which includes minimum window area to the north, maximum window area to the south, and the longest axis of the house positioned along an east-west direction.

10. Any heating system that is installed shall have an annual fuel utilization efficiency (AFUE) rating as determined by Department of Energy testing standards of 85% or greater. Electric heat systems shall not be installed as the primary heating source.

11. A clock thermostat (or equivalent) with the capability of at least one set-back cycle shall be installed.

12. An energy efficient hot water heater shall be installed. If not an instantaneous hot water heater, the tank shall be adequately insulated.

/sr:pc133

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Commissioners

FROM: Single Family Staff

SUBJECT: Changes and Considerations for a New Tax Exempt Program

DATE: February 6, 1987

In preparation for a new tax-exempt program, Agency Single Family Staff met to consider changes to comply with the tax reform act and policy and procedural changes toward the goal of:

- making the program more easily accessable to all Vermonters of low and moderate income;
- simplifying the program, where possible, for potential homebuyers;
- making the program more workable for participating lenders;
- changing the program to make it easier to administer by relaxing controls where experience shows they are not necessary and gaining better controls to assure that funds are available throughout the program for lower income Vermonters and new construction.

Program Revisions

A. Lender Participation

We propose changing from an allocation to a reservation system, whereby, a lender executes an agreement to participate and pays a fee. Funds would be reserved for individual applicants by calling the Agency when the application is taken. Public demand for the program would motivate lenders to originate loans and funds would remain available statewide throughout the program. We would have better control over the program and be able to determine where the program was not being utilized and direct advertising to that area.

Based on our experience with past reservation programs and the experience of other housing finance agencies, we estimate the application fallout rate would be conservatively 20%, and would oversubscribe a reservation program by that amount.

B. Income Limits

Revised regulations require that income limits be based on Revised Income Limits for Lower Income and Very Low Income issued by HUD. Income limits would be set by county and adjusted for family size. The maximum income cannot exceed 115% of the limits established by HUD for non-targeted counties and 140% for targeted counties.

Example based on family size of 4 persons

Addison County	$26,450
Chittenden County	32,660
Windham County	33,040

Statewide income limits for the 1985B Program were:

$31,500 - one wage earner household
$36,500 - two or more wage earner household

We recommend that the income limits established for a new program be the maximum allowable by county under Federal Law adjusted for family size.

We also propose a low income component whereby 25% of the total proceeds of a bond issue is set aside for applicants who are at 80% or less of the median income. Funds would be held for the first three months with any unused funds after that period available on a first-come, first-served basis.

Example based on family size of 4 persons

Addison County	$21,160
Chittenden County	26,128
Windham County	26,432

C. Purchase Price Limits

Purchase Price Limits would be based on issued Safe Harbor Limitations, for Vermont, for existing and newly constructed residences. The maximum purchase price limits based on current Safe Harbor Limitations are:

- Targeted counties (Caledonia, Essex, Franklin, Lamoille, Orange, Orleans, Rutland, Washington and Windham)

New Construction	$88,330
Existing	$77,110

- Non-targeted counties (Addison, Bennington, Chittenden, Grand Isle, and Windsor)

New Construction	$72,270
Existing	$63,090

We recommend that the income limits for a new program not exceed the income limits for the 1985B Program which, were $72,500 existing construction and $78,000 new construction, except where they are required to be less under Federal Law.

D. Underwriting Ratios

We expect to continue to use the following guidelines for underwriting ratios approved by the Board for the 1985B Program.

- greater than 90% with no borrower equity (i.e. downpayment was a gift), 28% housing/36% total debt
- greater than 90% with downpayment from borrower's cash assets, 30% housing/38% total debt
- 90% and below LTV, 30% housing/38% total debt
- new and existing energy efficient property (without energy costs included, 30% housing/38% total debt, or 35% housing/45% total debt including energy costs)

The above ratios are more liberal than those currently used as guidelines by conventional lenders. These more liberal guidelines demonstrate the Agency's willingness to accept greater risk in order to assist Vermonters in the purchase of a home and the benefits of energy efficient construction are recognized.

E. Delegated Underwriting

We propose establishing a pilot program and delegate underwriting to selected lenders who have consistently demonstrated an ability to underwrite loans to our guidelines. The process would work as follows:

- Lender would submit a complete loan file to the Agency along with their underwriting analysis and any conditions;
- the Agency would review the loan file for 103A compliance and concurrance with the Lenders conditions;
- the Agency would issue a commitment subject to the Lender's conditions and not review the documentation on any conditions.

This procedure is more in conformance with the conventional secondary market and would provide a show of good faith to those lenders who have shown expertise in underwriting and would streamline the approval process.

The Agency would reserve the right to review documentation on conditions and revoke delegated privileges if necessary.

F. Origination Fees

Currently the borrower pays 1 3/4 points. The lender nets 1% and the Agency 3/4%. We recommend increasing the points charged to 2% and allow the Lender to retain 1.25% to compensate them for the increasing cost of origination.

G. Late Delivery Fees

The Agency currently charges a late delivery fee which is assessed on all loans not delivered for purchase within 30 days following closing. The current fee is $5.00 per loan, per day, and assessed at the end of a program. We propose collecting this fee at the time of purchase. We feel this will encourage lenders to submit loans for purchase as soon as possible after closing or make other arrangements that are satisfactory to the Agency.

H. New Construction Set-Aside

We propose a set-aside for new construction where funds would be held for a set period, similiar to the funds that would be set-aside for lower income. Builders would be surveyed at the start of the program for interest. The length of time funds would be set-aside and the amount would be determined based on that interest.

I. Condominium Approvals

Currently Agency policy requires that a condominium project be reviewed by the Agency and its legal counsel prior to being eligible for financing. With more lenders selling their conventional loans, developers are submitting their projects to Freddie Mac and Fannie Mae for review. We propose automatic approval for all Freddie Mac and Fannie Mae approved projects. We would continue to limit participation to 30% of project and maintain a file of documents. In the event project approval is revoked, we would review the project to determine if it remains eligible under our guidelines. We will continue to encourage developers to submit documentation to the Agency, as our $450 fee is substantially less than Fannie-Mae's minimum fee of $2,000 and Freddie Mac's fee of $1,000.

Procedural Changes

A. Information and Assistance

As in past programs, we plan to produce a brochure and continue to accept calls from potential applicants, real estate sales people, builders, etc. To better assist lenders, we also plan to produce a one or two page "snapshot" of the program for use by their lending staff and a user's guide in addition to the Procedural Guide. A mailing list of each lending office and lending staff would be maintained and to improve communication, program information and memorandums would be mailed directly to the loan originators.

Under consideration, is the Agency playing a more active role in assisting low-income individuals unfamiliar with the mechanics and requirements of purchasing a home. This could be accomplished through area community action agencies or by providing educational material through the Agency, lenders, real estate sales people, etc. Also under consideration is the hiring of several field people whose job would be traveling the State and meeting with various groups (i.e. Realtors, Builders, etc.) to promote the Agency and its programs.

B. Servicing

Proposed changes to servicing foreclosed properties include:

- requiring that lenders submit their request for reimbursement for expenses within 30 days.
- no reimbursement of lenders once claims have been submitted to the primary insurer and pool insurer.

Other changes under consideration:

- allowing Lender's to discharge mortgage upon payment in full.
- allowing lenders to execute insurance loss drafts.

C. Relief Fund Loan Program

We propose establishing a relief fund for homeowners with Agency mortgages who discover a defect with the property or have failure of a mechanical system that creates a financial hardship.

Applicants for this program would be referred by the servicing lender. The program would be designed to assist homeowners unable to obtain home improvement financing from a conventional lender and have no cash reserves.

/sr:js23

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: Vermont Housing Finance Agency Board of Commissioners

FROM: Allan S. Hunt ASH

DATE: February 6, 1987

RE: Status of Exxon Overcharge Funded Energy Rated Mortgage Program

In the Board Meeting of August 28, 1986, I informed you of the Agency's receipt of $150,000 from the Exxon Oil Overcharge funds. These funds were designated for the design and implementation of an innovative program which will rate the energy efficiency of homes at the time of sale, and include in the mortgage the cost of bringing that home up to an "energy efficient" level.

To date, the Agency has identified and signed a contract with an organization from Washington state that has had success in implementing similar programs in a number of western states. Western Resource Institute (WRI) is providing technical material and consulting expertise in helping us implement their Energy Rated Homes system here in Vermont. Locally, the Vermont Energy Investment Corporation (VEIC) is assisting in technical and program development.

WRI and VEIC have started the data collection work for the development of the rating forms. We have assembled a Technical Review Committee of energy experts from Vermont to oversee the project and validate the rating system when it is finished. The rating system should be complete by May.

Meanwhile, Agency staff and consultants are working on the Program design and details. We propose to invite a group of upper level management personnel from the shelter industry in Vermont to comprise the Energy Rated Mortgage Program Steering Committee. These individuals from the lending, realty, home building, and appraisal industries, along with VHFA and utility personnel will provide oversight and guidance for the Program.

If all moves ahead on schedule, we hope to initiate our pilot program in four Vermont counties sometime in early summer. The Exxon funds will be used to provide a buy-down incentive to 50 participants. Currently, there is a bill which would provide an additional $350,000 for this program awaiting action from the Vermont legislature. This money would be used to expand the Program after the pilot program phase.

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Vermont Housing Finance Agency

Resolution

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

1. The CDBG Rehabilitation Loan Purchase Program will result in the purchase or participation in the purchase of eligible Loans for rehabilitation to persons and families of low and moderate income, and to owners of existing residential housing for occupancy by those persons and families, for the rehabilitation to existing residential housing owned by them;

2. The Loans will be or have been used primarily to make the housing more desirable to live in, to increase the market value of the housing, to comply with building, housing maintenance, fire, health, or similar codes and standards applicable to housing or to accomplish energy conservation related improvements;

3. Financing for these Loans is not available, in whole or in part, from private lenders upon equivalent terms and conditions;

4. For the purposes of this Program, persons or families of low and moderate income shall mean (a) at or below area median income where such persons or families are occupants of rental housing, or (b) within the single family income limitations applicable to the Agency's most recent single family mortgage program, where such persons or families are owners of single family residences;

5. Each Loan purchased shall be evidenced by a Note assigned to the Agency or participating buyer.

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: Vermont Housing Finance Agency Board of Commissioners

FROM: Meg Pond, Sam Falzone, Richard Faesy

DATE: February 6, 1987

RE: Status of Multi-Family Energy Conservation Project

In the Board Meeting of October 10, 1985, the Board discussed the policy issues related to the project cost escrow disbursements on multi-family projects. The Board established a list of priorities with "energy conservation related improvements" at the top of the list.

We have moved forward on this recommendation and have initiated a pilot program which will allow multi-family owners to draw from their project cost escrow accounts for energy conservation studies and improvements. To assist the owners/managers in making the best energy improvement decisions and to assure that the completed work will provide the greatest energy savings, we have selected two excellent Vermont energy consulting firms to play a role in this effort. Energy Solutions, Inc. and the non-profit Vermont Energy Investment Corporation are able to provide complete services from building analysis, through construction management, to energy education programs for tenants and employees.

We have assembled a plan of action that we will require each participating project owner and consulting firm to follow in analyzing the energy usage, identifying the corrective measures, completing the work according to specifications, and supplying appropriate tenant and employee education.

The owners and/or managers of the ten highest energy cost per square foot elderly projects were invited to a meeting on January 21 where representatives from Energy Solutions and the Vermont Energy Investment Corporation (VEIC) made a joint presentation describing their services. As a result, most all of the owners signed up with the two firms. Energy Solutions has 5 or 6 projects they will be working on, and VEIC has 4 or 5.

The plan for this pilot program is to have the two firms complete the energy analysis, construction, and education work on at least three buildings/projects each by June. After that, we will do an evaluation of the pilot project and determine whether we should open this service up to all the remaining multi-family projects. Right now, the consulting firms tell us that the potential for energy savings appears to be quite high. We hope that the results of this pilot effort demonstrate this, and that we can continue to use the project cost escrow funds for this worthwhile project.

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Commissioners

FROM: Roger A. Schoenbeck, Director of Finance RAS

RE: Budget Performance and Proposed Budget Adjustments

DATE: February 6, 1987

Attached please find two schedules (on blue paper) as referenced above. The first schedule is a statement of budget performance for the first half of the fiscal year comparing the approved budget versus actual operations for that period. I would say at this time that we are in pretty good shape and fairly on track with expectations. Most differences between Budget and Actual can be attributed to timing differences, that is, income and expenses not falling in the months originally expected. Those items which we feel require adjustment are the subject of the balance of this memo.

Although I could spend considerable time discussing each change in the adjustment requests, I will limit the written discussion to major items. Obviously, if you have any questions or any other areas of concern, I'll gladly provide you with any information that you request.

1. **Multi-Family Fees** - Although the Board granted a contribution subsidy of $150,000 for a multi-family program, at this time there is very limited interest in this program; therefore, the fees that were expected to be generated will not be collected.

2. **Howard Mortgage Purchase Fund Transfer** - Due to the profit generated from the sale of reserve funds in the 1982 program in conjunction with the redemption scheduled for March 2nd, an additional $250,000 is available to be transferred out of the program.

3. **Howard Home Mortgage Purchase Program** - As discussed at an earlier Board Meeting, the failure to purchase mortgages on a timely basis, mainly due to falling interest rates, requires the Agency to contribute approximately $400,000 to the 1985B program. In addition, the rapid prepayments experienced in the 1984 program necessitates a $30,000 contribution to that program. In addition, I have included an estimate of $50,000 contribution to a 1987 program to cover Costs of Issuance due to the Tax Reform Act.

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4. **Howard Multi-Family Fund Transfer** - As discussed above, the $150,000 subsidy has been eliminated and the contribution for Costs of Issuance to the South Meadow financing of $57,500 is included.

5. **Connecticut National Multi-Family** - Due to the successful completion of the Rockingham project refinancing, the Agency is able to collect it's "loan" advanced. (See separate handout to Rockingham refinancing.)

6. **Commissioners' Expenses** - This account has been scaled back due to there being less meetings than expected, less Commissioners than expected and no participation to date at any travel seminars.

7. **Consulting Fees** - This change is mostly due to timing in converting Allan to the payroll, fees on the Housing Needs Study being deferred to this year and longer than anticipated in hiring a public information officer. Fees paid to our energy consultant are also partially reimbursed by the Exxon overcharge funds.

8. **Salaries and Wages** - This change is basically described above under Consulting and came about because most the people scheduled to be hired at the beginning of the year were hired later.

In summary, the adjustments proposed are necessary due to changing conditions not anticipated at the time of the original budget. Total expenses are now actually expected to marginally decrease while income and transfers also show a slight decrease. The result of these changes is an estimate of approximately $40,000 less increase to the General Fund Balance at the end of the year.

I would request that the Board adopt a Resolution to amend the Budget to the Estimated Actual as presented.

RAS 2/5/87

BUDGET PERFORMANCE REPORT
VERMONT HOUSING FINANCE AGENCY
FOR THE PERIODS ENDING DECEMBER 31, 1986

	CURRENT PERIOD 10/1-12/31/86		YEAR TO DATE 7/1-12/31/86	
	BUDGET	ACTUAL	BUDGET	ACTUAL
INCOME				
VHMGB	$23,550	$18,336	$47,050	$40,644
SINGLE FAMILY FEES	37,500	49,530	75,000	110,419
MULTI-FAMILY FEES	75,000	47,883	90,000	52,883
INTEREST INCOME	54,000	47,753	108,000	99,789
MISCELLANEOUS	1,275	459	2,625	1,104
TOTAL INCOME	191,325	163,961	322,675	304,839
FUND TRANSFERS				
LOANS TO LENDERS	150,000	150,000	150,000	150,000
SHAWMUT MTG PURCHASE	50,000	50,000	50,000	50,000
HOWARD MTG PURCHASE	0	0	500,000	500,000
HOWARD HOME MTG PURCH	100,000	112,495	100,000	112,495
HOWARD MULTI-FAMILY	(150,000)	0	50,000	200,000
CONN NATL MULTI-FAMILY	0	104,723	90,000	104,723
TOTAL TRANSFERS	150,000	417,218	940,000	1,117,218
TOTAL INC & TFRS	341,325	581,179	1,262,675	1,422,057
EXPENSES				
ADVERTISING	2,250	890	3,000	2,460
AUDIT	0	6,500	19,000	19,000
ANNUAL REPORT	2,000	825	2,000	825
COMMISSIONERS EXPENSES	3,000	0	3,000	169
CONSULTING FEES	10,000	24,535	19,000	41,412
DUES & SUBSCRIPTIONS	3,000	3,209	5,700	6,161
INSURANCE	15,000	12,142	30,900	22,268
INTEREST EXPENSE	1,305	1,337	2,610	2,713
LEGAL	12,325	4,478	21,850	11,197
MISCELLANEOUS	1,375	2,019	1,750	2,878
OFFICE EXPENSES	3,000	2,797	6,000	6,208
PENSION PLAN	10,800	8,241	19,800	19,021
POSTAGE	1,650	1,311	3,300	3,314
RENT	15,432	15,450	30,536	30,645
REPAIRS & MAINTENANCE	6,250	6,535	12,400	11,719
SALARIES & WAGES	148,500	135,324	292,500	264,295
STAFF TRAVEL & TRAINING	7,500	4,537	15,000	11,240
TAXES-PAYROLL	10,575	10,132	20,850	19,696
TELEPHONE	6,750	8,074	13,500	12,737
TRUSTEE & CREDIT FEES	43,500	36,828	88,000	65,990
DEPRECIATION	13,125	12,600	25,575	25,050
TOTAL EXPENSES	317,337	297,764	636,271	578,998
INCREASE (DECREASE) TO FUND BALANCE	$23,988	$283,415	626,404	843,059

RAS 2/5/87

ADJUSTED BUDGET
VERMONT HOUSING FINANCE AGENCY
F/Y/E JUNE 30, 1987

	ORIGINAL BUDGET FYE 6/30/87	ESTIMATED ACTUAL 6/30/87	ADJUSTMENT REQUEST	% INC/DEC ADJUSTMENT VS ORIGINAL
INCOME				
VHMGB	$94,500	$90,500	($4,000)	-4.23%
SINGLE FAMILY FEES	250,000	225,000	($25,000)	-10.00%
MULTI-FAMILY FEES	329,250	125,000	($204,250)	-62.03%
INTEREST INCOME	216,000	195,000	($21,000)	-9.72%
MISCELLANEOUS	5,000	2,500	($2,500)	-50.00%
TOTAL INCOME	894,750	638,000	($256,750)	-28.70%
FUND TRANSFERS				
LOANS TO LENDERS	150,000	150,000	0	0.00%
SHAWMUT MTG PURCHASE	100,000	100,000	0	0.00%
HOWARD MTG PURCHASE	760,000	1,010,000	250,000	32.89%
HOWARD HOME MTG PURCH	200,000	(280,000)	(480,000)	-240.00%
HOWARD MULTI-FAMILY	250,000	342,500	92,500	37.00%
CONN NATL MULTI-FAMILY	180,000	530,000	350,000	194.44%
TOTAL TRANSFERS	1,640,000	1,852,500	212,500	12.96%
TOTAL INC & TFRS	2,534,750	2,490,500	(44,250)	-1.75%
EXPENSES				
ADVERTISING	7,500	9,000	1,500	20.00%
AUDIT	19,000	19,000	0	0.00%
ANNUAL REPORT	10,000	10,000	0	0.00%
COMMISSIONERS EXPENSES	5,000	2,000	(3,000)	-60.00%
CONSULTING FEES	40,000	60,000	20,000	50.00%
DUES & SUBSCRIPTIONS	11,700	13,000	1,300	11.11%
INSURANCE	61,800	56,000	(5,800)	-9.39%
INTEREST EXPENSE	5,000	5,000	0	0.00%
LEGAL	44,000	44,000	0	0.00%
MISCELLANEOUS	2,500	3,750	1,250	50.00%
OFFICE EXPENSES	12,500	13,000	500	4.00%
PENSION PLAN	44,000	44,000	0	0.00%
POSTAGE	7,200	7,200	0	0.00%
RENT	61,400	61,400	0	0.00%
REPAIRS & MAINTENANCE	25,000	25,000	0	0.00%
SALARIES & WAGES	600,270	572,000	(28,270)	-4.71%
STAFF TRAVEL & TRAINING	30,000	30,000	0	0.00%
TAXES-PAYROLL	42,750	40,750	(2,000)	-4.68%
TELEPHONE	27,000	27,000	0	0.00%
TRUSTEE & CREDIT FEES	175,000	185,000	10,000	5.71%
DEPRECIATION	53,000	53,000	0	0.00%
TOTAL EXPENSES	1,284,620	1,280,100	(4,520)	-0.35%
INCREASE (DECREASE) TO FUND BALANCE	$1,250,130	$1,210,400	($39,730)	-3.18%

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Commissioners

FROM: Roger A. Schoenbeck, Director of Finance RAS

RE: HUD Audit

DATE: February 5, 1987

Attached please find a letter received from the U.S. Department of Housing and Urban Development. The letter is in response to the audit that we contracted for in the fall required under HUD regulations for those projects that we act as contract administrators. The audit covered from the inception of our contract through June 30, 1986, a period of five years. I'm pleased to report, as you can see, that HUD gave both the Agency and our auditors a "clean bill of health." Unfortunately, HUD regulations now require an annual audit of this program, which means that we will have to go through the additional audit process every year. I will bring along with me to the Board Meeting copies of the audit as prepared and any Board Member is welcome to have a copy.

Attachment

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Manchester Office, Region I
Norris Cotton Federal Building
275 Chestnut Street
Manchester, New Hampshire 03101-2487

FEB 3 1987

Mr. Horace Shaw, Chairperson
Vermont State Finance Agency
20 North Williams Street
Burlington, VT 05401

Dear Mr. Shaw:

The Department of Housing and Urban Development has reviewed and accepted the audit report for the Vermont Housing Finance Agency for the period July 1, 1981 through June 30, 1986.

The audit report does not contain any significant deficiencies. You are now authorized to pay P. F. Jurgs and Co., Certified Public Accountant, the balance of the contract fee, if any.

Under the single Audit Act of 1984, the Agency is required to obtain an annual audit. Accordingly, you are advised that an audit for the period July 1, 1986 through June 30, 1987 will be due in lieu of the past biennial audits. In addition, please forward a copy of the audits as accepted to the Honorable Madeline Kunin, Governor of Vermont.

If you have any questions regarding the audit, please contact Mr. Anderson of my staff at (603) 666-7459.

Sincerely,

James J. Barry
Manager

CC: Allan S. Hunt

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: Vermont Housing Finance Agency Board Members

FROM: Brenda Torpy, Director of Research & Program Development

SUBJECT: Legislative Update for meeting of February 12, 1987

DATE: February 6, 1987

1. Attached please find a memorandum outlining the proposed changes to our statute. The housing cooperative bill is also described, as well as the relationship between the two.

   The Statutory changes and the coop bill will be sponsored by Peter Welch.

   The coop bill will also be sponsored in the House by Bill Mares.

2. Housing & Conservation Trust Fund Bill.

   We have met with members of the Coalition and clarified our position on this bill. We do support the bill as it will dedicate funds to housing. Although we have some concerns about the creation of yet another bureaucracy to administer what would be in part, a housing program, we do not plan to criticize this aspect. The reasons for this are simply that the Trust Fund will have a totally unique purpose (blending housing and conservation), and it would undermine the effort to haggle over administration. This is clearly a broadly supported effort that is doing a lot of education about the State's housing needs, and we will provide housing related testimony as needed.

3. Interstate Banking

   As agreed upon at our last meeting, we raised our concerns about this bill as it related to lower income credit needs, and housing loans in particular. We communicated this information to Peter Welch and Scudder Parker in the attached letter.

4. Homeless Program - Status Report

Over 30 requests for proposals and Grant application packets were sent out to Vermont Shelters, Food Shelves, Community Action Agencies and Social Service Organizations. We also announced the program in major newspapers around the State. We have had many inquiries. There are many projects underway. I attended a statewide meeting on Homelessness at the Department of Community Affairs, attended by many of the Shelter operators and responded to their inquiries. I am in daily contact with applicants and prospective applicants.

5. Planning Process Update

Staff will participate in a full day planning session in early March. The focus of this day will be to bring all of the staff up to speed on all of the changes and new programs that have gotten underway since the Board Mandate last year. This will give all staff, old and new, the opportunity to question, comment and reflect upon the direction and growth of the Agency.

VHFA VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Commissioners

FROM: Brenda Torpy

RE: Statute Changes

DATE: February 4, 1987

****

The following is a brief explanation of the proposed changes to the VHFA statute and why these changes are necessary to enable the Agency to better serve the housing needs of low and moderate income Vermonters. As the general coop housing statute is not yet in its final form, there may be a few subsequent changes to this proposal. In addition, the Agency is awaiting the opinion of bond counsel who is reviewing this draft to determine if any further modifications are necessary in light of the Tax Reform Act and tax-exempt bond financing.

Coop Housing

The Agency has determined that a program to encourage the development of coop housing in Vermont will aid in increasing the affordable housing stock in Vermont. The Agency, as a member of the Affordable Housing Task Force, has participated in drafting a general coop statute for the purpose of legally defining housing cooperative corporations in Vermont. Walt Morris, Esq. of the Department of Community Affairs is presently pulling the draft together. Although coops may now be formed under the general corporations and non-profit statutes, numerous characteristics unique to housing coops are not provided for under Vermont law. This is particularly true in the case of limited equity coops. Limited equity coops differ from market rate coops in that once such an election is made by the coop, the appreciation of the value of the share or cooperative interest is limited at the outset according to a formula determined by the individual coop and remains limited over time. This is an important characteristic to the Agency as it protects the affordability of housing on a long-term basis which has received the aid of public dollars and technical assistance in its formation. In addition, limited equity coops receive several tax advantages in relation to their financing under the new Tax Reform Act of 1986.

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The Agency strongly supports the passage of the general coop bill. In addition, the Agency has proposed several changes in its statute so that it will be enabled to adequately finance coop housing. With these changes, the Agency will be able to finance coops even if the general coop statute does not pass in the Legislature this year because, as mentioned previously, it is possible for certain kinds of coops to be created under the general corporations statutes.

Under the previous tax code, it was unclear whether coops, could be financed out of single or multi-family bond programs. Coops incorporate by their nature a bit of both of these type of housing. The Tax Reform Act has cleared up these problems. Thus, the Agency can now finance the blanket mortgage, that which finances the purchase of the building and land thereupon. The Agency also wishes to enact a program to finance the individual shares of cooperative interest that a coop member must purchase in order to be granted a possessory interest in a particular unit. This would substantially decrease the up front costs required of a low income person or family. Therefore, the Agency proposes the following changes to its statutes:

1. Change the definition of mortgage and mortgage loan so that the Agency may take as security for a cooperative interest loan the pledge of stock or membership certificate and the conditional assignment of the proprietary lease.

2. Change the definition of "residential housing" to include coops and cooperative interest.

3. Add definitions of the terms used in cooperatve housing corporations.

4. Add power to acquire real or personal property by pledge or assignment in keeping with the nature of security required in a coop. Add sale to powers listing remedies to clarify that the Agency may seek its remedies "under any other law" including the UCC in the case of share loans (and mobile loans--see next section).

5. Add power to clarify the ability of the Agency to form mutual housing associations. Mutuals are administrative umbrella organizations that bring several coops together for the purpose of providing management and technical expertise to coops at a lower cost. Mutuals are especially important in tenant organized coop conversions.

6. Add power to directly finance share loans. This gives the Agency the option to finance cooperative interests out of tax-exempt bond proceeds or reserves, depending on what it deems is best for low income Vermonters.

7. Add directive to promulgate regulations that will guide Banks who may participate in a share loan program with the Agency, in order that the procedures for financing this unique hybrid of housing will not violate the Agency's bond rating.

Mobile Homes

The Agency has determined that mobile homes provide housing opportunities to Vermonters who might not otherwise be in a position to buy a traditional stick-built home. The Agency plans to devise a program to finance mobile homes. The draft includes changes in the definition of mortgage and mortgage loan to clarify the requirements of security depending on whether the mobile home is considered real estate or personal property for the purpose of financing. The Agency will, if this legislation is passed, promulgate regulations that will further clarify the security interest required in the case of mobile homes on leased lots and any manufacturing standards required in addition to those outlined in the Vermont statutes and under the federal safety code to which mobile homes are subject. The proposal also gives the Agency the option to finance mobile homes through bond proceeds or directly out of reserves. This is necessary because of the conflicts between the tax code as it relates to tax-exempt bond financing and the legal status of mobile homes under Vermont law.

Definition of Residential Housing

This definition is expanded to encompass the aforementioned programs and to update the definition in keeping with present housing needs and the kind of housing programs the Agency may wish to enact in the future. In particular, clarifications are desired with regard to the power to finance temporary, transitional and emergency housing as the Agency has determined that the homeless have immediate and pressing housing needs. Any restrictions regarding individual programs and financing through bonds are governed by the tax code.

Acquisitions

Several housekeeping changes have been proposed to clarify the ability of the Agency to purchase a building that presently contains subsidized housing which is at risk of market rate conversion without necessarily requiring major renovations, if that proves to be unnecessary. Although the Agency has been advised by bond counsel that it is not precluded by statute, current statutory authority is unclear.

Grants

Housekeeping change is proposed to clarify the ability of the Agency to not only receive grants but to also award grants if it should devise such a program in the future.

Vermont Home Mortgage Guarantee Board

Proposed change clarifies the security required in order for a mortgage loan to be eligible for VHMGB insurance in keeping with the aforementioned changes in the Agency statute regarding this same issue.

SECOND DRAFT PROPOSAL OF AMENDMENTS TO VHFA STATUTE

Purpose: Housekeeping changes and to also facilitate VHFA financing more low and moderate income housing.

Section 1.

Chapter 25 of Title 10 is amended to read, in pertinent part, as follows:

601. Definitions

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

* * *

(6) "Housing development cost" means the cost incurred in connection with the acquisition, construction or rehabilitation of residental housing including...

* * *

(8) "Mortgage" means....maturity date of the obligation or on a cooperative interest or on an interest in a mobile home. "Mortgage" shall also include any mortgage or obligation guaranteed by the [Vermont Home Mortgage Credit Agency]. Vermont Home Mortgage Guarantee Board or its successor;

(9) "Mortgage lender" means...or otherwise aids in the financing of [mortgage] mortgage loans on residential housing located in the state;

Repeal (10) and Add:

(10) "Mortgage loan" means and includes:

A. An interest-bearing obligation secured by either a mortgage or note or bond constituting a first lien on land and improvements in the state;

B. An interest-bearing obligation secured by a pledge of stock or membership certificate and the conditional assignment of the proprietary lease by a member of a housing cooperative corporation which is located in the state and organized under the laws of Vermont.

C. An interest-bearing obligation secured by the owner-occupant's interest in a mobile home provided that:

(1) the mobile home is to be permanently sited in a manner intended for continuous residential occupancy by the owner on land owned by the owner of the mobile home and shall be secured by a mortgage which shall constitute a first lien on the mobile home and the real property to which it is affixed thereto, or

(2) the mobile home is to be permanently sited in a manner intended for continuous residential occupancy on land leased by the owner of the mobile home and shall be secured by a note or otherwise and collateral assignment of a lease of real property which shall constitute a first lien upon the mobile home and lease.

This definition shall not preclude requirement of security in addition to that specified in this subsection for any mortgage loan.

* * *

(14) "Residential housing" means *[single or multi family]* residential housing units designed primarily to provide principal dwelling accommodations whether on a permanent or temporary basis for persons or families, *[including]* which may include the land and improvements thereon and such non-housing facilities or services considered necessary or convenient by the agency in connection with the residential housing. "Residential housing" includes, but is not limited to, single or multi-family dwellings, housing cooperative corporations and cooperative interests, congregate homes, residential care homes as defined in 18 V.S.A. § 2002, nursing homes, transitional housing, emergency shelters for the homeless or displaced, mobile homes, single room occupancy dwellings, and group homes for the mentally ill or developmentally disabled;

Add:

(15) "Cooperative housing corporation" means a "cooperative housing cooperation" as that term is defined in Chapter 14 of Title 27;

Add:

(16) "Cooperative interest" means "cooperative interest" as that term is defined in Chapter 14 of Title 27;

(17) "Member" means "member" as that term is defined in Chapter 14 of Title 27;

Add:

(18) "Mobile home" means "mobile home" as that term is defined in Chapter 72 of Title 9 and as further defined by any regulations the agency in its discretion may promulgate.

621. General Powers and Duties.

The agency shall have all of the powers necessary and convenient to carry out and effectuate the purposes and provisions of this chapter, including without limitation those general powers provided a business corporation by Section 1852 of Title 11 and including, without limiting the generality of the foregoing, the power to:

* * *

(2) Acquire real or personal property, or any interet therein, on either a temporary or long-term basis in its own name by gift, transfer, foreclosure, lease, pledge, assignment or otherwise...;

(3) Require 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...

* * *

(5) Provide advice and technial information....including but not limited to assistance in community development and organization, [and] advisory services, the formation of mutual housing associations and to encourage community organizations to assist in developing the same;

* * *

(18) Make grants and loans or advances secured by a mortgage to housing sponsors;

Add:

(19) Make loans to members of a housing cooperative corportion to finance their cooperative interests in such housing cooperative corporation and make mortgage loans and loans to persons or families to finance mobile homes;

622. Powers relative to purchase of and sale to mortgage lenders of mortgage loans; loans through mortgage lenders.

The agency shall have the following powers in addition to others granted in this chapter:

* * *

(6) Renegotiate, refinance or foreclose or sell, or contract for the foreclosure of or sale of, any mortgage in default...

623. Terms and conditions of the purchase and sale to mortgage lenders of mortgage loans; loans through mortgage lenders.

* * *

(e) The rules and regulations shall be designed to effectuate the general purposes of this chapter and the following specific objectives:

Add:

(4) in the case of mortgage loans secured by cooperative interest in cooperative housing corporations, to assure that the purchase of such mortgage loans with the proceeds of bonds of the agency will not, without the consent of the agency, cause such bonds to be "other than qualified mortgage bonds."

624. Making of loans to housing sponsors.

(a) The agency may:

(1) Make, undertake commitments to make,...to finance the acquisition, construction or rehabilitation of residential housing;

625. Procedure prior to financing of multi-family housing undertaken by housing sponsors.

The agency may not finance any residential housing undertaken by a housing sponsor under Section 624 of this Title unless:

* * *

(2) The agency determines that the acquisition, construction or rehabilitation costs...

(3) The agency determines that there exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low or moderate income are able to afford within the general housing market area or there is a shortage of temporary transitional or emergency housing to be served by the proposed residential housing...

S T A T E   O F   V E R M O N T

EMERGENCY BOARD

Minutes of Meeting   January 30, 1987

Pursuant to notice, the EMERGENCY BOARD met in the Governor's State House office, Montpelier, on Friday, January 30, 1987 at 9:00 A.M. The following members were present:

Governor Madeleine M. Kunin
Senator Edgar May, Chairman, Senate Appropriations Committee
Senator Scudder Parker, Chairman, Senate Finance Committee
Representative John A. Hise, Jr., Chairman, House Appropriations Committee
Representative Oreste Valsangiacomo, Chairman, House Ways & Means Committee

Item #1 - REALLOCATION OF PRIVATE PLACEMENT BOND AUTHORITY CEILING

A motion was made by Senator May, seconded by Senator Parker and unanimously voted to reallocate Vermont's private placement bond authority ceiling for calendar year 1987 as follows:

Vermont Housing Finance Agency	$ 90,000,000
Vermont Industrial Development Authority	$ 40,000,000
Vermont Student Assistance Corp.	$ 90,000,000
and the balance to be allocated as a contingency to be available to all state agencies and instrumentalities having authority to issue tax exempt private placement bonds.	$ 30,000,000
	$250,000,000

The meeting was adjourned at 9:20 A.M.

A true record,

ATTEST:

Elizabeth A. Bankowski

Elizabeth Bankowski
Secretary of Civil & Military Affairs

STATE OF VERMONT

EXECUTIVE DEPARTMENT

EXECUTIVE ORDER

WHEREAS, the Federal Tax Reform Act of 1986 (the "Tax Act") enacted and signed into law on October 22, 1986, establishes a calendar year state ceiling on the volume of "Private Activity Bonds", the interest on which is exempt from Federal income taxes;

WHEREAS, under the Tax Act, Vermont's state ceiling for private activity bonds in 1987 is $250,000,000 and is available for allocation to any "qualified bonds" (within the meaning of the Tax Act) issued on or after August 15, 1986;

WHEREAS, the Tax Act specifies an allocation of state ceiling between state agencies and others issuing authorities but provides that the Governor of any state may proclaim a different interim formula for allocating the state ceiling among the governmental units or other authorities in the state having authority to issue private activity bonds;

WHEREAS, the authority applies until the earlier of (1) the last day of the first calendar year after 1986 in which the state Legislature has met in regular session or (2) the effective date of any state legislation with respect to the allocation of the state ceiling;

WHEREAS, on January 30, 1987, the Vermont Emergency Board, acting pursuant to 32 V.S.A., Section 992 (enacted for purposes of Section 103(n) of the Internal Revenue Code of 1954, as amended) has made an allocation of the 1987 private activity bond volume cap allocating $90,000,000 to the Vermont Housing Finance Agency, $40,000,000 to the Vermont Industrial Development Authority, $90,000,000 to the Vermont Student Assistance Corporation and $30,000,000 to be retained as a contingency;

NOW, THEREFORE, I, Madeleine M. Kunin, Governor of the state of Vermont, consistent with the vote of the Vermont Emergency Board of January 30, 1987, do make the following interim allocations of state ceiling for calendar year 1987, for the purpose of permitting bonds to be issued which will be deemed to be tax exempt private activity bonds as defined in the Tax Act:

1. One hundred percent of Vermont's $250,000,000 1987 permitted volume of all private activity bonds is allocated to the state agencies and instrumentalities.

2. $90,000,000 of Vermont's 1987 volume cap is allocated to the Vermont Housing Finance Agency.

3. $40,000,000 of Vermont's 1987 volume cap is allocated to Vermont Industrial Development Authority for use under V.S.A. Title 10, Chapter 12, subchapter 4.

4. $90,000,000 is allocated to the Vermont Student Assistance Corporation.

5. The remainder of Vermont's annual 1987 bond ceiling, $30,000,000, is reserved in the form of a contingency allocation to be available to all state agencies and instrumentalities having authority to issue private activity bonds, including the Vermont Housing Finance Agency, the Vermont Industrial Development Authority and the Vermont Student Assistance Corporation.

WITNESS my name hereunto subscribed and the Great Seal of the State of Vermont hereunto affixed at Montpelier, this 30th day of January 30, A.D., 1987.

Madeleine M. Kunin

Governor

By the Governor:

Elizabeth A. Rankin

Secretary of Civil & Military Affairs

Executive Order #38

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt

RE: Low Income Tax Credits

DATE: February 10, 1987

Enclosed is a draft of a Memorandum of Understanding between us and the Agency of Development and Community Affairs which makes us the "administrator" of low income tax credits. We will be discussing this on Thursday.

VHFA
VERMONT HOUSING FINANCE AGENCY

April 20, 1987

Jean Gauthier
Pavilion Office Building
Montpelier, VT 05602

Dear Ms. Gauthier:

The Vermont Housing Finance Agency will be having its monthly Board Meeting on Thursday, April 30, 1987 at 1:30 p.m., at the State Treasurer's office, 113 State Street, Montpelier, Vermont.

If you require any additional information, please do not hesitate to contact me.

Sincerely,

Patti

Patricia A. Scheffley
Executive Secretary

PAS

Sent 4/21/87

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State Government Meetings

Week of April 27

MONDAY

Water Resources Board, town of Sherburne's petition to reclassify a portion of Ottauquechee River, 9 a.m., High Ridge Conference Center, Killington.

Telecommunications Oversight Committee, 9:30 a.m., fifth-floor conference room, Pavilion Office Building, 109 State St., Montpelier.

Labor Relations Board, Vermont State Employees' Association vs. State of Vermont on smoking policies, 9:30 a.m., board hearing room, 13 Baldwin St., Montpelier.

Architectural Barrier Compliance Board, 1:30 p.m., Stanley Hall, State Office Complex, Waterbury.

Agriculture Department, public hearing on licensing of Czedie/Miller's Dairy Inc., Ludlow, Mass., and expansion of Dairylea Cooperative Inc.'s license for dairy product sales in Vermont, 2 p.m., University of Vermont Extension Service, Chittenden County office, 4A Laurette Drive, Fort Ethon Allen, Colchester.

Vermont State Colleges Development Committee, 4:30 p.m., third-floor conference room, and Finance Committee, 5:30 p.m., room 121, Stanley Hall, Waterbury.

District Environmental Commission, LaFond's Auto Body Inc., creation of 34-unit mobile home park in Castleton, 9 a.m., Town Office, Castleton.

TUESDAY

Vermont Apple Marketing Board, 9 a.m., third-floor conference room, Agriculture Department, 116 State St., Montpelier.

Accountancy Board, 9 a.m., room 112, Redstone Office Building, 26 Terrace St., Montpelier.

Agriculture Department, public hearing on licensing of Czedie/Miller's Dairy Inc., Ludlow, Mass., and expansion of Dairylea Cooperative Inc.'s license for dairy product sales in Vermont; 11 a.m., Windsor County Extension Service office, 31 The Green, Woodstock; 2 p.m., Orange County Extension Service office, Post Office Building, Chelsea.

Vermont State Colleges Student Life/Personnel Committee, 5:30 p.m., third-floor conference room, Stanley Hall, Waterbury.

District Environmental Commission, town of Fayston, operation of municipal gravel pit, 2 p.m., Memorial Room, City Hall, Montpelier.

WEDNESDAY

Physical Therapy Board, 9 a.m., room 112, Redstone Office Building, 26 Terrace St., Montpelier.

Occupational Safety and Health Review Board, commissioner of labor and industry vs. Specialty Vehicle Ltd., 9:30 a.m., Holiday Inn, Waterbury.

Vermont Environmental Board, Bernard and Suzanne Carrier appeal, 9:30 a.m., room 9, conference room, city manager's office, Municipal Building, Newport.

Social Workers, 1:30 p.m., room 112, Redstone Office Building, 26 Terrace St., Montpelier

Fish and Wildlife Board, 7 p.m., Pavilion Auditorium, 109 State St., Montpelier.

THURSDAY

Agriculture Department, public hearing on licensing of Czedie/Miller's Dairy Inc., Ludlow, Mass., and expansion of Dairylea Cooperative Inc.'s license for dairy product sales in Vermont, 8 a.m., department office, third-floor conference room, 116 State St., Montpelier.

Labor Relations Board, grievance hearings, Dennis Debevec, 9:30 a.m., and Charles Castle, 1 p.m., board hearing room, 13 Baldwin St., Montpelier.

Vermont Housing Finance Agency, 1:30 p.m., state treasurer's office, 133 State St., Montpelier.

District Environmental Commission, Mally Corp., construction of road to service 18 building lots in Arlington, 9:30 a.m., Town Office, Arlington.

District Environmental Commission, Mountain View Realty, construction of nine living units behind convenience store in West Dover, 1:15 p.m., Town Offices, Dover.

FRIDAY

Environmental Board, Browning-Ferris Industries declaratory ruling, 10 a.m., New Falls Cinema, Town Hall Auditorium, Village Square, Rockingham.

Vermont Home Mortgage Guarantee Board, 1 p.m., state treasurer's office, 133 State St., Montpelier.

Governor's Transportation Systems Task Force, 1 p.m., fourth-floor conference room, 133 State St., Montpelier.

VERMONT HOUSING FINANCE AGENCY

VHFA BOARD MEETING AGENDA

State Treasurer's Office
133 State Street
Montpelier, Vermont

Thursday, April 30, 1987 at 1:30 p.m.

1. Approval of Minutes of February 12, 1987

2. Single Family

   A. 1987 A Mortgage Purchase

      1) Program changes (Lothrop/Enclosure)
      2) Financial plan/schedule (Schoenbeck/Enclosure)

   B. Mortgage Credit Certificates (Crady/Enclosure)

   C. Farmers Home/VHFA (Lothrop/Gregory/Enclosure)

      1) Consideration and approval of "Federally Insured Mortgage Loan" Resolution

   D. New Homes update (Crady/Handout)

   E. 1985 B summary (Lothrop/Handout)

3. Multi-Family

   A. Discussion of establishment of nonprofit housing corporation (Richardson/Enclosure)

   B. Changes in Multi-Family management (Hunt/Enclosure)

   C. Low Income Tax Credit update

4. Research

   A. Discussion and approval of Homeless Family Shelter Deferred Loan Awards (Torpy/Handout)

   B. Update on status of legislation (Torpy)

   C. Report on staff retreat/business plan (Torpy)

5. Executive Director's report

6. Any old or new business to come before Board

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VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: Vermont Housing Finance Agency Board of Commissionrs

FROM: Allan S. Hunt

RE: Confirmation of upcoming board meeting

DATE: April 15, 1987

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners' meeting has been confirmed. It will be held on Thursday, April 30, 1987 at 1:30 p.m. at Emory Hebard's office in Montpelier. Additional information will be sent to your offices in the near future.

If you need any further information regarding the upcoming board meeting, please feel free to contact me. I look forward to seeing those of you who are able to attend on April 30.

ASH/pas

Confirmed Receipt of memo with Lanora Preedom - Secretary to Jim Guest 4/23/87

States received 5/16/87 Trucia

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VHFA
VERMONT HOUSING FINANCE AGENCY

BOARD MEETING MINUTES

Vermont Housing Finance Agency
State Treasurer's Office
Montpelier, Vermont

Thursday, February 12, 1987

Present: Chairman Shaw; Commissioners Hebard, Menson, Meyer (Designee of Guest), Seelig; Mr. Hunt; Mr. Schoenbeck; Mr. Lothrop; Ms. Gregory; Ms. Torpy; VHFA Staff.

The meeting was called to order by Chairman Shaw at 9:35 a.m.

Upon a motion made and seconded, the minutes of the December 18 and December 29, 1986 meetings were approved.

Mr. Lothrop briefed the Board on the Farmers Home Program, indicating that staff had decided to use surplus funds from the 1976/77 Insured Mortgage Purchase Program to overcome (hopefully) the remaining obstacles in this program. The switch would allow the Agency to avoid having to use the pool insurance provision of more recent past bond issues.

Next, Mr. Lothrop presented the Board with a fully developed outline of a New Homes Program, which was a result of two meetings with builders in Burlington and Rutland. A reservation of funds would be available to builders as well as to individuals on a first come/first served basis. The funds available, $12 million at 7.75 percent and $8 million at 8.25 percent, would have 25 year fixed rate terms. Stretched underwriting ratios due to the energy efficiency of the housing would permit the homes to be affordable to moderate income families, according to Lothrop. After further discussion, a motion was made and seconded to approve the program as submitted. The motion was approved unanimously.

Mr. Lothrop next discussed the potential for a new Mortgage Revenue Bond Program in late spring. Major changes from previous programs would include:

1. Income limits based on family size as required by the 1986 Tax Reform Act, along with a 25 percent set-aside for applicants under 80 percent of median income.

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2. Purchase price limits would be the lesser of the federal law limit or $72,500 for existing housing and $78,000 for new construction.

3. Delegated underwriting on a pilot basis along with more flexible underwriting ratios.

4. A higher origination fee (2 points) and stricter enforcement of late delivery fees.

5. Reservation system would be used instead of an allocation system for bond proceeds distribution.

The Board agreed to accept the general outline of the program and for staff to proceed to develop a financing plan and report back to the Board when ready.

Lastly, Mr. Lothrop indicated that the Energy Rated Homes Program was proceeding through the design phase and that a Steering Committee made up of utility representatives, bankers, appraisers, and Agency staff would soon be selected to serve as a resource in getting the program accepted in the marketplace. An additional $350,000 for the program was expected to be approved in an Appropriation Bill being considered in the legislature.

Mr. Richardson updated the Board on the CDBG Secondary Market effort, indicating that a letter had been sent to each community offering to purchase their loans at a discount to reflect a yield of approximately 150 basis points over a comparable treasury. Mr. Hunt indicated that the VHMGB might consider "participating" in the purchase of these loans with the Agency. A motion to approve the attached Resolution was made seconded and unanimously approved. (See attached Resolution.)

Next, Mr. Richardson updated the Board on Low Income Tax Credits, indicating that the current proposal was that DCA would be the "housing credit issuer" and VHFA would administer the program. This would be accomplished by Executive Order and a Memorandum of Understanding between DCA and the Agency. Mr. Hunt indicated a reluctance to execute the memorandum until the Policy Committee, consisting of himself, Karen Meyer, Dick Williams from the Vermont State Housing Authority and a representative from the Governor's staff had met and approved the general parameters of the program. A motion was made, seconded and unanimously approved to authorize Director Hunt to sign the Memorandum of Understanding when he felt comfortable with the outline of the program.

Mr. Menson requested that the Board discuss item 5(d) in that he would like to be present for that discussion. Mr. Menson indicated that Director Hunt had been requested by the Senate Finance Committee to discuss and provide written comments/suggestions on the Interstate Banking Bill. Mr. Hunt did so, expressing certain concerns about the Bill and the need for a strong community reinvestment component. The fact that Mr. Hunt's comments were put on Agency letterhead was of concern to Mr. Menson, since he felt that use of the letterhead could be construed as the position of the Board on this matter.

Mr. Menson felt it appropriate the Board take a position in support of Interstate Banking, indicating that he was also in support of a strong C.R.A. in the form of a companion bill. Mr. Hunt indicated his concern that a C.R.A. Bill that was not part of or tied to Interstate Banking would likely be opposed by the banks.

A motion was made, seconded and unanimously approved supporting Interstate Banking as well as a companion C.R.A. Bill for all lenders in the state.

Next, Mr. Schoenbeck indicated that the Agency had received a large volume of prepayments over the past six months as a result of declining interest rates. This would necessitate several large Bond redemptions, which staff was working on. Unfortunately, the negative carry of the significant prepayments would likely result in a significant loss to the Agency, which would necessitate a contribution from the General Fund.

Revisions to the General Fund Budget were discussed with the addition of approximately $11,500 to cover the addition of two new staff, a Single Family underwriter and an energy position. A motion was made, seconded and approved to accept the revised budget.

Mr. Schoenbeck indicated that as a result of the restructuring of the Rockingham loan, the Agency would recover approximately $350,000 of its General Fund loan after all expenses are paid.

Finally, Mr. Schoenbeck indicated that HUD had indicated by letter that we had received a "clean bill of health" for the past five years of contract administration. Mr. Shaw commended the accounting staff for a job well done.

Ms. Torpy briefed the Board on several legislative matters, indicating the Mortgage Credit Certificate Bill had been endorsed by the House Commerce Committee. She presented the proposed amendments to the VHFA statute, indicating they were needed to expand the flexibility of the Agency to finance cooperative housing, mobile homes and alternative forms of housing such as emergency shelters. She indicated that the Cooperative Financing Bill was still being drafted and she has been monitoring the progress of the Housing and Conservation Trust Fund Bill.

Ms. Torpy indicated over 30 application packages had been mailed to organizations for the Homeless Family Shelter program. The proposal deadline is March 1 with selection and award scheduled for April 1. Chairman Shaw asked Commissioner Seelig to serve on the Selection Committee.

Lastly, Ms. Torpy indicated plans were underway for an all day staff retreat to discuss and received input on the direction and growth of the Agency.

There being no further business to come before the Board, the meeting was adjourned at 11:30 a.m.

Respectfully submitted,

Allan S. Hunt
Executive Director

ASH/pas

Vermont Housing Finance Agency

Resolution

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

1. The CDBG Rehabilitation Loan Purchase Program will result in the purchase or participation in the purchase of eligible Loans for rehabilitation to persons and families of low and moderate income, and to owners of existing residential housing for occupancy by those persons and families, for the rehabilitation to existing residential housing owned by them;

2. The Loans will be or have been used primarily to make the housing more desirable to live in, to increase the market value of the housing, to comply with building, housing maintenance, fire, health, or similar codes and standards applicable to housing or to accomplish energy conservation related improvements;

3. Financing for these Loans is not available, in whole or in part, from private lenders upon equivalent terms and conditions;

4. For the purposes of this Program, persons or families of low and moderate income shall mean (a) at or below area median income where such persons or families are occupants of rental housing, or (b) within the single family income limitations applicable to the Agency's most recent single family mortgage program, where such persons or families are owners of single family residences;

5. Each Loan purchased shall be evidenced by a Note assigned to the Agency or participating buyer.

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: 1987 A Bond Financing Considerations

DATE: April 23, 1987

BACKGROUND INFORMATION

In contemplating the proposed 1987 A Single Family Bond Issue, certain decisions need to be made to proceed. After considering the full spectrum of options, it is felt by staff that the last financing (the 1985 B Series, issued in December 1985) was acceptable in its operation and set-up with the main drawback being the extended delivery of mortgages, mainly due to rising interest rates, which ended up being very expensive to the Agency as discussed in prior Board meetings. In looking at alternatives to the last financing the biggest change in the marketplace which makes sense as a vehicle available to the Agency is a Conversion Bond Issue.

Our current financing, under the operative Resolution has the following features:

1. A single A rating from Moody's based on no pool insurance or bond insurance.
2. A requirement to fund a Loan Loss Claim fund to the extent of 1.5% of the mortgage proceeds to cover potential losses on foreclosed properties, (i.e. $375,000 on 25 million lendable proceeds.) This fund is generated by a contribution from the General Fund of the Agency, and is expected to be recovered over time.
3. A Letter of Credit from a bank pledged for a five-year period to cover shortfalls due to non-origination or very slow origination of mortgages or rapid prepayments of mortgages. The LOC is sized based on potential loss to the Agency from the conditions mentioned above and costs somewhere in the neighborhood of $3000-$5000 per year.

CONVERSION BONDS

The Conversion Bond Issue works basically the same except with the additional benefits of having mortgage money available longer based on a larger issue size which a portion of the funds being "convertible" at some future specified date at the then prevailing tax-exempt rates. The positive aspects of this technique are advertised to be some protection against a rising rate environment, a savings on the initial mortgage rate of approximately 15 basis points, and the savings of doing a second issue in a short time frame. Some of the negative features of the Conversion Bond Issue are a higher risk of potential loss if the mortgages can't be originated (basically due to the larger size of the issue), a more complicated system of setting and changing mortgage rates during the program and a non-guarantee of continuing equal benefit on spread of the second batch of mortgages than would otherwise be available, as well as the uncertainty of rate on the conversion portion until those bonds are remarketed. Additional considerations are that this type of issue would not require the time and effort to get out a new issue, be out of mortgage funds between issues and would save some of the duplicate costs of issuance for a second new issue.

RECYCLING
Another issue that needs to be addressed is whether to recycle or not to recycle mortgage prepayments. This feature enables the Agency to gather prepayments and recycle into new mortgages for a period of ten years. Since the bond issue needs to go out another 10 years, this adds to the overall bond cost and translates into an additional 15 basis points on the mortgage rate for all mortgages. The reason to recycle is to make mortgage money available in the case that our tax exempt authority is terminated by legislation and based on the supposition that the rate offered will be a viable rate during that 10-year period. An example of that is the New Homes Program now being offered which is using recycling from the 1978-79 issues and making available mortgages at 7.75 & 8.25%. The Board decided to include the recycling in the latest issue that we did, the 1985 B Series at the 10% rate which is expected to make approximately 22 million available for mortgages based on the original 40 million issue.

ECONOMIC CONDITIONS
There seems to currently exist great volatility and uncertainty in the marketplace, both mortgage and tax-exempt. Large swings have taken place in rates with no immediate end in sight. As Doug has explained on the Program side of the issue, we are trying several new and different things with no track record as to how the lenders and mortgagors may react. If we commit to a Conversion Bond Issue, though we can offer a slightly lower mortgage rate, the potential risk of loss is much higher. We are up against severe constraints on purchase price limits in several market areas which have in the past generated considerable activity in mortgage originations. Based on these perceptions it seems that maybe the thing to do with this issue is to go with a smaller scale issue in the range of 25-30 million with no conversion bond option and then to rethink the conversion technique for the next issue.

RATE ENVIRONMENT
A final area to consider is the reasonable rate environment as to when the Agency should move forward with a financing. A case can be made that there is a need for a program at whatever the rate turns out to be based on the fact that there are some mortgagors who are not being serviced by the conventional lenders that we would help. A basic premise is also that rate drives our program when you consider any reasonable size issue and that the better differential between our rate and conventional rates determines the success of our program. At the time of issuance in the past we were normally looking at a difference of 2% or more savings from conventional rates. In the recent past because of basic compression of rates we have had successful programs with a smaller spread in rates. For this financing I think it is necessary that we set a benchmark spread of somewhere between 100 and 125 basis point spread between our program rate and the conventional market and not be in a recognized falling interest rate scenario before we proceed with pricing the bonds.

STAFF RECOMMENDATION
Based on the information provided above the consensus of the Staff is to move forward on the track that we're on with a similiar structure as in the past sizing the issue in the 25-35 million range, include recycling as long as the rate is below 10% and only continue with the issue when the benchmark spread as indicated above is achieved. At this point we would like the Board's consensus to continue in this direction to the point of mailing an Official Statement and pricing the bonds.

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: Vermont Housing Finance Agency Board of Commissioners

FROM: Amy C. Gregory, Legal Counsel ACG

RE: Proposed APA Rule

DATE: April 20, 1987

Enclosed is the Proposed Rule submitted for review and approval pursuant to the Administrative Procedures Act, together with a proposed Resolution for the Board's action on this matter. The Rule will, if adopted, clarify the Agency's authority to participate in a joint program with the Farmers Home Administration under which the mortgage loans made by the Agency are insured by contract.

The Agency has the authority, under 10 V.S.A. Section 622(3), to make mortgage loans if the loans are federally insured or guaranteed by VHMGB. The proposed Farmers Home/VHFA mortgage loan program is founded on a contractual agreement under which Farmers Home will unconditionally repurchase any Agency mortgage loan upon default. The Agency can utilize this form of "federal insurance" if a formal interpretive rule is adopted pursuant to the APA, and the Agency then can proceed with implementation of the Program pending final approval from the Farmers Home Administration legal counsel.

<u>Board action required:</u> Ratification of the Proposed Rule by formal Board Resolution.

Copies of the complete package prepared in support of this proposed Rule are available for your review.

bt73/mjr

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TEXT OF PROPOSED RULE

"Federally Insured Mortgage Loan" means a mortgage loan for residential housing insured or guaranteed by the United States or an Agency or instrumentality thereof, or a commitment by the United States or an Agency or instrumentality thereof to insure such a mortgage. For the purposes of this defintion, the term "insure", in addition to its usual meaning, includes an agreement to purchase a mortgage loan in the event of default or otherwise to protect the Agency against loss in a manner which, on the reasonable judgment of the Executive Director, is the substantial equivalent of an insurance policy or guarantee of payment and provides practical financial protection at least as valuable as the financial protection provided by a guarantee issued by the Vermont Home Mortgage Guarantee Board.

VERMONT HOUSING FINANCE AGENCY

RESOLUTION

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

1. The Vermont Housing Finance Agency/Farmers Home Administration Joint Mortgage Program will expand the supply of funds available for mortgages on residential housing and encourage an adequate supply of safe and decent housing at reasonable costs.

2. The contractual guarantee of the Farmer's Home Administration to repurchase any defaulted mortgage loan made by the VHFA under this Program is the functional equivalent of traditional federal mortgage insurance and provides financial protection at least as valuable as that provided by a Vermont Home Mortgage Guarantee Board guarantee.

3. The Proposed Rule, as submitted to the Secretary of State pursuant to the Administrative Procedures Act interpreting the meaning of "federally insured mortgage loans" is hereby ratified.

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt

RE: Nonprofit Housing Corporation

DATE: April 17, 1987

You will recall that at our Board retreat more than a year ago now, one of the major new initiatives recommended was the formation of a nonprofit housing corporation. The project has had to take something of a back seat to other pressing responsibilities. However, we are now in a position where a major commitment of staff, time and money can and must be made.

Over the next three to six months we need to undertake intensive legal research and program planning to establish a viable development corporation. Over the long term, a commitment of between one and two million dollars appears to be required.

This memo will outline the concept of nonprofit as we see it. We look forward to your discussion of the concept at the Board Meeting as well as your review of relevant legal issues.

PURPOSES

I. Retention of Affordable Housing.

As the era of federal housing subsidies recedes, the value of the existing stock becomes clearer. Section 8, FmHA 515, Section 236, Section 23, FHA-insured, and Section 202 projects comprise over 4,000 units of affordable housing in the state. **This housing cannot be replaced today.** The beneficial effect of the federal government's multi-million dollar investment will be lost when the subsidy contracts end and rents rise to the prevailing market rates. The Agency has already been approached by several Section 8 owners who want to sell their projects. Federal legislation may be forthcoming which requires certain FmHA owners to sell only to nonprofits.

Acquiring existing subsidized housing is less expensive, carries less risk and is far less time consuming than new development. It would enable the nonprofit to reach a self-sustaining level of more rapidly than through development of new projects. Finally, even after the subsidy contracts expire, project rents need only cover operating and replacement costs (less than $250 per unit per month).

We recommend that acquisition of existing projects be the first item on the nonprofit's agenda.

II. Development of Affordable Housing.

We know that affordable rental housing will not be built in meaningful volume by the private sector. This was clear after the demise of Section 8 and has only become clearer with the 1986 Tax Reform Act. Although unattractive to private developers, affordable housing development is still possible where multiple federal grants/tax credits can be combined. More importantly, it must happen if business expansion in many areas of the state is to continue. In the Brattleboro, Hartford, Rutland, and Chittenden County areas future business expansion depends in part directly on the creation of additional affordable housing.

Nevertheless, such development will not approach the volume of the Section 8 Program. The greater the affordability the fewer the number of units which can be produced. And, of course, development of any size will be extremely staff-intensive for the nonprofit.

Recognizing these limitations, we recommend that the nonprofit only undertake development of new projects where a minimum number of new units result and where real impact on affordability can be realized.

III. Technical Assistance.

No nonprofit, even a "statewide" nonprofit, should describe itself as the provider of housing in every instance, nor should it be perceived as attempting to be such. In fact, it can be argued that more nonprofit housing developers are needed today than ever before.

On the other hand, virtually no Vermont nonprofit has the expertise to develop housing professionally. Nor is there a network of nonprofits which could sustain individual efforts and raise professional standards.

We recommend that the nonprofit make a major effort to improve nonprofit housing capacity at the local level. Alternatively, this could be an Agency goal.

RELATIONSHIP TO VHFA

There are several reasons why the Agency should take an interest in forming a nonprofit rather than attempt to acquire and develop housing "in-house":

1) To avoid liability issues,
2) To maintain its role as lender in "arms-length" transactions,
3) To maintain an objective view should a particular venture turn sour.

It will also be important for the nonproft to be seen as an entity in its own right, broadly based and independent of any public agency.

On the other hand, the Agency should have the right and the responsibility to demand that its resources be employed in furtherance of its mission.

To insure that this happens we recommend that the Agency help create and then contract with the nonprofit for services and make staged commitments of credit for projects as they arise. The services contract would provide the nonprofit with funds to operate along stipulated guidelines. The credit commitment would provide capital funds for approved projects.

BOARD STRUCTURE

To insure that the nonprofit enjoy broad support we recommend that its Board be composed of highly respected individuals primarily from the private sector. It is our opinion that the housing network in the state would benefit from new faces and new perspectives. Credibility is key to the nonprofit's relationships with investors, other lenders, government and other nonprofits. A potential model is the San Francisco nonprofit, Bridge, Inc., the Board of which is composed mainly of bay area CEO's who are acutely aware of affordable housing's direct relationship to economic growth.

We propose to begin the process of recruitment by initially discussing our concept with a wide range of people. Their feedback would help us to refine our concept and to develop a list of persons most likely to be interested and capable of serving on the Board.

THE NEXT STEPS

Preliminary Board findings
(re: authority to form nonprofit)--------------------4/30/87

Palmer & Dodge review of same and amendments if any---- 5/15/87

Discussion re: concept/organization with
outside parties-----------------------------5/01/87-6/15/87

Preliminary operating and capital budgets ready---------6/15/87

Draft organizational documents ready--------------------7/01/87

Palmer & Dodge review of the same---------------7/01/87-7/15/87

Board final review and approval-------------------------7/15/87

Nonprofit Board recruitment---------------------7/15/87-9/01/87

Identify potential acquisitions-----------------8/1/87-10/15/87

Incoporate and file for 501(c)(3)-----------------------9/01/87

First acquisitions----------------------------12/01/87-1/15/88

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt ASH

RE: Nonprofit Housing Conference

DATE: April 23, 1987

As part of the educational effort to explain Low Income Tax Credits, we have decided to sponsor a conference on June 17 for nonprofit groups throughout the state. In addition to explaining Low Income Tax Credits, we will plan to discuss the Housing and Conservation Trust Fund (if approved), other potential resources and the Agency's plan for its nonprofit. The conference will be at the Lake Morey Inn in Fairlee and follows the Vermont Community Development Conference sponsored by D.C.A. We hope this will assure good attendance.

We plan to offer a limited number of stipends for people who couldn't afford to attend otherwise. The total cost of this conference is expected to be less than $2,500. All Commissioners are invited, of course.

DRAFT

VERMONT HOUSING FINANCE AGENCY
RESOLUTION
PERTAINING TO PARTICIPATION IN A NON-PROFIT CORPORATION ORGANIZED AND OPERATED TO FOSTER LOW-INCOME HOUSING

WHEREAS, the Vermont Housing Needs Analysis conducted in part under the sponsorship of the Agency, released by the State in December of 1986, concludes that "[t]he principal challanges to the state in addressing future housing needs will include:...Supporting non-profit development of needed low to moderate income housing, especially in the rental market [and] assuring against the losses of the limited existing resource of older, low-income subsidized rental housing;" and,

WHEREAS, it is the policy of the State, speaking through the Agency of Development and Community Affairs, to encourage the increased technical resources which Statewide Housing Nonprofits may provide and that such nonprofits should be accountable to state government when utilizing state resources including tax revenues, bonding or credit authority; and,

WHEREAS, the Agency has determined that:

1. During the period of substantial federal subsidies, the Agency and other organs of the State, in cooperation with federal agencies and private sector developers, produced over 4,000 units of low-income housing. Under existing circumstances detailed below, in the absence of positive and timely public action, many of these units of housing will cease to be affordable by low income persons and will not be replaced.

2. Federal subsidies for new low-income rental housing, as well as federal tax incentives for the involvement of private sector funds in such housing, have been drastically curtailed in recent years.

3. In order to create a viable new rental housing development containing even a minority of units affordable by low-income persons, such remaining subsidies as do exist must be aggregated and coordinated through a process that has become extremely expensive and complex and, generally, is beyond the financial and technical resources of most community-based non-profit organizations in the State.

4. As a result of such curtailment, expense, and complexity, the production of new rental housing in the State which is affordable by low income persons has virtually ceased. By way of example, despite an increasingly intensive effort to search out suitable housing sponsors for its multi-family housing program, in calendar year 1986 the Agency financed a total of 0 units of low-income rental housing. In calendar year 1980, the Agency financed 450 units of low-income housing.

5. Many of the rental developments in the State are at

imminent and substantial risk of conversion to market-rate developments, with resulting displacement of low-income tenants.

6. The chief federal tax incentive for the involvement of private-sector funds in the development and maintenance of low-income rental housing stock is the "low income housing credit" (the "Tax Credit") created by the federal Tax Reform Act of 1986.

7. For purposes of allocating the limited Tax Credit to particular projects, the State Agency of Development and Community Affairs has been designated by the Governor as the Stae Housing Credit Agency, and that agency has contracted with the Agency to be the Issuing Authority.

8. By reason of the law creating the Tax Credit, 10% of the available aggregate Tax Credit authority is reserved exclusively for use by "qualified non-profit organizations".

9. Under existing law, annual Tax Credit authority may not be carried over from year to year, except that unused authority for calendar year 1989 may be allocated until December 31, 1990, after which date the Tax Credit will cease to be available altogether.

10. In the absence of qualified non-profit organizations able to make timely use of the Tax Credit, it is likely that much of the Tax Credit authority will be wasted, that is to say, will never realize its purpose of attracting private sector funds to mitigate the public burden of providing affordable housing for low-income persons.

11. It is a statutory purpose of the Agency to encourage an adequate supply of safe and decent housing at reasonable costs. Further, the Agency is expressly empowered to make loans to housing sponsors for the acquisition and/or construction of residential rental housing primarily for occupancy by persons and families of low and moderate income, and to provide advice and technical information, including assistance in obtaining federal and state aid, as will assist the planning, construction, rehabilitation, and operation of residential housing, including, but not limited to assistance in community development and organization, and advisory services and to encourage community organizations to assist in developing same.

12. Taking all of the foregoing into account, and in order to carry out and effectuate the purposes and provisions of the Vermont Housing Finance Agency Act, it is necessary and convenient for the Agency to take a membership interest in a non-profit corporation organized and operated for charitable, educational, and scientific purposes including, without limitation, the fostering of low income housing. It is therefore,

DRAFT

RESOLVED:

1. That the Agency shall, and the Executive Director is directed to, take all steps reasonably calculated to encourage the creation of a non-profit corporation organized for charitable, educational, and scientific purposes including, without limitation, the fostering of low-income housing, and which is intended to be organized and operated as a "qualified non-profit organization" within the meaning of Section 42 of the Internal Revenue Code.

2. The Executive Director shall treat the task here committed to him as a critical priority of the Agency, and is expressly authorized, without limitation, to assist, and to devote resources of the Agency to assisting, in the creation of appropriate organizational documents for such corporation, in the application of such corporation for qualification as an organization exempt from Federal income taxation under Section 501(c)(3) of the Internal Revenue Code, in the identification and solicitation of appropriate directors for such corporation, and in seeking out and identifying specific housing developments suitable for acquisition and/or development by, or with the material participation of, such corporation. The Executive Director is authorized to incur in his discretion expenses for legal, technical, and other advisory services deemed by him to be reasonable and necessary in connection with the task here committed to his charge.

3. The Agency expects and intends that such corporation will be directed by a board, and staffed by employees, of appropriate experience in the areas of housing acquisiton and management, housing development, public housing policy, community needs, finance, marketing, and general business management.

4. Upon formation of such corporation, the Agency intends to purchase a membership interest therein, and to contract with such corporation to execute certain policy objectives of the Agency with respect to the preservation and development of affordable housing, to the extent consistent with the tax-exempt purposes of the corporation.

5. Assuming the due organization of such corporation, its qualification for tax-exempt status, its apparent ability to carry out its purposes, and satisfactory performance of the tasks for which it may contract, the Agency expects and intends to make available to such corporation up to $2 million in the form of contractual monies and additionally financing commitments for particular projects as appropriate.

S T A T E   O F   V E R M O N T

EXECUTIVE DEPARTMENT

E X E C U T I V E   O R D E R

WHEREAS, significant need continues to exist in the State of Vermont for provision of opportunities to secure safe, decent and affordable housing, especially for families and individuals of lower income; and

WHEREAS, Federal resources for provision of affordable housing opportunities for Vermonters have been substantially reduced since 1981, increasing the challenges facing the state and its municipalities in responding to residents' housing needs, and

WHEREAS, a continuing commitment to coordination of public and private resources to address the housing needs of those Vermonters least able to compete in securing affordable housing is both prudent and necessary; and

WHEREAS, Section 252 of the federal Tax Reform Act of 1986, as enacted by the Congress, authorizes the states to establish programs for allocation of federal tax credits to stimulate the production of affordable rental housing for low-income families and individuals; and

WHEREAS, it is in the public interest that Vermont participate fully in this program, in concert with existing efforts to create and preserve decent and affordable housing for all residents;

NOW, THEREFORE, BE IT RESOLVED THAT I, Madeleine M. Kunin, by virtue of the power vested in me as Governor of the state of Vermont, do hereby direct that:

1. The Agency of Development and Community Affairs is appointed as the "State Housing Credit Agency" for the purpose of carrying out and administering the low-income housing tax credit program as authorized by Section 252 of the Federal Tax Reform Act of 1986, [Revenue Code Sections 42 and 146(E)];

2. The Agency of Development and Community Affairs as the designated State Housing Credit Agency is delegated the authority and responsibility for establishing tax credit allocation policies and assuring that these policies are applied in the administration of the program;

3. The Secretary of the Agency of Development and Community Affairs create and establish a Joint Committee on Tax Credits consisting of: The Commissioner of the Department of

Housing and Community Affairs or his/her designee; the Executive Director of the Vermont Housing Finance Agency or his/her designee; the Director of the State Housing Authority or his/her designee; the Director of Planning, Office of Policy Research and Coordination; and one additional member representing housing interests appointed by the Secretary. The responsibilities of the Committee will be as follows:

a. to draft policies for the issuance of tax credits. These policies will be consistent with housing policy of the state of Vermont;

b. recommend procedures to be followed in the issuance of the tax credits;

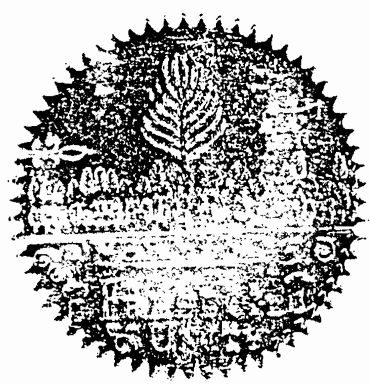
c. recommend target percentages for allocation consistent with policy;

d. serve as a resource for coordinating the funding of complex projects;

e. conduct periodic review of the local issuer's performance in implementing program objectives.

4. The Secretary of the Agency of Development and Community Affairs appoint the Vermont Housing Finance Agency as the local issuer for the purpose of administering the tax credit program.

This Executive Order shall take effect upon signing.



Witness my name herunto subscribed and the Greal Seal of the State of Vermont hereunto affixed at Montpelier, this 8 day of March , A. D., 1987.

Governor

By the Governor:

Secretary of Civil and Military Affairs

Executive Order #42

MEMORANDUM OF UNDERSTANDING

Between The Agency of Development and Community Affairs

and

The Vermont Housing Finance Agency

Low Income Tax Credit Program

The State is responsible for administering the low income housing tax credits authorized by the Tax Reform Act of 1986. The Governor has issued Executive Order #42 designating the Agency of Development and Community Affairs as the State Housing Credit Agency. Pursuant to the Executive Order, the Agency of Development and Community Affairs authorizes and contracts with the Vermont Housing Finance Agency (VHFA) to be the sole issuing authority for low income housing tax credits in Vermont. The Agency represents to VHFA that its designation as the State Housing Credit Agency pursuant to the Executive Order is lawful under federal and state law and that the Agency is lawfully empowered to contract with VHFA as herein provided.

A Committee on Tax Credits shall be established to advise the Secretary of the Agency of Development and Community Affairs of the policy regarding the issuance of tax credits. The Committee shall also monitor the performance of the Issuing Authority in carrying out the Agency's policies. The Committee shall consist of five members as specified in the Executive Order. Pursuant to authority vested in him by Vermont Housing Finance Agency, the Executive Director of VHFA agrees to serve as a member of the Committee.

With respect to monitoring the performance of the Issuing Authority, the Committee shall review the quarterly status report furnished by the Issuing Authority and further described below.

The Vermont Housing Finance Agency is designated as the sole Issuing Authority for Low Income Housing Tax Credits in Vermont. Its responsibilities shall be as follows:

- To recommend, through its representative, policy options to the Committee and procedures for implementation of these policies.
- To prepare and distribute materials explaining the policies of the State Housing Credit Agency, the application procedures of the Issuing Authority, and the application forms created by the Issuing Authority.

- To review and approve credit applications for compliance with both the policies of the Agency and the requirements of Federal law regarding the Tax Credit Program.
- To issue tax credits to approved projects approved by it consistent with applicable regulations of the Agency and Program Policies.
- To prepare quarterly a Status Report for the Committee. The general purpose of the report shall be to provide the Committee with enough information for it to assess the peformance of the Issuing Authority with respect to the Committee's stated goals and policies. The report shall include the name and location of each project to which credit has been allocated, a description of the project, the amount of credit for which the project qualifies, and the amount actually issued. The report shall further inform the Committee as to the amount of credit currently under review by the Issuing Authority and the amount of annual credit which remains unallocated.
- To prepare annually any reports required by Federal law to be submitted by the State Housing Credit Agency.

It is understood and agreed upon by all parties that the Agency, subject to the advice of the Committee, shall have sole responsibility for policy matters and that the Issuing Authority shall have sole responsibility for their execution. This agreement may be terminated by either party upon 90 days written notice.

It is further understood that the Issuing Authority shall bear all costs associated with the performance of its obligations under this Agreement and that it may charge credit applicants a reasonable fee to pay for these costs.

For the Agency of Development and Community Affairs:

James A. Guest — 4/17/87

James A. Guest, Secretary — Date

For the Vermont Housing Finance Agency:

Allan S. Hunt — 4/17/87

Allan S. Hunt, Executive Director — Date

VERMONT HOUSING FINANCE AGENCY

ALLOCATION PLAN FOR

FEDERAL LOW INCOME HOUSING TAX CREDITS

1987

I. Introduction

The Tax Reform Act of 1986 establishes a new low income housing tax credit as a replacement for previous tax incentives. The credit offers a reduction in tax liability to owners and investors in low income housing **new construction, rehabilitation** or **acquisition.**

The tax credits may be taken only on the qualifying (low income) units in equal installments over a ten-year period. Projects must be placed in service for Federal tax purposes within specified deadlines. They must then comply with Federal regulations for a fifteen-year period. Only projects qualifying during the years 1987, 1988, and 1989 can receive the credit. The Federal legislation "sunsets" in 1989.

A limited amount of credit is assigned to each State. This is equal to $1.25 per capita or approximately $650,000 per year in Vermont. The Agency of Development and Community Affairs has been designated by the Governor as the State Credit Agency. A credit policy committee will formulate credit allocation priorities. The Vermont Housing Finance Agency (VHFA) will issue the credit pursuant to the policy, and owners must apply to VHFA for their allocations.

A project **DOES NOT QUALIFY** if:

1) It is a nursing home, hospital, life care facility, retirement home or trailer park.

2) It is rented on a transient basis (leases of less than six months duration.)

3) You have purchased a building and are seeking the 4% acquisition credit but the seller did not own the property for at least ten years before selling it to you.

4) It is owner-occupied and less than 4 units.

II. The Value of the Credit

	Credit Amount
1. **New Construction and Substantial Rehabilitation of Existing Buildings**	**9%**

* Only on substantial rehabilitation or new construction, not on land or building acquisition costs.

* Substantial rehabilitation means aggregate expenditures equal or greater than $2,000/unit.

2. **New Construction and Substantial Rehabilitation Financed by Federal Subsidy** **4%**

* A federal subsidy is defined below, includes FmHA 515, CDBG, and tax-exempt bond loans. No credit may be taken on costs financed by grants.

3. **Acquisition Cost of Housing** **4%**

* Includes rehabilitations of less than $2,000/unit.

* Projects must not have been previously placed in service (not transferred or sold) within the past 10 years (may be waived only for troubled federally assisted projects).

See Page 5 for Three Examples of How the Credit Works

The 4% and the 9% credits are intended to yield 30% and 70%, respectively, of the "present value" of the qualifying units over the ten-year credit period. In 1988 and 1989 the percentage rates may be changed by the U.S. Treasury to reflect changing discount rates but the purpose will be the same: to yield the above "present values".

III. Federal Requirements

Project Eligibility

The owner must irrevocably elect to reserve a minimum of either 20% of the projects units for occupancy by households below 50% of the Area Median Income, or 40% of the units for occupancy by households below 60% of the Area Median Income. Note that the income limits are adjusted by household size and that the Area Median Incomes are subject to change by federal notice from time-to-time. (Table I, which is attached to the Credit Application Form, gives the income limits for each income area in Vermont as of February 1987.)

Compliance Period

To receive the credit, projects must comply with federal requirements for a 15-year period beginning when the building is placed in service. A portion of the credit is "recaptured" by the IRS with interest if non-compliance occurs during that time. Tenant incomes must be re-examined annually by the project owner. Tenant incomes can increase up to 40% over the current income limit with the unit still qualifying. If the increase is above 40%, then the project may still remain in compliance if the next vacant unit of equal or smaller size is rented to a new, income-qualified tenant. **Owners are strongly advised to seek competent legal and accounting advice before applying for the credit.**

Placed In Service Defined

The following definitions are not final. Pending Treasury regulations are expected to clarify the precise meaning of "placed in service" for tax credit purposes. What is clear is that owners must place their projects in service in the applicable credit year. That is, **for owners seeking a credit award**

from the 1987 State allocation of credit, their buildings must be placed in service in 1987.

New Construction - Project must be completed and available for occupancy in the year in which the credit was awarded.

Acquisition - Project is considered to be placed in service on the date when ownership is transferred. Owner has 12 months to complete any renovations for which credit is claimed.

Substantial Rehabilitation - Project must be placed in service in the year for which the credit is claimed. Owner has 24 months to complete rehabilitation. It remains to be defined WHEN the owner may begin to take the credit.

Applicants are Advised to Seek Professional Advice Regarding Pending Treasury Rules.

Rent Caps

Rents on the low income units cannot exceed 30% of the maximum income for each household size. Where tenants pay their own utilities a utility allowance must be deducted from that figure. (Table I of the Credit Application Form shows what the maximum net rents would be assuming a $55 per month utility allowance. The actual allowance will vary by apartment size and fuel source.)

Federal Subsidies Defined

A federal subsidy is an obligation or loan of federal funds provided directly by a federal agency or indirectly by a local or state governmental unit where the interest rate on the loan or obligation is less than prevailing Treasury rates. Tax-exempt bond proceeds are considered to be federal subsidies regardless of the interest rate. A grant of federal funds where there is no obligation to repay is treated differently. Tax credits cannot be obtained for those project costs financed by a federal grant.

Annual Allocation

Owners must request credit from a specific annual allocation. For example, 1987 credits may only be used for projects placed in service in 1987. The credit cannot be carried over into the next year.

Annual Set-Aside

A minimum of 10% of each year's state allocation must be set-aside for use by non-profit housing sponsors.

Pending Treasury Regulations

The U.S. Treasury will issue regulations regarding many aspects of the Low Income Housing Tax Credit in the coming months. Until these are published, no credit can be awarded unconditionally.

IV. State Policy Priorities

A. Every attempt will be made to fully utilize each year's state allocation. Initally, it is anticipated that the supply of credit may outweigh the demand for it. However, as more housing sponsors become familiar with the program, the demand may exceed the supply. In order to address that situation the following priorities will govern:

1) Acquisition and Rehabilitation of existing, Federally subsidized projects, where a binding agreement insures affordability at least through the remainder of the subsidy commitment. Examples include FmHA 515, Section 8, Section 23 and Section 236 housing as well as projects insured through FHA.

2) Any project offering permanent affordability.

3) Projects combining other housing resources.

4) Acquisition and rehabilitation projects by for-profits.

5) Acquisition by non-profits.

6) Acquisition and rehabilitation projects by for-profits.

7) Acquisition by for-profits.

B. During 1987, applications which address any of priorities 1 through 6 will be considered on a first-come first-serve basis until at least 50% of the credit has been reserved. Thereafter reservations will be based upon the above priorities. No reservation of credit will be made for projects addressing priority #7 until after August 1 of each year.

C. A reservation of credit to any applicant may be withdrawn by the issuer after October 1, of any credit year if it appears that the applicant will not be able to use the credit in the applicable credit year.

D. In order to assure the maximum use of credit in Vermont, foward commitments of credit will be made in the following circumstances:

1) A forward commitment of credit from any credit year will be made with respect to applicants who qualify under priority #1 above.

2) A forward commitment of credit will be made from the succeeding year's allocation to applicants who propose new construction projects that will be placed in service no later than June 1st of the succeeding year.

V. The Credit Award Process

Credit will be awarded using the following procedures:

A. Application

Application materials will be provided by the Vermont Housing Finance Agency. Completed applications must be filed with that Agency. The application will be reviewed, and the Agency will inform the applicant within 30 days as to whether the credit request appears to conform to federal and state requirements. An application fee in the amount of 4% of the annual credit requested by the applicant is due at the time of filing. One-half of this fee will be remitted to the applicant provided that the project is "placed-in-service" in the applicable credit year. In cases where credit is awarded prior to the completion of rehabilitation work, VHFA may require an earnest money deposit of $500 per low income unit refundable as each unit is occupied by income-elegible tenants. For non-profit sponsors a filing fee of $200 will be charged with an additional fee of 2% of the annual credit (less the filing fee) due when the credit is awarded.

B. Reservation

A formal reservation of credit will be made in the name of the applicant when the project is ready to proceed. In the case of new construction and substantial rehabilitation projects this will occur when all necessary permits have been awarded and the construction begins. Where acquisition only is involved, the reservation stage may be waived at the discretion of the Agency.

C. Award

Consistent with federal law and state priorities, tax credits will be awarded when the project is placed in service.

****

THE VALUE OF THE CREDIT/EXAMPLES

To determine the Low Income Housing Tax Credit, the project's eligible, or adjusted, basis must be calculated. Normally, the eligible basis equals the total cost less land cost, less any depreciation already claimed). Once the **eligibl**e basis is known, the **qualified** basis can be determined.

The qualified basis is the eligible basis times a fraction which is the lesser of 1) the total number of low income units divided by the total number of units, or 2) the total low income floor space divided by the total residential floor space. This is the applicable fraction. Where all units are occupied by income-eligible tenants the applicable fraction is 100%. Where the low income units are a percentage of the total units, the applicable fraction will be less than 100%.

Once the qualified basis is determined, it is multiplied by the appropriate credit percentage (for 1987, either 4% or 9%) to determine the annual credit amount.

EXAMPLE I.

A building is purchased for $120,000 from a seller who has owned it for at least ten years. The new owner does $200,000 of rehabilitation work using bank financing. There are 10 units in the building, all of which will be rented to income qualifying tenants at qualifying rents throughout the compliance period. The eligible basis of the acquisition portion qualifies for the 4% credit and the rehabilitation portion qualifies for the 9% credit as follows:

4% Credit		9% Credit	
Acquisition	120,000	Rehabilitation	200,000
Less Land	(20,000)	Less Land	-0-
= Eligible Basis	100,000	= Eligible Basis	200,000
Times Low Income Unit Ratio	100%	Times Low Income Unit Ratio	100%
= Qualified Basis	100,000	= Qualified Basis	200,000
Times Credit	4%	Times Credit	9%
Annual Credit	4,000	Annual Credit	18,000

TOTAL ANNUAL CREDIT	22,000
TOTAL 10 YEAR CREDIT	220,000

EXAMPLE II.

Same as above but only the minimum 20% of the units are set-aside for occupancy by qualifying tenants.

4% Credit		9% Credit	
Acquisition	120,000	Rehabilitation	200,000
Less Land	(20,000)	Less Land	-0-
= Eligible Basis	100,000	= Eligible Basis	200,000
Times Low Income Unit Ratio	20%	Times Low Income Unit Ratio	20%
= Qualified Basis	20,000	= Qualified Basis	40,000
Times Credit	4%	Times Credit	9%
Annual Credit	800	Annual Credit	3,600

TOTAL ANNUAL CREDIT	4,400
TOTAL 10 YEAR CREDIT	44,000

EXAMPLE III.

Same as Example I but 50% of the rehabilitation financing comes from a "Federal Subsidy".

4% Credit		9% Credit		4% Credit
Acquisition	120,000	Rehabilitation	200,000	
Less Land	(20,000)	Less Land	-0-	
= Eligible Basis	100,000	= Eligible Basis	200,000	
Times Low Income Unit Ratio	100%	Times Low Income Unit Ratio	100%	
= Qualified Basis	100,000	= Qualified Basis	100,000	100,000
Times Credit	4%	Times Credit	9%	4%
Annual Credit	4,000	Annual Credit	9,000	4,000

TOTAL ANNUAL CREDIT	17,000
TOTAL 10 YEAR CREDIT	170,000

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt

RE: Multi-Family Managment Shift

DATE: April 17, 1987

Over the past several months, we have been re-evaluating the way in which we monitor our Multi-Family portfolio. Because a majority of these developments are of an age and quality which reflects both financial and physical stability, we have determined that a general relaxation in our regulatory oversight is appropriate in most cases. The time saved by this action will thus be available to our management staff to help solve some of the more critical issues confronting assisted rental housing in Vermont. (ie. Payment/Conversion/Acquisition)

The key changes in this oversight strategy consist of the following:

ANNUAL/SEMI-ANNUAL INSPECTIONS

In place of the formal announced inspections which are now conducted with VSHA, we propose to do informal unannounced site visits of all properties yearly with the exception of those properties which we feel are troubled due to ongoing physical, fiscal or manager/ownership concerns. These troubled properties will continue to get the appropriate level of our attention as needed including the formal annual inspection in cooperation with VSHA. Those properties for which we are the contract administrator will be treated in a like manner depending on their status relating to the troubled project criteria.

REPLACEMENT RESERVE ACTIVITY

Currently, the Agency controls the required deposits and authorized reimbursements through its budget approval and signatory authority. Any reimbursements must be authorized by either myself or Roger, as co-signatories on withdrawals from these accounts, after approval and recommendation by a management officer. In an effort to give more control and responsibility to the owner/manager, we propose to allow withdrawals of up to 10 percent of the Replacement Reserve balance to be made without our written approval and signature. For small projects with modest

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(802) 864-5743

reserve balances (under $10,000), the threshold might be $1,500 instead of the 10 percent cap. We would continue to review all Replacement Reserve activity comprehensively as a function of our annual audit reviews and in order to be in compliance with the HUD requirement that we monitor control and use of these funds for those projects under the revised 883 Rules.

Here again, the result would yield reduced bureaucracy, a relaxing of our regulatory stance and recognition of the overall good intentions and caliber of our owner/managers.

QUARTERLY OCCUPANCY REPORT

This part of the quarterly report submission will no longer be required. As we need occupancy status updates, they will be compiled using our contract administration monthly requisition files and those of VSHA where they are administrator. Under this arrangement, occupancy information will be more current when required (monthly basis instead of quarterly).

INCREASED RELIANCE ON COMPUTER ANALYSIS

The final area of these proposed changes would provide for a more automated approach to the tracking and monitoring of our Multi-Family properties. Mainly in the financial area, we would be implementing a system of computer applications which would allow for a higher degree of organized information management and data analysis. This new emphasis and expansion of our computer potential would make our budget, quarterly report and financial statement review more focused and meaningful. The net result would be increased attention where it's needed and more routine treatment in general.

Pending any concern and/or discussion by you, we would hope to implement these proposed changes immediately.

STATE OF VERMONT

AGENCY OF DEVELOPMENT AND COMMUNITY AFFAIRS

OFFICE OF THE SECRETARY (802) 828-3211

MONTPELIER, VERMONT 05602

DEPARTMENTS OF:
Economic Development 828-3221
Housing & Community Affairs 828-3217

DIVISIONS OF:
Administration 828-3231
Historic Preservation 828-3226
Vermont Travel Division 828-3236
Vermont Life Magazine 828-3241

MEMORANDUM

TO: Allan S. Hunt, Executive Director
Vermont Housing Finance Agency

FROM: Karen N. Meyer, Commissioner
Department of Housing and Community Affairs

DATE: March 31, 1987

SUBJECT: Partnerships for Housing

Due to my staff's inordinate workload, lack of success in fundraising efforts, and my need to obligate Community Development funds set aside for the Partnerships for Housing Program, I have terminated activity in this effort. We still feel the idea has real merit as evidenced in other states' programs such as Bridge in San Francisco, and hope it will someday come to fruition in Vermont.

The Department will keep on hand all the material developed for the program and will, of course, be happy to participate or assist with any partnership-type effort your Agency may undertake in the future.

KNM:lcf
cc: James Guest
Paul Esswein
Nancy Eldridge

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt

RE: Nonprofit Housing Conference

DATE: April 23, 1987

As part of the educational effort to explain Low Income Tax Credits, we have decided to sponsor a conference on June 17 for nonprofit groups throughout the state. In addition to explaining Low Income Tax Credits, we will plan to discuss the Housing and Conservation Trust Fund (if approved), other potential resources and the Agency's plan for its nonprofit. The conference will be at the Lake Morey Inn in Fairlee and follows the Vermont Community Development Conference sponsored by D.C.A. We hope this will assure good attendance.

We plan to offer a limited number of stipends for people who couldn't afford to attend otherwise. The total cost of this conference is expected to be less than $2,500. All Commissioners are invited, of course.

VERMONT HOUSING FINANCE AGENCY

May 27, 1987

Jean Gauthier
Pavilion Office Building
Montpelier, VT 05602

Dear Ms. Gauthier:

The Vermont Housing Finance Agency will be having its monthly Board Meeting on Thursday, June 11, 1987 at 1:30 p.m., here at the Vermont Housing Finance Agency, One Burlington Square, Burlington, Vermont.

If you require any additional information, please do not hesitate to contact me.

Sincerely,

Patricia A. Scheffley

Patricia A. Scheffley
Executive Director

PAS

Sent 5/27/87.

ONE BURLINGTON SQUARE • POST OFFICE BOX 408 • BURLINGTON, VERMONT 05402-0408
(802) 864-5743

I certify that the notice reproduced below, pertaining to a meeting of Vermont Housing Finance Agency to be held on June 11, 1987, appeared in The Burlington Free Press on June 8, 1987 and is typical of similar notices which appeared in newspapers of record throughout the State of Vermont as selected by the office of the Vermont Secretary of State in accordance with the procedures of that office with respect to the publication of public notices.

Allan S. Hunt

Allan S. Hunt, Secretary,
Vermont Housing Finance Agency

Date: 6/11/87

State Government Meetings

Week of June 8

MONDAY

Vermont Labor Relations Board, grievance of Edith Birchard, board hearing room, 13 Baldwin St., Montpelier.

Transportation Agency, hearing on petition to take certain lands for proposed Danville project, 9:30 a.m., Caledonia Superior Courthouse, St. Johnsbury.

Vermont Pesticide Advisory Council, 1 p.m., conference room, Department of Agriculture, 116 State St., Montpelier.

Vermont Municipal Bond Bank, 1:30 p.m., Howard Bank, 111 Main St., Burlington.

TUESDAY

Governor's Council on Physical Fitness and Sports, 9:30 a.m., fifth-floor conference room, Pavilion Office Building, 109 State St., Montpelier.

Electricians' Licensing Board, 9:30 a.m., fourth-floor conference room, 5 Court St., Montpelier.

Chiropractic Board, 10 a.m., room 112, Redstone Office Building, 26 Terrace St., Montpelier.

Transportation Board, review of status of highway projects, 10:30 a.m. and 1:30 p.m., Eagles Club, Manchester.

Vermont Air Quality and Solid Waste Variance Board, public hearing on Lane Press appeal, 1 p.m., Burlington Electric Department auditorium, 585 Pine St., Burlington.

District Environmental Commission, Donald, Nancy and Allen Turner, creation of 15-lot commercial subdivision off U.S. 7 in Milton, site visit 4 p.m., hearing 5:15 p.m., Chittenden County Regional Planning Commission office, 66 Pearl St., Essex Junction.

WEDNESDAY

Telecommunications Oversight Committee, 9:30 a.m., fifth-floor conference room, Pavilion Office Building, 109 State St., Montpelier.

Environmental Board, hearings, 9:30 a.m., 3:30, 4 and 4:30 p.m., Town Hall, Clarendon.

Dental Board, 10 a.m., room 112, Redstone Office Building, 26 Terrace St., Montpelier.

Vermont Education and Health Buildings Finance Agency, noon, Mather's Restaurant, Burlington Square Mall, Burlington.

Consolidated Council for Employment and Training, 10 a.m., Poolside Room, Tavern Motor Inn, State Street, Montpelier.

Emergency Response Commission, 1 p.m., fifth-floor conference room, Pavilion Office Building, 109 State St., Montpelier.

District Environmental Commission, Montshire Museum of Science Inc., development of natural history and science education museum in Norwich, 9 a.m., selectmen's room, Norwich.

THURSDAY

Appeals Panel, 9:30 a.m., room 211, Redstone Office Building, 26 Terrace St., Montpelier.

Occupational Safety and Health Review Board, hearings, 9:30 and 10:30 a.m. and 1:30 p.m., Sheraton-Burlington Inn, 870 Williston Road, South Burlington.

Funeral Services Board, 10 a.m., room 112, Redstone Office Building, 26 Terrace St., Montpelier.

Radiological Technology, 10 a.m., radiological department, Mary Fletcher Unit, Medical Center Hospital, Burlington.

Optometry Board, 1:30 p.m., room 112, Redstone Office Building, 26 Terrace St., Montpelier.

[redacted]

District Environmental Commission, Village Development Corp., completion of phase 4 of Greenspring condominiums in West Dover, 1:15 p.m., Town Offices, Dover.

FRIDAY

Psychology Board, 9 a.m., room 112, Redstone Office Building, 26 Terrace St., Montpelier.

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Week of June 8

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Vermont Housing Finance Agency, 1:30 p.m., agency office, 1 Burlington Square, Burlington.

District Environmental Commission, Village Development Corp., completion of phase 4 of Greenspring condominiums in West Dover, 1:15 p.m., Town Offices, Dover.

FRIDAY

Psychology Board, 9 a.m., room 112, Redstone Office Building, 26 Terrace St., Montpelier.

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: Vermont Housing Finance Agency Board of Commissionrs

FROM: Allan S. Hunt

RE: Confirmation of upcoming board meeting

DATE: May 27, 1987

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners' meeting has been confirmed. It will be held on Thursday, June 11 1987 at 1:30 p.m. here, at the Vermont Housing Finance Agency, One Burlington Square, Burlington, Vermont. Additional information will be sent to your offices in the near future.

If you need any further information regarding the upcoming board meeting, please feel free to contact me. I look forward to seeing those of you who are able to attend on June 11.

ASH/pas

VERMONT HOUSING FINANCE AGENCY

VHFA BOARD MEETING AGENDA

One Burlington Square
Burlington, Vermont

Thursday, June 11, 1987 at 1:30p.m.

1. Approval of Minutes of April 30, 1987

2. Single Family

   A. Tentative - Approval of series resolution approving the issuance of approximately $30,000,000 in single family mortgage revenue bonds and ratification of new purchase price limits

   B. Formal creation of the Mortgage Credit Certificate program and approval of program documents

3. Budget

   A. Review of current year operations to date

   B. General operating budget revision proposals for current year

   C. Preliminary discussion of FY88 general operating budget

4. Public Information

   A. Presentation of video ads

   B. Presentation of single family information videos

5. Any old or new business to come before Board

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VERMONT HOUSING FINANCE AGENCY

BOARD MINUTES

Vermont Housing Finance Agency
Conference Call
Wednesday, June 10, 1987

Present: Chairman Shaw; Commissioners Hebard, Meyer (Designee of Guest), Myette, Menson, Seelig; Agency Staff Mr. Hunt, Mr. Schoenbeck, Mr. Lothrop; Mr. Gurley and Mr. Tischman of Drexel Burnham; Mr. Sylvester of E. F. Hutton.

The purpose of the call was to discuss the marketing of the 1987A Mortgage Revenue Bond Issue. Mr. Gurley and Mr. Tischman briefed the Board on the pricing scale of the Bonds and indicated that sufficient orders had been received for the underwriters to offer to purchase the Bonds. The pricing was reviewed with several other deals in the marketing and the pricing seemed quite favorable.

Following a brief discussion, a motion was made, seconded and unanimously approved to authorize the sale of approximately $30,000,000 in Single Family Bonds to Drexel Burnham, E. F. Hutton and the Bank of Boston subject to formal approval at the Board meeting.

Respectfully submitted,

Allan S. Hunt
Executive Director

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BOARD MINUTES

Vermont Housing Finance Agency
State Treasurer's Office
Montpelier, Vermont

Thursday, April 30, 1987

Present: Chairman Shaw; Commissioners Hebard, Meyer (Designee of Guest), Myette (by speaker phone); Seelig; Commissioner Menson arrived at 2:20 p.m.; Agency staff Hunt, Schoenbeck, Lothrop, Richardson, and Torpy. Mr. Gurley and Ms. Riley from Drexel Burnham, John Ingalls from Bank of Boston, Bill Horne from Orrick Harrington and Jack Hoffman from Vt. Press Bureau.

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

Upon a motion duly made and seconded, the minutes of the February 12, 1987 meeting were approved.

Mr. Lothrop started the meeting by indicating that the Vermont building community had been informed about the New Homes Program and had indicated an initial level of interest of about $15 million. Mr. Lothrop indicated that a formal reservation system was set up and ready to go.

The 1985B Program Summary was handed out, indicating that approximately $2 million would be left over from this Program. Given the 10 percent rate, staff felt pleased with the relatively small remaining balance.

Due to a time constraint on Mr. Richardson and Ms. Torpy, the Board agreed to hear their discussions.

Mr. Richardson reviewed the April 12, 1987 Memorandum indicating the reasons staff felt creating a nonprofit development corporation was critical to preserving and stimulating more affordable housing. If further research indicated that a nonprofit housing development corporation was viable, the Agency would be asked to make a financial commitment of approximately $1 - 2 million.

Although an enclosed resolution of "Findings" was discussed, no action was taken pending completion of the research. The Board, however, expressed support for the concept and for engaging in future research as required.

Next, Mr. Richardson advised the Board that the Low Income Tax Credit Memorandum of Understanding between the Agency and the

Agency of Development and Community Affairs had been signed. This Memorandum spells out the obligation of each party in the administration of Low Income Tax Credits. Pending the VHFA Boardpublication of federal regulations pertaining to allocation of the Credit, the Agency will advertise and promote the use of the Tax Credit with the housing sector.

Mr. Hunt next updated the Board on changes in Multi-Family Management which would give that department time to work on major policy issues such as how to save at-risk projects. Less time would be spent on those projects doing well financially by relying more on computer analysis. Scheduled site visits would be limited to projects which were experiencing problems. The Board indicated no concern with these changes.

Next, Ms. Torpy briefed the Board on the Homeless Family Shelter Program and recommended the approval of six applications: Burlington, Newport, Barre, White River Junction, Rutland, and Middlebury for a total of $141,000. If approved, the awards would exceed the amount initially approved by $41,000.

Upon a motion duly made and seconded, a Resolution approving and ratifying the selection of six communities for the Program in an amount totaling $141,000 was unanimously approved.

The Agency's Mortgage Credit Certificate Legislation has been signed by the Governor, and the enabling Legislation is expected to be approved shortly. Funds to continue the Energy Rated Homes Program are part of the Bill being heard in the Senate, and its fate is unknown.

Ms. Torpy reported on the results of an all-day staff retreat noting it was very beneficial to all in terms of improving communication and receiving input from staff on the direction of the Agency. Mr. Hunt indicated he was going to solicit proposals from outside consultants in the area of organizational structure/communications in an effort to help the Agency deal effectively with growth and communication issues.

Mr. Lothrop was asked to present a brief outline of Program changes in the upcoming 1987A Mortgage Purchase Program. Mr. Lothrop summarized the changes as outlined in his memorandum of April 24, 1987 to the Board. The proposal prompting the most discussion was the income limits by family size. Previously, the Agency had not distinguished income limits by family size. However, the Tax Reform Act permits income limits by family size, and staff feels it represents a fairer system.

After a lengthy discussion on this issue, a motion was made, seconded and approved to adopt the purchase price limits, as well as the income limits by family size.

Next, Mr. Schoenbeck discussed the financial aspects of the Bond Issue, noting the market interest rates are increasing. Mr. Gurley from Drexel detailed the movements of interest rates in the market. He also described various structuring techniques that had been explored and indicated that the non-routine structures had been shelved because they didn't achieve any significant savings.

Given the uncertainty of the market, a motion was made, seconded and approved authorizing the staff to prepare documents and mail the preliminary official statement, subject to consultation with Board members if the anticipated mortgage rate was in excess of 9 percent.

The Mortgage Credit Certificate Program (MCC) was discussed next. Mr. Lothrop indicated that the Program documents were being developed, and it was necessary to ratify the public notice which was advertised on April 17, 1987. Mr. Hunt indicated his desire to hire an outreach person to inform the public and work with realtors/bankers to utilize this program, which represented approximately $12.5 million in housing subsidies.

A motion was made, seconded and approved to ratify the public notice on MCC's, as well as authorize the Executive Director to proceed with the development and marketing of the program, including the hiring of an outreach person (resolution enclosed).

A proposed rule was presented to clarify the Agency's authority to participate with Farmers Home Administration where a contract was providing the loan insurance. Upon a motion duly made and seconded, the attached Resolution was unanimously approved (resolution enclosed).

Discussion ensued on the Director's attendance at a Program for Senior Officials at Harvard this summer. Executive Director Hunt indicated that educational opportunities were available to all staff and despite the expense ($5,000), funds were available for other staff to attend courses and seminars. Following Commissioner Meyer's review of her support of the Harvard Program, the Board was satisfied with the appropriateness of Mr. Hunt's attendance.

Finally, Mr. Schoenback recommended that the Bank of Boston act as our investment advisor for the purpose of investing funds from the Shawmut Program, subject to a review of their performance from time to time. Upon a motion duly made and seconded, the Board approved his recommendation.

There being no further business to come before the Board, the meeting was adjourned at 4:20 p.m.

Respectfully submitted,

Allan S. Hunt
Executive Director

VERMONT HOUSING FINANCE AGENCY

RESOLUTION

Be it hereby resolved by the Vermont Housing Finance Agency and by the Commissioners thereof the following purchase price limits for the 1987 Mortgage Purchase Program:

New Construction	$80,000.00
Existing Housing	$75,000.00

These purchase price limits will be applicable on a statewide basis.

Third Draft 6/5/87

RESOLUTION OF VERMONT HOUSING FINANCE AGENCY

IMPLEMENTING ITS MORTGAGE CREDIT CERTIFICATE PROGRAM

ISSUE NO. 1

WHEREAS, on December 27, 1985, pursuant to Section 25 of the Internal Revenue Code of 1954, as amended, the Agency filed with the Internal Revenue Service its election not to issue $60,894,866 (the "Nonissued Bond Amount") of qualified mortgage bonds which it was otherwise authorized to issue for calendar year 1985; and,

WHEREAS, on April 17, pursuant to Section 25 of the Internal Revenue Code of 1986 and the regulations applicable thereto (the "Code"), the Agency published its Public Notice and its Invitation to Lenders pertaining to its Mortgage Credit Certificate Program; and,

WHEREAS, on June ___, 1987, the Agency published its Supplementary Public Notice pertaining to new purchase price limits for its Mortgage Credit Certificate Program; and,

WHEREAS, the staff of the Agency has presented a proposed "Mortgage Credit Certificate Program Operating Manual" (the "Manual") in the form appended to this Resolution, providing for implementation and administration of a program for the issuance of Mortgage Credit Certificates;

NOW THEREFORE, it is RESOLVED as follows:

§1. Pursuant to the Code and the Vermont Housing Finance Agency Act, as amended (the "Act"), the Agency hereby implements its Mortgage Credit Certificate Program, Issue No. 1 (the "Program"). Pursuant to 10 V.S.A. §628, this resolution shall constitute a regulation for the Program and, so far as hereinafter stated, subsequent "qualified mortgage credit certificate programs" implemented by the Agency pursuant to the Code and the Act ("Subsequent Issues").

2. The Public Notice, the Invitation to Lenders, and the Supplementary Public Notice, and the publication thereof, are, and each of them is, hereby ratified and reaffirmed.

3. The Program shall commence effective July 17, 1987 (the "Commencement Date"). No Mortgage Credit Certificate shall be issued prior to the Commencement Date, and no Mortgage Credit Certificate shall be issued under the Program with respect to any loan having a loan closing date subsequent to December 31, 1987 (the "Final Expiration Date"); further provided, however, that no Mortgage Credit Certificate shall be issued which would cause the aggregate Certified Indebtedness Amount (as defined

pursuant to the Code) of all Mortgage Credit Certificates issued under the Program to exceed $12,178,973.20.

4. The Certificate Credit Rate (as defined pursuant to the Code) for each Mortgage Credit Certificate issued under the Program shall be TWENTY PER CENT (20%).

5. The Manual is hereby approved and adopted. Except to the extent that the Manual imposes more restrictive requirements as permitted by the Code, the Program and Subsequent Issues shall be governed by, and shall be administered in accordance with, the Code, as amended from time to time. The Manual, as amended from time to time, shall be binding upon all participants in the Program and Subsequent Issues.

6. Consistently with the Code, as amended from time to time, and after any required public notice, the Executive Director is authorized to amend the Manual from time to time; provided, however, that purchase price limits and income limits applicable to the Program shall not be increased except by resolution of the Agency.

7. The Executive Director and the Director of Single Family Programs are, and each of them is, authorized to execute a Mortgage Credit Certificate Program Lender Participation Agreement with any lender interested in entering such Agreement. Any Lender Participation Agreement shall be applicable to the Program and any Subsequent Issue until terminated by the election of the Lender to discontinue its participation. A Lender may affirmatively elect to discontinue its participation by notice to the Agency at any time. With respect to each Subsequent Issue, a Lender shall be deemed to have elected not to participate in that Subsequent Issue if, not less than 30 days prior to the commencement date of such Subsequent Issue, the Lender fails to elect to participate by written notice to the Agency. At least 60 days prior to the commencement date of any Subsequent Issue, the Executive Director or the Director of Single Family Programs shall send an appropriate election form to each then-participating Lender.

8. Pending the Commencement Date, the Executive Director and the Director of Single Family Programs are, and each of them is, authorized to take such preliminary action as is reasonably calculated to enable the Agency to issue Mortgage Credit Certificates as soon as practicable on or after the Commencement Date, including, without limitation, entering Participation Agreements with lenders, advertising the Program in public media, preparation and dissemination of a Program brochure designed to inform the public, lenders, and real estate brokers as to the availability of the Program, preparation and dissemination of a list of participating lenders, and authorizing participating lenders to take applications for Mortgage Credit Certificates.

9. The Executive Director in his discretion is

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: Fiscal Year June 1988 Budget

DATE: June 5, 1987

As of today, I had hoped to have ready the preliminary budget for the next fiscal year for mailing in the Board package. As many of you know, we are in the midst of preparing for a proposed bond sale which has taken much of my time. In addition, this year, we decided to basically do a zero base budget by internal departments within the Agency. This was a new and time consuming process for many of the staff people, both old and new. Based on these factors we are not yet comfortable in all the numbers. Allan and I will be reviewing the final budget numbers and will be completing the data on Monday for delivery to you on Tuesday. We should have plenty of time at the Board meeting to discuss any areas of concern and present additional detail if requested. Formal action will not be required at this meeting if the Board requires more information or additional time to study.

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VERMONT HOUSING FINANCE AGENCY

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE

RE: BUDGET PERFORMANCE REPORT AT MARCH 31, 1987

DATE: JUNE 8, 1987

Attached is the updated budget performance report for the nine months ended March 31, 1987. This is the standard report that we usually provide to the Board. There are no great surprises in this report and most differences can be attributed to timing differences between originally projected payment and expenditure dates and actually achieved dates.

Actual income and transfers are a little higher than expected and expenses are a little lower than anticipated. The only areas that are out of kilter are Advertising, Office Supplies and Postage which are all addressed in the proposed amendments to the fiscal year budget.

This report is a modification of the original report devised for the purpose of informing the Board on an ongoing basis of the status of Agency financial activity. The original report that was devised compared current and year to date actual information to the annual budget. The modified report shows an estimated budget by quarters versus actual results by quarters. The deficiency in the modified report is that the main differences always seem to be in the timing of the transactions as opposed to problems with the overall budget.

My proposal is for the coming year to reestablish the original report showing actual operations for the current quarter and year to date in comparison to the annual budget. I would appreciate Board input as to what you would prefer for the coming year.

Please feel free to ask me any questions on this report or other areas of Agency financial considerations at your earliest convenience.

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BUDGET PERFORMANCE REPORT
VERMONT HOUSING FINANCE AGENCY
FOR THE PERIODS ENDING MARCH 31, 1987

	CURRENT PERIOD 1/1--3/31/87		YEAR TO DATE 7/1/86-3/31/87	
	BUDGET	ACTUAL	BUDGET	ACTUAL
INCOME				
VHMGB	$21,650	$19,992	$68,700	$60,637
SINGLE FAMILY FEES	38,750	39,919	113,750	150,339
MULTI-FAMILY FEES	10,000	56,183	100,000	111,691
INTEREST INCOME	43,500	59,428	151,500	166,144
MISCELLANEOUS	(125)	557	2,500	1,692
TOTAL INCOME	113,775	176,079	436,450	490,503
FUND TRANSFERS				
LOANS TO LENDERS	0	0	150,000	150,000
SHAWMUT MTG PURCHASE	0	0	50,000	50,000
HOWARD MTG PURCHASE	510,000	510,000	1,010,000	1,010,000
HOWARD HOME MTG PURCH	(30,000)	(30,000)	70,000	82,495
HOWARD MULTI-FAMILY	292,500	225,000	342,500	367,500
CONN NATL MULTI-FAMILY	440,000	494,431	530,000	599,155
TOTAL TRANSFERS	1,212,500	1,199,431	2,152,500	2,259,150
TOTAL INC & TFRS	1,326,275	1,375,510	2,588,950	2,749,653
EXPENSES				
ADVERTISING	3,750	5,172	6,750	23,316
AUDIT	0	0	19,000	19,000
ANNUAL REPORT	8,000	2,416	10,000	3,242
COMMISSIONERS EXPENSES	0	559	1,000	1,169
CONSULTING FEES	20,500	8,864	39,500	47,926
DUES & SUBSCRIPTIONS	3,650	3,702	9,350	9,863
INSURANCE	12,750	12,725	43,650	34,993
INTEREST EXPENSE	1,305	1,299	3,915	4,005
LEGAL	12,325	7,817	34,175	15,252
MISCELLANEOUS	1,625	917	3,375	3,790
OFFICE EXPENSES	3,700	5,790	9,700	11,999
PENSION PLAN	8,600	9,234	28,400	28,256
POSTAGE	1,950	2,650	5,250	6,714
RENT	15,432	15,431	45,968	46,056
REPAIRS & MAINTENANCE	6,300	5,706	18,700	17,426
SALARIES & WAGES	134,730	147,765	427,230	412,061
STAFF TRAVEL & TRAINING	7,500	5,108	22,500	16,342
TAXES-PAYROLL	9,675	9,772	30,525	29,469
TELEPHONE	6,750	3,829	20,250	16,567
TRUSTEE & CREDIT FEES	48,500	45,192	136,500	111,183
DEPRECIATION	13,500	13,500	39,075	38,550
TOTAL EXPENSES	320,542	307,448	954,813	897,179
INCREASE (DECREASE) TO FUND BALANCE	$1,005,733	$1,068,062	1,634,137	1,852,474

VERMONT HOUSING FINANCE AGENCY

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE

RE: FISCAL YEAR JUNE 1988 BUDGET

DATE: JUNE 8, 1987

Attached is the proposed budget for the upcoming fiscal year, with comparisons to the currently approved budget, the expected final results for the current fiscal year and a column for a comparison between the proposed budget and the expected results for the current year.

In discussions with the Board during the last years' budget process, it was determined that the Agency should be in a growth process versus a maintenance mode. As the numbers demonstrate, we have achieved the beginning of that process.

FINAL ADJUSTMENT REQUESTS F/Y 6/87
Before digging into the new budget, we need to discuss the areas that need adjusting in the current year. Advertising and promotion has been an area we have spent alot of time, effort and funds in trying to reach Vermonters with our Programs. A considerable amount has been expended in the New Homes Program as well as assumed expenditures on the new Mortgage Credit Certificate Program, and the Non-Profit Tax Conference. In addition, because of the slowness of deliveries of the 1985B Single Family Issue, funds over and above the dedicated Cost of Issuance where expended totalling approximately $16,000. Because of these reasons we need to increase the budget to the estimated amount of $35,000 for the year. Office expenses have also exceeded expectations based on the number of new staff and mailings/promotions that we have done. It is expected that the expenditures will approach $16,000 for the year, an increase of $3000. In a related area Postage has also exceeded original expectations and is now estimated to total $10,000 for an increase of $2800 for the year. The final area of note is that of the Capital Budget which was originally estimated to be in the neighborhood of $30,000 it now appears because of upgrades to the master system and additional computers for new staff that we will exceed $40,000.

Board Action Requested
Adjust the current year budget for the stated increases in Advertising, Office Supplies and Postage.

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PROPOSED BUDGET FOR FISCAL YEAR ENDED JUNE 88
I will highlight below the major changes in the budget from the current year to the new year. Allan and I will be happy to answer any questions on any areas of the budget that you require additional information at the Board Meeting. Areas of special recognition:

1.**VHMGB Income.** In the past we included the Guarantee Board in our expenses and shown there payments as an income item. Since, they are now paying most of their own bills we intend to handle them on a reimbursement basis. The net effect is zero, but the absence of revenues needed explanation.

2.**Fund Transfer-Howard Home Mtg Purchase.** This program works out to a net contribution from the General Fund. This is due to the fact that a proposed 1987B financing will require a contribution of approximately $400,000 partially offset by Program contributions to the General Fund of $250,000 from program revenues to help subsidize operations.

3.**Advertising & Promotion.** In the continuing effort to make our programs and the Agency better known in the marketplace, continuing funds are requested to reach this objective. The proposed budget amount anticipates advertising for the Mortgage Credit Certificate Program, Farmers Home and Energy Homes as well as Low Income Tax Credits and Special Events. Advertising for new Single Family bond programs is expected to be paid from bond proceeds.

4.**Salaries & Wages.** This large increase is a liitle bit misleading based on the fact that last year's budget started the year with quite a few vacant positions that were filled during the year. Also included in this budget is new positions for an Outreach Person, Mortgage Credit Certificate Represenative, assistant to work in the Data Processing/Accounting department and possible additional help in the support area for Public Information Services. These new positions account for an increase of $64,000. The overall increase for existing staff amounts to 6%, which includes position upgrades or special increases for three staff members of about 10%.

5.**Pension Plan & Payroll Taxes.** These categories are in direct proportion to the increase in Salaries and Wages.

6.**Insurance.** A significant increase in hospitalization was effective on May 1st even though we somewhat mitigated the total effect by choosing Prime Care which saved about 10% of the increase. The increased staffing also contributed to the increase.

7.**Staff Travel & Training.** The largest single item of note is Allan's training course at Harvard, approved by the Board, which will cost in the neighborhood of $5000. In addition, in keeping up with the new programs, it is felt that staff can benefit from contined training in these innovative areas. The commitment requested averages less than $1800 per employee, after adjusting for the Harvard course.

8.**Capital Budget.** Expanded usage and users of the computer system indicate that a further upgrade of the master system will be required. Additional peripheral equipment for new personnel as well as for existing staff who are not currently equipped is also projected to take up the majority of the $50,000 capital budget projected.

SUMMARY COMMENTS

The enclosed budget and above discussion is what the staff believes to be in keeping with the assumed continuing directive of the Board in striving to be a growth oriented organization in the final days before the impending Sunset of our bonding authority. Current law terminates our ability to issue tax-exempt debt as of December 31, 1988. Efforts have been underway for some time in working to extend or eliminate the Sunset, but there is no assurances that this will be successful. We believe that although expenses are projected to increase in the area of 20%, the expenditures are necessary to promote an expanded, responsible reply to the question of affordable housing for low and moderate income Vermonters.

PROPOSED BUDGET
VERMONT HOUSING FINANCE AGENCY
F/Y/E JUNE 30, 1988

	APPROVED BUDGET FYE 6/30/87	ESTIMATED ACTUAL 6/30/87	PROPOSED BUDGET FYE 6/30/88	$ INC/DEC FY 6/88 BUDG OVER 6/87 ACT
INCOME				
VHMGB	90,500	82,000	0	(82,000)
SINGLE FAMILY FEES	225,000	185,000	345,000	160,000
MULTI-FAMILY FEES	125,000	120,000	37,000	(83,000)
INTEREST INCOME	195,000	210,000	230,000	20,000
MISCELLANEOUS	2,500	2,500	2,500	0
TOTAL INCOME	638,000	599,500	614,500	15,000
FUND TRANSFERS				
LOANS TO LENDERS	150,000	150,000	150,000	0
SHAWMUT MTG PURCHASE	100,000	100,000	100,000	0
HOWARD MTG PURCHASE	1,010,000	1,010,000	750,000	(260,000)
HOWARD HOME MTG PURCH	(280,000)	(280,000)	(150,000)	130,000
HOWARD MULTI-FAMILY	342,500	342,500	430,000	87,500
CONN NATL MULTI-FAMILY	530,000	530,000	180,000	(350,000)
TOTAL TRANSFERS	1,852,500	1,852,500	1,460,000	(392,500)
TOTAL INC & TFRS	2,490,500	2,452,000	2,074,500	(377,500)
EXPENSES				
ADVERTISING & PROMOTION	9,000	35,000	50,000	15,000
AUDIT	19,000	19,000	20,000	1,000
ANNUAL REPORT	10,000	9,000	12,000	3,000
COMMISSIONERS EXPENSES	2,000	1,500	4,000	2,500
CONSULTING FEES	60,000	60,000	50,000	(10,000)
DUES & SUBSCRIPTIONS	13,000	13,000	17,000	4,000
INSURANCE	56,800	50,000	79,000	29,000
INTEREST EXPENSE	5,000	5,000	3,800	(1,200)
LEGAL	44,000	40,000	47,000	7,000
MISCELLANEOUS	3,750	4,000	2,500	(1,500)
OFFICE EXPENSES	13,000	16,000	18,000	2,000
PENSION PLAN	44,000	40,000	60,500	20,500
POSTAGE	7,200	10,000	15,000	5,000
RENT	61,400	61,400	65,100	3,700
REPAIRS & MAINTENANCE	25,000	25,000	30,000	5,000
SALARIES & WAGES	582,000	580,000	708,600	128,600
STAFF TRAVEL & TRAINING	30,000	28,000	56,000	28,000
TAXES-PAYROLL	41,500	40,000	50,400	10,400
TELEPHONE	27,000	27,000	30,000	3,000
TRUSTEE & CREDIT FEES	185,000	175,000	195,000	20,000
DEPRECIATION	53,000	53,000	58,000	5,000
TOTAL EXPENSES	1,291,650	1,291,900	1,571,900	280,000
INCREASE (DECREASE) TO FUND BALANCE	1,198,850	1,160,100	502,600	(657,500)

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: Vermont Housing Finance Agency Board of Commissioners

FROM: Allan S. Hunt

DATE: June 5, 1987

RE: Status of Oil Overcharge-Funded Programs

The Vermont Legislature has made available to the VHFA a significant amount of money from the Oil Overcharge Settlements for use in two programs. The funds originate from a federal court settlement against Exxon and other oil companies for past price violations. They must be used in energy conservation programs.

Energy Rated Homes Mortgage Program

In the Board Meetings of August 28, 1986 and February 12, 1987 I informed you of the Agency's receipt of $150,000 from the Exxon Oil Overcharge funds and gave you updates on the Energy Rated Homes Mortgage Program.

On May 20, the Vermont Legislature approved a final allocation of $350,000 to the VHFA, bringing the total funding to $500,000 for this program. These funds have been designated for the design and implementation of an innovative program which will rate the energy efficiency of homes at the time of sale, and include in the mortgage the cost of bringing that home up to an "energy efficient" level. The Energy Rated Homes Mortgage Program will play an effective role in increasing the energy efficiency and affordability of housing in Vermont.

To date, the VHFA is nearing the completion of a contract with the Western Resources Institute (WRI) for the technical development of the Vermont-specific home energy rating sheets and associated materials. WRI staff will be coming to Vermont in the near future to conduct training sessions for program participants.

The VHFA has also recently signed a contract with the non-profit Vermont Energy Investment Corporation (VEIC) for assistance in program design and development, and for technical assistance with the rating sheets.

The Steering Committee (made up of Vermont "shelter industry" personnel and executives) and the Technical Committee (made up of energy engineers and other professionals in the energy field) have been meeting regularly to give direction and advice in the development of the Energy Rated Homes Mortgage Program.

I anticipate being able to offer this program by the middle of August.

Energy Improvements for Public Housing

On May 20, the Vermont Legislature also allocated $200,000 to be used in buying down the interest rate on loans to Public Housing Authorities for energy conservation improvements on 1,200 housing units in Vermont. The specific role the Agency would play is yet to be determined.

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VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt ASH

RE: Summary of Year's Activities

DATE: June 3, 1987

It might be helpful to summarize the highlights of this past year's activities so you can have some insight into the growth of this agency and its budgetary needs for 1988. The highlights are as follows:

Single Family

A. The development and execution of a marketing campaign to use the 1985 B single family funds.

B. The lengthy negotiation and the very close to successful completion of the Farmers Home/VHFA Loan program.

C. The development and implementation of a new homes program - $20,000,000.

D. The development of the mortgage credit certificate program - 1200-1500 certificates.

E. Preliminary planning for a new single family mortgage program - $25,000,000.

Multi Family

A. Loan workout on Rockingham Canal House resulting in repayment of $350,000 loan.

B. Development and closing on South Meadows, agency's first 80/20 - 148 units.

C. Successful financing of two Level III community care homes.

D. Preliminary research on feasibility of starting a non-profit housing corporation.

E. Development of rules/regulations/ program documents for the low income tax credit program (potential value - $19,000,000).

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F. Closing on 32 unit Fort Ethan Allen project - agency loan.

Other Programs

A. Planning and implementation of an energy loan program.

B. Development of program and awarding of $141,000 in homeless family shelter grants.

C. Development of the Energy Rated Homes program, and support for new non-profit VEIC.

D. Development of multi-family housing energy conservation program.

Legislative

A. Testimony and passage of the mortgage credit certificate program.

B. Development, drafting, testimony and passage of broader enabling legislation. (S-154)

C. Testimony and passage of Exxon Oil overcharge funds resulting in $500,000 to V.H.F.A.

D. Staff support and testimony on housing cooperative enabling legislation.

E. Staff assistance/input on State Housing policy.

Other

A. Hiring of additional staff in all areas (Public Relations, Research/Development, Legal, Single and Multi Family Programs), as well as necessary support staff.

B. Restructuring of decision-making process to permit input from all staff levels.

C. Implementation of weekly management staff meetings and monthly full staff meetings.

D. Staff support and participation in Housing Roundtable, statewide housing need analysis, and Affordable Housing Coalition.

E. Physical reorganization of office space to accomodate more staff and improve work environment.

F. Production of video information piece, and a variety of informational and marketing materials.

G. Development and staffing of intake process to accomodate influx of inquiries and program applications, and to evaluate our market base.

H. Legislative Conference on Housing, Non-Profit Development Conference, Home Show Display, Staff Planning Retreat and Cooperative Housing Roundtable.

I. Analysis of potential "at risk" housing projects in cooperation with other housing providers.

ASH
74I

The Date of this Preliminary Official Statement is May 29, 1987

NEW ISSUE

In the opinion of Bond Counsel, under existing law, interest on the 1987 Series A Bonds is excluded from the gross income of the recipients thereof for federal income tax purposes. However, interest on the 1987 Series A Bonds will be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. For information regarding certain requirements for and exceptions to such exclusion see "Tax Exemption." The Vermont Housing Finance Agency Act provides that all bonds and notes issued by the Agency and the interest thereon are exempt from all Vermont taxation, franchise fees or special assessments except for transfer, inheritance and estate taxes.

*$28,890,000**

Vermont Housing Finance Agency

Home Mortgage Purchase Bonds, 1987 Series A

Dated June 1, 1987 (except Term Appreciation Bonds which are dated the date of delivery)

Due June 1 and December 1, as shown below

The 1987 Series A Bonds are issuable only as fully registered bonds and when issued will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York, an automated clearinghouse for the processing of securities transactions, which will act as the securities depository (the "Securities Depository") for the 1987 Series A Bonds. Purchases and sales by the beneficial owners of the 1987 Series A Bonds can be made in the denomination of $5,000 or any integral multiple thereof, in book entry form only. Beneficial owners will not receive certificates evidencing their ownership interests in the 1987 Series A Bonds. See "The 1987 Series A Bonds—Book-Entry System" herein.

Interest will accrue on the Serial Bonds and the Term Bonds from June 1, 1987 and interest will accrue on the Term Appreciation Bonds from their date of delivery, expected to be June 25, 1987. Interest on the 1987 Series A Bonds (other than the Term Appreciation Bonds) is payable semiannually on June 1 and December 1, commencing December 1, 1987. Interest on the Term Appreciation Bonds will be payable at maturity or upon redemption. Interest on the 1987 Series A Bonds is payable by The Howard Bank, N.A., Burlington, Vermont, Trustee, to the Securities Depository. The Securities Depository will credit such payment to its Participants (as hereinafter described), who will remit interest payments to the beneficial owners of the 1987 Series A Bonds. Principal and premium, if any, will be payable by the Trustee in the manner described above.

The 1987 Series A Bonds are subject to redemption prior to maturity, including special redemption at par under certain circumstances, as more fully described herein.

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 1987 Series A Bonds.

$17,045,000* Serial Bonds

Due	Amount*	Interest Rate	Price or Yield	Due	Amount*	Interest Rate	Price or Yield
December 1, 1987	$115,000	%	%	December 1, 1995	$540,000	%	%
June 1, 1988	120,000			June 1, 1996	560,000		
December 1, 1988	340,000			December 1, 1996	585,000		
June 1, 1989	345,000			June 1, 1997	605,000		
December 1, 1989	360,000			December 1, 1997	635,000		
June 1, 1990	370,000			June 1, 1998	660,000		
December 1, 1990	380,000			December 1, 1998	685,000		
June 1, 1991	395,000			June 1, 1999	715,000		
December 1, 1991	405,000			December 1, 1999	745,000		
June 1, 1992	420,000			June 1, 2000	775,000		
December 1, 1992	435,000			December 1, 2000	815,000		
June 1, 1993	450,000			June 1, 2001	845,000		
December 1, 1993	465,000			December 1, 2001	885,000		
June 1, 1994	485,000			June 1, 2002	920,000		
December 1, 1994	505,000			December 1, 2002	965,000		
June 1, 1995	520,000						

$9,510,000* % Term Bonds due December 1, 2006—Price: %
(Plus accrued interest)

$2,335,000* Term Appreciation Bonds due December 1, 2013
Priced to Yield Approximately % to Maturity

The 1987 Series A Bonds are offered for delivery when, as and if issued and received by the Underwriters and subject to the approval of legality by Palmer & Dodge, Boston, Massachusetts, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe, New York, New York. It is expected that the 1987 Series A Bonds will be delivered in definitive form in New York, New York on or about June 25, 1987.

Drexel Burnham Lambert
Incorporated

E. F. Hutton & Company Inc.

Bank of Boston
The First National Bank of Boston

June , 1987

* Preliminary, subject to change.

CONTENTS OF OFFICIAL STATEMENT

No dealer, broker, salesman or any 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 1987 Series A Bonds, 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 or a solicitation of any offer to buy, nor shall there be any sale of the 1987 Series A Bonds in any jurisdiction in which it is unlawful 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 by, 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 neither the delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Agency since the date hereof. The 1987 Series A Bonds may be offered and sold by the Underwriters to certain dealers at prices lower than the initial public offering prices set forth on the cover page, and such public offering prices may be changed from time to time by the Underwriters.

In connection with the offering of the 1987 Series A Bonds, the Underwriters may over-allot and effect transactions that 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.

VERMONT HOUSING FINANCE AGENCY

BOARD MINUTES

Vermont Housing Finance Agency
Conference Call
Wednesday, June 10, 1987

Present: Chairman Shaw; Commissioners Hebard, Meyer (Designee of Guest), Myette, Menson, Seelig; Agency Staff Mr. Hunt, Mr. Schoenbeck, Mr. Lothrop; Mr. Gurley and Mr. Tischman of Drexel Burnham; Mr. Sylvester of E. F. Hutton.

The purpose of the call was to discuss the marketing of the 1987A Mortgage Revenue Bond Issue. Mr. Gurley and Mr. Tischman briefed the Board on the pricing scale of the Bonds and indicated that sufficient orders had been received for the underwriters to offer to purchase the Bonds. The pricing was reviewed with several other deals in the marketing and the pricing seemed quite favorable.

Following a brief discussion, a motion was made, seconded and unanimously approved to authorize the sale of approximately $30,000,000 in Single Family Bonds to Drexel Burnham, E. F. Hutton and the Bank of Boston subject to formal approval at the Board meeting.

Respectfully submitted,

Allan S. Hunt
Executive Director

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(802) 864-5743

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

MEMO TO: V.H.F.A. Board of Commissioners

FROM: Allan S. Hunt

DATE: July 14, 1987

SUBJECT: Cancellation of July 16, 1987, Board Meeting

After talking to Horace, we have decided to cancel Thursday's meeting. Attendance would have been minimal, and nothing is so pressing it cannot wait until August 20th. Sorry for the short notice, but by the time you receive this, you should all have been called.

ahl71.admin
cc: Staff

MEMORANDUM

TO: Allan

FROM: Doug DR

SUBJECT: Condominium Conversions

DATE: July 31, 1987

Attached is a resolution passed by our Board of Commissioners in October, 1983, which outlines our position on condominiums. It would appear that this resolution was passed at the onset of condominium development in Vermont and was intended to prevent, without a major injection of funds, any condominium conversion entering our program. The obvious intent was to discourage conversion of rental units into condominiums.

With the affordable housing crunch in Vermont, we might want to rethink our position. It would appear to me that if a rental unit has already been converted into a condominium for a period of time, we might be biting off our nose to spite our face if we did not consider financing a portion of the units under our program.

I would recommend we consider a new resolution, one which gives us authority to include conversion condominiums after they have been converted for a predetermined time period.

DRL/cmh:93

10-26-83

RESOLUTION

RESOLVED, physical rehabilitation of existing residential property pursuant to a Declaration of Condominium, when combined with new construction under the same Declaration, shall constitute a "new condominium project" within the meaning of Section 2.1(F) of the Agency's Mortgage Purchase Program Procedural Guide, subject to the following definitions and conditions:

1. "New construction", for the purposes of this Resolution only, means the construction of at least a) a discrete structure or b) a new addition to an existing structure which, when completed, will increase the total floor area of the existing residential housing by not less than 50%.

2. The total number of apartments included within the Declaration of Condominium shall equal at least twice the number of dwelling units, whether habitable or not, which comprise the existing residential property at the time of application to the Agency for project approval.

3. The Declaration of Condominium [illegible] filed for [illegible] least [illegible] months prior to [illegible] of application to the Agency for project approval.

4. The project must be the subject of a Land Use Permit pursuant to Chapter 151 of Title 10, Vermont Statutes Annotated.

FURTHER RESOLVED, physical rehabilitation of existing non-residential property pursuant to a Declaration of Condominium, whether or not combined with new construction, shall constitute a "new condominium project" within the meaning of Section 2.1(F) of the Procedural Guide; provided, however, that the project must be the subject of a Land Use Permit pursuant to Chapter 151 of Title 10, Vermont Statutes Annotated.

FURTHER RESOLVED, the Executive Director and the Program Director are instructed to amend the Procedural Guide consistently herewith.

Vermont Energy
Investment Corporation

P.O. Box 5130 Burlington, VT 05402 (802) 658-6060

August 6, 1987

Allan Hunt, Executive Director
Vermont Housing Finance Agency
P.O. Box 408
Burlington, VT 05402

Dear Allan,

We are writing to you to provide you with an overview of the current status of the Home Energy/Improvement Loan Program and to request additional capital funds in order to continue the program.

The HE/ILP has been operating since November, 1986; the first loan was closed in January, 1987. As of this date, twenty-six loans totaling $110,524 have been closed. An additional four loans are scheduled to close next week, bringing the total of funds loaned to $131,024. Of these thirty loans, twenty-two have been made at an interest rate of 7%; the remaining eight were made at the 9 3/4% rate. Most of these loans have been made to people with limited options and great need and the response from clients has been very positive.

Another fourteen loan applications are in process, and we anticipate that over half of them could be ready to close by the end of September, if the capital is available. The average HE/ILP loan is $4,300, so this will more than exhaust the remaining capital funds. This obviously brings up the issue of the continuation of the program, and the timing is fairly critical.

We feel that the HE/ILP has been quite successful in its first eight months of operation. The promotion of the program, through direct VHFA mailings, as well as mailings by others such as Vermont Gas Company and Farmers' Home Administration, have generated the first wave of interested Vermonters. The broader promotional efforts, in the form of posters, bus cards, brochures and radio ads, have created an awareness of he program in the community. And perhaps most important, the program now has satisfied customers, "the best advertisement in the world", who are spreading the word to their families and friends.

We hope to build on this awareness and interest and continue this program through another year. The program has been available through three seasons of the year; we now have the opportunity to test it's attraction during the fall - the season in which consumers have shown the greatest interest in energy efficiency. It is difficult, however, to anticipate the level of interest and a dollar amount of capital at this stage. This is very dependent on promotion and marketing efforts, as well as on the utilities' interest in expanding their programs. Our best estimate, however, is that it will be possible for VEIC to originate approximately $200,000 to $300,000 in HE/ILP loans over the next twelve months.

As we have already begun discussing with you, there are some aspects of the program we like to modify in the next year, based on our experiences over the last eight months. These include primarily the costs of the program administration, marketing and promotion, and possible alterations to the program guidelines and processing procedures. We would welcome the opportunity to continue in our role as agents of the VHFA for the Home Energy/Improvement Loan Program. Please let us know if you would like us to provide more information and if you would like to discuss this with us. We are available to meet with you and your staff at your earliest convenience.

Sincerely,

Beth Sachs
Executive Director

vhfa
VERMONT HOUSING FINANCE AGENCY

July 7, 1987

Mr. Richard M. Williams
Executive Director
Vermont State Housing Authority
P.O. Box 397
Montpelier, VT 05602

RE: ENABLE

Dear Dick,

I have had an opportunity to consider your request for a loan of $50,000.00 to help you continue your ENABLE and Community Cares Fund. Although the Board of Commissioners has the final approval on such matters, I am certainly willing to recommend that we make the Authority a loan for $50,000.00 for five (5) years at 6%. Our next meeting is in Montpelier on July 16th, at which time I'm sure the Board will support my recommendation.

We look forward to working with you on this project.

Very truly yours,

Allan

Allan S. Hunt
Executive Director

ASH/mks.165
Enclosures
cc: Board of Commissioners
Roger Schoenbeck

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/222-VHFA

Vermont
State
Housing
Authority

Mailing Address:
PO Box 397
Montpelier
Vermont 05602-0397

Location:
Tavern Motor Inn
Third Floor
State Street
Montpelier

802-828-3295 (TDD)

June 25, 1987

Mr. Allan S. Hunt, Executive Director
Vermont Housing Finance Agency
One Burlington Square
P.O. Box 408
Burlington, VT 05402-0408

Dear Allan:

Late last year during a meeting at your offices, we broached the subject of your participation in helping us to sustain our access modification loan program, **ENABLE**, through a loan to us.

Since then, an interesting opportunity has arisen making your participation even more important. We will be eligible to receive a grant of up to $50,000, if we are able to secure a matching loan. The total $100,000 would be used as loan principal for our two access modification programs, the aforementioned **ENABLE** and our Community Cares Fund.

Our programs have proven themselves. The continuing need for such modifications is reflected in requests totaling $44,000 from **ENABLE.** New requests literally arrive every other day. And, our loan programs are viable: repayments are ahead of schedule!

Please make every effort to find a way to help us insure the future of our access programs. We are not asking for a gift or a grant. We simply need a loan. In fact for now, all we need is your commitment to make a loan available to us to serve as our cash match so that we may submit our grant application. I would appreciate learning of your decision by July 15.

Thank you for your consideration.

Sincerely,

Richard

Richard M. Williams
Executive Director

5 yrs - 0 5 years —
0%.

MEMORANDUM

MEMO TO: Allan Hunt

FROM: Sam Falzone

DATE: July 10, 1987

SUBJECT: Replacement Reserve/U.C.C. Signature Authority

At the March 5, 1981, Board Meeting, you introduced a resolution authorizing the Executive Director to delegate his power to execute certain documents on behalf of the Agency. The resolution was adopted and passed unanimously. (See attached).

It would appear that specific Board approval is not required in order to give me signatory authority over the replacement reserve accounts and UCC statements. Your written delegation should do the trick. Attached is written authorization to be signed by you.

SF/mks.344

Mr. Hunt presented a proposal resolution authorizing the Executive Director to delegate his power to execute certain documents on behalf of the Agency to other appropriate employees of the Agency. The resolution is attached. A motion was made and seconded to adopt the attached resolution. The motion passed unanimously.

Mr. Hunt reported that the Attorney General's office has contacted him regarding alleged circumvention of our income, mortgage, and purchase price limits in the single family program, by certain realtors or buyers in Chittenden County. He indicated that the Agency has cooperated fully with the investigation.

Mr. Hunt presented a proposed resolution ratifing and confirming the issuance of promissory notes pursuant to a Note Financing Agreement, authorizing the execution of a second ammendment to the Note Financing Agreement, and providing for a decrease in the principal amount authorized to be issued, not to exceed 8 million dollars. The proposed resolution is attached. A motion was made and seconded to approve the resolution , which was adopted unanimously.

Mr. Hunt reported that Standard & Poors has reviewed the Agency and Vermont Home Mortgage Guarantee Board, and has rated the proposed mortgage pass-through operation at AA⁻. He reported that legislation authorizing this program (H-378) is moving slowly but is expected to pass. He indicated that the Agency would file an application with the Federal National Mortgage Association (FNMA) to obtain their acceptance of the VHMGB as an approved mortgage insurer.

Mr. Hunt indicated that future prospects for single family bonding under the Mortgage Subsidy Bond Tax Act of 1980, will depend on the availablity of data on home sales in the state, and on the willingness of bond counsel to issue an opinion of tax exemption under this act in anticipation of the issuance of Treasury regulations.

Mr. Hunt and Mr. Frazier presented a proposed revision to the 1981 General Fund budget and recommended approval. The motion was made and seconded to approve the revised budget. The motion passed unanimously.

The possibility of buying an office building for Agency use was again discussed. The Board authorized participation in a survey, feasibility report, and appraisal with the City of Burlington, but did not commit any interest in the eventual purchase of any particular building.

The meeting adjourned at 12:07 p.m.

Respectfully submitted,

Allan S. Hunt

Allan S. Hunt
Secretary

RESOLVED: That the Executive Director is hereby authorized to delegate to appropriate employees of the Agency his power to execute documents on behalf of the Agency, as set forth in §2.5.1 of the By-Laws. Any such delegation may be general or specific, shall be in writing, and shall be inserted in the Minute Books of the Agency. The signature of an Agency employee to whom such power has been delegated may be relied upon by third parties to the same extent as the signature of the Executive Director may be relied upon.

AUTHORIZATION

Effective July 1, 1987, I designate Samuel J. Falzone, in his capacity of Senior Management Officer, as authorized agent of the Agency in matters related to approving and signature authority of Replacement Reserve transactions and U.C.C. Statements.

Date: 7/13/87

Allan S. Hunt
Executive Director

VERMONT HOUSING FINANCE AGENCY

August 10, 1987

Ms. Jean Gauthier
Pavilion Office Building
Montpelier, VT 05602

Dear Ms. Gauthier:

The Vermont Housing Finance Agency will be having its monthly Board Meeting on Thursday, August 20, 1987 at 2:00 p.m., here at the Vermont Housing Finance Agency, One Burlington Square, Burlington, Vermont.

If you require any additional information, please do not hesitate to contact me.

Sincerely,

Allan S. Hunt
Executive Director

ASH/sgd
AS182.multi

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt

SUBJECT: August 20th Board Meeting

DATE: August 10, 1987

At the request of Chairman Shaw, the August 20th Board Meeting will be held at the agency offices in Burlington, at 2:00 p.m., not 1:30 p.m. as originally scheduled.

Information will be forwarded under separate cover.

ASH/sgd
AH183.admin

VHFA BOARD MEETING AGENDA

One Burlington Square
Burlington, Vermont

Thursday, August 20, 1987 at 2:00 p.m.

1. Approval of minutes of June 11, 1987

2. Annual Meeting

   A. Election of officers (Vice-Chairman, and Treasurer)

3. Discussion of possible payment of bond related expenses (Schoenbeck/Enclosure)

4. Program Development

   A. Discussion of possible legislative issues including hiring of a legislative liaison (Torpy/Enclosure)

   B. Multi-family staff realignment to handle new programs

   C. Discussion of the creation of an equity fund to sell low-income tax credits (Hunt/Enclosure)

   D. Update on nonprofit housing development corporation

5. Single Family

   A. Discussion and possible approval of changes to the New Homes Program (Crady/Enclosure)

   B. Discussion and possible approval of a resolution modifying board resolution dated 10/26/83 (Lothrop/Enclosure)

   C. Discussion and possible approval of changes to the 1987A Mortgage Purchase Program (Crady, Lothrop/Enclosure)

   D. Discussion of continuance of Home Energy Loan Program (Enclosure)

   E. Discussion and possible approval of Statewide Funding Corporation as an approved lender (Lothrop/Enclosure)

F. Program Updates 1987A, New Homes, and Mortgage Plus (Crady, Lothrop/Enclosures)

6. Request of Vermont State Housing Authority for a loan to fund the ENABLE Program (Enclosure)

7. Any old or new business to come before the Board

VERMONT HOUSING FINANCE AGENCY

BOARD MEETING MINUTES

Vermont Housing Finance Agency
One Burlington Square
Burlington, Vermont

Thursday, June 11, 1987

Present: Chairman Shaw; Commissioners Heberd, Myette, Rockford (Designee of Menson), Seelig; Mr. Hunt, Mr. Schoenbeck, Mr. Lothrop, Mr. Gutchell, Ms. Crady; VHFA Staff; Mr. Kochman, F. L. Kochman, Inc.; Mr. Nagel, Palmer and Dodge; Ms. Crost and Mr. Horne, Orrick, Herrington and Sutcliffe; Ms. Cade, Bank of Boston.

Chairman Shaw called the meeting to order at 1:35 p.m.

Upon a motion duly made and seconded, the minutes of April 30, 1987 and the conference call of June 10, 1987 were unanimously approved.

Chairman Shaw suggested the Board consider Mortgage Credit Certificates, Item 2B, pending arrival of Mr. Gurley. Ms. Crady presented a brief outline of the program, indicating the Agency had received strong interest from lenders wishing to participate in the program. She presented a Resolution implementing the Mortgage Credit Certificate Program. Upon a motion duly made and seconded, the Resolution (enclosed) was unanimously adopted.

Mr. Hahn joined the meeting at 2:05 p.m.

The next order of businesss was discussion of the adjustments to the fiscal year 6/87 budget for the final time. After a brief presentation of the changes, the Board approved changes to the 6/87 budget increasing advertising by $26,000, office supplies increase by $3,000 and Postage increasing by $2,800. In addition, Mr. Schoenbeck discussed the fact that Capital Expenditures exceeded original estimates by $10,000 due to new staffing and additional computer purchases.

Next, Chairman Shaw asked Mr. Schoenbeck to outline for the Board the terms of the sale of the 1987A Single Family Mortgage Revenue Bonds. Mr. Schoenbeck indicated the expected mortgage rate would be 9.7 percent, that he had secured an investment contract with Manufacturers Hanover at 7.42 percent and that the Loan Loss Claim Fund would be funded by an Agency contribution of $375,000. Mr. Schoenbeck indicated he had been notified by Moodys that the issue had been rated A1.

Mr. Lothrop next reviewed briefly the major program provisions, including a revised purchase price limit of $80,000 for new construction and $75,000 for existing.

A Resolution was presented to the Board authorizing purchase of mortgage loans under Vermont Housing Finance Agency 1987 Mortgage Purchase Program, approval of contract documents and appointment of depositories; upon a motion duly made and seconded, the Resolution was unanimously approved. Chairman Shaw abstained from voting (Resolution attached).

Mr. Gurley and Ms. Riley of Drexel Burnham joined the meeting and presented the Board information on the Bond sale. Mr. Nagel presented a brief overview of the Series Resolution, indicating passage of the Series Resolution would also approve the Purchase Contract.

Upon a duly made motion and seconded, the Series Resolution authorizing the issuance and sale of Home Mortgage Purchase Bonds, 1987 Series A was unanimously approved. A good faith deposit check in the amount of $300,000 was presented to the Agency and various documents were signed.

Next, discussion ensued on the FY 88 Budget, which Chairman Shaw indicated he felt was reasonable given all the new activities of the Agency. Various questions were asked regarding staff salaries and their relationship to the public and private sector. After Mr. Schoenbeck agreed to provide further information in this area before the next fiscal year, a motion was made, seconded and unanimously approved approving the FY 88 Budget.

The Board went into Executive Session to discuss personnel issues. Upon return from Executive Session, there being no further business to come before the Board, the meeting was adjourned at 3:55 p.m.

Respectfully submitted,

Allan S. Hunt
Executive Director

(FINAL)

RESOLUTION OF VERMONT HOUSING FINANCE AGENCY

IMPLEMENTING ITS MORTGAGE CREDIT CERTIFICATE PROGRAM

ISSUE NO. 1

WHEREAS, on December 27, 1985, pursuant to Section 25 of the Internal Revenue Code of 1954, as amended, the Agency filed with the Internal Revenue Service its election not to issue $60,894,866 (the "Nonissued Bond Amount") of qualified mortgage bonds which it was otherwise authorized to issue for calendar year 1985; and,

WHEREAS, on April 17, pursuant to Section 25 of the Internal Revenue Code of 1986 and the regulations applicable thereto (the "Code"), the Agency published its Public Notice and its Invitation to Lenders pertaining to its Mortgage Credit Certificate Program; and,

WHEREAS, on June 10, 1987, the Agency published its Supplementary Public Notice pertaining to new purchase price limits for its Mortgage Credit Certificate Program; and,

WHEREAS, the staff of the Agency has presented a proposed "Mortgage Credit Certificate Program Operating Manual" (the "Manual") in the form appended to this Resolution, providing for implementation and administration of a program for the issuance of Mortgage Credit Certificates;

NOW THEREFORE, it is RESOLVED as follows:

§1. Pursuant to the Code and the Vermont Housing Finance Agency Act, as amended (the "Act"), the Agency hereby implements its Mortgage Credit Certificate Program, Issue No. 1 (the "Program"). Pursuant to 10 V.S.A. §628, this resolution shall constitute a regulation for the Program and, so far as hereinafter stated, subsequent "qualified mortgage credit certificate programs" implemented by the Agency pursuant to the Code and the Act ("Subsequent Issues").

§2. The Public Notice, the Invitation to Lenders, and the Supplementary Public Notice, and the publication thereof, are, and each of them is, hereby ratified and reaffirmed.

§3. The Program shall commence effective July 17, 1987 (the "Commencement Date"). No Mortgage Credit Certificate shall be issued prior to the Commencement Date, and no Mortgage Credit Certificate shall be issued under the Program with respect to any loan having a loan closing date subsequent to December 31, 1987 (the "Final Expiration Date"); further provided, however, that no Mortgage Credit Certificate shall be issued which would cause the sum of the products determined by multiplying (i) the Certified Indebtedness Amount (as defined pursuant to the Code) of each Mortgage Credit Certificate issued under the Program by (ii) the Certificate Credit Rate with respect to such certificate to exceed $12,178,973.20.

§4. The Certificate Credit Rate (as defined pursuant to the Code) for each Mortgage Credit Certificate issued under the Program shall be TWENTY PER CENT (20%).

§5. The Manual is hereby approved and adopted. Except to the extent that the Manual imposes more restrictive requirements as permitted by the Code, the Program and Subsequent Issues shall be governed by, and shall be administered in accordance with, the Code, as amended from time to time. The Manual, as amended from time to time, shall be binding upon all participants in the Program and Subsequent Issues.

§6. Consistently with the Code, as amended from time to time, and after any required public notice, the Executive Director is authorized to amend the Manual from time to time; provided, however, that purchase price limits and income limits applicable to the Program shall not be increased except by resolution of the Agency.

§7. The Executive Director and the Director of Single Family Programs are, and each of them is, authorized to execute a Mortgage Credit Certificate Program Lender Participation Agreement with any lender interested in entering such Agreement. Any Lender Participation Agreement shall be applicable to the Program and any Subsequent Issue until terminated by the election of the Lender to discontinue its participation, or as otherwise provided in the Agreement. A Lender may affirmatively elect to discontinue its participation by notice to the Agency at any time. With respect to each Subsequent Issue, a Lender shall be deemed to have elected not to participate in that Subsequent Issue if, not less than 30 days prior to the commencement date of such Subsequent Issue, the Lender fails to elect to participate by written notice to the Agency. At least 60 days prior to the commencement date of any Subsequent Issue, the Executive Director or the Director of Single Family Programs shall send an appropriate election form to each then-participating Lender.

§8 The Executive Director shall take such steps as are necessary to assure that not less than 20% of the proceeds of the Program and not less than 20% of the proceeds of each Subsequent Issue are reserved for use in Areas of Chronic Economic Distress, in accordance with the Code.

§9. The Executive Director and the Director of Single Family Programs are, and each of them is, hereby appointed authorized agents of the Agency for the purpose of signing Mortgage Credit Certificates and commitments therefor.

§10 Pending the Commencement Date, the Executive Director and the Director of Single Family Programs are, and each of them is, authorized to take such preliminary action as is reasonably calculated to enable the Agency to issue Mortgage Credit Certificates as soon as practicable on or after the Commencement Date, including, without limitation, entering Participation Agreements with lenders, advertising the Program in public media, preparation and dissemination of a Program brochure designed to inform the public, lenders, and real estate brokers as to the availability of the Program, preparation and dissemination of a list of participating lenders, and authorizing participating lenders to take applications for Mortgage Credit Certificates.

§11. The Executive Director in his discretion is authorized to use the name "Mortgage Plus" as a marketing title for the Program and Subsequent Issues.

OFFICE OF THE COMMISSIONER

TELEPHONE:
802-828-3301

STATE OF VERMONT
DEPARTMENT OF BANKING AND INSURANCE
MONTPELIER, 05602

June 11, 1987

Allan S. Hunt, Chairman
Vermont Housing Finance Agency
P. O. Box 408
Burlington, VT 05402-0408

Dear Allan:

This is to appoint William H. Rockford, Chief of Financial Institutions Regulation, as my designee for the Vermont Housing Finance Agency Board meeting on June 11, 1987.

With kind regards,

Thomas P. Menson
Commissioner

dl

RESOLUTION AUTHORIZING PURCHASE OF MORTGAGE LOANS UNDER
VERMONT HOUSING FINANCE AGENCY
1987 MORTGAGE PURCHASE PROGRAM,
APPROVAL OF CONTRACT DOCUMENTS AND
APPOINTMENT OF DEPOSITORIES

ADOPTED June 11, 1987

WHEREAS, pursuant to its Home Mortgage Purchase Bond Resolution adopted July 8, 1983 (the "General Resolution"), Vermont Housing Finance Agency has this date adopted its Series Resolution Authorizing the Issuance and Sale of $28,715,806.50 Home Mortgage Purchase Bonds, 1987 Series A (the "Series Resolution", together with the General Resolution herein called the "Resolutions"); and,

WHEREAS, the staff of the Agency has presented for approval the forms of the Contract Documents expected to be executed with Mortgage Lenders, including those Mortgage Lenders listed in the attached Schedule, and to be used in connection with the 1987 Mortgage Purchase Program (the "1987 Program"), to wit: Mortgage Loan Application and Commitment Agreement dated as of May 1, 1987 (the "Commitment Agreement") incorporating the Mortgage Loan Purchase and Servicing Agreement referenced therein (hereinafter referred to as the "Purchase Agreement"), and the 1987 Mortgage Purchase Program Procedural Guide, as amended (the "Procedural Guide"); it is hereby

RESOLVED:

A. Subject to the terms and conditions of the Resolutions, monies in the 1987 Series A Home Mortgage Purchase Program Account established under and pursuant to the Resolutions (the "Program Account") shall be used to purchase Mortgage Loans from Mortgage Lenders, including Mortgage Lenders listed in the attached Schedule, in an aggregate amount equal to the portion of the proceeds of the 1987 Series A Bonds required to be deposited into the Program Account.

B. The forms of the Contract Documents are hereby approved and the Executive Director and the Program Director, or either of them, is authorized to execute and deliver the same to Mortgage Lenders, including Mortgage Lenders listed on the attached Schedule.

C. Mortgage Loans shall be purchased on a "first-come first-served" basis, as provided in the Contract Documents; provided, however, that the Executive Director shall take such steps as are necessary to assure that Section 403(C) of the Series Resolution, pertaining to the 20% reservation for Areas of Chronic Economic Distress, is faithfully observed.

Vermont Housing Finance Agency
Single Family 1987 Series A Program

Lenders who have indicated, in writing, their interest in participating.

Bank of Vermont

Bennington Co-Op Savings & Loan

Bradford National Bank

Caledonia Nat'l Bank of Danville

Chittenden Trust Company

ComFed Mortgage Company

Commonwealth Mortgage Co.

Community National Bank

Factory Point National Bank

First Twin-state Bank

First Vermont Bank & Trust Co.

Franklin-Lamoille Bank

Granite Savings Bank & Trust

Howard Bank, N.A.

Lyndonville Savings Bank & Trust

Marble Bank

Merchants Bank

National Bank of Middlebury

New England IBM Employees F.C.U.

Northfield Savings Bank

Passumpsic Savings Bank

Peoples Trust Co.

Proctor Bank

Randolph National Bank

Union Bank

Valley Bank

Vermont Federal Bank, FSB

Vermont Mortgage Group

Vermont National Bank

Form57

OFFICE OF THE COMMISSIONER

TELEPHONE:
802-828-3301

STATE OF VERMONT
DEPARTMENT OF BANKING AND INSURANCE
MONTPELIER, 05602

June 11, 1987

Allan S. Hunt, Chairman
Vermont Housing Finance Agency
P. O. Box 408
Burlington, VT 05402-0408

Dear Allan:

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With kind regards,

Thomas P. Menson
Commissioner

dl

D. The Procedural Guide may be modified, amended or supplemented from time to time as the Executive Director shall deem advisable, provided that no change shall be made in any provision thereof necessary to comply with the covenants of the Agency in the Resolutions without the prior approval of the Agency.

E. Each Mortgage Lender participating in the 1987 Program (if a bank or trust company) is hereby appointed a Depository under Section 1101 of the General Resolution. In addition, the following banks are appointed as such Depositories: ComFed Savings Bank of Massachusetts; First City National Bank of Houston.

Allan S. Hunt
Executive Director and
Secretary
Vermont Housing Finance Agency
June 11, 1987

FK:pw/100
Attachment

VERMONT HOUSING FINANCE AGENCY

BOARD MINUTES

Vermont Housing Finance Agency
Conference Call
Wednesday, June 10, 1987

Present: Chairman Shaw; Commissioners Hebard, Meyer (Designee of Guest), Myette, Menson, Seelig; Agency Staff Mr. Hunt, Mr. Schoenbeck, Mr. Lothrop; Mr. Gurley and Mr. Tischman of Drexel Burnham; Mr. Sylvester of E. F. Hutton.

The purpose of the call was to discuss the marketing of the 1987A Mortgage Revenue Bond Issue. Mr. Gurley and Mr. Tischman briefed the Board on the pricing scale of the Bonds and indicated that sufficient orders had been received for the underwriters to offer to purchase the Bonds. The pricing was reviewed with several other deals in the marketing and the pricing seemed quite favorable.

Following a brief discussion, a motion was made, seconded and unanimously approved to authorize the sale of approximately $30,000,000 in Single Family Bonds to Drexel Burnham, E. F. Hutton and the Bank of Boston subject to formal approval at the Board meeting.

Respectfully submitted,

Allan S. Hunt
Executive Director

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

MEMO TO: V.H.F.A. Board of Commissioners

FROM: Allan S. Hunt ASH

DATE: July 13, 1987

SUBJECT: Enclosed Information

The enclosed information may be interesting to you:

(1) Moody's Credit Report on our 1987 Series A Home Mortgage Purchase Bonds.

(2) An Orientation Manual for Board Members prepared by The Council of State Housing Agencies.

Pleasant reading!

ASH/mks.170
Enclosures

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/222-VHFA

Moody's Municipal Credit Report

Vermont Housing Finance Agency

June 26, 1987

	New Issue	Housing
sale:	$28,890,000 (Alternative Mimimum Tax)	Home Mortgage Purchase Bonds, 1987 Series A
date:	Sold June 11	

Moody's rating: A1
Home Mortgage Purchase Bonds

opinion:

The successful single family program track record and the general obligation pledge of this financially sound agency offer above average security. Adequate levels of primary insurance and reserves and provisions for letters of credit to supplement cash flow offer additional strength.

key facts:

Nature of Obligation: General obligation of the agency.

Reserve Funds: Bond Reserve Fund required at maximum annual debt service; Loan Loss Claim Fund required at 1.5% of loans outstanding to be funded from sources other than bond proceeds.

Additional Bonds: May be issued if standard tests are met.

Parity Bonds: Five series aggregating $188,700,000 outstanding.

Loan Type: Single family, 25-year fixed-rate level payment.

Loan Insurance: Private mortgage insurance or Vermont Home Mortgage Guarantee Board (VHMGB) guarantee down to 75% of property value.

Portfolio Performance: Satisfactory. Delinquencies and foreclosures below state and national levels.

Program Administrator: Agency.

Financial Operations: Sound. Positive trend in fund balances. Program Fund balance represents 2.45% of outstanding bonds as of December 31, 1986.

Cash Flow Projections: Sufficient revenues generated over life of bonds. Non-asset bonds covered by $675,000 five-year letter of credit from First National Bank of Boston and agency contribution to program.

AMT: Bond counsel has opined that the interest received on the bonds is includable as a preference item for alternative minimum tax calculations.

analysis:

The current offering is the sixth series of bonds issued under the 1983 general resolution and continues the agency's program of providing funds for the purchase of mortgage loans of low and moderate income families. Approximately $25 million in lendable proceeds will be provided by this issue. The outstanding portfolio of level payment mortgage loans, which provides basic security for the bonds is of above average quality. The loans are distributed statewide and levels of insurance are adequate in providing protection against foreclosure loss. Currently 85% of the oustanding loans are guaranteed down to 75% of property value by the Vermont Home Mortgage Guarantee Board (the board), 4% are insured by private mortgage insurers and 8% are uninsured with loan-to-value ratios of 75% or less. The agency expects 90% of the loans originated from the proceeds of the current offering to be covered by the board's guarantee.

Vermont Housing Finance Agency

The board has the authority to guarantee mortgage loans within the state and pledge the full faith and credit of the state to the payment of its obligations. (State is rated **Aa**). At December 31, 1987 the board had a guarantee liability of $40.8 million on 7,259 mortgage loans with outstanding balances of $242 million. The board's reserve account totaled $3.35 million, or 8.2% of its outstanding guarantee.

To date, the portfolio has performed satisfactorily; however, a large portion of the loans comprising the portfolio remains unseasoned. At February 28, 1987 delinquency and foreclosure statistics were below state and national levels but have increased since our last report. Foreclosure losses for the agency's total portfolio of single family loans have been minimal relative to portfolio size.

In addition to the Bond Reserve Fund, the general resolution requires a Loan Loss Claim Fund to be maintained at 1.5% of outstanding loans and be funded with monies other than bond proceeds. The agency will contribute approximately $375,000 from General Fund monies and has covenanted to restore any deficiency. The fund will be used to cover foreclosure losses not covered by primary insurance to the extent needed to pay debt service.

The agency will deliver to the trustee a five-year letter of credit from First National Bank of Boston (**Aa1/P1**) in an amount of approximately $675,000 to cover non-asset bonds in the event of non-origination or rapid prepayment experience. The letter of credit will be repayable from the agency's General Fund. Similar letters of credit were delivered with prior bond sales and to date the agency has not drawn on any of the outstanding letters of credit.

Financial operations are sound with general and combined fund balances exhibiting positive trends thereby enhancing the general obligation pledge of the agency. Agency periodically transfers excess monies from its programs to the General Fund. The growth in the Program Fund balance is largely attributable to the agency's contributions to the program concurrent with prior bond sales.

Vermont Housing Finance Agency

details of bond sale:

Legal Name of Issuer: Vermont Housing Finance Agency.

Date of Bonds: June 1, 1987; term appreciation bonds, date of delivery.

Denomination: $5,000.

Interest Rate Range: 5.20%-8.70%.

Interest Payable: Semiannually beginning December 1, 1987.

Call Features: Special redemption at par or accreted value from unexpended bond proceeds, prepayment and excess monies. Optional redemption except for TABs beginning June 1, 1997 at 103%, declining to par on June 1, 2000 and thereafter. Term bonds subject to Mandatory Sinking Fund requirements.

Trustee: The Howard Bank, N.A., Burlington.

Registrar: The Howard Bank, N.A., Burlington.

Paying Agent: The Howard Bank, N.A., Burlington.

Delivery: On or about June 25, 1987.

Bond Counsel: Palmer & Dodge, Boston.

Auditor: P.F. Jurgs & Company, Burlington (FY 1986).

Managing Underwriter: Drexel Burnham Lambert, Inc., New York.

Semiannual Maturities 6/1 and 12/1 ($ 000)

Year	Amount	Year	Amount
12/1/87	$115	6/1/96	$ 560
6/1/88	120	12/1/96	585
12/1/88	340	6/1/97	605
6/1/89	345	12/1/97	625
12/1/89	360	6/1/98	660
6/1/90	370	12/1/98	685
12/1/90	380	6/1/99	715
6/1/91	395	12/1/99	745
12/1/91	405	6/1/2000	775
6/1/92	420	12/1/2000	815
12/1/92	435	6/1/01	845
6/1/93	450	12/1/01	885
12/1/93	465	6/1/02	920
6/1/94	485	12/1/02	965
12/1/94	505	12/1/06 term	9,510
6/1/95	520	12/1/13 term[1]	2,335
12/1/95	540		

[1] Terms appreciations bonds.

details of last comparable sale:

Date of Sale: November 22, 1985.

Amount: $47,226,625.

Purchaser: Morgan Stanley and Co., and E.F. Hutton and Co., New York.

Interest Rate Range: 5.30%-10.375%

rating history:

June 1983: **A1**

analyst: K. Komosa

Vermont Housing Finance Agency

debt factors:

Current offering is sixth series under the general resolution. Total principal amount of bonds and notes outstanding under all resolutions may not exceed $500,000,000.

Debt Statement as of 12/31/86 ($ 000)

	Rating	Amount Issued	Amount Outstanding	Final Maturity
Mortgage Loan Bonds	**Aa**	$21,965	$4,480	1989
Single Family Insured Mortgage Bonds [1]	**A1**	26,765	14,560	2003
Single Family Mortgage Purchase Bonds [2]	**Aa**	172,330	139,675	2009
Multi-Family Mortgage Bonds	**A**	46,525	43,460	2021
Multi-Family Housing Bonds	**Con. (A1)**	31,300	30,925	2015
Home Mortgage Purchase Bonds [2]	**A1**	194,737	[5] 188,700	2011
Subtotal		$482,378	$408,079	
Home Mortgage Purchase Bonds 1987 Series A (current offering)	**A1**	28,890	28,890	2022
Total		$511,268	$436,969	

[1] Two parity issues.
[2] Four parity issues.
[3] Five parity issues.
[4] Three parity issues.
[5] Includes accreted values of capital appreciation bonds.

For additional information please refer to Moody's 1987 Municipal and Government Manual, page 5697.

security provisions:

Legal Documents: General resolution, series resolution and sales and servicing agreements.

Nature of Obligation: General obligation of the agency.

Trustee: The Howard Bank, N.A., Burlington.

Additional Bonds: May be issued if standard tests are met.

Funds Flow: Open, standard flow. Excess monies may flow out of the indenture to the General Fund.

Reserve Funds: Bond Reserve Fund required at maximum annual debt service, but is expected to be overfunded until November 30, 1990 at which time the excess will be used to pay maturing bonds. Loan Loss Claim Fund (LLCF) required at 1.5% of outstanding loans to be funded by agency contribution. Agency has covenanted to restore any deficiency in fund with General Fund monies. The agency has drawn on the LLCF to cover losses associated with four defaulted mortgage loans totaling $74,800.

Authorized Investments: U.S. government and agency obligations; public housing bonds secured by annual contributions contracts; insured or collateralized bank CDs; collateralized repurchase agreements; investment agreements with bank rated **A** or higher.

Prepayment Assumptions: None.

Vermont Housing Finance Agency

loan factors:

Loans Outstanding: As of February 28, 1987, 2835 mortgage loans aggregating $123 million were outstanding under the general resolution. Unexpended proceeds total $2.1 million available from the 1985 Series B issue at 10%. Total single family loans under all programs aggregated 5,421 loans representing $198 million outstanding.

Type: Single family, 25-year level payment.

Servicing: By originating lenders.

Primary Insurance: Private mortgage insurance or Vermont Home Mortgage Guarantee Board (VHMGB) guarantee down to 75% of property value. Loans purchased under prior series are insured in similar manner. General resolution also permits FHA insured and VA guaranteed loans.

Approximately 88% of the outstanding loans are guaranteed by VHMGB; 4% are uninsured with loan-to-value ratios less than 75%, and 8% have PMI Insurance. Similar insurance coverage anticipated for current offering.

Other: The VHMGB has the authority to guarantee the repayment of certain loans secured by home mortgages within the state and to pledge the full faith and credit of the state. At December 31, 1987 the board's guarantee liability was $40.8 million on 7,259 loans with outstanding balance aggregating $242 million. The balance in the special reserve account which is used to pay claims and administration expenses, was $3.35 million. The board's guarantee liability is limited to $55 million. As of that date the board has paid 164 claims totaling $614,758.

Loans Past Due (as a percent of loans outstanding)

	Total	30 Days	60 Days	90 Days	In Foreclosure
Home Mortage Purchase Program [1]	3.41	2.40	0.53	0.48	0.30
State [2]	3.54	2.17	0.53	0.84	0.47
U.S. [2]	5.80	3.79	0.95	1.06	0.98

[1] As of April 30, 1987.

[2] As of December 31, 1986.

administrative factors:

Issuer is a small, established agency with successful track record. The agency exercises direct programmatic oversight and control.

Year Created: 1974.

Management: Seven-member commission (three ex officio), appointed by governor with advice and consent of state senate. Nineteen staff members.

Programs: Single family, multi-family, laons-to-lenders.

financial factors:

Overall financial operations are sound with combined fund balances exhibiting sizable year-to-year increases. Audited financial statements for the year ended June 30, 1986 indicate a continuance of this trend. Program fund balance has also shown satisfactory growth since its inception in 1983 due largely to periodic transfers from General Fund to fund Loan Loss Reserve Fund. Excess monies from all funds are periodically transferred to the General Fund.

Vermont Housing Finance Agency

Key Financial Data ($ 000)

	6/30/84	6/30/85	6/30/86	Unaudited 12/31/86
General Fund balance	$ 2,223	$ 2,323	$ 2,827	$ 3,612
Program Fund balance	1,126	3,252	4,610	4,523
Combined Fund balance	19,996	24,698	28,310	29,304
General Fund balance as % of total bonds outstanding	0.74	0.61	0.70	0.89
Program Fund balance as % of program bonds outstanding	1.95	2.22	2.47	2.45
Combined Fund balance as % of total bonds outstanding	7.80	6.49	6.99	7.26
Program net revenues as % of gross revenues	6.83	7.53	3.68	2.76

cash flow factors: [1]

Sufficient revenues to be generated over the life of the bonds. Acquisition Fund monies will be invested under an investment agreement with an **A** rated financial institution; Bond Reserve Fund monies will be invested in government securities. Agency will contribute approximately $1,050,000 to programs; $375,000 will be used to fund Loan Loss Claims Fund. Five-year letter of credit from Bank of Boston aggregating approximately $675,000 will cover non-asset bonds. The letter of credit will be repaid from agency's General Fund. Expected mortgage rate is 9.75%.

Projected Parity: By 1993.

Projected Surplus: $3,323,174.

Projected Surplus as % of Bonds: 11.50%.

Projected Maximum Annual Debt Service: $2.9 million in 2000.

[1] Current series only.

100731E01

Orientation Manual
for
Board Chairpersons and Board Members

Prepared by
The Council of State Housing Agencies
July, 1987

TABLE OF CONTENTS

INTRODUCTION

This Manual is designed to provide an overview of state housing finance agencies (HFAs), for those who serve as Chairpersons or Members of HFA Boards. It has been adapted and updated from an earlier version, and should provide you with an accurate picture of the history and current status of state housing agencies.

The five chapters included here describe the program and policy-related activities of HFAs, as well as guidelines on your role as an HFA Board member. The Appendix provides more detailed information and reference materials, including:

- Glossary of Financial Terminology
- Index of Federal Programs
- Initiatives of State Housing Finance Agencies
- CSHA Overview/Strategic Plan

You should also receive a copy of the following publications, to supplement the information in this manual:

- *Housing Initiatives of State Housing Finance Agencies,* (CSHA, 1987), and,
- *Production Activities of State Housing Finance Agencies,* (CSHA, 1986).
- *Legislative Handbook*, (CSHA, 1985).
- *Side by Side Analysis of Housing Bills*, (CSHA, 1987).

We hope these materials will be helpful to you as you serve on the Board of a state housing finance agency.

CHAPTER 1

An Overview of State Housing Finance Agencies

The first state housing finance agencies (HFAs) were created in the 1960s, and have been active around the country since the early 1970s. By 1975, legislation had been enacted in 36 states to create state HFAs, which now exist in 49 states, the District of Columbia, Puerto Rico, and the Virgin Islands. Although these agencies are extremely diverse in size and operation, they share in common a unique blend of public purpose and private sector discipline in the delivery of housing assistance, drawing upon the resources of private investors, lending institutions, builders and developers, as well as local, state and federal agencies. They are able to address needs and priorities unique to their state, through programs tailored to their own geographic and socioeconomic setting. As Congress has realized increasingly in recent years, this ability to evaluate and respond to specific housing markets makes the HFAs a more efficient delivery mechanism, in many cases, than a single federal agency.

•***History of HFAs :*** With a few exceptions, state involvement in publicly assisted housing is of relatively recent origin--most state HFAs are less than twenty years old. The state role has increased significantly during the past decade, as the need for quality affordable housing for low and moderate income households has grown. Rising construction and interest costs, combined with limited growth in real income, have contributed to a serious afforability gap for most lower income groups. Two key elements enabled the states to assume greater responsiblity in the production of such housing:

- Their access to tax exempt financing, and,
- provisions for real estate tax abatement.

These two factors have resulted in lower capital and operating costs on properties financed, developed, and/or managed by state agencies. However, provisions in the recent tax reform act, as well as an approaching sunset date for the Mortgage Revenue Bond (MRB) program, threaten to damage or destroy these key tools.

As the federal role in developing and administering housing policy and programs continues to shrink, the states' role will continue to expand. The impressive number of new housing initiatives undertaken by HFAs in the past few years is illustrative of their capacity to meet the increasing needs of low and moderate income renters and homebuyers.

•***Characteristics and Capacity of HFAs:*** HFAs are multi-purpose agencies, with diverse organizational structures and resource bases. Though the agencies vary according to the needs and resources of the state, their central role remains the same: to increase the availability of decent and affordable housing for low and moderate income households. The agencies may act as financiers, insurers, developers, and/or property managers. They have played a critical role in the delivery of HUD programs, as well as other state and federal housing programs. They operate more like a business than most state agencies, and usually do not receive state appropriations, but must provide their own operating budget.

•***The HFA as Financier:*** The most important role of HFAs thus far has been as a lender for construction and permanent financing for multi- and single family housing and home improvement or energy loans. HFAs have provided for new construction, substantial rehabilitation, and permanent financing for multifamily units. This direct permanent financing of multi-family units has been one of the HFAs most important activities. For single family housing, HFAs have provided financing for new construction, home improvements, and the purchase of new and existing units. Single family activity has focused on indirect financing through mortgage purchase programs, loans to lenders, and to a much less extent, direct financing. *(See Charts at end of Chapter)*

•***The HFA as Developer:*** Many of the HFAs have received development powers from their state legislatures, including the right to acquire, develop, and improve land to produce assisted housing. However, the major development activity of HFAs has been to act as a catalyst for major public purpose housing ventures. In the case of Section 8 new construction program and Section 236, HUD relied on HFAs to provide the expertise to bring together the necessary private and public sector parties to get these programs off the ground. By the beginning of 1986, state housing agencies had financed 243,369 units under Section 8 new construction, substantial or moderate rehabilitation; and 117,627 units under Section 236. HFAs have continued in this role as a catalyst for innovative housing ventures by developing a wide range of special programs to meet specific state housing needs.

•***HFA Programs to Meet Special Needs:*** HFAs have sponsored a diversity of special programs in response to local needs, including: targeted urban renewal, rural housing, home rehabilitation, energy conservation, housing for special groups (i.e. homeless, single parents, elderly), and minority targeting. A matrix of state housing initiatives has been included in the Appendix.

•***The HFA as Management Agent:*** Limited federal funding continues to be available to fund housing payments for low income families who find housing in the existing stock. Many HFAs and state community development agencies administer Section 8 certificate and voucher programs for HUD.

•***Conclusion:*** State housing agencies are in a transitionary period. Having once been primarily rental housing agencies, then moving more towards homeownership, housing production by HFAs has recently slowed to a near standstill. As in the past, the agencies are developing innovative programs to address the urgent unmet needs of their constituency; despite the lack of federal funding, and adverse provisions of the recent tax reform act.

CHAPTER 2

Tools of State Housing Finance Agencies

The tool traditionally used by HFAs to generate capital for production activities, has traditionally been the issuance of tax exempt bonds. The recent tax reform act has suggested a shift for HFAs to taxable bonds. However, those tax exempt bond programs which are still being used by HFAs will be described below. There has been limited HFA experience with taxable bonds to date.

Part 1: Single Family / Homeowner

• ***Mortgage Revenue Bonds (MRBs) (Section 103A) for Ownership Housing:*** MRBs were designed as a means of raising private investment capital for housing at below market interest rates. These bonds finance mortgage loan programs for households who otherwise could not afford to buy a home or make needed improvements. Virtually all MRB home purchase loans to go first-time homebuyers. State HFAs have provided mortgages to over one million low and moderate income families for purchase of existing homes, and to over 700,000 families for new homes. The growth of the MRB program has provided the basis for a strong state and local role in housing, which is appropriate given the highly regional nature of housing markets.

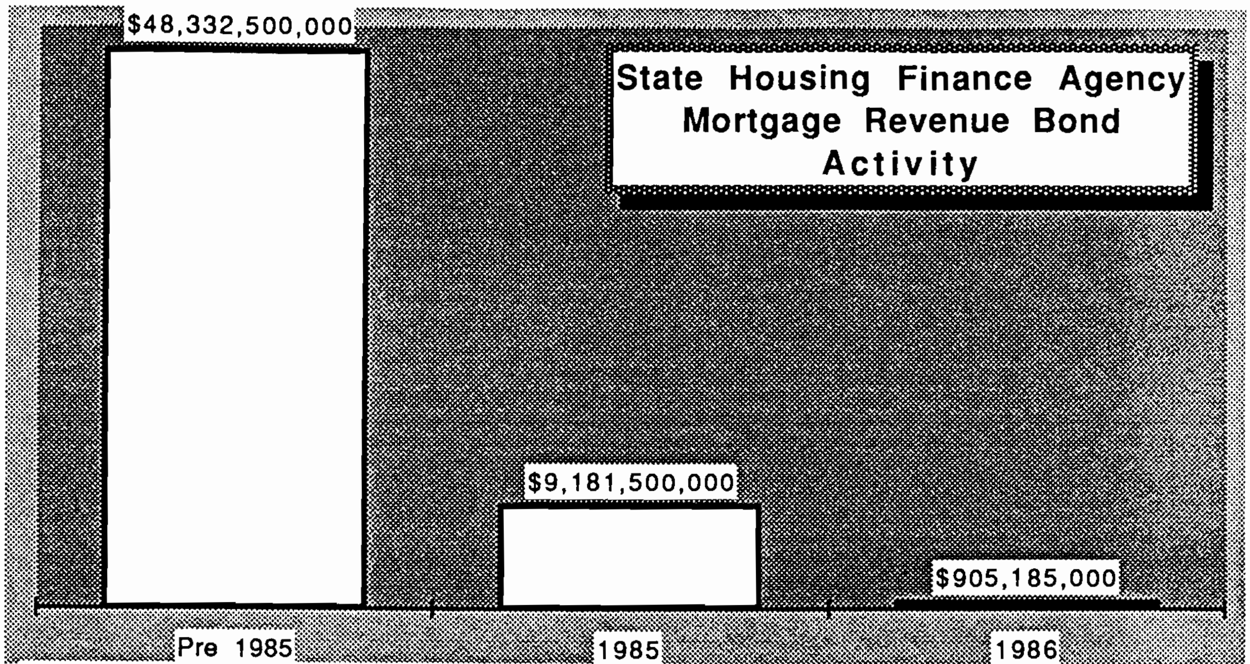
MRBs are sold in the tax-exempt municipal market. Because interest earned on these bonds is exempt from taxation, issuers are able to offer mortgage interest rates below conventional market levels. Once bonds have been sold, private lending institutions participate in the programs by originating and servicing loans for the HFAs.

Federal, state, and local restrictions limit eligibility for these loans. In addition to lower interest rates, the loans are normally offered with lower down payment requirements. They are often used in areas where mortgage capital was previously unavailable. Special programs and innovative mortgage instruments have been created to help reach target populations.

The 1986 Tax Act sunsets (ends) the MRB program in 1988. The sunset comes at a time when the overall rate of homeownership, especially among those under the age of 35, is declining drastically. Representative Brian Donnelly (D-MA.), has recently introduced a bill (H.R. 2640), which would move the sunset date to 1992. The CSHA "MRB Sunset Battle--Grass Roots Plan" is described further in Chapter3.

The 1986 Tax Act also imposed stricter MRB guidelines for home prices and borrower incomes. These limits were aimed at reinforcing the program's public purpose--to serve buyers who do not qualify for other types of mortgages. However, in certain high-cost areas, the income and price restrictions could substantially reduce the number of homes qualifying for the MRB program.

State HFA use of MRB proceeds to provide mortgage loans is illustrated on the next page:

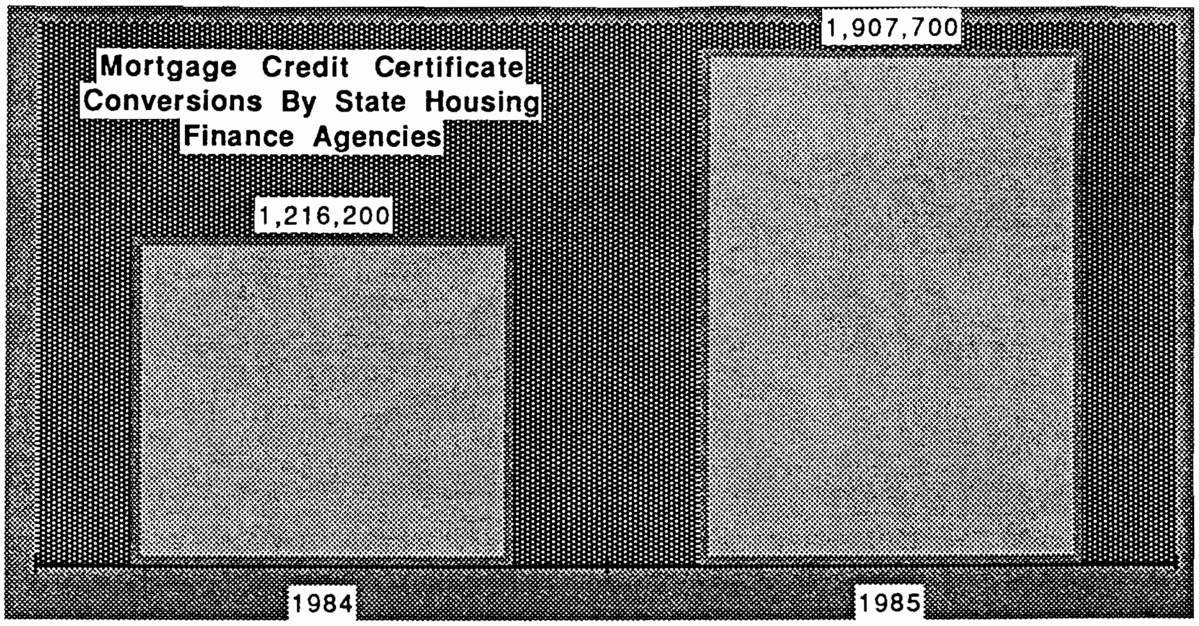


** Pre 1985 and 1985 #s From CSHA Annual Survey*

•***Mortgage Credit Certificates (MCCs):*** The Deficit Reduction Act of 1984 introduced a new federal program for subsidzing home purchases. Under the MCC program, state and local HFAs may trade some of their authority to issued MRBs for authority to issue MCCs (See chart below for states who have converted MRB authority for potential use as MCCs). The certificate provides the qualified homebuyer with federal income tax credits equal to some percentage of the mortgage interest they paid that year, directly reducing their federal income tax liability. The recipients' mortgage interest deduction is reduced by the amount of the credit.

Under the program, HFAs may grant tax credits at rates ranging from 10% to 50% of mortgage interest paid. If, however, the credit rate exceeds 20%, the credit amount is limited to $2,000 for any taxpayer. Furthermore, the MCC credit is not refundable, that is, it may only reduce tax liability to zero. MCC credits in excess of current year tax liability may, however, be carried forward for use in the subsequent three years.

The effectiveness of the MCC as a subsidy depends in part on the ability of the typical first-time homebuyer to actually use the non-refundable income tax credit. Despite the benefits of limited carryforward provisions, when the taxpayer's liability is not sufficient to absorb the credit, the subsidy cannot have its full intended effect. Lenders must make accurate estimates of a borrower's annual tax liability not only for the first year of the loan, but for subsequent years as well. Failure to make good estimates may lead to overburdening the borrower with mortgage obligations, and an increased incidence of loan default.



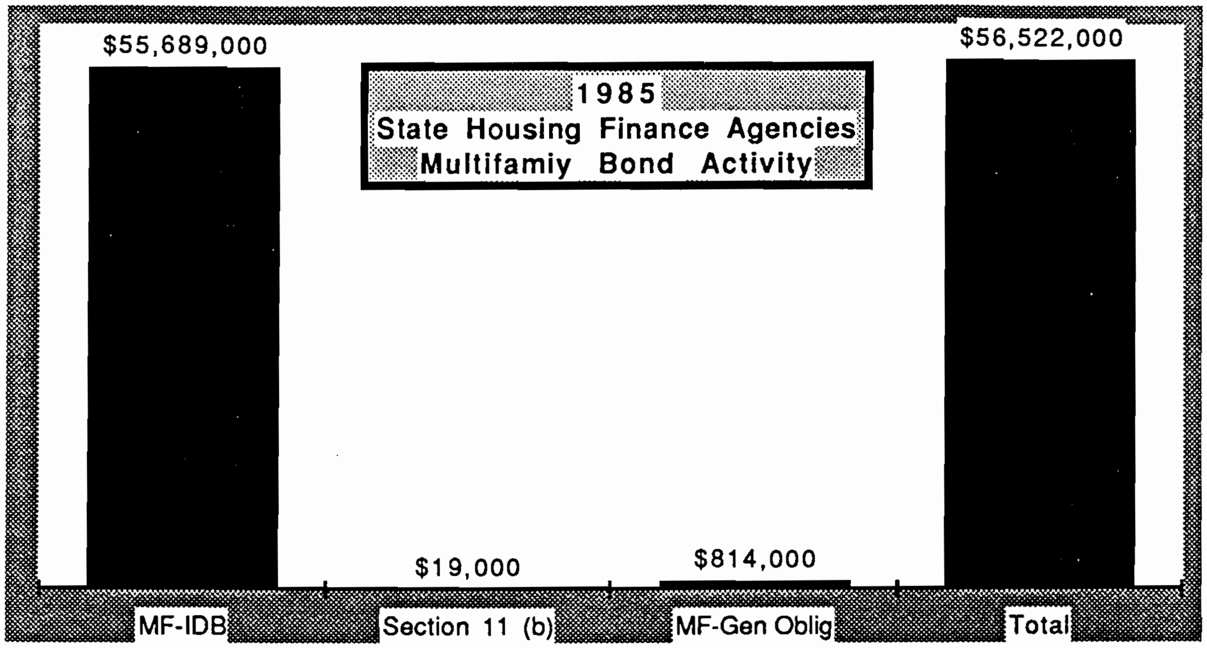
Part 2: Multifamily / Rental

•***Low-Income Tax Credit:*** The Tax Reform Act of 1986 created a tax credit to stimulate the production and preservation of low-income housing. The tax credit is available for investors in the production or preservation of low-income housing projects completed in 1987, 1988, 1989. The tax credit is initially equal to either 9% or 4% of the cost of the project for a period of ten years. The credit can be used a with both tax exempt and taxable bond financing, in the construction and substantial rehabilitation of low-income housing units. A credit of 4% per year for ten years may be taken on the acquisition of existing low-income units, and for projects financed with tax exempt proceeds. 9% for ten years may be taken for conventional financing of new developments.

•***Industrial Development Bonds (IDBs)(Section 103(b) for Rental Housing:*** IDBs, used to finance the development of residential rental properties at tax-exempt interest rates, are regulated under Section 103(b) of the IRS Tax Code. The 1986 Tax Act substantially alters the IDB program, by replacing the present law concept of IDBs, with a more restrictive "private activity bonds" concept. Interest on private activity bonds will be taxable unless the obligations are characterized as "qualified bonds," as defined in the Act. In addition, a unified volume limitation cap is established, and new arbitrage rules are imposed.

IDB financing is limited to rental properties in which 15% or more in the case of targeted areas, or 20% or more in the case of any other project, of all units are to be occupied by individuals of low- or moderate-income. Also, in the absence of a voter referendum supporting IDB issuance, a public hearing is required, following which the applicable elected representative of the governmental unit holding the hearing must approve issuance of the bonds.

State HFA multifamily bond activity is illustrated on the next page.



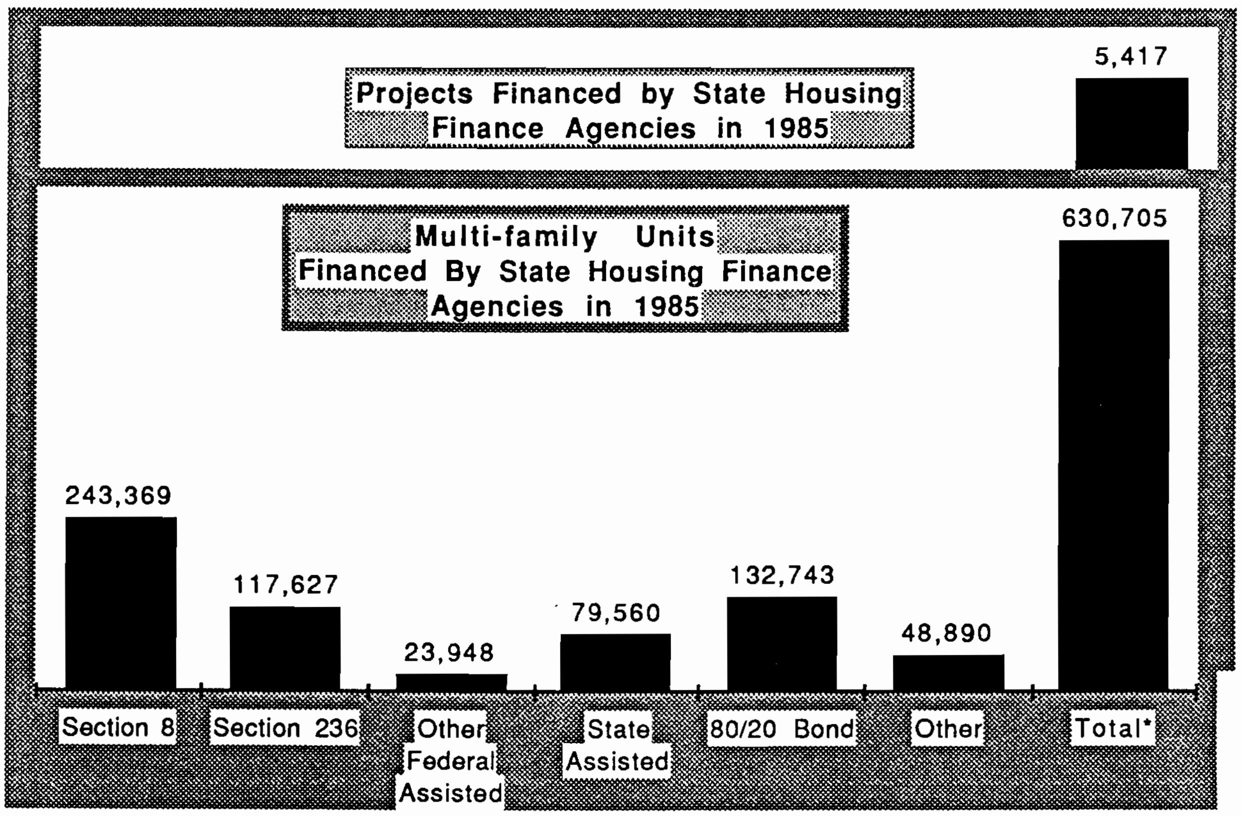
•***Section 11(b) Tax-Exempt Bonds:*** Some state HFAs are authorized by their state governments to act as "public housing agencies," and therefore finance low- and moderate-income housing with tax-exempt bonds under Section 11(b) of the National Housing Act of 1937. The tax exemption is granted by HUD and not Treasury, and is irrevocable. The exemption means that interest on the obligations is not subject to federal income tax. It may also be exempt from state and local income taxes, depending on the laws of the particular jurisdiction.

Historically, Section 11(b) was a major source of financing for Section 8 new construction and substantial rehabilitation projects. Generally 11(b) issues were for local financings, whereas previously the predominate state vehicle had been 103(b). It provided an alternative to the Government National Mortgage Association Tandem program as a source of below-market-rate financing, with one major advantage. While the availability of Tandem funds was subject to legislative and administrative constraints, there were no limits on the amount of money that could be raised through the sale of Section 11(b) program securities. Presently the 11(b) may be used in conjunction with the mixed income Housing Development Action Grant (HoDAG) program funded by HUD.

•*Federal Program Overview*

The public purpose of most HFAs is to serve low and moderate income families and to increase housing opportunities. Historically, agencies have used federal assisted housing programs as a tool in combination with tax-exempt financing and other federal tax advantages for residential real estate to better reach their target population. Although most of these programs have fallen victim to recent changes in federal policy and funding priorities, state HFAs still use many of them to supplement their own resources.

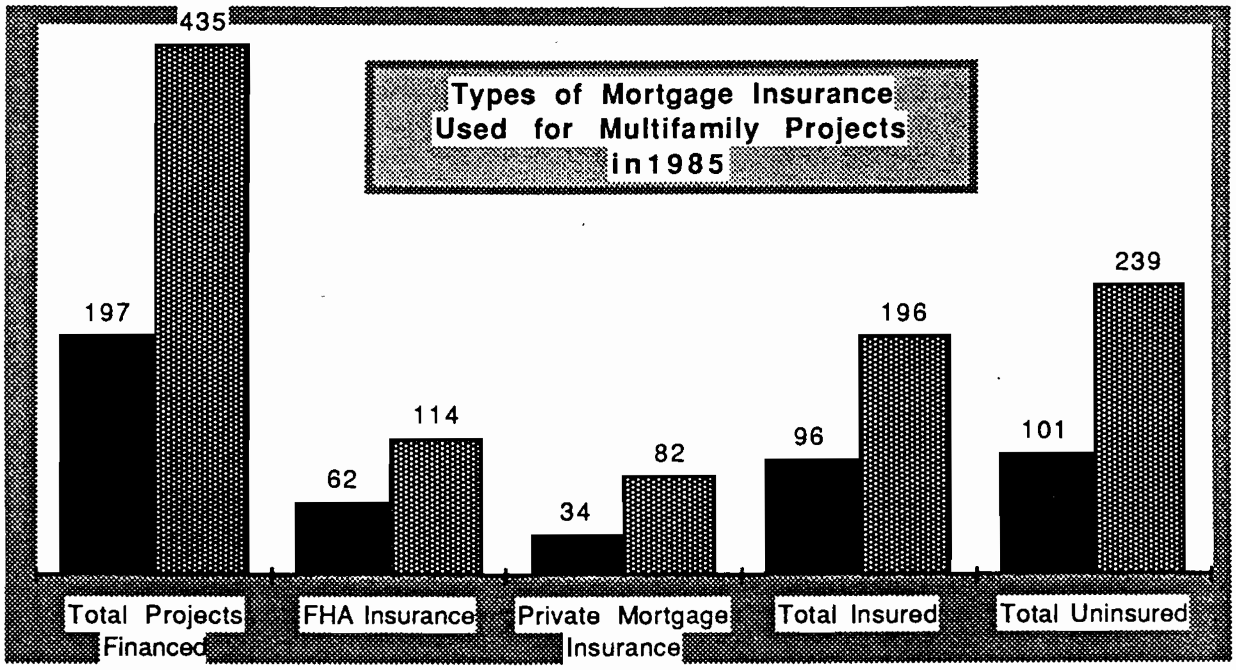
• ***Assisted Housing:*** The chart below illustrates the number of HFA projects in 1985 which utilized other state or federal resources to enhance the affordability of their projects/units for low and moderate income families. The second chart illustrates the number of multifamily units produced by HFAs in 1985 which utilized such resources.



• ***Federal Grants***: Additionally, HFAs may enhance their ability to produce new or rehabilitated housing units by drawing upon federal grants, such as:

- Community Development Block Grant (CDBG) (13 state HFAs)
- Urban Development Action Grant (UDAG) (10 state HFAs)
- Housing Development Action Grant (HoDAG) (10 state HFAs)
- Rental Rehabilitation program (13 state HFAs)
- Solar Energy and Energy Conservation (3 state HFAs)
- "Other" federal grants (9 state HFAs)

• ***Insurance Programs***: In addition, many states, by law or by practice, have depended on HUD insurance programs for both single family and rental housing. This insurance often provides the necessary credit enhancement to sell bonds. Many states are now involving themselves in coinsurance programs which allow approved coinsurers to underwrite the insurance if they comply with HUD requirements. The chart below illustrates the types of mortgage insurance used by state HFAs for multifamily project in 1985.



- ***State Housing Subsidies***

In the absence of federal assistance for lower income families, some states have stepped in with financial assistance. Some have provided general funding for special housing programs. Some have provided actual subsidies for residents. Many HFAs have used reserves to make projects or financing feasible. Some states offer "downpayment" assistance to potential lower income homebuyers. The summary listing of state HFA Initiatives provided in the Appendix illustrates the diversity of forms state participation in housing programs has taken. The state role has increased considerably over the past several years.

CHAPTER 3

Legislative History and Current Federal Issues

•Legislative History: State HFAs are individually designed by their enabling legislations so as to reflect the roles planned for them by the state legislature. Each HFA can provide background pieces on its own legislative history. It is the purpose of this chapter to provide an overview of the legislative history of those federal programs which are of vital importance to all HFAs, as well as a look at current federal issues.

The foundation of most HFAs is the ability to issue tax exempt bonds for homeownership (Mortgage Revenue Bonds or MRBs), and rental housing (Industrial Development Bonds or IDBs). Since 1980 tax exempt financng for housing has come under consistent legislative attack. Testimony to this is the fact that every tax bill passed since 1980 has sought to place limitations on these programs. The burgeoning federal deficit has given rise to the criticism that tax exempt financing is an inefficient subsidy: that too high a percentage of the money spent by the federal government is lost tax revenues goes to the middlemen and not the targeted beneficiaries. A further criticism has been that the programs have not been directed toward truly low income Americans. While solid arguments can be made on both sides of this issue, Congress has made a series of changes to tax exempt financing for housing. Congressional opposition to other tax exempt programs is also strong. This fact culminated in the enactment of a severely restrictive volume cap for "private purpose" bonds which includes both MRBs and IDBs.

While the homeownership programs of HFAs have centered around the MRB program and the Home mortgage interest deduction, rental housing programs are much more complicated. In order to induce private sector development of low income rental housing that is affordable by low and moderate income tenants, more than just tax exempt financing is necessary. Prior to the Tax Reform Act developers combined tax exempt financing with so called "equity incentives" of the tax code. Such tax expenditures as accelerated depreciation and investment loss deductions were vital components of the indirect (tax incentives) subsidies upon which developers relied.

The Tax Reform Act dramatically altered this equation. Recognizing that the lengthening of depreciation schedules and the repeal of passive loss reductions would limit private sector interest in low income housing, Congress included in the law the concept of a Low Income Housing Tax Credit. Under this program, a taxpayer would receive an income tax credit, or dollar for dollar reductino in tax liability, for the ownership of qualified low income rental housing.

Finally, state HFAs have always relied on direct federal subsidy programs administered by HUD and the Farmers Home Administration. The steady decline in available dollars to these programs has also strained their ability to produce low and moderate income housing.

• ***Current Federal Issues:*** The passage of the Tax Reform Act was not the end of state HFAs federal legislative involvement. Indeed, the Tax Reform bill generated many new issues:

First, the MRB program is scheduled to expire on December 31, 1988. CSHA and other MRB advocates have already begun efforts to extend the program. H.R. 2640, which would extend the sunset date to December 31, 1992, has been introduced in the House of Representatives. A similar bill is expected to be introduced in the Senate soon. An oral briefing on the status of these efforts will be provided during the Chairpersons Workshop.

Despite the fact that the Tax Reform Act is not yet a year old, there are already rumors of change. CSHA must be prepared both to take advantage of this and to defend against potential attacks. Examples of possible positive changes include:

-liberalizing the bond volume cap,
-easing the targeting restrictions,
-improving the low income housing tax credit.

While our attention has recently been turned to the tax committees, there is also a need to focus in on the Housing Subcommittees. This year botht the House and Senate have passed housing bills (See attached Side by Side Analysis for details). CSHA is working with both chambers as conference on the bills approaches. Equally important is the fact that both the House and Senate are beginning to formulate "housing policy for the post-Reagan years." CSHA is playing an active role as this process gears up. It is also imperative that the next year's presidential race is carefully monitored. Housing will most assuredly be a major domestic issue.

Finally, CSHA is working closely with "the Hill" and Treasury to ensure that the new low income housing tax credit is molded into a workable form. We have had success to date with Congressional committee reports, and hope to replicate this outcome with respect to the regulatory process.

CHAPTER 4

The Legislative Process

The following chapter summarizes the numerous steps of the federal legislative process. The chapter is divided into three parts: 1) How a Bill Becomes Law; 2) Tips on Legislative Communication; and, 3) How a Congressional Office is Organized.

Part 1: How A Bill Becomes Law

• ***Committee Work:*** After a bill is introduced, it is numbered and printed. The leadership of the relevant body (House or Senate) then refers it to the committee with proper jurisdiction. The chairperson of the committee next determines what subcommittee is to recieve the bill for consideration. In the assigned subcommittee, a bill receives its most thorough consideration. Public hearings are held at which concerned citizens, organizations, and government agencies testify in favor of or against the bill. After holding hearings, the subcommittee "marks up" the bill. This means making any necessary changes either by adding amendments, or by deleting sections of the bill. By majority vote, the subcommittee then sends the marked up version to the full committee for its consideration. The committee reviews the bill, and again, by majority vote, sends it to the floor of the House or Senate. In the House, before the bill is debated on the floor, the Rules Committee determines the procedure for the debate, including time limits, the number of amendments, and which amendments can be offered on the floor. Debate in the Senate is an open process.

• ***The House or Senate:*** When either the House or Senate passes the bill, it then goes to the other Chamber, where the process begins again. If the second Chamber approves the bill, as passed by its counterpart, it is then ready to be sent to the President. However, if, as is usually the case, there are differences between the House and Senate passed versions, a conference committee is established to resolve the areas of disagreement. The conference committee is made up of members of each Chamber's committee of original jurisdiction, and are appointed by the leadership. The conference committee works out any necessary compromises and writes a conference report which must also be approved by both Chambers.

• ***The President:*** The bill is then sent to the President, who has three choices:

-sign the bill into law,
-veto it outright, or,
-not sign it, and allow it to become law automatically
after ten days.

If the President chooses to veto the bill, the House and Senate must override the President's veto with a two-thirds vote in each chamber in order for it to become law. If Congress is not in session, and the President does not sign it within the ten days, the bill down not become law. This is known as a "pocket veto."

Part 2: Tips on Legislative Communication

The following comments apply to any contact with a Member of Congress, or his office, whether by phone, in a letter, or in person.

• *Keep the message simple.* Give the facts which support your case. Do not be argumentative or partisan.

• If your contact relates to a specific bill, know the number of the bill, the title, the sponsor, and the status (what committee it is before, schedule of hearings, etc.).

• Let your Member know what specific action you want him/her to take (i.e. introduce a bill, cosponsor a bill, vote a particular way, call a committee chairperson).

• Demonstrate the impact of the legislation on the HFA and your state.

• When writing to a Member be brief, keep your argument down to one page or less, and send a copy of your letter to the staff assistant in charge of this issue. Attach any detailed information you may want to send.

• When writing to a Member requesting support for a specific bill, you may want to consider carbon copying the correspondence to the President of the local homebuilders or other appropriate groups/constituents in the Member's district.

• When calling an office, talk with the staff assistant, unless you are personally acquainted with the Member. If you cannot get in touch with the staff person right away, keep trying.

• Be well prepared when meeting with a Member of Congress. State your case clearly, concisely, and factually. If with a group, appoint a spokesperson. Have with you brief, concise background material which you can leave behind. Follow-up your meeting with a thank you letter summarizing your discussion.

• Proper form of addresses and saluations are as follows:

The Honorable John Doe
United State Senate
Washington, D.C. 20510
Dear Senator Doe:

The Honorable Jane Smith
House of Representatives
Washington, D.C. 20515
Dear Congresswoman Smith:

• Always send thank you notes when your Member does what you request.

Part 3: How a Congressional Office is Organized

Although there are few steadfast rules for how a Senator or Representative must organize his/her office, there are limits as to the number of staff people a Member may have and how much can be spent on salaries and office expenses. For example, Senators are allowed to hire more staff and receive a larger budget because they represent an entire state, versus the Representative's smaller district. Beyond this, the distribution and number of staff between their Washington office and the local district office, varies according to the Member.

Most Members have a number of staff designated as legislative assistants or aides (often referred to as"LA's"). These assistants are responsible for the Member's committee assignments, and for all legislative issues. Legislative Assistants do the necessary background work on an issue: finding out how it affects the district or state; who is supporting the issue; what is the political climate surrounding the issue. Their duties can also include writing speeches, responding to constitutent mail, and advising the Member on how to vote on legislation. Explaining your issue to the legislative assistant is in many cases the best, and often the only, place to begin in your effort to win over the Member.

Legislative Assistants usually have specific issues assigned to them. The assistant who handles housing may not be the same assistant who handles tax issues. It may be necessary to deal with more than one person in each office.

Members also have a number of staff designated as consituent caseworkers. These individuals assist constituents who are having problems with a federal or state agency. The types of cases range from a missing social security check or an unhappy serviceman, to a city seeking a grant for a new public facility or a business applying for a government contract. Caseworkers often work out of the Member's district office, though in some cases they lare located in Washington. In addition to legislative assistants and caseworkers, Members usually have an administrative assistant (often referred to as an "AA"), who oversees district and Washington office activities, a personal secretary, and a press secretary, each of whom can be an important contact.

CSHA has prepared a "Legislative Handbook" that will be helpful in your dealings with Congress. It will be distributed at the workshop.

CHAPTER 5

The Role of Board Members

Housing Finance Agencies are different in every state. In general, however, HFA Boards are something of a hybrid between traditional public commissions, and a large private "at risk" corporation. Financial risks may be high, the legal environment in flux, and the local, state and federal political environment highly charged. In short, your decision-making as a board member will require complex analysis as well as political savvy. Although this chapter will address the three hats you wear as manager, polititian, and policy maker separately, it may be useful to start from a more general perspective. Below we have listed many of the responsiblities of HFA board members and chairpersons:

- planning and development of housing programs and bond issues;
- overseeing the single family and multi family programs of your HFA;
- holding public hearings to coordinate Board/HFA policy and public objectives;
- communicating with participating lenders and developers;
- monitoring the financial soundness of the HFA.

These responsibilities may require the following actions on your part:

- attendance at one or more meetings each month;
- participation on subcommittees of the Board;
- attendance at local, state, and national housing and development conferences;
- participation at public hearings/testimony at legislative hearings;
- speaking before local groups interested in the HFA's activities.

Part 1: Managerial

Individual Boards must determine the boundaries of their decision-making authority. Generally, the Board's managerial role encompasses at least three areas:

- Development of overall strategic plan;
- Management of ongoing operations;
- Evaluation of overall performance.

Strategic planning can is a critical component to any organization's development and effectiveness, and should not be taken lightly. Management of the organization's daily operations is much more straightforward, limited mainly to appointing an Executive Director, approving his/her staffing plans, and annual review of the budget. Most ongoing operational decisions do not require Board involvement. Evaluation of overall performance is one of the most important tasks of the Board. The evaluation should be structured carefully, be objective, constructive, comprehensive, and action-oriented. It should be utilized as a part of the planning process, as well.

In order to fulfill the managerial role, committees are often created. Depending on the size of the board, members may serve on one or more committees, providing an

As a new board member, you should become acquainted with the Board's Chairperson, as well as the agency's executive director. They can provide you with materials specific to your HFA. More general publications are available from the Council of State Housing Agencies. Several workshops are schedule each year, including an Annual Conference in the fall, and a Legislative Conference in the winter.

Part 2: Political

During a board member's tenure, few of the decisions made will not have political implications. From the start, appointments to the Board represent a political decision made by the governor or state legislature. Members are chosen not only because of their housing knowledge, but also because of their involvement with the state's political system. At the same time, they would not be selected unless they felt some commitment to the goals and objectives of the state HFA.

HFAs interface with state legislative committees, the press, and increasingly, the federal government. Board members must use their knowledge and understanding of the

Building contacts and support on political issues is time consuming and requires dedication. Over the past few years, HFAs have worked extensively at the federal level to influence the tax reform debate, especially as it related to bond financing and tax incentives for housing development. Building on that base, in the coming year, HFAs must focus on potential legislative revisions of tax reform, as well as regulatory activity in that area. Additionally, a major battle to extend the sunset date of the MRB program will take place. The grassroots strategy, and involvement of state HFA liaisons in this effort, will be discussed at the Chairpersons Workshop. CSHA learned during the last MRB campaign, that many associations in Washington would not spend time or money on this issue, until their state and local members asked them to do so. Board members should use any other organizational affiliations they might have, as resources in meeting HFA objectives.

Part 3: Public Policy

Unlike their counterparts in private industry, HFA board members cannot hide behind the facade of "what's best for business." They must also examine their public purpose in every decision. There is often a tension between prudent business practices and the achievement of a particular public purpose. The two must be balanced so as to provide a creative, rather than destructive tension. Final decisions must be based on both public purpose AND good business sense.

HFAs were created by Acts of the legislatures, setting forth their broad public purpose. They were not created to compete with the private sector, but to play a complimentary role, developing housing which may otherwise not be produced. This legislative "mission" should be kept in mind when determining program direction and development.

HFA Board members must also balance the tension between their individual (private) personal and political position with the good of the whole, and the overriding public interest. Indeed, it has been a significant achievement on HFA boards that the parts often representing competing interests, have worked together for the common good.

HFA staff provide an important link between public policy and program development. Staff should not only frame the issues, but should make preliminary recommendations. Likewise, they should be willing to implement the decisions the board finally makes. Executive Directors play a critical role in the success of this interaction, both in helping the board form policy, and successfully implement it.

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt

SUBJECT: Creation of the Vermont Equity Fund

DATE: August 14, 1987

As you know, we have been designated by the Secretary of the Agency of Development and Community Affairs as the local issuer for low income housing tax credits. In this regard, staff has studied the potential of "selling" the tax credits by creating an "Equity Fund" and offering shares to Vermont investors, primarily banks. The proceeds of such a sale, potentially $5,000,000 to $6,000,000, would then be invested in qualified projects.

We believe the development of the Vermont Equity Fund would be advantageous for the following reasons:

1. The value of the tax credits will be greatly increased from the more typical practice of selling the credit on a project by project basis. We estimate that this process may well double the value of the credits.

2. By getting commitments to purchase the credits, we will be able to decide where the projects will be located, how many units will be "subsidized" and the amount of equity needed for the specific projects. This process will allow us to be "proactive" rather than "reactive."

3. Perhaps most importantly, this sturcture will potentially allow the projects to remain perpetually affordable since the Equity Fund will be structured to not give any residual benefits after the qualified period.

I have asked (hired) Downs Rachlin & Martin to look at a variety of legal issues and suggest an appropriate structure for the Equity Fund. They are in the process of doing so. I have also talked with a potential investor (bank) and found them to be very interested. A very key element to the investor is the involvement of the agency in this fund, as our involvement and crediblity appear to be vital.

Recommended Action

Staff should continue to develop the concept, with recognition that VHFA must play a substantive role if investors are to be attracted.

AH/sgd
AH188.temp

VERMONT HOUSING FINANCE AGENCY

September 8, 1987

Ms. Jean Gauthier
Pavilion Office Building
Montpelier, VT 05602

Dear Ms. Gauthier:

The Vermont Housing Finance Agency will be having its monthly Board Meeting on Thursday, September 17, 1987 at 1:30 p.m., here at the Vermont Housing Finance Agency, One Burlington Square, Burlington, Vermont.

If you require any additional information, please do not hesitate to contact me.

Sincerely,

Barbara M. Parker

Barbara M. Parker
Executive Assistant/Office Manager

/bp

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/222-VHFA

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: September 9, 1987

TO: Vermont Housing Finance Agency Board of Commissioners

FROM: Allan S. Hunt

RE: CONFIRMATION AND AGENDA FOR UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners' meeting has been confirmed. It will be held on Thursday, September 17, 1987 at 1:30 p.m. here, at the Vermont Housing Finance Agency, One Burlington Square, Burlington, Vermont. The agenda for this meeting is enclosed. Additional information will be sent to your offices under separate cover.

If you need any further information regarding the upcoming board meeting, please feel free to contact me. I look forward to seeing you September 17.

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
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VHFA BOARD MEETING AGENDA

One Burlington Square
Burlington, Vermont

Thursday, September 17, 1987 at 1:30 p.m.

1. Review and approval of minutes of August 20, 1987

2. Discussion and conceptual approval forming a Non-Profit Housing Development Corporation

3. Discussion and possible approval of new Mortgage Credit Certificate Program (Lothrop)

4. Final budget report for fiscal year ended June 30, 1987 (Schoenbeck) *

5. Discussion of additional contribution to CSHA for Mortgage Revenue Bond Sunset campaign (Schoenbeck) *

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

*Supporting documentation to be distributed at Board Meeting.

VERMONT HOUSING FINANCE AGENCY

BOARD MINUTES
Vermont Housing Finance Agency
One Burlington Square
Burlington, VT 05452
Thursday, August 20, 1987

Present: Chairman Shaw; Commissioners Babcock, Hahn, Hebard and Myette; Agency Staff Mr. Hunt, Mr. Schoenbeck, Mr. Lothrop, Ms. Gregory, Ms. Torpy, Ms. Crady, Ms. Pond.

The meeting was called to order at 2:05 p.m. by Chairman Shaw.

Upon a motion duly made and seconded, the minutes of the June 10, 1987 Conference Call and the June 11, 1987 Board Meeting were approved unanimously.

Mr. Schoenbeck discussed the additional unexpected expenses associated with the 1987 A-Bond issue, the largest of which were bond printing and computer time; due to the changes in the Tax Act we are in excess of the 2% now allowed to be paid out for the bond issue. Additionally, Mr. Schoenbeck recommended increasing the advertising budget to $40,000. Upon a motion duly made and seconded, it was unanimously agreed to pay up to $50,000 toward the printing bill and computer time, and to agree to the recommendation made by Mr. Schoenbeck regarding an increase in Agency advertising expenses.

Next, Chairman Shaw indicated that since this was the Annual meeting of the Agency, it was appropriate to receive nominations for Vice-Chairman. Mr. Hebard was nominated. There being no additional nominations, it was moved, seconded, and unanimously agreed to appoint Mr. Hebard as Vice-Chairman.

Next, Mr. Schoenbeck was nominated as Treasurer. There being no additional nominations, it was moved, seconded, and unanimously agreed to appoint Mr. Schoenbeck as Treasurer.

Chairman Shaw indicated it might be appropriate to go into Executive Session to discuss a legal matter. A motion was made, seconded, and unanimously approved to move into Executive Session.

After a motion was made, seconded, and unanimously approved to come out of Executive Session, another motion was made to authorize the Executive Director to send a letter to The Bobbin Mill Company requesting that they change their on-site maintenance person, and that failure to do so might necessitate the use of other remedies under this regulatory agreement and the HAP contract. The motion was seconded and unanimously approved.

Next, Director Hunt introduced Richard Kopsack, Manager of Energy Management and Conservation Services for Central Vermont Public Service (CVPS). Mr. Kopsack explained the history of energy loan programs and their hope to offer a similar program at a lower rate targeted to lower income Vermonters by utilizing money from the Agency. CVPS wished to borrow $150,000 at 8% to be used to make energy loans meeting Agency guidelines. A motion was made, seconded, and unanimously approved to make available up to $150,000 at 8% to CVPS for energy loans.

Mr. Lothrop and Ms. Crady discussed the Agency's New Homes program, with a recommendation to establish a single purchase limit of $78,000 and a single income limit of $33,000 to better reflect building costs statewide. A motion was made, seconded, and unanimously approved raising the New Homes program income limits to $33,000 statewide and to a $78,000 purchase price statewide.

Ms. Crady reviewed the progress of the 1987A (MOVE) Program and indicated that the establishment of income limits by family size seems to eliminate many small families from the program. It was the recommendation of staff to set the income limits for a four person family, an alternative allowed by the IRS. The negative aspect of doing so would be to possibly eliminate larger families, although the staff felt the impact would be minimal. Commissioner Hahn requested the staff provide data of the income and family size served in previous programs, as well as general demographic information.

A motion was made, seconded, and approved changing the income limits for the 1987 program to those allowed by the IRS for a four person household.

Mr. Lothrop next discussed a Resolution approved by the Board in 1983 prohibiting the Agency from financing condominiums which were being converted from rental units. The Agency became aware of a project that had been a condominium for at least 5 years, but had been rented during that time frame. Now the owner wanted to sell the units for very affordable prices, and requested VHFA financing. Mr. Lothrop recommended modifying the resolution (enclosed). Upon a duly made motion and second, the revised resolution was approved unanimously.

Next, a discussion ensued relative to the continuation of the VEIC/VHFA Home Energy Improvement Program. Mr. Lothrop indicated the original amount of $150,000 had been used to fund 28 loans to date, with the balance of funds due to be committed. Staff felt the program was successful and should be continued. A motion was made, seconded, and unanimously approved to make an additional $200,000 available from the General Fund.

Mr. Lothrop recommended the Agency approve Statewide Funding Corporation as a lender despite the fact that they haven't met our requirement of doing business in Vermont for one year. Mr. Lothrop indicated they were very active in New York housing programs, and strong in VA and FHA loans. Upon a motion duly made and seconded, it was unanimously agreed to waive the remaining four and a half months and approve Statewide Funding Corporation as a lender.

Mr. Lothrop requested Board approval to modify a resolution appointing the First Shawmut Bank of Boston in place of First City National Bank of Houston as a depository for Commonwealth Mortgage Co., Inc. Upon a motion duly made and seconded, the motion to amend Paragraph E of the enclosed Resolution was approved.

Mr. Hunt discussed the Vermont State Housing Authority's request to borrow $50,000 for 5-7 years at 6% to be used as a match for a grant from the Independence Fund. The $100,000 would be used to continue to fund their Access Modification Loan Program. Upon a duly made and seconded motion, the requested loan of $50,000 was unanimously approved.

Under Program Development, Mr. Hunt indicated that Brenda Torpy had been asked to coordinate the two major Agency multi-family initiatives: Low Income Housing Tax Credits, and a Statewide Non-Profit Housing Development Corporation. Meg Pond, formerly in Housing Management, has been moved over to development to work on the Tax Credit program.

Ms. Torpy discussed the numerous legislative initiatives for the upcoming session, including the Cooperative Housing legislation, additional amendments to the VHFA statute, and the possibility of seeking or supporting an appropriation for saving low income subsidized housing projects.

Given the potential legislative workload, Mr. Hunt recommended consideration be given to hiring a legislative liaison, specifically Steve Kimball, to track legislation, advise the Agency on the form of legislation, and be available to advise staff when testimony would be appropriate. Following some discussion, a motion was made, seconded, and unanimously approved to permit the Executive Director to hire a legislative liaison.

Mr. Hunt next discussed the creation of an Equity fund which would find investors to purchase low income tax credits and use the equity to invest in qualified projects. The benefit of such a fund would be to maximize the value of the tax credits and make it easier for small non-profit groups to utilize the tax credits. The credibility of the fund would be greatly enhanced by the Agency agreeing to "manage" it, to assure potential investors that projects would remain in compliance during the 15-year qualifying period. Although Mr. Hunt indicated that the Agency would incur upfront expenses to establish the fund (primarily legal expenses), there is potential to recover these costs upon sale of the credits. The Board expressed support and enthusiasm for this concept.

Mr. Hunt indicated that development of the Non-Profit Housing Corporation was progressing, and a full discussion of the structure of this organization would be brought to the Board in September.

Under old or new business, Mr. Lothrop reported the contract between the Farmers Home Administration and VHFA had finally been signed and a press conference with the Governor to announce the program was being arranged.

Finally, Chairman Shaw acknowledged and congratulated Emory Hebard for being named Treasurer of the Year by the Northeast Treasurer's Organization.

There being no additional business to come before the Board, a motion was made, seconded, and approved adjourning the meeting.

Respectfully submitted,

Allan S. Hunt
Secretary

RESOLUTION

RESOLVED, physical rehabilitation of existing residential property pursuant to a Declaration of Condominium, when combined with new construction under the same Declaration, shall constitute a "new condominium project" within the meaning of Section 2.1(F) of the Agency's Mortgage Purchase Program Procedural Guide, subject to the following definitions and conditions:

1. "New construction", for the purposes of this Resolution only, means the construction of at least a) a discrete structure or b) a new addition to an existing structure which, when completed, will increase the total floor area of the existing residential housing by not less than 50%.

2. The total number of apartments included within the Declaration of Condominium shall equal at least twice the number of dwelling units, whether habitable or not, which comprise the existing residential property at the time of application to the Agency for project approval.

3. The Declaration of Condominium must have been filed for record at least six months prior to date of application to the Agency for project approval.

4. The project must be the subject of a Land Use Permit pursuant to Chapter 151 of Title 10, Vermont Statutes Annotated.

FURTHER RESOLVED, physical rehabilitation of existing non-residential property pursuant to a Declaration of Condominium, whether or not combined with new construction, shall constitute a "new condominium project" within the meaning of Section 2.1(F) of the Procedural Guide; provided, however, that the project must be the subject of a Land Use Permit pursuant to Chapter 151 of Title 10, Vermont Statutes Annotated.

FURTHER RESOLVED, the Executive Director and the Program Director are instructed to amend the Procedural Guide consistently herewith.

RESOLUTION OF VERMONT HOUSING FINANCE AGENCY

AMENDING VHFA RESOLUTION DATED JUNE 11, 1987
AUTHORIZING APPOINTMENT OF DEPOSITORIES

WHEREAS, the VHFA Board of Commissioners adopted a Resolution Authorizing Appointment of Depositories in connection with the VHFA 1987 Mortgage Purchase Program, which Resolution was adopted June 11, 1987; and

WHEREAS, said Resolution authorized First City National Bank of Houston as a Depository under section 1101 of the General Resolution; and

WHEREAS, VHFA staff has been notified that First Shawmut Bank of Boston will replace First City National Bank of Houston as a Depository;

NOW THEREFORE, it is RESOLVED that:

Paragraph "E" of the June 11, 1987 Resolution Authorizing Appointment of Depositories shall be amended to delte First City National Bank of Houston as a Depository, and to include First Shawmut Bank of Boston as a Depository pursuant to the terms set forth in said Resolution of June 11, 1987.

MEMORANDUM

TO: VHFA Board of Commissioners
FROM: Brenda Torpy
DATE: September 7, 1987

RE: Multi-Family Development Programs - Overview

At your last meeting we unveiled two critical pieces of our prospective new multi-family development programs: i.e. the equity fund, and the replicable non-profit ownership structure.

Here I will outline the overall rental housing production strategy which includes both the non-profit/equity fund programs, and the multi-family development role of the VHFA itself. Then I will summarize VHFA's overall goals and objectives and how each piece contributes to meeting these.

I. VHFA Programs

Within the Agency, we will continue the straight tax credit program for for-profit owners and developers, and we will create a revolving loan fund for non-profit housing developers. The latter is a new piece, and is in response to a concern expressed by such organizations, as well as by members of the VHFA Board; (i.e. that the VHFA complement its own non-profit development efforts with hands-on assistance for smaller, locally based non-profits). The projects that we have had to consistently turn away are those that are not big enough to merit issuing a bond. The non-profit will also favor larger projects. A loan fund with a clearly established program would provide non-profits with a reliable source of financing for the for smaller projects more unique deals that are often appropriate to Vermont communities needs. A VHFA development officer would work with participating non-profits to realize their projects and take advantage of other grant and financing sources. This service, along with the non-profit model and its opportunities for joint ventured projects will be a real boost to non-profit developers in Vermont. I am currently studying models from other states, as well as bond rating and statutory concerns, and would like your feedback before proceeding with this, the latest and final piece of our multi-family development programs.

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II. Non-Profit and Equity Fund-Development Arm

With these we expect to create low and moderate income rental housing on a scale that we have not achieved since the demise of the Section 8 Program. In the past, the prospect of VHFA creating one or more entities to develop low income housing has been questioned by housing providers around the state. Today, there is a greater awareness of the need for the public sector to replace the equity contribution and development leg-work that private developers brought to the table in the pre-tax-reform era. We should note at the outset that the new VHFA entities are being put in place to deliver a predictable volume of affordable housing for Vermonters each year - something that VHFA has a responsibility to do. Moreover, this housing will not be lost to the market as will be many currently subsidized projects. These two goals - creating as well as preserving affordable rental housing today, and locking in that affordability for tomorrow - have been the goals of this planning effort.

III. Here is a summary of the goals and objectives of the new VHFA multi-family development programs:

- Goals*:

  1. Create new and where necessary preserve, low and moderate income rental housing on a scale that will have a measurable impact.

  2. Guarantee that newly created units do not revert to market and displace low income families at some point in the future.

- Objectives:

  a) Create equity pool for non-profit housing development.

  b) Create a well capitalized non-profit development company that will be accountable for a pre-established volume of low and moderate income housing units.

  c) Create a replicable deal structure that we will be able to count on for equity, construction and permanent financing without jeopardizing the non-profit's tax exempt status, or VHFA's bond rating.

  d) Restore the utility of existing programs (Tax exempt bond, Farmers Home 515, Low Income Housing Tax Credits) by creatively matching them with new resources and where possible, creating other new resources (Equity Fund, Housing and Conservation Trust Fund) to achieve the greatest affordability possible.

  e) Provide leadership and technical assistance to Vermont's burgeoning non-profit housing development community by sharing this replicable model with them, co-venturing on actual projects, and also financing their projects.

f) Continue to provide tax credit to eligible for-profit developers.

g) Provide all necessary resources to enable locally based non-profits to bring forward their own development projects.

IV. How Each Aspect of New Multi-Family Development Programs Contribute to VHFA Goals and Objectives:

	Program	Goals Met	Objective(s) Met
1.	VHFA Low Income Housing Tax Credit Program	1	f
2.	VHFA Revolving Loan Fund for Non-Profit Housing Development Corporations	1, 2	d, e, g
3.	VHFA Non-Profit Development Entity	1, 2	b, c, d, e
4.	Vermont Equity Fund	1, 2	a, b, c, d, e

* These are also explicit goals of the State Housing Policy and Plan for Action.

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: September 14, 1987
TO: Board of Commissioners
FROM: Michael Richardson
SUBJ: NON-PROFIT ORGANIZATIONAL MATTERS

A great deal has been accomplished since your initial review of a proposal to create a Non-Profit development corporation last April 30th. At that time we discussed the need for a vehicle which could acquire at-risk projects and fill the development gap left by the retreat of private developers from affordable rental housing. A third objective was to create a way in which VHFA could assist in achieving the State's Housing Policy. You indicated approval and a resource commitment of up to two million dollars pending further research. This memo highlights the legal research accomplished since then. It concludes by requesting that you approve the draft organizational documents subject to revisions, if any, that you may make at Thursday's Meeting. With that approval we can move ahead to the business aspects of the Non-Profit and final decisions regarding funding and operation.

Organizational Structure of the Non-Profit. The goal has been to retain and expand affordable housing, but VHFA acting as a developer or as an owner poses serious conflict-of-interest problems regarding our fiduciary responsibilities. We are advised by Palmer and Dodge that even the presence of VHFA Commissioners or Staff on the Non-Profit's Board of Directors would constitute too close a connection.

Our objective, therefore, has been to create an entity which is entirely separate from VHFA, but at the same time responsive to VHFA's goals for as long as the Agency contributes to it. The attached DRAFT organizational documents encompass Frank Kochman's work to date (in consultation with a legal specialist in Non-Profit law) and, of course, incorporate staff input.

The documents would create a 501 (c) (3) non-profit corporation with an 11 member Board of Directors to be elected by a two-tier membership group. Sustaining Members contribute a substantial annual fee and have the sole right to elect no less than 6 of the 11 Directors. Regular Members pay a nominal fee and elect (along with the Sustaining Members) the rest of the Directors. A Sustaining Member must be a public entity such as the State of Vermont, any political subdivision thereof (including, specifically, VHFA), or a municipality. (We are also exploring the possibility of economic development organizations such as the Greater Burlington Industrial Corp. becoming sustaining members.) Sustaining members must

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contribute $30,000 annually to the corporation as a membership fee. Regular Members may be corporations or natural persons.

The Board of Directors must include three "Special Qualification Directors" meaning persons who are employees, board members, etc., of other housing non-profits. The Non-Profit's Directors would serve staggered, three year terms.

Method of Doing Business and Role of Equity Fund. The Non-Profit would typically do deals through wholly-owned subsidiary corporations (which need not be non-profits themselves) specially created for each project. This will insure that all of the Non-Profit's assets are shielded from a liability arising from any particular project. To utilize the equity-raising potential of tax credits and depreciable losses, the Non-Profit's subsidiaries will want to form a Limited Partnership so that tax benefits (but not the residual benefits) can be passed through to investors who have continuing tax liabilities.

Typically, then, the sponsoring entity of an individual project will be a Limited Partnership where the General Partner will be the Non-Profit's subsidiary and the Limited Partner will be the Equity Fund. The attached chart illustrates these relationships. Note that the Non-Profit's subsidiaries participate as General Partners in both the Equity Fund and the local project partnership.

Certain IRS requirements regarding corporate net worth apply where the General Partner of a limited partnership is a corporation instead of a natural person. We will be reviewing these at the Board meeting as well.

Finally, Downs Rachlin and Martin are drafting the papers of the Limited Partnership which will constitute the Equity Fund. These should be ready by October 1st. They have co-ordinated their efforts with Frank.

Next Steps. Our legal research is pretty much concluded. Once you have reviewed and approved these articles and by-laws we can proceed with incorporation.

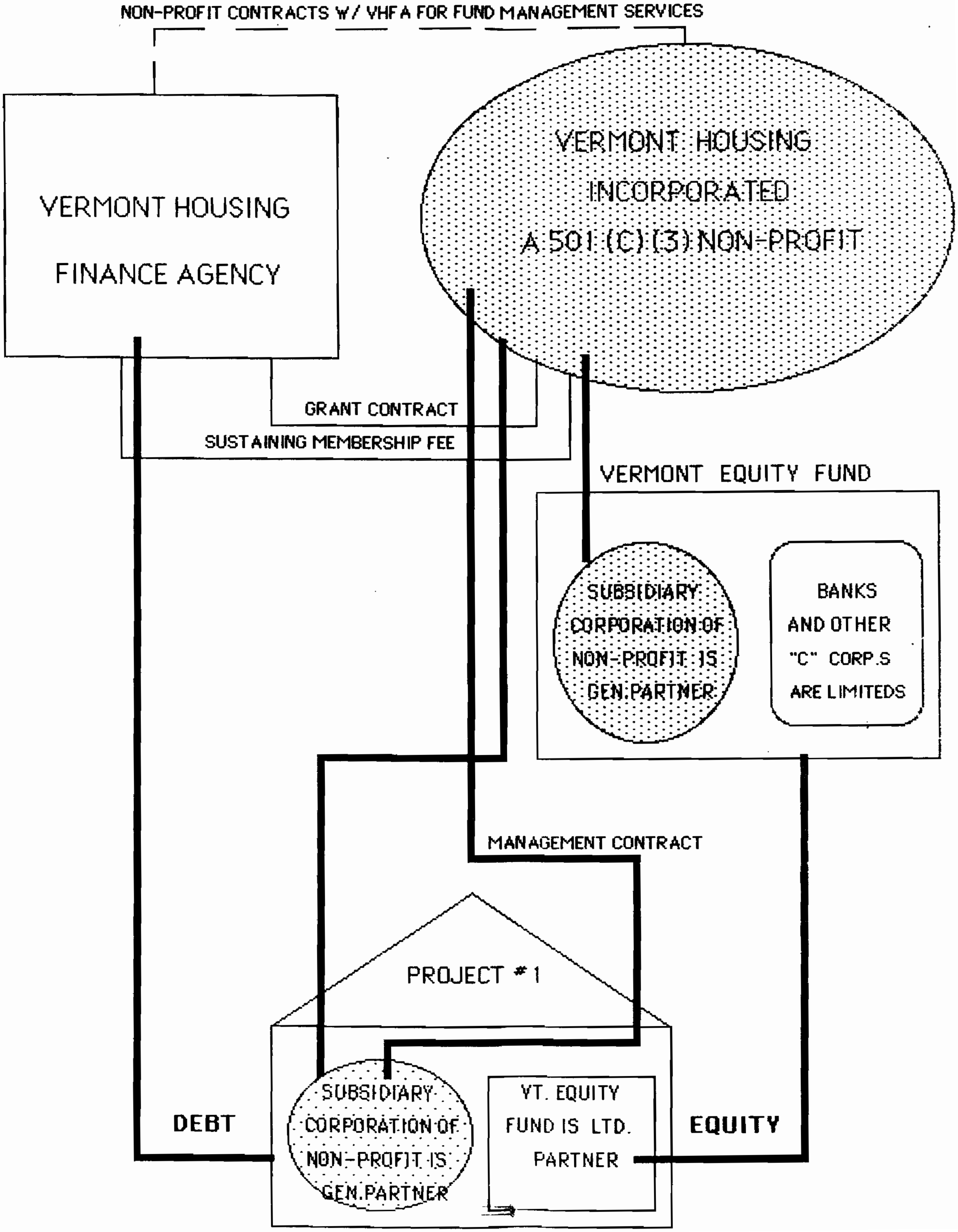
It should be noted, however, that the Agency cannot take a Sustaining Membership in the corporation until a minor ammendment to our State statute is made this winter. Currently, the Agency can buy stock or otherwise take an interest in for-profit corporations but is not expressly permitted to do so regarding non-profits. Palmer and Dodge request that we have the legislature add the necessary language. We anticipate that this housekeeping measure will pass without delay this winter.

In the meantime, the Non-Profit can be legally incorporated and VHFA can enjoy the equivalent of Sustaining Membership rights. An initial 6 person Board of Directors must be named in the Articles of Association. It must be one whose members have State-wide credibility, especially in the business community, as well as a very strong commitment to affordable housing for lower income Vermonters. The initial 6 Board members need not be "high profile" but they, together with VHFA, must be able to attract such persons to the fully constituted Board. The attached list of names will hopefully get you thinking about likely candidates. We would also ask that you consider how the process of Board recruitment should proceed. And finally, your suggestions as to an appropriate name for the corporation will also be appreciated!

Aside from the incorporation, we must also file for an IRS ruling regarding our non-profit status. We also anticipate soliciting written IRS rulings regarding our proposed method of doing business. In the interim period before receiving these the Non-Profit may acquire existing projects (such as at-risk Section 8 or FmHA 515 projects) and plan for, but not commit money to, other deals. The interim period is not expected to delay any future projects.

Business Plan. At the Board's April 30th meeting a commitment of up to two million dollars was approved subject to further research. Part of that research is a business plan for the Non-Profit which will, among other things, define the amount and duration of VHFA's commitment as well as identify all available resources. The plan is still in preparation but will be circulated to the Board in advance of the October Meeting.

Conclusion. Our legal research has given us a framework within which to get started. Surely you will want to perfect the attached draft but we ask that all substantive changes which you would make be discussed and approved Thursday so that we can move forward. You are also asked to suggest/consider who might best serve as the initial 6 Directors of the corporation.


NON-PROFIT CONTRACTS W/ VHFA FOR FUND MANAGEMENT SERVICES
VERMONT HOUSING FINANCE AGENCY
VERMONT HOUSING INCORPORATED A 501 (C) (3) NON-PROFIT
GRANT CONTRACT
SUSTAINING MEMBERSHIP FEE
VERMONT EQUITY FUND
SUBSIDIARY CORPORATION OF NON-PROFIT IS GEN. PARTNER
BANKS AND OTHER "C" CORP.S ARE LIMITEDS
MANAGEMENT CONTRACT
PROJECT # 1
DEBT
SUBSIDIARY CORPORATION OF NON-PROFIT IS GEN. PARTNER
VT. EQUITY FUND IS LTD. PARTNER
EQUITY

M E M O R A N D U M

DATE: September 10, 1987

TO: Allan Hunt

FROM: Mike Richardson

RE: POTENTIAL NP DIRECTORS

This is by no means an all-inclusive list, but hopefully it will get you started thinking.

BANKING

John Ewing
Bill Cody
Steve Waltien
Bob Kaphan
Mark Severance
Dudley Davis
Buddy Coffrin
Jack Hunter
Bill Chadwick
Joe Boutin
Les Seaver

POLITICOS

Amy Davenport
Scudder Parker
Phil Hoff

RELIGIOUS

Episcopal Bishop?
St. Mike's President
Sister Candon
Max Wall

BUSINESS

Ray Pecor
Jim Frazier
Ben Gardiner
Bread Loaf Const. Executive?
IBM/DEC people?
Tony Pomeleau
John Varsames
Marvin Gameroff
Sugarbush Executive?
National Life Executive?
Harry Behney
Nancy Lang

NON-PROFIT

Chris Owre
Sara Carpenter
Amy Wright
Ken Sassorossi

LEGAL

Tom Debevois (sp?)
Bill Gilbert
Nord Brue
John Downs
Jeffrey Taylor
Neil McKinberg
Darby Bradlee

George Little
Walt Morris

FOR DISCUSSION ONLY — DRAFT #3, 9/8/87

ARTICLES OF ASSOCIATION

OF

AFFORDABLE HOUSING, INC.

The undersigned, a citizen of the United States and a resident of the State of Vermont of the age of majority, desiring to form a nonprofit corporation (the "Corporation") under the nonprofit corporation law of the State of Vermont, does hereby cetify:

First: Name. The name of the Corporation shall be Affordable Housing, Inc.

Second: Location of Principal Office. The place in this state where the principal office of the Corporation is to be located is the City of Burlington, Chittenden County, or such other place in the State of Vermont as may be specified from time to time in accordance with the bylaws.

Third: Purposes. The Corporation is organized exclusively for charitable, educational, and scientific purposes including, for such purposes, (i) the fostering of low-income housing, (ii) the alleviation and prevention of community deterioration through the production of affordable housing, (iii) the making of distributions to the State of Vermont and political subdivisions and public instrumentalities thereof for public purposes and to organizations that foster low-income housing in the State of Vermont and that qualify as exempt organizations under section 501(c)(3) of the Internal Revenue Code, or corresponding provisions of any future federal tax code, and (iii) any other charitable, educational, or scientific purpose that tends to foster housing for low income families in the State of Vermont.

Fourth: Initial Board of Directors. The number of persons constituting the initial board of directors of the Corporation shall be six. The names and addresses of the persons who shall serve as the initial directors of the Corporation are as follows:

Name	Address

Fifth: Use of Earnings. No part of the net earnings of the Corporation shall inure to the benefit of, or be distributable to its members, directors, officers, or other private persons, except that the Corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth in Article **Third** hereof.

Limitation on Political Activities No substantial part of the activities of the Corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the Corporation shall not participate in, or intervene in (including the publishing or distribution of statements) any political campaign on behalf of or in opposition to any candidate for public office. PROVIDED, HOWEVER, that the Corporation shall have the power to make the election provided for in section 501(h) of the Internal Revenue Code, or corresponding section of any future federal tax code, and, if it so elects, to make lobbying or grass roots expenditures that do not normally exceed the ceiling amounts prescribed by section 501(h)(2)(B) and (D).

General Limit of Activities. Notwithstanding any other provision of these Articles, the Corporation shall not carry on any other activities not permitted to be carried on (a) by a corporation exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code, or corresponding section of any future federal tax code, or (b) by a corporation, contributions to which are deductible under section 170(c)(2) of the Internal Revenue Code, or corresponding section of any future federal tax code.

Sixth: Distribution of Assets Upon Dissolution. Upon the dissolution of the Corporation, assets shall be distributed to one or more organizations that foster low-income housing in the State of Vermont and that qualify as exempt organizations under section 501(c)(3) of the Internal Revenue Code, or corresponding section of any future federal tax code, and/or shall be distributed to the State of Vermont for a public purpose.

Seventh: Period of Duration. The period of duration of the Corporation shall be perpetual.

Eighth: Registered Office and Agent. The address of the initial registered office of the Corporation shall be One Burlington Square, Burlington, Vermont 05401 and the name of the initial registered agent at such address shall be Franklin L. Kochman.

Ninth: Incorporator. The name of the incorporator is Franklin L. Kochman, whose address is F.L. Kochman, Inc., One Burlington Square, Burlington, Vt. 05401.

Tenth: Amendment of Bylaws; Removal of Directors. To the extent and in the manner provided by the bylaws of the Corporation, the bylaws may be amended, and directors may be removed for cause, by members of the Corporation, if any, or by public entities with the rights of members, as specified in the Bylaws.

IN WITNESS WHEREOF, the undersigned incorporator has subscribed his name at Burlington, Vermont this ___ day of ________, 1987.

____
Incorporator

For Discussion Only - Draft #3A: 9/11/87 (marked against 8/13)

BY-LAWS

OF

AFFORDABLE HOUSING, INC.

ARTICLE I - OFFICES

The principal office of the corporation in the State of Vermont shall be located in the City of Burlington, County of Chittenden. The corporation may have such other offices, either within or without the State of incorporation as the board of directors may designate or as the business of the corporation may from time to time require. The board of directors, by a vote of two-thirds of the directors present and entitled to vote at any regular or special meeting of the directors may change the location of the principal office.

ARTICLE II - MEMBERS

1. CLASSES OF MEMBERSHIP AND QUALIFICATIONS

There shall be two classes of Members, hereinafter identified, respectively, as "General Members" and "Sustaining Members", having the qualifications and rights hereinafter specified. The term "Members" includes General Members and Sustaining Members.

A. General Members. Any natural person of majority age and any legal entity of either a public or private nature may become a General Member of the corporation upon payment of an annual membership fee as established from time to time by the board of directors in an amount not exceeding $50. General Members shall be entitled to participate in the election of not more than 50% of the directors to be elected at any Annual Meeting; provided, however, that in the event that no Sustaining Members or public entities entitled to vote exist at the time of an Annual Meeting or a special meeting of Members, but not otherwise, (i) General Members shall be entitled to elect all of the directors to be elected at such meeting, (ii) a two-thirds majority of the General Members present at such meeting shall be entitled to amend the articles of association or these bylaws, and (iii) a simple majority may remove a director for cause. General Members shall have no other rights.

B. Sustaining Members. The State of Vermont and/or any political subdivision thereof including, without limitation, Vermont Housing Finance Agency and any municipality, may become a Sustaining Member of the corporation upon payment of the sustaining membership fee, which may be an annual fee, as established from time to time by the board of directors in an amount not exceeding $30,000. Sustaining Members shall be entitled to participate in the election of all directors to be elected at any

Annual Meeting, and shall have the exclusive right to elect not less than 50% of the directors to be elected at any Annual Meeting. A two-thirds majority of Sustaining Members present at any Annual Meeting or special meeting of Members may amend the articles of association or these bylaws and a simple majority may remove a director for cause. Sustaining Members shall be entitled to call a special meeting of the Members as hereinafter provided. Sustaining Members shall have no other rights.

C. Rights of certain public entities. During such period as no Sustaining Member exists and is entitled to vote, but not otherwise, any public entity which could qualify as a Sustaining Member and which, during the then-current fiscal year of the corporation, has made a grant or contribution to the corporation of at least $30,000, shall have all of the rights of a Sustaining Member.

2. ANNUAL MEETING.

The annual meeting of the Members shall be held on the 1st day of July in each year, beginning with the year 1988 at the hour of 10:00 o'clock A.M., for the purpose of electing directors and for the transaction of such other business as may come before the meeting. If the day fixed for the annual meeting shall be a legal holiday such meeting shall be held on the next succeeding business day.

2. SPECIAL MEETINGS.

Special meetings of the Members, for any purpose or purposes, unless otherwise prescribed by statute, may be called by the president or by the directors, and shall be called by the President at the request of any Sustaining Member.

3. PLACE OF MEETING.

The directors or, without violating a resolution of the directors, the President, may designate any place, either within or without the State unless otherwise prescribed by statute, as the place of meeting for any annual meeting or for any special meeting of Members. If no designation is made the place of meeting shall be the principal office of the corporation.

4. NOTICE OF MEETING.

Written or printed notice stating the place, day and hour of any meeting shall be delivered not less than 10 days more than 30 days before the date of the meeting, either personally or by mail, by or at the direction of the president, or the secretary, or the officer or persons calling the meeting, to each Member of record entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at his address as it appears in the membership books of the corporation, with postage thereon prepaid.

5. CLOSING OF MEMBERSHIP BOOKS OR FIXING OF RECORD DATE.

For the purpose of determining Members entitled to notice of or to vote at any meeting of Members or any adjournment thereof, or in order to make a determination of Members for any other proper purpose, the directors of the corporation may provide that the membership books shall be closed as of a date certain and for a period not exceeding ten days. If the membership books are not closed and no record date is fixed for the determination of Members entitled to notice of or to vote at a meeting of Members, the date on which notice of the meeting is mailed shall be the record date for such determination of Members. When a determination of Members entitled to vote at any meeting of Members has been made as provided in this section, such determination shall apply to any adjournment thereof. Any Member against whom an annual assessment is outstanding at the time the membership books are closed for a particular meeting shall not be entitled to vote at such meeting unless such assessment is paid in full as of the time such meeting is convened.

6. VOTING LISTS.

The officer or agent having charge of the membership books of the corporation shall make, not later than the time of convening each meeting of Members, a complete list of the Members entitled to vote at such meeting, or any adjournment thereof, arranged according to classes and in alphabetical order within each class, which list shall be kept on file at the principal office of the corporation and shall be subject to inspection by any Member at any time during usual business hours. Such list shall also be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any Member during the whole time of the meeting. The original membership book shall be prima facie evidence as to who are the Members entitled to examine such list or transfer books or to vote at the meeting of Members.

7. QUORUM.

At any meeting of Members, one Sustaining Member of record and whose current assessment is paid in full, present in person or by proxy, shall constitute a quorum. If no such Sustaining Member of record is present, and if no public entity entitled to vote is present, but not otherwise, a majority of the General Members of record and whose current assessments are paid in full shall constitute a quorum. If no quorum exists, a majority of the General Members present in person or by proxy may adjourn the meeting from time to time without further notice. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified. The Members present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum.

8. PROXIES.

At all meetings of Members, a Member or a public entity entitled to vote may vote by proxy executed in writing by the Member or by his or its duly authorized attorney in fact. Such proxy shall be filed with the secretary of the corporation before or at the time of the meeting. In the case of any Member which is not a natural person, a proxy may be established by a resolution of that Member certified by the secretary or other authorized agent of that Member and filed with the Secretary of the corporation. If such resolution so provides, such proxy shall remain of full force and effect for all meetings of Members until withdrawn or amended by a like resolution of that Member filed with the Secretary of the corporation.

9. VOTING.

Each Member entitled to vote in accordance with the terms and provisions of the articles of association and these by-laws shall be entitled to one vote (except in the case of the election of directors as hereinafter provided), in person or by proxy, on each matter as to which that Member is entitled to vote. Upon the demand of any Member entitled to vote in a particular case , the vote for directors and upon any question before the meeting shall be by ballot. All elections for directors shall be decided by plurality vote; all other questions shall be decided by majority vote except as otherwise provided by the articles of association or the laws of this State. With respect to the election of directors, each Member of each class of membership shall be entitled to as many votes as there are directors to be elected and in which elections that Member is entitled to participate. A Member may cumulate that Member°s votes for the benefit of a particular candidate or may distribute that Member°s votes among any number of the candidates as to whom that Member is entitled to vote.

10. ORDER OF BUSINESS.

The order of business at all meetings of the Members, shall be as follows:

1. Roll Call.

2. Proof of notice of meeting or waiver of notices.

3. Reading of minutes of preceding meeting.

4. Reports of Officers.

5. Reports of Committees.

6. Election of Directors.

7. Unfinished Business.

8. New Business.

11. INFORMAL ACTION BY MEMBERS

Unless otherwise provided by law, any action required to be taken at a meeting of the Members, or any other action which may be taken at a meeting of the Members, may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the Members entitled to vote with respect to the subject matter thereof.

ARTICLE III - BOARD OF DIRECTORS

1. GENERAL POWERS.

The business and affairs of the corporation shall be managed by its board of directors. The directors shall in all cases act as a board, and they may adopt such rules and regulations for the conduct of their meetings and the management of the corporation, as they may deem proper, not inconsistent with these by-laws and the laws of this State. If no Members of any class exist at the time established by these bylaws for the convening of an Annual Meeting of Members, and if no public entity entitled to vote then exists, then, in that event but not otherwise, the directors acting as a board shall have all of the powers otherwise reserved to Sustaining Members, which powers may be exercised until, and only until, one or more Members of any class exist.

From among their number, the directors shall elect a Chairman and a Vice Chairman of the Board of Directors, to serve in those capacities at the pleasure of the Board. The Chairman shall preside at all regular and special meetings of the Board. The Vice Chairman shall preside in the absence of the Chairman.

2. NUMBER, TENURE AND QUALIFICATIONS.

The number of directors of the corporation shall be eleven, of whom eight shall be "General Qualification Directors" and three shall be "Special Qualification Directors", as defined below. Each director shall hold office until the second annual meeting of Members following his election, and until his successor shall have been elected and qualified; provided, however, that the vacant seats established by the adoption of these bylaws shall be filled by vote of the directors named in the Articles of Association, and the directors elected by such vote shall hold office only until the time of the first Annual Meeting of Members and until their successors shall be elected and qualified.

"General Qualification Director" means a director who, at the time of election, is a resident of the State of Vermont and of the age of majority, and who is not (i) a commissioner, officer, or employee of Vermont Housing Finance Agency, (ii) a "substantial contributor" within the meaning of §4946 of the Internal Revenue Code, or (iii) a person who is a "disqualified person" within the meaning of said §4946 by reason of relationship to a "substantial contributor".

"Special Qualification Director" means a director who meets the requirements for a General Qualification Director and, in addition, is an employee, officer, director, or trustee of a non-profit corporation organized under the laws of the State of Vermont and which includes the fostering of low-income housing among its activities, all as certified in writing to the Corporation by the president or chairman of such non-profit corporation.

3. REGULAR MEETINGS.

A regular meeting of the directors, shall be held without other notice than this by-law immediately after, and at the same place as, the annual meeting of Members. The directors may provide, by resolution, the time and place for the holding of additional regular meetings without other notice than such resolution.

4. SPECIAL MEETINGS.

Special meetings of the directors may be called by or at the request of the president or any two directors. The person or persons authorized to call special meetings of the directors may fix the place for holding any special meeting of the directors called by them.

5. NOTICE.

Notice of any special meeting shall be given at least five days previously thereto by written notice delivered personally, or by telegram or mailed to each director at his business address. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail so addressed, with postage thereon prepaid. If notice be given by telegram, such notice shall be deemed to be delivered when the telegram is delivered to the telegraph company. The attendance of a director at a meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

6. QUORUM.

At any meeting of the directors, a majority of the directors then in office shall constitute a quorum for the transaction of business, but if less than said number is present at a meeting, a majority of the directors present may adjourn the meeting from time to time without further notice.

7. MANNER OF ACTING.

The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the directors.

8. NEWLY CREATED DIRECTORSHIPS AND VACANCIES.

Newly created directorships resulting from any amendment to these bylaws (after initial adoption) and vacancies occurring by reason of the ~~removal of directors for~~ cause shall be filled by vote of the Members entitled to vote thereon. Vacancies occurring in the board for any other reason may be filled by a vote of a majority of the directors then in office, although less than a quorum exists. A director elected to fill a vacancy caused by resignation, death or removal shall be elected to hold office for the unexpired term of his predecessor.

9. REMOVAL OF DIRECTORS.

Prior to the expiration of his or her term, no director may be removed from office without cause. Any director may be removed for cause by majority vote of the Sustaining Members or, if no Sustaining Member public entity entitled to vote exists, but not otherwise, by majority vote of the General Members.

10. RESIGNATION.

A director may resign at any time by giving written notice to the board, the president or the secretary of the corporation. Unless otherwise specified in the notice, the resignation shall take effect upon receipt thereof by the board or such officer, and the acceptance of the resignation shall not be necessary to make it effective.

11. COMPENSATION.

No compensation shall be paid to directors, as such, for their services, but by resolution of the board a fixed sum (not to exceed $100 per meeting) and expenses for actual attendance at each regular or special meeting of the board may be authorized. Nothing herein contained shall be construed to preclude any director from serving the corporation in any other capacity and receiving compensation therefor.

12. PRESUMPTION OF ASSENT.

A director of the corporation who is present at a meeting of the directors at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent to such action with the person acting as the secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the secretary of the corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

13. EXECUTIVE AND OTHER COMMITTEES.

The board, by resolution, may designate from among its members an executive committee and other committees, each consisting of two or more directors. Each such committee shall serve at the pleasure of the board and shall have such powers and authority as the board in such resolution may delegate to it, consistent with law.

ARTICLE IV - OFFICERS

1. NUMBER.

The officers of the corporation shall be a president, a vice-president, a secretary and a treasurer, each of whom shall be elected by the directors. Such other officers and assistant officers as may be deemed necessary may be elected or appointed by the directors.

2. ELECTION AND TERM OF OFFICE; QUALIFICATIONS.

Subject to the negotiation of satisfactory contracts for compensation, the officers of the corporation to be elected by the directors shall, be elected initially at the organization meeting of the Corporation and thereafter annually at the first meeting of the directors held after each annual meeting of the Members. Each officer shall hold office until his successor shall have been duly elected and shall have qualified or until his death or until he shall resign or shall have been removed in the manner hereinafter provided. All officers must have the same general qualifications as a "General Qualification Director" and may, but need not be, board members.

3. REMOVAL.

Any officer or agent elected or appointed by the directors may be removed by the directors whenever in their judgment the best interests of the corporation would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed.

4. VACANCIES.

A vacancy in any office because of death, resignation, removal, disqualification or otherwise, may be filled by the directors for the unexpired portion of the term.

5. PRESIDENT.

The president shall be the principal executive officer of the corporation and, subject to the control of the directors, shall in general supervise and control all of the business and affairs of the corporation. He may sign, with the secretary or any other proper officer of the corporation thereunto authorized by the directors, certificates of membership in the corporation. He may sign any deeds, mortgages, bonds, contracts, or other instruments which the directors or a properly constituted committee of the board acting within the scope of its authority have authorized to be executed, except in cases where the signing and execution thereof shall be required by law to be otherwise signed or executed; and in general shall perform all duties incident to the office of president and such other duties as may be prescribed by the directors from time to time.

6. VICE-PRESIDENT.

In the absence of the president or in event of his death, inability or refusal to act, the vice-president shall perform the duties of the president, and when so acting, shall have all the powers of and be subject to all the restrictions upon the president. The vice-president shall perform such other duties as from time to time may be assigned to him by the President or by the directors.

7. SECRETARY.

The secretary shall keep the minutes of the Members° and the directors° meetings in one or more books provided for that purpose, see that all notices are duly given in accordance with the provisions of these by-laws or as required by law, establish voting lists as required in accordance with these bylaws, be custodian of the corporate records (other than books of account) and of the seal of the corporation and keep a register of the post office address of each Member which shall be furnished to the secretary by such Member, have general charge of the membership books of the corporation and in general perform all duties incident to the office of secretary and such other duties as from time to time may be assigned to him by the president or by the directors.

8. TREASURER.

If required by the directors, the treasurer shall give a bond for the faithful discharge of his duties in such sum and with such surety or sureties as the directors shall determine. He shall have charge and custody and be responsible for all books of account, funds and securities of the corporation; receive and give receipts for moneys due and payable to the corporation from any source whatsoever, and deposit all such moneys in the name of the corporation in such banks, trust companies or other depositories as shall be selected in accordance with these by-laws and in general perform all of the duties incident to the office of treasurer and such other duties as from time to time may be assigned to him by the president or by the directors.

9. SALARIES.

The salaries of the officers shall be fixed from time to time by the directors and no officer shall be prevented from receiving such salary by reason of the fact that he is also a director of the corporation.

ARTICLE V - CONTRACTS, LOANS, CHECKS AND DEPOSITS

1. CONTRACTS.

The directors or any duly constituted committee of the board acting within the scope of its authority may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the corporation, and such authority may be general or confined to specific instances.

2. LOANS.

No loans shall be contracted on behalf of the corporation and no evidences of indebtedness shall be issued in its name unless authorized by a resolution of the directors or a properly constituted committee of the board acting within the scope of its authority. Such authority may be general or confined to specific instances.

3. CHECKS, DRAFTS, ETC.

All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the corporation, shall be signed by such officer or officers, agent or agents of the corporation and in such manner as shall from time to time be determined by resolution of the directors.

4. DEPOSITS.

All funds of the corporation not otherwise employed shall be deposited from time to time to the credit of the corporation in such banks, trust companies or other depositaries as the directors may select.

ARTICLE VI - MEMBERSHIP CERTIFICATES

1. CERTIFICATES OF MEMBERSHIP

Certificates representing membership in the corporation shall be in such form as shall be determined by the directors. Such certificates shall be signed by the president and by the secretary or by such other officers authorized by law and by the directors. Such certificates shall not be transferable. All certificates surrendered to the corporation upon resignation or other removal of a Member in accordance with these bylaws shall be cancelled. Notwithstanding the failure of any Member to surrender a certificate of membership upon resignation or other proper removal, after such resignation or removal any such membership shall be cancelled in the membership books and the membership books shall be conclusive evidence as to the membership in the corporation, except in cases of manifest error.

2. TRANSFERS OF CERTIFICATES

Certificates of membership shall not be sold, bartered, pledged, assigned, or otherwise transferred.

ARTICLE VII - FISCAL YEAR

The fiscal year of the corporation shall be the calendar year.

ARTICLE VIII - SEAL

The directors shall provide a corporate seal which shall be circular in form and shall have inscribed thereon the name of the corporation, the state of incorporation, the year of incorporation, and such other words and symbols as the directors may elect.

ARTICLE IX - WAIVER OF NOTICE

Unless otherwise provided by law, whenever any notice is required to be given to any Member or director of the corporation under the provisions of these by-laws or under the provisions of the articles of association, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

ARTICLE X - AMENDMENTS TO BYLAWS

If the proposed amendment has been set out in the meeting notice, these by-laws may be altered, amended or repealed and new by-laws may be adopted by a vote of not less than two-thirds of the Sustaining Members of record present at any annual Members° meeting or at any special Members° meeting, or, if no Sustaining Members of record <u>or public entities entitled to vote exist</u>, but not otherwise, by a vote of not less than two-thirds of all General Members of record present at such meeting.

ARTICLE XI - AMENDMENTS TO ARTICLES OF ASSOCIATION

For the purposes of 11 V.S.A. §2452(a), pertaining to amendments of articles of association, "members entitled to vote" shall be understood consistently with the following: If the proposed amendment has been set out in the meeting notice, the articles of association may be amended by a vote of not less than two-thirds of the Sustaining Members of record present at any annual Members° meeting or at any special Members° meeting, or, if no Sustaining Members of record <u>or public entities entitled to vote</u> exist, but not otherwise, by a vote of not less than two-thirds of all General Members of record present at such meeting. If no General Members of record exist, the articles of assocation may be amended as provided by law in such cases.

ARTICLE XII - INDEMNIFICATION OF DIRECTORS, OFFICERS AND EMPLOYEES

The corporation shall indemnify any director, officer, employee, or former director, officer, or employee, or any person who may have served at its request as a director or officer of another corporation in which it has an interest, financial or otherwise, of which it is a creditor, against expenses actually and reasonably incurred by him or her in connection with the defense of any action, suit or proceeding, civil or criminal, in which he or she is made a party by reason of being or having been such director, officer, or employee, except in relation to matters as to which he or she shall be adjudged in such action, suit or proceeding to be liable for gross negligence or misconduct amounting to bad faith in the performance of duty to the corporation.

ARTICLE XIII - PARTICULAR PURPOSES OF THE CORPORATION

From time to time the corporation may engage in any activity in furtherance of the purposes set forth in the articles of association, including, without limitation:

A. The acquisition of existing "Section 8" and other federally subsidized rental housing at risk of conversion to condominiums or market-rate rental housing, for the purpose of preserving such housing primarily for the use of persons of low and moderate income.

B. Any activity which constitutes "material participation" in the development and operation of "qualified low-income housing projects", all within the meaning of Section 42 of the Internal Revenue Code.

C. Providing advisory and technical services in the field of low income housing to other charitable organizations as well as municipalities and other public instrumentalities of the State of Vermont.

D. Compiling, publishing, and distributing technical, demographic, and other data pertaining to the availability in the State of Vermont of affordable housing for persons of low and moderate income.

E. To the fullest extent permitted by the charitable purposes of the corporation, but not otherwise, to lessen the burdens of government or to combat community deterioration through any activity that tends to foster the provision of decent housing and a suitable living environment primarily for persons of low and moderate income and, in particular, but without limitation, the reduction of the isolation of income groups within communities and geographical areas and the promotion of an increase in the diversity and vitality of neighborhoods through the spatial deconcentration of housing opportunities for persons of lower income and the revitalization of deteriorating or deteriorated neighborhoods to attract persons of higher income.

F. To accomplish such purposes either directly in its own name or through subsidiaries, whether taxable or not taxable.

ARTICLE XIV - PARTICULAR LIMITATIONS ON SPONSORED PROJECTS

To the extent practicable, projects in which the corporation participates shall be intended for occupancy primarily by low income persons. Such projects may include living units for persons of moderate income within the meaning of the Vermont Housing Finance Agency Act, provided that in no event shall the number of living units and the amount of floor space reserved for occupancy by low income persons be less than the number and amount necessary to qualify such project for the low income housing credit established by Section 42 of the Internal Revenue Code of 1986 or corresponding provisions of any future federal tax code (the "Code"). If reasonably necessary for the viability of a given project, such project may include living units for persons other than persons of low or moderate income; provided, however, that the number of living units and the amount of floor space available to persons other than persons of low or moderate income normally shall not exceed 15% of the whole, and shall in no event exceed 25% of the whole.

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Douglas R. Lothrop DRL

SUBJECT: Proposed Changes to Mortgage Plus Program

DATE: September 14, 1987

Our current Mortgage Credit Certificate Program, marketed as Mortgage Plus, expires on December 31, 1987. To have a continuous program after that date, we must give public notice by October 1, 1987 and convert a portion of our authority to issue MRB's to MCC authority. We presently have unused 1986 authority in the amount of $61,435,693.50 and 1987 authority in the amount of $90,000,000. Our intent is to convert all unused 1986 MRB authority to Mortgage Credit Certificates. This authority, once converted, will be available for Mortgage Credit Certificates through December 31, 1989, and we estimate it will provide tax credits in the amount of $15,358,923 to assist an additional 1100 to 1200 home buyers.

Mortgage Plus is off to a slow start which is similar to the experience of other HFA's with MCC programs. The concept of using a tax credit in qualifying a borrower for financing is very different and it will take awhile before this program is fully understood and utilized. The experience of other HFA's is when both a MRB and MCC program are available, borrowers and lenders are drawn to the more familiar MRB program. As MRB programs become fully committed, the MCC program is utilized. The State of Michigan has had an operational MCC program for eighteen months and are now operating both the MCC program and a successful MRB program at the same time.

Any lender licensed to do business in the State of Vermont is eligible to participate in Mortgage Plus. Currently, eleven lenders have signed participation agreements and we will continue to concentrate our efforts in signing up lenders.

We would like to make several changes to enable more home buyers to take advantage of this program. The changes detailed below will be effective with the start of Mortgage Plus, Issue #2, on January 1, 1988.

CHANGE	FROM	TO
Tax Credit Rate	20%	25%
Processing Fee	$100 total, $50 lender $50 VHFA	$150 total, $100 lender $50 VHFA

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/222-VHFA

Income Limits	Percentage of area median income adjusted for family size (see attachment A)	Percentage of area median income with no adjustment for family size (see attachment B)
Purchase Price Limits	$80,000 new $75,000 existing	$87,500 new $76,500 existing

ACTION REQUESTED BY THE BOARD

* Approval of the Resolution pertaining to the election not to issue certain bonds and to publish notice required for implementation of VHFA's Mortgage Credit Certificate Program (Issue No. 2).
* Approval of the above changes to become effective January 1, 1988.

VERMONT HOUSING FINANCE AGENCY

ELIGIBLE FEDERAL ACT INCOME TABLE BY FAMILY SIZE

COUNTY OR MSA	ONE PERSON	TWO PERSONS	THREE PERSONS	FOUR PERSONS	FIVE PERSONS	SIX PERSONS	SEVEN PERSONS
ADDISON	$20,355	$23,230	$26,220	$29,095	$31,395	$33,695	$36,110
BENNINGTON	$21,275	$24,265	$27,370	$30,360	$32,775	$35,190	$37,605
BURLINGTON MSA*	$26,450	$30,130	$33,925	$37,720	$40,710	$43,700	$46,805
CALEDONIA	$23,380	$26,600	$29,960	$33,320	$35,980	$38,640	$41,300
CHITTENDEN	$25,070	$28,750	$32,315	$35,880	$38,755	$41,630	$44,505
ESSEX	$21,980	$25,060	$28,280	$31,360	$33,880	$36,400	$38,920
FRANKLIN	$24,220	$27,720	$31,080	$34,580	$37,380	$40,180	$42,840
GRAND ISLE	$18,400	$20,930	$23,575	$26,220	$28,290	$30,360	$32,545
LAMOILLE	$24,220	$27,720	$31,080	$34,580	$37,380	$40,180	$42,840
ORANGE	$22,400	$25,620	$28,840	$32,060	$34,580	$37,240	$39,760
ORLEANS	$21,980	$25,060	$28,280	$31,360	$33,880	$36,400	$38,920
RUTLAND	$26,180	$29,960	$33,600	$37,380	$40,320	$43,400	$46,340
WASHINGTON	$25,340	$28,980	$32,620	$36,260	$39,200	$42,000	$44,940
WINDHAM	$25,340	$28,840	$32,480	$36,120	$39,060	$41,860	$44,800
WINDSOR	$22,425	$25,645	$28,865	$32,085	$34,615	$37,260	$39,790

* MSA COMMUNITIES:

CHITTENDEN COUNTY
BURLINGTON, CHARLOTTE, COLCHESTER, ESSEX, HINESBURG, JERICHO, MILTON, RICHMOND, ST GEORGE, SHELBURNE, SOUTH BURLINGTON, WILLISTON, AND WINOOSKI
FRANKLIN COUNTY
GEORGIA
GRAND ISLE COUNTY
SOUTH HERO

VERMONT HOUSING FINANCE AGENCY

ELIGIBLE FEDERAL ACT INCOME TABLE

COUNTY OR MSA	MAXIMUM INCOME LIMIT
ADDISON	$29,095
BENNINGTON	$30,360
BURLINGTON MSA*	$37,720
CALEDONIA	$33,320
CHITTENDEN	$35,880
ESSEX	$31,360
FRANKLIN	$34,580
GRAND ISLE	$26,220
LAMOILLE	$34,580
ORANGE	$32,060
ORLEANS	$31,360
RUTLAND	$37,380
WASHINGTON	$36,260
WINDHAM	$36,120
WINDSOR	$32,085

*MSA COMMUNITIES:

CHITTENDEN COUNTY
- BURLINGTON, CHARLOTTE, COLCHESTER, ESSEX, HINESBURG, JERICHO, MILTON, RICHMOND, ST. GEORGE, SHELBURNE, SO. BURLINGTON, WILLISTON AND WINOOSKI

FRANKLIN COUNTY
- GEORGIA

GRAND ISLE COUNTY
- SOUTH HERO

RESOLUTION PERTAINING TO ELECTION NOT TO ISSUE CERTAIN BONDS AND TO PUBLISH NOTICE REQUIRED FOR IMPLEMENTATION OF THE AGENCY'S MORTGAGE CREDIT CERTIFICATE PROGRAM (ISSUE NO. 2)

WHEREAS, Vermont Housing Finance Agency (the "Agency") intends to issue Mortgage Credit Certificates during calendar year 1988 and thereafter; and,

NOW THEREFORE, in order to accomplish the conditions precedent to its authority to issue such certificates, it is

RESOLVED, for purposes of section 25 of the Internal Revenue Code of 1986 and regulations thereunder (the "Code"):

1. Of the amount of qualified mortgage bonds which it is otherwise authorized to issue during calendar year 1987, Vermont Housing Finance Agency hereby elects not to issue $61,435,693.50 principal amount of qualified mortgage bonds.

2. The Executive Director, the Director of Finance, and the Director of Single Family Programs are directed, and each of them is authorized, to take all preliminary steps necessary to the implementation of a new Mortgage Credit Certificate program to take effect on January 1, 1988, or as soon thereafter as practicable, including:

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

   B. Solicitation of any certificate required by the Code to be provided by the Governor.

   C. Certification to the Governor as authorized by the Code.

   D. Publication of "Public Notice" and "Invitation to Lenders" as required by the Code and containing program requirements consistent with the executive summary attached to this Resolution.

EXECUTIVE SUMMARY

CHANGE	FROM	TO
Tax Credit Rate	20%	25%
Fees	\$100, total \$50 lender \$50 VHFA	\$150, total \$100 lender \$50 VHFA
Income Limits	Area median income adjusted for family size (115% in non-targeted areas, 140% in targeted areas)	Area median income (115% in non-targeted areas, 140% in targeted areas)
Purchase Price Limits	\$80,000 new \$75,000 existing	\$87,500 new \$76,500 existing (max. allowable under present safe harbor limits)

1988 Mortgage Plus - Draft for Board Mailing - 9/11/87

PUBLIC NOTICE

Mortgage Credit Certificate Program

This notice is published pursuant to Section 25 of the Internal Revenue Code of 1986 (the "Code")and Treasury Temp. Reg. Sec. 1.25-7T.

Vermont Housing Finance Agency ("VHFA") announces its Mortgage Credit Certificate Program (the "Program") to take effect on or after January 1, 1988.

Under the Program, VHFA will issue Mortgage Credit Certificates ("Certificates") through participating lenders for the purpose of aiding persons and families of low and moderate income to purchase affordable single family primary residences in the State of Vermont. A Certificate will entitle the borrower to the annual federal income tax credit established by Section 25 of the Code.

Program Requirements.

Some requirements of the Program vary according to the location of the particular residence to be acquired. In general, the requirements are less restrictive in the following counties, known as "Targeted Areas": Caledonia, Essex, Franklin, Lamoille, Orange, Orleans, Rutland, Washington, and Windham. Targeted Areas are entitled to a preference under the Program; therefore, Certificates pertaining to non-Targeted Areas may be delayed or unavailable from time to time. The basic requirements of the Program are explained below.

Income Limits. In Targeted Areas, annual borrower family income may not exceed 140% of the median gross income of the area (generally the county) in which the residence is located. In non-Targeted Areas, the applicable percentage is 115% of median gross income. Actual figures may vary from time to time as required by data published by the Federal government or as otherwise determined by VHFA. For the purposes of the Program, and until further notice, the table below sets forth maximum eligible borrower family income, by area:

ADDISON	$29,095	WASHINGTON	$36,260
BENNINGTON	30,360	WINDHAM	36,120
BURLINGTON MSA*	37,720	WINDSOR	32,085
CALEDONIA	33,320		
CHITTENDEN	35,880		
ESSEX	31,360		
FRANKLIN	34,580		
GRAND ISLE	26,220		
LAMOILLE	34,580		
ORANGE	32,060		
ORLEANS	31,360		
RUTLAND	37,380		

*BURLINGTON MSA MEANS:
GEORGIA, SOUTH HERO,
WINOOSKI,
BURLINGTON, CHARLOTTE,
COLCHESTER, ESSEX,
HINESBURG, JERICHO, MILTON,
RICHMOND, ST. GEORGE, SHELBURNE,
SO. BURLINGTON, WILLISTON.

Principal Residence Requirement. The borrower must intend to occupy, and must occupy, the residence as the borrower°s principal residence within 60 days of the time the mortgage loan is provided by the lender. A Certificate will cease to be valid, and will be revoked, if and when the residence to which it applies ceases to be the principal residence of the Borrower. For the purposes of this requirement, a "residence" may include any manufactured home which has a minimum of 400 square feet of living space and a minimum width in excess of 102 inches and which is of a kind customarily used at a fixed location. A residence may also include a duplex that was first occupied at least five years prior to the date of the mortgage ("Qualified Duplex").

Three-Year Requirement. In non-targeted areas, the borrower must not have held a present ownership interest in borrower°s principal residence (excluding any manufactured housing not permanently affixed to real property) at any time during the three-year period ending on the date the mortgage is executed. **This rule does not apply in Targeted Areas.**

New Mortgage Requirement. Under the Program, a mortgage must be a new mortgage; it must not be used to acquire or replace any existing mortgage except for a construction loan or bridge financing or other temporary financing not exceeding 24 months. Further (subject only to these limited exceptions) the residence must not have been subject to any mortgage given by the borrower, whether or not paid off, at any time prior to execution of the mortgage given under the Program.

Purchase Price Limits. Subject to change as required by data published by the Federal government or as otherwise determined by VHFA, the purchase price of a residence under the Program may not exceed $87,500 for a newly constructed one-family residence or $76,500 for an existing one-family residence or Qualified Duplex.

Method by which Certificates will be issued under the Program.

Certificates will be issued through any lender that has entered a Program participation agreement with VHFA. Application for a Certificate will be taken by a participating lender at the same time as the lender takes a formal loan application. The opportunity to participate will be open to any lender. A list of currently participating lenders will be available from VHFA on or before the effective date of the Program.

Fees. Each applicant will be charged a processing fee of $150, in addition to other normal loan charges. Fees may be subject to change.

Further Information.

For further information, write to Vermont Housing Finance Agency, P.O. Box 408, Burlington, Vt. 05402, ATTN: Patricia

1988 Mortgage Plus - draft for board mailing -9/11/87

INVITATION TO LENDERS

Mortgage Credit Certificate Program

This notice is published pursuant to Section 25 of the Internal Revenue Code of 1986 and Treasury Temp. Reg. Sec. 1.25--3T(J)(4).

Vermont Housing Finance Agency ("VHFA") hereby invites all lenders lawfully doing business in the State of Vermont to participate in VHFA°s Mortgage Credit Certificate Program (the "Program") to take effect on or after January 1, 1988.

Under the Program, VHFA will issue Mortgage Credit Certificates ("Certificates") through participating lenders for the purpose of aiding persons and families of low and moderate income to purchase affordable single family primary residences in the State of Vermont. A Certificate will entitle the borrower to the annual federal income tax credit established by Section 25 of the Code.

Program Requirements.

Some requirements of the Program vary according to the location of the particular residence to be acquired. In general, the requirements are less restrictive in the following counties, known as "Targeted Areas": Caledonia, Essex, Franklin, Lamoille, Orange, Orleans, Rutland, Washington, and Windham. Targeted Areas are entitled to a preference under the Program; therefore, Certificates pertaining to non-Targeted Areas may be delayed or unavailable from time to time. The basic requirements of the Program are explained below.

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Further Information.

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VERMONT HOUSING FINANCE AGENCY

October 7, 1987

Ms. Jean Gauthier
Pavilion Office Building
Montpelier, VT 05602

Dear Ms. Gauthier:

The Vermont Housing Finance Agency will be having its monthly Board Meeting on Thursday, October 15, 1987 at 1:30 p.m. in the office of the State Treasurer, 133 State Street, Montpelier, Vermont.

If you require any additional information, please do not hesitate to contact me.

Sincerely,

Barbara M. Parker

Barbara M. Parker
Office Manager

/bp

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/222-VHFA

VERMONT HOUSING FINANCE AGENCY

VHFA BOARD MEETING AGENDA

State Treasurer's Office
133 State Street
Montpelier, Vermont

Thursday, October 15, 1987 at 1:30 p.m.

1. Review and approval of minutes of September 17, 1987.

2. Discussion of Non-Profit Development Corporation Business Plan, Funding Agreement, Revised Bylaws and Articles of Incorporation, and possible approval of same. [**Torpy/Richardson//Enclosures**]

3. Discussion and preliminary approval of Non-Profit Housing Revolving Loan Fund [**Torpy/Richardson//Enclosure**]

4. Update on Single-Family Program(s) [**Lothrop//Enclosure**]

5. Update on Energy Rated Homes of Vermont/Exxon [**Faesy//Enclosure**]

6. 1987 Financial Audit [**Schoenbeck//Enclosure**]

7. Discussion of possible testimony before Governor's Growth Commission [**Hunt//Enclosures**]

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 • 1-800/222-VHFA

BOARD MINUTES
Vermont Housing Finance Agency
One Burlington Square
Burlington, VT 05401
Thursday, September 17, 1987

Present: Chairman Shaw; Commissioners Seelig, Hebard, Myette, Hahn, Meyer; Agency Staff Mr. Hunt, Mr. Schoenbeck, Mr. Lothrop, Ms. Torpy, Mr. Richardson, Ms. Parker; Mr. Kochman of F.L. Kochman, Inc.

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

Upon a motion duly made and seconded, the minutes of the August 20 meeting were unanimously approved.

Mr. Schoenbeck discussed the audit which is in progress; the actual final audit should be available for the next Board meeting. A copy of final budget figures was distributed (attached as an addendum to these minutes) and briefly reviewed; costs related to "Mortgage Plus" contributed to exceeding the Advertising budget; however, expenses overall came in just under budget (by $5,000). These figures will be included in the total audit, when completed. A brief discussion followed regarding the merits of advertising and its direct relation to the success of Agency programs.

Mr. Schoenbeck then distributed a memo to the Board regarding "Voluntary Contribution to CSHA" (copy included as an addendum to these minutes). Mr. Myette expressed surprise that the cost of participation is not prorated based on a state's population; Mr. Schoenbeck explained that apparently the CSHA is hoping for surplus funds which would result from all states contributing an equal amount. A motion was duly made, seconded, and unanimously approved to amend the Agency budget by $2,500 to cover the cost of contributing to CSHA.

Mr. Hunt then asked Ms. Torpy to present to the Board the skeletal framework of the Non-Profit Development Corporation. Ms. Torpy also referenced her memo to the Board, "Multi-Family Development Programs - Overview," which was included as part of the Board package for today's meeting. A lengthy discussion followed regarding the proposed structure of the corporation. The staff recommendation was to establish a membership non-profit corporation to develop affordable housing throughout Vermont.

The Agency and possibly other public entities would become a sustaining member and be entitled to elect 6 of the 11 proposed directors. The directors would be "high profile" concerned Vermonters. The Agency would maintain oversight of the Corporation through its membership and a contract for services which would supply administrative and "upfront" development costs to the Corporation.

Numerous questions were raised by various Commissioners on the issues of sustaining membership, the need to prioritize objectives of the organization, and to "flesh out" the concepts presented. Additionally, Mr. Seelig suggested at least one Board member represent the low-income community. A motion was then made to instruct staff to present a business plan, including a policy statement, amended Bylaws and Articles of Incorporation, and a sample funding agreement at the next Board meeting, based on conceptual approval of the Board to the general concepts presented. The motion was seconded and unanimously approved.

The Board then moved to another Agenda item, the discussion and possible approval of a new Mortgage Credit Certificate Program. Mr. Lothrop reviewed continuation of the Mortgage Plus program, as outlined in his memo to the Board, "Proposed Changes to Mortgage Plus Program." In order to continue the Program, a public notice must be issued by October 1, 1987, with the changes as referenced in his memo. A motion was duly made, seconded, and unanimously adopted to agree to the continuation of the Program with the specified changes, including an increase in the value of the credit to 25%.

Mr. Hunt then advised the Board that The Bobbin Mill Company and the Pizzagalli Construction Company are taking the letter received from the Agency, and the concerns expressed, seriously; no Board action is required, and the interviews will continue.

The Board was also advised by Mr. Hunt of a problem with the Mad River Meadows project in Waitsfield. The siding on this project is deteriorating. Inspections by a licensed building inspector have determined that the project was completed with inferior siding which was inappropriately installed.Mr. Kochman advised the Board of the Agency's statutory right to order the housing sponsor (the limited partnership) to repair or replace the inferior siding. Mr. Hunt cautioned that the Agency should enforce the repair work, but as the owner of the project may wish to sell his projects to the Agency or another public entity, it would be prudent to avoid a lawsuit if possible. Mr. Hunt then made a recommendation to the Board that the Agency cooperate with the owner as far as repairs are concerned, while still fulfilling the Agency's fiduciary obligations; there was a general consensus of opinion that this plan is acceptable. The Board will be advised of the continuing status of this situation.

Mr. Hunt next discussed a meeting with Tim Hayward of the Vermont Bankers Association concerning the potential for establishing an in-state secondary market for "non-conforming" mortgage loans. Mr. Hayward has asked the Agency to participate with the banks in studying the feasibility of such a program.No Board action is required, and Mr. Hunt will keep the Board apprised.

Mr. Hahn asked if there is a formal relationship between the Agency and Steve Kimball, and was advised by Mr. Hunt that due to a potential conflict, Mr. Kimball wanted to wait until September 25 to make a decision.

Mr. Myette requested that the Agency provide the Board with a current breakdown of staff, in the form of an organizational chart and a listing of names and titles. This will be provided by the next Board meeting.

Mr. Hunt announced that Mr. Seelig has been hired as Executive Director of the Vermont Housing Land Trust.

The meeting was adjourned at 4:00 p.m.

Respectfully submitted,

Allan S. Hunt, Secretary

VERMONT HOUSING FINANCE AGENCY

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE

RE: VOLUNTARY CONTRIBUTION TO CSHA

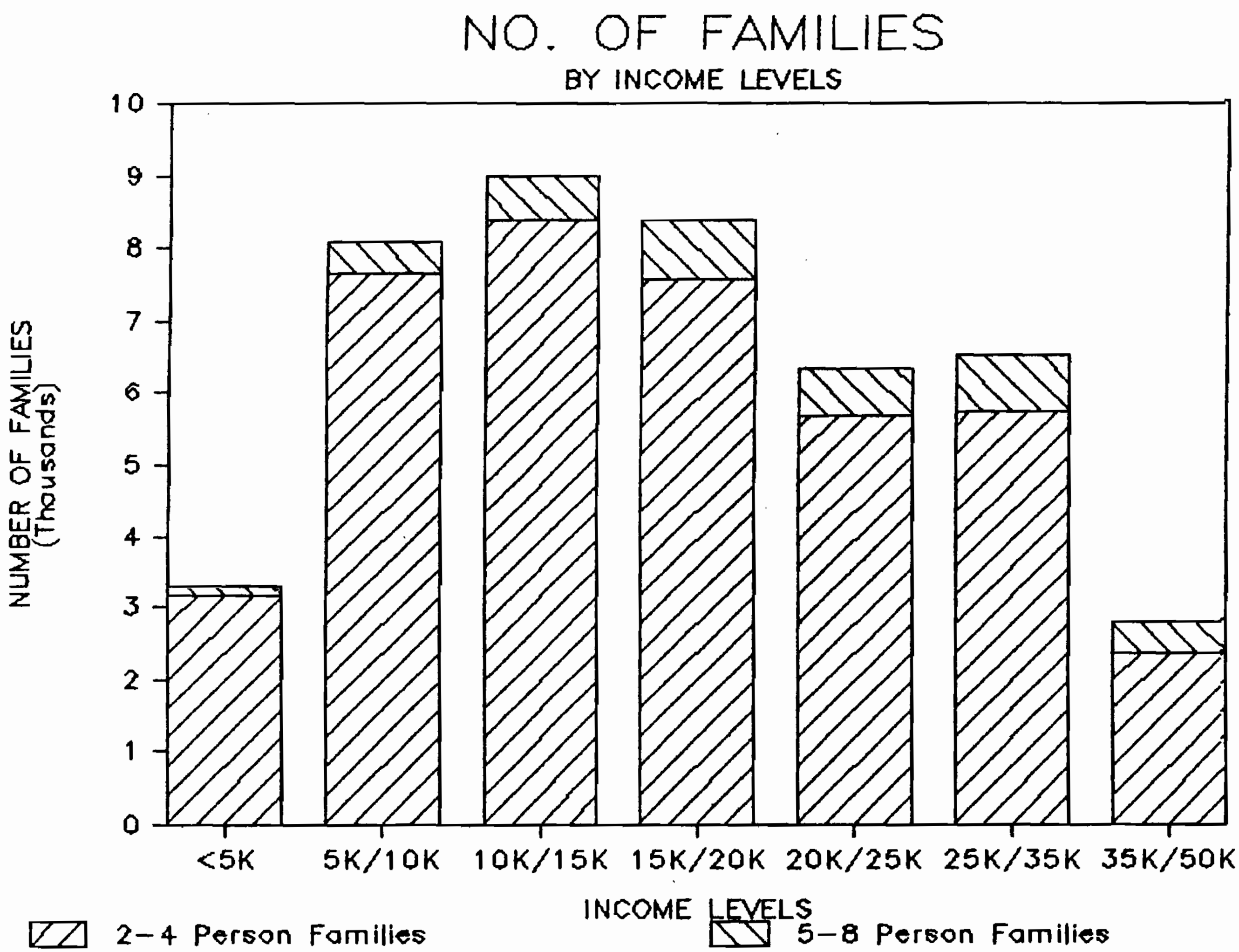
DATE: SEPTEMBER 16, 1987

We have recently received from the Council of State Housing Agencies (our national organization) a letter requesting a voluntary contribution to help fund the battle against the Sunset of Mortgage Revenue Bond activity. They are seeking a total of $100,000 for the campaign and requesting a maximum contribution from each organization of $5,000. If the total collected exceeds the amount required they will prorate back to the organizations a refund of any excess.

RECOMMENDATION

Based on the size of our state and our resources compared to other state HFA's, it is our recommendation to contribute one half of the suggested maximum contribution, i.e. $2,500. Since this was not in our original budget, I would also request that we amend our budget to account for the payment.

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/222-VHFA



Source: 1980 Census

EXECUTIVE SUMMARY

OF

BUSINESS PLAN

FOR

VERMONT HOUSING FINANCE AGENCY NON-PROFIT CORPORATION

1. BACKGROUND AND HISTORY

Substantial loss of federal subsidies and tax reform mandate new non-profit sponsorship of affordable rental housing.

VHFA creates an equity pool and well capitalized non-profit development company through a unique application of a new Low Income Housing Tax Credit Program.

2. GOALS

Creation and preservation of affordable rental housing 2,000 units in 5 years.

Anti-displacement measures must be built into each project.

3. OBJECTIVES

Create entities to achieve this goal (i.e., equity, development capacity, venture capital and debt financing).

Control these as needed to meet established goals, but in a manner consistent with VHFA statute and fiduciary responsibilities.

4. LEGAL ENTITY

501(c)(3) charitable development corporation.

Acts through wholly-owned subsidiaries so that holding company protected from individual project liability.

Can earn sheltered income.

Non-profit a General Partner in a Limited Partnership formed to convert tax benefits into project equity.

This Equity Fund involves socially motivated corporations eligible for tax shelter.

5. ORGANIZATIONAL ISSUES

Pending letter rulings from IRS will confirm replicable deal structure as tax exempt charitable activity.

6. **PEOPLE SERVED**

Income/variation illustrated by charts.

7. **BUSINESS LOCATION**

Burlington (service area: Vermont).

8. **ANALYSIS OF ALTERNATIVES**

The corporation will act alone where no local non-profit exists, or joint venture with local sponsors as appropriate.

9. **Marketing Strategy**

The Corporation will undertake the necessary outreach to lenders, industry, major employers, local officialas, and other concerned citizens to build a receptive climate for its product.

Each development will be based, further, on a local market survey.

10. **METHOD OF OPERATION**

Initial Phase: Identification of potential projects, especially at-risk housing; selected projects analyzed for feasibility on all levels (market, economic, community).

Development Phase: Project partnership formed; construction.

Operation Phase: Local management will be contracted; in-house overnight of this mangement will assure ongoing compliance.

11. **PRODUCT SPECIFICATIONS**

Size: No less than 20 units.
Location: Driven by need.
Financing: VHFA tax-exempt financing, FmHA 515, CDBG, HODAG.
Timing: Driven by production goals.

12. **MANAGEMENT/PERSONNEL**

President: Hired by Board and hires all others
Project Developer(s): Added as needed
Financial/Administrative Officer
Administrative Personnel: As needed

13. **SOURCES OF CAPITAL**

Operating and Equity: VHFA seed grant up to $2,000,000 to be advanced over 5 years. This will be split into operating and development funds governed by Funding Agreement (VHFA/Non-Profit contract, attached).

Project Income: From project development fees; partnership fees from equity partners to defray expenses.

Tax Benefits: LIHTC pooled in equity fund; historic tax credit; depreciation (27.5 year straight).

14. **DEBT CAPITAL**

VHFA: Tax exempt IDBs; 501(c)(3) bonds (new); prepayments.
FmHA: $4,000,000 annual allocation; 1% loans; 50 year loans.
HUD: HODAG; CDBG
Commercial Loans

BUSINESS PLAN

FOR THE

NON-PROFIT CORPORATION ["X"]

BACKGROUND AND HISTORY

The Vermont Housing Finance Agency has been the principal source of debt capital for the production of affordable housing. Since 1977 VHFA has loaned approximately $65,000,000 to sponsors of such housing who have produced 2,000 units.

Since 1982, however, production has dwindled. The deep Federal rent subsidies previously available to sponsors were curtailed. The 1986 Tax Reform Act removed key tax benefits for private sponsors. But VHFA and other debt financing vehicles remain. And a new Federal incentive, the Low Income Housing Tax Credit, creates an opportunity for corporate investors, who have not participated before, to play a role in housing.

VHFA's challenge is to fill the gap left by private sponsors and changing Federal tax policy. VHFA's fiduciary responsibilities prohibit it from being a developer. An entirely new approach is called for: a partnership of public purpose and private capital that can retain Vermont's existing inventory of affordable housing and expand it in a new cycle of production.

Two vehicles are proposed to meet this challenge. One is a non-profit corporation, X , which will professionally develop and resonsibly manage permanently affordable rental housing. The other is an investment partnership, The Vermont Equity Fund, which will give corporate investors an opportunity for low risk investment in a socially beneficial enterprise which must take place if Vermont is to have economic growth. X will receive up to $2,000,000 in seed capital from VHFA to be leveraged by a ratio of 10 to 1 with investor funds. During the next 5 years, X 's mission will be to develop approximately 1,500 units.

GOALS

1. Create new (and where necessary preserve) low and moderate income rental housing on a scale that will have a measurable impact.

2. Guarantee that newly created units do not revert to market and displace low income families at some point in the future.

OBJECTIVES

a. Create a well-capitalized non-profit housing development corporation which becomes self-sufficient over time.

b. Assure that the non-profit developer has access to equity by creating a companion equity pool of socially motivated investors.

c. Create a replicable deal structure that we will be able to count on for equity, construction and permanent financing without jeopardizing the non-profit's tax exempt status, or VHFA's bond rating.

d. Maximize the utility of existing programs (Tax exempt bond, Farmers Home 515, Low Income Housing Tax Credits) by creatively combining them with new resources and, where possible, creating other new resources (Equity Fund, Housing and Conservation Trust Fund) to achieve the greatest affordability possible.

e. Provide leadership and atechnical assistance to Vermont's burgeoning non-profit housing development community by sharing this replicable model with them, and co-venturing on actual projects as appropriate.

LEGAL ENTITY

X will be a non-profit corporation organized under Section 501 (c)(3) of the Internal Revenue Code. (see Appendix 1 for organizational documents). Several other legal entities were considered, including partnerships, "S" and "C" Corporations but none contain the particular benefits which accrue to a non-profit.

First, the charitable purposes of a non-profit define it in the public eye as something more than just a "developer." Acting by itself or in partnership with for-profit developers, X 's projects will be seen as fulfilling social (as well as economic) goals.

Second, non-profit status requires a continuing commitment by X to its charitable purposes, thereby assuring Public and private contributors that their grants will have long-term social benefits.

Third, there are several financial advantages. X will be exempt from income taxation (both Federal and State). Tax deductions may be taken by private donors on gifts and "bargain sales" of property to the corporation. Ten percent of Vermont's annual Low Income Housing Tax Credit must be set-aside for non-profits. Certain Tax-Free bonds which have unique advantages may only be issued on behalf of non-profits. Pending congressional measures regarding the disposition of FmHA and HUD assisted housing favor non-profits and underscore Federal support for the increased involvement of non-profits in housing.

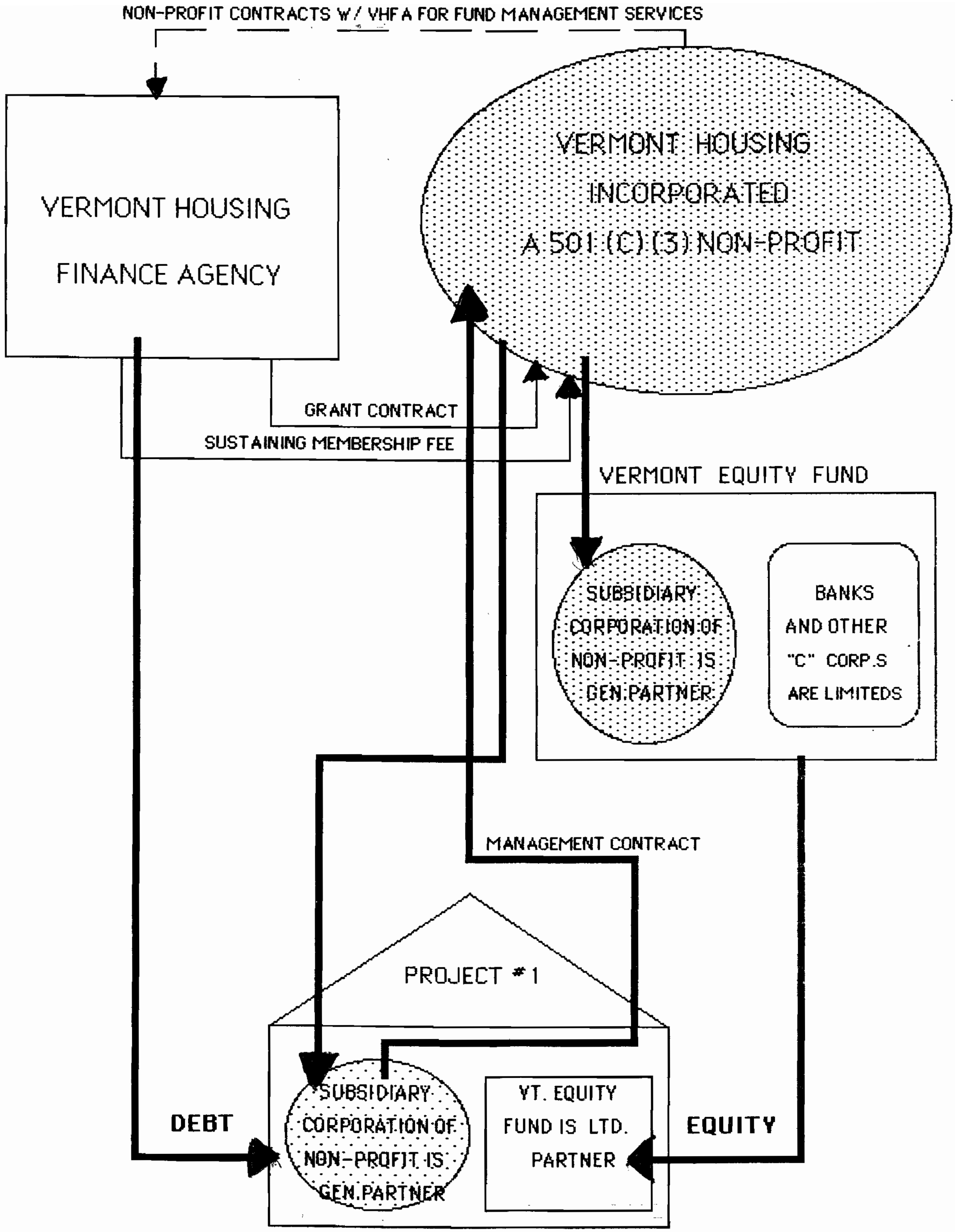
In addition to the non-profit benefit, X 's corporate status offers protection from development liability. This protection will be further enhanced in that X will not directly participate in any venture. Rather, it will act through wholly-owned subsidiaries (which may be taxable). Essentially, X will be a holding corporation, but it will have the same degree of control over its investments as if they were made directly by it.

Despite its non-profit status, X will earn income which is sheltered from taxation. Earnings may be used to cover operating expenses, to build necessary reserves and to build additional affordable housing. Earnings may be invested and return tax-free interest prior to their application. Should X receive income from an unrelated trade or business, it must pay tax on that income. It is not likely that this will happen but if it should X would still retain its non-profit status unless such earnings became a substantial portion of its income.

THE VERMONT EQUITY FUND

In addition to creating subsidiaries to develop individual projects, X will participate as General Partner in a Limited Partnership formed exclusively to convert project tax benefits into project equity. The Limited Partnership will be called the Vermont Equity Fund. One purpose of the Vermont Equity Fund is to promote housing affordability for the very long term. The limited partners will be corporations, including banks, which can efficiently utilize the Low Income Housing Tax Credit, Historic tax credit (if any) and project depreciation. The limited partners will receive only an insubstantial portion of project cash flows (if any) and will not retain the residual value of any project. The target, after tax return to the corporate investors for their contributions, will be 10%.

The following diagram illustrates the relationships between X, VHFA and the Vermont Equity Fund.


NON-PROFIT CONTRACTS W/ VHFA FOR FUND MANAGEMENT SERVICES
VERMONT HOUSING FINANCE AGENCY
VERMONT HOUSING INCORPORATED A 501 (C) (3) NON-PROFIT
GRANT CONTRACT
SUSTAINING MEMBERSHIP FEE
VERMONT EQUITY FUND
SUBSIDIARY CORPORATION OF NON-PROFIT IS GEN.PARTNER
BANKS AND OTHER "C" CORP.S ARE LIMITEDS
MANAGEMENT CONTRACT
PROJECT # 1
DEBT
SUBSIDIARY CORPORATION OF NON-PROFIT IS GEN.PARTNER
VT. EQUITY FUND IS LTD. PARTNER
EQUITY

ORGANIZATIONAL ISSUES

VHFA has invested in substantial legal research regarding the above. On the advice of counsel, X will seek letter rulings regarding certain matters and will not undertake any projects which would entail these matters prior to the favorable issuance of the rulings by the IRS.

PEOPLE TO BE SERVED

X 's customer base will be primarily wage-earners who are unable to compete in the housing markets near their jobs. As noted above, tenants will fall into three economic groupings: those below 50% of Median Income, those below 100% of it and those above Median Income. The groups are to be further defined by household size. The charts below represent the 50% and the 100% income limits for a sampling of Vermont's 16 Median Income Areas. Rents equal to 30% of income are also given in the first chart as an indication of affordability.

CHART I. INCOMES @ **50%** OF AREA MEDIAN: (No less than 25% of the units must be occupied by households below these limits.)

AREA	HOUSEHOLD SIZE: 1 PERSON INCOME/RENT	3 PERSON INCOME/RENT	5 PERSON INCOME/RENT
BURLINGTON	11,500/288	14,750/369	17,700/443
WASHINGTON CO.	9,050/226	11,650/291	14,000/350
ORANGE CO.	8,000/200	10,300/258	12,350/309

See Appendix 2 for a complete listing.

CHART II. INCOMES @ **100%** OF AREA MEDIAN: (No more than 25% of the units in any project may be occupied by households above these limits.)

AREA	HOUSEHOLD SIZE: 1 PERSON INCOME	3 PERSON INCOME	5 PERSON INCOME
BURLINGTON	22,900	29,400	34,800
WASHINGTON CO.	18,000	23,300	27,500
ORANGE CO.	15,500	19,900	23,500

BUSINESS LOCATION

X will initially occupy offices adjacent to the Vermont Housing Finance Agency in Burlington. X 's service area will be statewide.

ANALYSIS OF THE ALTERNATIVES

Steep Federal cutbacks in rent subsidies coupled with certain measures of the 1986 Tax Reform Act have combined to greatly lower the incentive for private sponsorship of affordable housing. The Tax Act in particular, with its lowering of top marginal rates, lengthening of depreciation schedules and especially its prohibition against offsetting active income with passive losses (the main tax benefit in affordable housing) has made investment by individual taxpayers a thing of the past. Private sponsors must now develop projects with large cash flows and residual value in order to achieve the same profit margins. By definition, such projects cannot be affordable to moderate income veronters. On the other hand corporations, unaffected by the passive loss rules, can still benefit from tax credits and depreciation. Corporations have not traditionally been investors in affordable housing. Rather than competing with private sponsorship, X will replace it utilizing corporate instead of individual investors as its equity source.

There are some non-profit sponsors in Vermont. Appendix 3 lists the most active. **It is not the intention of X to compete with any of them.** In fact, if the State's overall need is to be met these entities must continue to provide housing. None can act throughout the State, nor do they have access to sufficient capital to achieve the production goals of this business plan.

X will collaborate with other non-profits where the proposed project fits with product parameters as outlined above. Collaboration can mean X being a co-general partner or being a limited partner via the Vermont Equity Fund (for example, as limited partner in Dogwood Glen I with the Vermont State Housing Authority). In any collaboration X must be assured that development and management will be on a sound financial basis and that it can take steps to remedy any deficiences which might arise.

X could also collaborate with private developers but only where its corporate purposes can be achieved. X will not compete with small private developers because of product parameters.

MARKETING STRATEGY

Program Marketing

X must have broad support. It must make the need for affordable housing clear and it must convince communities that it will deliver a high quality, well managed product that pays its own way locally. To garner that support X must first look to the Vermont business community which clearly has a stake in expanding the supply of affordable housing if it is to attract a growing work force. The lack of such housing is already being felt as a significant check against economic growth in the Burlington, Brattleboro, Bennington and White River Junction areas.

X must also find allies in other sectors of the industry, including lenders, real estate executives, local and regional business groups, non-profits, municipal officials and others interested in the production of rental housing. These people will be contacted in person and via mailings. A brochure will be developed which will articulate corporate objectives, capacity and method of operation. Annual Reports and occasional updates will keep persons on the mailing list aware of X 's progress.

Product Marketing

Market surveys as described below must indicate sufficient rental demand before development begins. But X must include local officals and neighbors in the design and development of each project. Each development budget will provide for the costs of advertising. Advertising will begin well in advance of project completion and will continue during project management so as to maintain an adequate waiting list.

METHOD OF OPERATION

Regardless of whether X is acquiring and existing project or developing a new one, the process by which it does that can be broken into three phases.

Initial Phase

For acquisition projects, X will maintain a catalog of existing publicly assisted projects. It will make the owners of such projects aware of its desire to preserve affordability through the program marketing effort and will contact individual owners as appropriate. As projects become available X will secure an option to purchase and identify financing sources. Prior to acquisition X will develop a managment plan and contract for management services as necessary.

For new developments X will first identify market demand as measured by such factors as vacancy rates, employment data and demographics. Where demand is established X will identify suitable sites based upon factors such as location, cost, permitted land uses and the availability of services.

Initial site control will be sought via negotiation of an option to purchase contingent upon financing and other pre-requisites. Financial sources will be identified. Initial development and operating budgets will be prepared. Organizational documents creating the ownership entity will be prepared. An appraisal of the property will be commissioned to determine security value and to independently verify market demand. Contracts will be negotiated for design, construction and other services. All applicable permits will be secured.

X will not proceed to the Development Phase unless financial analysis based upon the above factors supports project feasibility and unless it receives firm commitments for construction and permanent financing.

Development Phase

This phase will commence with the formation of the ownership entity in whose name the development will be held. Typically, this will be a Limited Partnership with a wholly-owned subsidiary of X as the managing General Partner and The Vermont Equity Fund as the Limited Partner.

The second milestone in this phase will be a loan closing enabling the newly formed partnership to purchase the project site and commence construction. (For acquisition projects this will normally constitute the permanent loan closing and the process will proceed immediately to the Operational Phase.)

For development projects construction will commence as soon as practicable after loan closing. A Project Developer will monitor construction weekly. X will also rely on inspection services from the design architect. Periodic requisitions for progress payments from the construction lender will be prepared. The Project Developer will initiate the marketing campaign and prepare for the Operational Phase of the project.

Operational Phase

This phase will begin with a closing on the permanent financing of the project. Top priority will be given to achieving full occupancy. The

Limited Partnership will engage management services via a contract approved by X or will contract with X directly to provide those services. Initially, X will pursue competent local management and no "in-house" management personnel will be required. Project management will report to the the Financial/Administative Officer weekly during lease-up and monthly thereafter. The Financial/Administrative Officer will prepare financial reports as required by its equity partners, VHFA and others.

Using this method of operation X will build two "pipelines" of projects with an employee, the Project Developer, having primary responsibility for his/her pipeline. A typical pipeline will have several potential projects in Phase I, and a lesser number in Phases 2 and 3. When the number of completed projects warrant it, and this will depend in part on location and number of units per project, X will hire a Project Manager.

Overall productivity will depend on how long projects take to get from the start of Initial Phase to full occupancy. The goal for acquisition projects will be 6 months. For Development projects the goal will be 22 months.

The pipeline approach will be reviewed and modified as needed periodically. As soon as capacity and financing permit, the corporation intends to add two additional pipelines. The target date for this increase is the end of year two.

PRODUCT SPECIFICATIONS

In order to efficiently use the "pipeline" method of production, the Corporation must carefully select which projects to pursue. Inevitably, for whatever reason, some projects will not mature and X will have to write off the overhead costs associated with it. Careful adherence to product specifications will minimize this. Therefore, the corporation will only develop projects that meet the following specifications:

Size. X will not attempt to build projects of less than 20 units. There will be no minimum unit requirement for the acquisition of at-risk projects but X will consider such factors as management availability, type of subsidy, and demand on the corporation's human resources before acquiring very small projects.

Location. For new projects X will concentrate first on those areas where available financing can serve those in greatest need of affordable housing. X will acquire at-risk projects anywhere but will concentrate on the acquisition of those most threatened by market forces.

Financing. X will maximize the use of financing which produces the most affordable housing. It will utilize the Low Income Housing Tax Credit wherever possible. It will seek debt financing such as the FmHA 515 program, HUD Housing Development Grants, Community Development Block Grants, and VHFA tax-exempt Bond financing and other forms of debt financing which place the least burden on rents.

Timing. Projects will be selected based upon the pipeline timing goals stated above. X will deviate from those goals only where very large projects will result or where the acquisition of a deep subsidy project is involved.

MANAGEMENT/PERSONNEL

X will be governed by a Board of Directors as provided in the organizational documents. The Board will hire the President of the Corporation who, in turn, will hire other personnel as needed.

President. The Board will hire a President who will be a salaried officer of the corporation responsible for day-to-day operations. The President will hire additional staff as required. He/she will report directly to the Board or to the Board's Executive and other committees as directed. Initially, the President will also serve as a Project Developer for one pipeline.

Project Developer(s). The Project Developers will be assigned projects as they begin the Initial Phase and will have direct responsibility for them through the development process to full occupancy. The Project Developers will, in fact, be the "developers" of each project, participating in project negotiations, co-ordinating resources (legal, design, construction, management, etc) and representing X at public and other meetings as required. They will not have the authority to commit the financial resources of the corporation except as directed by the President. They will report directly to the President.

Financial/Administrative Officer. The Officer will be responsible for keeping the Corporation's and each project's books of account either directly or through a contract for services, and may, as the Board directs, be the Treasurer of the Corporation. He/she will insure that financial reports required by VHFA, The Vermont Equity Fund, or other entities are timely made. The Financial Officer will report directly to the President. The Corporation will use contract accounting services to establish financial systems and it is anticipated that at least initially these may be maintained by the clerical support person.

Administrative Personnel. The President and/or the Financial Officer will hire such administrative personnel as may be required. Initially this will be one person who will provide clerical support as directed by the President or the Financial/Administrative Officer.

SOURCES OF CAPITAL

I. OPERATING AND EQUITY CAPITAL

The Corporation will rely initially on a seed grant from VHFA of up to $2,000,000. The grant will be disbursed over 5 years and will be used to defray approved operating deficits, if any, and to make equity investments in projects. The grant draws a distinction between Operating Funds and Development Funds.

Operating Funds are to be used for operating costs. Such funds will be advanced based upon a VHFA-approved operating budget and only to the extent that other operating income is unavailable to the Corporation. No Operating Funds will be payable to the Corporation for any funding year if the Corporation is not in substantial compliance with the Performance Standards applicable to the previous funding year. Any interest earned on operating funds may be retained by X.

Housing Development Funds are to be used to pay housing development costs. It is anticipated that these funds will often be replaced by partnership contributions as further described below. When X re-captures equity investments made from VHFA grant proceeds, such investments will be deemed "Recycled Funds." Interest earned on Housing Development Fund and on Recycled Fund investments, other than equity investments in housing projects, belongs to VHFA and must be remitted annually to the VHFA. Interest, dividends and other earnings derived from investment in housing developments shall be deemed to be Operating Funds. Proceeds from the disposition of property, if any, also belong to the VHFA and must be remitted.

Unused funding commitments may be carried over to the succeeding funding year. The funding commitment ends on December 31, 1992. The duration of the Grant Contract, unless terminated sooner by the Agency, shall be no less than the economic life of all the residential housing assisted by Grant proceeds, including housing assisted by Re-cycled Funds. A summary of the Grant Contract conditioning the use of the funds is attached as Appendix 4 .

B. Project Income Sources

A substantial portion of the Corporation's operating costs will be directly attributable to the development of individual projects. Staff time and overhead billable to a particular project will be reimbursed at the initial loan closing whenever permitted by project finances. In certain instances X may lend funds to the project during the Development Phase and earn interest income. See the Operating Budget for projected income from these sources.

C. Partnership Fees

X will also receive fees from equity partners to defray partnership expenses including staff and overhead costs incurred in structuring and administating partnership investments. X will also receive fees from the operation of its projects, but only to cover administative costs directly attributable to the project's operation. Cash flow from projects is expected to be minimal in order to keep rents as low as possible.

D. Tax Benefits

1. The Low Income Housing Tax Credit. The 1986 Tax Reform Act established the LIH Credit as one way to stimulate private investment in projects where a minimum of 20% of the units are occupied by households below 50% of Area Median Income and rent for no more than 30% of the respective income limit (see Appendix 2). The credit, taken annually for ten years, may be worth up to 90% of the qualifying unit's adjusted basis. The project must comply with the income and rent restrictions for 15 years. Unlike a deduction, a tax credit is a dollar for dollar reduction in a taxpayers Federal income tax. More than $20,000,000 in Credit will be available to Vermont through 1989. This is sufficient to produce approximately 1,300 units of affordable housing.

2. Historic Tax Credit. This credit is worth 20% of the adjusted basis of a rehabilitated historic structure. Besides compliance with certain historic standards, the taxpayer must have spent more in rehabilitation than the sum of his/her adjusted basis in the property prior to rehab.

3. Depreciation. Housing projects may be depreciated on a straightline basis over a 27.5 year period. Equipment and certain other costs may be depreciated over a shorter period. Depreciation is an elegible deduction from a taxpayers gross income.

The Corporation's subsidiaries will pass through these tax benefits to the Vermont Equity Fund, which in turn, will allocate 99% of these benefits to its Limited Partners in exchange for capital contributions. The size of contributions will be in direct relation to the amount of benefits available in a specific project.

X will attempt to maximize these amounts but not to the exclusion of acquiring publicly assisted projects where they may be minimal. In the latter case VHFA Housing Development Funds may not be replaced by partnership contributions. X will also vigorously seek grants and gifts for equity investment purposes. The latter may include tax deductible donations of money or real property or the opportunity to purchase property for less than its fair market value. Finally, X may, consistent with its corporate purposes and the VHFA Grant Contract, dispose of property and utilize excess proceeds as equity capital.

II. DEBT CAPITAL

A. VHFA

The Vermont Housing Finance Agency is the principal source of debt capital for affordable housing in the State. It may sell tax exempt Industrial Development Bonds and lend the proceeds to qualifying rental residential projects. X 's projects will so qualify. VHFA may also issue Essential Function Bonds and lend the proceeds to non-profit corporations with 501 (c) (3) exemptions. Both types of bonds generate fixed rate loans with 25 to 30 year terms at interest rates of between 100 and 150 basis points below commercial rates. From time to time VHFA also receives pre-payments on loans it made under a previous multi-family development program. Re-use of this money is conditioned by prior bond indentures but may not be inconsistent with particular X projects. Interest rates may be significantly lower. All VHFA loans must be secured by first mortgages. Since 1977 VHFA has loaned approximately $65,000,000 (about 2,000 units) to sponsors of affordable rental housing.

B. <u>FmHA</u>

The Farmer's Home Administration Rural Rental Housing Program (515 Progam) makes 1%, 50 year loans to projects which are normally occupied by household below 80% of Area Median Income (and often below 50%). FmHA may make loans throughout Vermont except those located in Chittenden County towns with populations exceeding 10,000. For projects where qualifying rents cannot carry these terms FmHA may provide rental assistance as described below. Vermont receives an annual allocation of approximately $4,000,000 but has successfully applied for additional funds from the unused allocations of other States. No other secured debt is permitted by FmHA. Recent regulatory changes in the 515 program extend compliance periods and limit project residual value. This is in keeping with X 's role but has had the effect of removing much private incentive to participate in the program. Clearly, X will be positioned to fill this gap. Approximately 1,500 units of rental housing have been created in Vermont with this program.

C. <u>HUD</u>

The U.S. Department of Housing and Urban Development has reduced its involvment in funding affordable housing loans since 1981. Two important programs remain, however. Community Development Block Grants (CDBG) are available to Vermont Communities under the administrative auspices of the State's Department of Housing and Community Affairs. The communities receiving such grants may loan or grant the funds to sponsors housing where at least half of the units are occupied by households with incomes below 50% of Area Median Income. Where new construction is involved, however, only non-profit corporations may receive the funds. CDBG funds may be used to defray project planning costs. Planning grants may not exceed $30,000 and "implementation" grants may not exceed $500,000. Approximately $3,000,000 in CDBG funds have been granted for housing related activities since 1984.

HUD makes Housing Development Action Grants (HODAGs) directly to communities who, in turn, lend or grant the funds to housing sponsors. Loans may be subordinated to other debt and may amount to 50% of the project's security value. This program, started in 1984, has obligated funds for about 230 units of mixed income housing in Vermont.

D. Commercial Loans

Loans from banks and other lenders are available for rental housing. High interest rates make these funds more appropriate for short term construction loans which would be "taken out" by permanent financing from the above sources.

PRODUCTION FORECAST

Production goals are as follows:

As of:	Pre-Development	In Construction	Completed	Cumulative
06/88 - 12/88	100	50	25	25
12/89	150	50	50	75
12/90	300	250	250	325
12/91	400	375	300	625
12/92	450	425	350	975
12/93	500	450	450	1425
12/94	500	500	500	1925
12/95	500	500	500	2425

BUDGET SUMMARIES

Detail regarding the following budgets will be found in Appendix 5 . Please note that "re-imbursables" in the income portion of the Operating Budget refers to overhead costs that will be re-imbursed from mortgage proceeds at Construction Loan closing.

OPERATING BUDGET SUMMARY

INCOME	1988	1989	1990	1991	1992
Reimbursables	24,780	24,780	123,902	185,853	210,633
Partnership Fees	14,668	14,668	73,339	110,009	124,676
Mangement Fees	866	7,508	14,438	22,523	33,541
TOTAL INCOME	40,314	46,956	211,678	318,384	368,851
EXPENSE	1988	1989	1990	1991	1992
Compensation	101,775	140,861	221,439	250,816	263,357
Prof. Services	21,000	16,800	17,640	18,522	19,448
Office Expenses	23,240	23,932	31,571	32,542	33,561
Furniture & Equipment	8,645	3,880	3,250	-0-	-0-
TOTAL EXPENSE	154,660	185,473	273,900	301,880	316,366
PROFIT/(LOSS)	(114,346)	(138,517)	(62,221)	16,504	52,485

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Richard Faesy, Energy Rated Homes of Vermont Program Operator RPF

DATE: October 8, 1987

RE: Update on Energy Rated Homes of Vermont

In April, 1987, the Vermont Legislature approved a $500,000 allocation of Exxon oil overcharge funds to the VHFA to design, develop and establish a new and innovative mortgage lending program in Vermont. The charge was given to the VHFA to set up a system in which a home buyer could include the cost of improving the energy efficiency of his/her home in the mortgage.

This program will help in the affordability of homeownership in Vermont by reducing total monthly housing costs. With this program, expenses for energy, which can represent a significant cost to many low and moderate income Vermonters, can be kept in check in the present and in the future as energy prices rise.

At the Board meetings of August 28, 1986 and February 12, 1987, updates were given as to our progress in this program. At those times, you indicated your support of VHFA's staff time towards this effort. With your consent, we have moved forward in the development of this program.

In conjunction with the Vermont Department of Public Service, which is administering the funds for this program, we have convened both a Steering Committee, made up of individuals from Vermont's "shelter industry", to oversee the design and development of this program, and a Technical Committee, made up of energy experts, to oversee the technical development of the energy rating system. These committees and our consultants have assisted us in designing a pilot program for four Vermont counties that will, within three years, grow to be state-wide and unsubsidized, receiving support from memberships and fees for services.

In the four county pilot program, we anticipate that 240 home energy ratings will be completed and 120 homes will take advantage of the financing option of including the cost of energy improvements in the mortgage. Of these 120 mortgages, we anticipate at least 20% will be through VHFA programs.

It is anticipated that a stand-alone non-profit called "Energy Rated Homes of Vermont, Inc." will be incorporated to run the program. We would anticipate that the board for this organization will consist of not less than 7 members, at least 3 of which would be VHFA staff members. Of course, we are open to suggestions as to who should sit on this board.

At the time the legislature allocated the $500,000, it was anticipated that VHFA would provide support, some of this financial, some of this personnel time. The chart that follows spells out what support has been provided towards this program to date, and what is anticipated for the next year.

Energy Rated Home of Vermont Expenses

Nature of Expense	VHFA To Date	VHFA Thru 10/88	Exxon To Date	Exxon Thru 10/88
Office Rent	$0	$6,000	$0	$0
Telephone	0	4,000	0	0
Supplies, copying, etc.	0	500	300	0
Computer rental	0	900	0	0
Program Operator	0	12,000	13,000	12,000
Marketing Coordinator (9 mths)	0	8,000	0	8,000
1/2 Admin. Assistant	0	5,000	0	3,000
VHFA personnel time	5,000*	0	0	0
ERH of America	0	0	18,000	22,000
VEIC	0	0	27,000	24,000
Travel	0	0	3,000	2,000
Marketing	0	0	0	25,000
Printing	0	0	1,000	1,500
Computer purchase	0	0	3,300	0
Incentives (buydowns, subsidies)	0	0	0	139,000
Program Evaluation	0	0	0	10,000
Contingency	0	0	0	10,000
TOTAL	$5,000*	$36,400	$65,600	$256,500

* Soft dollars

Recommendation:
Based on the information and figures presented, we would recommend that the VHFA Board support Energy Rated Homes to the level shown. This recommendation has been made because this program will help the affordability of homes in Vermont, and it will especially help those of lower and moderate incomes by giving them a better handle on their energy costs.

OPERATING BUDGET...DRAFT 2
13-Oct-87

INCOME	1988	1989	1990	1991	1992
Reimbursables	24,780	24,780	123,902	185,853	210,633
Partnership Fees	14,668	14,668	73,339	110,009	124,676
Management Fees	866	7,508	14,438	22,523	33,541
Membership Fees	31,500	32,000	32,500	32,500	32,500
Total Income	71,814	78,956	244,178	350,884	401,351

EXPENSE	1988	1989	1990	1991	1992
Compensation	101,775	140,861	221,439	250,816	263,357
Prof. Services	21,000	16,800	17,640	18,522	19,448
Office Expenses	23,240	23,932	31,571	32,542	33,561
Furniture & Equipment	8,645	3,880	3,250	0	0
TOTAL	154,660	185,473	273,900	301,880	316,366

	1988	1989	1990	1991	1992
PROFIT/(LOSS)	(82,846)	(106,517)	(29,721)	49,004	84,985

ARTICLES OF ASSOCIATION

OF

COMMUNITY HOUSING STOCK, INC.

The undersigned, a citizen of the United States and a resident of the State of Vermont of the age of majority, desiring to form a nonprofit corporation (the "Corporation") under the nonprofit corporation law of the State of Vermont, does hereby cetify:

First: Name. The name of the Corporation shall be Community Housing Stock, Inc.

Second: Location of Principal Office. The place in this state where the principal office of the Corporation is to be located is the City of Burlington, Chittenden County, or such other place in the State of Vermont as may be specified from time to time in accordance with the bylaws.

Third: Purposes. The Corporation is organized exclusively for charitable, educational, and scientific purposes including, for such purposes, (i) the fostering of low-income housing, (ii) the alleviation and prevention of community deterioration through the production of affordable housing, (iii) the making of distributions to the State of Vermont and political subdivisions and public instrumentalities thereof for public purposes and to organizations that foster low-income housing in the State of Vermont and that qualify as exempt organizations under section 501(c)(3) of the Internal Revenue Code, or corresponding provisions of any future federal tax code, and (iii) any other charitable, educational, or scientific purpose that tends to foster housing for low income families in the State of Vermont.

Fourth: Initial Board of Directors. The number of persons constituting the initial board of directors of the Corporation shall be six. The names and addresses of the persons who shall serve as the initial directors of the Corporation are as follows:

Name	Address

Fifth: Use of Earnings. No part of the net earnings of the Corporation shall inure to the benefit of, or be distributable to its members, directors, officers, or other private persons, except that the Corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth in Article **Third** hereof.

Limitation on Political Activities No substantial part of the activities of the Corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the Corporation shall not participate in, or intervene in (including the publishing or distribution of statements) any political campaign on behalf of or in opposition to any candidate for public office. PROVIDED, HOWEVER, that the Corporation shall have the power to make the election provided for in section 501(h) of the Internal Revenue Code, or corresponding section of any future federal tax code, and, if it so elects, to make lobbying or grass roots expenditures that do not normally exceed the ceiling amounts prescribed by section 501(h)(2)(B) and (D).

General Limit of Activities. Notwithstanding any other provision of these Articles, the Corporation shall not carry on any other activities not permitted to be carried on (a) by a corporation exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code, or corresponding section of any future federal tax code, or (b) by a corporation, contributions to which are deductible under section 170(c)(2) of the Internal Revenue Code, or corresponding section of any future federal tax code.

Sixth: Distribution of Assets Upon Dissolution. Upon the dissolution of the Corporation, assets shall be distributed to one or more organizations that foster low-income housing in the State of Vermont and that qualify as exempt organizations under section 501(c)(3) of the Internal Revenue Code, or corresponding section of any future federal tax code, and/or shall be distributed to the State of Vermont for a public purpose.

Seventh: Period of Duration. The period of duration of the Corporation shall be perpetual.

Eighth: Registered Office and Agent. The address of the initial registered office of the Corporation shall be One Burlington Square, Burlington, Vermont 05401 and the name of the initial registered agent at such address shall be Franklin L. Kochman.

Ninth: Incorporator. The name of the incorporator is Franklin L. Kochman, whose address is F.L. Kochman, Inc., One Burlington Square, Burlington, Vt. 05401.

Tenth: Amendment of Bylaws; Removal of Directors. To the extent and in the manner provided by the bylaws of the Corporation, the bylaws may be amended, and directors may be removed for cause, by members of the Corporation, if any, or by public entities with the rights of members, as specified in the Bylaws.

IN WITNESS WHEREOF, the undersigned incorporator has subscribed his name at Burlington, Vermont this ___ day of _______, 1987.

____
Incorporator

For Discussion Only - Draft #4 10/8/87 (marked against 9/11)

BY-LAWS

OF

COMMUNITY HOUSING STOCK, INC.

ARTICLE I - OFFICES

The principal office of the corporation in the State of Vermont shall be located in the City of Burlington, County of Chittenden. The corporation may have such other offices, either within or without the State of incorporation as the board of directors may designate or as the business of the corporation may from time to time require. The board of directors, by a vote of two-thirds of the directors present and entitled to vote at any regular or special meeting of the directors may change the location of the principal office.

ARTICLE II - MEMBERS

1. CLASSES OF MEMBERSHIP AND QUALIFICATIONS

There shall be two classes of Members, hereinafter identified, respectively, as "General Members" and "Sustaining Members", having the qualifications and rights hereinafter specified. The term "Members" includes General Members and Sustaining Members.

A. General Members. Any natural person of majority age and any legal entity of either a public or private nature may become a General Member of the corporation upon payment of an annual membership fee as established from time to time by the board of directors in an amount not exceeding $50. General Members shall be entitled to participate in the election of not more than 50% of the directors to be elected at any Annual Meeting; provided, however, that in the event that no Sustaining Members or public entities entitled to vote exist at the time of an Annual Meeting or a special meeting of Members, but not otherwise, (i) General Members shall be entitled to elect all of the directors to be elected at such meeting, (ii) a two-thirds majority of the General Members present at such meeting shall be entitled to amend the articles of association or these bylaws, and (iii) a simple majority may remove a director for cause. General Members shall have no other rights.

B. Sustaining Members. Any political subdivision of the State of Vermont, including, without limitation, Vermont Housing Finance Agency, may become a Sustaining Member of the corporation for any calendar year upon payment of an annual sustaining membership fee in the amount of $30,000. Sustaining Members shall be entitled to participate in the election of all directors to be elected at any Annual Meeting, and shall have the exclusive right to elect not less than 50% of the directors to be elected at any

Annual Meeting. Subject to applicable notice requirements, a two-thirds majority of Sustaining Members present at any Annual Meeting or special meeting of Members may amend the articles of association or these bylaws and a simple majority may remove a director for cause. Sustaining Members shall be entitled to call a special meeting of the Members as hereinafter provided. Sustaining Members shall have no other rights.

C. Rights of certain public entities. During such period as no Sustaining Member exists and is entitled to vote, but not otherwise, any public entity which could qualify as a Sustaining Member and which, during the then-current fiscal year of the corporation, has made a grant or contribution to the corporation of at least $30,000, shall have all of the rights of a Sustaining Member.

2. ANNUAL MEETING.

The annual meeting of the Members shall be held on the 1st day of July in each year, beginning with the year 1988 at the hour of 10:00 o°clock A.M., for the purpose of electing directors and for the transaction of such other business as may come before the meeting. If the day fixed for the annual meeting shall be a legal holiday such meeting shall be held on the next succeeding business day.

2. SPECIAL MEETINGS.

Special meetings of the Members, for any purpose or purposes, unless otherwise prescribed by statute, may be called by the president or by the directors, and shall be called by the President at the request of any Sustaining Member.

3. PLACE OF MEETING.

The directors or, without violating a resolution of the directors, the President, may designate any place, either within or without the State unless otherwise prescribed by statute, as the place of meeting for any annual meeting or for any special meeting of Members. If no designation is made the place of meeting shall be the principal office of the corporation.

4. NOTICE OF MEETING.

Written or printed notice stating the place, day and hour of any meeting shall be delivered not less than 10 days more than 30 days before the date of the meeting, either personally or by mail, by or at the direction of the president, or the secretary, or the officer or persons calling the meeting, to each Member of record entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at his address as it appears in the membership books of the corporation, with postage thereon prepaid.

5. CLOSING OF MEMBERSHIP BOOKS OR FIXING OF RECORD DATE.

For the purpose of determining Members entitled to notice of or to vote at any meeting of Members or any adjournment thereof, or in order to make a determination of Members for any other proper purpose, the directors of the corporation may provide that the membership books shall be closed as of a date certain and for a period not exceeding ten days. If the membership books are not closed and no record date is fixed for the determination of Members entitled to notice of or to vote at a meeting of Members, the date on which notice of the meeting is mailed shall be the record date for such determination of Members. When a determination of Members entitled to vote at any meeting of Members has been made as provided in this section, such determination shall apply to any adjournment thereof. Any Member against whom an annual assessment is outstanding at the time the membership books are closed for a particular meeting shall not be entitled to vote at such meeting unless such assessment is paid in full as of the time such meeting is convened.

6. VOTING LISTS.

The officer or agent having charge of the membership books of the corporation shall make, not later than the time of convening each meeting of Members, a complete list of the Members entitled to vote at such meeting, or any adjournment thereof, arranged according to classes and in alphabetical order within each class, which list shall be kept on file at the principal office of the corporation and shall be subject to inspection by any Member at any time during usual business hours. Such list shall also be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any Member during the whole time of the meeting. The original membership book shall be prima facie evidence as to who are the Members entitled to examine such list or transfer books or to vote at the meeting of Members.

7. QUORUM.

At any meeting of Members, one Sustaining Member of record and whose current assessment is paid in full, present in person or by proxy, shall constitute a quorum. If no such Sustaining Member of record is present, and if no public entity entitled to vote is present, but not otherwise, a majority of the General Members of record and whose current assessments are paid in full shall constitute a quorum. If no quorum exists, a majority of the General Members present in person or by proxy may adjourn the meeting from time to time without further notice. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified. The Members present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum.

8. PROXIES.

At all meetings of Members, a Member or a public entity entitled to vote may vote by proxy executed in writing by the Member or by his or its duly authorized attorney in fact. Such proxy shall be filed with the secretary of the corporation before or at the time of the meeting. In the case of any Member which is not a natural person, a proxy may be established by a resolution of that Member certified by the secretary or other authorized agent of that Member and filed with the Secretary of the corporation. If such resolution so provides, such proxy shall remain of full force and effect for all meetings of Members until withdrawn or amended by a like resolution of that Member filed with the Secretary of the corporation.

9. VOTING.

Each Member entitled to vote in accordance with the terms and provisions of the articles of association and these by-laws shall be entitled to one vote (except in the case of the election of directors as hereinafter provided), in person or by proxy, on each matter as to which that Member is entitled to vote. Upon the demand of any Member entitled to vote in a particular case , the vote for directors and upon any question before the meeting shall be by ballot. All elections for directors shall be decided by plurality vote; all other questions shall be decided by majority vote except as otherwise provided by the articles of association or the laws of this State. With respect to the election of directors, each Member of each class of membership shall be entitled to as many votes as there are directors to be elected and in which elections that Member is entitled to participate. A Member may cumulate that Member°s votes for the benefit of a particular candidate or may distribute that Member°s votes among any number of the candidates as to whom that Member is entitled to vote.

10. ORDER OF BUSINESS.

The order of business at all meetings of the Members, shall be as follows:

1. Roll Call.
2. Proof of notice of meeting or waiver of notices.
3. Reading of minutes of preceding meeting.
4. Reports of Officers.
5. Reports of Committees.
6. Election of Directors.
7. Unfinished Business.

8. New Business.

11. INFORMAL ACTION BY MEMBERS

Unless otherwise provided by law, any action required to be taken at a meeting of the Members, or any other action which may be taken at a meeting of the Members, may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the Members entitled to vote with respect to the subject matter thereof.

ARTICLE III - BOARD OF DIRECTORS

1. GENERAL POWERS.

The business and affairs of the corporation shall be managed by its board of directors. The directors shall in all cases act as a board, and they may adopt such rules and regulations for the conduct of their meetings and the management of the corporation, as they may deem proper, not inconsistent with these by-laws and the laws of this State. If no Members of any class exist at the time established by these bylaws for the convening of an Annual Meeting of Members, and if no public entity entitled to vote then exists, then, in that event but not otherwise, the directors acting as a board shall have all of the powers otherwise reserved to Sustaining Members, which powers may be exercised until, and only until, one or more Members of any class exist.

From among their number, the directors shall elect a Chairman and a Vice Chairman of the Board of Directors, to serve in those capacities at the pleasure of the Board. The Chairman shall preside at all regular and special meetings of the Board. The Vice Chairman shall preside in the absence of the Chairman.

2. NUMBER, TENURE AND QUALIFICATIONS.

The number of directors of the corporation shall be eleven, of whom eight shall be "General Qualification Directors" and three shall be "Special Qualification Directors", as defined below. At least one Special Qualification Director shall be a person who, at the time of election and in the opinion of the electing Members, is actively engaged in advocacy for the housing needs of low income persons. Each director shall hold office until the second annual meeting of Members following his election, and until his successor shall have been elected and qualified; provided, however, that vacant seats established by the adoption of these bylaws shall be filled by vote of the directors named in the Articles of Association, and the directors elected by such vote shall hold office only until the time of the first Annual Meeting of Members and until their successors shall be elected and qualified.

"General Qualification Director" means a director who, at the time of election, is a resident of the State of Vermont and of the age of majority, and who is not (i) a commissioner, officer, or employee of Vermont Housing Finance Agency, (ii) a "substantial contributor" within the meaning of §4946 of the Internal Revenue Code, or (iii) a person who is a "disqualified person" within the meaning of said §4946 by reason of relationship to a "substantial contributor".

"Special Qualification Director" means a director who meets the requirements for a General Qualification Director and, in addition, is an employee, officer, director, or trustee of a non-profit corporation organized under the laws of the State of Vermont and which includes the fostering of low-income housing among its activities, all as certified in writing to the Corporation by the president or chairman of such non-profit corporation.

3. REGULAR MEETINGS.

A regular meeting of the directors, shall be held without other notice than this by-law immediately after, and at the same place as, the annual meeting of Members. The directors may provide, by resolution, the time and place for the holding of additional regular meetings without other notice than such resolution.

4. SPECIAL MEETINGS.

Special meetings of the directors may be called by or at the request of the president or any two directors. The person or persons authorized to call special meetings of the directors may fix the place for holding any special meeting of the directors called by them.

5. NOTICE.

Notice of any special meeting shall be given at least five days previously thereto by written notice delivered personally, or by telegram or mailed to each director at his business address. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail so addressed, with postage thereon prepaid. If notice be given by telegram, such notice shall be deemed to be delivered when the telegram is delivered to the telegraph company. The attendance of a director at a meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

6. QUORUM.

At any meeting of the directors, a majority of the directors then in office shall constitute a quorum for the transaction of business, but if less than said number is present at a meeting, a majority of the directors present may adjourn the meeting from time to time without further notice.

7. MANNER OF ACTING.

The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the directors.

8. NEWLY CREATED DIRECTORSHIPS AND VACANCIES.

Newly created directorships resulting from any amendment to these bylaws (after initial adoption) and vacancies occurring by reason of the removal of directors for cause shall be filled by vote of the Members entitled to vote thereon. Vacancies occurring in the board for any other reason may be filled by a vote of a majority of the directors then in office, although less than a quorum exists. A director elected to fill a vacancy caused by resignation, death or removal shall be elected to hold office for the unexpired term of his predecessor.

9. REMOVAL OF DIRECTORS.

Prior to the expiration of his or her term, no director may be removed from office without cause. Any director may be removed for cause by majority vote of the Sustaining Members or, if no Sustaining Member <u>or</u> public entity entitled to vote exists, but not otherwise, by majority vote of the General Members.

10. RESIGNATION.

A director may resign at any time by giving written notice to the board, the president or the secretary of the corporation. Unless otherwise specified in the notice, the resignation shall take effect upon receipt thereof by the board or such officer, and the acceptance of the resignation shall not be necessary to make it effective.

11. COMPENSATION.

No compensation shall be paid to directors, as such, for their services, but by resolution of the board expenses for actual attendance at each regular or special meeting of the board may be authorized. Nothing herein contained shall be construed to preclude any director from serving the corporation in any other capacity and receiving compensation therefor.

12. PRESUMPTION OF ASSENT.

A director of the corporation who is present at a meeting of the directors at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent to such action with the person acting as the secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the secretary of the corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

13. EXECUTIVE AND OTHER COMMITTEES.

The board, by resolution, may designate from among its members an executive committee and other committees, each consisting of two or more directors. Each such committee shall serve at the pleasure of the board and shall have such powers and authority as the board in such resolution may delegate to it, consistent with law.

ARTICLE IV - OFFICERS

1. NUMBER.

The officers of the corporation shall be a president, a vice-president, a secretary and a treasurer, each of whom shall be elected by the directors. Such other officers and assistant officers as may be deemed necessary may be elected or appointed by the directors.

2. ELECTION AND TERM OF OFFICE; QUALIFICATIONS.

Subject to the negotiation of satisfactory contracts for compensation, the officers of the corporation to be elected by the directors shall be elected initially at the organization meeting of the Corporation and thereafter annually at the first meeting of the directors held after each annual meeting of the Members. Each officer shall hold office until his successor shall have been duly elected and shall have qualified or until his death or until he shall resign or shall have been removed in the manner hereinafter provided. All officers must have the same general qualifications as a "General Qualification Director" and may, but need not be, board members.

3. REMOVAL.

Any officer or agent elected or appointed by the directors may be removed by the directors whenever in their judgment the best interests of the corporation would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed.

4. VACANCIES.

A vacancy in any office because of death, resignation, removal, disqualification or otherwise, may be filled by the directors for the unexpired portion of the term.

5. PRESIDENT.

The president shall be the principal executive officer of the corporation and, subject to the control of the directors, shall in general supervise and control all of the business and affairs of the corporation. The President may hire such employees, other than officers, as he deems necessary for carrying out the business of the Corporation. He may sign, with the secretary or any other proper officer of the corporation thereunto authorized by the directors, certificates of membership in the corporation. He may sign any deeds, mortgages, bonds, contracts, or other instruments which the directors or a properly constituted committee of the board acting within the scope of its authority have authorized to be executed, except in cases where the signing and execution thereof shall be required by law to be otherwise signed or executed; and in general shall perform all duties incident to the office of president and such other duties as may be prescribed by the directors from time to time.

6. VICE-PRESIDENT.

In the absence of the president or in event of his death, inability or refusal to act, the vice-president shall perform the duties of the president, and when so acting, shall have all the powers of and be subject to all the restrictions upon the president. The vice-president shall perform such other duties as from time to time may be assigned to him by the President or by the directors.

7. SECRETARY.

The secretary shall keep the minutes of the Members° and the directors° meetings in one or more books provided for that purpose, see that all notices are duly given in accordance with the provisions of these by-laws or as required by law, establish voting lists as required in accordance with these bylaws, be custodian of the corporate records (other than books of account) and of the seal of the corporation and keep a register of the post office address of each Member which shall be furnished to the secretary by such Member, have general charge of the membership books of the corporation and in general perform all duties incident to the office of secretary and such other duties as from time to time may be assigned to him by the president or by the directors.

8. TREASURER.

If required by the directors, the treasurer shall give a bond for the faithful discharge of his duties in such sum and with such surety or sureties as the directors shall determine. He shall have charge and custody and be responsible for all books of account, funds and securities of the corporation; receive and give receipts for moneys due and payable to the corporation from any source whatsoever, and deposit all such moneys in the name of the corporation in such banks, trust companies or other depositories as shall be selected in accordance with these by-laws and in general perform all of the duties incident to the office of treasurer and such other duties as from time to time may be assigned to him by the president or by the directors.

9. SALARIES.

The salaries of the officers shall be fixed from time to time by the directors and no officer shall be prevented from receiving such salary by reason of the fact that he is also a director of the corporation. The salaries of other employees shall be fixed by the President with the approval of the Directors.

ARTICLE V - CONTRACTS, LOANS, CHECKS AND DEPOSITS

1. CONTRACTS.

The directors or any duly constituted committee of the board acting within the scope of its authority may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the corporation, and such authority may be general or confined to specific instances.

2. LOANS.

No loans shall be contracted on behalf of the corporation and no evidences of indebtedness shall be issued in its name unless authorized by a resolution of the directors or a properly constituted committee of the board acting within the scope of its authority. Such authority may be general or confined to specific instances.

3. CHECKS, DRAFTS, ETC.

All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the corporation, shall be signed by such officer or officers, agent or agents of the corporation and in such manner as shall from time to time be determined by resolution of the directors.

4. DEPOSITS.

All funds of the corporation not otherwise employed shall be deposited from time to time to the credit of the corporation in such banks, trust companies or other depositaries as the directors may select.

ARTICLE VI - MEMBERSHIP CERTIFICATES

1. CERTIFICATES OF MEMBERSHIP

Certificates representing membership in the corporation shall be in such form as shall be determined by the directors. Such certificates shall be signed by the president and by the secretary or by such other officers authorized by law and by the directors. Such certificates shall not be transferable. All certificates surrendered to the corporation upon resignation or other removal of a Member in accordance with these bylaws shall be cancelled. Notwithstanding the failure of any Member to surrender a certificate of membership upon resignation or other proper removal, after such resignation or removal any such membership shall be cancelled in the membership books and the membership books shall be conclusive evidence as to the membership in the corporation, except in cases of manifest error.

2. TRANSFERS OF CERTIFICATES

Certificates of membership shall not be sold, bartered, pledged, assigned, or otherwise transferred.

ARTICLE VII - FISCAL YEAR

The fiscal year of the corporation shall be the calendar year.

ARTICLE VIII - SEAL

The directors shall provide a corporate seal which shall be circular in form and shall have inscribed thereon the name of the corporation, the state of incorporation, the year of incorporation, and such other words and symbols as the directors may elect.

ARTICLE IX - WAIVER OF NOTICE

Unless otherwise provided by law, whenever any notice is required to be given to any Member or director of the corporation under the provisions of these by-laws or under the provisions of the articles of association, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

ARTICLE X - AMENDMENTS TO BYLAWS

If the proposed amendment has been set out in the meeting notice, these by-laws may be altered, amended or repealed and new by-laws may be adopted by a vote of not less than two-thirds of the Sustaining Members of record present at any annual Members° meeting or at any special Members° meeting, or, if no Sustaining Members of record or public entities entitled to vote exist, but not otherwise, by a vote of not less than two-thirds of all General Members of record present at such meeting.

ARTICLE XI - AMENDMENTS TO ARTICLES OF ASSOCIATION

For the purposes of 11 V.S.A. §2452(a), pertaining to amendments of articles of association, "members entitled to vote" shall be understood consistently with the following: If the proposed amendment has been set out in the meeting notice, the articles of association may be amended by a vote of not less than two-thirds of the Sustaining Members of record present at any annual Members° meeting or at any special Members° meeting, or, if no Sustaining Members of record or public entities entitled to vote exist, but not otherwise, by a vote of not less than two-thirds of all General Members of record present at such meeting. If no General Members of record exist, the articles of assocation may be amended as provided by law in such cases.

ARTICLE XII - INDEMNIFICATION OF DIRECTORS, OFFICERS AND EMPLOYEES

The corporation shall indemnify any director, officer, employee, or former director, officer, or employee, or any person who may have served at its request as a director or officer of another corporation in which it has an interest, financial or otherwise, of which it is a creditor, against expenses actually and reasonably incurred by him or her in connection with the defense of any action, suit or proceeding, civil or criminal, in which he or she is made a party by reason of being or having been such director, officer, or employee, except in relation to matters as to which he or she shall be adjudged in such action, suit or proceeding to be liable for gross negligence or misconduct amounting to bad faith in the performance of duty to the corporation.

ARTICLE XIII - PARTICULAR PURPOSES OF THE CORPORATION

From time to time the corporation may engage in any activity in furtherance of the purposes set forth in the articles of association, including, without limitation:

A. The acquisition of existing "Section 8" and other federally subsidized rental housing at risk of conversion to condominiums or market-rate rental housing, for the purpose of preserving such housing primarily for the use of persons of low and moderate income.

B. Any activity which constitutes "material participation" in the development and operation of "qualified low-income housing projects", all within the meaning of Section 42 of the Internal Revenue Code.

>

C. Compiling, publishing, and distributing technical, demographic, and other data pertaining to the availability in the State of Vermont of affordable housing for persons of low and moderate income.

D. To the fullest extent permitted by the charitable purposes of the corporation, but not otherwise, to lessen the burdens of government or to combat community deterioration through any activity that tends to foster the provision of decent housing and a suitable living environment primarily for persons of low and moderate income and, in particular, but without limitation, the reduction of the isolation of income groups within communities and geographical areas and the promotion of an increase in the diversity and vitality of neighborhoods through the spatial deconcentration of housing opportunities for persons of lower income and the revitalization of deteriorating or deteriorated neighborhoods to attract persons of higher income.

E. To accomplish such purposes either directly in its own name or through subsidiaries, whether taxable or not taxable.

ARTICLE XIV - PARTICULAR LIMITATIONS ON SPONSORED PROJECTS

Projects in which the corporation participates shall be intended primarily for occupancy by low income persons. Such projects may include living units for persons of moderate income within the meaning of the Vermont Housing Finance Agency Act, provided that in no event shall the number of living units and the amount of floor space reserved for occupancy by low income persons be less than the number and amount necessary to qualify such project for the low income housing credit established by Section 42 of the Internal Revenue Code of 1986 or corresponding provisions of any future federal tax code (the "Code"). If reasonably necessary for the viability of a given project, such project may include living units for persons other than persons of low or moderate income; provided, however, that the number of living units and the amount of floor space available to persons other than persons of low or moderate income normally shall not exceed 15% of the whole, and shall in no event exceed 25% of the whole.

VERMONT HOUSING FINANCE AGENCY

LOW INCOME HOUSING TAX CREDIT (LIHTC) PROGRAM

INCOME LIMITS AND RENT LIMITS FOR VERMONT BY COUNTY

Rent limits include an allowance for utility costs which vary from building to building and are subtracted out to determine actual rent limit. Rent is 20% and 40% of monthly income where the tenant's income, adjusted for household size, is 50% and 60% of Area Median Income, respectively.

COUNTY	AREA MEDIAN INCOME	ONE PERSON MAX INCOME	ONE PERSON RENT	TWO PERSON MAX INCOME	TWO PERSON RENT	THREE PERSON MAX INCOME	THREE PERSON RENT	FOUR PERSON MAX INCOME	FOUR PERSON RENT	FIVE PERSON MAX INCOME	FIVE PERSON RENT
		<—— 50% OF MEDIAN ——>									
ADDISON	25,300	8,850	221	10,100	253	11,400	285	12,650	316	13,650	341
BENNINGTON	26,400	9,250	231	10,550	264	11,900	298	13,200	330	14,250	356
BURL MSA	32,800	11,500	288	13,100	328	14,750	369	16,400	410	17,700	443
CALEDONIA	23,800	8,350	209	9,500	238	10,700	268	11,900	298	12,850	321
CHITTENDEN	31,200	10,900	273	12,500	313	14,050	351	15,600	390	16,850	421
ESSEX	22,400	7,850	196	8,950	224	10,100	253	11,200	280	12,100	303
FRANKLIN	24,700	8,650	216	9,800	245	11,100	278	12,350	309	13,350	334
GRAND ISLE	22,800	8,000	200	9,100	228	10,250	256	11,400	285	12,300	308
LAMOILLE	24,700	8,650	216	9,900	248	11,100	278	12,350	309	13,350	334
ORANGE	22,200	8,000	200	9,150	229	10,300	258	11,450	286	12,350	309
ORLEANS	22,400	7,850	196	8,950	224	10,100	253	11,200	280	12,100	303
RUTLAND	26,700	9,350	234	10,700	268	12,000	300	13,350	334	14,400	360
WASHINGTON	25,900	9,050	226	10,350	259	11,650	291	12,950	324	14,000	350
WINDHAM	25,800	9,050	226	10,300	258	11,600	290	12,900	323	13,950	349
WINDSOR	27,900	9,750	244	11,150	279	12,550	314	13,950	349	15,050	376
		<—— 60% OF MEDIAN ——>									
ADDISON	25,300	10,626	266	12,144	304	13,662	342	15,180	380	16,394	410
BENNINGTON	26,400	11,088	277	12,672	317	14,256	356	15,840	396	17,107	428
BURL MSA	32,800	13,776	344	15,744	394	17,712	443	19,680	492	21,254	531
CALEDONIA	23,800	9,996	250	11,424	286	12,852	321	14,280	357	15,422	386
CHITTENDEN	31,200	13,104	328	14,976	374	16,848	421	18,720	468	20,218	505
ESSEX	22,400	9,408	235	10,752	269	12,096	302	13,440	336	14,515	363
FRANKLIN	24,700	10,374	259	11,856	296	13,338	333	14,820	371	16,006	400
GRAND ISLE	22,800	9,576	239	10,944	274	12,312	308	13,680	342	14,774	369
LAMOILLE	24,700	10,374	259	11,856	296	13,338	333	14,820	371	16,006	400
ORANGE	22,200	9,324	233	10,656	266	11,988	300	13,320	333	14,386	360
ORLEANS	22,400	9,408	235	10,752	269	12,096	302	13,440	336	14,515	363
RUTLAND	26,700	11,214	280	12,816	320	14,418	360	16,020	401	17,302	433
WASHINGTON	25,900	10,878	272	12,432	311	13,986	350	15,540	389	16,783	420
WINDHAM	25,800	10,836	271	12,384	310	13,932	348	15,480	387	16,718	418
WINDSOR	27,900	11,718	293	13,392	335	15,066	377	16,740	419	18,079	452

These are not official Treasury income limits; however, they have been calculated in accordance with anticipated Treasury standards.

NON-PROFIT INSTITUTIONS ACTIVE IN AFFORDABLE HOUSING

NAME	# UNITS	LOCATION
Northern Community Investment Corp.	119	N.E. Kingdom
King St. Revitalization Corp.	11	Burlington
First Congregational Church of Benson	15	Benson
Abenaki Self-Help Association	12	Swanton
Lake Champlain Housing Dev. Corp.	32	Greater Burlington
Burlington Community Land Trust	17	Burlington
Cathedral Square Corporation	100	Burlington
Fern Hill Association	60	Burlington
Copley Terrace	38	Morrisville
TOTAL	413	

LOCAL HOUSING AUTHORITIES (Public Housing Only)

Barre	376
Bennington	195
Brattleboro	284
Burlington	347
Hartford	0
Montpelier	67
Rutland	210
St. Albans	0
Springfield	132
Winooski	188
TOTAL	1,799

LOCAL REVOLVING LOAN FUND

Burlington	Greater Burlington
Alburg	Hardwick
Barre	Montpelier
Bennington	Randolph
Brandon	Richford
Brattleboro	St. Albans
Bristol	Winooski

REGIONAL REVOLVING LOAN FUNDS AND HOUSING GROUPS

Bennington County
Central Vermont Community Land Trust
Northeast Kingdom
Vermont Community Loan Fund
West Rutland County

MEMO

TO: VHFA
FROM: FRANK KOCHMAN
DATE: October 6, 1987
RE: DRAFT FUNDING AGREEMENT BETWEEN VHFA AND PROPOSED NON-PROFIT

This memo summarizes the most significant features of the draft "Funding Agreement".

I. **Purpose.** To provide Operating Funds and Housing Development Funds to the non-profit for the purpose of accomplishing the production and acquisition of any kind of low and moderate income housing which the Agency and the non-profit may lawfully assist, with a view to preserving the use of such housing for its entire economic life.

II. **Term.** The Agency°s commitment to provide funds is spread over a five year period, and terminates at the end of five years; however, the term of the non-profit°s obligations to the Agency extends until the exhaustion of the economic life of any housing assisted with Housing Development Funds (or Recycled Funds), and repayment of all Operating Funds advanced to the non-profit. As a practical matter, the agreement provides for permanent oversight by the Agency.

III. **Funding Limits.**

A. Overall: $2,000,000.00

B. Annual: The draft presumes a more or less equal proration over the five year Commitment Period, with adjustments permitted with the consent of the Agency. The Agency may consent to a disproportionate allocation in any given year. Unused funds may be carried forward to the succeeding year (provided performance standards have been met).

C. Allocation: The draft envisions two very distinct pots of money, with the annual limit for each pot to be filled in based on the business plan:

(i) Operating Funds. These are general purpose funds, intended to be used for customary overhead, e.g., staff salaries, rent, etc. They are payable in cash.

(a) Limitations on Drawing Rights.

1. Operating Funds drawn by the non-profit in any year cannot exceed the lesser of the annual limit as set by the funding agreement or the operating deficit as shown by a budget for the non-profit accepted by the Agency.

2. Operating Funds may be drawn quarterly.

3. Although the amount of Operating Funds is established by a budget which projects the year°s income and expenses, the Agency may compel adjustment of the budget in the event of unanticipated income, the purpose being to avoid paying out any Operating Funds in excess of the true deficit for the year.

(ii) Housing Development Funds. These are funds intended for the exclusive purpose of paying "housing development costs", as that term is defined in the Agency's Act. It includes both "soft" costs and "hard" costs, seed money and long-term money. Housing Development Funds are payable in cash or any other medium adequate to the purpose at hand, e.g., promissory note, guarantee, letter of credit, etc.

(a). Limitations on Drawing Rights.

1. Must be identified to a particular project and purpose.

2. May be refused by the Agency to the extent the non-profit has Recycled Funds available to it.

IV. **Agency Controls.**

A. General.

1. Corporate purposes of non-profit may not be amended without Agency consent.

2. Except for payment of Operating Costs and Housing Development Costs, non-profit assets may not be expended without Agency consent.

3. In the event of voluntary or involuntary dissolution, non-profit must pay over all of its assets to the Agency.

4. Regular periodic reports of income and expense and annual audit required.

B. During the Five Year Commitment Period.

1. Draws need not be honored if non-profit fails to meet production goals or non-profit is in material breach of the Funding Agreement.

2. Any interest earned on non-purpose investment of Housing Development Funds or Recycled Funds is payable to the Agency.

C. Long Term.

1. Each project must be built and physically maintained in a workmanlike, lawful manner.

2. With respect to financial and accounting matters, each project must be managed in a business-like manner and in accordance with generally accepted accounting principles.

3. The Agency may, but need not, elect to keep the books of account of the non-profit.

4. With respect to each project, the Agency will have the same rights of inspection and direction of repair as it has as a mortgagee. (NOTE: This is an obligation of the non-profit; it will be effective only if the legal documents for a particular project pass through the right. By signing the funding agreement, the non-profit undertakes to assure that this will happen.)

INCOME BUDGET DETAIL

MANAGEMENT INCOME

	1988	1989	1990	1991	1992
Units/Cumulative	75	325	625	975	1,452
Gross Rents @ $350.00	315,000	1,365,000	2,625,000	4,095,000	$6,098,400
Mgmt. Fees @ 5.50%	17,325	75,075	144,375	225,225	335,412
To X Corp. @ 10.00%	866	7,508	14,438	22,523	33,541

REIMURSABLES AND FEES

	President	Dev	Cler.	F/A
Cost/Week	885	719	354	608
	<-------------Weeks----------->			
Site Identification	1.00	1.00	0.00	0.00
Option Negotiation	1.00	1.00	0.00	0.00
Market Analysis	1.00	1.00	0.20	0.00
Financial Analysis	0.60	2.00	0.20	0.60
Financial Packaging	1.00	2.00	0.60	0.00
Constr. Closing Co-Ord.	0.40	1.00	1.00	1.00
Permits	0.40	3.00	0.60	0.00
Contract Administration	1.71	3.43	3.43	2.00
Marketing	0.20	3.00	0.80	0.00
Management Plan	0.20	2.00	0.60	0.20
Management Negotiation	0.20	1.00	0.20	0.20
Perm. Closing Co-Ord.	0.40	1.00	1.00	1.00
Monitoring	0.40	2.40	0.00	0.40
TOTAL WEEKS	8.51	23.83	8.63	5.40
Compensation	7,532	17,127	3,053	3,284
Overhead (9.04%)	681	1,548	276	297
TOTAL BY PERSONNEL	8,212	18,674	3,329	3,581

GRAND TOTAL	33,797
Total from Mortgage	19,824
Per Unit (Assuming 40 Units)	496
Total From Fees	11,734
Per Unit	293

EXPENSE BUDGET DETAIL

COMPENSATION/SALARIES						
Inflator	5.00%	1988	1989	1990	1991	1992
President		40,000	42,000	44,100	46,305	48,620
Project Developer		32,500	34,125	35,831	37,623	39,504
Project Developer #2		0	14,438	30,319	31,835	33,426
Project Developer #3		0	0	15,159	31,835	33,426
Fin/Admin Officer		0	15,125	31,006	32,557	34,184
Projects Manager		0	0	18,500	19,425	20,396
Admin. Support		16,000	16,800	17,640	18,522	19,448
Admin. Support #2		0	0	0	17,000	17,850
TOTAL SALARIES		88,500	122,488	192,556	218,101	229,006
BENEFITS						
F.I.C.A.	7.51%	6,646	9,199	14,461	16,379	17,198
Unemployment	2.49%	2,204	3,050	4,795	5,431	5,702
Work. Comp.	2.00%	1,770	2,450	3,851	4,362	4,580
Medical	3.00%	2,655	3,675	5,777	6,543	6,870
Total Benefits	15.00%	13,275	18,373	28,883	32,715	34,351
TOTAL COMPENSATION		101,775	140,861	221,439	250,816	273.357

PROFESSIONAL SERVICES	1988	1989	1990	1991	1992
Legal	12,500	13,125	13,781	14,470	15,194
Accounting*	8,500	3,675	3,859	4,052	4,254
TOTAL PROFESSIONAL SVCS	21,000	16,800	17,640	18,522	19,488

*Includes one time expense to set up financial systems in 1988.

OFFICE EXPENSES	1988	1989	1990	1991	1992
Rent	5,500	5,500	8,250	8,250	8,250
Cleaning	600	630	662	695	729
Telephone	3,000	3,000	3,000	3,000	3,000
Utilities	900	900	900	900	900
Supplies	600	630	662	695	729
Advt/Promotion	1,200	1,260	1,323	1,389	1,459
Travel	11,400	12,012	16,775	17,613	18,494
TOTAL EXPENSES	23,240	23,932	31,571	32,542	33,561

FURNITURE & EQUIPMENT		1988	1989	1990	1991	1992
Computer	3	3,250	3,250	3,250	0	0
Computer Software*		1,200	0	0	0	0
Printer	1	1,500	0	0	0	0
Adding Machine	1	250	0	0	0	0
Calculator	3	150	75	0	0	0
Filing Cabinet	3	75	150	0	0	0
Phones	3	1,200	150	0	0	0
Desks	6	720	180	0	0	0
Chairs	6	300	75	0	0	0
TOTAL FURN & EQUIP		8,645	3,880	3,250	0	0

*Spreadsheet and accounting packages.

DISCUSSION DRAFT No. 3, 10/8/87, marked against 9/25/87

FUNDING AGREEMENT

This agreement is made effective as of the ___ day of ___________, 1987, by and between VERMONT HOUSING FINANCE AGENCY (the "Agency"), a body politic and corporate of the State of Vermont, existing by virtue of, and having the powers granted by, the Vermont Housing Finance Agency Act, being Chapter 25 of Title 10, Vermont Statutes Annotated (the "Act"), and COMMUNITY HOUSING STOCK, INC., a non-profit corporation organized under the laws of the State of Vermont, having its principal place of business at Burlington, Vermont (the "Corporation").

STATEMENT OF PURPOSE AND PARTICULAR POLICIES

The broad purpose of this agreement, and the reason for the funding commitment hereinafter made, is to assist the Agency in carrying out its public and governmental function of encouraging an adequate supply of safe and decent housing at reasonable costs.

It is a policy of the Agency to preserve the supply of such housing and to avoid displacement of low and moderate income tenants. In furtherance of this policy, the Agency endeavors to assure that Residential Housing assisted pursuant to the Act will be preserved during its entire economic life primarily for occupancy by persons of low and moderate income.

While recognizing the long-term unpredictability of future conditions with respect to low income housing needs, financial viability of particular projects, and contributions to the Corporation, it is expected that the Corporation, in good faith, and to the extent consistent with the tax status of a Community Housing Corporation, will endeavor to further such policy in the financial and legal structure of each Residential

Housing project in which it participates.

By way of example, the Corporation shall attempt to obtain, on its own behalf or on the behalf of entities controlled by it, options to purchase or otherwise to obtain ownership or control of Residential Housing at the end of any initial period of restricted occupancy that is not co-terminus with the economic life of such housing, and to use its power of disposition to extend the period during which such housing is used primarily for occupancy by persons of low and moderate income.

It is a further policy of the Agency, as expressed in its Rules pertaining to Loans to Multi-Family Housing Sponsors, and it is one of the express objectives of federal housing law as set forth in Title I of the Housing and Community Development Act, to encourage economic integration in housing. The agreement which follows defines "Economically Integrated Housing" consistently with the Agency°s Rules. It is expected that the Corporation, to the extent consistent with the tax status of a Community Housing Corporation, will advance the Agency°s policy in this respect.

RECITALS

Pursuant to the Act: (A) it is the policy of the State of Vermont to encourage an adequate supply of safe and decent housing at reasonable costs; (B) the Agency is constituted a public instrumentality exercising public and essential governmental functions; (C) the Agency is authorized to make grants to "housing sponsors" within the meaning of the Act, and to make and execute contracts necessary or convenient for the exercise of its powers and functions under the Act.

The Corporation is a "housing sponsor" within the meaning of the Act, having the following purposes as set forth in its Articles of Association:

"Purposes. The Corporation is organized exclusively for charitable, educational, and scientific purposes including, for such purposes, (i) the fostering of low-income housing, (ii) the alleviation and prevention of community deterioration through the production of affordable housing, (iii) the making of distributions to the State of Vermont and political subdivisions and public instrumentalities thereof for public purposes and to organizations that foster low-income housing in the State of Vermont and that qualify as exempt organizations under section 501(c)(3)

al Revenue Code, or corresponding provisions of any

the State of Vermont."

In consideration of the reciprocal promises contained in this Funding Agreement, the parties agree as follows, with capitalized terms having the meaning ascribed to them in ARTICLE III, below:

ARTICLE I: FUNDING COMMITMENT

§1.01. During the Commitment Period, and subject to the terms and conditions of this Agreement, the Agency shall provide TWO MILLION AND 00/100 ($2,000,000.00) DOLLARS of Funds to the Corporation.

§1.02 The Funds shall consist of Operating Funds and Housing Development Funds.

§1.03. Except as set forth in §1.04, below, or as the Agency may otherwise consent, the amount of Funds to be provided by the Agency in any Funding Year shall not exceed $________________ and the amount of Operating Funds to be provided by the Agency in any Funding Year shall not exceed $________________. Funds not needed as Operating Funds may be drawn as additional Housing Development Funds upon the written election of the Corporation.

§1.04. Subject to substantial compliance with the Performance Standards, the difference between the amount of Housing Development Funds which were drawn by the Corporation in a given Funding Year and the maximum amount of Housing Development Funds which might have been drawn for that Funding Year, shall be carried forward as additional Housing Development Funds to the succeeding Funding Year.

§1.05. Operating Funds not drawn may be carried forward on the same principle as is applicable to Housing Development Funds; provided, however, and except as the Agency may otherwise consent, after December 31, 1988, no Operating Funds shall be payable to the Corporation for any Funding Year if, during the preceding Funding Year, the Corporation has not achieved substantial compliance with the Performance Standards applicable to that preceding Funding Year.

ARTICLE II: TERM

§2.01. Unless sooner terminated by the Agency pursuant to the provisions of this Agreement, the term of this Agreement shall commence as of the Effective Date and shall expire on the later to occur of (a) the date on which all Operating Funds advanced by the Agency have been repaid, (b) the date of exhaustion of the Economic Life of all Residential Housing assisted in whole or in part with Housing Development Funds or Recycled Funds, or (c) the last day of the Commitment Period.

ARTICLE III: DEFINITIONS

§3.01. As used in this agreement, the following terms shall have the meaning ascribed to them in this Article III:

Advance means a transfer by the Agency to or for the benefit of the Corporation of money, property, or instruments representing money or property or a promise to pay money.

Affiliate of the Corporation means any corporate subsidiary of the Corporation, whether such subsidiary is organized for profit or not for profit, and any owner of Residential Housing in which the Corporation or any such subsidiary has a financial interest.

Approved Project means Residential Housing described in Article VII of this agreement.

Code means the United States Internal Revenue Code of 1986 and the regulations applicable thereto, as the same may be amended from time to time.

Commitment Period means the period commencing on the Effective Date and ending on December 31, 1992.

Community Housing Corporation means an organization which is exempt from federal income taxes under §501(c)(3) of the Code , which is not a private foundation by reason of §509(a)(1), (2), or (3) of the Code, and which is organized, in whole or in part, for the express purpose of fostering low income housing.

Default means a material breach by the Corporation of any warranty, covenant, or other obligation of the Corporation under this agreement, or the discovery that any representation of the Corporation set forth in this agreement and relied upon by the Agency in entering this Agreement or in making any Advance was untrue when made, or the occurrence of any specific event described in Article X, below.

Effective Date means the date first above written.

Economic Life means, with respect to particular Residential Housing assisted by Housing Development Funds or Recycled Funds, that date 40 years after the date on which such Residential Housing is placed in service by the Corporation, or any Affiliate of the Corporation.

Economically Integrated Housing means Residential Housing which is intended for occupancy by Persons and Families of Low and Moderate Income and others, but only to the extent consistent with Chapter Three of the Agency's Rules pertaining to Loans to Multi-Family Housing Sponsors, which reads in pertinent part as follows:

> Initial occupancy in housing units financed by the Agency shall be limited to persons and families of low and moderate income provided, however, that (i) to the extent necessary to avoid economic loss resulting from inability to achieve full occupancy, and (ii) in order to encourage economic integration, a housing sponsor may, with the prior written approval of the Agency, permit initial occupancy of up to 25% of the units in the housing project by persons and families who are not persons and families of low and moderate income.

Funds means Operating Funds and Housing Development Funds.

Funding Year means (a) the period commencing on the Effective Date and ending on December 31, 1988, and (b) any calendar year within the Commitment Period and beginning after December 31, 1988.

Housing Development Account means the "housing development account" required to be established pursuant to Article IX.

Housing Development Costs means the costs incurred by the Corporation or any Affiliate of the Corporation in connection with the acquisition, construction or rehabilitation of an Approved Project, including the costs of its physical construction, the costs of acquisition of land, real or personal property, rights, rights-of-way, easements and franchises necessary or convenient for the construction, acquisition, or rehabilitation, and the costs of legal, administrative, architectural and related professional services, the costs of insurance, project reports, survey, other preliminary expenses and the costs of working capital, reserves and carrying charges.

Housing Development Funds means money or other assets, credits, or instruments needed to pay or guarantee the payment of Housing Development Costs, or to supply in kind any item payable as a Housing Development Cost. By way of illustration, such other assets, credits, or instruments may include, without limitation, real estate, options to purchase real estate, letters of credit, promissory notes, and guarantees of payment or performance.

Investment Proceeds means all monies, other than Mortgage Proceeds, paid into the Corporation or any Affiliate of the Corporation, for the purpose of facilitating the acquisition and/or construction, and/or rehabilitation of particular Residential Housing.

Mortgage Proceeds means, with respect to particular Residential Housing, monies advanced for the purpose of paying Housing Development Costs, secured by a mortgage on the Residential Housing, and which the Corporation or any Affiliate of the Corporation is obligated to repay.

Operating Account means the "operating account" required to be established pursuant to Article IX, below.

Operating Costs means current obligations reasonably incurred by the Corporation in carrying out its corporate purposes including, without limitation, employee salaries and wages, fees and expenses of directors of the Corporation, rent payments, telephone expenses, insurance premiums, general corporate legal expenses, and general office and employer overhead, but excluding Housing Development Costs.

Mortgagable Costs means, with respect to any Residential Housing on which Housing Development Funds have been expended, Housing Development Costs included in the final construction or acquisition budget submitted to and accepted by the actual first mortgagee of such Residential Housing.

Operating Funds means money needed to pay Operating Costs.

Performance Standards means the obligations of the Corporation described in Article VIII, below.

Persons and Families of Low and Moderate Income means persons and families irrespective of race, creed, national origin or sex deemed by the Agency to require such assistance as is made available by the Act on account of insufficient personal or family income, taking into consideration, without limitation, such factors as:

(A) The amount of the total income of such persons and families available for housing needs;

(B) The size of the family;

(C) The cost and condition of Residential Housing available;

(D) The cost and availability of mortgage loans on Residential Housing in the State of Vermont;

(E) The eligibility of such persons and families for federal housing assistance of any type predicated upon a low-income basis or upon the basis of the age of such persons;

(F) The ability of such persons and families to compete successfully in the normal housing market and to pay the amounts at which private enterprise is providing decent, safe and sanitary housing, and deemed by the Agency therefore to be eligible to occupy residential housing constructed and financed, wholly or in part, with insured or guaranteed construction loans or insured or guaranteed mortgages, or with other public or private assistance other than as provided by the Act.

Recycled Funds means, with respect to particular Residential Housing, (i) the excess, if any, of the sum of (a) Investment Proceeds and (b) Mortgage Proceeds over the sum of (x) Mortgagable Costs and (y) legally required reserves not included in Mortgagable Costs; provided that cash reserves which are legally required for a limited period and not used for their established purpose shall constitute Recycled Funds at the end of such period; (ii) the net (after-tax, if applicable) proceeds of sale, lease, or other disposition of the Residential Housing and accruing to or for the benefit of the Corporation or any subsidiary of the Corporation.

Residential Housing means residential housing units designed primarily to provide principal dwelling accommodations whether on a permanent or temporary basis for persons or families, which may include the land and improvements thereon and such non-housing facilities or services considered necessary or convenient by the Agency in connection with the housing units.

The term includes, but is not limited to, single or multi-family dwellings, housing cooperative corporations and cooperative interests, congregate homes, residential care homes as defined in 18 V.S.A. §2002, nursing homes, transitional housing, emergency shelters for the homeless or displaced, mobile homes, single room occupancy dwellings, and group homes for the mentally ill or developmentally disabled.

ARTICLE IV -- REPRESENTATIONS AND WARRANTIES

In order to induce the Agency to enter this agreement and to make Advances hereunder, the Corporation represents and warrants to the Agency as follows:

§4.01. Legal Capacity.

A. The Corporation warrants that it is a lawfully existing, duly organized non-profit corporation in good standing under the laws of the State of Vermont and has all the requisite power and authority to enter into this agreement.

B. The Corporation warrants that the person executing and delivering this agreement on behalf of the Corporation is fully authorized to do so and this agreement constitutes the legal and binding obligation of the Corporation.

C. The Corporation warrants that there is no action, proceeding or investigation now pending, nor any basis therefor known or believed to exist by the Corporation, which (i) questions the validity of this agreement or any action taken or to be taken under it, or (ii) is likely to result in any materially adverse change in the authority, property, assets, liabilities, or condition of the Corporation which would materially and adversely affect the Corporation's ability to perform any of the obligations imposed upon it under this agreement.

§4.02. Federal Tax Status of the Corporation.

A. The Corporation shall promptly apply to the Internal Revenue Service for an advance ruling permitting the Corporation to be treated as an organization exempt from federal income taxes by reason of §501(c)(3) of the Code and which is not a private foundation by reason of §509(a)(1),(2), or (3) of the Code.

B. As soon as practicable, the Corporation shall apply to the Internal Revenue Service for a private letter ruling assuring its ability as a Community Housing Corporation to undertake the production and/or acquisition and management of Economically Integrated Housing.

C. While its application for such advance ruling is pending, the Corporation shall do no act which would materially jeopardize its ability to qualify as a Community Housing Corporation.

D. In the event that it obtains such advance ruling, and thereafter until the termination or expiration of this agreement, the Corporation shall maintain its status as a Community Housing Corporation.

E. The corporate purposes of the Corporation, as set forth above, accurately state the purposes of the Corporation as set forth in its Articles of Association, and the Corporation shall not amend its Articles of Association without the written consent of the Agency, which consent shall not be withheld if necessary to comply with requirements imposed by the Internal Revenue Service as a condition of qualification of the Corporation as a Community Housing Corporation.

§4.03. Maintenance of Corporate Existence;

Distribution of Assets.

A. The Corporation shall maintain its corporate existence during the term of this agreement.

B. Except for the payment of Operating Costs and Housing Development Costs, the Corporation shall not make any distribution of its assets without the express prior written consent of the Agency.

C. In the event of the voluntary or involuntary dissolution of the Corporation during the term of this agreement, and whether such dissolution occurs with or without the consent of the Agency, the Corporation shall distribute all of its assets to the Agency.

ARTICLE V -- TERMS AND CONDITIONS OF ADVANCES

§5.01. Subject to the terms and conditions hereof, Advances shall be made on written request of the Corporation.

§5.02. Each request for an Advance shall constitute the reaffirmation, as of the date of such request, of each and every representation and warranty set forth in Article IV, above, and shall constitute the representation by the Corporation to the Agency that no Event of Default has occurred.

§5.03. The Agency shall not be obligated to make any Advance if an Event of Default has occurred.

§5.04. No Advance shall be made unless the Corporation has first submitted, and the Agency has approved, a written operating budget for the applicable Funding Year.

§5.05. Notwithstanding Article I, the Agency shall not be obligated to make any Advance for Operating Funds in an amount which would cause the total Advances for Operating Funds in a given Funding Year to exceed the operating deficit, if any, indicated by the applicable budget, whether as originally approved or as subsequently amended by the Corporation and approved by the Agency. In the event that the Corporation enjoys unanticipated income, the Agency may require the Corporation to amend the applicable budget to reflect that income.

§5.06. Except as the Agency may otherwise consent, requests for Advances for Operating Funds shall be submitted on a quarterly basis, and the Agency shall not be obligated to make any one Advance for Operating Funds in an amount greater than one-quarter of the projected operating deficit for the applicable Funding Year, which may be further adjusted on a pro-rata basis for unanticipated income if the Agency has requested the Corporation to submit an amended budget.

§5.07 Any request for an Advance of Housing Development Funds shall specify the particular Residential Housing project for which the request is made, setting forth the purpose of the Advance and the date or dates on which the Housing Development Funds will be needed.

§5.08 Any request for an Advance which complies with the terms and conditions of this Article V shall be honored by the Agency within ten days of the date of submission of the request, or, in the case of Housing Development Funds, such later date as the Housing Development Funds are actually needed, as reasonably specified in the request. PROVIDED, however, that in the case of any Advance for Housing Development Costs, the Agency may elect to make the Advance in any form adequate to the situation, regardless of the form in which the Advance may have been requested. For example, a request for a cash Advance may be honored by a letter of credit if such is adequate to satisfy the purpose of the Advance. Further provided, that in the event the Corporation combines several Housing Development Costs in a single request, the Agency may elect to withhold any portion of the Advance until actually needed, and need not provide the withheld portion if an Event of Default occurs during the interim period.

§5.09 If Recycled Funds are available to the Corporation, at the time of the request for an Advance of Housing Development Funds, the Agency in its discretion may elect to withhold so much of the Advance as can be satisfied by the application of such Recycled Funds.

ARTICLE VI -- USE OF FUNDS, RECYCLED FUNDS, INTEREST, AND FEES

§6.01. Pending disbursement for a proper purpose, Operating Funds shall be maintained in the Operating Account. The Corporation shall use Operating Funds to pay Operating Costs. In the discretion and at the risk of the Corporation, Operating Funds may also be used for short-term advances of Housing Development Costs. Reimbursement of such short-term advances from Housing Development Funds shall constitute a proper use of Housing Development Funds, notwithstanding anything to the contrary contained in this agreement. Interest earned, if any, on Operating Funds, shall be the property of the Corporation.

§6.02. Except as the Agency may otherwise expressly consent in writing, the Corporation shall use Housing Development Funds and Recycled Funds for the exclusive purpose of paying Housing Development Costs for Approved Projects, making reimbursements for Housing Development Costs advanced from Operating Funds, as permitted by §6.01, above, or repayment to the Agency.

§6.03 Pending disbursement for their proper purpose, Housing Development Funds and Recycled Funds shall be maintained in the Housing Development Account, except that Recycled Funds which are the property of a corporate subsidiary of the Corporation need only be deposited annually (on or before March 15 in each year) in the Housing Development Account and may be maintained indefinitely in an account of the corporate subsidiary to the extent reasonably necessary to assure that any partnership of which such corporate subsidiary is a general partner shall, for federal income tax purposes, be treated a partnership within the meaning of §761 of the Code.

§6.04 It is the intention of the parties that all Housing Development Funds and Recycled Funds shall be used exclusively for their intended purposes, and not for investment that is not directly related to the payment of Housing Development Costs. Accordingly, all interest earned on the Housing Development Account and any other investment (whether permitted or not permitted), and excluding interest earned on investments made for the express purpose of paying Housing Development Costs, shall be deemed, as between the parties, to be the property of the Agency, and the Corporation shall hold the same in trust for the benefit of the Agency. The Corporation may pay over such interest whenever convenient for the Corporation; provided, however, that on the first day of April, 1988, and on the first day of April in each year thereafter during the term of this agreement, the Corporation shall pay over to the Agency all such interest earned during the preceding calendar year and not previously paid over to the Agency. Such interest shall not constitute Operating Funds, Housing Development Funds, or Recycled Funds, and such payments shall neither constitute repayment of Funds nor have the effect of increasing the amount of Funds otherwise available for disbursement as Advances.

§6.05. Nothing in this agreement shall be construed to limit the ability of the Corporation to invest in its Affiliates, in such manner as it deems appropriate, for the purpose of paying Housing Development Costs, or to limit the abililty of the Corporation to earn interest or dividends on such investments. Such interest and/or dividends shall constitute Operating Funds for the purposes of this agreement. Repayments by the Affiliate of any portion of the principal amount of such investments, however, shall constitute Recycled Funds.

§6.06. No provision of this agreement shall be construed to limit the ability of the Corporation to provide contract services to Affiliates of the Corporation and to receive reasonable fees therefor. Such reasonable fees shall constitute Operating Funds.

ARTICLE VII -- APPROVED PROJECTS

§7.01. No project which is not Residential Housing shall constitute an Approved Project.

§7.02. To the extent consistent with the federal tax status of the Corporation, any Residential Housing of the type hereinafter described in this Article VII shall constitute an Approved Project.

§7.03. Residential Housing for the handicapped.

§7.04. Residential Housing for the elderly.

§7.05. Residential Housing intended primarily for occupancy by Persons of Low and Moderate Income, including, without limitation, Residential Housing of the following types.

§7.06. Residential Housing which qualifies for the low income housing credit established by §42 of the Code.

§7.07. Residential Housing which is the subject of a new construction or substantial rehabilitation "Housing Assistance Payments Contract" pursuant to Section 8 of the federal Housing and Community Development Act of 1974, or any other housing subsidy provided by the Federal government or the State of Vermont.

§7.08. Residential Housing financed with the proceeds of "exempt facility bonds" within the meaning of §142(a) of the Code.

§7.09 Residential Housing financed with the proceeds of "qualified mortgage bonds" within the meaning of §143(a) of the Code.

§7.10. Residential Housing financed by the U.S. Farmers Home Administration, the U.S. Department of Housing and Urban Development, or any other agency of the Federal government or the State of Vermont.

§7.11. Residential Housing the mortgage indebtedness on which is insured or guaranteed by the Federal Housing Administration, the Department of Housing and Urban Development, or any other agency of the Federal government or the State of Vermont.

§7.12. Economically Integrated Houisng.

ARTICLE VIII -- PERFORMANCE STANDARDS

§8.01. During the Commitment Period, the Corporation shall substantially comply with the Performance Standards with respect to production or acquisition of housing set forth in Exhibit A attached hereto and incorporated herein by reference.

§8.02. At all times during the term of this agreement, the Corporation shall assure that any Residential Housing assisted with Housing Development Funds or Recycled Funds and owned by the Corporation or any Affiliate of the Corporation:

A. Shall be constructed and maintained in a workman-like manner and in accordance with all laws, ordinances, and building codes applicable thereto.

B. Shall be managed, with respect to accounting and financial matters, in a business-like manner and in accordance with generally accepted accounting principles.

ARTICLE IX -- MONITORING AND ACCOUNTING

§9.01. The Corporation shall promptly establish with a Vermont bank, and shall thereafter maintain during the term of this agreement, an "operating account" (Operating Account) separate and distinct from the Housing Development Account, and insured by the Federal Deposit Insurance Corporation.

§9.02. All Operating Funds disbursed to the Corporation pursuant to this agreement shall be deposited in the Operating Account.

§9.03. The Corporation shall promptly establish with a Vermont bank, and shall thereafter maintain during the term of this agreement, one or more interest-bearing, insured, "housing development accounts" (Housing Development Accounts).

§9.04. All Housing Development Funds and Recycled Funds shall be deposited in a Housing Development Account.

§9.05. Funds in a Housing Development Account shall be used exclusively to pay Housing Development Costs, to make repayments of Funds to the Agency, or to make payments of earned interest held in trust for the benefit of the Agency pursuant to §6.04 of this agreement.

§9.06. Quarterly, not later than the 15th day of each month next following each calendar quarter during the term of this agreement, and in such form as the Agency may specify, the Corporation shall provide to the Agency a statement of all of its receipts and disbursements for such preceding quarter, and such additional accounting information as the Agency may request.

§9.07 Annually, not later than March 15 of each year during the term of this agreement, the Corporation shall provide the Agency with its audited financial statements for the preceding year.

§9.08. The books of account of the Corporation shall be kept in accordance with generally accepted accounting principles and this agreement. In furtherance of its right to monitor the activities of the Corporation, the Agency may, but need not, keep and maintain the books of account of the Corporation, which shall be based upon the quarterly reports and other information required by §9.06 to be provided by the Corporation. If the Agency so elects, it shall cooperate fully with the Corporation's auditors and shall hold the Corporation harmless from any failure of the Agency to comply with generally accepted accounting principles. Notwithstanding such election by the Agency, the Corporation shall be fully responsible at all times for maintaining an accurate receipts and disbursement journal, checkbooks and certificates of deposit, and back-up materials customarily required in connection with a financial audit.

§9.09. Any election of the Agency to keep and maintain the books of account of the Corporation may be revoked by the Agency effective as of the end of any fiscal year of the Corporation, and the Corporation shall thereafter be responsible therefor.

§9.10. The quarterly reports of the Corporation and the books of account of the Corporation shall be kept in such fashion as shall assure the availability of an audit trail for sums expended on particular Residential Housing and interest which is the property of the Agency pursuant to §6.04, above.

§9.11. The Corporation shall assure that, at all times during the term of this agreement, with respect to any Residential Housing assisted with Housing Development Funds or Recycled Funds, the Agency shall be entitled to enter upon and inspect such Residential Housing for the purpose of investigating the physical and financial condition thereof, and its construction, rehabilitation, operation, management and maintenance, and to examine all books and records of the Corporation or any Affiliate of the Corporation with respect to capitalization, income and other matters relating thereto.

ARTICLE X - EVENTS OF DEFAULTS

§10.01. The occurrence of any event described in this Article X shall constitute an Event of Default for the purposes of this agreement.

§10.02. After written notice of default from the Agency to the Corporation, specifying (a) a Default other than one of the specific Defaults hereinafter described in this Article X, (b) the steps required to cure the Default, and (c) a reasonable time for effecting such cure, the failure by the Corporation to cure any such Default within the time permitted by such notice.

§10.03. The deliberate or fraudulent misapplication of Funds by the Corporation, any director of the Corporation, or any officer of the Corporation.

§10.04. The voluntary or involuntary dissolution of the Corporation during the term of this agreement.

§10.05. Receipt by the Corporation from the Internal Revenue Service of a notice of revocation of the Corporation's status as, or right to be treated as, an organization exempt from federal income taxes and which is not a private foundation pursuant to §501(c)(3) and §509(a)(1),(2), or (3) of the Code. This section shall not be construed to apply to any failure of the Corporation to obtain such status in the first instance.

ARTICLE XI -- REMEDIES OF THE AGENCY IN THE EVENT OF DEFAULT

§11.01. In case of an Event of Default, and in addition to any other remedy available to the Agency at law or in equity, the Agency shall have any or all of the remedies described in this Article XI.

§11.02. The Agency, at its election, may decline to make further Advances under this agreement.

§11.03. The Agency, at its election, may sue to recover from the Corporation immediate repayment of all Advances made to or for the benefit of the Corporation.

§11.04. With respect to Events of Default arising from the Corporation's failure to comply with Performance Standards specified in §8.02 or the Agency's inspection rights specified in §9.11, such provisions being primarily for the benefit of the public and the occupants of Residential Housing, with damages to the Agency being difficult of measurement, the Agency shall be entitled to make any order and to pursue any appropriate remedy within the scope of 10 V.S.A. §624(b) (6) and §624(a)(2), respectively, and shall further be entitled to the equitable remedy of specific performance.

§11.05. The remedies herein specified are intended to be cumulative for the benefit of the Agency, and the election by the Agency of any one remedy shall not be deemed to exclude any other remedy.

Vermont Housing Finance Agency

RESOLUTION PERTAINING TO A NON-PROFIT HOUSING CORPORATION

RESOLVED:

1. That Vermont Housing Finance Agency shall, and the Executive Director is directed to, take all steps reasonably calculated to encourage the creation of a non-profit housing corporation (the "Corporation") organized substantially in accordance with the draft Articles of Association and Bylaws presented to the commissioners at the Agency°s meeting of October 15, 1987 under the working title of "Community Housing Stock, Inc.", with such changes thereto as the Executive Director shall deem necessary or desireable to assure that the Corporation shall be a "qualified non-profit organization" within the meaning of SEction 42 of the Internal Revenue Code.

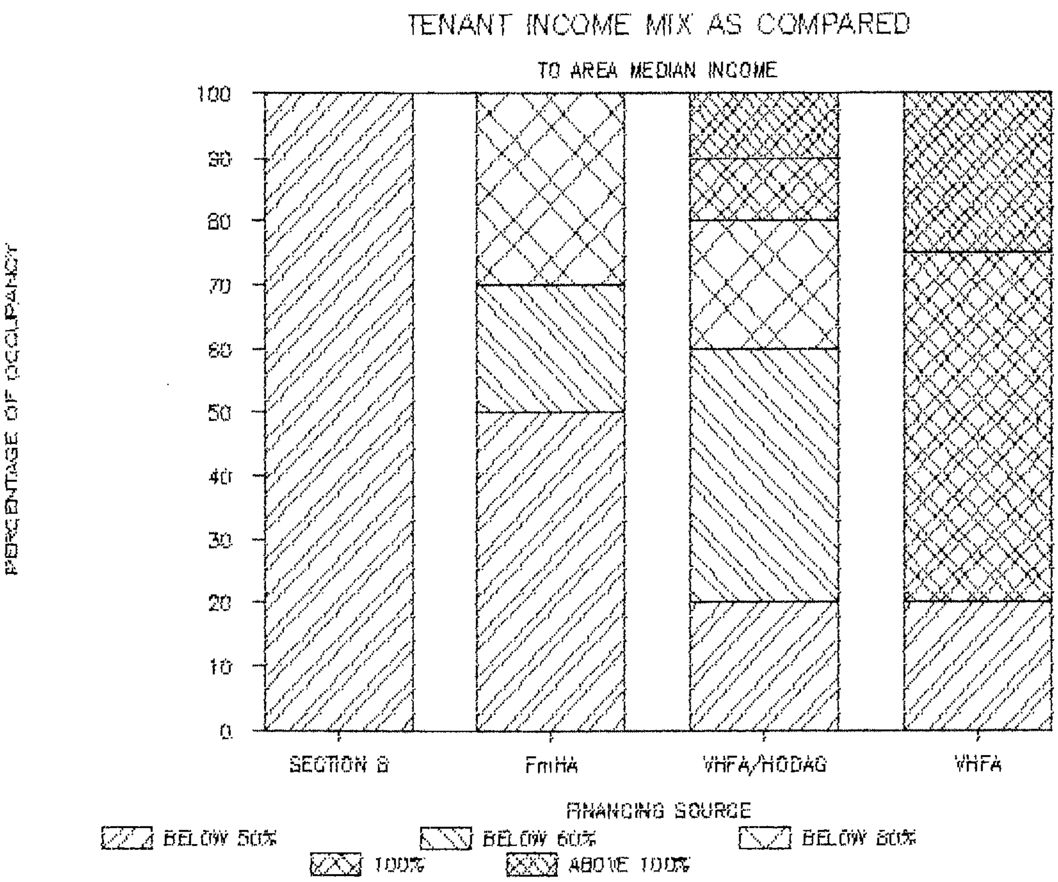
2. The Executive Director shall identify and solicit appropriate directors for the Corporation and may provide assistance in the application of the Corporation for recognition by the Internal Revenue Service as such "qualified non-profit organization." In rendering such assistance, the Executive Director is authorized in his discretion to incur expenses for legal, technical, and other advisory services. As used herein, the term "appropriate directors" means persons who, in the opinion of the Executive Director with the concurrence of the Chairman and the Governor of the State of Vermont, are knowledgeable in the areas of the housing needs of low-income persons in the State, housing and community development, housing acquisition and management, finance, marketing, and general business management.

3. The Director of Finance shall immediately commission an independent professional analysis of the Agency°s financial position with respect to an appropriate bond indenture (the "Cash Flow Analysis") for the purpose of establishing the amount of funds which may be properly withdrawn therefrom for the purpose of honoring the Funding Agreement hereinafter described.

4. Subject to receipt of the Cash Flow Analysis, and upon the organization of the Corporation, the Executive Director is authorized to execute, with the Corporation, a funding agreement (the "Funding Agreement") substantially in the form presented to the commissioners at the Agency°s meeting of October 15, 1987; PROVIDED, HOWEVER, that the total financial commitment of the Agency under the Funding Agreement shall not exceed the LESSER of (a) $2,000,000.00, or (b) an amount based upon the results of the Cash Flow Analysis and deemed permissible by the Executive Director with the concurrence of the Chairman and the Director of Finance. Further provided that, in executing the Funding Agreement, the Executive Director, in his discretion may (1) change the Commitment Period to three years, (2) determine the annual proportion of Housing Development Funds to Operating Funds under the Funding Agreement, provided that the amount of Funds allocable as Operating Funds in any Funding Year shall not exceed 40% of all Funds available for such Funding Year, and/or (3) establish a disproportionate allocation of annual Funds over the Commitment Period so long as the total financial commitment of the Agency as herein authorized shall not be exceeded.

TENANT INCOME MIX BY FINANCING SOURCE

FINANCING SOURCE	PERCENT OF AREA MEDIAN INC. 50.00%	60.00%	80.00%	100.00%	150.00%
SECTION 8	100	0	0	0	0
FmHA	50	20	30	0	0
VHFA/HODAG	20	40	20	10	10
VHFA	20	0	0	55	25



VHFA NON-PROFIT HOUSING REVOLVING LOAN FUND

PURPOSE/GOALS:

The purpose of the fund is to promote and assist locally based non-profit housing development as a complement to the VHFA non-profit effort . The fund is designed to be consistent with VHFA's fiduciary responsibility by providing hands-on technical assistance and guidance from experienced VHFA staff, along with venture capital for non-profit housing.

By these means we propose not only to create a stock of locally owned non-profit housing for low and moderate income Vermonters throughout the state, but also to build the expertise of Vermont's non-profit housing sector and to better access existing sources of subsidy and debt financing. Through repayments and potential matches from such sources as the Housing Assistance Council, VHFA will also establish a perpetual resource for non-profit housing sponsorship without unduly depleting VHFA funds.

OBJECTIVES AND PROGRAM IMPLEMENTATION:

- Establish non-profit housing development loan fund administered by staff in VHFA Multi-Family Housing Department.
- Seed fund with up to $250,000 and actively seek match for this VHFA contribution.
- Maintain funds in existing investments until actually loaned.
- Cap loans at $50,000 for up to a 3 year term at 3% interest repayable in lump sum at closing.
- Charge application fee of $500.00.

ELIGIBLE PROJECTS:

Projects must meet VHFA's definition of residential housing and additionally, provide for long term, if not perpetual affordability to Vermonters of low and moderate income. While a firm size limit will not be enforced, the intent of the program is to serve projects that would be too small to joint venture with the non-profit, or to be financed by a tax exempt issue.

ELIGIBLE USES OF FUNDS:

- Appraisals
- Option agreements
- Plans and specifications
- Professional services such as legal, and architectural fees
- Permits
- Closing costs

TECHNICAL ASSISTANCE SERVICES:

- Timely review and critique of key development documents, appraisals, option agreements, plans and specs, development budgets, construction budgets, management plans and budgets.
- Timely review and critique of applications for grants, loans, permits and closing documents.
- Assistance in the development of overall subsidy and financing plan and timetable. Access to state and national resources or models pertinent to sponsor's needs.

NON-PROFIT SPONSOR RESPONSIBILITIES:

1. Application and $500.00 fee.
2. Preparation of timetable, subsidy and financing plan.
3. Preparation of development budget to determine loan needs.
4. Adherence to timetable, plan, and budget.
5. Regular reporting to TA staff.
6. Timely provision of documents needing review.
7. Preparation of all loan, grant, and permit applications.
8. Demonstration of long-term affordability mechanism.

FUNDING PRIORITIES

Applications will be taken and funds reserved on a first-come first-serve basis.

Once the fund drops below $100,000 an application deadline will be established and applications will be taken up to that date on a competitive basis.

Also, in this case, each applicant will provide additional information on a VHFA form allowing staff to score each project according to the following criteria:

- Likelihood of going forward.
- Numbers served.
- Other funding leveraged.
- Security of long term affordability mechanism.

LOSS POTENTIAL

The VHFA must be prepared to take some loss in this program because no matter how much diligence is exercised by staff, some projects may not go forward.

STAFFING

This program will require the oversight and administration of one full-time multi-family staff person and thus will require us to hire. This person will be an experienced project developer/coordinator with knowledge of the resources currently available for low income housing in Vermont.

PROGRAM FLOW CHART

	PREAPPLICATION:	Any non-profit may discuss potential application, and procedure with T.A. staff.
PHASE I APPLICATION	APPLICATION:	- Sponsor submits application on Agency form, with project summary, preliminary funding, financing plan and timetable, and other information requested by VHFA. - Sponsor submits resolution from its Board to pursue project in question. - T.A. staff reviews these, and if determined feasible, accepts fee and signs T.A. agreement with sponsor. - Sponsor pays $500.00.
PHASE II PROJECT DEVELOPMENT	PLANNING:	- Sponsor provides detailed development schedule and requests setaside from the RLF. - Funds are drawn down as needed to pay for pre-agreed upon costs.
	ACCOUNTABILITY:	- Documentation for these costs maintained in project file. - Bi-monthly reports also provided by sponsor to T.A. staff throughout development process.
PHASE III CLOSING	PROJECT CLOSEOUT:	- Final Review of all closing documents. - Loan repaid to VHFA as project cost at closing.

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Single Family Staff

SUBJECT: Program Update

DATE: October 5, 1987

New Homes Program

Reservations:

Balance Beginning of Week	Processed Current Week	Less Conversions	Total Outstanding
#51 $3,052,528	#9 $567,572	#7 $442,400	#53 $3,174,000

Commitments:

Balance Beginning of Week	Processed Current Week	Less Conversions	Total Outstanding
#62 $3,685,703	#1 $61,850	#3 $194,100	#60 $3,553,453

Purchases:

Balance Beginning of Week	Processed Current Week		Total Outstanding
#5 $329,350	#3 $194,100		#8 $523,450

Total Pipeline:

Balance Beginning of Week			Total Outstanding
#118 $7,067,581			#121 $7,250,903

Builder Reservations:

Total as of last week:	$3,046,935
Plus New Reservations:	$
Minus Cancelled Builder Reservations:	$
Minus Builder Reserv. Taken By Individuals:	$ 190,200
Plus Cancelled Individual Reservations	$ 68,500
Total:	$2,925,235

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Single Family Staff

SUBJECT: Program Update

DATE: October 5, 1987

1987A Program

Reservations:

Balance Beginning of Week	Processed Current Week	Less Conversions	Total Outstanding
#51 $471,922	#13 $681,375	#9 $437,260	#53 $2,716,037

Commitments:

Balance Beginning of Week	Processed Current Week	Less Conversions	Total Outstanding
#81 $3,983,542	#14 $693,260	#13 $670,370	#82 $4,006,432

Purchases:

Balance Beginning of Week	Processed Current Week		Total Outstanding
#12 $623,105	#13 $670,370		#25 $1,293,475

Total Pipeline:

Balance Beginning of Week			Total Outstanding
#144 $7,078,569			#160 $7,956,664

Mortgage Plus Program

Reservations:

Balance Beginning of Week	Processed Current Week	Less Conversions	Total Outstanding
#2 $111,441	#3 $190,300	#1 $38,900	#4 $262,841

Certificates Committed:

Balance Beginning of Week	Processed Current Week	Less Conversions	Total Outstanding
# $	#1 $38,900	# $	#1 $38,900

Certificates Issued:

Balance Beginning of Week	Processed Current Week		Total Outstanding
#1 $51,200	# $		#1 $51,200

Total Pipeline:

Balance Beginning of Week:			Total Outstanding
#3 $162,641			#6 $352,941

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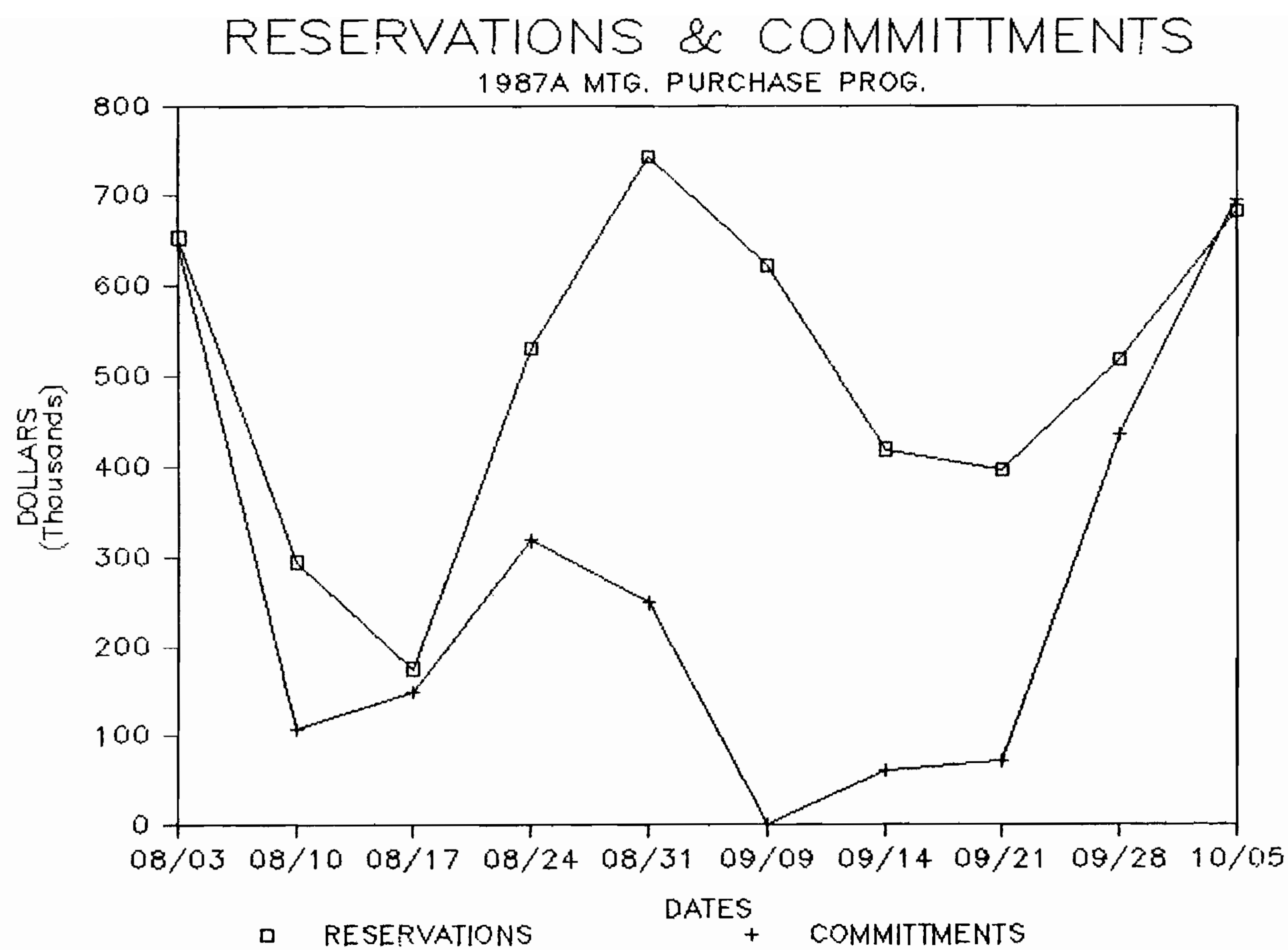
RESERVATIONS & COMMITTMENTS
1987A MTG. PURCHASE PROG.
DOLLARS
(Thousands)
800
700
600
500
400
300
200
100
0
08/03
08/10
08/17
08/24
08/31
09/09
09/14
09/21
09/28
10/05
DATES
RESERVATIONS
+
COMMITTMENTS

STATISTICAL REPORT NEW HOMES PROGRAM
SINGLE FAMILY DATABASE
EFFECTIVE: 10/08/87

Total Number of Loans:	70
Total Loan Amount:	$4,184,771
Average Loan Amount:	$59,782

NEW DETACHED HOUSING:	$4,001,166	95.6%	67 Loans
NEW CONDOMINIUM:	$183,605	4.3%	3 Loans

Total Insured or Guaranteed Loans:	68
Loans Guaranteed by VHMGB:	68

	ACED	NON ACED	STATEWIDE
Avg. Purchase Price	$65,784	$72,669	$69,128
Avg. Loan Amount	$54,727	$65,135	$59,782
Avg. Borrower Income	$23,975	$27,809	$25,837
Avg. Housing Debt-Income Ratio	26.7%	26.9%	26.8%
Avg. Total Debt	$673.94	$789.14	$729.90
Avg. Total Debt-Income Ratio	33.4%	33.9%	33.7%
Total No. of Loans	36	34	70
First Time Homebuyers	72.2%	64.7%	68.5%
% Loans with 2 or more Wage Earners	38.8%	44.1%	41.4%
% of Total Loan Amount	47.1%	52.9%	100.0%

	Loans	$ Amount	% of $ Amount	Population	% of Pop.
Addison	4	$235,020	5.6%	29,406	5.8%
Bennington	3	$189,700	4.5%	33,345	6.6%
Caledonia	3	$145,700	3.5%	25,808	5.1%
Chittenden	26	$1,729,878	41.4%	115,534	22.6%
Essex	0	$0	0.0%	6,313	1.0%
Franklin	6	$334,310	8.0%	34,788	6.8%
Grand Isle	1	$60,000	1.4%	4,613	0.9%
Lamoille	4	$219,535	5.2%	16,747	3.3%
Orange	4	$178,000	4.3%	22,739	4.5%
Orleans	5	$272,718	6.5%	23,440	4.6%
Rutland	8	$483,460	11.6%	58,347	11.4%
Washington	2	$83,500	2.0%	52,393	10.2%
Windham	4	$252,950	6.0%	36,933	7.2%
Windsor	0	$0	0.0%	51,030	10.0%
TOTAL	70	$4,184,771	100.0%	511,456	100.0%

* 1980 Adjusted Census Data

STATISTICAL REPORT BONDSERIES 87A
SINGLE FAMILY DATABASE
EFFECTIVE: 10/08/87

Total Number of Loans:	114
Total Loan Amount:	$5,663,704
Average Loan Amount:	$49,681

EXISTING:	$5,278,322	93.8%	107 Loans
NEW CONSTRUCTION:	$385,382	6.1%	7 Loans
NEW DETACHED HOUSING:	$328,772	85.3%	6 Loans
NEW CONDOMINIUM:	$56,610	14.6%	1 Loans

Total Insured or Guaranteed Loans:	112
Loans Guaranteed by VHMGB:	112

	ACED	NON ACED	STATEWIDE
Avg. Purchase Price	$51,738	$62,974	$55,188
Avg. Loan Amount	$46,050	$57,876	$49,681
Avg. Borrower Income	$24,313	$26,950	$25,123
Avg. Housing Debt-Income Ratio	24.8%	28.4%	25.9%
Avg. Total Debt	$660.43	$796.85	$702.31
Avg. Total Debt-Income Ratio	32.7%	35.5%	33.6%
Total No. of Loans	79	35	114
First Time Homebuyers	75.9%	97.1%	82.4%
% Loans with 2 or more Wage Earners	50.6%	57.1%	52.6%
% of Total Loan Amount	64.2%	35.8%	100.0%

	Loans	$ Amount	% of $ Amount	Population	% of Pop.
Addison	2	$102,030	1.8%	29,406	5.8%
Bennington	0	$0	0.0%	33,345	6.6%
Caledonia	9	$352,904	6.2%	25,808	5.1%
Chittenden	28	$1,652,396	29.3%	115,534	22.6%
Essex	4	$152,082	2.7%	6,313	1.0%
Franklin	15	$688,127	12.1%	34,788	6.8%
Grand Isle	0	$0	0.0%	4,613	0.9%
Lamoille	6	$294,125	5.2%	16,747	3.3%
Orange	4	$188,355	3.3%	22,739	4.5%
Orleans	9	$291,375	5.1%	23,440	4.6%
Rutland	13	$698,650	12.3%	58,347	11.4%
Washington	18	$920,410	16.3%	52,393	10.2%
Windham	1	$52,000	0.9%	36,933	7.2%
Windsor	5	$271,250	4.8%	51,030	10.0%
TOTAL	114	$5,663,704	100.0%	511,456	100.0%

* 1980 Adjusted Census Data

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: October 8, 1987

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt

RE: INFORMATION ON THE GOVERNOR'S COMMISSION ON VERMONT'S FUTURE

Chairman Shaw has asked me to provide you with the enclosed information in hopes that you will publicize this important effort.

Also please find enclosed a draft of testimony I would like to present to the Commission in written and verbal form. I think it is important we share with the Commission our view on the affordable housing problem. I would appreciate your comments!

Enclosures

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/222-VHFA

PROPOSED TESTIMONY

GOVERNOR'S GROWTH COMMISSION

Thank you for the opportunity to present testimony to your Committee. The problems of affordable housing in Vermont are reaching a crisis level, with house prices increasing much more rapidly than median income. The Vermont Housing Finance Agency has been and is committed to stimulating and financing affordable housing throughout Vermont. In our 14 year history, we have financed over 10,000 single-family loans, with approximately 90% going to first-time homebuyers. Additionally, we have financed nearly 2,500 units of rental housing for low and moderate income families. Our task has never been more difficult, for many reasons.

Before going into those reasons, a few startling statistics. Recent data compiled by the Internal Revenue Service placed the average cost of a <u>new</u> home in Vermont at $97,700, and an average existing home at $85,200--an increase of 22% since the last published figures in 1985. During the same period, state data indicates incomes rose by 14%. Thus, housing has been less affordable to may Vermonters whose income has <u>not</u> kept pace with housing costs.

The problems in some counties are worse. For example, in Chittenden County the average price for a primary residence (both new and existing) was nearly $98,000 and the trend is upward. Only 25 out of some 800 listings in Chittenden County were priced below $80,000, a level considered to be on the top side of affordable.

Our major reason for escalating home prices is demand. The attractiveness of the state, when combined with a robust economy, certainly creates demand. Changing demographics, with the baby-boomer generation demanding and getting larger and more expensive housing, also plays a role. Finally, retirees are maintaining homes here, and single persons are buying homes together.

Given the demand, why not just build more housing? Some housing is being built, but most of it is very high-cost housing. Virtually everything in Burlington and the surrounding area is priced above $100,000. Brattleboro and White River Junction also have extremely high new-construction prices. In an attempt to stimulate affordable new housing, this Agency made available nearly $20 million in mortgage funds, with a 7 3/4% interest rate for newly built homes selling for less than $78,000. Only $3,000,000 was requested by builders, with many builders throughout the state indicating they couldn't build a home for less than $80,000!

The primary reason given by builders as to why they can not build an affordable house is the cost of land, with the cost of a buildable lot approaching $30,000 throughout the state. Why are building lots so expensive? Here are some thoughts:

- Buildable land in Vermont has always been at a premium. Geographically, you can't build on hillsides or river valleys, which comprise much of Vermont's landscape.

- Planning and zoning laws impact what and how much you can build. One and two acre (and even five acre) zoning is not uncommon. More densely-built housing is theoretically permitted, but usually not approvable.

- We lack a modern infrastructure (roads, water and sewer systems, solid waste disposal) to accommodate the development of housing at a scale that would stabilize or reduce new home prices.

- A series of tough land use laws have severely restricted the development of housing. Act 250, for example, virtually prohibits building on agricultural land, regardless of its economic value.

- Recent enactment of stringent water quality legislation makes building on sites not serviced by water and sewer almost impossible and, in most cases, prohibitively expensive.

What is the relationship between high land costs and high-priced housing? A rule of thumb used by builders is that land costs should not exceed 30% of the total cost of the house; and, ideally, it should be closer to 20%. Using this rule as a guideline, it makes economic sense for a builder to build a $90,000 house on a $30,000 lot, for a total cost of $120,000.

In addition to high land costs, other factors contribute to the high cost of new housing. The local communities' heavy reliance on the property tax for reserves makes lower-cost housing less appealing to communities. Local subdivision regulations requiring sidewalks, underground utilities and wide streets contribute significantly to building costs.

What should be done about this problem? Here are a few thoughts:

1. The time has come to assess the cumulative impact of all of our land use laws on the cost of housing. It would appear that affordable housing is one of the casualties of our quality environment. We need to review and take a macro approach to this issue and confirm or change what we have done.

2. Communities should update their planning and zoning laws in view of today's realities. Well-planned, higher density housing should be encouraged, rather than discouraged. Density bonuses should be given to developers willing to build affordable housing. Limited state resources should be withheld from communities unwilling to accept affordable housing.

3. We must look for ways to become less reliant on the property tax, as such reliance provides a disincentive to communities to promote and approve affordable housing, due to the fear that cost of services will exceed tax revenues.

4. We should ease up on subdivision regulations through a process of community education and incentives.

5. We need better and more current data. In the absence of such data, making decisions on how to allocate financial resources and assess the impact of legislative initiatives is really impossible.

What role does affordable housing play in Vermont's future? Without it, businesses will be hard-pressed to attract qualified satisfied workers. Without it, it will be difficult to fill the public sector jobs such as teachers, nurses, and police officers. Perhaps most importantly it will lead to a significant deterioration of the quality of life for many Vermonters. We can not afford to be without it!

KUNIN
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VERMONT HOUSING
FINANCE AGENCY
RECEIVED
SEP 28 1987

OFFICE OF THE GOVERNOR
STATE OF VERMONT
MONTPELIER, VERMONT 05602

September 21, 1987

Mr. Horace Shaw, Chairman
Vermont Housing Finance Agency
20 North Williams Street
Burlington, VT 05401

Dear Horace:

I am writing to ask your assistance with one of the most important issues that we as Vermonters face: planning for the future of this state.

Because the Vermont Housing Finance Agency is often at the center of important debates that affect growth and development, I want to request that Board members help lead the discussion on principles to guide future growth in Vermont.

My priority in the coming years will be to help Vermont regions and towns build stronger social and economic communities, while protecting their unique character. I will appoint a Commission on Guidelines for Growth to hold public hearings across the state this Fall. The Commission will use the hearings as the basis for developing a set of guidelines on growth: clear declarations of how Vermonters want to insure that the state's growth is compatible with social and environmental goals. In 1988, I will ask the Legislature to adopt these principles and begin to chart a course for putting them into practice.

I ask the Vermont Housing Finance Agency to support this initiative by becoming a co-convener of the public hearings. I ask that members of your Agency attend the hearings in their localities, encourage friends and neighbors to attend, and speak out in a leadership role. The value of these hearings will depend on the participation of a great many Vermonters. You, the Agency, can play a vital role on this significant public debate which will influence the future of Vermont in the year 2000 and beyond.

Please let Rick Minard, State Planning Director, (828-3326) know by September 30 if your Agency will join me on this venture.

Sincerely yours,

Madeleine

Madeleine M. Kunin
Governor

MMK:ram

STATE OF VERMONT
OFFICE OF THE GOVERNOR
109 STATE STREET
MONTPELIER, VERMONT 05602
(802) 828-3333

Press Release
September 22, 1987

For Immediate Release

MONTPELIER -- Governor Madeleine M. Kunin announced a major initiative Tuesday for planning for Vermont's future. As the first step, she named a 12-member commission to assess the sentiments of Vermont citizens on the issue of growth, to establish guidelines for dealing with growth and to suggest mechanisms for implementing changes.

The Governor said that planning growth in a manner that preserves Vermont's unique character, while continuing to promote economic prosperity in the state, will be her principal goal during the coming year.

"I believe Vermonters want to have a say about the future of this state and not be bystanders to change," the Governor said. "This Commission will have a responsiblity greater than any commission I have appointed as Governor, because I look to it to paint a portrait of the people of this state, what it looks like today, and what we would like it to look like in the year 2,000 and beyond."

The commission, to be known as The Governor's Commission on Vermont's Future: Guidelines for Growth, will be chaired by Douglas M. Costle, Dean of the Vermont Law School and former administrator of the U.S. Environmental Protection Agency.

The 11 other Commission members are Betty Wheeler of Middlebury, Darby Bradley of Calais, Arthur Gibb of Weybridge, Donald Tarinelli of Jamaica, Wayne Patenaude of East St. Johnsbury, Elizabeth Bankowski of Brattleboro, Mark Snelling of Hinesburg, Sister Janice Ryan of Burlington, Miles Jensen of Westford, Robert Lawson of Putney and Polly Billings of Woodstock. (Please see attached sheet for biographical data on the Commission members.)

The Governor said the Commission represents a wide range of backgrounds and beliefs and is well suited for the difficult task of sounding out the views of all Vermonters on how they want their state to progress in ensuing decades.

"The members represent a broad spectrum of viewpoints, of expertise, and they share a common commitment to the future of this state," she said. "I am deeply grateful for their extraordinarily generous contribution to the people of Vermont by agreeing to serve in this capacity."

Costle said Vermont is in a unique position to set the agenda for its future before it is too late.

"I am very pleased to be asked by the Governor to help in this endeavor," Costle said. "This issue has overwhelmed other parts of the country. It is not too late in Vermont to seize control of its own destiny. To not face it squarely would be to invite the same mistakes here that already have manifested themselves elsewhere."

The Commission will hold nine hearings across the state during ensuing weeks. It also has been charged by the Governor to solicit testimony from Vermonters who ordinarily do not participate in the public hearing process.

The Governor has asked the Commission to report back to her by December 31 with their findings. She also has asked members to develop a set of guidelines, based on the testimony they receive, to be used to set in motion legislative initiatives to deal with growth and planning in Vermont.

The Governor said she anticipates the keystone to growth legislation will rest with the strengthening of regional planning. She emphasized that growth and planning issues relating to Vermont's future must be decided on the regional level.

The report the Commission prepares for the Governor will be the foundation upon which legislation to plan growth in a meangful way will be presented to the 1988 session of the General Assembly.

Because of the complexity of the growth issue, however, the Governor said she believes it will take more than one legislative session to implement all the changes that are necessary to guide Vermont's future.

"The time has come to have meaningful and effective regional planning," Governor Kunin said. "We have an opportunity to begin now, to shape the future of this state as we, the people of Vermont, envision."

-30-

S T A T E O F V E R M O N T

EXECUTIVE DEPARTMENT

E X E C U T I V E O R D E R

WHEREAS, Vermont has an incomparable heritage of natural resources, scenic landscapes and liveable communities, and

WHEREAS, the future community strength and economic vitality of the State require the continuation of these natural and cultural values, and attention to economic diversity and the opportunity to earn a decent living, and

WHEREAS, the productive agricultural lands and forests, outdoor recreation areas, uncongested villages and landscape are vulnerable to degradation by development that is inappropriate in type, location or scale, and

WHEREAS, policies and decisions by state and local governments relating to infrastructure investment, development assistance, affordable housing, natural resource stewardship and zoning should promote community and economic development that is compatible with the character and values of the State, and should not inadvertently create impediments to such development, and

WHEREAS, achieving orderly growth consistent with the maintenance of the environmental quality of the State and perpetuation of its essential character require cooperation among all levels of government as well as between the public and private sectors, and

WHEREAS, such cooperation must be based on shared goals and principles reflective of a broad base of citizen opinions and preferences, and

WHEREAS, these goals and principles should provide a framework for development decisions, and

WHEREAS, a new stimulus to plan for desirable and orderly growth should be provided to every level of government with a particular focus on planning at the regional level where local and state interests can be reconciled most effectively,

NOW THEREFORE, BE IT RESOLVED THAT I, Madeleine M. Kunin, by virtue of the authority vested in me as Governor, do hereby create the Governor's Commission on Vermont's Future: Guidelines for Growth, and instruct the Commission to solicit the opinions of Vermonters on the goals and principles needed to guide decisions that will determine the character and patterns of future growth and development of the state.

The Commission shall be made up of 12 members appointed by the Governor. The Commission shall hold eight public hearings and submit a report to the Governor by December 31, 1987, which shall include:

1. An overview of growth patterns in Vermont and an assessment of the effectiveness of existing laws and practices in managing that growth. The Commission is encouraged to survey and take into account existing studies of growth in Vermont.

2. A statement of goals and principles for the preservation of Vermont's character. Among the specific issues the Commission should consider are: resource conservation, the preservation of agricultural land, the availability of housing for all Vermonters, the social diversity and vitality of communities, the availability of good jobs for all Vermonters and the economic strength of communities.

   The statement shall reflect the shared values of Vermonters as expressed to the Commission in the course of its work.

3. Recommendations on how to use the goals and principles to guide state, regional and local decisions. The recommendations should discuss the application of the goals and principles to financial assistance, public investment, development regulations, and the public planning process.

The Office of Policy Research and Coordination and the Agency of Natural Resources shall provide staff for the Commission.

Funds to support the work of the Commission shall be borne by the Agencies of Development and Community Affairs, Natural Resources, and Transportation from available appropriations. Members of the Commission may be reimbursed for necessary travel expenses, meals and lodging incurred in conjunction with official Commission duties.

Witness my name hereunto subscribed and the Great Seal of Vermont hereunto affixed at Montpelier, this ____ day of ______________, A.D., 1987.

____
Governor

By the Governor:

____
Secretary of Civil & Military Affairs

GOVERNOR'S COMMISSION ON VERMONT'S FUTURE:

GUIDELINES FOR GROWTH

COMMISSION MEMBERS:

-- Douglas M. Costle is the Dean of the Vermont Law School and former administrator of the U.S. Environmental Protection Agency under President Jimmy Carter.

A resident of Woodstock, Costle has a long history of legal and environmental service to the country, beginning in 1964 as a trial attorney with the Civil Rights Division of the U.S. Department of Justice. He was instrumental in establishing the U.S. Environmental Protection Agency as a senior staff associate to the President's Advisory Council on Executive Organization in the early 1970's. In 1975 he served as assistant director for the Congressional Budget Office in Washington. Costle has been active in international environmental activities, serving in leadership positions on U.S. environmental delegations cooperating with China, the Soviet Union, Canada, Germany, Holland, Japan, Mexico and Brazil. He is co-founder of Environmental Treatment and Technologies Corp., one of the nation's largest environmental services companies.

-- Betty Wheeler, the town manager of Middlebury and president of the Vermont League of Cities and Towns.

Before assuming her present position in Middlebury in 1986, Wheeler served as town manager in Castleton for three years. She had been assistant town manager in Middlebury from 1976 to 1983, during which time she was involved in writing the town plan. She also filled in during the absence of the zoning administrator in Middlebury and served three years on the Addison County Regional Planning Commission. Wheeler is a graduate of the University of California.

-- Darby Bradley of Calais, legal counsel to the Vermont Land Trust and former chairman of the state Environmental Board.

Active in Vermont environmental circles for 14 years, Bradley, was assistant director and staff attorney for the Vermont Natural Resources Council from 1974 through 1981. A graduate of Dartmouth College with a law degree from the University of Washington, the San Francisco native has taught environmental law at the University of Vermont and Johnson State College. He also served on the Vermont Forest Resources Advisory Council from 1976 until 1982.

-- Arthur Gibb of Weybridge, who served in the state General Assembly for 24 years and was involved in the creation of Act 250, Vermont's landmark development control act.

Gibb, who served in both the House and Senate until his retirement last year, is a retired banking and investment counsel who has resided in Vermont for 37 years. In both houses he served as chairman of the standing enviornmental committees. Gibb also was chairman of the Senate Finance Committee. He was the author of legislation that in 1968 modernized the state's local and regional planning laws, and in 1969 chaired the Governor's Commission on Environmental Control, the group which recommended Act 250.

-- Donald Tarinelli, principal owner of the Haystack Ski Resort in Windham County.

The Jamaica resident came to Vermont in 1963 as a vacation home owner and settled in the state permanently in 1974. He was president of the Stratton (ski resort) Corporation from 1975 until 1981, and has been a developer of housing projects in Vermont and other New England states for over a decade.

-- Wayne C. Patenaude, an East St. Johnsbury dairy farmer.

Patenaude bought the farm he now operates with two sons 25 years ago. He has served in the Executive Committee of the Vermont State Grange and has been active in the Vermont Farm Bureau and the Vermont Dairy Industry Council. From 1973 until 1976 and again from 1979 until this past March Patenaude was a member of the St. Johnsbury Planning Commission.

-- Elizabeth Bankowski, Vermont Secretary of Civil and Military Affairs and chief of staff to Governor Kunin.

A resident of Brattleboro and native of Boston, Massachusetts, Bankowski was legislative assistant to U.S. Rep. Robert Drinan for 10 years. She is a graduate of Boston College and has attended the John F. Kennedy School of Government at Harvard University.

-- Mark Snelling, president of the Shelburne Corporation, a manufacturer of ski accessories.

A resident of Hinesburg and a graduate of Harvard University, Snelling serves on the board of the Associated Industries of Vermont and is a director of the Ski Industries America Board.

-- Sister Janice Ryan, president of Trinity College in Burlington.

A native of Fairfield, Vermont, and a resident of Colchester, Sister Janice became president of Trinity in 1979. Previously she had served the college in a number of educational and administrative positions. From 1974 through 1979 she was legislative lobbyist for the Vermont Association of Retarded Citizens. She has served on numerous state and national boards and committees, most recently as a member of a 37-member committee of college and university presidents and chancellors who last week called for major innovations in the way the country educates its teachers.

-- Miles Jensen of Westford, executive director of Champlain Industries of Winooski.

A University of Rhode Island graduate in Political Science, Jensen also holds a masters degree in the same field from the University of Vermont. A member of the Westford Planning Commission for eight years, Jensen has familiarized himself with the issues relating to large-scale development at the local level. Since moving to Vermont in 1974, he has been active in working with low-income organizations.

-- Robert Lawson, editor of the Vermont Business Magazine.

Lawson holds a bachelors degree in International Studies from the School for International Training in Putney and earned a masters in Economic Development of the Third World from the University of Denver. He is a resident of Putney.

-- Polly Billings, owner of F.H. Gillingham & Sons, a Vermont general store in Woodstock.

Billings is a Vermont native who has been involved in civic activities in the state for more than three decades. She has been a member of the Board of Zoning Adjustment in Woodstock and serves on the state's Capital Planning Commission. She also has been a member of the Woodstock Chamber of Commerce and has served on numerous state boards and commissions.

...OR'S COMMISSION ON VERMONT'S FUTURE: GUIDELINES FOR GROWTH

OUR ABILITY TO SET THE FUTURE COURSE OF THE STATE OF VERMONT DEPENDS DIRECTLY ON THE DECISIONS WE MAKE TODAY TO MANAGE AND DIRECT GROWTH.

BY ANY MEASURE, WE ARE ENJOYING EXTRAORDINARILY GOOD ECONOMIC TIMES IN VERMONT TODAY. OUR INCOME IS RAPIDLY CATCHING UP WITH THE NATIONAL AVERAGE, AND UNEMPLOYMENT IS AT AN ALL-TIME LOW.

THESE CHANGES DO NOT OCCUR IN A VACUUM, HOWEVER; GROWTH ALSO MEANS THAT FARM LAND IS BEING DEVELOPED OR TURNED BACK INTO BRUSH, RURAL AREAS BECOME SUBURBAN, WILDERNESS AREAS ARE TRANSFORMED INTO CONDOMINIUM VILLAGES.

THE VALUES THAT DEFINE VERMONT -- A SENSE OF COMMUNITY WHICH PERMITS US TO KNOW ONE ANOTHER AS FRIENDS AND NEIGHBORS, A BELIEF THAT WE EXERCISE SOME CONTROL OVER OUR LIVES, THE LUXURY OF LIVING IN A HEALTHY AND EXTRAORDINARILY BEAUTIFUL ENVIRONMENT -- THESE VALUES ARE SOMETIMES IN OPPOSITION TO THE RAPID CHANGES WE WITNESS IN PARTS OF VERMONT. THE FOUNDATION FOR MANY OF THESE VALUES WAS OUR AGRICULTURAL HERITAGE, AND ITS DECLINE ERODES OUR RURAL CHARACTER.

THE RESULT IS A GROWING CONCERN THAT WE ARE IN DANGER OF LOSING THE VERY QUALITIES THAT MAKE THIS STATE UNIQUE.

SIMULTANEOUSLY, ECONOMIC CONDITIONS ARE STILL HARSH IN MANY PARTS OF THE STATE; THE POOR AND WORKING POOR IN ALL PARTS OF VERMONT STILL STRUGGLE FOR A DECENT LIVING. WE CANNOT AFFORD TO STOP GROWING. HALTING GROWTH IS NEITHER A REALISTIC NOR DESIRABLE EXPECTATION. WE WANT VERMONT TO CONTINUE TO BE A VITAL, ENJOYABLE, AND AFFORDABLE STATE IN WHICH TO LIVE

PLANNING FOR VERMONT'S FUTURE MEANS CREATING INCENTIVES FOR NEW AND WELL-PAYING JOBS, FAMILY HOUSING, AND GOOD SCHOOLS.

MOST IMPORTANTLY, I BELIEVE VERMONTERS WANT TO HAVE A SAY ABOUT THE FUTURE OF THIS STATE AND NOT BE BYSTANDERS TO CHANGE.

BEFORE ACT 250 WAS CONCEIVED 17 YEARS AGO, GOVERNOR DEANE C. DAVIS APPOINTED A COMMISSION TO ASSURE THAT GROWTH IN VERMONT WOULD BE IN KEEPING WITH ENVIRONMENTALLY SOUND CRITERIA. THAT WAS ACCOMPLISHED.

TODAY, WE FACE A CHALLENGE OF SIMILAR, BUT DIFFERENT, DIMENSIONS: HOW TO ASSURE THAT GROWTH OCCURS "WHERE, WHEN, AND HOW MUCH" VERMONTERS WANT.

THE FIRST TASK OF THIS COMMISSION, FOR THE NEXT THREE MONTHS, WILL BE TO ASK VERMONTERS THE QUESTION: WHAT DO YOU WANT FOR THE FUTURE OF THIS STATE?

HOW DO WE PROMOTE ECONOMIC PROSPERITY AND THE VALUES WHICH MAKE VERMONT UNIQUE?

THIS COMMISSION WILL HAVE A RESPONSIBILITY GREATER THAN ANY COMMISSION I HAVE APPOINTED AS GOVERNOR, BECAUSE I LOOK TO IT TO PAINT A PORTRAIT OF THE PEOPLE OF THIS STATE, WHAT IT LOOKS LIKE TODAY, AND WHAT WE WOULD LIKE IT TO LOOK LIKE IN THE YEAR 2,000 AND BEYOND. I WILL FURTHER ASK THE COMMISSION TO SUGGEST HOW TO MATCH VISION WITH REALITY -- HOW DO WE PUT IN PLACE A STRUCTURE WHICH ENABLES US TO MAKE OUR VISION OF THE FUTURE OF VERMONT COME TRUE?

TO SUCCEED, THE COMMISSION WILL HAVE TO WORK HARD TO LISTEN TO VERMONTERS, ALL VERMONTERS, EVEN THOSE WHO USUALLY PREFER TO KEEP QUIET.

IN ADDITION TO THE USUAL PUBLIC HEARINGS, I ASK THE COMMISSION TO SEEK OUT OPINIONS, TO BE CREATIVE IN ITS QUEST FOR INFORMATION, SO THAT THE REPORT WILL ACCURATELY REFLECT THE SPIRIT OF THIS STATE, BOTH AS IT EXISTS, AND AS IT IS ENVISIONED.

I AM CONFIDENT THAT THIS COMMISSION IS EQUAL TO THE TASK. THE MEMBERS REPRESENT A BROAD SPECTRUM OF VIEWPOINTS, OF EXPERTISE, AND THEY SHARE A COMMON COMMITMENT TO THE FUTURE OF THIS STATE. I AM DEEPLY GRATEFUL FOR THEIR EXTRAORDINARILY GENEROUS CONTRIBUTION TO THE PEOPLE OF VERMONT BY AGREEING TO SERVE IN THIS CAPACITY.

AFTER THE COMMISSION GATHERS ITS INFORMATION, IT WILL HAVE THE ARDUOUS TASK OF SYNTHESIZING, COMPRESSING, ALL THAT IT HAS HEARD INTO THE ESSENTIAL GOALS AND VALUES SHARED BY VERMONTERS

NEXT, I WILL UTILIZE THE REPORT TO BECOME THE BASIS FOR LEGISLATION TO BE PRESENTED TO THE 1988 GENERAL ASSEMBLY.

THESE GOALS AND VALUES, AFTER ENACTMENT INTO LAW, WILL BECOME THE GUIDELINES FOR REGIONAL PLANNING COMMISSIONS. THE COMMISSION WILL BE GIVEN THE RESPONSIBILITY TO CREATE PLANS AND DEVELOP STRATEGIES TO ACHIEVE THE GOALS ESTABLISHED BY LEGISLATION.

THIS WILL UNDOUBTEDLY REQUIRE ADDITIONAL LEGISLATION TO STRENGTHEN AND ENFORCE THE PLANNING PROCESS AT THE LOCAL AND REGIONAL LEVEL.

THE TIME HAS COME TO HAVE MEANINGFUL AND EFFECTIVE REGIONAL PLANNING.

ORIGINALLY, ACT 250 ANTICIPATED STATE LAND USE PLANNING. I HAVE DETERMINED THAT THIS IS NOT APPROPRIATE FOR VERMONT. INSTEAD, THE FOCUS OF THIS INITIATIVE WILL BE REGIONAL.

THE LONG TERM CONSEQUENCE I ANTICIPATE IS A TRANSFER OF SOME AUTHORITY FROM THE STATE TO THE REGION, AND A TRANSFER OF SOME AUTHORITY FROM THE MUNICIPAL LEVEL TO THE REGION.

THE PRECISE MECHANICS OF THESE TRANSFERS, AND THE DEGREE TO WHICH THIS WILL OCCUR, WILL BE EXPLORED PRELIMINARILY BY THE COMMISSION, BUT WILL REQUIRE FURTHER ANALYSIS BY THE GENERAL ASSEMBLY AND THE EXECUTIVE BRANCH.

IT IS MY FIRM BELIEF THAT WE MUST INITIATE THE PROCESS OF PLANNING FOR THE FUTURE OF VERMONT NOW. IT IS A LARGE TASK, AND UNDOUBTEDLY, IT WILL AT TIMES BE CONTROVERSIAL.

BUT NEITHER THE DIFFICULTY OF THE TASK, NOR THE DEBATES THAT IT WILL SPARK, CAN DETER US. IF WE WAIT, IT WILL BECOME INCREASINGLY DIFFICULT TO FORGE A CONSENSUS ABOUT THE FUTURE OF THIS STATE. CHANGE OFTEN SHAPED BY FORCES OUTSIDE THE STATE WILL SIMPLY OVERTAKE US.

WE HAVE AN OPPORTUNITY TO BEGIN NOW, TO SHAPE THE FUTURE OF THIS STATE AS WE, THE PEOPLE OF VERMONT, ENVISION.

I ASK THIS COMMISSION TO BEGIN IMMEDIATELY TO DEDICATE AN EXTRAORDINARY AMOUNT OF TIME TO THE TASK OF DEFINING VERMONT'S GOALS AND VALUES, AND TO REPORT TO ME BY DECEMBER 31.

I WILL INTRODUCE LEGISLATION IN TIME FOR CONSIDERATION IN THE UPCOMING SESSION.

I WILL WORK CLOSELY WITH THE MANY LEGISLATORS WHO HAVE LAID THE GROUNDWORK FOR THIS EFFORT OVER THE LAST SEVERAL YEARS.

THE TOTAL PROCESS OF DEVELOPING A MEANINGFUL REGIONAL PLANNING STRATEGY, WHICH WILL GUIDE STATE PLANNING AS WELL AS LOCAL DECISIONS, IS ANTICIPATED TO TAKE LONGER.

I ANTICIPATE THAT IT WILL BE THE FOCUS OF DEBATE, LEGISLATION, AND REGULATION AT THE LOCAL, REGIONAL AND STATE LEVELS, FOR THE NEXT TWO YEARS, OR MORE.

THE APPOINTMENT OF THE GOVERNOR'S COMMISSION ON THE FUTURE OF VERMONT: GUIDELINES FOR GROWTH, IS THE FIRST, AND MOST SIGNIFICANT STEP.

VERMONTERS IN ALL PARTS OF THE STATE HAVE BEGUN TO DEBATE THE PROS AND CONS OF THESE CHANGES, AS WELL AS THE PACE OF CHANGE ITSELF.

ACT 250 HAS BEEN ASKED TO BE THE MAJOR REFEREE IN THESE DEBATES, BUT ACT 250 WAS NOT INTENDED TO DEAL WITH THE QUESTION OF THE VALUE OF GROWTH ITSELF.

IT WAS ENACTED TO ASSURE THAT GROWTH, WHEN IT OCCURS, MINIMIZES ENVIRONMENTAL DEGRADATION.

THE TIME HAS COME TO MOVE BEYOND ACT 250 TO ENABLE VERMONTERS TO DETERMINE HOW MUCH GROWTH IS APPROPRIATE, WHERE IT IS APPROPRIATE.

PRESENTLY, WE DO NOT HAVE A METHOD TO MAKE THOSE DECISIONS IN A FAIR AND REASONABLE MANNER IN THE PUBLIC ARENA.

THE PURPOSE OF THIS COMMISSION IS TWOFOLD: TO INITIATE A STATEWIDE DEBATE ON THE GROWTH AND ON THE FUTURE OF VERMONT, AND THEN TO FOLLOW UP WITH RECOMMENDATIONS TO TRANSLATE THESE GOALS INTO ACTIONS AT THE LOCAL, REGIONAL AND STATE LEVEL.

Public Hearings Agenda

of Governor's Commission on Vermont's Future: Guidelines for Growth

October 14	Manchester Elementary School
October 15	Springfield High School
October 21	Lyndon State College
October 22	Barre Opera House
October 27	Rutland Jr. High Cafeteria
October 29	Williston Elementary School
November 4	White River Jct. Hotel Coolidge/Junction House
November 9	Winooski - ETV studio

NOTE: There will be a hearing scheduled for St. Albans to be determined at a later time.

All hearings will begin at 7:00 p.m.

VERMONT HOUSING FINANCE AGENCY

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE RAS

RE: AUDIT REVIEW FOR FISCAL YEAR JUNE 1987

DATE: OCTOBER 15, 1987

Enclosed in your Board package for today's meeting was a copy of the Annual Audit as attested to by Peat Marwick Main & Company (formerly P.F. Jurgs & Company). The results have not changed from the preliminary numbers previously supplied to the Board.

The management letter has not yet been provided, but will be available by the next Board meeting. This document is one that describes any weaknesses in our control systems, policies or procedures, as well as suggesting any corrective action.

Since the audited financials are loaded with numbers, a capsulized description of the more relevant information is warranted.

* The most far reaching financial news for the fiscal year had to do with prepayments of mortgage loans and related redemptions of bonds. Mortgage collections on single family programs exceeded $50 million for the year, which exceeded expectations by two to five times projections on an individual program basis. Because of the prepayments bonds were called early in excess of $21 million during the year with an additional $23 million in August and early September.

* Total assets of the Agency decreased by $25.9 million during the year due to the mortgage payoffs and related redemptions. The June 30 numbers do not include the 1987 Series A Bond Issue which increase assets by an additional $29 million.

* Decreasing interest rates during the term along with the mortgage prepayments were the prime factors in dropping excess revenues from $3.6 million to $1.7 million.

* The General Fund balance increased from $2.8 million to $4.1 million and Agency-wide Fund balances increased from $28.3 million to $30 million for the year.

During the year, significant activities included completing the South Meadow financing, direct placement of the Canterbury Inn bonds, restructuring the Rockingham Canal House loan, direct lending through the VEIC Energy Loan Program and completing the 1987 Series A Home Mortgage Purchase Bond issue.

If you have any questions on the financial audit or financing activities of the Agency, please contact me at any time at your convenience.

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VERMONT HOUSING FINANCE AGENCY

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE RAS

RE: AGENCY WIDE CASH FLOW ANALYSIS

DATE: OCTOBER 12, 1987

Attached please find a worksheet relating to projections of funds available for the next five year period, based on a conservative cash flow basis. The assumptions listed below are critical in assessing the viability of meeting or exceeding the projections presented.

GENERAL

The Agency's mode of operation is generally to take earnings generated from Bond programs into the General Fund on a semi-annual basis to subsidize operating expenses. This is done based on a review of each programs' ability to pay after the required payments to bondholders and maintenance of certain reserve funds. Before we are allowed to transfer funds to the General Fund, we must prove that we have the ability to meet all future payments to the Bondholders and maintain reserve funds until all the bonds are paid. The prescribed method for doing this is by providing a cash flow based on somewhat conservative assumptions as to future events, which indicates the ability of the program to payout the necessary funds. One of the main assumptions being a computed reinvestment rate of 5.5% on new funds.

TAKEOUT ASSUMPTIONS

The major assumption that we use in structuring the takeouts is that the amount drawn from the programs should be an amount that can be drawn annually until the Bond program terminates (meaning all bondholders are paid in full). This is assumed because the theory is that the Agency will be in operation for that period of time and will require continued subsidy to pay for general operating expenses. The annual takeouts, as indicated on the attached worksheet, basically assume that the amounts stated can be drawn until the program terminates. An alternative calculation is to take a large one-time takeout and use it for some special purpose. That amount is indicated on the worksheet and calculated in today's dollars. This method puts us at substantial risk if general assumptions about the program are not met and would jeopardize the ability to fund future annual operating expense requirements. Due to the fact that certain conservative assumptions may be exceeded, most of the cash flows indicate a substantial balance still available after the annual draws and all the bondholders are paid off. Another restriction on the ability to draw funds from the programs is the cash-on-cash test, meaning that because of certain fluctuations we must always show enough cash on hand to pay the then-current period debt. This has the effect of limiting the annual draws in some cases.

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CURRENT PROGRAM PERSPECTIVES

Each program currently in operation and the special provisions thereof, which will result in transfers to the General Fund as indicated on the worksheet, is described in the following paragraphs.

******* AS IN ALL PROGRAMS, BUT ESPECIALLY RELEVANT IN SINGLE FAMILY PROGRAMS, PREPAYMENT ACTIVITY IS CRITICAL!! GENERALLY THE BEST INVESTMENT A PROGRAM CAN HAVE IS A MORTGAGE LOAN. IF MORTGAGES PREPAY FASTER THAN EXPECTED THEY WILL ALMOST ALWAYS HAVE A NEGATIVE EFFECT ON THE CASH FLOW, MEANING LOWER THAN EXPECTED EARNINGS AND AVAILABLE DRAWS.*******

1. **Loans to Lenders.** This Program only has one of the original three series of Bonds outstanding and is scheduled to be paid in full in October of 1989. Since earnings are being estimated at 5.5% there may be some additional excess to be drawn of approximately $30,000-50,000 at termination.

2. **Shawmut Mortgage Purchase.** Also known as the Insured Mortgage Purchase Program, series of bonds issued in 1976-77, with mortgage rates of 6.95 and 7.85%. We have commited 2.5 million dollars to the Farmers Home Program under this resolution to make additional mortgage loans.

3. **Howard Mortgage Purchase.** This program is the big earner from pre-tax reform days. Covers four series of bonds from 1978-82, are single family issues and **require pool insurance.** The critical feature of this program is that the 1978-79 series of bonds assumed that prepayments for the first 10 years would be completely recycled into new mortgage loans. If this assumption is not met it will have a substantial impact on the available earnings. This is the program where the New Homes funds are coming from. Mortgage rates on recycled loans will be either 7.75% or 8.25% depending on the recycled series.

4. **Howard Home Mortage Purchase.** This is the Resolution that we are currently operating under and includes six series of bonds issued between 1983 and the present. The last two series of bonds contemplate recycling at rates of 9.7 and 10% for ten years. This has been the most volatile program and prepayments have run rampant for the last year and a half. Expected draws from this program have been kept especially conservative because of the real possibility of additional contributions being needed to maintain a positive cash flow in the various series. This program is also starting to age to the point where some real losses might be recognized on foreclosed mortgages. It is expected and calculated that an additional $100,000 may have to be contributed to the 1987 program based on slow delivery of mortgages and the negative arbitrage resulting.

5. **Howard Multi-Family.** These bonds were the first series of bonds financing multi-family Section 8 units from 1977-79 and also the South Meadow project of 1986. Pre-tax reform rules also have made this program a significant contributor. Prepayment and conversion concerns are a consideration for this program because of the fact that non-prepayment periods are expiring and some healthy reserves are being accumulated which are recoverable by the owners upon payoff of their loans.

6. Connecticut Multi-Family. This program financed Multi-Family Section 8 projects between 1981-83 and is so named because the Connecticut National Bank is the Trustee. Earnings from this program basically come from fees earned from HUD, which are constantly under attack, and also from the payback of loans originally funded from the General Fund.

GENERAL FUND EARNINGS

The General Fund of the Agency receives the majority of its earnings from transfers from the Programs as shown above. In addition, fees are generally collected on financings of single and multi family loans. We recently have given up a portion of those fees from single family programs and there has been little activity on the multi-family side to generate fees. The cash flow assumes that fees will be collected at the rate of $250,000 annually, with the biggest share coming from new projects financed with the assistance of the proposed Non-Profit. The other source of earnings is from investment income, which is calculated at an expected return rate of 6%, resulting from the investment of the Agency's available fund balance either from loans or alternative investment vehicles.

EXPENDITURES

Operating Expenses

Operating expenses were estimated using the current year budgeted amounts and increasing those at the rate of 7.5% annually each year indicating some growth and also an inflation hedge factor.

Single Family Subsidy

The current year subsidy relates to the 1987 Series A Bond Issue and the contribution for the Loan Loss Claim Fund of $375,000 additional contributions for cost of issuance of $115,500 and an additional $100,000 for the late delivery of mortgage loans projected, as stated above. Future year subsidies are estimated at lower amounts based on a new financing vehicle to be developed or as future contributions to existing programs that run into trouble. Based on recycling of funds, it is conceivable that new issues may not be feasible or necessary.

Multi-Family Subsidy

The $400,000 figure that is proposed is in tangent to the amount requested for the Non-Profit and accumulates to $2,000,000 over the five year period.

CONCLUSIONS

The information provided herein is the most important data on a macro basis that the Finance Department has ever provided. It is imperative that we all understand the implications of the possible resources, choices, and ramifications of uses of funds. One negative point that can be drawn from the enclosed information is that based on these projections the General Fund balance will be decreasing starting in FY 6/90, which is not a good measure from the Rating Agencies perspective. This may be a moot point if we do not do further tax exempt bonding. This could also be mitigated by a one-time or somewhat higher annual transfers from the Programs. It is also apparent that VHFA can not continue to fund both single and multi-family programs without new revenue sources.

AGENCY WIDE CASH FLOW
VERMONT HOUSING FINANCE AGENCY
FOR THE PERIODS

	FYE 6/30/88	FYE 6/30/89	FYE 6/30/90	FYE 6/30/91	FYE 6/30/92	YEAR PROGRAM TERMINATES	PRESENT VALUE BALANCE REMAINING
RESOURCES							
LOANS TO LENDERS	150,000	150,000	155,500	0	0	1989	0
SHAWMUT MTG PURCHASE	100,000	100,000	100,000	100,000	100,000	1998	2,200,000
HOWARD MTG PURCHASE	750,000	750,000	750,000	750,000	750,000	2004	11,000,000
HOWARD HOME MTG PURCH	250,000	250,000	240,000	230,000	220,000	2017	555,000
HOWARD MULTI-FAMILY	430,000	382,000	402,000	412,000	398,000	2010	0
CONN NATL MULTI-FAMILY	180,000	180,000	180,000	180,000	180,000	2012	450,000
FEE INCOME	382,000	250,000	250,000	250,000	250,000		
INVESTMENT EARNINGS	230,000	240,000	250,000	245,000	225,000		
TOTAL RESOURCES	2,472,000	2,302,000	2,327,500	2,167,000	2,123,000		
EXPENDITURES							
OPERATING EXPENSES	1,574,400	1,692,480	1,777,104	1,865,959	1,959,257		
SINGLE FAMILY SUBSIDY	590,500	0	250,000	250,000	250,000		
MULTI-FAMILY SUBSIDY	400,000	400,000	400,000	400,000	400,000		
TOTAL EXPENDITURES	2,564,900	2,092,480	2,427,104	2,515,959	2,609,257		
EXCESS RESOURCES (EXPENDITURES)	(92,900)	209,520	(99,604)	(348,959)	(486,257)		
AVAILABLE FUND BALANCE BEG FISCAL YEAR	4,148,230	4,055,330	4,264,850	4,165,246	3,816,287		
AVAILABLE FUND BALANCE END FISCAL YEAR	4,055,330	4,264,850	4,165,246	3,816,287	3,330,030		

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: September 17, 1987

TO: VHFA Board of Commissioners

FROM: Roger A. Schoenbeck, Director of Finance RAS

RE: FINAL GENERAL FUND REPORT FISCAL YEAR JUNE 1987

Attached is a report showing the final numbers for the fiscal year just concluded, along with comparisons to the approved budget. I will give a brief review of the numbers in total and an explanation of the significant variances.

SUMMARY

All major total areas of the budget came in in line, that is, all variances in total show positive, meaning we did better than expected. Total income exceeded budgeted projections by $24,000, fund balance transfers exceeded projections by $125,000, and expenses were lower than expected by $5,600. In most cases this is more by accident than by design. The significant culmination of this data is that our General Fund fund balance, in other words our unencumbered (by Bond provision) reserve, increased by $1,315,738 to a new balance of $4,143,230.

VARIANCES

Although I am prepared to discuss any of the items of interest to the Board, I thought I would explain what I think are significant variance accounts. I usually focus more on dollar discrepancies than percentage variances, as I believe that is more relevant.

1. Rockingham Refinancing. As most of you are aware, last January we closed the lengthy negotiations on the Rockingham Canal House project. Accounting standards require us to gross up some of the transactions that affected this transaction resulting in increases to Multi-family fee income and also to Multi-family fund balance transfers.

2. Legal expense. Due to the legal work required on the small issues and financings we did during the year including the South Meadow project, Canterbury Inn and the Ethan Allen project, we had accounted for the legal expense to be charged to those projects. After the final accounting, we exceeded available funds and therefore, the General Fund had to absorb the excess which amounted to about $17,000.

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3. New Homes and Mortgage Plus Programs. These new programs that were initiated recently are non-bond programs and therefore all cost associated with them must be borne by the General Fund. Heavy advertising, promotion, mailing and supply costs have gone into the promotion of these two programs. It is difficult to determine as to whether some of these costs can be pushed into the next year so they were expensed currently resulting in advertising, office supplies and postage.

4. Pension plan expense. Higher than expected forfeitures on terminating employees was the main reason for the decrease in this area.

5. Trustee and credit fees. Redeemed bonds and timing of trustee bills for reimbursement have reduced this expense significantly below the budgeted amount. It would not be surprising if we will recognize a higher than expected expense during the current fiscal year.

These are the main items I think require explanation. I am obviously happy to discuss these or other areas in more detail of you so desire. I apologize for not having this in the mailing package but we are quite busy in concluding the current year financial audit.

RAS 9/14/87

FINAL ACCOUNTING
VERMONT HOUSING FINANCE AGENCY
F/Y/E JUNE 30, 1987

	ESTIMATED ACTUAL 6/30/87	AUDITED FINAL 6/87	VARIANCE	PERCENT VARIANCE
INCOME				
VHMGB	82,000	85,519	3,519	4.29%
SINGLE FAMILY FEES	185,000	157,541	(27,459)	-14.84%
MULTI-FAMILY FEES	120,000	136,748	16,748	13.96%
INTEREST INCOME	210,000	242,111	32,111	15.29%
MISCELLANEOUS	2,500	1,921	(579)	-23.16%
TOTAL INCOME	599,500	623,840	24,340	4.06%
FUND TRANSFERS				
LOANS TO LENDERS	150,000	150,000	0	0.00%
SHAWMUT MTG PURCHASE	100,000	100,000	0	0.00%
HOWARD MTG PURCHASE	1,010,000	1,010,000	0	0.00%
HOWARD HOME MTG PURCH	(280,000)	(226,189)	53,811	19.22%
HOWARD MULTI-FAMILY	342,500	345,240	2,740	0.80%
CONN NATL MULTI-FAMILY	530,000	599,154	69,154	13.05%
TOTAL TRANSFERS	1,852,500	1,978,205	125,705	6.79%
TOTAL INC & TFRS	2,452,000	2,602,045	150,045	6.12%
EXPENSES				
ADVERTISING & PROMOTION	35,000	48,360	(13,360)	-38.17%
AUDIT	19,000	19,000	0	0.00%
ANNUAL REPORT	9,000	8,763	237	2.63%
COMMISSIONERS EXPENSES	1,500	1,229	271	18.07%
CONSULTING FEES	60,000	53,642	6,358	10.60%
DUES & SUBSCRIPTIONS	13,000	12,945	55	0.42%
INSURANCE	50,000	50,409	(409)	-0.82%
INTEREST EXPENSE	5,000	4,969	31	0.62%
LEGAL	40,000	59,095	(19,095)	-47.74%
MISCELLANEOUS	4,000	4,137	(137)	-3.43%
OFFICE EXPENSES	16,000	18,260	(2,260)	-14.13%
PENSION PLAN	40,000	33,041	6,959	17.40%
POSTAGE	10,000	11,363	(1,363)	-13.63%
RENT	61,400	60,987	413	0.67%
REPAIRS & MAINTENANCE	25,000	25,652	(652)	-2.61%
SALARIES & WAGES	580,000	575,631	4,369	0.75%
STAFF TRAVEL & TRAINING	28,000	28,109	(109)	-0.39%
TAXES-PAYROLL	40,000	40,046	(46)	-0.12%
TELEPHONE	27,000	27,471	(471)	-1.74%
TRUSTEE & CREDIT FEES	175,000	149,175	25,825	14.76%
DEPRECIATION	53,000	54,023	(1,023)	-1.93%
TOTAL EXPENSES	1,291,900	1,286,307	5,593	0.43%
INCREASE (DECREASE) TO FUND BALANCE	1,160,100	1,315,738	155,638	13.42%

VERMONT HOUSING FINANCE AGENCY
STAFF LISTING

100 - Administration

Allan S. Hunt	Executive Director
Brenda M. Torpy	Director of Research and Program Development
Glenn A. Jarrett	Attorney
Barbara M. Parker	Office Manager/Executive Assistant
Carrie J. Taft	Receptionist

200 - Finance and Accounting

Roger A. Schoenbeck	Director of Finance
Timothy M. Gutchell	Controller
Otis A. Whitehurst	Data Processing Manager
Susan B. Joachim	Lender Accounting Coordinator
Helen K. Fleeson	Accounting Assistant
Jean E. Lorrain	Accountant

300 - Single Family

Douglas R. Lothrop	Director, Single Family Programs
Patricia A. Crady	Development Coordinator, Single Family Programs
Jacklyn R. Santerre	Coordinator, Single Family Programs
Linda C. Wilson	Loan Servicing Supervisor
Lois W. Braun	Loan Underwriter
Ann-Marie Plank	Senior Loan Underwriter
Carrie M. Hoglund	Administrative Assistant
A. Richard Faesy	Energy Specialist
Michael G. Ewell	Field Representative
Roberta A. Julien	Field Representative

400 - Multi-Family

Samuel J. Falzone	Senior Management Officer
Susi Taylor-French	Management Officer
Margaret A. Pond	Multi-Family Development Officer
Michael M. Richardson	Multi-Family Development Officer
Patricia H. Willis	Audit Specialist
______________	Multi-Family Administrative Assistant

500 - Public Information

Hollis A. Hope	Public Information Officer
Tammy A. Derry	Hotline Coordinator
Barbara S. Holzel	Administrative Assistant
Anneliese Koenig	Marketing Coordinator - Energy Rated Homes

900 - Vermont Home Mortgage Guarantee Board

Gayle Russell	Mortgage Guarantee Supervisor
Helen P. Warren	Mortgage Guarantee Assistant
Christina H. Wadsworth	Underwriter
Caroline R. Dicker	Administrative Assistant

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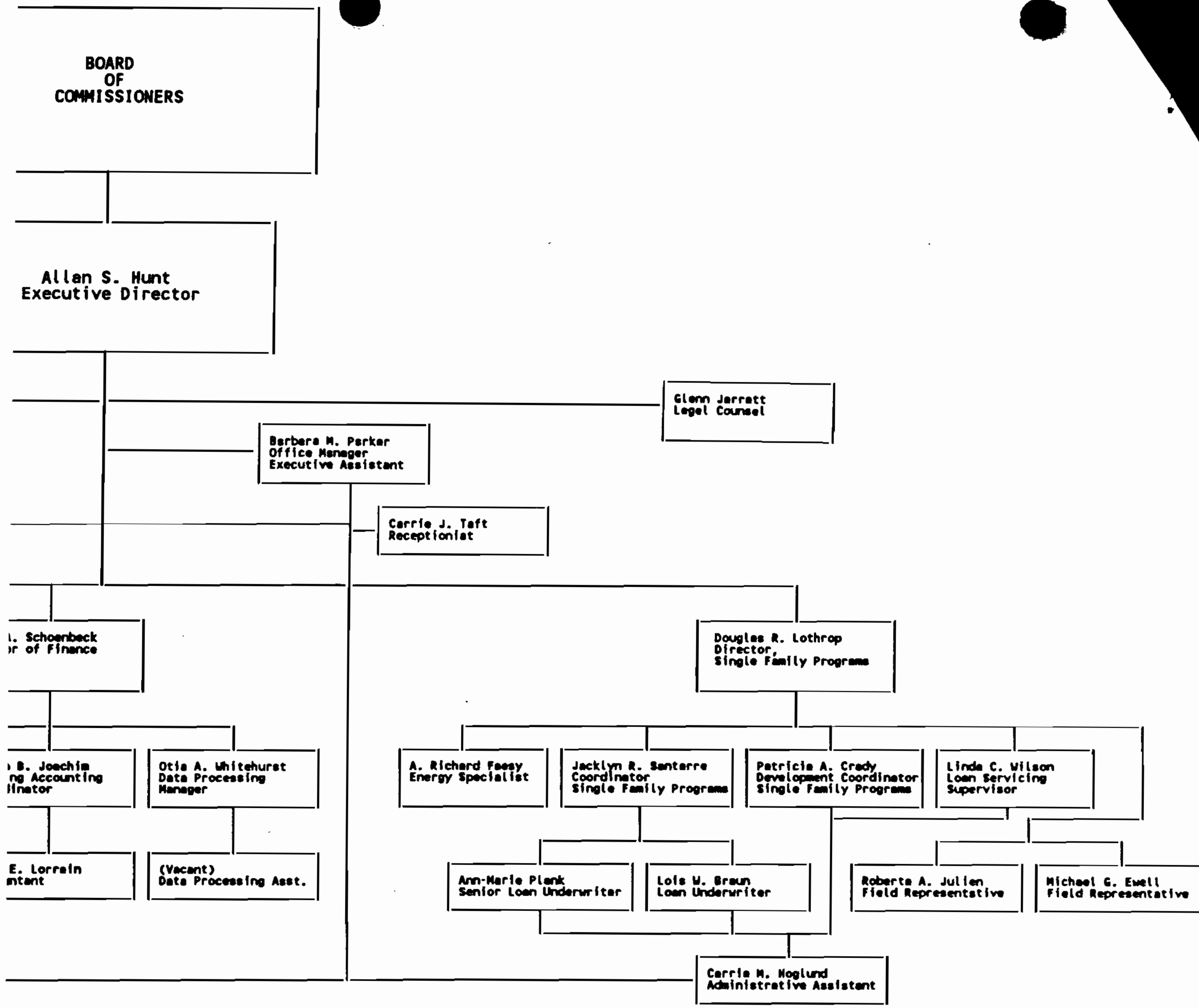
BOARD OF COMMISSIONERS
Allan S. Hunt
Executive Director
Glenn Jarrett
Legal Counsel
Barbara M. Parker
Office Manager
Executive Assistant
Carrie J. Taft
Receptionist
. Schoenbeck
r of Finance
Douglas R. Lothrop
Director,
Single Family Programs
B. Joachim
ng Accounting
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Otis A. Whitehurst
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Manager
A. Richard Feasy
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Patricia A. Crady
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Supervisor
E. Lorrain
ntant
(Vacant)
Data Processing Asst.
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Senior Loan Underwriter
Lois W. Braun
Loan Underwriter
Roberta A. Julien
Field Representative
Michael G. Ewell
Field Representative
Carrie M. Hoglund
Administrative Assistant

Affordable Housing Investments for the Corporate Market

A new look at the tax shelter industry.

Lynn Wehrli and Pamela C. Adam

Since the mid-1930s, Congress has created a variety of programs designed to provide low- and moderate-income households with access to affordable rental housing. The latest of these is the Low-Income Housing Credit. While of limited value to individual investors, investments utilizing these credits make a great deal of sense for many corporations. Using a hypothetical project as a "case study," the authors illustrate the benefits available to corporate investors and alternative financing structures that maximize those benefits. Finally, they discuss some considerations in selling affordable housing investments in the corporate market.

For the past fifteen years, affordable housing investments have been a popular form of tax-shelter for individual investors. With passage of the Tax Reform Act of 1986, the market for such investments has shifted, but it has not been eliminated. Corporate investors have replaced individuals as the targeted buyers, since corporations are now far less restricted than individuals in their ability to utilize the tax losses and credits that can be generated by affordable, government-assisted housing projects.

By examining several alternative investment structures, this article will illustrate why these investments are attractive to corporate taxpayers. It will not detail the provisions of the new tax law that relate to the low-income housing credit; instead, it assumes that readers will have a basic understanding of those provisions,[1] and concentrates on how to use them effectively. Finally, the article will raise some issues to be considered in structuring and promoting affordable housing investments within the corporate market.

An Historical Overview of the Real Estate Tax Shelter Industry

In 1974, the United States Congress passed the Housing and Community Development Act, which provided the most extensive of a series of federal housing production programs initiated under the United States Housing Act of 1937, and continued through the National Housing Act of 1949 and subsequent legislation. The 1974 Act

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did far more to stimulate the production of affordable rental housing than any of its predecessors, largely because of the Housing Assistance Payments program — the most costly federal housing assistance program ever enacted — which was created under the amended Section 8 of the National Housing Act.

The success of the Section 8 program was further enhanced by passage of the Tax Reform Act of 1976, which stimulated a surge of private investment in the development of government-assisted housing. That legislation exempted real estate investors from the "at-risk" rules, which generally prevent investors from taking tax deductions in excess of the capital they actually have at risk in an investment. While these rules effectively curtailed other types of "multiple write-off" investments, real estate investors, through the use of non-recourse mortgage financing, were permitted to deduct tax losses far in excess of their invested capital. The law also provided a number of other incentives for affordable housing investment, such as construction period interest deductions and greatly accelerated depreciation schedules.

When the direct reduction of tax liability increases a corporation's earnings per share, stock value can be favorably affected.

These incentives spawned the development of an entire industry devoted to packaging and marketing "tax-sheltered" or "tax-advantaged" investments, primarily government-subsidized housing. Since the properties underlying these investments were designed to provide affordable rental housing, cash flow distributions and residual values were limited by government regulations. At the same time, however, Section 8 also minimized many of the normal operating risks of conventionally financed real estate. Thus, favorable tax treatment replaced the economic investment incentives typically associated with other types of real estate investments.

Wall Street investment banking firms became increasingly supportive of subsidized housing investments, enhancing their popularity with investors. As a result, government-subsidized housing investments proliferated during the 1970s and the early 1980s. Limited partnerships became the favored form of ownership, because tax benefits could be passed directly on to investors without exposing those investors to any direct operating liability.

In the fall of 1984, however, the Reagan Administration began applying the brakes to the tax-shelter industry, a process completed with passage of the Tax Reform Act of 1986 ("TRA 1986"). With that legislation, Congress appeared to destroy the very tax incentives it had created only a few years before to stimulate private investment in low-income housing.

The Impact of TRA 1986

The popularity of TRA 1986 centered around the overall reduction of tax rates for individuals and corporations. The trade-off was the loss of many traditional tax deductions for individuals and the loss of tax deferrals for corporations. For individuals, "passive loss" (formerly tax loss) deductions had been the primary method of sheltering earned and unearned income (now termed salary and "passive" or "portfolio" income). Under TRA 1986, however, passive losses (such as those generated by real estate and other limited partnerships) related to passive activities can only be used to offset passive income from similar investments.[3] Thus, the tax losses formerly utilized to shelter salary or other investment income will no longer be as valuable to individual investors.

Additionally, individual taxpayers may only use a maximum of $7,000 ($9,625 in 1987) in tax credits in any one year, and tax credits cannot be used to offset the Alternative Minimum Tax ("AMT"). These limitations, coupled with the restricted use of tax losses, make it clear that the benefits of tax shelter investments have been curtailed dramatically for individual investors.

The new tax act also has a substantial impact on corporations, particularly when combined with new regulatory and accounting rules that may increase reported (and taxable) profits, while reducing actual cash flows. Although the maximum corporate income tax rate has been reduced from 46% to 34% (40% in 1987), many of the tax ductions and deferrals formerly available to corporations have been reduced or eliminated altogether. For example:

- the general investment tax credit has been repealed;
- severe restrictions have been placed on the use of the installment sales and completed contract methods of reporting income;
- a deduction will no longer be permitted for bad debt reserves.

Further, new additions to the list of tax preference items may make more corporations subject to the Alternative Minimum Tax.

The impact of these changes is heightened by new regulatory and accounting rules, particularly for corporations concerned about how the investing public values its stock. The Securities and Exchange Commission has issued regulations requiring that corporations discuss in their 1986 annual reports to shareholders the potential effects of TRA 1986 and the accompanying accounting changes that may be required by a proposed Federal Accounting Standards Board ("FASB") directive ("Accounting for Income Taxes") to be issued later in 1987. Corporations that formerly managed their accounting separately for tax and public reporting (book value) purposes, have found that the tax changes may narrow the net income differentials produced by these two accounting processes. The new FASB requirements also may substantially reduce net income and, thus, retained earnings and earnings per share. TRA 1986 presents fewer opportunities to defer taxes, potentially increasing current tax expense. To the extent that these changes narrow the gap between net income for tax and public reporting purposes, a corporation may become more interested in new ways to reduce its tax liability.

In this context, it is important to note that many corporations can still fully deduct tax losses against business income ("passive" losses apply only to individuals) and take advantage of liberal limits on the use of tax credits. The tax savings generated through tax loss deductions and tax credits may have the effect of increasing working capital, net income, retained earnings and earnings per share. Except for the AMT implications, there are no limits on the amount of ordinary tax loss that can be used by a corporation in any one year (to the extent of that corporation's offsetting business income). The impact on the firm's financial statement, however, will vary according to the accounting method employed. Tax losses not fully used in a specific year may be carried back three years, or carried forward for use in up to fifteen future years. Tax credits are a direct dollar-for-dollar reduction in taxes due and may be used to offset up to 75% of corporate tax liability. Unused tax credits may also be carried back three years to recoup taxes previously paid, or carried forward fifteen years to offset future tax liabilities, subject to the same 75% limitation.

Because real estate depreciation is a non-cash charge that reduces asset value, real estate holdings have not been a favored part of a corporation's asset base.

Corporations and Real Estate Investments

Many corporations may be familiar with conventionally financed real estate through purchases of property for their own use. Some may be familiar with sale/ leaseback as a method of retaining control and use of property without direct ownership. Primarily, however, corporations tend to view real estate as a balance sheet asset that must be depreciated, or "written down."

Because real estate depreciation is a non-cash charge that reduces asset value, real estate holdings have not been a favored part of a corporation's asset base. There are certain exceptions, such as corporations involved in a business that is, by its nature, real estate intensive, such as hotels and restaurants. Even in these cases, the corporation may prefer to be a mortgage-holder or tenant rather than a direct owner of the depreciating asset.

For these same reasons, corporations have been unlikely candidates for income-producing real estate investments. Income generated either from current real estate operations or from gain on the sale of appreciated property is subject to "double taxation" — once at the corporate level and again at the shareholder level. A few corporations may have employed depreciation deductions to shelter income, but the net effect on retained earnings and earnings per share likely was negative. In the past, most corporations have found that utilizing the recently abolished Investment Tax Credit for equipment had a positive effect on retained earnings and earnings per share, and was, therefore, a much better method of sheltering corporate income.

Enter the Low-Income Housing Tax Credit

The Low-Income Housing Tax Credit (the "Housing Credit"), enacted as part of the new tax law, was designed to replace other tax incentives for investment in affordable housing. Because it is still quite new, the mechanics of its implementation need to be further refined before the Housing Credit will be utilized as broadly as the incentives available under prior law.

The Housing Credit operates in much the same way as the old Investment Tax Credit. The impact of the credit can be magnified to the extent that a direct reduction of tax liability enhances retained earnings, thus increasing corporate asset value. An increase in corporate asset value can be particularly significant to companies whose borrowing is limited to multiples of asset value. For example, through such a reduction in its tax liability, an investment banking firm can enhance its "aggregate indebtedness," or ability to underwrite a new stock issue, by actually increasing its net capital available for such an underwriting.

When the direct reduction of tax liability increases a corporation's earnings per share, stock value can be favorably affected to the extent that such value bears a relationship to market price (*i.e.*, the price/earnings ratio). For example, if a stock trades at a P/E ratio of 10:1, a $600,000 direct tax savings reflected in earnings per share can enhance stock value by $6 million. This would be of particular importance in the pricing of an Initial Public Offering.

Case Study: Alternative Financing and Investment Structures

Bearing these facts in mind, the following case study of an affordable housing investment illustrates the tax advantages of low-income housing investments to the corporate investor and demonstrates the importance of developing a corporate market for these investments. The basic financing structure for this project is representative of that used in many of the affordable housing projects developed and syndicated with the assistance of Greater Boston Community Development, Inc. (GBCD) over the past several years. GBCD is a non-profit organization, formed to assist non-profit corporations in the development and financing of affordable housing. GBCD has assisted in the development of over 5,000 housing units in the past 22 years. Since 1971, the company has also organized 18 limited partnerships, through which $45 million in equity has been raised.

Although the financing mix for GBCD projects varies significantly, several common elements exist. Below-market-rate first mortgage financing is most often provided through the tax-exempt bond proceeds of the state's housing finance agency, and additional debt is often made available through HUD's UDAG or HoDAG programs (or through similar state or local programs). Massachusetts also funds a State Housing Assistance for Rental Production (SHARP) program, which offers annual loans over a fifteen-year period to subsidize mortgage interest costs in designated projects where at least 25% of the apartments are affordable to low- and moderate-income tenants. Due to the resultant regulation of rents and cash flow limitations, much of this secondary financing accrues interest, unpaid, for fifteen to twenty years, with principal and interest normally due on sale or refinancing. This debt buildup, which provides additional losses that benefit the equity investor, is carefully forecast to ensure that debt will not exceed value.

The equity raised on these projects is commonly used, in part, to fund construction or other development-related costs immediately upon syndication closing. This frequently requires bridge financing secured by investor notes. Syndication costs and related expenses normally amount to an additional 15% to 20% of the equity raised, and the balance of the equity is channelled to the non-profit sponsors of the developments. Deferred development fees, which increase deductions for depreciation and interest and, therefore, contribute to the equity value, are frequently used as a mechanism to pay sponsors out of later years' syndication proceeds. This mechanism is not frequently used by for-profit developers because it creates taxable phantom income.

For purposes of our hypothetical example, assume the project involves construction of a 140-unit apartment complex, at a total development cost of approximately $10.9 million. Debt financing includes a HoDAG of $1.8 million and a first mortgage. (Mortgage principal amounts and rates, as well as the structuring of the HoDAG, will vary as certain assumptions change during the course of this analysis.) It is also assumed that SHARP loans will be available to the project in decreasing amounts over a fifteen-year period, starting at $3,400 per apartment unit per year in Year 1. Additional rent subsidies, such as those available under Section 8 and similar state programs, may also be necessary for the low-income units in the project.

Because of the new tax law, pricing of these investments is currently in a state of flux: few investments have been sold to date; syndicators and their intermediaries are uncertain of the returns required by corporate investors; and measures of return which have not traditionally been used to describe real estate investments, but which may be more meaningful to corporate investment decisions, are now being applied and analyzed.

The returns on affordable housing investments have typically been stated in terms of "loss to capital" ratios. These are pre-tax measures, calculated by dividing the total losses generated by the total dollars invested. Over the past few years, these ratios have been set in the range of 2.0:1 to 2.5:1. Because tax credits, which are a direct tax reduction benefit, are relatively more important than deductible losses, the first step in adapting pricing measures to the new tax law is to use after-tax, rather than pre-tax, measures of return. Loss ratios are quickly being replaced with benefit ratios, both annual and cumulative. The benefit ratio is the sum of the after-tax value of the losses

Table 1

Investment Summary
Alternative A

Assumptions: Individual investor under previous tax law.

Year	Capital Invest-ment	Taxable Income (Loss)	Tax Savings at 50%	Low Income Housing Credit	Annual Net Invest-ment	Cumula-tive Net Invest-ment	Annual Benefit Ratio	Cumula-lative Benfit Ratio
1987	$ 51,500	($123,606)	$ 61,803	$ 0	($10,303)	($10,303)	1.20	1.20
1988	718,100	(1,727,480)	863,740	0	(145,640)	(155,943)	1.20	1.20
1989	1,060,900	(2,550,769)	1,275,385	0	(214,485)	(370,428)	1.20	1.20
1990	922,200	(2,218,364)	1,109,182	0	(186,982)	(557,410)	1.20	1.20
1991	789,300	(1,898,581)	949,291	0	(159,991)	(717,400)	1.20	1.20
1992	643,800	(1,548,433)	774,216	0	(130,416)	(847,817)	1.20	1.20
1993	593,300	(1,425,964)	712,982	0	(119,682)	(967,499)	1.20	1.20
1994	525,900	(1,262,384)	631,192	0	(105,292)	(1,072,791)	1.20	1.20
1995		(1,109,068)	554,534	0	(554,534)	(1,627,325)		1.31
1996		(1,091,415)	545,707	0	(545,707)	(2,173,032)		1.41
1997		(1,123,710)	561,855	0	(561,855)	(2,734,887)		1.52
1998		(1,092,907)	546,454	0	(546,454)	(3,281,341)		1.62
1999		(1,055,165)	527,582		(527,582)	(3,808,923)		1.72
2000		(1,016,651)	508,325		(508,325)	(4,317,248)		1.81
2001		(921,336)	460,668		(460,668)	(4,777,916)		1.90
2002		(996,107)	498,054		(498,054)	(5,275,970)		1.99
	$5,305,000	($21,161,940)	$10,580,970	$ 0	($5,275,970)			

Net Benefit Ratio:
Pay-In Period 1.20
Overall 1.99

(if any) and the value of the credits, divided by the total dollar amount of the investment.

For the purposes of this analysis, we have converted an "old law" loss ratio of 2.4:1 into its equivalent benefit ratio of 1.2:1, using the old 50% maximum tax bracket for individuals. Thus, we have assumed that returns acceptable to individuals in the past will be acceptable to corporations now. Although there is little proof of this assumption, it would seem to be a reasonable starting point for market testing. This ratio provides a generous return, given that the bulk of the tax benefits are in the form of credits, which are less susceptable than losses to changing (individual) tax rates. In addition, the tax savings generated through the use of tax credits represents true "tax- free" income, as opposed to the tax deferral generated by tax losses. Further experience with the corporate market is likely to refine the level of return required and to generate alternative investment benefit measures comparable to those commonly used to evaluate other potential corporate investments. These might include internal rates of return and present value ratios.

Table 1 (Alternative A) illustrates the way the investment might have looked under the old tax law, assuming an individual investor in the 50% tax bracket, no tax credits, and a 1.2:1 benefit ratio. This example also assumes a tax-exempt first mortgage of $9,036,800, carrying an interest rate of 8.4% (based on an income mix of 25% low-income and 75% market-rate rentals). Due to the low interest rate and high mortgage amount, only $25,700 of the equity raised would be used for construction costs.[4]

The losses generated in this "prior law" ex-

Table 2

Investment Summary
Alternative B

Assumptions: Individual investor ; 9% credits; 25% low-income units.

Year	Capital Invest-ment	Taxable Income (Loss)	Tax Savings at 28%	Low Income Housing Credit	Annual Net Invest-ment	Cumula-tive Net Invest-ment	Annual Benefit Ratio[1]	Cumula-lative Benfit Ratio[1]
1987	$ 0	($ 20,114)	$ 5,632	$ 0	($ 5,632)	($ 5,632)	-	-
1988	103,000	(521,467)	146,011	123,316	(166,327)	(171,959)	1.20	1.20
1989	205,500	(1,077,504)	301,701	246,632	(342,833)	(514,792)	1.20	1.20
1990	205,500	(1,072,612)	300,331	246,632	(341,464)	(856,256)	1.20	1.20
1991	205,500	(1,061,791)	297,301	246,632	(338,434)	(1,194,689)	1.20	1.20
1992	205,500	(1,030,846)	288,637	246,632	(329,769)	(1,524,458)	1.20	1.20
1993	205,500	(1,034,512)	289,663	246,632	(330,795)	(1,855,254)	1.20	1.20
1994	205,500	(1,012,650)	283,542	246,632	(324,674)	(2,179,928)	1.20	1.20
1995		(886,765)	248,294	246,632	(494,926)	(2,674,855)		1.38
1996		(872,803)	244,385	246,632	(491,017)	(3,165,871)		1.57
1997		(879,518)	246,265	246,632	(492,897)	(3,658,769)		1.75
1998		(855,875)	239,645	123,316	(362,961)	(4,021,730)		1.85
1999		(828,457)	231,968		(231,968)	(4,253,698)		1.85
2000		(797,042)	223,172		(223,172)	(4,476,869)		1.85
2001		(794,868)	222,563		(222,563)	(4,699,432)		1.85
2002		(877,584)	245,724		(245,724)	(4,945,156)		1.85
	$ 1,336,000	($13,624,407)	$3,814,834	$ 2,466,322	($ 4,945,156)			

Net Benefit Ratio:
Pay-In Period 1.20
Overall 1.85

1. Priced only for the Low-Income Housing Credit, since individual investors may only claim $ 7,000 per year in Credits, with no passive losses unless other passive income is available from other investments.

...ple are extremely high, relative to those that can be attained under the new law. They are attributable, in large part, to certain benefits that have been eliminated, including the 200% double declining balance depreciation method (over a fifteen-year recovery period) and the ability to expense construction period interest and real estate taxes. In this case, the latter alone would generate over $500,000 in losses during the first two years of the investment. This structuring allowed for a total equity investment of $5,305,000 over an eight-year pay-in period. This period is somewhat longer than was normally considered marketable, and is used here primarily for purposes of comparison to the new law alternatives described below. (Even a six year pay-in would have generated $4,185,800, an amount well in excess of all but the most credit-intensive of the new law treatments.)

In Table 2, this same investment has been converted to the parameters of the new law, again assuming an individual investor (Alternative B). Several key benefits have been altered:

- depreciation is projected on a straight-line basis over a 27.5 -year recovery period;
- construction period interest and taxes are capitalized; and
- the Low-Income Housing Credit is utilized.

The example assumes again that 35 units (25% of the project) are eligible for the credit, and that the remainder are market-rate rentals.

This makes for a marginal project, but it is instructive as we attempt to distinguish between feasible and infeasible credit projects. Twenty-five percent is the minimum advisable percentage of low-income units, since 20% is the minimum allowable under the credit provisions, and some margin should be included to compensate for any unexpected decline in the projected number of eligible units. It is difficult to predict precisely how many units ultimately will be "eligible," since this depends, in part, on the income of the particular tenants served. Furthermore, some erosion could occur after rent up, as a result of growth in individual incomes. Failure to maintain the 20% threshold for the entire fifteen-year credit "compliance period," would trigger recapture of all or a portion of the credit.

Because the Alternative B scenario assumes the use of taxable first mortgage financing, the project would be eligible for the 9% Housing Credit. Like other public agency grants and loans, tax-exempt financing is treated as a federal subsidy for purposes of the credit, and projects using federal subsidies are eligible only for the 4% credit, rather than the 9% credit. The HoDAG is structured as a 20-year loan carrying compound interest at the Applicable Federal Rate (AFR). This structuring avoids treatment of the HoDAG as a federal subsidy, and avoids the requirement that the principal amount be deducted from the credit basis. In the move from a tax-exempt to a taxable mortgage, the principal amount is reduced, since rental income and debt service are fixed, but interest costs would increase. Consequently, larger amounts of equity must be directed to construction costs ($801,000 compared to the $25,700 in Table 1).

In this scenario (and all the others described below), seven years of credits are incorporated into the investment pricing. This results in an eight-year pay-in period, since the credits do not become available until the second year, when it is assumed the project will be placed in service. This is a rather long pay-in period by conventional standards; however, three years of unpriced credits are available to the investor after the pay-in, and losses continue for at least fifteen years. This allows for overall benefit ratios in excess of 2.0:1, which represents a healthy return by almost any standard. Thus, capturing of the value of seven years of credits would not seem unwarranted.

The benefits of the investment are more predictable than those available in "economic" real estate investments.

Eight payments may become burdensome for both the investor and the investment servicer. Thus, some consideration should be given to fewer payments in the early years of the investment, calculated as the present value of the eight-year stream of payments. This has the added advantages of providing capital up front and avoiding the need for bridge loan financing.

Because individual investors with incomes below $200,000 may claim a maximum of $7,000 in Low-Income Housing Credits each

Table 3

Investment Summary
Alternative C

Assumptions: Corporate investor ; 9% credits; 25% low-income units.

Year	Capital Invest-ment	Taxable Income (Loss)	Tax Savings at 28%	Low Income Housing Credit	Annual Net Invest-ment	Cumula-tive Net Invest-ment	Annual Benefit Ratio	Cumula-lative Benfit Ratio
1987	$29,500	($ 104,150)	$ 35,411	$ 0	($ 5,911)	($ 5,911)	1.20	1.20
1988	323,900	(778,018)	264,526	124,142	(64,768)	(70,679)	1.20	1.20
1989	586,500	(1,333,168)	453,277	248,284	(115,061)	(185,740)	1.20	1.20
1990	540,800	(1,179,126)	400,903	248,284	(108,387)	(294,127)	1.20	1.20
1991	529,000	(1,137,779)	386,845	248,284	(106,129)	(400,255)	1.20	1.20
1992	478,300	(957,550)	325,567	248,284	(95,551)	(495,806)	1.20	1.20
1993	475,300	(943,298)	320,721	248,284	(93,705)	(589,511)	1.20	1.20
1994	466,700	(910,570)	309,594	248,284	(91,177)	(680,688)	1.20	1.20
1995		(889,434)	302,408	248,284	(550,691)	(1,231,380)		1.36
1996		(875,472)	297,660	248,284	(545,944)	(1,777,324)		1.52
1997		(882,187)	299,943	248,284	(548,227)	(2,325,551)		1.68
1998		(858,544)	291,905	124,142	(416,047)	(2,741,598)		1.80
1999		(831,126)	282,583		(282,583)	(3,024,180)		1.88
2000		(799,711)	271,902		(271,902)	(3,296,082)		1.96
2001		(797,537)	271,163		(271,163)	(3,567,245)		2.04
2002		(880,253)	299,286		(299,286)	(3,866,531)		2.13
	$ 3,430,000	($14, 157,924)	$ 4,813,694	$ 2,482,837	($ 3,866,531)			

Net Benefit Ratio:
Pay-In Period 1.20
Overall 2.13

year, and because no additional losses may be claimed unless the investor has other sources of passive income, Alternative B is priced only for the value of the credits. The equity is thus diminished from $5,305,000 under the old law to $1,336,000 under the new law. Although the syndicator could price for losses as well as credits, it would restrict the individual investor market considerably (to only those investors within certain income ranges who also have other sources of passive income), and it would make the promised returns highly susceptible to the vagaries of the individual's other investments and overall tax position. In addition, the limited equity in combination with high construction cost commitments generates large bridge loan requirements in this illustration. The bridge loan cannot be repaid with available equity and no profit is generated. Thus, an Alternative B investment is not viable for sale to individual investors.

Table 3 shows the same assumptions with regard to the credits, but replaces the individual investor with a corporate investor (Alternative C). Tax losses, therefore, are valued at a maximum corporate rate of 34%, and are priced on an after-tax basis along with the credits since, assuming no AMT impact, corporations are unrestricted in their use of "passive" losses to offset any other form of income. The result is a viable investment of $3,430,000. The rather dramatic increase of $2,094,000 (over that available from individual investors) is attributable to the fact that, although far less substantial than those available to individuals under the old law, the losses remain a significant element of the Alternative C investment. The fact that the corporate maximum tax rate is now higher than the individual rate further enhances the value of those losses.

Under these assumptions, the project is viable. The use of the minimum number of apartment units eligible for credits in this scenario suggests that even in a project with proportionately few ow-income units, the value of the credits in combination with losses will make for a profitable investment — when sold to the corporate investor.

The next alternative, Alternative D shown in Table 4, illustrates the effect of an increase in the percentage of credit-eligible units from 25% (35 apartments) to 50% (70 apartments). All other assumptions regarding the credit remain unchanged. The first mortgage is taxable and the HoDAG is structured to avoid federal subsidy classification, so the 9% credit is available. However, because rental income is reduced through the change in the income/rent mix, the principal amount of the mortgage must be further reduced to $7,687,360. The decrease of $574,140 must be made up through syndication proceeds, so this amount is added to the construction contribution, raising it from $801,000 to $1,375,140. The net effect is an increase of equity to $4,965,000. Further, despite a relatively large bridge loan requirement, all costs can be covered and profits are available.

In Table 5, we revisit the individual investor (Alternative E), applying the other assumptions of Alternative D, to determine whether applying the 9% credits to a higher percentage of low-income units would make the investment feasible for an individual investor. Despite these changes, however, we can generate overall equity of only $2,725,500. The high gap loan required by lower rental income, higher taxable mortgage rates, a smaller first mortgage and the higher construction requirements, cannot be fully repaid from syndication proceeds. No profit is available to the developer and the project remains infeasible. Thus, it takes higher rents and/or a project in which more than 50% of the units are low-income units to create a viable investment for sales to individuals. Furthermore, the $7,000

Table 4

Investment Summary
Alternative D

Assumptions: Corporate investor ; 4% credits; 50% low-income units.

Year	Capital Invest-ment	Taxable Income (Loss)	Tax Savings at 28%	Low Income Housing Credit	Annual Net Invest-ment	Cumula-tive Net Invest-ment	Annual Benefit Ratio	Cumula-lative Benfit Ratio
1987	$ 31,400	($ 110,482)	$ 37,564	0	($6,164)	($ 6,164)	1.20	1.20
1988	457,900	(873,616)	297,030	251,608	(90,738)	(96,901)	1.20	1.20
1989	833,100	(1,453,307)	494,124	503,216	(164,240)	(261,142)	1.20	1.20
1990	784,700	(1,281,334)	435,654	503,216	(154,170)	(415,311)	1.20	1.20
1991	768,100	(1,222,106)	415,516	503,216	(150,632)	(565,944)	1.20	1.20
1992	709,600	(1,016,374)	345,567	503,216	(139,183)	(705,127)	1.20	1.20
1993	681,100	(980,278)	333,295	503,216	(137,411)	(842,538)	1.20	1.20
1994	681,100	(921,844)	313,427	503,216	(135,543)	(978,081)	1.20	1.20
1995		(901,288)	306,438	503,216	(809,654)	(1,787,735)		1.36
1996		(887,964)	301,908	503,216	(805,124)	(2,592,858)		1.52
1997		(895,378)	304,428	503,216	(807,645)	(3,400,503)		1.68
1998		(872,501)	296,650	251,608	(548,258)	(3,948,761)		1.80
1999		(845,929)	287,616		(287,616)	(4,236,377)		1.85
2000		(815,436)	277,248		(277,248)	(4,513,625)		1.91
2001		(814,280)	276,855		(276,855)	(4,790,480)		1.96
2002		(898,113)	305,358		(305,358)	(5,095,839)		2.03
	$ 4,965,000	($14,790,229)	$ 5,028,678	$ 5,032,161	($ 5,095,839)			

Net Benefit Ratio:
Pay-In Period 1.20
Overall 2.03

limit on tax credits claimed by individual investors forces the syndicator to break up the investment into many small investment units. This, in turn, may require public offerings, with proportionately higher syndication costs, for all but the smallest offerings.

Using the 4% Credit

Table 6 reflects the outcome of a fundamentally different approach to structuring the credit (Alternative F). Here it is assumed that tax-exempt financing is used, such as that commonly available from bonds issued by state housing finance agencies. The critical trade-off here is that because the credit provisions treat tax-exempt financing as a federal subsidy, only a 4% Housing Credit can be used. For purposes of comparing this scenario to those discussed previously, and in an attempt to determine the minimum credit amounts required for a workable investment, Alternative F assumes that only 25% of the units are eligible for credits. The lower interest rate available on the tax-exempt financing (estimated at 8.4%, or one point below the taxable rate) allows for a larger mortgage of $9,036,800 (as in Table 1). The equity contribution to construction is reduced accordingly, to only $25,700. This, in turn, significantly diminishes bridge loan needs and financing costs. The result is an equity investment of $2,540,000.

Although the gross equity is less than that which could be raised using taxable financing

Table 5

Investment Summary
Alternative E

Assumptions: Individual investor ; 9% credits; 50% low-income units.

Year	Capital Invest-ment	Taxable Income (Loss)	Tax Savings at 28%	Low Income Housing Credit	Annual Net Invest-ment	Cumula-tive Net Invest-ment	Annual Benefit Ratio[1]	Cumula-lative Benfit Ratio[1]
1987	$ 0	($ 25,845)	$ 7,237	$ 0	($ 7,237)	($ 7,237)	-	-
1988	209,700	(613,822)	171,870	249,695	(211,865)	(219,102)	1.19	1.19
1989	419,300	(1,192,004)	333,761	499,390	(413,851)	(632,953)	1.19	1.19
1990	419,300	(1,172,267)	328,235	499,390	(408,325)	(1,041,277)	1.19	1.19
1991	419,300	(1,146,496)	321,019	499,390	(401,109)	(1,442,386)	1.19	1.19
1992	419,300	(1,093,066)	306,058	499,390	(386,148)	(1,828,534)	1.19	1.19
1993	419,300	(1,076,816)	301,508	499,390	(381,598)	(2,210,132)	1.19	1.19
1994	419,300	(1,033,358)	289,340	499,390	(369,430)	(2,579,562)	1.19	1.19
1995		(898,196)	251,495	499,390	(750,885)	(3,330,447)		1.37
1996		(884,872)	247,764	499,390	(747,154)	(4,077,601)		1.56
1997		(892,286)	249,840	499,390	(749,230)	(4,826,831)		1.74
1998		(869,409)	243,434	249,695	(493,129)	(5,319,960)		1.83
1999		(842,837)	235,994		(235,994)	(5,555,954)		1.83
2000		(812,344)	227,456		(227,456)	(5,783,411)		1.83
2001		(811,188)	227,133		(227,133)	(6,010,543)		1.83
2002		(895,021)	250,606		(250,606)	(6,261,149)		1.83
	$ 2,725,500	($14,259,826)	$ 3,992,751	$ 4,993,898	($ 6,261,149)			

Net Benefit Ratio:
Pay-In Period 1.19
Overall 1.83

1. *Priced only for the Low-Income Housing Credit, since individual investors may only claim $ 7,000 per year in Credits, with no passive losses unless other passive income is available from other investments. The investment would have to be divided into roughly 160 units, requiring a public offering.*

Table 6

Investment Summary
Alternative F

Assumptions: Corporate investor ; 4% credits; 25% low-income units.

Year	Capital Invest- ment	Taxable Income (Loss)	Tax Savings at 28%	Low Income Housing Credit	Annual Net Invest- ment	Cumula- tive Net Invest- ment	Annual Benefit Ratio	Cumula- lative Benfit Ratio
1987	$ 23,900	($ 84,480)	$28,723	$ 0	($ 4,823)	($ 4,823)	1.20	1.20
1988	237,800	(680,947)	231,522	54,846	(48,567)	(53,391)	1.20	1.20
1989	433,100	(1,210,099)	411,434	109,691	(88,025)	(141,415)	1.20	1.20
1990	401,500	(1,098,807)	373,594	109,691	(81,785)	(223,201)	1.20	1.20
1991	395,300	(1,070,145)	363,849	109,691	(78,240)	(301,441)	1.20	1.20
1992	354,000	(929,454)	316,014	109,691	(71,705)	(373,146)	1.20	1.20
1993	352,400	(920,595)	313,002	109,691	(70,293)	(443,440)	1.20	1.20
1994	342,000	(885,222)	300,975	109,691	(68,666)	(512,106)	1.20	1.20
1995		(863,001)	293,420	109,691	(403,112)	(915,218)		1.36
1996		(848,246)	288,404	109,691	(398,095)	(1,313,313)		1.52
1997		(853,573)	290,215	109,691	(399,906)	(1,713,218)		1.67
1998		(828,857)	281,811	54,846	(336,657)	(2,049,875)		1.81
1999		(800,391)	272,133		(272,133)	(2,322,008)		1.91
2000		(767,963)	261,108		(261,108)	(2,583,116)		2.02
2001		(764,837)	260,045		(260,045)	(2,843,160)		2.12
2002		(846,676)	287,870		(287,870)	(3,131,030)		2.23
	$ 2,540,000	($13,453,292)	$ 4,574,119	$ 1,096,911	($ 3,131,030)			

Net Benefit Ratio:
Pay-In Period 1.20
Overall 2.23

with 9% credits on 25% of the units with a corporate investor (Alternative C), Alternative F is probably a better deal for the developer. The tax-exempt mortgage rate allows for a much smaller equity contribution to construction costs, leaving a higher balance of funds available for syndication costs, bridge financing costs and profits. Furthermore the lower gross value would reduce any syndication costs set at a percentage of gross, and bridge financing costs are minimal since so little capital is needed up front. The rate spread between taxable and tax-exempt rates will alter the results of this comparison between the 4% and 9% credits. Thus, ongoing analysis of every project at different times will be needed to ensure maximum benefits, particularly during periods when interest rates are especially unstable — such as we have today.

Finally, Table 7 (Alternative G) is included to demonstrate the effect of restructuring the HoDAG as a grant, rather than a market-rate loan for credit purposes. As noted above, when subsidies such as a HoDAG grant are used with 9% credits, they must be eliminated from the project cost basis, against which the credit amounts are calculated. Nine percent credits on 25% of the units are still attainable, although the credit amounts will be reduced since their base is reduced by the grant amount. Alternative G assumes a corporate investor, so the results can best be compared to those of the market-rate loan equivalent, shown in Table 3 (Alternative C).

These changes result in a $690,000 reduction in the amount of equity raised, attributable to both a reduction in the annual credit amounts and a reduction in the losses attributable to the interest accruals on the HoDAG. Unless there is concern over debt build-up and residual values, there is little reason to structure this financing as a grant or below-market loan, since to do so reduces both the credits and losses that otherwise would be available. The projected future value of the project, however, must be great enough to support the HoDAG debt buildup, and the trade-off could be reversed if the HoDAG represented a much larger proportion of the financing.

Some Conclusions

A number of conclusions may be drawn from this analysis of the impact of tax reform on affordable housing investments. TRA 1986 has caused a dramatic shift in the nature of the tax benefits available from such investments, as well as a reduction in the total benefits available from projects such as the one analyzed above. Nonetheless, careful structuring of the Low-Income Housing Credits, combined with a program to market these types of investments to corporations — the investors that can benefit most from the tax benefits remaining under the new law — will allow for investments that are both attractive to the investor and profitable to the developer. Furthermore, although the credit provisions are complex, they do allow considerable flexibility for a developer to use other locally available resources.

Table 8, which summarizes the scenarios discussed above, supports this conclusion. For example, it illustrates that the hypothetical project is workable with tax-exempt financing and 4% credits on 25% of the units, or with taxable financing and 9% credits on 25% of the units (Alternative F and Alternative C, respectively.) The equity results are roughly equal, and the availability of these alternative approaches enables the developer to factor in the costs of, and respond to the local availability of, different kinds of financing. Alternatively, where state or federal rent subsidies are more readily available, the developer can profitably increase the percentage

Table 7

Investment Summary
Alternative G

Assumptions: Corporate investor; 25% low-income inits; federal subsidy as a grant.

Year	Capital Invest-ment	Taxable Income (Loss)	Tax Savings at 34%	Low Income Housing Credit	Annual Net Invest-ment	Cumula-tive Net Invest-ment	Annual Benefit Ratio	Cumula-lative Benfit Ratio
1987	$ 17,200	($ 60,555)	$20,589	$ 0	$ 3,389	($ 3,389)	1.20	1.20
1988	248,500	(576,739)	196,091	101,809	(49,401)	(52,789)	1.20	1.20
1989	465,700	(1,043,198)	354,687	203,619	(92,606)	(145,395)	1.20	1.20
1990	438,700	(948,031)	322,331	203,619	(87,249)	(232,645)	1.20	1.20
1991	425,500	(901,787)	306,608	203,619	(84,726)	(317,371)	1.20	1.20
1992	391,800	(783,478)	266,383	203,619	(78,201)	(395,572)	1.20	1.20
1993	384,000	(755,841)	256,986	203,619	(76,604)	(472,176)	1.20	1.20
1994	368,600	(701,622)	238,552	203,619	(73,570)	(545,747)	1.20	1.20
1995		(662,555)	225,269	203,619	(428,887)	(974,634)		1.36
1996		(632,833)	215,163	203,619	(418,782)	(1,393,416)		1.51
1997		(622,657)	211,703	203,619	(415,322)	(1,808,738)		1.66
1998		(580,911)	197,510	101,809	(299,319)	(2,108,057)		1.77
1999		(534,089)	181,590		(181,590)	(2,289,647)		1.84
2000		(481,877)	163,838		(163,838)	(2,453,485)		1.90
2001		(457,413)	155,520		(155,520)	(2,609,006)		1.95
2002		(516,238)	175,521		(175,521)	(2,784,527)		2.02
	$2,740,000	($10,259,825)	$3,488,341	$2,036,186	($2,784,527)			

Net Benefit Ratio:
Pay-In Period 1.20
Overall 2.02

Summary of Alternative Structures

	Table 1	Table 2	Table 3	Table 4	Table 5	Table 6	Table 7
Investor Type	Individual	Individual	Corporate	Corporate	Individual	Corporate	Corporate
Maximum Tax Bracket	50%	28%	34%	34%	28%	34%	34%
Financing Type	Tax-exempt	Taxable	Taxable	Taxable	Taxable	Tax-exempt	Taxable
Low-Income Housing Credit % Available	None	9%	9%	9%	9%	4%	9%
% of Units Low-Income	25%	25%	25%	50%	50%	25%	25%
Federal Subsidy in Basis?	N.A.	Yes	Yes	Yes	Yes	Yes	No
Gross Syndication Proceeds	$5,305,000	$1,336,000	$3,430,000	$4,965,000	$2,725,500	$2,540,000	$2,740,000
Construction Costs[1]	$ 25,700	$ 801,000	$ 801,000	$1,375,140	$1,375,140	$ 25,700	$ 801,000
Balance Available[2]	$5,279,300	$ 535,000[3]	$2,629,000	$3,589,860	$1,350,360[3]	$2,514,300	$1,939,000

1. Amounts vary depending on first mortgage financing amounts which can be supported given different income/rent mixes, and first mortgage interest rate differentials between taxable and tax-exempt financing.
2. Includes all syndication costs and fees, bridge loan financing costs and developer's profits.
3. Investment is not feasible: bridge financing needs cannot be covered.

of low-income units in the project (Alternative D).

Some Considerations in Marketing to Corporate Investors

Assuming that we have been able, so far, to convince you of the viability of structuring Low-Income Housing Tax Credit transactions, the following might be considered from the standpoint of marketing the investment to potential corporate investors. As the investment form is better refined and becomes more widely accepted in the market, there is no doubt that additional considerations will come to light.

☐ *Investment Suitability.* These investments are generally suitable for all domestic corporations formed under Subchapter C, except personal service corporations and those that are closely-held (with five or fewer shareholders owning 50% or more of the stock), which cannot use the passive losses to offset portfolio income. The investments are also not suitable for corporations formed under Subchapter S, since these entities are "pass-through" vehicles and are taxed at the shareholder level. A potential corporate investor should be accredited, i.e., the firm must invest more than $150,000 over the first five years of the investment, and the total amount of the investment must not exceed 20% of the corporation's net worth. In no event should a corporation with a net worth of less than $1,000,000 consider investing.

☐ *Alternative Minimum Tax.* Since excess depreciation is an item of tax preference, these investments have the potential to bring corporate investors within the range of the alternative minimum tax, particularly since the adjustment between income reported for tax purposes and that reported for public accounting purposes is now a preference item as well. If that potential exists, or if the corporation is already subject to AMT, it probably should not consider making this type of investment. The credit cannot be used (nor can any tax credit other than the foreign tax credit be used) to offset Alternative Minimum Tax liability, virtually eliminating the benefits of the investment.

☐ *Size of the Offering.* Since corporations may wish to avoid having to recognize tax losses from the investment on their balance sheets, it is wise to divide the offering into units that represent less ding on the accounting method used by the investor/corporation for balance sheet purposes, a larger ownership interest could be purchased). For example, if investors are being offered a 98% interest in the aggregate, dividing the investment into ten units would afford each investor a 9.8% ownership interest. This would enable a corporate investor to purchase two units (19.6%) and avoid the current recognition of losses. When coupled with the investment suitability criteria mentioned above, it becomes obvious that smaller offerings (*e.g.*, under $5 million) will probably not be of interest to a broad range of corporations. Mid-sized corporations often have the ability to make more rapid investment decisions than large conglomerates, which are more likely to have multiple investment review functions, complex accounting, and large Executive Boards. Smaller corporations, however, may be less able to project their future tax shelter needs accurately.

☐ *Number of Investor Installments.* Many corporations would prefer to make one or two "up front" payments to avoid carrying the liability for the balance of the payments on their books over a longer installment period. Corporations such as thrift institutions, which might borrow annually to make the installment payments, may not want to take the interest rate risk associated with a lengthy installment period. Single payment transactions lend themselves well to public offering formats, but do not allow for pricing adjustments, which may be needed to protect investors from fluctuations in the Applicable Federal Rate or changes in the percentage of low-income credit units actually achieved when the project is placed in service. Short installment periods generally will mean that the transactions will not begin to be "soft dollar" for at least five or six years, but the cumulative benefit to capital invested ratios will be higher under these circumstances. Naturally enough, however, the internal rate of return will drop with shorter pay-in periods because there is less excess benefit over capital invested to reinvest. A present value of benefits as a ratio of a present value of capital invested is probably a better determinant of yield under these circumstances than either an IRR or an Adjusted Rate of Return (ARR).

riod may be troublesome to some corporate investors — until they realize that their principal has been returned to them in the form of tax savings much earlier than that. Illiquidity is a requirement of the limited partnership form of the investment, a form that also protects the investor from any liability beyond the capital originally committed.

☐ *Predictability of the Benefit Stream.* There is a risk that the amount of projected Housing Credits may fluctuate during the construction of development projects, due to monthly changes in the Applicable Federal Rate. Once the project is placed in service, however, the minimum annual amount of the credit is established. Additionally, low-income units qualifying at a later date may add to the amount of the available credit, subject to certain limitations, and credits can be recaptured on units failing to qualify after initial determination of the credit amount. To account for such contingencies, it is important to include within the investment structure some pricing adjustments and guarantees that would help to preserve the projected benefits. Since these contingencies (with the exception of the AFR fluctuations) are within the control of the general partners, the benefits of the investment are more predictable than those available in "economic" real estate investments where market fluctuations and other factors outside the partnership's control may cause wide variations from the projected benefits.

Is There Life After Tax Reform?

To use the credits successfully, a thorough understanding of the credit provisions is essential, as is detailed analysis of the alternatives available for each particular project. Breaking ground in the new corporate marketplace is no small task either: traditional marketing and offering materials will have to be adapted to the needs and investment criteria of corporations; return requirements will have to be redetermined as the market is established; and new kinds of intermediaries or direct marketing contacts and strategies erable risk to the developers and other professionals who must pave the way. The rewards, however, will be found in the challenge of adjusting to a fundamental change in the tax law, in the continued ability to provide badly needed affordable housing, and in the resurrection of a type of investment that has proven extremely successful in the past.

are referred to "The Credit for Low-Income Housing: Whose Tax Shelter Is It?" by Charles T. Carlisle, Jr., published in the Winter 1987 issue (Vol. 3, No. 4) of *Real Estate Finance*, or to one of the many excellent summaries of the new tax law prepared by legal and accounting firms around the country.

[2] The new law does permit individual investors, who meet certain income limitations and who actively participate in their passive investment, to use a portion of their losses and/or credits relating to that investment to offset non-passive income. A discussion of this and similar details of the new tax law, however, is beyond the scope of this article.

VERMONT HOUSING FINANCE AGENCY

November 10, 1987

Ms. Jean Gauthier
Pavilion Office Building
Montpelier, VT 05602

Dear Ms. Gauthier:

The Vermont Housing Finance Agency will be having its monthly Board Meeting on Thursday, November 19, 1987, at 2:30 p.m., here at the Vermont Housing Finance Agency, One Burlington Square, Burlington, Vermont.

If you require any additional information, please do not hesitate to contact me.

Sincerely,

Barbara M. Parker

Barbara M. Parker
Office Manager

/bp

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
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A. Rockefeller
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research in the social sciences aided by a $750,000 gift from the Nelson A. Rockefeller family.

Honors

The Vermont Association for Health, Physical Education, Recreation and Dance presented awards at the fall conference to: Sue Adams of Jericho and Underhill elementary schools and Phyllis Lewis of Manchester Elementary School, Outstanding Teacher of the Year in elementary physical education; Judith Pierce, health education program coordinator at the University of Vermont, Outstanding Teacher of the Year in health education; Nick Montello, principal of Shoreham Elementary School, Layperson of the Year for his promotion of health and physical education; Janice Lange of UVM, Service Award; and Ellen Edwards of Castleton State College, Distinguished Service Award.

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Commissioner Karen Meyer resigning

The Associated Press

MONTPELIER — Housing and Community Affairs Commissioner Karen Meyer announced Wednesday that she was resigning from her post.

Meyer, a Montpelier resident who has served as commissioner since 1985, said she was leaving state government for "personal and professional reasons."

She said she has talked to employers in the "government relations field" recently about a new job.

"I don't want to be real specific, but I've been talking to a couple of people both in Vermont and out of Vermont," she said. "It's time for a change. I've done a lot of thinking about it, and it's a good time now. I have some opportunities to consider."

Meyer, 38, will remain in her job until the end of the year.

Gov. Madeleine Kunin expressed regret about Meyer's resignation and praised her work.

"She has been a very strong commissioner and has served local governments with great effectiveness," Kunin said in a prepared statement.

Under Meyer's tenure, the state established a comprehensive housing policy. Meyer also has been credited with bolstering the state's community development program and has implemented regional solid waste programs.

"We have a real productive department, and we have enormous responsibilities," she said.

Before joining state government in February 1985, Meyer was legislative and membership services director with the Vermont League of Cities and Towns. From 1979 to 1983, she was an assistant to U.S. Rep. James Jeffords, R-Vt.

She also has served as executive director of the Retired Senior Volunteer Program for central Vermont and as program director for the Washington County Dental Health Council.

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: November 12, 1987

TO: Vermont Housing Finance Agency Board of Commissioners

FROM: Allan S. Hunt Dick

RE: CONFIRMATION AND AGENDA FOR UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners' meeting has been confirmed. It will be held on Thursday, November 19, 1987 here, at the Vermont Housing Finance Agency, One Burlington Square, Burlington, Vermont. Prior to the meeting, lunch will be served at 12:30; a photograph session is scheduled for 1:30, with the meeting scheduled to begin at 2:30. The agenda for this meeting is enclosed, along with several items for your review.

If you need any further information regarding the upcoming Board meeting, please feel free to contact me. I look forward to seeing you November 19.

VERMONT HOUSING FINANCE AGENCY

BOARD MINUTES
Vermont Housing Finance Agency
State Treasurer's Office
Montpelier, Vermont
Thursday, October 15, 1987

Present: Commissioners Hebard, Seelig, Hahn, Meyer, Babcock, Myette (via speaker phone); Agency Staff Mr. Hunt, Mr. Schoenbeck, Mr. Lothrop, Ms. Torpy, Mr. Richardson, Mrs. Parker, Mr. Faesy; Mr. Kochman of F.L. Kochman, Inc.; guest: Ms. Cade of Bank of Boston

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

Upon a motion duly made and seconded, the minutes of the September 17 meeting were unanimously approved.

Mr. Hunt then briefly recapped the discussion of the Non-Profit Corporation from the previous Board meeting. On the question of sustaining members, Mr. Kochman reported that he had put the question of eliminating some entities for membership to Robert Hale of Palmer & Dodge; he concluded that, from a legal standpoint, it is "not legally necessary" to have other sustaining members; the Agency as the sole sustaining member would be acceptable legally. Staff recommended that sustaining membershipbe kept available to political subdivisions.

A lengthy discussion followed, covering many points in the proposed Business Plan, Bylaws, and Funding Agreement. Mr. Richardson distributed an updated budget (Draft 2) which replaces the budget as listed on Page 16 of the current draft of the Business Plan. Mr. Richardson also pointed out that the Executive Summary refers to 2,000 units, while the production plan refers to 1,500 units; Agency staff feel that 1,500 is the more obtainable number. Mr. Seelig and Mr. Hahn then requested a statement be included in the Business Plan that the minimum number of units per project be flexible, rather than "no less than 20 units" as currently stated.

Mr. Hunt assured the Board that the information flow to the VHFA Board will continue through each step in the creation and development of the Non-Profit Corporation. Mr. Hunt also explained that the Board of the Non-Profit Corporation will be responsible for setting policies of that Corporation, but as a practical matter the VHFA Board will know about these policies

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and have a chance to comment before they are adopted. Mr. Kochman also assured the Board there already exists a covenant in the Funding Agreement which prevents the Corporation from altering its purposes as set forth in the Articles of Association without Agency consent.

Mr. Schoenbeck presented the Board with a memorandum dated 10/12/87, "Agency Wide Cash Flow Analysis," which included a chart showing projections over the next five years. A brief discussion of this analysis followed. Mr. Hunt then introduced a Resolution for the Board's approval, and stated that he recommends for the record that of the $2 million being requested by the Non-Profit Corporation, $1 million now be applied from the Howard Mortgage Purchase Program, with the balance of the additional $1 million to be distributed over the next two years. Mr. Seelig recommended that a statement be included in the Bylaws regarding an intention to work with any existing nonprofit groups. Mr. Hunt agreed to such a statement being written into the Bylaws to avoid any potential conflicts with existing nonprofit agencies. A motion was duly made and seconded to adopt the attached "Resolution Pertaining to a Non-Profit Corporation." Ms. Babcock proposed an amendment to the Resolution, altering the final paragraph; after a brief discussion and further explanation of preceding discussions from the previous Board meeting, Ms. Babcock withdrew the proposal. The motion was then carried by unanimous vote, and the Resolution was adopted as written.

At this point, Mr. Myette expressed his regrets and stated he would not be available for the rest of the meeting.

The Board then moved on to the next Agenda item, and Ms. Torpy reviewed the proposed Revolving Loan Fund that would provide 3% loans of up to $50,000 to non-profit groups, as discussed in the four-page summary included in the Board package. Establishment of this fund would necessitate the hiring of a Technical Assistant, as described in the Summary. A motion was duly made, seconded, and unanimously approved for the dedication of up to $250,000 as a revolving loan fund, as well as the staffing request.

Mr. Lothrop then presented an update on the Single Family program, indicating that reservations were up substantially, and reported to the Board that he has been on the road talking with lenders throughout the State; maximum Agency effort is being expended on the MOVE program, with positive results.

The next Agenda item was an update on Energy Rated Homes of Vermont, which was presented by Mr. Faesy. As discussed in his memo (included in the Board packet), ERH is requesting a contribution of $36,400 from VHFA to cover first year operating expenses. Ms. Meyer stipulated that the amount of the Agency's contribution should not exceed $36,400. A motion was duly made and seconded, and the contribution was unanimously approved.

Mr. Schoenbeck then distributed a memo to the Board dated 10/15/87, "Audit Review For Fiscal Year June 1987." The Audit was successfully completed, and a management letter should be received by the Agency and distributed to the Board by the next Board meeting.

The Board then discussed Mr. Hunt's proposed testimony to the Governor's "Growth Commission." Revisions suggested by the Board will be incorporated into the testimony.

On the order of other business, Mr. Hunt announced that a new attorney has been hired by the Agency; Mr. Glenn A. Jarrett will join the Agency November 2. Mr. Hunt also advised the Board that he had received a letter from The Bobbin Mill Co. (regarding an item that had been discussed in Executive Session during the Board meeting of 08/20/87). As the Agency's attorney has not yet reviewed this letter, Mr. Hunt will bring recommendations to the Board at the next meeting.

The Board was also advised by Mr. Schoenbeck that a group photograph of the Board of Commissioners will be taken at the November 19 meeting. This photograph will appear in the Annual Report.

Mr. Hebard advised the Board that Paul W. Ruse, Jr. has been appointed Deputy State Treasurer, and may be attending VHFA Board meetings in Mr. Hebard's absence.

The meeting was adjourned at 4:20.

Respectfully submitted,

Allan S. Hunt

Allan S. Hunt
Secretary

RESOLUTION PERTAINING TO A NON-PROFIT HOUSING CORPORATION

RESOLVED:

1. That Vermont Housing Finance Agency shall, and the Executive Director is directed to, take all steps reasonably calculated to encourage the creation of a non-profit housing corporation (the "Corporation") organized substantially in accordance with the draft Articles of Association and Bylaws presented to the Commissioners at the Agency's meeting of October 15, 1987, under the working title of "Community Housing Stock, Inc.," with such changes thereto as the Executive Director shall deem necessary or desirable to assure that the Corporation shall be a "qualified non-profit organization" within the meaning of Section 42 of the Internal Revenue Code.

2. The Executive Director shall identify and solicit appropriate directors for the Corporation and may provide assistance in the application of the Corporation for recognition by the Internal Revenue Service as such "qualified non-profit organization." In rendering such assistance, the Executive Director is authorized in his discretion to incur expenses for legal, technical, and other advisory services. As used herein, the term "appropriate directors" means persons who, in the opinion of the Executive Director with the concurrence of the Chairman and the Governor of the State of Vermont, are knowledgeable in the areas of the housing needs of low-income persons in the State, housing and community development, housing acquisition and management, finance, marketing, and general business management.

3. The Director of Finance shall immediately commission an independent professional analysis of the Agency's financial position with respect to an appropriate bond indenture (the "Cash Flow Analysis") for the purpose of establishing the amount of funds which may be properly withdrawn therefrom for the purpose of honoring the Funding Agreement hereinafter described.

4. Subject to receipt of the Cash Flow Analysis, and upon the organization of the Corporation, the Executive Director is authorized to execute, with the Corporation, a funding agreement (the "Funding Agreement") substantially in the form presented to the Commissioners at the Agency's meeting of October 15, 1987; PROVIDED, HOWEVER, that the total financial commitment of the Agency under the Funding Agreement shall not exceed the LESSER of (a) $2,000,000.00, or (b) an amount based upon the results of the Cash Flow Analysis and deemed permissible by the Executive Director with the concurrence of the Chairman and the Director of Finance. Further provided that, in executing the Funding Agreement, the Executive Director, in his discretion may (1) change the Commitment Period to three years, (2) determine the annual proportion of Housing Development Funds to Operating Funds under the Funding Agreement, provided that the amount of Funds allocatable as Operating Funds in any Funding Year shall not exceed 40% of all Funds available for such Funding Year, and/or (3) establish a disproportionate allocation of annual Funds over the Commitment Period so long as the total financial commitment of the Agency as herein authorized shall not be exceeded.

I 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 VHFA held October 15, 1987.

Allan S. Hunt

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

VERMONT HOUSING FINANCE AGENCY

VHFA BOARD MEETING AGENDA

One Burlington Square
Burlington, Vermont

Thursday, November 19, 1987 at 2:30 p.m.

1. Review and approval of minutes of October 15, 1987

2. Single Family

    A. Program(s) Update [**Lothrop//Enclosures**]

    B. Discussion of Energy Standards for Manufactured Housing [**Faesy//Enclosure**]

    C. Update on Secondary Market [**Lothrop**]

3. Multi-Family

    A. Discussion of Fort Ethan Allen and proposed development agreement with Northshore Development [**Hunt//Enclosure**]

    B. Bobbin Mill Discussion

4. Update and preliminary findings of organizational consultants [**Hunt//Enclosure**]

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

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VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Douglas R. Lothrop, Director, DRL by CH
Single Family Programs

RE: Status Reports for the MOVE and New Homes Programs

DATE: November 11, 1987

Attached are status reports as of November 11, 1987 for both the MOVE and New Homes Programs.

Interest in both programs remains steady.

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STATISTICAL REPORT PROGRAM ID: 87A
SINGLE FAMILY DATABASE
EFFECTIVE: 11/11/87

Total Number of Loans:	175
Total Loan Amount:	$8,834,303
Average Loan Amount:	$50,481

EXISTING:	$8,197,046	93.7%	164 Loans
NEW CONSTRUCTION:	$637,257	6.2%	11 Loans
NEW DETACHED HOUSING:	$580,647	91.1%	10 Loans
NEW CONDOMINIUM:	$56,610	8.8%	1 Loans

Total Insured or Guaranteed Loans:	172
Loans Guaranteed by VHMGB:	172

	ACED	NON ACED	STATEWIDE
Avg. Purchase Price	$53,163	$62,957	$56,073
Avg. Loan Amount	$47,621	$57,247	$50,481
Avg. Borrower Income	$25,229	$26,847	$25,710
Avg. Housing Debt-Income Ratio	24.7%	28.3%	25.8%
Avg. Total Debt	$690.47	$788.45	$719.59
Avg. Total Debt-Income Ratio	33.0%	35.3%	33.7%
Total No. of Loans	123	52	175
First Time Homebuyers	74.7%	100.0%	82.2%
% Loans with 2 or more Wage Earners	52.0%	53.8%	52.5%
% of Total Loan Amount	66.3%	33.7%	100.0%

	Loans	$ Amount	% of $ Amount	Population	% of Pop.
Addison	2	$101,957	1.2%	29,406	5.8%
Bennington	1	$59,500	0.7%	33,345	6.6%
Caledonia	14	$592,304	6.7%	25,808	5.1%
Chittenden	40	$2,325,420	26.2%	115,534	22.6%
Essex	4	$152,082	1.7%	6,313	1.0%
Franklin	22	$1,065,288	12.1%	34,788	6.8%
Grand Isle	1	$71,250	0.8%	4,613	0.9%
Lamoille	9	$458,075	5.2%	16,747	3.3%
Orange	7	$345,855	3.9%	22,739	4.5%
Orleans	16	$587,914	6.7%	23,440	4.6%
Rutland	24	$1,290,610	14.6%	58,347	11.4%
Washington	26	$1,313,283	14.9%	52,393	10.2%
Windham	1	$52,000	0.6%	36,933	7.2%
Windsor	8	$418,765	4.7%	51,030	10.0%
TOTAL	175	$8,834,303	100.0%	511,456	100.0%

* 1980 Adjusted Census Data

STATISTICAL REPORT NEW HOMES PROGRAM
SINGLE FAMILY DATABASE
EFFECTIVE: 11/11/87

Total Number of Loans:	106
Total Loan Amount:	$6,307,442
Average Loan Amount:	$59,504

NEW DETACHED HOUSING:	$5,865,882	92.9%	98 Loans
NEW CONDOMINIUM:	$441,560	7.0%	8 Loans

Total Insured or Guaranteed Loans:	101
Loans Guaranteed by VHMGB:	101

	ACED	NON ACED	STATEWIDE
Avg. Purchase Price	$65,483	$71,441	$68,462
Avg. Loan Amount	$55,896	$63,111	$59,504
Avg. Borrower Income	$24,539	$27,548	$26,044
Avg. Housing Debt-Income Ratio	26.5%	26.5%	26.5%
Avg. Total Debt	$696.69	$769.43	$733.06
Avg. Total Debt-Income Ratio	33.8%	33.4%	33.6%
Total No. of Loans	53	53	106
First Time Homebuyers	71.6%	64.1%	67.9%
% Loans with 2 or more Wage Earners	45.2%	47.1%	46.2%
% of Total Loan Amount	47.0%	53.0%	100.0%

	Loans	$ Amount	% of $ Amount	Population	% of Pop.
Addison	7	$418,596	6.6%	29,406	5.8%
Bennington	3	$189,700	3.0%	33,345	6.6%
Caledonia	6	$294,700	4.7%	25,808	5.1%
Chittenden	40	$2,552,833	40.6%	115,534	22.6%
Essex	0	$0	0.0%	6,313	1.0%
Franklin	14	$838,355	13.3%	34,788	6.8%
Grand Isle	3	$183,800	2.9%	4,613	0.9%
Lamoille	5	$272,260	4.3%	16,747	3.3%
Orange	4	$178,000	2.8%	22,739	4.5%
Orleans	5	$272,718	4.3%	23,440	4.6%
Rutland	11	$657,660	10.4%	58,347	11.4%
Washington	2	$83,500	1.3%	52,393	10.2%
Windham	6	$365,320	5.8%	36,933	7.2%
Windsor	0	$0	0.0%	51,030	10.0%
TOTAL	106	$6,307,442	100.0%	511,456	100.0%

* 1980 Adjusted Census Data

Vermont Housing Finance Agency
1978 Series A - $12,000,000 NEW HOMES PROGRAM
Status Report (with percent of pool proceeds approved)
Rate : 7.750%
Date : 11/11/87

Lender		Funds Reserved	Percent Reserved	Prelim. Approval	% Prelim Approval	Loans Purchased	Loans to be Purchased
Bank of Vermont		$946,655	7.8%	$671,170	5.5%	$74,100	$597,070
Bennington Coop Savings & Loan Assn Inc		$120,400	1.0%	$57,400	0.4%	$0	$57,400
Caledonia National Bank of Danville, The		$558,720	4.6%	$281,520	2.3%	$0	$281,520
Chittenden Trust Company		$1,826,965	15.2%	$1,389,480	11.5%	$277,925	$1,111,555
Commonwealth Mortgage Company, Inc		$124,750	1.0%	$50,650	0.4%	$0	$50,650
Community National Bank		$272,717	2.2%	$272,717	2.2%	$0	$272,717
Factory Point National Bank, The		$61,200	0.5%	$61,200	0.5%	$0	$61,200
Howard Bank, National Assn, The		$677,350	5.6%	$548,250	4.5%	$72,050	$476,200
Lyndonville Savings Bank & Trust Company		$50,000	0.4%	$50,000	0.4%	$0	$50,000
Marble Bank		$306,990	2.5%	$306,990	2.5%	$0	$306,990
Merchants Bank, The		$631,756	5.2%	$366,906	3.0%	$0	$366,906
National Bank of Middlebury, The		$242,000	2.0%	$175,500	1.4%	$0	$175,500
New England IBM Employees Fed Crdt Union		$384,200	3.2%	$214,000	1.7%	$69,100	$144,900
Passumpsic Savings Bank		$195,000	1.6%	$90,000	0.7%	$0	$90,000
Peoples Trust Company of St Albans		$206,200	1.7%	$141,600	1.1%	$0	$141,600
Randolph National Bank		$490,695	4.0%	$54,750	0.4%	$0	$54,750
Valley Bank		$399,229	3.3%	$53,500	0.4%	$0	$53,500
Vermont Federal Bank, FSB		$1,036,945	8.6%	$800,125	6.6%	$325,225	$474,900
Vermont Mortgage Group, Inc		$726,965	6.0%	$260,210	2.1%	$0	$260,210
Vermont National Bank		$1,025,120	8.5%	$543,360	4.5%	$0	$543,360
TOTALS	173 Loans	$10,283,857	85.6%	$6,389,328	53.2%	$818,400	$5,570,928

Vermont Housing Finance Agency
1987 Series A - $25,000,000 HOME MORTGAGE PURCHASE PROGRAM
Status Report (with percent of pool proceeds approved)
Rate : 9.700%
Date : 11/11/87

Lender		Funds Reserved	Percent Reserved	Prelim. Approval	% Prelim Approval	Loans Purchased	Loans to be Purchased
Bank of Vermont		$604,825	2.4%	$518,875	2.0%	$280,200	$238,675
Bradford National Bank		$60,000	0.2%	$0	0.0%	$0	$0
Caledonia National Bank of Danville, The		$233,650	0.9%	$48,900	0.1%	$0	$48,900
Chittenden Trust Company		$1,593,026	6.3%	$1,272,151	5.0%	$378,054	$894,097
Community National Bank		$650,982	2.6%	$548,857	2.1%	$136,075	$412,782
First Twin-state Bank		$159,490	0.6%	$124,490	0.4%	$0	$124,490
Granite Savings Bank and Trust Company		$49,400	0.1%	$49,400	0.1%	$49,400	$0
Howard Bank, National Assn, The		$925,650	3.7%	$671,550	2.6%	$320,300	$351,250
Lyndonville Savings Bank & Trust Company		$187,990	0.7%	$148,090	0.5%	$30,000	$118,090
Marble Bank		$368,495	1.4%	$310,495	1.2%	$105,800	$204,695
Merchants Bank, The		$897,885	3.5%	$597,075	2.3%	$0	$597,075
National Bank of Middlebury, The		$49,600	0.1%	$0	0.0%	$0	$0
New England IBM Employees Fed Crdt Union		$389,833	1.5%	$217,808	0.8%	$171,475	$46,333
Northfield Savings Bank		$502,480	2.0%	$242,830	0.9%	$144,505	$98,325
Passumpsic Savings Bank		$710,724	2.8%	$522,594	2.0%	$153,350	$369,244
Peoples Trust Company of St Albans		$262,220	1.0%	$262,220	1.0%	$0	$262,220
Proctor Bank		$323,200	1.2%	$228,200	0.9%	$94,000	$134,200
Randolph National Bank		$42,750	0.1%	$42,750	0.1%	$42,750	$0
Union Bank		$167,450	0.6%	$134,200	0.5%	$96,400	$37,800
Valley Bank		$57,950	0.2%	$0	0.0%	$0	$0
Vermont Federal Bank, FSB		$2,264,342	9.0%	$1,375,630	5.5%	$807,970	$567,660
Vermont Mortgage Group, Inc		$1,189,652	4.7%	$889,252	3.5%	$261,502	$627,750
Vermont National Bank		$1,115,205	4.4%	$680,330	2.7%	$54,530	$625,800
TOTALS	255 Loans	$12,806,799	51.2%	$8,885,697	35.5%	$3,126,311	$5,759,386

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: November 11, 1987

TO: VHFA Board of Commissioners

FROM: Richard Faesy, Energy Specialist

RE: ENERGY STANDARDS FOR MANUFACTURED HOUSING

There have recently been a number of requests from home buyers and home dealers interested in the financing of manufactured housing through our MOVE and New Homes programs. Because most of this manufactured housing does not meet our required energy standards for new construction, we have had to deny these requests for this very affordable type of housing.

Manufactured Housing Definition:
Any house that is produced and substantially completed in a factory rather than at the actual site, is delivered to the site over the highway, is permanently affixed to real property, is connected to appropriate services in a permanent manner at the site, and is taxed as real estate by the municipality in which the home will be located.

Recommendation:
We would recommend allowing an alternative set of energy standards for any manufactured housing that does not meet the current VHFA energy standards. Because the initial cost of most manufactured housing is so affordable we feel that it is worth allowing a lesser degree of energy efficiency in order to permit someone access to housing they otherwise would not have been able to afford.

If a manufactured home did not meet our current energy standards, we would still allow the financing of that home under VHFA programs, provided the home had installed the best package of energy options available for that particular make and model of manufactured home. The burden would be placed on the dealer to warrant that the manufactured home being financed did have the best energy package available. In addition, no electric heat could be installed, and if the manufactured home was to be put over a full height basement, then the basement walls must be insulated to at least R-10 (2" of foam or equivalent) to at least 2 feet below final grade.

By making these requirements, we could assure the energy efficiency of the homes, and still allow them in the VHFA programs.

Action Requested:
Incorporate the above recommendations in to VHFA energy standards.

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VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: November 11, 1987

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt ASH

RE: FORT ETHAN ALLEN

As you may know, the University of Vermont has decided to sell a portion of the property they own at the Fort. This piece consists of 21 buildings (currently vacant) thatmight be renovated into 80-100 units of housing. The terms of sale are not conditioned on the housing remaining affordable, but the University seems willing to consider its potential use as a criteria in evaluating proposals. Proposals must be submitted by December 4!

Knowing of this Agency's interest in affordable housing, Northshore Development Inc., a local developer who has done several public/private partnerships, has approached us about the potential for a joint venture in which Northshore would package a proposal involving some combination of affordable rental/ownership housing to be owned by us and/or our assignee (i.e., our non-profit or another local non-profit).

They are the first and only developers to make such a proposal. As indicated in their letter (copy attached), they expected to deliver a proposed development agreement for our consideration by the end of the week.

While such an effort would be unique, I think the Fort property represents a very unique opportunity to create attrctive affordable housing as well as preserving the unique character of the property. With this in mind, and after consultation with Horace, I have encouraged Northshore to submit a proposed development agreement for staff and Board consideration. The joint venture projects they have done with Burlingotn have gone very well, and they seem to have a strong commitment to affordable housing. I believe their expertise would be invaluable in putting together a strong proposal.

Please let me know if you have any questions or concerns about this undertaking.

Attachment

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NORTHSHORE DEVELOPMENT, Inc.

RECEIVED

NOV 5 1987

October 29, 1987

Mr. Allen Hunt
Vermont Housing Finance Agency
1 Burlington Square
Burlington, VT 05401

Dear Allen:

We are pleased to inform you, after many weeks of conversation on the matter, that we are soon to deliver to you a proposed development agreement for a joint venture with the Vermont Housing Finance Agency. This proposal for a joint venture will be to purchase and renovate for affordable housing the 21 buildings at the historic Fort Ethan Allen now being offered for sale by the University of Vermont.

We are pleased with your personal level of interest in this project. As a result of our very positive past experiences with VHFA, we believe that our proposed development agreement will meet with your approval.

We also have confidence that you will agree with us that the project should be done professionally with a high degree of sensitivity to the historic nature of the 21 buildings. We also understand that you would feel that the historic parade ground which has such a high aesthetic value to the greater community should be preserved as is.

You are aware that for many years our firm has been involved with several public/private partnerships. One of these, we are proud to say, has won national recognition. We look forward to this potential joint venture with your Agency as one which holds a great deal of promise to produce a significant amount of perpetually affordable housing in a distinctive location and in a fashion which could be described as highly predictable. We place great value on the capabilities of your Agency to help our team reach the above goals.

In closing, kindly look forward soon to the receipt of our complete proposal outlining the details of our joint venture that have been outlined in general above and through our various conversations.

Very truly yours,

Rod

Rod Whittier

P. O. BOX 4201, BURLINGTON, VERMONT 05401 802-658-4022

Donald J. Ross, Consulting

Box 2388, Charlotte, Vermont 05445
(802) 425-2528

October 23, 1987

Allan S. Hunt, Executive Director
Vermont Housing Finance Agency
Box 408
Burlington, Vermont 05402-0408

Dear Allan,

re: VHFA ORGANIZATIONAL STUDY

As we presented our ideas of steps to be taken for the future, we discussed several alternative forms of organization. Following our conversations regarding Agency staffing, I believe that the "Director of Operations" form would be the most effective for the Agency at this time.

Executive Director

TREASURY	OPERATIONS	DEVELOPMENT
-Finance	-Multi Family	-Public Information
-Investment	-Single Family	-Research
-Accounting	-Data Processing	-Program Development

Several variations are possible within one theme, depending on specific activities and specific personnel in the Agency at any particular time. Essentially there are three major functional groupings--Treasury, Operations and Development. Normally each would be headed up by a Director reporting to the Executive Director, but in Development separate individuals reporting directly to the Executive Director might head up each major activity.

Executive Director - The objective here is to reduce the number of regular individual <u>management</u> connections to Agency personnel. This reflects your natural outside and program focus. It should also allow more time to establish stronger, more effective working relationships with each of your direct reports.

Treasury - Every program of the Agency rests on essential finance, investment and accounting activities. Many different segments of the Agency are looking for more effective accounting support now. The challenge for this group is to raise the level of performance, professionalism and flexibility in each activity to better support future Agency operations.

Operations - While some aspects of Multi Family and Single Family programs are quite different, there are important operational characteristics which are similar, and which require similar procedures and skills. Combining the operation of established programs under a single director could enhance the utilization of management and technical skills, encourage cross-fertilization of ideas, and permit more effective operations. Data Processing is seen to be effective now, but underutilized. The objective of this move would be to expand the utilization of effective computer systems throughout the Agency on a planned basis.

Development - Outreach and the development of new programs to meet housing needs under new "outside" conditions are two of the major Agency goals. This is an area rightly receiving much of your attention. The forward looking aspects of these activities are similar. At some point they might be most effective under a single director. For now one of the major concerns is how best to take an idea, create a program, implement it and operate over the long haul. We suggest that you consider redefining the break point between program development and program operation. New programs could remain a development responsibility until they have begun to function and have demonstrated feasibility. Procedural and process skills found within Operations could be temporarily assigned on a program basis to assist Development in the early stages. Development could take an idea through the planning stages and into beginning operations.

Looking to the future we do believe the Agency should bring in another person with the personal qualities and potential to be considered for the Executive Director position in the future. The individual strength could be put to effective use immediately. If the person develops to the expected potential, the Agency would be prepared should a change in Executive Director take place.

As we emphasized in our presentation, organization, staffing and process are inseparable dimensions of successful operation. Strengths and weaknesses must blend and complement. We see no one best way--it must work for you. With management efforts dedicated to opening communications and supporting key individuals, we see the opportunity for the Agency to become even more effective in the future.

Sincerely,

Don

Donald J. Ross

ISABEL'S ON THE WATERFRONT

Vermont Housing Finance Agency
November 19, 1987
Lunch for 12

Cauliflower/broccoli cheddar soup
Tossed Salad
Meat & Cheese Platter
Bread & Butter
Assorted Cookies

$8/person x 12 = $96
+ Delivery 5
$101.—

6% Tax 6.06
1% Tax 1.01

Total $108.07

Thanks!!

Café/Catering
112 Lake Street
gton, VT 05401
802-865-2522

VERMONT HOUSING FINANCE AGENCY

TO: HORACE B. SHAW, CHAIRMAN & ALLAN S. HUNT, EXECUTIVE DIRECTOR

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE

RE: HOWARD MORTGAGE PURCHASE PROGRAM CASH FLOW

DATE: NOVEMBER 16, 1987

I have today received from our cash flow provider, Trepp and Company, a final run pertaining to the above referenced program. I am enclosing copies of the summary pages of the cash flow for your review. The cash flow was run assuming that in addition to our $750,000 annual draw from this program that we would take additional funds of $1 million on Jaunuary 1, 1988 and $500,000 on each of the subsequent two years. The other main assumption was that we would recycle all funds collected on the 1978 and 1979 series of bonds at 7.75% and 8.25% respectively. Also, that we would make mortgage collections at the expected rate of 100% of HUD statistics and redeem bonds with any excess collections. Reinvestment rates are conservatively expected to yield 5.5%. Based on these conditions, the cash flow shows that we can take the draws as assumed and that the program still has an approximate present value balance of $3.7 million or $17.5 million over the next 28 years.

RECOMMENDATION
Pursuant to the Board resolution passed at the last meeting, in my position as Director of Finance, I concur with the feasibility of drawing the extra $2 million from this program for the purpose of funding the proposed Non-Profit organization as specified over the next three years.

CC: VHFA Board of Commissioners

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/222-VHFA

VERMONT

ISSUES 1978-80

PROJECTED CASH FLOWS

	PERIOD ENDING	NET PORTFOLIO	WITHDRAWALS FROM FUNDS	TOTAL OTHER INCOME	TOTAL OTHER FLOWS	Total Debt Service	PROJECTED REVENUES
1.	01/01/1988	4,764,706	878,797	14,477,737	1,257,500	18,863,739	0
2.	07/01/1988	4,548,350	(2,165,654)	1,550,451	395,000	3,518,147	0
3.	01/01/1989	4,843,655	3,753,751	1,256,242	895,000	8,958,147	0
4.	07/01/1989	4,669,593	(2,105,442)	1,151,688	395,000	3,320,839	0
5.	01/01/1990	5,077,203	4,869,854	943,783	895,000	9,995,839	0
6.	07/01/1990	4,959,508	(2,279,523)	802,700	395,000	3,087,686	0
7.	01/01/1991	5,020,630	4,779,751	832,304	395,000	10,237,686	0
8.	07/01/1991	4,889,065	(2,353,335)	699,539	395,000	2,840,269	0
9.	01/01/1992	4,829,052	3,662,707	763,510	395,000	8,860,269	0
10.	07/01/1992	4,715,150	(2,350,563)	661,407	395,000	2,630,994	0
11.	01/01/1993	4,576,345	2,350,658	723,991	395,000	7,255,994	0
12.	07/01/1993	4,453,328	(2,245,214)	657,725	395,000	2,470,839	0
13.	01/01/1994	4,320,212	2,242,749	717,878	395,000	6,885,839	0
14.	07/01/1994	4,195,403	(2,139,889)	654,578	395,000	2,315,092	0
15.	01/01/1995	4,070,793	2,142,404	711,895	395,000	6,530,092	0
16.	07/01/1995	3,945,985	(2,037,579)	651,403	395,000	2,164,809	0
17.	01/01/1996	3,824,959	2,038,900	705,950	395,000	6,174,809	0
18.	07/01/1996	3,703,785	(1,938,161)	648,173	395,000	2,018,797	0
19.	01/01/1997	3,611,785	1,941,626	700,367	395,000	5,858,797	0
20.	07/01/1997	3,542,705	(1,917,718)	646,110	395,000	1,876,096	0
21.	01/01/1998	3,452,796	1,910,511	697,789	395,000	5,666,096	0
22.	07/01/1998	3,386,664	(1,902,016)	644,424	395,000	1,734,072	0
23.	01/01/1999	3,298,136	9,905,249	695,687	395,000	13,504,072	0
24.	07/01/1999	3,231,519	(1,977,793)	422,459	395,000	1,281,184	0
25.	01/01/2000	3,141,226	1,979,171	475,786	395,000	5,201,184	0
26.	07/01/2000	3,107,636	(2,001,916)	418,732	395,000	1,129,452	0
27.	01/01/2001	2,947,/72	1,999,663	472,017	395,000	5,024,452	0
28.	07/01/2001	2,822,715	(1,862,442)	411,826	395,000	977,099	0
29.	01/01/2002	2,739,271	1,840,794	462,034	395,000	4,667,099	0
30.	07/01/2002	2,672,125	(1,836,227)	393,718	395,000	834,617	0
31.	01/01/2003	2,586,250	1,835,190	443,177	395,000	4,469,617	0
32.	07/01/2003	2,510,080	(1,813,295)	389,129	395,000	690,914	0
33.	01/01/2004	2,426,053	1,816,909	437,951	395,000	4,285,914	0
34.	07/01/2004	2,343,351	(1,777,099)	379,786	395,000	551,037	0
35.	01/01/2005	2,266,044	1,777,362	427,632	395,000	4,076,037	0
36.	07/01/2005	2,159,449	(1,720,459)	370,240	395,000	414,231	0
37.	01/01/2006	2,033,628	9,089,663	415,939	395,000	11,144,231	0
38.	07/01/2006	1,943,668	1,171,347	55,683	7,500	0	3,163,199
39.	01/01/2007	1,856,940	0	22,110	7,500	0	1,871,850
40.	07/01/2007	1,768,336	0	21,315	7,500	0	1,782,150
41.	01/01/2008	1,673,476	0	20,149	7,500	0	1,686,125
42.	07/01/2008	1,614,412	0	19,373	7,500	0	1,626,285
43.	01/01/2009	1,471,015	0	17,870	7,500	0	1,481,386
44.	07/01/2009	1,414,729	0	16,987	7,500	0	1,424,216
45.	01/01/2010	1,211,979	0	14,739	7,500	0	1,219,218
46.	07/01/2010	1,002,102	0	13,467	7,500	0	1,008,069
47.	01/01/2011	530,845	0	7,380	7,500	0	530,724
48.	07/01/2011	343,971	0	4,148	7,500	0	340,620
49.	01/01/2012	322,579	0	3,875	7,500	0	318,954
50.	07/01/2012	297,483	0	3,571	7,500	0	293,555
51.	01/01/2013	321,858	0	3,924	7,500	0	318,342

VERMONT

ISSUES 1978-80

PROJECTED CASH FLOWS

	PERIOD ENDING	NET PORTFOLIO	WITHDRAWALS FROM FUNDS	TOTAL OTHER INCOME	TOTAL OTHER FLOWS	Total Debt Service	PROJECTED REVENUES
53.	01/01/2014	165,534	0	2,121	7,500	0	160,155
54.	07/01/2014	72,927	0	1,150	7,500	0	66,577
55.	01/01/2015	1,533	0	35	7,500	0	(5,932)
TOTAL	0	151,911,918	25,562,231	38,146,869	16,612,500	181,516,087	17,492,431

PV OF PROJECTED REVENUES: 3,681,131

DISCOUNT RATE: 7.5520

VERMONT HOUSING FINANCE AGENCY

TO: HORACE B. SHAW, CHAIRMAN & ALLAN S. HUNT, EXECUTIVE DIRECTOR

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE

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VERMONT

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VERMONT

ISSUES 1978-80

PROJECTED CASH FLOWS

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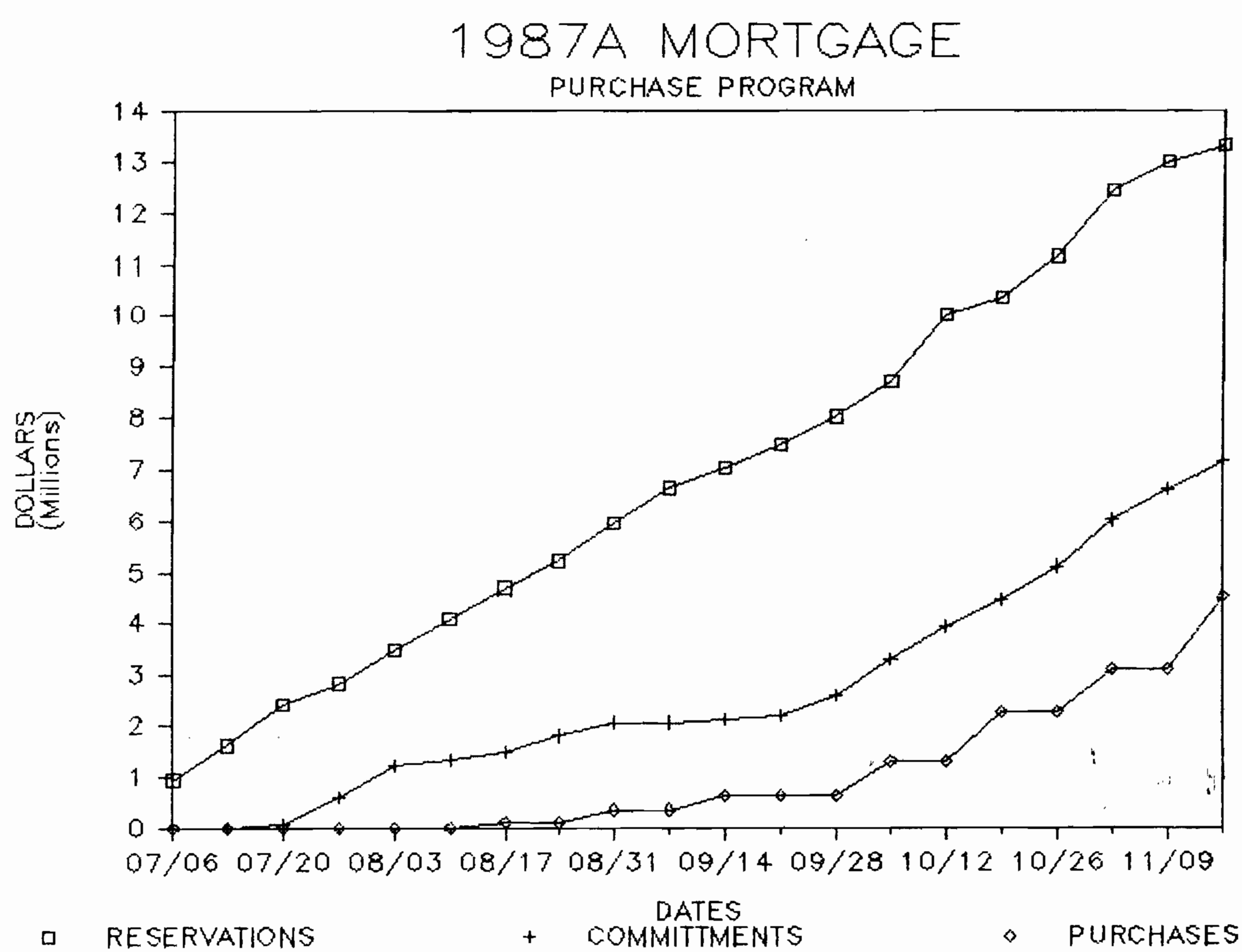
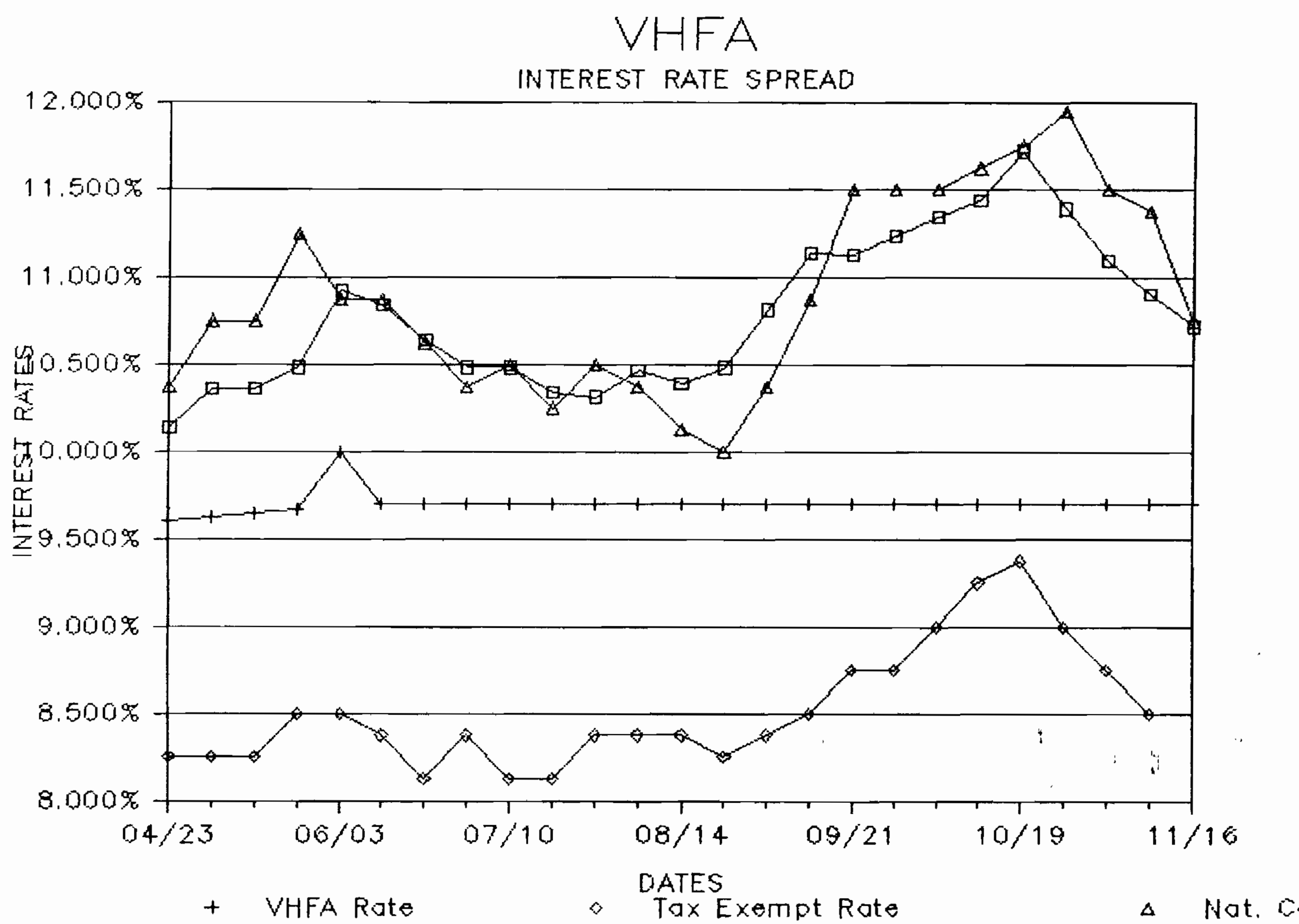
PV OF PROJECTED REVENUES: 3,681,131

DISCOUNT RATE: 7.5520


1987A MORTGAGE
PURCHASE PROGRAM
DOLLARS (Millions)
14
13
12
11
10
9
8
7
6
5
4
3
2
1
0
07/06 07/20 08/03 08/17 08/31 09/14 09/28 10/12 10/26 11/09
DATES
RESERVATIONS
COMMITTMENTS
PURCHASES



VHFA
INTEREST RATE SPREAD
12.000%
11.500%
11.000%
10.500%
10.000%
9.500%
9.000%
8.500%
8.000%
INTEREST RATES
04/23
06/03
07/10
08/14
09/21
10/19
11/16
DATES
+ VHFA Rate
◇ Tax Exempt Rate
Δ Nat. C·

RESERVATIONS RECEIVED
COMMITTMENTS ISSUED
DOLLARS
(Millions)
1.4
1.3
1.2
1.1
1
0.9
0.8
0.7
0.6
0.5
0.4
0.3
0.2
0.1
0
08/03
08/24
09/14
10/05
10/26
11/16
DATES
RESERVATIONS
COMMITTMENTS

VERMONT HOUSING FINANCE AGENCY

December 8, 1987

Ms. Jean Gauthier
Pavilion Office Building
Montpelier, VT 05602

Dear Ms. Gauthier:

The Vermont Housing Finance Agency will be having its monthly Board Meeting on Thursday, December 17, 1987, at 2:30 p.m., here at the Vermont Housing Finance Agency, One Burlington Square, Burlington, Vermont.

If you require any additional information, please do not hesitate to contact me.

Sincerely,

Barbara M. Parker

Barbara M. Parker
Office Manager

/bp

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: December 10, 1987

TO: Vermont Housing Finance Agency Board of Commissioners

FROM: Allan S. Hunt ash

RE: CONFIRMATION AND AGENDA FOR UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners' meeting has been confirmed. It will be held on Thursday, December 17, 1987, at 2:30 p.m., here, at the Vermont Housing Finance Agency, One Burlington Square, Burlington, Vermont.

As a reminder, the Agency's Holiday Party is being held at 6:00 the same evening, at Isabel's on the Waterfront in Burlington.

If you need any further information regarding the upcoming Board meeting, please feel free to contact me. I look forward to seeing you December 17.

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/222-VHFA

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: December 10, 1987

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt *ASH*

RE: 1988 BOARD MEETING SCHEDULE

I would like to propose the following schedule for Board Meetings during 1988:

January 21, 1988	1:30	Montpelier
February 18, 1988	1:30	Burlington
March 17, 1988	1:30	Montpelier
April 21, 1988	1:30	Montpelier
May 19, 1988	1:30	Burlington
June 16, 1988	1:30	Burlington
July 21, 1988	1:30	Montpelier
August 18, 1988	1:30	Burlington
September 15, 1988	1:30	Montpelier
October 20, 1988	1:30	Burlington
November 17, 1988	1:30	Montpelier
December 15, 1988	1:30	Burlington

Please advise if there is a scheduling conflict.

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/222-VHFA

VERMONT HOUSING FINANCE AGENCY

VHFA BOARD MEETING AGENDA

One Burlington Square
Burlington, Vermont

Thursday, December 17, 1987 at 2:30 p.m.

1. Review and approval of minutes of November 19, 1987

2. Single Family

   A. Approval of Carry Forward of M.R.B. Authority [**Lothrop//Enclosure**]

   B. Analysis and Recommendation(s) on Extending 1987(A) Programs [**Lothrop/Schoenbeck//Enclosure**]

   C. Delinquency Update [**Wilson//Enclosure**]

   D. Program Status Update [**Lothrop//Enclosure**]

3. Marketing Update/Report on Single Family Programs [**Hope//Enclosure**]

4. Legal Status Report: Bobbin Mill [**Jarrett**]

5. Multi-Family: Resolution Concerning Permanent Loan Closing on South Meadow [**Richardson//Enclosure**]

6. Finance

   A. Vermont State Housing Authority Loan Request re: ENABLE Program [**Hunt//Enclosure**]

   B. Proposed Job Description: Investment Officer [**Schoenbeck//Enclosure**]

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

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/222-VHFA

BOARD MINUTES
Vermont Housing Finance Agency
One Burlington Square
Burlington, Vermont
Thursday, November 19, 1987

Present: Commissioners Shaw, Hebard, Hahn, Meyer, Seelig, Babcock, Myette; Agency Staff Mr. Hunt, Mr. Schoenbeck, Mr. Jarrett, Mrs. Parker, Mr. Lothrop, Mr. Faesy, Mr. Whitehurst, Ms. Pond, Ms. Torpy; guest: Mr. Donald Ross of Donald J. Ross Consulting

The meeting was called to order at 2:00 p.m. by Commissioner Shaw.

Upon a motion duly made and seconded, the minutes of the October 15 meeting were unanimously approved.

Mr. Lothrop presented an update on the Single Family Programs, and distributed three graphs displaying the current status of the 1987A Mortgage Purchase Program, VHFA Interest Rate Spread, and Reservations Received. Employee turnover at the lenders appears to be contributing to a slowdown in the 1987A Mortgage Purchase Program. Mr. Lothrop informed the Board that the field representatives are meeting with lenders throughout the state to educate the lenders about Agency programs. The New Homes Program is not going as well as hoped, but is doing quite well considering the general market. The Agency has received the first Farmers Home Administration mortgage for processing.

A brief discussion followed regarding housing opportunities in various counties around the state. Mr. Hunt and Mr. Hahn discussed the lack of television advertising, and the limits of some that is directed at specific counties. Mr. Seelig inquired as to whether other finance agencies have been looking at other outreach options. Mr. Hunt stated that he was not aware of HFA's doing direct lending, although some have been considering it, and expressed his opinion that a macro study of this issue may be necessary and worthwhile. Mr. Hunt advised the Board that New York's HFA has been considering direct loan origination as an option. Mr.Hebard inquired as to the advisability of opening a branch office of the Agency in Bennington or Brattleboro. Mr. Hunt advised that New Hampshire has opened a branch office, and the progress will be followed closely.

The meeting was then adjourned for fifteen minutes to conclude the photographic session for the Annual Report.

When the meeting resumed, Mr. Faesy presented a brief overview of the energy standards for manufactured housing, as described in his memo of November 11, 1987, "Energy Standards for Manufactured Housing." A brief discussion of mobile homes and manufactured housing followed. Mr. Faesy explained to the Board that HUD's Arctic standards do not meet current Agency standards. A motion was duly made and seconded to approve incorporating the recommendations expressed in Mr. Faesy's memo into Agency energy standards. Mr. Shaw expressed some concern that there might be an effect on the market or competition, and was assured by Mr. Hunt that the Agency would be broadening its standards, rather than narrowing them. Mr. Seelig advised the Board to approve the measure with caution, and with the understanding that the standards could be changed back if necessary, or if statistics so indicate. With such cautions noted, the motion to incorporate the energy standards was unanimously approved.

The Board then moved on to another agenda item, an Update on the Secondary Market. Mr. Lothrop informed the Board that the lenders in the state who were represented at a meeting on the Secondary Market were all in agreement as to the need for such a program in the state. Mr. Hahn inquired as to what the Agency's role would be, and Mr. Lothrop explained that it would be that of middleman: money from the sale of loans would be recycled into additional mortgage loans. Mr. Seelig questioned how the recycling of funds by banks would be enforced; Mr. Hunt advised that while the Agency would ask for a report of the funds' use, it is apparent that there was no way to absolutely assure that all of the funds would be recycled. No Board action was required, and the Board will be kept apprised of the status of Secondary Market plans for the state.

The Board then heard a presentation by Mr. Donald Ross, of Donald J. Ross Consulting, regarding a reorganization of Agency personnel. Mr. Ross presented a brief recap of the results of the study, and explained the proposed reorganization to the Board.

A discussion of the planned reorganization followed. Ms. Meyer expressed her congratulations to Mr. Hunt for having been willing to open the Agency and himself to this scrutiny, and stated that she felt this is an important step for the Agency. Mr. Hunt advised the Board that the Core staff has reviewed the plan, and that Core staff is in general agreement and is comfortable with the potential reorganization. Each department head has been asked to present a plan for implementation. Mr. Hahn requested a written summary of the study and the implementation plan, and this will be made available to present as well as future Board members. Ms. Babcock inquired as to plans for team building and outside facilitators before the actual rearrangement, and was assured by Mr. Hunt that plans were in place for such. Mr. Seelig inquired as to personnel policies, and whether there would be a specific person to handle these, and Mr. Hunt replied that although a personnel director is not recommended unless an organization has a staff of 100 or more, Mrs. Parker will be designated to handle personnel issues for the Agency. The Board was assured that Mrs. Parker would have the "authority to listen" to personnel issues, as well as to act. Ms. Meyer then asked if the Directors of the three groups (Operations, Development, and Treasury) would have the authority to act, and Mr. Hunt assured her that they would. Although no Board action was required, the Board did express its approval of the reorganization, and will be kept advised of the status of implementation.

At this point, Ms. Meyer and Mr. Seelig expressed their regrets and stated that they would not be available for the rest of the meeting; Mr. Ross left as well.

The Board then turned to a discussion of Fort Ethan Allen, which was the next agenda item. Mr. Hunt explained that the Agency expects to have a substantial role in the rehabilitation of the Fort. A brief discussion of the role of the City of Colchester in plans for the Fort followed. Mr. Myette stated that he hopes the Agency can get involved in it, as it is an area of great potential.

Next, Mr. Jarrett updated the Board on the status of issues related to The Bobbin Mill Company. No Board action was required, but at the next Board meeting the Staff may ask for authority to bring suit. The Board will be kept apprised of the status of this issue.

Moving on to other business, Mr. Hunt discussed a sub-division proposal to make building lots available to builders who will then be able to demonstrate their versions of affordable housing. There are 350 acres available in Milton, with a proposal for 30 lots of perpetually affordable housing. A water quality standards test is necessary before proceeding with plans, at a potential cost of $15,000. The Housing and Conservation Trust Fund, the Agency, and the Developers (Dan Mahoney and Sam Johnson) are each willing to pay one-third of the cost ($5,000 each). Mr. Hunt cautioned that the expenditure of this $5,000 would be "at risk." Mr. Shaw advised that the record should show that Mr. Hunt brought the topic before the Board; as there were no objections, Mr. Shaw did not ask for a motion, and advised Mr.

Hunt to proceed. Mr. Hahn observed that there was a nice potential for positive public relations if the Agency plays its cards wisely, and that this is the first true project for the Housing Conservation Trust Fund.

Mr. Schoenbeck distributed copies of the Auditor's Management Letter to the Board. The Management Letter recommended the hiring of an additional person for accounting, as well as an investment officer. Carol Lizotte has been hired full time to work equal portions of time in both the accounting and data processing departments. It is anticipated that this position will increase to full time in data processing by next year, and that an additional staff person for accounting will be hired at that time. A position description for the investment officer is being drafted; it is anticipated that this individual initially would handle investments as well as assisting accounting, perhaps working equal portions of time in each area. Although this position is not currently in the budget, it is anticipated that the position would pay for itself; the creation of an investment officer should also lead to uncovering possibilities for the investment of some Agency funds within the state of Vermont.

Mr. Schoenbeck then requested that the Board approve an increase in the number of trustees for the Agency pension plan; currently, Mr. Hunt, Mr. Lothrop, and Mr. Schoenbeck are trustees of the plan. After a motion duly made and seconded, it was unanimously resolved to increase the number of pension plan trustees to five, and to install Ms. Pond and Mr. Jarrett as trustees, as proposed.

Mr. Hunt informed the Board that "Housing Vermont" had been selected as the name of the non-profit development corporation; Board members are still being considered, and January 1988 is the planned start-up date.

The Board was then invited by Mr. Hunt to join the Agency Staff for the annual Holiday Party to be held December 17, at 6:00 at Isabel's on the Waterfront. Invitations will follow under separate cover.

The meeting was adjourned at 4:15.

Respectfully submitted,

Allan S. Hunt

Allan S. Hunt
Secretary

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

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

SUBJECT: Carryforward Election of Unused Private Activity Bond Volume Cap for the Year 1987

DATE: December 10, 1987

On January 30, 1987 the Emergency Board met to allocate the State's Private Activity Bond Authority. At the meeting $90,000,000 was allocated to VHFA for use in it's Single Family and Multi Family Programs.

As of December 31, 1987 none of this allocation will have been used, and in accordance with Internal Revenue Service Regulations we would like to carry forward this authority so it is available for use by VHFA within the next three years.

As a historical note, the funding for our first Mortgage Credit Certificate Program (Mortgage Plus) came from the carryforward for 1985 and the funding for our second Mortgage Plus Program, which will begin January 1, 1988, and the 1987A Mortgage Purchase Program came from our 1986 carryforward amounts.

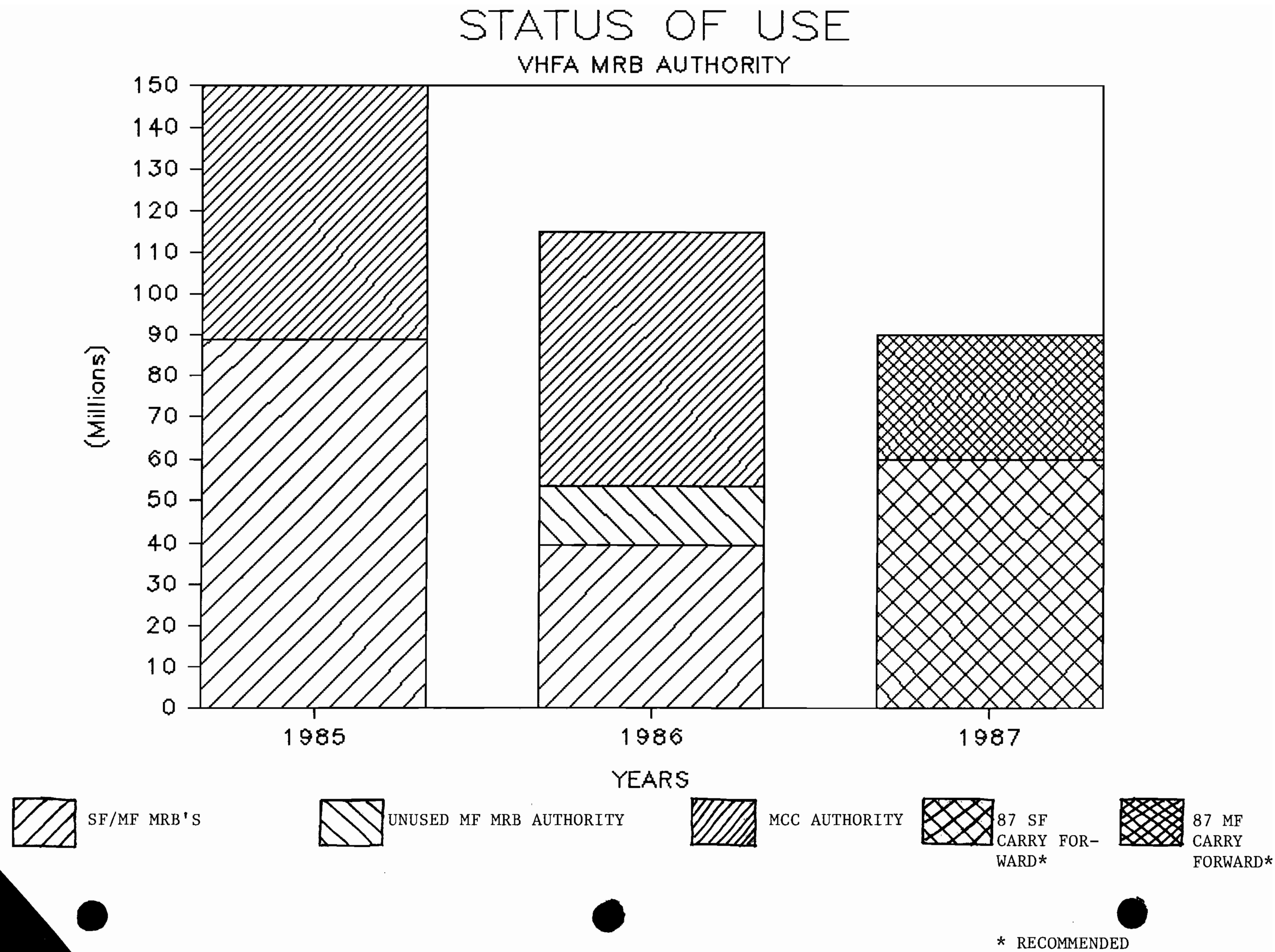
In addition to the $90,000,000 already allocated to VHFA, there is the possibility that up to another $30,000,000 may be allocated to VHFA from the State's unallocated bonding contingency allocation.

It is the recommendation of Staff to carryforward our 1987 bonding authority in the amounts of $60,000,000 for Single Family Programs and $30,000,000 for Multi Family Programs. Any additional bonding authority that might be allocated to VHFA from the State's 1987 Private Activity Bond Volume Cap would be added to the carryforward amounts for Single Family Programs.

REQUESTED BOARD ACTION

Approval of the above staff recommendation and authority for the Executive Director to file with the Internal Revenue Service the required forms to preserve this valuable potential bonding asset.

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/222-VHFA


STATUS OF USE
VHFA MRB AUTHORITY
150
140
130
120
110
100
90
80
70
60
50
40
30
20
10
0
(Millions)
1985
1986
1987
YEARS
SF/MF MRB'S
UNUSED MF MRB AUTHORITY
MCC AUTHORITY
87 SF CARRY FOR-WARD*
87 MF CARRY FORWARD*
* RECOMMENDED

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE

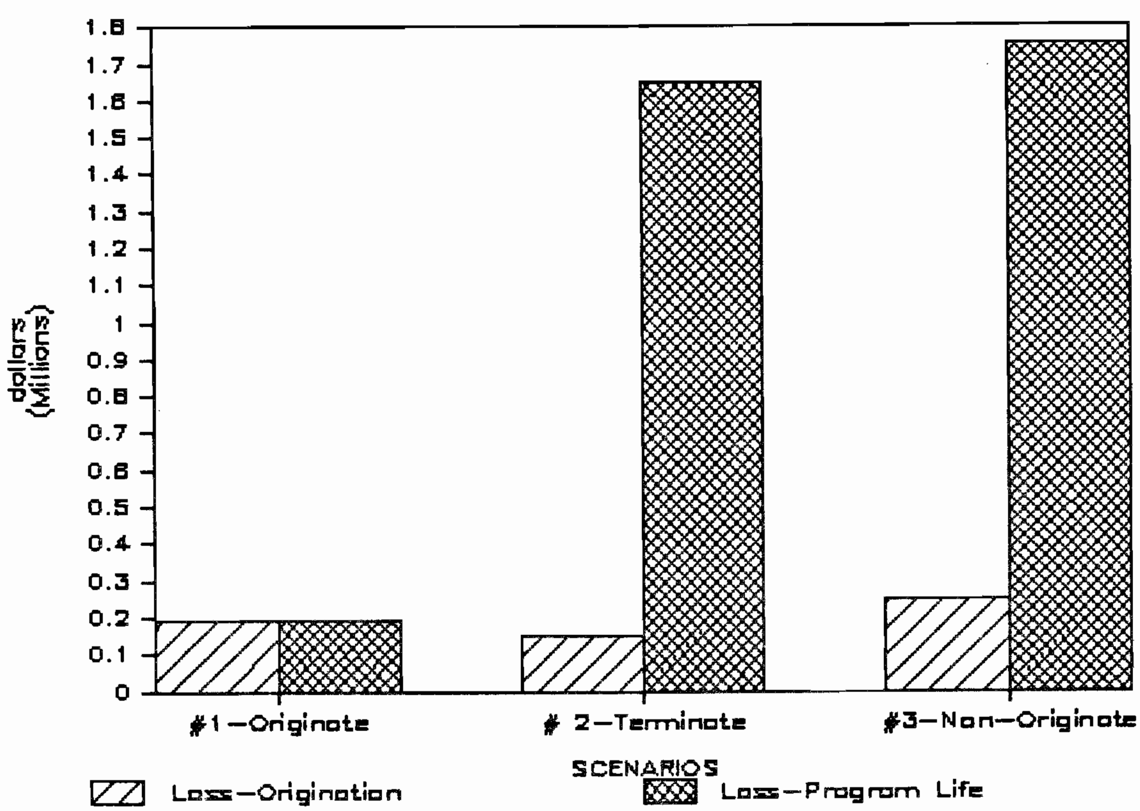
RE: DISCUSSION OF 1987A MORTGAGE PROGRAM (MOVE)

DATE: DECEMBER 9, 1987

RECOMMENDATION

As the graph below so vividly illustrates it seems more than worthwhile to continue the 1987A Program and attempt to originate the mortgages because of the potential paybacks of having the money in mortgages. In reviewing the scenarios, it is expected in the first case that the cost of originating for the extended period will result in a current year loss of $192,000 but with a potential payback over the life of the issue of $1.5 million assuming normal prepayment of mortgage loans and recycling. This would be in line with the original cash flows that we ran and the only shortage would be in the origination period. In the second scenario of ending the program as soon as possible we are still looking at a cost of at least $150,000 during origination and a total loss to the program of $1.65 million. In the worst case, we are risking an additional $100,000 in our effort to originate the mortgage pool, again a relatively small amount based on the potential payback if we in fact do place the mortgages. No matter which track we follow, there will be required an additional subsidy to this program which will be incorporated into the master budget adjustments to be presented at the next Board meeting. Following the graph is a detailed explanation of the history, present status, assumptions and scenarios for the Program.

EXPECTED LOSS COMPARISON



HISTORY

On July 1, 1987 we closed a bond deal to provide financing of $25 million for single family residences. The mortgage rate is 9.7% and the deal provides for recycling of mortgages for a 10 year period expected to create an additional $12.5 million in lendable mortgage proceeds. We invested the mortgage funds into an investment contract with Manufacturer's Hanover paying a rate of 7.32% until April 1, 1988, when it was anticipated that all the original bond proceeds would be loaned out. We originally commited $25,000 towards advertising the program and $375,000 towards a loan loss fund to absorb potential losses from mortgage loans. Shortly after the initiation of the program we added an additional $90,500 as a subsidy to pay cost overruns of the underwriter of $50,000, pledge an additional $15,000 for advertising and $25,500 to cover our cost overruns, predominately legal.

PRESENT STATUS

As you have been continually updated, you understand the slowness of deliveries of mortgage loans under this program. We have all discussed the intervening factors that are contributing to this problem. It was thought important to discuss with the Board the present position of the Program and to suggest the alternatives available to deal with the problem. My discussion will be a purely financial analysis of the situation.

ASSUMPTIONS

In running the cash flows which proved that the program works, certain assumptions are made as to what happens during the life of the issue. These have to do with the origination of mortgages, the return on investment of funds, the prepayment of mortgage loans and the flow of funds in and out of the Program. We made an original assumption that mortgages would be originated so that the original pool would be originated with an average life of 4 1/2 months. We estimate that as of December 1st that almost $18 million of mortgages would be made, when in fact we have made only $5.2 million at that date. Since we are losing about 2% by having our money invested as opposed to having it in mortgages this origination period is quite costly and has cost us about $66,000 already. Doug Lothrop has put together a new expected delivery schedule of the remaining mortgage funds which is enclosed for your reference, showing the original schedule of mortgage purchases, the revised schedule and the cost to the Agency of the delayed originations. It is my feeling at this time that if we were to look for an extension of our investment contract that we should be able to earn approximately the same rate. The bond issue is costing us 8.765%, mortgages are yielding us 9.325% and the investment contract is earning 7.32%, so the question could be asked why don't we just kill the program to cut our losses instead of throwing more money at or in the Program. I think you will see the answers are rather obvious when we go through the scenarios shown below.

SCENARIO 1-Continue the Program, Assume new origination schedule
The number that is a little scary in continuing the program is the last column which indicates our cost of funds while waiting to originate new mortgages. The loss of $192,000 is real and there is no way around it, this is $126,000 additional to our loss through December 1st. However, it is critical to realize that by making the mortgages and therefore having the ability to recycle into new mortgages,earns us positive benefits. Based on an expected average mortgage life of 14 years for the entire portfolio and the fact that we earn 56 basis points difference between the mortgage yield and the bond cost, by extending the purchase of mortgages we will earn approximately $1.5 million over the life of the issue or about $78,000 per million of mortgages purchased.

SCENARIO 2-Terminate the Program as quickly as possible
Based on the original schedule and cash flows, we had planned to stop making commitments of mortgages at the end of January and cutoff purchases at the end of March. If we were to follow that scenario it is estimated that we would initiate about half the issue, based on the purchases to date the commitments extended and about $1.9 million in additional mortgages. Per the late delivery schedule we would still be looking at a cost of $151,000 because of the slow originations and in addition might cost some extra funds based on how fast we could deliver the requisite notice to redeem bonds. In addition, we would lose the $1.5 million mentioned above which translates to a present value cost of approximately $300,000.

SCENARIO 3-Continue the Program, no new originations
The worst case scenario would be to extend the program and obviously misread the market or have external conditions change dramatically so that no new mortgages could be originated other than what is assumed in Scenario 2. By having this happen the cost would be about an extra $20,000 month for the $12.5 million of loan proceeds never originated or $100,000 for a five month period.

Revised Origination Schedule-Late Delivery
1987A

Month	Updated Origination Schedule	Cumulative Updated Schedule	Original Cumulative Delivery Schedule	Additional Late Origination Loss
03-Aug-87		$0	$2,000,000	$3,333.33
17-Aug-87	$113,430	$113,430	$3,750,000	$3,030.48
01-Sep-87	$221,700	$335,130	$6,250,000	$4,929.06
15-Sep-87	$287,975	$623,105	$8,500,000	$6,564.08
01-Oct-87	$670,270	$1,293,375	$11,050,000	$8,130.52
15-Oct-87	$972,050	$2,265,425	$13,000,000	$8,945.48
02-Nov-87	$859,697	$3,125,122	$15,000,000	$9,895.73
16-Nov-87	$1,377,559	$4,502,681	$16,650,000	$10,122.77
01-Dec-87	$708,930	$5,211,611	$17,950,000	$10,615.32
15-Dec-87	$713,389 *	$5,925,000	$18,950,000	$10,854.17
04-Jan-88	$800,000 *	$6,725,000	$19,900,000	$10,979.17
15-Jan-88	$925,000 *	$7,650,000	$20,650,000	$10,833.33
01-Feb-88	$750,000 *	$8,400,000	$21,450,000	$10,875.00
15-Feb-88	$1,050,000 *	$9,450,000	$22,100,000	$10,541.67
01-Mar-88	$950,000 *	$10,400,000	$23,300,000	$10,750.00
1[illegible]ar-88	$1,000,000 *	$11,400,000	$24,100,000	$10,583.33
01-Apr-88	$1,100,000 *	$12,500,000	$25,000,000	$10,416.67
15-Apr-88	$1,400,000 *	$13,900,000	$25,000,000	$9,250.00
02-May-88	$1,900,000 *	$15,800,000	$25,000,000	$7,666.67
16-May-88	$1,500,000 *	$17,300,000	$25,000,000	$6,416.67
01-Jun-88	$1,250,000 *	$18,550,000	$25,000,000	$5,375.00
15-Jun-88	$1,200,000 *	$19,750,000	$25,000,000	$4,375.00
01-Jul-88	$1,200,000 *	$20,950,000	$25,000,000	$3,375.00
15-Jul-88	$1,400,000 *	$22,350,000	$25,000,000	$2,208.33
01-Aug-88	$950,000 *	$23,300,000	$25,000,000	$1,416.67
15-Aug-88	$900,000 *	$24,200,000	$25,000,000	$666.67
01-Sep-88	$800,000 *	$25,000,000	$25,000,000	$0.00
Totals	$25,000,000			$192,150.10

* Estimated

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Linda C. Wilson, Loan Servicing Supervisor LCW

SUBJECT: Loan Servicing Update

DATE: December 10, 1987

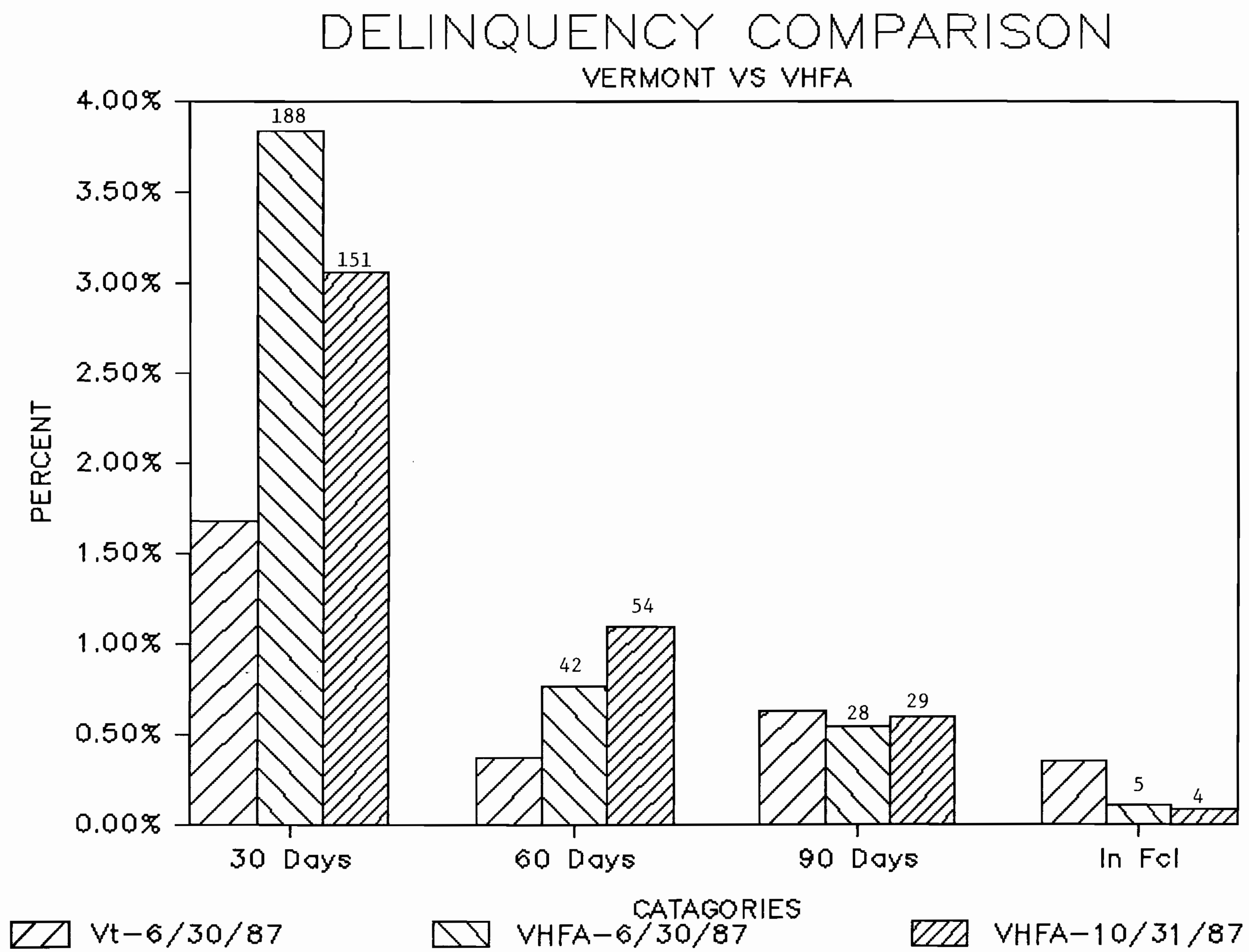
A very important part in maintaining the portfolio of loans at VHFA is that of overseeing the borrowers to ensure payments are made on a continual basis in order to keep their mortgages current.

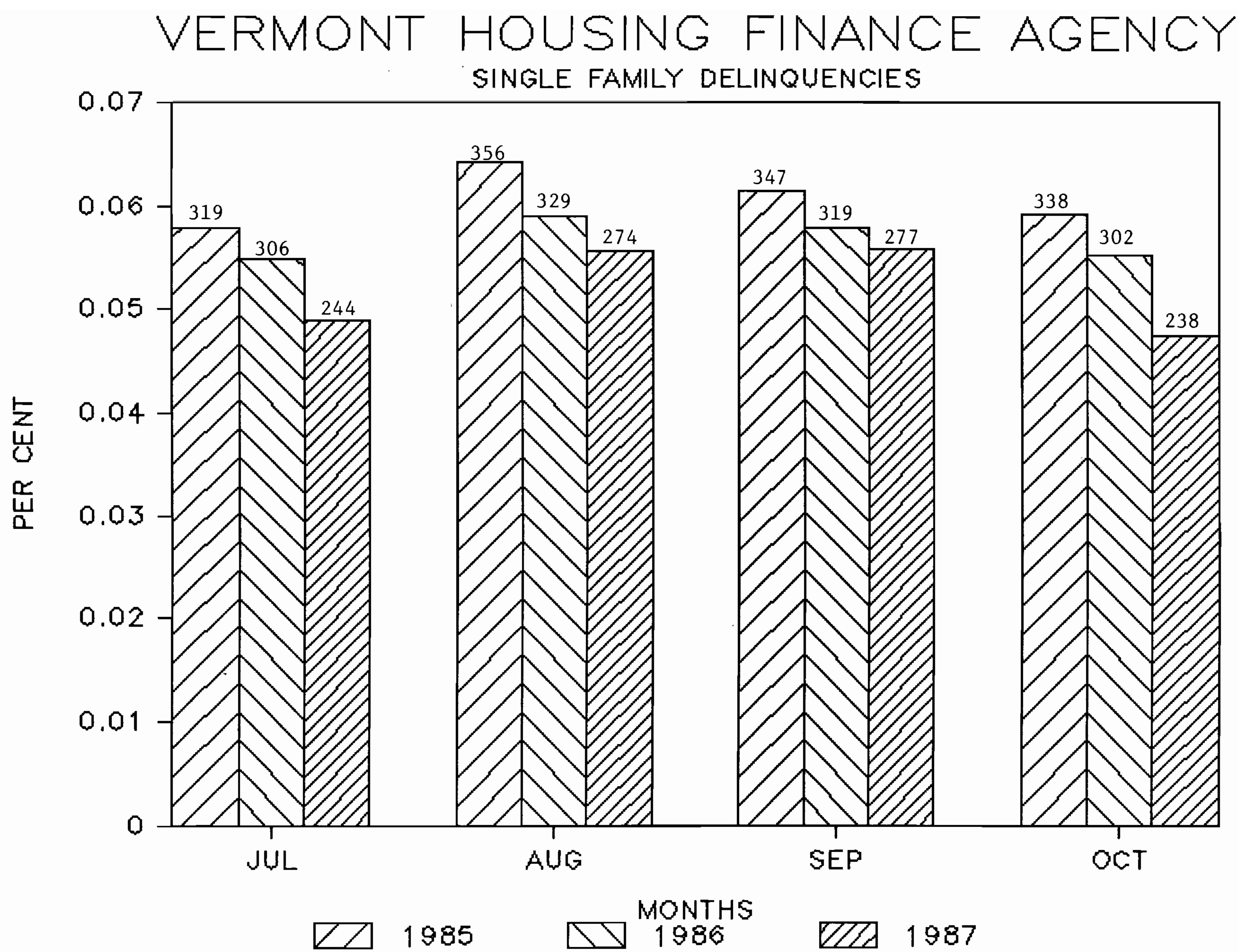
In an effort to present the situation in a meaningful way, I have attached two graphs that I feel accurately depict the condition of the VHFA portfolio of loans. The first graph, entitled "Delinquency Comparison, Vermont vs VHFA", compares our delinquencies with the delinquencies reported to the Mortgage Bankers Association for the state of Vermont. It is interesting to note that while our delinquencies are higher we have considerably fewer foreclosures which indicates that our borrowers are less flexible in handling a minor economic disturbance in their day-to-day lives; however, they show more responsibility towards their obligations when there is the potential threat of losing their home. It must also be pointed out that VHFA loans carry a much higher risk than that of conventional mortgages in Vermont. I have compared the delinquency figures as of June 30, 1987, as the Mortgage Bankers information is published quarterly and September's publication has not yet been received. I have shown the VHFA delinquency statistics as of October 31, 1987 to show you the status of our delinquencies for a more recent date.

The second graph, entitled "Vermont Housing Finance Agency Single Family Delinquencies" shows a comparison of our total delinquencies for the months of July through October for the past three years. Historically, delinquencies tend to increase during these months; however, the overall delinquencies for 1987 have decreased from the previous two years. An interesting observation is that of the loans that VHFA has had to take back, over 30% were caused by domestic difficulties which cannot be predetermined in the underwriting process.

One change which I see on the horizon that will have an effect on our portfolio is a proposed bill which will require a judicial sale on foreclosed properties as opposed to present laws providing for strict foreclosure. This will have the affect of adding additional costs to the foreclosure process in addition to increasing the time it takes for us to obtain title to a property on which the borrowers have not made their payments; however, it tends to protect the borrowers' equity in the property.

Another potential and somewhat significant factor which may cause us problems on those loans which are insured by pool insurers, is the fact that many companies have had to pay large amounts of claims mainly due to the instability of the economic climate in other parts of the country. This may have a tendency to color their approach to paying claims; however, I will continue to evaluate the situation closely.


DELINQUENCY COMPARISON
VERMONT VS VHFA
PERCENT
4.00%
3.50%
3.00%
2.50%
2.00%
1.50%
1.00%
0.50%
0.00%
188
151
42
54
28
29
5
4
30 Days
60 Days
90 Days
In Fcl
CATAGORIES
Vt-6/30/87
VHFA-6/30/87
VHFA-10/31/87


VERMONT HOUSING FINANCE AGENCY
SINGLE FAMILY DELINQUENCIES
PER CENT
0.07
0.06
0.05
0.04
0.03
0.02
0.01
0
319
306
244
356
329
274
347
319
277
338
302
238
JUL
AUG
SEP
OCT
MONTHS
1985
1986
1987

STATISTICAL REPORT NEW HOMES PROGRAM
SINGLE FAMILY DATABASE
EFFECTIVE: 12/10/87

Total Number of Loans:	124
Total Loan Amount:	$7,299,168
Average Loan Amount:	$58,864

NEW DETACHED HOUSING:	$6,518,183	89.3%	109 Loans
NEW CONDOMINIUM:	$780,985	10.6%	15 Loans

Total Insured or Guaranteed Loans:	118
Loans Guaranteed by VHMGB:	118

	ACED	NON ACED	STATEWIDE
Avg. Purchase Price	$65,485	$70,074	$67,817
Avg. Loan Amount	$55,478	$62,142	$58,864
Avg. Borrower Income	$24,501	$27,190	$25,867
Avg. Housing Debt-Income Ratio	26.5%	26.5%	26.5%
Avg. Total Debt	$694.36	$757.90	$726.64
Avg. Total Debt-Income Ratio	33.8%	33.3%	33.5%
Total No. of Loans	61	63	124
First Time Homebuyers	68.8%	66.6%	67.7%
% Loans with 2 or more Wage Earners	42.6%	42.8%	42.7%
% of Total Loan Amount	46.4%	53.6%	100.0%

	Loans	$ Amount	% of $ Amount	Population	% of Pop.
Addison	8	$484,849	6.6%	29,406	5.8%
Bennington	4	$250,500	3.4%	33,345	6.6%
Caledonia	7	$349,700	4.8%	25,808	5.1%
Chittenden	47	$2,937,863	40.3%	115,534	22.6%
Essex	0	$0	0.0%	6,313	1.0%
Franklin	15	$881,355	12.1%	34,788	6.8%
Grand Isle	4	$241,750	3.3%	4,613	0.9%
Lamoille	5	$272,260	3.7%	16,747	3.3%
Orange	4	$178,000	2.4%	22,739	4.5%
Orleans	5	$267,536	3.7%	23,440	4.6%
Rutland	13	$794,110	10.9%	58,347	11.4%
Washington	4	$182,925	2.5%	52,393	10.2%
Windham	8	$458,320	6.3%	36,933	7.2%
Windsor	0	$0	0.0%	51,030	10.0%
TOTAL	124	$7,299,168	100.0%	511,456	100.0%

* 1980 Adjusted Census Data

AS OF: 12/10/87

Vermont Housing Finance Agency
1978 Series A - $12,000,000 NEW HOMES PROGRAM
Status Report (with percent of pool proceeds approved)
Rate : 7.750%
Date : 12/10/87

Report: 1130
PERSTATU

Lender		Funds Reserved	Percent Reserved	Prelim. Approval	% Prelim Approval	Loans Purchased	Loans to be Purchased
Bank of Vermont		$1,180,855	9.8%	$808,170	6.7%	$143,500	$664,670
Bennington Coop Savings & Loan Assn Inc		$57,400	0.4%	$57,400	0.4%	$0	$57,400
Caledonia National Bank of Danville, The		$509,720	4.2%	$281,520	2.3%	$0	$281,520
Chittenden Trust Company		$1,779,880	14.8%	$1,501,280	12.5%	$426,125	$1,075,155
Commonwealth Mortgage Company, Inc		$124,750	1.0%	$124,750	1.0%	$0	$124,750
Community National Bank		$272,717	2.2%	$272,717	2.2%	$0	$272,717
Factory Point National Bank, The		$61,200	0.5%	$61,200	0.5%	$0	$61,200
Howard Bank, National Assn, The		$744,450	6.2%	$619,450	5.1%	$245,550	$373,900
Lyndonville Savings Bank & Trust Company		$50,000	0.4%	$50,000	0.4%	$0	$50,000
Marble Bank		$306,990	2.5%	$306,990	2.5%	$0	$306,990
Merchants Bank, The		$631,756	5.2%	$424,856	3.5%	$0	$424,856
National Bank of Middlebury, The		$241,753	2.0%	$241,753	2.0%	$0	$241,753
New England IBM Employees Fed Crdt Union		$389,200	3.2%	$317,000	2.6%	$69,100	$247,900
Passumpsic Savings Bank		$195,000	1.6%	$145,000	1.2%	$0	$145,000
Peoples Trust Company of St Albans		$206,200	1.7%	$141,600	1.1%	$0	$141,600
Proctor Bank		$70,300	0.5%	$0	0.0%	$0	$0
Randolph National Bank		$495,870	4.1%	$54,750	0.4%	$0	$54,750
Valley Bank		$399,229	3.3%	$53,500	0.4%	$0	$53,500
Vermont Federal Bank, FSB		$1,356,470	11.3%	$898,550	7.4%	$388,225	$510,325
Vermont Mortgage Group, Inc		$884,565	7.3%	$410,560	3.4%	$0	$410,560
Vermont National Bank		$969,660	8.0%	$669,360	5.5%	$0	$669,360
TOTALS	184 Loans	$10,927,965	91.0%	$7,440,406	62.0%	$1,272,500	$6,167,906

STATISTICAL REPORT PROGRAM ID: 87A
SINGLE FAMILY DATABASE
EFFECTIVE: 12/10/87

Total Number of Loans:	215
Total Loan Amount:	$10,993,146
Average Loan Amount:	$51,130

EXISTING:	$9,977,329	92.0%	198 Loans
NEW CONSTRUCTION:	$1,015,817	7.9%	17 Loans
NEW DETACHED HOUSING:	$959,207	94.4%	16 Loans
NEW CONDOMINIUM:	$56,610	5.5%	1 Loans

Total Insured or Guaranteed Loans:	208
Loans Guaranteed by VHMGB:	208

	ACED	NON ACED	STATEWIDE
Avg. Purchase Price	$53,435	$63,407	$56,635
Avg. Loan Amount	$47,949	$57,862	$51,130
Avg. Borrower Income	$25,177	$27,066	$25,783
Avg. Housing Debt-Income Ratio	25.0%	28.3%	26.1%
Avg. Total Debt	$695.58	$798.19	$728.51
Avg. Total Debt-Income Ratio	33.3%	35.4%	34.0%
Total No. of Loans	146	69	215
First Time Homebuyers	74.6%	100.0%	82.7%
% Loans with 2 or more Wage Earners	52.0%	52.1%	52.0%
% of Total Loan Amount	63.7%	36.3%	100.0%

	Loans	$ Amount	% of $ Amount	Population	% of Pop.
Addison	4	$191,177	1.7%	29,406	5.8%
Bennington	2	$102,250	0.9%	33,345	6.6%
Caledonia	17	$735,754	6.7%	25,808	5.1%
Chittenden	52	$3,093,076	28.2%	115,534	22.6%
Essex	4	$153,107	1.4%	6,313	1.0%
Franklin	27	$1,299,077	11.8%	34,788	6.8%
Grand Isle	2	$128,250	1.2%	4,613	0.9%
Lamoille	9	$458,075	4.2%	16,747	3.3%
Orange	9	$437,818	4.0%	22,739	4.5%
Orleans	18	$669,309	6.1%	23,440	4.6%
Rutland	32	$1,695,896	15.4%	58,347	11.4%
Washington	29	$1,499,623	13.6%	52,393	10.2%
Windham	1	$52,000	0.5%	36,933	7.2%
Windsor	9	$477,734	4.3%	51,030	10.0%
TOTAL	215	$10,993,146	100.0%	511,456	100.0%

* 1980 Adjusted Census Data

Vermont Housing Finance Agency
1987 Series A - $25,000,000 HOME MORTGAGE PURCHASE PROGRAM
Status Report (with percent of pool proceeds approved)
Rate : 9.700%
Date : 12/10/87

Lender		Funds Reserved	Percent Reserved	Prelim. Approval	% Prelim Approval	Loans Purchased	Loans to be Purchased
Bank of Vermont		$682,975	2.7%	$518,875	2.0%	$334,200	$184,675
Bradford National Bank		$60,000	0.2%	$60,000	0.2%	$0	$60,000
Caledonia National Bank of Danville, The		$290,650	1.1%	$48,900	0.1%	$0	$48,900
Chittenden Trust Company		$2,058,286	8.2%	$1,463,536	5.8%	$607,954	$855,582
Commonwealth Mortgage Company, Inc		$37,600	0.1%	$0	0.0%	$0	$0
Community National Bank		$650,982	2.6%	$650,982	2.6%	$311,200	$339,782
First Northern Mortgage Corporation		$69,200	0.2%	$69,200	0.2%	$0	$69,200
First Twin-state Bank		$209,840	0.8%	$124,490	0.4%	$0	$124,490
Granite Savings Bank and Trust Company		$49,400	0.1%	$49,400	0.1%	$49,400	$0
Howard Bank, National Assn, The		$1,374,155	5.4%	$1,026,600	4.1%	$441,900	$584,700
Lyndonville Savings Bank & Trust Company		$187,990	0.7%	$148,090	0.5%	$79,590	$68,500
Marble Bank		$368,495	1.4%	$310,495	1.2%	$105,800	$204,695
Merchants Bank, The		$1,077,485	4.3%	$836,680	3.3%	$234,950	$601,730
National Bank of Middlebury, The		$49,600	0.1%	$49,600	0.1%	$0	$49,600
New England IBM Employees Fed Crdt Union		$389,833	1.5%	$217,808	0.8%	$171,475	$46,333
Northfield Savings Bank		$459,730	1.8%	$242,830	0.9%	$144,505	$98,325
Passumpsic Savings Bank		$822,576	3.2%	$604,294	2.4%	$367,350	$236,944
Peoples Trust Company of St Albans		$371,470	1.4%	$312,570	1.2%	$218,520	$94,050
Proctor Bank		$365,200	1.4%	$285,200	1.1%	$165,200	$120,000
Randolph National Bank		$42,750	0.1%	$42,750	0.1%	$42,750	$0
Union Bank		$167,450	0.6%	$134,200	0.5%	$134,200	$0
Valley Bank		$133,950	0.5%	$0	0.0%	$0	$0
Vermont Federal Bank, FSB		$2,554,818	10.2%	$1,949,790	7.7%	$1,117,280	$832,510
Vermont Mortgage Group, Inc		$1,225,227	4.9%	$1,002,177	4.0%	$520,602	$481,575
Vermont National Bank		$1,222,815	4.8%	$792,640	3.1%	$164,730	$627,910
TOTALS	294 Loans	$14,922,477	59.6%	$10,941,107	43.7%	$5,211,606	$5,729,501

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: Board of Commissioners

FROM: Hollis Hope, Public Information Officer

DATE: December 11, 1987

RE: Marketing efforts for home ownership programs

As you may know, the VHFA has undertaken a major effort within the last year to make low- and moderate-income Vermonters across the state aware of our programs. We have implemented a variety of strategies to market our Single Family programs in particuar, including: a broad-based advertising campaign, using print media and a combination of paid and public service time on TV; the distribution of 25,000-30,000 brochures through targeted direct mailings and drops at lenders and realtors; and the placement of informational fliers in every post office and city/town clerks office and other highly visible, frequented locations throughout the state. We have also generated free publicity through the distribution and follow-up of press releases to all media throughout Vermont.

Results

We implemented a system to track inquiries received on our "hotline", in an attempt to monitor the effectiveness of our media targeting. Since January 1, 1987, we have logged approximately 7,000 calls from prospective home buyers. We have recently updated this mailing list and we now have a list of approximately 4,000 people who are actively looking for a home and who we think are potentially qualified for a VHFA mortgage.

Attached for your review is a summary of the calls we have received, identified by source, since June (just prior to launching the advertising campaign for the 1987A program) to give you an idea of the effectiveness of our advertising efforts. These statistics are also plotted on two different graphs, which show that the volume of inquiries for information received by the VHFA corresponds with the amount and type of advertising or promotion we executed.

Cost

A summarized expense report is also attached which shows what we have spent each month to promote the three Single Family programs since the beginning of FY '87. Based on these figures, it has cost us a total of approximately

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$60,000, or $12.00 per inquiry received. We can assume that for every person who has called for information, there are many other Vermonters who have been exposed to the information we have put out but are not quite as far along in the home buying process, or are for some other reason not prone to call.

Clearly, we can demonstrate the existence of a great deal of interest for VHFA mortgage programs. I would like to build on the solid base that we have and I am confident that we can continue to show the effectiveness of advertising to generate inquiries about our programs. We are developing an extensive data base of information which will help us to better target our marketing and outreach efforts and dollars in the future.

Single Family Marketing Group

If you refer to Graph 1, you will see that the combined number of reservations of funds under the 1987A and New Homes programs are also plotted monthly. While interest level has gone up and down over this period in relation to advertising and promotion, the correlation between inquiries and reservations is not clear.

In August we pulled together an informal group to discuss the progress and effectiveness of our current mortgage programs from a marketing perspective. We have continued to meet on a regular basis and function as an internal focus group trying to identify and analyze the various obstacles in delivering these funds. The participants are Doug Lothrop (SF Director), Pat Crady (Development Coordinator), Jacklyn Santerre (Program Coordinator), Mike Ewell and Roberta Julien (Field Representatives), Tammy Derry (Hotline Coordinator) and myself.

Our objective is twofold: to determine if our programs are meeting the needs of the low- to moderate-income home buyer and to ensure that the availability to our funds is communicated effectively throughout the state. As a team we are developing marketing objectives and a plan for action which we hope will have some impact both in the short term and over the long term in ensuring the successful delivery of our funds.

We are in the process of designing a survey to mail to a stratified, random sampling of callers (our "active" list of 4,000) throughtout the state. Through this primary research project, we hope to gather valuable demographic data, information regarding Vermonters' housing preferences and attitudes, and other information that we think will give us a better understanding of the needs of the first-time home buyer in Vermont in early 1988.

The survey grew out of the work of the Marketing Group and represents part of a larger commitment to fully achieve the goals not only of the 1987A Mortgage Purchase Program, but to ensure that the objectives of the VHFA to provide Vermonters with opportunities for affordable home ownership are fulfilled. While it is unfortunate that the funds are not moving as quickly as we would like, by continuing these programs the next several months offer a great opportunity for us to identify and address both the factors within and beyond our control wherever possible to help us in developing effective programs in the future.

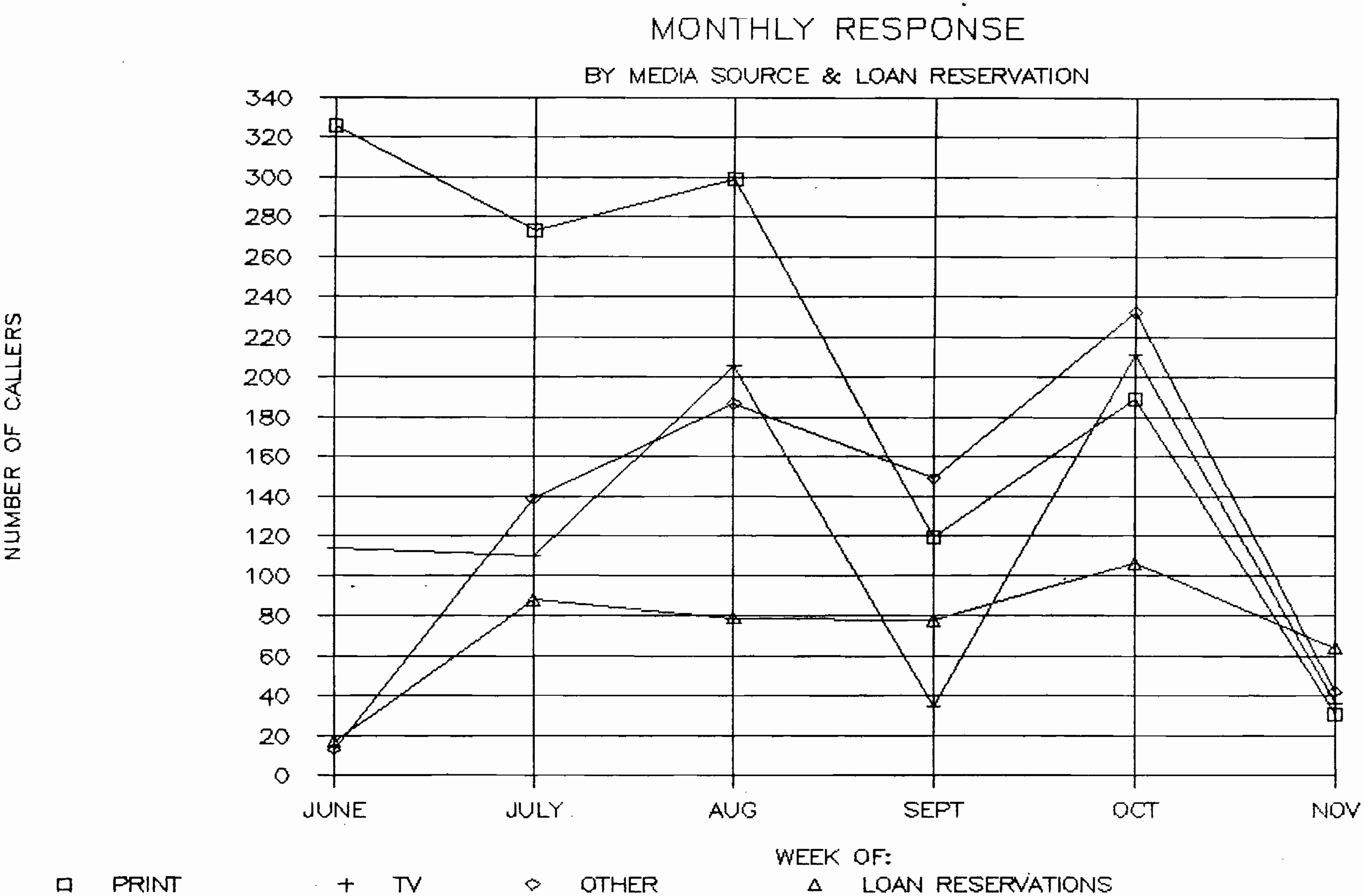
Hotline Calls Received June-Nov. 1987

WEEKLY SOURCES

WEEK OF	PRINT	TV	OTHER	
09-Jun	101	25	1	
15-Jun	74	7	2	
23-Jun	68	47	4	
30-Jun	83	35	6	
07-Jul	44	10	2	
14-Jul	77	2	33	
21-Jul	46	43	45	
28-Jul	107	55	59	
04-Aug	62	28	30	
11-Aug	29	18	40	
18-Aug	65	37	34	
25-Aug	84	77	38	
01-Sep	60	46	44	
08-Sep	27	14	46	
15-Sep	34	6	51	
22-Sep	34	10	27	
20-Sep	24	5	26	
06-Oct	17	11	17	
13-Oct	42	54	25	
20-Oct	32	45	38	
27-Oct	72	85	61	
03-Nov	27	15	92	
10-Nov	17	5	15	
17-Nov	14	29	18	
24-Nov	0	3	9	
				TOTALS
JUNE	326.15	113.	13.08	452.23
JULY	273.36	109.	138.8	521.16
AUG	299.29	205.	186.9	691.19
SEPT	119.31	34.5	149.0	302.81
OCT	189.40	211.	232.5	632.90
NOV	30.918	36.0	42.07	108.988
TOTALS	1238	709	762	**2709**

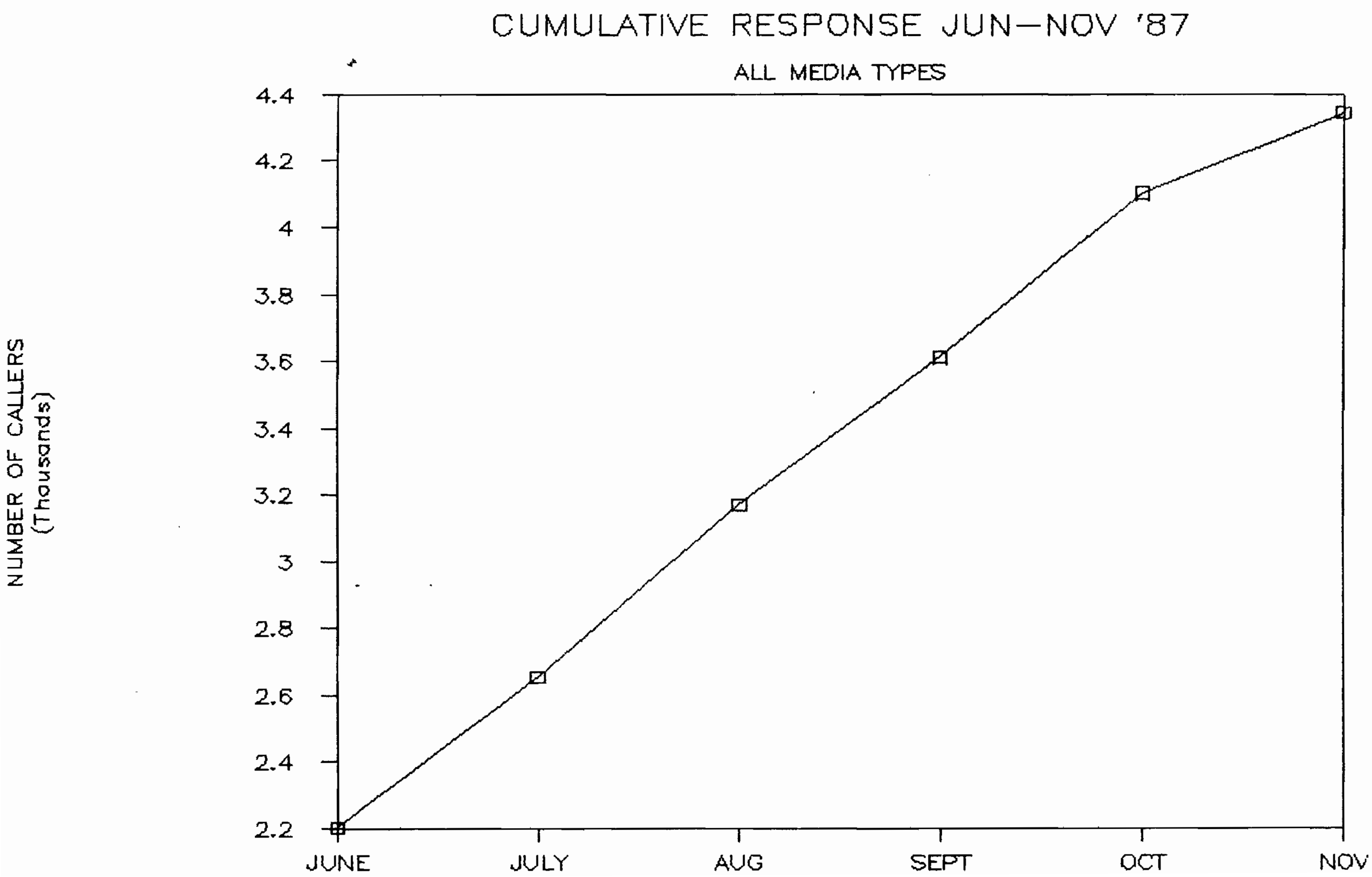
CUMMULATIVE ACTIVE TOTAL TO DATE: **4,346**

PRINT = dailies, weeklies, special interest publications
OTHER = Word of mouth, lender/realtor referral, phone book, fliers, et
TV = WCAX, WPTZ, WNNE



Note:

PRINT = dailies, weeklies, special interest publications
OTHER = word of mouth, lender/realtor referral, phone book, fliers/brochures etc.
TV = WCAX, WPTZ, WNNE
LOAN RESERVATIONS = New Homes program and 1987A



CUMULATIVE RESPONSE JUN—NOV '87
ALL MEDIA TYPES
NUMBER OF CALLERS
(Thousands)
4.4
4.2
4
3.8
3.6
3.4
3.2
3
2.8
2.6
2.4
2.2
JUNE
JULY
AUG
SEPT
OCT
NOV

Marketing Expenses: Single Family Programs FY '88

	1987A	New Homes	MCC	Monthly Total
July	$ 1,373	$ 3,682	$ 2,970	$ 8,025
August	7,889	6,867	7,299	22,055
September	3,899	1,583	748	6,230
October	13,345	1,688	1,869	16,902
November	7,667	13	13	7,699
Program TOTAL	**$34,173**	**$13,833**	**$12,899**	**$60,911**

Above expenses represent all costs related to advertising and promotion, including production and printing of materials and media placement.

December 10, 1987

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: December 10, 1987

TO: VHFA Board of Commissioners

FROM: Mike Richardson

RE: SOUTH MEADOWS PROJECT

Earlier this fall the last of South Meadow's 148 units received certificates of occupancy and are now fully leased up. We anticipate a permanent loan closing late this month or early January. In order to close we will need a Board Resolution authorizing the Staff to approve minor changes as follows:

1. The site has been expanded to include a small detention pond. Also, an easement has been requested to permit an extension of Burlington's bike path through the property.

2. The developer requests the use of the remaining contingency funds to make improvements outside of the original contract. I will know the nature and amount of same by the Board meeting (December 17).

3. The developer requests an addition to the amount approved for a Developer's fee to cover unforeseen costs. Again, I will know the precise amount by December 17.

Frank Kochman is drafting a resolution regarding these changes.

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VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: December 10, 1987

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt ASH

RE: VSHA ENABLE LOAN

At our August Board meeting we approved a $50,000 loan for the ENABLE program run by the Vermont State Housing Authority, subject to them receiving a match from the Independence Fund. Their letter of November 23, 1987 (copy attached) indicates they received $25,000. Since the Board conditioned the loan on a larger match, I felt it appropriate to reconsider the request.

Recommendation: Approve the $50,000 loan based on receipt of a $25,000 grant from the Independence Fund.

Attachment

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
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Vermont State Housing Authority

Mailing Address:
PO Box 397
Montpelier
Vermont 05602-0397

Location:
Tavern Motor Inn
Third Floor
State Street
Montpelier

802-223-6364 (TDD)

Equal Housing Opportunity

Telephone:
802-828-3295

November 23, 1987

Mr. Allan S. Hunt, Executive Director
Vermont Housing Finance Agency
P.O. Box 408
Burlington, Vt. 05401-0408

Dear Allan:

As I mentioned during our Tuesday afternoon conversation, we recently received notice of our grant award from the Independence Fund. Let me thank you for your assistance in helping us to be successful in our efforts. I appreciate your willingness to extend a loan to us to serve as our matching funds.

We received $25,000.00 for a grant year beginning January 1, 1988. This amount was the largest of the four (4) grants awarded to housing-related proposals. When combined with the $50,000.00 we have secured through your agency, a total of $75,000.00 in additional funds will be available for applicants to our **ENABLE** and Community Cares Fund loan programs.

We woud like to draw down the $50,000.00 from your Agency in two or three installments. If you will designate a staff member to serve as our contact person, we will schedule a meeting early next month to work out the details.

We are interested in publicizing this cooperative effort. Perhaps, Hollis could help in this regard.

Again, thank you for your support for the ENABLE program.

Sincerely,

Richard M. Williams

Richard M. Williams
Executive Director

VERMONT HOUSING FINANCE AGENCY

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE

RE: INVESTMENT OFFICER HIRING

DATE: DECEMBER 9, 1987

As discussed at the last Board meeting, pursuant to the recommendation from our audit firm, Peat Marwick Main & Co., we are presenting information as to the feasibility of hiring an investment officer. Allan and I certainly concur with their suggestion based on the amount of work required within the Treasury function of the Agency.

Attached please find a detailed job description for the position. As a refresher, the Agency had short and long term investments under management of approximately $160 million at June 30, 1987. Of this amount, about $112 million is in short term accounts. If we were to assume that the investment officer could generate an additional 1/8% higher yield on only half of the short term funds, it would earn the Agency an additional $70,000 annually.

Based on the job description and expected salary range of $25-$30,000, I would expect that leading candidates would come from Vermont banks investment departments. The investment officer will also require computer equipment expected to cost approximately $3,000.

Based on the above, we are seeking to begin advertising for the position as soon as possible with the Board's concurrence. The salary, benefits and equipment expense categories will need to be adjusted for this position.

POSITION DESCRIPTION

VERMONT HOUSING FINANCE AGENCY

POSITION TITLE: **Investment Officer**

SUPERVISOR: **Director of Finance**

GENERAL RESPONSIBILITIES

Responsible for the implementation of the investment policy of the Agency, direct investment of funds, and tracking of the computerized investment management system. Maintain relations with Vermont banking institutions so as to maximize investments in-state. In charge of arbitrage compliance programs and perform necessary calculations to ensure Agency adherence to Federal standards. Assist in tracking of mortgage portfolios, cash flow updates, bond redemption and debt service analysis.

SPECIFIC RESPONSIBILITIES

1. Manages the investment portfolio of the Agency's funds and accounts following the investment policy and in coordination with the Director of Finance.

2. Reviews and monitors the computerized INVEST system for changes in the investment portfolio, input of investments and report generation, as well as recommendations for improvement.

3. Liaison with Vermont banking institutions in the area of review of performance and placing of funds.

4. Responsible for collateral updates for all investment areas requiring collateralization of deposits.

5. Coordinates the data for compliance with Federal arbitrage regulations including computerization of necessary functions.

6. Preparation of monthly mortgage loan reports for governmental agencies.

7. Assists the Director of Finance in preparation of cash flow updates, related bond redemption analysis and debt service calculations.

8. Responsible for in-house cash flow input and maintenance.

9. Performs any other financial and/or administrative functions as is assigned by the Director of Finance.

QUALIFICATIONS

Minimum requirements are a B.S. Degree in Business with concentration in Finance, Accounting and/or Economics. Three years experience in investment portfolio management including working knowledge of US Government Securities. Computer hands on experience with investments and spread sheets is also required. The ability to communicate effectively both written and verbally is necessary. Must also have a good background in accounting and be able to work with numbers.

VERMONT HOUSING FINANCE AGENCY

RESOLUTION

Be it hereby resolved by the Vermont Housing Finance Agency and by the Commissioners thereof the following purchase price limits for the 1987 Mortgage Purchase Program:

New Construction	$80,000.00
Existing Housing	$75,000.00

These purchase price limits will be applicable on a statewide basis.

BOARD MINUTES
Vermont Housing Finance Agency
One Burlington Square
Burlington, Vermont
Thursday, November 19, 1987

Present: Commissioners Shaw, Hebard, Hahn, Meyer, Seelig, Babcock, Myette; Agency Staff Mr. Hunt, Mr. Schoenbeck, Mr. Jarrett, Mrs. Parker, Mr. Lothrop, Mr. Faesy, Mr. Whitehurst, Ms. Pond, Ms. Torpy; guest: Mr. Donald Ross of Donald J. Ross Consulting

The meeting was called to order at 2:00 p.m. by Commissioner Shaw.

Upon a motion duly made and seconded, the minutes of the October 15 meeting were unanimously approved.

Mr. Lothrop presented an update on the Single Family Programs, and distributed three graphs displaying the current status of the 1987A Mortgage Purchase Program, VHFA Interest Rate Spread, and Reservations Received. Employee turnover at the lenders appears to be contributing to a slowdown in the 1987A Mortgage Purchase Program. Mr. Lothrop informed the Board that the field representatives are meeting with lenders throughout the state to educate the lenders about Agency programs. The New Homes Program is not going as well as hoped, but is doing quite well considering the general market. The Agency has received the first Farmers Home Administration mortgage for processing.

A brief discussion followed regarding housing opportunities in various counties around the state. Mr. Hunt and Mr. Hahn discussed the lack of television advertising, and the limits of some that is directed at specific counties. Mr. Seelig inquired as to whether other finance agencies have been looking at other outreach options. Mr. Hunt stated that he was not aware of HFA's doing direct lending, although some have been considering it, and expressed his opinion that a macro study of this issue may be necessary and worthwhile. Mr. Hunt advised the Board that New York's HFA has been considering direct loan origination as an option. Mr.Hebard inquired as to the advisability of opening a branch office of the Agency in Bennington or Brattleboro. Mr. Hunt advised that New Hampshire has opened a branch office, and the progress will be followed closely.

The meeting was then adjourned for fifteen minutes to conclude the photographic session for the Annual Report.

When the meeting resumed, Mr. Faesy presented a brief overview of the energy standards for manufactured housing, as described in his memo of November 11, 1987, "Energy Standards for Manufactured Housing." A brief discussion of mobile homes and manufactured housing followed. Mr. Faesy explained to the Board that HUD's Arctic standards do not meet current Agency standards. A motion was duly made and seconded to approve incorporating the recommendations expressed in Mr. Faesy's memo into Agency energy standards. Mr. Shaw expressed some concern that there might be an effect on the market or competition, and was assured by Mr. Hunt that the Agency would be broadening its standards, rather than narrowing them. Mr. Seelig advised the Board to approve the measure with caution, and with the understanding that the standards could be changed back if necessary, or if statistics so indicate. With such cautions noted, the motion to incorporate the energy standards was unanimously approved.

The Board then moved on to another agenda item, an Update on the Secondary Market. Mr. Lothrop informed the Board that the lenders in the state who were represented at a meeting on the Secondary Market were all in agreement as to the need for such a program in the state. Mr. Hahn inquired as to what the Agency's role would be, and Mr. Lothrop explained that it would be that of middleman: money from the sale of loans would be recycled into additional mortgage loans. Mr. Seelig questioned how the recycling of funds by banks would be enforced; Mr. Hunt advised that while the Agency would ask for a report of the funds' use, it is apparent that there was no way to absolutely assure that all of the funds would be recycled. No Board action was required, and the Board will be kept apprised of the status of Secondary Market plans for the state.

The Board then heard a presentation by Mr. Donald Ross, of Donald J. Ross Consulting, regarding a reorganization of Agency personnel. Mr. Ross presented a brief recap of the results of the study, and explained the proposed reorganization to the Board.

A discussion of the planned reorganization followed. Ms. Meyer expressed her congratulations to Mr. Hunt for having been willing to open the Agency and himself to this scrutiny, and stated that she felt this is an important step for the Agency. Mr. Hunt advised the Board that the Core staff has reviewed the plan, and that Core staff is in general agreement and is comfortable with the potential reorganization. Each department head has been asked to present a plan for implementation. Mr. Hahn requested a written summary of the study and the implementation plan, and this will be made available to present as well as future Board members. Ms. Babcock inquired as to plans for team building and outside facilitators before the actual rearrangement, and was assured by Mr. Hunt that plans were in place for such. Mr. Seelig inquired as to personnel policies, and whether there would be a specific person to handle these, and Mr. Hunt replied that although a personnel director is not recommended unless an organization has a staff of 100 or more, Mrs. Parker will be designated to handle personnel issues for the Agency. The Board was assured that Mrs. Parker would have the "authority to listen" to personnel issues, as well as to act. Ms. Meyer then asked if the Directors of the three groups (Operations, Development, and Treasury) would have the authority to act, and Mr. Hunt assured her that they would. Although no Board action was required, the Board did express its approval of the reorganization, and will be kept advised of the status of implementation.

At this point, Ms. Meyer and Mr. Seelig expressed their regrets and stated that they would not be available for the rest of the meeting; Mr. Ross left as well.

The Board then turned to a discussion of Fort Ethan Allen, which was the next agenda item. Mr. Hunt explained that the Agency expects to have a substantial role in the rehabilitation of the Fort. A brief discussion of the role of the City of Colchester in plans for the Fort followed. Mr. Myette stated that he hopes the Agency can get involved in it, as it is an area of great potential.

Next, Mr. Jarrett updated the Board on the status of issues related to The Bobbin Mill Company. No Board action was required, but at the next Board meeting the Staff may ask for authority to bring suit. The Board will be kept apprised of the status of this issue.

Moving on to other business, Mr. Hunt discussed a sub-division proposal to make building lots available to builders who will then be able to demonstrate their versions of affordable housing. There are 350 acres available in Milton, with a proposal for 30 lots of perpetually affordable housing. A water quality standards test is necessary before proceeding with plans, at a potential cost of $15,000. The Housing and Conservation Trust Fund, the Agency, and the Developers (Dan Mahoney and Sam Johnson) are each willing to pay one-third of the cost ($5,000 each). Mr. Hunt cautioned that the expenditure of this $5,000 would be "at risk." Mr. Shaw advised that the record should show that Mr. Hunt brought the topic before the Board; as there were no objections, Mr. Shaw did not ask for a motion, and advised Mr.

Hunt to proceed. Mr. Hahn observed that there was a nice potential for positive public relations if the Agency plays its cards wisely, and that this is the first true project for the Housing Conservation Trust Fund.

Mr. Schoenbeck distributed copies of the Auditor's Management Letter to the Board. The Management Letter recommended the hiring of an additional person for accounting, as well as an investment officer. Carol Lizotte has been hired full time to work equal portions of time in both the accounting and data processing departments. It is anticipated that this position will increase to full time in data processing by next year, and that an additional staff person for accounting will be hired at that time. A position description for the investment officer is being drafted; it is anticipated that this individual initially would handle investments as well as assisting accounting, perhaps working equal portions of time in each area. Although this position is not currently in the budget, it is anticipated that the position would pay for itself; the creation of an investment officer should also lead to uncovering possibilities for the investment of some Agency funds within the state of Vermont.

Mr. Schoenbeck then requested that the Board approve an increase in the number of trustees for the Agency pension plan; currently, Mr. Hunt, Mr. Lothrop, and Mr. Schoenbeck are trustees of the plan. After a motion duly made and seconded, it was unanimously resolved to increase the number of pension plan trustees to five, and to install Ms. Pond and Mr. Jarrett as trustees, as proposed.

Mr. Hunt informed the Board that "Housing Vermont" had been selected as the name of the non-profit development corporation; Board members are still being considered, and January 1988 is the planned start-up date.

The Board was then invited by Mr. Hunt to join the Agency Staff for the annual Holiday Party to be held December 17, at 6:00 at Isabel's on the Waterfront. Invitations will follow under separate cover.

The meeting was adjourned at 4:15.

Respectfully submitted,

Allan S. Hunt
Secretary

Third Draft 6/5/87

RESOLUTION OF VERMONT HOUSING FINANCE AGENCY

IMPLEMENTING ITS MORTGAGE CREDIT CERTIFICATE PROGRAM

ISSUE NO. 1

WHEREAS, on December 27, 1985, pursuant to Section 25 of the Internal Revenue Code of 1954, as amended, the Agency filed with the Internal Revenue Service its election not to issue $60,894,866 (the "Nonissued Bond Amount") of qualified mortgage bonds which it was otherwise authorized to issue for calendar year 1985; and,

WHEREAS, on April 17, pursuant to Section 25 of the Internal Revenue Code of 1986 and the regulations applicable thereto (the "Code"), the Agency published its Public Notice and its Invitation to Lenders pertaining to its Mortgage Credit Certificate Program; and,

WHEREAS, on June ___, 1987, the Agency published its Supplementary Public Notice pertaining to new purchase price limits for its Mortgage Credit Certificate Program; and,

WHEREAS, the staff of the Agency has presented a proposed "Mortgage Credit Certificate Program Operating Manual" (the "Manual") in the form appended to this Resolution, providing for implementation and administration of a program for the issuance of Mortgage Credit Certificates;

NOW THEREFORE, it is RESOLVED as follows:

§1. Pursuant to the Code and the Vermont Housing Finance Agency Act, as amended (the "Act"), the Agency hereby implements its Mortgage Credit Certificate Program, Issue No. 1 (the "Program"). Pursuant to 10 V.S.A. §628, this resolution shall constitute a regulation for the Program and, so far as hereinafter stated, subsequent "qualified mortgage credit certificate programs" implemented by the Agency pursuant to the Code and the Act ("Subsequent Issues").

2. The Public Notice, the Invitation to Lenders, and the Supplementary Public Notice, and the publication thereof, are, and each of them is, hereby ratified and reaffirmed.

3. The Program shall commence effective July 17, 1987 (the "Commencement Date"). No Mortgage Credit Certificate shall be issued prior to the Commencement Date, and no Mortgage Credit Certificate shall be issued under the Program with respect to any loan having a loan closing date subsequent to December 31, 1987 (the "Final Expiration Date"); further provided, however, that no Mortgage Credit Certificate shall be issued which would cause the aggregate Certified Indebtedness Amount (as defined

RESOLUTION AUTHORIZING TEMPORARY ADVANCE FOR SOUTH MEADOWS

"BE IT HEREBY RESOLVED AS FOLLOWS: Vermont Housing Finance Agency hereby determines that:

(1) South Meadows Housing, housing in Burlington, Vermont (the "Development") is primarily for occupancy by persons and families of low and moderate income;

(2) the construction costs incurred by the Sponsors are for housing development costs within the meaning of the Act;

(3) there exists a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low or moderate income are able to afford within the general housing market area of Burlington, 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 Sponsor of the Development will increase the supply of well-planned, well-designed housing for persons and families of low and moderate income and such Sponsor is a financially responsible person;

(5) the Agency has received confirmation from Bank of Boston for a credit sufficient to finance its contemplated share of a Mortgage Loan for the construction and permanent financing of the Development, and anticipates making a Mortgage Loan subject to agreement on financing terms, but is not now in a position to issue its commitment for such Mortgage Loan.

(6) Construction of the Development is now underway, financed, in part, by a construction loan from The Merchants Bank (the "Temporary Construction Loan").

THEREFORE, upon his reasonable satisfaction that the terms of the Mortgage Loan are known and will be accepted by the Sponsor, and upon the determination that such temporary advance is necessary to preserve the ability of the Sponsor to construct the Development at the cost contemplated by the Construction Contract, the Executive Director, pursuant to 10 V.S.A. 624(a)(1) is authorized in his discretion to advance from the Agency's General Fund an amount not exceeding $___________ in the form of the purchase of a participation interest in the Temporary Construction Loan.