



**Vermont Housing Finance Agency**

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

**December 15, 2000 at 9:30 a.m.**

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

**Staff:** Ms. Carpenter, Ms. Loller, Mr. Schoenbeck, Ms. Kendrick, Ms. Caragher, Ms. Crady, Mr. Erdelyi, Ms. Gent, Mr. Falzone, Ms. Reid, Mr. Adams  
**Other:** Mr. Gurley (PaineWebber)

Chairman White called the meeting to order at 9:42 a.m. The Chairman announced that today was his last VHFA Board meeting, as he has resigned as Chairman effective December 2000. Chairman White expressed how much he has enjoyed his seven years as Chairman. Without further ado, he turned the meeting over to Ms. Randall and wished her luck as the new Chairperson.

## **MINUTES**

First on the agenda was the approval of the minutes from October 26<sup>th</sup> and November 28<sup>th</sup>, 2000. Mr. White made a motion to approve both sets of minutes. The motion approved unanimously after being seconded by Mr. Candon.

## **FINANCE**

Mr. Schoenbeck handed out a copy of our internal credit rating letter that he received from Moody's. Staff is very delighted to have this A2 rating and Mr. Schoenbeck indicated that this is the first time VHFA has an Agency credit rating. Mr. Schoenbeck pointed out that, unless a significant change occurs, we would expect to maintain the A2 credit rating.

The discussion then moved to the September 2000 Financial Statements. On the balance sheet, Mr. Schoenbeck pointed out that fund balances have increased by almost \$5.5 million over the past year. Earnings for this period are \$2.2 million compared to the earnings for last year of \$400,000. Mr. Schoenbeck noted that, last year, there was a market value loss on investments of \$500,000 compared to a \$300,000 gain this year and income in the 0% loan pool increased by \$400,000.

Mr. Schoenbeck reviewed the general fund budget results, indicating that the income transfers, and expenses of the projected budget were very close to our expectations for the first quarter. Loan losses through September 30 were \$327,000, which is in line with the annual estimate of \$1.2 million.



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Mr. Schoenbeck reviewed the multifamily bond financing indicating that, last week we closed our note purchase with HUD and advanced \$3 million for that transaction. The Board approved financing for the Brookside Mobile Home Park (\$845,000) in November, which is expected to close by the end of the year. Staff would like to include the French Hill Mobile Home Park (\$110,000) into this bond sale, as well as Westgate (\$3.8 million), if it is ready to go by the time of this issue. We are temporarily financing these projects through our line of credit with the Howard Bank, but will need to permanently finance these through the sale of a bond to Fannie Mae.

Mr. Schoenbeck indicated that approving the Series Resolution would enable staff to lock in a decent rate next week for this bond issue. Issuing these bonds under the Multi-family bond resolution will provide the AA rating we need for Fannie Mae to purchase the bonds. Staff is estimating a closing date of January 10<sup>th</sup>. Mr. Candon made a motion to approve the 2000 Series B, C, and D Series Resolution. The motion carried unanimously after being seconded by Mr. Seelig.

Next, Mr. Schoenbeck discussed the private activity bond volume unused. Mr. Schoenbeck noted that the other Vermont issuers returned \$7 million of their volume cap to VHFA. In order to carry forward the remaining 2000 volume cap, already allotted for multifamily projects, the Board must approve the attached Resolution approving the carry forward. With no further discussion, Mr. Candon made a motion to approve the "Resolution Relating to Vermont Housing Finance Agency Election to Carry Forward 2000 Private Activity Bond Volume Cap Allocation." The motion carried unanimously after being seconded by Ms. Canney.

## DEVELOPMENT

Ms. Carpenter indicated, that attached to the Multifamily/Development memo, was a list of multifamily loans that we expect to close within the next 6 months. Ms. Carpenter indicated that staff was disappointed that the HAP Contract Administration associated with Highgate, Mountainview, and Westgate was awarded to the Vermont State Housing Authority (VSHA), instead of VHFA. Staff is working with HUD and VSHA to take primary responsibility for the properties in which we have a loan.

Also included in the board packet are the proposed rate and fee changes for multifamily loan and housing credit programs. Ms. Carpenter noted that these changes would enable us to formalize our current practice. The housing credit fees haven't been changed since 1993 and the proposed increases are designed to keep up with the costs of administering the program. The housing credit fees were discussed with the Joint Committee on Tax Credits at a meeting held earlier this week. The committee agreed with the proposed rate change.

Mr. Erdelyi reviewed the King Street Neighborhood Revitalization Corporation (KSNRC) acquisition of 43 King Street (The "Chickenbone" bar site). VHFA has been approached to provide \$100,000 interim financing to facilitate the acquisition of this property by KSNRC and also to provide permanent financing. Board approval is not required for the interim-financing request. Mr. Dettman, of Burlington Housing Authority, hired a historic consultant to provide an opinion as to whether the Chickenbone bar site could be torn down. The opinion he received from the consultant was favorable, but there is some opposition to demolishing the building, as KSNRC intends to do, to redevelop the site as housing. Mr. Erdelyi indicated that there are several issues evolving daily and, at this time, there is no Board action required. If KSNRC receives all the permits necessary to tear it down, staff expects to



approve the interim request and will come back to the Board for approval for permanent financing for the project.

## MULTIFAMILY

Mr. Falzone updated the Board about Templeton Court, a 36-unit family housing project located in White River Junction. Over the past ten years, the project has struggled with many physical and social issues. Vermont State Housing Authority (VSHA) approached staff 6 months ago with a plan for the complete renovation of the project, which was very costly. Mr. Falzone indicated that staff met with VSHA yesterday to discuss additional options. No decisions have been made regarding the rehab or renovations of this project thus far. Staff will continue to work with VSHA on possible options to stabilize this property and will keep the Board updated as this process continues.

Mr. Falzone informed the Board about a recent preservation transaction. Burlington Housing Authority and KSNRC recently purchased a 7-unit family housing property located in two buildings in Burlington. We restructured VHFA's existing 14% debt and provided a new amortizing loan for \$79,000, which will be serviced with savings from the restructured loan. We also advanced \$137,711 in 0% loan proceeds. These units have now been placed into the permanently affordable inventory using a new Preservation Agreement.

## HOMEOWNERSHIP

Ms. Crady stated that delinquencies have slightly decreased. Approximately half of our REOs are currently under contract. Due to a decrease in activity, staff has been able to spend time on improving loan origination and loan sale procedures. Staff is also working to get our guides on CD in a PDF format for lenders.

Mr. Adams indicated that VHFA has finalized negotiations to purchase the VHFA servicing portfolio from the Merchants Bank. Staff is hoping to have this transfer completed by mid-February. Mr. Adams provided the Board with a summary of the acquisition cost and income benefits to VHFA (included in his memo).

## ADMINISTRATION

Ms. Carpenter reported that VHFA received approximately 200 donated mittens this year from various businesses and people, for our annual mitten stuffing. The mittens were all stuffed with candy and donated to the King Street Youth Center.

Ms. Carpenter noted that Ms. Mullikin-Drake has been a great asset in assisting staff with putting some of our internal processes in order. Relative to any statute changes VHFA may need that were discussed last year, Ms. Mullikin-Drake believes that our current statutes are adequate and that we don't need to make any immediate changes.

The Affordable Housing Odyssey Conference was a great success! Ms. Carpenter thanked Ms. Gent and Ms. Caragher for their help in pulling everything together. Mr. White commented that it was great to see a wide variety of people there. Ms. Carpenter and Ms. Gent will be sending out a packet to each participant within the next few weeks, which will include Bruce Katz's speech, session notes, etc.

Ms. Carpenter indicated that the Joint Committee on Tax Credits met yesterday to discuss how to divide the 2001 tax credits. There were no significant changes made to the plan, only minor changes based on new things that need to be done for tax compliance.

The 2001 Board meeting schedule was reviewed next. The meetings on the proposed schedule will be kept in place, and staff will revisit the August 16<sup>th</sup> meeting at a later date to determine if we will need to meet.

Ms. Loller stated that the handbook changes have been reviewed by legal counsel and have been approved by the Board Human Resources Committee. With no further discussion, Mr. Seelig made a motion to approve the handbook changes. The motion carried unanimously after being seconded by Mr. Candon. Ms. Carpenter indicated that we are looking into whether we can be approved for a nonprofit designation in addition to our governmental entity status, which would enable us to have our pension status changed. If we get this ruling from the IRS, we could access 401k and 403b plans.

At this time, VHFA staff joined the Board meeting and Mr. Seelig read a Resolution, on behalf of the Board, dedicated to Richard White. Once it was read, Mr. White thanked everyone for the Resolution. He indicated how much he appreciates all of the work that staff has done in the past 7 years and what a great organization VHFA is. He thanked staff and the Board again and noted it's been a pleasure to work with everyone. Mr. Candon made a motion to approve the "Resolution Honoring Richard C. White on His Resignation as the Chairman of the Board of Commissioners of Vermont Housing Finance Agency." The motion carried unanimously after being seconded by Mr. Seelig.

Next, Ms. Carpenter presented Mr. White with a gift from herself and staff. She thanked Mr. White for all his help through various staff transitions. As well, Mr. White received a chair with his nameplate on it in appreciation for his service to the VHFA Board.

With no further business, the meeting adjourned at 11:45 a.m. with a motion made by Mr. Candon and seconded by Mr. Seelig.

Sincerely,


A handwritten signature in cursive script, appearing to read "Sarah E. Carpenter".

Sarah E. Carpenter  
Executive Director and Secretary



## Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Joe Erdelyi, Senior Development Officer 

DATE: January 18, 2001

RE: Construction and Permanent Loans for Clark / Canal Streets, Brattleboro

	<b>Name:</b>	Clark & Canal Streets	<b>Location:</b>	Brattleboro
	<b>Housing Type:</b>	General Occupancy	<b>Unit Type:</b>	Garden Style (Flats)
	<b>Total Units:</b>	12	<b>Unit Sizes:</b>	Two 0 br (373 sf) Three 1 br (579-611 sf) Two 2 br (666-890 sf) Five 3 br (831-1,218 sf)
	<b>Total Cost:</b>	\$1,333,172	<b>Per S.F. Cost:</b> (land, hard construction)	\$120.49
	<b>Loans Requested:</b>	\$115,000 - thirty year \$750,000 construction	<b>Housing Credits:</b>	\$37,975 (all 4% from outside the State's credit ceiling)
	<b>Other Funding:</b>	VHCB, HOME, Lead Paint Funds, tax credit equity		
	<b>Sponsors:</b>	Brattleboro Area Community Land Trust (BACLT)		

The proposed development consists of three buildings on adjacent lots in downtown Brattleboro. BACLT has owned the properties for 11 years and did some rehabilitation when they were acquired, but the buildings have a number of systems that do not meet today's standards. The proposed rehab would bring the units into compliance with all codes and life safety standards, and would include fire separation, second egresses, foundation, wiring, heating, and energy efficiency improvements. This project applied for 9% credits last year and did not receive an allocation, so this proposal would utilize tax-exempt financing and the 4% credits. All other funding sources have been committed from VHCB, and the scope of work should be finalized in February. BACLT will manage the development. The appraisal has not yet been completed and the VHFA loan commitment would be contingent upon an appraisal that supports the loan requested. The sponsor will have to pledge some additional security should the appraisal not cover the requested loan amount. A Level I Environmental Site Assessments has been commissioned, and any findings will need to be addressed in the scope of rehabilitation.

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



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**RESOLUTION STATING INTENT TO PROVIDE FINANCING AND TO REIMBURSE ANY ADVANCES WITH RESPECT TO A PROPOSED 12-UNIT PROJECT IN BRATTLEBORO AND FOR A LETTER OF INTEREST AND COMMITMENT RE: ACQUISITION, CONSTRUCTION AND LONG-TERM FINANCING FOR CLARK AND CANAL STREETS DEVELOPMENT IN BRATTLEBORO**

WHEREAS, a proposal has been presented to the Agency by the Brattleboro Area Community Land Trust, a non-profit development corporation, (the "Sponsor") on behalf of a to-be-formed limited partnership, involving the acquisition, rehabilitation and long-term financing of a 12 unit family rental property located in three buildings on adjacent lots on Clark Street and Canal Street in the Town of Brattleboro (the "Development"); and

WHEREAS, the Agency desires to take "official action" for the purpose of, and to reimburse itself for any advances of its funds prior to the issuance and sale of tax-exempt bonds of not more than \$750,000 aggregate principal amount (the "Bonds") to finance a loan to a to-be-formed limited partnership (the "Borrower") to acquire three buildings and to rehabilitate 12 units of housing within them (the "Project") in Brattleboro, Vermont that will qualify for federal low-income housing tax credits;

WHEREAS, the proposal contemplates a first mortgage loan in an amount of up to \$750,000 for construction financing, with the interest rate to be determined by the Agency depending on the source of funds, but not to exceed 150 basis points above the Agency's cost of funds and a long-term loan in an amount of up to \$115,000 for long-term financing, with the interest rate to be determined by the Agency depending on the source of funds, but not to exceed 150 basis points above the Agency's cost of funds;

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

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Joe Erdelyi, dated January 18, 2001, containing information and recommendations about the Development (the "Memorandum");

It is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income.
2. The acquisition and rehabilitation costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.

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

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

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

6. The Sponsor is a financially responsible organization and the proposed ownership entity is expected to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a first mortgage loan to a to-be-formed limited partnership, for the acquisition, rehabilitation and long-term financing of the Clark/Canal housing development in Brattleboro. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance or for other purposes with the consent of the Agency. The Letter of Interest shall include the following conditions. Any documents submitted in satisfaction of these conditions must be satisfactory to the Agency in form and content:
  - a. Sponsor must provide a Phase I Environmental Site Assessment (ESA) and address any findings of the Assessment in the scope of work to the satisfaction of the Agency;
  - b. Sponsor must provide an as built appraisal satisfactory to the Agency; and
  - c. Sponsor must provide final plans and specifications for VHFA review and approval at least 3 weeks prior to VHFA loan closing
2. Upon the satisfaction of the conditions attached to the Letter of Interest, the Executive Director may, in her discretion, issue a Commitment Letter for an acquisition and construction loan in a maximum amount of \$750,000, and a loan for the long-term financing of the Development, in an amount not to exceed \$115,000.



3. The construction loan shall be due and payable not more than 18 months from the date the loan is made; payments of interest only shall be due before maturity, and the interest rate shall not exceed 150 basis points above the Agency's cost of funds. The source of funds shall be tax-exempt bond proceeds. The Sponsor shall be responsible for loan fees, transaction costs and costs of issuance. The Commitment Letter may be issued to the Brattleboro Area Community Land Trust as a representative of the to-be-formed limited partnership. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.
4. The term loan shall be amortized over a period of not more than 30 years from the date the loan is made. The interest rate shall be not more than 150 basis points above the Agency's source of funds. The Commitment Letter may be issued to the Brattleboro Area Community Land Trust as a representative of the to-be-formed limited partnership. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.
5. The issuance of the Bonds for the purpose of financing a loan to the Borrower to allow the Borrower to acquire and construct the Project is hereby preliminarily approved, and, pursuant to Section 1:150-2 of the Internal Revenue Code Regulations, the Agency hereby states its intention to reimburse itself from Bond proceeds for any advances of Agency funds prior to the issuance of the Bonds.
6. The preliminary approval of paragraph 5 does not obligate the Agency to finally approve the issuance of said Bonds. Final approval of the issuance of the Bonds can only be authorized by subsequent action, which may contain such conditions thereto as the Board may deem appropriate. The Board in its absolute discretion may refuse to finally authorize the issuance of the Bonds and shall not be liable to the Borrower or any other person for its refusal to do so.
7. The Executive Director, Chief of Program Operations and Director of Finance are hereby authorized to take all necessary steps and execute any and all documents required to effectuate this loan.



**Vermont Housing Finance Agency**

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Multifamily Development Underwriter *CR*

DATE: January 18, 2001

RE: Multifamily Construction Loan Application for Columbian Avenue, Rutland

<b>Name:</b>	Columbian Avenue	<b>Location:</b>	Rutland
<b>Housing Type:</b>	General Occupancy	<b>Unit Type:</b>	Townhouses/ Flats
<b>Total Units:</b>	9	<b>Unit Sizes:</b>	1 0-Br, 535 sf; 1 1-Br, 545 sf; 3 2-Br, 827 sf; 2 3-Br, 930 sf 2 4-Br, 1400sf
<b>Total Cost:</b>	\$1,217,670	<b>Per S.F. Devel Cost:</b>	\$148.14
<b>Loan Requested:</b>	\$700,000 construction	<b>Housing Credits:</b>	\$43,000
<b>Other Funding:</b>	VHCB, HOME, VCDP, VHCB Lead, Historic Tax Credits, Housing Credits		
<b>Sponsor:</b>	Rutland County Community Land Trust		

Rutland County Community Land Trust (RCCLT) is seeking \$700,000 in tax exempt construction financing in order to obtain 4% Housing Credits to acquire and rehabilitate a vacant historic property in Rutland. The property has been vacant and boarded up for several years. RCCLT proposes to rehabilitate it into nine units; three units will be affordable to households at 50% of median income, and six units will be affordable to households at 60% of median income (all will be tax credit units). One unit will be made handicapped accessible. RCCLT will manage the property once it's completed. RCCLT applied for 9% tax credits and then state tax credits in 2000, but did not receive allocations for either. Now, all other funding is committed and the project is fully permitted. RCCLT anticipates starting construction in April and completing it in October of this year.

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



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LOCATION MAP

194  
Columbian Avenue



Sargeant Appraisal Service; 14 Sonia Drive; Rutland, VT 05701

PROXIMATE LOCATION OF UNDEVELOPED  
ONE LINE AS PER RUTLAND  
ENGINEERS OFFICE

COLUMBIAN AVE.

12" WATER LINE

SIDEWALK

1" IRON PIPE FOUND

1" IRON PIPE FOUND

ELLO

LOADING @  
N AVE.

DRIVEWAY

198

196

194

LANDS OF  
CITY OF RUTLAND  
REF. BK. 360 PG. 742  
+/- 0.73 ACRES

LANDS OF  
STEVEN P. KONDRACKI  
BK. 291 PG. 157

N 28°-37'-15" W  
152.79'

N 39°-26'-30" E  
177.15'

S 17°-39'-30" E  
76.27'

S 04°-14'-00" E  
155.18'

FENCE POST  
S 82°-01'-00" W  
25.00'

LINE	BEARING	TABLE	BEARING
	DISTANCE		

CO.

COUNCEL



**RESOLUTION PERTAINING TO A LETTER OF INTEREST AND COMMITMENT RE:  
CONSTRUCTION FINANCING FOR COLUMBIAN AVENUE, RUTLAND**

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

WHEREAS, a proposal has been presented to the Agency by Rutland County Community Land Trust, involving the acquisition and rehabilitation of nine units of rental housing in the City of Rutland (the "Development"); and

WHEREAS, the Agency desires to take "official action" for the purpose of, and to reimburse itself for any advances of its funds prior to, the issuance and sale of tax-exempt bonds of not more than \$700,000 aggregate principal amount (the "Bonds") to finance a loan to the Colombian Avenue Limited Partnership to be created by Rutland County Community Land Trust (the "Borrower") to acquire and rehabilitate nine units of rental housing (the "Project") in Rutland, Vermont that will qualify for federal low-income housing tax credits;

WHEREAS, the proposal contemplates a mortgage loan in the amount of up to \$700,000 for construction financing, with the interest rate to be determined by the Agency depending on the source of funds, but not to exceed 150 basis points above the Agency's cost of funds;

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

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid, dated January 18, 2001, containing information and recommendations about the Development (the "Memorandum");

It is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income.
2. The acquisition and construction costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.
3. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and moderate income are able to afford within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of the residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families.
4. The housing sponsor undertaking the Development will increase the supply of well-



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

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

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

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director and the Chief of Program Operations are authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a mortgage loan to the Columbian Avenue Limited Partnership to be created by Rutland County Community Land Trust for construction financing in an amount not to exceed \$700,000; the term of the construction loan will be not more than 18 months, and the interest rate not more than 150 basis points above the Agency's cost of funds. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.
2. The Letter of Interest shall include the following conditions. Any documents submitted in satisfaction of these conditions must be satisfactory to the Agency in form and content:
  - a) Sponsor must provide a Phase I Environmental Site Assessment (ESA) and address any findings of the Assessment in the scope of work to the satisfaction of the Agency;
  - b) Sponsor must provide an as built appraisal satisfactory to the Agency;
  - c) Sponsor must provide evidence of necessary permits;
  - d) Sponsor must provide final plans and specifications for VHFA review and approval at least 3 weeks prior to VHFA loan closing;
  - e) Sponsor must provide evidence of competitive bidding.
3. The issuance of the Bonds for the purpose of financing a loan to the Borrower to allow the Borrower to acquire and construct the Project is hereby preliminarily approved, and, pursuant to Section 1:150-2 of the Internal Revenue Code Regulations, the Agency hereby states its intention to reimburse itself from Bond proceeds for any advances of Agency funds prior to the issuance of the Bonds.
4. The preliminary approval of paragraph 3 does not obligate the Agency to finally

approve the issuance of said Bonds. Final approval of the issuance of the Bonds can only be authorized by subsequent action, which may contain such conditions thereto as the Board may deem appropriate. The Board in its absolute discretion may refuse to finally authorize the issuance of the Bonds and shall not be liable to the Borrower or any other person for its refusal to do so.

5. Upon the satisfaction of the conditions attached to the Letter of Interest, the Executive Director or the Chief of Program Operations may, in their discretion, issue a Commitment Letter for an interim loan for the acquisition and construction of the Development, in an amount not to exceed \$700,000.
6. The construction loan shall be due and payable not more than 18 months from the date the loan is made; payments of interest only shall be due before maturity, and the interest rate shall not exceed 150 basis points above the Agency's cost of funds. The source of funds shall be tax-exempt bond proceeds. The Sponsor shall be responsible for loan fees. The Commitment Letter may be issued to Rutland County Community Land Trust as a representative of the Columbian Avenue Limited Partnership. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.
7. The Executive Director, Chief of Program Operations and Director of Finance are hereby authorized to take all necessary steps and execute any and all documents required to effectuate this loan.

**RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF A  
GENERAL OBLIGATION BOND TO STRATEVEST & CO. OR SOME  
OTHER PURCHASER IN A MAXIMUM AMOUNT OF \$750,000 AND  
USING THE PROCEEDS TO MAKE A LOAN IN SUCH AMOUNT TO  
THE COLUMBIAN AVENUE LIMITED PARTNERSHIP TO BE  
CREATED BY RUTLAND COUNTY COMMUNITY LAND TRUST TO  
FINANCE THE ACQUISITION AND REHABILITATION OF A 9-UNIT  
DEVELOPMENT IN RUTLAND**

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

WHEREAS, the Agency desires to issue and sell tax-exempt bonds of not more than \$750,000 aggregate principal amount to Stratevest & Co., some other subsidiary of BankNorth Group, Inc., or some other entity (the "Purchaser") based on the Agency's general obligation credit and use the proceeds to finance a construction loan to the Columbian Avenue Limited Partnership to be created by Rutland County Community Land Trust, (the "Borrower") to acquire and rehabilitate a 9-unit development (the "Project") in Rutland, Vermont that will qualify for federal low-income housing tax credits;

NOW, THEREFORE, it is hereby RESOLVED:

1. The issuance and sale of up to \$750,000 principal amount of tax-exempt bonds to the Purchaser (the "Borrowing") is hereby authorized and approved, the security for the repayment thereof being the general obligation of the Agency as hereinafter described, and the Executive Director, Chief of Program Operations and Director of Finance are each hereby authorized and directed to execute and deliver such documents as they deem appropriate and necessary to evidence such Borrowing and the Agency's obligation to repay the same, including, without limitation, a bond delivered to the Purchaser with such terms as the person executing the same shall deem appropriate, provided that the maturity of such Borrowing shall not exceed eighteen months and the interest rate thereon shall not exceed 7%. The obligation of the Agency to repay the Borrowing shall constitute a general obligation of the Agency payable out of any revenues or moneys of the Agency, subject only to any agreements with the holders of particular notes or bonds pledging any particular revenues.

2. The Executive Director, Chief of Program Operations or Director of Finance is each hereby authorized to issue certifications as to the Agency's reasonable expectations regarding the amount and use of the proceeds of the Borrowing as described in Section 148 of the Internal Revenue Code of 1986, as amended.

3. The Executive Director, Chief of Program Operations, Director of Finance and any Commissioner or other officer of the Agency, acting alone or acting with others, are hereby authorized and directed to execute and deliver any or all other documents which may be required to implement the foregoing, and to take such other action as may be required or appropriate for the performance of the duties imposed thereby or to carry out the purposes thereof.

4. This Resolution shall become effective immediately.

ADOPTED by the Vermont Housing Finance Agency this 25<sup>th</sup> day of January, 2001.

VERMONT HOUSING FINANCE AGENCY

Attest:


By \_\_\_\_\_  
Executive Director

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



## Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Joe Erdelyi, Senior Development Officer 

DATE: January 18, 2001

RE: Permanent Loan for 43 King Street, Burlington

<b>Name:</b>	43 King Street	<b>Location:</b>	Burlington
<b>Housing Type:</b>	General Occupancy	<b>Unit Type:</b>	Garden Style (Flats)
<b>Total Units:</b>	5	<b>Unit Sizes:</b>	Two 2 br Three 3 br
<b>Total Cost:</b>	\$506,400	<b>Per S.F. Cost:</b> (land, hard construction)	\$89.10
<b>Loans Requested:</b>	\$100,000 interim \$340,000 - 30 year \$36,400 - 0% funds	<b>Housing Credits:</b>	n/a
<b>Other Funding:</b>	VHCB, developer's equity, Burlington Trust Funds		
<b>Sponsors:</b>	King Street Neighborhood Revitalization Center (KSNRC)		

The sponsor and its consultant, Paul Dettman of the Burlington Housing Authority (BHA), have requested the above funding to acquire and demolish the existing structure and to construct a new building with five units. The per unit land cost of the proposal is high for rental housing in Burlington (\$33,000 per unit), but the redevelopment of the neighborhood is important, and the overall project cost is reasonable. A local developer, Bobby Miller, has verbally committed to construct the units at a cost of \$50 per square foot. The combination of this low construction cost and the high land cost combine for an overall cost similar to projects we typically see. Because the seller is unwilling to extend the purchase and sales option, the closing on the property acquisition will have already occurred by the Board's meeting date, and (as we advised the Board in December) VHFA will have advanced the \$100,000 interim funds towards this acquisition. Should the development fail to proceed as proposed, there is an appraisal that places the property value (as a bar) at \$230,000. Staff have not seen an appraisal for the rental housing as proposed, or an Environmental Site Assessment, and our loan would be conditioned upon the receipt and review of both. The property will be managed by BHA. BHA has also committed to provide 5 units of project-based rental assistance to the property. Plans and specs are also not yet finalized, nor is the agreement with Mr. Miller to construct the building. There is reportedly some opposition to the demolition of the existing building for historic preservation reasons. Staff understand that a 30 day appeal period on the City's decision to allow demolition ran from December 19, 2000 to January 18, 2001. As of the writing of this memo no objections have been filed, and it is unclear to staff what avenues if any exist to prohibit the demolition of the existing structure.

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



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RESOLUTION STATING INTENT TO PROVIDE FINANCING AND TO REIMBURSE ANY ADVANCES WITH RESPECT TO A PROPOSED 5-UNIT PROJECT IN BURLINGTON AND FOR A LETTER OF INTEREST AND COMMITMENT RE: FINANCING FOR 43 KING STREET DEVELOPMENT IN BURLINGTON

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

WHEREAS, a proposal has been presented to the Agency by the King Street Neighborhood Revitalization Corp., a Vermont non-profit corporation (the "Sponsor"), involving the acquisition of real estate and the rehabilitation of that real estate into five units of rental housing in the City of Burlington (the "Development"); and

WHEREAS, the Agency desires to take "official action" for the purpose of, and to reimburse itself for any advances of its funds prior to, the issuance and sale of tax-exempt 501(C)(3) bonds of not more than \$400,000 aggregate principal amount (the "Bonds") to finance a loan to King Street Neighborhood Revitalization Corp. to acquire and rehabilitate a 5-unit project (the "Project") at 43 King Street in Burlington, Vermont;

WHEREAS, the proposal contemplates a first mortgage loan in the amount of up to \$100,000 during construction with the interest rate to be determined by the Agency depending on the source of funds, but not to exceed 150 basis points above the Agency's cost of funds, \$350,000 for long-term financing, with the interest rate to be determined by the Agency depending on the source of funds, but not to exceed 150 basis points above the Agency's cost of funds, and a zero percent loan of not more than \$40,000;

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

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Joe Erdelyi, dated January 18, 2001, containing information and recommendations about the Development (the "Memorandum");

It is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income.
2. The construction costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.
3. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and

moderate income are able to afford within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of the residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families.

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

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

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

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a first mortgage loan to King Street Neighborhood Revitalization Corp. for a long-term loan in an amount not to exceed \$350,000 and a loan from refunding proceeds of not more than \$40,000 at 0%. An interim loan of \$100,000 for acquisition of the property will be for a term of not more than 18 months with an interest rate not more than 150 basis points above the Agency's cost of funds. The interim loan of \$100,000 is hereby ratified. The term of the long-term loan will be not more than 30 years, and the interest rate not more than 150 basis points above the Agency's cost of funds. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.
2. The Letter of Interest shall include the following conditions. Any documents submitted in satisfaction of these conditions must be satisfactory to the Agency in form and content:
  - a) Sponsor must provide a Phase I Environmental Site Assessment (ESA) and address any findings of the Phase I Assessment in the scope of work to the satisfaction of the Agency;
  - b) Sponsor must provide an as-built appraisal satisfactory to VHFA;
  - c) Sponsor must provide evidence of necessary permits; and
  - d) Sponsor must provide final plans and specifications for VHFA review and approval.

3. The issuance of 501(c)(3) bonds for the purpose of financing a loan to the Borrower is hereby preliminarily approved, and, pursuant to Section 1:150-2 of the Internal Revenue Code Regulations, the Agency hereby states its intention to reimburse itself from Bond proceeds for any advances of Agency funds prior to the issuance of the Bonds.
4. The preliminary approval of paragraph 3 does not obligate the Agency to finally approve the issuance of said Bonds. Final approval of the issuance of the Bonds can only be authorized by subsequent action, which may contain such conditions thereto as the Board may deem appropriate. The Board in its absolute discretion may refuse to finally authorize the issuance of the Bonds and shall not be liable to the Borrower or any other person for its refusal to do so.
5. Upon the satisfaction of the conditions attached to the Letter of Interest, the Executive Director may, in her discretion, issue a Commitment Letter for an long-term loan for the Development, in an amount not to exceed \$350,000.
6. The long-term loan shall be due and payable not more than 30 years from the date the loan is made, shall be amortized over a period of up to 30 years, and the interest rate shall not exceed 150 basis points above the Agency's cost of funds. The source of funds shall be tax-exempt 501(c)(3) bond proceeds. The Sponsor shall be responsible for loan fees, costs of issuance and transaction costs. The Commitment Letter may be issued to King Street Neighborhood Revitalization Corp. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.
7. The Executive Director, the Chief of Program Operations and the Director of Finance are hereby authorized to take all necessary steps and execute any and all documents required to effectuate this loan.



**Vermont Housing Finance Agency**

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Multifamily Development Underwriter *CR*

DATE: January 18, 2001

RE: Multifamily Permanent and 0% Loans for Ben-South, Bennington

At the September 2000 meeting, the Board of Commissioners approved a construction loan of up to \$850,000 and a permanent loan of up to \$350,000 to finance the acquisition and rehabilitation of 21 units in Bennington, "Ben South", being developed by the Regional Affordable Housing Corporation (RAHC). The project was proposed by RAHC as a "design build" project, with RAHC as construction manager. In order to satisfy VHFA requirements including architectural oversight and bonding through the construction and warranty periods, staff added conditions to the loan. These conditions resulted in costs not originally budgeted. In addition, bids came in high on a portion of the project. VHCB has approved an additional \$50,000 HOME award to cover increased construction costs.

RAHC had originally requested a higher amount of permanent debt. The amount of the permanent loan was reduced by staff, as more conservative operating expenses were used in underwriting, resulting in less debt capacity. Staff then approved a \$100,000 zero percent loan (the maximum amount which can be approved at a staff level) to make up the difference.

We are now seeking board approval to increase the zero percent loan to up to \$133,000, to cover the costs associated with architectural oversight and bonding. The total development cost of the project is now \$1,693,757, or \$80,655 per unit, or \$99.31 per square foot. The permanent loan closing is projected to be at the end of January 2002. Should interest rates be lower at that time, (the permanent loan is underwritten at 7.5% for 30 years), and increasing the permanent loan amount will not adversely affect financial feasibility of the project, then staff would like the discretion to increase the permanent amount loan slightly and increase the 0% loan to an amount not greater than \$133,000.

**Recommendation:** That the VHFA Board of Commissioners pass the attached resolution and make the required findings as outlined in the second section of the resolution ("It is hereby determined:"), and that the Board authorize the Executive Director and the Chief of Program Operations to issue a revised Commitment Letter to finance this development.



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**RESOLUTION PERTAINING TO A LETTER OF INTEREST AND COMMITMENT  
LETTER RE: PERMANENT FINANCING FOR BEN SOUTH DEVELOPMENT,  
BENNINGTON**

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

WHEREAS, a proposal has been presented to the Agency by the Regional Affordable Housing Corporation (the "Sponsor"), involving the acquisition and rehabilitation of four buildings containing 21 units of rental housing in the Town of Bennington (the "Development"); and

WHEREAS, the Development has previously been the subject of a Resolution of the Agency dated September 14, 2000; and

WHEREAS, the Agency desires to take "official action" for the purpose of, and to reimburse itself for any advances of its funds prior to, the issuance and sale of tax-exempt bonds of not more than \$370,000 aggregate principal amount (the "Bonds") to finance a loan to the Ben-South Housing Limited Partnership (the "Borrower") to acquire and rehabilitate 21 units of rental housing located at 501-507 South Street and 118-126 Benmont Avenue (the "Development") in Bennington, Vermont that will qualify for federal low-income housing tax credits;

WHEREAS, the proposal now contemplates a first mortgage loan in the amount of up to \$370,000, increased from \$350,000, as long-term financing for the 21-unit Ben South project with the interest rate to be determined by the Agency depending on the source of funds, which may be from proceeds of tax-exempt bonds, or taxable sources of funds, and shall have an interest rate of not more than 150 basis points above the Agency's cost of funds; and

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

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid, dated January 18, 2001, containing information and recommendations about the Development (the "Memorandum");

It is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income.
2. The acquisition and rehabilitation costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.
3. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and moderate



income are able to afford within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of the residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families.

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

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

6. The Sponsor is a financially responsible organization and the proposed ownership entity is expected to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director and the Chief of Program Operations are authorized to issue a Letter of Commitment to the Ben-South Housing Limited Partnership for the long term financing of the Development in an amount not to exceed \$370,000. The Executive Director, Chief of Program Operations and Director of Finance are authorized to allocate the loan proceeds to all or portions of the Development. The permanent loans shall be due and payable not more than 20 years from the date the loan is made, payments shall be based on a 30 year amortization period and the interest rate shall not exceed 150 basis points above the Agency's cost of funds. The source of the funds shall be determined by the Executive Director. The Sponsor shall be responsible for loan fees. The Commitment Letter may be issued to Regional Affordable Housing Corporation as a representative of Ben-South Housing Limited Partnership. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.
2. The Letter of Commitment shall include the following condition. Any documents submitted in satisfaction of this condition must be satisfactory to the Agency in form and content:
  - a) As a condition of permanent financing, sponsor must provide a capital needs assessment satisfactory to VHFA;
3. The issuance of tax-exempt Bonds for the purpose of financing a loan to the Borrower to allow the Borrower to acquire and rehabilitate the Development is hereby preliminarily approved, and, pursuant to Section 1:150-2 of the Internal Revenue Code Regulations, the Agency hereby states its intention to reimburse itself from Bond proceeds for any advances of Agency funds prior to the issuance of the Bonds.
4. The preliminary approval of paragraph 3 does not obligate the Agency to finally

approve the issuance of said Bonds. Final approval of the issuance of the Bonds can only be authorized by subsequent action, which may contain such conditions thereto as the Board may deem appropriate. The Board in its absolute discretion may refuse to finally authorize the issuance of the Bonds and shall not be liable to the Borrower or any other person for its refusal to do so.

5. The Executive Director is authorized to make an additional loan to the Borrower for the development of not more than \$133,000 at an interest rate of 0%.
6. The Executive Director, Chief of Program Operations and Director of Finance are hereby authorized to take all necessary steps and execute any and all documents required to effectuate the financing.

**RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF GENERAL OBLIGATION BONDS TO STRATEVEST & CO. OR SOME OTHER PURCHASER IN A MAXIMUM AMOUNT \$370,000 FOR A LONG TERM LOAN AND USING THE PROCEEDS TO MAKE LOANS IN SUCH AMOUNT TO BEN-SOUTH HOUSING LIMITED PARTNERSHIP TO FINANCE THE ACQUISITION AND REHABILITATION OF A 21-UNIT DEVELOPMENT IN BENNINGTON**

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

WHEREAS, the Agency may desire to issue and sell tax-exempt bonds of not more than \$370,000 aggregate principal amount to Stratevest & Co., some other subsidiary of BankNorth Group, Inc., or some other entity (the "Purchaser") based on the Agency's general obligation credit and use the proceeds to finance a long-term loan to the Ben-South Housing Limited Partnership (the "Borrower") for a 21-unit development located at 501-507 South Street and 118-126 Benmont Avenue (the "Project") in Bennington, Vermont that will qualify for federal low-income housing tax credits; and

NOW, THEREFORE, it is hereby RESOLVED:

1. The issuance and sale of up to \$370,000 principal amount of tax-exempt bonds to the Purchaser (the "Long-term Borrowing") is hereby authorized and approved, the security for the repayment thereof being the general obligation of the Agency as hereinafter described, and/or, in the discretion of the Executive Director, a pledge of the revenues derived from the Project, and the Executive Director, Chief of Program Operations and Director of Finance are each hereby authorized and directed to execute and deliver such documents as they deem appropriate and necessary to evidence such Borrowing and the Agency's obligation to repay the same, including, without limitation, a bond delivered to the Purchaser with such terms as the person executing the same shall deem appropriate, provided that the maturity of such Borrowing shall not exceed thirty years and the interest rate thereon shall not exceed 8%. The obligation of the Agency to repay the Long-term Borrowing shall constitute a general obligation of the Agency payable out of any revenues or moneys of the Agency, subject only to any agreements with the holders of particular notes or bonds pledging any particular revenues.

2. The Executive Director, Chief of Program Operations or Director of Finance is each hereby authorized to issue certifications as to the Agency's reasonable expectations regarding the amount and use of the proceeds of the Borrowing as described in Section 148 of the Internal Revenue Code of 1986, as amended.

3. The Executive Director, Chief of Program Operations, Director of Finance and any Commissioner or other officer of the Agency, acting alone or acting with others, are hereby authorized and directed to execute and deliver any or all other documents that may be required to implement the foregoing, and to take such other action as may be required or appropriate for the performance of the duties imposed thereby or to carry out the purposes thereof.

4. This Resolution shall become effective immediately.

ADOPTED by the Vermont Housing Finance Agency this 25<sup>th</sup> day of January, 2001.

VERMONT HOUSING FINANCE AGENCY

Attest:

By \_\_\_\_\_  
Executive Director

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



**Vermont Housing Finance Agency**

**MEMORANDUM**

**TO:** VHFA Board of Commissioners  
**FROM:** Sam Palzone, Director of Multifamily Programs  
**DATE:** January 17, 2001  
**RE:** Lake Champlain Apartments Acquisition

A Limited Liability Company (LLC) comprised of the Burlington Housing Authority (BHA) and King Street Neighborhood Revitalization Corporation (KSNRC) has requested financing for this 27 unit family property located on two sites in Burlington. In order to accomplish the transfer of ownership, we have proposed to restructure VHFA's existing debt and provide a new amortizing loan in the amount of \$640,497 which will be serviced in part with savings from the restructured loan. We expect to provide interim financing in this amount until we can issue new multifamily bonds this spring. A 0% loan in the amount of \$130,000 will also be needed and includes a contingency amount in case rates move upward by the time we do the bond issue. With the completion of this transaction, these family units will be converted to nonprofit ownership and be part of the permanently affordable inventory using a new Preservation Agreement that will be recorded with the deed to the land. TDC for these units will not exceed \$60,667 per unit. Please see Sources and Uses statement on the reverse side of this memo.

Although the HAP Contract and our original loans expire in 12 years, our new \$640,497 loan will have 18 years remaining on its 30 year term and is underwritten at a rate of 7.25%. Beginning in year 13, debt service payments will be 66% less than they are now as a result of final payments on VHFA's original loans. We are confident that the rent structure required to keep these units affordable will be achievable and expect that some form of continued rental assistance will be available at the expiration of the HAP in 2012. The Loan To Value in this transaction will be 100% and we have recognized the cash accounts that will be transferred with the property as a net increase in the appraised value.

**Recommendation:** That the VHFA Board of Commissioners pass the attached resolution and make the required findings as outlined in the second section of the resolution ("It is hereby determined:"), and that the Board authorize the Executive Director and Chief of Program Operations to issue a Letter of Commitment to finance the acquisition of this development.



**Sources**

Assumed VHFA Loan # 1	\$	754,263
Assumed VHFA Loan # 2	\$	83,240
New VHFA Loan	\$	640,497
0% Deferred Loan	\$	130,000
Borrower's Equity	\$	30,000
<b>TOTAL</b>	<b>\$</b>	<b><u>1,638,000</u></b>

**Uses**

Acquisition	\$	1,475,000
Rehabilitation	\$	71,500
VHFA Loan Fees	\$	15,790
Legal, Recording , Other Soft Costs	\$	16,150
Consultant Fees	\$	30,513
Contingency	\$	29,047
<b>TOTAL</b>	<b>\$</b>	<b><u>1,638,000</u></b>

**RESOLUTION PERTAINING TO COMBINED LETTER OF INTEREST  
AND COMMITMENT LETTER RE: LAKE CHAMPLAIN APARTMENTS**

WHEREAS, a proposal has been presented to the Agency by King Street Neighborhood Properties, LLC, a Vermont limited liability company comprised of Burlington Housing Authority and King Street Neighborhood Revitalization Corporation, (the "Sponsor") involving the acquisition, rehabilitation and long-term financing of a 27 unit family rental property located on three sites on Church Street and Pine Street in the City of Burlington (the "Development"); and

WHEREAS, in 1983 the Agency made two loans to a prior owner of the development in the combined original principal amount of \$1,038,285 and those two loans have previously been combined; and

WHEREAS, in 1993 the Agency made an additional loan to the prior owner of the development in the original principal amount of \$88,918.79; and

WHEREAS, the proposal contemplates an assumption of the two existing VHFA loans, one with an approximate current balance of \$754,000 and the other with an approximate current balance of \$83,000, a new, interim, VHFA loan until newly issued tax-exempt bond proceeds are available, in an amount not to exceed \$650,000, the use of 0% funds in the amount of \$130,000; however, a somewhat different mix of sources and amounts may be necessary; and

WHEREAS, the Sponsor qualifies as a housing sponsor within the meaning of the Vermont Housing Finance Agency Act (the "Act") and is willing to give the Agency a preservation agreement pertaining to the Development; and

WHEREAS, the Agency desires to take "official action" for the purpose of, and to reimburse itself for any advances of its funds prior to, the issuance and sale of tax-exempt bonds of not more than \$650,000 aggregate principal amount (the "Bonds") to finance a loan to the King Street Neighborhood Properties, LLC, (the "Borrower") to acquire and rehabilitate a 27-unit development (the "Project") in Burlington, Vermont;

WHEREAS, the Board of Commissioners has been presented with a memorandum from Samuel Falzone dated January 17, 2001 containing information and recommendations about the Development (the "Memorandum");

It is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income.
2. The acquisition and rehabilitation costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.

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

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

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

6. The Sponsor is a financially responsible organization and the proposed ownership entity is expected to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in allowing King Street Neighborhood Properties, LLC to assume two existing first mortgage loans made to A & A Realty Properties, for the acquisition, rehabilitation and long-term financing of the Lake Champlain Apartments development in Burlington and in making a new loan to King Street Neighborhood Properties, LLC in a maximum amount of \$650,000 and a loan from zero percent proceeds in a maximum amount of \$130,000. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance or for other purposes with the consent of the Agency. The Letter of Interest shall be conditioned on, among other items, receipt and review of an appraisal satisfactory to Staff supporting the loan amounts requested.
2. Upon the satisfaction of the conditions attached to the Letter of Interest, the Executive Director may, in her discretion, issue a Commitment Letter for a long-term amortizing loan for the acquisition, rehabilitation and long-term financing of the Development, in a combined amount not to exceed \$1,478,000.
3. One of the new loans shall be amortized over a period of 30 years from the date of the loan. The interest rate shall be not more than 150 basis points above the Agency's source of funds. The source of funds shall ultimately be newly-issued tax-exempt bond proceeds. A zero percent loan in an amount not to exceed \$130,000 shall be made from the Agency's multi-family refunding proceeds. The Commitment Letter may be issued to the Sponsor. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.



4. The issuance of the Bonds for the purpose of financing a loan to the Borrower to allow the Borrower to acquire and rehabilitate the Project is hereby preliminarily approved, and, pursuant to Section 1:150-2 of the Internal Revenue Code Regulations, the Agency hereby states its intention to reimburse itself from Bond proceeds for any advances of Agency funds prior to the issuance of the Bonds.
5. The preliminary approval of paragraph 4 does not obligate the Agency to finally approve the issuance of said Bonds. Final approval of the issuance of the Bonds can only be authorized by subsequent action, which may contain such conditions thereto as the Board may deem appropriate. The Board in its absolute discretion may refuse to finally authorize the issuance of the Bonds and shall not be liable to the Borrower or any other person for its refusal to do so.
6. The Executive Director, after consultation with the Chairman of the Agency is given the discretion to vary the amounts and sources of funds
7. The Executive Director, Chief of Program Operations and Director of Finance are hereby authorized to take all necessary steps and execute any and all documents required to effectuate this loan.



**Vermont Housing Finance Agency**

**MEMORANDUM**

**TO: VHFA BOARD OF COMMISSIONERS**  
**FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE**  
**DATE: JANUARY 19, 2001**  
**RE: SINGLE FAMILY BOND FINANCING**

*RAS*

We have had an initial conference call with our bond financing team to formulate strategies regarding a new bond financing. The current (Series 13) mortgage money is lagging after a strong start. Time of year, short supply of product and dropping conventional rates are all reasons contributing to a balance of approximately \$18 million. Current no point conventional mortgage rates are in the 7.375% range and our rate is at 7.1%. We had originally expected to be bonding early in the calendar year but based on the existing balance are recommending deferring bonding until the spring.

We had timed a note financing issued in conjunction with Series 12 to mature in early March with the expectation that the note maturity could be rolled into a new bond issue therefore saving bond volume cap in addition to the rate savings the notes provided to Series 12. Since it doesn't make sense to issue before March 9<sup>th</sup> due to the reasons listed earlier and because of the volatility of the financial markets (with clear signals that further drop in rates are expected), we need to extend the note scheduled to mature. The holder of the note, Northern Trust a Chicago based bank, has agreed to extend the maturity so this transaction does not constitute a reissuance. Kutak Rock has prepared a Resolution (attached) that authorizes an extension of the issued note until April 27<sup>th</sup>, coinciding with a second note maturity.

Based on this transaction we are working on a schedule to sell bonds at the April 19<sup>th</sup> Board meeting, closing on April 26<sup>th</sup>. In the meantime, we have asked Evensen Dodge to calculate for us the cost of reducing the rate of our current mortgage program. We expect to have that information available at the Board meeting next Thursday. My estimate is that it will cost \$720,000 to buy the 7.1% rate down to 6.5%. We do have an excess yield pool available that could be dedicated to the write down of the rate. We have also asked Evensen Dodge to update the amount of funding available in that pool.

***Recommended Action***

- Adopt the Resolution attached.
- Reduce the rate on the remaining funds by dedicating the excess yield pool.
- Proceed with the financing plan as outlined in this memorandum.



**FIRST SUPPLEMENTAL TO THE SIXTEENTH SUPPLEMENTAL  
SINGLE FAMILY HOUSING BOND RESOLUTION**

WHEREAS, the Vermont Housing Finance Agency (the "Agency") has previously issued its Single Family Housing Notes, Series 12C in an aggregate principal amount of \$17,500,000 (the "Series 12C Notes");

WHEREAS, the Series 12C Notes were issued pursuant to the Agency's Single Family Housing Bond Resolution, adopted on September 20, 1990 (as heretofore amended and supplemented, the "General Resolution"), its Sixteenth Supplemental Single Family Housing Bond Resolution, adopted on February 10, 2000 (the "Sixteenth Supplemental Resolution") and the Series Certificate of the Chairman and Executive Director of the Agency dated as of February 24, 2000 (the "Series Certificate");

WHEREAS, Section 2.01(e) of the Sixteenth Supplemental Resolution provided that the Series 12C Notes shall mature no later than March 9, 2001 and Section 1(c) of the Series Certificate provided that the Series 12C Notes shall mature on March 9, 2001;

WHEREAS, the Agency wishes to extend the maturity date of the Series 12C Notes to April 27, 2001;

WHEREAS, Section 802 of the General Resolution provides that the terms of redemption or maturity of any Outstanding Bonds may be modified with the consent of the Owners of such Bonds; and

WHEREAS, the Agency anticipates that 100% of the owners of the Series 12C Notes will consent to the extension of the maturity thereof to April 27, 2001.

NOW, THEREFORE, be it resolved by the Vermont Housing Finance Agency and the Commissioners thereof as follows:

**Section 1. Certain Defined Terms.** Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed thereto in the General Resolution and the Sixteenth Supplemental Resolution.

**Section 2. Extension of Maturity.** Section 2.01(e) of the Sixteenth Supplemental Resolution and Section 1(c) of the Series Certificate are hereby amended by deleting the references to the maturity of the Series 12C Notes on March 9, 2001 and inserting in lieu thereof April 27, 2001.

**Section 3. General Amendments.** All references in the Sixteenth Supplemental Resolution or the Series Certificate which are inconsistent with this Supplement are hereby

determined to be null and void and of no force or effect as of the effective date of this Supplement.

**Section 4. Effectiveness.** This Supplement shall be effective immediately and without any further action by the Agency upon receipt by the Agency of (i) a counsel's opinion rendered in accordance with Section 705 of the General Resolution and (ii) the written consent of the owners of 100% of the Series 12C Notes in substantially the form attached hereto as Exhibit A.

**Section 5. Sixteenth Supplemental Resolution and Series Certificate Confirmed.** The Sixteenth Supplemental Resolution and Series Certificate, as amended hereby and to the extent not inconsistent herewith, are reaffirmed and restated herein.

**Section 6. Miscellaneous.**

(a) **Invalidity.** In the event that any one or more of the provisions contained in this Supplement shall, for any reason, be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Supplement.

(b) **Reference.** From and after the effective date hereof, all references to the Sixteenth Supplemental Resolution or the Series Certificate shall be deemed to be references to the Sixteenth Supplemental Resolution or the Series Certificate, as applicable, as amended by this Supplement.

(c) **Governing Law.** This Supplement shall be governed by and construed in accordance with the laws of the United States of America and the laws of the State of Vermont.

(d) **Headings.** Section headings in this Supplement are included herein for convenience of reference only and shall not have any effect for purposes of interpretation or construction of the terms of this Supplement.

Adopted: January 25, 2001

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EXHIBIT A  
CONSENT OF OWNER  
\$17,500,000  
VERMONT HOUSING FINANCE AGENCY  
SINGLE FAMILY MORTGAGE NOTES  
SERIES 12C

The undersigned, as authorized officer of [ ] (the "Owner"),  
hereby certifies as follows:

(i) as of the date hereof, the Owner owns \$17,500,000 aggregate principal amount of the above-captioned notes (the "Notes") issued by Vermont Housing Finance Agency (the "Agency");

(ii) the Owner has been provided a copy of the First Supplement to the Sixteenth Supplemental Single Family Housing Bond Resolution of the Agency (the "Supplement"), adopted on January 25, 2001; and

(iii) the Owner hereby consents to the extension of the maturity of the Series 12C Notes to April 27, 2001 as provided in the Supplement.

[OWNER]

By \_\_\_\_\_  
Name \_\_\_\_\_  
Title \_\_\_\_\_



## Vermont Housing Finance Agency

### BOARD MINUTES

State Treasurer's Office Building  
Room #1  
133 State Street  
Montpelier, Vermont

Thursday, January 25, 2001

Present: Chairperson Randall; Commissioners Seelig, Canney, Beyer (designee of Lambert); Young (designee of Douglas)  
Staff: Ms. Carpenter, Ms. Caragher, Ms. Loller, Ms. Kendrick, Ms. Crady, Ms. Gent, Ms. Reid, Mr. Erdelyi, Mr. Falzone, Mr. Schoenbeck, Mr. Adams  
Other: Mr. Brush (Green Mountain Development Group)

Chairperson Randall called the meeting to order at 12:15 p.m.

### MINUTES

Mr. Seelig made a motion to approve the minutes of December 15, 2000. The motion carried unanimously after being seconded by Ms. Canney.

### DEVELOPMENT

Mr. Erdelyi reviewed a request for construction and permanent loans for the Clark/Canal Streets project in Brattleboro. This project consists of three buildings on non-adjacent lots. The buildings have a number of systems that do not meet current standards. The proposed rehabilitation would ensure that all units are in compliance with all codes and life safety standards.

The project originally applied for 9% credits and did not receive them. This revised proposal would allow the project to utilize tax-exempt financing and the 4% credits. The sponsors do have all other funding sources committed and construction is expected to begin shortly. With no further discussion, Mr. Seelig made a motion to approve the "Resolution Stating Intent to Provide Financing and to Reimburse any Advances with Respect to a Proposed 12-Unit Project in Brattleboro and for a Letter of Interest and Commitment Re: Acquisition, Construction and Long-Term Financing for Clark and Canal Streets Development in Brattleboro." The motion carried unanimously after being seconded by Ms. Canney.

Next, Ms. Reid discussed the multifamily construction loan application for Columbian Avenue in Rutland. Rutland County Community Land Trust (RCCLT) is requesting \$700,000 in tax-exempt construction financing, which would allow them to obtain the 4% credit. The financing would enable RCCLT to acquire and rehabilitate a vacant property in Rutland, developing nine units of affordable housing.



mailing address P.O. Box 408, Burlington, VT 05402-0408

phone (802) 864-5743

delivery address 164 Saint Paul St., Burlington, VT 05401-4364

fax (802) 864-5746

[www.vhfa.org](http://www.vhfa.org)



All of the funding is in place and RCCLT hopes to close fairly soon. With no further discussion, Ms. Canney made a motion to approve the "Resolution Pertaining to a Letter of Interest and Commitment Re: Construction Financing for Columbian Avenue, Rutland" and the "Resolution Authorizing the Issuance and Sale of a General Obligation Bond to Stratevest and Co. or Some other Purchaser in a Maximum Amount of \$750,000 and Using the Proceeds to Make a Loan in Such Amount to be the Columbian Avenue Limited Partnership to be Created by Rutland County Community Land Trust to Finance the Acquisition and Rehab of a 9-Unit Development in Rutland." The motion carried unanimously after being seconded by Ms. Beyer.

Mr. Erdelyi briefly discussed the permanent loan request for 43 King Street in Burlington. No appeals have been filed for the City of Burlington's decision to demolish the building; the period for appeals has passed. Staff has received the Environmental Site Assessment and the appraisal. Because the seller was unwilling to extend the purchase and sales agreement, VHFA has advanced \$100,000 in interim funds towards this acquisition.

Mr. Erdelyi noted that, if for some reason the project doesn't move forward, King Street Neighborhood Revitalization Corporation has agreed to pay VHFA the \$100,000 that was advanced to them. With no further discussion, Ms. Canney made a motion to approve the "Resolution Stating Intent to Provide Financing and to Reimburse any Advances with Respect to a Proposed 5-Unit Project in Burlington and for a letter of Interest and Commitment Re: Financing for 43 King Street Development in Burlington." The motion carried unanimously after being seconded by Ms. Young. *Mr. Seelig abstained from this motion.*

The multifamily permanent and 0% loan requests for BenSouth in Bennington was reviewed next. Ms. Reid noted that, at the September 2000 Board meeting, the Board approved a permanent loan of up to \$350,000 to finance the acquisition and rehab of the BenSouth project. Since then, due to additional conditions that staff imposed on the developer in order to meet VHFA requirements, staff is requesting that VHFA increases the 0% loan from \$100,000 to \$133,000 to cover the developer's costs. Staff is also requesting that we increase the permanent loan from \$350,000 up to \$370,000.

With no further discussion, Mr. Seelig made a motion to approve the "Resolution Pertaining to a Letter of Interest and Commitment Letter Re: Permanent Financing for Ben South Development, Bennington" and the "Resolution Authorizing the Issuance and Sale of General Obligation Bonds to Stratevest & Co. or Some Other Purchaser in a Maximum Amount \$370,000 for a long Term Loan and Using the Proceeds to Make Loans in Such Amount to Ben-South Housing Limited partnership to Finance the Acquisition and Rehab of a 21-Unit Development in Bennington." The motion carried unanimously after being seconded by Ms. Canney.

Ms. Carpenter noted that Ms. Mullikin-Drake would be researching whether we need 2 separate resolutions approved for each project (1 for the bond sale and 1 for the loan). The Board suggested that staff research this process and bring suggestions to the Board for review.

The 2001 Tax Credit Allocation was discussed next. Mr. Erdelyi indicated that two public hearings have been held to discuss proposed changes to the Housing Credit Allocation Plan. In December, the Joint Committee on Tax Credits (JCTC) held the first public hearing on proposed changes being made to the plan. The second public hearing was held earlier this month, due to the new regulatory changes that are

required to be incorporated into the plan that went into effect at the same time as the cap increase. Mr. Erdelyi indicated that there would be two tax credit allocation rounds in 2001 and the JCTC will work towards having three rounds in future years.

Mr. Brush voiced his concern regarding the language on page 4 of the Allocation Plan, "For calendar year 2001, Housing Credit applications for developments that are intended for exclusive occupancy by seniors (except those with special needs - see Section 2(I)(f)) will not be considered unless no other eligible applications for family housing are made." A significant amount of discussion resulted from Mr. Brush's concern. Staff and the Board addressed the pros and cons of this issue. Mr. Brush also noted that he believes that, because we are now using the State Consolidated Plan's definition for "special needs" in our allocation plan, the definition is too stringent.

Mr. Seelig made a motion to approve the 2001 - 2002 Allocation Plan as presented and to revisit the plan in the fall of 2001. The motion carried unanimously after being seconded by Ms. Beyer.

Ms. Carpenter indicated that the JCTC would like to have an allocation round as soon as possible. Last year, the Board and the JCTC held a joint meeting to review all of the credit applications and attended the public hearing. The Board indicated that they would like to hold another joint meeting sometime in April. During the first part of the day, a public hearing would take place, with the second half devoted to discussions and decisions as to who will be awarded allocations. Chairperson Randall indicated that the April Board meeting will be rescheduled to a Monday in April (this will be the full day meeting for tax credit allocation purposes, with a short Board meeting if necessary to act on any issues that may arise). Ms. Caragher will contact the Board to find the best Monday in April to meet.

## HOMEOWNERSHIP

Ms. Crady stated that calendar year 2000 was a great year with \$70 million in loan purchases. Although activity has decreased, due in part to the time of year, staff expects to meet their goal for FY01 of \$60 million in loan purchases.

Ms. Crady expressed concern about changes in conventional rates. As the conventional rates continue to come down, our programs look less attractive to consumers. Mr. Schoenbeck will discuss this issue in more detail later in the meeting.

On the collection side, there has been a large increase in delinquencies. Staff is keeping a close watch on the delinquencies and is working closely with servicers to ensure they are working with borrowers. Ms. Crady noted that the majority of properties VHFA acquired in November and December are currently under contract.

## FINANCE

Mr. Schoenbeck discussed single family bond financing next. About \$18 million in Series 13 money remains, due to dropping conventional rates and the time of the year. As conventional interest rates decrease (currently 7.375%), they are getting close to our interest rate, which is currently at 7.1%. In order for our interest rate to stay competitive, staff believes that we should reduce our rate immediately by 60 basis points. Evensen Dodge has indicated that for example, it would cost approximately \$1.4 million to reduce our interest rate to 6.5%. Mr. Schoenbeck noted that our excess yield pool is available and could be used to



reduce our rate. Staff had originally planned to bond early in the calendar year, but, based on the existing high balance, staff is recommending the bond be deferred until spring. The Board voiced concern regarding the excess yield pool, indicating that they would rather not use all of that money for reducing the rate, but use it to extend 0% money to targeted programs. It was suggested that, rather than dedicating the 25 basis points that use for a loan loss reserve, we drop our rate by 25 basis points instead.

A note financing issued in conjunction with Series 12 is due to mature in early March with the assumption that the note maturity would be rolled into a new bond issue, which would save bond volume cap. Due to the volatile financial market and other issues mentioned above, staff would like to extend the note scheduled to mature in March. Kutak Rock has prepared a resolution to extend the issued note until April 27<sup>th</sup>, coinciding with a second note maturity. Staff recommends the adoption of the resolution.

Based on the above transaction, we are hoping to finalize the bond sale at our April Board meeting, with an estimated closing date of April 26<sup>th</sup>. It was suggested that we drop our rate by 25 basis points effective as soon as possible, which would give us a rate of 6.85%. Staff will bring additional proposals for use of the excess yield to the February Board meeting.

With no further discussion, Ms. Beyer made a motion to approve the "First Supplemental to the Sixteenth Supplemental Single Family Housing Bond Resolution" and to reduce our current interest rate by 25 basis points and proceed with the financing plan discussed above. The motion carried unanimously after being seconded by Ms. Canney.

Next, Mr. Schoenbeck handed out a Postsale Analysis from Evensen Dodge, which reviews the multifamily bond financing completed on January 9, 2001. This analysis reviewed the transaction and reported that it was a good bond issuance.

Mr. Schoenbeck indicated that staff need the Board to approve the "Resolution Authorizing the Issuance and Sale of a General Obligation Bond to Stratevest & Co. or Some other Subsidiary of Banknorth Group, Inc. in a Maximum Amount of \$1,200,000 and Using the Proceeds to Make a Loan in Not More Than Such Amount to Housing Vermont to Finance the Construction of a 22-Unit Development in Jeffersonville" in order to sell this short term bond to the Stratevest Group. With no further discussion, Mr. Seelig made a motion to approve the Resolution. The motion carried unanimously after being seconded by Ms. Beyer.

*Break 2:15 p.m. – 2:25 p.m.*

## **MULTIFAMILY**

Mr. Falzone stated that a Limited Liability Company (LLC) and King Street Neighborhood Revitalization Group (KSNRG) are requesting financing to acquire Lake Champlain Apartments. This 27-unit family rental property is located on three sites in Burlington. VHFA has proposed to restructure the existing debt and to provide a new amortizing loan in the amount of \$640,497. A 0% loan of \$130,000 has also been requested. Once this transaction is completed, these units will be put into the affordable inventory using a new Preservation Agreement.

The HAP contract expires in 12 years. With the additional loan of \$640,497 at 7.25%, staff feels confident that the rent structure will keep this property affordable and that there will be support for continued rental assistance. Mr. Falzone noted that Paul Dettman, of BHA, will manage the property and that it is a solid project with guaranteed affordability.

Mr. Seelig made a motion to approve the "Resolution Pertaining To Combined Letter of Interest and Commitment Letter Re: Lake Champlain Apartment." The motion carried unanimously after being seconded by Ms. Canney.

## ADMINISTRATION

Ms. Carpenter reviewed her report next. She reported that there is a lot of activity at the statehouse surrounding housing. She noted that she has testified twice before the General and Senate, Housing, and Military Affairs Committee to provide information on VHFA activity.

A Vermont Business Roundtable Report came out a couple of months ago and the assumptions made in the report surrounding housing affordability differs from VHFA information and that of the Northwest Housing Study. Ms. Gent and Ms. Black-Plumeau analyzed additional data surrounding the affordability issue and continue to see a significant affordability issue in Vermont, which is not what the Vermont Business Roundtable reported. Ms. Carpenter noted that she is sending a letter to the Vermont Business Roundtable about VHFA's findings.

Ms. Carpenter indicated that she had a meeting with Clair Monier, the New Hampshire HFA Director, and Mike Finnegan, the Maine HFA Director, in early January. They compared notes on several programs and agreed that they need to try and make rural issues more of a priority with NCSHA. Ms. Monier has been elected the President of the NCSHA Board.

Ms. Carpenter brought up several other topics. Ms. Loller will be attending the Kennedy School of Government at Harvard University for 3 weeks through a scholarship from the Fannie Mae Foundation. Health insurance premiums have increased and, beginning in March, staff will be contributing a portion of their insurance premium. Staff continues to work with Steve McGowan on our pension plan. Ms. Carpenter indicated she would keep the Board informed as this process continues. The single family MITAS conversion begins next week and Ms. Carpenter noted that staff is doing a great job working through this.

Ms. Carpenter also mentioned that she had recently attended 2 groundbreakings, McAuley Square in Burlington and Manchester Knoll in Manchester.

## STRATEGIC PLANNING

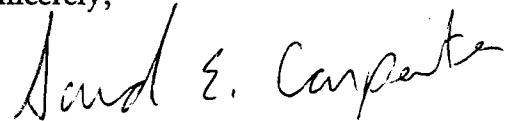
Ms. Carpenter noted that the last strategic planning meeting held was at the Board Retreat in November. Chairperson Randall suggested that it would be helpful for the Board to get a summary of the ideas that were generated during that day. Once the Board reviews the summary, there can be discussion as to where to go from here. Ms. Loller indicated that she would have a summary for the Board sometime in May.

## OTHER

Ms. Carpenter indicated that an Annual Meeting hasn't taken place in quite some time. She suggested that we have our Annual Meeting in March so that we can reappoint our Vice-Chairman. Chairperson Randall suggested that we have it in March each year. The Board agreed that it would be held in March each year.

With no further business, a motion to adjourn was made by Mr. Seelig and seconded by Ms. Young. The meeting adjourned at 3:20 p.m.

Sincerely,

A handwritten signature in cursive script that reads "Sarah E. Carpenter". The signature is written in dark ink and is positioned above the printed name and title.

Sarah E. Carpenter  
Executive Director and Secretary

RECEIVED

JAN - 2001

**Emergency Board Meeting Minutes  
January 12, 2001, 2:00 p.m.**

Pursuant to notice, the Emergency Board met in the Governor's Ceremonial Office of the State House, 115 State Street, Montpelier, Vermont, on Friday, January 12, 2001, at 2:00 p.m.

Members present: Governor Howard Dean, M.D., Chair; Senator Cheryl Rivers; Representative Richard Westman; Representative Richard Marron

The items on the agenda were as follows:

**ITEM 1. Allocation of the calendar year 2001 Private Activity Bond ceiling (32 V.S.A. Sec. 992 (b)).**

Elizabeth McLain of Vermont Student Assistance Corporation (VSAC) provided some background on VSAC's activities.

Senator Rivers made the following motion, seconded by Representative Marron:

Motion is made to allocate Vermont's private activity bond allocation of \$187,500,000 for calendar year 2001 as follows:

Vermont Housing Finance Agency	\$ 77,750,000
Vermont Student Assistance Corporation	\$ 84,750,000
Vermont Economic Development Authority	\$ 20,000,000
Vermont Municipal Bond Bank	\$ 5,000,000
Total	\$187,500,000

It is further moved that the Emergency Board hereby delegate to the Governor the power and authority to assign or reallocate unused portions of the private activity bond ceiling as provided in 32 V.S.A. 992 (b) and that the effective dates for this delegation shall be from December 21, 2001 through December 31, 2001.

The motion was passed unanimously.

**ITEM 2. Presentation of the Administration's and Joint Fiscal Office's Revenue Estimate (32 V.S.A. Sec. 305a).**

Thomas Kavet and Jeff Carr presented their economic forecasts for Fiscal Years 2001-2003. After discussion, Representative Marron made the following motion, seconded by Senator Rivers:

Motion is made that the state revenue estimates pursuant to 32 V.S.A. Sec. 305a for Fiscal Year 2001, Fiscal Year 2002 and Fiscal Year 2003 are as follows:

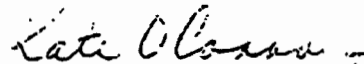
	Fiscal 2001 Estimate (millions)	Fiscal 2002 Estimate (millions)	Fiscal 2003 Estimate (millions)
General Fund	883.7	916.2	950.7
Transportation Fund	188.0	195.0	201.1
Education Fund	90.5	91.8	96.0
Federal Fund	892.6	934.6	No Recommendation
Estate Tax	9.4	9.2	8.7

The motion was passed unanimously.

The meeting was adjourned at 2:50 p.m.

A true record,

ATTEST:



Kate O'Connor  
Secretary of Civil and Military Affairs

/hj  
1/17/01

RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF A GENERAL OBLIGATION BOND TO STRATEVEST & CO. OR SOME OTHER AFFILIATE OF BANKNORTH GROUP, INC. IN A MAXIMUM AMOUNT OF \$750,000 AND USING THE PROCEEDS TO MAKE A LOAN IN SUCH AMOUNT TO CLARK AND CANAL STREETS LIMITED PARTNERSHIP TO FINANCE THE ACQUISITION AND REHABILITATION OF A 12-UNIT DEVELOPMENT IN BRATTLEBORO

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

WHEREAS, the Agency desires to issue and sell tax-exempt bonds of not more than \$750,000 aggregate principal amount to Stratevest & Co., or some other affiliate of Banknorth Group, Inc. (the "Purchaser") based on the Agency's general obligation credit and use the proceeds to finance a construction loan to Clark and Canal Streets Limited Partnership (the "Borrower") to acquire and rehabilitate an 12-unit development (the "Project") in Brattleboro, Vermont that will qualify for federal low-income housing tax credits;

NOW, THEREFORE, it is hereby RESOLVED:

1. The issuance and sale of up to \$750,000 principal amount of tax-exempt bonds to the Purchaser (the "Borrowing") is hereby authorized and approved, the security for the repayment thereof being the general obligation of the Agency as hereinafter described, and the Executive Director, Chief of Program Operations and Director of Finance are each hereby authorized and directed to execute and deliver such documents as they deem appropriate and necessary to evidence such Borrowing and the Agency's obligation to repay the same, including, without limitation, a bond delivered to the Purchaser with such terms as the person executing the same shall deem appropriate, provided that the maturity of such Borrowing shall not exceed eighteen months and the interest rate thereon shall not exceed 7%. The obligation of the Agency to repay the Borrowing shall constitute a general obligation of the Agency payable out of any revenues or moneys of the Agency, subject only to any agreements with the holders of particular notes or bonds pledging any particular revenues.

2. The Executive Director, Chief of Program Operations or Director of Finance is each hereby authorized to issue certifications as to the Agency's reasonable expectations regarding the amount and use of the proceeds of the Borrowing as described in Section 148 of the Internal Revenue Code of 1986, as amended.

3. The Executive Director, Chief of Program Operations, Director of Finance and any Commissioner or other officer of the Agency, acting alone or acting with others, are hereby authorized and directed to execute and deliver any or all other documents which may be required to implement the foregoing, and to take such other action as may be required or appropriate for the performance of the duties imposed thereby or to carry out the purposes thereof.

4. This Resolution shall become effective immediately.

ADOPTED by the Vermont Housing Finance Agency this \_\_\_\_\_ day of February, 2001.

VERMONT HOUSING FINANCE AGENCY

Attest:

By \_\_\_\_\_  
Executive Director

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

# **2001 Multifamily Development Activity** **January 1, 2001 to Date**

<b>I. Ventures Pre-Development Loans</b>	<b>Type Project</b>	<b>Type Housing</b>	<b># Units</b>	<b>Sponsor</b>	<b>Location</b>	<b>Loan/ Credit Amount</b>	<b>Status</b>
Red Lion Inn	Acq/Rehab	Elderly	20	Randolph Neighborhood Housing Services	Randolph	\$45,000	Committed 5/27/98.
502 North Branch	Lease to Own	SFH	1	Regional Affordable Housing Corp	Bennington	\$83,546	<i>Bridge loan</i> made 3/12/97; loan matures 6/30/01
Willows MHP	MHP	Eld/Fam	4	Regional Affordable Housing Corp	Bennington	\$15,143	<i>Bridge loan</i> made 12/28/94; loan matures 12/31/01
Waterbury Seminary	Acq/Rehab	Family	16	Central Vermont Community Land Trust/Housing Vermont	Waterbury	\$14,787	Committed 8/16/99
Townhouse Terrace	Acq/Rehab	Family	36	Housing Vermont	St. Johnsbury	\$31,000	Committed 11/4/99
Marketplace	New Const	Family	80	LCHDC	South Burlington	\$60,000	Committed 12/30/99; 2000 Tax credits committed ; TE debt
Waterbury Seminary	Acq/Rehab	Family	16	CVCLT	Waterbury	\$25,213	Committed 1/19/00.
Columbian/Cottage	Acq/Rehab	Family	13	RCCLT	Rutland	\$23,000	Committed 4/14/00.
Assisted Living	New Const	Elderly	25	CSC	Burlington	\$50,000	Committed 4/14/00.
The Baldwin Block	Acq/Rehab	Family	7	WRAP/HVT	Wells River	\$21,000	Committed 6/15/00.
Stowe Family Housing	New Const	Family	40	LHP/HVT	Stowe	\$60,000	Committed 6/21/00.
Smiths Housing	Acq/Rehab	Family	17	ACCAG/HVT	Middlebury	\$20,150	Committed 7/25/00.
HVT: Lime Kiln	New Const	Family	45	HVT/LCHDC	So. Burlington	\$54,000	Committed 11/6/00
BACL: Clark & Canal	Acq/Rehab	Family	12	BACL	Brattleboro	\$25,000	Committed 12/19/00
LHP: Evergreen MHP	Acq/Rehab	Family	32	LHP	Hardwick	\$37,150	Committed 12/19/00
RAHC: Arlington	Acq/Rehab	General	35	RAHC	Arlington	\$25,000	Committed 1/24/01
RCCLT: 64 School St	New Const	Family	12	RCCLT	Rutland	\$30,000	Committed 1/29/01
Bridge Street MHP	Acq/Rehab	Family	8	CVCLT	So. Barre	\$10,000	Committed 2/6/01



## 2001 Multifamily Development Activity

### January 1, 2001 to Date

2. 2000 Housing Credit Projects	Type Project	Type Housing	# Units	Sponsor	Location	Loan/Credit Amount	Status
Anderson Parkway I	New Const	Family	12	LCHDC/HVT	So. Burlington	\$141,000	Carryover issued 12/29/00
Bus Barns Bond	Acq/Rehab	Family	13	BCLT/HVT	Burlington	\$75,914	Out of Cap; closed 12/28/00; under construction
Bus Barns Allocated	New Const	Family	12	BCLT/HVT	Burlington	\$28,710	Carryover issued 12/28/00
St. Johnsbury House	Acq/Rehab	Elderly	38	Green Mountain Development Group	St. Johnsbury	\$198,425	Forward Commitment of 2000 Credits; Carryover issued ____
Mary Exner Block	Acq/Rehab	Family	10	HVT/RACLT	Bellows Falls	\$26,909	1999-2000 Credits; 8609s done 12/00
The Gardens	New Const	Elderly	30	Dick Dybvig	Williamstown	\$20,610	Out of cap; permanent closing 2/01.
Franklin Homestead	New Const	Elderly	18	HVT	Franklin	\$36,684	Out of Cap; permanent closing 3/01.
Saxtons River	Acq/Rehab	Family	17	HVT	Saxtons River	\$69,315	Out of Cap; Tax exempt bond
Anderson Parkway II	New Const	Family	6	HVT/LCHDC	So. Burlington	\$33,061	Out of Cap; permanent closing 3/01
McAuley Square – Senior & Scholar	New Const	Family/ Elderly	67	HVT/CSC	Burlington	\$249,601	Out of Cap; Tax exempt bond
McAuley Square – Lund	New Const	Family	12	HVT/CSC	Burlington	\$88,000	2000 Credits Committed
Westgate	Acq/Rehab	Family	48	HVT/BACLT/WT A	W. Brattleboro	\$335,000	2000 Credits Committed
Westgate	Acq/Rehab	Family	50	HVT/BACLT/WT A	W. Brattleboro	\$178,094	Out of Cap; TE debt
Jeffersonville	New Const	Family	10	HVT/LHP	Jeffersonville	\$99,897	2000/2001 Credits Committed
Jeffersonville	New Const	Elderly	22	HVT/LHP	Jeffersonville	\$70,448	Out of Cap; TE debt
Hillcrest Views/Maple St	Acq/Rehab	Family	38	VSHA	St. Albans	\$32,500	Out of cap; TE debt
Rutland Rehab	Acq/Rehab	Family	31	RCCLT/HVT	Rutland	\$20,246	Out of cap; TE debt

## 2001 Multifamily Development Activity

### January 1, 2001 to Date

3. 2001 Housing Credit Projects	Type Project	Type Housing	# Units	Sponsor	Location	Loan/Credit Amount	Status
Marketplace (Farrell St.)	New Const	Family	120	HVT/LCHDC	South Burlington	\$275,000	Forward Commitment 2001 Credits
Ben South	Acq/Rehab	Family	21	RAHC	Bennington	\$47,097	Out of cap
Baldwin Block	Acq/Rehab	General	7	HVT/WRAP	Wells River	\$28,546	Out of cap
Columbian	Acq/Rehab	Family	9	RCCLT	Rutland	\$43,000	Out of cap
Clark & Canal	Acq/Rehab	Family	12	BACLT	Brattleboro	\$37,000	Out of cap

## 2001 Multifamily Development Activity

### January 1, 2001 to Date

4. Multifamily Loans	Type Project	Type Housing	# Units	Sponsor	Location	Loan Amount	ST or Constr. Financing	Status
Bus Barns	Acq/Rehab/ New Const	Family	25	HVT/BCLT	Burlington	\$250,000	\$1,100,000	Construction closing 12/28/00; permanent closing 12/01.
Crystal Lake, Barton	Acq/Rehab	Family	16	HVT/GHT	Barton		\$900,000	Construction closing 12/6/99; permanent takeover 4/01.
Anderson Parkway	New Const	Family	18	HVT/LCHDC	So. Burlington	\$254,515	\$550,000	Construction closing 8/1/00; permanent closing 3/01
The Gardens at Williamstown Square	Acq/Rehab & New Construction	Elderly/ Assisted Living	30	Dick Dybvig	Williamstown	\$1,880,000	\$1,950,000	Construction closing 6/8/00; permanent closing 2/01
Ben South	Acq/Rehab	Family	21	RAHC	Bennington	\$350,000	\$850,000	Construction closing 1/31/01; permanent closing Jan 2002.
43 King Street	Acq/Rehab	Family	5	KSNRC	Burlington	\$340,000	\$100,000	Interim closed; details of project being worked out
Franklin Assisted Living	New Const	Elderly	18	HVT/FHI	Franklin		\$725,000	Construction closing 4/11/00; permanent takeover 3/01.
Baldwin Block	Acq/Rehab	General	7	HVT/WRAP	Wells River		\$840,000	Commitment 9/14/00; Closing 4/01
Columbian Avenue	Acq/Rehab	Family	9	RCCLT	Rutland		\$700,000	Commitment 1/25/01; closing 4/01
Clark & Canal	Acq/Rehab	Family	12	BACLT	Brattleboro	\$115,000	\$750,000	Commitment 1/25/01
St. Johnsbury House	Acq/Rehab	Elderly	38	Green Mountain Development Group	St. Johnsbury	\$200,000	\$460,000	Closed 7/00; May 2001 completion anticipated
McAuley Square	New Const	Family/ Elderly	74	HVT/CSC	Burlington	\$2,850,000	\$4,100,000	Closed 9/00; tax exempt bond; completion 7/01
Rutland Rehab	Acq/Rehab	Family	31	HVT/RCCLT	Rutland	-	\$240,000	To Board 10/00; tax exempt debt & out of cap credit
Westgate	Acq/Rehab	Family	100	HVT/WT/ BACLT	Brattleboro	\$1,534,302	\$2,600,000	Have 2000 Credit Commitment; Board approved 8/00; seeking additional credits

## 2001 Multifamily Development Activity

### January 1, 2001 to Date

4. Multifamily Loans (Cont'd)	Type Project	Type Housing	# Units	Sponsor	Location	Loan Amount	ST or Constr. Financing	Status
Marketplace (Farrell St)	New Const	Family	160	LCHDC/HVT	South Burlington	\$4,536,000	\$9,512,970	Approved 11/29/00; closing 3/01
Jeffersonville Elderly	New Const	Elderly	22	HVT/LHP	Jeffersonville	\$253,500	\$1,040,000	Board approved 6/00; tax exempt debt & out of cap credit; Act 250 not yet issued; seeking additional credits
Brookside MHP	Acq/Rehab	Family	48	ACCCT	Starksboro	\$845,000		Closed 2/5/01; 501(c)3 Bond

## 2001 Multifamily Development Activity January 1, 2001 to Date

5. Multifamily pipeline and potential projects	Type Project	Type Housing	# Units	Sponsor	Location	Loan Amount	ST or Constr. Financing	Status
Maples II	New Const	Elderly	32	GMDG	Rutland	\$1,650,000	\$1,650,000	Preliminary application pending 9/26/00. Includes construction/permanent loan request, plus zero percent gap funding.
Stratton Mountain	New Const	Family	36	Capital Ideas Inc.	Stratton or Winhall	\$2,600,000	\$2,600,000	Loan application not yet submitted; <i>Seeking tax exempt</i> financing and out of cap tax credits.
Limerock I	New Const	Family	45	Housing Vermont/LCHDC	So. Burlington	\$1,080,000	\$2,150,000	Loan application not yet submitted; Seeking <i>tax exempt</i> financing and out of cap tax credits.
Richford	Acq/Rehab	Elderly	10	LCHDC/Housing Vermont	Richford	-	\$500,000	Loan application not yet submitted; Seeking RD financing; <i>Tax exempt</i> bond & 4% credit.
Green Mountain Seminary	Acq/Rehab	Family	16	CVCLT/HVT	Waterbury Center		\$1,185,000	TE Debt & out of cap credit (Has State Credit Commitment)
Stowe Family Housing	New Const	Family	40	HVT/LHP	Stowe	\$450,000	\$2,800,000	Application not yet submitted; TE Debt & out of cap credit.
Vernon Elderly	New Const	Elderly		HVT	Vernon			Application not yet submitted; TE Debt
Falcon Manor	New Const	Elderly		Yandow-Dousevic	Williston			Application not yet submitted; TE debt

Housing Credit Program - State of Vermont					
2001 Round One Letters of Intent					
2/16/01 10:57 AM					
Project Name	Sponsor	Location	Requested Credits	Total Development Cost	Number of Units
Essex New Town Center	HDI	Essex	217,000	3,400,000	28
Arbor Gardens	HDI	Colchester	455,000	6,478,000	56
Victoria's Apartments	Bove Brothers, Inc.	Burlington	315,000	3,441,000	34
Maples Phase II	GMDG	Rutland	185,000	2,840,000	32
Templeton Court Rehab	HFI	Hartford	356,000	4,439,000	26
Three Cathedral Square Assisted Living	CSC	Burlington	50,000	1,650,000	15
St. Paul and N Champlain Scattered Sites	LCHDC	Burlington	32,000	650,000	8
Rugles House	HVT and CSC	Burlington	58,000	1,631,102	15
Howard Block	HVT and BFDDA	Bellows Falls	105,000	2,508,957	15
Depot Street Housing	HVT and BCLT	Burlington	325,000	5,469,132	40
Limekiln	HVT and LCHDC	South Burlington	150,000	5,886,223	48
Jeffersonville	HVT and LHP	Jeffersonville	89,000	3,492,060	32
Westgate	HVT, WTI, BACLT	Brattleboro	177,000	8,859,443	74
White River Junction Transitional	HVT and TPHT	Hartford	91,343	1,604,593	13
White River Junction	TPHT	Hartford	28,000	1,000,000	12
Old Windsor High School	HVT	Windsor	165,000	3,640,133	22
St Albans Housing	HVT and LCHDC	St. Albans	251,278	7,731,804	60
Smith's Housing	HVT and ACCAG	Middlebury	77,000	2,305,430	17
64 School Street	RCCLT	Rutland	130,000	1,659,700	12
Western Ave Apartments	BACLT	Brattleboro	88,000	1,376,500	11
Timber Ridge	R4R, Inc.	Mendon	180,000	1,758,296	30
Arlington Village Center	RAHC	Arlington	232,000	3,800,000	35
TOTALS			3,756,621	75,621,373	635

**VERMONT HOUSING FINANCE AGENCY**

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

Adopted February 22, 2001

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

**February 22, 2001**

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

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

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

**ARTICLE I**

**DEFINITIONS AND AUTHORITY**

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

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

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

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

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

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

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

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

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

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

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

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

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

## ARTICLE II

### AUTHORIZATION, TERMS AND ISSUANCE OF BONDS

**.1. Authorization of Bonds, Principal Amount and Series.** In order to provide sufficient funds necessary for the Program, in accordance with and subject to the terms, conditions and limitations established in this Resolution and in any General Resolution applicable thereto, one or more series of Bonds are hereby authorized to be issued, from time to time, each by the execution and delivery of a Series Certificate, in an aggregate principal amount not to exceed \$15,000,000. Such Series Certificate shall be signed by at least two of the following—Chairman, Vice-Chairman, Executive Director, Director of Finance or Chief of Program Operations; provided that if the amount of Bonds authorized by such Series Certificate exceeds \$1,000,000 one of the signatories thereto must be the Chairman or Vice-Chairman. The Agency is of the opinion and hereby determines (a) that the issuance of Bonds in said amount is necessary to provide sufficient funds to be used and expended from time to time for the Program; (b) that the Mortgage Loans to be made or financed on behalf of the Agency with the proceeds of the Bonds can be issued bearing a rate or rates of interest which will be less than the prevailing rate of interest on comparable mortgage loans available in the State of Vermont without the assistance of the Agency; and (c) that the Agency will derive receipts, revenues and other income

from the Mortgage Loans purchased or made with the proceeds of the Bonds sufficient to provide, together with all other available receipts, revenues and income of the Agency, for the payment of the Bonds and the payment of all costs and expenses incurred by the Agency with respect to the Program or purpose for which the Bonds are issued.

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

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

- (a) the principal amount of Bonds to be issued pursuant thereto;
- (b) the Series or sub-Series designation and title;
- (c) the maturity or maturities of the Bonds, which in no event shall exceed 40 years, provided that if the Agency otherwise approves a Mortgage Loan with a maturity in excess of 40 years from the date of issuance of the Bonds intended to fund such Mortgage, such Bonds may have a maturity not to exceed six months following the maturity of such Mortgage Loan, subject in any case to limitations imposed by the Act;
- (d) the interest rate or rates on the Bonds or the method of determining the same, provided that the interest rate or rates on the Bonds (or the initial rate or rates if the rates are not fixed rates) shall not exceed 7% if the interest on the Bonds is to be exempt from federal income taxation or 9% otherwise, and provided further that if the initial rate or rates are not fixed rates the maximum permitted rate in any case may not exceed 12%;
- (e) the date or dates on which interest on the Bonds is payable;
- (f) the dated date or dates of the Bonds, or the method of determining the same;
- (g) the redemption provisions for the Bonds, which may include optional, mandatory and/or sinking fund redemptions, provided that the Bonds shall be optionally redeemable no later than 15 years after their date of issuance and at a redemption premium not exceeding 3% and reducing by at least 1% annually thereafter;
- (h) the minimum and authorized denominations of the Bonds;
- (i) whether or not the interest on the Bonds is to be exempt from federal income taxation;
- (j) whether or not the Bonds are to be DTC Eligible;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### ARTICLE III

#### SPECIAL COVENANTS FOR TAX-EXEMPT BONDS

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

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

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

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

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

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

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

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

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

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

**.4. Compliance With Article III.** If and to the extent a Series or sub-Series of Bonds is designated as Bonds the interest on which is not to be subject to federal income taxation, the provisions of this Article III shall be complied with by the Agency in order to meet the requirements of the Code such that interest on such Bonds shall be and remain exempt from federal income taxes; provided, however, that the Agency shall not be required to comply with any such provision with respect to such Bonds in the event the Agency receives a Counsel's

Opinion from a nationally recognized bond counsel firm that compliance with such provision is no longer required to satisfy the requirements of the Code or that compliance with some other provision in lieu of a provision specified in this Article III will satisfy said requirements, in which case compliance with such other provision specified in the Counsel's Opinion shall constitute compliance with the provisions specified in this Article III.

## **ARTICLE IV**

### **MISCELLANEOUS**

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

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

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

**.4. Effective Date.** This resolution shall take effect immediately.

**RESOLUTION PERTAINING TO A LETTER OF INTEREST AND COMMITMENT RE:  
CONSTRUCTION FINANCING FOR COLUMBIAN AVENUE, RUTLAND**

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

WHEREAS, a proposal has been presented to the Agency by Rutland County Community Land Trust, involving the acquisition and rehabilitation of nine units of rental housing in the City of Rutland (the "Development"); and

WHEREAS, the Agency desires to take "official action" for the purpose of, and to reimburse itself for any advances of its funds prior to, the issuance and sale of tax-exempt bonds of not more than \$700,000 aggregate principal amount (the "Bonds") to finance a loan to the Colombian Avenue Limited Partnership to be created by Rutland County Community Land Trust (the "Borrower") to acquire and rehabilitate nine units of rental housing (the "Project") in Rutland, Vermont that will qualify for federal low-income housing tax credits;

WHEREAS, the proposal contemplates a mortgage loan in the amount of up to \$700,000 for construction financing, with the interest rate to be determined by the Agency depending on the source of funds, but not to exceed 150 basis points above the Agency's cost of funds;

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

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid, dated January 18, 2001, containing information and recommendations about the Development (the "Memorandum");

It is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income.
2. The acquisition and construction costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.
3. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and moderate income are able to afford within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of the residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families.
4. The housing sponsor undertaking the Development will increase the supply of well-



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

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

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

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director and the Chief of Program Operations are authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a mortgage loan to the Columbian Avenue Limited Partnership to be created by Rutland County Community Land Trust for construction financing in an amount not to exceed \$700,000; the term of the construction loan will be not more than 18 months, and the interest rate not more than 150 basis points above the Agency's cost of funds. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.
2. The Letter of Interest shall include the following conditions. Any documents submitted in satisfaction of these conditions must be satisfactory to the Agency in form and content:
  - a) Sponsor must provide a Phase I Environmental Site Assessment (ESA) and address any findings of the Assessment in the scope of work to the satisfaction of the Agency;
  - b) Sponsor must provide an as built appraisal satisfactory to the Agency;
  - c) Sponsor must provide evidence of necessary permits;
  - d) Sponsor must provide final plans and specifications for VHFA review and approval at least 3 weeks prior to VHFA loan closing;
  - e) Sponsor must provide evidence of competitive bidding.
3. The issuance of the Bonds for the purpose of financing a loan to the Borrower to allow the Borrower to acquire and construct the Project is hereby preliminarily approved, and, pursuant to Section 1:150-2 of the Internal Revenue Code Regulations, the Agency hereby states its intention to reimburse itself from Bond proceeds for any advances of Agency funds prior to the issuance of the Bonds.
4. The preliminary approval of paragraph 3 does not obligate the Agency to finally

**RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF A GENERAL OBLIGATION BOND TO STRATEVEST & CO. OR SOME OTHER PURCHASER IN A MAXIMUM AMOUNT OF \$750,000 AND USING THE PROCEEDS TO MAKE A LOAN IN SUCH AMOUNT TO THE COLUMBIAN AVENUE LIMITED PARTNERSHIP TO BE CREATED BY RUTLAND COUNTY COMMUNITY LAND TRUST TO FINANCE THE ACQUISITION AND REHABILITATION OF A 9-UNIT DEVELOPMENT IN RUTLAND**

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

WHEREAS, the Agency desires to issue and sell tax-exempt bonds of not more than \$750,000 aggregate principal amount to Stratevest & Co., some other subsidiary of BankNorth Group, Inc., or some other entity (the "Purchaser") based on the Agency's general obligation credit and use the proceeds to finance a construction loan to the Columbian Avenue Limited Partnership to be created by Rutland County Community Land Trust, (the "Borrower") to acquire and rehabilitate a 9-unit development (the "Project") in Rutland, Vermont that will qualify for federal low-income housing tax credits;

NOW, THEREFORE, it is hereby RESOLVED:

1. The issuance and sale of up to \$750,000 principal amount of tax-exempt bonds to the Purchaser (the "Borrowing") is hereby authorized and approved, the security for the repayment thereof being the general obligation of the Agency as hereinafter described, and the Executive Director, Chief of Program Operations and Director of Finance are each hereby authorized and directed to execute and deliver such documents as they deem appropriate and necessary to evidence such Borrowing and the Agency's obligation to repay the same, including, without limitation, a bond delivered to the Purchaser with such terms as the person executing the same shall deem appropriate, provided that the maturity of such Borrowing shall not exceed eighteen months and the interest rate thereon shall not exceed 7%. The obligation of the Agency to repay the Borrowing shall constitute a general obligation of the Agency payable out of any revenues or moneys of the Agency, subject only to any agreements with the holders of particular notes or bonds pledging any particular revenues.

2. The Executive Director, Chief of Program Operations or Director of Finance is each hereby authorized to issue certifications as to the Agency's reasonable expectations regarding the amount and use of the proceeds of the Borrowing as described in Section 148 of the Internal Revenue Code of 1986, as amended.

3. The Executive Director, Chief of Program Operations, Director of Finance and any Commissioner or other officer of the Agency, acting alone or acting with others, are hereby authorized and directed to execute and deliver any or all other documents which may be required to implement the foregoing, and to take such other action as may be required or appropriate for the performance of the duties imposed thereby or to carry out the purposes thereof.

4. This Resolution shall become effective immediately.

ADOPTED by the Vermont Housing Finance Agency this 25<sup>th</sup> day of January, 2001.

VERMONT HOUSING FINANCE AGENCY

By Sarah E. Carpenter  
Executive Director

Attest:

By Ryan A. Schaefer  
Authorized Officer

*I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on January 25, 2001.*

Sarah E. Carpenter

**SARAH E. CARPENTER**  
*Executive Director and Secretary*  
*Vermont Housing Finance Agency*

**RESOLUTION STATING INTENT TO PROVIDE FINANCING AND TO REIMBURSE ANY ADVANCES WITH RESPECT TO A PROPOSED 12-UNIT PROJECT IN BRATTLEBORO AND FOR A LETTER OF INTEREST AND COMMITMENT RE: ACQUISITION, CONSTRUCTION AND LONG-TERM FINANCING FOR CLARK AND CANAL STREETS DEVELOPMENT IN BRATTLEBORO**

WHEREAS, a proposal has been presented to the Agency by the Brattleboro Area Community Land Trust, a non-profit development corporation, (the "Sponsor") on behalf of a to-be-formed limited partnership, involving the acquisition, rehabilitation and long-term financing of a 12 unit family rental property located in three buildings on adjacent lots on Clark Street and Canal Street in the Town of Brattleboro (the "Development"); and

WHEREAS, the Agency desires to take "official action" for the purpose of, and to reimburse itself for any advances of its funds prior to the issuance and sale of tax-exempt bonds of not more than \$750,000 aggregate principal amount (the "Bonds") to finance a loan to a to-be-formed limited partnership (the "Borrower") to acquire three buildings and to rehabilitate 12 units of housing within them (the "Project") in Brattleboro, Vermont that will qualify for federal low-income housing tax credits;

WHEREAS, the proposal contemplates a first mortgage loan in an amount of up to \$750,000 for construction financing, with the interest rate to be determined by the Agency depending on the source of funds, but not to exceed 150 basis points above the Agency's cost of funds and a long-term loan in an amount of up to \$115,000 for long-term financing, with the interest rate to be determined by the Agency depending on the source of funds, but not to exceed 150 basis points above the Agency's cost of funds;

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

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Joe Erdelyi, dated January 18, 2001, containing information and recommendations about the Development (the "Memorandum");

It is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income.
2. The acquisition and rehabilitation costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.

3. The construction loan shall be due and payable not more than 18 months from the date the loan is made; payments of interest only shall be due before maturity, and the interest rate shall not exceed 150 basis points above the Agency's cost of funds. The source of funds shall be tax-exempt bond proceeds. The Sponsor shall be responsible for loan fees, transaction costs and costs of issuance. The Commitment Letter may be issued to the Brattleboro Area Community Land Trust as a representative of the to-be-formed limited partnership. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.
4. The term loan shall be amortized over a period of not more than 30 years from the date the loan is made. The interest rate shall be not more than 150 basis points above the Agency's source of funds. The Commitment Letter may be issued to the Brattleboro Area Community Land Trust as a representative of the to-be-formed limited partnership. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.
5. The issuance of the Bonds for the purpose of financing a loan to the Borrower to allow the Borrower to acquire and construct the Project is hereby preliminarily approved, and, pursuant to Section 1:150-2 of the Internal Revenue Code Regulations, the Agency hereby states its intention to reimburse itself from Bond proceeds for any advances of Agency funds prior to the issuance of the Bonds.
6. The preliminary approval of paragraph 5 does not obligate the Agency to finally approve the issuance of said Bonds. Final approval of the issuance of the Bonds can only be authorized by subsequent action, which may contain such conditions thereto as the Board may deem appropriate. The Board in its absolute discretion may refuse to finally authorize the issuance of the Bonds and shall not be liable to the Borrower or any other person for its refusal to do so.
7. The Executive Director, Chief of Program Operations and Director of Finance are hereby authorized to take all necessary steps and execute any and all documents required to effectuate this loan.

*I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on January 25, 2001.*

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

RESOLUTION STATING INTENT TO PROVIDE FINANCING AND TO REIMBURSE ANY ADVANCES WITH RESPECT TO A PROPOSED 5-UNIT PROJECT IN BURLINGTON AND FOR A LETTER OF INTEREST AND COMMITMENT RE: FINANCING FOR 43 KING STREET DEVELOPMENT IN BURLINGTON

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

WHEREAS, a proposal has been presented to the Agency by the King Street Neighborhood Revitalization Corp., a Vermont non-profit corporation (the "Sponsor"), involving the acquisition of real estate and the rehabilitation of that real estate into five units of rental housing in the City of Burlington (the "Development"); and

WHEREAS, the Agency desires to take "official action" for the purpose of, and to reimburse itself for any advances of its funds prior to, the issuance and sale of tax-exempt 501(C)(3) bonds of not more than \$400,000 aggregate principal amount (the "Bonds") to finance a loan to King Street Neighborhood Revitalization Corp. to acquire and rehabilitate a 5-unit project (the "Project") at 43 King Street in Burlington, Vermont;

WHEREAS, the proposal contemplates a first mortgage loan in the amount of up to \$100,000 during construction with the interest rate to be determined by the Agency depending on the source of funds, but not to exceed 150 basis points above the Agency's cost of funds, \$350,000 for long-term financing, with the interest rate to be determined by the Agency depending on the source of funds, but not to exceed 150 basis points above the Agency's cost of funds, and a zero percent loan of not more than \$40,000;

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

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Joe Erdelyi, dated January 18, 2001, containing information and recommendations about the Development (the "Memorandum");

It is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income.
2. The construction costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.
3. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and

moderate income are able to afford within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of the residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families.

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

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

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

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a first mortgage loan to King Street Neighborhood Revitalization Corp. for a long-term loan in an amount not to exceed \$350,000 and a loan from refunding proceeds of not more than \$40,000 at 0%. An interim loan of \$100,000 for acquisition of the property will be for a term of not more than 18 months with an interest rate not more than 150 basis points above the Agency's cost of funds. The interim loan of \$100,000 is hereby ratified. The term of the long-term loan will be not more than 30 years, and the interest rate not more than 150 basis points above the Agency's cost of funds. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.
2. The Letter of Interest shall include the following conditions. Any documents submitted in satisfaction of these conditions must be satisfactory to the Agency in form and content:
  - a) Sponsor must provide a Phase I Environmental Site Assessment (ESA) and address any findings of the Phase I Assessment in the scope of work to the satisfaction of the Agency;
  - b) Sponsor must provide an as-built appraisal satisfactory to VHFA;
  - c) Sponsor must provide evidence of necessary permits; and
  - d) Sponsor must provide final plans and specifications for VHFA review and approval.

3. The issuance of 501(c)(3) bonds for the purpose of financing a loan to the Borrower is hereby preliminarily approved, and, pursuant to Section 1:150-2 of the Internal Revenue Code Regulations, the Agency hereby states its intention to reimburse itself from Bond proceeds for any advances of Agency funds prior to the issuance of the Bonds.
4. The preliminary approval of paragraph 3 does not obligate the Agency to finally approve the issuance of said Bonds. Final approval of the issuance of the Bonds can only be authorized by subsequent action, which may contain such conditions thereto as the Board may deem appropriate. The Board in its absolute discretion may refuse to finally authorize the issuance of the Bonds and shall not be liable to the Borrower or any other person for its refusal to do so.
5. Upon the satisfaction of the conditions attached to the Letter of Interest, the Executive Director may, in her discretion, issue a Commitment Letter for an long-term loan for the Development, in an amount not to exceed \$350,000.
6. The long-term loan shall be due and payable not more than 30 years from the date the loan is made, shall be amortized over a period of up to 30 years, and the interest rate shall not exceed 150 basis points above the Agency's cost of funds. The source of funds shall be tax-exempt 501(c)(3) bond proceeds. The Sponsor shall be responsible for loan fees, costs of issuance and transaction costs. The Commitment Letter may be issued to King Street Neighborhood Revitalization Corp. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.
7. The Executive Director, the Chief of Program Operations and the Director of Finance are hereby authorized to take all necessary steps and execute any and all documents required to effectuate this loan.

*I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on January 25, 2001.*

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



**RESOLUTION PERTAINING TO A LETTER OF INTEREST AND COMMITMENT  
LETTER RE: PERMANENT FINANCING FOR BEN SOUTH DEVELOPMENT,  
BENNINGTON**

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

WHEREAS, a proposal has been presented to the Agency by the Regional Affordable Housing Corporation (the "Sponsor"), involving the acquisition and rehabilitation of four buildings containing 21 units of rental housing in the Town of Bennington (the "Development"); and

WHEREAS, the Development has previously been the subject of a Resolution of the Agency dated September 14, 2000; and

WHEREAS, the Agency desires to take "official action" for the purpose of, and to reimburse itself for any advances of its funds prior to, the issuance and sale of tax-exempt bonds of not more than \$370,000 aggregate principal amount (the "Bonds") to finance a loan to the Ben-South Housing Limited Partnership (the "Borrower") to acquire and rehabilitate 21 units of rental housing located at 501-507 South Street and 118-126 Benmont Avenue (the "Development") in Bennington, Vermont that will qualify for federal low-income housing tax credits;

WHEREAS, the proposal now contemplates a first mortgage loan in the amount of up to \$370,000, increased from \$350,000, as long-term financing for the 21-unit Ben South project with the interest rate to be determined by the Agency depending on the source of funds, which may be from proceeds of tax-exempt bonds, or taxable sources of funds, and shall have an interest rate of not more than 150 basis points above the Agency's cost of funds; and

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

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid, dated January 18, 2001, containing information and recommendations about the Development (the "Memorandum");

It is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income.
2. The acquisition and rehabilitation costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.
3. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and moderate

income are able to afford within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of the residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families.

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

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

6. The Sponsor is a financially responsible organization and the proposed ownership entity is expected to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director and the Chief of Program Operations are authorized to issue a Letter of Commitment to the Ben-South Housing Limited Partnership for the long term financing of the Development in an amount not to exceed \$370,000. The Executive Director, Chief of Program Operations and Director of Finance are authorized to allocate the loan proceeds to all or portions of the Development. The permanent loans shall be due and payable not more than 20 years from the date the loan is made, payments shall be based on a 30 year amortization period and the interest rate shall not exceed 150 basis points above the Agency's cost of funds. The source of the funds shall be determined by the Executive Director. The Sponsor shall be responsible for loan fees. The Commitment Letter may be issued to Regional Affordable Housing Corporation as a representative of Ben-South Housing Limited Partnership. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.
2. The Letter of Commitment shall include the following condition. Any documents submitted in satisfaction of this condition must be satisfactory to the Agency in form and content:
  - a) As a condition of permanent financing, sponsor must provide a capital needs assessment satisfactory to VHFA;
3. The issuance of tax-exempt Bonds for the purpose of financing a loan to the Borrower to allow the Borrower to acquire and rehabilitate the Development is hereby preliminarily approved, and, pursuant to Section 1:150-2 of the Internal Revenue Code Regulations, the Agency hereby states its intention to reimburse itself from Bond proceeds for any advances of Agency funds prior to the issuance of the Bonds.
4. The preliminary approval of paragraph 3 does not obligate the Agency to finally

approve the issuance of said Bonds. Final approval of the issuance of the Bonds can only be authorized by subsequent action, which may contain such conditions thereto as the Board may deem appropriate. The Board in its absolute discretion may refuse to finally authorize the issuance of the Bonds and shall not be liable to the Borrower or any other person for its refusal to do so.

5. The Executive Director is authorized to make an additional loan to the Borrower for the development of not more than \$133,000 at an interest rate of 0%.
6. The Executive Director, Chief of Program Operations and Director of Finance are hereby authorized to take all necessary steps and execute any and all documents required to effectuate the financing.

*I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on January 25, 2001.*



*Sarah E. Carpenter*

*Executive Director and Secretary*

*Vermont Housing Finance Agency*

**RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF GENERAL OBLIGATION BONDS TO STRATEVEST & CO. OR SOME OTHER PURCHASER IN A MAXIMUM AMOUNT \$370,000 FOR A LONG TERM LOAN AND USING THE PROCEEDS TO MAKE LOANS IN SUCH AMOUNT TO BEN-SOUTH HOUSING LIMITED PARTNERSHIP TO FINANCE THE ACQUISITION AND REHABILITATION OF A 21-UNIT DEVELOPMENT IN BENNINGTON**

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

WHEREAS, the Agency may desire to issue and sell tax-exempt bonds of not more than \$370,000 aggregate principal amount to Stratevest & Co., some other subsidiary of BankNorth Group, Inc., or some other entity (the "Purchaser") based on the Agency's general obligation credit and use the proceeds to finance a long-term loan to the Ben-South Housing Limited Partnership (the "Borrower") for a 21-unit development located at 501-507 South Street and 118-126 Benmont Avenue (the "Project") in Bennington, Vermont that will qualify for federal low-income housing tax credits; and

NOW, THEREFORE, it is hereby RESOLVED:

1. The issuance and sale of up to \$370,000 principal amount of tax-exempt bonds to the Purchaser (the "Long-term Borrowing") is hereby authorized and approved, the security for the repayment thereof being the general obligation of the Agency as hereinafter described, and/or, in the discretion of the Executive Director, a pledge of the revenues derived from the Project, and the Executive Director, Chief of Program Operations and Director of Finance are each hereby authorized and directed to execute and deliver such documents as they deem appropriate and necessary to evidence such Borrowing and the Agency's obligation to repay the same, including, without limitation, a bond delivered to the Purchaser with such terms as the person executing the same shall deem appropriate, provided that the maturity of such Borrowing shall not exceed thirty years and the interest rate thereon shall not exceed 8%. The obligation of the Agency to repay the Long-term Borrowing shall constitute a general obligation of the Agency payable out of any revenues or moneys of the Agency, subject only to any agreements with the holders of particular notes or bonds pledging any particular revenues.

2. The Executive Director, Chief of Program Operations or Director of Finance is each hereby authorized to issue certifications as to the Agency's reasonable expectations regarding the amount and use of the proceeds of the Borrowing as described in Section 148 of the Internal Revenue Code of 1986, as amended.

3. The Executive Director, Chief of Program Operations, Director of Finance and any Commissioner or other officer of the Agency, acting alone or acting with others, are hereby authorized and directed to execute and deliver any or all other documents that may be required to implement the foregoing, and to take such other action as may be required or appropriate for the performance of the duties imposed thereby or to carry out the purposes thereof.

4. This Resolution shall become effective immediately.

ADOPTED by the Vermont Housing Finance Agency this 25<sup>th</sup> day of January, 2001.

VERMONT HOUSING FINANCE AGENCY

By Sarah E. Carpenter  
Executive Director

Attest:

By Ryan Atchambeck  
Authorized Officer

*I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on January 25, 2001.*

Sarah E. Carpenter

**SARAH E. CARPENTER**  
*Executive Director and Secretary*  
Vermont Housing Finance Agency

**RESOLUTION PERTAINING TO COMBINED LETTER OF INTEREST  
AND COMMITMENT LETTER RE: LAKE CHAMPLAIN APARTMENTS**

WHEREAS, a proposal has been presented to the Agency by King Street Neighborhood Properties, LLC, a Vermont limited liability company comprised of Burlington Housing Authority and King Street Neighborhood Revitalization Corporation, (the "Sponsor") involving the acquisition, rehabilitation and long-term financing of a 27 unit family rental property located on three sites on Church Street and Pine Street in the City of Burlington (the "Development"); and

WHEREAS, in 1983 the Agency made two loans to a prior owner of the development in the combined original principal amount of \$1,038,285 and those two loans have previously been combined; and

WHEREAS, in 1993 the Agency made an additional loan to the prior owner of the development in the original principal amount of \$88,918.79; and

WHEREAS, the proposal contemplates an assumption of the two existing VHFA loans, one with an approximate current balance of \$754,000 and the other with an approximate current balance of \$83,000, a new, interim, VHFA loan until newly issued tax-exempt bond proceeds are available, in an amount not to exceed \$650,000, the use of 0% funds in the amount of \$130,000; however, a somewhat different mix of sources and amounts may be necessary; and

WHEREAS, the Sponsor qualifies as a housing sponsor within the meaning of the Vermont Housing Finance Agency Act (the "Act") and is willing to give the Agency a preservation agreement pertaining to the Development; and

WHEREAS, the Agency desires to take "official action" for the purpose of, and to reimburse itself for any advances of its funds prior to, the issuance and sale of tax-exempt bonds of not more than \$650,000 aggregate principal amount (the "Bonds") to finance a loan to the King Street Neighborhood Properties, LLC, (the "Borrower") to acquire and rehabilitate a 27-unit development (the "Project") in Burlington, Vermont;

WHEREAS, the Board of Commissioners has been presented with a memorandum from Samuel Falzone dated January 17, 2001 containing information and recommendations about the Development (the "Memorandum");

It is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income.
2. The acquisition and rehabilitation costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.

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

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

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

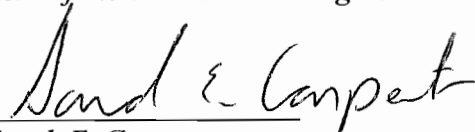
6. The Sponsor is a financially responsible organization and the proposed ownership entity is expected to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in allowing King Street Neighborhood Properties, LLC to assume two existing first mortgage loans made to A & A Realty Properties, for the acquisition, rehabilitation and long-term financing of the Lake Champlain Apartments development in Burlington and in making a new loan to King Street Neighborhood Properties, LLC in a maximum amount of \$650,000 and a loan from zero percent proceeds in a maximum amount of \$130,000. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance or for other purposes with the consent of the Agency. The Letter of Interest shall be conditioned on, among other items, receipt and review of an appraisal satisfactory to Staff supporting the loan amounts requested.
2. Upon the satisfaction of the conditions attached to the Letter of Interest, the Executive Director may, in her discretion, issue a Commitment Letter for a long-term loan for the acquisition, rehabilitation and long-term financing of the Development, in a combined amount not to exceed \$1,650,000.
3. One of the new loans shall be amortized over a period of 30 years from the date of the loan. The interest rate shall be not more than 150 basis points above the Agency's source of funds. The source of funds shall ultimately be newly-issued tax-exempt bond proceeds. A zero percent loan in an amount not to exceed \$130,000 shall be made from the Agency's multi-family refunding proceeds. The Commitment Letter may be issued to the Sponsor. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.

4. The issuance of the Bonds for the purpose of financing a loan to the Borrower to allow the Borrower to acquire and rehabilitate the Project is hereby preliminarily approved, and, pursuant to Section 1:150-2 of the Internal Revenue Code Regulations, the Agency hereby states its intention to reimburse itself from Bond proceeds for any advances of Agency funds prior to the issuance of the Bonds.
5. The preliminary approval of paragraph 4 does not obligate the Agency to finally approve the issuance of said Bonds. Final approval of the issuance of the Bonds can only be authorized by subsequent action, which may contain such conditions thereto as the Board may deem appropriate. The Board in its absolute discretion may refuse to finally authorize the issuance of the Bonds and shall not be liable to the Borrower or any other person for its refusal to do so.
6. The Executive Director, after consultation with the Chairman of the Agency is given the discretion to vary the amounts and sources of funds
7. The Executive Director, Chief of Program Operations and Director of Finance are hereby authorized to take all necessary steps and execute any and all documents required to effectuate this loan.

*I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on January 25, 2001.*


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





**Vermont Housing Finance Agency**

**MEMORANDUM**

**TO:** Board of Commissioners  
**FROM:** Elizabeth Mullikin Drake, Legal Advisor   
**RE:** Annual Meeting  
**DATE:** March 15, 2001

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Every year an annual meeting should be held to elect officers, confirm actions of the prior year, authorize any changes in the Agency's advisors (auditor, investment advisor, underwriter, etc.) and make any changes to delegated authority, such as, check signing and safekeeping vaults. Under the Agency's bylaws, the annual meeting should take place in July unless changed by the Chairman for cause. Because of the traditional schedule of Board meetings, a proposed bylaw amendment is included in this year's Annual Meeting resolution to change the annual meeting to a month other than July.

Please consider the attached Annual Meeting resolution for action at the Board meeting.



**mailing address** P.O. Box 408, Burlington, VT 05402-0408

**phone** (802) 864-5743

**delivery address** 164 Saint Paul St., Burlington, VT 05401-4364

**fax** (802) 864-5746

**www.vhfa.org**



**RESOLUTIONS ADOPTED AT THE ANNUAL MEETING OF VERMONT  
HOUSING FINANCE AGENCY, MARCH 22, 2001**

RESOLVED, \_\_\_\_\_ is hereby elected to serve as Vice Chairman of the Agency until his successor is elected and qualified.

RESOLVED, Roger A. Schoenbeck is hereby elected to serve as Treasurer of the Agency until his successor is elected and qualified.

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

RESOLVED, that the Bylaws of the Agency are hereby amended in the first sentence of Article II Section 3.1 to read as follows:

Section 3.1. Annual Meeting. The Annual Meeting of the Commissioners shall be held during the month of \_\_\_\_\_ of each year, or on such earlier or later date in each calendar year as the Chairman shall designate.

RESOLVED, all actions taken in the resolution entitled "Resolutions Adopted at the Annual Meeting of the Vermont Housing Finance Agency, July 15, 1999" not inconsistent with the resolutions contained herein are deemed to be ratified and will continue in force until changed by affirmative action of the Board of Commissioners.



## Vermont Housing Finance Agency

### BOARD MINUTES

State Treasurer's Office Building  
133 State Street, Conference Room #2  
Montpelier, Vermont

Thursday, February 22, 2001 at 12:00 p.m.

PRESENT: Commissioners Canney, Seelig, Candon (designee of Costle), Young (designee of Douglas), Beyer (designee of Lambert)

Staff: Ms. Carpenter, Ms. Caragher, Ms. Kendrick, Ms. Crady, Mr. Schoenbeck, Mr. Adams,  
Ms. Mullikin Drake  
Via telephone: Mr. Wagner (Kutak Rock)

Vice Chairman Seelig called the meeting to order at 12:10 p.m.

#### MINUTES

The first item on the agenda was the approval of the minutes of January 25, 2001. Mr. Adams requested that a change be made to the minutes. The Limited Liability Company (LLC) and the King Street Neighborhood Revitalization Group (KSNRG) were stated as the applicants for financing to acquire the Lake Champlain Apartments. It should read that Burlington Housing Authority is the applicant. With no further changes, Ms. Beyer made a motion to approve the minutes to include the above change. The motion carried unanimously after being seconded by Ms. Young.

#### MULTIFAMILY

Ms. Carpenter reviewed her memo "Improvements to Multifamily Loan and Financing Approval Process," which was included in the Board packet. She noted that staff has been seeking ways to improve and speed up the process of approval for multifamily projects. After evaluating different solutions, staff came up with some shortcuts that will eliminate duplication, maximize staff expertise, and utilize the Board's time more efficiently. Although these changes are not immense, staff would like to formalize them.

Ms. Mullikin Drake briefly walked the Board through the 5 different steps to this process, listed below.

- Step 1 – This step currently involves presenting an informative memo, which summarizes the project, to the Board for consideration. *Staff is suggesting that we include a Sources and Uses table for*



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each loan request, regardless of the loan amount (currently only loan amounts over \$1 million include this information).

- Step 2 – This step currently involves the Board approving a resolution for the project, which outlines several details about the terms, amount, rate, source of funds, etc., of the project. By approving such a detailed resolution, as changes occur with the projects (such as the amount of the loan or source of funds), a new resolution is required to be brought back to the Board for approval. *Staff is suggesting that when a project is approved, that the resolution be much more general, excluding all of the detail and have it direct staff to apply the underwriting guidelines to develop the final loan structure and terms appropriate for that project.*
- Step 3 – This step currently includes a resolution presented to the Board for each project once the project is ready for a bond financing. *Staff is suggesting that the Board approve a “general authorizing multifamily bond resolution,” which would authorize the issuance of Multifamily bonds up to a certain limit, under which the staff may pool loans and issue bonds as needed to finance individual or multiple projects.*
- Step 4 – This step is a new process that staff has identified, which would formalize the underwriting guidelines for the approval process for both construction and permanent loans for multifamily developments. *The staff proposed multifamily/development underwriting standards at the Board Meeting. The staff was directed to come back to the Board with a formal resolution authorizing the adoption of those guidelines for the March meeting along with recommended parameters under which loans would need to be revisited by the Board, due to changes in the project.*
- Step 5 – This step involves the Loan Review Committee’s role. Currently, this committee meets weekly to review the status of projects, including terms and conditions. *Staff is suggesting that this committee be used to approve the final loan structure for each project, including terms of the Commitment Letter, once the initial approval has been made by the Board. The committee would report to the Board quarterly on these projects, once they have closed.*

A concern among the Board members were the parameters surrounding changes made to a loan after the Board initially approves it. How many or what type of changes would have to occur before the project was brought back to the Board for approval? Ms. Carpenter indicated that she would like the Board to suggest the parameters that they feel comfortable with.

At this time, Mr. Wagner (Kutak Rock) joined the meeting, via telephone, to answer any questions regarding the staff’s recommendation for a “general authorizing multifamily bond resolution.” Staff is recommending that the general authorizing bond resolution be in the amount of \$15 million. Mr. Wagner indicated that if the approved projects exceeded the amount available, the Board would need to approve another resolution for that amount over the \$15 million already authorized. Mr. Schoenbeck noted that several states are already doing this type of a broad resolution. Ms. Young inquired as to whether this was within the statutory rules. Mr. Wagner responded that it was. At this time, Mr. Wagner left the meeting.

It was suggested that any significant changes (such as loan amounts, project type changes, owner changes, income targeting, appraisal, environmental issues, property location, major changes in loan to value,) be brought to the Chairperson’s attention. The Chairperson would be responsible for deciding whether or not the Board should review the project again.

It was also suggested that if there was a change in a 0% loan, that it be brought to the Chairperson's attention. The Board agreed that if they approve a 0% loan for over \$100,000 and the loan amount increases, that it be brought back to the Board regardless.

Mr. Adams asked the Board if they would like to start receiving "sources and uses" schedules for requested loan amounts under \$1 million (currently only loans over \$1 million receive these schedules). The Board agreed that they would like to receive the sources and uses schedules regardless of the requested loan amount.

With no further discussion, the Board agreed that they would like to receive a staff recommendation on what "significant" changes would require a previously-approved project to be reconsidered by the Board before adopting the new approval process.

#### DEVELOPMENT

Mr. Adams requested approval of the "Resolution Authorizing The Issuance And Sale Of A General Obligation Bond To Stratevest & Co., Or Some Other Affiliate Of Banknorth Group, Inc. In A Maximum Amount of \$750,000 And Using The Proceeds To Make A Loan In Such Amount To Clark And Canal Streets Limited Partnerhsip To Finance The Acquisition And Rehabilitation Of A 12-Unit Development In Brattleboro" in order to issue a bond up to \$750,000 for Clark and Canal Streets. The closing is set to occur in May.

Mr. Candon questioned why the Resolution listed Stratevest or some other affiliate of Banknorth. Mr. Schoenbeck stated that Barnett & Company is the street name used by Stratevest and the reference to "some other affiliate of Banknorth" accommodates any other affiliate they want to use to purchase the bond. Ms. Young inquired as to how Stratevest is selected. Mr. Schoenbeck stated we have a working relationship with Banknorth. We have a line of credit with them for \$6 million dollars and when we had these short term bonds to sell, they indicated a desire for short -term tax exempt bonds. We pursued other investors but they did not have the same interest in those bonds. To date, we have received excellent rates on the bonds sold under the agreement with Stratevest.

With no further discussion, Mr. Candon made a motion to approve the Resolution. The motion carried unanimously after being seconded by Ms. Young.

Ms. Carpenter discussed the list of letters of intent received by the Agency for the 2001 tax credit allocation. There is approximately \$1.7 million available in tax credits, but only \$1 million will be allocated during the first round, to be held in April. Ms. Carpenter confirmed that the Joint Committee on Tax Credits and the Board will meet on April 30<sup>th</sup> in Montpelier at the Associated General Contractor's Building. An agenda will be sent out at a later date, but Ms. Carpenter noted it would be a full day meeting.

Mr. Schoenbeck indicated that there would need to be a conference call in April, regarding the single family bond financing. It was suggested that April 19<sup>th</sup> be kept open (the originally scheduled Board meeting date) for a brief conference call to act on any items for the month.

#### HOMEOWNERSHIP

Ms. Crady handed out the Delinquency Report which was not available at the time of the mailing.

Ms. Crady was happy to report that the majority of the REO's are currently under deposit. A couple of properties have been in the portfolio for quite awhile, but staff is working diligently on creative ways to sell them.

On the production side, Ms. Crady noted that the Agency is experiencing a slight increase in activity since the rates were lowered to 6.85%. Currently, \$15 million is available in reservation funds.

It was noted that there seems to be fewer products available in the market, and perhaps that is why the Agency's activity is slower this time of year. Ms. Crady stated that there are a lot of factors that contribute to the slow activity, but also the time of year plays a big part.

Ms. Canney mentioned the situation related to lack of inventory, but when she is looking at MLS listings, that really isn't the case. Ms. Canney felt that if Chittenden County was excluded from that comment, across the state, it really isn't the case. Ms. Canney noted that Rutland County inventory is up 12%.

Ms. Carpenter asked if the inventory she is speaking of was in the \$100,000 range. Ms. Canney indicated that she didn't specifically look in that range. She stated that she believes inventory would be higher if the interest rates were at the level they were at last year. Ms. Canney stated that we should be careful when making a blanket statement concerning lack of inventory.

On the servicing side, Ms. Crady noted that she had just pulled the reports yesterday because of the Mitas conversion. There was a drop in delinquency. Some consumers delayed making December payments but are back on track for January, which has decreased the delinquencies. Ms. Carpenter stated that Pat Crady and her staff are doing a great job. Ms. Crady noted that when borrowers are 90 days delinquent and not responding to lender's letters, the Agency refers their account to an attorney and that seems to get the attention of the borrower, which results in reinstatements the majority of the time. Elizabeth Mullikin Drake is going to look at the legal expenses for foreclosure/REO attorneys.

Ms. Canney inquired if VHFA did a newsletter for borrowers. Ms. Crady responded that we do not have a newsletter, but could look into it for the servicing that we control.

Ms. Crady reviewed staffs' recommendations to utilize excess yield funds and IORTA funds. Staff has been exploring a variety of options that would enable VHFA to utilize funds available through the excess yield pool (0% funds) and the IORTA funds (Interest Received on Real Estate Trust Accounts). Utilizing these funds would allow VHFA to (1) adjust the MOVE program interest rate, making it more competitive with conventional rates, (2) assist borrowers with down payments or closing costs, and (3) allow VHFA to target a piece of the excess yield funds, enabling VHFA to provide 0% second mortgages for special targeting.

The IORTA funds would be utilized in a few different ways. Staff is proposing that up to \$280,000 in funds be used to provide a down payment cash assistance option to VHFA's MOVE program. Borrowers utilizing this option would receive a 7% interest rate with no points and cash assistance equal to 3% of their loan amount. This cash assistance option would serve as a grant for down payment and/or closing costs and would not be repaid to VHFA. This program is working very well for both Maine and New Hampshire, where they fund cash assistance through premium bonds. Staff believes that using our IORTA funds would be a good test to see if there is a strong market for this product in Vermont. Mr. Candon wanted to be sure that sufficient funds were available to meet the anticipated demand.

Staff would also like to commit \$30,000 in IORTA Funds to provide matching funds for Vermont Development Credit Union (VDCU) through the BEAM (Burlington Ecumenical Action Ministry) Individual Development Account Program. This program provides a way for potential homebuyers to save for downpayment and closing costs. VDCU's program provides matching funds of \$4.00 for every \$1.00 saved by the potential homebuyer, used only for home purchases. These participants must also receive intensive one-on-one financial counseling through VDCU. Ms. Canney asked if this program was offered to Chittenden County residents only, or if it was offered throughout the state. Ms. Crady responded that it was



equally accessible throughout the state. The Board asked that Ms. Crady make sure that it definitely would be available throughout the state. Ms. Crady noted that she would make it a condition.

Ms. Crady suggested that we defer the VDCU discussion until next month, and she will gather more information on the specifics of this program. The Board agreed with Ms. Crady's suggestion.

Staff is recommending that \$15,000 of the IORTA Funds be given to Energy Rated Homes of Vermont (ERH) to assist VHFA YESS program borrowers with energy rating and management fees.

Ms. Canney made a motion to approve staff's recommendation to use \$280,000 for a cash assistance option and to give ERH \$15,000 to assist VHFA YESS program borrowers with energy rating and management fees. The motion carried unanimously after being seconded by Mr. Candon.

Staff is also proposing to use up to \$500,000 of the \$960,000 available in excess yield funds to lower VHFA's interest rate from 6.85% to 6.5%. VHFA would also offer 1 point and 2 point options and a stepped rate option at reduced interest rates for the MOVE program.

Staff is also suggesting that up to \$460,000 in excess yield funds be used to provide 0% 2<sup>nd</sup> mortgage loans to borrowers who are receiving financing from a VHFA program. These funds would be available on a first-come first-serve basis and would have to be reserved with VHFA at the time of reservation of funds on the first mortgage. These funds would target borrowers who are either (1) purchasing a home that will remain permanently affordable, (2) purchasing a home with assistance from a HUD Section 8 Homeownership Option Voucher, (3) purchasing a property in an area being targeted by a municipality for revitalization, or (4) purchasing a home due to a mobile home park closing. These funds can also be used to stimulate the construction of new affordable homes.

Ms. Crady noted that if a borrower is going to utilize the 0% second mortgage, they are required to complete homebuyer education through a Homeownership Center first. Staff is hoping to implement this in April.

With no further discussion, a motion to approve staff's recommendations regarding the excess yield funds was made by Ms. Canney. The motion carried unanimously after being seconded by Mr. Candon.

At 3:05 p.m. there was a 10-minute break.

## FINANCE

Mr. Schoenbeck reviewed the handouts he distributed. He mentioned that the first one is a little complicated and it relates to the Down Payment Assistance Loan Program. As Mr. Candon mentioned earlier, one of his concerns is that once a program is started and produces a lot of activity, it becomes difficult to turn it off, creating hard feelings. Ms. Crady and her staff have been reviewing ways to start this program and then continue it in the future, because the funds in this program are limited and will be gone. Staff asked Evensen Dodge how to structure this next bond issue in April based, on the expiration of some notes and how this program can be structured into VHFA's standard bond program. The memo Mr. Schoenbeck handed out from Steve Johnson of Evensen Dodge, provides information about the costs of integrating a down payment assistance grant program. This is not a final calculation of what the Agency will do, but details some parameters of how the Agency will try to integrate a down payment assistance program into the next bond financing. This scenario was structured as doing half down payment assistance and half standard loans.

Based on today's market prices, down payment assistance loans would have an interest rate of 6.90%. Standard loans will be 6.45% both with 0 points. Mr. Schoenbeck indicated that this concept is not without risk, but not intolerable risks. Staff wanted to present this proposal to the Board for its consideration as to whether staff should proceed with this or look into a different approach.

Ms. Carpenter stated that New Hampshire has been doing this for several years, so that will help the Agency evaluate this program because we both have originating lenders working in both states that we can talk to. Current information is that half their volume is cash assistance program vs. regular programs. The hardest part of this decision making is whether 50% is the right mix. Ms. Carpenter noted that more research would be done to find out if 50% is the right structure. Ms. Beyer stated that 50-50 seems aggressive for the first shot at this. Mr. Schoenbeck replied that the problems that he has heard from other states, was that it started out slow, but picked up and eventually leveled off. Overall, it seems to be a very popular program. Staff will get back to the Board on this in April.

Mr. Schoenbeck said that bond purchase price would be higher with the Down Payment Purchase Assistance Program. Bonds are sold at 105% so bond people expect higher rates because of the increased risk that they won't recover the full amount of their premium payment. The 5% premium is used to provide the cash fund for the down payment assistance grants.

Mr. Schoenbeck had some brief comments on the December 31<sup>st</sup> financials. The Agency's surplus for the six months is \$3.9 million before adding the market value investment gains of \$1.7 million. This trends very well with the 1% of outstanding loans benchmark which is now \$5 million annually before special adjustments. Mr. Schoenbeck noted that, when excess or 0% yield loans are made, it adds to the surplus and \$1.6 million of these loans have been made this year. Retained loans have increased by \$50 million over the last six months.

Mr. Schoenbeck pointed out that the General Fund Budget is in good shape. At this time of year the best thing to look at is the percentage of annual budget expended, which should be 50%. VHFA's numbers are at or very close to the benchmarks.

#### ADMINISTRATION

Ms. Carpenter indicated that she didn't have much to add to her report, but did mention that the Legislature has been showing quite a bit of interest in housing. She also mentioned that the General Affairs Committee is touring Chittenden County today to look at affordable housing projects. In terms of VHFA, in particular, she is finding that there is increased discussion and activity surrounding development and permitting issues and how that affects affordable housing.

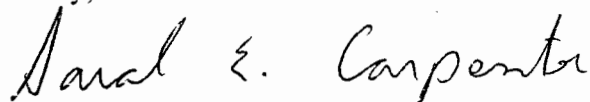
#### OTHER BUSINESS

Ms. Canney addressed the Board and staff surrounding comments and information discussed during Board meetings. She believes that the Board needs to be more sensitive to the issues that she brings to the table, particularly regarding statewide and regional housing differences. Ms. Canney believes that there is incorrect information discussed during the Board meetings and indicated that she will continue to speak out when she doesn't agree. She also asked that the comments she makes during the meetings be recorded in the minutes.

Mr. Seelig thanked Ms. Canney for her comments.

After a motion made by Mr. Candon and seconded by Mr. Seelig, the motion adjourned at 4:11 p.m.

Sincerely,



Sarah E. Carpenter  
Executive Director and Secretary



**RESOLUTION STATING INTENT TO PROVIDE FINANCING AND TO REIMBURSE ANY ADVANCES WITH RESPECT TO A PROPOSED 12-UNIT PROJECT IN BRATTLEBORO AND FOR A LETTER OF INTEREST AND COMMITMENT RE: ACQUISITION, CONSTRUCTION AND LONG-TERM FINANCING FOR CLARK AND CANAL STREETS DEVELOPMENT IN BRATTLEBORO**

WHEREAS, a proposal has been presented to the Agency by the Brattleboro Area Community Land Trust, a non-profit development corporation, (the "Sponsor") on behalf of a to-be-formed limited partnership, involving the acquisition, rehabilitation and long-term financing of a 12 unit family rental property located in three buildings on adjacent lots on Clark Street and Canal Street in the Town of Brattleboro (the "Development"); and

WHEREAS, the Agency desires to take "official action" for the purpose of, and to reimburse itself for any advances of its funds prior to the issuance and sale of tax-exempt bonds of not more than \$750,000 aggregate principal amount (the "Bonds") to finance a loan to a to-be-formed limited partnership (the "Borrower") to acquire three buildings and to rehabilitate 12 units of housing within them (the "Project") in Brattleboro, Vermont that will qualify for federal low-income housing tax credits;

WHEREAS, the proposal contemplates a first mortgage loan in an amount of up to \$750,000 for construction financing, with the interest rate to be determined by the Agency depending on the source of funds, but not to exceed 150 basis points above the Agency's cost of funds and a long-term loan in an amount of up to \$115,000 for long-term financing, with the interest rate to be determined by the Agency depending on the source of funds, but not to exceed 150 basis points above the Agency's cost of funds;

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

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Joe Erdelyi, dated January 18, 2001, containing information and recommendations about the Development (the "Memorandum");

It is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income.
2. The acquisition and rehabilitation costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.

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

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

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

6. The Sponsor is a financially responsible organization and the proposed ownership entity is expected to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a first mortgage loan to a to-be-formed limited partnership, for the acquisition, rehabilitation and long-term financing of the Clark/Canal housing development in Brattleboro. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance or for other purposes with the consent of the Agency. The Letter of Interest shall include the following conditions. Any documents submitted in satisfaction of these conditions must be satisfactory to the Agency in form and content:
  - a. Sponsor must provide a Phase I Environmental Site Assessment (ESA) and address any findings of the Assessment in the scope of work to the satisfaction of the Agency;
  - b. Sponsor must provide an as built appraisal satisfactory to the Agency; and
  - c. Sponsor must provide final plans and specifications for VHFA review and approval at least 3 weeks prior to VHFA loan closing
2. Upon the satisfaction of the conditions attached to the Letter of Interest, the Executive Director may, in her discretion, issue a Commitment Letter for an acquisition and construction loan in a maximum amount of \$750,000, and a loan for the long-term financing of the Development, in an amount not to exceed \$115,000.

3. The construction loan shall be due and payable not more than 18 months from the date the loan is made; payments of interest only shall be due before maturity, and the interest rate shall not exceed 150 basis points above the Agency's cost of funds. The source of funds shall be tax-exempt bond proceeds. The Sponsor shall be responsible for loan fees, transaction costs and costs of issuance. The Commitment Letter may be issued to the Brattleboro Area Community Land Trust as a representative of the to-be-formed limited partnership. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.
4. The term loan shall be amortized over a period of not more than 30 years from the date the loan is made. The interest rate shall be not more than 150 basis points above the Agency's source of funds. The Commitment Letter may be issued to the Brattleboro Area Community Land Trust as a representative of the to-be-formed limited partnership. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.
5. The issuance of the Bonds for the purpose of financing a loan to the Borrower to allow the Borrower to acquire and construct the Project is hereby preliminarily approved, and, pursuant to Section 1:150-2 of the Internal Revenue Code Regulations, the Agency hereby states its intention to reimburse itself from Bond proceeds for any advances of Agency funds prior to the issuance of the Bonds.
6. The preliminary approval of paragraph 5 does not obligate the Agency to finally approve the issuance of said Bonds. Final approval of the issuance of the Bonds can only be authorized by subsequent action, which may contain such conditions thereto as the Board may deem appropriate. The Board in its absolute discretion may refuse to finally authorize the issuance of the Bonds and shall not be liable to the Borrower or any other person for its refusal to do so.
7. The Executive Director, Chief of Program Operations and Director of Finance are hereby authorized to take all necessary steps and execute any and all documents required to effectuate this loan.


*I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on February 22, 2001.*

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



**Vermont Housing Finance Agency**

**MEMORANDUM**

**TO:** VHFA Board of Commissioners  
**FROM:** Joe Erdelyi, Senior Development Officer   
**DATE:** March 16, 2001  
**RE:** McAuley Square, Burlington

The buildings are proceeding under construction. Some siding and sheetrocking has been done, and the construction quality appears excellent.

Shortly after closing on the VHFA loans, a problem became apparent. Months earlier, Housing Vermont had elected to make a change to the plans as a cost savings measure. The change involved eliminating the full basement under the Senior Building, and instead having a portion of the building on a slab and another portion with a basement. Unfortunately, the architect never conveyed this change to the soils engineer, and when they were all on site and preparing for foundation sitework, the soils engineer found the change unacceptable. The slab would have set on soils containing too much clay and therefore not have been sound. Of the potential solutions to this situation, Housing Vermont chose to proceed with the original plans for a full basement under the entire building. This problem led to a month's delay in the commencement of construction on the Senior building (and this delay brought associated costs with it, as the contractor had already mobilized on site), and to increased costs for the full basement. Housing Vermont is pursuing a claim against the architect's Errors and Omissions insurance to cover these increased costs. They are also pursuing a HUD grant and a loan from VCLF.

The amount of tax-exempt bond financing VHFA is providing must equal at least 50% of the project's "aggregate basis" in order for the project to receive the so-called automatic 4% tax credit. Prior to this increased cost, the loan amounts met this target. Now the loans are less than 50%, so VHFA needs to increase its loan amounts to get back up above the mark and ensure the credits. Because of the somewhat general nature of the "aggregate basis" definition, staff are proposing an additional construction loan of \$600,000, which brings the loan totals to 55% of the total development cost of the Senior Building. This ought to be sufficient to accomplish the goal and not need any further revisiting. Although staff normally allow some extra room in sizing the construction loans, this condition probably would have exceeded that allowance. Going forward, we will use this higher standard of 55% of total development cost as an extra buffer.

**Recommended Action:** Approval of the attached resolution authorizing the Executive Director to execute the sale of an additional bond and to make an additional loan in an amount not to exceed \$600,000, to Housing Vermont for the construction of the McAuley Square development.



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**RESOLUTION PERTAINING TO AN AMENDMENT TO THE COMMITMENT RE:  
CONSTRUCTION FINANCING FOR MCAULEY SQUARE, BURLINGTON**

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

WHEREAS, a proposal was presented to the Agency by Housing Vermont on behalf of a limited partnership, McAuley Square Housing Limited Partnership, involving the new construction of 74 units of rental housing in the City of Burlington (the "Development"); and

WHEREAS, this proposal has been the subject of a previous resolution of the Agency on May 25, 2000; and

WHEREAS, ultimately Housing Vermont, rather than the limited partnership, was the Borrower for the Agency's loan for the Development; and

WHEREAS, the Agency has closed on its \$4,100,000 construction loan to the Borrower, but construction costs have increased to the point where the Borrower needs to borrow more funds from the proceeds of tax-exempt bonds in order to maintain a level of tax-exempt borrowing over 50% of project costs and insure the availability of housing credits for the Development; and

WHEREAS, the Agency desires to take "official action" for the purpose of, and to reimburse itself for any advances of its funds prior to the issuance and sale of tax-exempt bonds of not more than \$4,700,000 aggregate principal amount (the "Bonds") to finance a loan to the McAuley Square Housing Limited Partnership (the "Borrower") to construct 62 units of a 74 unit rental housing development (the "Project") in Burlington, Vermont that will qualify for federal low-income housing tax credits;

WHEREAS, the proposal contemplates a combination of first mortgage loans in an amount of up to \$4,700,000 for construction financing, with the interest rate to be determined by the Agency depending on the source of funds, but not to exceed 150 basis points above the Agency's cost of funds and a long-term loan in an amount of up to \$3,500,000, with the interest rate to be determined by the Agency depending on the source of funds, but not to exceed 150 basis points above the Agency's cost of funds;

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

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Joe Erdelyi, dated March 16, 2000, containing information and recommendations about the Development (the "Memorandum");

It is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income.
2. The construction costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.
3. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and moderate income are able to afford within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of the residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families.
4. The housing sponsor undertaking the Development will increase the supply of well-planned, well-designed permanent, temporary, transitional or emergency housing for persons and families of low and moderate income.
5. The security value of the Development will equal at least the amount of the Agency's loan.
6. The sponsor and its general partner are financially responsible and the proposed ownership entity is expected to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or the Chief of Program Operations may, in her/his discretion, issue an amended Commitment Letter for a construction loan for the Development in an amount not to exceed \$4,700,000.
2. The issuance of Bonds in an additional amount of not more than \$600,000 for the purpose of financing a loan to the Borrower to allow the Borrower to acquire and construct the Project is hereby preliminarily approved, and, pursuant to Section 1:150-2 of the Internal Revenue Code Regulations, the Agency hereby states its intention to reimburse itself from Bond proceeds for any advances of Agency funds prior to the issuance of the Bonds.
3. The preliminary approval of paragraph 2 does not obligate the Agency to finally approve the issuance of said Bonds. Final approval of the issuance of the Bonds can only be authorized by subsequent action, which may contain such conditions thereto as the Board may deem appropriate. The Board in its absolute discretion may refuse to finally authorize the issuance of the Bonds and shall not be liable to the Borrower or any other person for its refusal to do so.
4. The terms of the additional construction loan shall be consistent with the terms of the existing construction loan.
5. The Executive Director, Chief of Program Operations and the Director of Finance are hereby authorized to take all necessary steps and execute any and all documents required to effectuate this loan.

RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF A GENERAL OBLIGATION BOND TO STRATEVEST & CO. OR SOME OTHER SUBSIDIARY OF BANK NORTH GROUP, INC. IN A MAXIMUM AMOUNT OF \$600,000 AND USING THE PROCEEDS, ALONG WITH OTHER TAX-EXEMPT PROCEEDS, TO MAKE A LOAN IN THE MAXIMUM AMOUNT OF \$4,700,000 TO HOUSING VERMONT TO FINANCE THE CONSTRUCTION OF 67 UNITS OF A 74-UNIT DEVELOPMENT IN BURLINGTON

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

WHEREAS, the Agency desires to issue and sell additional tax-exempt bonds of not more than \$600,000 aggregate principal amount to Stratevest & Co., or some other subsidiary of BankNorth Group, Inc. (the "Purchaser") based on the Agency's general obligation credit and use the proceeds to finance, in part, a construction loan to Housing Vermont (the "Borrower") to construct 67 units of a 74-unit development, McAuley Square (the "Project") in Burlington, Vermont that will qualify for federal low-income housing tax credits;

NOW, THEREFORE, it is hereby RESOLVED:

1. The issuance and sale of up to \$600,000 principal amount of additional tax-exempt bonds to the Purchaser (the "Borrowing") is hereby authorized and approved, the security for the repayment thereof being the general obligation of the Agency as hereinafter described, and the Executive Director, Chief of Program Operations and Director of Finance are each hereby authorized and directed to execute and deliver such documents as they deem appropriate and necessary to evidence such Borrowing and the Agency's obligation to repay the same, including, without limitation, a bond delivered to the Purchaser with such terms as the person executing the same shall deem appropriate, provided that the maturity of such Borrowing shall not exceed eighteen months and the interest rate thereon shall not exceed 7%. The obligation of the Agency to repay the Borrowing shall constitute a general obligation of the Agency payable out of any revenues or moneys of the Agency, subject only to any agreements with the holders of particular notes or bonds pledging any particular revenues.

2. The Executive Director, Chief of Program Operations or Director of Finance is each hereby authorized to issue certifications as to the Agency's reasonable expectations regarding the amount and use of the proceeds of the Borrowing as described in Section 148 of the Internal Revenue Code of 1986, as amended.

3. The Executive Director, Chief of Program Operations, Director of Finance and any Commissioner or other officer of the Agency, acting alone or acting with others, are hereby authorized and directed to execute and deliver any or all other documents which may be required to implement the foregoing, and to take such other action as may be required or appropriate for the performance of the duties imposed thereby or to carry out the purposes thereof.

4. This Resolution shall become effective immediately.

ADOPTED by the Vermont Housing Finance Agency this 22<sup>nd</sup> day of March, 2001.

VERMONT HOUSING FINANCE AGENCY

Attest:

By \_\_\_\_\_  
Executive Director

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





**Vermont Housing Finance Agency**

**MEMORANDUM**

**TO:** VHFA Board of Commissioners  
**FROM:** Sarah Carpenter, Executive Director *SC*  
**RE:** Followup: Improvements to Multifamily Loan and Financing Approval Process  
**DATE:** March 15, 2001

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Based on our discussion at the February Board meeting, we have responded to your questions and present the following for your consideration and approval:

1. General Authorizing Multifamily Bond Resolution;
2. Underwriting Guidelines; and
3. Loan Review Committee's role.

General Authorizing Multifamily Bond Resolution. As we described last month, one way to eliminate the need to have Board action for each bond issuance is to adopt a "general authorizing multifamily bond resolution" which would authorize a lump sum amount of bond financing for multifamily projects to be assigned to approved projects in the future. This resolution can be used for both public issuances as well as private placements, such as, with Stratevest and Fannie Mae. As the issuances approach the maximum limit of the resolution, another resolution would be presented to the Board for consideration. The cumulative dollar amount of issuances would always be in compliance with the Agency's state volume cap allocation and the Board's allocation between single family and multifamily. A resolution authorizing up to \$15 million in multifamily housing bonds is attached for your approval.

Underwriting Guidelines and the Loan Review Committee. To formalize the institution of the Underwriting Guidelines discussed at the last meeting and the role of the Loan Review Committee, a resolution entitled "General Authorizing Resolution Re: Multifamily Development Financing" is attached for your consideration. The only change to the attached Underwriting Guidelines is the recognition that "significant changes" to a project after the Board's initial approval would require the Board's reconsideration. An additional memorandum regarding "significant changes" is included in the Board packet.

Please feel free to call me if you have any questions regarding these resolutions before the Board meeting.



**GENERAL AUTHORIZING RESOLUTION RE: MULTIFAMILY  
DEVELOPMENT FINANCING**

WHEREAS, the Board of Commissioners wish to direct the Executive Director to implement efficiency measures to streamline the approval process for multifamily developments; and

WHEREAS, the Board of Commissioners wishes to adopt Underwriting Guidelines to be implemented by the Executive Director and Agency staff to evaluate and finance multifamily housing developments; and

WHEREAS, the Board of Commissioners wishes to formalize the role of the Loan Review Committee and delegate certain authority to the Loan Review Committee as described in the Underwriting Guidelines;

**THEREFORE, IT IS RESOLVED:**

1. The Board of Commissioners hereby adopts the attached Underwriting Guidelines dated March 22, 2001 as a policy of the Agency to be applied to each application for multifamily housing development loans.
2. The members of the Loan Review Committee shall be the Executive Director, the Chief Financial Officer, the Chief of Program Operations, the Director of Multifamily Programs, Director of Homeownership Programs, the Senior Development Officer and the Multifamily Development Underwriter(s).
3. The Loan Review Committee shall meet regularly to evaluate the status of each multifamily housing development under consideration for financing and exercise its authority as described in the Underwriting Guidelines adopted by the Board of Commissioners as amended from time to time.
4. The Loan Review Committee shall provide a cumulative quarterly report to the Board of Commissioners of the multifamily loans closed and their terms during the current fiscal year.

**VERMONT HOUSING FINANCE AGENCY**

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

Adopted March 22, 2001

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

**February 22, 2001**

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

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

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

**ARTICLE I**

**DEFINITIONS AND AUTHORITY**

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

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

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

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

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

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

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

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

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

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

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

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

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

## ARTICLE II

### AUTHORIZATION, TERMS AND ISSUANCE OF BONDS

**.1. Authorization of Bonds, Principal Amount and Series.** In order to provide sufficient funds necessary for the Program, in accordance with and subject to the terms, conditions and limitations established in this Resolution and in any General Resolution applicable thereto, one or more series of Bonds are hereby authorized to be issued, from time to time, each by the execution and delivery of a Series Certificate, in an aggregate principal amount not to exceed \$15,000,000. Such Series Certificate shall be signed by at least two of the following—Chairman, Vice-Chairman, Executive Director, Director of Finance or Chief of Program Operations; provided that if the amount of Bonds authorized by such Series Certificate exceeds \$1,000,000 one of the signatories thereto must be the Chairman or Vice-Chairman. The Agency is of the opinion and hereby determines (a) that the issuance of Bonds in said amount is necessary to provide sufficient funds to be used and expended from time to time for the Program; (b) that the Mortgage Loans to be made or financed on behalf of the Agency with the proceeds of the Bonds can be issued bearing a rate or rates of interest which will be less than the prevailing rate of interest on comparable mortgage loans available in the State of Vermont without the assistance of the Agency; and (c) that the Agency will derive receipts, revenues and other income

from the Mortgage Loans purchased or made with the proceeds of the Bonds sufficient to provide, together with all other available receipts, revenues and income of the Agency, for the payment of the Bonds and the payment of all costs and expenses incurred by the Agency with respect to the Program or purpose for which the Bonds are issued.

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

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

- (a) the principal amount of Bonds to be issued pursuant thereto;
- (b) the Series or sub-Series designation and title;
- (c) the maturity or maturities of the Bonds, which in no event shall exceed 40 years, provided that if the Agency otherwise approves a Mortgage Loan with a maturity in excess of 40 years from the date of issuance of the Bonds intended to fund such Mortgage, such Bonds may have a maturity not to exceed six months following the maturity of such Mortgage Loan, subject in any case to limitations imposed by the Act;
- (d) the interest rate or rates on the Bonds or the method of determining the same, provided that the interest rate or rates on the Bonds (or the initial rate or rates if the rates are not fixed rates) shall not exceed 8% if the interest on the Bonds is to be exempt from federal income taxation or 10% otherwise, and provided further that if the initial rate or rates are not fixed rates the maximum permitted rate in any case may not exceed 12%;
- (e) the date or dates on which interest on the Bonds is payable;
- (f) the dated date or dates of the Bonds, or the method of determining the same;
- (g) the redemption provisions for the Bonds, which may include optional, mandatory and/or sinking fund redemptions, provided that the Bonds shall be optionally redeemable no later than 15 years after their date of issuance and at a redemption premium not exceeding 3% and reducing by at least 1% annually thereafter;
- (h) the minimum and authorized denominations of the Bonds;
- (i) whether or not the interest on the Bonds is to be exempt from federal income taxation;
- (j) whether or not the Bonds are to be DTC Eligible;

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

## ARTICLE I

### SPECIAL COVENANTS FOR TAX-EXEMPT BONDS

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

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

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

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

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

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

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

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

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

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

**.4. Compliance With Article III.** If and to the extent a Series or sub-Series of Bonds is designated as Bonds the interest on which is not to be subject to federal income taxation, the provisions of this Article III shall be complied with by the Agency in order to meet the requirements of the Code such that interest on such Bonds shall be and remain exempt from federal income taxes; provided, however, that the Agency shall not be required to comply with any such provision with respect to such Bonds in the event the Agency receives a Counsel's

Opinion from a nationally recognized bond counsel firm that compliance with such provision is no longer required to satisfy the requirements of the Code or that compliance with some other provision in lieu of a provision specified in this Article III will satisfy said requirements, in which case compliance with such other provision specified in the Counsel's Opinion shall constitute compliance with the provisions specified in this Article III.

## **ARTICLE II**

### **MISCELLANEOUS**

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

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

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

**.4. Effective Date.** This resolution shall take effect immediately.

## Vermont Housing Finance Agency

### UNDERWRITING GUIDELINES

### MULTIFAMILY DEVELOPMENT

Approved: \_\_\_\_\_

**Purpose:** This policy outlines the underwriting guidelines which are to be followed to evaluate applications for both construction and permanent loans for multifamily housing.

**Procedure:** At the direction of the Executive Director, Multifamily Development staff in conjunction with Multifamily Management staff where appropriate will apply these guidelines consistently to each application for the financing of multifamily housing developments. Authority to issue a Letter of Interest and/or a Letter of Commitment for a particular project requires formal action by the Board of Commissioners. Based on the application of the underwriting guidelines, conditions for loan commitment and/or closing, loan terms and source of funds that maintain the financial viability of the project will be determined by the Multifamily Development staff and the Loan Review Committee with the concurrence of the Executive Director or his or her designee. Any significant changes (as determined by the Board of Commissioners) will require reconsideration by the Board of Commissioners. All loans are subject to the requirements of the source of funds to be used, such as, bond proceeds. The Loan Review Committee will submit a cumulative fiscal year report of the loans made or to be made and their terms to the Board of Commissioners quarterly, indicating the newest additions to the report.

**Interpretation:** Executive Director

<b>Types of Projects to be Financed</b>	New construction; acquisition and/or rehabilitation; mobile home parks; tenant cooperatives; transitional housing; SROs; congregate care; residential care; group homes
<b>Affordability/Income Targeting</b>	75% of housing must be occupied by households of low or moderate income as established by the Agency from time to time; may be waived to "more than half" by the Board of Commissioners LIHTC allocation and/or use of bond proceeds may dictate additional affordability requirements
<b>Loan to Value</b>	For-Profits: Up to 95% of appraised value or cost, whichever is less Non-profits: Up to 100% of appraised value or cost, whichever is less
<b>Term</b>	Based on source of funds and financial needs of project, but in no event shall the term exceed forty (40) years
<b>Interest Rate</b>	As determined by the VHFA Policy on Rates and Fees as amended from time to time
<b>Debt Coverage Ratio</b>	Generally requires 1.15 to 1; may be lowered if justified by mitigating circumstances

	Use of bond proceeds may require a higher ratio
<b>Property Analysis</b>	Appraisal required; Level I Environmental Assessment, including lead and asbestos abatement where necessary
<b>Market Study</b>	Sponsor must demonstrate need for housing to support staff recommendation to Board of Commissioners
<b>Development Budget</b>	Staff approval by line item based on Agency experience, comparables and industry benchmarks
<b>Building Plans &amp; Specifications</b>	Staff approval with outside evaluation when needed; For existing projects, including mobile home parks, plans must address the results of a capital needs assessment
<b>Management Capability</b>	Proposed management plan and management agent requires Multifamily Management approval
<b>Operating Budget</b>	First year plus cash flow projections for the term of loan
<b>Income and Expense Projections</b>	Burlington MSA: 1.5% per year for income and 3% per year for expenses Outside Burlington MSA: 1% per year for income and 2.5% per year for expenses
<b>Vacancy Rate Projection</b>	Not less than 5% at stabilized occupancy unless supported by compensating circumstances at Agency's discretion; may require a higher rate based on market study
<b>Replacement Reserve Account</b>	Rental: minimum \$350/unit/year Mobile Home Parks: Based on capital needs assessment
<b>Working Capital</b>	Two (2) months' operating expenses, including debt service and replacement reserves; at least 50% in cash
<b>Deficit Escrow</b>	Amount determined at permanent closing to cover expenses during rent-up period; released after six (6) months of sustained breakeven operation on an annualized basis
<b>Minimum Equity</b>	Local or State agency; Non-profit: None Others: 5% in cash or land or combination
<b>Regulatory Agreement</b>	Must include rent limits, operating account requirements, replacement reserve, working capital, tenant income monitoring, VHFA rights in case of default Requires Multifamily Management approval

**GENERAL AUTHORIZING RESOLUTION RE: MULTIFAMILY  
DEVELOPMENT FINANCING**

WHEREAS, the Board of Commissioners wish to direct the Executive Director to implement efficiency measures to streamline the approval process for multifamily developments; and

WHEREAS, the Board of Commissioners wishes to adopt Underwriting Guidelines to be implemented by the Executive Director and Agency staff to evaluate and finance multifamily housing developments; and

WHEREAS, the Board of Commissioners wishes to formalize the role of the Loan Review Committee and delegate certain authority to the Loan Review Committee as described in the Underwriting Guidelines;

**THEREFORE, IT IS RESOLVED:**

1. The Board of Commissioners hereby adopts the attached Underwriting Guidelines dated March 22, 2001 as a policy of the Agency to be applied to each application for multifamily housing development loans.
2. The members of the Loan Review Committee shall be the Executive Director, the Chief Financial Officer, the Chief of Program Operations, the Director of Multifamily Programs, Director of Homeownership Programs, the Senior Development Officer and the Multifamily Development Underwriter(s).
3. The Loan Review Committee shall meet regularly to evaluate the status of each multifamily housing development under consideration for financing and exercise its authority as described in the Underwriting Guidelines adopted by the Board of Commissioners as amended from time to time.
4. The Loan Review Committee shall provide a cumulative quarterly report to the Board of Commissioners of the multifamily loans closed and their terms during the current fiscal year.

*I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont on March 22, 2001.*

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

**RESOLUTIONS ADOPTED AT THE ANNUAL MEETING OF VERMONT  
HOUSING FINANCE AGENCY, MARCH 22, 2001**

RESOLVED, Gustave Seelig is hereby elected to serve as Vice Chairman of the Agency until his successor is elected and qualified.

RESOLVED, Roger A. Schoenbeck is hereby elected to serve as Treasurer of the Agency until his successor is elected and qualified.

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

RESOLVED, that the Bylaws of the Agency are hereby amended in the first sentence of Article II Section 3.1 to read as follows:

Section 3.1. Annual Meeting. The Annual Meeting of the Commissioners shall be held during the month of March of each year, or on such earlier or later date in each calendar year as the Chairman shall designate.

RESOLVED, all actions taken in the resolution entitled "Resolutions Adopted at the Annual Meeting of the Vermont Housing Finance Agency, July 15, 1999" not inconsistent with the resolutions contained herein are deemed to be ratified and will continue in force until changed by affirmative action of the Board of Commissioners.

*I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont on March 22, 2001.*

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

RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF A GENERAL OBLIGATION BOND TO STRATEVEST & CO. OR SOME OTHER SUBSIDIARY OF BANK NORTH GROUP, INC. IN A MAXIMUM AMOUNT OF \$600,000 AND USING THE PROCEEDS, ALONG WITH OTHER TAX-EXEMPT PROCEEDS, TO MAKE A LOAN IN THE MAXIMUM AMOUNT OF \$4,700,000 TO HOUSING VERMONT TO FINANCE THE CONSTRUCTION OF 67 UNITS OF A 74-UNIT DEVELOPMENT IN BURLINGTON

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

WHEREAS, the Agency desires to issue and sell additional tax-exempt bonds of not more than \$600,000 aggregate principal amount to Stratevest & Co., or some other subsidiary of BankNorth Group, Inc. (the "Purchaser") based on the Agency's general obligation credit and use the proceeds to finance, in part, a construction loan to Housing Vermont (the "Borrower") to construct 67 units of a 74-unit development, McAuley Square (the "Project") in Burlington, Vermont that will qualify for federal low-income housing tax credits;

NOW, THEREFORE, it is hereby RESOLVED:

1. The issuance and sale of up to \$600,000 principal amount of additional tax-exempt bonds to the Purchaser (the "Borrowing") is hereby authorized and approved, the security for the repayment thereof being the general obligation of the Agency as hereinafter described, and the Executive Director, Chief of Program Operations and Director of Finance are each hereby authorized and directed to execute and deliver such documents as they deem appropriate and necessary to evidence such Borrowing and the Agency's obligation to repay the same, including, without limitation, a bond delivered to the Purchaser with such terms as the person executing the same shall deem appropriate, provided that the maturity of such Borrowing shall not exceed eighteen months and the interest rate thereon shall not exceed 7%. The obligation of the Agency to repay the Borrowing shall constitute a general obligation of the Agency payable out of any revenues or moneys of the Agency, subject only to any agreements with the holders of particular notes or bonds pledging any particular revenues.

2. The Executive Director, Chief of Program Operations or Director of Finance is each hereby authorized to issue certifications as to the Agency's reasonable expectations regarding the amount and use of the proceeds of the Borrowing as described in Section 148 of the Internal Revenue Code of 1986, as amended.

3. The Executive Director, Chief of Program Operations, Director of Finance and any Commissioner or other officer of the Agency, acting alone or acting with others, are hereby authorized and directed to execute and deliver any or all other documents which may be required to implement the foregoing, and to take such other action as may be required or appropriate for the performance of the duties imposed thereby or to carry out the purposes thereof.



4. This Resolution shall become effective immediately.

ADOPTED by the Vermont Housing Finance Agency this 22<sup>nd</sup> day of March, 2001.

VERMONT HOUSING FINANCE AGENCY

By Sarah E. Carpenter  
Executive Director

Attest:

By

Karen A. DeBenedictis  
Authorized Officer

*I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont, on March 22, 2001.*

Sarah E. Carpenter

**SARAH E. CARPENTER**  
*Executive Director and Secretary*  
*Vermont Housing Finance Agency*



## Vermont Housing Finance Agency

### BOARD MINUTES

Vermont Housing Finance Agency  
164 Saint Paul Street  
Burlington, Vermont

Thursday, March 22, 2001 at 12:00 p.m.

**PRESENT:** Chairperson Randall, Commissioner Beyer (designee of Lambert)  
Staff: Ms. Carpenter, Ms. Caragher, Ms. Kendrick, Ms. Loller, Ms. Reid, Ms. Crady, Ms. Black-  
Plumeau, Mr. Falzone, Ms. Mullikin Drake, Mr. Schoenbeck, Mr. Erdelyi  
Other: Ms. Owens (Housing Vermont)

**VIA TELEPHONE:** Commissioners Candon (designee of Costle), Seelig, Young (designee of Douglas), Mr. Adams

Chairperson Randall called the meeting to order at 12:05 p.m.

### ANNUAL MEETING

Ms. Mullikin Drake briefly reviewed the proposed Annual Meeting resolution. Each year an annual meeting should occur to elect officers, confirm actions of the prior year, and authorize any other changes (advisor changes, underwriters, check signing authority, etc). The Agency's bylaws currently state that the annual meeting should take place in July unless changed by the Chairperson for cause.

Ms. Mullikin Drake suggested that the Board choose another month to hold the annual meeting, due to the scheduling of Board meetings (the Board does not usually meet in July).

Chairperson Randall stated that Mr. Seelig has agreed to continue as Vice-Chairman. After a brief discussion, the Board agreed that March should be the month in which the annual meeting is held each year. With no further discussion, Ms. Beyer made a motion to approve the "Resolution Adopted at the Annual Meeting of Vermont Housing Finance Agency, March 22, 2001." The motion carried unanimously after being seconded by Mr. Candon.

### MINUTES

Next on the agenda was the approval of the February 22, 2001 minutes. Mr. Seelig noted that there was discussion during the February Board meeting surrounding the issues of amending Act 250. Staff and the Board discussed the difficulties of getting involved in the process and proposed revisions of Act 250 and the permitting process. Although there was no conclusion to this discussion, Mr. Seelig asked that it be added to the minutes.

With no further changes, Mr. Seelig made a motion to approve the February 22, 2001 minutes with the above change. The motion carried unanimously after being seconded by Mr. Candon.



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## DEVELOPMENT

Mr. Adams stated that at the February Board meeting there was discussion surrounding what changes the Board would want to revisit if there were changes after a project's initial approval for financing. Since then, staff has compiled the following items as "significant changes" that would trigger the Board's review: (1) change in the loan amount, (2) change in the project type, (3) change in the borrower, (4) change in the development location, and (5) other changes (all unexpected changes will be discussed with the Chairperson to determine whether the Board should revisit).

Mr. Adams indicated that Ms. Carpenter's memo, regarding the improvements to multifamily loan and financing approval process, tie into the significant changes listed above. The two improvements to the approval process are (1) the approval of a general authorizing bond resolution, which would authorize a certain amount of bond financing for multifamily projects, and (2) to formalize the underwriting guidelines and the role of the Loan Review Committee. Ms. Carpenter indicated that the only change staff has made to underwriting guidelines, since last month's meeting, is the recognition that "significant changes" to a project require the Board's reconsideration.

Mr. Seelig suggested that he would like a project that has a change in the loan type to come back to the Board for reconsideration. Ms. Beyer agreed that she would feel more comfortable with this change as well. Mr. Seelig also inquired about the 0% money and what changes are considered "significant." Ms. Carpenter indicated that currently if a 0% loan exceeds \$100,000 it then goes to the Board for approval. The Loan Review Committee approves the 0% loans under \$100,000.

It was suggested that if an applicant has requested any change in the amount of an approved 0% loan, which is greater than \$100,000, or the amount of the 0% loan will exceed \$100,000 after the requested change is applied, that it be added to the underwriting guidelines. Ms. Mullikin Drake indicated that she would make that change.

With no further discussion, Mr. Seelig made a motion to approve (1) a general authorization multifamily bond resolution in the amount of \$15 million, (2) the proposed underwriting guidelines, including the addition of the changes in 0% loans, (3) the Loan Review Committee's role, and (4) the "significant changes" with the addition of a change of loan type. The motion carried unanimously after being seconded by Ms. Beyer.

Next, Mr. Erdelyi reviewed McAuley Square in Burlington. Shortly after the closing on the VHFA loans, a problem arose. An architect failed to communicate to an engineer a change that Housing Vermont made in the design plans. The change was to eliminate the full basement and only have a partial basement with the rest of the building built on a slab. When the work began, the soil engineers indicated that putting part of the building on a slab would not be acceptable. Housing Vermont then decided to proceed with a full basement. This full basement was more expensive, and also this change led to a month's delay in construction, which resulted in higher costs.

Staff is proposing that the Board approve an additional construction loan not to exceed \$600,000. Mr. Erdelyi noted that in the future, VHFA would use the higher standard of 55% of total development cost as an extra buffer for construction loans in projects utilizing the 4% tax credit.

With no further discussion, Mr. Seelig made a motion to approve the "Resolution Pertaining to an Amendment to the Commitment Re: Construction Financing for McAuley Square, Burlington." The motion carried unanimously after being seconded by Mr. Candon.

## HOMEOWNERSHIP

Ms. Crady indicated that on March 19<sup>th</sup> the new Cash Assistance Option was implemented. Staff will start working on getting the word out about this new initiative to consumers and will begin training the lenders as well.

Next, Ms. Black-Plumeau reviewed the single family home sales in Vermont during 2000. In regard to market share, VHFA assisted 13% of 8,215 homebuyers in Vermont in 2000. VHFA assisted 16% of homebuyers whose homes sold for \$165,000 or less. This information was also broken down by counties.

Mr. Seelig mentioned that at the February Board meeting, Ms. Canney stated that while the Chittenden County inventory may be very low, this did not seem to be the case in Rutland and may not be in other parts of the state. He asked Ms. Black-Plumeau if she had any information regarding this. Ms. Black-Plumeau noted that she doesn't have any information on the inventory, but would look at it for the Board. Chairperson Randall suggested that she look back a couple of years to compare where there are differences in the state.

### MULTIFAMILY

A full discussion of the Templeton Court project was postponed until the April Board meeting. Mr. Falzone did indicate that the appraisal value for Templeton came in at \$960,000. Currently, VHFA has a \$1.42 million outstanding loan balance. The property is in need of significant rehabilitation, including the need to address some potential code issues, and VSHA is proposing a costly total redevelopment of the property. Ms. Beyer asked if VHFA's construction consultant has reviewed the renovation plan and was told that he has only completed a limited review. Ms. Carpenter suggested that we have him review VSHA's proposal and engineering reports to see if he has a different opinion on the options and cost for addressing these problems. The issue of VSHA's management was also discussed and it was noted that their regional office had been located on the Templeton site since they acquired the property in 1991.

Mr. Falzone reported that there would be more information regarding Templeton at the April Board meeting and Richard Williams, Executive Director of VSHA, will attend with his development consultant Jeff Kantor.

Mr. Falzone handed out an analysis of Multifamily per unit month operating costs in the northeastern states. He indicated that VHFA is on the low to middle side of operating costs compared to other HFA's in New England. Ms. Beyer suggested that staff might want to consider putting one graph together that compares Vermont's projects and the New England states.

### STRATEGIC PLAN

Mr. Candon congratulated staff on a job well done with the strategic plan update and indicated that it was very easy to read. Ms. Carpenter indicated that in the fall it was agreed that a lot of the goals we had on our list would still be on our list going forward into 2001. Staff is requesting a reaffirmation from the Board that the two initiatives discussed at the fall retreat still make sense to pursue for the Agency.

Ms. Carpenter asked for feedback regarding VHFA's role in developing public awareness. Ms. Beyer indicated that the Board needs to be clear on what the expectations are for the marketing campaign. Mr. Seelig stated that we need to figure out what we are trying to motivate the public to do, and identify the purpose of our campaign.

After further discussion, Chairperson Randall proposed that Ms. Carpenter, Ms. Loller and herself get together to discuss the next steps for the Board in dealing with strategic plan issues, and also how we want to do our strategic planning in November. The Board agreed with this suggestion.

### ADMINISTRATION

Ms. Carpenter discussed our current situation with the Mitas Group. Staff has a strong sense that the Mitas Group is over extended and it is creating issues for VHFA. Mr. Jean (Information Systems Manager) indicated

that there is a lack of support from Mitas to resolve system problems. Ms. Carpenter indicated that if the situation continues, we might have to get more staffing to assist us. She also indicated that we might have to look into new systems. Staff is working on different options and will keep the Board updated.

Ms. Carpenter announced with regret, that Cathleen Gent was leaving VHFA to pursue independent consulting. With her resignation, it gave the management team a chance to look at the different aspects of Ms. Gent's position. Ms. Carpenter indicated that Ms. Caragher would be moving downstairs and taking over the supervision of the front office staff and functions as part of the Administration department. The housing studies will move over to Ms. Black-Plumeau and we will recruit for a public affairs coordinator.

Ms. Loller mentioned that Ms. Gent was sorry she couldn't attend the Board meeting, but that she wanted to say thank you to the Board for its support over the past nine years.

Ms. Carpenter mentioned that she returned from the NCSHA Legislative Conference in Washington the previous day and that she got the opportunity to meet with staff of the Vermont Congressional Delegation.

Ms. Carpenter mentioned that a federal tax bill is being introduced that would accomplish three things: (1) appeal the 10-year rule (this would allow VHFA to recycle single family bond cap), (2) set an alternate method for determining purchase price limits for VHFA homeownership programs, (3) and include an enhancement to the Housing Credit program to expand eligibility for the program in rural areas.

#### FINANCE

The single family bond financing must close by April 27<sup>th</sup>, and the expectation is that we will sell the bonds on April 19<sup>th</sup>. The structure of the bond sale is similar to what we have done in the past; we would sell \$35 million of notes and \$35 million of bonds and split the bonds. Staff was told yesterday that long bond rates are at a historical low, so staff is going to incorporate an interest rate adjustment feature. This will allow VHFA to drop its rates if needed.

#### OTHER

Ms. Carpenter indicated that she would like to have a Board meeting on April 19<sup>th</sup> in Montpelier to discuss Templeton, the bond financing and strategic planning. Ms. Caragher will email the Board with the location for the meeting.

Mr. Seelig asked if the Joint Committee on Tax Credits would be meeting before April 30<sup>th</sup>. Ms. Carpenter indicated that each member of the committee would be receiving a summary to review and probably would not need to meet. Mr. Erdelyi noted that he is working on the summary and will get it out to the committee members.

Ms. Randall thanked staff for all of their hard work with the Mitas conversion. With no further business, the meeting adjourned at 2:50 p.m.

Sincerely,



Sarah E. Carpenter  
Executive Director and Secretary

**RESOLUTION PERTAINING TO AN AMENDMENT TO THE COMMITMENT RE:  
CONSTRUCTION FINANCING FOR MCAULEY SQUARE, BURLINGTON**

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

WHEREAS, a proposal was presented to the Agency by Housing Vermont on behalf of a limited partnership, McAuley Square Housing Limited Partnership, involving the new construction of 74 units of rental housing in the City of Burlington (the "Development"); and

WHEREAS, this proposal has been the subject of a previous resolution of the Agency on May 25, 2000; and

WHEREAS, ultimately Housing Vermont, rather than the limited partnership, was the Borrower for the Agency's loan for the Development; and

WHEREAS, the Agency has closed on its \$4,100,000 construction loan to the Borrower, but construction costs have increased to the point where the Borrower needs to borrow more funds from the proceeds of tax-exempt bonds in order to maintain a level of tax-exempt borrowing over 50% of project costs and insure the availability of housing credits for the Development; and

WHEREAS, the Agency desires to take "official action" for the purpose of, and to reimburse itself for any advances of its funds prior to the issuance and sale of tax-exempt bonds of not more than \$4,700,000 aggregate principal amount (the "Bonds") to finance a loan to the McAuley Square Housing Limited Partnership (the "Borrower") to construct 62 units of a 74 unit rental housing development (the "Project") in Burlington, Vermont that will qualify for federal low-income housing tax credits;

WHEREAS, the proposal contemplates a combination of first mortgage loans in an amount of up to \$4,700,000 for construction financing, with the interest rate to be determined by the Agency depending on the source of funds, but not to exceed 150 basis points above the Agency's cost of funds and a long-term loan in an amount of up to \$3,500,000, with the interest rate to be determined by the Agency depending on the source of funds, but not to exceed 150 basis points above the Agency's cost of funds;

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

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Joe Erdelyi, dated March 16, 2000, containing information and recommendations about the Development (the "Memorandum");

It is hereby DETERMINED:

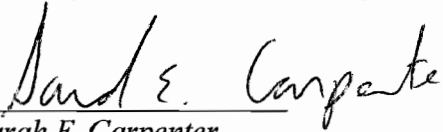
1. The Development is primarily for persons and families of low and moderate income.
2. The construction costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.
3. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and moderate income are able to afford within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of the residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families.
4. The housing sponsor undertaking the Development will increase the supply of well-planned, well-designed permanent, temporary, transitional or emergency housing for persons and families of low and moderate income.
5. The security value of the Development will equal at least the amount of the Agency's loan.
6. The sponsor and its general partner are financially responsible and the proposed ownership entity is expected to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or the Chief of Program Operations may, in her/his discretion, issue an amended Commitment Letter for a construction loan for the Development in an amount not to exceed \$4,700,000.
2. The issuance of Bonds in an additional amount of not more than \$600,000 for the purpose of financing a loan to the Borrower to allow the Borrower to acquire and construct the Project is hereby preliminarily approved, and, pursuant to Section 1:150-2 of the Internal Revenue Code Regulations, the Agency hereby states its intention to reimburse itself from Bond proceeds for any advances of Agency funds prior to the issuance of the Bonds.
3. The preliminary approval of paragraph 2 does not obligate the Agency to finally approve the issuance of said Bonds. Final approval of the issuance of the Bonds can only be authorized by subsequent action, which may contain such conditions thereto as the Board may deem appropriate. The Board in its absolute discretion may refuse to finally authorize the issuance of the Bonds and shall not be liable to the Borrower or any other person for its refusal to do so.
4. The terms of the additional construction loan shall be consistent with the terms of the existing construction loan.

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

*I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on March 22, 2001.*

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



**VERMONT HOUSING FINANCE AGENCY**

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

Adopted March 22, 2001

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

**March 22, 2001**

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

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

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

**ARTICLE I**

**DEFINITIONS AND AUTHORITY**

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

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

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

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

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

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

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

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

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

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

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

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

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

## ARTICLE II

### AUTHORIZATION, TERMS AND ISSUANCE OF BONDS

**.1. Authorization of Bonds, Principal Amount and Series.** In order to provide sufficient funds necessary for the Program, in accordance with and subject to the terms, conditions and limitations established in this Resolution and in any General Resolution applicable thereto, one or more series of Bonds are hereby authorized to be issued, from time to time, each by the execution and delivery of a Series Certificate, in an aggregate principal amount not to exceed \$15,000,000. Such Series Certificate shall be signed by at least two of the following—Chairman, Vice-Chairman, Executive Director, Chief Financial Officer or Chief of Program Operations; provided that if the amount of Bonds authorized by such Series Certificate exceeds \$1,000,000 one of the signatories thereto must be the Chairman or Vice-Chairman. The Agency is of the opinion and hereby determines (a) that the issuance of Bonds in said amount is necessary to provide sufficient funds to be used and expended from time to time for the Program; (b) that the Mortgage Loans to be made or financed on behalf of the Agency with the proceeds of the Bonds can be issued bearing a rate or rates of interest which will be less than the prevailing rate of interest on comparable mortgage loans available in the State of Vermont without the assistance of the Agency; and (c) that the Agency will derive receipts, revenues and other income

from the Mortgage Loans purchased or made with the proceeds of the Bonds sufficient to provide, together with all other available receipts, revenues and income of the Agency, for the payment of the Bonds and the payment of all costs and expenses incurred by the Agency with respect to the Program or purpose for which the Bonds are issued.

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

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

- (a) the principal amount of Bonds to be issued pursuant thereto;
- (b) the Series or sub-Series designation and title;
- (c) the maturity or maturities of the Bonds, which in no event shall exceed 40 years, provided that if the Agency otherwise approves a Mortgage Loan with a maturity in excess of 40 years from the date of issuance of the Bonds intended to fund such Mortgage, such Bonds may have a maturity not to exceed six months following the maturity of such Mortgage Loan, subject in any case to limitations imposed by the Act;
- (d) the interest rate or rates on the Bonds or the method of determining the same, provided that the interest rate or rates on the Bonds (or the initial rate or rates if the rates are not fixed rates) shall not exceed 7% if the interest on the Bonds is to be exempt from federal income taxation or 9% otherwise, and provided further that if the initial rate or rates are not fixed rates the maximum permitted rate in any case may not exceed 12%;
- (e) the date or dates on which interest on the Bonds is payable;
- (f) the dated date or dates of the Bonds, or the method of determining the same;
- (g) the redemption provisions for the Bonds, which may include optional, mandatory and/or sinking fund redemptions, provided that the Bonds shall be optionally redeemable no later than 15 years after their date of issuance and at a redemption premium not exceeding 3% and reducing by at least 1% annually thereafter;
- (h) the minimum and authorized denominations of the Bonds;
- (i) whether or not the interest on the Bonds is to be exempt from federal income taxation;
- (j) whether or not the Bonds are to be DTC Eligible;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## ARTICLE I

### SPECIAL COVENANTS FOR TAX-EXEMPT BONDS

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

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

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

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

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

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

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

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

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

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

**.4. Compliance With Article III.** If and to the extent a Series or sub-Series of Bonds is designated as Bonds the interest on which is not to be subject to federal income taxation, the provisions of this Article III shall be complied with by the Agency in order to meet the requirements of the Code such that interest on such Bonds shall be and remain exempt from federal income taxes; provided, however, that the Agency shall not be required to comply with any such provision with respect to such Bonds in the event the Agency receives a Counsel's



Opinion from a nationally recognized bond counsel firm that compliance with such provision is no longer required to satisfy the requirements of the Code or that compliance with some other provision in lieu of a provision specified in this Article III will satisfy said requirements, in which case compliance with such other provision specified in the Counsel's Opinion shall constitute compliance with the provisions specified in this Article III.

## ARTICLE II

### MISCELLANEOUS

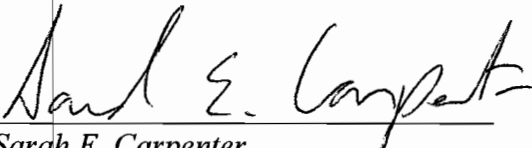
**.1. Amendments.** This Resolution may be amended from time to time prior to the issuance of any Series of Bonds, which right shall be in addition to any other rights to amend. To the extent a Series of Bonds is issued under and pursuant to a General Resolution, this Resolution and any Series Certificate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

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

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

**.4. Effective Date.** This resolution shall take effect immediately.

*I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont on March 22, 2001.*



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



## Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Multifamily Development Underwriter *CR*

DATE: April 12, 2001

RE: Multifamily Construction Loan Application for Green Mountain Seminary, Waterbury

<b>Name:</b>	Green Mountain Seminary	<b>Location:</b>	Waterbury
<b>Housing Type:</b>	General Occupancy	<b>Unit Type:</b>	Flats
<b>Total Units:</b>	16	<b>Unit Sizes:</b>	8 1-Br, 627 sf; 8 2-Br, 839 sf
<b>Total Cost:</b>	\$2,282,454 (residential only)	<b>Per S.F. Devel Cost (residential only):</b>	\$194.53
<b>Loan Requested:</b>	\$1,628,000 construction loan	<b>Housing Credits:</b>	\$67,244
<b>Other Funding:</b>	VHCB, HOME, VCDP, VHCB Lead, HUD Special Purpose, Waterbury Revolving Loan Fund, Neighborworks, Historic Tax Credits, State Tax Credit, Housing Credits (4%)		
<b>Sponsors:</b>	Housing Vermont & Central Vermont Community Land Trust		

Housing Vermont is seeking \$1,628,000 in tax exempt construction financing in order to obtain 4% Housing Credits to acquire and rehabilitate a vacant historic property in Waterbury. Two vacant apartments and a branch of the local public library currently occupy two floors of the four-story building. The remainder of the building is vacant and has been for at least 35 years since the building was used as a school. HVT/CVCLT propose to rehabilitate the property and create sixteen housing units and a newly renovated space for the library. An elevator will be installed and two units will be made handicapped accessible. CVCLT will manage the property once it's completed. All other funding is committed; the project has local permits and anticipates Act 250 approval by the end of April. The sponsors anticipate starting construction in May and completing it in early 2002. An as-completed appraisal has been ordered but not yet obtained. The budget is attached.

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



mailing address P.O. Box 408, Burlington, VT 05402-0408

phone (802) 864-5743

delivery address 164 Saint Paul St., Burlington, VT 05401-4364

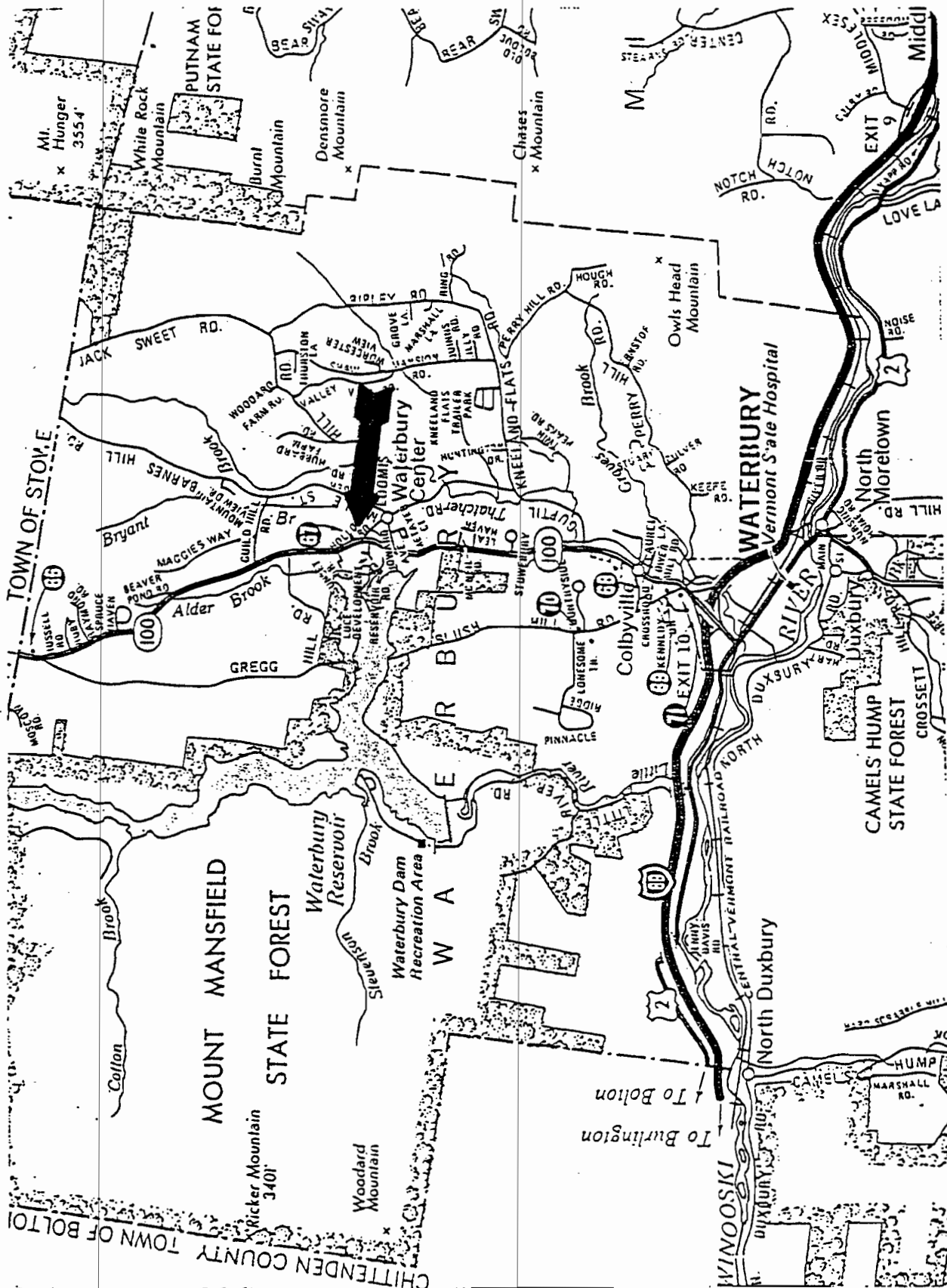
fax (802) 864-5746

www.vhfa.org



Community Map

EXHIBIT F  
Location map

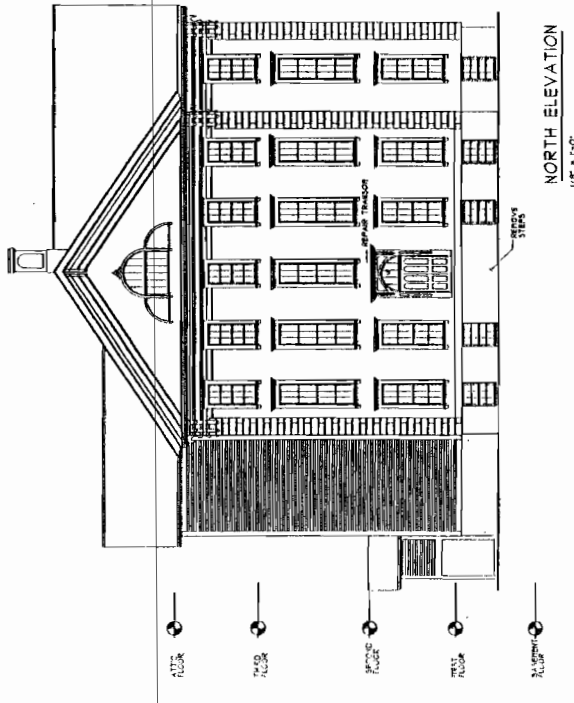
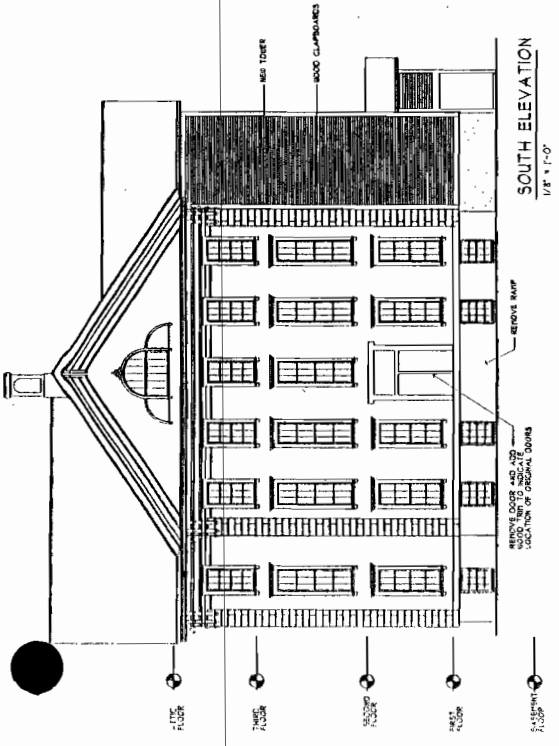
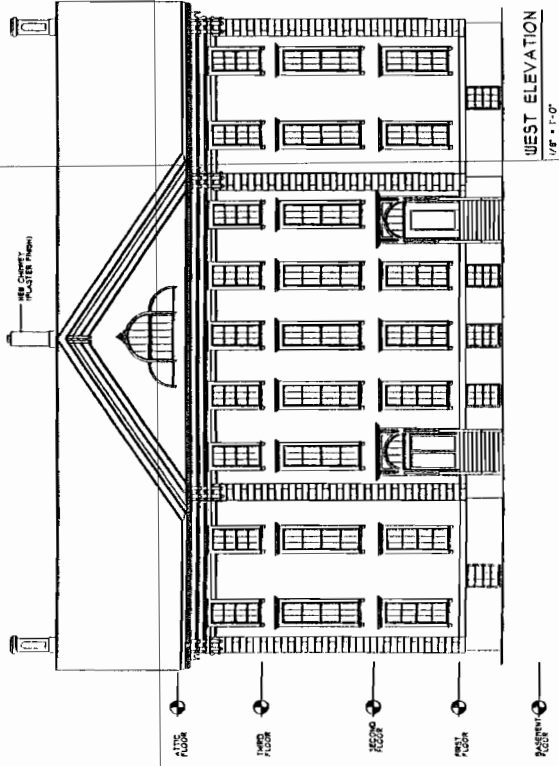
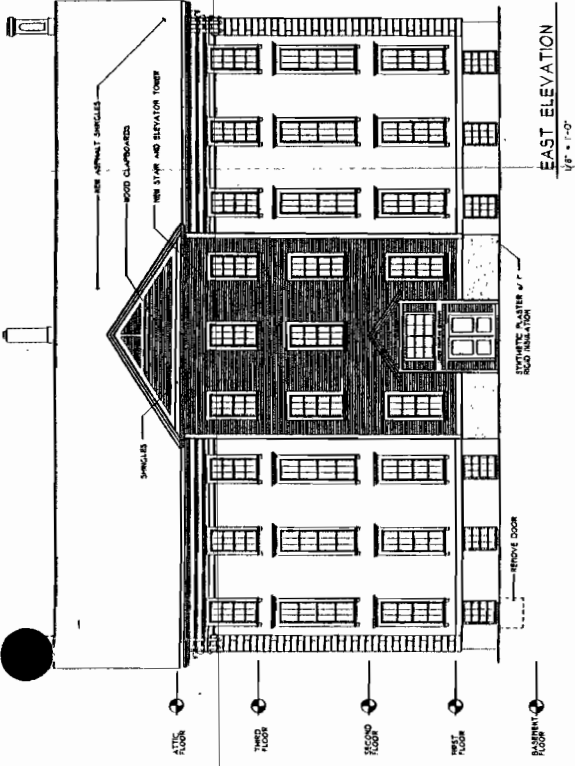


**N.B.F.**  
 Nims • Berryhill • Fliged  
 ARCHITECTS P.C.  
 24 1/2 Center Street  
 Rutland, Vermont  
 05701

Renovations to The  
**Green Mountain Seminary**  
 Wardsbury, Vermont

02/01/01 ACT 330 REVIEW  
 Date: Issued For:

**A8**



10-Apr-01 Seminary Housing

Total Residential Units:	16	Increase in Income from Rental Units:	1.50%
Housing Credit Restricted Units:	14	Increase in Income from Other Sources:	3.50%
Percent Restricted:	87.50%	Increase in Income from Commercial:	1.50%
Total Development Cost:	2,713,525	Expense increase:	3.00%
Total Development Cost per Unit:	169,595	Vacancy Rate:	5%
Total Development Cost Per SF:	231	Partner's Tax Rate:	35%
4% Credit Amount Allocated:	67,244	Long Depreciation Schedule:	27.5 years
State Credit Allocated:	42,000	Short Depreciation Schedule:	7 years
		Sponsor's Estimated Yield:	166.65%

LIHTC - 9%	8.21%	April 2001
LIHTC - 4%	3.52%	

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term
RLF	80,000	2.95%	3.00%	15	15
HOME	123,600	4.55%	7.00%	30	int. only
VHCB-lead	56,000	2.06%	7.00%	30	int only
VCDP	306,700	11.30%	0	30	30
VHCB	372,000	13.71%	0%	30	30
Neighbor Works	101,000	3.72%	0%	30	30
HUD Special Purpose	190,000	7.00%	0%	30	30
VHCB Feasibility	6,700	0.25%	N/A	N/A	N/A
Historic equity	449,324	16.56%	N/A	N/A	N/A
Tax Credit Equity	1,028,200	37.89%	N/A	N/A	N/A
<b>TOTAL SOURCES</b>	<b>2,713,524</b>	<b>100.00%</b>			

USES

Acquisition	197,250	7.27%
Construction Hard Costs	2,014,094	74.22%
Soft Costs	502,181	18.51%
<b>TOTAL USES</b>	<b>2,713,525</b>	<b>100.00%</b>

Gap 1

PER UNIT COST LIMIT CALCULATION

	per unit limits	number of units		
0 Br	84,390	0	0	
1 Br	90,140	8	721,120	
2 Br	95,890	8	767,120	
3 Br	101,637	0	0	
4 Br	107,390	0	0	
Maximum cost allowed under the per unit cost limits			1,488,240	
Projected total cost, excluding cash accounts&comm.			2,676,125	Cost Coverage %
	(over)/under		(1,187,885)	56%

General Partner's Capital Contribution	11,206	1.00%
Limited Partner's Capital Contribution	1,109,419	99.00%
Total Equity	1,120,626	

APPLICABLE FRACTION CALCULATION

Tax Credit Restricted Units	14
Total Units	16
Unit Fraction	87.50%
Tax Credit Square Footage	10,168
Total Residential Square Footage	11,733
Square Footage Fraction	86.66%
Applicable Fraction	86.66%

Budget										84%		16%		Allocation of Sources - Housing Only					TOTAL SOURCES			
Per Unit										Per s.f.		Housing		Library		VCHCB					TOTAL SOURCES	
																VCHCB Fee					TOTAL SOURCES	
																VCHCB Fee					TOTAL SOURCES	
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																VCHCB Fee					TOTAL SOURCES	

	Budget	Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Commercial Depreciation
<b>ACQUISITION</b>						
1 Land	21,600					
2 Purchase of Building(s)	158,400	127,600		127,600		30,800
3 DEVELOPER'S FEES	9,000	7,581		7,581		1,419
4 Property Appraisal	4,500	3,790		3,790		710
5 Legal - Title and Recording	3,750	3,159		3,159		591
Subtotal - Acquisition	197,250					
<b>CONSTRUCTION HARD COSTS</b>						
6 Rehabilitation	1,746,466		1,471,078	1,471,078	1,471,078	275,388
7 New Building(s)	0					
8 Accessory Buildings	0					
9 Sitework	32,000		26,954	26,954		5,046
10 Commercial Space Costs (if any)	0				0	0
11 General Requirements	0					
12 Contractor Overhead	0					
13 Contractor Profit	0					
14 Construction Contingency	204,728		172,446	172,446	172,446	32,282
15 Construction Management	0					
16 Construction Bond Fee	0					
17 Hazardous Materials Abatement	13,700		11,540	11,540	11,540	2,160
18 Off-Site Improvements	0					
19 Furnishings, Fixtures, & Equipment	17,200		17,200			
20 Other ( )	0					
Subtotal - Hard Costs	2,014,094					
<b>SOFT COSTS</b>						
21 Architectural	133,137		112,144	112,144	112,144	20,993
22 Engineering	0		0	0	0	0
23 Legal/Accounting	12,000		10,108	10,108	10,108	1,892
24 Relocation	11,200		9,434	9,434	9,434	1,766
25 Environmental Assessment	2,000		1,685	1,685	1,685	315
26 Energy Assessment	0		0	0	0	0
27 Permits/Fees	18,617		15,681	15,681	15,681	2,936
28 Independent Market Study	0		0	0	0	0
29 Construction Period Insurance	5,500		4,633	4,633	4,633	867
30 Construction Interest	42,667		35,939	35,939	35,939	6,728
31 Construction Loan Origination Fee	30,060		0	0	0	0
32 Taxes During Construction	0		0	0	0	0
33 Clerk of the Works	13,500		11,371	11,371	11,371	2,129
34 Marketing	4,500		3,790	3,790	3,790	710
35 Tax Credit Fees	3,950		3,327	3,327	3,327	623
36 Soft Cost Contingency	7,850		6,612	6,612	6,612	1,238
37 Permanent Loan Origination Fee	0					
38 Lender's Counsel's Fee	0					
39 Other ( VCDP Admin fee )	10,000					
<b>SYNDICATION COSTS</b>						
40 Organizational (Partnership)	0					
41 Bridge Loan Fees and Expenses	0					
42 Syndication Consultant	0					
43 Tax Opinion	0					
<b>DEVELOPER'S FEES</b>						
44 Developer's Fees	90,500		76,230	76,230	76,230	14,270
45 Other Partnership Fees	90,500		76,230	76,230	76,230	14,270
46 Consultant Fees	0					
<b>RESERVES</b>						
47 Working Capital	26,200					
48 Rent-up (Deficit Escrow) Reserve	0					
49 Other Operating Reserves	0					
50 Sinking Fund	0					
51 Replacement Reserves	0					
Subtotal - Soft Costs	502,181					
<b>TOTALS</b>	<b>2,711,525</b>	<b>142,130</b>	<b>2,062,612</b>	<b>2,191,332</b>	<b>2,018,458</b>	<b>417,133</b>
LESS: Amount of Non-qualified Financing		0	90,717	509,865	90,717	72,176
LESS: Adjustment for per unit cost limits	100.00%		0			0
LESS: Historic tax Credit (Residential Portion)			385,548			
<b>Total Eligible Basis</b>		<b>142,130</b>	<b>1,586,347</b>		<b>20% Historic Credit Rate</b>	
<b>TOTALS</b>					<b>385,548</b>	<b>Annual Historic Credit</b>
TIMES: Adjusted for QCT/DDA	130.0%		2,062,251			
TIMES: Applicable Fraction	86.66%	123,172	1,787,179			
<b>Total Qualified Basis</b>		<b>123,172</b>	<b>1,787,179</b>			
TIMES: Applicable Percentage		3.52%	3.52%			
<b>Total Annual Credit Qualified</b>		<b>4,336</b>	<b>62,909</b>			
<b>Total Tax Credits Requested</b>	<b>67,846</b>		<b>67,244</b>			
<b>Estimated Net Syndication Proceeds (excluding historic credit equity)</b>	<b>1,119,346</b>					
<b>Estimated Yield - Housing Credit Syndication</b>	<b>166.65%</b>					
<b>Equity Gap</b>	<b>1,119,346</b>					
<b>Credits Needed to fill Equity Gap</b>	<b>67,846</b>					
<b>State Credit</b>	<b>42,000</b>					
				<b>1,681,467</b>	<b>Long Term Depreciable Basis</b>	<b>344,957</b>
				<b>27.5</b>	<b>Depreciation Schedule</b>	<b>39</b>
				<b>61,144</b>	<b>Annual Depreciation</b>	<b>8,845</b>
				<b>17,200</b>	<b>Short Term Depreciable Basis</b>	<b>72,175</b>
				<b>7</b>	<b>Depreciation Schedule</b>	
				<b>2,457</b>	<b>Annual Depreciation</b>	
						<b>Library Historic Credit'</b>

10-Apr-01 **Seminary Housing**

HC Restricted Units  
Bedrooms

Type	Average Square Feet	Number	Average Rent	Utilities	Total Annual Rent
0 Br		0	0		0
1 Br	618	7	370	36	31,080
2 Br	834	7	500	45	42,000
3 Br		0	0		0
4+ Br		0	0		0
Totals	10,168	14			73,080

Non-HC Restricted Units  
Bedrooms

Type	Square Feet	Number	Rent	Utilities	Total Annual Rent
0 Br		0	0		0
1 Br	690	1	423	36	5,076
2 Br	875	1	550	45	6,600
3 Br		0	0		0
4+ Br		0	0		0
Totals	1,565	2			11,676

All Units

Grand Totals	11,733	16			84,756
Less Vacancy		5.00%			(4,238)

**NET RENT** 80,518

OTHER INCOME

Laundry  
Parking  
Commercial Space Income  
Other

1,000
0
5,580
0

**TOTAL INCOME** 87,098



10-Apr-01

## Seminary Housing

Building #	Unit #	Check all Applicable								A				C							
		HOME Unit	Lead Paint Unit	Project Based Assistance	Tax Credit Unit	VHCB Restricted			Number of Bedrooms	Proposed Square Footage	Proposed Rent	Utility Allowance for Tenant-Paid Utilities	Gross Rent (Rent + Tenant-Paid Utilities)	AFFORDABLE TO: Units affordable to residents at:							
						Accessible	Adaptable	Unrestricted						30%	50%	60%	65%	80%	100%+		
	1		1			1	1	1	2	760	530	45	575								
	2	1	1			1	1	1	1	380	360	36	396				1				
	3		1			1	1	1	1	380	360	36	396					1			
	4	1	1			1	1	1	2	780	530	45	575								
	5		1			1	1	1	2	845	530	45	575								
	6		1			1	1	1	2	860	530	45	575								
	7		1			1	1	1	2	875	530	45	575								
	8		1			1	1	1	1	690	450	36	486								
	9		1			1	1	1	2	860	500	45	545								
	10		1			1	1	1	1	688	410	36	446								
	11		1			1	1	1	1	375	410	36	446								
	12		1			1	1	1	2	875	550	45	595								
	13		1			1	1	1	1	666	410	36	446								
	14		1			1	1	1	2	860	545	45	545								
	15		1			1	1	1	1	664	410	36	446								
	16		1			1	1	1	1	375	410	36	446								
Total # Units	16	2	14	0	14	14	2	14	Totals:	11,733	7,420	Total # Units:			0	2	14	0	0	0	0

10-Apr-01 **Seminary Housing**

	Annual	Monthly	Per Unit Per Month	
Administration				
Management Fee	9,180	765	48	10.5%
Supportive Services	1,020	85	5	
Audit/Accounting	3,672	306	19	
Legal	1,224	102	6	
Compliance Monitoring	672	56	4	
Marketing	408	34	2	
CVCLT Fee	1,020	85	5	
HVT Fee	1,632	136	9	
TOTAL ADMINISTRATIVE	18,828	1,569	98	
Utilities				
Electricity	2,040	170	11	
Fuel	9,180	765	48	
Water and Sewer	3,060	255	16	
Fire Alarm / Emergency	816	68	4	
Other		0	0	
TOTAL UTILITIES	15,096	1,258	79	
Maintenance				
Maintenance / Janitor Payroll	9,180	765	48	
Janitor Supplies	1,020	85	5	
Exterminating	510	43	3	
Trash Removal	2,652	221	14	
Snow Removal	1,632	136	9	
Grounds	1,428	119	7	
Repairs Material		0	0	
Repairs Contract		0	0	
HVAC Repairs / Maintenance		0	0	
Elevator Contract / Repairs	2,448	204	13	
Painting and Decorating	1,530	128	8	
Other		0	0	
TOTAL MAINTENANCE	20,400	1,700	106	
Real Estate Taxes	8,568	714	45	per unit month excl. ds & res. 344
Property Insurance	3,060	255	16	
Replacement Reserves	7,140	595	37	
Primary Debt Service	6,630	553	35	
Other "must pay" debt service		0	0	
Other		0	0	
Total	79,722	6,644	415	

10-Apr-01

## Seminary Housing

	Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Operating Income																
Gross Rent		84,756	86,027	87,318	88,628	89,957	91,306	92,676	94,066	95,477	96,909	98,363	99,838	101,336	102,856	104,399
Other Income		1,000	1,035	1,071	1,109	1,148	1,188	1,229	1,272	1,317	1,363	1,411	1,460	1,511	1,564	1,619
Vacancy and other losses		(4,238)	(4,301)	(4,366)	(4,431)	(4,498)	(4,565)	(4,634)	(4,703)	(4,774)	(4,845)	(4,918)	(4,992)	(5,067)	(5,143)	(5,220)
Commercial Income		5,580	5,775	5,977	6,187	6,403	6,627	6,859	7,099	7,348	7,605	7,871	8,147	8,432	8,727	9,032
Less Commercial Vacancy		(279)	(289)	(299)	(309)	(320)	(331)	(343)	(355)	(367)	(380)	(394)	(407)	(422)	(436)	(452)
Total Operating Income		86,819	88,249	89,702	91,182	92,690	94,222	95,788	97,379	99,000	100,651	102,333	104,046	105,790	107,568	109,378
Operating Expenses																
Total Expenses (excl. Reserves)		65,952	67,931	69,968	72,068	74,230	76,456	78,750	81,113	83,546	86,052	88,634	91,293	94,032	96,853	99,758
Reserves		7,140	7,247	7,356	7,466	7,578	7,692	7,807	7,924	8,043	8,164	8,286	8,411	8,537	8,665	8,795
Total Operating Expense		73,092	75,178	77,324	79,534	81,808	84,148	86,557	89,037	91,589	94,216	96,920	99,704	102,568	105,517	108,553
Net Operating Income		13,727	13,070	12,377	11,648	10,882	10,076	9,230	8,342	7,411	6,435	5,413	4,342	3,222	2,050	825
Less Primary Debt Service		6,630	6,630	6,630	6,630	6,630	6,630	6,630	6,630	6,630	6,630	6,630	6,630	6,630	6,630	6,630
Less Secondary Debt Service		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Annual Cash Flow		7,098	6,440	5,748	5,019	4,252	3,447	2,601	1,713	782	(194)	(1,217)	(2,288)	(3,408)	(4,580)	(5,804)
Operating Subsidies / Sinking Fund		0	0	0	0	0	0	0	0	0	194	1,217	2,288	3,408	4,580	5,804
Net Cash		7,098	6,440	5,748	5,019	4,252	3,447	2,601	1,713	782	0	0	0	0	0	0
DCR		207.06%	197.14%	186.70%	175.70%	164.14%	151.99%	139.23%	125.84%	111.79%	97.07%	81.64%	65.50%	48.60%	30.92%	12.45%
Cumulative Cash Flow																
Beginning Balance		0	7,169	13,819	19,904	25,376	30,184	34,275	37,595	40,085	41,684	42,329	41,963	40,529	37,957	34,175
Deposits		7,098	6,440	5,748	5,019	4,252	3,447	2,601	1,713	782	0	0	0	0	0	0
Interest		72	210	337	453	556	645	719	777	818	840	850	854	836	797	734
Withdrawals		0	0	0	0	0	0	0	0	0	(194)	(1,217)	(2,288)	(3,408)	(4,580)	(5,804)
Ending Balance		7,169	13,819	19,904	25,376	30,184	34,275	37,595	40,085	41,684	42,329	41,963	40,529	37,957	34,175	29,104
Cumulative Replacement Reserves																
Beginning Balance		0	7,211	14,747	22,619	30,838	39,418	47,409	54,756	61,473	67,570	73,044	78,988	85,392	92,246	99,550
Deposits		7,140	7,247	7,356	7,466	7,578	7,692	7,807	7,924	8,043	8,164	8,286	8,411	8,537	8,665	8,795
Interest		71	289	516	753	1,001	1,299	1,640	1,924	2,243	2,597	2,986	3,409	3,866	4,357	4,884
Withdrawals*		0	0	0	0	0	0	0	0	0	(32,000)	0	0	0	0	(32,000)
Ending Balance		7,211	14,747	22,619	30,838	39,418	47,409	54,756	61,473	67,570	73,044	78,988	85,392	92,246	99,550	107,334
*assumes \$2,000 per unit is used every 5 years																
Net Operating Income		13,727	13,070	12,377	11,648	10,882	10,076	9,230	8,342	7,411	6,435	5,413	4,342	3,222	2,050	825
Plus Reserves		7,140	7,247	7,356	7,466	7,578	7,692	7,807	7,924	8,043	8,164	8,286	8,411	8,537	8,665	8,795
Less Interest Expense		(137,402)	(130,059)	(89,010)	(32,262)	(33,007)	(33,792)	(34,619)	(35,491)	(36,409)	(37,376)	(38,394)	(39,467)	(40,597)	(41,787)	(43,041)
Less Long Depreciation		(69,989)	(69,989)	(69,989)	(69,989)	(69,989)	(69,989)	(69,989)	(69,989)	(69,989)	(69,989)	(69,989)	(69,989)	(69,989)	(69,989)	(69,989)
Less Short Depreciation		(2,457)	(2,457)	(2,457)	(2,457)	(2,457)	(2,457)	(2,457)	(2,457)	(2,457)	(2,457)	(2,457)	(2,457)	(2,457)	(2,457)	(2,457)
Taxable Income (Loss)		(188,981)	(182,189)	(141,723)	(85,594)	(86,994)	(88,470)	(90,028)	(91,673)	(93,404)	(95,220)	(97,121)	(99,106)	(101,176)	(103,331)	(105,574)
Cash Flow		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings		66,143	63,766	49,603	29,958	30,448	30,965	31,510	32,085	32,698	33,348	34,036	34,764	35,532	36,340	37,188
Plus Tax Credits		67,244	67,244	67,244	67,244	67,244	67,244	67,244	67,244	67,244	67,244	67,244	67,244	67,244	67,244	67,244
Plus Historic Tax Credit		457,723														
After Tax Cash Flow		618,411	558,310	444,147	274,502	124,992	98,209	98,754	98,469	99,075	99,712	33,140	33,846	34,590	35,372	36,194

Total Years 15

Reinvestment Rate 12.00%

Current After Tax Cash Flows

Future Value of Cash Flows at Yr 15:

Discount Rate: 6.00%

Capital Contribution Number:

Date of Capital Contribution:

Amount of Capital Contribution:

Present Value of Contributions:

Cash Flows (1,434,938)

IRR: 11.34%

Equity Yield: 114.43%

**RESOLUTION RE: CONSTRUCTION FINANCING  
FOR GREEN MOUNTAIN SEMINARY, WATERBURY**

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

WHEREAS, a proposal has been presented to the Agency by Housing Vermont (the "Sponsor") involving the acquisition and rehabilitation of sixteen units of rental housing in the Town of Waterbury (the "Development"); and

WHEREAS, the Agency desires to take "official action" for the purpose of, and to reimburse itself for any advances of its funds prior to, the issuance and sale of tax-exempt bonds (the "Bonds") to finance a loan to a to-be formed limited partnership to be created by Housing Vermont and the Central Vermont Community Land Trust (the "Borrower") to acquire and rehabilitate sixteen units of rental housing (the "Project") in Waterbury, Vermont that will qualify for federal low-income housing tax credits;

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

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

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid, dated April 12, 2001, containing information and recommendations about the Development (the "Memorandum");

THEREFORE, it is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income.
2. The acquisition and construction costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.
3. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and moderate income are able to afford within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of the residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families.

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

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

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

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designee may, in his or her discretion, issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a mortgage loan to the limited partnership to be created by Housing Vermont and Central Vermont Community Land Trust for acquisition and construction financing based on the recommendations in the attached Memorandum. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the Sponsor in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.
2. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designee may, in his or her discretion, issue a Commitment Letter for a mortgage loan for the acquisition and construction of the Development. The Commitment Letter may be issued to Housing Vermont as a representative of the Borrower. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.
3. The issuance of the Bonds for the purpose of financing a loan to the Borrower to allow the Borrower to acquire and construct the Project is hereby preliminarily approved, and, pursuant to Section 1:150-2 of the Internal Revenue Code Regulations, the Agency hereby states its intention to reimburse itself from Bond proceeds for any advances of Agency funds prior to the issuance of the Bonds.
4. The preliminary approval described in the preceding paragraph does not obligate the Agency to finally approve the issuance of said Bonds. Final approval of the issuance of the Bonds can only be authorized by independent action, which may contain such conditions thereto as the Board may deem appropriate. The Board in its absolute discretion may refuse to finally authorize the issuance of the Bonds and shall not be

liable to the Sponsor, the Borrower or any other person for its refusal to do so.

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



**Vermont Housing Finance Agency**

TO: VHFA Board of Commissioners  
FROM: Cynthia Reid, Multifamily Development Underwriter *CR*  
DATE: April 12, 2001  
RE: Multifamily Permanent Loan for Marketplace Bond Project, South Burlington

At the November 2000 meeting, the Board of Commissioners approved construction and permanent loans to finance the Marketplace development in South Burlington. In summary, there are two Marketplace projects, "bond" (three buildings totaling 120 units) and "allocated" (one building totaling 40 units), differentiated by the type of tax credits and associated financing.

Housing Vermont has requested an increase in the permanent loan for the bond project mainly due to higher than budgeted construction costs. The amount of permanent debt approved in November was up to \$3,600,000. The new requested amount is up to \$3,973,000. The loan to value ratio was 37% and with the higher loan amount is 41%. Since this increase is higher than 10% (per the new policy), it necessitates Board review and approval. The permanent debt is structured as two loans, one with a 40 year term and the other with a 10 year term. The level of permanent debt is contingent upon the Borrower obtaining a commitment of 40 Section 8 project based vouchers with a 10 year term from the Burlington Housing Authority. The loan commitment is also contingent upon the satisfactory review of plans and specifications by VHFA's construction inspector. Recently an appeal was made to the Act 250 permit. This could have an effect on the project's timing and cost.

Other loan amounts have increased (and one decreased), although less than 10%; the new aggregate loan amounts are contained in the resolution.

**Recommendation:** That the VHFA Board of Commissioners pass the attached resolution and make the required findings as outlined in the second section of the resolution ("It is hereby determined:"), and that the Board authorize the Executive Director or her designee to issue a Commitment Letter to finance this development.



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[www.vhfa.org](http://www.vhfa.org)



29-Apr-00 Marketplace Bond

Total Residential Units:	120	Increase in Income from Rental Units:	1.5%
Housing Credit Restricted Units:	93	Increase in Income from Other Sources:	1.5%
Percent Restricted:	77.50%	Increase in Income from Commercial:	1.5%
Total Development Cost:	12,229,203	Expense increase:	3%
Total Development Cost per Unit:	101,910	Vacancy Rate:	5%
Total Development Cost Per SF:	111.44	Partner's Tax Rate:	35%
		Long Depreciation Schedule:	27.5 years
		Short Depreciation Schedule:	7 years
4% Credit Amount Allocated:	227,868	Sponsor's Estimated Yield:	136.26%

LIHTC - 9%	8.21%	(April 2001)
LIHTC - 4%	3.52%	

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term
First Mortgage - tax exempt	3,473,000	28.40%	6.75%	40	40
First Mortgage - tax exempt	500,000	4.09%	6.75%	10	10
HOME	216,000	1.77%	6.00%	30	30
VCDP	562,500	4.60%	6.00%	30	30
VHCB	3,184,000	26.04%	0.00%	30	30
HUD Special Purpose	305,934	2.50%	6.00%	10	10
VHFA 0% Loan	300,000	2.45%	0.00%	15	15
Developer Loan	230,000	1.88%	3.00%	15	15
VHCB Development Loan	50,000	0.41%	0.00%	15	15
REEP	175,000	1.43%	N/A	N/A	N/A
Tax Credit Equity	3,232,810	26.44%	N/A	N/A	N/A
<b>TOTAL SOURCES</b>	<b>12,229,244</b>	<b>100.00%</b>			

115.98% DCR yr 1

VHFA Construction Loan (TE)	7,200,000	58.88%
<b>USES</b>		
Acquisition	1,098,750	8.98%
Construction Hard Costs	9,695,001	79.28%
Soft Costs	1,435,452	11.74%
<b>TOTAL USES</b>	<b>12,229,203</b>	<b>100.00%</b>

Gap (41)

PER UNIT COST LIMIT CALCULATION

	per unit limits	number of units	
0 Br	84,390	0	0
1 Br	90,140	18	1,622,520
2 Br	95,890	90	8,630,100
3 Br	101,637	12	1,219,644
4 Br	107,390	0	0
Maximum cost allowed under the per unit cost limits		120	11,472,264
Projected total cost, excluding cash accounts			12,169,203
	(over)/under		(696,939)
			Cost Overage % 94.27%

General Partner's Capital Contribution	32,328	1.00%
Limited Partner's Capital Contribution	3,200,482	99.00%
Total Equity	3,232,810	

APPLICABLE FRACTION CALCULATION

Tax Credit Restricted Units	93
Total Units	120
Unit Fraction	77.50%
Tax Credit Square Footage	85,283
Total Residential Square Footage	109,734
Square Footage Fraction	77.72%
Applicable Fraction	77.50%



Building SE Credit Calc	Budget	Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Other
<b>ACQUISITION</b>						
1 Land	360,000					
2 Purchase of Building(s)	0					
3 Demolition (without replacement)	0					
4 Property Appraisal	1,000	1,000		1,000		
5 Legal - Title and Recording	5,250			5,250		
Subtotal - Acquisition	366,250					
<b>CONSTRUCTION HARD COSTS</b>						
6 Rehabilitation	0					
7 New Building(s)	2,949,667		2,949,667	2,949,667		
8 Accessory Buildings	0					
9 Sitework	250,000		250,000	250,000		
10 Commercial Space Costs (if any)	0					
11 General Requirements	0					
12 Contractor Overhead	0					
13 Contractor Profit	0					
14 Construction Contingency	0					
15 Construction Management	0					
16 Construction Bond Fee	0					
17 Hazardous Materials Abatement	0					
18 Off-Site Improvements	0					
19 Furnishings, Fixtures, & Equipment	32,000		32,000			
20 Other ( )	0					
Subtotal - Hard Costs	3,231,667					
<b>SOFT COSTS</b>						
21 Architectural	5,000		5,000	5,000		
22 Engineering	0					
23 Legal/Accounting	8,750		8,750	8,750		
24 Relocation	0					
25 Environmental Assessment	1,000		1,000	1,000		
26 Energy Assessment	0					
27 Permits/Fees	0		0	0		
28 Independent Market Study	0					
29 Construction Period Inspections	0					
30 Construction Interest	60,000		60,000	60,000		
31 Construction Loan Origination Fee	35,197		26,398			
32 Taxes During Construction	0					
33 Clerk of the Works	4,500		4,500	4,500		
34 Marketing	1,875			1,875		
35 Tax Credit Fees	4,550		4,550	4,550		
36 Soft Cost Contingency	5,784		5,784	5,784		
37 Permanent Loan Origination Fee	0					
38 Lender's Counsel's Fee	0					
39 Other (VCDP Admin Fee)	6,828		6,828	6,828		
<b>SYNDICATION COSTS</b>						
40 Organizational (Partnership)	0					
41 Bridge Loan Fees and Expenses	0					
42 Syndication Consultant	0					
43 Tax Opinion	0					
<b>DEVELOPER'S FEES</b>						
44 HVT Development Fee	160,000		160,000	160,000		
45 LCHDC Development Fee	160,000		160,000	160,000		
46 Consultant Fees	5,000		5,000	5,000		
<b>RESERVES</b>						
47 Working Capital	20,000					
48 Rent-up (Deficit Escrow) Reserve	0					
49 Other Operating Reserves	0					
50 Sinking Fund	0					
51 Replacement Reserves	0					
Subtotal - Soft Costs	478,484					
<b>TOTALS</b>	<b>4,076,401</b>	<b>1,000</b>	<b>3,679,477</b>	<b>3,629,204</b>	<b>0</b>	
LESS: Amount of Non-qualified Financing						
LESS: Adjustment for per unit cost limits	100.00%		0			
LESS: Historic tax Credit (Residential Portion)			0	0	20% Historic Credit Rate	
Total Eligible Basis		1,000	3,679,477		0 Annual Historic Credit	
TIMES: Adjusted for QCT/DDA	100.00%		3,679,477			
TIMES: Applicable Fraction	72.50%	725	2,667,621			
Total Qualified Basis		725	2,667,621	3,629,204	Long Term Depreciable Basis	
TIMES: Applicable Percentage		3.52%	3.52%	27.5	Depreciation Schedule	
Total Annual Credit Qualified		0	93,900	131,971	Annual Depreciation	395,913
Total Tax Credits Requested	94,167			32,000	Short Term Depreciable Basis	
Estimated Net Syndication Proceeds (excluding historic credit equity)	1,077,603			7	Depreciation Schedule	
Estimated Yield - Housing Credit Syndication	115.59%			4,571	Annual Depreciation	13,714
Equity Gap	1,415,547					
Credits Needed to fill Equity Gap	123,698					

Building NW Credit Calc		Budget	Acquisition Basis	Construction Basis	Depreciation	Residential Basis	Historic Credit	Other
<b>ACQUISITION</b>								
1	Land	360,000						
2	Purchase of Building(s)	0						
3	Demolition (without replacement)	0						
4	Property Appraisal	1,000	1,000		1,000			
5	Legal - Title and Recording	5,250			5,250			
Subtotal - Acquisition		366,250						
<b>CONSTRUCTION HARD COSTS</b>								
6	Rehabilitation	0						
7	New Building(s)	2,949,667		2,949,667	2,949,667			
8	Accessory Buildings	0						
9	Sitework	250,000		250,000	250,000			
10	Commercial Space Costs (if any)	0						
11	General Requirements	0						
12	Contractor Overhead	0						
13	Contractor Profit	0						
14	Construction Contingency	0						
15	Construction Management	0						
16	Construction Bond Fee	0						
17	Hazardous Materials Abatement	0						
18	Off-Site Improvements	0						
19	Furnishings, Fixtures, & Equipment	32,000		32,000				
20	Other ( )	0						
Subtotal - Hard Costs		3,231,667						
<b>SOFT COSTS</b>								
21	Architectural	5,000		5,000	5,000			
22	Engineering	0						
23	Legal/Accounting	8,750		8,750	8,750			
24	Relocation	0						
25	Environmental Assessment	1,000		1,000	1,000			
26	Energy Assessment	0		0	0			
27	Permits/Fees	0		0	0			
28	Independent Market Study	0						
29	Construction Period Inspections	0						
30	Construction Interest	60,000		60,000	60,000			
31	Construction Loan Origination Fee	35,197		26,398				
32	Taxes During Construction	0						
33	Clerk of the Works	4,500		4,500	4,500			
34	Marketing	1,875			1,875			
35	Tax Credit Fees	4,550		4,550	4,550			
36	Soft Cost Contingency	5,784		5,784	5,784			
37	Permanent Loan Origination Fee	0						
38	Lender's Counsel's Fee	0						
39	Other ( )	6,828		6,828	6,828			
<b>SYNDICATION COSTS</b>								
40	Organizational (Partnership)	0						
41	Bridge Loan Fees and Expenses	0						
42	Syndication Consultant	0						
43	Tax Opinion	0						
<b>DEVELOPER'S FEES</b>								
44	HVT Development Fee	160,000		160,000	160,000			
45	LCHDC Development Fee	160,000		160,000	160,000			
46	Consultant Fees	5,000		5,000	5,000			
<b>RESERVES</b>								
47	Working Capital	20,000						
48	Rent-up (Deficit Escrow) Reserve	0						
49	Other Operating Reserves	0						
50	Sinking Fund	0						
51	Replacement Reserves	0						
Subtotal - Soft Costs		478,484						

Building NE Credit Calc		Budget	Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Other
ACQUISITION							
1	Land	360,000					
2	Purchase of Building(s)	0					
3	Demolition (without replacement)	0					
4	Property Appraisal	1,000	1,000		1,000		
5	Legal - Title and Recording	5,250			5,250		
	Subtotal - Acquisition	366,250					
CONSTRUCTION HARD COSTS							
6	Rehabilitation	0					
7	New Building(s)	2,949,667		2,949,667	2,949,667		
8	Accessory Buildings	0					
9	Sitework	250,000		250,000	250,000		
10	Commercial Space Costs (if any)	0					
11	General Requirements	0					
12	Contractor Overhead	0					
13	Contractor Profit	0					
14	Construction Contingency	0					
15	Construction Management	0					
16	Construction Bond Fee	0					
17	Hazardous Materials Abatement	0					
18	Off-Site Improvements	0					
19	Furnishings, Fixtures, & Equipment	32,000		32,000			
20	Other ( )	0					
	Subtotal - Hard Costs	3,231,667					
SOFT COSTS							
21	Architectural	5,000		5,000	5,000		
22	Engineering	0					
23	Legal/Accounting	8,750		8,750	8,750		
24	Relocation	0					
25	Environmental Assessment	1,000		1,000	1,000		
26	Energy Assessment	0		0	0		
27	Permits/Fees	0					
28	Independent Market Study	0					
29	Construction Period Inspections	0					
30	Construction Interest	60,000		60,000	60,000		
31	Construction Loan Origination Fee	35,197		26,398			
32	Taxes During Construction	0					
33	Clerk of the Works	4,500		4,500	4,500		
34	Marketing	1,875			1,875		
35	Tax Credit Fees	4,550		4,550	4,550		
36	Soft Cost Contingency	5,784		5,784	5,784		
37	Permanent Loan Origination Fee	0					
38	Lender's Counsel's Fee	0					
39	Other (VCDP Admin Fee)	6,828		6,828	6,828		
SYNDICATION COSTS							
40	Organizational (Partnership)	0					
41	Bridge Loan Fees and Expenses	0					
42	Syndication Consultant	0					
43	Tax Opinion	0					
DEVELOPER'S FEES							
44	HVT Development Fee	160,000		160,000	160,000		
45	LCHDC Development Fee	160,000		160,000	160,000		
46	Consultant Fees	5,000		5,000	5,000		
RESERVES							
47	Working Capital	20,000					
48	Rent-up (Deficit Escrow) Reserve	0					
49	Other Operating Reserves	0					
50	Sinking Fund	0					
51	Replacement Reserves	0					
	Subtotal - Soft Costs	478,484					
TOTALS		4,076,401	1,000	3,679,477	3,629,204	0	
LESS: Amount of Non-qualified Financing							
LESS: Adjustment for per unit cost limits		100.00%		0			
LESS: Historic tax Credit (Residential Portion)				0	0	20% Historic Credit Rate	
Total Eligible Basis			1,000	3,679,477		0	Annual Historic Credit
TIMES: Adjusted for QCT/DDA		100.0%		3,679,477			
TIMES: Applicable Fraction		60.00%	600	2,207,686			
Total Qualified Basis			600	2,207,686	3,629,204		Long Term Depreciable Basis
TIMES: Applicable Percentage			3.52%	3.52%	27.5		Depreciation Schedule
Total Annual Credit Qualified			0	77,711	131,971		Annual Depreciation
Total Tax Credits Requested		77,931			32,000		Short Term Depreciable Basis
Estimated Net Syndication Proceeds (excluding historic credit equity)		1,099,843			7		Depreciation Schedule
Estimated Yield - Housing Credit Syndication		142.56%			4,571		Annual Depreciation
Equity Gap		1,258,838					
Credits Needed to fill Equity Gap		89,197					

12-Apr-01 **Marketplace Bond**

HC Restricted Units Bedrooms	Type	Average Square Feet	Number	Average Rent	Utilities	Total Annual Rent
0 Br			0	0		0
1 Br		722	14	470		78,960
2 Br Flats		925	61	564		412,848
2 Br Townhouses		973	6	585		42,120
3 Br		1,076	12	765		110,160
Totals		85,283	93			644,088
Non-HC Restricted Units Bedrooms	Type	Square Feet	Number	Rent	Utilities	Total Annual Rent
0 Br			0	0		0
1 Br		722	4	614		29,472
2 Br Flats		925	17	739		150,756
2 Br Townhouses		973	6	749		53,928
3 Br		1,076	0	950		0
Totals		24,451	27			234,156
All Units	Grand Totals	109,734	120			878,244
Less Vacancy						5.00% (43,912)
						<u>NET RENT</u> 834,332
OTHER INCOME						
Laundry						600/month 7,200
Section 8						83,619
Commercial Space Income						0
Other						0
						<u>TOTAL INCOME</u> 925,151

12-Apr-01 **Marketplace Bond**

	Annual	Monthly	Per Unit Per Month	
<b>Administration</b>				
Management Fee	64,800	5,400	45	7.0%
Admin Salaries & Benefits	25,920	2,160	18	
Audit/Accounting	7,200	600	5	
Legal	7,200	600	5	
Compliance Monitoring	4,464	372	3	
Marketing		0	0	
Other	11,520	960	8	
<b>TOTAL ADMINISTRATIVE</b>	<b>121,104</b>	<b>10,092</b>	<b>84</b>	
<b>Utilities</b>				
Electricity	7,200	600	5	
Fuel - oil	50,400	4,200	35	
Water and Sewer	28,800	2,400	20	
Fire Alarm / Emergency	2,880	240	2	
Other		0	0	
<b>TOTAL UTILITIES</b>	<b>89,280</b>	<b>7,440</b>	<b>62</b>	
<b>Maintenance</b>				
Maintenance / Janitor Payroll	57,600	4,800	40	
Janitor Supplies	7,200	600	5	
Exterminating	2,880	240	2	
Trash Removal	21,600	1,800	15	
Snow Removal	11,520	960	8	
Grounds	11,520	960	8	
Repairs Material		0	0	
Repairs Contract		0	0	
HVAC Repairs / Maintenance		0	0	
Elevator Contract / Repairs	7,200	600	5	
Painting and Decorating	10,080	840	7	
Other		0	0	
<b>TOTAL MAINTENANCE</b>	<b>129,600</b>	<b>10,800</b>	<b>90</b>	
Real Estate Taxes	129,600	10,800	90	<div>per unit month excl. ds &amp; res. 339</div>
Property Insurance	18,720	1,560	13	
Replacement Reserves	43,200	3,600	30	
Primary Debt Service		0	0	
Other "must pay" debt service		0	0	
Other		0	0	
<b>Total</b>	<b>531,504</b>	<b>44,292</b>	<b>369</b>	

12-Apr-01

## Marketplace Allocated

Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Operating Income															
Gross Rent	878,244	891,418	904,789	918,361	932,136	946,118	960,310	974,715	989,335	1,004,175	1,019,238	1,034,527	1,050,044	1,065,795	1,081,782
Other Income (Rental Assistance)	83,619	84,873	86,146	87,439	88,750	90,081	91,433	92,804	94,196	95,609	0	0	0	0	0
Other Income (Laundry)	7,200	7,308	7,418	7,529	7,642	7,756	7,873	7,991	8,111	8,232	8,356	8,481	8,608	8,738	8,869
Vacancy and other losses	(43,912)	(44,571)	(45,239)	(45,918)	(46,607)	(47,306)	(48,015)	(48,736)	(49,467)	(50,209)	(50,962)	(51,726)	(52,502)	(53,290)	(54,089)
Total Operating Income	925,151	939,028	953,113	967,410	981,921	996,630	1,011,600	1,026,774	1,042,176	1,057,808	976,632	991,281	1,006,151	1,021,243	1,036,562
Operating Expenses															
Total Expenses (excl. Reserves)	488,304	502,953	518,042	533,583	549,590	566,078	583,061	600,552	618,569	637,126	656,240	675,927	696,205	717,091	738,604
Reserves	43,200	43,848	44,506	45,173	45,851	46,539	47,237	47,945	48,664	49,394	50,135	50,887	51,651	52,425	53,212
Total Operating Expense	531,504	546,801	562,548	578,756	595,441	612,617	630,297	648,498	667,233	686,520	706,375	726,814	747,855	769,516	791,815
Net Operating Income	393,647	392,227	390,566	388,654	386,480	384,033	381,303	378,276	374,942	371,288	270,257	264,467	258,295	251,727	244,746
Less Primary Debt Service (tax exempt)	251,455	251,455	251,455	251,455	251,455	251,455	251,455	251,455	251,455	251,455	251,455	251,455	251,455	251,455	251,455
Less Primary Debt Service (tax exempt)	68,894	68,894	68,894	68,894	68,894	68,894	68,894	68,894	68,894	68,894	0	0	0	0	0
Less Developer Loan	19,060	19,060	19,060	19,060	19,060	19,060	19,060	19,060	19,060	19,060	19,060	19,060	19,060	19,060	19,060
Annual Cash Flow	54,237	52,817	51,157	49,244	47,070	44,624	41,893	38,867	35,533	31,878	(258)	(6,048)	(12,220)	(18,788)	(25,769)
Operating Subsidies / Sinking Fund	0	0	0	0	0	0	0	0	0	0	258	6,048	12,220	18,788	25,769
Net Cash	54,237	52,817	51,157	49,244	47,070	44,624	41,893	38,867	35,533	31,878	0	0	0	0	0
DCR	115.98%	115.56%	115.07%	114.51%	113.87%	113.15%	112.34%	111.45%	110.47%	109.39%	99.90%	97.76%	95.48%	93.05%	90.47%
Cumulative Cash Flow															
Beginning Balance	0	54,780	109,769	164,730	219,409	273,532	326,808	378,924	429,547	478,322	524,868	540,356	550,519	554,815	552,671
Deposits	54,237	52,817	51,157	49,244	47,070	44,624	41,893	38,867	35,533	31,878	0	0	0	0	0
Interest	542	2,172	3,805	5,434	7,053	8,652	10,223	11,756	13,242	14,668	15,746	16,211	16,516	16,644	16,580
Withdrawals	0	0	0	0	0	0	0	0	0	0	(258)	(6,048)	(12,220)	(18,788)	(25,769)
Ending Balance	54,780	109,769	164,730	219,409	273,532	326,808	378,924	429,547	478,322	524,868	540,356	550,519	554,815	552,671	543,482
Cumulative Replacement Reserves															
Beginning Balance	0	43,632	89,227	136,855	186,586	236,517	286,150	335,383	384,216	432,649	480,682	528,315	575,548	622,381	668,814
Deposits	43,200	43,848	44,506	45,173	45,851	46,539	47,237	47,945	48,664	49,394	50,135	50,887	51,651	52,425	53,212
Interest	432	1,747	3,122	4,557	6,056	7,611	9,223	10,896	12,629	14,421	16,274	18,186	20,156	22,184	24,270
Withdrawals*	0	0	0	0	0	0	0	0	0	0	(234,000)	0	0	0	(234,000)
Ending Balance	43,632	89,227	136,855	186,586	236,517	286,150	335,383	384,216	432,649	480,682	528,315	575,548	622,381	668,814	715,084
* = assumes \$1950 per unit is expended every 5 years															
Net Operating Income	393,647	392,227	390,566	388,654	386,480	384,033	381,303	378,276	374,942	371,288	270,257	264,467	258,295	251,727	244,746
Plus Reserves	43,200	43,848	44,506	45,173	45,851	46,539	47,237	47,945	48,664	49,394	50,135	50,887	51,651	52,425	53,212
Less Interest Expense	(588,017)	(517,627)	(441,597)	(338,655)	(219,597)	(93,443)	(33,186)	(33,815)	(33,322)	(33,695)	(33,094)	(33,412)	(33,730)	(34,076)	(34,420)
Less Long Depreciation	(395,913)	(395,913)	(395,913)	(395,913)	(395,913)	(395,913)	(395,913)	(395,913)	(395,913)	(395,913)	(395,913)	(395,913)	(395,913)	(395,913)	(395,913)
Less Short Depreciation	(13,714)	(13,714)	(13,714)	(13,714)	(13,714)	(13,714)	(13,714)	(13,714)	(13,714)	(13,714)	(13,714)	(13,714)	(13,714)	(13,714)	(13,714)
Taxable Income (Loss)	(560,798)	(491,179)	(416,152)	(314,455)	(214,893)	(115,499)	(16,274)	(303,507)	(304,628)	(303,926)	(406,615)	(414,671)	(423,270)	(432,437)	(442,196)
Cash Flow	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings	196,279	171,913	145,653	110,059	110,213	110,425	110,696	106,227	106,620	107,074	142,315	145,135	148,144	151,353	154,768
Plus Tax Credits	227,868	227,868	227,868	227,868	227,868	227,868	227,868	227,868	227,868	227,868	227,868	227,868	227,868	227,868	227,868
After Tax Cash Flow	424,147	399,781	373,522	337,927	338,081	338,293	338,564	334,096	334,488	334,942	442,315	445,135	448,144	451,353	454,768
Total Years	15														
Reinvestment Rate	12.00%														
Current After Tax Cash Flows	424,147	399,781	373,522	337,927	338,081	338,293	338,564	334,096	334,488	334,942	442,315	445,135	448,144	451,353	454,768
Future Value of Cash Flows at Yr 15:	2,321,599	1,953,775	1,629,859	1,316,557	1,176,031	1,050,686	938,865	827,209	739,447	661,117	590,808	528,372	474,444	428,332	388,734
Discount Rate:	6.00%														
Capital Contribution Number:	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Date of Capital Contribution:	01-Jul-01	01-Sep-02	01-Sep-03	01-Sep-04	01-Sep-05										
Amount of Capital Contribution:	37,212	37,212	37,212	37,212	37,212	37,212	37,212	37,212	37,212	37,212	37,212	37,212	37,212	37,212	37,212
Present Value of Contributions:	35,016	34,656	34,309	33,976	33,654	33,343	33,043	32,754	32,475	32,206	31,946	31,695	31,453	31,219	31,000
Cash Flows	(3,073,866)														
IRR:	10.46%														
Equity Yield:	136.26%														

12-Apr-01 Marketplace Allocated

Total Residential Units:	40	Increase in Income from Rental Units:	1.5%
Housing Credit Restricted Units:	37	Increase in Income from Other Sources:	1.5%
Percent Restricted:	92.50%	Increase in Income from Commercial:	1.5%
Total Development Cost:	4,087,817	Expense increase:	3%
Total Development Cost per Unit:	102,195	Vacancy Rate:	5%
Total Development Cost Per SF:	111.76	Partner's Tax Rate:	35%
		Long Depreciation Schedule:	27.5 years
		Short Depreciation Schedule:	7 years
9% Credit Allocated:	275,000	Sponsor's Estimated Yield:	82.10%

LIHTC - 9%	8.53%	(June 2000)
LIHTC - 4%	3.52%	(April 2001)

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term
First Mortgage - taxable bond	1,010,000	24.71%	8.25%	40	40
First Mortgage - taxable bond	154,000	3.77%	8.25%	10	10
HUD Special Purpose	369,316	9.03%	6.00%	10	10
VCDP Loan	187,500	4.59%	6.00%	30	30
Tax Credit Equity	2,367,000	57.90%	N/A	N/A	
<b>TOTAL SOURCES</b>	<b>4,087,816</b>	<b>100.00%</b>			

116.84% DCR Yr 1

Construction Loan	3,250,000	Appraised Value
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USES

Acquisition	366,250	8.96%
Construction Hard Costs	3,222,000	78.82%
Soft Costs	499,567	12.22%
<b>TOTAL USES</b>	<b>4,087,817</b>	<b>100.00%</b>

Gap 1

PER UNIT COST LIMIT CALCULATION

	per unit limits	number of units		
0 Br	84,390	0	0	
1 Br	90,140	6	540,840	
2 Br	95,890	30	2,876,700	
3 Br	101,637	4	406,548	
4 Br	107,390	0	0	
Maximum cost allowed under the per unit cost limits		40	3,824,088	
Projected total cost, excluding cash accounts			4,067,817	Cost Overage % 94.01%
	(over)/under		(243,729)	

General Partner's Capital Contribution	23,670	1.00%
Limited Partner's Capital Contribution	2,343,330	99.00%
<b>Total Equity</b>	<b>2,367,000</b>	

APPLICABLE FRACTION CALCULATION

Tax Credit Restricted Units	37
Total Units	40
Unit Fraction	92.50%
Tax Credit Square Footage	34,161
Total Residential Square Footage	36,578
Square Footage Fraction	93.39%
Applicable Fraction	92.50%



Building SW Credit Calc		Budget	Acquisition Basis	Construction Basis	Depreciation	Residential Basis	Historic Credit	Other
ACQUISITION								
1	Land	360,000						
2	Purchase of Building(s)	0						
3	Demolition (without replacement)	0						
4	Property Appraisal	1,000	1,000		1,000			
5	Legal - Title and Recording	5,250			5,250			
Subtotal - Acquisition		366,250						
CONSTRUCTION HARD COSTS								
6	Rehabilitation	0						
7	New Building(s)	2,940,000		2,940,000	2,940,000			
8	Accessory Buildings	0						
9	Sitework	250,000		250,000	250,000			
10	Commercial Space Costs (if any)	0						
11	General Requirements	0						
12	Contractor Overhead	0						
13	Contractor Profit	0						
14	Construction Contingency	0						
15	Construction Management	0						
16	Construction Bond Fee	0						
17	Hazardous Materials Abatement	0						
18	Off-Site Improvements	0						
19	Furnishings, Fixtures, & Equipment	32,000		32,000				
20	Other ( )	0						
Subtotal - Hard Costs		3,222,000						
SOFT COSTS								
21	Architectural	5,000		5,000	5,000			
22	Engineering	0						
23	Legal/Accounting	8,750		8,750	8,750			
24	Relocation	0						
25	Environmental Assessment	1,000		1,000	1,000			
26	Energy Assessment	0						
27	Permits/Fees	0		0	0			
28	Independent Market Study	0						
29	Construction Period Inspections	0						
30	Construction Interest	60,000		60,000	60,000			
31	Construction Loan Origination Fee	0						
32	Taxes During Construction	0						
33	Clerk of the Works	4,500		4,500	4,500			
34	Marketing	1,875			1,875			
35	Tax Credit Fees	4,550		4,550	4,550			
36	Soft Cost Contingency	5,784		5,784	5,784			
37	Permanent Loan Origination Fee	56,280						
38	Lender's Counsel's Fee	0						
39	Other ( )	6,828		6,828				
SYNDICATION COSTS								
40	Organizational (Partnership)	0						
41	Bridge Loan Fees and Expenses	0						
42	Syndication Consultant	0						
43	Tax Opinion	0						
DEVELOPER'S FEES								
44	HVT Development Fee	160,000		160,000	160,000			
45	LCHDC Development Fee	160,000		160,000	160,000			
46	Consultant Fees	5,000		5,000				
RESERVES								
47	Working Capital	20,000						
48	Rent-up (Deficit Escrow) Reserve	0						
49	Other Operating Reserves	0						
50	Sinking Fund	0						
51	Replacement Reserves	0						
Subtotal - Soft Costs		499,567						
TOTALS		4,087,817	1,000	3,643,412	3,607,709		0	
LESS: Amount of Non-qualified Financing								
LESS: Adjustment for per unit cost limits		100.00%		0				
LESS: Historic tax Credit (Residential Portion)				0	0		20% Historic Credit Rate	
Total Eligible Basis			1,000	3,643,412			0 Annual Historic Credit	
TIMES: Adjusted for QCT/DDA		100.0%		3,643,412				
TIMES: Applicable Fraction		92.50%	925	3,370,156				
Total Qualified Basis			925	3,370,156	3,607,709		Long Term Depreciable Basis	
TIMES: Applicable Percentage			3.52%	8.53%			27.5 Depreciation Schedule	
Total Annual Credit Qualified			0	287,474	131,189		Annual Depreciation	
Total Tax Credits Requested		275,000			32,000		Short Term Depreciable Basis	
Estimated Net Syndication Proceeds (excluding historic credit equity)		2,367,000					7 Depreciation Schedule	
Estimated Yield - Housing Credit Syndication		86.94%			4,571		Annual Depreciation	
Equity Gap		2,487,108						
Credits Needed to fill Equity Gap		288,954						



12-Apr-01 Marketplace Allocated

HC Restricted Units Bedrooms	Type	Average Square Feet	Number	Average Rent	Utilities	Total Annual Rent
0 Br			0	0		0
1 Br		722	4	498		23,904
2 Br Flats		925	26	580		180,960
2 Br Townhouses		973	3	585		21,060
3 Br		1,076	4	765		36,720
	Totals	34,161	37			262,644

Non-HC Restricted Units Bedrooms	Type	Square Feet	Number	Rent	Utilities	Total Annual Rent
0 Br			0	0		0
1 Br		722	2	614		14,736
2 Br Flats		925	0	739		0
2 Br Townhouses		973	1	749		8,988
3 Br		1,076	0	950		0
	Totals	2,417	3			23,724

All Units

Grand Totals	36,578	40	286,368
Less Vacancy	5.00%		(14,318)

NET RENT 272,050

OTHER INCOME

Laundry	600/month	7,200
Section 8		25,821
Commercial Space Income		0
Other		0

TOTAL INCOME 305,071

12-Apr-01 **Marketplace Allocated**

	Annual	Monthly	Per Unit Per Month	
<b>Administration</b>				
Management Fee	21,600	1,800	45	2.3%
Admin Salaries/Benefits	8,640	720	18	
Audit/Accounting	2,400	200	5	
Legal	2,400	200	5	
Compliance Monitoring	1,776	148	4	
Marketing		0	0	
Other	3,840	320	8	
<b>TOTAL ADMINISTRATIVE</b>	<b>40,656</b>	<b>3,388</b>	<b>85</b>	
<b>Utilities</b>				
Electricity	2,400	200	5	
Fuel - oil	16,800	1,400	35	
Water and Sewer	9,600	800	20	
Fire Alarm / Emergency	960	80	2	
Other		0	0	
<b>TOTAL UTILITIES</b>	<b>29,760</b>	<b>2,480</b>	<b>62</b>	
<b>Maintenance</b>				
Maintenance / Janitor Payroll	19,200	1,600	40	
Janitor Supplies	2,400	200	5	
Exterminating	960	80	2	
Trash Removal	7,200	600	15	
Snow Removal	3,840	320	8	
Grounds	3,840	320	8	
Repairs Material		0	0	
Repairs Contract		0	0	
HVAC Repairs / Maintenance		0	0	
Elevator Contract / Repairs	2,400	200	5	
Painting and Decorating	3,360	280	7	
Other		0	0	
<b>TOTAL MAINTENANCE</b>	<b>43,200</b>	<b>3,600</b>	<b>90</b>	
Real Estate Taxes	43,200	3,600	90	<div>per unit month excl. ds &amp; res. 340</div>
Property Insurance	6,240	520	13	
Replacement Reserves	14,400	1,200	30	
Primary Debt Service	86,554	7,213	180	
Other "must pay" debt service	22,666	1,889	47	
Other		0	0	
<b>Total</b>	<b>286,676</b>	<b>23,890</b>	<b>597</b>	

12-Apr-01

Marketplace Allocated

Year

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15

Operating Income	286,368	290,664	295,023	299,449	303,941	308,500	313,127	317,824	322,591	327,430	332,342	337,327	342,387	347,523	352,735
Other Income (Rental Assistance)	25,821	26,208	26,601	27,000	27,405	27,817	28,234	28,657	29,087	29,523	0	0	0	0	0
Other Income (Laundry)	7,200	7,308	7,418	7,529	7,642	7,756	7,873	7,991	8,111	8,232	8,356	8,481	8,608	8,738	8,869
Vacancy and other losses	(14,318)	(14,533)	(14,751)	(14,971)	(15,197)	(15,426)	(15,656)	(15,891)	(16,130)	(16,372)	(16,617)	(16,866)	(17,119)	(17,376)	(17,637)
Total Operating Income	305,071	309,647	314,291	319,006	323,791	328,648	333,577	338,581	343,660	348,815	354,081	359,442	364,816	370,204	375,607
Operating Expenses	163,056	167,948	172,986	178,176	183,521	189,027	194,697	200,538	206,554	212,751	219,134	225,708	232,479	239,453	246,637
Total Expenses (excl. Reserves)	14,400	14,616	14,835	15,058	15,284	15,513	15,746	15,982	16,221	16,465	16,712	16,962	17,217	17,475	17,737
Total Operating Expense	177,456	182,564	187,821	193,233	198,805	204,539	210,443	216,520	222,776	229,216	235,845	242,670	249,696	256,928	264,374
Net Operating Income	127,615	127,083	126,470	125,772	124,986	124,108	123,134	122,061	120,884	119,599	118,235	116,780	115,316	113,841	112,378
Less Primary Debt Service (taxable)	86,554	86,554	86,554	86,554	86,554	86,554	86,554	86,554	86,554	86,554	86,554	86,554	86,554	86,554	86,554
Less Primary Debt Service (taxable)	22,666	22,666	22,666	22,666	22,666	22,666	22,666	22,666	22,666	22,666	22,666	22,666	22,666	22,666	22,666
Less Developer Loan	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Annual Cash Flow	18,395	17,863	17,250	16,552	15,766	14,888	13,915	12,841	11,664	10,379	8,982	7,468	5,845	4,116	2,292
Operating Subsidies / Sinking Fund	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash	18,395	17,863	17,250	16,552	15,766	14,888	13,915	12,841	11,664	10,379	8,982	7,468	5,845	4,116	2,292
DOR	116.84%	116.36%	115.79%	115.16%	114.44%	113.63%	112.74%	111.76%	110.68%	109.50%	108.14%	106.67%	105.09%	103.40%	101.59%
Cumulative Cash Flow	0	18,395	37,178	55,716	74,105	92,253	110,057	127,413	144,205	160,312	175,604	190,072	204,717	219,443	234,250
Beginning Balance	0	14,544	29,742	45,618	62,195	79,461	97,413	116,057	135,395	155,426	176,149	197,575	219,706	242,541	266,079
Deposits	14,400	14,616	14,835	15,058	15,284	15,513	15,746	15,982	16,221	16,465	16,712	16,962	17,217	17,475	17,737
Interest	144	582	1,041	1,519	2,019	2,541	3,095	3,681	4,298	4,945	5,622	6,330	7,068	7,836	8,634
Withdrawals	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance	14,544	29,742	45,618	62,195	79,461	97,413	116,057	135,395	155,426	176,149	197,575	219,706	242,541	266,079	290,813
Cumulative Replacement Reserves	0	14,544	29,742	45,618	62,195	79,461	97,413	116,057	135,395	155,426	176,149	197,575	219,706	242,541	266,079
Beginning Balance	0	14,544	29,742	45,618	62,195	79,461	97,413	116,057	135,395	155,426	176,149	197,575	219,706	242,541	266,079
Deposits	14,400	14,616	14,835	15,058	15,284	15,513	15,746	15,982	16,221	16,465	16,712	16,962	17,217	17,475	17,737
Interest	144	582	1,041	1,519	2,019	2,541	3,095	3,681	4,298	4,945	5,622	6,330	7,068	7,836	8,634
Withdrawals*	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance	14,544	29,742	45,618	62,195	79,461	97,413	116,057	135,395	155,426	176,149	197,575	219,706	242,541	266,079	290,813
Net Operating Income	127,615	127,083	126,470	125,772	124,986	124,108	123,134	122,061	120,884	119,599	118,235	116,780	115,316	113,841	112,378
Plus Reserves	14,400	14,616	14,835	15,058	15,284	15,513	15,746	15,982	16,221	16,465	16,712	16,962	17,217	17,475	17,737
Less Interest Expense	128,929	129,759	130,609	131,478	132,363	133,262	134,174	135,095	136,021	136,950	137,884	138,823	139,766	140,713	141,661
Less Long Depreciation	(131,189)	(131,189)	(131,189)	(131,189)	(131,189)	(131,189)	(131,189)	(131,189)	(131,189)	(131,189)	(131,189)	(131,189)	(131,189)	(131,189)	(131,189)
Less Short Depreciation	(4,571)	(4,571)	(4,571)	(4,571)	(4,571)	(4,571)	(4,571)	(4,571)	(4,571)	(4,571)	(4,571)	(4,571)	(4,571)	(4,571)	(4,571)
Taxable Income (Loss)	135,182	135,697	136,154	136,547	136,872	137,123	137,293	137,384	137,408	137,376	137,287	137,143	136,944	136,690	136,381
Cash Flow	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings	(47,314)	(47,494)	(47,654)	(47,791)	(47,905)	(48,000)	(48,083)	(48,155)	(48,217)	(48,270)	(48,314)	(48,350)	(48,378)	(48,400)	(48,416)
Plus Tax Credits	275,000	275,000	275,000	275,000	275,000	275,000	275,000	275,000	275,000	275,000	275,000	275,000	275,000	275,000	275,000
After Tax Cash Flow	227,686	227,506	227,346	227,209	227,095	226,947	226,794	226,636	226,473	226,305	226,132	225,954	225,771	225,583	225,390

Total Years	15
Reinvestment Rate	12.00%
Current After Tax Cash Flows	227,686
Future Value of Cash Flows at Yr 15:	1,246,255

Discount Rate:	6.00%
Capital Contribution Number:	1
Date of Capital Contribution:	20-May-01
Amount of Capital Contribution:	27,245
Present Value of Contributions:	25,637
Cash Flows	(2,235,193)

**RESOLUTION PERTAINING TO A LETTER OF INTEREST AND COMMITMENT  
LETTER RE: CONSTRUCTION AND PERMANENT FINANCING FOR MARKETPLACE  
DEVELOPMENT, SOUTH BURLINGTON**

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

WHEREAS, a proposal has been presented to the Agency by Housing Vermont and Lake Champlain Housing Development Corporation (the "Sponsors"), involving the new construction of four buildings containing 160 units of rental housing on Farrell Street in the City of South Burlington (the "Development"); and

WHEREAS, the Development has previously been the subject of a resolution of the Agency in November 2000; and

WHEREAS, the proposal now contemplates two first mortgage loans in the combined amount of up to \$4,000,000 as long-term financing for 120 units in three buildings in the Marketplace project, from the proceeds of tax-exempt bonds, and with the interest rate to be determined by the Agency depending on the source of funds, and the loan shall have an interest rate of not more than 150 basis points above the Agency's cost of funds; and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid, dated April 12, 2001, containing updated information and recommendations about the Development (the "Memorandum");

The determinations and findings made by the Agency in its November 2000 resolution are incorporated herein by reference as if set out at length.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director and the Chief of Program Operations are authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making mortgage loans to a limited partnership to be created by Housing Vermont and Lake Champlain Housing Development Corporation for construction financing in an amount not to exceed \$10,450,000 (consisting of a tax exempt loan of up to \$7,200,000 and a taxable loan of up to \$3,250,000); the term of the construction loans will be not more than 18 months, and the interest rate not more than 150 basis points above the Agency's cost of funds. The Executive Director is also authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making mortgage loans to a limited partnership to be created by Housing Vermont and Lake Champlain Housing Development Corporation for the long term financing of the Development in an amount not to exceed \$5,164,000 (consisting of tax exempt loans of up to \$4,000,000 and taxable loans of up to \$1,164,000); the term of two long-term loans will not exceed 40 years, and the interest rate will be not more than 150 basis points above the Agency's cost of funds. The term of two other long term loans shall be 10 years from the date the loans are made, and shall be fully amortized over the period of


the loans, and the interest rate shall not exceed 150 basis points above the Agency's cost of funds. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the housing Sponsors in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

2. Upon the satisfaction of the conditions attached to the Letter of Interest, the Executive Director or the Chief of Program Operations may, in their discretion, issue a Commitment Letter for construction loans for the construction of the Development, in an amount not to exceed \$7,200,000 tax exempt and not to exceed \$3,250,000 taxable for a total of \$10,450,000 in construction financing; and a Commitment Letter for term loans in an amount not to exceed \$1,164,000 taxable and not to exceed \$4,000,000 tax exempt for a total of \$5,164,000 in permanent financing. The Executive Director, Chief of Program Operations and Director of Finance are authorized to allocate the loan proceeds to all or portions of the Development.
3. The Executive Director, Chief of Program Operations and Director of Finance are hereby authorized to take all necessary steps and execute any and all documents required to effectuate the financing.
4. All conditions precedent to the Agency's commitment and loans contained in the Agency's November 2000 resolution must still be satisfied.



**Vermont Housing Finance Agency**

**MEMORANDUM**

**TO:** VHFA Board of Commissioners  
**FROM:** Joe Erdelyi, Senior Development Officer   
**DATE:** April 12, 2001  
**RE:** Jeffersonville Housing

In June 2000 the VHFA Board approved two loans for this new construction development, a \$1.1 million dollar construction loan and a \$275,000 permanent loan, both using tax-exempt bond proceeds. The loan was to be secured by a first mortgage on the 22 unit senior building, which would then be eligible to receive 4% "automatic" tax credits because of the bond financing. The balance of the project (10 units of family housing in two buildings) would have no VHFA financing whatsoever, but would use 9% "allocated" tax credits.

Since that approval the project has met with some cost overruns as well as delays due to an Act 250 appeal. To pay for these increased costs (approximately \$468,000, or 15% of the total cost of the entire development), the sponsor has applied for additional tax credits. If they receive these credits, the division of the project into a tax-exempt bond portion and a taxable portion needs to be eliminated (allocated "9%" tax credits cannot be used in conjunction with tax-exempt bond financing). It should be noted that the VHFA Board is in no way obligated to approve the additional credits to this development at its upcoming meeting on April 30th, and that VHFA has not yet issued a loan commitment letter pending the resolution of this issue. The increase in the amount of the project that is behind our loans serves to increase our security (the permanent loan-to-value ratio will be 18%, versus 29% at the previous loan approval - the appraised value of the entire property is \$1.3 million). Whether or not additional credits are awarded, no increase in the permanent loan amount is being sought.

In the event that the additional credits are not received and the increased costs are funded in some other way, the sponsor will need an increase in the construction loan amount previously authorized, in order to achieve the 50% financing test for the 4% credits. The construction loan would need to go from \$1.1 million to \$1.2 million.

The Board is being asked to authorize the Executive Director to make any of the following modifications to the previous Board approval at her discretion: 1) to change the source of the loans from tax-exempt bond proceeds to taxable bond proceeds; 2) to change the security of the VHFA loan from a first mortgage on the 22 unit senior building to a first mortgage on the entire 32 unit project; 3) to change the borrower name if necessary to accommodate the change to a single partnership; and 4) to increase the amount of the construction loan from \$1.1 million to \$1.2 million.

**Recommended Action:** Approval of the attached resolution authorizing the Executive Director to execute the changes described above.



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**AMENDED RESOLUTION PERTAINING TO A LETTER OF INTEREST AND  
COMMITMENT LETTER {PRIVATE }RE: CONSTRUCTION AND PERMANENT  
FINANCING FOR JEFFERSONVILLE COMMUNITY HOUSING, CAMBRIDGE**

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

WHEREAS, a proposal has been presented to the Agency by Lamoille Housing Partnership and Housing Vermont for the turnkey purchase of three newly constructed buildings, including 22 units of elderly rental housing in one building and 10 family units in two buildings in the Town of Cambridge, some or all of which will be financed by the Agency (the "Development"); and

WHEREAS, the Development has been the subject of a previous resolution of the Agency in June, 2000; and

WHEREAS, a number of changes have become necessary since the Agency last considered the Development; and

WHEREAS, the Agency desires to take "official action" for the purpose of, and to reimburse itself for any advances of its funds prior to the issuance and sale of tax-exempt bonds of not more than \$1,200,000 aggregate principal amount (the "Bonds") to finance a construction loan to Jeffersonville Housing Limited Partnership or some other partnership in which an affiliate of Housing Vermont is a general partner (the "Borrower") to acquire a newly-built 32-unit project (the "Project") in Cambridge, Vermont that will qualify for federal low-income housing tax credits;

WHEREAS, the proposal contemplates a first mortgage loan in the amount of up to \$1,200,000 as construction financing, with the interest rate to be determined by the Agency depending on the source of funds, but not to exceed 150 basis points above the Agency's cost of funds; and a mortgage loan in an amount of up to \$275,000 as long-term financing, with the interest rate to be determined by the Agency depending on the source of funds, but not to exceed 150 basis points above the Agency's cost of funds; and

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

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Joe Erdelyi, dated April 12, 2001, containing information and recommendations about the Development (the "Memorandum");

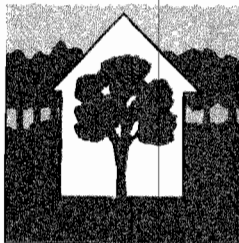
The Determinations made in the Agency's June 2000 resolution are incorporated herein by reference as if set out at length.

WHEREFORE, it is hereby RESOLVED:

1. Upon the satisfaction of the conditions attached to the Letter of Interest, the Executive Director may, in her discretion, issue a Commitment Letter for a construction loan for acquisition and construction in an amount not to exceed \$1,200,000 and a long-term loan for financing of the Development in an amount not to exceed \$275,000.
2. Because of events that have transpired since June, 2000, the Executive Director is authorized, in her discretion, to modify both the terms of the Agency's previous approval and this amended approval by doing any one or more of the following:
  - a) to change the source of either or both of the loans from tax-exempt bond proceeds to taxable bond proceeds;
  - b) to change the security of the VHFA loan from a first mortgage on the 22 unit senior building to a first mortgage on the entire 32 unit project;
  - c) to change the identity of the borrower if necessary to accommodate the change to a single partnership; and
  - d) to increase the amount of the construction loan from \$1.1 million to \$1.2 million.
3. The issuance of the Bonds for the purpose of financing a loan to the Borrower to allow the Borrower to acquire and construct the Project is hereby preliminarily approved, and, pursuant to Section 1:150-2 of the Internal Revenue Code Regulations, the Agency hereby states its intention to reimburse itself from Bond proceeds for any advances of Agency funds prior to the issuance of the Bonds.
4. The preliminary approval of paragraph 3 does not obligate the Agency to finally approve the issuance of said Bonds. Final approval of the issuance of the Bonds can only be authorized by subsequent action, which may contain such conditions thereto as the Board may deem appropriate. The Board in its absolute discretion may refuse to finally authorize the issuance of the Bonds and shall not be liable to the Borrower or any other person for its refusal to do so.
5. The construction loan shall be due and payable not more than 12 months from the date the loan is made; payments of interest only shall be due before maturity, and the interest rate shall not exceed 150 basis points above the Agency's cost of funds. The source of funds shall be tax-exempt bond proceeds. The Sponsor shall be responsible for loan fees.
6. The Agency's June 2000 resolution is reaffirmed to the extent its terms are not incompatible with the contents of this resolution.



**Vermont  
Housing &  
Conservation  
Board**



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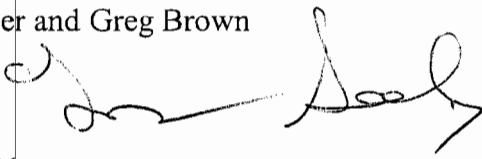
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Gustave Seelig  
Executive Director

**MEMORANDUM**

To: Sarah Carpenter and Greg Brown  
From: Gus Seelig   
Date: March 26, 2001  
Re: HUD Lead Paint Application and Request for Financial Assistance

As you both know, this spring VHCB will be applying for HUD Lead Housing Abatement funds if we are to continue the program after 2002. To date the program has invested in making over 900 units lead safe. When we complete the activities of this grant, more than 1050 units will be lead safe.

In December, Ron Rupp, our Program Director, attended a national conference in Atlanta. The "heads up" he received is that this round of funding will be highly competitive. Though no HUD official said it outright, the clear message was: 1) Vermont has done very well under this program; 2) the program is not viewed by HUD as an entitlement; and 3) Vermont will have a hard time competing against urban areas with many more lead poisoned children.

In order to cope with these difficulties, in addition to engaging the congressional delegation, we are seeking to make our next application as competitive as possible. As a matter of policy, we want to work with the Department of Health and with the Attorney General's Office to more rigorously enforce Vermont's lead paint laws. We also want to engage the Health Dept. in a discussion about inviting the National Center for Lead Safe Housing to Vermont for a number of evaluation and demonstration activities. The National Center views Vermont as a leader in the country and their involvement/endorsement of our application will strengthen it's competitiveness.

Finally, we want to maximize the potential for match. Because this will be a two year grant, not a three year grant, we anticipate our application will be a request for between \$2-2½ million. We'd like to develop a match of 20-25%. Sarah, I'm wondering if VHFA would be up for committing \$150,000, \$75,000 per year, to support this effort. Greg, I'm hoping the CD program might commit \$150,000 per year as match. The Consolidated Plan already lists lead activities as a priority, but it would certainly be helpful if you wanted to carve out a financial priority in this amount. If funding is available, we would also like to discuss whether a mechanism can be established to directly access such funds, perhaps through a grant enhancement of one or more of the regional rehab programs (i.e., Northeast Kingdom, Franklin County).

In addition to enhancing Vermont's competitiveness, the funds you have provided to us over the life of the program have been a benefit for affordable housing in the following ways:

1. VHFA funding helps us to reach and assist homeowners who are above the HUD guideline of 80% of median income, but below the VHFA guidelines.
2. Allows the program to provide assistance to owners of properties with project-based rental assistance (which the lead grant does not allow).
3. CDBG provides resources to address lead paint hazards in child care facilities that are not in a residential setting.
4. Provides flexibility in situations where use of HUD lead funds is restricted like in homeless shelters.
5. Gives us the extra resources needed to appropriately address serious hazards in the homes of poisoned children when the scope of work exhausts the amount allowed under the lead grant.

Finally, we want to use your support to help insure that all CDBG and other federally-funded programs are in compliance with HUD's new Lead Safe Housing Regulation. In many cases the Lead Program will be able to partner with other grantees doing work on a property. The Regulation now requires that lead paint be addressed to some degree depending on the type and amount of federal assistance a project receives. This is very similar to Vermont's EMP law (Act 165), but requires lead dust testing in many situations. VHCB has been working with various agencies to insure that the Regulation will not diminish affordable housing opportunities, especially in the Section 8 housing voucher program.

Having done hundreds of lead dust clearance tests, the VHCB Lead Paint Program is willing to oversee sampling required by the new Regulation, including providing guidance, testing supplies, forms, shipping of samples, and the cost of laboratory analysis. Unfortunately, we can only use lead funds for these items when a property is enrolled in our program, therefore, other funding sources will have to be used to support these activities. Our current plan is to use loan repayment, but this is a very limited resource. A match from your programs will indicate a strong commitment by Vermont to implement the new regulation and will strengthen our upcoming grant application tremendously.


Please let me know how you wish to proceed.

cc: Ron Rupp, Lead Program Director



**Vermont Housing Finance Agency**

**MEMORANDUM**

**TO:** VHFA Board of Commissioners  
**FROM:** Elizabeth Mullikin Drake   
**RE:** Changes in Position Titles of Authorized Officers  
**DATE:** April 11, 2001

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To update the designated Authorized Officers that are specified in previous resolutions and agreements, the attached resolution confirms the Board's intention to convey the authority to the current employee position titles. This applies specifically to the Chief Financial Officer (formerly Director of Finance) and the Chief of Program Operations (formerly Director of Operations).

**Requested Board Action:** Adoption of attached resolution



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## **RESOLUTION RE: AUTHORIZED OFFICERS**

WHEREAS, the Vermont Housing Finance Agency (the "Agency") has reorganized and changed its employee positions and their titles over the years; and

WHEREAS, the Agency has from time to time authorized various position titles to act on behalf of the Agency;

WHEREAS, the Agency desires to change all prior references to "Director of Finance" to "Chief Financial Officer"; and

WHEREAS, the Agency desires to change all prior references to "Director of Operations" to "Chief of Program Operations":

NOW, THEREFORE, IT IS HEREBY RESOLVED:

1. The Agency hereby directs that any and all prior references to "Director of Finance" are hereby changed to read "Chief Financial Officer."
2. The Agency hereby directs that any and all prior references to "Director of Operations" are hereby changed to read "Chief of Program Operations."

**RESOLUTION RE: ALLOCATION OF  
2001 PRIVATE ACTIVITY BOND  
VOLUME CAP ALLOCATION**

WHEREAS, the Vermont Housing Finance Agency (the "Agency") has been allocated \$77,750,000 in 2001 private activity bond volume cap by the State of Vermont Emergency Board; and

WHEREAS, the Agency desires to elect to utilize \$ 20 million dollars of the 2001 private activity bond volume cap for qualified mortgage bonds and mortgage credit certificates and \$ 20 million for exempt facility bonds;

NOW, THEREFORE, IT IS HEREBY RESOLVED:

1. The Agency elects to allocate \$20 million of its 2001 private activity bond volume cap pursuant to Section 146 of the Internal Revenue Code of 1986 as amended for the purposes of issuing qualified mortgage bonds or mortgage credit certificates and \$20 million of its 2001 private activity bond volume cap allocation pursuant to Section 146 of the Internal Revenue Code of 1986 as amended for the purposes of issuing exempt facility bonds.



**Vermont Housing Finance Agency**

**TO: VHFA BOARD OF COMMISSIONERS**  
**FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE**  
**DATE: APRIL 13, 2001**  
**RE: SINGLE FAMILY BOND FINANCING**

Attached to this memorandum is a copy of the Preliminary Official Statement (P.O.S.) that was distributed to potential bondholders, drafts (copies from Series 13) of the Reimbursement Agreements with Financial Security Assurance Inc. (bond insurer), a draft of the purchase contract(s) with the underwriters and a draft copy of the Eighteenth Supplemental Single Family Housing Bond Resolution (Series Resolution). The Series Resolution is the document which lists the parameters under which the Bonds can be sold. The provisions in Section 2.01 mandate the limits of the financing, i.e. a bond financing of \$31,635,000 and note financing not exceeding \$35 million. Section 2.05 requires a yield calculation that would result in a no point mortgage rate of no more than 7.50%, and bonds maturing no later than May 1, 2033. The Series Resolution also authorizes entering into the purchase contract with the Underwriters (section 2.05) and authorizes the Reimbursement Agreement terms and conditions with the bond insurer.

This financing will provide us with \$30.5 million of mortgage proceeds. The current projected rate on the Series 14 mortgage funds is a "standard" mortgage at 6.50% and a cash assistance option mortgage at 6.95% with no points. We again received an excellent bid from FSA for bond insurance, which will increase our rating to AAA. A new feature in this financing that we discussed at an earlier meeting is a premium PAC (planned amortization class) bond which dedicates prepayments in a range to specific bondholders at reduced rates that helps reduce the mortgage rate and provides the pool of funds to provide the cash assistance payments. As we did for the last single family issue our POS is available electronically at [www.imagemaster.com](http://www.imagemaster.com), follow the directions for new issues. We expect to have final pricing numbers and an analysis of the transaction prepared by Al Hans and associates of U.S. Bancorp Piper Jaffray available at the Board meeting. This is also predicated on successful pricing early next week.

If the Board concurs in approving the financing, the closing of the bonds would occur on April 26, 2001. If you have questions on the documents enclosed or the financing in general, please call me at 652-3436 at your convenience.

**Recommended Action**

Approval of the Eighteenth Supplemental Single Family Housing Bond Resolution.



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**VERMONT HOUSING FINANCE AGENCY**

**EIGHTEENTH SUPPLEMENTAL SINGLE FAMILY HOUSING  
BOND RESOLUTION**

Adopted April 19, 2001

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## **EIGHTEENTH SUPPLEMENTAL SINGLE FAMILY HOUSING BOND RESOLUTION**

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

### **ARTICLE I**

#### **DEFINITIONS AND AUTHORITY**

**Section 1.01. Short Title.** This resolution is hereinafter sometimes referred to as the "Eighteenth Supplemental Resolution."

**Section 1.02. Definitions and Interpretation.**

(a) Except as provided in Paragraph (B) of this Section, all terms used herein shall have the same meanings as are given such terms in Section 101 of the Resolution.

(b) In this Eighteenth Supplemental Resolution unless a different meaning clearly appears from the context:

*"Adjusted Interest Rate"* means the rate or rates of interest to be borne by all Adjusted Rate Bonds subsequent to the Adjustment Date as determined pursuant to Section 2.03(a)(iv) hereof.

*"Adjusted Rate Bonds"* means all Series 14A Tender Bonds on which the interest rate has been adjusted to the Adjusted Interest Rate on the Adjustment Date and any Series 14A Bonds authenticated and delivered under the Resolution thereafter upon transfer of, or in exchange or substitution for, any such Bonds.

*"Adjustment Date"* means the Business Day, if any, not later than the last Business Day of the Adjustment Option Period, on which the interest rate on the Series 14A Tender Bonds is adjusted to the Adjusted Interest Rate as determined in accordance with Section 2.03(a)(ii) hereof.

*"Adjustment Option Period"* means the period commencing on November 1, 2001 and ending on May 1, 2004, inclusive.

*"Adjustment Rating Certificate"* means (i) a certificate of an Authorized Officer to the effect that the Agency has notified each Nationally Recognized Credit Rating Agency then maintaining a credit rating on any Bonds Outstanding that the interest rate on the Series 14A Tender Bonds will be adjusted to the Adjusted Interest Rate on the Adjustment Date and has furnished each such Nationally Recognized Credit Rating Agency with a Remarketing Projection of Revenues satisfying the requirements of Section 2.03(a)(vi) hereof, accompanied by (ii) a letter from each such Nationally Recognized Credit Rating Agency (or other evidence satisfactory to the Trustee) confirming that adjustment of the

interest rate on the Series 14A Tender Bonds will not cause such Nationally Recognized Credit Rating Agency to change the unenhanced credit ratings then assigned by it to any Bonds Outstanding.

*“Arbitrage Projection Certificate”* means a certificate of an Authorized Officer setting forth the Agency’s reasonable expectations that adjustment of the interest rate on the Series 14A Tender Bonds on the Adjustment Date to the Adjusted Interest Rate and the purchase thereafter of Loans at a certain specified rate or rates with proceeds allocable to the Adjusted Rate Bonds will not cause the Series 14 Obligations to be “arbitrage bonds” within the meaning of Section 143(g) or Section 148(a) of the Code, accompanied by an opinion of Bond Counsel to the effect that the adjustment of the interest rate on the Series 14A Tender Bonds on the Adjustment Date will not adversely affect the excludability of interest on the Series 14 Obligations from the gross income of the holders thereof for federal income tax purposes and that no matters have come to the attention of such counsel which make unreasonable or incorrect the representations made in such certificate.

*“Authenticating Agent”* with respect to all Series 14 Obligations, means the Trustee.

*“Beneficial Owner”* means the person or entity that is considered to be the beneficial owner of any Series 14 Obligation pursuant to the arrangements for book entry determination of ownership applicable to the Bond Depository.

*“Bond Counsel”* means Kutak Rock LLP, or any successor firm of attorneys or such other firm of nationally recognized bond attorneys designated by the Agency.

*“Bond Depository”* means The Depository Trust Company, and its successors and any replacement depository appointed pursuant to Section 2.02 hereof.

*“Bond Insurer”* means Financial Security Assurance Inc., its successors and assigns.

*“Bond Year”* means the twelve month period beginning on each November 1 and ending on the following September 30; provided that the initial Bond Year shall commence on the date of issuance of the Series 14 Obligations and end on September 30, 2001.

*“Business Day”* means any calendar day other than a Saturday, a Sunday or a day on which banks in Burlington, Vermont or New York, New York, are authorized or required to be closed.

*“Calculation Date”* means the date, if any, on which the Adjusted Interest Rate is determined, which date shall be any Business Day selected by the Remarketing Agent with the approval of the Agency not earlier than 15 days prior

to the Adjustment Date and not later than seven days prior to the Adjustment Date.

“*Code*” means the Internal Revenue Code of 1986, as amended, and all Treasury Regulations thereunder to the extent applicable to the Series 14 Obligations.

“*Loan Loss*” means the amount, certified to the Trustee by an Authorized Officer, of any loss realized by the Agency upon the default on a Loan held under the Resolution for the account of the Series 14A Bonds, which amount shall not exceed the sum of (i) the unpaid principal balance of the Loan at the date of the default, (ii) the amount of accumulated delinquent interest due on the Loan (excluding late charges and penalty interest), and (iii) the amount of advances made by or for the account of the Agency with respect to such Loan for regularly scheduled payments of principal and interest in arrears, hazard insurance premiums, property taxes, property protection and preservation expenses and foreclosure costs, less the sum of (iv) the amount of all rents, sale proceeds, foreclosure proceeds, insurance settlements, self-insurance proceeds (other than Loan Loss Claim Fund Withdrawals) and other payments (excluding proceeds of fire and extended coverage insurance) collected or received by the Agency from or on account of such Loan and the property securing the same, (v) the amount of cash remaining in any escrow account maintained for such Loan, (vi) the amount paid under any fire and extended coverage policy which is in excess of the amount applied to the restoration of the property or the payment of the Loan and (vii) the amount of any Loan Loss on account of such Loan previously paid from amounts on deposit in the Series 14 Loan Loss Claim Fund.

“*Loan Loss Claim Fund Withdrawals*” means amounts withdrawn from the Series 14 Loan Loss Claim Fund pursuant to Section 3.06(b) hereof on account of a Loan Loss.

“*Municipal Bond Insurance Policy*” means the municipal bond insurance policy issued by the Bond Insurer insuring the scheduled payment when due of the principal of and interest on the Series 14A Bonds as provided therein.

“*Municipal Bond Insurance Policy Premium*” means the premium payable to the Bond Insurer with respect to the Municipal Bond Insurance Policy, payable at the times and in the amount set forth in the Series Certificate. Such Municipal Bond Insurance Policy Premium shall be deemed a Program Expense for all purposes under the Resolution.

“*Notice Date*” means the Business Day which is 30 days prior to the Adjustment Date.

“*Official Statement*” means the Official Statement of the Agency describing the Series 14 Obligations, in preliminary form dated April 2, 2001, and in final form dated the date of execution of the Purchase Contracts.

*"Participant"* means securities brokers or dealers, banks, trust companies, clearing corporations and various other entities, some of whom and/or their representatives own the Bond Depository.

*"Principal Amount"* for purposes of Section 204(B) of the Resolution and at any date of computation, means, with respect to any Series 14 Obligation, the stated principal amount thereof.

*"Pro-Forma Adjusted Interest Rate"* shall have the meaning given such term in Section 2.03(a)(i) hereof.

*"Pro-Forma Tender Bonds"* shall have the meaning given such term in Section 2.03(a)(i) hereof.

*"Purchase Contracts"* means, collectively, the Series 14 Bond Purchase Contract and the Series 14 Note Purchase Contract.

*"Record Date"* with respect to the payment of interest on a Series 14 Obligation, means the fifteenth day of the month next preceding the date on which interest is to be paid on such Series 14 Obligation or, if such fifteenth day is not a Business Day, the next preceding Business Day; provided that, with respect to overdue interest or interest payable on a Series 14 Obligation other than on an Interest Payment Date or interest on any overdue amount, the Trustee may establish a special record date, which date shall be not more than twenty Business Days before the date set for payment; and provided further that the Trustee shall give notice of a special record date by mailing a copy of such notice to the Holders of all Series 14 Obligations Outstanding to which such special record date is applicable in the manner provided in Section 801 of the Resolution at least ten days before the special record date or in such other time and manner as the Trustee may deem appropriate.

*"Remarketing Agent"* means, collectively, UBS PaineWebber Inc., Salomon Smith Barney Inc. and A.G. Edwards & Sons, Inc. or any other investment banking firm, financial institution or other entity at the time acting in the capacity of Remarketing Agent under the Remarketing Agreement.

*"Remarketing Agreement"* means the Remarketing Agreement executed in connection with the issuance of the Series 14A Bonds by the Agency and the Remarketing Agent, or any other remarketing agreement pertaining to the Series 14A Bonds executed and delivered by the Agency in substitution for such Remarketing Agreement, as such agreements may be amended, modified or supplemented from time to time in accordance with their terms.

*"Remarketing Projection of Revenues"* means a Projection of Revenues satisfying the requirements of Section 2.03(a)(vi) hereof calculated on the assumption that the Adjusted Rate Bonds will bear interest at the Adjusted Interest Rate and will mature on the dates determined in accordance with Section 2.03(a)(v) hereof.

*"Representation Letter"* means, with respect to the Series 14 Obligations held in book-entry only form with the Bond Depository, the Blanket Letter of Representations of the Agency dated April 4, 1995.

*"Resolution"* means the resolution of the Agency adopted September 20, 1990, entitled "Single Family Housing Bond Resolution."

*"Series Certificate"* means the Series Certificate of the Chair or Vice Chairman and Executive Director of the Agency dated on or before the date of issuance of the Series 14 Obligations which Series Certificate shall establish certain terms of the Series 14 Obligations as provided herein.

*"Series 14A Bonds"* means the Series 14A Bonds of the Agency authorized by this Eighteenth Supplemental Resolution.

*"Series 14A Bond Purchase Contract"* means the Purchase Contract by and among the Agency, the Underwriters named therein and the direct institutional purchaser of the Series 14A Bonds, if any, providing for the terms and conditions of the sale of the Series 14A Bonds in substantially the form presented at this meeting and included in the minutes hereof.

*"Series 14 Bond Reserve Requirement"* means an amount with respect to the Series 14 Obligations at least equal to the lesser of (i) 50% of the maximum amount of Debt Service payable on all Series 14A Bonds Outstanding in the current or any subsequent Fiscal Year and (ii) 10% of the original net proceeds of the Series 14A Bonds.

*"Series 14 Contingency Account"* means the account in the Redemption Fund so designated and created pursuant to Section 3.01(e) hereof.

*"Series 14 Contingency Account Deposits"* means the Series 14 Contingency Account Surety Bond, cash or any one or more of the following to the extent its deposit in the Series 14 Contingency Account will not adversely affect the then current unenhanced ratings, if any, assigned to the Bonds by each Nationally Recognized Credit Rating Agency then maintaining a credit rating on the Bonds: (i) irrevocable and unexpired letters of credit issued by banking institutions, (ii) irrevocable policies of insurance in full force and effect issued by insurers, (iii) irrevocable guarantees by banks, bank holding companies, insurance companies or surety companies or (iv) any other similar security or source thereof; in any case deposited or held under the Resolution for the credit of the Series 14 Contingency Account.

*"Series 14 Contingency Account Surety Bond"* means the irrevocable surety bond issued by Financial Security Assurance Inc. to be held for the credit of the Series 14 Contingency Account and any extension thereof or substitute surety bond therefor deposited with the Trustee pursuant to Section 3.02(c) thereof.

*"Series 14 Contingency Account Deposit Provider"* means Financial Security Assurance Inc., as provider of the Series 14 Contingency Account Surety Bond, and, if applicable, the provider of any other Series 14 Contingency Account Deposit.

*"Series 14 Cost of Issuance Account"* means the account in the Program Fund so designated and created by Section 3.01(c) hereof.

*"Series 14 Funded Loan Loss Claim Fund Requirement"* means, at any date of computation, an amount equal to the Series 14 Loan Loss Claim Fund Requirement less the stated and unpaid amounts, if any, of all Series 14 Loan Loss Claim Fund Deposits in full force and effect held for the account of the Series 14 Loan Loss Claim Fund.

*"Series 14 Loan Loss Claim Fund"* means the fund so designated and created pursuant to Section 3.01(a) hereof.

*"Series 14 Loan Loss Claim Fund Deposit Provider"* means Financial Security Assurance Inc., as provider of the Series 14 Loan Loss Claim Fund Surety Bond, and, if applicable, the provider of any other Series 14 Loan Loss Claim Fund Deposit.

*"Series 14 Loan Loss Claim Fund Deposits"* means the Series 14 Loan Loss Claim Fund Surety Bond, cash or any one or more of the following to the extent its deposit in the Series 14 Loan Loss Claim Fund will not adversely affect the then current unenhanced ratings, if any, assigned to the Bonds by each Nationally Recognized Credit Rating Agency then maintaining a credit rating on the Bonds: (i) irrevocable and unexpired letters of credit issued by banking institutions, (ii) irrevocable policies of insurance in full force and effect issued by insurers, (iii) irrevocable guarantees by banks, bank holding companies, insurance companies or surety companies or (iv) any other similar security or source thereof; in any case deposited or held under the Resolution for the credit of the Series 14 Loan Loss Claim Fund and providing for the payment of sums available to pay Loan Loss Claim Fund Withdrawals.

*"Series 14 Loan Loss Claim Fund Requirement"* means, as of any date of computation, (i) an amount at least equal to (A) one and eighty-five hundredths percent (1.85%) of the sum of (1) the aggregate unpaid principal amount of all Loans purchased under the Resolution from amounts on deposit in the Series 14A Program Account plus (2) the aggregate amount, if any, then held in the Series 14A Program Account which may be applied to the purchase of such Loans, less (B) the aggregate amount of all Loan Loss Claim Fund Withdrawals that have been theretofore made from the Series 14 Loan Loss Claim Fund, or (ii) such lesser amount as each Nationally Recognized Credit Rating Agency confirms to the Agency will not adversely affect the unenhanced credit ratings then assigned to any Bonds Outstanding.

*“Series 14 Loan Loss Claim Fund Surety Bond”* means the irrevocable surety bond issued by Financial Security Assurance Inc. to be held for the credit of the Series 14 Loan Loss Claim Fund and any extension thereof or substitute surety bond deposited with the Trustee pursuant to Section 3.02(b) hereof.

*“Series 14 Notes”* means the Series 14B Notes and the Series 14C Notes of the Agency authorized by this Eighteenth Supplemental Resolution.

*“Series 14 Note Purchase Contract”* means the Purchase Contract by and between the Agency and PaineWebber Incorporated providing for the terms and conditions of the sale of the Series 14 Notes in substantially the form presented at this meeting and included in the minutes hereof.

*“Series 14 Obligations”* means, collectively, the Series 14A Bonds, the Series 14B Notes and the Series 14C Notes.

*“Series 14 Rebate Account”* means the account in the Rebate Fund so designated and created pursuant to Section 3.01(f) hereof.

*“Series 14 Rebate Requirement”* with respect to the Series 14 Obligations, means an amount equal to the cumulative net sum calculated and determined from time to time in accordance with the requirements of Section 148(f) of the Code that must be paid to the United States pursuant to Section 3.05 hereof.

*“Series 14 Reimbursement Agreements”* means, as applicable, (i) the agreement by and between the Agency and the Series 14 Loan Loss Claim Fund Deposit Provider in connection with the Series 14 Loan Loss Claim Fund Deposit and (ii) the agreement by and between the Agency and the Series 14 Contingency Account Deposit Provider in connection with the Series 14 Contingency Account Deposit, and, in each case, as such agreement or agreements may be amended from time to time in accordance therewith.

*“Series 14A Tender Bonds”* means the Series 14A Bonds selected in accordance with Section 2.03(A)(3) hereof for mandatory tender on the Adjustment Date and exchange for or remarketing as Adjusted Rate Bonds.

*“Series 14A Tender Bonds Proceeds Subaccount”* means the Series 14A Program Account — Tender Bonds Proceeds Subaccount established pursuant to Section 3.01(b) hereof.

*“Series 14A Program Account”* means the Series 14A Program Account established pursuant to Section 3.01(b) hereof.

*“Series 14B Program Account”* means the Series 14B Program Account established pursuant to Section 3.01(b) hereof.

*“Series 14C Program Account”* means the Series 14C Program Account established pursuant to Section 3.01(b) hereof.



*"Trustee"* means The Howard Bank, N.A., Burlington, Vermont, or its successor in trust under the Resolution.

*"Underwriters"* means, collectively, UBS PaineWebber Inc., Salomon Smith Barney and A.G. Edwards & Sons, Inc., as underwriters of the Series 14A Bonds and UBS PaineWebber Inc. as underwriter of the Series 14 Notes.

*"Yield"* means the yield on the Series 14 Obligations or the yield on any Loan or any other investment held under the Resolution and allocable to the Series 14 Obligations calculated as required by Sections 148(h) and 143(g) of the Code.

(c) Unless a different meaning clearly appears from the context, for all purposes of the Resolution and this Eighteenth Supplemental Resolution, the term "Interest Payment Date" shall mean (i) with respect to the Series 14A Bonds, May 1 and November 1 of each year commencing on November 1, 2001, any redemption date of any Series 14A Bonds and any other date on which interest on the Series 14A Bonds is required or permitted by the Resolution to be paid, (ii) with respect to the Series 14C Notes, May 1 and November 1 of each year commencing on November 1, 2001 and on the maturity date thereof, and (iii) with respect to the Series 14B Notes, the maturity date thereof.

**Section 1.03. Authority.** This Eighteenth Supplemental Resolution supplements the Resolution and is adopted pursuant to Section 701 of the Resolution and in accordance with the Act.

## ARTICLE II

### AUTHORIZATION OF SERIES 14 OBLIGATIONS

#### **Section 2.01. Series 14 Obligations; Authorization; Purpose; Findings.**

(a) The Agency hereby authorizes the issuance of one Series of Bonds to be designated "Single Family Housing Bonds, Series 14A" in an aggregate Principal Amount not to exceed \$31,635,000. In addition, the Agency hereby authorizes the issuance of two Series of Notes to be designated "Single Family Housing Notes, Series 14B" and "Single Family Housing Notes, Series 14C" in aggregate Principal Amounts not to exceed \$17,500,000 and \$17,500,000, respectively. The Agency hereby determines (i) that the original aggregate Principal Amount of the Series 14 Obligations is necessary to provide sufficient funds to be used and expended for the Program, (ii) that Loans made on behalf of the Agency with moneys allocable to the Series 14 Obligations can be issued bearing rates of interest which will be less than the prevailing rate of interest on comparable loans available in the State of Vermont without the assistance of the Agency and (iii) that the Agency will derive receipts, revenues or other income from the Loans purchased with moneys allocable to the Series 14 Obligations as provided herein and from the investment of the proceeds of the Series 14 Notes sufficient to provide, together with all other available receipts, revenues and income of the Agency,

for the payment of the Series 14 Obligations and the payment of all costs and expenses incurred by the Agency with respect to the Program for which the Series 14 Obligations are being issued. For purposes of Section 204(B) of the Resolution, all Series 14 Obligations shall be issued as "Fixed-Rate Bonds" as described in Section 203(B) of the Resolution and all Series 14A Bonds shall be issued as "Tender Bonds" as described in Section 203(D) of the Resolution.

(b) The Series 14A Bonds are being issued to provide funds for the refunding of certain outstanding obligations of the Agency and to make deposits in one or more of the Series 14A Program Account, the Series 14 Cost of Issuance Account, the Series 14 Capitalized Interest Account, the Debt Service Fund and the Bond Reserve Fund, subject to the limitations and provisions provided in Article V of the Resolution. The Series 14 Notes are being issued to provide funds for the refunding of certain outstanding obligations of the Agency and to make deposits in the Series 14B Program Account and the Series 14C Program Account. The amounts of the deposits described in this paragraph (b) shall be as set forth in the Series Certificate.

(c) Subject to Section 2.02 hereof, all Series 14 Obligations shall be issued only in the form of fully registered bonds each in the denomination of \$5,000 or any whole multiple thereof and shall be lettered and numbered separately from one consecutively upward in order of maturity preceded by the letters "RA", "RB" or "RC", as applicable, and with such further or alternate designation as the Trustee shall determine with the approval of the Agency.

(d) The Series 14A Bonds shall be dated April 15, 2001. The Series 14A Bonds shall bear interest from the May 1 or November 1 to which interest has been paid or duly provided for next preceding their date of authentication or, if no interest has been paid, from April 15, 2001, or if the date of authentication of any Series 14A Bond is subsequent to the Record Date for any interest payment and on or prior to the Interest Payment Date therefor and if interest is paid on such Interest Payment Date, from such Interest Payment Date. Interest on each Series 14A Bond shall be payable on November 1, 2001 and semi-annually thereafter on May 1 and November 1 of each year and on the maturity date thereof. Subject to Section 2.03 hereof, the Series 14A Bonds shall mature on the dates and in the Principal Amounts and shall bear interest at the rates set forth in the Series Certificate; provided, however, that in no event shall the Yield on the Series 14A Bonds exceed a Yield which would result in an interest rate on the zero point Mortgage Loans to be financed with the proceeds of the Series 14A Bonds in excess of 7.50% per annum nor may the final maturity date of the Series 14A Bonds be later than May 1, 2033.

(e) The Series 14 Notes shall be dated the date of their initial authentication and delivery. The Series 14 Notes shall bear interest from the May 1 or November 1 to which interest has been paid or duly provided for next preceding their date of authentication or, if no interest has been paid, from the date of their initial authentication and delivery, or if the date of authentication of any Series 14 Note is subsequent to the Record Date for any interest payment and on or prior to the Interest Payment Date therefor and if interest is paid on such Interest Payment Date, from such Interest Payment

Date. Interest on the Series 14C Notes shall be payable on November 1, 2001 and semiannually thereafter on May 1 and November 1 of each year and on the maturity date thereof. Interest is payable on the Series 14B Notes upon maturity. The Series 14 Notes shall mature on the dates and in the Principal Amounts and shall bear interest at the rates set forth in the Series Certificate; provided, however, that in no event shall the Series 14B Notes mature later than April 25, 2003 nor may the Series 14C Notes mature later than April 25, 2004.

(f) The Principal Amount and Redemption Price of the Series 14 Obligations shall be payable at the Principal Office of the Trustee. Interest on the Series 14 Obligations shall be payable solely by check or draft drawn upon the Trustee, bearing on its face or by attached notation the CUSIP number of the Series 14 Obligation on account of which such payment is made, mailed to the address of the registered owner thereof as it appears on the registry books of the Agency, determined as of the close of business on the applicable Record Date. The Principal Amount or Redemption Price of and interest on the Series 14 Obligations shall also be payable at any other place which may be provided for such payment by the appointment of any other Paying Agent or Paying Agents as permitted by the Resolution. Notwithstanding anything in the Resolution or this Paragraph (f) to the contrary, if at any time the Series 14 Obligations are not restricted to being registered in the registry books of the Agency in the name of Cede & Co., as nominee of the Bond Depository, as provided in Section 2.02 hereof, the Principal Amount and Redemption Price of and interest on the Series 14 Obligations of any registered owner of Series 14 Obligations of \$1,000,000 or more in Principal Amount shall be payable, at the option of such registered owner expressed in a written notice delivered to the Trustee, in immediately available funds by wire transfer to the account of such registered owner on file with the Trustee. Each such wire transfer shall bear a notation of the CUSIP number of the Series 14 Obligations on account of which such payment is made.

(g) Pursuant to Section 305(C) of the Resolution, the Agency in its sole discretion may charge for every exchange or transfer of a Series 14 Obligation a fee sufficient to reimburse the Agency for the cost of preparing each new Series 14 Obligation delivered upon such exchange or transfer and for any other expenses of the Agency or the Trustee incurred in connection therewith (in addition to any applicable tax, fee or other governmental charge other than one imposed by the Agency), which fee shall be paid by the person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer.

**Section 2.02. Book Entry System.** Notwithstanding the foregoing provisions of Section 2.01 hereof and anything in Article III of the Resolution to the contrary:

(a) The Series 14 Obligations shall be initially issued in the form of a single separate fully registered bond for each Series and maturity of the Series 14 Obligations in the amount of such maturity. Upon initial issuance, the ownership of the Series 14 Obligations shall be registered in the registry books of the Agency kept by the Trustee in the name of Cede & Co., as nominee of the Bond Depository. With respect to Series 14 Obligations registered in the registry books kept by the Trustee in the name of Cede &

Co., as nominee of the Bond Depository, the Agency and the Trustee shall have no responsibility or obligation to any Participant or to any Beneficial Owner of the Series 14 Obligations. Without limiting the immediately preceding sentence, the Agency and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Bond Depository, Cede & Co. or any Participant with respect to any ownership interest in the Series 14 Obligations, (ii) the delivery to any Participant, any Beneficial Owner or any other person, other than the Bond Depository, of any notice with respect to the Series 14 Obligations, including any notice of redemption, or (iii) the payment to any Participant, any Beneficial Owner or any other person, other than the Bond Depository, of any amount with respect to the Principal Amount or Redemption Price of, or interest on, the Series 14 Obligations. The Trustee shall pay the Principal Amount or Redemption Price of, and interest on, the Series 14 Obligations only to or upon the order of the Bond Depository, and all such payments shall be valid and effective to fully satisfy and discharge the Agency's obligations with respect to the Principal Amount or Redemption Price of, and interest on, the Series 14 Obligations to the extent of the sum or sums so paid. No person other than the Bond Depository shall receive an authenticated Series 14 Obligation evidencing the obligation of the Agency to make payments of Principal Amount or Redemption Price of, and interest pursuant to the Resolution. Upon delivery by the Bond Depository to the Trustee of written notice to the effect that the Bond Depository has determined to substitute a new nominee in place of Cede & Co., the words "Cede & Co." in this Eighteenth Supplemental Resolution shall refer to such new nominee of the Bond Depository.

(b) Upon receipt by the Agency and the Trustee of written notice from the Bond Depository to the effect that the Bond Depository is unable or unwilling to discharge its responsibilities and no substitute depository willing to undertake the functions of the Bond Depository hereunder can be found which is able to undertake such functions upon reasonable and customary terms, then the Series 14 Obligations shall no longer be restricted to being registered in the registry books of the Agency kept by the Trustee in the name of Cede & Co., as nominee of the Bond Depository, but may be registered in whatever name or names the owners transferring or exchanging Series 14 Obligations shall designate, in accordance with the provisions of the Resolution.

(c) In the event the Agency determines that Beneficial Owners should be able to obtain certificates for the Series 14 Obligations, the Agency shall notify the Bond Depository and the Trustee of the availability of such certificates. In such event, the Trustee shall issue, transfer and exchange certificates as requested by the Bond Depository (or, pursuant to Section 2.02(b) hereof, any other owner of Series 14 Obligations) in appropriate amounts, and, whenever the Bond Depository requests the Agency and the Trustee to do so, the Trustee and the Agency will cooperate with the Bond Depository in taking appropriate action after reasonable notice (i) to transfer the certificates to any Participant having Series 14 Obligations credited to its Bond Depository account or (ii) to arrange for another securities depository to maintain custody of certificates evidencing the Series 14 Obligations.

(d) Notwithstanding any other provision of this Eighteenth Supplemental Resolution to the contrary, so long as any Series 14 Obligation is registered in the name

of Cede & Co., as nominee of the Bond Depository, all payments with respect to the Principal Amount or Redemption Price of, and interest on, such Bond and all notices with respect to such Bond shall be made and given, respectively, to or on the order of the Bond Depository as provided in the Representation Letter.

### **Section 2.03. Adjusted Rate Bonds.**

(a) The Series 14A Bonds are issued subject to the provision that all or part of such Bonds may be called for mandatory tender on the Adjustment Date and exchanged for or remarketed as an equal Principal Amount of Series 14A Bonds bearing interest at the Adjusted Interest Rate determined in accordance with this Section 2.03.

(i) If at any time and from time to time during the Adjustment Option Period (but not less than 40 days prior to the end of the Adjustment Option Period) any amount attributable to the Series 14A Bonds remains on deposit in the Series 14A Program Account and the Agency has determined (A) that the rate of interest to be borne by Loans allocable to Series 14A Bonds bearing interest at the rates set forth in the Series Certificate either (1) exceeds that rate which the Agency reasonably determines is the maximum rate which eligible Borrowers can then afford or (2) exceeds the maximum rate at which Mortgage Lenders are willing, in the judgment of the Agency, to commit to sell Loans for the Agency or (B) that Loans made by or on behalf of the Agency, directly or indirectly, with the proceeds of Series 14A Bonds bearing interest at the rates set forth in the Series Certificate cannot be issued bearing a rate or rates of interest which is less than the prevailing rate of interest on comparable loans available in the State without the assistance of the Agency, the Agency may deliver to such Remarketing Agent a certificate of an Authorized Officer directing the Remarketing Agent to determine and certify to the Agency a Pro-Forma Adjusted Interest Rate as of a date (the "Certification Date") specified in such Certificate (which date shall be not less than two Business Days after the date of such certificate). The certificate of an Authorized Officer shall also specify a Principal Amount of Series 14A Bonds (not in excess of the amount then on deposit in the Series 14A Program Account and in a multiple of \$5,000) for which the Pro-Forma Adjusted Interest Rate shall be determined (hereinafter referred to as the "Pro-Forma Tender Bonds"). On the Certification Date, the Remarketing Agent shall determine and certify to the Agency and the Trustee the Pro-Forma Adjusted Interest Rate with respect to the Pro-Forma Tender Bonds. The Pro-Forma Adjusted Interest Rate shall be the lowest rate or rates which, in the Remarketing Agent's judgment on the basis of prevailing market conditions, would permit the resale of the Pro-Forma Tender Bonds at par plus accrued interest, if any, on the Certification Date.

(ii) If on or after any Certification Date (A) the Agency determines that the yield (calculated as of the Certification Date) on the Pro-Forma Tender Bonds bearing interest at the Pro-Forma Adjusted Interest Rate is at least 1/2 of 1% lower than the yield on the Series 14A Bonds (calculated as of the original date of authentication and delivery of the Series 14A Bonds) and (B) the Agency

determines that the rate of interest to be borne by Loans allocable to proceeds of Series 14A Bonds bearing interest at the Pro-Forma Adjusted Interest Rate does not exceed that rate which the Agency reasonably determines is the maximum rate which eligible Borrowers can afford and does not exceed the maximum rate which is allowable under Section 143(g) or Section 148(a) of the Code without causing the Series 14A Bonds to become "arbitrage bonds" within the meaning of Section 143(g) or Section 148(a) of the Code and (C) the Agency determines that Loans made by or on behalf of the Agency, directly or indirectly, with proceeds allocable to Series 14A Bonds bearing interest at the Pro-Forma Adjusted Interest Rate can be issued bearing a rate or rates of interest which will be less than the prevailing rate of interest on comparable loans available in the State without the assistance of the Agency and (D) the Agency determines that the rate of interest on such Loans will be sufficient, together with all other Revenues and other funds available for the purpose, to pay in the current and each subsequent Fiscal Year Aggregate Debt Service when due and all Program Expenses (on the assumption that the Pro-Forma Tender Bonds will bear interest at the Pro-Forma Adjusted Interest Rate subsequent to the Certification Date), the Agency may elect in a certificate of an Authorized Officer delivered to the Trustee and the Remarketing Agent to call a Principal Amount of Series 14A Bonds (not in excess of the Principal Amount of Pro-Forma Tender Bonds) for mandatory tender on the Adjustment Date and exchange for or remarketing as Adjusted Rate Bonds. The certificate of an Authorized Officer delivered to the Trustee shall also specify the Adjustment Date after which the Adjusted Rate Bonds shall bear interest at the Adjusted Interest Rate, which Adjustment Date, in the sole discretion of the Agency, shall be any date within the Adjustment Option Period not less than 33 days after the date such certificate is delivered to the Trustee.

(iii) If the Agency shall have elected to call a Principal Amount of Series 14A Bonds for tender on the Adjustment Date and exchange for or remarketing as Adjusted Rate Bonds as provided in Paragraph (ii) of this Section 2.03, the Trustee shall select the Outstanding Series 14A Bonds (hereinafter referred to as "Series 14A Tender Bonds") to be tendered (in aggregate Principal Amount equal to the Principal Amount of Series 14A Bonds specified by the Agency pursuant to Paragraph (a)(ii) of this Section 2.03). If less than all Series 14A Bonds are to be tendered, Series 14A Bonds of each maturity Outstanding shall be called for tender, as nearly as practicable, in accordance with the ratio which the aggregate Principal Amount of Series 14A Bonds of each maturity Outstanding bears to the aggregate Principal Amount of all Series 14A Bonds of all maturities Outstanding. If less than all Series 14A Bonds of any particular maturity are to be tendered, the Trustee shall select by lot the Series 14A Bonds within such maturity to be tendered. Not later than the Notice Date, notice of tender shall be given by the Trustee, in the name of the Agency, by first-class registered mail to all Holders of Series 14A Tender Bonds at their addresses appearing on the registration books of the Agency maintained by the Trustee (or at such other address as may have been provided to the Trustee for such purpose). A copy of such notice shall be furnished by the Agency on or before the Notice Date to each Nationally Recognized Credit Rating Agency then



maintaining a rating on any Bonds Outstanding. In addition to the purposes provided in this Section 2.03, the notice of tender shall also constitute a notice of redemption of the Series 14A Tender Bonds on the Adjustment Date in whole or in part pursuant to Section 2.04(d) and Section 3.03(c) to the extent the conditions provided in Paragraphs (a)(iv) or (vii) of this Section 2.03 shall occur. Each such notice shall state in effect:

(A) the Principal Amount of Series 14A Tender Bonds owned by such Holder and the bond numbers and maturity dates thereof;

(B) the calendar date on which the Adjustment Date will occur and that, unless the conditions provided in Paragraph (iv) or Paragraph (vii) of this Section 2.03(a) shall occur, Series 14A Tender Bonds of such Holder will be exchanged for and either redelivered to such Holder or remarketed as Adjusted Rate Bonds on the Adjustment Date, in either case bearing the same maturity dates as the Series 14A Tender Bonds for which they were exchanged;

(C) that the Holders of Series 14A Tender Bonds will no longer be entitled to receive interest on such Bonds after the Adjustment Date, except in the case of Series 14A Tender Bonds retained as provided in Section 2.03(b)(iii) hereof and not purchased (in which case such Bonds shall, from and after the Adjustment Date, bear interest at the Adjusted Interest Rate);

(D) that each Series 14A Tender Bond shall be purchased on the Adjustment Date unless the Bondholder directs the Agency and the Trustee not to purchase all or any specified portion of such Holder's Series 14A Tender Bonds (which portion shall not be less than \$5,000 and shall be in whole multiples of \$5,000 in Principal Amount) upon compliance by such Bondholder with the provisions of clause (iii) of Section 2.03(b);

(E) the date by which a Holder making the election described in Section 2.03(b)(iii) hereof must notify the Trustee of such election and the address and facsimile number to which a Holder making the election may deliver notice of such election;

(F) that if the Series 14A Tender Bonds had been exchanged for Adjusted Rate Bonds on the Certification Date, they would have borne interest thereafter at the Pro-Forma Adjusted Interest Rate and that the actual Adjusted Interest Rate will be determined on the Calculation Date (describing the dates on which the Calculation Date may occur and the method by which the actual Adjusted Interest Rate will be determined);

(G) that, whether or not each Bondholder elects to direct the Agency and the Trustee not to purchase any or all of such Bondholder's

Series 14A Tender Bonds in accordance with Section 2.03(b)(iii), unless such Bonds are registered in the name of the Bond Depository or its nominee, such Bondholder shall deliver such Bond or Bonds to the Trustee no later than 10:30 a.m. (New York City time) on the Adjustment Date duly endorsed in blank for transfer (the Trustee and the Bond Depository may agree as to any procedures to be followed by them with respect to the delivery of Series 14A Tender Bonds); and

(H) that if no adjustment of interest rate takes place as a result of a failure of or inability of the Remarketing Agent to set the Adjusted Interest Rate on the Calculation Date, or otherwise as provided herein, whether or not a Bondholder has elected to direct the Agency or the Trustee not to purchase all or a portion of such Bondholder's Series 14A Tender Bonds, all of such Series 14A Tender Bonds will be subject to mandatory redemption on the Adjustment Date.

(iv) On the Calculation Date the Remarketing Agent shall determine and announce to the Trustee and the Agency, in addition to those matters set forth in Paragraph (v) of this Section 2.03(a), the Adjusted Interest Rate that the Adjusted Rate Bonds of each applicable maturity shall bear as of the Adjustment Date. The Adjusted Interest Rate shall be the interest rate which, in the judgment of the Remarketing Agent, as of the date of such determination and under prevailing market conditions, would permit the resale of the Adjusted Rate Bonds on such date at par plus accrued interest, if any. If the Remarketing Agent shall fail or be unable to set the Adjusted Interest Rate on the Calculation Date, all Series 14A Tender Bonds shall be subject to mandatory redemption on the Adjustment Date. The Remarketing Agent shall announce the Adjusted Interest Rate by telephone to the Trustee and the Agency prior to 12:00 Noon, New York City time, on the Calculation Date, and shall confirm such notice by telex, facsimile or in writing or by wire sent on the same day or by next-day delivery service. Subject to Paragraph (vii) of this Section 2.03(a), as soon as possible after the Calculation Date the Trustee shall notify Bondholders who elected not to have their Series 14A Tender Bonds purchased pursuant to subparagraph (b)(iii) below of the Adjusted Interest Rate applicable to the Adjusted Rate Bonds to be retained by such holders. Following the Calculation Date, but in no event later than the second Business Day prior to the Adjustment Date, the Agency shall also deliver to the Trustee (1) an Arbitrage Projection Certificate, (2) a Remarketing Projection of Revenues satisfying the provisions of Paragraph (vi) of this Section 2.03(a), (iii) an Adjustment Rating Certificate and (3) a certificate of an Authorized Officer to the effect that the balance on deposit in the Bond Reserve Fund and the Series 14 Loan Loss Claim Fund as of the Adjustment Date will not be less than the Bond Reserve Fund Requirement and the Series 14 Loan Loss Claim Fund Requirement, respectively, calculated as of the Adjustment Date.

(v) On the Certification Date and on the Calculation Date, the Remarketing Agent shall deliver to the Agency and the Trustee a schedule of Principal Installments (including Sinking Fund Installments, if any) of the



Pro-Forma Tender Bonds and the Adjusted Rate Bonds, as applicable. The maturity dates of, and schedule of Principal Installments for, the Pro-Forma Tender Bonds and the Adjusted Rate Bonds, as applicable, shall be the same dates and schedule as established pursuant to Sections 2.01 and 2.04(d) hereof for the Series 14A Bonds for which they are to be exchanged, provided that, the Sinking Fund Installments, if any, for the Adjusted Rate Bonds of any maturity shall be the pro-rata proportion of each Sinking Fund Installment established for such maturity by the Remarketing Agent pursuant to Section 2.04(d) hereof determined, as nearly as practicable, in accordance with the ratio which the aggregate Outstanding Principal Amount of Adjusted Rate Bonds of such maturity bears to the aggregate Outstanding Principal Amount of all Series 14A Bonds of such maturity.

(vi) In addition to the requirements of Section 610 of the Resolution, the Remarketing Projection of Revenues delivered in connection with the remarketing of the Adjusted Rate Bonds shall assume the schedule of Principal Installments for the Adjusted Rate Bonds delivered to the Agency on the Calculation Date in accordance with Paragraph (v) of this Section 2.03(a) and shall demonstrate that following such remarketing expected Revenues and other funds available for the purpose will be sufficient to pay in the current and each subsequent Fiscal Year Aggregate Debt Service when due and all Program Expenses or, if not, that the amount of Revenues and other funds available to pay Aggregate Debt Service in the current and each subsequent Fiscal Year on all Bonds Outstanding other than the Series 14A Tender Bonds, and to pay all Program Expenses allocable to such Bonds, will be greater following adjustment of the Series 14A Tender Bonds to Adjusted Rate Bonds than would be the case if the Agency did not remarket the Adjusted Rate Bonds but redeemed the Series 14A Tender Bonds in accordance with Section 2.04(b) hereof. A copy of the Remarketing Projection of Revenues, together with a schedule of Investment Obligations in which the proceeds of the Series 14A Bonds will be invested following the Adjustment Date, shall be furnished by the Agency to each Nationally Recognized Credit Rating Agency then maintaining a rating on the Series 14A Bonds not later than five days prior to the Adjustment Date. In addition to the foregoing requirements, the Remarketing Projection of Revenues shall also take into account the provisions of Section 3.03(c) hereof. No moneys, other than Revenues, and no other amounts, Reserve Deposits or Series 14 Loan Loss Claim Fund Deposits, other than amounts, Reserve Deposits and Series 14 Loan Loss Claim Fund Deposits available therefor on the Adjustment Date for such Adjusted Rate Bonds in the Funds and Accounts held under the Resolution, and no other Additional Security for the Series 14A Bonds, shall be assumed in such Remarketing Projection of Revenues to be available to pay the Series 14A Bonds unless at or prior to such Adjustment Date the Agency shall have deposited such moneys, Reserve Deposits or Series 14 Loan Loss Claim Fund Deposits in one or more of the Funds or Accounts held under the Resolution, or shall have assigned or delivered such Additional Security to the Trustee, and shall have delivered to the Trustee an opinion of Bond Counsel to the effect that such moneys, Reserve Deposits, Series 14 Loan Loss Claim Fund Deposits or

Additional Security have been validly pledged as security for the payment of the Principal Amount and Redemption Price of and interest on the Bonds and that such assignment or delivery will not adversely affect the exclusion from gross income for federal income tax purposes of interest on any Series 14 Obligation Outstanding.

(vii) If on or prior to the second Business Day immediately preceding the Adjustment Date either (A) the Agency shall fail to deliver to the Trustee the Arbitrage Projection Certificate, Adjustment Rating Certificate or Remarketing Projection of Revenues or certificate of an Authorized Officer described in Paragraph (iv) of this Section 2.03(a) or (B) either (1) the Agency shall determine (and certify to the Trustee) that the rate of interest to be borne by Loans to be acquired with the proceeds attributable to the Adjusted Rate Bonds exceeds the rate which the Agency reasonably determines is the maximum rate which eligible Borrowers can afford or (2) the Agency shall have reasonably determined (and shall so certify to the Trustee) that Mortgage Lenders would be unable or unwilling to originate Loans for sale to the Agency at such rate or in a principal amount sufficient to fully apply all proceeds allocable to the Adjusted Rate Bonds as herein provided, or (3) the Agency shall determine that Loans made by or on behalf of the Agency, directly or indirectly, with proceeds attributable to the Adjusted Rate Bonds cannot be issued bearing a rate or rates of interest which will be less than the prevailing rate of interest on comparable loans available in the State without the assistance of the Agency, the Series 14A Tender Bonds (or such portion of the Principal Amount thereof as the Agency shall determine is necessary to satisfy the provisions of this Paragraph (vii)) shall not be exchanged for or remarketed as Adjusted Rate Bonds on the Adjustment Date but shall be redeemed on the Adjustment Date in accordance with Section 2.04(B) hereof.

(b) (i) Subject to Paragraph (b)(iii) of this Section 2.03, all Series 14A Tender Bonds shall be subject to mandatory tender for purchase on the Adjustment Date. Subject to the following sentence, any Series 14A Tender Bond subject to purchase on the Adjustment Date shall be purchased on the Adjustment Date from moneys transferred to the Debt Service Fund pursuant to Section 3.04(c) hereof at a purchase price equal to the Principal Amount thereof (including any initial issue premium paid with respect to the Series 14A Bonds maturing on November 1, 2027) plus accrued interest, if any, thereon to the Adjustment Date, and without premium. There shall not be purchased from such moneys:

(A) Series 14A Tender Bonds purchased with remarketing proceeds as contemplated by subparagraph (ii) hereof;

(B) Series 14A Tender Bonds with respect to which the Trustee shall have received directions from the Holder thereof in accordance with subparagraph (c) hereof not to purchase the same; or

(C) Series 14A Tender Bonds issued in exchange for or upon the transfer of Series 14A Tender Bonds referred to in the preceding subclauses (A) or (B).

(ii) In lieu of purchase from moneys held in the Debt Service Fund in accordance with Section 3.04(c) hereof, the purchase price of Series 14A Tender Bonds subject to purchase on the Adjustment Date may be paid from the proceeds of sale of the Adjusted Rate Bonds to a person or persons designated by the Remarketing Agent (who may but need not be the Remarketing Agent) at par plus accrued interest, if any. Adjusted Rate Bonds shall be sold to the person or persons designated by the Remarketing Agent if the purchase price in immediately available funds is delivered to the Trustee by 10:30 a.m., New York City time on the Adjustment Date. The Remarketing Agent, acting pursuant to the Remarketing Agreement, shall notify the Trustee in writing no later than the close of business on the third Business Day immediately preceding the Adjustment Date of the identity of the purchasers to whom the Adjusted Rate Bonds shall be remarketed as of the Adjustment Date, the names in which such Bonds are to be registered and addresses and tax identification number of such purchasers and the Principal Amount, denominations, maturity date or dates and interest rate or rates of the Adjusted Rate Bonds which shall be so purchased.

(A) Any Series 14A Tender Bond subject to purchase and not delivered to the corporate trust office of the Trustee (or to a depository previously approved by the Trustee) by 10:30 a.m., New York City time, on the Adjustment Date will be deemed tendered, and an Adjusted Rate Bond may be issued in place thereof and delivered to the purchaser thereof. Any Series 14A Tender Bond deemed tendered and purchased shall not bear interest from and after the Adjustment Date and shall not be entitled to any rights under, or be secured by the pledge of, the Resolution, but shall have only the right to receive the purchase price thereof.

(B) For all Series 14A Tender Bonds purchased as herein provided, the Trustee shall authenticate Adjusted Rate Bonds in the appropriate denominations and maturity and bearing interest at the Adjusted Interest Rate and, after receipt of the purchase price therefor, deliver the same to, and register the same in the name of, such person or persons as shall be designated by the Remarketing Agent. Any Series 14A Tender Bonds presented to the Trustee after the Adjustment Date for payment shall be paid from the aforementioned amounts set aside and shall be cancelled in accordance with Section 308 of the Resolution.

(iii) Any Holder of Series 14A Tender Bonds who has received notice that such Holder's Series 14A Tender Bonds will be exchanged for Adjusted Rate Bonds may direct in writing by mail or by telex or facsimile received by an officer in the Corporate Trust Division of the Trustee no later than 4:00 p.m. (New York City time) on the fifteenth (15th) day prior to the Adjustment Date (or if such day is not a Business Day, on the next succeeding Business Day), as

specified in such notice, that all or any specified portion of such Holder's Series 14A Tender Bonds (which portion shall not be less than \$5,000 and shall be in whole multiples of \$5,000 in Principal Amount) not be purchased, provided that, except with respect to Series 14A Tender Bonds registered in the name of the Bond Depository or its nominee, in lieu of purchase, such person agrees to exchange such specified portion of such Series 14A Tender Bonds for an amount of Adjusted Rate Bonds equal in Principal Amount to the Series 14A Tender Bonds tendered for exchange and of the same maturity as the Series 14A Tender Bonds so exchanged. The Trustee and the Bond Depository may agree to other arrangements for evidencing the exchange of Series 14A Tender Bonds for Adjusted Rate Bonds in the case of Series 14A Tender Bonds registered in the name of the Bond Depository or its nominee. The Trustee shall notify the Remarketing Agent and the Agency by 5:00 p.m. (New York City time) on the Fifteenth (15th) day prior to the Adjustment Date (or if such day is not a Business Day, on the next succeeding Business Day) of the aggregate amount of Series 14A Tender Bonds with respect to which notices were so received and the maturity dates thereof.

(iv) Unless otherwise agreed to by the Trustee with respect to Series 14A Tender Bonds registered in the name of the Bond Depository or its nominee, the direction of a Holder of Series 14A Tender Bonds described in subparagraph (iii) of this Section 2.03(b) shall be substantially in the form of Exhibit A hereto and shall state:

(A) the maturity date or dates of the Adjusted Rate Bonds for which the Holder's Series 14A Tender Bonds are to be exchanged and the Principal Amount or Amounts applicable to such maturity date(s) but shall acknowledge that if the conditions described in Section 2.03(a)(iv) or Section 2.03(a)(vii) hereof shall occur, such Holder's Series 14A Tender Bonds shall be subject to mandatory redemption despite direction to the contrary; and

(B) that such person is the owner of the Series 14A Tender Bonds to be exchanged for Adjusted Rate Bonds.

(v) Series 14A Tender Bonds purchased with moneys on deposit in the Debt Service Fund pursuant to Section 2.03(b)(i) hereof shall be cancelled by the Trustee.

(vi) Notwithstanding anything herein to the contrary, the aggregate principal amount of Adjusted Rate Bonds may be in an amount which exceeds the aggregate principal amount of Series 14A Tender Bonds (which increased amount reflects the unamortized premium paid with respect to the Series 14A Tender Bonds maturing November 1, 2027) upon receipt by the Trustee and the Agency of an opinion of Bond Counsel to the effect that the remarketing of the Adjusted Rate Bonds in such amount will not adversely affect the exclusion from

gross income for federal income tax purposes of interest on any Series 14 Obligation.

#### **Section 2.04. Redemption Provisions.**

(a) The Series 14A Bonds shall be subject to optional redemption as set forth in the Series Certificate.

(b) All Series 14A Tender Bonds shall be subject to redemption prior to maturity in whole or in part on the Adjustment Date as provided in Section 2.03(a)(iv) and Section 2.03(a)(vii) hereof from moneys deposited in the Special Redemption Account pursuant to Section 3.04(b) hereof at a Redemption Price of par plus accrued interest to the redemption date.

(c) The Series 14A Bonds shall be subject to special redemption as set forth in the Series Certificate upon compliance with the provisions of Section 509 of the Resolution.

(d) If so provided in the Series Certificate, Series 14A Bonds maturing on the dates set forth in the Series Certificate shall be subject to redemption prior to maturity in part on the dates and in the amounts set forth in the Series Certificate through application of Sinking Fund Installments at a Redemption Price equal to the Principal Amount of each Series 14A Bond or portion thereof to be redeemed, plus accrued interest to the redemption date.

(e) Except as otherwise provided herein, notice of redemption of Series 14A Bonds, bearing, in addition to such other information as may be required by Section 405 of the Resolution, the "CUSIP" number of each Series 14A Bond or portion thereof to be redeemed, the date and interest rate of such Bond or portion and the name and telephone number of a representative of the Trustee from whom information regarding such redemption can be obtained, shall be given by mailing a copy of such notice not more than 60 days and not less than 30 days prior to the redemption date to the registered owners of all Series 14A Bonds or portions thereof to be redeemed. Notwithstanding anything herein or in the Resolution to the contrary, notice of redemption of any Series 14A Bonds or portions thereof given to the registered owner of \$1,000,000 or more Principal Amount of Series 14A Bonds Outstanding shall, upon the prior written request of such owner to the Trustee, be mailed by certified mail, return receipt requested. Failure to mail any redemption notice as herein provided with respect to a Series 14A Bond or any defect therein shall not affect the redemption of any other Series 14A Bonds for which the required notice of redemption shall have been given. Not less than two Business Days prior to the giving of any notice of redemption of Series 14A Bonds to the registered owners thereof, the Agency shall also give notice of such redemption to at least two national information services who customarily disseminate information concerning the redemption of bonds (provided failure to give such notice or any defect therein shall not affect the redemption of such Series 14A Bonds on the redemption date therefor). If any Series 14A Bonds called for redemption as provided herein are not presented for payment within 60 days of the redemption date,

the Trustee shall mail an additional notice of the redemption of such Series 14A Bonds to the registered owners thereof, provided failure to mail such notice or any defect therein shall not affect the redemption of such Series 14A Bonds on the redemption date therefor.

- (f) The Series 14 Notes are not subject to redemption prior to maturity.

#### **Section 2.05. Sale of Series 14 Obligations.**

(a) The Series 14 Obligations shall be sold to the Underwriters and any other direct purchasers of the Series 14 Obligations on the terms and conditions, and upon the representations set forth in the related Purchase Contract, which Purchase Contracts are hereby approved, subject to such changes, additions and deletions as may be approved by the Chair, Vice-Chairman or the Executive Director, and the execution and delivery thereof on behalf of the Agency by the Chair, Vice-Chairman or Executive Director of each Purchase Contract is hereby authorized in all respects; provided, however, that in no event shall the Yield on the Series 14A Bonds exceed a Yield which would result in an interest rate on the zero point Mortgage Loans to be financed with the proceeds of the Series 14A Bonds in excess of 7.50% per annum nor may any Series 14 Obligation mature later than May 1, 2033.

(b) The distribution of the preliminary Official Statement by the Underwriters is hereby ratified and confirmed in all respects. The final Official Statement is hereby approved and the execution and delivery thereof to the Underwriters is hereby ratified and confirmed in all respects.

(c) The Series 14 Obligations shall be delivered upon compliance with the provisions of Section 204 of the Resolution, at the time and place provided by the related Purchase Contract.

(d) The proceeds of the good faith check received by the Agency under the Purchase Contracts shall be deposited with the Trustee in a special account established by the Agency and invested in Investment Obligations, subject to the terms of the related Purchase Contract.

### **ARTICLE III**

#### **ESTABLISHMENT OF ACCOUNTS AND APPLICATION OF PROCEEDS OF SERIES 14 OBLIGATIONS**

##### **Section 3.01. Establishment of Funds and Accounts.**

(a) In accordance with Section 502 of the Resolution, the Series 14 Loan Loss Claim Fund is hereby established to be held by the Trustee. The Series 14 Loan Loss Claim Fund shall be deemed to be Additional Security for the Series 14A Bonds within the meaning and with the effect given by Section 207 of the Resolution, and the Series 14 Loan Loss Claim Fund Surety Bond, Investment Obligations and Series 14 Loan Loss Claim Fund Deposits held in such Fund shall be used for the purposes and as provided in Section 3.06 of this Eighteenth Supplemental Resolution.

(b) There are hereby established in the Program Fund separate accounts designated the "Series 14A Program Account," the "Series 14B Program Account," the "Series 14C Program Account" and the "Series 14A Premium Account" moneys in each of which shall be used for the purposes and as authorized by Section 504 of the Resolution and Section 3.03 of this Eighteenth Supplemental Resolution. There is also hereby established in the Series 14A Program Account a separate subaccount designated the "Series 14A Tender Bonds Proceeds Subaccount," moneys in which shall be used solely for the purposes and as authorized by Section 3.04 hereof. Except as provided in Section 3.04 hereof, amounts on deposit in the Series 14A Tender Bonds Proceeds Subaccount shall be considered for all purposes of the Resolution as on deposit in the Series 14A Program Account.

(c) In accordance with Section 502 of the Resolution, a separate account is hereby established in the Program Fund designated the "Series 14 Cost of Issuance Account," moneys in which shall be used for the purposes and as authorized by Section 505(A) of the Resolution.

(d) In accordance with Section 502 of the Resolution, a separate account is hereby established in the Program Fund designated the "Series 14 Capitalized Interest Account," moneys in which shall be used for the purposes and as authorized by Section 505(B) of the Resolution.

(e) In accordance with Section 502 of the Resolution, a separate account is hereby established in the Redemption Fund to be held by the Trustee designated the "Series 14 Contingency Account," the amounts in which shall be used for the purposes and as authorized by Section 3.05 of this Eighteenth Supplemental Resolution. The Series 14 Contingency Account shall be deemed to be Additional Security for the Series 14A Bonds within the meaning and with the effect given by Section 207 of the Resolution.

(f) There is hereby established in the Rebate Fund a separate account designated the "Series 14 Rebate Account," moneys in which shall be used for the purposes and as authorized by Section 510 of the Resolution and Section 3.07 of this Eighteenth Supplemental Resolution.

### **Section 3.02. Application of Proceeds and Other Moneys.**

(a) Upon the authentication and delivery of the Series 14 Obligations, the proceeds of sale of the Series 14 Obligations shall be deposited by the Trustee as provided in the Series Certificate.

(b) On or before the original delivery date of the Series 14 Obligations, the Agency shall deliver to the Trustee cash, the Series 14 Loan Loss Claim Fund Surety Bond or Series 14 Loan Loss Claim Fund Deposits, in an aggregate stated amount equal to the Series 14 Loan Loss Claim Fund Requirement, to be held by the Trustee for the credit of the Series 14 Loan Loss Claim Fund, as provided in Section 3.06 hereof.



(c) On or before the original delivery date of the Series 14A Bonds, the Agency shall deliver cash, the Series 14 Contingency Account Surety Bond or Series 14 Contingency Account Deposits to the Trustee in the amount provided in the Series Certificate. If a Series 14 Contingency Account Deposit is other than cash, the Series 14 Contingency Account Deposit shall have an initial term of at least five years from its date and shall be held by the Trustee for the credit of the Series 14 Contingency Account.

### **Section 3.03. Application of Certain Amounts in Series 14 Program Accounts.**

(a) Notwithstanding anything in the Resolution to the contrary, except as hereinafter provided, amounts deposited in the Series 14A Program Account in accordance with the Series Certificate shall be applied solely to the purchase or making of Mortgage Loans (excluding Mortgage Loans for the construction of Residential Housing) as provided herein and in Section 504 of the Resolution. Amounts deposited in the Series 14A Program Account as provided herein or in the Resolution may be applied by the Agency to the purchase or making of Cooperative Housing Loans, Mortgage Loans for the construction of Residential Housing or Home Improvement Loans provided that at or prior to the purchase or making of any such Loan (i) the Agency shall furnish to each Nationally Recognized Credit Rating Agency the form of purchase agreement, servicing agreement, operations manual and other Program instruments and guidelines pursuant to which such Loans will be purchased or made, and (ii) the Agency shall deliver to the Trustee a letter from each Nationally Recognized Credit Rating Agency (or other evidence satisfactory to the Trustee) to the effect that the purchase or making of such Loans will not cause such agency to lower, suspend or otherwise modify adversely the unenhanced credit ratings then assigned to any Bonds Outstanding. In connection with the purchase of Cooperative Housing Loans, Mortgage Loans for the construction of Residential Housing or Home Improvement Loans, if any, hereunder the Agency may adopt a Supplemental Resolution pursuant to Section 701 of the Resolution specifying the terms of such Loans and any conditions to the purchase or making thereof and providing for any Additional Security therefor or for the Series 14 Obligations in accordance with Section 207 of the Resolution.

Notwithstanding anything herein to the contrary, on the date of issuance of the Series 14 Obligations, the Trustee shall apply funds on deposit in the Series 14A Program Account in an amount as shall be designated by the Agency to purchase such Mortgage Loans designated by the Agency which have previously been purchased by the Agency with available funds of the Agency. In addition, amounts on deposit in the Series 14A Program Account shall be applied from time to time at the direction of the Agency to purchase Mortgage Loans designated by the Agency which the Agency has previously committed to purchase.

(b) Amounts on deposit in the Series 14A Program Account shall be applied by the Agency to the purchase or origination of Loans bearing interest at rates not less than the rates set forth in the Series Certificate for each type of Loan authorized by the Series Certificate. Notwithstanding the foregoing, the Agency may purchase or make Loans with provisions differing from the foregoing restriction if at or prior to the purchase or making of such Loans the Agency delivers to the Trustee (i) a Projection of



Revenues demonstrating that following the purchase or making of such Loans, expected Revenues and other funds available for the purpose will be sufficient to pay in the current and each subsequent Fiscal Year Aggregate Debt Service when due and all Program Expenses, and (ii) an opinion of Bond Counsel to the effect that the purchase or making of such Loans will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Series 14 Obligations.

(c) Notwithstanding anything in Section 504 of the Resolution to the contrary, if on (i) July 24, 2003, (or on any earlier date as shall be specified in a certificate of an Authorized Officer) any amount representing new money proceeds of the Series 12C Bonds which are being refunded with the proceeds of the Series 14A Bonds remains on deposit in the Series 14A Program Account, other than amounts deposited therein pursuant to Section 506(B)(5) of the Resolution, the Trustee shall transfer such amount to the Series 14 Special Redemption Account in the Redemption Fund and shall apply such amount to the redemption of Series 14A Bonds in accordance with Section 2.04(c) hereof on or before August 24, 2003, (or on such date prior thereto as the Agency in its discretion may direct the Trustee) and (ii) September 26, 2004, (or on any earlier date as shall be specified in a certificate of an Authorized Officer) any amount representing the new money proceeds of the Series 14A Bonds remains on deposit in the Series 14A Program Account, other than moneys deposited therein pursuant to Section 506 (B)(5) of the Resolution, the Trustee shall transfer such amount to the Series 14 Special Redemption Account in the Redemption Fund and shall apply such amount to the redemption of Series 14A Bonds in accordance with Section 2.04(c) hereof on or before October 26, 2004, (or such date prior thereto as the Agency in its discretion may direct the Trustee). Notwithstanding the foregoing, if the amount remaining on deposit in the Series 14A Program Account allocable to such amounts on such dates is less than \$250,000, all or part of such amount may, at the option of the Agency expressed in a certificate of an Authorized Officer delivered to the Trustee, be deposited in the Debt Service Fund. Notwithstanding the foregoing, the Agency may direct the Trustee in a certificate of an Authorized Officer delivered to the Trustee prior to July 24, 2003 and September 26, 2004, as applicable, to retain in the Series 14A Program Account all or any portion of the amount then held therein allocable to the new money proceeds of the Series 12C Bonds being refunded with proceeds of the Series 14A Bonds or the new money proceeds of the Series 14A Bonds, as applicable as aforesaid to such later date or dates as shall be specified in such certificate if such certificate is accompanied by (i) a letter from each Nationally Recognized Credit Rating Agency (or other evidence satisfactory to the Trustee) confirming that retention of such amount to such later date or dates will not adversely affect the unenhanced credit ratings then assigned to the Bonds Outstanding and (ii) an opinion of Bond Counsel to the effect that retention of such amount to such later date or dates will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Series 14 Obligations. A copy of such certificate shall be furnished by the Agency to each Nationally Recognized Credit Rating Agency then maintaining a rating on the Bonds at the same time it is filed with the Trustee. If any such amount is so retained in the Series 14A Program Account, any amount remaining on deposit in the Series 14A Program Account on the date or dates specified in such certificate shall be transferred by the Trustee on such date to the Series 14 Special Redemption Account and shall be applied to the redemption of

Series 14A Bonds in accordance with Section 2.04(c) hereof on the earliest date on which the required notice of redemption can be practicably given (or on such earlier date as the Agency shall direct).

For purposes of this Section 3.04(c) amounts on deposit in the Series 14A Program Account allocable to the new money proceeds of the Series 12C Bonds being refunded with proceeds of the Series 14A Bonds shall be deemed to be spent for the purchase of Loans prior to the new money proceeds of the Series 14A Bonds and the new money proceeds of the Series 14A Bonds shall be deemed to be spent for the purchase of Loans prior to the "transferred proceeds" allocable to the remainder of the refunding portion of the Series 14A Bonds.

(d) Amounts on deposit in the Series 14B Program Account and the Series 14C Program Account shall be retained therein and applied to the payment of principal and interest on the applicable Series of Series 14 Notes.

(e) Amounts of deposit in the Series 14A Premium Account of the Program Fund shall be applied by the Agency to provide down payment and closing cost assistance to borrowers who elect to receive Downpayment Assistance Loans as described in the Series Certificate. Notwithstanding the foregoing, the Agency may use amounts on deposit in the Series 14A Premium Account to purchase or make Loans which do not constitute Downpayment Assistance Loans if at or prior to the purchase or making of such Loans to the Agency delivers to the Trustee the Protection of Revenues and opinion of Bond Counsel described in clause (i) and (ii) of paragraph (b) of this Section 3.03.

Upon the mandatory tender of Series 14A Bonds pursuant to Section 2.03(b) hereof, the redemption of Series 14A Tender Bonds pursuant to Section 2.04(b) hereof or the redemption of Series 14A Bonds from unexpended proceeds pursuant to Section 2.04(c) hereof, amounts on deposit in the Series 14A Premium Account allocable to the initial issue premium paid with respect to the Series 14A Bonds maturing November 1, 2027, shall be transferred to the Series 14A Tender Bonds Proceeds Subaccount or the Special Redemption Account, as applicable, to pay a portion of the tender price or redemption price, as applicable, of the Series 14A Bonds maturing on November 1, 2027.

#### **Section 3.04. Application of Series 14A Tender Bond Proceeds Subaccount.**

(a) Notwithstanding anything in Section 504 of the Resolution to the contrary, upon receipt by the Trustee of the certificate of an Authorized Officer described in Section 2.03(a)(ii) hereof to the effect that the Agency has elected to call a Principal Amount of Series 14A Bonds for exchange for or remarketing as Adjusted Rate Bonds on the Adjustment Date, the Trustee shall withdraw (i) from the Series 14A Program Account and deposit in the Series 14A Tender Bonds Proceeds Subaccount an amount equal to the Principal Amount of Series 14A Bonds so certified and (ii) from the Series 14A Premium Account and deposit in the Series 14A Tender Bonds Proceeds Subaccount an amount equal to the initial issue premium paid with respect to the

Series 14A Tender Bonds maturing November 1, 2027. Until the Adjustment Date, the amount so deposited shall be applied solely as provided in Paragraph (b) and (c) of this Section 3.04.

(b) Notwithstanding anything in Section 504 of the Resolution to the contrary, if the conditions specified in Section 2.03(a)(iv) or Section 2.03(a)(vii) hereof shall have occurred, the Trustee shall transfer from the Series 14A Tender Bonds Proceeds Subaccount to the Series 14 Special Redemption Account in the Redemption Fund all or such portion of such funds on deposit in the Series 14A Tender Bonds Proceeds Subaccount as shall be directed by the Agency for application to the redemption of all Series 14A Tender Bonds in accordance with Section 2.04(b) hereof.

(c) Notwithstanding anything in Section 504 of the Resolution to the contrary, if on the Adjustment Date any Series 14A Tender Bonds have not been remarketed as Adjusted Rate Bonds in accordance with Section 2.03(b)(ii) hereof, the Trustee shall transfer from the Series 14A Tender Bonds Proceeds Subaccount to the Debt Service Fund an amount equal to the sum of (i) the Principal Amount of all such Series 14A Tender Bonds not so remarketed and (ii) the initial issue premium allocable to any Series 14A Tender Bonds maturing November 1, 2027 not so remarketed. The amounts so transferred shall be applied on the Adjustment Date to the purchase of Series 14A Tender Bonds as provided in Section 2.03(b)(i) hereof.

(d) Notwithstanding anything herein to the contrary, on the Adjustment Date, but only upon compliance with Paragraph (b) and (c) of this Section 3.04, the Trustee shall return the entire balance then remaining in the Series 14A Tender Bonds Proceeds Subaccount to the Series 14A Program Account and the Series 14A Premium Account, as applicable, for application thereafter as provided in Section 504 of the Resolution and Section 3.03 hereof.

### **Section 3.05. Application of Series 14 Contingency Account.**

(a) Notwithstanding anything in the Resolution to the contrary, in connection with the purchase or redemption of Bonds with funds on deposit in a Special Redemption Account pursuant to Section 509(C) of the Resolution, the Agency may pay to the Trustee for deposit in the Revenue Fund amounts from the General Fund or from any other lawful source available to the Agency to the extent that the Projection of Revenues required by Section 509(G) of the Resolution shows that the balance to be on deposit and available for such purpose on the redemption date of such Bonds in all Funds and Accounts under the Resolution, other than the Rebate Fund, will be insufficient to satisfy the requirements of said Section 509(G) of the Resolution with respect to such purchase or redemption.

(b) The Trustee shall hold the cash deposited by the Agency, the Series 14 Contingency Account Surety Bond or the Series 14 Contingency Account Deposit, as applicable, for the credit of the Series 14 Contingency Account as security for the payment to the Trustee for deposit in the Revenue Fund of amounts, if any, necessary to satisfy the requirements of Section 509(G) of the Resolution upon any redemption of

Series 14A Bonds (and, to the extent provided in the Series Certificate, any other Bonds of the Agency) as described in Paragraph (a) of this Section 3.05 and, to the extent provided in the applicable Supplemental Resolution and, if the Agency has provided a Series 14 Contingency Account Deposit, with the prior approval of the Series 14 Contingency Account Deposit Provider, upon the redemption of any other Series of Bonds Outstanding under the Resolution. The Agency hereby instructs the Trustee, as applicable, to withdraw funds on deposit in the Series 14 Contingency Account or to give notice to the Series 14 Contingency Account Deposit Provider and to draw upon the Series 14 Contingency Account Deposit in accordance with its terms to the extent that the amount on deposit and available therefor in all Funds and Accounts under the Resolution (other than amounts available under the Series 14 Contingency Account Deposit and amounts on deposit in or held for the credit of the Series 14 Loan Loss Claim Fund), after consideration of any other amounts deposited in the Revenue Fund pursuant to Paragraph (a) of this Section 3.05 or the related provision of any applicable Supplemental Resolution set forth in the Series Certificate is insufficient to enable the Agency to satisfy the requirements of Section 509(G) of the Resolution with respect to the purchase or redemption of Series 14A Bonds (and any other Bonds of the Agency set forth in the Series Certificate) as described in Paragraph (a) of this Section 3.05. Any such certificate shall include instructions to the Trustee to draw upon the Series 14 Contingency Account Deposit to the extent of such deficiency and otherwise in accordance with its terms and to deposit the amount so drawn in the Revenue Fund.

(c) At any time while a Series 14 Contingency Account Deposit is held under the Resolution for the account of the Series 14A Bonds, the Agency may direct the Trustee to reduce the stated amount thereof or to cancel the Series 14 Contingency Account Deposit and return it to the Series 14 Contingency Account Deposit Provider upon the filing with the Trustee of a certificate of an Authorized Officer to the effect that the Agency has informed each Nationally Recognized Credit Rating Agency of such reduction or cancellation and each such Agency has confirmed that such reduction or cancellation will not adversely affect the unenhanced ratings then assigned to any Bonds Outstanding. In the event the Agency has deposited cash with the Trustee in lieu of a Series 14 Contingency Account Deposit, the Agency may direct the Trustee to withdraw any or all funds on deposit in the Series 14 Contingency Account and return such funds to the Agency upon the same conditions as a reduction or cancellation of the Series 14 Contingency Account Deposit.

(d) If the Trustee shall receive a notice from the Series 14 Contingency Account Deposit Provider pursuant to the Series 14 Reimbursement Agreement, if any, to the effect that an Event of Default has occurred and is continuing under the Series 14 Reimbursement Agreement and the Series 14 Contingency Account Deposit Provider has elected to direct the Trustee to make a drawing of an amount equal to the stated and unpaid amount of the Series 14 Contingency Account Deposit, the Trustee shall make such drawing and shall deposit the amount so drawn in the Series 14 Contingency Account.

(e) Subject to the provisions of Paragraph (c) of this Section 3.05, not less than five Business Days prior to the date of expiration of the Series 14 Contingency

Account Deposit the Agency shall deposit with the Trustee an extension thereof or a substitute Series 14 Contingency Account Deposit therefor (the deposit of which will not adversely affect the unenhanced ratings then assigned to any Bonds Outstanding by any Nationally Recognized Credit Rating Agency) in a stated amount equal to the stated amount of the initial Series 14 Contingency Account Deposit. If the Agency shall fail to deposit such extension or substitute letter of credit, not less than three Business Days prior to the expiration date of the Series 14 Contingency Account Deposit the Trustee shall draw upon the Series 14 Contingency Account Deposit the full amount then available to be drawn thereunder and shall deposit such amount in the Series 14 Contingency Account. If at any time thereafter the Agency shall certify to the Trustee in accordance with Paragraph (c) of this Section 3.05 that all or a portion of the amount on deposit in the Series 14 Contingency Account is not required for the purposes of such account, the Trustee shall pay the surplus in the Series 14 Contingency Account (as determined by the Agency) or the entire balance therein, as appropriate, to the Agency.

(f) Withdrawals from the Series 14 Contingency Account pursuant to Paragraphs (b) or (c) of this Section 3.05 shall be made by the Trustee, *first*, from cash and Investment Obligations, if any, on deposit in the Series 14 Contingency Account and *second*, from amounts drawn on any Series 14 Contingency Account Deposit. If at the time of making any withdrawal the amount of cash and Investment Obligations on deposit in the Series 14 Contingency Account is less than the withdrawal to be made, the Trustee shall notify the Agency of the amount of the deficiency and, unless the Agency shall pay to the Trustee for deposit in the Series 14 Contingency Account not later than the close of business on the Business Day next succeeding the date which such notice is received by the Agency an amount equal to such deficiency, the Trustee shall draw on the Series 14 Contingency Account Deposit the amount of the deficiency (or such portion thereof that has not been funded by such a deposit by the Agency) or, if less, the full amount available under the Series 14 Contingency Account Deposit.

(g) Interest or other income derived from the investment or deposit of moneys, if any, in the Series 14 Contingency Account shall be transferred by the Trustee to the Agency.

### **Section 3.06. Application of Series 14 Loan Loss Claim Fund.**

(a) The Trustee shall deposit in the Series 14 Loan Loss Claim Fund (i) the amount, if any, set forth in the Series Certificate, (ii) all amounts drawn on the Series 14 Loan Loss Claim Fund Deposit, if any, in accordance with this Section 3.06, (iii) any amount deposited therein from the Revenue Fund pursuant to Section 3.08 of this Eighteenth Supplemental Resolution, (iv) all interest and other earnings on investment or deposit of amounts on deposit in the Series 14 Loan Loss Claim Fund and (v) any other amounts (not required by the Resolution to be otherwise deposited), as determined by the Agency. Except as otherwise provided herein, amounts on deposit in the Series 14 Loan Loss Claim Fund, including, without limitation, amounts drawn on the Series 14 Loan Loss Claim Fund Deposit, shall be used solely for the purposes provided in Paragraphs (b) and (c) of this Section 3.06.

(b) Upon receipt by the Trustee of a certificate of an Authorized Officer to the effect that a Loan Loss has been realized on a defaulted Loan allocable to the Series 14A Bonds and specifying the amount of such Loan Loss, the Trustee shall withdraw from the Series 14 Loan Loss Claim Fund and deposit in the Revenue Fund the amount of such Loan Loss as so specified, or such lesser amount as directed in such certificate. Upon deposit thereof in the Revenue Fund, each Loan Loss Claim Fund Withdrawal shall constitute Revenues for all purposes of the Resolution.

(c) Notwithstanding anything herein to the contrary, if at any time the conditions described in Section 3.05(b) hereof shall occur and the amount on deposit in or held for the credit of the Series 14 Contingency Account shall be insufficient for the purposes of such account, the Trustee shall give notice to the Series 14 Loan Loss Claim Fund Deposit Provider and shall draw the amount of the deficiency from the Series 14 Loan Loss Claim Fund provided following such drawing and application of the amount withdrawn to the redemption of Bonds as contemplated by Section 3.05(b) hereof the amount on deposit in the Series 14 Loan Loss Claim Fund, together with the stated and unpaid amount of the Series 14 Loan Loss Claim Fund Deposit, if any, shall be not less than the Series 14 Loan Loss Claim Fund Requirement. Any amounts withdrawn from the Series 14 Loan Loss Claim Fund in accordance with this Paragraph (c) shall be deposited in the Revenue Fund and shall be applied to the redemption of Bonds as contemplated by Section 3.05(b) hereof.

(d) Withdrawals from the Series 14 Loan Loss Claim Fund pursuant to Paragraphs (b) or (c) of this Section 3.06 shall be made by the Trustee, *first*, from cash and Investment Obligations, if any, on deposit in the Series 14 Loan Loss Claim Fund and *second*, from amounts drawn on any Loan Loss Claim Fund Deposit. If at the time of making any withdrawal the amount of cash and Investment Obligations on deposit in the Series 14 Loan Loss Claim Fund is less than the withdrawal to be made, the Trustee shall notify the Agency of the amount of the deficiency and, unless the Agency shall pay to the Trustee for deposit in the Series 14 Loan Loss Claim Fund not later than the close of business on the Business Day next succeeding the date which such notice is received by the Agency an amount equal to such deficiency, the Trustee shall draw on the Series 14 Loan Loss Claim Fund Deposit the amount of the deficiency (or such portion thereof that has not been funded by such a deposit by the Agency) or, if less, the full amount available under the Series 14 Loan Loss Claim Fund Deposit.

(e) Notwithstanding the foregoing provisions of this Section 3.06, nothing in the Resolution or this Eighteenth Supplemental Resolution shall obligate the Agency to deposit in the Series 14 Loan Loss Claim Fund an amount which would cause the balance in the Series 14 Loan Loss Claim Fund, after application of amounts therein to Loan Loss Claim Fund Withdrawals notice of which has theretofore been received by the Trustee, to exceed the Series 14 Loan Loss Claim Fund Requirement. Unless otherwise directed by the Agency, no Loan Loss Claim Fund Withdrawal shall be made by the Trustee if the amount of such Loan Loss Claim Fund Withdrawal, together with the amount of all Loan Loss Claim Fund Withdrawals theretofore made by the Trustee, would exceed an amount equal to (i) 1.85% of the sum of (A) the aggregate original principal amount of all Loans purchased under the Resolution from amounts on deposit in the Series 14A Program



Account plus (B) the aggregate amount, if any, then held in the Series 14A Program Account which may be applied to the purchase of such Loans, or (ii) such lesser amount as each Nationally Recognized Credit Rating Agency confirms to the Agency will not adversely affect the unenhanced credit ratings then assigned to any Bonds Outstanding.

(f) Notwithstanding anything herein or in the Resolution to the contrary, at any time the Agency may direct the Trustee to withdraw from the Series 14 Loan Loss Claim Fund and pay to the Agency all or any part of the moneys on deposit in the Series 14 Loan Loss Claim Fund provided that prior to any such withdrawal the Agency shall deliver to the Trustee (i) one or more Reserve Deposits in an aggregate amount available to be drawn thereunder, together with any moneys to remain on deposit in the Series 14 Loan Loss Claim Fund following such withdrawal, equal to not less than the Series 14 Loan Loss Claim Fund Requirement, (ii) letters from each Nationally Recognized Credit Rating Agency (or other evidence satisfactory to the Trustee) confirming that such withdrawal will not adversely affect the unenhanced credit ratings then assigned to any Bonds Outstanding and (iii) an opinion of Bond Counsel to the effect that such withdrawal will not adversely affect the exclusion from gross income for federal income tax purposes of interest on any Bonds Outstanding. In connection with any such withdrawal and the deposit of any Reserve Deposit with the Trustee, the Agency may adopt a Supplemental Resolution pursuant to Section 701 of the Resolution specifying the terms and conditions under which such Reserve Deposit is held for the credit of the Series 14 Loan Loss Claim Fund.

(g) Subject to Paragraph (h) of this Section 3.06, if at any time the amount of cash and Investment Obligations on deposit in the Series 14 Loan Loss Claim Fund exceeds the Series 14 Loan Loss Claim Fund Requirement, the Trustee, at the request of the Agency, shall withdraw the excess (or such portion thereof as directed by the Agency) and deposit it in the Revenue Fund.

(h) If at any time (i) the amount of cash and Investment Obligations in the Series 14 Loan Loss Claim Fund exceeds the Series 14 Funded Loan Loss Claim Fund Requirement, and/or (ii) the stated and unpaid amount of the Series 14 Loan Loss Claim Fund Deposit exceeds the Series 14 Loan Loss Claim Fund Requirement, the Agency may direct the Trustee to notify the Series 14 Loan Loss Claim Fund Deposit Provider of a reduction in the stated amount of the Series 14 Loan Loss Claim Fund Deposit; provided that if any such excess has resulted from a decrease in the Series 14 Loan Loss Claim Fund Requirement other than due to the payment of Loan Loss Claim Fund Withdrawals in accordance with this Section 3.06, the direction of the Agency shall be accompanied by letters from each Nationally Recognized Credit Rating Agency (or other evidence satisfactory to the Trustee) to the effect that the reduction of the Series 14 Loan Loss Claim Fund Deposit will not adversely affect the unenhanced credit ratings then assigned to any Bonds Outstanding.

(i) If the Trustee shall receive a notice from the Series 14 Loan Loss Claim Fund Deposit Provider pursuant to the Series 14 Reimbursement Agreement, if any, to the effect that an Event of Default has occurred and is continuing under the Series 14 Reimbursement Agreement and the Series 14 Loan Loss Claim Fund Deposit Provider

has elected to direct the Trustee to make a drawing of an amount equal to the lesser of the Series 14 Loan Loss Claim Fund Requirement or the stated and unpaid amount of the Series 14 Loan Loss Claim Fund Deposit, the Trustee shall make such drawing and shall deposit the amount so drawn in the Series 14 Loan Loss Claim Fund.

(j) Not less than five Business Days prior to the date of expiration of the Series 14 Loan Loss Claim Fund Deposit, the Agency shall deposit with the Trustee either an extension of the Series 14 Loan Loss Claim Fund Deposit in a stated amount available to be drawn thereunder not less than the lesser of (i) an amount equal to the Series 14 Loan Loss Claim Fund Requirement calculated at such date less the aggregate amount of cash and Investment Obligations, if any, on deposit in the Series 14 Loan Loss Claim Fund at such date and (ii) the stated amount of the Series 14 Loan Loss Claim Fund Deposit at such date. If the Agency shall fail to deposit such extension of the Series 14 Loan Loss Claim Fund Deposit with the Trustee, not less than three Business Days prior to the expiration date of the Series 14 Loan Loss Claim Fund Deposit, the Trustee shall draw on the Series 14 Loan Loss Claim Fund Deposit and deposit in the Series 14 Loan Loss Claim Fund an amount sufficient to cause the Series 14 Funded Loan Loss Claim Fund Requirement to equal the Series 14 Loan Loss Claim Fund Requirement as of such date or, if less, the full amount then available to be drawn under the Series 14 Loan Loss Claim Fund Deposit.

(k) Notwithstanding anything herein or in the Resolution to the contrary, the Series 14 Loan Loss Claim Fund Requirement shall be reduced to zero if at any time the Agency shall file with the Trustee (i) a certificate of an Authorized Officer to the effect that the Agency then maintains or has caused to be maintained in full force and effect a policy or policies of insurance obtained by the Agency under which an insurance company qualified to do business in the State insures the Agency on a portfolio basis, for so long as any Series 14A Bonds are Outstanding under the Resolution, against loss arising out of default on Loans purchased or made from moneys in the Series 14A Program Account during the period of insurance eligibility specified in such policy up to such aggregate loss limit as the Agency shall determine in its discretion, and (ii) letters from each Nationally Recognized Credit Rating Agency (or other evidence satisfactory to the Trustee) confirming that the provision of such insurance and the reduction of the Series 14 Loan Loss Claim Fund requirement will not adversely affect the unenhanced credit ratings then assigned to any Bonds Outstanding.

### **Section 3.07. Series 14 Rebate Account.**

(a) Pursuant to the requirements of Section 148(f) of the Code, the Agency shall pay to the United States at least once every five years an amount determined in accordance with said Section 148(f) equal to the sum of (i) the excess of the amount earned on all Nonpurpose Investments (hereinafter defined) (other than investments attributable to an excess described in this clause) over the amount which would have been earned if such Nonpurpose Investments were invested at a yield equal to the Yield on the Series 14 Obligations, plus (ii) any income attributable to the investment of the excess described in clause (i) above. The Agency further covenants to pay such amount to the United States, in a manner consistent with the requirements of Section 148(f) of the



Code, whether or not the amount on deposit in the Series 14 Rebate Account and available therefor is sufficient for such payment, and to establish such accounting procedures as are required to determine the amount of such excess investment earnings and the Series 14 Rebate Requirement.

(b) Within 30 days of the end of each Bond Year, the Agency shall furnish to the Trustee a certificate of an Authorized Officer, upon which the Trustee may conclusively rely, setting forth the Series 14 Rebate Requirement for such Bond Year.

(c) Within 60 days after the close of the fifth Bond Year, and at least once in each five-year period thereafter, the Trustee shall pay from the Series 14 Rebate Account to the United States on behalf of the Agency the full amount then required to be paid under Section 148(f) as certified and directed by the Agency in a certificate of an Authorized Officer delivered to the Trustee prior to the due date of such payment. Within 60 days after the Series 14 Obligations have been paid in full, the Trustee shall pay to the United States from the Series 14 Rebate Account on behalf of the Agency the full amount then required to be paid under Section 148(f) as certified by the Agency in a certificate of an Authorized Officer delivered to the Trustee prior to the due date of such payment. Each such payment shall be filed with the Internal Revenue Service Center, 1600 W. 1200 S., Ogden, UT 84201 or any successor location specified by the Internal Revenue Service, accompanied by a copy (furnished to the Trustee by the Agency) of the Form 8038-T (or other similar information reporting form).

(d) In the event that, at the time of any required payment of the Series 14 Rebate Requirement, the amount in the Series 14 Rebate Account available for such payment shall be insufficient to make such payment, the Agency shall pay the amount of the deficiency from the General Fund or from any other moneys available to the Agency and not pledged under the Resolution to the Bonds.

(e) In the event that on any Interest Payment Date of the Series 14 Obligations the amount on deposit in the Series 14 Rebate Account exceeds the Series 14 Rebate Requirement (calculated as of such Interest Payment Date), the Trustee, at the written direction of an Authorized Officer, shall withdraw such excess amount and deposit it in the Revenue Fund.

(f) For purposes of this Section 3.07, the term "Nonpurpose Investments" shall have the meaning given in Section 148(f) of the Code. Nonpurpose Investments shall be valued at accreted value or market value, as appropriate for the purposes of this Section 3.07. In determining the aggregate amount earned on Nonpurpose Investments, any gain or loss on the disposition of such Investments shall be taken into account.

(g) The Agency and the Trustee shall keep such records as will enable them to fulfill the responsibilities under this section and Section 148(f) of the Code and shall retain such records for at least six years following final payment of the Series 14 Obligations.

(h) The purpose of this Section 3.07 is to satisfy the requirements of Section 148(f) of the Code and any applicable regulations thereunder or official interpretations thereof. Accordingly, this section shall be construed so as to meet such requirements.

**Section 3.08. Application of Certain Amounts in Revenue Fund.**

(a) Notwithstanding anything in Section 506(B) of the Resolution to the contrary, on or before each Interest Payment Date of the Series 14 Obligations, after satisfying the requirements of Clauses (i) through (vii), inclusive, of Section 506(B), the Trustee shall apply any balance on deposit in the Revenue Fund attributable to the Series 14A Bonds to the Series 14 Loan Loss Claim Fund to the extent the amount therein is less than the Series 14 Funded Loan Loss Claim Fund Requirement calculated at such Interest Payment Date.

(b) Notwithstanding anything in Section 506(B)(7) of the Resolution, the amount of moneys in the Revenue Fund allocable to the Series 14 Obligations that may be applied to the payment or reimbursement of Program Expenses in any one Fiscal Year pursuant to such Section 506(B)(7) shall not exceed the sum of (i) \$10,000 plus (ii) the sum of the fees and reimbursement amounts payable to the Series 14 Loan Loss Claim Fund Deposit Provider in connection with the Series 14 Loan Loss Claim Fund Deposit, the fees and reimbursement amounts payable to the Series 14 Contingency Account Deposit Provider in connection with the Series 14 Contingency Account Deposit, the expenses and reimbursements payable to the Bond Insurer in connection with the Municipal Bond Insurance Policy and the amount of the Municipal Bond Insurance Policy Premium unless the Agency shall file with the Trustee a certificate of an Authorized Officer to the effect that the Agency has confirmed that a greater amount (specified in such certificate) will not adversely affect the unenhanced ratings then assigned to any Bonds Outstanding by any Nationally Recognized Credit Rating Agency.

(c) Notwithstanding anything in Section 506(B)(8) of the Resolution to the contrary, no amount on deposit in the Revenue Fund attributable to the Series 14 Obligations shall be transferred to the General Fund pursuant to such Section 506(B)(viii) unless (i) there are no amounts owed to the Series 14 Loan Loss Claim Fund Deposit Provider or the Series 14 Contingency Account Deposit Provider under either of the Series 14 Reimbursement Agreements and (ii) the Projection of Revenues filed with the Trustee in accordance with said Section 506(B)(viii) shows that on the date of such Projection of Revenues the unpaid balance of all Loans then held under the Resolution for the account of the Series 14 Obligations, plus the amount then held in all Funds and Accounts under the Resolution attributable to the Series 14 Obligations, other than amounts held in the Rebate Fund, the Series 14 Contingency Account and the Series 14 Loan Loss Claim Fund and the amounts attributable to the Series 14 Obligations then to be paid to the Agency in accordance with said Section 506(B)(viii), are at least equal to 101% of the Principal Amount of all Series 14 Obligations plus all interest accrued and unpaid thereon as of such date.

(d) The Agency hereby acknowledges and agrees that amounts payable under each of the Series 14 Reimbursement Agreements constitute Program Expenses and shall be paid in accordance with Section 506(B)(7) of the Resolution and Section 3.08(b) hereof.

## **ARTICLE IV**

### **FORM OF SERIES 14 OBLIGATIONS**

#### **Section 4.01. Form of Series 14 Obligations.**

(a) All Series 14 Obligations authenticated and delivered hereunder prior to the Adjustment Date shall be in such form and shall bear such terms and conditions, not inconsistent with the Resolution or this Eighteenth Supplemental Resolution, as the Chair, Executive Director or other Authorized Officer of the Agency shall determine and certify to the Trustee on or prior to the date of original authentication and delivery of any Series 14 Obligations hereunder.

(b) The Adjusted Rate Bonds shall be in such form and shall bear such terms and conditions, not inconsistent with the Resolution and this Eighteenth Supplemental Resolution, as the Chair, Executive Director or other Authorized Officer of the Agency shall determine and certify to the Trustee on or before the Adjustment Date.

## **ARTICLE V**

### **MISCELLANEOUS**

**Section 5.01. Authorization of Officers.** The Chair, Vice Chairman or any other Commissioner of the Agency, Executive Director, Treasurer, Director of Finance, Director of Homeownership Programs and Secretary of the Agency are hereby authorized and directed to do all acts and things and to execute and deliver any all documents, certificates and other instruments necessary or desirable to effectuate the transaction contemplated by this Eighteenth Supplemental Resolution, the Resolution, the Purchase Contracts, the Remarketing Agreement, the Continuing Disclosure Agreement and the Official Statement.

**Section 5.02. Series Certificate.** The Chair or Vice-Chairman and the Executive Director are hereby authorized to execute the Series Certificate in such form as shall be approved by Counsel to the Agency and to deliver the same to the Trustee.

**Section 5.03. Reimbursement Agreement.** The Chair, Vice-Chairman, or any other Commissioner, Treasurer, Executive Director or Director of Finance are hereby authorized to execute the Series 14 Reimbursement Agreements in such form as shall be approved by Counsel to the Agency and to deliver the same to the Series 14 Loan Loss Claim Fund Deposit Provider and the Series 14 Contingency Account Deposit Provider, as applicable.

**Section 5.04. Purchase Contracts; Remarketing Agreement.** The Purchase Contracts and the Remarketing Agreement are hereby approved in substantially the forms presented at this meeting with such changes, omissions, insertions and revisions thereto as the Chair, the

Executive Director or any other Authorized Officer executing the same may deem advisable, the execution thereof by such person to be conclusive evidence of the approval thereof. The aforementioned officers of the Agency are, and each of them is, hereby authorized to execute the Purchase Contracts and the Remarketing Agreement and, upon such execution, to deliver it to the underwriters of the Bonds and the Remarketing Agent, respectively.

**Section 5.05. Remarketing Agent.**

(a) The Remarketing Agent is hereby appointed by the Agency to serve as Remarketing Agent hereunder.

(b) Any corporation, association, partnership or firm which succeeds to the business of the Remarketing Agent (collectively, the "Agents") as a whole or substantially as a whole, whether by sale, merger, consolidation or otherwise, shall thereby become vested with all the property, rights and powers of such Agent under the Resolution. Such successor Agent shall execute, deliver, record and file such instruments as are required to confirm or perfect its succession hereunder and predecessor Agent shall from time to time execute, deliver, record and file such instruments as the incumbent Agent may reasonably require to confirm or perfect any succession hereunder.

(c) In the event that an Agent shall resign or be dissolved, or if the property or affairs of an Agent shall be taken under the control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, the Agency, by certificate of an Authorized Officer filed with the Trustee, shall appoint a successor. If in any such case the Agency shall fail to appoint a successor, the Trustee shall appoint a successor.

**Section 5.06. Continuing Disclosure Agreement.** The Continuing Disclosure Agreement is hereby approved in substantially the form presented at this meeting with such changes, omissions, insertions and revisions thereto as the Chair, the Executive Director or any other Authorized Officer executing the same may deem advisable, the execution thereof by such person to be conclusive evidence of the approval thereof. The aforementioned officers of the Agency are, and each of them is, hereby authorized to execute the Continuing Disclosure Agreement and, upon such execution, to deliver it to the Continuing Disclosure Agent.

**Section 5.07. Amendment of Resolution.** Section 5.06 of the Tenth Supplemental Resolution provided for the amendment of Section 1012 of the Resolution by adding to the end of such Section 1012 the following clause:

; provided, however, that any such company shall not be required to satisfy the requirements with respect to capital and surplus set forth in Sections 1002 and 1010.

This amendment to Section 1012 of the Resolution shall become effective with respect to all Bonds Outstanding under the Resolution at such time as the Owners of 60% in aggregate Principal Amount of the bonds Outstanding shall have consented to such amendment. The Underwriters and any direct institutional purchaser of the Series 14 Obligations, as initial

beneficial owners of the Series 14 Obligations, shall be deemed to have consented to the provisions of Section 5.06 of the Tenth Supplemental Resolution.

**Section 5.08. Private Activity Volume Cap.** The Agency hereby authorizes the use of its available private activity volume cap in an amount not to exceed \$20,000,000 in connection with the issuance of the Series 14 Obligations.

**Section 5.09. Effective Date.** This Eighteenth Supplemental Resolution shall take effect immediately.

## ARTICLE VI

### MUNICIPAL BOND INSURANCE POLICY

**Section 6.01. Municipal Bond Insurance Policy.** The Agency shall deposit the Municipal Bond Insurance Policy with the Trustee on the date of issuance of the Series 14 Obligations.

**Section 6.02. Payment Procedures.** As long as the Municipal Bond Insurance Policy shall be in full force and effect, the Agency and the Trustee agree to comply with the following provisions:

(a) If, on the third Business Day prior to the related scheduled Interest Payment Date or principal payment date ("Payment Date") there is not on deposit with the Trustee, after making all transfers and deposits required under the Resolution, moneys sufficient to pay the principal of and interest on the Series 14A Bonds due on such Payment Date, the Trustee shall give notice to the Bond Insurer and to its designated agent (if any) (the "Insurer's Fiscal Agent") by telephone or facsimile of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second Business Day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal of and interest on the Series 14A Bonds due on such Payment Date, the Trustee shall make a claim under the Insurance Policy and give notice to the Bond Insurer and the Bond Insurer's Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the Series 14A Bonds and the amount required to pay principal of the Series 14A Bonds, confirmed in writing to the Bond Insurer and the Bond Insurer's Fiscal Agent by 12:00 noon, New York City time, on such second Business Day by filling in the form of Notice of Claim and Certificate delivered with the Insurance Policy.

(b) In the event the claim to be made is for a Sinking Fund Installment, upon receipt of the moneys due, the Trustee shall authenticate and deliver to affected Bondholders who surrender their Series 14A Bonds a new Series 14A Bond or Series 14A Bonds in the aggregate principal amount equal to the unredeemed portion of the Series 14A Bond surrendered. The Trustee shall designate any portion of payment of principal on Series 14A Bonds paid by the Bond Insurer, whether by virtue of Sinking Fund Redemption, maturity or other advancement of maturity, on its books as a reduction

in the principal amount of Series 14A Bonds registered to the then current Bondholder, whether DTC or its nominee or otherwise, and shall issue a replacement Series 14A Bond to the Insurer, registered in the name of Financial Security Assurance Inc., in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Series 14A Bond shall have no effect on the amount of principal or interest payable by the Agency on any Series 14A Bond or the subrogation rights of the Bond Insurer.

(c) The Trustee shall keep a complete and accurate record of all funds deposited by the Bond Insurer into the Series 14 Policy Payments Account of the Debt Service Fund (which Series 14 Policy Payments Account is hereby created) and the allocation of such funds to payment of interest on and principal paid in respect of any Series 14A Bond. The Bond Insurer shall have the right to inspect such records at reasonable times upon reasonable notice to the Trustee.

(d) Upon payment of a claim under the Municipal Bond Insurance Policy, the Trustee shall establish a separate special purpose trust account for the benefit of holders of the Series 14A Bonds referred to herein as the "Series 14 Policy Payments Account" and over which the Trustee shall have exclusive control and sole right of withdrawal. The Trustee shall receive any amount paid under the Municipal Bond Insurance Policy in trust on behalf of holders of the Series 14A Bonds and shall deposit any such amount in the Series 14 Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Trustee to holders of the Series 14A Bonds in the same manner as principal and interest payments are to be made with respect to the Series 14A Bonds under the sections hereof regarding payment of Series 14A Bonds. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments.

(e) Funds held in the Series 14 Policy Payments Account shall not be invested by the Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Trustee or of any other person or entity.

(f) Any funds remaining in the Series 14 Policy Payments Account following a payment date with respect to the Series 14A Bonds shall promptly be remitted to the Bond Insurer.

(g) The Bond Insurer shall, to the extent it makes any payment of principal or interest on the Series 14A Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Municipal Bond Insurance Policy.

#### **Section 6.03. Notices to the Bond Insurer.**

(a) While the Municipal Bond Insurance Policy is in effect, the Agency shall cause to be furnished to the Bond Insurer:

(i) as soon as practicable after the filing thereof, a copy of any financial statement of the Agency and a copy of any audit and annual report of the Agency;

(ii) a copy of any notice to be given to the registered owners of the Series 14A Bonds, including, without limitation, notice of any redemption of or defeasance of Series 14A Bonds, and any certificate rendered pursuant to the Resolution relating to the security for the Series 14A Bonds;

(iii) any notice or certificate given to a Nationally Recognized Credit Rating Agency;

(iv) notice of any draw upon the Bond Reserve Fund within two Business Days after knowledge thereof other than (A) withdrawals of amounts in excess of the Bond Reserve Requirement and (B) withdrawals in connection with a refunding of Bonds;

(v) notice of any default known to the Trustee within five Business Days after knowledge thereof;

(vi) prior notice of the advance refunding or redemption of any of the Series 14A Bonds, including the principal amount, maturities and CUSIP numbers thereof;

(vii) notice of the resignation or removal of the Trustee, Paying Agent and Bond Registrar and the appointment of, and acceptance of duties by, any successor thereto;

(viii) notice of the commencement of any proceeding by or against the Agency commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding");

(ix) notice of the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of principal of, or interest on, the Series 14A Bonds;

(x) any data, cash flow schedules or other information relating to the Agency, the Resolution or the trust estate pledged under the Resolution as Financial Security may reasonably request;

(xi) A full original transcript of all proceedings relating to the execution of any amendment or supplement to the Resolution, the Eighteenth Supplemental Resolution or any other document executed in connection with issuance of the Series 14A Bonds;

(xii) all reports, notices and correspondence with respect to the Series 14A Bonds to be delivered under the terms of the Resolution, the



Eighteenth Supplemental Resolution or any other document executed in connection with the issuance of the Series 14A Bonds;

(xiii) such additional information it may reasonably request; and

(xiv) all notices, documents and certificates furnished the Bond Insurer in accordance with this Section 6.03(a) shall be delivered to: Financial Security Assurance Inc., 350 Park Avenue, New York, New York 10022-6022, Attention: Managing Director — Surveillance; Re: Policy No. [\_\_\_\_], Telephone: (212) 826-0100; Facsimile: (212) 339-3529. In each case in which notice or other communication refers to an Event of Default, then a copy of such notice or other communication shall also be sent to the attention of General Counsel and shall be marked to indicate "URGENT MATERIAL ENCLOSED."

(b) The Trustee shall notify the Bond Insurer of any failure of the Agency to provide any notice, certificate or other document required under the Resolution.

(c) The Agency will permit the Bond Insurer to discuss the affairs, finances and accounts of the Agency or any information the Bond Insurer may reasonably request regarding the security for the Series 14A Bonds with appropriate officers of the Agency. The Trustee and the Agency will permit the Bond Insurer to have access to and to make copies of all books and records relating to the Series 14A Bonds at any reasonable time.

(d) The Bond Insurer shall have the right to direct an accounting at the Agency's expense, and the Agency's failure to comply with such direction within 30 days after receipt of written notice of the direction from the Bond Insurer shall be deemed a default hereunder; provided, however, that if compliance cannot occur within such period, then such period will be extended so long as compliance is begun within such period and diligently pursued, but only if such extension would not materially adversely affect the interests of any registered owner of the Series 14A Bonds.

(e) Notwithstanding any other provision of the Resolution, the Trustee shall immediately notify the Bond Insurer if at any time there are insufficient moneys to make any payments of principal and/or interest on the Series 14A Bonds as required and immediately upon the occurrence of any Event of Default with respect to the Series 14A Bonds.

**Section 6.04. Consent of the Bond Insurer.** No modification, amendment or supplement to the Resolution, the Eighteenth Supplemental Resolution or any other document executed in connection with the Series 14A Bonds that requires the consent of the owners of the Series 14A Bonds may become effective except upon obtaining the prior written consent of the Bond Insurer. Additionally, no amendment, modification or supplement to the Resolution or the Eighteenth Supplemental Resolution shall be permitted unless the Bond Insurer receives a written confirmation from S&P and Moody's that, after giving effect to such amendment, modification or supplement, the Series 14A Bonds will be rated no less than "A+" and "A1" respectively (without giving effect to the Municipal Bond Insurance Policy). Copies of any modification or amendment to the Resolution, the Eighteenth Supplemental Resolution or any



other document executed in connection with the Series 14A Bonds shall be sent to each Nationally Recognized Credit Rating Agency at least 10 days prior to the effective date thereof.

**Section 6.05. Consent of the Bond Insurer in the Event of Insolvency.** Any reorganization or liquidation plan with respect to the Agency must be acceptable to the Bond Insurer. In the event of any reorganization or liquidation, the Bond Insurer shall have the right to vote on behalf of all Series 14A Bondholders absent a default by the Bond Insurer under the Municipal Bond Insurance Policy.

**Section 6.06. Rights of Bond Insurer.** The Bond Insurer shall be deemed to be the sole holder of the Series 14A Bonds insured by it for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Series 14A Bonds insured by it are entitled to take pursuant to Article IX (pertaining to defaults and remedies) and Article X (pertaining to the Trustee) of the Resolution. The Trustee shall take no action with respect to the Series 14A Bonds pursuant to such Article IX and Article X except with the consent, or at the direction, of the Bond Insurer.

In addition, in the event the maturity of the Series 14A Bonds is accelerated, the Bond Insurer may elect, in its sole discretion, to pay accelerated principal and interest accrued, on such principal to the date of acceleration (to the extent unpaid by the Agency) and the Trustee shall be required to accept such amounts. Upon payment of such accelerated principal and interest accrued to the acceleration date as provided above, the Bond Insurer's obligations under the Municipal Bond Insurance Policy with respect to such Series 14A Bonds shall be fully discharged.

**Section 6.07. Defeasance of Series 14A Bonds.** Notwithstanding anything in the Resolution to the contrary, in the event that the principal and/or interest due on the Series 14A Bonds shall be paid by the Bond Insurer pursuant to the Municipal Bond Insurance Policy, the Series 14A Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Agency, and the assignment and pledge of the Resolution and all covenants, agreements and other obligations of the Agency to the registered owners of the Series 14A Bonds shall continue to exist and shall run to the benefit of the Bond Insurer, and the Bond Insurer shall be subrogated to the rights of such registered owners.

Notwithstanding anything in Article XI of the Resolution to the contrary, only (a) cash and (b) non-callable direct obligations of the United States of America shall be authorized to be used to effect defeasance of the Series 14A Bonds unless the Bond Insurer otherwise approves. In addition, in order to accomplish a defeasance the Agency shall cause to be delivered to the Bond Insurer (i) a report of an independent firm of nationally recognized certified public accountants or such other accountant as shall be acceptable to the Bond Insurer ("Accountant") verifying the sufficiency of the escrow established to pay the Series 14A Bonds in full on the Bond maturity and redemption date ("Verification"), (ii) an Escrow Deposit Agreement (which shall be acceptable in form and substance to the Bond Insurer), and (iii) an opinion of nationally recognized bond counsel to the effect that the Series 14A Bonds are no longer "Outstanding" under the Resolution; each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the Agency, the Trustee and the Bond Insurer. In the event a forward purchase agreement will be employed in the refunding, such agreement shall be subject

to the approval of the Bond Insurer and shall be accompanied by such opinions of counsel as may be required by the Bond Insurer. The Bond Insurer shall be provided with final drafts of the above-referenced documentation not less than five Business Days prior to the funding of the escrow. The Series 14A Bonds shall be deemed "Outstanding" under the Resolution unless and until they are in fact paid and retired or the above criteria are met.

**Section 6.08. Payment of Municipal Bond Insurance Premium; Expenses.** Notwithstanding any provision of Section 506 of the Resolution to the contrary, amounts on deposit in the Revenue Fund and allocable to the Series 14A Bonds shall be used to pay the Municipal Bond Insurance Policy Premium prior to being deposited in the Bond Reserve Fund to replenish any deficiency therein as provided in Section 506(B)(2) of the Resolution.

In addition, the Agency shall pay or reimburse the Bond Insurer as a Program Expense pursuant to Section 5.06(B)(7) of the Resolution, but only to the extent of the trust estate pledged under the Resolution, any and all charges, fees, costs and expenses which the Bond Insurer may reasonably pay or incur in connection with (a) the administration, enforcement, defense or preservation of any rights or security under the Resolution, the Eighteenth Supplemental Resolution or any other document executed in connection with the issuance of the Series 14A Bonds; (b) the pursuit of any remedies under the Resolution, the Eighteenth Supplemental Resolution or any other document executed in connection with the issuance of the Series 14A Bonds or otherwise afforded by law or equity, (c) any amendment, waiver or other action with respect to, or related to, the Resolution, the Eighteenth Supplemental Resolution or any other document executed in connection with the issuance of the Series 14A Bonds whether or not executed or completed, (d) the violation by the Agency of any law, rule or regulation, or any judgment, order or decree applicable to it or (e) any litigation or other dispute in connection with the Resolution, the Eighteenth Supplemental Resolution or any other document executed in connection with the issuance of the Series 14A Bonds or the transactions contemplated thereby, other than amounts resulting from the failure of the Bond Insurer to honor its obligations under the Municipal Bond Insurance Policy. The Agency acknowledges that the Bond Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Resolution, the Eighteenth Supplemental Resolution or any other document executed in connection with the issuance of the Series 14A Bonds.

**Section 6.09. Payments by Bond Insurer.** The Bond Insurer shall be entitled to pay principal or interest on the Series 14A Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Agency (as such terms are defined in the Municipal Bond Insurance Policy) and any amounts due on the Series 14A Bonds as a result of acceleration of the maturity thereof in accordance with the Resolution, whether or not the Bond Insurer has received a Notice of Nonpayment (as such terms are defined in the Municipal Bond Insurance Policy) or a claim upon the Municipal Bond Insurance Policy.

**Section 6.10. Additional Bonds.** No additional parity Bonds may be issued under the Resolution unless (a) the Bond Insurer receives written confirmation that the rating assigned to such bonds by S&P and Moody's shall be no less than "A+" and "A1" respectively (without giving effect to a municipal bond insurance policy or any other credit enhancement) and (b) the Bond Insurer receives a copy of the Projection of Revenues (as defined in the Resolution);

provided, however, that failure to comply with this Section 6.10 shall not relieve the Bond Insurer of any of its obligations under the Municipal Bond Insurance Policy.

**Section 6.11. The Bond Insurer as Beneficiary Hereof.** To the extent that this Eighteenth Supplemental Resolution confers upon or gives or grants to the Bond Insurer any right, remedy or claim under or by reason of the Resolution, the Bond Insurer is hereby explicitly recognized as being a beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder.

**Section 6.12. Parties Interested Herein; References to Ratings.** Nothing in this Eighteenth Supplemental Resolution expressed or implied is intended or shall be construed to confer upon, or to give or grant to, any person or entity, other than the Agency, the Trustee, the Bond Insurer and the registered owners of the Series 14 Obligations, any right, remedy or claim under or by reason of this Eighteenth Supplemental Resolution or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Eighteenth Supplemental Resolution contained by and on behalf of the Agency shall be for the sole and exclusive benefit of the Agency, the Trustee, the Bond Insurer and the registered owners of the Series 14 Obligations.

Notwithstanding anything in the Resolution or this Eighteenth Supplemental Resolution to the contrary, any reference in the Resolution or the Eighteenth Supplemental Resolution with respect to the ratings maintained in the Series 14 Obligations by any Nationally Recognized Credit Rating Agency shall mean the unenhanced credit rating on the Series 14 Obligations.

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**EXHIBIT A**

**VERMONT HOUSING FINANCE AGENCY  
SINGLE FAMILY HOUSING BONDS  
Series 14A Tender Bonds Selected  
For Tender on [\_\_\_\_\_]**

The Howard Bank, N.A.  
Burlington, VT 05402-0409  
Attention: Corporate Trust Department

Re: Election to Retain Adjusted Rate Bonds

Dear Sir or Madam:

We have received the Trustee's notification of the mandatory tender and proposed exchange of the above-mentioned Bonds for Adjusted Rate Bonds which will become effective on [\_\_\_\_\_] (the "Adjustment Date").

In accordance with the information given in the Trustee's Notice dated [\_\_\_\_\_] , we hereby give you irrevocable notice that we elect to retain \$[\_\_\_\_\_] aggregate principal amount of Series 14A Tender Bonds and to exchange such Bonds for Adjusted Rate Bonds as described below.

The principal amount or amounts of Series 14A Tender Bonds which we have elected to retain in exchange for Adjusted Rate Bonds and the maturity date or dates thereof are listed below:

<b>Series</b>	<b>Maturity</b>	<b>Amount</b>
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[Remainder of page intentionally left blank]

We acknowledge that if certain conditions described in the Agency's Eighteenth Supplemental Single Family Housing Bond Resolution shall occur on or prior to the Adjustment Date, such Series 14A Tender Bonds will be subject to mandatory redemption on the Adjustment Date despite this direction to exchange such Bonds for Adjusted Rate Bonds.

CEDE & CO., a nominee of The Depository  
Trust Company

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Signature

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Name

**VERMONT HOUSING FINANCE AGENCY**

**\$17,500,000 Single Family Housing Notes, Series 14B**

**\$17,500,000 Single Family Housing Notes, Series 14C**

**PURCHASE CONTRACT**

April \_\_, 2001

Vermont Housing Finance Agency  
164 St. Paul Street  
Burlington, Vermont 05401

Ladies and Gentlemen:

The undersigned, UBS PaineWebber Inc. (the "Underwriter"), hereby offers to enter into this Purchase Contract (the "Purchase Contract") with you (the "Agency") on the following terms and conditions. This offer is made subject to acceptance by the Agency prior to 5:00 p.m., Vermont time, on the date hereof, and upon such acceptance this Purchase Contract shall be in full force and effect in accordance with its terms and shall be binding upon both the Agency and the Underwriter. If this offer is not so accepted, it is subject to withdrawal by the Underwriter upon written notice delivered to the Agency at any time prior to acceptance hereof by the Agency.

This Purchase Contract relates to the sale of all (but not less than all) of \$17,500,000 aggregate principal amount of your Single Family Housing Notes, Series 14B (the "Series 14B Notes"), and \$17,500,000 aggregate principal amount of your Single Family Housing Notes, Series 14C (the "Series 14C Notes" and, together with the Series 14B Notes, the "Series 14 Notes"), all as more fully described in the Official Statement dated April \_\_, 2001 (the "Official Statement") of the Agency relating to the Series 14 Notes and the Agency's \$31,635,000 Single Family Housing Bonds, Series 14A (the "Series 14A Bonds"). Capitalized terms not otherwise defined herein shall have the meanings given such terms in the Official Statement.

1. Upon the terms and conditions and upon the basis of the representations herein set forth, the Underwriter hereby agrees to purchase from the Agency and the Agency agrees to sell to the Underwriter all (but not less than all) of the Series 14 Notes at a purchase price equal to the aggregate principal amount thereof, \$35,000,000, payable in immediately available funds. The aggregate principal amount of the Series 14 Notes, the date of the Series 14 Notes upon initial issuance, the dates on which and years in which the Series 14 Notes mature, the principal amount of the Series 14 Notes due on each interest payment date, the interest rate for the Series 14 Notes due on each maturity date, and the dates upon which interest is to be paid shall be as set forth in the Official Statement.

The Series 14 Notes shall be described in, and shall be issued and secured under and pursuant to, the Agency's Single Family Housing Bond Resolution adopted on September

20, 1990, authorizing the issuance and sale of its Single Family Housing Bonds (as heretofore amended and supplemented, the "General Resolution") and the Eighteenth Supplemental Single Family Housing Bond Resolution authorizing the issuance and sale of the Series 14 Notes, adopted by the Agency on April \_\_, 2001 [(as supplemented by the Series Certificate of the Chairman and Executive Director of the Agency, the "Supplemental Resolution," and, together with the General Resolution, sometimes collectively referred to herein as the "Resolution")]. The Underwriter agrees to make a bona fide public offering of the Series 14 Notes at not in excess of the initial offering prices or yields set forth in the Official Statement; reserving, however, the right to change such initial offering prices or yields as the Underwriter deems necessary in connection with the offering of the Series 14 Notes. The Underwriter also reserves the right to over allot or effect transactions that stabilize or maintain the market price of the Series 14 Notes at a level above that which might otherwise prevail in the open market and to discontinue such stabilizing, if commenced, at any time.

2. [RESERVED]

3. As security for the performance by the Underwriter of its obligation to accept and pay for the Series 14 Notes at the Closing in accordance with the provisions of this Purchase Contract, the Underwriter herewith delivers to the Agency a certified or official bank check payable to the Agency's order in New York Clearing House funds, in the amount of \$350,000 (the "Good Faith Deposit"). Said check may be cashed and the proceeds thereof may be invested and held as such security until the Closing. Concurrently with the delivery of and payment for the Series 14 Notes at the Closing, the amount of the Good Faith Deposit shall be applied in partial payment of the purchase price of the Series 14 Notes. If the Agency does not accept this offer, or fails to deliver the Series 14 Notes at the Closing, or is unable to satisfy the conditions to the obligations of the Underwriter contained in this Purchase Contract (unless waived by the Underwriter), or if such obligations are terminated for any reason permitted by this Purchase Contract, the Agency shall immediately return the amount of the Good Faith Deposit to the Underwriter, and thereupon all claims and rights hereunder of the Underwriter against the Agency shall be fully released and discharged. If the Underwriter fails (other than for a reason permitted under this Purchase Contract) to accept and pay for the Series 14 Notes at the Closing, the proceeds of the Good Faith Deposit and the investment earnings thereon shall be retained by the Agency as and for full liquidated damages for such failure and for any and all defaults hereunder on the part of the Underwriter, and thereupon all your claims and rights hereunder against the Underwriter shall be fully released and discharged. Notwithstanding the foregoing, the respective obligations of the Agency and the Underwriter for the payment of expenses set forth in paragraph 10 hereof shall survive any such termination.

4. The Agency shall deliver or cause to be delivered to the Underwriter within five business days from the date hereof, a reasonable number of copies of the Official Statement of the Agency dated April \_\_, 2001 with respect to the Series 14 Notes, substantially in the form of the Preliminary Official Statement of the Agency dated April 2, 2000 with respect to the Series 14 Notes (the "Preliminary Official Statement") with only such changes as have been approved by the Underwriter, signed on your behalf

by the Executive Director of the Agency (such Official Statement, including the cover page and all appendices attached thereto being herein called the "Official Statement," except that if the Official Statement has been amended with the Underwriter's approval between the date thereof and the respective dates upon which the Series 14 Notes are delivered to the Underwriter, the term "Official Statement" shall refer to the Official Statement as so amended). As soon as practicable after receipt thereof, the Underwriter shall deliver the Official Statement and any supplement or amendment thereto, to a nationally recognized municipal securities information repository. The Agency hereby authorizes the use of copies of the Official Statement and the Resolution in connection with the public offering and sale of the Series 14 Notes and ratifies the use by the Underwriter, prior to the date hereof, of the Preliminary Official Statement in connection with the public offering of the Series 14 Notes.

5. The Agency represents to and agrees with the Underwriter that:

(a) both as of the date of the Official Statement and at all times subsequent thereto up to and including a date 25 days following the "End of the Underwriting Period" (hereinafter defined) (i) the statements and information contained in the Official Statement (other than the public offering prices or yields of the Series 14 Notes shown on the inside cover of the Official Statement, the stabilization clause on page "i" thereof, the information under the captions "Municipal Bond Insurance" and "Underwriting," and in Appendix V "Certain Information Regarding Credit Enhancement Providers," and any other statements and information therein furnished in writing to the Agency by the Underwriter and statements and information relating to the book-entry system) are and will be true, correct and complete in all material respects and (ii) the Official Statement does not and will not omit any statement or information that is necessary to make the statements and information therein (other than the public offering prices or yields of the Series 14 Notes shown on the inside cover of the Official Statement, the stabilization clause on page "i" thereof or the information under the captions "Municipal Bond Insurance" and "Underwriting," and in Appendix V "Certain Information Regarding Credit Enhancement Providers"), in the light of the circumstances under which they were made, not misleading in any material respect;

(b) the Agency is and will be at the date of Closing duly created and established as a body politic and corporate having the powers and authority set forth in No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended, the same being Chapter 25 of Title 10 of the Vermont Statutes Annotated, as amended (the "Act");

(c) between the date of this Purchase Contract and Closing, the Agency will not, without the prior consent of the Underwriter, issue any bonds, notes or other obligations for borrowed money except for such borrowings as may be described in or contemplated by the Official Statement, and, except in the ordinary course of its business of conducting its programs as described in or contemplated by the Official Statement and except as otherwise described in or contemplated by the Official Statement, will not incur any liabilities, direct or contingent, and there will not have been any adverse change of a material nature in the financial position or in the results of operations of the Agency as disclosed in the Official Statement;



(d) the Agency will undertake, pursuant to the Supplemental Resolution and the Continuing Disclosure Agreement, dated the date of the Closing, between the Agency and the Trustee (the "Continuing Disclosure Agreement"), to provide certain annual financial information and notices of the occurrence of certain events if material. The form of this undertaking is set forth as an appendix to the Preliminary Official Statement and will also be set forth as an appendix to the final Official Statement;

(e) when delivered to and paid for by the Underwriter at Closing in accordance with the provisions of this Purchase Contract, the respective Series 14 Notes will have been duly authorized, executed, issued and delivered and will constitute valid and binding special obligations of the Agency, in conformity with, and entitled to the benefit and security of, the Act, the General Resolution and the Supplemental Resolution;

(f) the adoption of the Resolution, the execution of this Purchase Contract, the Continuing Disclosure Agreement, the Mortgage Loan Application, Commitment and Purchase Agreements (the "Commitment Agreements") and the Mortgage Loan Servicing Agreements (the "Servicing Agreements"), each as described in the Official Statement, the execution of the Blanket Issuer Letter of Representation dated April 4, 1995 relating to certain bonds of the Agency, including the Series 14 Notes (the "Representation Letter"), addressed to The Depository Trust Company ("DTC"), and compliance with the provisions thereof and hereof, under the circumstances contemplated thereby and hereby, does not and will not, in any material respect conflict with or constitute on the part of the Agency a breach of or default under any agreement or other instrument to which the Agency is a party or violate any existing law, ordinance, administrative regulation, court order or consent decree to which the Agency is subject; and

(g) if between the date of this Purchase Contract and a date 25 days following the End of the Underwriting Period (hereinafter defined) (i) any event shall occur or any pre-existing fact or condition shall become known which might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Agency shall promptly notify the Underwriter thereof, and (ii) if in the reasonable opinion of the Underwriter, such event, fact or condition requires the preparation and publication of a supplement or amendment to the Official Statement, the Agency will supplement or amend the Official Statement so that the Official Statement as so supplemented or amended will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided however, that any such amendment or supplement shall be subject to the approval of the Underwriter and its counsel. The Agency will furnish to the Underwriter such number of copies of the Official Statement, as so amended or such supplement, as the Underwriter may reasonably request.

6. Prior to or simultaneously with the execution of this Purchase Contract, we shall have received from KPMG LLP a letter substantially in the form set forth in Exhibit A hereto.

7. At 10:00 a.m. New York time on April 26, 2001, or at such other time or on such earlier or later date upon which we mutually agree (herein called the "Closing"), the Agency will deliver or cause to be delivered the Series 14 Notes to the Underwriter's accounts at the Depository Trust Company, New York, New York ("DTC"), and the other documents hereinafter mentioned to be delivered to the Underwriter at the offices of the Agency in Burlington, Vermont, or at such other place upon which the Agency and the Underwriter may mutually agree, provided that the Series 14 Notes shall be available to the Underwriter at DTC for checking at least 24 hours prior to the Closing. The Underwriter will accept delivery of the Series 14 Notes at the Closing and pay the purchase price thereof (less the amount of the Good Faith Deposit) by wire transfer payable in immediately available funds to the order of the Agency. The Series 14 Notes shall be delivered as duly executed, fully registered bonds in definitive form and bearing CUSIP numbers. The Series 14 Notes (one instrument for each maturity in the respective principal amounts equal to the aggregate principal amounts of the Series 14 Notes for each maturity) will be typewritten and registered in the name of Cede & Co.

8. The Underwriter has entered into this Purchase Contract in reliance upon the representations and agreements of the Agency herein and the performance by the Agency of its obligations hereunder, both as of the date hereof and as of the date of Closing. The obligations of the Underwriter under this Purchase Contract are and shall be subject to the following further conditions:

(a) at the time of the Closing, (i) the Official Statement and the Resolution shall be in full force and effect and shall not have been amended, modified or supplemented except as may have been agreed to in writing by us, (ii) the proceeds of the sale of the Series 14 Notes shall be applied as described in the Official Statement, and (iii) you shall have duly adopted and there shall be in full force and effect such resolutions as, in the opinion of Kutak Rock LLP (herein called "Bond Counsel"), are necessary in connection with the transactions contemplated hereby;

(b) the Underwriter shall have the right pursuant to written notice given to the Agency to cancel its obligations to purchase the Series 14 Notes, if, between the date hereof and the Closing: (i) legislation shall be introduced in or enacted by the Congress of the United States or enacted by the State of Vermont, or shall have been reported out of committee of either body of the Congress of the United States or be pending in committee of either body or be reported out of or pending in a joint committee of Congress or legislation pending in the Congress of the United States shall be amended, or a decision shall be rendered by a court of the United States or the State of Vermont, including the Tax Court of the United States, or a ruling shall be made or a regulation shall be proposed or made or a press release or other form of notice shall be issued by the Treasury Department of the United States or the Internal Revenue Service or other federal or Vermont authority having jurisdiction, with respect to federal or Vermont taxation upon revenues or other income of the general character to be derived by the

Agency or by any similar body, or upon interest on obligations of the general character of the Series 14 Notes, that may have the purpose or effect, directly or indirectly, of changing the federal income tax consequences or Vermont tax consequences of any of the transactions contemplated in connection herewith, and that, in the reasonable opinion of the Underwriter, affects materially and adversely the market for, or sale of, the Series 14 Notes by the Underwriter at the contemplated offering prices or yields; or (ii) any event shall have occurred, or any condition shall exist that, in the reasonable opinion of the Underwriter either (A) makes untrue or incorrect in any material respect any statement or information contained in the Official Statement or (B) is not reflected in the Official Statement but should be reflected therein to make the statements and information contained therein not misleading in any material respect; or (iii) there shall have occurred any outbreak or escalation of hostilities or other national or international calamity or crisis, the effect of such outbreak, escalation, calamity or crisis on the financial markets of the United States being such as, in the reasonable opinion of the Underwriter, would affect materially and adversely the ability of the Underwriter to market the Series 14 Notes or; or (iv) there shall be in force a general suspension of trading on the New York Stock Exchange or minimum or maximum prices for trading shall have been fixed and be in force, or maximum ranges for prices for securities shall have been required and be in force on the New York Stock Exchange, whether by virtue of a determination by that Exchange or by order of the Securities and Exchange Commission or any other governmental authority having jurisdiction; or (v) a general banking moratorium shall have been declared by federal or New York or Vermont authorities having jurisdiction and be in force; or (vi) there shall be established any new restriction on transactions in securities materially adversely affecting the market for the Series 14 Notes or any securities of the general character of the Series 14 Notes (including the imposition of any limitation on interest rates) or the extension of credit by, or the charge to the net capital requirements of underwriters established by the New York Stock Exchange, the Securities and Exchange Commission, any other federal or state agency or the Congress of the United States, or by Executive Order that, in the reasonable judgment of the Underwriter would materially and adversely affect the market price of the Series 14 Notes or the marketability of the Series 14 Notes which in the Underwriter's judgment makes it impracticable or inadvisable to proceed with solicitation of offers to purchase the Series 14 Notes; or (vii) a decision of any federal or state court or a ruling or regulation (final, temporary or proposed) of the Securities and Exchange Commission or other governmental agency or Court shall have been made or issued that would (A) make the Series 14 Notes or any securities of the general character of the Series 14 Notes subject to the registration requirements of the Securities Act of 1933 or (B) require the qualification of the General Resolution or the Supplemental Resolution under the Trust Indenture Act of 1939, as amended; or (viii) an actual or imminent default or a moratorium in respect of payment of any U.S. Treasury bills, bonds or notes the effect of which in the Underwriter's judgment makes it impractical for the Underwriter to market the Series 14 Notes;

(c) at or prior to the Closing, the Underwriter shall receive the following documents:

- (i) the unqualified approving opinion of Bond Counsel, dated the date of the Closing, in substantially the form included as Appendix VI to the Official Statement, accompanied by a supplementary opinion thereto, dated the date of the Closing and addressed to the Agency and to the Underwriter, to the effect that (i) this Purchase Contract has been duly authorized, executed and delivered by the Agency and, assuming due authorization, execution and delivery by the other parties thereto, constitutes a binding agreement of the Agency in accordance with its terms; (ii) the Agency has duly approved the Official Statement and has duly ratified the distribution of the Preliminary Official Statement; (iii) the statements contained in the Official Statement with respect to the Series 14 Notes, the Act, the Agency, the Resolution, the Continuing Disclosure Agreement and federal income tax matters under the headings entitled: "Introductory Statement," "The Agency" (as to the subheading "Purpose and Powers" only), "Single Family Mortgage Purchase Program" (as to the first paragraph only under the subheading "Mortgage Insurance Requirements"), "Security for the Bonds," "The Offered Securities," "Book Entry System" (as to the eighth and fourteenth paragraphs under such heading only), "Summary of Certain Provisions of the General Resolution," "Pledge and Agreement of the State," "Continuing Disclosure," "Tax Exemption," "Certain Federal Income Tax Matters", Appendix IV "Definitions of Certain Terms" and Appendix VII "Form of Continuing Disclosure Agreement" insofar as such statements are made with respect to the Agency or purport to summarize certain provisions of the Act, the Resolution, the Continuing Disclosure Agreement, the Series 14 Notes and certain provisions of the Internal Revenue Code of 1986, as amended, are correct and do not omit any matter that, in their opinion, should be included or referred to therein and that is not included elsewhere in the Official Statement; (iv) the Resolution and the Series 14 Notes conform as to form and tenor with the terms and provisions thereof as summarized and set out in the Official Statement; (v) based upon the examinations that they have made as Bond Counsel, and without having undertaken to determine independently the accuracy or completeness of the statements contained in the Official Statement, nothing has come to their attention that would lead them to believe that the Official Statement as of its date or as of the date of Closing contains or contained any untrue statement of a material fact or omits or omitted to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, it being understood that in rendering such opinion Bond Counsel is not required to express an opinion with respect to financial statements and other financial, operating and

statistical data included in the Official Statement or the information contained under the heading "Underwriting", in the fourth paragraph of page "i" of the Official Statement or in Appendix V "Certain Information Regarding Credit Enhancement Providers"; (vi) under existing laws, the Series 14 Notes may be offered and sold without registration under the Securities Act of 1933, as amended, and the Resolution is not required to be qualified under the Trust Indenture Act of 1939, as amended; and (vii) under existing law, the adjustment of the interest rate on all or a portion of the Series 14 Notes in accordance with the provisions of the Supplemental Resolution will not adversely affect the excludability of interest on the Series 14 Notes from the gross income of the holders thereof.

- (ii) the opinion of Carroll & Scribner, Burlington, Vermont, counsel to the Agency, dated the date of the Closing and addressed to the Agency and the Underwriter, with respect to the Series 14 Notes, to the effect that, with respect to matters of Vermont law only, (i) the Agency is a body politic and corporate of the State of Vermont, duly organized, validly existing and in good standing under the laws of the State of Vermont and has the power to enter into the transactions contemplated by the Official Statement; (ii) the Representation Letter has been duly authorized, executed and delivered by the Agency; (iii) the Continuing Disclosure Agreement has been duly authorized, executed and delivered by the Agency and, assuming due authorization, execution and delivery by the other parties thereto, constitute valid and binding agreements of the Agency in accordance with their terms; (iv) this Purchase Contract, the Commitment Agreements that have been executed and delivered as of the date thereof and the Servicing Agreements that have been executed and delivered as of the date thereof have been duly authorized, executed and delivered by the Agency and, assuming due authorization, execution and delivery by the other parties to the same, constitute binding agreements of the Agency in accordance with their terms; (v) the Agency has duly approved the Official Statement and has duly ratified the distribution of the Preliminary Official Statement; (vi) the information in the Official Statement with respect to the Commitment Agreements and the Servicing Agreements is correct and does not omit any statement that, in its opinion, should be included or referred to therein, and the Commitment Agreements that have been executed and delivered as of the date thereof and the Servicing Agreements that have been executed and delivered as of the date thereof conform as to form and tenor with the terms, provisions and descriptions thereof as summarized and set out in the Official Statement; (vii) based upon the examinations that it has made as counsel to the Agency but without having undertaken

to determine independently the accuracy or completeness of the statements contained in the Official Statement, nothing has come to its attention that would lead it to believe that the Official Statement as of its date or as of the date of Closing (except for the information contained under the heading "Underwriting" or in the second paragraph of page "i" of the Official Statement or in Appendices I, II, IIA, V and VI as to which it need express no opinion) contains or contained any untrue statement of a material fact or omits or omitted to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, it being understood that in rendering such opinion, counsel to the Agency shall not be required to express an opinion with respect to financial statements and other financial data included in the Official Statement; (viii) under the Act, the Series 14 Notes and the interest thereon and the income therefrom are exempt from all Vermont taxation, franchise fees and special assessments of every kind, except for transfer, inheritance and estate taxes; (ix) to the best of its knowledge, there is no action, suit, proceeding, investigation at law or in equity before or by any court, judicial board or body, pending or threatened, against or affecting the Agency, wherein an unfavorable decision, ruling or finding would affect materially and adversely the transactions contemplated by the Official Statement or the validity of the Resolution, the Series 14 Notes, the Mortgage Loans, the Commitment Agreements, the Servicing Agreements, the Representation Letter, the Continuing Disclosure Agreement or this Purchase Contract; and (x) the adoption of the General Resolution, the Supplemental Resolution and the execution and delivery by the Agency of the Series 14 Notes, the Commitment Agreements, the Servicing Agreements, the Representation Letter, the Continuing Disclosure Agreement and this Purchase Contract, and compliance with the terms and provisions thereof, under the circumstances contemplated thereby, and the performance by the Agency of the transactions described in the Official Statement, do not and will not in any material respect conflict with the by-laws of the Agency or any existing law, court order or consent decree to which the Agency is subject, and, to the best of its knowledge after due inquiry, such execution, delivery and compliance does not and will not constitute on the part of the Agency a breach of or default under any agreement or other instrument to which the Agency is a party; it being understood that in rendering such opinion counsel to the Agency is entitled to rely on the opinion of the Vermont Department of Taxes with respect to the opinion expressed in clause (viii), need render no opinion as to the requirement of registration of the Series 14 Notes under the Securities Act of 1933, as amended, or under the similar provisions of any state

statute or regulation, and need render no opinion as to any matter of federal law;

- (iii) the opinion of Orrick, Herrington & Sutcliffe LLP, New York, New York, counsel to the Underwriter, dated the date of the Closing, and addressed to the Underwriter, to the effect that (i) under existing laws, the Series 14 Notes are not subject to the registration requirements of the Securities Act of 1933, as amended; and (ii) without having undertaken to determine independently the accuracy or completeness of the statements contained in the Official Statement, but on the basis of their conferences with the representatives of the Agency, counsel for the Agency, Bond Counsel and the Underwriter and their examination of certain documents referred to in the Official Statement, no information has come to the attention of the attorneys in such firm rendering legal services in connection with their representation of the Underwriter in this matter that would cause them to believe that the Official Statement as of its date or as of the date of the Closing contains or contained any untrue statement of a material fact or omits or omitted to state any material fact required to be stated therein or that is necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; it being understood that in rendering such opinion counsel for the Underwriter is not required to express an opinion with respect to financial statements and other financial, statistical or numerical data included in the Official Statement or any information concerning the book-entry system for registration of the Series 14 Notes, FSA, MBIA, AMBAC or DTC;
- (iv) a certificate, dated the date of the Closing, signed by the Chairman and the Executive Director or the Director of Finance of the Agency and in form and substance satisfactory to the Underwriter, to the effect that (i) the representations, agreements and warranties of the Agency herein are true and correct in all material respects as of the date of Closing; (ii) the Commitment Agreements that have been executed and delivered as of the date thereof, the Representation Letter, the Continuing Disclosure Agreement and the Servicing Agreements that have been executed and delivered as of the date thereof have been duly executed by the Agency and, assuming due execution by the other parties thereto, constitute binding agreements of the Agency that are in full force and effect; (iii) no litigation is pending or, to their knowledge, threatened (a) to restrain or enjoin the issuance, sale, execution or delivery of any of the Series 14 Notes or the making of loans with the proceeds of the Series 14 Notes, (b) in any way contesting or affecting any authority for the issuance or validity of the Series 14 Notes, any proceedings of the Agency taken with respect to the issuance or



sale of the Series 14 Notes, the pledge or application of any money or security provided for the payment of the Series 14 Notes or the validity of the Resolution, the Commitment Agreements, the Servicing Agreements, the Representation Letter, the Continuing Disclosure Agreement or this Purchase Contract, or (c) in any way contesting the existence or powers of the Agency; and (iv) to the best of their knowledge, no event affecting the Agency has occurred since the date of the Official Statement that should be disclosed in the Official Statement for the purpose for which it is to be used or that is necessary to be disclosed therein to make the statements and information therein not misleading in any material respect;

- (v) a letter of KPMG LLP, dated the date of the Closing and addressed to the Agency and the Underwriter, to the effect that such accountants confirm with respect to the final Official Statement, as of a date not more than five business days prior to the Closing, the statements made in the letter furnished by such accountants pursuant to paragraph 6 hereof;
- (vi) two copies of the General Resolution and the Supplemental Resolution;
- (vii) two certified copies of the Preliminary Official Statement, the Official Statement and this Purchase Contract;
- (viii) a letter of Bond Counsel, dated the date of the Closing and addressed to PaineWebber on behalf of the Underwriter to the effect that their final approving opinion on the Series 14 Notes may be relied upon by the Underwriter to the same extent as if such opinion was addressed to the Underwriter;
- (ix) [RESERVED];
- (x) a copy of the Act, certified by the Agency to be a true and complete copy of the Act as of the date of the Closing;
- (xi) a letter from Standard & Poor's Ratings Group to the effect that it has assigned a rating of "SP-1+" to the Series 14 Notes;
- (xii) a letter from Moody's Investors Service, Inc. to the effect that it has assigned a rating of "MIG 1/A1" to the Series 14 Notes;
- (xiii) a copy of the Representation Letter;
- (xiv) the Continuing Disclosure Agreement in the form included as Appendix VII to the Official Statement;



(xv) a specimen copy of the municipal bond insurance policy and surety bonds issued by [Financial Security Assurance, Inc. ("FSA")] together with an opinion of counsel to FSA] in form and substance satisfactory to the Underwriter; and

(xvi) such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriter or Bond Counsel may reasonably request to evidence compliance by the Agency with legal requirements, the truth and accuracy, as of the time of the Closing, of the representations of the Agency herein and in the Official Statement, and the due performance or satisfaction by the Agency at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the Agency.

(d) [the Agency shall have simultaneously sold to the Federal National Mortgage Association ("Fannie Mae") and to UBS PaineWebber Inc., Salomon Smith Barney and A.G. Edwards & Sons, Inc., and Fannie Mae and UBS PaineWebber Inc., Salomon Smith Barney and A.G. Edwards & Sons, Inc. shall have purchased, all (but not less than all) of the Series 14A Bonds.]

If the Agency shall be unable to satisfy the conditions to the Underwriter's obligations contained in this Purchase Contract with respect to the Series 14 Notes or if the Underwriter's obligations shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate and neither the Underwriter nor the Agency shall have any further obligation hereunder, except that the amount of the Good Faith Deposit shall be returned to us and the respective obligations under paragraph 10 hereof shall continue.

9. At the Closing, contemporaneously with the receipt of the Series 14 Notes, the Underwriter will deliver to the Agency a receipt therefor, in form satisfactory to Bond Counsel, signed by the Underwriter. On or before the date of the Closing, the Underwriter shall furnish to you a certificate acceptable to Bond Counsel signed by the Underwriter to the effect that (i) all of the Series 14 Notes have been the subject of a bona fide initial offering to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of Underwriter or wholesalers) at prices no higher than, or at yields no lower than, those shown on the inside cover of the Official Statement and (ii) based on the Underwriter's records and other information available to them which they believe to be correct, a substantial amount (at least 10%) of each maturity of the Series 14 Notes was sold to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of Underwriter or wholesalers) at initial prices no higher than, or yields no lower than, those shown on the inside cover of the Official Statement.

10. The Agency shall pay any expenses incident to the performance of its obligations hereunder including but not limited to: (i) the fees and disbursements of Bond Counsel; (ii) the cost of preparing and printing the Preliminary Official Statement and the Official Statement; (iii) the fees of rating agencies; and (iv) the fees and disbursements of any other counsel, experts or consultants retained by the Agency.

The Underwriter shall pay: (i) all advertising expenses in connection with the public offering of the Series 14 Notes; (ii) the cost of preparing the Blue Sky Memorandum and this Purchase Contract; (iii) all other expenses incurred by them or any of them in connection with their public offering and distribution of the Series 14 Notes, including the fees and disbursements of counsel retained by them; and (iv) all expenses incurred by them in connection with their performance in the capacity of Underwriter for the Series 14 Notes.

11. Any notice or other communication to be given to the Agency under this Purchase Contract may be given by delivering the same in writing to Sarah E. Carpenter, Executive Director, Vermont Housing Finance Agency, 164 St. Paul Street, Burlington, Vermont 05401; and such notice or other communication to be given to the Underwriter may be given by delivering the same in writing to UBS PaineWebber Inc., 1285 Avenue of the Americas, New York, New York 10019, to the attention of Andrew F. Gurley.

12. This Purchase Contract is made solely for the benefit of the Agency and the Underwriter (including the successors or assigns of any of the Underwriter) and no other person, partnership, association or corporation shall acquire or have any rights hereunder or by virtue hereof. All representations and agreements of the Agency in this Purchase Contract shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Underwriter and shall survive the delivery of and payment for the Series 14 Notes. This Purchase Contract shall be enforceable in accordance with the laws of the State of New York.

13. For purposes of this Purchase Contract, the End of the Underwriting Period shall mean the earlier of (a) the day of the Closing unless the Agency has been notified in writing to the contrary by the Underwriter on or prior to the day of such Closing, or (b) the date on which the "End of the Underwriting Period" for the Series 14 Notes has occurred under Rule 15c2-12 of the Securities and Exchange Commission promulgated under the Securities Exchange Act of 1934 (the "Rule").

The Agency may request from the Underwriter from time to time, and the Underwriter shall provide to the Agency upon such request, such information as may be reasonably required by it in order to determine whether the "End of the Underwriting Period" for the Series 14 Notes has occurred under the Rule with respect to the unsold balances of the Series 14 Notes that are held by the Underwriter for sale to the public within the meaning of the Rule. If there remains any unsold balance of Series 14 Notes for sale to the public within the meaning of the Rule, then the Underwriter shall promptly notify the Agency in writing that, in their opinion, the End of the Underwriting Period for the Series 14 Notes under the Rule has occurred on a date which shall be set forth in such notification. The Agency shall be entitled to treat as the End of the Underwriting Period for the Series 14 Notes, the date specified by the Underwriter in such notification.

UBS PAINEWEBBER INC.

By: \_\_\_\_\_  
Managing Director

Accepted by the  
VERMONT HOUSING FINANCE AGENCY

By: \_\_\_\_\_  
Executive Director

**VERMONT HOUSING FINANCE AGENCY**

**\$31,635,000 Single Family Housing Bonds, Series 14A**

**COMPOSITE PURCHASE CONTRACT**

April \_\_, 2001

Vermont Housing Finance Agency  
164 St. Paul Street  
Burlington, Vermont 05401

Ladies and Gentlemen:

The undersigned UBS PaineWebber Inc., Salomon Smith Barney Inc. and A.G. Edwards & Sons, Inc. (collectively, the "Underwriters"), hereby offer to enter into this Composite Purchase Contract (the "Purchase Contract") with you (the "Agency") on the following terms and conditions. This offer is made subject to acceptance by the Agency prior to 5:00 p.m., Vermont time, on the date hereof, and upon such acceptance this Purchase Contract shall be in full force and effect in accordance with its terms and shall be binding upon both the Agency and the Underwriters. If this offer is not so accepted, it is subject to withdrawal by the Underwriters upon written notice delivered to the Agency at any time prior to acceptance hereof by the Agency.

The undersigned Federal National Mortgage Association ("Fannie Mae") hereby offers to enter into this Purchase Contract with you, the Agency, on the following terms and conditions. This offer is made subject to acceptance by the Agency prior to 5:00 p.m., Vermont time, on the date hereof, and upon such acceptance this Purchase Contract shall be in full force and effect in accordance with its terms and shall be binding upon both the Agency and Fannie Mae. If this offer is not so accepted, it is subject to withdrawal by Fannie Mae upon written notice delivered to the Agency at any time prior to acceptance hereof by the Agency.

This Purchase Contract shall be deemed to consist of separate purchase contracts between the Underwriters and the Agency and between Fannie Mae and the Agency and the same are set forth in composite form for the convenience of such parties and create no obligations or confer any rights as between Fannie Mae and the Underwriters.

1. This Purchase Contract relates to the sale of all (but not less than all) of \$31,635,000 aggregate principal amount of your Single Family Housing Bonds, Series 14A (AMT) (the "Series 14 Bonds"), as more fully described in the Official Statement dated April \_\_, 2001 (the "Official Statement") of the Agency relating to the Series 14 Bonds, the \$17,500,000 Single Family Housing Notes, Series 14B (AMT) (the "Series 14B Notes"), and the \$17,500,000 Single Family Housing Notes, Series 14C (AMT) (the "Series 14C Notes" and, together with the Series 14B Notes, the "Series 14 Notes"). Capitalized terms not otherwise defined herein shall have the meanings given such terms in the Official Statement.

(a) Upon the terms and conditions and upon the basis of the representations herein set forth, the Underwriters, jointly and severally, hereby agree to purchase from the Agency and the Agency agrees to sell to the Underwriters the Series 14 Bonds other than those maturing [November 1, 2031], at a purchase price of \$\_\_\_\_\_ (which price includes a premium of \$\_\_\_\_\_ with respect to the Series 14 Bonds maturing November 1, 2027) plus accrued interest from the date of the same to the Closing, to which reference is made in Section 7 hereof, payable in immediately available funds. [A portion of the discount on the Series 14 Bonds in the amount of \$\_\_\_\_\_ represents the underwriting fee due UBS PaineWebber Inc. with respect to the Series 14 Notes.] The Series 14 Bonds purchased by the Underwriters are referred to herein as the "Underwritten Bonds." The aggregate principal amount of the Series 14 Bonds, the date of the Series 14 Bonds upon initial issuance, the dates on which and years in which the Series 14 Bonds mature, the principal amount of the Series 14 Bonds due on each maturity date, the initial interest rate for the Series 14 Bonds due on each interest payment date, and the dates upon which interest is to be paid shall be as set forth in the Official Statement.

(b) Upon the terms and conditions and upon the basis of the representations herein set forth, Fannie Mae hereby agrees to purchase from the Agency and the Agency agrees to sell to Fannie Mae, all (but not less than all) of the Series 14 Bonds bearing interest at \_\_\_\_\_% per annum and maturing [November 1, 2031], at a price of \$\_\_\_\_\_ plus accrued interest from the date of the same to the Closing, payable in immediately available funds at the Closing. The Series 14 Bonds purchased by Fannie Mae are referred to herein as the "Placed Bonds." UBS PaineWebber Inc. has acted as placement agent (the "Placement Agent") with respect to the Placed Bonds.

The Series 14 Bonds shall be described in, and shall be issued and secured under and pursuant to, the Agency's Single Family Housing Bond Resolution adopted on September 20, 1990, authorizing the issuance and sale of its Single Family Housing Bonds (as heretofore amended and supplemented, the "General Resolution") and the Eighteenth Supplemental Single Family Housing Bond Resolution authorizing the issuance and sale of the Series 14 Bonds, adopted by the Agency on April \_\_, 2001 (as supplemented by the Series Certificate of the Chairman and Executive Director of the Agency, the "Supplemental Resolution," and, together with the General Resolution, sometimes collectively referred to herein as the "Resolution"). The Underwriters agree to make a bona fide public offering of the Underwritten Bonds at not in excess of the initial offering prices or yields set forth in the Official Statement; reserving, however, the right to change such initial offering prices or yields as the Underwriters deem necessary in connection with the offering of the Underwritten Bonds. The Underwriters also reserve the right to over allot or effect transactions that stabilize or maintain the market price of the Underwritten Bonds at a level above that which might otherwise prevail in the open market and to discontinue such stabilizing, if commenced, at any time.

2. Fannie Mae represents that it is duly authorized to execute this Purchase Contract. UBS PaineWebber Inc. ("PaineWebber") represents that it is authorized on behalf of the Underwriters to enter into this Purchase Contract and to act hereunder by and on behalf of the Underwriters. The Agency and the Underwriters agree that any authority, discretion or other

power conferred upon the Underwriters under any of the provisions of this Purchase Contract may be exercised by PaineWebber, and payment for, acceptance of, and delivery and execution of any receipt for the Underwritten Bonds and any other instruments upon or in connection with the Closing executed solely by PaineWebber on behalf of the Underwriters shall be valid and sufficient for all purposes and binding upon each of the Underwriters. No such action by PaineWebber shall impose any obligation or liability upon it or any other Underwriter, other than as may arise as expressly set forth in this Purchase Contract.

3. As security for the performance by the Underwriters of their obligation to accept and pay for the Underwritten Bonds at the Closing in accordance with the provisions of this Purchase Contract, the Underwriters herewith deliver to the Agency a certified or official bank check payable to the Agency's order in New York Clearing House funds, in the amount of \$316,350 (the "Good Faith Deposit"). Said check may be cashed and the proceeds thereof may be invested and held as such security until the Closing. Concurrently with the delivery of and payment for the Underwritten Bonds at the Closing, the amount of the Good Faith Deposit shall be applied in partial payment of the purchase price of the Underwritten Bonds. If the Agency does not accept this offer, or fails to deliver the Underwritten Bonds at the Closing, or is unable to satisfy the conditions to the obligations of the Underwriters contained in this Purchase Contract (unless waived by the Underwriters), or if such obligations are terminated for any reason permitted by this Purchase Contract, the Agency shall immediately return the amount of the Good Faith Deposit to the Underwriters, and thereupon all claims and rights hereunder of the Underwriters against the Agency shall be fully released and discharged. If the Underwriters fail (other than for a reason permitted under this Purchase Contract) to accept and pay for the Underwritten Bonds at the Closing, the proceeds of the Good Faith Deposit and the investment earnings thereon shall be retained by the Agency as and for full liquidated damages for such failure and for any and all defaults hereunder on the part of the Underwriters, and thereupon all your claims and rights hereunder against the Underwriters shall be fully released and discharged. Notwithstanding the foregoing, the respective obligations of the Agency and the Underwriters for the payment of expenses set forth in paragraph 10 hereof shall survive any such termination.

4. The Agency shall deliver or cause to be delivered to the Underwriters and Fannie Mae within five business days from the date hereof, a reasonable number of copies of the Official Statement of the Agency dated April \_\_, 2001 with respect to the Series 14 Bonds, substantially in the form of the Preliminary Official Statement of the Agency dated April 2, 2001 with respect to the Series 14 Bonds (the "Preliminary Official Statement") with only such changes as have been approved by the Underwriters, signed on your behalf by the Executive Director of the Agency (such Official Statement, including the cover page and all appendices attached thereto being herein called the "Official Statement," except that if the Official Statement has been amended with the Underwriters' approval between the date thereof and the respective dates upon which the Underwritten Bonds are delivered to the Underwriters, the term "Official Statement" shall refer to the Official Statement as so amended). As soon as practicable after receipt thereof, the Underwriters shall deliver the Official Statement and any supplement or amendment thereto, to a nationally recognized municipal securities information repository. The Agency hereby authorizes the use of copies of the Official Statement and the Resolution in connection with the public offering and sale of the Underwritten Bonds and the placement of the Placed Bonds, and ratifies the use by the Underwriters and the Placement Agent, prior to the date

hereof, of the Preliminary Official Statement in connection with the public offering of the Underwritten Bonds and the placement of the Placed Bonds.

5. The Agency represents to and agrees with the Underwriters and Fannie Mae that:

(a) both as of the date of the Official Statement and at all times subsequent thereto up to and including a date 25 days following the "End of the Underwriting Period" (hereinafter defined) (i) the statements and information contained in the Official Statement (other than the public offering prices or yields of the Series 14 Bonds shown on the inside cover of the Official Statement, the stabilization clause on page "i" thereof, the information under the captions "Municipal Bond Insurance" and "Underwriting," and in Appendix V "Certain Information Regarding Credit Enhancement Providers," and any other statements and information therein furnished in writing to the Agency by the Underwriters and statements and information relating to the book-entry system) are and will be true, correct and complete in all material respects and (ii) the Official Statement does not and will not omit any statement or information that is necessary to make the statements and information therein (other than the public offering prices or yields of the Series 14 Bonds shown on the inside cover of the Official Statement, the stabilization clause on page "i" thereof or the information under the captions "Municipal Bond Insurance" and "Underwriting," and in Appendix V "Certain Information Regarding Credit Enhancement Providers"), in the light of the circumstances under which they were made, not misleading in any material respect;

(b) the Agency is and will be at the date of Closing duly created and established as a body politic and corporate having the powers and authority set forth in No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended, the same being Chapter 25 of Title 10 of the Vermont Statutes Annotated, as amended (the "Act");

(c) between the date of this Purchase Contract and Closing, the Agency will not, without the prior consent of the Underwriters, issue any bonds, notes or other obligations for borrowed money except for such borrowings as may be described in or contemplated by the Official Statement, and, except in the ordinary course of its business of conducting its programs as described in or contemplated by the Official Statement and except as otherwise described in or contemplated by the Official Statement, will not incur any liabilities, direct or contingent, and there will not have been any adverse change of a material nature in the financial position or in the results of operations of the Agency as disclosed in the Official Statement;

(d) the Agency will undertake, pursuant to the Supplemental Resolution and the Continuing Disclosure Agreement, dated the date of the Closing, between the Agency and the Trustee (the "Continuing Disclosure Agreement"), to provide certain annual financial information and notices of the occurrence of certain events if material. The form of this undertaking is set forth as an appendix to the Preliminary Official Statement and will also be set forth as an appendix to the final Official Statement;



(e) when delivered to and paid for by the Underwriters or Fannie Mae, as applicable, at Closing in accordance with the provisions of this Purchase Contract, the respective Series 14 Bonds will have been duly authorized, executed, issued and delivered and will constitute valid and binding special obligations of the Agency, in conformity with, and entitled to the benefit and security of, the Act, the General Resolution and the Supplemental Resolution;

(f) the adoption of the Resolution, the execution of this Purchase Contract, the Continuing Disclosure Agreement, the Mortgage Loan Application, Commitment and Purchase Agreements (the "Commitment Agreements") and the Mortgage Loan Servicing Agreements (the "Servicing Agreements"), each as described in the Official Statement, and the execution of the Blanket Issuer Letter of Representation dated April 4, 1995 relating to certain bonds of the Agency, including the Series 14 Bonds (the "Representation Letter"), addressed to The Depository Trust Company ("DTC"), compliance with the provisions thereof and hereof, under the circumstances contemplated thereby and hereby, does not and will not, in any material respect conflict with or constitute on the part of the Agency a breach of or default under any agreement or other instrument to which the Agency is a party or violate any existing law, ordinance, administrative regulation, court order or consent decree to which the Agency is subject; and

(g) if between the date of this Purchase Contract and a date 25 days following the End of the Underwriting Period (hereinafter defined) (i) any event shall occur or any pre-existing fact or condition shall become known which might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Agency shall promptly notify the Underwriters thereof, and (ii) if in the reasonable opinion of the Underwriters, such event, fact or condition requires the preparation and publication of a supplement or amendment to the Official Statement, the Agency will supplement or amend the Official Statement so that the Official Statement as so supplemented or amended will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided however, that any such amendment or supplement shall be subject to the approval of the Underwriters and their counsel. The Agency will furnish to the Underwriters such number of copies of the Official Statement, as so amended or such supplement, as the Underwriters may reasonably request.

6. Prior to or simultaneously with the execution of this Purchase Contract, we shall have received from KPMG LLP a letter substantially in the form set forth in Exhibit A hereto.

7. At 10:00 a.m. New York time on April \_\_, 2001, or at such other time or on such earlier or later date upon which we mutually agree (herein called the "Closing"), the Agency will deliver or cause to be delivered the Underwritten Bonds to the Underwriters' accounts at the Depository Trust Company, New York, New York ("DTC") and the Placed



Bonds to Fannie Mae's representative's account at DTC, and the other documents hereinafter mentioned to be delivered to the Underwriters and Fannie Mae at the offices of the Agency in Burlington, Vermont, or at such other place upon which the Agency and the Underwriters and Fannie Mae may mutually agree, provided that the Underwritten Bonds shall be available to the Underwriters at DTC for checking at least 24 hours prior to the Closing. The Underwriters will accept delivery of the Underwritten Bonds at the Closing and pay the purchase price thereof (less the amount of the Good Faith Deposit) by wire transfer payable in immediately available funds to the order of the Agency. Fannie Mae will accept delivery of the Placed Bonds at the Closing and pay the purchase price thereof by wire transfer payable in immediately available funds to the order of the Agency. The Series 14 Bonds shall be delivered as duly executed, fully registered bonds in definitive form and bearing CUSIP numbers. The Series 14 Bonds (one Bond for each maturity in the respective principal amounts equal to the aggregate principal amounts of the Series 14 Bonds for each maturity) will be typewritten and registered in the name of Cede & Co.

8. The Underwriters and Fannie Mae have entered into this Purchase Contract in reliance upon the representations and agreements of the Agency herein and the performance by the Agency of its obligations hereunder, both as of the date hereof and as of the date of Closing. The obligations of the Underwriters and Fannie Mae under this Purchase Contract are and shall be subject to the following further conditions:

(a) at the time of the Closing, (i) the Official Statement and the Resolution shall be in full force and effect and shall not have been amended, modified or supplemented except as may have been agreed to in writing by us, (ii) the proceeds of the sale of the Series 14 Bonds shall be applied as described in the Official Statement, and (iii) you shall have duly adopted and there shall be in full force and effect such resolutions as, in the opinion of Kutak Rock LLP (herein called "Bond Counsel"), are necessary in connection with the transactions contemplated hereby;

(b) the Underwriters shall have the right pursuant to written notice given to the Agency to cancel their obligations to purchase the Underwritten Bonds, and Fannie Mae shall have the right pursuant to written notice given to the Agency to cancel its obligations to purchase the Placed Bonds if, between the date hereof and the Closing: (i) legislation shall be introduced in or enacted by the Congress of the United States or enacted by the State of Vermont, or shall have been reported out of committee of either body of the Congress of the United States or be pending in committee of either body or be reported out of or pending in a joint committee of Congress or legislation pending in the Congress of the United States shall be amended, or a decision shall be rendered by a court of the United States or the State of Vermont, including the Tax Court of the United States, or a ruling shall be made or a regulation shall be proposed or made or a press release or other form of notice shall be issued by the Treasury Department of the United States or the Internal Revenue Service or other federal or Vermont authority having jurisdiction, with respect to federal or Vermont taxation upon revenues or other income of the general character to be derived by the Agency or by any similar body, or upon interest on obligations of the general character of the Series 14 Bonds, that may have the purpose or effect, directly or indirectly, of changing the federal income tax consequences or Vermont tax consequences of any of the transactions contemplated in connection herewith, and that, in the reasonable opinion of the Underwriters (with respect to their

obligation to purchase the Underwritten Bonds), affects materially and adversely the market for, or sale of, the Underwritten Bonds by the Underwriters at the contemplated offering prices or yields or in the reasonable opinion of Fannie Mae (with respect to its obligation to purchase the Placed Bonds), would materially adversely impair the marketability or materially adversely reduce the market price of the Placed Bonds; or (ii) any event shall have occurred, or any condition shall exist that, in the reasonable opinion of the Underwriters or in the reasonable opinion of Fannie Mae, either (A) makes untrue or incorrect in any material respect any statement or information contained in the Official Statement or (B) is not reflected in the Official Statement but should be reflected therein to make the statements and information contained therein not misleading in any material respect; or (iii) there shall have occurred any outbreak or escalation of hostilities or other national or international calamity or crisis, the effect of such outbreak, escalation, calamity or crisis on the financial markets of the United States being such as, in the reasonable opinion of the Underwriters, would affect materially and adversely the ability of the Underwriters to market the Underwritten Bonds; or, in the sole reasonable judgment of Fannie Mae, would materially adversely impair the marketability or materially adversely reduce the market price of the Placed Bonds; or (iv) there shall be in force a general suspension of trading on the New York Stock Exchange or minimum or maximum prices for trading shall have been fixed and be in force, or maximum ranges for prices for securities shall have been required and be in force on the New York Stock Exchange, whether by virtue of a determination by that Exchange or by order of the Securities and Exchange Commission or any other governmental authority having jurisdiction; or (v) a general banking moratorium shall have been declared by federal or New York or Vermont authorities having jurisdiction and be in force; or (vi) there shall be established any new restriction on transactions in securities materially adversely affecting the market for the Series 14 Bonds or any securities of the general character of the Series 14 Bonds (including the imposition of any limitation on interest rates) or the extension of credit by, or the charge to the net capital requirements of underwriters established by the New York Stock Exchange, the Securities and Exchange Commission, any other federal or state agency or the Congress of the United States, or by Executive Order that, in the reasonable judgment of the Underwriters would materially and adversely affect the market price of the Underwritten Bonds or the marketability of the Underwritten Bonds which in the Underwriters' judgment makes it impracticable or inadvisable to proceed with solicitation of offers to purchase the Underwritten Bonds or, in the sole reasonable judgment of Fannie Mae, would materially adversely impair the marketability or materially adversely reduce the market price of the Placed Bonds; or (vii) a decision of any federal or state court or a ruling or regulation (final, temporary or proposed) of the Securities and Exchange Commission or other governmental agency or Court shall have been made or issued that would (A) make the Series 14 Bonds or any securities of the general character of the Series 14 Bonds subject to the registration requirements of the Securities Act of 1933 or (B) require the qualification of the General Resolution or the Supplemental Resolution under the Trust Indenture Act of 1939, as amended; or (viii) an actual or imminent default or a moratorium in respect of payment of any U.S. Treasury bills, bonds or notes the effect of which in the Underwriters' judgment makes it impractical for the Underwriters to market the Underwritten Bonds; or, in the

sole reasonable judgment of Fannie Mae, would materially adversely impair the marketability or materially adversely reduce the market price of the Placed Bonds;

(c) at or prior to the Closing, the Underwriters and Fannie Mae shall receive the following documents:

- (i) the unqualified approving opinion of Bond Counsel, dated the date of the Closing, in substantially the form included as Appendix VI to the Official Statement, accompanied by a supplementary opinion thereto, dated the date of the Closing and addressed to the Agency, and to the Underwriters and Fannie Mae, to the effect that (i) this Purchase Contract has been duly authorized, executed and delivered by the Agency and, assuming due authorization, execution and delivery by the other parties thereto, constitutes a binding agreement of the Agency in accordance with its terms; (ii) the Agency has duly approved the Official Statement and has duly ratified the distribution of the Preliminary Official Statement; (iii) the statements contained in the Official Statement with respect to the Series 14 Bonds, the Act, the Agency, the Resolution, the Continuing Disclosure Agreement and federal income tax matters under the headings entitled: "Introductory Statement," "The Agency" (as to the subheading "Purpose and Powers" only), "Single Family Mortgage Purchase Program" (as to the first paragraph only under the subheading "Mortgage Insurance Requirements"), "Security for the Bonds," "The Offered Securities," "Book Entry System" (as to the eighth and fourteenth paragraphs under such heading only), "Summary of Certain Provisions of the General Resolution," "Pledge and Agreement of the State," "Continuing Disclosure," "Tax Exemption," "Certain Federal Income Tax Matters", Appendix IV "Definitions of Certain Terms" and Appendix VII "Form of Continuing Disclosure Agreement" insofar as such statements are made with respect to the Agency or purport to summarize certain provisions of the Act, the Resolution, the Continuing Disclosure Agreement, the Series 14 Bonds and certain provisions of the Internal Revenue Code of 1986, as amended, are correct and do not omit any matter that, in their opinion, should be included or referred to therein and that is not included elsewhere in the Official Statement; (iv) the Resolution and the Series 14 Bonds conform as to form and tenor with the terms and provisions thereof as summarized and set out in the Official Statement; (v) based upon the examinations that they have made as Bond Counsel, and without having undertaken to determine independently the accuracy or completeness of the statements contained in the Official Statement, nothing has come to their attention that would lead them to believe that the Official Statement as of its date or as of the date of Closing contains or

contained any untrue statement of a material fact or omits or omitted to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, it being understood that in rendering such opinion Bond Counsel is not required to express an opinion with respect to financial statements and other financial, operating and statistical data included in the Official Statement or the information contained under the heading "Underwriting", in the fourth paragraph of page "i" of the Official Statement or in Appendix V "Certain Information Regarding Credit Enhancement Providers"; (vi) under existing laws, the Series 14 Bonds may be offered and sold without registration under the Securities Act of 1933, as amended, and the Resolution is not required to be qualified under the Trust Indenture Act of 1939, as amended; and (vii) under existing law, the adjustment of the interest rate on all or a portion of the Series 14 Bonds in accordance with the provisions of the Supplemental Resolution will not adversely affect the excludability of interest on the Series 14 Bonds from the gross income of the holders thereof.

- (ii) the opinion of Carroll & Scribner, Burlington, Vermont, counsel of the Agency, dated the date of the Closing and addressed to the Agency, the Underwriters and Fannie Mae, with respect to the Series 14 Bonds, to the effect that, with respect to matters of Vermont law only, (i) the Agency is a body politic and corporate of the State of Vermont, duly organized, validly existing and in good standing under the laws of the State of Vermont and has the power to enter into the transactions contemplated by the Official Statement; (ii) the Representation Letter has been duly authorized, executed and delivered by the Agency; (iii) the Continuing Disclosure Agreement has been duly authorized, executed and delivered by the Agency and, assuming due authorization, execution and delivery by the other parties thereto, constitute valid and binding agreements of the Agency in accordance with their terms; (iv) this Purchase Contract, the Commitment Agreements that have been executed and delivered as of the date thereof and the Servicing Agreements that have been executed and delivered as of the date thereof have been duly authorized, executed and delivered by the Agency and, assuming due authorization, execution and delivery by the other parties to the same, constitute binding agreements of the Agency in accordance with their terms; (v) the Agency has duly approved the Official Statement and has duly ratified the distribution of the Preliminary Official Statement; (vi) the information in the Official Statement with respect to the Commitment Agreements and the Servicing Agreements is correct and does not omit any statement that, in their opinion, should be included or referred to

therein, and the Commitment Agreements that have been executed and delivered as of the date thereof and the Servicing Agreements that have been executed and delivered as of the date thereof conform as to form and tenor with the terms, provisions and descriptions thereof as summarized and set out in the Official Statement; (vii) based upon the examinations that they have made as counsel for the Agency but without having undertaken to determine independently the accuracy or completeness of the statements contained in the Official Statement, nothing has come to their attention that would lead them to believe that the Official Statement as of its date or as of the date of Closing (except for the information contained under the heading "Underwriting" or in the second paragraph of page "i" of the Official Statement or in Appendices I, II, IIA, V and VI as to which they need express no opinion) contains or contained any untrue statement of a material fact or omits or omitted to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, it being understood that in rendering such opinion, counsel for the Agency shall not be required to express an opinion with respect to financial statements and other financial data included in the Official Statement; (viii) under the Act, the Series 14 Bonds and the interest thereon and the income therefrom are exempt from all Vermont taxation, franchise fees and special assessments of every kind, except for transfer, inheritance and estate taxes; (ix) to the best of their knowledge, there is no action, suit, proceeding, investigation at law or in equity before or by any court, judicial board or body, pending or threatened, against or affecting the Agency, wherein an unfavorable decision, ruling or finding would affect materially and adversely the transactions contemplated by the Official Statement or the validity of the Resolution, the Series 14 Bonds, the Mortgage Loans, the Commitment Agreements, the Servicing Agreements, the Representation Letter, the Continuing Disclosure Agreement or this Purchase Contract; and (x) the adoption of the General Resolution, the Supplemental Resolution and the execution and delivery by the Agency of the Series 14 Bonds, the Commitment Agreements, the Servicing Agreements, the Remarketing Agreement, the Continuing Disclosure Agreement and this Purchase Contract, and compliance with the terms and provisions thereof, under the circumstances contemplated thereby, and the performance by the Agency of the transactions described in the Official Statement, do not and will not in any material respect conflict with the by-laws of the Agency or any existing law, court order or consent decree to which the Agency is subject,

and, to the best of their knowledge after due inquiry, such execution, delivery and compliance does not and will not constitute on the part of the Agency a breach of or default under any agreement or other instrument to which the Agency is a party; it being understood that in rendering such opinion counsel of the Agency is entitled to rely on the opinion of the Vermont Department of Taxes with respect to the opinion expressed in clause (viii), need render no opinion as to the requirement of registration of the Series 14 Bonds under the Securities Act of 1933, as amended, or under the similar provisions of any state statute or regulation, and need render no opinion as to any matter of federal law;

- (iii) the opinion of Orrick, Herrington & Sutcliffe LLP, New York, New York, counsel for the Underwriters, dated the date of the Closing, and addressed to the Underwriters and the Placement Agent to the effect that (i) under existing laws, the Series 14 Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended; and (ii) without having undertaken to determine independently the accuracy or completeness of the statements contained in the Official Statement, but on the basis of their conferences with the representatives of the Agency, counsel for the Agency, Bond Counsel and the Underwriters and their examination of certain documents referred to in the Official Statement, no information has come to the attention of the attorneys in such firm rendering legal services in connection with their representation of the Underwriters in this matter that would cause them to believe that the Official Statement as of its date or as of the date of the Closing contains or contained any untrue statement of a material fact or omits or omitted to state any material fact required to be stated therein or that is necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; it being understood that in rendering such opinion counsel for the Underwriters is not required to express an opinion with respect to financial statements and other financial, statistical or numerical data included in the Official Statement or any information concerning the book-entry system for registration of the Series 14 Bonds, FSA, MBIA, AMBAC or DTC;
- (iv) a certificate, dated the date of the Closing, signed by the Chairman and the Executive Director or the Director of Finance of the Agency and in form and substance satisfactory to the Underwriters and Fannie Mae to the effect that (i) the representations, agreements and warranties of the Agency herein are true and correct in all material respects as of the date of

Closing; (ii) the Commitment Agreements that have been executed and delivered as of the date thereof, the Representation Letter, the Continuing Disclosure Agreement and the Servicing Agreements that have been executed and delivered as of the date thereof have been duly executed by the Agency and, assuming due execution by the other parties thereto, constitute binding agreements of the Agency that are in full force and effect; (iii) no litigation is pending or, to their knowledge, threatened (a) to restrain or enjoin the issuance, sale, execution or delivery of any of the Series 14 Bonds or the making of loans with the proceeds of the Series 14 Bonds, (b) in any way contesting or affecting any authority for the issuance or validity of the Series 14 Bonds, any proceedings of the Agency taken with respect to the issuance or sale of the Series 14 Bonds, the pledge or application of any money or security provided for the payment of the Series 14 Bonds or the validity of the Resolution, the Commitment Agreements, the Servicing Agreements, the Representation Letter, the Continuing Disclosure Agreement or this Purchase Contract, or (c) in any way contesting the existence or powers of the Agency; and (iv) to the best of their knowledge, no event affecting the Agency has occurred since the date of the Official Statement that should be disclosed in the Official Statement for the purpose for which it is to be used or that is necessary to be disclosed therein to make the statements and information therein not misleading in any material respect;

- (v) a letter of KPMG LLP, dated the date of the Closing and addressed to the Agency and the Underwriters, to the effect that such accountants confirm with respect to the final Official Statement, as of a date not more than five business days prior to the Closing, the statements made in the letter furnished by such accountants pursuant to paragraph 6 hereof;
- (vi) two copies of the General Resolution and the Supplemental Resolution;
- (vii) two certified copies of the Preliminary Official Statement, the Official Statement and this Purchase Contract;
- (viii) a letter of Bond Counsel, dated the date of the Closing and addressed to PaineWebber on behalf of the Underwriters and to Fannie Mae to the effect that their final approving opinion on the Series 14 Bonds may be relied upon by the Underwriters and Fannie Mae to the same extent as if such opinion was addressed to the Underwriters and Fannie Mae;



- (ix) a copy of the Act, certified by the Agency to be a true and complete copy of the Act as of the date of the Closing;
- (x) a letter from Standard & Poor's Ratings Services to the effect that it has assigned a rating of "AAA" to the Series 14 Bonds;
- (xi) a letter from Moody's Investors Service, Inc. to the effect that it has assigned a rating of "Aaa" to the Series 14 Bonds;
- (xii) a copy of the Representation Letter;
- (xiii) the Continuing Disclosure Agreement in the form included as Appendix VII to the Official Statement;
- (xiv) [a specimen copy of the municipal bond insurance policy and surety bonds issued by Financial Security Assurance, Inc. ("FSA") together with an opinion of counsel to FSA in form and substance satisfactory to the Underwriters and Fannie Mae;] and
- (xv) such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriters, Fannie Mae or Bond Counsel may reasonably request to evidence compliance by the Agency with legal requirements, the truth and accuracy, as of the time of the Closing, of the representations of the Agency herein and in the Official Statement, and the due performance or satisfaction by the Agency at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the Agency.

(d) the Agency shall have simultaneously sold to UBS PaineWebber Inc. and UBS PaineWebber Inc. shall have purchased all (but not less than all) of the Series 14 Notes.

If the Agency shall be unable to satisfy the conditions to the Underwriters' or Fannie Mae's obligations contained in this Purchase Contract with respect to the Series 14 Bonds or if the Underwriters' or Fannie Mae's obligations shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate and neither the Underwriters nor Fannie Mae nor the Agency shall have any further obligation hereunder, except that the amount of the Good Faith Deposit shall be returned to PaineWebber and the respective obligations under paragraph 10 hereof shall continue.

9. At the Closing, contemporaneously with the receipt of the Underwritten Bonds, the Underwriters will deliver to the Agency a receipt therefor, in form satisfactory to Bond Counsel, signed by PaineWebber on behalf of the Underwriters. At the Closing, contemporaneously with the receipt of the Placed Bonds, Fannie Mae will deliver to the Agency a receipt therefor, in form satisfactory to Bond Counsel, signed by an authorized officer of Fannie Mae. On or before the date of the Closing, the Underwriters shall deliver to the Agency a certificate acceptable to Bond Counsel signed by PaineWebber on behalf of the Underwriters to



the effect that (i) all of the Underwritten Bonds have been the subject of a bona fide initial offering to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at prices no higher than, or at yields no lower than, those shown on the inside cover of the Official Statement and (ii) based on the Underwriters' records and other information available to them which they believe to be correct, a substantial amount (at least 10%) of each maturity of the Underwritten Bonds was sold to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at initial prices no higher than, or yields no lower than, those shown on the inside cover of the Official Statement.

10. The Agency shall pay any expenses incident to the performance of its obligations hereunder including but not limited to: (i) the fees and disbursements of Bond Counsel; (ii) the cost of preparing and printing the Preliminary Official Statement and the Official Statement; (iii) the fees of rating agencies; and (iv) the fees and disbursements of any other counsel, experts or consultants retained by the Agency.

The Underwriters shall pay: (i) all advertising expenses in connection with the public offering of the Underwritten Bonds; (ii) the cost of preparing the Blue Sky Memorandum and this Purchase Contract; (iii) all other expenses incurred by them or any of them in connection with their public offering and distribution of the Underwritten Bonds, including the fees and disbursements of counsel retained by them; and (iv) all expenses incurred by them in connection with their performance in the capacity of Underwriters for the Underwritten Bonds. Fannie Mae shall pay all expenses incurred by it in connection with this financing.

11. Any notice or other communication to be given to the Agency under this Purchase Contract may be given by delivering the same in writing to Sarah E. Carpenter, Executive Director, Vermont Housing Finance Agency, 164 St. Paul Street, Burlington, Vermont 05401; such notice or other communication to be given to the Underwriters may be given by delivering the same in writing to UBS PaineWebber Inc., 1285 Avenue of the Americas, New York, New York 10019, to the attention of Andrew F. Gurley; such notice or communication to be given to Fannie Mae may be given by delivering the same in writing to Fannie Mae, 3900 Wisconsin Avenue, N.W., Washington, D.C. 20016-2899, Attention: Public Finance Department.

12. This Purchase Contract is made solely for the benefit of the Agency, the Underwriters and Fannie Mae (including the successors or assigns of any of the Underwriters and Fannie Mae) and no other person, partnership, association or corporation shall acquire or have any rights hereunder or by virtue hereof. All representations and agreements of the Agency in this Purchase Contract shall remain operative and in full force and effect regardless of any investigation made by or on behalf of any of the Underwriters or Fannie Mae and shall survive the delivery of and payment for the Series 14 Bonds. This Purchase Contract shall be enforceable in accordance with the laws of the State of New York.

13. For purposes of this Purchase Contract, the End of the Underwriting Period shall mean the earlier of (a) the day of the Closing unless the Agency has been notified in writing to the contrary by the Underwriters on or prior to the day of such Closing, or (b) the date on which the "End of the Underwriting Period" for the Underwritten Bonds has occurred under Rule

15c2-12 of the Securities and Exchange Commission promulgated under the Securities Exchange Act of 1934 (the "Rule").

The Agency may request from the Underwriters from time to time, and the Underwriters shall provide to the Agency upon such request, such information as may be reasonably required by it in order to determine whether the "End of the Underwriting Period" for the Underwritten Bonds has occurred under the Rule with respect to the unsold balances of the Underwritten Bonds that are held by any Underwriter for sale to the public within the meaning of the Rule. If there remains any unsold balance of Underwritten Bonds for sale to the public within the meaning of the Rule, then the Underwriters shall promptly notify the Agency in writing that, in their opinion, the End of the Underwriting Period for the Underwritten Bonds under the Rule has occurred on a date which shall be set forth in such notification. The Agency shall be entitled to treat as the End of the Underwriting Period for the Underwritten Bonds, the date specified by the Underwriters in such notification.

14. The approval of the Underwriters when required hereunder shall be in writing signed by PaineWebber and delivered to you.

UBS PAINEWEBBER INC.  
SALOMON SMITH BARNEY INC.  
A.G. EDWARDS & SONS, INC.

By: UBS PaineWebber Inc.

By: \_\_\_\_\_  
Managing Director

FANNIE MAE

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

Accepted by the  
VERMONT HOUSING FINANCE AGENCY

By: \_\_\_\_\_  
Executive Director

## REIMBURSEMENT AGREEMENT

REIMBURSEMENT AGREEMENT dated as of August 1, 2000 by and between VERMONT HOUSING FINANCE AGENCY, a public body corporate organized and existing under the laws of the State of Vermont (the issuer, as "Obligor") and Financial Security Assurance Inc. ("FSA"), a New York stock insurance company.

### WITNESSETH:

WHEREAS, the Obligor will issue its Single Family Housing Bonds, Series 13A (AMT) (the "Obligations"), pursuant to the terms of the Resolution; and

WHEREAS, FSA will issue its Financial Guaranty Insurance Policy No. 50973S1-N (the "Contingency Insurance Policy"), substantially in the form set forth in Annex A to this Agreement guaranteeing certain payments by the Obligor subject to the terms and limitations of the Contingency Insurance Policy; and

WHEREAS, to induce FSA to issue the Contingency Insurance Policy, the Obligor has agreed to pay the premium for the insurance policy relating to the Obligations and to reimburse FSA for payments made by FSA under the Contingency Insurance Policy from Legally Available Funds, all as more fully set forth in this Agreement; and

WHEREAS, the Obligor understands that FSA expressly requires the delivery of this Agreement as part of the consideration for the execution by FSA of the Contingency Insurance Policy.

NOW, THEREFORE, in consideration of the premises and of the agreements herein contained and of the execution of the Contingency Insurance Policy, the Obligor and FSA agree as follows:

### ARTICLE I

#### DEFINITIONS; CONTINGENCY INSURANCE POLICY

Section 1.01. Definitions. Except as otherwise expressly provided herein or unless the context otherwise requires, the terms which are capitalized herein shall have the meanings specified in Annex B hereto.

#### Section 1.02. Contingency Insurance Policy.

(a) FSA will issue the Contingency Insurance Policy in accordance with and subject to the terms and conditions of the Commitment.

(b) The maximum liability of FSA under the Contingency Insurance Policy and the coverage and term thereof shall be subject to and limited by the Contingency Insurance Policy Coverage and the terms and conditions of the Contingency Insurance Policy.

(c) Payments made under the Contingency Insurance Policy will reduce the Contingency Insurance Policy Coverage to the extent of such payment.

Section 1.03. Certain Other Expenses. The Obligor will pay all reasonable fees and disbursements of FSA's counsel related to any amendment, modification or supplement of this Agreement or the Contingency Insurance Policy requested by the Obligor.

## ARTICLE II

### REIMBURSEMENT OBLIGATIONS OF OBLIGOR AND SECURITY THEREFOR

Section 2.01. Reimbursement for Payments Under the Contingency Insurance Policy and Expenses.

(a) The Obligor will reimburse FSA, from Legally Available Funds, within the Reimbursement Period, without demand or notice by FSA to the Obligor or any other person, to the extent of each Contingency Insurance Policy Payment with interest on each Contingency Insurance Policy Payment from and including the date made to the date of the reimbursement by the Obligor at the Effective Interest Rate. Unless sooner repaid, the Obligor agrees that it shall make monthly level principal repayments for each Contingency Insurance Policy Payment during the Reimbursement Period. Interest on each Contingency Insurance Policy Payment shall be paid monthly during the Reimbursement Period. To the extent that interest payments due hereunder are not paid on a monthly basis, or are not paid as each principal repayment is made, interest shall accrue on such unpaid amounts at a rate equal to the Effective Interest Rate.

(b) The Obligor also agrees to reimburse FSA, from Legally Available Funds, immediately and unconditionally upon demand for all reasonable expenses incurred by FSA in connection with the Contingency Insurance Policy and the enforcement by FSA of the Obligor's obligations under this Agreement together with interest on all such expenses incurred from and including the date which is 30 days from the date a statement for such expenses is received by the Obligor to the date of payment at the rate set forth in subsection (a) of this Section 2.01.

Section 2.02. Allocation of Payments. FSA and the Obligor hereby agree that each payment received by FSA from and on behalf of the Obligor as a reimbursement to FSA as required by Section 2.01 hereof shall be applied by FSA, first, to payment of any unpaid premium, second to repayment of the aggregate Contingency Insurance Policy Payments made by FSA and not yet repaid and third, to other amounts, including, without limitation, any interest payable with respect to any Contingency Insurance Policy Payments, then due to FSA.

Section 2.03. Unconditional Obligation. The obligations of the Obligor to pay all amounts due hereunder shall be a general obligation of the Obligor for which its full faith and credit are pledged. The obligations of the Obligor hereunder are absolute and unconditional and will be paid or performed strictly in accordance with this Agreement, irrespective of:

(a) any lack of validity or enforceability of, or any amendment or other modification of, or waiver with respect to, the Resolution or the Obligations;

(b) any exchange, release or nonperfection of any security interest in property securing the Obligations or this Agreement or any obligations hereunder;

(c) any circumstances which might otherwise constitute a defense available to, or discharge of, the Obligor with respect to the Obligations; or

(d) whether or not such Obligations are contingent or matured, disputed or undisputed, liquidated or unliquidated.

Section 2.04.

(a) All cash and investments in the Contingency Fund established for the Obligations shall be transferred to the debt service fund for payment of debt service on Obligations before any drawing may be made on the Contingency Insurance Policy or any other credit facility credited to the Contingency Fund in lieu of cash. Payment of any Contingency Insurance Policy Payments plus interest thereon shall be made prior to replenishment of any such cash amounts. Draws on all credit facilities (including the Contingency Insurance Policy) on which there is available coverage shall be made on a pro-rata basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the Contingency Fund. Payment of Contingency Insurance Policy Payments plus interest thereon and reimbursement of amounts with respect to other credit facilities shall be made on a pro-rata basis prior to replenishment of any cash drawn from the Contingency Fund.

(b) The Resolution shall not be discharged until all Contingency Insurance Policy Payments plus interest thereon owing to Financial Security shall have been paid in full. The Obligor's obligation to pay such amounts shall expressly survive payment in full of the Obligations.

(c) The obligation of the Obligor to pay all Contingency Insurance Policy Payments plus interest thereon shall be absolute and unconditional and a general obligation of the Obligor for which its full faith and credit are pledged.

(d) The Resolution shall require the Trustee to ascertain the necessity for a claim upon the Contingency Insurance Policy and to provide notice to Financial Security in accordance with the terms of the Contingency Insurance Policy at least five business days prior to each date upon which interest or principal is due on the Obligations.

ARTICLE III

EVENTS OF DEFAULT; REMEDIES

Section 3.01. Events of Default. The following events shall constitute Events of Default hereunder:

(a) The Obligor shall fail to pay to FSA any amount payable under Sections 1.03 or 2.01 hereof and such failure shall have continued for a period in excess of the Reimbursement Period;

(b) Any material representation or warranty made by the Obligor hereunder or under the Resolution or any statement in the application for the Contingency Insurance Policy or any report, certificate, financial statement or other instrument provided in connection with the Commitment, the Contingency Insurance Policy or herewith shall have been materially false, at the time when made;

(c) Except as otherwise provided in this Section 3.01, the Obligor shall fail to perform any of its other obligations hereunder, provided that such failure continues for more than thirty (30) days after receipt by the Obligor of notice of such failure to perform;

(d) The Obligor shall (i) voluntarily commence any proceeding or file any petition seeking relief under the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law, (ii) consent to the institution of, or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition, (iii) apply for or consent to the appointment of a receiver, paying agent, custodian, sequestrator or similar official for the Obligor or for a substantial part of its property, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, (vi) become unable, admit in writing

its inability or fail generally to pay its debts as they become due or (vii) take action for the purpose of effecting any of the foregoing; or

(e) An involuntary proceeding shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction seeking (i) relief in respect of the Obligor, or of a substantial part of its property, under the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law or (ii) the appointment of a receiver, paying agent, custodian, sequestrator or similar official for the Obligor or for a substantial part of its property; and such proceeding or petition shall continue undismissed for sixty (60) days or an order or decree approving or ordering any of the foregoing shall continue unstayed and in effect for thirty (30) days.

Section 3.02. Remedies. If an Event of Default shall occur and be continuing, FSA may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due under this Agreement or any related instrument and any obligation, agreement or covenant of the Obligor under this Agreement; provided, however, that under this Agreement, FSA may not take any action to direct or require acceleration or other early redemption of the Obligations or adversely affect the rights of the Owners. All rights and remedies of FSA under this Section 3.02 are cumulative and the exercise of any one remedy does not preclude the exercise of one or more of the other available remedies.

#### ARTICLE IV

#### SETTLEMENT

FSA shall have the exclusive right to decide and determine whether any claim, liability, suit or judgment made or brought against FSA, the Obligor or any other party on the Contingency Insurance Policy shall or shall not be paid, compromised, resisted, defended, tried or appealed, and FSA's decision thereon, if made in good faith, shall be final and binding upon the Obligor. An itemized statement of expenses incurred by FSA, certified by an officer of FSA, or the voucher or vouchers for such payments, shall be prima facie evidence of the liability of the Obligor, and if the Obligor fails to reimburse FSA pursuant to subsection (b) of Section 2.01 hereof, upon the receipt of such statement of payments, interest shall be computed on such amount from the date of any payment made by FSA at the rate set forth in subsection (a) of Section 2.01 hereof.

#### ARTICLE V

#### MISCELLANEOUS

Section 5.01. Computations. All computations of premium, interest and fees hereunder shall be made on the basis of the actual number of days elapsed over a year of 360 days.

Section 5.02. Exercise of Rights. No failure or delay on the part of FSA to exercise any right, power or privilege under this Agreement and no course of dealing between FSA and the Obligor or any other party shall operate as a waiver of any such right, power or privilege nor shall any single or partial exercise of any such right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein expressly provided are cumulative and not exclusive of any rights or remedies which FSA would otherwise have pursuant to law or equity. No notice to or demand on any party in any case shall entitle such party to any other or further notice or demand in similar or other circumstances, or constitute a waiver of the right of the other party to any other or further action in any circumstances without notice or demand.

Section 5.03. Amendment and Waiver. Any provision of this Agreement may be amended, waived, supplemented, discharged or terminated only with the prior written consent of the Obligor and FSA. The Obligor hereby agrees that upon the written request of the Paying Agent, FSA may make or consent to issue any substitute for the Contingency Insurance Policy to cure any ambiguity or formal defect or omission in the Contingency Insurance Policy which does not materially change the terms of the Contingency Insurance Policy nor adversely affect the rights of the Owners, and this Agreement shall apply to such substituted Contingency Insurance Policy. FSA agrees to deliver to the Obligor and to the company or companies, if any, rating the Obligations, a copy of such substituted Contingency Insurance Policy.

Section 5.04. Successors and Assigns; Descriptive Headings.

(a) This Agreement shall bind, and the benefits thereof shall inure to, the Obligor and FSA and their respective successors and assigns, so long as the conditions in the Resolution are satisfied; provided that the Obligor may not transfer or assign any or all of its rights and obligations hereunder without the prior written consent of FSA.

(b) The descriptive headings of the various provisions of this Agreement are inserted for convenience of reference only and shall not be deemed to affect the meaning or construction of any of the provisions hereof.

Section 5.05. Other Sureties. If FSA shall procure any other surety to reinsure the Contingency Insurance Policy, this Agreement shall inure to the benefit of such other surety, its successors and assigns, so as to give to it a direct right of action against the Obligor to enforce this Agreement and "FSA," wherever used herein, shall be deemed to include such reinsuring surety, as its respective interests may appear.

Section 5.06. Signature on Bond. The Obligor's liability shall not be affected by its failure to sign the Contingency Insurance Policy nor by any claim that other indemnity or security was to have been obtained nor by the release of any indemnity, nor the return or exchange of any collateral that may have been obtained.

Section 5.07. Waiver. The Obligor waives any defense that this Agreement was executed subsequent to the date of the Contingency Insurance Policy, admitting and covenanting that such Contingency Insurance Policy was executed pursuant to the Obligor's request and in reliance on the Obligor's promise to execute this Agreement.

Section 5.08. Notices, Requests, Demands. Except as otherwise expressly provided herein, all written notices, requests, demands or other communications to or upon the respective parties hereto shall be deemed to have been given or made when actually received, or in the case of telex or telecopier notice sent over a telex or a telecopier machine owned or operated by a party hereto, when sent, addressed as specified below or at such other address as either of the parties hereto or the Paying Agent may hereafter specify in writing to the others:

If to the Obligor:

Vermont Housing Finance Agency  
164 St. Paul Street  
Burlington, Vermont 05401-4634  
Attention: Finance Director  
Telephone: (802) 652-3463  
Fax: (802) 863-5422



If to the Trustee: The Howard Bank, N.A.  
111 Main Street  
Burlington, Vermont 05401  
Attention: Corporate Trust Department  
Telephone: (802) 658-1010

If to FSA: Financial Security Assurance Inc.  
350 Park Avenue  
New York, New York 10022  
Attention: Managing Director - Surveillance  
Telephone: (212) 826-0100  
Fax: (212) 339-3518

Section 5.09. Survival of Representations and Warranties. All representations, warranties and obligations contained herein shall survive the execution and delivery of this Agreement and the Contingency Insurance Policy.

Section 5. 10. Governing Law. This Agreement and the rights and obligations of the parties under this Agreement shall be governed by and construed and interpreted in accordance with the laws of the State.

Section 5.11. Counterparts. This Agreement may be executed in any number of copies and by the different parties hereto on the same or separate counterparts, each of which shall be deemed to be an original instrument. Complete counterparts of this Agreement shall be lodged with the Obligor and FSA.

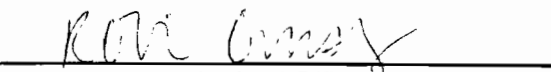
Section 5.12. Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

IN WITNESS WHEREOF, each of the parties hereto has caused a counterpart of this Agreement to be duly executed and delivered as of the date first above written.

VERMONT HOUSING FINANCE AGENCY

By:   
Authorized Officer

FINANCIAL SECURITY ASSURANCE INC.

By:   
Authorized Officer

## **ANNEX B**

### **DEFINITIONS**

For all purposes of this Agreement, except as otherwise expressly provided herein or unless the context otherwise requires, all capitalized terms shall have the meanings as set out below.

"Agreement" means this Reimbursement Agreement.

"Commitment" means the FSA Commitment for Contingency Insurance Policy in the form delivered to the Obligor.

"Contingency Fund" means the Series 13A Contingency Fund established under the Resolution.

"Contingency Fund Payments" means the Contingency Fund withdrawals required to be made by or on behalf of the Obligor from the Contingency Fund, which will be applied to the payment of principal of and interest on the Obligations.

"Contingency Insurance Policy" means the financial guaranty insurance policy issued by FSA substantially in the form attached to this Agreement as Annex A.

"Contingency Insurance Policy Coverage" means the amount available at any particular time to be paid to the Trustee under the terms of the Contingency Insurance Policy, which amount shall not exceed \$603,321.

"Contingency Insurance Policy Payment" means an amount equal to the Contingency Fund Payment required to be made by the Obligor under the Resolution less (i) that portion of the Contingency Fund Payment paid by or on behalf of the Obligor, and (ii) other funds legally available to the Trustee for such purpose, all as certified by the Trustee in a demand for payment tendered pursuant to the terms of the Contingency Insurance Policy.

"Effective Interest Rate" means the lesser of (i) the Reimbursement Rate and (ii) the maximum rate of interest permitted by then applicable law; provided, however, that the Effective Interest Rate shall in no event be less than the interest rate on the Obligations.

"Event of Default" shall mean those events of default set forth in Section 3.01 of this Agreement.

"FSA" has the same meaning as set forth in the first paragraph of this Agreement.

"Legally Available Funds" means any moneys legally available to the Obligor for the payment of its obligations under this Agreement, including any moneys that may be subject to and secured by the full faith and credit and general obligation of the Obligor.

"Obligations" has the same meaning as set forth in the second paragraph of this Agreement.

"Obligor" has the same meaning as set forth in the first paragraph of this Agreement.

"Owners" means the registered owner of any Obligation as indicated in the books maintained by the applicable paying agent, the Obligor or any designee of the Obligor for such purpose. The term "Owner" shall not include the Obligor or any person or entity whose obligation or obligations by agreement constitute the underlying security or source of payment for the Obligations.

"Reimbursement Period" means, with respect to a particular Contingency Insurance Policy Payment, the period commencing on the date of such Contingency Insurance Policy Payment and ending 12 months following the date of such Contingency Insurance Policy Payment.

"Reimbursement Rate" means the per annum rate of interest, publicly announced from time to time by The Chase Manhattan Bank at its principal office in the City of New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such change is announced by The Chase Manhattan Bank) plus 3%. The Reimbursement Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event The Chase Manhattan Bank ceases to announce its Prime Rate publicly, Prime Rate shall be the publicly announced prime or base lending rate of such national bank as FSA shall specify.

"Resolution" means the Obligor's Single Family Housing Bond Resolution adopted September 20, 1990, as supplemented by the Issuer's Seventeenth Supplemental Single Family Housing Bond Resolution adopted August 10, 2000, and as further amended and supplemented from time to time with the consent of FSA.

"State" means the State of Vermont.

"Trustee" means The Howard Bank, N.A., or successor.

## REIMBURSEMENT AGREEMENT

REIMBURSEMENT AGREEMENT dated as of August 1, 2000 by and between VERMONT HOUSING FINANCE AGENCY, a public body corporate organized and existing under the laws of the State of Vermont (the issuer, as "Obligor") and Financial Security Assurance Inc. ("FSA"), a New York stock insurance company.

### WITNESSETH:

WHEREAS, the Obligor will issue its Single Family Housing Bonds, Series 13A (AMT) (the "Obligations"), pursuant to the terms of the Resolution; and

WHEREAS, FSA will issue its Financial Guaranty Insurance Policy No. 50973S2-N (the "Loan Insurance Policy"), substantially in the form set forth in Annex A to this Agreement guaranteeing certain payments by the Obligor subject to the terms and limitations of the Loan Insurance Policy; and

WHEREAS, to induce FSA to issue the Loan Insurance Policy, the Obligor has agreed to pay the premium for the insurance policy relating to the Obligations and to reimburse FSA for payments made by FSA under the Loan Insurance Policy from Legally Available Funds, all as more fully set forth in this Agreement; and

WHEREAS, the Obligor understands that FSA expressly requires the delivery of this Agreement as part of the consideration for the execution by FSA of the Loan Insurance Policy.

NOW, THEREFORE, in consideration of the premises and of the agreements herein contained and of the execution of the Loan Insurance Policy, the Obligor and FSA agree as follows:

### ARTICLE I

#### DEFINITIONS; LOAN INSURANCE POLICY

Section 1.01. Definitions. Except as otherwise expressly provided herein or unless the context otherwise requires, the terms which are capitalized herein shall have the meanings specified in Annex B hereto.

#### Section 1.02. Loan Insurance Policy.

(a) FSA will issue the Loan Insurance Policy in accordance with and subject to the terms and conditions of the Commitment.

(b) The maximum liability of FSA under the Loan Insurance Policy and the coverage and term thereof shall be subject to and limited by the Loan Insurance Policy Coverage and the terms and conditions of the Loan Insurance Policy.

(c) Payments made under the Loan Insurance Policy will reduce the Loan Insurance Policy Coverage to the extent of such payment.

Section 1.03. Certain Other Expenses. The Obligor will pay all reasonable fees and disbursements of FSA's counsel related to any amendment, modification or supplement of this Agreement or the Loan Insurance Policy requested by the Obligor.

## ARTICLE II

### REIMBURSEMENT OBLIGATIONS OF OBLIGOR AND SECURITY THEREFOR

Section 2.01. Reimbursement for Payments Under the Loan Insurance Policy and Expenses.

(a) The Obligor will reimburse FSA, from Legally Available Funds, within the Reimbursement Period, without demand or notice by FSA to the Obligor or any other person, to the extent of each Loan Insurance Policy Payment with interest on each Loan Insurance Policy Payment from and including the date made to the date of the reimbursement by the Obligor at the Effective Interest Rate. Unless sooner repaid, the Obligor agrees that it shall make monthly level principal repayments for each Loan Insurance Policy Payment during the Reimbursement Period. Interest on each Loan Insurance Policy Payment shall be paid monthly during the Reimbursement Period. To the extent that interest payments due hereunder are not paid on a monthly basis, or are not paid as each principal repayment is made, interest shall accrue on such unpaid amounts at a rate equal to the Effective Interest Rate.

(b) The Obligor also agrees to reimburse FSA, from Legally Available Funds, immediately and unconditionally upon demand for all reasonable expenses incurred by FSA in connection with the Loan Insurance Policy and the enforcement by FSA of the Obligor's obligations under this Agreement together with interest on all such expenses incurred from and including the date which is 30 days from the date a statement for such expenses is received by the Obligor to the date of payment at the rate set forth in subsection (a) of this Section 2.01.

Section 2.02. Allocation of Payments. FSA and the Obligor hereby agree that each payment received by FSA from and on behalf of the Obligor as a reimbursement to FSA as required by Section 2.01 hereof shall be applied by FSA, first, to payment of any unpaid premium, second to repayment of the aggregate Loan Insurance Policy Payments made by FSA and not yet repaid and third, to other amounts, including, without limitation, any interest payable with respect to any Loan Insurance Policy Payments, then due to FSA.

Section 2.03. Unconditional Obligation. The obligations of the Obligor to pay all amounts due hereunder shall be a general obligation of the Obligor for which its full faith and credit are pledged. The obligations of the Obligor hereunder are absolute and unconditional and will be paid or performed strictly in accordance with this Agreement, irrespective of:

(a) any lack of validity or enforceability of, or any amendment or other modification of, or waiver with respect to, the Resolution or the Obligations;

(b) any exchange, release or nonperfection of any security interest in property securing the Obligations or this Agreement or any obligations hereunder;

(c) any circumstances which might otherwise constitute a defense available to, or discharge of, the Obligor with respect to the Obligations; or

(d) whether or not such Obligations are contingent or matured, disputed or undisputed, liquidated or unliquidated.

Section 2.04.

(a) All cash and investments in the Loan Insurance Fund established for the Obligations shall be transferred to the debt service fund for payment of debt service on Obligations before any drawing may be made on the Loan Insurance Policy or any other credit facility credited to the Loan

Insurance Fund in lieu of cash. Payment of any Loan Insurance Policy Payments plus interest thereon shall be made prior to replenishment of any such cash amounts. Draws on all credit facilities (including the Loan Insurance Policy) on which there is available coverage shall be made on a pro-rata basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the Loan Insurance Fund. Payment of Loan Insurance Policy Payments plus interest thereon and reimbursement of amounts with respect to other credit facilities shall be made on a pro-rata basis prior to replenishment of any cash drawn from the Loan Insurance Fund.

(b) The Resolution shall not be discharged until all Loan Insurance Policy Payments plus interest thereon owing to Financial Security shall have been paid in full. The Obligor's obligation to pay such amounts shall expressly survive payment in full of the Obligations.

(c) The obligation of the Obligor to pay all Loan Insurance Policy Payments plus interest thereon shall be absolute and unconditional and a general obligation of the Obligor for which its full faith and credit are pledged.

(d) The Resolution shall require the Trustee to ascertain the necessity for a claim upon the Loan Insurance Policy and to provide notice to Financial Security in accordance with the terms of the Loan Insurance Policy at least five business days prior to each date upon which interest or principal is due on the Obligations.

### ARTICLE III

#### EVENTS OF DEFAULT; REMEDIES

Section 3.01. Events of Default. The following events shall constitute Events of Default hereunder:

(a) The Obligor shall fail to pay to FSA any amount payable under Sections 1.03 or 2.01 hereof and such failure shall have continued for a period in excess of the Reimbursement Period;

(b) Any material representation or warranty made by the Obligor hereunder or under the Resolution or any statement in the application for the Loan Insurance Policy or any report, certificate, financial statement or other instrument provided in connection with the Commitment, the Loan Insurance Policy or herewith shall have been materially false, at the time when made;

(c) Except as otherwise provided in this Section 3.01, the Obligor shall fail to perform any of its other obligations hereunder, provided that such failure continues for more than thirty (30) days after receipt by the Obligor of notice of such failure to perform;

(d) The Obligor shall (i) voluntarily commence any proceeding or file any petition seeking relief under the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law, (ii) consent to the institution of, or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition, (iii) apply for or consent to the appointment of a receiver, paying agent, custodian, sequestrator or similar official for the Obligor or for a substantial part of its property, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, (vi) become unable, admit in writing its inability or fail generally to pay its debts as they become due or (vii) take action for the purpose of effecting any of the foregoing; or

(e) An involuntary proceeding shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction seeking (i) relief in respect of the Obligor, or of a substantial part of its property, under the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law or (ii) the appointment of a receiver, paying agent, custodian, sequestrator or similar official for the Obligor or for a substantial part of its property; and such proceeding or petition shall continue undismissed for sixty (60) days or an order or decree approving or ordering any of the foregoing shall continue unstayed and in effect for thirty (30) days.

Section 3.02. Remedies. If an Event of Default shall occur and be continuing, FSA may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due under this Agreement or any related instrument and any obligation, agreement or covenant of the Obligor under this Agreement; provided, however, that under this Agreement, FSA may not take any action to direct or require acceleration or other early redemption of the Obligations or adversely affect the rights of the Owners. All rights and remedies of FSA under this Section 3.02 are cumulative and the exercise of any one remedy does not preclude the exercise of one or more of the other available remedies.

#### ARTICLE IV

#### SETTLEMENT

FSA shall have the exclusive right to decide and determine whether any claim, liability, suit or judgment made or brought against FSA, the Obligor or any other party on the Loan Insurance Policy shall or shall not be paid, compromised, resisted, defended, tried or appealed, and FSA's decision thereon, if made in good faith, shall be final and binding upon the Obligor. An itemized statement of expenses incurred by FSA, certified by an officer of FSA, or the voucher or vouchers for such payments, shall be prima facie evidence of the liability of the Obligor, and if the Obligor fails to reimburse FSA pursuant to subsection (b) of Section 2.01 hereof, upon the receipt of such statement of payments, interest shall be computed on such amount from the date of any payment made by FSA at the rate set forth in subsection (a) of Section 2.01 hereof.

#### ARTICLE V

#### MISCELLANEOUS

Section 5.01. Computations. All computations of premium, interest and fees hereunder shall be made on the basis of the actual number of days elapsed over a year of 360 days.

Section 5.02. Exercise of Rights. No failure or delay on the part of FSA to exercise any right, power or privilege under this Agreement and no course of dealing between FSA and the Obligor or any other party shall operate as a waiver of any such right, power or privilege nor shall any single or partial exercise of any such right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein expressly provided are cumulative and not exclusive of any rights or remedies which FSA would otherwise have pursuant to law or equity. No notice to or demand on any party in any case shall entitle such party to any other or further notice or demand in similar or other circumstances, or constitute a waiver of the right of the other party to any other or further action in any circumstances without notice or demand.

Section 5.03. Amendment and Waiver. Any provision of this Agreement may be amended, waived, supplemented, discharged or terminated only with the prior written consent of the Obligor and FSA. The Obligor hereby agrees that upon the written request of the Paying Agent, FSA may make or consent to

issue any substitute for the Loan Insurance Policy to cure any ambiguity or formal defect or omission in the Loan Insurance Policy which does not materially change the terms of the Loan Insurance Policy nor adversely affect the rights of the Owners, and this Agreement shall apply to such substituted Loan Insurance Policy. FSA agrees to deliver to the Obligor and to the company or companies, if any, rating the Obligations, a copy of such substituted Loan Insurance Policy.

**Section 5.04. Successors and Assigns; Descriptive Headings.**

(a) This Agreement shall bind, and the benefits thereof shall inure to, the Obligor and FSA and their respective successors and assigns, so long as the conditions in the Resolution are satisfied; provided that the Obligor may not transfer or assign any or all of its rights and obligations hereunder without the prior written consent of FSA.

(b) The descriptive headings of the various provisions of this Agreement are inserted for convenience of reference only and shall not be deemed to affect the meaning or construction of any of the provisions hereof.

**Section 5.05. Other Sureties.** If FSA shall procure any other surety to reinsure the Loan Insurance Policy, this Agreement shall inure to the benefit of such other surety, its successors and assigns, so as to give to it a direct right of action against the Obligor to enforce this Agreement and "FSA," wherever used herein, shall be deemed to include such reinsuring surety, as its respective interests may appear.

**Section 5.06. Signature on Bond.** The Obligor's liability shall not be affected by its failure to sign the Loan Insurance Policy nor by any claim that other indemnity or security was to have been obtained nor by the release of any indemnity, nor the return or exchange of any collateral that may have been obtained.

**Section 5.07. Waiver.** The Obligor waives any defense that this Agreement was executed subsequent to the date of the Loan Insurance Policy, admitting and covenanting that such Loan Insurance Policy was executed pursuant to the Obligor's request and in reliance on the Obligor's promise to execute this Agreement.

**Section 5.08. Notices, Requests, Demands.** Except as otherwise expressly provided herein, all written notices, requests, demands or other communications to or upon the respective parties hereto shall be deemed to have been given or made when actually received, or in the case of telex or telecopier notice sent over a telex or a telecopier machine owned or operated by a party hereto, when sent, addressed as specified below or at such other address as either of the parties hereto or the Paying Agent may hereafter specify in writing to the others:

If to the Obligor:

Vermont Housing Finance Agency  
164 St. Paul Street  
Burlington, Vermont 05401-4634  
Attention: Finance Director  
Telephone: (802) 652-3463  
Fax: (802) 863-5422



If to the Trustee: The Howard Bank, N.A.  
111 Main Street  
Burlington, Vermont 05401  
Attention: Corporate Trust Department  
Telephone: (802) 658-1010

If to FSA: Financial Security Assurance Inc.  
350 Park Avenue  
New York, New York 10022  
Attention: Managing Director - Surveillance  
Telephone: (212) 826-0100  
Fax: (212) 339-3518

Section 5.09. Survival of Representations and Warranties. All representations, warranties and obligations contained herein shall survive the execution and delivery of this Agreement and the Loan Insurance Policy.


Section 5. 10. Governing Law. This Agreement and the rights and obligations of the parties under this Agreement shall be governed by and construed and interpreted in accordance with the laws of the State.

Section 5.11. Counterparts. This Agreement may be executed in any number of copies and by the different parties hereto on the same or separate counterparts, each of which shall be deemed to be an original instrument. Complete counterparts of this Agreement shall be lodged with the Obligor and FSA.

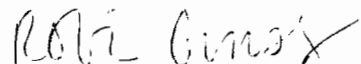
Section 5.12. Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

IN WITNESS WHEREOF, each of the parties hereto has caused a counterpart of this Agreement to be duly executed and delivered as of the date first above written.

VERMONT HOUSING FINANCE AGENCY

By:   
Authorized Officer

FINANCIAL SECURITY ASSURANCE INC.

By:   
Authorized Officer

## **ANNEX B**

### **DEFINITIONS**

For all purposes of this Agreement, except as otherwise expressly provided herein or unless the context otherwise requires, all capitalized terms shall have the meanings as set out below.

"Agreement" means this Reimbursement Agreement.

"Commitment" means the FSA Commitment for Loan Insurance Policy in the form delivered to the Obligor.

"Effective Interest Rate" means the lesser of (i) the Reimbursement Rate and (ii) the maximum rate of interest permitted by then applicable law; provided, however, that the Effective Interest Rate shall in no event be less than the interest rate on the Obligations.

"Event of Default" shall mean those events of default set forth in Section 3.01 of this Agreement.

"FSA" has the same meaning as set forth in the first paragraph of this Agreement.

"Legally Available Funds" means any moneys legally available to the Obligor for the payment of its obligations under this Agreement, including any moneys that may be subject to and secured by the full faith and credit and general obligation of the Obligor.

"Loan Insurance Fund" means the Series 13A Loan Loss Claim Fund established under the Resolution.

"Loan Insurance Fund Payments" means the Loan Insurance Fund withdrawals required to be made by or on behalf of the Obligor from the Loan Insurance Fund, which will be applied to the payment of principal of and interest on the Obligations.

"Loan Insurance Policy" means the financial guaranty insurance policy issued by FSA substantially in the form attached to this Agreement as Annex A.

"Loan Insurance Policy Coverage" means the amount available at any particular time to be paid to the Trustee under the terms of the Loan Insurance Policy, which amount shall not exceed \$624,137.

"Loan Insurance Policy Payment" means an amount equal to the Loan Insurance Fund Payment required to be made by the Obligor under the Resolution less (i) that portion of the Loan Insurance Fund Payment paid by or on behalf of the Obligor, and (ii) other funds legally available to the Trustee for such purpose, all as certified by the Trustee in a demand for payment tendered pursuant to the terms of the Loan Insurance Policy.

"Obligations" has the same meaning as set forth in the second paragraph of this Agreement.

"Obligor" has the same meaning as set forth in the first paragraph of this Agreement.

"Owners" means the registered owner of any Obligation as indicated in the books maintained by the applicable paying agent, the Obligor or any designee of the Obligor for such purpose. The term "Owner" shall not include the Obligor or any person or entity whose obligation or obligations by agreement constitute the underlying security or source of payment for the Obligations.

"Reimbursement Period" means, with respect to a particular Loan Insurance Policy Payment, the period commencing on the date of such Loan Insurance Policy Payment and ending 12 months following the date of such Loan Insurance Policy Payment.

"Reimbursement Rate" means the per annum rate of interest, publicly announced from time to time by The Chase Manhattan Bank at its principal office in the City of New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such change is announced by The Chase Manhattan Bank) plus 3%. The Reimbursement Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event The Chase Manhattan Bank ceases to announce its Prime Rate publicly, Prime Rate shall be the publicly announced prime or base lending rate of such national bank as FSA shall specify.

"Resolution" means the Obligor's Single Family Housing Bond Resolution adopted September 20, 1990, as supplemented by the Issuer's Seventeenth Supplemental Single Family Housing Bond Resolution adopted August 10, 2000, and as further amended and supplemented from time to time with the consent of FSA.

"State" means the State of Vermont.

"Trustee" means The Howard Bank, N.A., or successor.



**Vermont Housing Finance Agency**

## MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Sarah E. Carpenter, Executive Director *SC*

DATE: April 13, 2001

RE: EXECUTIVE DIRECTOR'S REPORT

### ADMINISTRATION

We have just received word from the Governor's office that Karen Moran Lafayette has been appointed as a new Commissioner to VHFA. As many of you know, Karen served in the Vermont Legislature for many years. She served as the Chair of the Joint Housing Committee and has been a big champion for affordable housing.

Issues related to state legislation have slowed a little. We are hopeful that most of VHCB's appropriation from the one time money remains intact. Increased funding for services in assisted living is not doing as well, but we hope there will be some proposed increases from the Senate. Proposals for permit reform are still being reviewed. I do hope that a proposal to create a blue ribbon committee to review the local planning statutes and related permit issues gets passed.

On the Federal level, I am pleased to say that Senator Jeffords is an original co-sponsor of S677. This bill was put forward by NCSHA to allow more recycling of the single family bond cap, a simpler process for determining purchase price limits, and a change in housing credit incomes that will allow more flexibility in rural areas. I have spoken with Senator Leahy and Congressman Sanders staff and I am optimistic they will co-sponsor after they have had a chance to review the bill.

I have also been speaking to the congressional office about a proposal to create a homeownership development credit. The current proposed targeting requirements do not work for Vermont. I have been advocating that a process similar to the rental credit allocation plan be adopted, rather than targets for census tracts, which will favor urban areas. There are several new production bills being introduced. One bill being co-sponsored by



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Senators Leahy and Jeffords would provide more grant resources to Rural Development for affordable housing that is matched with state funds. We also are hopeful a broader housing production will get some attention.

## DEVELOPMENT

The Gardens at Williamstown Square and Crystal Lake in Barton recently had permanent closings and repaid their construction loans. Anderson Parkway in South Burlington and Franklin Assisted Living will close within a month.

Staff is working diligently on the tax credit underwriting, and have requests from our borrowers to close on many construction loans in the near future: one in April, six in May, and three in June (this schedule may be affected by the tax credit awards on April 30th). These include some intricate deals such as Westgate, and the largest project VHFA has ever financed in aggregate loan dollars, Farrell Street/ Marketplace. Unfortunately, we just heard today that there may an appeal filed on Farrell Street, literally at the last hour of appeal. We will update you at the Board meeting.

## MULTIFAMILY

Staff has negotiated an expansion of our role with the Performance Based Contract Administration we are sharing with VSHA. VHFA will now handle the majority of tasks under this HUD initiative on seven projects for which the Agency already has loans and tax credit compliance monitoring responsibility. We agreed on a fee split for this work, but more importantly, owners and managers will not be burdened with monitoring requirements imposed by multiple agencies. We want you to be aware of this issue going forward. HUD wishes to have only one performance based contract administrator in each state. Right now VSHA is taking the lead. As Section 8 contracts expires, this may leave us in the position of having to negotiate with VSHA for administration of projects we now exclusively oversee and the projects we now split with them. There is the obvious issue of fee income as well as the broader state policy issues of not having two state agencies monitor one project. In our role as mortgagee and tax credit compliance monitor, VHFA is required to oversee many aspects of a project. In most states contract administration functions and asset management and monitoring are in one agency, so there is not the problem of overlapping responsibilities. We have worked this out with VSHA and certainly plan to in the future.

Preservation Agreements were closed on two Burlington properties owned by Jim Pizzagalli and we expect to close on another with Housing Foundations Inc. for their 40 unit Welden Villa property located in St. Albans this month.

Staff has completed the review of 2000 audited financial statements for 40% of the portfolio and audit review letters have been sent to owners advising them of findings and authorizing annual distributions. Audit statements were due at VHFA by March 1<sup>st</sup> although some properties have been granted extensions.

Finally, we would like to acknowledge training milestones for MF Management Officers John Burczy and Ann Marie Plank who have recently passed both the Certified Housing Manager and Housing Credit Compliance Certifications.

### HOMEOWNERSHIP

Business continues to be steady although the new purchase assistance program has been slow. Staff feels this is because originators have been so busy with refinances that they haven't taken the time to learn about the program. Kelly will be meeting individually with all the banks, and we expect to do more advertising in conjunction with the upcoming bond issue.

Staff put on an extremely successful Homebuyer Fair on March 24<sup>th</sup>. We had staff working from all departments, and had almost 1,000 attendees. The feedback from all the vendors was very positive. We held it at the Sheraton, which worked out great, except for setting off the fire alarm with the popcorn machine! Staff already has ideas for improvements for next year. They really should be congratulated for all their hard work.

### FINANCE

Most of our attention has been on preparations for the upcoming single family bond issue and a multifamily issue soon to follow. Several weeks ago we received notice that Al Hans, our financial advisor, and his two associates from the Evensen Dodge housing group had left to work with Piper Jaffray-US Bancorp. Piper Jaffray is also a Minneapolis based company. They provide a wide variety of financial advisory services, as well as, underwriting more predominately in the western states. We currently do not have a contract with Evensen Dodge, and it took them over a week after Al told us he was leaving for them to get in touch. They have hired some replacements for the housing group and we are familiar with new head of the group through previous work he did at A.G. Edwards, however we do not feel that Evensen has the capacity we need at this point. (We also have been told that almost 50% of the Evensen Dodge staff have turned over in the last 12-18 months.) We plan on using Piper Jaffray for this bond issue and have asked Al to assist us in negotiating a split of the fee for any services rendered by Evensen Dodge. It is our understanding fee splits between financial advisory services and the numbers analysis for a bond issuance is not unusual. After the completion of these current bond issues we will more broadly review proposals for financial advisors.

### OTHER

Roger, Pat Loller and myself will be attending the NCSHA spring meeting in Tampa, Florida May 5 - 8. I have been asked to serve on an NCSHA task force looking at the HFA's relations with the GSE's (Fannie Mae, Freddie Mac, Federal Home loan Bank).

VERMONT HOUSING FINANCE AGENCY  
RESOLUTION REGARDING HOUSING TAX CREDIT  
RESERVATIONS FOR 2001 ROUND ONE

April 30, 2001

WHEREAS, as the designated Issuing Authority under a certain Memorandum of Understanding between the Agency of Development and Community Affairs [sic] and Vermont Housing Finance Agency (the "Agency") dated April 17, 1987, the Agency has prepared and presented recommendations on applications for reservations of housing tax credits to the Joint Committee on Tax Credits (the "JCTC");

WHEREAS, a total of \$ 1,638,760 in housing tax credits is available to the State of Vermont for calendar year 2001;

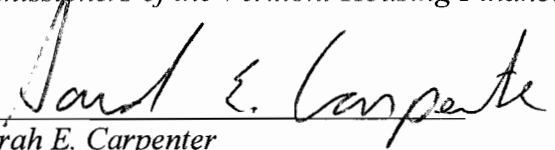
WHEREAS, the JCTC has met and considered the recommendations for reservations of 2001 housing tax credits for 15 proposed projects;

WHEREAS, with the advice of the JCTC, the Board of Commissioners of the Agency (the "Board") wishes to approve housing tax credit reservations for 2001 Round One;

NOW, THEREFORE, it is hereby RESOLVED:

1. The Board has considered, with the advice of the JCTC, the applications for reservations of housing tax credits for 2001 Round One.
2. Subject to the payment of applicable reservation fees, and appropriate conditions as determined by Agency staff, the Board hereby approves housing tax credit reservations for 2001 Round One for the projects and in the amounts shown on Attachment A: 2001 Round One Housing Tax Credit Reservations which is attached to this Resolution and incorporated herein by this reference.
3. A total of \$ 1,070,175 of housing tax credits is hereby reserved in the 2001 Round One with an additional \$130,000 of housing tax credits conditionally reserved as indicated on Attachment A. The Agency staff may increase or decrease the individual housing tax credit reservations for one or more of the approved projects by up to five percent (5%), if appropriate, based upon changes in housing development costs.

*I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont on April 30, 2001.*

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

## Attachment A: 2001 Round One Housing Tax Credit Reservations

Project Name	Sponsor	Location	Awarded Credits	Number of Units
Arlington Village Center	Regional Affordable Housing Corp.	Arlington	168,734	31
Jeffersonville	Housing Vermont (HVT) and Lamoille Housing Partnership	Jeffersonville	34,000	22
Limekiln	HVT and Lake Champlain Housing Development Corp.	South Burlington	150,000	24
Ruggles House	HVT and Cathedral Square Corp.	Burlington	58,000	15
Upper Valley Transitional Housing	HVT and Twin Pines Housing Trust	White River Jct.	81,198	13
Victoria's Apartments	Bove Brothers, Inc.	Burlington	327,243	34
Western Ave Apartments	Brattleboro Area Community Land Trust (BACLT)	Brattleboro	74,000	13
Westgate	HVT, Westgate Tenants, Inc., BACLT and Westgate Housing, Inc.	Brattleboro	177,000	74
			\$1,070,175	226
64 School Street	RCCLT	Rutland	130,000 <sup>1</sup>	12
			\$1,200,175	238

<sup>1</sup> - Award conditional pending other financing commitments





## Vermont Housing Finance Agency

### VHFA BOARD MINUTES

Office of the Associated General Contractors  
148 State Street  
Montpelier, Vermont

Thursday, April 19, 2001 at noon

**PRESENT:** Chairperson Randall, Commissioners Canney, Beyer (designee of Lambert), Candon (designee of Costle), Lafayette, Seelig, Douglas  
Staff: Ms. Carpenter, Ms. Caragher, Ms. Loller, Ms. Kendrick, Ms. Reid, Ms. Crady, Mr. Schoenbeck, Mr. Adams, Mr. Falzone  
Other: Ms. Owens (Housing Vermont), Mr. Williams (VSHA), Ms. Kuegel (VSHA), Mr. Kantor (Development Consultant), Mr. Anderson (VHFA Construction Consultant), Ms. Stewart (VDCU), Mr. Momaney (VSHA), Mr. Usher (Vermont Architects Collaborative), Mr. Rupp (VHCB)

Chairperson Randall called the meeting to order at 12:15 p.m. Chairperson Randall welcomed Ms. Lafayette as the newest member of the VHFA Board and asked that attendees spend a few minutes to introduce themselves.

### MINUTES

Ms. Beyer made a motion to approve the minutes of March 22, 2001. The motion carried unanimously after being seconded by Mr. Seelig.

### MULTIFAMILY

Templeton Court Apartments, located in White River Junction, was discussed next. Mr. Adams alerted the Board to the significant physical, social and financial problems being encountered at Templeton. Additional and more detailed information was presented by staff from the Vermont State Housing Authority, along with VHFA's construction consultant David Anderson. Three scenarios were reviewed as following showing the financial implications to VHFA and the additional funding needed for under each scenario:

**Option I: Foreclosure and sale of the project:** While this option allows VHFA to quantify and limit its financial loss and minimize the commitment of staff resources, the loss projection could range anywhere from \$600,000 to \$900,000. There is significant concern by staff regarding the very limited number of potential buyers, making the loss projection a wide variable. This option also may result in the displacement of all 35 families, and potential loss of existing HAP contracts.

**Option II: Perform minimal repairs to allow the project to remain in service until the original debt was retired:** The cost of the repairs as supported by construction cost estimates provided by David Anderson total \$1.2 million. Staff made the assumption that under this scenario no loss of the original loan would be incurred if the HAP contracts were renewed in 2006, but that the project had only marginal value at the end of the term of the



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loan. The projected loss to VHFA under this scenario is estimated to be around \$600,000 in 2019, reflecting a loss of the \$1.2 million investment in repairs less whatever residual value the project at the end of the term of the loan.

Option III: Involved substantial demolition and redevelopment of the site with a reduction in the number of units from 36 to 28 as proposed by VSHA. This option was further examined under three funding scenarios including the use of allocated (9%) credits, a combination of allocated credits and non-allocated (4%) credits, and using only 4% credits. The three funding scenarios had wide ranging financial implications on VHFA with significant reliance on outside funding sources, none of which were committed at the time of this meeting. The details of each funding option were detailed and reviewed.

Significant discussion was held with questions regarding the physical condition and social environment in the project. Ms. Beyer indicated that she had visited the project and noted that she was concerned about the proposed site work. Due to the ledges that the structures are built on, she expressed concern whether anything should or could be built on the site in such a way as to avoid structural problems over the long term.

Mr. Adams indicated that the staff was not requesting any formal action at this time. The staff intentions were to alert the Board to the potential loss, present several options and to seek some direction from the board. Mr. Adams specifically asked if any of the options stood out as being unacceptable. There was general agreement from the Board that a Foreclosure Option appeared to be the least desirable.

Several Board members indicated that before making a decision, they would like to visit the property. The Board agreed, and Chairperson Randall suggested that if any Board member was interested in visiting the project, they should contact Mr. Adams.

Mr. Rupp of VHCB was present at the Board meeting to discuss the VHCB Lead Paint Program. Mr. Rupp indicated that VHCB is requesting that VHFA continue to support the VHCB Lead Paint Program and commit \$150,000 over a two-year period.

Mr. Rupp noted that the funds received from VHFA in the past have been a true benefit to affordable housing. Ms. Beyer asked how VHCB would interface with private landlords. Mr. Rupp replied that VHCB would work closely with housing authorities. Mr. Rupp added that VHCB is willing to provide assistance to private landlords to ensure they comply with the law. Mr. Rupp indicated that VHCB would like continued support from VHFA to ensure that all CDBG and other federally funded programs are in compliance with HUD's new Lead Safe Housing Regulation.

Ms. Canney made a motion to allocate \$150,000 over a two-year period to the VHCB Lead Paint Program. The motion carried after being seconded by Ms. Lafayette. Mr. Seelig abstained.

## FINANCE

Mr. Schoenbeck reviewed the single family bond financing. Mr. Andrew Gurley and Mr. Drew Gurley of PaineWebber, Mr. David Amsden of Kutak Rock, Mr. Cory Hoepfner and Mr. Al Hans of U.S. Bancorp Piper Jaffray joined this discussion by conference call. Mr. Andrew Gurley began the discussion by stating the Fed's surprised everyone by cutting rates by one half point yesterday, but noted that the bond market hasn't reacted dramatically. There is a fairly large supply of new housing bond issue volume with five or six issues this week. Mr. Schoenbeck said, unfortunately, VHFA has notes due next week, which makes a postponement of sale very difficult. VHFA received guaranteed investment contract bids before the rate dropped which improved the Agency's position. VHFA had verbally approved both bond sale prices and investment bids.

FannieMae bought the long-term bonds at a slightly lower rate than its purchases from other HFA's. Mr. Hans indicated that the rates received by Vermont were favorable.

In the term market, Vermont has excellent rates and was among the lowest of all the states. Down payment assistance mortgages will be at 7% and standard mortgages will be at 6.5%. The down payment assistance option provides a payment of three points for down payment and closing costs. Mr. Schoenbeck reported that VHFA could maintain current program rates of 6.5% and 7%, which is about 5 basis points below our full spread rate.

Mr. Seelig asked where VHFA is compared to conventional rates. Mr. Schoenbeck replied that VHFA doesn't know what the impact is yet of the Fed rate drop. Ms. Crady added that rates change almost every day and that VHFA hasn't seen many rates under 7%. Mr. Schoenbeck mentioned that it seems like a reasonable spread to what the market is now charging and Ms. Carpenter concurred.

Mr. Amsden indicated that the Board is being asked to approve the Eighteenth Supplemental Single Family Housing Bond Resolution, which in reference adopts all the related documents. This authorizes the series of certificates that will include the detailed versions of the bonds. Mr. Amsden added that VHFA is in compliance with all the required parameters.

Mr. Seelig made a motion to accept the Eighteenth Supplemental Single Family Housing Bond Resolution. The motion carried unanimously after being seconded by Ms. Canney.

Mr. Schoenbeck briefly reviewed the recommended changes in position titles of Authorized Officers. In order to update the Authorized Officers that are specified in previous resolutions and agreements, staff is recommending the approval of a resolution to change the position titles to Chief Financial Officer (formerly Director of Finance) and the Chief of Program Operations (formerly the Director of Operations).

With no further discussion, Mr. Seelig made a motion to approve the "Resolution Re: Authorized Officers." The motion carried unanimously after being seconded by Mr. Candon.

Next, Mr. Schoenbeck stated that staff is recommending the Board's approval to allocate \$20 million of the 2001 private activity bond volume cap for qualified mortgage bonds and credit certificates and \$20 million for exempt facility bonds. With no further discussion, Mr. Candon made a motion to approve the "Resolution Re: Allocation of 2001 Private Activity Bond Volume Cap Allocation." The motion carried unanimously after being seconded by Mr. Seelig.

## **DEVELOPMENT**

Ms. Reid stated that Housing Vermont is seeking a \$1,628,000 tax-exempt construction loan in order to obtain 4% housing credits to acquire and refurbish Green Mountain Seminary in Waterbury. The project has received all the necessary permits and has received the Act 250 permit. The plans and specs have been completed and the sponsors hope to begin construction in May. With no further discussion, Mr. Candon made a motion to approve the Resolution Re: Construction Financing For Green Mountain Seminary, Waterbury, and to authorize the issuance of a Letter of Interest and a Commitment Letter to finance this development. The motion carried unanimously after being seconded by Mr. Seelig.

Next, the Marketplace Bond Project was reviewed. Ms. Reid indicated that Housing Vermont is requesting an increase in the permanent loan due to higher than anticipated construction costs. Ms. Reid stated that an appeal was made to the Act 250 permit, and at this time, it is not clear what will happen with the appeal. Ms. Reid stated that the level of permanent debt is contingent upon the borrower obtaining a commitment of 40 Section 8 project

based vouchers; currently there are only 25 set aside, leaving it contingent on receiving 15 more vouchers from Burlington Housing Authority. Ms. Beyer asked if Section 8 rent is higher than tax credit rent. Ms. Reid responded that Section 8 rent is higher.

Lastly, Mr. Anderson, the construction consultant, is reviewing the plans. VHFA has talked with him about his concerns but he has not completed his review yet. The loan is contingent on plans and specifications being satisfactory to VHFA. This request is for the tax-exempt bond piece for three buildings. Mr. Candon made a motion to approve the "Resolution Pertaining to a Letter of Interest and Commitment Letter Re: Construction and Permanent Financing For Marketplace Development, South Burlington" and to authorize the Executive Director or her designee to issue a Commitment Letter to finance this development. The motion carried unanimously after being seconded by Ms. Beyer.

Mr. Adams discussed Jeffersonville Housing next. Mr. Adams reported that because of the Act 250 appeal, as well as some cost increases, the sponsor has applied for additional tax credits. VHFA is proposing that the Board approve an increase in the construction loan from \$1.1 million to \$1.2 million, in order to align it with tax credits. The sponsor has reconfigured their 9% tax application and the units in the project will secure it.

Ms. Carpenter asked what the status would be if the project doesn't receive the 9% credit. Ms. Owens answered that there would be a big gap in funding

VHFA staff is also recommending that the Executive Director be given the authority to: 1) change the source of funds from tax-exempt to taxable bond proceeds; 2) change the security of the VHFA loan to a first mortgage on the entire 32 unit project; and/or 3) change the borrower name if needed.

Ms. Canney made a motion to approve the amended "Resolution Pertaining to a Letter of Interest and Commitment Letter Re: Construction and Permanent Financing for Jeffersonville Community Housing, Cambridge." The motion carried unanimously after being seconded by Mr. Seelig.

## **HOMEOWNERSHIP**

Ms. Crady reviewed the Vermont Development Credit Union (VDCU) HomeDollars Program. At the February Board meeting, staff proposed that VHFA provide \$30,000 in IORTA funds (Interest on Real Estate Trust Accounts) for an Individual Development Account (IDA) Program, controlled by VDCU. These funds would be used to assist IDA participants with down payment and closing costs. At the February Board meeting this topic was tabled until further information was gathered. The Board wanted to confirm that this program would be available statewide.

Since February, VHFA staff has worked with VDCU staff to ensure that these funds are utilized statewide. Currently, VDCU is working collaboratively with Burlington Housing Authority and Winooski Housing Authority to assist future homeowners with purchasing homes. Mr. Seelig inquired how this program would be utilized throughout the state. Ms. Stewart, VDCU Executive Director, stated that currently VDCU is working with Vermont State Housing Authority (VSHA) to ensure that these funds are distributed to future homeowners statewide.

Ms. Stewart indicated that although this program is still in development, VDCU staff will continue to work with people across the state to make this program as fair as possible. Ms. Canney expressed concern, indicating that these funds need to be readily available in all communities in Vermont. Ms. Stewart assured Ms. Canney that VDCU would make sure that this happens. With no further discussion, Ms. Canney made a motion to approve the funding of VDCU HomeDollars Program. The motion carried unanimously after being seconded by Ms. Beyer.

Ms. Crady briefly summarized the monthly Homeownership activity. Ms. Crady indicated that the March figures are typical for this time of year, as many of the borrowers use their tax refunds to get caught up on their payments. Ms. Crady stated that VHFA is enjoying a slower delinquency rate, while watching production steadily increase.

VHFA has been doing a great deal of outreach. Kelly Deforge, VHFA Outreach Coordinator, was on the agenda for the Rutland Board of Realtors, giving VHFA exposure in the southern part of Vermont. Ms. Deforge is visiting lenders and realtor boards to assess their training needs.

Ms. Crady reported that the Home Buyer Fair was tremendously successful. VHFA had to limit the number of vendors this year, due to the amount of room available, but next year VHFA will utilize the entire first floor section of the Sheraton to allow more vendors. Ms. Canney asked what VHFA's marketing plan will be for this year. Ms. Crady responded that VHFA is going to look at cooperative advertising with our lending partners.

Ms. Crady noted that the spring buying season was delayed a bit this year because of the weather, but as soon as property hits the market, they are going under contract relatively quickly. Ms. Crady stated that staff is beginning to look at VHFA's purchase price limits.

### ADMINISTRATION

Ms. Carpenter indicated that Al Hans, formerly of Evensen Dodge, has left Evensen Dodge, and has begun working at Piper Jaffrey. Because Mr. Hans has been involved with this bond issue from the beginning, VHFA will commence using Piper Jaffrey to complete the current single family bond issue and will utilize them for the upcoming multifamily issue as well. Before the end of the fiscal year, staff will solicit information from other financial consultants to ensure we are getting the best service for the best price.

Ms. Carpenter updated the Board on federal legislation, indicating that Senator Jeffords is an original co-sponsor of the S.677 bill. This bill will allow more recycling of the single family bond cap, which will change housing credit incomes allowing more flexibility in rural areas and will provide an easier process for determining purchase price limits. Ms. Carpenter is optimistic that both Senator Leahy and Congressman Sanders will also co-sponsor this bill.

Ms. Carpenter indicated that, prior to this meeting, the Board's HR Committee met. The HR Committee approved staff's recommendation to move Ms. Mullikin Drake to permanent employment status, as VHFA's general counsel. As General Counsel, Ms. Drake will oversee and manage the Agency's legal services.

With no further discussion, Mr. Candon made a motion to approve Ms. Mullikin Drake as VHFA's General Counsel. The motion carried unanimously after being seconded by Ms. Canney. Mr. Seelig asked if the hiring of Ms. Mullikin Drake needed to go through a public process. Ms. Carpenter indicated this had been researched previously and that it did not need to.

### STRATEGIC PLANNING

Ms. Carpenter noted that Ms. Loller, Chairperson Randall and herself met in the beginning of April to focus on what VHFA staff and Board members need to focus on as a result of the November 2000 Retreat. In summary, within the next year, VHFA needs to adopt some initiatives that will proactively help alleviate Vermont's housing crisis. The three steps identified to get VHFA there are: (1) a public awareness campaign; (2) continuing participation surrounding legislation initiatives; and (3) developing a demonstration project.

Ms. Canney noted that she believes the word "crisis" is too strong of a word. Ms. Canney indicated that there are parts of the state that do not have a housing crisis at all and that VHFA shouldn't insinuate that the entire

state is in a housing crisis. Mr. Seelig stated that the word "crisis" isn't as important as what VHFA wants to encourage people to do to get through this situation. Ms. Carpenter indicated that VHFA staff and Board members must work on strategies, and decide what positive actions VHFA would like taken to address this situation.

Ms. Carpenter stated that it is staffs' intention to get concurrence from the Board on the items listed in her memo, to ensure that the items listed are still the priorities of both VHFA and the Board. The Board concurred. Ms. Carpenter added that staff would bring tasks that need to be completed to the Board once they are compiled.

#### OTHER

Ms. Carpenter stated that Housing Vermont has a vacancy on their Board and that the VHFA Board is responsible for approving a replacement. Housing Vermont staff is recommending that Fred Kenney be appointed to their Board. With no further discussion, Mr. Seelig made a motion to approve Fred Kenney to the Housing Vermont Board. The motion carried unanimously after being seconded by Ms. Canney.

Chairperson Randall asked Mr. Seelig, Ms. Beyer, and Ms. Lafayette to review the budget with Mr. Schoenbeck. Chairperson Randall then asked Mr. Schoenbeck to coordinate a meeting with them.

Ms. Carpenter gave a quick reminder to the Board regarding the upcoming Joint Committee on Tax Credits and VHFA Board meeting. The meeting will be held on April 30, at the Associated General Contractors Building and a time has not yet been determined. Ms. Carpenter stated that it would be a full day meeting, with a public hearing in the morning, a working lunch, and then convening in the afternoon with recommendations from the JCTC to the VHFA Board for tax credit allocation approvals. Ms. Carpenter indicated that Ms. Reid and Mr. Erdelyi are preparing summaries on each project for the Board's review, which will be mailed out within a few days.

With no further business, the meeting adjourned at 4:05 p.m.

Sincerely,



Sarah E. Carpenter  
Executive Director and Secretary





## Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Multifamily Development Underwriter *CR*

DATE: May 10, 2001

RE: Multifamily Construction & Permanent Loans for Lime Kiln Bond, South Burlington

<b>Name:</b>	LimeKiln Bond	<b>Location:</b>	South Burlington
<b>Housing Type:</b>	Family	<b>Unit Type:</b>	Flats (elevator)
<b>Total Units:</b>	24	<b>Unit Sizes:</b>	7 1-Br, 722 sf; 17 2-Br 925 sf
<b>Total Cost:</b>	\$3,088,918	<b>Per S.F. Devel Cost:</b>	\$148.66
<b>Loan Requested:</b>	\$1,643,000 construction; \$787,000 permanent	<b>Housing Credits:</b>	\$88,062
<b>Other Funding:</b>	VHCB, VCDP, HOME, Housing Credits (4%)		
<b>Sponsors:</b>	Housing Vermont & Lake Champlain Housing Development Corporation		

Housing Vermont is seeking \$1,643,000 in tax exempt construction financing and \$787,000 in permanent debt for a 24 unit building in South Burlington. This building is part of a larger two-building project totaling 48 units. The project will utilize 4% Housing Credits. Burlington Housing Authority has set aside six project based Section 8 vouchers for this development. The permanent debt is structured with a 30 year piece of \$712,000, and a shorter 10 year piece of \$75,000 which mirrors the additional income from Section 8 rental assistance. Of the 24 units, six will be affordable to households at 30% of median income; two to households at 50% of median income; 13 to households at 60% of median income; and three units will be unrestricted. Four units will be handicapped accessible. The building has three stories, an elevator, and underground parking. Lake Champlain Housing Ventures will manage the property once it's completed. Occupancy is estimated for February 2002. All other funding is committed; the project has all its permits, has construction bids in hand and anticipates beginning construction in early June. An as-completed appraisal values the property with 48 units at \$3,500,000 (pro-rated to 24 units is \$1,750,000); the loan to value ratio for 24 units is 45%. A Phase I Environmental Site Assessment was completed and the site has no environmentally hazardous conditions. The budget is attached.

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



mailing address P.O. Box 408, Burlington, VT 05402-0408

phone (802) 864-5743

delivery address 164 Saint Paul St., Burlington, VT 05401-4364

fax (802) 864-5746

www.vhfa.org



10-May-01 Lime Kiln Bond

Total Residential Units:	24	Increase in Income from Rental Units:	1.50%
Housing Credit Restricted Units:	21	Increase in Income from Other Sources:	3.00%
Percent Restricted:	87.50%	Increase in Income from Commercial:	3.00%
Total Development Cost:	3,088,918	Expense increase:	3.00%
Total Development Cost per Unit:	128,705	Vacancy Rate:	5%
Total Development Cost Per SF:	149	Partner's Tax Rate:	35%
		Long Depreciation Schedule:	27.5 years
Max Credit Potential:	88,062	Short Depreciation Schedule:	7 years
Credit Amount Allocated:	88,062	Sponsor's Estimated Yield:	84.31%

LIHTC - 9%	8.19%	(May 2001)
LIHTC - 4%	3.51%	

#### SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term	
First Mortgage	712,000	23.05%	7.00%	30	20	114.79%
First Mortgage	75,000	2.43%	7.00%	10	10	
VHCB	1,037,209	33.58%	0.00%	30	30	
VCDP	276,408	8.95%	0.00%	30	30	
HOME	128,300	4.15%	0.00%	30	30	
Tax Credit Equity	860,000	27.84%	N/A	N/A		
<b>TOTAL SOURCES</b>	<b>3,088,917</b>	<b>100.00%</b>				

Construction Loan Amount	1,643,000	53.19%	670,700
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#### USES

Acquisition	158,250	5.12%	787,001.00
Construction Hard Costs	2,155,554	69.78%	
Soft Costs	775,114	25.09%	
<b>TOTAL USES</b>	<b>3,088,918</b>	<b>100.00%</b>	

Gap 1

#### PER UNIT COST LIMIT CALCULATION

	per unit limits	number of units		
0 Br	84,390	0	0	
1 Br	90,140	7	630,980	
2 Br	95,890	17	1,630,130	
3 Br	101,637	0	0	
4 Br	107,390	0	0	
Maximum cost allowed under the per unit cost limits			2,261,110	
Projected total cost, excluding cash accounts			3,062,198	Cost Overage % 74%
	(over)/under		(801,088)	

General Partner's Capital Contribution	7,424	1.00%
Limited Partner's Capital Contribution	735,025	99.00%
<b>Total Equity</b>	<b>742,449</b>	

#### APPLICABLE FRACTION CALCULATION

Tax Credit Restricted Units	21
Total Units	24
Unit Fraction	87.50%
Tax Credit Square Footage	18,207
Total Residential Square Footage	20,779
Square Footage Fraction	87.62%
Applicable Fraction	87.50%



	Budget	Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Other
<b>ACQUISITION</b>						
1 Land	150,000					
2 Purchase of Building(s)	0					
3 Demolition (without replacement)	0					
4 Property Appraisal	2,250			2,250		
5 Legal - Title and Recording	6,000			6,000		
Subtotal - Acquisition	158,250					
<b>CONSTRUCTION HARD COSTS</b>						
6 Rehabilitation	0					
7 New Building(s)	2,031,062		2,031,062	2,031,062		
8 Accessory Buildings	0					
9 Sitework	0					
10 Commercial Space Costs (if any)	0					
11 General Requirements	0					
12 Contractor Overhead	0					
13 Contractor Profit	0					
14 Construction Contingency	102,892		102,892	102,892		
15 Construction Management	0					
16 Construction Bond Fee	0					
17 Hazardous Materials Abatement	0					
18 Off-Site Improvements	0					
19 Furnishings, Fixtures, & Equipment	21,600		21,600			
20 Other ( )	0					
Subtotal - Hard Costs	2,155,554					
<b>SOFT COSTS</b>						
21 Architectural	206,065		206,065	206,065		
22 Engineering	0					
23 Legal/Accounting	19,150		19,150	19,150		
24 Relocation	3,250		3,250	3,250		
25 Environmental Assessment	2,340		2,340	2,340		
26 Energy Assessment	0					
27 Permits/Fees	162,785		162,785	162,785		
28 Independent Market Study	0					
29 Construction Period Insurance	6,000		6,000	6,000		
30 Construction Interest	36,968		36,968	36,968		
31 Construction Loan Origination Fee	0					
32 Taxes During Construction	0					
33 Clerk of the Works	10,400		10,400	10,400		
34 Marketing	2,000			2,000		
35 Tax Credit Fees	1,925		1,925	1,925		
36 Soft Cost Contingency	5,366		5,366	5,366		
37 Permanent Loan Origination Fee	34,645					
38 Lender's Counsel's Fee	0					
39 Other ( )	0					
<b>SYNDICATION COSTS</b>						
40 Organizational (Partnership)	0					
41 Bridge Loan Fees and Expenses	0					
42 Syndication Consultant	0					
43 Tax Opinion	0					
<b>DEVELOPER'S FEES</b>						
44 HVT Developer Fee	80,000		80,000	80,000		
45 LCHDC Developer Fee	80,000		80,000	80,000		
46 Consultant Fees	97,500		97,500	97,500		
<b>RESERVES</b>						
47 Working Capital	26,720					
48 Rent-up (Deficit Escrow) Reserve	0					
49 Other Operating Reserves	0					
50 Sinking Fund	0					
51 Replacement Reserves	0					
Subtotal - Soft Costs	775,114					
<b>TOTALS</b>	<b>3,088,918</b>	<b>0</b>	<b>2,867,303</b>	<b>2,855,953</b>	<b>0</b>	
LESS: Amount of Non-qualified Financing						
LESS: Adjustment for per unit cost limits	1					
LESS: Historic tax Credit (Residential Portion)			0	0		
Total Eligible Basis		0	2,867,303			
TIMES: Adjusted for QCT/DDA	100.00%		2,867,303			
TIMES: Applicable Fraction	87.50%	0	2,508,890			
Total Qualified Basis		0	2,508,890	2,855,953		Long Term Depreciable Basis
TIMES: Applicable Percentage		3.51%	3.51%	27.5		Depreciation Schedule
Total Annual Credit Qualified		0	88,062	103,853		Annual Depreciation
Total Tax Credits Requested	88,062			21,600		Short Term Depreciable Basis
Estimated Net Syndication Proceeds (excluding historic credit equity)	860,000			7		Depreciation Schedule
Estimated Yield - Housing Credit Syndication	98.64%			3,086		Annual Depreciation
Equity Gap	860,001					
Credits Needed to fill Equity Gap	88,062					



10-May-01 Lime Kiln Bond

	Annual	Monthly	Per Unit Per Month
<b>Administration</b>			
Management Fee	12,960	1,080	45
Admin Salaries/Benefits	1,440	120	5
Audit/Accounting	3,168	264	11
Legal	1,440	120	5
Compliance Monitoring	1,152	96	4
Marketing	0	0	0
Other	2,304	192	8
<b>TOTAL ADMINISTRATIVE</b>	<b>22,464</b>	<b>1,872</b>	<b>78</b>
<b>Utilities</b>			
Electricity	1,440	120	5
Fuel - Oil	10,080	840	35
Water and Sewer	5,760	480	20
Fire Alarm / Emergency	576	48	2
Other	0	0	0
<b>TOTAL UTILITIES</b>	<b>17,856</b>	<b>1,488</b>	<b>62</b>
<b>Maintenance</b>			
Maintenance / Janitor Payroll	8,640	720	30
Janitor Supplies	1,440	120	5
Exterminating	576	48	2
Trash Removal	4,320	360	15
Snow Removal	2,304	192	8
Grounds	2,304	192	8
Repairs Material	0	0	0
Repairs Contract	0	0	0
HVAC Repairs / Maintenance	0	0	0
Elevator Contract / Repairs	1,440	120	5
Painting and Decorating	2,016	168	7
Other	0	0	0
<b>TOTAL MAINTENANCE</b>	<b>23,040</b>	<b>1,920</b>	<b>80</b>
Real Estate Taxes	25,920	2,160	90
Property Insurance	3,744	312	13
Replacement Reserves	8,640	720	30
Primary Debt Service	56,843	4,737	197
Other "must pay" debt service	10,450	871	36
Other	0	0	0
<b>Total</b>	<b>168,957</b>	<b>14,080</b>	<b>587</b>

28,160

pum less repl res & ds  
323

10-May-01

**Lime Kiln Bond**

Year 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15

Operating Income	169,116	171,653	174,228	176,841	179,494	182,186	184,919	187,693	190,508	193,366	196,266	199,210	202,198	205,231	208,310
Gross Rent	3,500	3,605	3,713	3,825	3,939	4,057	4,179	4,305	4,434	4,567	4,704	4,845	4,990	5,140	5,294
Other Income	15,528	15,761	15,997	16,237	16,481	16,728	16,979	17,234	17,492	17,755	(9,813)	(9,961)	(10,110)	(10,262)	(10,415)
Section 8 Income	(9,232)	(8,583)	(8,711)	(8,842)	(8,975)	(9,109)	(9,246)	(9,385)	(9,525)	(9,668)	(9,813)	(9,961)	(10,110)	(10,262)	(10,415)
Vacancy and other losses	178,912	182,436	185,227	188,061	190,939	193,862	196,831	199,846	202,908	206,019	191,156	194,094	197,078	200,109	203,188
Total Operating Income	93,024	95,815	98,689	101,650	104,699	107,840	111,076	114,408	117,840	121,375	125,016	128,767	132,630	136,609	140,707
Operating Expenses	8,640	8,770	8,901	9,035	9,170	9,308	9,447	9,589	9,733	9,879	10,027	10,177	10,330	10,485	10,642
Total Expenses (excl. Reserves)	101,664	104,584	107,590	110,684	113,870	117,148	120,523	123,997	127,573	131,254	135,044	138,944	142,960	147,094	151,350
Reserves	77,248	77,852	77,636	77,376	77,070	76,714	76,308	75,849	75,335	74,764	56,113	55,150	54,118	53,015	51,839
Net Operating Income	56,843	56,843	56,843	56,843	56,843	56,843	56,843	56,843	56,843	56,843	56,843	56,843	56,843	56,843	56,843
Less Primary Debt Service	10,450	10,450	10,450	10,450	10,450	10,450	10,450	10,450	10,450	10,450	0	0	0	0	0
Less Secondary Debt Service	9,955	10,538	10,343	10,083	9,776	9,421	9,015	8,556	8,042	7,471	(731)	(1,694)	(2,725)	(3,828)	(5,005)
Annual Cash Flow	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Operating Subsidies / Sinking Fund	9,955	10,538	10,343	10,083	9,776	9,421	9,015	8,556	8,042	7,471	0	0	0	0	0
Net Cash	114,799%	115,699%	115,379%	114,98%	114,53%	114,00%	113,40%	112,71%	111,95%	111,10%	98,71%	97,02%	95,21%	93,27%	91,20%

Cumulative Cash Flow	0	10,054	21,020	32,097	43,244	54,415	65,563	76,635	87,575	98,325	108,821	111,355	113,002	113,667	113,249
Beginning Balance	9,955	10,538	10,343	10,083	9,776	9,421	9,015	8,556	8,042	7,471	0	0	0	0	0
Deposits	100	407	734	1,064	1,395	1,727	2,057	2,385	2,708	3,024	3,265	3,341	3,390	3,410	3,397
Interest	0	0	0	0	0	0	0	0	0	0	(731)	(1,694)	(2,725)	(3,828)	(5,005)
Withdrawals	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance	10,054	21,020	32,097	43,244	54,415	65,563	76,635	87,575	98,325	108,821	111,355	113,002	113,667	113,249	111,642

Cumulative Replacement Reserves	0	8,726	17,845	27,371	37,317	47,317	57,317	67,317	77,317	87,317	97,317	107,317	117,317	127,317	137,317
Beginning Balance	8,640	8,770	8,901	9,035	9,170	9,308	9,447	9,589	9,733	9,879	10,027	10,177	10,330	10,485	10,642
Deposits	86	349	624	911	1,211	1,511	1,811	2,111	2,411	2,711	3,011	3,311	3,611	3,911	4,211
Interest	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Withdrawals	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance	8,726	17,845	27,371	37,317	47,317	57,317	67,317	77,317	87,317	97,317	107,317	117,317	127,317	137,317	147,317

\* assumes \$1850 per unit is used every 5 years

Net Operating Income	77,248	77,852	77,636	77,376	77,070	76,714	76,308	75,849	75,335	74,764	56,113	55,150	54,118	53,015	51,839
Plus Reserves	8,640	8,770	8,901	9,035	9,170	9,308	9,447	9,589	9,733	9,879	10,027	10,177	10,330	10,485	10,642
Less Interest Expense	(54,691)	(53,780)	(52,803)	(51,755)	(50,632)	(49,428)	(48,136)	(46,751)	(45,266)	(43,674)	(42,308)	(41,258)	(40,131)	(38,923)	(37,627)
Less Long Depreciation	(103,853)	(103,853)	(103,853)	(103,853)	(103,853)	(103,853)	(103,853)	(103,853)	(103,853)	(103,853)	(103,853)	(103,853)	(103,853)	(103,853)	(103,853)
Less Short Depreciation	(3,086)	(3,086)	(3,086)	(3,086)	(3,086)	(3,086)	(3,086)	(3,086)	(3,086)	(3,086)	(3,086)	(3,086)	(3,086)	(3,086)	(3,086)
Taxable Income (Loss)	(75,742)	(74,097)	(73,204)	(72,383)	(71,331)	(70,344)	(69,319)	(68,251)	(67,151)	(66,011)	(64,844)	(63,651)	(62,428)	(61,175)	(59,900)
Cash Flow	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings	26,510	25,934	25,621	25,299	24,966	24,621	24,262	23,888	23,500	23,100	22,688	22,262	21,822	21,368	20,900
Plus Tax Credits	88,062	88,062	88,062	88,062	88,062	88,062	88,062	88,062	88,062	88,062	88,062	88,062	88,062	88,062	88,062
After Tax Cash Flow	114,572	113,996	113,683	113,361	113,028	112,683	112,324	111,950	111,562	111,160	100,771	100,371	100,000	99,658	99,342

Total Years	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
Reinvestment Rate	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%
Current After Tax Cash Flows	114,572	113,996	113,683	113,361	113,028	112,683	112,324	111,950	111,562	111,160	100,771	100,371	100,000	99,658	99,342
Future Value of Cash Flows at Yr 15:	627,115	557,111	496,057	441,652	393,173	349,975	311,483	274,510	244,236	217,261	190,710	164,261	138,810	113,359	87,908

Capital Contribution Number	1	2	3	4	5	6	7	8
Date of Capital Contribution	30-May-01	30-Jul-02	01-Apr-03	01-Apr-04	01-Apr-05	01-Apr-06	01-Apr-07	01-Apr-08
Amount of Capital Contribution	10,065	50,326	50,326	50,326	50,326	50,326	50,326	50,326
Present Value of Contributions:	47,824	46,877	270,011	254,034	231,074	208,114	185,154	162,194
Cash Flows	0	0	0	0	0	0	0	0
IRR:	10.99%	10.99%	10.99%	10.99%	10.99%	10.99%	10.99%	10.99%
Equity Yield:	96.63%	96.63%	96.63%	96.63%	96.63%	96.63%	96.63%	96.63%



## Vermont Housing Finance Agency

TO: VHFA Board of Commissioners  
FROM: Cynthia Reid, Multifamily Development Underwriter *CR*  
DATE: May 10, 2001  
RE: Multifamily Permanent Loan for Lime Kiln Allocated, South Burlington

<b>Name:</b>	LimeKiln Allocated	<b>Location:</b>	South Burlington
<b>Housing Type:</b>	Family	<b>Unit Type:</b>	Flats (elevator)
<b>Total Units:</b>	24	<b>Unit Sizes:</b>	7 1-Br, 722 sf; 17 2-Br 925 sf
<b>Total Cost:</b>	\$2,923,917	<b>Per S.F. Devel Cost:</b>	\$140.72
<b>Loan Requested:</b>	\$710,063 permanent	<b>Housing Credits:</b>	\$150,000
<b>Other Funding:</b>	VHCB, VCDP, Developer Loan, Housing Credits (9%)		
<b>Sponsors:</b>	Housing Vermont & Lake Champlain Housing Development Corporation		

Housing Vermont is seeking up to \$710,063 in permanent taxable debt to finance a 24 unit building in South Burlington. This building is part of a larger two-building project totaling 48 units. Burlington Housing Authority has set aside six project based Section 8 vouchers for this development. The permanent debt is structured with a 30 year piece of \$635,063, and a shorter 10 year piece of \$75,000 which mirrors the additional income from Section 8 rental assistance. Of the 24 units, six will be affordable to households at 30% of median income; two to a household at 50% of median income; nine to households at or below 60% of median income; and seven units will be unrestricted. Four units will be handicapped accessible. The building has three stories, an elevator, and underground parking. Lake Champlain Housing Ventures will manage the property once it's completed. Occupancy is estimated for February 2002. All other funding is committed; the project has all its permits, has construction bids in hand and anticipates beginning construction in early June. An as-completed appraisal values the entire property of 48 units (two buildings each with 24 units) at \$3,500,000 (pro-rated to 24 units is \$1,750,000); the loan to value ratio for 24 units is 41%. A Phase I Environmental Site Assessment was completed and the site has no environmentally hazardous conditions. The budget is attached.

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



mailing address P.O. Box 408, Burlington, VT 05402-0408

phone (802) 864-5743

delivery address 164 Saint Paul St., Burlington, VT 05401-4364

fax (802) 864-5746

www.vhfa.org



10-May-01 Lime Kiln Allocated

Total Residential Units:	24	Increase in Income from Rental Units:	1.50%
Housing Credit Restricted Units:	17	Increase in Income from Other Sources:	1.50%
Percent Restricted:	70.83%	Increase in Income from Commercial:	1.50%
Total Development Cost:	3,088,918	Expense increase:	3.00%
Total Development Cost per Unit:	128,705	Vacancy Rate:	5%
Total Development Cost Per SF:	149	Partner's Tax Rate:	35%
		Long Depreciation Schedule:	27.5 years
Max Credit Potential:	157,588	Short Depreciation Schedule:	7 years
Credit Amount Allocated:	150,000	Sponsor's Estimated Yield:	84.31%

LIHTC - 9%	8.19%	(May 2001)
LIHTC - 4%	3.51%	

**SOURCES**

		% of Total Development Cost	Interest Rate	Amortization	Term	
First Mortgage	635,063	21.72%	8.50%	30	20	116.74%
First Mortgage	75,000	2.57%	8.50%	10	10	
VHCB	547,561	18.73%	0.00%	30	30	
VHCB Additional	0	0.00%	0.00%	30	30	
VCDP	394,292	13.49%	0.00%	30	30	
Developer Loan	20,000	0.68%	6.00%	10	10	
Tax Credit Equity	1,252,000	42.82%	N/A	N/A		
<b>TOTAL SOURCES</b>	<b>2,923,916</b>	<b>100.00%</b>				

Construction Loan 0

941,853  
1,671,916 56.33%

**USES**

Acquisition	158,250	5.41%
Construction Hard Costs	1,998,017	68.33%
Soft Costs	767,650	26.25%
<b>TOTAL USES</b>	<b>2,923,917</b>	<b>100.00%</b>

Gap 1

**PER UNIT COST LIMIT CALCULATION**

	per unit limits	number of units	
0 Br	84,390	0	0
1 Br	90,140	7	630,980
2 Br	95,890	17	1,630,130
3 Br	101,637	0	0
4 Br	107,390	0	0
Maximum cost allowed under the per unit cost limits			2,261,110
Projected total cost, excluding cash accounts			2,893,077
	(over)/under		(631,967)
			Cost Overage % 78%

General Partner's Capital Contribution	12,646	1.00%
Limited Partner's Capital Contribution	1,252,000	99.00%
<b>Total Equity</b>	<b>1,264,646</b>	

**APPLICABLE FRACTION CALCULATION**

Tax Credit Restricted Units	17
Total Units	24
Unit Fraction	70.83%
Tax Credit Square Footage	14,913
Total Residential Square Footage	20,779
Square Footage Fraction	71.77%
<b>Applicable Fraction</b>	<b>70.83%</b>

	Budget	Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Other
<b>ACQUISITION</b>						
1 Land	150,000					
2 Purchase of Building(s)	0					
3 Demolition (without replacement)	0					
4 Property Appraisal	2,250			2,250		
5 Legal - Title and Recording	6,000			6,000		
Subtotal - Acquisition	158,250					
<b>CONSTRUCTION HARD COSTS</b>						
6 Rehabilitation	0					
7 New Building(s)	1,881,344		1,881,344	1,881,344		
8 Accessory Buildings	0					
9 Sitework	0					
10 Commercial Space Costs (if any)	0					
11 General Requirements	0					
12 Contractor Overhead	0					
13 Contractor Profit	0					
14 Construction Contingency	95,073		95,073	95,073		
15 Construction Management	0					
16 Construction Bond Fee	0					
17 Hazardous Materials Abatement	0					
18 Off-Site Improvements	0					
19 Furnishings, Fixtures, & Equipment	21,600		21,600	21,600		
20 Other ( )	0					
Subtotal - Hard Costs	1,998,017					
<b>SOFT COSTS</b>						
21 Architectural	190,214		190,214	190,214		
22 Engineering	0		0	0		
23 Legal/Accounting	19,150		19,150	19,150		
24 Relocation	3,250		3,250	3,250		
25 Environmental Assessment	2,160		2,160	2,160		
26 Energy Assessment	0		0	0		
27 Permits/Fees	162,785		162,785	162,785		
28 Independent Market Study	0		0	0		
29 Construction Period Insurance	6,000		6,000	6,000		
30 Construction Interest	60,000		60,000	60,000		
31 Construction Loan Origination Fee	0		0	0		
32 Taxes During Construction	0		0	0		
33 Clerk of the Works	9,600		9,600	9,600		
34 Marketing	2,000			2,000		
35 Tax Credit Fees	1,925		1,925	1,925		
36 Soft Cost Contingency	5,855		5,855	5,855		
37 Permanent Loan Origination Fee	19,621					
38 Lender's Counsel's Fee	0					
39 Other ( )	0					
<b>SYNDICATION COSTS</b>						
40 Organizational (Partnership)	0					
41 Bridge Loan Fees and Expenses	0					
42 Syndication Consultant	0					
43 Tax Opinion	0					
<b>DEVELOPER'S FEES</b>						
44 HVT Developer Fee	80,000		80,000	80,000		
45 LCHDC Developer Fee	80,000		80,000	80,000		
46 Consultant Fees	97,500		97,500	97,500		
<b>RESERVES</b>						
47 Working Capital	27,590					
48 Rent-up (Deficit Escrow) Reserve	0					
49 Other Operating Reserves	0					
50 Sinking Fund	0					
51 Replacement Reserves	0					
Subtotal - Soft Costs	767,650					
<b>TOTALS</b>	<b>2,923,917</b>	<b>0</b>	<b>2,716,456</b>	<b>2,705,106</b>	<b>0</b>	
LESS: Amount of Non-qualified Financing						
LESS: Adjustment for per unit cost limits			2,716,456			
LESS: Historic tax Credit (Residential Portion)			0	0		
Total Eligible Basis		0	0			20% Historic Credit Rate 0 Annual Historic Credit
TIMES: Adjusted for QCT/DDA	100.0%		2,716,456			
TIMES: Applicable Fraction	70.83%	0	1,924,156			
Total Qualified Basis		0	1,924,156	2,705,106		Long Term Depreciable Basis
TIMES: Applicable Percentage		3.51%	8.19%			27.5 Depreciation Schedule
Total Annual Credit Qualified		0	157,588			98,367 Annual Depreciation
Total Tax Credits Requested	150,000					21,600 Short Term Depreciable Basis
Estimated Net Syndication Proceeds (excluding historic credit equity)	1,252,000					7 Depreciation Schedule
Estimated Yield - Housing Credit Syndication	84.31%					3,086 Annual Depreciation
Equity Gap	1,252,001					
Credits Needed to fill Equity Gap	150,000					

Assumes Waiver of Cost Limits



10-May-01 Lime Kiln Allocated

	Annual	Monthly	Per Unit Per Month
Administration			
Management Fee	12,960	1,080	45
Admin Salaries/Benefits	1,440	120	5
Audit/Accounting	3,168	264	11
Legal	1,440	120	5
Compliance Monitoring	1,152	96	4
Marketing		0	0
Other	2,304	192	8
TOTAL ADMINISTRATIVE	22,464	1,872	78
Utilities			
Electricity	1,440	120	5
Fuel - Oil	10,080	840	35
Water and Sewer	5,760	480	20
Fire Alarm / Emergency	576	48	2
Other	0	0	0
TOTAL UTILITIES	17,856	1,488	62
Maintenance			
Maintenance / Janitor Payroll	8,640	720	30
Janitor Supplies	1,440	120	5
Exterminating	576	48	2
Trash Removal	4,320	360	15
Snow Removal	2,304	192	8
Grounds	2,304	192	8
Repairs Material		0	0
Repairs Contract		0	0
HVAC Repairs / Maintenance		0	0
Elevator Contract / Repairs	1,440	120	5
Painting and Decorating	2,016	168	7
Other		0	0
TOTAL MAINTENANCE	23,040	1,920	80
Real Estate Taxes	25,920	2,160	90
Property Insurance	3,744	312	13
Replacement Reserves	8,640	720	30
Primary Debt Service	58,597	4,883	203
Other "must pay" debt service	11,159	930	39
Other		0	0
Total	171,420	14,285	595
		28,570	

pum less repl res  
323



Project Name: Lime Kiln Housin  
Date: April 2, 2001

Check all Applicable	A	C
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Building	Unit #	HOME Unit	Lead Paint Unit	Project Based Assistance	Tax Credit Unit	VCHB Restricted	Accessible	Adaptable	Unrestricted	Number of Bedrooms	Proposed Square Footage	Proposed Rent	Utility Allowance for Tenant-paid Utilities	Gross Rent (Rent + Tenant-paid Utilities)	AFFORDABLE TO: Units affordable to residents at:					
															30%	50%	60%	65%	80%	100%
Alloc.	1	X		X	X		X			2	925	544	47	591	1					
Alloc.	2	X	X	X	X		X	X		2	925	544	47	591	1					
Alloc.	3	X		X						1	722	452	38	490		1				
Alloc.	4		X		X			X		2	925	615	47	662		1				
Alloc.	5				X		X			2	925	615	47	662		1				
Alloc.	6				X		X	X		1	722	552	38	590		1				
Alloc.	7				X			X		1	722	552	38	590		1				
Alloc.	8				X		X			2	925	615	47	662		1				
Alloc.	9	X	X	X	X			X		2	925	544	47	591	1					
Alloc.	10	X	X	X	X			X		2	925	544	47	591	1					
Alloc.	11	X	X	X	X			X		1	722	452	38	490	1					
Alloc.	12				X			X		2	925	615	47	662		1				
Alloc.	13				X			X		2	925	615	47	662		1				
Alloc.	14							X	X	1	722	614	38	652			1			
Alloc.	15		X		X			X		2	925	615	47	662		1				
Alloc.	16		X	X	X			X		2	925	615	47	662		1				
Alloc.	17	X		X	X			X		2	925	544	47	591		1				
Alloc.	18		X		X			X		2	925	544	47	591		1				
Alloc.	19							X	X	1	722	614	38	652			1			
Alloc.	20							X	X	2	925	739	47	786			1			
Alloc.	21							X	X	2	925	739	47	786			1			
Alloc.	22							X	X	1	722	614	38	652			1			
Alloc.	23							X	X	2	925	739	47	786			1			
Alloc.	24							X	X	2	925	739	47	786			1			
												20,779	14,375							
												0	6	10	0	7	0			

Project Name: Lime Kiln Housin  
Date: April 2, 2001

Form revision date: 2/27/97

10-May-01

## Time Kiln Allocated

Year

15

Operating Income	Gross Rent	172,500	175,088	177,714	180,380	183,085	185,831	188,619	191,448	194,320	197,235	200,193	203,196	206,244	209,338	212,478	
	Other Income	3,500	3,553	3,606	3,660	3,715	3,770	3,827	3,884	3,943	4,002	4,062	4,123	4,185	4,247	4,311	
	Section 8 Income	16,548	16,796	17,048	17,304	17,563	17,827	18,094	18,366	18,641	18,921						
	Vacancy and other losses	(9,452)	(8,754)	(8,886)	(9,019)	(9,154)	(9,292)	(9,431)	(9,572)	(9,716)	(9,862)	(10,010)	(10,160)	(10,312)	(10,467)	(10,624)	
	Total Operating Income	183,096	186,682	189,482	192,324	195,209	198,137	201,109	204,126	207,188	210,296	213,454	216,661	219,918	223,226	226,584	
	Operating Expenses																
	Total Expenses (excl. Reserves)	93,024	95,815	98,689	101,650	104,699	107,840	111,076	114,408	117,840	121,375	125,016	128,767	132,630	136,609	140,707	
	Reserves	8,640	8,770	8,901	9,035	9,170	9,308	9,447	9,589	9,733	9,879	10,027	10,177	10,330	10,485	10,642	
	Total Operating Expense	101,664	104,584	107,590	110,684	113,870	117,148	120,523	123,997	127,573	131,254	135,044	138,944	142,960	147,094	151,350	
	Net Operating Income	81,432	82,098	81,892	81,640	81,340	80,989	80,586	80,129	79,615	79,042	78,469	77,896	77,316	76,734	76,151	
Less Primary Debt Service	Less Primary Debt Service	58,597	58,597	58,597	58,597	58,597	58,597	58,597	58,597	58,597	58,597	58,597	58,597	58,597	58,597	58,597	
	Less Secondary Debt Service	11,159	11,159	11,159	11,159	11,159	11,159	11,159	11,159	11,159	11,159	11,159	11,159	11,159	11,159	11,159	
	Less Developer Loan	2,664	2,664	2,664	2,664	2,664	2,664	2,664	2,664	2,664	2,664	2,664	2,664	2,664	2,664	2,664	
	Annual Cash Flow	9,011	9,677	9,472	9,220	8,919	8,569	8,166	7,709	7,195	6,621	6,055	5,489	4,923	4,357	3,791	
	Operating Subsidies / Sinking Fund	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
	Net Cash	9,011	9,677	9,472	9,220	8,919	8,569	8,166	7,709	7,195	6,621	6,055	5,489	4,923	4,357	3,791	
	DCR	116.74%	117.69%	117.40%	117.04%	116.61%	116.10%	115.53%	114.87%	114.13%	113.31%	101.03%	99.35%	97.54%	95.61%	93.55%	
	Cumulative Cash Flow	0	9,101	19,149	29,289	39,480	49,673	59,818	69,860	79,742	89,401	98,771	102,345	105,033	106,743	107,373	
	Beginning Balance	9,011	9,677	9,472	9,220	8,919	8,569	8,166	7,709	7,195	6,621	6,055	5,489	4,923	4,357	3,791	
	Deposits	86	262	444	632	827	1,020	1,214	1,408	1,602	1,796	1,990	2,184	2,378	2,572	2,766	
Interest	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Withdrawals	9,101	9,677	9,472	9,220	8,919	8,569	8,166	7,709	7,195	6,621	6,055	5,489	4,923	4,357	3,791		
Ending Balance	8,726	17,758	27,104	36,771	46,733	56,988	67,543	78,398	89,453	100,708	112,163	123,818	135,573	147,428	159,283		
Cumulative Replacement Reserves	Beginning Balance	0	8,726	17,758	27,104	36,771	46,733	56,988	67,543	78,398	89,453	100,708	112,163	123,818	135,573	159,283	
	Deposits	8,640	8,770	8,901	9,035	9,170	9,308	9,447	9,589	9,733	9,879	10,027	10,177	10,330	10,485	10,642	
	Interest	86	262	444	632	827	1,020	1,214	1,408	1,602	1,796	1,990	2,184	2,378	2,572	2,766	
	Withdrawals	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
	Ending Balance	8,726	17,758	27,104	36,771	46,733	56,988	67,543	78,398	89,453	100,708	112,163	123,818	135,573	147,428	159,283	
	* assumes 1850 per unit every 5 years is used																
	Net Operating Income	81,432	82,098	81,892	81,640	81,340	80,989	80,586	80,129	79,615	79,042	78,469	77,896	77,316	76,734	76,151	
	Plus Reserves	8,640	8,770	8,901	9,035	9,170	9,308	9,447	9,589	9,733	9,879	10,027	10,177	10,330	10,485	10,642	
	Less Interest Expense	(61,139)	(60,182)	(59,143)	(58,015)	(56,790)	(55,486)	(54,115)	(52,698)	(51,234)	(49,725)	(48,172)	(46,576)	(44,937)	(43,256)	(41,525)	
	Less Long Depreciation	(98,367)	(98,367)	(98,367)	(98,367)	(98,367)	(98,367)	(98,367)	(98,367)	(98,367)	(98,367)	(98,367)	(98,367)	(98,367)	(98,367)	(98,367)	
Less Short Depreciation	(3,086)	(3,086)	(3,086)	(3,086)	(3,086)	(3,086)	(3,086)	(3,086)	(3,086)	(3,086)	(3,086)	(3,086)	(3,086)	(3,086)	(3,086)		
Taxable Income (Loss)	(72,521)	(70,769)	(69,804)	(68,794)	(67,733)	(66,616)	(65,434)	(64,195)	(62,901)	(61,552)	(60,149)	(58,692)	(57,182)	(55,620)	(54,004)		
Cash Flow	Cash Flow	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
	Plus Tax Savings	25,382	24,769	24,431	24,078	23,707	23,316	22,902	22,466	22,019	21,561	21,092	20,612	20,121	19,620	19,108	
	Plus Tax Credits	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	
	After Tax Cash Flow	175,382	174,769	174,431	174,078	173,707	173,316	172,902	172,466	172,019	171,561	171,092	170,612	170,121	169,620	169,108	
	Total Years	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
	Reinvestment Rate	12.00%															
	Current After Tax Cash Flows	175,382	174,769	174,431	174,078	173,707	173,316	172,902	172,466	172,019	171,561	171,092	170,612	170,121	169,620	169,108	
	Future Value of Cash Flows at Yr 15:	959,967	854,116	761,130	678,203	604,248	538,292	479,471	424,338	377,841	336,375	299,809	267,134	238,259	213,184	191,809	
	Capital Contribution Number:	1	2	3	4	5	6	7	8								
	Date of Capital Contribution:	01-Jun-01	01-Jun-02	01-Jun-03	01-Jun-04	01-Jun-05											
Amount of Capital Contribution:	14,702	73,508	441,045	441,045	426,343												
Present Value of Contributions:	69,170	68,117	390,524	367,416	334,208												
Cash Flows	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	6,203,816	

\* assumes 1850 per unit every 5 years is used

A-4.1

SHEET 1 OF 12

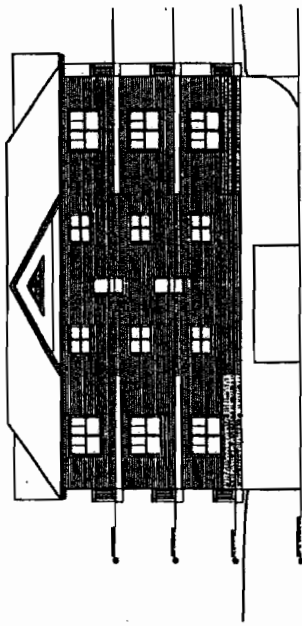
DATE: 10-10-2007  
SCALE: AS NOTED  
PROJECT: LIME KILN HOUSING

Vermont Architecture Collaborative  
Architects + Planners  
105 DILL STREET, STE 4 NORTHFLEE, VERMONT 05602  
TEL: 802-223-4422 FAX: 802-223-4171

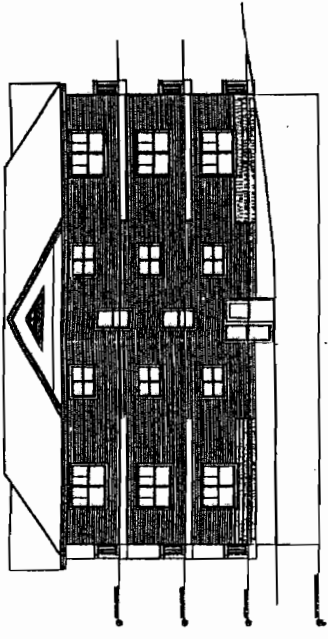
BLDG. ELEVATIONS  
BUILDING #2

LIME KILN HOUSING  
BURLINGTON, VERMONT

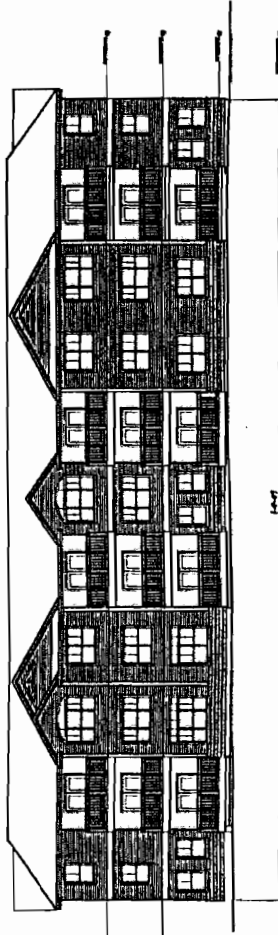
BUILDING 2 GARAGE SIDE ELEVATION  
1/8" = 1'-0"



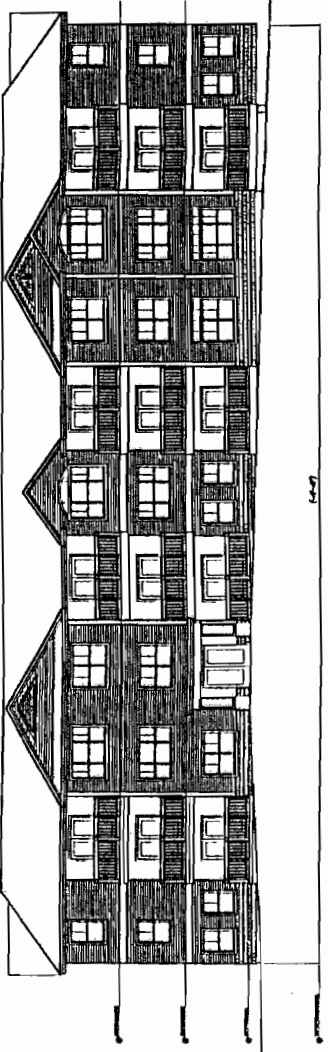
BUILDING 2 SIDE ELEVATION  
1/8" = 1'-0"

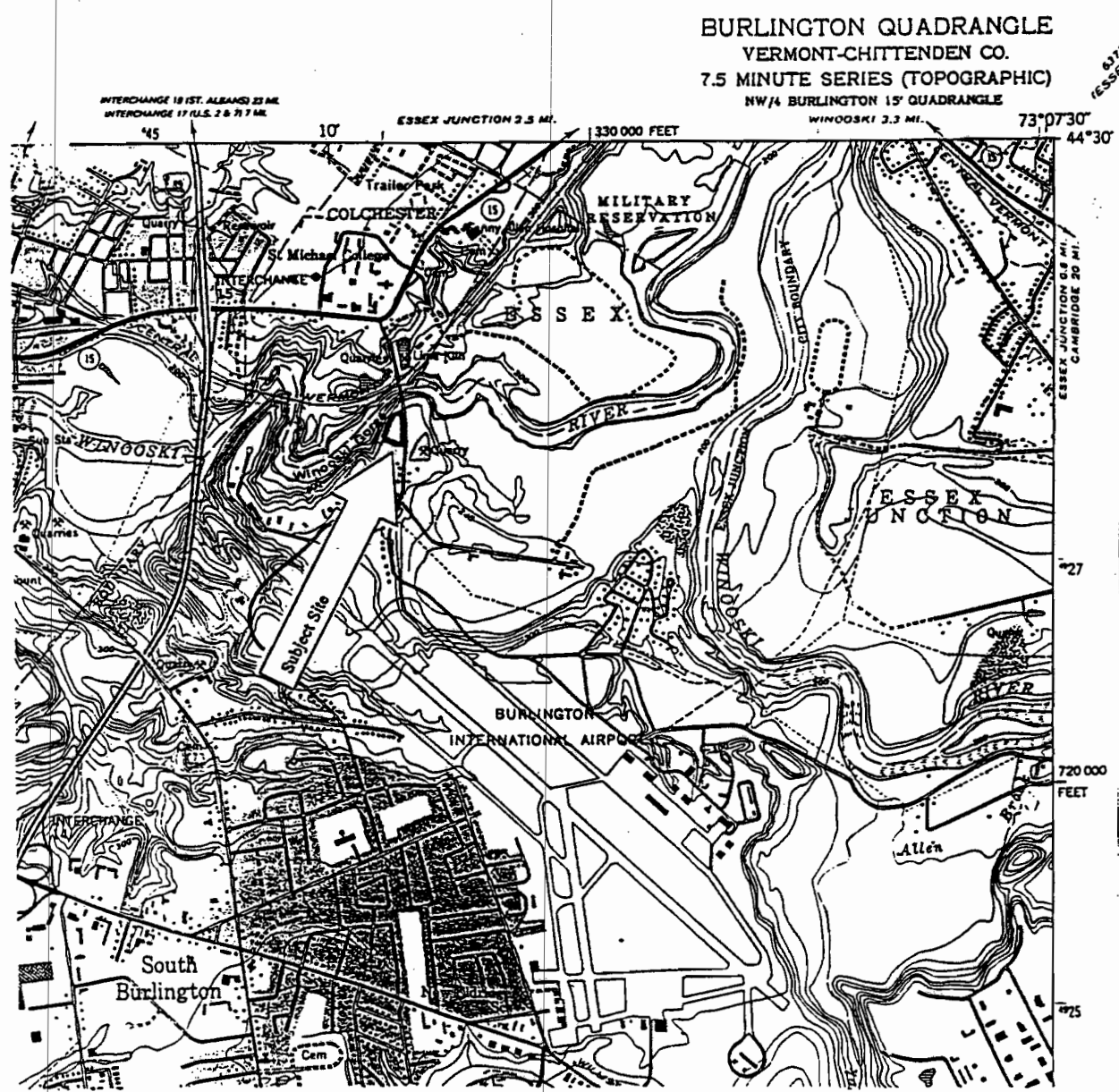
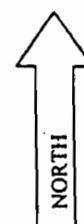


BUILDING 2 REAR ELEVATION  
1/8" = 1'-0"



BUILDING 2 FRONT ELEVATION  
1/8" = 1'-0"





Project Manager: Stephen  
Znamierowski

Client: Housing Vermont

**Figure 2**  
**Site Locus Map**  
Proposed Lime Kiln Apartments  
Airport Parkway  
So. Burlington, VT  
USGS Quad  
Burlington, VT  
Scale 1:24,000

ATC Associates Inc.  
PO Box 3, 15 East Main Street  
Richmond, Vermont 05477

ATC Project # 63.05771.0017

**RESOLUTION RE: CONSTRUCTION AND PERMANENT FINANCING  
FOR THE BOND BUILDING AND PERMANENT FINANCING FOR THE ALLOCATED  
BUILDING OF THE LIME KILN PROJECT, SOUTH BURLINGTON**

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

WHEREAS, an application has been submitted to the Agency by Housing Vermont (the "Sponsor") on behalf of two (2) to be formed limited partnerships in which the Sponsor or its subsidiaries will be general partners (the "Borrowers") involving the construction of two (2) buildings containing twenty-four (24) units each (the "Bond Building" and the "Allocated Building" respectively) for a total of forty-eight (48) units of rental housing in the City of South Burlington (the "Development"); and

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

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

WHEREAS, the limited partnerships are expected to qualify as housing sponsors within the meaning of the Vermont Housing Finance Agency Act (the "Act"); and

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid, dated May 10, 2001, containing information and recommendations about the Development (the "Memorandum");

THEREFORE, it is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income.
2. The acquisition and construction costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.
3. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and moderate income are able to afford within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of the residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families.
4. The housing sponsor undertaking the Development will increase the supply of well-planned, well-designed permanent, temporary, transitional or emergency housing for persons and families of low and moderate income.

5. The security value of the Development will equal at least the amount of the Agency's loan.
6. The Sponsor is financially responsible and is a qualified housing sponsor within the meaning of the Act. The Borrowers will be required to qualify as housing sponsors within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:


1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to each of the limited partnerships to be created by Housing Vermont and Lake Champlain Housing Development Corporation for the construction and permanent term financing of the Development based on the recommendations in the attached Memorandum. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the Sponsor in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.
2. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designees may, in his or her discretion, issue one or more Commitment Letters for a mortgage loan to each of the limited partnerships to be created by Housing Vermont and Lake Champlain Housing Development Corporation for the construction and permanent term financing of the Development based on the recommendations in the attached Memorandum. The Commitment Letter may be issued to the Sponsor as a representative of the Borrowers. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.
3. The issuance of the Bonds for the purpose of financing one or more loans to the Borrowers is hereby preliminarily approved, and, pursuant to Section 1:150-2 of the Internal Revenue Code Regulations, the Agency hereby states its intention to reimburse itself from Bond proceeds for any advances of Agency funds prior to the issuance of the Bonds.
4. The preliminary approval described in the preceding paragraph does not obligate the Agency to give final approval for the issuance of said Bonds. Final approval of the issuance of the Bonds can only be authorized by independent action, which may contain such conditions thereto as the Agency may deem appropriate. The Agency in its absolute discretion may refuse to finally authorize the issuance of the Bonds and shall not be liable to the Sponsor, the Borrowers or any other person for its refusal to do so.
5. The Executive Director and the Loan Review Committee will establish the final sources and amounts of the loans for each of the Bond Building and the Allocated Building respectively, and such conditions and terms that are appropriate for the Development in accordance with all requirements of the Act, and the applicable regulations and policies of the Agency, including the Underwriting Guidelines.





**Vermont Housing Finance Agency**

**MEMORANDUM**

**TO:** VHFA Board of Commissioners  
**FROM:** Joe Erdelyi, Senior Development Officer   
**DATE:** May 10, 2001  
**RE:** Westgate

In August 2000 the VHFA Board approved several loans for this development which in the aggregate totaled approximately \$4.6 million dollars, all using tax-exempt bond proceeds. The loans were to be secured by a first mortgage on the 50 unit portion of the 98 unit development. The balance of the project (48 units) was to receive financing from tax credit equity, VHCB, HOME, and a variety of other sources.

Since that approval the sponsors have purchased the property, completed an Act 250 approval process, received additional financing commitments, fought mold, completed very thorough plans and specs, and received construction bids. Housing Vermont sought a private letter ruling from the IRS that would have allowed an easier blending of 4% "automatic" tax credits with the allocated credits. The IRS indicated that they would not reach a favorable ruling, and the request was withdrawn. As a result, the project is still structured as two side-by-side partnerships, one using tax-exempt financing and the other using allocated credits, but the mix is now 24 units in the "bond" side and 74 units in the "allocated" side. The VHFA financing is needed for both parts of the development, and the aggregate dollars sought has actually gone down, to approximately \$3.5 million dollars. The combination of: 1) having 98 units secure the loans versus 50, and 2) a smaller aggregate loan amount, will serve to make VHFA's loans more secure. The permanent loan-to-value ratio is now 47%, using an "as-is" appraisal. The recently-passed loan approval process requires Board action when the loan security changes.

The Board is being asked to authorize the Executive Director to make necessary modifications to the previous Board approval, including but not limited to, 1) to change the source of the loans from just tax-exempt bond proceeds to both tax-exempt and taxable bond proceeds, the amount from each source to be determined at her discretion; and, 2) to change the security of the VHFA loan from a first mortgage on the 50 unit segment of the project to first mortgages on the entire 98 unit project.

**Recommended Action:** Approval of the attached resolution authorizing the Executive Director to execute the changes described above.



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**AMENDED RESOLUTION RE: COMBINED LETTER OF INTEREST AND  
COMMITMENT LETTER FOR WESTGATE APARTMENTS, BRATTLEBORO**

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

WHEREAS, a proposal has been presented to the Agency by Housing Vermont (the "Sponsor") on behalf of one or more to-be-formed limited partnerships for the permanent term financing of the acquisition and rehabilitation of ninety-eight (98) unit family rental project in seventeen (17) buildings located on Westgate Drive in the Town of Brattleboro (the "Development: and

WHEREAS, the Development has been the subject of a previous resolution of the Board in August 2000 which remains in effect subject to the changes authorized in this resolution; and

WHEREAS, a change in the collateral security for the permanent term financing has become necessary since the Board last considered the Development; and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Joe Erdelyi, dated May 10, 2001, containing information and recommendations about the Development (the "Memorandum");

WHEREFORE, it is hereby RESOLVED:

1. Because of events that have transpired since August, 2000, the Executive Director is authorized, in her discretion, to modify the terms of the Agency's previous approval in accordance with the Underwriting Guidelines, including, but not limited to,
  - a) to change the source, amount and amortization of any of the loans from tax-exempt bond proceeds and taxable bond proceeds; and
  - b) to structure the collateral security of the VHFA loans to correspond to the loans to be made on the entire project rather than a portion of the project.
2. The Board's August 2000 resolution is reaffirmed to the extent its terms are not inconsistent with the terms of this resolution.





## Vermont Housing Finance Agency

### MEMORANDUM

TO: VHFA Board of Commissioners

FROM: David Adams, Chief of Program Operations *also*  
Patricia Crady, Director of Homeownership Programs  
Leslie Black-Plumeau, Research Analyst *UB-P*

DATE: May 10, 2001

RE: Revisions To Income and Purchase Price Limits Under MRB Program

The purpose of this memo is to propose increasing our income and purchase price limits in most parts of the state for VHFA's MRB homeownership programs.

#### Maximum Income Limits

The primary data source used to adjust the MRB maximum income limits is HUD's median income estimates. In April, HUD released the 2001 median income estimates for the state and for each county. The new HUD data supports increases in VHFA's income limits, as shown in the following table:

	Current		Maximum Allowable		Proposed	
	2 or Fewer persons	3+ Persons	2 or Fewer persons	3+ Persons	2 or Fewer persons	3+ Persons
Addison	43,000	49,400	45,500	52,325	45,500	52,300
Bennington	43,000	49,400	45,500	52,325	45,500	52,300
Caledonia	51,600	60,000	54,600	63,700	54,600	63,700
Chittenden (non-MSA)	52,300	60,000	57,500	66,125	57,500	66,000
Essex	51,600	60,000	54,600	63,700	54,600	63,700
Franklin (non-MSA)	51,600	60,000	54,600	63,700	54,600	63,700
Grand Isle (non-MSA)	43,000	49,400	45,500	52,325	45,500	52,300
Lamoille	51,600	60,000	54,600	63,700	54,600	63,700
Orange	51,600	60,000	54,600	63,700	54,600	63,700
Orleans	51,600	60,000	54,600	63,700	54,600	63,700
Rutland	51,600	60,000	54,600	63,700	54,600	63,700
Washington	52,300	60,000	54,960	64,120	54,900	64,100
Windham	51,600	60,000	54,600	63,700	54,600	63,700
Windsor	43,000	49,400	45,500	52,325	45,500	52,300
Burlington MSA	52,300	60,000	55,600	63,940	55,600	63,900
Burlington Targeted Tracts	55,000	65,000	66,720	77,840	58,000	68,000



The maximum income limits allowable resulting from HUD's new data are higher than the current limits by about \$2,500-\$4,000 (except in the non-MSA portion of Chittenden County which experienced the greatest increases in the state). We propose increasing the MRB income limits to the maximum allowable limits in all areas except the two Burlington qualified census tracts. In those census tracts, the maximum allowable limit is greater than we feel is needed. For those neighborhoods, we propose keeping the income limit increase to \$3,000—comparable to the increases in the rest of the state.

#### Maximum Purchase Price Limits

Once again, we are hearing from our lender, real estate, and nonprofit partners that VHFA's purchase price limits are lagging real estate prices in some parts of the state. When VHFA's purchase price limits lag too far behind price changes in the real estate market, VHFA's financing options become unavailable to some borrowers who need its mortgage loan products.

To more closely align VHFA's purchase price limits with home prices, we recently completed a detailed purchase price study for the parts of the state that appeared to be experiencing substantial price appreciation based on preliminary analysis. The areas studied were the Burlington MSA and Addison, Bennington, the non-MSA portion of Chittenden, Lamoille, Orange, Rutland, Washington, Windham, and Windsor counties. For these areas, VHFA used Vermont property transfer tax data and MLS data to compute average area purchase prices for new and existing homes.

The following table shows the limits we propose in light of VHFA's recent analysis of purchase price data:

	Existing 1-Family Homes			Existing 2-Family Homes			New Homes		
	Maximum*	Proposed**	Current	Maximum*	Proposed**	Current	Maximum*	Proposed***	Current
Addison	121,697	121,000	117,000	137,030	137,000	132,000	139,688	139,000	129,000
Bennington	132,663	132,000	123,000	149,378	149,000	138,000	172,636	No change	158,000
Caledonia	112,919	No change	112,000	127,146	No change	126,000	157,832	No change	155,000
Chittenden (Non-MSA)	124,787	124,000	115,000	140,509	140,000	129,000	129,136	No change	129,000
Essex	112,919	No change	112,000	127,146	No change	126,000	157,832	No change	155,000
Franklin (Non-MSA)	112,919	No change	112,000	127,146	No change	126,000	157,832	No change	155,000
Grand Isle (Non-MSA)	117,931	No change	115,000	132,790	No change	129,000	129,136	No change	129,000
Lamoille	158,194	133,000	123,000	178,126	150,000	138,000	304,717	No change	162,000
Orange	123,140	123,000	112,000	138,655	138,000	126,000	157,832	No change	155,000
Orleans	112,919	No change	112,000	127,146	No change	126,000	157,832	No change	155,000
Rutland	123,978	123,000	117,000	139,598	138,000	132,000	244,200	No change	165,000
Washington	120,526	120,000	117,000	135,712	135,000	132,000	220,123	160,000	155,000
Windham	134,407	133,000	123,000	151,342	150,000	138,000	213,195	160,000	155,000
Windsor	133,561	133,000	112,000	150,389	150,000	126,000	242,783	160,000	129,000
MSA	133,864	133,000	123,000	150,731	150,000	138,000	202,296	190,000	165,000
Burlington Targeted Census Tracts	163,612	145,000	135,000	184,226	165,000	150,000	247,250	190,000	165,000

\* Maximum limits are the greater of (1) limits based on VHFA's most recent analysis of purchase prices for that area or (2) IRS safe harbor limits established in 1994.

\*\* Limits proposed for existing homes are set near the maximum allowable limit, but not to exceed the maximum limit in the MSA. The limit proposed for the Burlington qualified census tracts is slightly higher than the MSA limit, due to the additional flexibility provided by its status as a "targeted area."

\*\*\* New home limit increases are proposed for the MSA, Addison, Washington, and Windham Counties because in these areas our current limits are substantially less than the (1) maximum allowable limits, (2) purchase prices supported by income limits for those areas, and (3) limits that would be in effect under the Housing Bond and Credit Modernization Act.

### Board Action Requested

We recommend that the Board approve the proposed income and purchase price limits at the May 17<sup>th</sup> meeting.

**RESOLUTION PERTAINING TO A LETTER OF INTEREST AND COMMITMENT  
LETTER RE: CONSTRUCTION AND PERMANENT FINANCING FOR MARKETPLACE  
DEVELOPMENT, SOUTH BURLINGTON**

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

WHEREAS, a proposal has been presented to the Agency by Housing Vermont and Lake Champlain Housing Development Corporation (the "Sponsors"), involving the new construction of four buildings containing 160 units of rental housing on Farrell Street in the City of South Burlington (the "Development"); and

WHEREAS, the Development has previously been the subject of a resolution of the Agency in November 2000; and

WHEREAS, the proposal now contemplates two first mortgage loans in the combined amount of up to \$4,000,000 as long-term financing for 120 units in three buildings in the Marketplace project, from the proceeds of tax-exempt bonds, and with the interest rate to be determined by the Agency depending on the source of funds, and the loan shall have an interest rate of not more than 150 basis points above the Agency's cost of funds; and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid, dated April 12, 2001, containing updated information and recommendations about the Development (the "Memorandum");

The determinations and findings made by the Agency in its November 2000 resolution are incorporated herein by reference as if set out at length.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director and the Chief of Program Operations are authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making mortgage loans to a limited partnership to be created by Housing Vermont and Lake Champlain Housing Development Corporation for construction financing in an amount not to exceed \$10,450,000 (consisting of a tax exempt loan of up to \$7,200,000 and a taxable loan of up to \$3,250,000); the term of the construction loans will be not more than 18 months, and the interest rate not more than 150 basis points above the Agency's cost of funds. The Executive Director is also authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making mortgage loans to a limited partnership to be created by Housing Vermont and Lake Champlain Housing Development Corporation for the long term financing of the Development in an amount not to exceed \$5,164,000 (consisting of tax exempt loans of up to \$4,000,000 and taxable loans of up to \$1,164,000); the term of two long-term loans will not exceed 40 years, and the interest rate will be not more than 150 basis points above the Agency's cost of funds. The term of two other long term loans shall be 10 years from the date the loans are made, and shall be fully amortized over the period of

the loans, and the interest rate shall not exceed 150 basis points above the Agency's cost of funds. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the housing Sponsors in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

2. Upon the satisfaction of the conditions attached to the Letter of Interest, the Executive Director or the Chief of Program Operations may, in their discretion, issue a Commitment Letter for construction loans for the construction of the Development, in an amount not to exceed \$7,200,000 tax exempt and not to exceed \$3,250,000 taxable for a total of \$10,450,000 in construction financing; and a Commitment Letter for term loans in an amount not to exceed \$1,164,000 taxable and not to exceed \$4,000,000 tax exempt for a total of \$5,164,000 in permanent financing. The Executive Director, Chief of Program Operations and Director of Finance are authorized to allocate the loan proceeds to all or portions of the Development.
3. The Executive Director, Chief of Program Operations and Director of Finance are hereby authorized to take all necessary steps and execute any and all documents required to effectuate the financing.
4. All conditions precedent to the Agency's commitment and loans contained in the Agency's November 2000 resolution must still be satisfied.

*I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on April 19, 2001.*

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

**RESOLUTION RE: CONSTRUCTION FINANCING  
FOR GREEN MOUNTAIN SEMINARY, WATERBURY**

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

WHEREAS, a proposal has been presented to the Agency by Housing Vermont (the "Sponsor") involving the acquisition and rehabilitation of sixteen units of rental housing in the Town of Waterbury (the "Development"); and

WHEREAS, the Agency desires to take "official action" for the purpose of, and to reimburse itself for any advances of its funds prior to, the issuance and sale of tax-exempt bonds (the "Bonds") to finance a loan to a to-be formed limited partnership to be created by Housing Vermont and the Central Vermont Community Land Trust (the "Borrower") to acquire and rehabilitate sixteen units of rental housing (the "Project") in Waterbury, Vermont that will qualify for federal low-income housing tax credits;

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

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

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid, dated April 12, 2001, containing information and recommendations about the Development (the "Memorandum");

THEREFORE, it is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income.
2. The acquisition and construction costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.
3. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and moderate income are able to afford within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of the residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families.

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

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

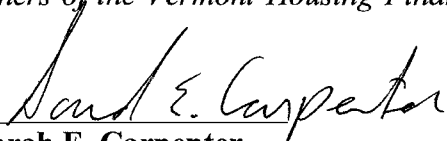
6. The Sponsor is financially responsible and is a qualified housing sponsor within the meaning of the Act. The Borrower will be required to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designee may, in his or her discretion, issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a mortgage loan to the limited partnership to be created by Housing Vermont and Central Vermont Community Land Trust for acquisition and construction financing based on the recommendations in the attached Memorandum. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the Sponsor in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.
2. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designee may, in his or her discretion, issue a Commitment Letter for a mortgage loan for the acquisition and construction of the Development. The Commitment Letter may be issued to Housing Vermont as a representative of the Borrower. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.
3. The issuance of the Bonds for the purpose of financing a loan to the Borrower to allow the Borrower to acquire and construct the Project is hereby preliminarily approved, and, pursuant to Section 1:150-2 of the Internal Revenue Code Regulations, the Agency hereby states its intention to reimburse itself from Bond proceeds for any advances of Agency funds prior to the issuance of the Bonds.
4. The preliminary approval described in the preceding paragraph does not obligate the Agency to finally approve the issuance of said Bonds. Final approval of the issuance of the Bonds can only be authorized by independent action, which may contain such conditions thereto as the Board may deem appropriate. The Board in its absolute discretion may refuse to finally authorize the issuance of the Bonds and shall not be liable to the Sponsor, the Borrower or any other person for its refusal to do so.

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

*I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on April 19, 2001.*

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



## RESOLUTION RE: AUTHORIZED OFFICERS

WHEREAS, the Vermont Housing Finance Agency (the "Agency") has reorganized and changed its employee positions and their titles over the years; and

WHEREAS, the Agency has from time to time authorized various position titles to act on behalf of the Agency;

WHEREAS, the Agency desires to change all prior references to "Director of Finance" to "Chief Financial Officer"; and

WHEREAS, the Agency desires to change all prior references to "Director of Operations" to "Chief of Program Operations":

NOW, THEREFORE, IT IS HEREBY RESOLVED:

1. The Agency hereby directs that any and all prior references to "Director of Finance" are hereby changed to read "Chief Financial Officer."
2. The Agency hereby directs that any and all prior references to "Director of Operations" are hereby changed to read "Chief of Program Operations."

*I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on April 19, 2001.*

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

**RESOLUTION RE: ALLOCATION OF  
2001 PRIVATE ACTIVITY BOND  
VOLUME CAP ALLOCATION**

WHEREAS, the Vermont Housing Finance Agency (the "Agency") has been allocated \$77,750,000 in 2001 private activity bond volume cap by the State of Vermont Emergency Board; and

WHEREAS, the Agency desires to elect to utilize \$ 20 million dollars of the 2001 private activity bond volume cap for qualified mortgage bonds and mortgage credit certificates and \$ 20 million for exempt facility bonds;

NOW, THEREFORE, IT IS HEREBY RESOLVED:

1. The Agency elects to allocate \$20 million of its 2001 private activity bond volume cap pursuant to Section 146 of the Internal Revenue Code of 1986 as amended for the purposes of issuing qualified mortgage bonds or mortgage credit certificates and \$20 million of its 2001 private activity bond volume cap allocation pursuant to Section 146 of the Internal Revenue Code of 1986 as amended for the purposes of issuing exempt facility bonds.

*I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on April 19, 2001.*

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

**AMENDED RESOLUTION PERTAINING TO A LETTER OF INTEREST AND  
COMMITMENT LETTER RE: CONSTRUCTION AND PERMANENT FINANCING  
FOR JEFFERSONVILLE COMMUNITY HOUSING, CAMBRIDGE**

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

WHEREAS, a proposal has been presented to the Agency by Lamoille Housing Partnership and Housing Vermont for the turnkey purchase of three newly constructed buildings, including 22 units of elderly rental housing in one building and 10 family units in two buildings in the Town of Cambridge, some or all of which will be financed by the Agency (the "Development"); and

WHEREAS, the Development has been the subject of a previous resolution of the Agency in June, 2000; and

WHEREAS, a number of changes have become necessary since the Agency last considered the Development; and

WHEREAS, the Agency desires to take "official action" for the purpose of, and to reimburse itself for any advances of its funds prior to the issuance and sale of tax-exempt bonds of not more than \$1,200,000 aggregate principal amount (the "Bonds") to finance a construction loan to Jeffersonville Housing Limited Partnership or some other partnership in which an affiliate of Housing Vermont is a general partner (the "Borrower") to acquire a newly-built 32-unit project (the "Project") in Cambridge, Vermont that will qualify for federal low-income housing tax credits;

WHEREAS, the proposal contemplates a first mortgage loan in the amount of up to \$1,200,000 as construction financing, with the interest rate to be determined by the Agency depending on the source of funds, but not to exceed 150 basis points above the Agency's cost of funds; and a mortgage loan in an amount of up to \$275,000 as long-term financing, with the interest rate to be determined by the Agency depending on the source of funds, but not to exceed 150 basis points above the Agency's cost of funds; and

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

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

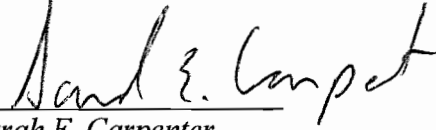
WHEREAS, the Board of Commissioners has been presented with a memorandum from Joe Erdelyi, dated April 12, 2001, containing information and recommendations about the Development (the "Memorandum");

The Determinations made in the Agency's June 2000 resolution are incorporated herein by reference as if set out at length.

WHEREFORE, it is hereby RESOLVED:

1. Upon the satisfaction of the conditions attached to the Letter of Interest, the Executive Director may, in her discretion, issue a Commitment Letter for a construction loan for acquisition and construction in an amount not to exceed \$1,200,000 and a long-term loan for financing of the Development in an amount not to exceed \$275,000.
2. Because of events that have transpired since June, 2000, the Executive Director is authorized, in her discretion, to modify both the terms of the Agency's previous approval and this amended approval by doing any one or more of the following:
  - a) to change the source of either or both of the loans from tax-exempt bond proceeds to taxable bond proceeds;
  - b) to change the security of the VHFA loan from a first mortgage on the 22 unit senior building to a first mortgage on the entire 32 unit project;
  - c) to change the identity of the borrower if necessary to accommodate the change to a single partnership; and
  - d) to increase the amount of the construction loan from \$1.1 million to \$1.2 million.
3. The issuance of the Bonds for the purpose of financing a loan to the Borrower to allow the Borrower to acquire and construct the Project is hereby preliminarily approved, and, pursuant to Section 1:150-2 of the Internal Revenue Code Regulations, the Agency hereby states its intention to reimburse itself from Bond proceeds for any advances of Agency funds prior to the issuance of the Bonds.
4. The preliminary approval of paragraph 3 does not obligate the Agency to finally approve the issuance of said Bonds. Final approval of the issuance of the Bonds can only be authorized by subsequent action, which may contain such conditions thereto as the Board may deem appropriate. The Board in its absolute discretion may refuse to finally authorize the issuance of the Bonds and shall not be liable to the Borrower or any other person for its refusal to do so.
5. The construction loan shall be due and payable not more than 12 months from the date the loan is made; payments of interest only shall be due before maturity, and the interest rate shall not exceed 150 basis points above the Agency's cost of funds. The source of funds shall be tax-exempt bond proceeds. The Sponsor shall be responsible for loan fees.
6. The Agency's June 2000 resolution is reaffirmed to the extent its terms are not incompatible with the contents of this resolution.

*I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on April 19, 2001.*



*Sarah E. Carpenter*

*Executive Director and Secretary  
Vermont Housing Finance Agency*



**Vermont Housing Finance Agency**

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

Thursday, June 28<sup>th</sup>, 2001 at noon

**PRESENT:** Chairperson Randall, Commissioners Canney, Candon (designee of Costle), Lafayette, Seelig  
Staff: Ms. Carpenter, Ms. Caragher, Ms. Loller, Ms. Kendrick, Ms. Crady, Mr. Schoenbeck, Mr. Adams, Ms. Drake, Mr. Gutchell, Mr. Fairbanks, Ms. Black-Plumeau

Chairperson Randall called the meeting to order at 12:17 p.m.

## **HOMEOWNERSHIP**

Ms. Crady summarized VHFA's program activities. VHFA finished out the year with mortgages totaling \$59.2 million, with the goal at \$60 million. VHFA has close to \$14 million in reservations and closed loans that will be purchased within the next several months. Activity is still strong with approximately \$2 million in weekly reservations. Ms. Crady noted that staff will probably be looking at another bond issue in four to six weeks.

On the servicing side, things are going very well. Staff has done a fine job in reducing delinquencies and identifying those borrowers appropriate for loan workouts or modifications. Many people are reinstating from foreclosure. There were a handful of modifications this month. VHFA owned properties are attractive in the market and only five properties are not under contract. VHFA ended up getting six REO properties during the month of June. Three were because of shortened redemption periods. Ms. Crady stated VHFA is benefiting from a good economy and a very strong market and has sold some of its properties for more than their listing price.

Ms. Crady indicated that although it has not been finalized yet, VHFA is expecting to be about \$300,000 below its loan loss estimate for FY 2001. VHFA is projecting losses for FY 2002 to be approximately the same as in FY 2001 at around \$900,000.

Chairperson Randall asked if VHFA was looking at addressing deficiency balances? Ms. Crady responded that VHFA does not seek deficiency balances but it is something that should be looked at. The Homeownership directors of New England meet on a regular basis and there was discussion about that topic last



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fall. A couple of HFAs contract with outside companies to come in and try to collect their deficiency balances. The results were mixed. Chairperson Randall stated there is a statute of limitations on deficiency balances and asked would it be wise to file the loss so VHFA would have judgment against the debtor. If VHFA ever had the opportunity to collect, at least there would be a legal standing. Ms. Drake stated VHFA puts a deficiency claim in the complaint but has never enforced it. VHFA does have the option of having an outside company try to collect deficiency balances.

Ms. Crady reported the Homeownership Centers (HOC) did not increase their business over previous years but they continue to serve a lot of people. Some of the HOCs are holding two homebuyer workshops per month. There has been a decrease in homebuyers purchasing, but an increase in VHFA borrowers at homeownership centers. There has been a dramatic increase in activity in the Central Vermont Homeownership Center. Rockingham had real improvement in the number of households with whom they worked. There have been reductions in Rutland West and the Northeast Kingdom. Chittenden County has been working with many people who are mortgage ready but are having a difficult time finding eligible property.

Ms. Crady reported the HUD Section 8 Program is being used now to expand homeownership and create new homebuyers. This program does not help in a situation of reduction of income. HUD Section 8 Program can only be used for new homeownership, not existing homeowners. Ms. Canney asked if it's a type of refinancing. Ms. Crady responded that Section 8 actually provides funds to help with mortgage payments and it's not a refinance.

Ms. Crady stated there are changes in the HOC statistics for CY 2000 and wanted to note that the information on the numbers of households that received homebuyer education in CY 2000 is 216 compared to 222 in 1999. On page 2, please note that Central Vermont had an increase and the number should be 40 people during the calendar year 2000. On page 5, the number of households receiving homebuyer education in Central Vermont in the year 2000 should be 163, for a total of 185 households receiving homebuyer education. The centers estimated they are actively counseling 611 households with the potential to purchase homes within the next 2 years.

Ms. Black-Plumeau reported during the next six months VHFA would be conducting a more in depth review of the Homeownership Centers, which will include an evaluation over the entire 6 year period that VHFA has been funding the centers. VHFA should do more case study work on foreclosures, how the centers dealt with those individuals and what the outcomes were. Ms. Black-Plumeau stated she would have a report for the Board at the end of this calendar year.

Mr. Seelig stated the other issue concerning Homeownership is how southern Vermont feels about the Agency's presence. Ms. Crady stated the Homeownership staff would increase our presence in southern Vermont through additional outreach to lenders and real estate brokers and explore other ways to increase our presence.

Ms. Crady reported the Homeownership Centers are embarking on their own capital campaign over a 3 year period to assure the long-term viability of the Centers and statewide expansion so that the Center's services are available in all regions of Vermont. Ms. Crady indicated that Mr. Fairbanks has offered to help the centers with their outreach programs and help them get their message out to more people.

a 3 year period to assure the long-term viability of the Centers and statewide expansion so that the Center's services are available in all regions of Vermont. Ms. Crady indicated that Mr. Fairbanks has offered to help the centers with their outreach programs and help them get their message out to more people.

Mr. Adams noted that the Homeownership Centers continue to play an important role in the delivery of the Agency's programs and services, particularly in those areas of the state which are perceived to be underserved. Discussions with the Budget Committee of the VHFA Board asked the staff to be prepared to present some specific recommendations at this meeting on ways to expand delivery of our programs and services to underserved areas in Vermont. Mr. Adams proposed three specific recommendations that would rely on participation and incentives with the Homeownership Centers to increase presence: (1) To increase homebuyer education fees that VHFA pays the Homeownership Centers from \$250 to \$300 per loan closed with HOC Education Class. If approved, this would require an amendment to the proposed budget an additional \$5,000 based on the projected number of loans anticipated in FY2002. (2) To provide financial support in the amount of \$7,500 to hire a consultant to work with the Rockingham Area Land Trust to develop a business plan and proposal to expand services in Southern Vermont. (3) To approved a request of the Central Vermont community Land Trust (CVCLT) to sponsor a default intervention seminar in cooperation with Neighborworks Training Institute this fall at an estimated cost to VHFA of \$16,000. These three initiatives, totaling \$28,500 are specifically recommended to the Board as a supplemental amendment to the proposed FY2002 budget. Mr. Adams also noted that the VHFA strategic plan includes an initiative to define and quantify underserved areas in Vermont. Our increased support of the Homeownership Centers is intended to expand their capacity and help us accordingly.

#### MINUTES

Mr. Seelig made a motion to approve the May 17, 2001 minutes. The motion carried unanimously after being seconded by Mr. Candon.

#### FINANCE

Mr. Schoenbeck acknowledged Mr. Gutchell's invaluable assistance in putting together the numbers for the budget. The documents that Mr. Schoenbeck provided in the Board packet consisted of the proposed budget, budget narrative and capital budget summary of FY 2002 initiatives and goals in response to what VHFA is spending.

VHFA's budget philosophy is one in which revenue is generated within the series of bond programs. VHFA transfers enough money out of the bond programs to fund VHFA's programs. A projection is made by VHFA's financial advisor as to how much the bond programs will be generating each year and the amount VHFA will need the following year. VHFA's goal is to show a small surplus from operations after transfers.

Mr. Schoenbeck said that the biggest factor in the current year budget (FY01) is in single-family loan losses. It is estimated there will be about \$850,000 in loan losses, which is a significant improvement over last year. Total costs are increasing at 2.4%, and if one looks at day-to-day-expenses of the organization, that showed an 8.56% increase. Mr. Schoenbeck stated the items that have the biggest impact on the increase of the budget are salaries/benefits, contract services, and advertising and promotion.



Mr. Schoenbeck, in reviewing the budget format, stated it changes a little from year to year. The first column is next year's budget and contains the amounts VHFA is looking for approval on from the Board. The next column is what VHFA thinks it will end up with on its audited financials at the end of the year vs. the budget that was approved and in place for the current year, and the % increase or decrease from the 2002 budget to the 2001 budget. VHFA's goal, based on the budget, is to have a small surplus of about \$49,000. This surplus may or may not change depending on the Board's decision regarding the expanded budget supplemental initiatives in dealing with southern Vermont initiatives. There is a 5% budgeted increase for salaries and a .7 person full time equivalent position has been added, which is really two positions, one in our IS Dept. going from 80% to full time and increasing a half person in our Web design area. Also last year, VHFA converted sick and vacation time to Combined Time Off (CTO). The auditors require VHFA to book vacation time as a potential expense and liability for the future. Sick time is not booked, as this is not paid if one left VHFA's employment. Since CTO time is a combination of sick and vacation time, CTO will cost VHFA about \$38,000 for this year in additional recognized expense. This adds to the salary level VHFA was looking at for last year for the projected actual. Another change was the way the organization compensates employees on their anniversary date vs. the beginning of the fiscal year. Increases during the year become a base salary for the upcoming year. 5% increase plus the recognition pool that was in last year was used for salary budget purposes. Payroll and benefits are a significant portion of the budget.

Mr. Schoenbeck stated that VHFA had cut back on the amount of advertising done during FY01. Going forward, it was decided VHFA needed to reinstate an advertising campaign to promote the Agency and its programs, which will require a substantial increase in that area for the new budget year.

Mr. Schoenbeck said that the other two major budget items deal with the multifamily area. A much higher level of financing is contemplated for FY02. VHFA has increased expenses, which are offset by income. Multifamily fees have gone up substantially (about 60%) based on the projected new business being done. As VHFA does these additional number of financings for multifamily purposes, there will be more expense that will be incurred such as legal, construction, inspections, etc. There is \$66,000 budgeted under contract services and \$66,000 under legal expenses related to multifamily activity.

Mr. Schoenbeck proceeded to discuss organizational subsidy. This expense includes funding for six homeownership centers at \$20,000 each and assumed 100 loans made @\$250 per loan. VHFA transferred from advertising to organizational subsidy for the advertising campaigns for HOC. As well, what VHFA paid Housing Vermont for membership fees, makes up the organizational subsidy category.

Mr. Schoenbeck stated the loan losses have a high impact to VHFA as far as making our budget work better and something that has been of great concern in past years is looking much better at this point.

Mr. Schoenbeck noted that capital expenses proposed at \$142,000 were roughly half of the \$285,000 budgeted in FY2001. This is broken down between building and computer expenditure. The \$70,000 - \$80,000 for computers would probably be a standing item in the future. The main building expense in FY2001 was for the brickwork, windows and roofing.

Mr. Candon asked about how VHFA would deal with Templeton. If we must write off part of the loan, does it come out of this budget? Mr. Schoenbeck answered that the single-family loan losses are put below the line in the general budget area so that the Board can always see them but it's not a general fund category. Templeton could be handled the same way, but because we have had little multifamily losses, they are netted

out of the bond funding. It will drive the Agency's overall surplus down by whatever amount is taken on the Templeton property.

Chairman Randall stated the presentation of the whole budget package was excellent and very clear and asked if anyone had questions on the initiatives. There were none.

Mr. Seelig made a motion to approve the budget as amended to include the \$28,5000 recommended by Mr. Adams. Ms. Canney seconded the motion and it was passed unanimously.

#### STATUS OF PRIVATE ACTIVITY VOLUME CAP

Ms. Drake noted VHFA is getting ready to issue a significant amount of multifamily housing bonds. Ms. Drake explained how the Board has distributed the state allocation. The State reallocated \$7 million dollars at the end of 2000 to VHFA and it was assigned to single family. \$13 million of unused authority was carried forward to multifamily. In January, the Emergency Board allocated \$77.75 million to VHFA. In April, the Board allocated \$20 million to Homeownership and \$20 million to Multifamily. VHFA issued single-family bonds, which used \$18 million of volume cap. VHFA has a total of \$75 million currently available to issue bonds. \$37 million of this has not been allocated to single family or multifamily, and VHFA has allocated and available \$8 million in single-family and \$29 million in multifamily. VHFA is currently looking at a bond issue of \$12 million, of which approximately \$10 million will fall under Private Activity Bond Cap.

Ms. Drake stated the other piece not included in the memo is the General Authorizing Resolution done back in March, which authorizes staff to issue up to \$15 million in bonds. To date, the staff has used \$1.3 million so there is \$13.7 million remaining. The current issue VHFA is planning for will be covered under the March resolution.

Ms. Drake asked the Board if there was a certain time that they would like to be updated on the Private Activity Volume Cap. Chairman Randall indicated that it would be good to be updated every six months. Mr. Seelig stated that if VHFA is bonding in between, the board could be updated as to how much money remains.

Mr. Schoenbeck stated VHFA has been very busy on both single family and multifamily fronts. As Ms. Drake mentioned earlier, multifamily is looking to do about a \$12 million financing within the next three weeks. This will cover 9, or possibly 10, projects. VHFA is hoping to privately place that with Fannie Mae. This financing will cover the refinancing of a mobile home park, and it will reimburse VHFA for money advanced to Lake Champlain Apartments and a number of the other seven projects.

Mr. Schoenbeck noted on the single-family side, business continues to be strong, and as Ms. Crady mentioned, VHFA has hit 98% of their target for this past year. The structure that was put in place for the Series 14 has not moved as quickly as expected. Half the proceeds were dedicated to the down payment assistance loans, which carried a 7% interest rate and gave a 3% down payment assistance to those borrowers. The other half of the money was set up at a 6.5% interest rate and is the more traditional mortgage product. The 6.5% interest rate with no cash assistance has gone out very quickly. There is only \$2-3 million dollars remaining. The down payment assistance money has gone out slowly. Mr. Schoenbeck stated he spoke with bond counsel and financial advisors, who indicated that \$10 million sitting in the down payment assistance pool can be converted into the standard loan product and converted back if necessary. The offset to that is the interest rates would need to be increased very marginally from 6.50% to 6.60% to keep the 50 basis points

spread between the down payment assistance product and the standard product. VHFA would raise the interest rate on the down payment assistance loan to 7.10%. Mr. Schoenbeck indicated VHFA would need to increase interest rates effective Monday, July 2<sup>nd</sup>, to the 6.60 % and 7.10%. That will hold VHFA over and the money can be switched back and forth.

Mr. Schoenbeck stated VHFA has been working with the Vermont Community Foundation. They've been interested in investing some money with VHFA and purchasing a bond. Their ideal terms are 1 – 5 years, and they have \$100,000 - \$200,000. VHFA has encouraged them to partner with us and is basically looking to accept their \$100,000 as a one-year renewable deposit.

Mr. Schoenbeck noted another item VHFA has been talking about is introducing a small taxable financing to cover some mortgages that can't be done under our MRB programs (mobile homes and some non-qualified MRB loans). VHFA is looking to Fannie Mae for purchase. VHFA is looking for approximately \$1 million to \$1.5 million at a taxable rate of 8.25% or 8.5%. VHFA staff has been working very hard to get this ready. The terms would be up to 30 years. Ms. Carpenter said this would be an enhancement of our present programs. A mobile home piece would be targeted to mobile home owners in the non-profit parks who have much higher interest rates. The other niche would be customers of the Homeownership Centers in the Homeland Program.

#### PUBLIC AFFAIRS

Mr. Fairbanks stated the Public Affairs Department has an ambitious agenda. Mr. Bailey will be coming on board full-time. Mr. Fairbanks indicated he wants to make sure that what the Public Affairs Department will be doing harmonizes with what the Homeownership Department will be doing. Mr. Fairbanks said VHFA has done a lot of good work in the past and he wants to capitalize on that. The Strategic Communication Plan Mr. Fairbanks will be putting in place consists of seven components which are outlined in his memo.

#### EXECUTIVE DIRECTOR'S REPORT

Ms. Carpenter went over a brief synopsis of the Executive Director's Report, highlighting the legislative activity that went on this year. The issue that most affected VHFA was the tax credit increase and the proposal for the State Housing Investment Plan.

Chairperson Randall asked what position the Agency should take relative to some of those issues and asked if the Board wanted to have a position on any of them? Ms. Lafayette noted VHFA and other non-profits could have input through committees working on the various issues. Mr. Seelig stated it could become a balancing act when in discussion on a controversial issue, as VHFA does not want any of its comments misconstrued. Ms. Carpenter stated she tries to interpret what she hears from various constituents and to figure out what they have in common and focus on those areas.

Ms. Carpenter said it is VHFA's specific intent to get the property transfer tax exemption renewed this year. Ms. Canney stated there is not one area of the state that couldn't benefit right now from new construction for the low-income consumer. There is nothing available for brand-new construction. Ms. Crady replied that VHFA definitely communicates with builders, and there are other factors, such as permitting issues that prevent developers from building a lot of new construction. Ms. Lafayette stated the market is there, but the two big issues are the local planning and zoning boards and the pervasive attitude against low to moderate income

might be able to finance the apartments as well, although their requirements relate more directly to the institution themselves, not subsidiaries of the institution. The amount would be in the \$20 million range.

Ms. Carpenter said the other project that came to her attention is the Gary Home in Montpelier. The Gary Home is a long-standing home for the aged. They are interested in doing a new project at another location in Montpelier. It would be a mix of market rate, but not necessarily serve a high percentage of low-income people and would be somewhere in the \$2 million range. Mr. Seelig inquired, in looking at either population; does it meet that test even if most of the people were in the upper end of that range? Ms. Carpenter replied because it's not tied to another subsidy program, it would probably meet that test, and students don't usually have incomes over median. Mr. Candon asked Ms. Drake as a legal matter would there need to be a change in VHFA's rules to get in on this project.

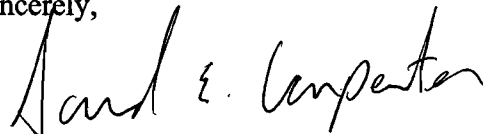
Ms. Drake stated the rules say that it is supposed to be 75% below low and moderate income as determined by the Agency and, in addition, the Board can make a waiver to reduce this to 51%. There are several issues involved such as what the benefit to the developer might be, does it fall under the guidelines of a real 501(c)3 and how to evaluate the student income.

Ms. Carpenter noted that the Converse Home, like the Gary Home, might approach VHFA as they are looking to expand as well. Ms. Carpenter summarized the Board's comments by stating she got the impression that the Board did feel uncomfortable in pursuing this.

Ms. Loller handed out information on the NCSHA's annual conference in Boston for the Board's information.

Ms. Seelig motioned to go into Executive Session for a personnel matter at approximately 3 PM. Ms. Canney seconded the motion. Ms. Canney made the motion to adjourn the Executive Session and Mr. Candon seconded the motion.

Sincerely,



Sarah E. Carpenter  
Executive Director and Secretary



## Vermont Housing Finance Agency

### BOARD MINUTES

Highgate Apartments  
73 Highgate Drive  
Barre, Vermont

Thursday, May 17, 2001 at noon

**PRESENT:** Chairperson Randall, Commissioners Canney, Seelig, Candon (designee of Costle), Lafayette, Douglas, Beyer (designee of Lambert)  
Staff: Ms. Carpenter, Ms. Caragher, Ms. Loller, Mr. Schoenbeck, Ms. Kendrick, Mr. Adams, Mr. Falzone, Ms. Black-Plumeau, Mr. Erdelyi  
Other: Ms. Owens (Housing Vermont), Ms. Luce (Maloney Property Management)

Chairperson Randall called the meeting to order at 12:05 p.m. Several Board members discussed their recent visits to the Templeton housing project in White River. Mr. Erdelyi announced that the proposed companion 18-unit family housing project in Wilder has been approved for Farmers Home 515 funds. Ms. Carpenter added that Vermont State Housing Authority (VSHA) is very anxious to start the permit process on this project to get things in motion.

Ms. Carpenter asked the Board for any additional feedback and direction on how to proceed with the Templeton project and a lengthy discussion followed. The Board agreed that the project should be torn down, but whether to rebuild on the current site or another site has not been determined. The Board feels that there needs to be more substantial information regarding the structural integrity of the project, etc. before a decision can be made regarding the future of the project. Ms. Carpenter noted that staff has asked Mr. Anderson (VHFA Construction Consultant) to review all the architectural work that has been produced regarding this project. Mr. Anderson has been asked to review the engineering reports as well. Once Mr. Anderson has reviewed the engineering reports he will then quantify what else (if anything) needs to be completed in order to give the Board a greater comfort level and basis to make an informed decision. The consensus among the Board was to obtain Mr. Anderson's opinion on the project once he has reviewed all of the necessary information.

There was general agreement that the density in Templeton needed to be reduced and that even the current proposed reduction from 35 to 28 units may not be enough. There was acknowledgment that every lost unit increases the amount of loss to the funding sources.

The Board also noted the need for VSHA to explore every avenue to make it possible to move some of the Section 8 certificates to a new project. Ms. Canney suggested that if a unit becomes vacant that it should not be filled. This will decrease the number of tenants that will have to be relocated once a decision has been made regarding the project.

Significant discussion took place regarding VSHA's role with the Templeton project. The Board is requesting that VSHA pursue the following things: (1) get the community involved with the project; (2) partner



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with a local nonprofit; (3) explore the subsidy issue with HUD (whether the current subsidy that the families receive could be transferred to a different site if necessary); (4) contribute more significant funding to the project (\$250,000); and (5) develop a strong plan for continued onsite management.

## MINUTES

Mr. Seelig made a motion to approve the April 19, 2001 minutes. The motion carried unanimously after being seconded by Mr. Douglas.

## HOMEOWNERSHIP

Mr. Adams reviewed the proposed revisions to the income and purchase price limits. The proposed income limits are based on HUD's new median income estimates. Mr. Adams stated that the increases are fairly moderate (\$2500 - \$4,000) and the figures have been rounded. Staff is proposing to increase the income limits to the maximum allowable limits in all areas except in the two Burlington qualified census tracts. In those tracts, staff felt that a \$3,000 increase was sufficient.

Ms. Black-Plumeau recently completed a purchase price study for sections of Vermont experiencing significant price increases. This study made it clear to staff that VHFA's purchase price limits need to be aligned more closely with real estate prices. Staff is proposing to increase the new home purchase price limits as listed in the memo "Revisions To Income and Purchase Price Limits Under MRB Program."

Mr. Seelig indicated he did not have any real problems with both the income and the purchase price limits, however, he suggested that the new construction purchase price limits be increased to \$165,000 in any county that can increase to that amount.

Mr. Douglas asked if the income level has to be sustained for the life of the mortgage. Ms. Carpenter and Mr. Adams both indicated that the MRB income limits only pertain to a borrower's income at the time that they purchase the home. There is not a negative effect on the loan or borrower if their income rises above the limits afterward. However, if the borrower's income rises dramatically, they may be subject to MRB "recapture" provisions when they sell the house. Ms. Beyer felt that increasing the new construction limits in the MSA and Burlington targeted census tracts to \$190,000 was too large an increase. Ms. Beyer suggested increasing them to \$180,000.

After further discussion, Mr. Seelig made a motion to approve the proposed income limit and purchase price limit with two exceptions: 1) set the new home limit in the MSA and the Qualified Census Tracts at \$185,000 and 2) increase the new home limit to \$165,000 in all other areas where the maximum limit allows. Mr. Candon seconded the motion and it was passed unanimously.

Mr. Adams indicated that the volume of reservations have remained strong over the last two weeks and was also happy to report that the Cash Assistance Program's activity has begun to pick up.

Mr. Adams noted that there was not much change from last month on the Delinquency Report. VHFA has ten properties under contract. Loan losses continue to be in line with budgeted expectations and staff is hopeful that loan losses will finish the year under budget.

Mr. Adams reported that he attended a meeting sponsored by the town of Williston that a number of housing people attended. There was significant discussion surrounding affordable housing in Williston. Mr. Adams indicated that VHFA provided data for a median income household and the median purchase price for a



home in Williston. It was clear that a median income household would face great difficulty in affording a median priced home in that community using VHFA programs.

Ms. Carpenter stated that VHFA should support the concept of affordability preferences. If VHFA can get behind an established set of parameters and a town developer comes to VHFA with plans to build units that meet the purchase price and income limits, then VHFA should attend the town meetings to let them know it meets VHFA's parameters. Mr. Seelig suggested that VHFA spend some time on running through how Act 60 impacts various towns and what it means to add units. There are many misconceptions about Act 60 and in many communities, it is a big issue. Ms. Carpenter indicated that VHFA would like guidance from the Board regarding what issues VHFA should advocate for going forward.

Mr. Candon suggested we address this separately at a future date and noted that VHFA should develop some parameters. Ms. Lafayette suggested that VHFA should develop a policy. Chairperson Randall asked staff to prepare some guidelines and present them to the Board at a future meeting.

### FINANCE

Mr. Schoenbeck handed out the Excess Yield Analysis worksheet for discussion. The total excess yield earnings that VHFA generated to date are approximately \$6 million, with expenditures totaling \$5.5 million. At this time the total funds available for future uses are \$2,635. Mr. Schoenbeck noted that VHFA could lend up to \$1 million (one years future earnings) under the existing Board policy. Mr. Schoenbeck mentioned that VHFA would have to forgive some of the loans that have been made, because some were not made quickly enough to comply with yield compliance and arbitrage regulations. At some distant date, the Board may have to make a decision on what loans to forgive.

Mr. Schoenbeck handed out the March 31, 2001 financial reports. The first report discussed was the 9-month financial report that is produced off the MITAS system. VHFA's surplus, before the change in investment market value, is \$6 million. Mr. Schoenbeck reported that VHFA is on target to hit the projected surplus. Mr. Schoenbeck indicated that VHFA's total assets have stayed fairly consistent at \$778 million and the fund balance is at \$64 million, which is a very strong number.

The second report discussed was regarding the income and fund transfers through March 31, 2001. Total income is at 77.6%, but should be at 75% as VHFA has just ended the third quarter of the fiscal year. The operating expenses are at 74.8%, which is in line with 75%. Mr. Schoenbeck noted that the program loan losses are \$261,000 less than last year. The capital budget is almost completely expended. The salary and wages show that they are over budget, but that is due to the accounting accrual rules connected with the conversion of vacation and sick time into Combined Time Off, which increased the salary figure by \$60,000. Mr. Schoenbeck indicated that overall, VHFA is in very good shape with the FY01 budget.

### MULTIFAMILY

Kathy Luce, the Regional Property Manager for Maloney Properties, was present at the meeting to represent Highgate Apartments.

VHFA has been presented with a list of improvements for Highgate Apartments totaling \$414,000. Ms. Luce indicated that Highgate does not have sufficient funds in the replacement reserves for all future capital needs during the next 20 years. Highgate Apartments is seeking a \$150,000 deferred loan from VHFA to be used to replace the fencing and repaint the exterior wood trim and doors.

Ms. Luce indicated that the fences would be higher than they currently are and will be a low maintenance type fence. The Board felt as though the fencing was a lot of money and thought perhaps Highgate could do something less costly. Ms. Beyer suggested using dividers between the apartments rather than fencing. Ms. Luce reported that the Highgate Association completed a survey and an overwhelming number of residents preferred fencing. Ms. Canney suggested that it might be wise to delay painting and/or replacing the fencing and take them down for a year to see how residents react. Chairperson Randall suggested that the fences be put on hold and to go ahead and paint the trim and doors. Ms. Carpenter proposed that VHFA revisit the fence issue at a later time.

Ms. Carpenter mentioned there might be a potential mold problem as well. Ms. Luce indicated there is mold in the basement of some apartments. The Highgate Tenants Association has been addressing the mold issues as they find them. Ms. Luce stated it is a combination of outside moisture coming in and dryers being vented improperly.

After further discussion, Chairperson Randall stated that Highgate Apartments could begin painting the trim and doors. Funds for the cost of this work should come from the excess vacancy allowance, which has been budgeted at 13% for 2001.

Mr. Falzone asked if there were any questions regarding his report, included in the Board packet. Mr. Candon asked if there is a chart showing VHFA's exposure within the VHFA portfolio. Mr. Falzone stated that staff could determine VHFA's exposure by pulling those numbers out of their internal database.

Chairperson Randall asked Mr. Falzone to give an update on Winchester at the next Board meeting.

## DEVELOPMENT

Mr. Erdelyi reported the Lime Kiln project is presented as two projects for tax credit purposes. There will be two sets of books, two audits and a taxable and tax-exempt piece. Mr. Erdelyi noted that as a rule you couldn't use taxable money with 9% credits and tax-exempt money with 4% credits in one building. The Lime Kiln project is a mixed income project. Mr. Erdelyi stated that the project did go out to bid, is fully permitted and did receive allocated tax credits.

Two motions were made. The first motion was made by Mr. Candon in favor of "The Permanent Financing For The Allocated Building Of the Lime Kiln Project, South Burlington", seconded by Mr. Seelig and unanimously adopted by the Board. The second motion was made by Mr. Candon in favor of the "Construction And Permanent Financing For the Bond Building", seconded by Mr. Douglas and adopted by the Board. (Mr. Seelig abstained from this motion.) Both motions were made to approve one resolution entitled "Resolution re: Construction And Permanent Financing For The Bond Building And Permanent Financing For The Allocated Building Of The Lime Kiln Project, South Burlington."

Mr. Erdelyi proceeded to discuss the Westgate project. He reported that this project is a mix of taxable and tax exempt units. The Board is being asked to authorize the Executive Director to make necessary modifications to the previous Board approval. This would include, but is not limited to, changing the source of the loans from tax-exempt bond proceeds to both tax-exempt and taxable bond proceeds and to change the security of the VHFA loan from a first mortgage on the 50 unit segment to first mortgages on the entire 98 units.

Mr. Candon made a motion to approve the "Amended Resolution Re: Combined Letter Of Interest And Commitment Letter For Westgate Apartments, Brattleboro." The motion carried unanimously after being seconded by Mr. Seelig.



Mr. Erdelyi discussed the allocation of State Housing Credits. The Joint Committee On Tax Credits (JCTC) met via conference call on May 16<sup>th</sup>. Jeffersonville was the only applicant for the State Housing Credit. The JCTC are recommending that the Board approve this \$100,000 housing credit. Mr. Seeling made a motion to approve the \$100,000 in State Housing Credits to Jeffersonville and Ms. Beyer seconded the motion. The motion was passed unanimously.

The following corrections were made to the minutes of the Joint Meeting of the JCTC and VHFA Board of Directors April 30<sup>th</sup> meeting: Ms. Young and Ms. Canney's names were spelled incorrectly; Mr. Douglas's name was removed as he was not present and Mr. Seelig, not Chairperson Randall, should be noted as the board member to adjourn the meeting. Mr. Seelig made a motion to approve the minutes and the motion carried unanimously after being seconded by Mr. Candon.

#### ADMINISTRATION

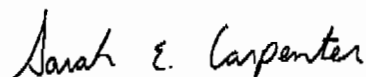
Ms. Carpenter stated that she did not have any updates to add to her report and asked if anyone had questions. Ms. Carpenter announced that John Fairbanks would begin work at VHFA on June 4<sup>th</sup> and that staff is anxious for him to start.

#### OTHER

Ms. Carpenter asked the Board for their availability on October 8<sup>th</sup> and 9<sup>th</sup> as potential dates for the Board retreat. Several Board members didn't have their calendars with them, so Ms. Carpenter indicated that Ms. Caragher would e-mail the dates to them to check availability next week.

With no further business, a motion was made by Mr. Candon and seconded by Mr. Seelig to adjourn. The meeting adjourned at 4:15 P.M.

Sincerely,



Sarah E. Carpenter  
Executive Director and Secretary

**RESOLUTION RE: CONSTRUCTION AND PERMANENT FINANCING  
FOR THE BOND BUILDING AND PERMANENT FINANCING FOR THE ALLOCATED  
BUILDING OF THE LIME KILN PROJECT, SOUTH BURLINGTON**

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

WHEREAS, an application has been submitted to the Agency by Housing Vermont (the "Sponsor") on behalf of two (2) to be formed limited partnerships in which the Sponsor or its subsidiaries will be general partners (the "Borrowers") involving the construction of two (2) buildings containing twenty-four (24) units each (the "Bond Building" and the "Allocated Building" respectively) for a total of forty-eight (48) units of rental housing in the City of South Burlington (the "Development"); and

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

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

WHEREAS, the limited partnerships are expected to qualify as housing sponsors within the meaning of the Vermont Housing Finance Agency Act (the "Act"); and

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid, dated May 10, 2001, containing information and recommendations about the Development (the "Memorandum");

THEREFORE, it is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income.
2. The acquisition and construction costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.
3. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and moderate income are able to afford within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of the residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families.
4. The housing sponsor undertaking the Development will increase the supply of well-planned, well-designed permanent, temporary, transitional or emergency housing for persons and families of low and moderate income.

5. The security value of the Development will equal at least the amount of the Agency's loan.
6. The Sponsor is financially responsible and is a qualified housing sponsor within the meaning of the Act. The Borrowers will be required to qualify as housing sponsors within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to each of the limited partnerships to be created by Housing Vermont and Lake Champlain Housing Development Corporation for the construction and permanent term financing of the Development based on the recommendations in the attached Memorandum. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the Sponsor in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.
2. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designees may, in his or her discretion, issue one or more Commitment Letters for a mortgage loan to each of the limited partnerships to be created by Housing Vermont and Lake Champlain Housing Development Corporation for the construction and permanent term financing of the Development based on the recommendations in the attached Memorandum. The Commitment Letter may be issued to the Sponsor as a representative of the Borrowers. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.
3. The issuance of the Bonds for the purpose of financing one or more loans to the Borrowers is hereby preliminarily approved, and, pursuant to Section 1:150-2 of the Internal Revenue Code Regulations, the Agency hereby states its intention to reimburse itself from Bond proceeds for any advances of Agency funds prior to the issuance of the Bonds.
4. The preliminary approval described in the preceding paragraph does not obligate the Agency to give final approval for the issuance of said Bonds. Final approval of the issuance of the Bonds can only be authorized by independent action, which may contain such conditions thereto as the Agency may deem appropriate. The Agency in its absolute discretion may refuse to finally authorize the issuance of the Bonds and shall not be liable to the Sponsor, the Borrowers or any other person for its refusal to do so.
5. The Executive Director and the Loan Review Committee will establish the final sources and amounts of the loans for each of the Bond Building and the Allocated Building respectively, and such conditions and terms that are appropriate for the Development in accordance with all requirements of the Act, and the applicable regulations and policies of the Agency, including the Underwriting Guidelines.

*I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Barre, Vermont, on May 17, 2001.*

A handwritten signature in cursive script, reading "Sarah E. Carpenter", written over a horizontal line.

**Sarah E. Carpenter**

*Executive Director and Secretary  
Vermont Housing Finance Agency*

**AMENDED RESOLUTION RE: COMBINED LETTER OF INTEREST AND  
COMMITMENT LETTER FOR WESTGATE APARTMENTS, BRATTLEBORO**

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

WHEREAS, a proposal has been presented to the Agency by Housing Vermont (the "Sponsor") on behalf of one or more to-be-formed limited partnerships for the permanent term financing of the acquisition and rehabilitation of ninety-eight (98) unit family rental project in seventeen (17) buildings located on Westgate Drive in the Town of Brattleboro (the "Development: and

WHEREAS, the Development has been the subject of a previous resolution of the Board in August 2000 which remains in effect subject to the changes authorized in this resolution; and

WHEREAS, a change in the collateral security for the permanent term financing has become necessary since the Board last considered the Development; and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Joe Erdelyi, dated May 10, 2001, containing information and recommendations about the Development (the "Memorandum");

WHEREFORE, it is hereby RESOLVED:

1. Because of events that have transpired since August, 2000, the Executive Director is authorized, in her discretion, to modify the terms of the Agency's previous approval in accordance with the Underwriting Guidelines, including, but not limited to,

- a) to change the source, amount and amortization of any of the loans from tax-exempt bond proceeds and taxable bond proceeds; and
- b) to structure the collateral security of the VHFA loans to correspond to the loans to be made on the entire project rather than a portion of the project.

2. The Board's August 2000 resolution is reaffirmed to the extent its terms are not inconsistent with the terms of this resolution.

*I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Barre, Vermont, on May 17, 2001.*

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



## Vermont Housing Finance Agency

Board Meeting  
Vermont Housing Finance Agency  
164 Saint Paul Street  
Burlington, Vermont

Tuesday, July 24, 2001 at 10:00 a.m.  
*Via Conference Call*

Present: Chairperson Randall  
Staff: Ms. Caragher, Mr. Schoenbeck, Ms. Mullikin Drake, Ms. Crady, Mr. Falzone, Mr. Adams,  
Mr. Fairbanks

Via Telephone: Commissioners Canney, Candon (designee of Costle), Douglas, Lafayette  
Other: Ms. Carpenter (VHFA), Mr. Amsden (Kutak Rock), Ms. Adams (Kutak Rock)

### Single Family Bond Financing

Chairperson Randall called the meeting to order at 10:05 a.m. Mr. Schoenbeck briefly reviewed the proposed single-family bond financing and related memos and documents provided Commissioners. VHFA is in need of funds for the single-family mortgages. VHFA have note maturities in September that carry approximately \$35 million in volume cap to be used for bond/note issuance. This financing will provide VHFA with approximately \$31 million of single-family mortgage proceeds.

Mr. Schoenbeck reported that the rates are looking very good as of Friday, July 20<sup>th</sup> with the standard program at 6.5% (with 0 points) and the cash assistance program at 6.95% (with 0 points). Mr. Schoenbeck added that VHFA expects to carry bond insurance to ensure that VHFA receives an AAA rating. Mr. Amsden added that he would like to make an amendment to the resolution that indicates that the notes will be subject to the maturity terms in the Series Certificate.

After a brief discussion, Mr. Douglas made a motion to approve the Nineteenth Supplemental Single Family Housing Bond Resolution with Mr. Amsden's amendment. The motion carried unanimously after being seconded by Mr. Candon.

### Private Activity Bond Volume Cap

Next, Ms. Mullikin-Drake discussed the allocation of 2001 private activity bond volume cap. There is approximately \$37 million remaining in unallocated 2001 private activity bond volume cap. VHFA is seeking approval to allocate \$26 million of the \$37 million for single-family bond issues, which would carry VHFA through 2001. Ms. Carpenter noted that the remaining \$11 million would remain unallocated for VHFA to use during 2001 for anything in the pipeline.

Ms. Lafayette asked how this year's allocation compares to previous years allocations. Mr. Schoenbeck indicated that this year's allocations are not much different than previous years. Multifamily has produced



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more activity than usual this year, which is why its allocation was slightly higher. Mr. Douglas made a motion to approve the "Resolution Re: Allocation of 2001 Private Activity Bond Volume Cap Allocation." The motion carried unanimously after being seconded by Ms. Canney.

### Multi-Family Bond Financing

Mr. Schoenbeck updated the Board on the multi-family bond financing. Fannie Mae has agreed to purchase \$13 million of bonds to fund projects already approved by the Board. Approximately \$7 million are short-term bonds to provide construction financing for 5 projects. The remaining \$6 million are longer bonds providing financing to 6 projects.

Mr. Schoenbeck noted that the universal resolution that the Board adopted back in March gave VHFA staff the authority to use \$15 million for multi-family financings. Although the entire \$15 million has not been entirely used, Mr. Schoenbeck anticipates that it won't be long before staff will present the Board with another universal resolution for multi-family financings.

### University of Vermont Financing

Mr. Schoenbeck indicated that the University of Vermont (UVM) has approached VHFA and asked if VHFA would consider being a conduit issuer of bonds to finance their student housing project. Ms. Mullikin-Drake indicated that VHFA staff had a conference call meeting with the developer of the student housing project to get more information about this project. The structure that the developer is proposing is a structure that has been used around the country. The developer noted that UVM would create a new 501c 3 corporation and then this corporation would have a conduit issuer who would issue the bonds to finance the housing. At this time, the project amount needed for the student housing is estimated at \$22 million. UVM is also looking to add more parking, which would be an additional \$15 million. Ms. Mullikin-Drake indicated that VHFA probably would not be interested in the parking piece of the financing.

Mr. Schoenbeck stated that if VHFA did finance the project, VHFA would receive an annual fee of approximately \$50,000. Ms. Carpenter indicated that staff had spoken to the other bond issuers in Vermont to see if they were interested in this project. Mr. Rode (Municipal Bond Bank) felt that the Bond Bank couldn't get involved with the financing unless there was a change made to their statute. VEDA indicated that they were interested and would like to receive more information. VHFA advised VEDA to contact the UVM developer for that information and also suggested that they pursue the \$15 million parking expansion piece, as it is more in line with what they do. *{Mr. Candon left the meeting at this time, which still left a quorum for the remainder of the meeting}.*

Some Board members expressed their interest in seeing VHFA diversify and develop a relationship with UVM to encourage more housing in the Burlington area. The Board had some questions about the reason UVM wants to have a conduit issuer, but advised VHFA staff to continue talking with UVM about possible financing for their student housing project. Ms. Mullikin-Drake indicated that staff would let the developer know that VHFA is still interested in the project, and would pursue discussions. VHFA has not made a commitment to finance the project at this time.

### Templeton

Mr. Adams stated that towards the end of June, VHFA received a complete report from Dave Anderson regarding the Templeton project. In his report, Mr. Anderson indicated that he feels good about the foundations that are on the site, and noted that the current foundations could essentially be used if new units

are rebuilt (all except for one area). Ms. Carpenter indicated that after reviewing the report, a 26 - 28 unit project could be accommodated on the property. At this time, staff would like direction from the Board on how to tell VSHA to proceed.

It was suggested that we discuss Templeton in August when all of the Board members are present. Ms. Carpenter indicated that because the already scheduled August Board meeting on the 16<sup>th</sup> falls on the Battle of Bennington Day, that some members would like to reschedule. Chairperson Randall suggested a new meeting date of August 23<sup>rd</sup> at 8:30 a.m. The Board members that were present agreed with the new date and time. Chairperson Randall asked Ms. Caragher to email the Board with the new date of August 23<sup>rd</sup> and a starting time of 8:30 a.m. in Burlington.

With a Board meeting now scheduled in August, it was agreed that the Templeton discussion would be tabled until then.

Ms. Carpenter sadly announced that Ms. Caragher would be leaving VHFA on August 3<sup>rd</sup> to join Husky Molding Injections Inc. as their HR Coordinator. The Board wished Ms. Caragher well and noted she would be missed.

With no further business, Mr. Douglas made a motion to adjourn at 11:00 a.m. The motion carried unanimously after being seconded by Ms. Lafayette.

Sincerely,

A handwritten signature in black ink, appearing to read "Sarah E. Carpenter". The signature is fluid and cursive, with the first name "Sarah" being more prominent.

Sarah E. Carpenter  
Executive Director and Secretary





**Vermont Housing Finance Agency**

**MEMORANDUM**

**TO: VHFA BOARD OF COMMISSIONERS**  
**FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE**  
**DATE: JULY 20, 2001**  
**RE: SINGLE FAMILY BOND FINANCING**

As we discussed at the last Board meeting, we will shortly need funds for single family mortgages and we are coming up to a note maturity date in early September that avails us of about \$35 million in volume cap for bond/note issuance. Our current single family bonding schedule assumed an August 16<sup>th</sup> Board meeting for sale approval which may not take place as scheduled and we are therefore seeking approval for the financing on the conference call scheduled for Tuesday. We are providing you (by separate email) a draft copy of the Preliminary Official Statement (P.O.S.) and a draft copy of the Nineteenth Supplemental Single Family Housing Bond Resolution (Series Resolution). The Series Resolution is the document which lists the parameters under which the Bonds can be sold. We expect that the other normal documents connected with this contract including bond insurance reimbursement provisions and purchase contracts will be substantially the same as the Series 14 bonds. The provisions in Section 2.01 mandate the limits of the financing, i.e. a bond financing of \$35 million and note financing not exceeding \$35 million. Section 2.05 requires a yield calculation that would result in a no point mortgage rate of no more than 7.50%, and bonds maturing no later than May 1, 2034. The Series Resolution also authorizes entering into the purchase contract with the Underwriters (section 2.05) and authorizes the Reimbursement Agreement terms and conditions with the bond insurer.

This financing will provide us with about \$31 million of mortgage proceeds. The current projected rate on the Series 14 mortgage funds is a "standard" mortgage at 6.50% and a cash assistance option mortgage at 6.95% with no points. We expect to obtain bond insurance, which will increase our rating to AAA. The suggestion by PaineWebber of extending the note terms was a critical component of helping keep the mortgage rates at the low levels projected.

An analysis of the projected transaction prepared by Al Hans and associates of U.S. Bancorp Piper Jaffray is also being faxed with this memo.

**Recommended Action**

Approval of the Nineteenth Supplemental Single Family Housing Bond Resolution.



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## MEMORANDUM

**DATE:** July 20, 2001  
**TO:** Vermont Housing Finance Agency  
**FROM:** U.S. Bancorp Piper Jaffray  
**RE:** Pre-Sale Report  
\$32,500,000 Single Family Housing Bonds, Series 15A (AMT)  
\$16,500,000 Single Family Housing Notes, Series 15B (AMT)  
\$16,500,000 Single Family Housing Notes, Series 15C (AMT)

### Introduction

The Agency is being asked to approve a series resolution for the sale of its Single Family Housing Bonds Series 15A, and Single Family Housing Notes Series 15B and 15C. Proceeds from the Series 15A Bonds will be disbursed to fund qualified mortgage loans, the debt service reserve fund, and to pay for the cost of issuance. Proceeds from the Series 15B and 15C Notes will be invested into investment agreements that will be used for the redemption of these notes on their respective maturity dates. The Agency expects to refund these notes into long-term, fixed-rate bonds in the future to provide funds for the mortgage loan program. The preliminary sources and uses of funds for this issue are shown below.

Principal Amount of Bonds	\$32,500,000
Principal Amount of Notes	33,000,000
Premium for Downpayment Assistance Program	<u>210,000</u>
Total Sources of Funds	\$65,710,000
Program Account for Mortgage Loans	\$30,845,000
Program Account for Downpayment Assistance	210,000
Program Account for Note Proceeds	33,000,000
Debt Service Reserve Fund	1,105,000
Cost of Issuance	175,000
Underwriter's Discount	<u>375,000</u>
Total Uses of Funds	\$65,710,000

### Structure

The bond/note structure is similar to the Agency's Series 14 issue with the following changes. The downpayment assistance funded from the premium PAC bond will be reduced from \$458,030 to \$210,000 based upon the Agency's demand to date for downpayment assistance loans. The second change is that the note maturities have been extended by six and twelve months based upon the Agency's need for funds in future years. The structure reduces the maximum allowable interest rate on the mortgage loan by approximately 35 basis points in comparison to a stand-alone bond issue. The Agency's cost of providing this additional mortgage subsidy to homebuyers and of issuing the notes is approximately equal to retainable net investment earnings from the note issue. As a result, the Agency is able to offer a more competitive mortgage loan rate at no additional cost. The structure also provides a method of preserving the Agency's bonding authority.

### Mortgage

Funds expected to be available for mortgage loans totals \$30,845,000. This consists of \$18,845,000 available for the regular program, \$7,000,000 available for the downpayment assistance program, \$3,000,000 available for the one step rate program, and \$2,000,000 for the three step rate program at the rates shown in the table below. The expected maximum allowable interest rates, which include an additional 25 basis points for expected loan losses, are shown in the chart below. The 25 basis points for projected loan losses is permitted, but not required to be included in the loan rate. Although the Agency prefers to take the full spread on most of its issues, the establishment of the final loan rate will take into account conventional rates.

Loan Type	Origination Fee and Discount Points	Mortgage Loan Rate
Fixed Rate	0	6.50%
DPA Rate	0 (3 pts. to buyer for downpayment)	6.95%
One Step Rate (4 <sup>th</sup> year)	0	5.75/6.75%
Three Step Rate (annual)	0	5.25%/5.75%/6.25%/6.75 %

### Market Conditions

There has been substantial new issue activity in the municipal market place and specifically for single family housing bonds. Thirty year, AMT single family housing bonds are currently at 5.50% to 5.55%. Expected interest rates in today's market are approximately ten basis points lower than the Series 14 sale that was sold in April.

Reinvestment rates for the mortgage loan program account have decreased significantly as a result of the rate reductions by the Federal Reserve. Current short-term investment

rates are about 3.75%. The Agency's blended bond yield is expected to be about 5.00%, resulting in negative arbitrage of 1.25%. The bond/note structure has already reduced the negative arbitrage by 0.35%. The Agency's financing team will be looking at additional methods to reduce negative arbitrage. A step rate coupon on the PAC bond may be able to provide additional relief.

Summary

The proposed bond structure with today's interest rate levels will result in full-spread loan rates slightly lower than the Agency's current program rates. The bond/note structure will help minimize negative arbitrage while providing a lower mortgage rate. The utilization of a PAC bond continues to have strong demand from buyers. It is an effective way to reduce interest rates and provide funds for downpayment assistance loans. Evensen Dodge recommends that the Agency proceed with the proposed bond issue.



**Vermont Housing Finance Agency**

**MEMORANDUM**

**TO: VHFA BOARD OF COMMISSIONERS**

**FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE**

**DATE: JULY 20, 2001**

**RE: MULTI-FAMILY BOND FINANCING**

We have successfully completed negotiations with Fannie Mae on the sale of approximately \$13 million of bonds to fund project previously approved by the Board. About \$7 million will be 12-18 month bonds providing construction financing for Maple Tree Place, Green Mountain Seminary, Baldwin Block, Lime Kiln and Westgate. Longer bonds are providing permanent funding for Maple Tree Place, Lime Kiln, Westgate, Jeffersonville, Lake Champlain Apartments and Hillside Mobile Home Park. The bonding approval was granted in March when the Board approved the \$15 million global Resolution for multi-family financing. We have been providing interim financing on a number of these projects pending the sale. Fannie Mae was very accommodating in pricing this financing and Piper Jaffray (our financial advisor) came up with a saving idea that broke a stalemate with Standard and Poor's for rating the short bonds. We will be able to provide long term rates of 7% or less and taxable rates of 8.5% based on the prices obtained from Fannie Mae. They also bought the short bonds at 4% for a year and 4.5% for 18 months. Issuing these bonds under the Multi-family Mortgage Bond Resolution provides the AA rating necessary for Fannie Mae to purchase the bonds.

Piper Jaffray is including an analysis of this sale under separate cover, which will also be faxed to you. Please call me if you have any questions on this transaction.

**Recommended Action**

None required.



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**Vermont Housing Finance Agency**

**MEMORANDUM**

**TO:** VHFA Board of Commissioners  
**FR:** Dave Adams  
**RE:** Templeton Court Apartments – Foundations Update  
Dave Anderson Report  
**DT:** July 19, 2001

Recently we received the report from David Anderson giving us his opinion on the engineering work and the structural integrity of the foundations at Templeton Court. Dave's opinion is based on a review of engineering reports provided by Stevens & Associates who are registered, professional engineers, in the State of Vermont and located in Brattleboro. Dave has had several meetings with the staff at the VSHA and the Engineers at the project site. A copy of his letter, dated June 21<sup>st</sup> and the report from Robert K. Stevens, P.E. are attached for your information.

Dave indicates that with the exception of the east end of building #3, all foundations are adequate to support the proposed reconstruction. The questionable foundation for building #3 is a moot point, since that portion of the building will be demolished and not rebuilt to create open space and drainage in that area of the project. The other two buildings are built entirely on ledge which is reported to be stable. The foundations show no signs of movement or stress cracks over their 25 year history.

Drainage will be an issue that will require some combination of raising the height of the foundation walls, along with removal of ledge in several areas. Dave felt that these solutions were achievable leaving the question of cost and financial feasibility still to be answered.

We had asked Dave to render an opinion on the number of units the site could sustain, given the need to solve the drainage issues, create additional open space, and retain adequate parking. Dave was not specific in his response but felt that 28 units would be the maximum the project could support. He also felt that reducing the project to something less than 26 units is not necessary, from a site mitigation standpoint.

The ultimate number of units we decide on must balance the need to minimize the loss of financial resources with the need to cure the overall stigma and quality of life for the current residents. The project as it currently exists is comprised of 36 units and 120 bedrooms. The most recent proposal received from VSHA reduces the number of units to 28 but cut the number of bedrooms dramatically to 64.

In July of 2000, VSHA commissioned a report for the purpose of developing a proposal that was intended to resolve both the financial and social issues in Templeton. The report was the effort of Neil Husher of Vermont Architects Collaborative (architectural and design issues), Jeff Kantor (financial viability) and Kathryn Chaffee (social and community aspects). Interviews were conducted with the project residents, community groups, and social services agencies among others. The first 25 pages of this report define the scope of the report, summarize the physical and social issues and offers extensive



recommendations. The essence of this report concluded two major things: First that the project needed major redevelopment to cure the physical issues, and secondly, that most of the other problems in one way or another were related to the extremely high density and the number of children. The most critical recommendations from this report were as follows:

- Reduction in the number of units from 36 to 26.
- Strong on-site management.
- Increased security.
- Greater resident involvement in the decision-making process.
- Improved coordination of the Social Services.
- Cure project maintenance issues through complete redevelopment of the site.
- Increase the amount of safe and observable recreational areas.

The proposal we received from VSHA appears to encompass all of the recommendations in one form or another. I will be happy to provide a copy of the July report if any of you would like to look through it.

It would be my recommendation based on the input from Dave Anderson and the report noted above that the correct number of units in the project lies somewhere from 26 to 28 units. In the proposals that VSHA has submitted, the only difference between 26 and 28 units is two, single bedroom flat style units. I am not sure that these additional units will make or break the social issues. There is no change in the overall building dimensions for either proposal. Bedrooms are reduced dramatically in either scenario from 120 bedrooms to either 62 or 64 units respectively. I don't think it would be a tremendous hardship to design both proposals given their similarity in overall building design, and to have Jeff Kantor provide a financial analysis of both.

The next steps would be for VSHA to start the design process. Dave Anderson will be retained by VHFA to be closely involved with the design, review progress drawings and keep an eye on potential options and construction costs.

**Board Action:**

The staff is recommending that VSHA proceed to the feasibility and design phase of the project using up to 28 units. We are asking the Board's concurrence with this recommendation. The staff will come back to the Board once the project redevelopment cost and financial feasibility have been established.

# DAVID M. ANDERSON

- ◆ Project Management
- ◆ Construction Consulting

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Office (802) 763-7768  
Fax (802) 763-2829

June 21, 2001

Mr. David Adams  
Vermont Housing Finance Agency  
P.O. Box 408  
Burlington, VT 05402-0408

**RE: Templeton Court; Foundation review**

Dear David:

On Wednesday, June 20, 2001, I met with Mike Momaney from VSA, and Bob Stevens from Stevens & associates, PC, the Civil Engineer, at the site in White River Junction. The purpose of the meeting was to review the attached report, Stevens's structural assessment of the foundations at Templeton Court.

We reviewed the report's findings and then walked the exterior perimeter of each foundation. Bob did not have a copy of the earlier SVE report, which reported, based on their investigation the east end of Building #3 was constructed on fill of questionable bearing capacity. Mike will send a copy to Bob and he will review and amend his report if required. The point is moot since the proposed plan demolishes this section of Building #3 and the balance of the building foundations are constructed on ledge,

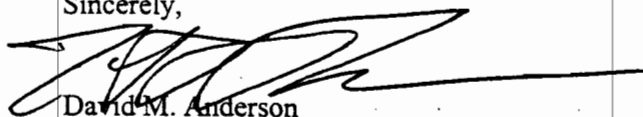
The other two buildings are built entirely on ledge. The ledge in this case as defined by Stevens is of good quality and appears to be very stable. As evidence, the foundations have had a minimum of cracks over their 25+ years of life. The cracks that are evident are minimal and explainable by normal events and not lack of structural stability. The only area of concern is the east end of #3 and as we said, that condition is moot. Ledge is a very good bearing material for foundations because it has great capacity and is generally stable.

The issue is drainage. Water is the enemy of any foundation and especially if it is shallow and subject to frost action. The drainage can be made to work at each building. Some combination of raising the buildings and removing ledge will have to be accomplished in order to produce a drainage system that adequately protects the foundations.

The next step, if approved, should be to form a design team of Stevens and the Architect to start a design process for the site. If such a process is authorized I have indicated that I would like to have the opportunity to review the progress drawings to keep an eye on potential options and costs.

If you have any questions or require additional information, please free to call me.

Sincerely,



David M. Anderson

CC: Joe Erdelyi





# STEVENS & ASSOCIATES, P.C.

*Consulting in the Design & Development of Livable Communities*

ENGINEERS LANDSCAPE ARCHITECTS PLANNERS SURVEYORS

June 5, 2001

Mike Momaney  
Housing Foundation, Inc.  
One Prospect St.  
Montpelier, VT 05601

Re: Perimeter Foundation Assessment  
Templeton Court  
Project #1-035

Dear Mike:

On May 30, 2001, Stevens & Associates, P.C. conducted a structural assessment of the perimeter foundations at Templeton Court in White River Jct., VT. The preliminary assessment was conducted to determine their serviceability for re-use and to address concerns regarding frost heaves and slippage where foundations rest on bedrock at or near grade. A previous assessment of the entire building was conducted in December of 1997.

The perimeter foundations consist of a 24 inches wide, 12 inches deep footing with 12" reinforced wall, ranging from 6 inches to 6 feet in height. The walls support continuous loads from the exterior framed walls with brick veneer on most of the elevations. The assessment consisted of a visual review for line, grade, lateral movement, and distress. A discussion of considerations for building on bedrock and how they apply to this building is also included.

## *Summary*

In our opinion, based on conditions observed, the perimeter foundations are in good condition and are suitable for proposed continued use. Surface grading problems need to be addressed and perimeter drains installed. If buildings are reconstructed, the foundation walls should be extended and the buildings raised where necessary to affect proper surface drainage.

### *Findings*

The line, grade, lateral movement, and distress was visually reviewed on the interior and exterior of the perimeter foundations, except for a small area in the southeast corner of Building #1 where the crawl space was inaccessible. Foundations observed were generally plumb and straight. No stress cracks were observed in the concrete walls or brick veneer above. No evidence of efflorescence, erosion, degradation, or freeze/thaw damage was observed. Two small areas of de-lamination due to reinforcement corrosion were observed; one was interior in Building #2, and the second on the exterior of Building #3. One vertical crack in the brick veneer at an interior corner of Building #2 was observed, however no corresponding evidence of settlement was observed in the foundation. Foundation walls do have several vertical shrinkage cracks, generally hairline in width with no widening or lateral displacement.

Three areas of walls less than 24 inches in total height were observed. A 25foot section on Building #3 on the south elevation, approximately 12 inches high with 10 inches of earth cover on the outside. At this location, the ledge face continues upward at the exterior and it is an area of poor surface drainage.

A 25' long section, approximately 24" high overall, sits at the top of a sloped ledge face on Building #1. The sloped ledge face is not observable above grade outside indicating it does not continue through or beyond the footing.

At the southeast corner of Building #1 approximately 30 lineal feet of footing is exposed at the outside and framing starts 6 inches to 8 inches above bedrock. Although difficult to observe, none of these areas showed significant lateral movement or visual signs of distress. This shallow section on Building #3 may have slight lateral movement.

### *Conclusions & Recommendations*

When assessing an existing building, the best indication of how a structure will perform is the measure of its past performance. That is not to say if building new you would construct the building in the same manner. Often in design, we balance the magnitude of failure and incomplete knowledge of subsurface conditions with the relative cost of increasing the safety factors.

In this case, the perimeter foundation is in extremely good condition. The two areas of reinforcement corrosion are due to lack of adequate cover, the brick veneer crack can be attributed to normal differential movements and the lack of any expansion

joints in the brick veneer. The vertical cracks in the foundation walls are shrinkage cracks due to curing and are always present unless construction joints are provided.

Issues of sliding, frost heaves, and bedrock integrity are considerations when building on bedrock, particularly with shallow footing depths.

Sliding on a sloping rock face can occur with an inclined face combined with lateral forces due to earth pressure or earthquakes. The sliding is resisted by the concrete to bedrock friction, which is a function of the building weight and surface texture of the rock.

Although the bearing surface of the bedrock at this site is not observable, the slopes on either side, and the geometry of the footings exposed, do not indicate an excessive inclined face. The lateral earth loads are negligible on the shallow footings and the exposed ledge face indicates some interlocking texture.

Lateral earthquake loads will be resisted by the floor diaphragm and opposing foundation backfill. The relatively light loads, ability of the foundation to bridge small deficiencies, significant frictional resistance, and lack of any historical indication sliding failure indicates the structure has an adequate factor of safety against sliding. Additional safety factors could be provided by coring through the footing into ledge and pinning the two together with grouted reinforcing.

Frost heaving occurs due to water in pore spaces freezing, causing a volume expansion of approximately 10%. Significant heaving occurs with the formation of ice lenses. The lenses grow in thickness due to capillary migration of water in frost-susceptible soils close to the water table. Upon the melting of the lenses, the soil structure is destabilized and settlement occurs.

In this situation, a thin layer of water between the bedrock face and footing undoubtedly freezes at the shallow footing locations. This volumetric change in itself is not enough to cause a problem, as confirmed by a lack of historical distress in the structure. Without the pore space distribution of frost-susceptible soil, there is no mechanism of water migration to feed a frost lens. The source of water is most likely surface water due to poor grading. With temperatures below freezing, the source freezes and no additional water migrates.

There is one condition in which freezing of water in the foundation backfill can exert a lateral pressure on the footing. The shallow foundation location at Building #3 forms a notch against the exposed ledge face. There may have been some lateral

June 5, 2001

Page 4 of 4

movement of the wall at this location. Only a few inches of wall are visible and this misalignment, if any, is slight. This can easily be addressed with the provision of a

foundation drain. This portion of Building #3 should have the foundation raised in order to construct proper surface grading and provide cover for foundation drainage.

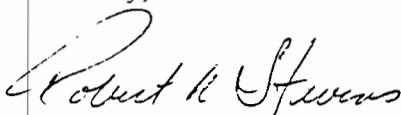
The final consideration in building on bedrock is the rock's integrity. With the exception of a few rock types, the strength of bedrock will be greater than the strength of the concrete. This is not the case if the bedrock is badly fractured or in a loose state where slippage or frost weathering can occur.

The bedrock observed at this site appears to be metamorphic and high quality. There were no indications of severe fractures, weathering, or loose fragments, either in crawl spaces or exposed outside. A quantitative measurement, or rock quality designation (RQD), can be obtained by core-sampling the rock. The historical use of this site and conditions observed should provide sufficient evidence of rock quality.

In summary, the perimeter foundations at Templeton Court are in good condition, and that is the best indication of their serviceability for future use. Some minor repairs are needed, and the walls should be extended/rebuilt where necessary to correct grading. Concerns about founding on bedrock do not appear to be issues on this site. Additional precautions could be taken by pinning the footings and taking core samples. The surface and subsurface drainage are the principal causes of stress to the walls and the historical distress to this structure.

Please call if you have any questions.

Sincerely,



Robert K. Stevens, P.E.



**RESOLUTION RE: ALLOCATION OF  
2001 PRIVATE ACTIVITY BOND  
VOLUME CAP ALLOCATION**

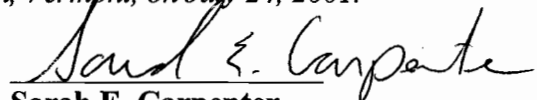
WHEREAS, the Vermont Housing Finance Agency (the "Agency") has been allocated \$77,750,000 in 2001 private activity bond volume cap by the State of Vermont Emergency Board ("2001 Allocation"); and

WHEREAS, the Agency has allocated \$40 million of the 2001 Allocation and desires to elect to utilize another \$26 million dollars of the 2001 Allocation for qualified mortgage bonds and mortgage credit certificates;

NOW, THEREFORE, IT IS HEREBY RESOLVED:

1. The Agency elects to allocate \$26 million of its 2001 Allocation pursuant to Section 146 of the Internal Revenue Code of 1986 as amended for the purposes of issuing qualified mortgage bonds or mortgage credit certificates.

*I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held by conference call at Burlington, Vermont, on July 24, 2001.*



**Sarah E. Carpenter**

*Executive Director and Secretary  
Vermont Housing Finance Agency*



## MEMORANDUM

**DATE:** July 20, 2001

**TO:** Vermont Housing Finance Agency

**FROM:** U.S. Bancorp Piper Jaffray

**RE:** Post Sale Report  
\$3,060,000 Multi-Family Mortgage Bonds, 2001 Series A (AMT)  
\$1,015,000 Multi-Family Mortgage Bonds, 2001 Series B (Non-AMT)  
\$1,730,000 Multi-Family Mortgage Bonds, 2001 Series C (Taxable)  
\$5,400,000 Multi-Family Mortgage Bonds, 2001 Series D-1 (AMT)  
\$1,700,000 Multi-Family Mortgage Bonds, 2001 Series D-2 (AMT)

### Introduction

The pricing of the bonds with Fannie Mae occurred on Friday, July 20, 2001 and the issue is scheduled to close on Thursday, July 26, 2001.

Proceeds from the 2001 Series A-D Bonds will be disbursed to fund mortgage loans for nine projects, to fund the debt service reserve fund, and to pay for cost of issuance. The sources and uses of funds for this issue are shown below.

Principal Amount of Bonds	\$12,905,000
Excess DSRF – Existing Bond Issues	28,354
Total Sources of Funds	\$12,933,354
Program Account for Mortgage Loans	\$11,860,195
Debt Service Reserve Fund	998,159
Cost of Issuance	75,000
Total Uses of Funds	\$12,933,354

### Structure

Each series of bonds are structured as one term bond with sinking fund payments to accommodate the private placement of bonds with Fannie Mae. The sinking fund payments have been structured based upon the expected loan payments on each of the components of the project's loan, except for the Series D bonds as described below. The bonds were priced based upon the average life of each series.

### Interest Rates Bonds

Bond Series	Maturity Date	Average Life	Interest Rate
A	8/15/32	18.5 years	5.50%
B	8/15/31	16.9 years	5.40%
C	8/15/32	16.8 years	7.27%
D-1	8/15/31	18.5 years	3.85%/5.50%
D-2	8/15/31	18.5 years	4.20%/5.50%

Series A is subject to alternative minimum tax and its interest rate is based upon recent bond issues of other state housing finance agencies. Series B is not subject to alternative minimum tax and is 0.10% lower than the AMT interest rate due to the difference in tax status. Series C is taxable and is priced based upon the FNMA MBS market that is currently at a 170-175 basis point spread to thirty-year governments.

Series D-1 and Series D-2 bonds will fund loans that are expected to make payment in full by either August 15, 2002 or February 15, 2003. The bonds have been structured as long term bonds in order to decrease the debt service reserve fund requirement and in order to maintain the Aa3/AA- credit ratings. The initial interest rate of 3.85% on the D-1 bonds changes to 5.50% on August 15, 2002. The initial interest rate of 4.20% on the D-2 bonds changes to 5.50% on February 15, 2003. This step rate bond provides the Agency with a lower interest rate during the time the loans and bonds are expected to be outstanding and provides Fannie Mae a higher rate if the bonds are not redeemed as expected.

Arkansas was the only multifamily sale during the past couple of weeks. It was rated AAA, totaled \$5.3 million, and has interest rates of 5.65% in 2033 and 5.55% in 2021. Single family bond issues rated AAA during the past two weeks had interest rates in 2033 of 5.50% to 5.55%. The Agency's rates compare very favorably to these bond issues considering the Agency's lower credit ratings and the perceived riskier nature of multifamily lending.

### Mortgage

Series A loans have an interest rate of 6.95% that results in a 1.46% interest rate spread. Series B loans have an interest rate of 6.90% that results in a 1.49% interest rate spread. Series C loans have interest rates of between 7.75% to 8.50% that results in a 1.01% spread. Series D loan have interest rates of 4.00% and 4.50% that results in a 1.31% interest rate spread. The average interest rate spread on the total bond issue is 1.28%.

### Summary

In a reflection of the mortgage loans that it is financing, the bond structure is complex and has a lot of different types of bonds. Fannie Mae provided good one-stop shopping to meet all of the Agency's needs. The interest rates are competitive and transaction costs have been minimized for this smaller multifamily bond issue. The Agency continues to maintain its Aa3/AA- credit ratings as it grows the size of its multifamily portfolio.

**VERMONT HOUSING FINANCE AGENCY**

**NINETEENTH SUPPLEMENTAL SINGLE FAMILY HOUSING  
BOND RESOLUTION**

Adopted July 24, 2001



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### EXHIBIT A VERMONT HOUSING FINANCE AGENCY SINGLE FAMILY HOUSING BONDS

# NINETEENTH SUPPLEMENTAL SINGLE FAMILY HOUSING BOND RESOLUTION

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

## ARTICLE I

### DEFINITIONS AND AUTHORITY

**Section 1.01. Short Title.** This resolution is hereinafter sometimes referred to as the “Nineteenth Supplemental Resolution.”

**Section 1.02. Definitions and Interpretation.**

(a) Except as provided in Paragraph (B) of this Section, all terms used herein shall have the same meanings as are given such terms in Section 101 of the Resolution.

(b) In this Nineteenth Supplemental Resolution unless a different meaning clearly appears from the context:

“*Adjusted Interest Rate*” means the rate or rates of interest to be borne by all Adjusted Rate Bonds subsequent to the Adjustment Date as determined pursuant to Section 2.03(a)(iv) hereof.

“*Adjusted Rate Bonds*” means all Series 15A Tender Bonds on which the interest rate has been adjusted to the Adjusted Interest Rate on the Adjustment Date and any Series 15A Bonds authenticated and delivered under the Resolution thereafter upon transfer of, or in exchange or substitution for, any such Bonds.

“*Adjustment Date*” means the Business Day, if any, not later than the last Business Day of the Adjustment Option Period, on which the interest rate on the Series 15A Tender Bonds is adjusted to the Adjusted Interest Rate as determined in accordance with Section 2.03(a)(ii) hereof.

“*Adjustment Option Period*” means the period set forth in the Series Certificate during which the Agency may exercise its right to cause the mandatory tender of Series 15A Bonds in accordance with Section 2.03 hereof.

“*Adjustment Rating Certificate*” means (i) a certificate of an Authorized Officer to the effect that the Agency has notified each Nationally Recognized Credit Rating Agency then maintaining a credit rating on any Bonds Outstanding that the interest rate on the Series 15A Tender Bonds will be adjusted to the Adjusted Interest Rate on the Adjustment Date and has furnished each such Nationally Recognized Credit Rating Agency with a Remarketing Projection of Revenues satisfying the requirements of Section 2.03(a)(vi) hereof, accompanied by (ii) a letter from each such Nationally Recognized Credit Rating Agency (or

other evidence satisfactory to the Trustee) confirming that adjustment of the interest rate on the Series 15A Tender Bonds will not cause such Nationally Recognized Credit Rating Agency to change the unenhanced credit ratings then assigned by it to any Bonds Outstanding.

*“Arbitrage Projection Certificate”* means a certificate of an Authorized Officer setting forth the Agency’s reasonable expectations that adjustment of the interest rate on the Series 15A Tender Bonds on the Adjustment Date to the Adjusted Interest Rate and the purchase thereafter of Loans at a certain specified rate or rates with proceeds allocable to the Adjusted Rate Bonds will not cause the Series 15 Obligations to be “arbitrage bonds” within the meaning of Section 143(g) or Section 148(a) of the Code, accompanied by an opinion of Bond Counsel to the effect that the adjustment of the interest rate on the Series 15A Tender Bonds on the Adjustment Date will not adversely affect the excludability of interest on the Series 15 Obligations from the gross income of the holders thereof for federal income tax purposes and that no matters have come to the attention of such counsel which make unreasonable or incorrect the representations made in such certificate.

*“Authenticating Agent”* with respect to all Series 15 Obligations, means the Trustee.

*“Beneficial Owner”* means the person or entity that is considered to be the beneficial owner of any Series 15 Obligation pursuant to the arrangements for book entry determination of ownership applicable to the Bond Depository.

*“Bond Counsel”* means Kutak Rock LLP, or any successor firm of attorneys or such other firm of nationally recognized bond attorneys designated by the Agency.

*“Bond Depository”* means The Depository Trust Company, and its successors and any replacement depository appointed pursuant to Section 2.02 hereof.

*“Bond Insurer”* means the provider of municipal bond insurance with respect to the Series 15A Bonds, as shall be set forth in the Series Certificate.

*“Bond Year”* means the twelve month period beginning on each April 1 and ending on the following March 31; provided that the initial Bond Year shall commence on the date of issuance of the Series 15 Obligations and end on March 31, 2002.

*“Business Day”* means any calendar day other than a Saturday, a Sunday or a day on which banks in Burlington, Vermont or New York, New York, are authorized or required to be closed.

*“Calculation Date”* means the date, if any, on which the Adjusted Interest Rate is determined, which date shall be any Business Day selected by the

Remarketing Agent with the approval of the Agency not earlier than 15 days prior to the Adjustment Date and not later than seven days prior to the Adjustment Date.

“*Code*” means the Internal Revenue Code of 1986, as amended, and all Treasury Regulations thereunder to the extent applicable to the Series 15 Obligations.

“*Loan Loss*” means the amount, certified to the Trustee by an Authorized Officer, of any loss realized by the Agency upon the default on a Loan held under the Resolution for the account of the Series 15A Bonds, which amount shall not exceed the sum of (i) the unpaid principal balance of the Loan at the date of the default, (ii) the amount of accumulated delinquent interest due on the Loan (excluding late charges and penalty interest), and (iii) the amount of advances made by or for the account of the Agency with respect to such Loan for regularly scheduled payments of principal and interest in arrears, hazard insurance premiums, property taxes, property protection and preservation expenses and foreclosure costs, less the sum of (iv) the amount of all rents, sale proceeds, foreclosure proceeds, insurance settlements, self-insurance proceeds (other than Loan Loss Claim Fund Withdrawals) and other payments (excluding proceeds of fire and extended coverage insurance) collected or received by the Agency from or on account of such Loan and the property securing the same, (v) the amount of cash remaining in any escrow account maintained for such Loan, (vi) the amount paid under any fire and extended coverage policy which is in excess of the amount applied to the restoration of the property or the payment of the Loan and (vii) the amount of any Loan Loss on account of such Loan previously paid from amounts on deposit in the Series 15 Loan Loss Claim Fund.

“*Loan Loss Claim Fund Withdrawals*” means amounts withdrawn from the Series 15 Loan Loss Claim Fund pursuant to Section 3.06(b) hereof on account of a Loan Loss.

“*Municipal Bond Insurance Policy*” means the municipal bond insurance policy issued by the Bond Insurer insuring the scheduled payment when due of the principal of and interest on the Series 15A Bonds as provided therein.

“*Municipal Bond Insurance Policy Premium*” means the premium payable to the Bond Insurer with respect to the Municipal Bond Insurance Policy, payable at the times and in the amount set forth in the Series Certificate. Such Municipal Bond Insurance Policy Premium shall be deemed a Program Expense for all purposes under the Resolution.

“*Notice Date*” means the Business Day which is 30 days prior to the Adjustment Date.

*“Official Statement”* means the Official Statement of the Agency describing the Series 15 Obligations, dated the date of execution of the Purchase Contracts.

*“Participant”* means securities brokers or dealers, banks, trust companies, clearing corporations and various other entities, some of whom and/or their representatives own the Bond Depository.

*“Principal Amount”* for purposes of Section 204(B) of the Resolution and at any date of computation, means, with respect to any Series 15 Obligation, the stated principal amount thereof.

*“Pro-Forma Adjusted Interest Rate”* shall have the meaning given such term in Section 2.03(a)(i) hereof.

*“Pro-Forma Tender Bonds”* shall have the meaning given such term in Section 2.03(a)(i) hereof.

*“Purchase Contracts”* means, collectively, the Series 15 Bond Purchase Contract and the Series 15 Note Purchase Contract.

*“Record Date”* with respect to the payment of interest on a Series 15 Obligation, means the fifteenth day of the month next preceding the date on which interest is to be paid on such Series 15 Obligation or, if such fifteenth day is not a Business Day, the next preceding Business Day; provided that, with respect to overdue interest or interest payable on a Series 15 Obligation other than on an Interest Payment Date or interest on any overdue amount, the Trustee may establish a special record date, which date shall be not more than twenty Business Days before the date set for payment; and provided further that the Trustee shall give notice of a special record date by mailing a copy of such notice to the Holders of all Series 15 Obligations Outstanding to which such special record date is applicable in the manner provided in Section 801 of the Resolution at least ten days before the special record date or in such other time and manner as the Trustee may deem appropriate.

*“Remarketing Agent”* means, collectively, UBS PaineWebber Inc., Salomon Smith Barney Inc. and A.G. Edwards & Sons, Inc. or any other investment banking firm, financial institution or other entity at the time acting in the capacity of Remarketing Agent under the Remarketing Agreement.

*“Remarketing Agreement”* means the Remarketing Agreement executed in connection with the remarketing of Series 15A Tender Bonds, in such form as shall be approved by the Agency prior to the Adjustment Date.

*“Remarketing Projection of Revenues”* means a Projection of Revenues satisfying the requirements of Section 2.03(a)(vi) hereof calculated on the assumption that the Adjusted Rate Bonds will bear interest at the Adjusted

Interest Rate and will mature on the dates determined in accordance with Section 2.03(a)(v) hereof.

*“Representation Letter”* means, with respect to the Series 15 Obligations held in book-entry only form with the Bond Depository, the Blanket Letter of Representations of the Agency dated April 4, 1995.

*“Resolution”* means the resolution of the Agency adopted September 20, 1990, entitled “Single Family Housing Bond Resolution.”

*“Series Certificate”* means the Series Certificate of the Chair or Vice Chairman and Executive Director of the Agency dated on or before the date of issuance of the Series 15 Obligations which Series Certificate shall establish certain terms of the Series 15 Obligations as provided herein.

*“Series 14 Bonds”* means the \$31,635,000 aggregate principal amount of the Agency’s Single Family Housing Bonds, Series 14A issued on April 26, 2001.

*“Series 14 Notes”* means, collectively, the \$17,500,000 aggregate principal amount of the Agency’s Single Family Housing Notes, Series 14B and the \$17,500,000 aggregate principal amount of the Agency’s Single Family Housing Notes, Series 14C issued on April 26, 2001.

*“Series 15A Bonds”* means the Series 15A Bonds of the Agency authorized by this Nineteenth Supplemental Resolution.

*“Series 15A Bond Purchase Contract”* means the Purchase Contract by and among the Agency, the Underwriters named therein and the direct institutional purchaser of the Series 15A Bonds, if any, providing for the terms and conditions of the sale of the Series 15A Bonds in substantially the form of the Bond Purchase Contract executed in connection with the Agency’s Series 14 Bonds.

*“Series 15 Bond Reserve Requirement”* means an amount with respect to the Series 15 Obligations at least equal to the lesser of (i) 50% of the maximum amount of Debt Service payable on all Series 15A Bonds Outstanding in the current or any subsequent Fiscal Year and (ii) 10% of the original net proceeds of the Series 15A Bonds.

*“Series 15 Contingency Account”* means the account in the Redemption Fund so designated and created pursuant to Section 3.01(e) hereof.

*“Series 15 Contingency Account Deposits”* means the Series 15 Contingency Account Surety Bond, cash or any one or more of the following to the extent its deposit in the Series 15 Contingency Account will not adversely affect the then current unenhanced ratings, if any, assigned to the Bonds by each Nationally Recognized Credit Rating Agency then maintaining a credit rating on the Bonds: (i) irrevocable and unexpired letters of credit issued by banking

institutions, (ii) irrevocable policies of insurance in full force and effect issued by insurers, (iii) irrevocable guarantees by banks, bank holding companies, insurance companies or surety companies or (iv) any other similar security or source thereof; in any case deposited or held under the Resolution for the credit of the Series 15 Contingency Account.

*“Series 15 Contingency Account Surety Bond”* means the irrevocable surety bond issued by Financial Security Assurance Inc. to be held for the credit of the Series 15 Contingency Account and any extension thereof or substitute surety bond therefor deposited with the Trustee pursuant to Section 3.02(c) thereof.

*“Series 15 Contingency Account Deposit Provider”* means the Bond Insurer as provider of the Series 15 Contingency Account Surety Bond, and, if applicable, the provider of any other Series 15 Contingency Account Deposit.

*“Series 15 Cost of Issuance Account”* means the account in the Program Fund so designated and created by Section 3.01(c) hereof.

*“Series 15 Funded Loan Loss Claim Fund Requirement”* means, at any date of computation, an amount equal to the Series 15 Loan Loss Claim Fund Requirement less the stated and unpaid amounts, if any, of all Series 15 Loan Loss Claim Fund Deposits in full force and effect held for the account of the Series 15 Loan Loss Claim Fund.

*“Series 15 Loan Loss Claim Fund”* means the fund so designated and created pursuant to Section 3.01(a) hereof.

*“Series 15 Loan Loss Claim Fund Deposit Provider”* means the Bond Insurer as provider of the Series 15 Loan Loss Claim Fund Surety Bond, and, if applicable, the provider of any other Series 15 Loan Loss Claim Fund Deposit.

*“Series 15 Loan Loss Claim Fund Deposits”* means the Series 15 Loan Loss Claim Fund Surety Bond, cash or any one or more of the following to the extent its deposit in the Series 15 Loan Loss Claim Fund will not adversely affect the then current unenhanced ratings, if any, assigned to the Bonds by each Nationally Recognized Credit Rating Agency then maintaining a credit rating on the Bonds: (i) irrevocable and unexpired letters of credit issued by banking institutions, (ii) irrevocable policies of insurance in full force and effect issued by insurers, (iii) irrevocable guarantees by banks, bank holding companies, insurance companies or surety companies or (iv) any other similar security or source thereof; in any case deposited or held under the Resolution for the credit of the Series 15 Loan Loss Claim Fund and providing for the payment of sums available to pay Loan Loss Claim Fund Withdrawals.

*“Series 15 Loan Loss Claim Fund Requirement”* means, as of any date of computation, (i) an amount at least equal to (A) one and eighty-five hundredths percent (1.85%) of the sum of (1) the aggregate unpaid principal amount of all



Loans purchased under the Resolution from amounts on deposit in the Series 15A Program Account plus (2) the aggregate amount, if any, then held in the Series 15A Program Account which may be applied to the purchase of such Loans, less (B) the aggregate amount of all Loan Loss Claim Fund Withdrawals that have been theretofore made from the Series 15 Loan Loss Claim Fund, or (ii) such lesser amount as each Nationally Recognized Credit Rating Agency confirms to the Agency will not adversely affect the unenhanced credit ratings then assigned to any Bonds Outstanding.

*“Series 15 Loan Loss Claim Fund Surety Bond”* means the irrevocable surety bond issued by the Bond Insurer to be held for the credit of the Series 15 Loan Loss Claim Fund and any extension thereof or substitute surety bond deposited with the Trustee pursuant to Section 3.02(b) hereof.

*“Series 15 Notes”* means the Series 15B Notes and the Series 15C Notes of the Agency authorized by this Nineteenth Supplemental Resolution.

*“Series 15 Note Purchase Contract”* means the Purchase Contract by and between the Agency and UBS PaineWebber Inc. providing for the terms and conditions of the sale of the Series 15 Notes in substantially the form of the Note Purchase Contract executed in connection with the issuance by the Agency of its Series 14 Notes.

*“Series 15 Obligations”* means, collectively, the Series 15A Bonds, the Series 15B Notes and the Series 15C Notes.

*“Series 15 Rebate Account”* means the account in the Rebate Fund so designated and created pursuant to Section 3.01(f) hereof.

*“Series 15 Rebate Requirement”* with respect to the Series 15 Obligations, means an amount equal to the cumulative net sum calculated and determined from time to time in accordance with the requirements of Section 148(f) of the Code that must be paid to the United States pursuant to Section 3.05 hereof.

*“Series 15 Reimbursement Agreements”* means, as applicable, (i) the agreement by and between the Agency and the Series 15 Loan Loss Claim Fund Deposit Provider in connection with the Series 15 Loan Loss Claim Fund Deposit and (ii) the agreement by and between the Agency and the Series 15 Contingency Account Deposit Provider in connection with the Series 15 Contingency Account Deposit, and, in each case, as such agreement or agreements may be amended from time to time in accordance therewith.

*“Series 15A Tender Bonds”* means the Series 15A Bonds selected in accordance with Section 2.03(A)(3) hereof for mandatory tender on the Adjustment Date and exchange for or remarketing as Adjusted Rate Bonds.

*“Series 15A Tender Bonds Proceeds Subaccount”* means the Series 15A Program Account — Tender Bonds Proceeds Subaccount established pursuant to Section 3.01(b) hereof.

*“Series 15A Program Account”* means the Series 15A Program Account established pursuant to Section 3.01(b) hereof.

*“Series 15B Program Account”* means the Series 15B Program Account established pursuant to Section 3.01(b) hereof.

*“Series 15C Program Account”* means the Series 15C Program Account established pursuant to Section 3.01(b) hereof.

*“Trustee”* means The Howard Bank, N.A., Burlington, Vermont, or its successor in trust under the Resolution.

*“Underwriters”* means, collectively, UBS PaineWebber Inc., Salomon Smith Barney and A.G. Edwards & Sons, Inc., as underwriters of the Series 15A Bonds and UBS PaineWebber Inc. as underwriter of the Series 15 Notes.

*“Yield”* means the yield on the Series 15 Obligations or the yield on any Loan or any other investment held under the Resolution and allocable to the Series 15 Obligations calculated as required by Sections 148(h) and 143(g) of the Code.

(c) Unless a different meaning clearly appears from the context, for all purposes of the Resolution and this Nineteenth Supplemental Resolution, the term “Interest Payment Date” shall mean (i) with respect to the Series 15A Bonds, May 1 and November 1 of each year commencing on May 1, 2002, any redemption date of any Series 15A Bonds and any other date on which interest on the Series 15A Bonds is required or permitted by the Resolution to be paid and (ii) with respect to the Series 15 Notes, May 1 and November 1 of each year commencing on May 1, 2002 and on the maturity date thereof.

**Section 1.03. Authority.** This Nineteenth Supplemental Resolution supplements the Resolution and is adopted pursuant to Section 701 of the Resolution and in accordance with the Act.

## ARTICLE II

### AUTHORIZATION OF SERIES 15 OBLIGATIONS

#### **Section 2.01. Series 15 Obligations; Authorization; Purpose; Findings.**

(a) The Agency hereby authorizes the issuance of one Series of Bonds to be designated “Single Family Housing Bonds, Series 15A” in an aggregate Principal Amount not to exceed \$35,000,000. In addition, the Agency hereby authorizes the issuance of two Series of Notes to be designated “Single Family Housing Notes, Series

15B” and “Single Family Housing Notes, Series 15C” in aggregate Principal Amounts not to exceed \$17,500,000 and \$17,500,000, respectively. The Agency hereby determines (i) that the original aggregate Principal Amount of the Series 15 Obligations is necessary to provide sufficient funds to be used and expended for the Program, (ii) that Loans made on behalf of the Agency with moneys allocable to the Series 15 Obligations can be issued bearing rates of interest which will be less than the prevailing rate of interest on comparable loans available in the State of Vermont without the assistance of the Agency and (iii) that the Agency will derive receipts, revenues or other income from the Loans purchased with moneys allocable to the Series 15 Obligations as provided herein and from the investment of the proceeds of the Series 15 Notes sufficient to provide, together with all other available receipts, revenues and income of the Agency, for the payment of the Series 15 Obligations and the payment of all costs and expenses incurred by the Agency with respect to the Program for which the Series 15 Obligations are being issued. For purposes of Section 204(B) of the Resolution, all Series 15 Obligations shall be issued as “Fixed-Rate Bonds” as described in Section 203(B) of the Resolution and all Series 15A Bonds shall be issued as “Tender Bonds” as described in Section 203(D) of the Resolution.

(b) The Series 15A Bonds are being issued to provide funds for the refunding of certain outstanding obligations of the Agency and to make deposits in one or more of the Series 15A Program Account, the Series 15 Cost of Issuance Account, the Series 15 Capitalized Interest Account, the Debt Service Fund and the Bond Reserve Fund, subject to the limitations and provisions provided in Article V of the Resolution. The Series 15 Notes are being issued to provide funds for the refunding of certain outstanding obligations of the Agency and to make deposits in the Series 15B Program Account and the Series 15C Program Account. The amounts of the deposits described in this paragraph (b) shall be as set forth in the Series Certificate.

(c) Subject to Section 2.02 hereof, all Series 15 Obligations shall be issued only in the form of fully registered bonds each in the denomination of \$5,000 or any whole multiple thereof and shall be lettered and numbered separately from one consecutively upward in order of maturity preceded by the letters “RA”, “RB” or “RC”, as applicable, and with such further or alternate designation as the Trustee shall determine with the approval of the Agency.

(d) The Series 15A Bonds shall be dated August 1, 2001. The Series 15A Bonds shall bear interest from the May 1 or November 1 to which interest has been paid or duly provided for next preceding their date of authentication or, if no interest has been paid, from August 1, 2001, or if the date of authentication of any Series 15A Bond is subsequent to the Record Date for any interest payment and on or prior to the Interest Payment Date therefor and if interest is paid on such Interest Payment Date, from such Interest Payment Date. Interest on each Series 15A Bond shall be payable on May 1, 2002 and semi-annually thereafter on May 1 and November 1 of each year and on the maturity date thereof. Subject to Section 2.03 hereof, the Series 15A Bonds shall mature on the dates and in the Principal Amounts and shall bear interest at the rates set forth in the Series Certificate; provided, however, that in no event shall the Yield on the Series 15A Bonds exceed a Yield which would result in an interest rate on the zero point

Mortgage Loans to be financed with the proceeds of the Series 15A Bonds in excess of 7.50% per annum nor may the final maturity date of the Series 15A Bonds be later than May 1, 2034.

(e) The Series 15 Notes shall be dated the date of their initial authentication and delivery. The Series 15 Notes shall bear interest from the May 1 or November 1 to which interest has been paid or duly provided for next preceding their date of authentication or, if no interest has been paid, from the date of their initial authentication and delivery, or if the date of authentication of any Series 15 Note is subsequent to the Record Date for any interest payment and on or prior to the Interest Payment Date therefor and if interest is paid on such Interest Payment Date, from such Interest Payment Date. Interest on the Series 15 Notes shall be payable on May 1, 2002 and semiannually thereafter on May 1 and November 1 of each year and on the maturity date thereof. The Series 15 Notes shall mature on the dates and in the Principal Amounts and shall bear interest at the rates set forth in the Series Certificate; provided, however, that in no event shall either Series of the Series 15 Notes mature later than August 1, 2004.

(f) The Principal Amount and Redemption Price of the Series 15 Obligations shall be payable at the Principal Office of the Trustee. Interest on the Series 15 Obligations shall be payable solely by check or draft drawn upon the Trustee, bearing on its face or by attached notation the CUSIP number of the Series 15 Obligation on account of which such payment is made, mailed to the address of the registered owner thereof as it appears on the registry books of the Agency, determined as of the close of business on the applicable Record Date. The Principal Amount or Redemption Price of and interest on the Series 15 Obligations shall also be payable at any other place which may be provided for such payment by the appointment of any other Paying Agent or Paying Agents as permitted by the Resolution. Notwithstanding anything in the Resolution or this Paragraph (f) to the contrary, if at any time the Series 15 Obligations are not restricted to being registered in the registry books of the Agency in the name of Cede & Co., as nominee of the Bond Depository, as provided in Section 2.02 hereof, the Principal Amount and Redemption Price of and interest on the Series 15 Obligations of any registered owner of Series 15 Obligations of \$1,000,000 or more in Principal Amount shall be payable, at the option of such registered owner expressed in a written notice delivered to the Trustee, in immediately available funds by wire transfer to the account of such registered owner on file with the Trustee. Each such wire transfer shall bear a notation of the CUSIP number of the Series 15 Obligations on account of which such payment is made.

(g) Pursuant to Section 305(C) of the Resolution, the Agency in its sole discretion may charge for every exchange or transfer of a Series 15 Obligation a fee sufficient to reimburse the Agency for the cost of preparing each new Series 15 Obligation delivered upon such exchange or transfer and for any other expenses of the Agency or the Trustee incurred in connection therewith (in addition to any applicable tax, fee or other governmental charge other than one imposed by the Agency), which fee shall be paid by the person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer.

**Section 2.02. Book Entry System.** Notwithstanding the foregoing provisions of Section 2.01 hereof and anything in Article III of the Resolution to the contrary:

(a) The Series 15 Obligations shall be initially issued in the form of a single separate fully registered bond for each Series and maturity of the Series 15 Obligations in the amount of such maturity. Upon initial issuance, the ownership of the Series 15 Obligations shall be registered in the registry books of the Agency kept by the Trustee in the name of Cede & Co., as nominee of the Bond Depository. With respect to Series 15 Obligations registered in the registry books kept by the Trustee in the name of Cede & Co., as nominee of the Bond Depository, the Agency and the Trustee shall have no responsibility or obligation to any Participant or to any Beneficial Owner of the Series 15 Obligations. Without limiting the immediately preceding sentence, the Agency and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Bond Depository, Cede & Co. or any Participant with respect to any ownership interest in the Series 15 Obligations, (ii) the delivery to any Participant, any Beneficial Owner or any other person, other than the Bond Depository, of any notice with respect to the Series 15 Obligations, including any notice of redemption, or (iii) the payment to any Participant, any Beneficial Owner or any other person, other than the Bond Depository, of any amount with respect to the Principal Amount or Redemption Price of, or interest on, the Series 15 Obligations. The Trustee shall pay the Principal Amount or Redemption Price of, and interest on, the Series 15 Obligations only to or upon the order of the Bond Depository, and all such payments shall be valid and effective to fully satisfy and discharge the Agency's obligations with respect to the Principal Amount or Redemption Price of, and interest on, the Series 15 Obligations to the extent of the sum or sums so paid. No person other than the Bond Depository shall receive an authenticated Series 15 Obligation evidencing the obligation of the Agency to make payments of Principal Amount or Redemption Price of, and interest pursuant to the Resolution. Upon delivery by the Bond Depository to the Trustee of written notice to the effect that the Bond Depository has determined to substitute a new nominee in place of Cede & Co., the words "Cede & Co." in this Nineteenth Supplemental Resolution shall refer to such new nominee of the Bond Depository.

(b) Upon receipt by the Agency and the Trustee of written notice from the Bond Depository to the effect that the Bond Depository is unable or unwilling to discharge its responsibilities and no substitute depository willing to undertake the functions of the Bond Depository hereunder can be found which is able to undertake such functions upon reasonable and customary terms, then the Series 15 Obligations shall no longer be restricted to being registered in the registry books of the Agency kept by the Trustee in the name of Cede & Co., as nominee of the Bond Depository, but may be registered in whatever name or names the owners transferring or exchanging Series 15 Obligations shall designate, in accordance with the provisions of the Resolution.

(c) In the event the Agency determines that Beneficial Owners should be able to obtain certificates for the Series 15 Obligations, the Agency shall notify the Bond Depository and the Trustee of the availability of such certificates. In such event, the Trustee shall issue, transfer and exchange certificates as requested by the Bond Depository (or, pursuant to Section 2.02(b) hereof, any other owner of Series 15

Obligations) in appropriate amounts, and, whenever the Bond Depository requests the Agency and the Trustee to do so, the Trustee and the Agency will cooperate with the Bond Depository in taking appropriate action after reasonable notice (i) to transfer the certificates to any Participant having Series 15 Obligations credited to its Bond Depository account or (ii) to arrange for another securities depository to maintain custody of certificates evidencing the Series 15 Obligations.

(d) Notwithstanding any other provision of this Nineteenth Supplemental Resolution to the contrary, so long as any Series 15 Obligation is registered in the name of Cede & Co., as nominee of the Bond Depository, all payments with respect to the Principal Amount or Redemption Price of, and interest on, such Bond and all notices with respect to such Bond shall be made and given, respectively, to or on the order of the Bond Depository as provided in the Representation Letter.

### **Section 2.03. Adjusted Rate Bonds.**

(a) The Series 15A Bonds are issued subject to the provision that all or part of such Bonds may be called for mandatory tender on the Adjustment Date and exchanged for or remarketed as an equal Principal Amount of Series 15A Bonds bearing interest at the Adjusted Interest Rate determined in accordance with this Section 2.03.

(i) If at any time and from time to time during the Adjustment Option Period (but not less than 40 days prior to the end of the Adjustment Option Period) any amount attributable to the Series 15A Bonds remains on deposit in the Series 15A Program Account and the Agency has determined (A) that the rate of interest to be borne by Loans allocable to Series 15A Bonds bearing interest at the rates set forth in the Series Certificate either (1) exceeds that rate which the Agency reasonably determines is the maximum rate which eligible Borrowers can then afford or (2) exceeds the maximum rate at which Mortgage Lenders are willing, in the judgment of the Agency, to commit to sell Loans for the Agency or (B) that Loans made by or on behalf of the Agency, directly or indirectly, with the proceeds of Series 15A Bonds bearing interest at the rates set forth in the Series Certificate cannot be issued bearing a rate or rates of interest which is less than the prevailing rate of interest on comparable loans available in the State without the assistance of the Agency, the Agency may deliver to such Remarketing Agent a certificate of an Authorized Officer directing the Remarketing Agent to determine and certify to the Agency a Pro-Forma Adjusted Interest Rate as of a date (the "Certification Date") specified in such Certificate (which date shall be not less than two Business Days after the date of such certificate). The certificate of an Authorized Officer shall also specify a Principal Amount of Series 15A Bonds (not in excess of the amount then on deposit in the Series 15A Program Account and in a multiple of \$5,000) for which the Pro-Forma Adjusted Interest Rate shall be determined (hereinafter referred to as the "Pro-Forma Tender Bonds"). On the Certification Date, the Remarketing Agent shall determine and certify to the Agency and the Trustee the Pro-Forma Adjusted Interest Rate with respect to the Pro-Forma Tender Bonds. The Pro-Forma Adjusted Interest Rate shall be the lowest rate or rates which, in the Remarketing Agent's judgment on



the basis of prevailing market conditions, would permit the resale of the Pro-Forma Tender Bonds at par plus accrued interest, if any, on the Certification Date.

(ii) If on or after any Certification Date (A) the Agency determines that the yield (calculated as of the Certification Date) on the Pro-Forma Tender Bonds bearing interest at the Pro-Forma Adjusted Interest Rate is at least 1/2 of 1% lower than the yield on the Series 15A Bonds (calculated as of the original date of authentication and delivery of the Series 15A Bonds) and (B) the Agency determines that the rate of interest to be borne by Loans allocable to proceeds of Series 15A Bonds bearing interest at the Pro-Forma Adjusted Interest Rate does not exceed that rate which the Agency reasonably determines is the maximum rate which eligible Borrowers can afford and does not exceed the maximum rate which is allowable under Section 143(g) or Section 148(a) of the Code without causing the Series 15A Bonds to become "arbitrage bonds" within the meaning of Section 143(g) or Section 148(a) of the Code and (C) the Agency determines that Loans made by or on behalf of the Agency, directly or indirectly, with proceeds allocable to Series 15A Bonds bearing interest at the Pro-Forma Adjusted Interest Rate can be issued bearing a rate or rates of interest which will be less than the prevailing rate of interest on comparable loans available in the State without the assistance of the Agency and (D) the Agency determines that the rate of interest on such Loans will be sufficient, together with all other Revenues and other funds available for the purpose, to pay in the current and each subsequent Fiscal Year Aggregate Debt Service when due and all Program Expenses (on the assumption that the Pro-Forma Tender Bonds will bear interest at the Pro-Forma Adjusted Interest Rate subsequent to the Certification Date), the Agency may elect in a certificate of an Authorized Officer delivered to the Trustee and the Remarketing Agent to call a Principal Amount of Series 15A Bonds (not in excess of the Principal Amount of Pro-Forma Tender Bonds) for mandatory tender on the Adjustment Date and exchange for or remarketing as Adjusted Rate Bonds. The certificate of an Authorized Officer delivered to the Trustee shall also specify the Adjustment Date after which the Adjusted Rate Bonds shall bear interest at the Adjusted Interest Rate, which Adjustment Date, in the sole discretion of the Agency, shall be any date within the Adjustment Option Period not less than 33 days after the date such certificate is delivered to the Trustee.

(iii) If the Agency shall have elected to call a Principal Amount of Series 15A Bonds for tender on the Adjustment Date and exchange for or remarketing as Adjusted Rate Bonds as provided in Paragraph (ii) of this Section 2.03, the Trustee shall select the Outstanding Series 15A Bonds (hereinafter referred to as "Series 15A Tender Bonds") to be tendered (in aggregate Principal Amount equal to the Principal Amount of Series 15A Bonds specified by the Agency pursuant to Paragraph (a)(ii) of this Section 2.03). If less than all Series 15A Bonds are to be tendered, Series 15A Bonds of each maturity Outstanding shall be called for tender, as nearly as practicable, in accordance with the ratio which the aggregate Principal Amount of Series 15A Bonds of each maturity Outstanding bears to the aggregate Principal Amount of all Series 15A

Bonds of all maturities Outstanding. If less than all Series 15A Bonds of any particular maturity are to be tendered, the Trustee shall select by lot the Series 15A Bonds within such maturity to be tendered. Not later than the Notice Date, notice of tender shall be given by the Trustee, in the name of the Agency, by first-class registered mail to all Holders of Series 15A Tender Bonds at their addresses appearing on the registration books of the Agency maintained by the Trustee (or at such other address as may have been provided to the Trustee for such purpose). A copy of such notice shall be furnished by the Agency on or before the Notice Date to each Nationally Recognized Credit Rating Agency then maintaining a rating on any Bonds Outstanding. In addition to the purposes provided in this Section 2.03, the notice of tender shall also constitute a notice of redemption of the Series 15A Tender Bonds on the Adjustment Date in whole or in part pursuant to Section 2.04(d) and Section 3.03(c) to the extent the conditions provided in Paragraphs (a)(iv) or (vii) of this Section 2.03 shall occur. Each such notice shall state in effect:

(A) the Principal Amount of Series 15A Tender Bonds owned by such Holder and the bond numbers and maturity dates thereof;

(B) the calendar date on which the Adjustment Date will occur and that, unless the conditions provided in Paragraph (iv) or Paragraph (vii) of this Section 2.03(a) shall occur, Series 15A Tender Bonds of such Holder will be exchanged for and either redelivered to such Holder or remarketed as Adjusted Rate Bonds on the Adjustment Date, in either case bearing the same maturity dates as the Series 15A Tender Bonds for which they were exchanged;

(C) that the Holders of Series 15A Tender Bonds will no longer be entitled to receive interest on such Bonds after the Adjustment Date, except in the case of Series 15A Tender Bonds retained as provided in Section 2.03(b)(iii) hereof and not purchased (in which case such Bonds shall, from and after the Adjustment Date, bear interest at the Adjusted Interest Rate);

(D) that each Series 15A Tender Bond shall be purchased on the Adjustment Date unless the Bondholder directs the Agency and the Trustee not to purchase all or any specified portion of such Holder's Series 15A Tender Bonds (which portion shall not be less than \$5,000 and shall be in whole multiples of \$5,000 in Principal Amount) upon compliance by such Bondholder with the provisions of clause (iii) of Section 2.03(b);

(E) the date by which a Holder making the election described in Section 2.03(b)(iii) hereof must notify the Trustee of such election and the address and facsimile number to which a Holder making the election may deliver notice of such election;



(F) that if the Series 15A Tender Bonds had been exchanged for Adjusted Rate Bonds on the Certification Date, they would have borne interest thereafter at the Pro-Forma Adjusted Interest Rate and that the actual Adjusted Interest Rate will be determined on the Calculation Date (describing the dates on which the Calculation Date may occur and the method by which the actual Adjusted Interest Rate will be determined);

(G) that, whether or not each Bondholder elects to direct the Agency and the Trustee not to purchase any or all of such Bondholder's Series 15A Tender Bonds in accordance with Section 2.03(b)(iii), unless such Bonds are registered in the name of the Bond Depository or its nominee, such Bondholder shall deliver such Bond or Bonds to the Trustee no later than 10:30 a.m. (New York City time) on the Adjustment Date duly endorsed in blank for transfer (the Trustee and the Bond Depository may agree as to any procedures to be followed by them with respect to the delivery of Series 15A Tender Bonds); and

(H) that if no adjustment of interest rate takes place as a result of a failure of or inability of the Remarketing Agent to set the Adjusted Interest Rate on the Calculation Date, or otherwise as provided herein, whether or not a Bondholder has elected to direct the Agency or the Trustee not to purchase all or a portion of such Bondholder's Series 15A Tender Bonds, all of such Series 15A Tender Bonds will be subject to mandatory redemption on the Adjustment Date.

(iv) On the Calculation Date the Remarketing Agent shall determine and announce to the Trustee and the Agency, in addition to those matters set forth in Paragraph (v) of this Section 2.03(a), the Adjusted Interest Rate that the Adjusted Rate Bonds of each applicable maturity shall bear as of the Adjustment Date. The Adjusted Interest Rate shall be the interest rate which, in the judgment of the Remarketing Agent, as of the date of such determination and under prevailing market conditions, would permit the resale of the Adjusted Rate Bonds on such date at par plus accrued interest, if any. If the Remarketing Agent shall fail or be unable to set the Adjusted Interest Rate on the Calculation Date, all Series 15A Tender Bonds shall be subject to mandatory redemption on the Adjustment Date. The Remarketing Agent shall announce the Adjusted Interest Rate by telephone to the Trustee and the Agency prior to 12:00 Noon, New York City time, on the Calculation Date, and shall confirm such notice by telex, facsimile or in writing or by wire sent on the same day or by next-day delivery service. Subject to Paragraph (vii) of this Section 2.03(a), as soon as possible after the Calculation Date the Trustee shall notify Bondholders who elected not to have their Series 15A Tender Bonds purchased pursuant to subparagraph (b)(iii) below of the Adjusted Interest Rate applicable to the Adjusted Rate Bonds to be retained by such holders. Following the Calculation Date, but in no event later than the second Business Day prior to the Adjustment Date, the Agency shall also deliver to the Trustee (1) an Arbitrage Projection Certificate, (2) a Remarketing Projection of Revenues satisfying the provisions of Paragraph (vi) of this

Section 2.03(a), (iii) an Adjustment Rating Certificate and (3) a certificate of an Authorized Officer to the effect that the balance on deposit in the Bond Reserve Fund and the Series 15 Loan Loss Claim Fund as of the Adjustment Date will not be less than the Bond Reserve Fund Requirement and the Series 15 Loan Loss Claim Fund Requirement, respectively, calculated as of the Adjustment Date.

(v) On the Certification Date and on the Calculation Date, the Remarketing Agent shall deliver to the Agency and the Trustee a schedule of Principal Installments (including Sinking Fund Installments, if any) of the Pro-Forma Tender Bonds and the Adjusted Rate Bonds, as applicable. The maturity dates of, and schedule of Principal Installments for, the Pro-Forma Tender Bonds and the Adjusted Rate Bonds, as applicable, shall be the same dates and schedule as established pursuant to Sections 2.01 and 2.04(d) hereof for the Series 15A Bonds for which they are to be exchanged, provided that, the Sinking Fund Installments, if any, for the Adjusted Rate Bonds of any maturity shall be the pro-rata proportion of each Sinking Fund Installment established for such maturity by the Remarketing Agent pursuant to Section 2.04(d) hereof determined, as nearly as practicable, in accordance with the ratio which the aggregate Outstanding Principal Amount of Adjusted Rate Bonds of such maturity bears to the aggregate Outstanding Principal Amount of all Series 15A Bonds of such maturity.

(vi) In addition to the requirements of Section 610 of the Resolution, the Remarketing Projection of Revenues delivered in connection with the remarketing of the Adjusted Rate Bonds shall assume the schedule of Principal Installments for the Adjusted Rate Bonds delivered to the Agency on the Calculation Date in accordance with Paragraph (v) of this Section 2.03(a) and shall demonstrate that following such remarketing expected Revenues and other funds available for the purpose will be sufficient to pay in the current and each subsequent Fiscal Year Aggregate Debt Service when due and all Program Expenses or, if not, that the amount of Revenues and other funds available to pay Aggregate Debt Service in the current and each subsequent Fiscal Year on all Bonds Outstanding other than the Series 15A Tender Bonds, and to pay all Program Expenses allocable to such Bonds, will be greater following adjustment of the Series 15A Tender Bonds to Adjusted Rate Bonds than would be the case if the Agency did not remarket the Adjusted Rate Bonds but redeemed the Series 15A Tender Bonds in accordance with Section 2.04(b) hereof. A copy of the Remarketing Projection of Revenues, together with a schedule of Investment Obligations in which the proceeds of the Series 15A Bonds will be invested following the Adjustment Date, shall be furnished by the Agency to each Nationally Recognized Credit Rating Agency then maintaining a rating on the Series 15A Bonds not later than five days prior to the Adjustment Date. In addition to the foregoing requirements, the Remarketing Projection of Revenues shall also take into account the provisions of Section 3.03(c) hereof. No moneys, other than Revenues, and no other amounts, Reserve Deposits or Series 15 Loan Loss Claim Fund Deposits, other than amounts, Reserve Deposits and Series 15 Loan Loss Claim Fund Deposits available therefor on the Adjustment Date for

such Adjusted Rate Bonds in the Funds and Accounts held under the Resolution, and no other Additional Security for the Series 15A Bonds, shall be assumed in such Remarketing Projection of Revenues to be available to pay the Series 15A Bonds unless at or prior to such Adjustment Date the Agency shall have deposited such moneys, Reserve Deposits or Series 15 Loan Loss Claim Fund Deposits in one or more of the Funds or Accounts held under the Resolution, or shall have assigned or delivered such Additional Security to the Trustee, and shall have delivered to the Trustee an opinion of Bond Counsel to the effect that such moneys, Reserve Deposits, Series 15 Loan Loss Claim Fund Deposits or Additional Security have been validly pledged as security for the payment of the Principal Amount and Redemption Price of and interest on the Bonds and that such assignment or delivery will not adversely affect the exclusion from gross income for federal income tax purposes of interest on any Series 15 Obligation Outstanding.

(vii) If on or prior to the second Business Day immediately preceding the Adjustment Date either (A) the Agency shall fail to deliver to the Trustee the Arbitrage Projection Certificate, Adjustment Rating Certificate or Remarketing Projection of Revenues or certificate of an Authorized Officer described in Paragraph (iv) of this Section 2.03(a) or (B) either (1) the Agency shall determine (and certify to the Trustee) that the rate of interest to be borne by Loans to be acquired with the proceeds attributable to the Adjusted Rate Bonds exceeds the rate which the Agency reasonably determines is the maximum rate which eligible Borrowers can afford or (2) the Agency shall have reasonably determined (and shall so certify to the Trustee) that Mortgage Lenders would be unable or unwilling to originate Loans for sale to the Agency at such rate or in a principal amount sufficient to fully apply all proceeds allocable to the Adjusted Rate Bonds as herein provided, or (3) the Agency shall determine that Loans made by or on behalf of the Agency, directly or indirectly, with proceeds attributable to the Adjusted Rate Bonds cannot be issued bearing a rate or rates of interest which will be less than the prevailing rate of interest on comparable loans available in the State without the assistance of the Agency, the Series 15A Tender Bonds (or such portion of the Principal Amount thereof as the Agency shall determine is necessary to satisfy the provisions of this Paragraph (vii)) shall not be exchanged for or remarketed as Adjusted Rate Bonds on the Adjustment Date but shall be redeemed on the Adjustment Date in accordance with Section 2.04(B) hereof.

(b) (i) Subject to Paragraph (b)(iii) of this Section 2.03, all Series 15A Tender Bonds shall be subject to mandatory tender for purchase on the Adjustment Date. Subject to the following sentence, any Series 15A Tender Bond subject to purchase on the Adjustment Date shall be purchased on the Adjustment Date from moneys transferred to the Debt Service Fund pursuant to Section 3.04(c) hereof at a purchase price equal to the Principal Amount thereof (including any initial issue premium paid with respect to the related maturity of the Series 15A Bonds) plus accrued interest, if any, thereon to the Adjustment Date, and without premium. There shall not be purchased from such moneys:

(A) Series 15A Tender Bonds purchased with remarketing proceeds as contemplated by subparagraph (ii) hereof;

(B) Series 15A Tender Bonds with respect to which the Trustee shall have received directions from the Holder thereof in accordance with subparagraph (c) hereof not to purchase the same; or

(C) Series 15A Tender Bonds issued in exchange for or upon the transfer of Series 15A Tender Bonds referred to in the preceding subclauses (A) or (B).

(ii) In lieu of purchase from moneys held in the Debt Service Fund in accordance with Section 3.04(c) hereof, the purchase price of Series 15A Tender Bonds subject to purchase on the Adjustment Date may be paid from the proceeds of sale of the Adjusted Rate Bonds to a person or persons designated by the Remarketing Agent (who may but need not be the Remarketing Agent) at par plus accrued interest, if any. Adjusted Rate Bonds shall be sold to the person or persons designated by the Remarketing Agent if the purchase price in immediately available funds is delivered to the Trustee by 10:30 a.m., New York City time on the Adjustment Date. The Remarketing Agent, acting pursuant to the Remarketing Agreement, shall notify the Trustee in writing no later than the close of business on the third Business Day immediately preceding the Adjustment Date of the identity of the purchasers to whom the Adjusted Rate Bonds shall be remarketed as of the Adjustment Date, the names in which such Bonds are to be registered and addresses and tax identification number of such purchasers and the Principal Amount, denominations, maturity date or dates and interest rate or rates of the Adjusted Rate Bonds which shall be so purchased.

(A) Any Series 15A Tender Bond subject to purchase and not delivered to the corporate trust office of the Trustee (or to a depository previously approved by the Trustee) by 10:30 a.m., New York City time, on the Adjustment Date will be deemed tendered, and an Adjusted Rate Bond may be issued in place thereof and delivered to the purchaser thereof. Any Series 15A Tender Bond deemed tendered and purchased shall not bear interest from and after the Adjustment Date and shall not be entitled to any rights under, or be secured by the pledge of, the Resolution, but shall have only the right to receive the purchase price thereof.

(B) For all Series 15A Tender Bonds purchased as herein provided, the Trustee shall authenticate Adjusted Rate Bonds in the appropriate denominations and maturity and bearing interest at the Adjusted Interest Rate and, after receipt of the purchase price therefor, deliver the same to, and register the same in the name of, such person or persons as shall be designated by the Remarketing Agent. Any Series 15A Tender Bonds presented to the Trustee after the Adjustment Date for payment shall be paid from the aforementioned amounts set aside and shall be cancelled in accordance with Section 308 of the Resolution.

(iii) Any Holder of Series 15A Tender Bonds who has received notice that such Holder's Series 15A Tender Bonds will be exchanged for Adjusted Rate Bonds may direct in writing by mail or by telex or facsimile received by an officer in the Corporate Trust Division of the Trustee no later than 4:00 p.m. (New York City time) on the fifteenth (15th) day prior to the Adjustment Date (or if such day is not a Business Day, on the next succeeding Business Day), as specified in such notice, that all or any specified portion of such Holder's Series 15A Tender Bonds (which portion shall not be less than \$5,000 and shall be in whole multiples of \$5,000 in Principal Amount) not be purchased, provided that, except with respect to Series 15A Tender Bonds registered in the name of the Bond Depository or its nominee, in lieu of purchase, such person agrees to exchange such specified portion of such Series 15A Tender Bonds for an amount of Adjusted Rate Bonds equal in Principal Amount to the Series 15A Tender Bonds tendered for exchange and of the same maturity as the Series 15A Tender Bonds so exchanged. The Trustee and the Bond Depository may agree to other arrangements for evidencing the exchange of Series 15A Tender Bonds for Adjusted Rate Bonds in the case of Series 15A Tender Bonds registered in the name of the Bond Depository or its nominee. The Trustee shall notify the Remarketing Agent and the Agency by 5:00 p.m. (New York City time) on the Fifteenth (15th) day prior to the Adjustment Date (or if such day is not a Business Day, on the next succeeding Business Day) of the aggregate amount of Series 15A Tender Bonds with respect to which notices were so received and the maturity dates thereof.

(iv) Unless otherwise agreed to by the Trustee with respect to Series 15A Tender Bonds registered in the name of the Bond Depository or its nominee, the direction of a Holder of Series 15A Tender Bonds described in subparagraph (iii) of this Section 2.03(b) shall be substantially in the form of Exhibit A hereto and shall state:

(A) the maturity date or dates of the Adjusted Rate Bonds for which the Holder's Series 15A Tender Bonds are to be exchanged and the Principal Amount or Amounts applicable to such maturity date(s) but shall acknowledge that if the conditions described in Section 2.03(a)(iv) or Section 2.03(a)(vii) hereof shall occur, such Holder's Series 15A Tender Bonds shall be subject to mandatory redemption despite direction to the contrary; and

(B) that such person is the owner of the Series 15A Tender Bonds to be exchanged for Adjusted Rate Bonds.

(v) Series 15A Tender Bonds purchased with moneys on deposit in the Debt Service Fund pursuant to Section 2.03(b)(i) hereof shall be cancelled by the Trustee.

(vi) Notwithstanding anything herein to the contrary, the aggregate principal amount of Adjusted Rate Bonds may be in an amount which exceeds the

aggregate principal amount of Series 15A Tender Bonds (which increased amount reflects the unamortized premium paid with respect to any Series 15A Tender Bonds) upon receipt by the Trustee and the Agency of an opinion of Bond Counsel to the effect that the remarketing of the Adjusted Rate Bonds in such amount will not adversely affect the exclusion from gross income for federal income tax purposes of interest on any Series 15 Obligation.

#### **Section 2.04. Redemption Provisions.**

(a) The Series 15A Bonds shall be subject to optional redemption as set forth in the Series Certificate.

(b) All Series 15A Tender Bonds shall be subject to redemption prior to maturity in whole or in part on the Adjustment Date as provided in Section 2.03(a)(iv) and Section 2.03(a)(vii) hereof from moneys deposited in the Special Redemption Account pursuant to Section 3.04(b) hereof at a Redemption Price of par plus accrued interest to the redemption date.

(c) The Series 15A Bonds shall be subject to special redemption as set forth in the Series Certificate upon compliance with the provisions of Section 509 of the Resolution.

(d) If so provided in the Series Certificate, Series 15A Bonds maturing on the dates set forth in the Series Certificate shall be subject to redemption prior to maturity in part on the dates and in the amounts set forth in the Series Certificate through application of Sinking Fund Installments at a Redemption Price equal to the Principal Amount of each Series 15A Bond or portion thereof to be redeemed, plus accrued interest to the redemption date.

(e) Except as otherwise provided herein, notice of redemption of Series 15A Bonds, bearing, in addition to such other information as may be required by Section 405 of the Resolution, the "CUSIP" number of each Series 15A Bond or portion thereof to be redeemed, the date and interest rate of such Bond or portion and the name and telephone number of a representative of the Trustee from whom information regarding such redemption can be obtained, shall be given by mailing a copy of such notice not more than 60 days and not less than 30 days prior to the redemption date to the registered owners of all Series 15A Bonds or portions thereof to be redeemed. Notwithstanding anything herein or in the Resolution to the contrary, notice of redemption of any Series 15A Bonds or portions thereof given to the registered owner of \$1,000,000 or more Principal Amount of Series 15A Bonds Outstanding shall, upon the prior written request of such owner to the Trustee, be mailed by certified mail, return receipt requested. Failure to mail any redemption notice as herein provided with respect to a Series 15A Bond or any defect therein shall not affect the redemption of any other Series 15A Bonds for which the required notice of redemption shall have been given. Not less than two Business Days prior to the giving of any notice of redemption of Series 15A Bonds to the registered owners thereof, the Agency shall also give notice of such redemption to at least two national information services who customarily disseminate information concerning

the redemption of bonds (provided failure to give such notice or any defect therein shall not affect the redemption of such Series 15A Bonds on the redemption date therefor). If any Series 15A Bonds called for redemption as provided herein are not presented for payment within 60 days of the redemption date, the Trustee shall mail an additional notice of the redemption of such Series 15A Bonds to the registered owners thereof, provided failure to mail such notice or any defect therein shall not affect the redemption of such Series 15A Bonds on the redemption date therefor.

(f) The Series 15 Notes shall be subject to redemption prior to maturity as set forth in the Series Certificate.

#### **Section 2.05. Sale of Series 15 Obligations.**

(a) The Series 15 Obligations shall be sold to the Underwriters and any other direct purchasers of the Series 15 Obligations on the terms and conditions, and upon the representations set forth in the related Purchase Contract, which Purchase Contracts are hereby approved, subject to such changes, additions and deletions as may be approved by the Chair, the Executive Director, or any other Authorized Officer and the execution and delivery thereof on behalf of the Agency by the Chair, the Executive Director or any other Authorized Officer of each Purchase Contract is hereby authorized in all respects; provided, however, that in no event shall the Yield on the Series 15A Bonds exceed a Yield which would result in an interest rate on the zero point Mortgage Loans to be financed with the proceeds of the Series 15A Bonds in excess of 7.50% per annum nor may any Series 15 Obligation mature later than May 1, 2034.

(b) The distribution of the preliminary Official Statement in substantially the form presented on the date hereof by the Underwriters is hereby authorized in all respects. The final Official Statement in substantially the form of the preliminary Official Statement, as modified and supplemented to reflect the pricing of the Series 15 Obligations, is hereby approved and the execution and delivery thereof to the Underwriters is hereby authorized in all respects.

(c) The Series 15 Obligations shall be delivered upon compliance with the provisions of Section 204 of the Resolution, at the time and place provided by the related Purchase Contract.

(d) The proceeds of the good faith check received by the Agency under the Purchase Contracts shall be deposited with the Trustee in a special account established by the Agency and invested in Investment Obligations, subject to the terms of the related Purchase Contract.



### ARTICLE III

#### ESTABLISHMENT OF ACCOUNTS AND APPLICATION OF PROCEEDS OF SERIES 15 OBLIGATIONS

##### **Section 3.01. Establishment of Funds and Accounts.**

(a) In accordance with Section 502 of the Resolution, the Series 15 Loan Loss Claim Fund is hereby established to be held by the Trustee. The Series 15 Loan Loss Claim Fund shall be deemed to be Additional Security for the Series 15A Bonds within the meaning and with the effect given by Section 207 of the Resolution, and the Series 15 Loan Loss Claim Fund Surety Bond, Investment Obligations and Series 15 Loan Loss Claim Fund Deposits held in such Fund shall be used for the purposes and as provided in Section 3.06 of this Nineteenth Supplemental Resolution.

(b) There are hereby established in the Program Fund separate accounts designated the "Series 15A Program Account," the "Series 15B Program Account," the "Series 15C Program Account" and the "Series 15A Premium Account" moneys in each of which shall be used for the purposes and as authorized by Section 504 of the Resolution and Section 3.03 of this Nineteenth Supplemental Resolution. There is also hereby established in the Series 15A Program Account a separate subaccount designated the "Series 15A Tender Bonds Proceeds Subaccount," moneys in which shall be used solely for the purposes and as authorized by Section 3.04 hereof. Except as provided in Section 3.04 hereof, amounts on deposit in the Series 15A Tender Bonds Proceeds Subaccount shall be considered for all purposes of the Resolution as on deposit in the Series 15A Program Account.

(c) In accordance with Section 502 of the Resolution, a separate account is hereby established in the Program Fund designated the "Series 15 Cost of Issuance Account," moneys in which shall be used for the purposes and as authorized by Section 505(A) of the Resolution.

(d) In accordance with Section 502 of the Resolution, a separate account is hereby established in the Program Fund designated the "Series 15 Capitalized Interest Account," moneys in which shall be used for the purposes and as authorized by Section 505(B) of the Resolution.

(e) In accordance with Section 502 of the Resolution, a separate account is hereby established in the Redemption Fund to be held by the Trustee designated the "Series 15 Contingency Account," the amounts in which shall be used for the purposes and as authorized by Section 3.05 of this Nineteenth Supplemental Resolution. The Series 15 Contingency Account shall be deemed to be Additional Security for the Series 15A Bonds within the meaning and with the effect given by Section 207 of the Resolution.

(f) There is hereby established in the Rebate Fund a separate account designated the "Series 15 Rebate Account," moneys in which shall be used for the



purposes and as authorized by Section 510 of the Resolution and Section 3.07 of this Nineteenth Supplemental Resolution.

**Section 3.02. Application of Proceeds and Other Moneys.**

(a) Upon the authentication and delivery of the Series 15 Obligations, the proceeds of sale of the Series 15 Obligations shall be deposited by the Trustee as provided in the Series Certificate.

(b) On or before the original delivery date of the Series 15 Obligations, the Agency shall deliver to the Trustee cash, the Series 15 Loan Loss Claim Fund Surety Bond or Series 15 Loan Loss Claim Fund Deposits, in an aggregate stated amount equal to the Series 15 Loan Loss Claim Fund Requirement, to be held by the Trustee for the credit of the Series 15 Loan Loss Claim Fund, as provided in Section 3.06 hereof.

(c) On or before the original delivery date of the Series 15A Bonds, the Agency shall deliver cash, the Series 15 Contingency Account Surety Bond or Series 15 Contingency Account Deposits to the Trustee in the amount provided in the Series Certificate. If a Series 15 Contingency Account Deposit is other than cash, the Series 15 Contingency Account Deposit shall have an initial term of at least five years from its date and shall be held by the Trustee for the credit of the Series 15 Contingency Account.

**Section 3.03. Application of Certain Amounts in Series 15 Program Accounts.**

(a) Notwithstanding anything in the Resolution to the contrary, except as hereinafter provided, amounts deposited in the Series 15A Program Account in accordance with the Series Certificate shall be applied solely to the purchase or making of Mortgage Loans (excluding Mortgage Loans for the construction of Residential Housing) as provided herein and in Section 504 of the Resolution. Amounts deposited in the Series 15A Program Account as provided herein or in the Resolution may be applied by the Agency to the purchase or making of Cooperative Housing Loans, Mortgage Loans for the construction of Residential Housing or Home Improvement Loans provided that at or prior to the purchase or making of any such Loan (i) the Agency shall furnish to each Nationally Recognized Credit Rating Agency the form of purchase agreement, servicing agreement, operations manual and other Program instruments and guidelines pursuant to which such Loans will be purchased or made, and (ii) the Agency shall deliver to the Trustee a letter from each Nationally Recognized Credit Rating Agency (or other evidence satisfactory to the Trustee) to the effect that the purchase or making of such Loans will not cause such agency to lower, suspend or otherwise modify adversely the unenhanced credit ratings then assigned to any Bonds Outstanding. In connection with the purchase of Cooperative Housing Loans, Mortgage Loans for the construction of Residential Housing or Home Improvement Loans, if any, hereunder the Agency may adopt a Supplemental Resolution pursuant to Section 701 of the Resolution specifying the terms of such Loans and any conditions to the purchase or making thereof and providing for any Additional Security therefor or for the Series 15 Obligations in accordance with Section 207 of the Resolution.

Notwithstanding anything herein to the contrary, on the date of issuance of the Series 15 Obligations, the Trustee shall apply funds on deposit in the Series 15A Program Account in an amount as shall be designated by the Agency to purchase such Mortgage Loans designated by the Agency which have previously been purchased by the Agency with available funds of the Agency. In addition, amounts on deposit in the Series 15A Program Account shall be applied from time to time at the direction of the Agency to purchase Mortgage Loans designated by the Agency which the Agency has previously committed to purchase.

(b) Amounts on deposit in the Series 15A Program Account shall be applied by the Agency to the purchase or origination of Loans bearing interest at rates not less than the rates set forth in the Series Certificate for each type of Loan authorized by the Series Certificate. Notwithstanding the foregoing, the Agency may purchase or make Loans with provisions differing from the foregoing restriction if at or prior to the purchase or making of such Loans the Agency delivers to the Trustee (i) a Projection of Revenues demonstrating that following the purchase or making of such Loans, expected Revenues and other funds available for the purpose will be sufficient to pay in the current and each subsequent Fiscal Year Aggregate Debt Service when due and all Program Expenses, and (ii) an opinion of Bond Counsel to the effect that the purchase or making of such Loans will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Series 15 Obligations.

(c) Notwithstanding anything in Section 504 of the Resolution to the contrary, if on (i) February 1, 2003, (or on any earlier date as shall be specified in a certificate of an Authorized Officer) any amount representing new money proceeds of the Series 11C Bonds which are being refunded with the proceeds of the Series 15A Bonds remains on deposit in the Series 15A Program Account, other than amounts deposited therein pursuant to Section 506(B)(5) of the Resolution, the Trustee shall transfer such amount to the Series 15 Special Redemption Account in the Redemption Fund and shall apply such amount to the redemption of Series 15A Bonds in accordance with Section 2.04(c) hereof on or before March 8, 2003, (or on such date prior thereto as the Agency in its discretion may direct the Trustee) and (ii) January 15, 2004, (or on any earlier date as shall be specified in a certificate of an Authorized Officer) any amount representing the new money proceeds of the Series 13B Bonds which are being refunded with the proceeds of the Series 15A Bonds remains on deposit in the Series 15A Program Account, other than moneys deposited therein pursuant to Section 506(B)(5) of the Resolution, the Trustee shall transfer such amount to the Series 15 Special Redemption Account in the Redemption Fund and shall apply such amount to the redemption of Series 15A Bonds in accordance with Section 2.04(c) hereof on or before February 28, 2004, (or such date prior thereto as the Agency in its discretion may direct the Trustee). Notwithstanding the foregoing, if the amount remaining on deposit in the Series 15A Program Account allocable to such amounts on such dates is less than \$250,000, all or part of such amount may, at the option of the Agency expressed in a certificate of an Authorized Officer delivered to the Trustee, be deposited in the Debt Service Fund. Notwithstanding the foregoing, the Agency may direct the Trustee in a certificate of an Authorized Officer delivered to the Trustee prior to February 1, 2003 and January 15, 2004, as applicable, to retain in the Series 15A Program Account all or any portion of the amount then held

therein allocable to the new money proceeds of the Series 11C Bonds being refunded with proceeds of the Series 13B Bonds which are being refunded with the proceeds of the Series 15A Bonds or the new money proceeds of the Series 15A Bonds, as applicable as aforesaid to such later date or dates as shall be specified in such certificate if such certificate is accompanied by (i) a letter from each Nationally Recognized Credit Rating Agency (or other evidence satisfactory to the Trustee) confirming that retention of such amount to such later date or dates will not adversely affect the unenhanced credit ratings then assigned to the Bonds Outstanding and (ii) an opinion of Bond Counsel to the effect that retention of such amount to such later date or dates will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Series 15 Obligations. A copy of such certificate shall be furnished by the Agency to each Nationally Recognized Credit Rating Agency then maintaining a rating on the Bonds at the same time it is filed with the Trustee. If any such amount is so retained in the Series 15A Program Account, any amount remaining on deposit in the Series 15A Program Account on the date or dates specified in such certificate shall be transferred by the Trustee on such date to the Series 15 Special Redemption Account and shall be applied to the redemption of Series 15A Bonds in accordance with Section 2.04(c) hereof on the earliest date on which the required notice of redemption can be practicably given (or on such earlier date as the Agency shall direct).

For purposes of this Section 3.04(c) amounts on deposit in the Series 15A Program Account allocable to the new money proceeds of the Series 11C Bonds being refunded with proceeds of the Series 15A Bonds shall be deemed to be spent for the purchase of Loans prior to the new money proceeds of the Series 13B Bonds being refunded with proceeds of the Series 15A Bonds.

(d) Amounts on deposit in the Series 15B Program Account and the Series 15C Program Account shall be retained therein and applied to the payment of principal and interest on the applicable Series of Series 15 Notes.

(e) Amounts of deposit in the Series 15A Premium Account of the Program Fund shall be applied by the Agency to provide down payment and closing cost assistance to borrowers who elect to receive Downpayment Assistance Loans as described in the Series Certificate. Notwithstanding the foregoing, the Agency may use amounts on deposit in the Series 15A Premium Account to purchase or make Loans which do not constitute Downpayment Assistance Loans if at or prior to the purchase or making of such Loans to the Agency delivers to the Trustee the Protection of Revenues and opinion of Bond Counsel described in clause (i) and (ii) of paragraph (b) of this Section 3.03.

Upon the mandatory tender of Series 15A Bonds pursuant to Section 2.03(b) hereof, the redemption of Series 15A Tender Bonds pursuant to Section 2.04(b) hereof or the redemption of Series 15A Bonds from unexpended proceeds pursuant to Section 2.04(c) hereof, amounts on deposit in the Series 15A Premium Account allocable to the initial issue premium paid with respect to the Series 15A Bonds, shall be transferred to the Series 15A Tender Bonds Proceeds Subaccount or the Special

Redemption Account, as applicable, to pay a portion of the tender price or redemption price, as applicable, of the Series 15A Bonds.

**Section 3.04. Application of Series 15A Tender Bond Proceeds Subaccount.**

(a) Notwithstanding anything in Section 504 of the Resolution to the contrary, upon receipt by the Trustee of the certificate of an Authorized Officer described in Section 2.03(a)(ii) hereof to the effect that the Agency has elected to call a Principal Amount of Series 15A Bonds for exchange for or remarketing as Adjusted Rate Bonds on the Adjustment Date, the Trustee shall withdraw (i) from the Series 15A Program Account and deposit in the Series 15A Tender Bonds Proceeds Subaccount an amount equal to the Principal Amount of Series 15A Bonds so certified and (ii) from the Series 15A Premium Account and deposit in the Series 15A Tender Bonds Proceeds Subaccount an amount equal to the initial issue premium paid with respect to any Series 15A Tender Bonds. Until the Adjustment Date, the amount so deposited shall be applied solely as provided in Paragraph (b) and (c) of this Section 3.04.

(b) Notwithstanding anything in Section 504 of the Resolution to the contrary, if the conditions specified in Section 2.03(a)(iv) or Section 2.03(a)(vii) hereof shall have occurred, the Trustee shall transfer from the Series 15A Tender Bonds Proceeds Subaccount to the Series 15 Special Redemption Account in the Redemption Fund all or such portion of such funds on deposit in the Series 15A Tender Bonds Proceeds Subaccount as shall be directed by the Agency for application to the redemption of all Series 15A Tender Bonds in accordance with Section 2.04(b) hereof.

(c) Notwithstanding anything in Section 504 of the Resolution to the contrary, if on the Adjustment Date any Series 15A Tender Bonds have not been remarketed as Adjusted Rate Bonds in accordance with Section 2.03(b)(ii) hereof, the Trustee shall transfer from the Series 15A Tender Bonds Proceeds Subaccount to the Debt Service Fund an amount equal to the sum of (i) the Principal Amount of all such Series 15A Tender Bonds not so remarketed and (ii) the initial issue premium allocable to any Series 15A Tender Bonds issued with such premium not so remarketed. The amounts so transferred shall be applied on the Adjustment Date to the purchase of Series 15A Tender Bonds as provided in Section 2.03(b)(i) hereof.

(d) Notwithstanding anything herein to the contrary, on the Adjustment Date, but only upon compliance with Paragraph (b) and (c) of this Section 3.04, the Trustee shall return the entire balance then remaining in the Series 15A Tender Bonds Proceeds Subaccount to the Series 15A Program Account and the Series 15A Premium Account, as applicable, for application thereafter as provided in Section 504 of the Resolution and Section 3.03 hereof.

**Section 3.05. Application of Series 15 Contingency Account.**

(a) Notwithstanding anything in the Resolution to the contrary, in connection with the purchase or redemption of Bonds with funds on deposit in a Special Redemption Account pursuant to Section 509(C) of the Resolution, the Agency may pay to the

Trustee for deposit in the Revenue Fund amounts from the General Fund or from any other lawful source available to the Agency to the extent that the Projection of Revenues required by Section 509(G) of the Resolution shows that the balance to be on deposit and available for such purpose on the redemption date of such Bonds in all Funds and Accounts under the Resolution, other than the Rebate Fund, will be insufficient to satisfy the requirements of said Section 509(G) of the Resolution with respect to such purchase or redemption.

(b) The Trustee shall hold the cash deposited by the Agency, the Series 15 Contingency Account Surety Bond or the Series 15 Contingency Account Deposit, as applicable, for the credit of the Series 15 Contingency Account as security for the payment to the Trustee for deposit in the Revenue Fund of amounts, if any, necessary to satisfy the requirements of Section 509(G) of the Resolution upon any redemption of Series 15A Bonds (and, to the extent provided in the Series Certificate, any other Bonds of the Agency) as described in Paragraph (a) of this Section 3.05 and, to the extent provided in the applicable Supplemental Resolution and, if the Agency has provided a Series 15 Contingency Account Deposit, with the prior approval of the Series 15 Contingency Account Deposit Provider, upon the redemption of any other Series of Bonds Outstanding under the Resolution. The Agency hereby instructs the Trustee, as applicable, to withdraw funds on deposit in the Series 15 Contingency Account or to give notice to the Series 15 Contingency Account Deposit Provider and to draw upon the Series 15 Contingency Account Deposit in accordance with its terms to the extent that the amount on deposit and available therefor in all Funds and Accounts under the Resolution (other than amounts available under the Series 15 Contingency Account Deposit and amounts on deposit in or held for the credit of the Series 15 Loan Loss Claim Fund), after consideration of any other amounts deposited in the Revenue Fund pursuant to Paragraph (a) of this Section 3.05 or the related provision of any applicable Supplemental Resolution set forth in the Series Certificate is insufficient to enable the Agency to satisfy the requirements of Section 509(G) of the Resolution with respect to the purchase or redemption of Series 15A Bonds (and any other Bonds of the Agency set forth in the Series Certificate) as described in Paragraph (a) of this Section 3.05. Any such certificate shall include instructions to the Trustee to draw upon the Series 15 Contingency Account Deposit to the extent of such deficiency and otherwise in accordance with its terms and to deposit the amount so drawn in the Revenue Fund.

(c) At any time while a Series 15 Contingency Account Deposit is held under the Resolution for the account of the Series 15A Bonds, the Agency may direct the Trustee to reduce the stated amount thereof or to cancel the Series 15 Contingency Account Deposit and return it to the Series 15 Contingency Account Deposit Provider upon the filing with the Trustee of a certificate of an Authorized Officer to the effect that the Agency has informed each Nationally Recognized Credit Rating Agency of such reduction or cancellation and each such Agency has confirmed that such reduction or cancellation will not adversely affect the unenhanced ratings then assigned to any Bonds Outstanding. In the event the Agency has deposited cash with the Trustee in lieu of a Series 15 Contingency Account Deposit, the Agency may direct the Trustee to withdraw any or all funds on deposit in the Series 15 Contingency Account and return such funds to

the Agency upon the same conditions as a reduction or cancellation of the Series 15 Contingency Account Deposit.

(d) If the Trustee shall receive a notice from the Series 15 Contingency Account Deposit Provider pursuant to the Series 15 Reimbursement Agreement, if any, to the effect that an Event of Default has occurred and is continuing under the Series 15 Reimbursement Agreement and the Series 15 Contingency Account Deposit Provider has elected to direct the Trustee to make a drawing of an amount equal to the stated and unpaid amount of the Series 15 Contingency Account Deposit, the Trustee shall make such drawing and shall deposit the amount so drawn in the Series 15 Contingency Account.

(e) Subject to the provisions of Paragraph (c) of this Section 3.05, not less than five Business Days prior to the date of expiration of the Series 15 Contingency Account Deposit the Agency shall deposit with the Trustee an extension thereof or a substitute Series 15 Contingency Account Deposit therefor (the deposit of which will not adversely affect the unenhanced ratings then assigned to any Bonds Outstanding by any Nationally Recognized Credit Rating Agency) in a stated amount equal to the stated amount of the initial Series 15 Contingency Account Deposit. If the Agency shall fail to deposit such extension or substitute letter of credit, not less than three Business Days prior to the expiration date of the Series 15 Contingency Account Deposit the Trustee shall draw upon the Series 15 Contingency Account Deposit the full amount then available to be drawn thereunder and shall deposit such amount in the Series 15 Contingency Account. If at any time thereafter the Agency shall certify to the Trustee in accordance with Paragraph (c) of this Section 3.05 that all or a portion of the amount on deposit in the Series 15 Contingency Account is not required for the purposes of such account, the Trustee shall pay the surplus in the Series 15 Contingency Account (as determined by the Agency) or the entire balance therein, as appropriate, to the Agency.

(f) Withdrawals from the Series 15 Contingency Account pursuant to Paragraphs (b) or (c) of this Section 3.05 shall be made by the Trustee, *first*, from cash and Investment Obligations, if any, on deposit in the Series 15 Contingency Account and *second*, from amounts drawn on any Series 15 Contingency Account Deposit. If at the time of making any withdrawal the amount of cash and Investment Obligations on deposit in the Series 15 Contingency Account is less than the withdrawal to be made, the Trustee shall notify the Agency of the amount of the deficiency and, unless the Agency shall pay to the Trustee for deposit in the Series 15 Contingency Account not later than the close of business on the Business Day next succeeding the date which such notice is received by the Agency an amount equal to such deficiency, the Trustee shall draw on the Series 15 Contingency Account Deposit the amount of the deficiency (or such portion thereof that has not been funded by such a deposit by the Agency) or, if less, the full amount available under the Series 15 Contingency Account Deposit.

(g) Interest or other income derived from the investment or deposit of moneys, if any, in the Series 15 Contingency Account shall be transferred by the Trustee to the Agency.



### Section 3.06. Application of Series 15 Loan Loss Claim Fund.

(a) The Trustee shall deposit in the Series 15 Loan Loss Claim Fund (i) the amount, if any, set forth in the Series Certificate, (ii) all amounts drawn on the Series 15 Loan Loss Claim Fund Deposit, if any, in accordance with this Section 3.06, (iii) any amount deposited therein from the Revenue Fund pursuant to Section 3.08 of this Nineteenth Supplemental Resolution, (iv) all interest and other earnings on investment or deposit of amounts on deposit in the Series 15 Loan Loss Claim Fund and (v) any other amounts (not required by the Resolution to be otherwise deposited), as determined by the Agency. Except as otherwise provided herein, amounts on deposit in the Series 15 Loan Loss Claim Fund, including, without limitation, amounts drawn on the Series 15 Loan Loss Claim Fund Deposit, shall be used solely for the purposes provided in Paragraphs (b) and (c) of this Section 3.06.

(b) Upon receipt by the Trustee of a certificate of an Authorized Officer to the effect that a Loan Loss has been realized on a defaulted Loan allocable to the Series 15A Bonds and specifying the amount of such Loan Loss, the Trustee shall withdraw from the Series 15 Loan Loss Claim Fund and deposit in the Revenue Fund the amount of such Loan Loss as so specified, or such lesser amount as directed in such certificate. Upon deposit thereof in the Revenue Fund, each Loan Loss Claim Fund Withdrawal shall constitute Revenues for all purposes of the Resolution.

(c) Notwithstanding anything herein to the contrary, if at any time the conditions described in Section 3.05(b) hereof shall occur and the amount on deposit in or held for the credit of the Series 15 Contingency Account shall be insufficient for the purposes of such account, the Trustee shall give notice to the Series 15 Loan Loss Claim Fund Deposit Provider and shall draw the amount of the deficiency from the Series 15 Loan Loss Claim Fund provided following such drawing and application of the amount withdrawn to the redemption of Bonds as contemplated by Section 3.05(b) hereof the amount on deposit in the Series 15 Loan Loss Claim Fund, together with the stated and unpaid amount of the Series 15 Loan Loss Claim Fund Deposit, if any, shall be not less than the Series 15 Loan Loss Claim Fund Requirement. Any amounts withdrawn from the Series 15 Loan Loss Claim Fund in accordance with this Paragraph (c) shall be deposited in the Revenue Fund and shall be applied to the redemption of Bonds as contemplated by Section 3.05(b) hereof.

(d) Withdrawals from the Series 15 Loan Loss Claim Fund pursuant to Paragraphs (b) or (c) of this Section 3.06 shall be made by the Trustee, *first*, from cash and Investment Obligations, if any, on deposit in the Series 15 Loan Loss Claim Fund and *second*, from amounts drawn on any Loan Loss Claim Fund Deposit. If at the time of making any withdrawal the amount of cash and Investment Obligations on deposit in the Series 15 Loan Loss Claim Fund is less than the withdrawal to be made, the Trustee shall notify the Agency of the amount of the deficiency and, unless the Agency shall pay to the Trustee for deposit in the Series 15 Loan Loss Claim Fund not later than the close of business on the Business Day next succeeding the date which such notice is received by the Agency an amount equal to such deficiency, the Trustee shall draw on the Series 15 Loan Loss Claim Fund Deposit the amount of the deficiency (or such portion thereof

that has not been funded by such a deposit by the Agency) or, if less, the full amount available under the Series 15 Loan Loss Claim Fund Deposit.

(e) Notwithstanding the foregoing provisions of this Section 3.06, nothing in the Resolution or this Nineteenth Supplemental Resolution shall obligate the Agency to deposit in the Series 15 Loan Loss Claim Fund an amount which would cause the balance in the Series 15 Loan Loss Claim Fund, after application of amounts therein to Loan Loss Claim Fund Withdrawals notice of which has theretofore been received by the Trustee, to exceed the Series 15 Loan Loss Claim Fund Requirement. Unless otherwise directed by the Agency, no Loan Loss Claim Fund Withdrawal shall be made by the Trustee if the amount of such Loan Loss Claim Fund Withdrawal, together with the amount of all Loan Loss Claim Fund Withdrawals theretofore made by the Trustee, would exceed an amount equal to (i) 1.85% of the sum of (A) the aggregate original principal amount of all Loans purchased under the Resolution from amounts on deposit in the Series 15A Program Account plus (B) the aggregate amount, if any, then held in the Series 15A Program Account which may be applied to the purchase of such Loans, or (ii) such lesser amount as each Nationally Recognized Credit Rating Agency confirms to the Agency will not adversely affect the unenhanced credit ratings then assigned to any Bonds Outstanding.

(f) Notwithstanding anything herein or in the Resolution to the contrary, at any time the Agency may direct the Trustee to withdraw from the Series 15 Loan Loss Claim Fund and pay to the Agency all or any part of the moneys on deposit in the Series 15 Loan Loss Claim Fund provided that prior to any such withdrawal the Agency shall deliver to the Trustee (i) one or more Reserve Deposits in an aggregate amount available to be drawn thereunder, together with any moneys to remain on deposit in the Series 15 Loan Loss Claim Fund following such withdrawal, equal to not less than the Series 15 Loan Loss Claim Fund Requirement, (ii) letters from each Nationally Recognized Credit Rating Agency (or other evidence satisfactory to the Trustee) confirming that such withdrawal will not adversely affect the unenhanced credit ratings then assigned to any Bonds Outstanding and (iii) an opinion of Bond Counsel to the effect that such withdrawal will not adversely affect the exclusion from gross income for federal income tax purposes of interest on any Bonds Outstanding. In connection with any such withdrawal and the deposit of any Reserve Deposit with the Trustee, the Agency may adopt a Supplemental Resolution pursuant to Section 701 of the Resolution specifying the terms and conditions under which such Reserve Deposit is held for the credit of the Series 15 Loan Loss Claim Fund.

(g) Subject to Paragraph (h) of this Section 3.06, if at any time the amount of cash and Investment Obligations on deposit in the Series 15 Loan Loss Claim Fund exceeds the Series 15 Loan Loss Claim Fund Requirement, the Trustee, at the request of the Agency, shall withdraw the excess (or such portion thereof as directed by the Agency) and deposit it in the Revenue Fund.

(h) If at any time (i) the amount of cash and Investment Obligations in the Series 15 Loan Loss Claim Fund exceeds the Series 15 Funded Loan Loss Claim Fund Requirement, and/or (ii) the stated and unpaid amount of the Series 15 Loan Loss Claim Fund Deposit exceeds the Series 15 Loan Loss Claim Fund Requirement, the Agency



may direct the Trustee to notify the Series 15 Loan Loss Claim Fund Deposit Provider of a reduction in the stated amount of the Series 15 Loan Loss Claim Fund Deposit; provided that if any such excess has resulted from a decrease in the Series 15 Loan Loss Claim Fund Requirement other than due to the payment of Loan Loss Claim Fund Withdrawals in accordance with this Section 3.06, the direction of the Agency shall be accompanied by letters from each Nationally Recognized Credit Rating Agency (or other evidence satisfactory to the Trustee) to the effect that the reduction of the Series 15 Loan Loss Claim Fund Deposit will not adversely affect the unenhanced credit ratings then assigned to any Bonds Outstanding.

(i) If the Trustee shall receive a notice from the Series 15 Loan Loss Claim Fund Deposit Provider pursuant to the Series 15 Reimbursement Agreement, if any, to the effect that an Event of Default has occurred and is continuing under the Series 15 Reimbursement Agreement and the Series 15 Loan Loss Claim Fund Deposit Provider has elected to direct the Trustee to make a drawing of an amount equal to the lesser of the Series 15 Loan Loss Claim Fund Requirement or the stated and unpaid amount of the Series 15 Loan Loss Claim Fund Deposit, the Trustee shall make such drawing and shall deposit the amount so drawn in the Series 15 Loan Loss Claim Fund.

(j) Not less than five Business Days prior to the date of expiration of the Series 15 Loan Loss Claim Fund Deposit, the Agency shall deposit with the Trustee either an extension of the Series 15 Loan Loss Claim Fund Deposit in a stated amount available to be drawn thereunder not less than the lesser of (i) an amount equal to the Series 15 Loan Loss Claim Fund Requirement calculated at such date less the aggregate amount of cash and Investment Obligations, if any, on deposit in the Series 15 Loan Loss Claim Fund at such date and (ii) the stated amount of the Series 15 Loan Loss Claim Fund Deposit at such date. If the Agency shall fail to deposit such extension of the Series 15 Loan Loss Claim Fund Deposit with the Trustee, not less than three Business Days prior to the expiration date of the Series 15 Loan Loss Claim Fund Deposit, the Trustee shall draw on the Series 15 Loan Loss Claim Fund Deposit and deposit in the Series 15 Loan Loss Claim Fund an amount sufficient to cause the Series 15 Funded Loan Loss Claim Fund Requirement to equal the Series 15 Loan Loss Claim Fund Requirement as of such date or, if less, the full amount then available to be drawn under the Series 15 Loan Loss Claim Fund Deposit.

(k) Notwithstanding anything herein or in the Resolution to the contrary, the Series 15 Loan Loss Claim Fund Requirement shall be reduced to zero if at any time the Agency shall file with the Trustee (i) a certificate of an Authorized Officer to the effect that the Agency then maintains or has caused to be maintained in full force and effect a policy or policies of insurance obtained by the Agency under which an insurance company qualified to do business in the State insures the Agency on a portfolio basis, for so long as any Series 15A Bonds are Outstanding under the Resolution, against loss arising out of default on Loans purchased or made from moneys in the Series 15A Program Account during the period of insurance eligibility specified in such policy up to such aggregate loss limit as the Agency shall determine in its discretion, and (ii) letters from each Nationally Recognized Credit Rating Agency (or other evidence satisfactory to the Trustee) confirming that the provision of such insurance and the reduction of the

Series 15 Loan Loss Claim Fund requirement will not adversely affect the unenhanced credit ratings then assigned to any Bonds Outstanding.

**Section 3.07. Series 15 Rebate Account.**

(a) Pursuant to the requirements of Section 148(f) of the Code, the Agency shall pay to the United States at least once every five years an amount determined in accordance with said Section 148(f) equal to the sum of (i) the excess of the amount earned on all Nonpurpose Investments (hereinafter defined) (other than investments attributable to an excess described in this clause) over the amount which would have been earned if such Nonpurpose Investments were invested at a yield equal to the Yield on the Series 15 Obligations, plus (ii) any income attributable to the investment of the excess described in clause (i) above. The Agency further covenants to pay such amount to the United States, in a manner consistent with the requirements of Section 148(f) of the Code, whether or not the amount on deposit in the Series 15 Rebate Account and available therefor is sufficient for such payment, and to establish such accounting procedures as are required to determine the amount of such excess investment earnings and the Series 15 Rebate Requirement.

(b) Within 30 days of the end of each Bond Year, the Agency shall furnish to the Trustee a certificate of an Authorized Officer, upon which the Trustee may conclusively rely, setting forth the Series 15 Rebate Requirement for such Bond Year.

(c) Within 60 days after the close of the fifth Bond Year, and at least once in each five-year period thereafter, the Trustee shall pay from the Series 15 Rebate Account to the United States on behalf of the Agency the full amount then required to be paid under Section 148(f) as certified and directed by the Agency in a certificate of an Authorized Officer delivered to the Trustee prior to the due date of such payment. Within 60 days after the Series 15 Obligations have been paid in full, the Trustee shall pay to the United States from the Series 15 Rebate Account on behalf of the Agency the full amount then required to be paid under Section 148(f) as certified by the Agency in a certificate of an Authorized Officer delivered to the Trustee prior to the due date of such payment. Each such payment shall be filed with the Internal Revenue Service Center, 1600 W. 1200 S., Ogden, UT 84201 or any successor location specified by the Internal Revenue Service, accompanied by a copy (furnished to the Trustee by the Agency) of the Form 8038-T (or other similar information reporting form).

(d) In the event that, at the time of any required payment of the Series 15 Rebate Requirement, the amount in the Series 15 Rebate Account available for such payment shall be insufficient to make such payment, the Agency shall pay the amount of the deficiency from the General Fund or from any other moneys available to the Agency and not pledged under the Resolution to the Bonds.

(e) In the event that on any Interest Payment Date of the Series 15 Obligations the amount on deposit in the Series 15 Rebate Account exceeds the Series 15 Rebate Requirement (calculated as of such Interest Payment Date), the Trustee, at the written

direction of an Authorized Officer, shall withdraw such excess amount and deposit it in the Revenue Fund.

(f) For purposes of this Section 3.07, the term "Nonpurpose Investments" shall have the meaning given in Section 148(f) of the Code. Nonpurpose Investments shall be valued at accreted value or market value, as appropriate for the purposes of this Section 3.07. In determining the aggregate amount earned on Nonpurpose Investments, any gain or loss on the disposition of such Investments shall be taken into account.

(g) The Agency and the Trustee shall keep such records as will enable them to fulfill the responsibilities under this section and Section 148(f) of the Code and shall retain such records for at least six years following final payment of the Series 15 Obligations.

(h) The purpose of this Section 3.07 is to satisfy the requirements of Section 148(f) of the Code and any applicable regulations thereunder or official interpretations thereof. Accordingly, this section shall be construed so as to meet such requirements.

### **Section 3.08. Application of Certain Amounts in Revenue Fund.**

(a) Notwithstanding anything in Section 506(B) of the Resolution to the contrary, on or before each Interest Payment Date of the Series 15 Obligations, after satisfying the requirements of Clauses (i) through (vii), inclusive, of Section 506(B), the Trustee shall apply any balance on deposit in the Revenue Fund attributable to the Series 15A Bonds to the Series 15 Loan Loss Claim Fund to the extent the amount therein is less than the Series 15 Funded Loan Loss Claim Fund Requirement calculated at such Interest Payment Date.

(b) Notwithstanding anything in Section 506(B)(7) of the Resolution, the amount of moneys in the Revenue Fund allocable to the Series 15 Obligations that may be applied to the payment or reimbursement of Program Expenses in any one Fiscal Year pursuant to such Section 506(B)(7) shall not exceed the sum of (i) \$10,000 plus (ii) the sum of the fees and reimbursement amounts payable to the Series 15 Loan Loss Claim Fund Deposit Provider in connection with the Series 15 Loan Loss Claim Fund Deposit, the fees and reimbursement amounts payable to the Series 15 Contingency Account Deposit Provider in connection with the Series 15 Contingency Account Deposit, the expenses and reimbursements payable to the Bond Insurer in connection with the Municipal Bond Insurance Policy and the amount of the Municipal Bond Insurance Policy Premium unless the Agency shall file with the Trustee a certificate of an Authorized Officer to the effect that the Agency has confirmed that a greater amount (specified in such certificate) will not adversely affect the unenhanced ratings then assigned to any Bonds Outstanding by any Nationally Recognized Credit Rating Agency.

(c) Notwithstanding anything in Section 506(B)(8) of the Resolution to the contrary, no amount on deposit in the Revenue Fund attributable to the Series 15 Obligations shall be transferred to the General Fund pursuant to such Section 506(B)(viii)

unless (i) there are no amounts owed to the Series 15 Loan Loss Claim Fund Deposit Provider or the Series 15 Contingency Account Deposit Provider under either of the Series 15 Reimbursement Agreements and (ii) the Projection of Revenues filed with the Trustee in accordance with said Section 506(B)(viii) shows that on the date of such Projection of Revenues the unpaid balance of all Loans then held under the Resolution for the account of the Series 15 Obligations, plus the amount then held in all Funds and Accounts under the Resolution attributable to the Series 15 Obligations, other than amounts held in the Rebate Fund, the Series 15 Contingency Account and the Series 15 Loan Loss Claim Fund and the amounts attributable to the Series 15 Obligations then to be paid to the Agency in accordance with said Section 506(B)(viii), are at least equal to 101% of the Principal Amount of all Series 15 Obligations plus all interest accrued and unpaid thereon as of such date.

(d) The Agency hereby acknowledges and agrees that amounts payable under each of the Series 15 Reimbursement Agreements constitute Program Expenses and shall be paid in accordance with Section 506(B)(7) of the Resolution and Section 3.08(b) hereof.

#### **ARTICLE IV**

##### **FORM OF SERIES 15 OBLIGATIONS**

###### **Section 4.01. Form of Series 15 Obligations.**

(a) All Series 15 Obligations authenticated and delivered hereunder prior to the Adjustment Date shall be in such form and shall bear such terms and conditions, not inconsistent with the Resolution or this Nineteenth Supplemental Resolution, as the Chair, Executive Director or other Authorized Officer of the Agency shall determine and certify to the Trustee on or prior to the date of original authentication and delivery of any Series 15 Obligations hereunder.

(b) The Adjusted Rate Bonds shall be in such form and shall bear such terms and conditions, not inconsistent with the Resolution and this Nineteenth Supplemental Resolution, as the Chair, Executive Director or other Authorized Officer of the Agency shall determine and certify to the Trustee on or before the Adjustment Date.

#### **ARTICLE V**

##### **MISCELLANEOUS**

**Section 5.01. Authorization of Officers.** The Chair, Vice Chairman or any other Commissioner of the Agency, Executive Director, Treasurer, Director of Finance, Director of Homeownership Programs and Secretary of the Agency are hereby authorized and directed to do all acts and things and to execute and deliver any all documents, certificates and other instruments necessary or desirable to effectuate the transaction contemplated by this Nineteenth Supplemental Resolution, the Resolution, the Purchase Contracts, the Remarketing Agreement, the Continuing Disclosure Agreement and the Official Statement.

**Section 5.02. Series Certificate.** The Chair or Vice-Chairman and the Executive Director are hereby authorized to execute the Series Certificate in such form as shall be approved by Counsel to the Agency and to deliver the same to the Trustee.

**Section 5.03. Reimbursement Agreement.** The Chair, Vice-Chairman, or any other Commissioner, Treasurer, Executive Director or Director of Finance are hereby authorized to execute the Series 15 Reimbursement Agreements in such form as shall be approved by Counsel to the Agency and to deliver the same to the Series 15 Loan Loss Claim Fund Deposit Provider and the Series 15 Contingency Account Deposit Provider, as applicable.

**Section 5.04. Purchase Contracts.** The Purchase Contracts are hereby approved in substantially the forms of the Purchase Contracts executed in connection with the issuance by the Agency of its Series 14 Bonds and Series 14 Notes with such changes, omissions, insertions and revisions thereto as the Chair, the Executive Director or any other Authorized Officer executing the same may deem advisable, the execution thereof by such person to be conclusive evidence of the approval thereof. The aforementioned officers of the Agency are, and each of them is, hereby authorized to execute the Purchase Contracts and, upon such execution, to deliver them to the underwriters of the Bonds.

**Section 5.05. Remarketing Agent.**

(a) The Remarketing Agent is hereby appointed by the Agency to serve as Remarketing Agent hereunder.

(b) Any corporation, association, partnership or firm which succeeds to the business of the Remarketing Agent (collectively, the "Agents") as a whole or substantially as a whole, whether by sale, merger, consolidation or otherwise, shall thereby become vested with all the property, rights and powers of such Agent under the Resolution. Such successor Agent shall execute, deliver, record and file such instruments as are required to confirm or perfect its succession hereunder and predecessor Agent shall from time to time execute, deliver, record and file such instruments as the incumbent Agent may reasonably require to confirm or perfect any succession hereunder.

(c) In the event that an Agent shall resign or be dissolved, or if the property or affairs of an Agent shall be taken under the control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, the Agency, by certificate of an Authorized Officer filed with the Trustee, shall appoint a successor. If in any such case the Agency shall fail to appoint a successor, the Trustee shall appoint a successor.

**Section 5.06. Continuing Disclosure Agreement.** The Continuing Disclosure Agreement is hereby approved in substantially the form of the Continuing Disclosure Agreement executed in connection with the issuance by the Agency of its Series 14 Bonds and Series 14 Notes with such changes, omissions, insertions and revisions thereto as the Chair, the Executive Director or any other Authorized Officer executing the same may deem advisable, the execution thereof by such person to be conclusive evidence of the approval thereof. The aforementioned officers of the Agency are, and each of them is, hereby authorized to execute the Continuing

Disclosure Agreement and, upon such execution, to deliver it to the Continuing Disclosure Agent.

**Section 5.07. Amendment of Resolution.** Section 5.06 of the Tenth Supplemental Resolution provided for the amendment of Section 1012 of the Resolution by adding to the end of such Section 1012 the following clause:

; provided, however, that any such company shall not be required to satisfy the requirements with respect to capital and surplus set forth in Sections 1002 and 1010.

This amendment to Section 1012 of the Resolution shall become effective with respect to all Bonds Outstanding under the Resolution at such time as the Owners of 60% in aggregate Principal Amount of the bonds Outstanding shall have consented to such amendment. The Underwriters and any direct institutional purchaser of the Series 15 Obligations, as initial beneficial owners of the Series 15 Obligations, shall be deemed to have consented to the provisions of Section 5.06 of the Tenth Supplemental Resolution.

**Section 5.08. Private Activity Volume Cap.** The Agency hereby authorizes the use of its available private activity volume cap in an amount not to exceed \$40,000,000 in connection with the issuance of the Series 15 Obligations.

**Section 5.09. Effective Date.** This Nineteenth Supplemental Resolution shall take effect immediately.

## ARTICLE VI

### MUNICIPAL BOND INSURANCE POLICY

**Section 6.01. Municipal Bond Insurance Policy.** The Agency shall deposit the Municipal Bond Insurance Policy with the Trustee on the date of issuance of the Series 15 Obligations.

**Section 6.02. Payment Procedures.** As long as the Municipal Bond Insurance Policy shall be in full force and effect, the Agency and the Trustee agree to comply with the following provisions:

(a) If, on the third Business Day prior to the related scheduled Interest Payment Date or principal payment date ("Payment Date") there is not on deposit with the Trustee, after making all transfers and deposits required under the Resolution, moneys sufficient to pay the principal of and interest on the Series 15A Bonds due on such Payment Date, the Trustee shall give notice to the Bond Insurer and to its designated agent (if any) (the "Insurer's Fiscal Agent") by telephone or facsimile of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second Business Day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal of and interest on the Series 15A Bonds due on such Payment Date, the Trustee shall make a claim under the Insurance Policy and give notice to the Bond Insurer and the Bond Insurer's Fiscal Agent (if any) by telephone

of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the Series 15A Bonds and the amount required to pay principal of the Series 15A Bonds, confirmed in writing to the Bond Insurer and the Bond Insurer's Fiscal Agent by 12:00 noon, New York City time, on such second Business Day by filling in the form of Notice of Claim and Certificate delivered with the Insurance Policy.

(b) In the event the claim to be made is for a Sinking Fund Installment, upon receipt of the moneys due, the Trustee shall authenticate and deliver to affected Bondholders who surrender their Series 15A Bonds a new Series 15A Bond or Series 15A Bonds in the aggregate principal amount equal to the unredeemed portion of the Series 15A Bond surrendered. The Trustee shall designate any portion of payment of principal on Series 15A Bonds paid by the Bond Insurer, whether by virtue of Sinking Fund Redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Series 15A Bonds registered to the then current Bondholder, whether DTC or its nominee or otherwise, and shall issue a replacement Series 15A Bond to the Insurer, registered in the name of the Bond Insurer or its designee, in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Series 15A Bond shall have no effect on the amount of principal or interest payable by the Agency on any Series 15A Bond or the subrogation rights of the Bond Insurer.

(c) The Trustee shall keep a complete and accurate record of all funds deposited by the Bond Insurer into the Series 15 Policy Payments Account of the Debt Service Fund (which Series 15 Policy Payments Account is hereby created) and the allocation of such funds to payment of interest on and principal paid in respect of any Series 15A Bond. The Bond Insurer shall have the right to inspect such records at reasonable times upon reasonable notice to the Trustee.

(d) Upon payment of a claim under the Municipal Bond Insurance Policy, the Trustee shall establish a separate special purpose trust account for the benefit of holders of the Series 15A Bonds referred to herein as the "Series 15 Policy Payments Account" and over which the Trustee shall have exclusive control and sole right of withdrawal. The Trustee shall receive any amount paid under the Municipal Bond Insurance Policy in trust on behalf of holders of the Series 15A Bonds and shall deposit any such amount in the Series 15 Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Trustee to holders of the Series 15A Bonds in the same manner as principal and interest payments are to be made with respect to the Series 15A Bonds under the sections hereof regarding payment of Series 15A Bonds. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments.

(e) Funds held in the Series 15 Policy Payments Account shall not be invested by the Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Trustee or of any other person or entity.



(f) Any funds remaining in the Series 15 Policy Payments Account following a payment date with respect to the Series 15A Bonds shall promptly be remitted to the Bond Insurer.

(g) The Bond Insurer shall, to the extent it makes any payment of principal of or interest on the Series 15A Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Municipal Bond Insurance Policy.

### **Section 6.03. Notices to the Bond Insurer.**

(a) While the Municipal Bond Insurance Policy is in effect, the Agency shall cause to be furnished to the Bond Insurer:

(i) as soon as practicable after the filing thereof, a copy of any financial statement of the Agency and a copy of any audit and annual report of the Agency;

(ii) a copy of any notice to be given to the registered owners of the Series 15A Bonds, including, without limitation, notice of any redemption of or defeasance of Series 15A Bonds, and any certificate rendered pursuant to the Resolution relating to the security for the Series 15A Bonds;

(iii) any notice or certificate given to a Nationally Recognized Credit Rating Agency;

(iv) notice of any draw upon the Bond Reserve Fund within two Business Days after knowledge thereof other than (A) withdrawals of amounts in excess of the Bond Reserve Requirement and (B) withdrawals in connection with a refunding of Bonds;

(v) notice of any default known to the Trustee within five Business Days after knowledge thereof;

(vi) prior notice of the advance refunding or redemption of any of the Series 15A Bonds, including the principal amount, maturities and CUSIP numbers thereof;

(vii) notice of the resignation or removal of the Trustee, Paying Agent and Bond Registrar and the appointment of, and acceptance of duties by, any successor thereto;

(viii) notice of the commencement of any proceeding by or against the Agency commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding");



(ix) notice of the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of principal of, or interest on, the Series 15A Bonds;

(x) any data, cash flow schedules or other information relating to the Agency, the Resolution or the trust estate pledged under the Resolution as Financial Security may reasonably request;

(xi) A full original transcript of all proceedings relating to the execution of any amendment or supplement to the Resolution, the Nineteenth Supplemental Resolution or any other document executed in connection with issuance of the Series 15A Bonds;

(xii) all reports, notices and correspondence with respect to the Series 15A Bonds to be delivered under the terms of the Resolution, the Nineteenth Supplemental Resolution or any other document executed in connection with the issuance of the Series 15A Bonds;

(xiii) such additional information it may reasonably request; and

(xiv) all notices, documents and certificates furnished the Bond Insurer in accordance with this Section 6.03(a) shall be delivered to such address as shall be designated by the Bond Insurer. In each case in which notice or other communication refers to an Event of Default, then a copy of such notice or other communication shall also be sent to the attention of General Counsel and shall be marked to indicate "URGENT MATERIAL ENCLOSED."

(b) The Trustee shall notify the Bond Insurer of any failure of the Agency to provide any notice, certificate or other document required under the Resolution.

(c) The Agency will permit the Bond Insurer to discuss the affairs, finances and accounts of the Agency or any information the Bond Insurer may reasonably request regarding the security for the Series 15A Bonds with appropriate officers of the Agency. The Trustee and the Agency will permit the Bond Insurer to have access to and to make copies of all books and records relating to the Series 15A Bonds at any reasonable time.

(d) The Bond Insurer shall have the right to direct an accounting at the Agency's expense, and the Agency's failure to comply with such direction within 30 days after receipt of written notice of the direction from the Bond Insurer shall be deemed a default hereunder; provided, however, that if compliance cannot occur within such period, then such period will be extended so long as compliance is begun within such period and diligently pursued, but only if such extension would not materially adversely affect the interests of any registered owner of the Series 15A Bonds.

(e) Notwithstanding any other provision of the Resolution, the Trustee shall immediately notify the Bond Insurer if at any time there are insufficient moneys to make any payments of principal and/or interest on the Series 15A Bonds as required and

immediately upon the occurrence of any Event of Default with respect to the Series 15A Bonds.

**Section 6.04. Consent of the Bond Insurer.** No modification, amendment or supplement to the Resolution, the Nineteenth Supplemental Resolution or any other document executed in connection with the Series 15A Bonds that requires the consent of the owners of the Series 15A Bonds may become effective except upon obtaining the prior written consent of the Bond Insurer. Additionally, no amendment, modification or supplement to the Resolution or the Nineteenth Supplemental Resolution shall be permitted unless the Bond Insurer receives a written confirmation from S&P and Moody's that, after giving effect to such amendment, modification or supplement, the Series 15A Bonds will be rated no less than "A+" and "A1" respectively (without giving effect to the Municipal Bond Insurance Policy). Copies of any modification or amendment to the Resolution, the Nineteenth Supplemental Resolution or any other document executed in connection with the Series 15A Bonds shall be sent to each Nationally Recognized Credit Rating Agency at least 10 days prior to the effective date thereof.

**Section 6.05. Consent of the Bond Insurer in the Event of Insolvency.** Any reorganization or liquidation plan with respect to the Agency must be acceptable to the Bond Insurer. In the event of any reorganization or liquidation, the Bond Insurer shall have the right to vote on behalf of all Series 15A Bondholders absent a default by the Bond Insurer under the Municipal Bond Insurance Policy.

**Section 6.06. Rights of Bond Insurer.** The Bond Insurer shall be deemed to be the sole holder of the Series 15A Bonds insured by it for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Series 15A Bonds insured by it are entitled to take pursuant to Article IX (pertaining to defaults and remedies) and Article X (pertaining to the Trustee) of the Resolution. The Trustee shall take no action with respect to the Series 15A Bonds pursuant to such Article IX and Article X except with the consent, or at the direction, of the Bond Insurer.

In addition, in the event the maturity of the Series 15A Bonds is accelerated, the Bond Insurer may elect, in its sole discretion, to pay accelerated principal and interest accrued, on such principal to the date of acceleration (to the extent unpaid by the Agency) and the Trustee shall be required to accept such amounts. Upon payment of such accelerated principal and interest accrued to the acceleration date as provided above, the Bond Insurer's obligations under the Municipal Bond Insurance Policy with respect to such Series 15A Bonds shall be fully discharged.

**Section 6.07. Defeasance of Series 15A Bonds.** Notwithstanding anything in the Resolution to the contrary, in the event that the principal and/or interest due on the Series 15A Bonds shall be paid by the Bond Insurer pursuant to the Municipal Bond Insurance Policy, the Series 15A Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Agency, and the assignment and pledge of the Resolution and all covenants, agreements and other obligations of the Agency to the registered owners of the Series 15A Bonds shall continue to exist and shall run to the benefit of the Bond Insurer, and the Bond Insurer shall be subrogated to the rights of such registered owners.

Notwithstanding anything in Article XI of the Resolution to the contrary, only (a) cash and (b) non-callable direct obligations of the United States of America shall be authorized to be used to effect defeasance of the Series 15A Bonds unless the Bond Insurer otherwise approves. In addition, in order to accomplish a defeasance the Agency shall cause to be delivered to the Bond Insurer (i) a report of an independent firm of nationally recognized certified public accountants or such other accountant as shall be acceptable to the Bond Insurer ("Accountant") verifying the sufficiency of the escrow established to pay the Series 15A Bonds in full on the Bond maturity and redemption date ("Verification"), (ii) an Escrow Deposit Agreement (which shall be acceptable in form and substance to the Bond Insurer), and (iii) an opinion of nationally recognized bond counsel to the effect that the Series 15A Bonds are no longer "Outstanding" under the Resolution; each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the Agency, the Trustee and the Bond Insurer. In the event a forward purchase agreement will be employed in the refunding, such agreement shall be subject to the approval of the Bond Insurer and shall be accompanied by such opinions of counsel as may be required by the Bond Insurer. The Bond Insurer shall be provided with final drafts of the above-referenced documentation not less than five Business Days prior to the funding of the escrow. The Series 15A Bonds shall be deemed "Outstanding" under the Resolution unless and until they are in fact paid and retired or the above criteria are met.

**Section 6.08. Payment of Municipal Bond Insurance Premium; Expenses.**

Notwithstanding any provision of Section 506 of the Resolution to the contrary, amounts on deposit in the Revenue Fund and allocable to the Series 15A Bonds shall be used to pay the Municipal Bond Insurance Policy Premium prior to being deposited in the Bond Reserve Fund to replenish any deficiency therein as provided in Section 506(B)(2) of the Resolution.

In addition, the Agency shall pay or reimburse the Bond Insurer as a Program Expense pursuant to Section 5.06(B)(7) of the Resolution, but only to the extent of the trust estate pledged under the Resolution, any and all charges, fees, costs and expenses which the Bond Insurer may reasonably pay or incur in connection with (a) the administration, enforcement, defense or preservation of any rights or security under the Resolution, the Nineteenth Supplemental Resolution or any other document executed in connection with the issuance of the Series 15A Bonds; (b) the pursuit of any remedies under the Resolution, the Nineteenth Supplemental Resolution or any other document executed in connection with the issuance of the Series 15A Bonds or otherwise afforded by law or equity, (c) any amendment, waiver or other action with respect to, or related to, the Resolution, the Nineteenth Supplemental Resolution or any other document executed in connection with the issuance of the Series 15A Bonds whether or not executed or completed, (d) the violation by the Agency of any law, rule or regulation, or any judgment, order or decree applicable to it or (e) any litigation or other dispute in connection with the Resolution, the Nineteenth Supplemental Resolution or any other document executed in connection with the issuance of the Series 15A Bonds or the transactions contemplated thereby, other than amounts resulting from the failure of the Bond Insurer to honor its obligations under the Municipal Bond Insurance Policy. The Agency acknowledges that the Bond Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Resolution, the Nineteenth Supplemental Resolution or any other document executed in connection with the issuance of the Series 15A Bonds.

**Section 6.09. Payments by Bond Insurer.** The Bond Insurer shall be entitled to pay principal or interest on the Series 15A Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Agency (as such terms are defined in the Municipal Bond Insurance Policy) and any amounts due on the Series 15A Bonds as a result of acceleration of the maturity thereof in accordance with the Resolution, whether or not the Bond Insurer has received a Notice of Nonpayment (as such terms are defined in the Municipal Bond Insurance Policy) or a claim upon the Municipal Bond Insurance Policy.

**Section 6.10. Additional Bonds.** No additional parity Bonds may be issued under the Resolution unless (a) the Bond Insurer receives written confirmation that the rating assigned to such bonds by S&P and Moody's shall be no less than "A+" and "A1" respectively (without giving effect to a municipal bond insurance policy or any other credit enhancement) and (b) the Bond Insurer receives a copy of the Projection of Revenues (as defined in the Resolution); provided, however, that failure to comply with this Section 6.10 shall not relieve the Bond Insurer of any of its obligations under the Municipal Bond Insurance Policy.

**Section 6.11. The Bond Insurer as Beneficiary Hereof.** To the extent that this Nineteenth Supplemental Resolution confers upon or gives or grants to the Bond Insurer any right, remedy or claim under or by reason of the Resolution, the Bond Insurer is hereby explicitly recognized as being a beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder.

**Section 6.12. Parties Interested Herein; References to Ratings.** Nothing in this Nineteenth Supplemental Resolution expressed or implied is intended or shall be construed to confer upon, or to give or grant to, any person or entity, other than the Agency, the Trustee, the Bond Insurer and the registered owners of the Series 15 Obligations, any right, remedy or claim under or by reason of this Nineteenth Supplemental Resolution or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Nineteenth Supplemental Resolution contained by and on behalf of the Agency shall be for the sole and exclusive benefit of the Agency, the Trustee, the Bond Insurer and the registered owners of the Series 15 Obligations.

Notwithstanding anything in the Resolution or this Nineteenth Supplemental Resolution to the contrary, any reference in the Resolution or the Nineteenth Supplemental Resolution with respect to the ratings maintained in the Series 15 Obligations by any Nationally Recognized Credit Rating Agency shall mean the unenhanced credit rating on the Series 15 Obligations.

[Remainder of page intentionally left blank]

**EXHIBIT A**

**VERMONT HOUSING FINANCE AGENCY  
SINGLE FAMILY HOUSING BONDS  
Series 15A Tender Bonds Selected  
For Tender on [\_\_\_\_\_]**

The Howard Bank, N.A.  
Burlington, VT 05402-0409  
Attention: Corporate Trust Department

Re: Election to Retain Adjusted Rate Bonds

Dear Sir or Madam:

We have received the Trustee's notification of the mandatory tender and proposed exchange of the above-mentioned Bonds for Adjusted Rate Bonds which will become effective on [\_\_\_\_\_] (the "Adjustment Date").

In accordance with the information given in the Trustee's Notice dated [\_\_\_\_\_] , we hereby give you irrevocable notice that we elect to retain \$[\_\_\_\_\_] aggregate principal amount of Series 15A Tender Bonds and to exchange such Bonds for Adjusted Rate Bonds as described below.

The principal amount or amounts of Series 15A Tender Bonds which we have elected to retain in exchange for Adjusted Rate Bonds and the maturity date or dates thereof are listed below:

<b>Series</b>	<b>Maturity</b>	<b>Amount</b>
---------------	-----------------	---------------

[Remainder of page intentionally left blank]

We acknowledge that if certain conditions described in the Agency's Nineteenth Supplemental Single Family Housing Bond Resolution shall occur on or prior to the Adjustment Date, such Series 15A Tender Bonds will be subject to mandatory redemption on the Adjustment Date despite this direction to exchange such Bonds for Adjusted Rate Bonds.

CEDE & CO., a nominee of The Depository  
Trust Company

---

Signature

---

Name

*I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held by conference call at Burlington, Vermont on July 24, 2001.*

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



## Vermont Housing Finance Agency

VHFA Board Minutes  
Vermont Housing Finance Agency  
164 Saint Paul Street  
Burlington, Vermont

Thursday, August 23<sup>rd</sup>, 2001 at 8:30 AM

**PRESENT:** Chairperson Randall, Commissioners Canney, Candon (Designee of Costle), Young (designee of Douglas), Lafayette, Beyer  
**Staff:** Ms. Carpenter, Ms. Loller, Ms. Kendrick, Ms. Crady, Ms. Drake, Mr. Schoenbeck, Mr. Adams, Mr. Falzone, Mr. Erdelyi  
Mr. Richardson (Capital Ideas, Inc.), Mr. Bove (Victoria Place Apts), Ms. Villone (Cathedral Square), Mr. Douscevicz (Yandow Douscevicz Construction), Mr. Williams (V.S.H.A.), Mr. Momaney (V.S.H.A.), Mr. Giebink (GMDG), Ms. Kuegel (V.S.H.A.), Ms. Owens (Housing Vermont), Mr. Kantor (consultant to V.S.H.A.)

### MINUTES

Mr. Candon made a motion to approve the June 28, 2001 minutes. The motion carried unanimously after being seconded by Ms. Lafayette.

Mr. Candon made a motion to approve the July 24, 2001 minutes. Ms. Lafayette seconded the motion with one change to confirm the spelling of Mr. Rode's name. The motion was unanimously approved.

### DEVELOPMENT

#### Falcon Manor

Joanne Villone from Cathedral Square and Jim Douscevicz from Yandow Douscevicz Construction were both present.

Mr. Erdelyi said Falcon Manor is a project that was contemplated along with Eagle Crest. When Eagle Crest was built a lot was learned from that project and, because of that additional information, the builders have changed their proposal based on that experience. One example is Falcon Manor will have a greater number of two bedroom units as the two bedroom units at Eagle Crest were rented quickly. Ms. Villone stated that most of the applicants for the units are Chittenden County residents. There are 40 people on the waiting



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list and another 35 people qualified from McAuley Square. The leasing of space for adult day care by VNA will generate \$30,000 year.

Some of the specifics in the staff memorandum were discussed. The applicants updated the Board on the status of the project's permits. Ms. Villone stated the wastewater permit was received which was the last permit needed for the project to move forward and will become final by September 9<sup>th</sup>. Act 250 approval should be received by the end of August. The VNA will be paying \$30,000/year for leasing space for the adult day care.

Ms. Lafayette inquired as to what contact had there been with the Williston Select Board? Mr. Douscevicz said they were completely through the process with the Williston Select Board and the project is not subject to the town's phasing requirement.

Ms. Beyer asked how would the perpetual covenant work? Mr. Erdelyi replied that a perpetual covenant is not required for a project that uses 4% tax credit. There will be a 30-year covenant: a 15-year period of tax credit compliance and a 15-year extended use period.

Ms. Beyer made the motion to approve the Resolution Re: Construction And Permanent Financing For Falcon Manor, Williston. Mr. Candon seconded the motion and it was approved unanimously.

#### Smiths Housing

Mr. Adams discussed the staff memorandum. He noted there are some environmental findings but the budget includes that work. Mr. Adams also stated the per square foot cost is on the high side at \$171 per square foot for acquisition and hard costs which is primarily driven by the cost for the two unit carriage house. Chairperson Randall asked whether tearing down the carriage house and rebuilding would be cheaper. Ms. Owens stated the carriage house could not be torn down and rebuilt because it is designated as a historic building. Ms. Owens said the residents of Middlebury are very supportive of seeing these buildings renovated.

Ms. Beyer and Ms. Lafayette asked questions regarding the Section 8 vouchers needed for the project. Ms. Owens stated that the application for Section 8's would be made in September. She also stated that since Section 8 rent is helping to cover permanent debt, Housing Vermont will have to see how much debt can be carried if Section 8 is not approved.

A concern was raised by Ms. Beyer regarding the lack of coordination between the two Addison County non-profit developers. She also recommended that this type of high cost project not be encouraged in the future and requested that Housing Vermont deliver this recommendation to Addison County Community Action Group. Mr. Candon also raised concerns around the type and cost of the project and felt that the cost per unit and nature of this project were beyond what we should consider.

Ms. Canney asked if "general occupancy", as used in the staff memorandum, is a new term. Mr. Erdelyi said yes and that it is distinguished from "elderly" which means occupancy restricted to 55 or over. "General occupancy" is used when the project is not a

senior-restricted project. Previously, staff would describe projects with all one-bedroom units as "family" housing unless they were for senior occupancy only. "General occupancy" replaces "family" as a description of the type of housing.

Ms. Beyer made the motion to approve the Resolution re: Construction And Permanent Financing for Smiths Housing, Middlebury. Ms. Lafayette seconded the motion. The motion passed with Mr. Candon opposed.

### Maples II

Mr. Adams presented the staff memorandum and noted that the per unit operating cost of \$277 is the lowest seen in the Agency's management files. VHFA would require the City of Rutland to enter into an agreement that acknowledges and agrees to allow excess cash flows from Maples I, to fund an operating deficit account for Maples II, up to and to maintain a balance of \$50,000.

Mr. Giebink from Green Mountain Development Group (GMDG) gave a brief presentation of GMDG's work on Maples II and other senior living communities. He noted that the need is high in Rutland.

Ms. Canney made the motion to approve the Resolution Re: Construction And Permanent Financing For Maples II, Rutland. Mr. Candon seconded the motion and it was approved unanimously.

### Waiver Of Rehabilitation Requirement In Mixed Use Development Rules

Ms. Drake and Mr. Richardson were present to give details about the project that is raising this issue (Victoria's Apartments). Ms. Drake said the Agency has adopted rules that would allow for mixed-use developments (those with both housing and non-housing facilities in the same development) to be financed. The discussion was limited to the waiver of the rehabilitation requirement. The Victoria Apartments project is in a gray area. There are existing buildings that are commercial and housing, however, substantial demolition will take place and then new construction. The rules allow for a waiver but the conditions of the waiver have to be that the Board would find that complying with the requirement would be an undue hardship on the project and not violate the statutory mandates of the Agency. Ms. Drake reviewed her interpretation of the statute and stated that the Board could waive the rehab requirement and allow for a new construction project. A short presentation of Victoria's Apartments followed.

Mr. Bove said there are three building occupying the present space, which are in very bad shape. The corner building is called the General Stannard house. All three buildings are historic. The state will allow two of the buildings to be torn down in exchange for taking care of the General Stannard house, fixing it up, tearing off the porch, tearing up the asphalt that is on the east side of the building, planting grass and bushes and fixing up the brick. A four-story building will be constructed of which the first floor will be commercial and the remaining three floors will be apartments. Mr. Richardson stated there would be 18 two-bedroom apartments, 15 one-bedroom apartments and 1 three-bedroom apartment. A 25% vacancy rate on the commercial income is being assumed so the performa calls for

\$72,000/year in commercial income. The developer is guaranteeing \$75,000 in income whether it's leased or not. The property is on a ground lease to Mr. and Mrs. Bove, Sr., parents of Rick Bove and his brother, Mark, who are the developers. That ground lease of \$48,000/year is subordinate to the mortgage. Two thirds of the commercial space is already occupied. The building will be of steel construction and will cost \$90.00 per square foot. Mr. Richardson said all the permits have been granted and the project has been through Act 250. Construction is scheduled to start in September. Mr. Richardson thinks people with Section 8 vouchers will occupy 50% of the units. There will be one elevator and one stairway. Mr. Erdelyi clarified that the Agency's loan will be requested for the newly constructed building only.

Chairperson Randall requested a technical review of rules currently in place. Ms. Drake said "residential housing" is defined as housing and non-housing facilities that are necessary and convenient as determined by the Agency. What the rules have done is try to define what "necessary and convenient" is. The mixed-use rules describe the necessary findings that the Board must make with respect to Mixed Use Developments, including whether the non-housing facilities or the commercial space is necessary and convenient to the residential housing. If the non-housing facilities are necessary and convenient, they must also constitute all or a part of an existing structure or structures to be acquired and rehabilitated. Ms. Drake said the general application of the rules is limited to rehab. Mr. Candon asked why isn't rehab leveling it if the area isn't decent and putting up a new unit? Ms. Carpenter said that demolition is a form of rehab. Ms. Drake said generally the Agency has not used mixed-use rules but rather the multi-family housing development rules. Mr. Richardson said several banks have turned them down flat.

No motion was needed on this discussion at this time.

### HOMEOWNERSHIP

Ms. Crady reported that the goal for loan purchases in FY 2001 was achieved, activity is very strong but have seen a slow down in the past week and are averaging about 2 - 2 ½ million in reservations per week. 30% of the activity is the cash assistance option. VHFA continues to work with MGIC to achieve a 24-hour turn around time for loan approvals once they receive a file.

MGIC has committed to 24-hour turn around time going forward by hiring another underwriter for their Burlington office. Ms. Canney asked how is VHFA communicating that information to the lenders? Ms. Crady said Ms. Deforge (VHFA Outreach Coordinator) has been getting the word out to lenders by phone and through the mail. The Homeownership Dept. is currently in the process of getting all the e-mail addresses so that lenders can be updated through e-mail. Ms. Crady asked Ms. Canney if she heard of any problems to let her know.

Ms. Crady reported on the collection side, FY 2001 loan losses are about \$300,000 below budget. Ms. Crady stated it looks like that figure will hold true for the audit.

Mr. Adams is working to finalize agreements with First Brandon, Wells River and Passumpsic, to consolidate servicing with Graystone Mortgage. Mr. Adams stated this week

he came to a verbal agreement with Graystone who acquired some servicing some years back so they actually service one hundred or so loans for themselves and they've agreed to sell us that servicing as well.

Ms. Crady said she is in the process of notifying Charter One that they are in default and may no longer service for VHFA. There are numerous issues including delinquent taxes, overall delinquency levels and the lack of customer service. Chairperson Randall asked if VHFA would purchase the servicing from Charter One or just take it. Mr. Adams answered that VHFA would exercise its rights under the mortgage loan servicing agreement with Charter One, if we are unable to resolve the issues where Charter One is out of compliance with our Service Agreement or performance does not improve.

## MULTIFAMILY MANAGEMENT

### Templeton Apartments

Mr. Adams provided an update to the Board regarding the engineering studies that were conducted on the foundations at Templeton Court Apartments in White River Jct. Mr. Adams noted that VHFA hired David Anderson to review the engineering work and reports conducted by Stevens and Associates for the Housing Foundation Inc. Mr. Anderson was asked to provide his professional opinion as to the qualifications of the engineering firm, and the work that they did in order to establish a comfort level the redevelopment on the site using substantially the existing foundations was structurally safe. He was also to recommend the maximum number of units that could be built and yet achieve a desirable level of open space, parking areas and appropriate site drainage.

Mr. Anderson's report found indicated that he was satisfied with the Engineering team, the work they did and their recommendations. The foundations were noted to be adequate for redevelopment subject to some landscaping, ledge removal, and increasing the foundation heights in some locations. He also noted that the maximum number of units that the project is able to support and still cure the site drainage issues, need for open space, and parking was no more than 28 units.

Richard Williams, Michael Momaney, Susan Kugal from the Vermont State Housing Authority and Jeffrey Kantor, were present and answered various questions asked by the Board regarding Social Services being provided, along with other questions regarding the foundations and redevelopment potential.

After some discussion, the general consensus of the Board was to consider the report from Mr. Anderson to be favorable enough to consider redevelopment of the site. Any redevelopment proposal would require the close review and involvement of Mr. Anderson on behalf of VHFA. It was noted that a project of 26 to 28 units appeared to be the maximum number of units the site could support. Any proposal to be considered by VHFA would be subject to acceptable sources of funding and long-term financial feasibility. We would not reject a proposal strictly based on our previous concerns regarding the structural integrity of the foundations.

## FINANCE

### General Fund Budget Performance

Mr. Schoenbeck presented the memorandum on the budget performance through June 2001. These are preliminary results as the auditors begin their work on site on Monday, August 27<sup>th</sup>. Mr. Schoenbeck said the Interim Budget Report Expenses and Other Costs FY 2001 thru 6/30/2001 and the Interim Budget Report Income and Fund Transfers FY 2001 thru 6/30/2001 were outstanding as far as hitting the estimated marks.

Mr. Schoenbeck said in recapping the memo, income items came in at 101% of income. Our transfers are at 94%. The bond programs are low because loan losses were \$300,000 less than expected. Therefore, the YTD surplus was much higher than expected. Expenses were 93% of operating expenses and 88.5% of total expenses.

Mr. Schoenbeck stated the capital budget came in higher than the original budget by about \$50,000. Expenses for the building repointing, roof work and windows ran higher than expected. Also the interior painting project had been budgeted as an expense item vs. a capital expenditure. In addition, many computer viruses have come up and VHFA spent additional money on protecting the agency's system by installing firewalls. That added to the cost.

Mr. Schoenbeck said basically the budget is in good shape.

Mr. Candon asked if loan losses were budgeted for \$ 1.2 million in 2002? Mr. Schoenbeck said they were budgeted lower at \$900,000.

Mr. Schoenbeck was speaking with an analyst, Mr. Tencer from S & P, who was quite impressed with VHFA's delinquency performance as VHFA had met and exceeded its goal for reducing delinquencies.

Mr. Candon asked why the liability insurance was off so much? Ms. Carpenter stated that VHFA has anticipated purchasing Directors and Officers liability coverage. Ms. Drake is working with the State to determine whether we can/want to participate in the State self - insurance plan.

Ms. Beyer said she thought VHFA was going to have a \$54,000 fund surplus. Mr. Schoenbeck said the general fund balance is increasing more than expected and that the total fund balances will be relatively the same but because of the savings on loan losses, which are involved in the single-family fund balances, there is an expected bond surplus pending the audit results.

Ms. Carpenter also pointed out that some of the budget overages had been anticipated and were moved into next year's budget. Pension savings was due to changes in staff throughout the year. Occupancy was over expended in capital but under expended in expense because VHFA chose to capitalize some of the work that had originally budgeted as expense. Mr. Candon asked if there was any more work to be done in that area? Ms. Loller

said there is a bid out for painting the windows. The sills and sub sills have been replaced and painted. Because of the lead paint, this will be an expensive project. Ms. Loller said the elevator shed had needed work and the roof is in need of repair.

Mr. Schoenbeck said what he expects after the full audit is completed with all the bond program activity, is that this is going to be quite a successful year and it is going to increase the fund balances which will enable VHFA to provide more housing assistance. Mr. Schoenbeck said it is critical that the future flow of funds from bond programs will be able to fund operations and loan programs VHFA plans to have over the remaining life of the bonds. The resources available are not dedicated to the general fund. VHFA has structured the earnings to accumulate in the bond programs to support the bond ratings as opposed to building up the general fund balance.

#### Series 15 Bond Post-Sale Report (Piper Jaffray Review)

Mr. Schoenbeck said the rating agency had a positive response to VHFA's performance. This latest bond issue, which was sold last week, was one of the most difficult to date. With the last single family bond issue VHFA instituted what is called a "pac bond" which is a planned amortization class which means collections on mortgages are dedicated to a class of bond to give the purchaser a sense of when the bonds are going to be redeemed so it allows a sale of a longer bond with a shorter life expectation, which results in a better rate. Last time VHFA sold those at a premium, which resulted in the funds, that we needed to fund the down payment assistance option. Because of negative arbitrage, meaning we can't invest the money we're selling at as high of a rate as we're paying on it, they've added a new twist, a step coupon on this planned amortization fund.

Mr. Schoenbeck said these bonds are difficult to explain and sell but this results in rates, which are the lowest in VHFA history. The no point rate is 6.3%. VHFA has sold these bonds and the closing will be on the 5<sup>th</sup> and 6<sup>th</sup> of September and will probably be announced on September 10<sup>th</sup>. VHFA is also trying to use up the Series 14 money. Mr. Fairbanks will do a media release so people will know about VHFA's new rates.

#### Multifamily General Authorizing Resolution

Ms. Drake said this past spring the Board adopted a resolution that authorizes the staff to issue bonds up to a certain maximum amount without coming back to the Board on every individual bond issue. The first one was for \$15 million. VHFA has \$795,000 remaining in that first resolution. This is another resolution, identical to the last, that would give the staff authority to issue up to another \$15 million. This authority covers bond issues using both volume cap and non-volume cap. Basically any amount of multifamily bonds VHFA issues would come under this, including taxable bonds. It could be a combination of public sale, private sale to FannieMae or small construction loan bonds with local banks.

Mr. Schoenbeck said that he just received word this week that KeyBank is interested in pursuing the privately placed construction loan bonds. KeyBank has approved transactions with VHFA up to \$10 million.

Mr. Candon made the motion to approve the Resolution Authorizing The Issuance And Sale Of A Maximum Of \$15,000,000 Of Bonds In One Series To Finance Multi-family Projects. The motion carried unanimously after being seconded by Ms. Canney.

## ADMINISTRATION

### Executive Director's Report

Ms. Carpenter said the ED Report was pretty straightforward. It has been a busy month. Mr. Fairbanks is not in attendance because he's at an Upper Valley Housing Report Planning Meeting in NH.

### Housing Vermont

A few months ago, VHFA put forward the name of Fred Kenney as a nominee. He declined. It is proposed to nominate Barbara Grimes as VHFA's choice to the Housing Vermont Board.

Ms. Lafayette made the motion to approve this nomination. Ms. Canney seconded the motion, which carried unanimously.

Ms. Carpenter spoke briefly about the upcoming NCSHA Conference to be held in Boston at the end of the month. If anyone wishes to attend, they should contact Ms. Loller.

Ms. Loller handed out to each Board member their photo and asked them to let her know if they would like their photo replaced with a newer one for the Annual Report, which is due out by November 1<sup>st</sup>. Any changes would need to be in by the third week in September.

Chairperson Randall said she sent Ms. Caragher a card signed by the Board of Directors expressing their appreciation.

The location for the next Board meeting was discussed. Williamstown was one option. Eagles Crest was another option. Chairperson Randall mentioned that the Board hasn't had a meeting in Addison County but none of VHFA's facilities have meeting space available. Chairperson Randall asked Ms. Loller to pick the location and notify the Board members and ask if they prefer a morning or afternoon meeting. The next meeting is scheduled for September 20<sup>th</sup>. The retreat is October 10<sup>th</sup> and 11<sup>th</sup> at the Grand Isle Lake House.

Ms. Lafayette made the motion to adjourn. Ms. Beyer seconded the motion and it carried unanimously.

Sincerely,



Sarah E. Carpenter  
Executive Director and Secretary



## Vermont Housing Finance Agency

TO: VHFA Board of Commissioners  
FROM: Joe Erdelyi, Senior Development Officer  
DATE: August 16, 2001  
RE: Multifamily Construction Loan Application for Falcon Manor, Williston

<b>Name:</b>	Falcon Manor	<b>Location:</b>	Williston
<b>Housing Type:</b>	Senior	<b>Unit Type:</b>	Flats
<b>Total Units:</b>	61	<b>Unit Sizes:</b>	19 1-Br, 600 sf; 42 2-Br, 850 sf
<b>Total Development Cost:</b>	\$5,256,917	<b>Per S.F. Devel Cost (land plus hard construction cost):</b>	\$76.81
<b>Loan Requested:</b>	\$4,185,000 construction and permanent loan	<b>Housing Credits:</b>	\$66,555
<b>Other Funding:</b>	Deferred Developer's Fee Loan, Equity from Housing Credits (4%)		
<b>Sponsors:</b>	Yandow/Dousevicz Construction		

The sponsors have applied for funding to construct a new building across the street from their Eagle Crest development, a 60 unit senior housing project VHFA financed in 1999. Eagle Crest is fully occupied and was rented up by seven months after its completion. Falcon Manor will be managed by Cathedral Square Corporation, who also manages Eagle Crest. The development would be 61 units of senior housing with a la carte services, plus an adult day care facility for 30 people operated by the Visiting Nurses Association. The three-story building would be served by an elevator and would have underground parking, a common room, a VNA exam room, and a kitchen and dining room. The sponsors intend to offer a noontime meal five days a week if there is a demand. The only other outside funding source is tax credit equity, which will be privately raised; the project has local permits and anticipates Act 250 approval by the end of August. The sponsors anticipate starting construction in September and completion within a year. An as-completed appraisal has been ordered but not yet obtained. A Level I Environmental Site Assessment has been completed and no conditions were found. VHFA will have a review of the construction budget done for cost reasonableness as usual. The pro forma budget is attached.

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



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14.00

Apr 20 11:18 2001

Scale 1:31,250 (at center)

1000 Feet

1000 Meters

- Local Road
- Major Connector
- State Route
- Primary State Route
- Road Under Construction
- Interstate/Limited Access
- US Highway
- Rest Area with facilities

- Railroad
- Point of Interest
- Airfield
- Sched Service Airport
- Locale
- Land
- Water
- Woodland

- Sand/Rock
- River/Canal
- City Park

*Falcon Manor, williston*

Total Residential Units:	61	Increase in Income from LIHTC Units:	1.50%
Housing Credit Restricted Units:	25	Increase in Income from Market Units:	2.00%
Percent Restricted:	40.98%	Increase in Income from Other Sources:	1.50%
Total Development Cost:	5,256,917	Expense increase:	3.00%
Total Development Cost per Unit:	86,179	Vacancy Rate:	5%
Total Development Cost Per SF:	95.30	Partner's Tax Rate:	35%
		Long Depreciation Schedule:	27.5 years
Max Credit Potential:	66,555	Short Depreciation Schedule:	7 years
Credit Amount Allocated:	66,555	Sponsor's Estimated Yield:	84.99%

LIHTC - 4%	3.54%	(Aug 2001)
	3.54%	

**SOURCES**

		% of Total Development Cost	Interest Rate	Amortization	Term
First Mortgage	4,184,917	79.61%	7.00%	40	30
Developer Loan	512,000	9.74%	1.00%	10	10
Partner's Equity	560,000	10.65%	N/A	N/A	
<b>TOTAL SOURCES</b>	<b>5,256,917</b>	<b>100.00%</b>			

**USES**

Acquisition	268,825	5.11%
Construction Hard Costs	3,968,000	75.48%
Soft Costs	1,020,092	19.40%
<b>TOTAL USES</b>	<b>5,256,917</b>	<b>100.00%</b>

Gap (0)

**PER UNIT COST LIMIT CALCULATION**

	per unit limits	number of units			
0 Br	84,390	0	0		
1 Br	90,140	19	1,712,660		
2 Br	95,890	42	4,027,380		
3 Br	101,637	0	0		
4 Br	107,390	0	0		
Maximum cost allowed under the per unit cost limits		61	5,740,040		
Projected total cost, excluding cash accounts			5,211,917	Cost Overage %	110%
	(over)/under		528,123		

General Partner's Capital Contribution	5,657	1.00%
Limited Partner's Capital Contribution	560,004	99.00%
<b>Total Equity</b>	<b>565,661</b>	

**APPLICABLE FRACTION CALCULATION**

Tax Credit Restricted Units	25
Total Units	61
Unit Fraction	40.98%
Tax Credit Square Footage	18,000
Total Residential Square Footage	47,100
Square Footage Fraction	38.22%
<b>Applicable Fraction</b>	<b>38.22%</b>

	Budget	Non-tax credit Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Other
<b>ACQUISITION</b>						
1 Land	255,000					
2 Property transfer Tax	3,825					
3 Demolition (without replacement)	0					
4 Property Appraisal	3,000					
5 Legal - Title and Recording	7,000					
Subtotal - Acquisition	268,825					
<b>CONSTRUCTION HARD COSTS</b>						
6 Rehabilitation	0					
7 New Building(s)	3,165,200		3,165,200	3,165,200		
8 Accessory Buildings	0		0	0		
9 Sitework	350,000		350,000	350,000		
10 Commercial Space Costs (if any)	213,000		213,000	213,000		
11 General Requirements	0		0	0		
12 Contractor Overhead	0		0	0		
13 Contractor Profit	0		0	0		
14 Construction Contingency	100,000		100,000	100,000		
15 Construction Management	0		0	0		
16 Construction Bond Fee	0		0	0		
17 Hazardous Materials Abatement	0		0	0		
18 Off-Site Improvements	0		0	0		
19 Furnishings, Fixtures, & Equipment	139,800		139,800	139,800		
20 Other ( )	0		0	0		
Subtotal - Hard Costs	3,968,000					
<b>SOFT COSTS</b>						
21 Architectural	70,000		70,000	70,000		
22 Engineering	0		0	0		
23 Legal/Accounting	8,000		8,000	8,000		
24 Relocation	0		0	0		
25 Environmental Assessment	1,000		1,000	1,000		
26 Energy Assessment	0		0	0		
27 Permits/Fees	60,000		60,000	60,000		
28 Independent Market Study	8,000		8,000	8,000		
29 Construction Period Insurance	14,000		14,000	14,000		
30 Construction Interest	186,092		186,092	186,092		
31 Construction Loan Origination Fee	69,000		69,000	69,000		
32 Taxes During Construction	3,000		3,000	3,000		
33 VHFA Inspector	4,000		4,000	4,000		
34 Marketing	10,000					
35 Tax Credit Fees	1,500		1,500	1,500		
36 Soft Cost Contingency	0		0	0		
37 Permanent Loan Origination Fee	0					
38 Lender's Counsel's Fee	6,000					
39 Other ( )	0		0	0		
<b>SYNDICATION COSTS</b>						
40 Organizational (Partnership)	7,500					
41 Bridge Loan Fees and Expenses	0					
42 Syndication Consultant	0					
43 Tax Opinion	0					
<b>DEVELOPER'S FEES</b>						
44 Developer's Fees	512,000		512,000	512,000		
45 Other Partnership Fees	0		0	0		
46 Consultant Fees	15,000		15,000	15,000		
<b>RESERVES</b>						
47 Working Capital	0					
48 Rent-up (Deficit Escrow) Reserve	0					
49 Other Operating Reserves	45,000					
50 Sinking Fund	0					
51 Replacement Reserves	0					
Subtotal - Soft Costs	1,020,092					
<b>TOTALS</b>	<b>5,256,917</b>	<b>0</b>	<b>4,919,592</b>	<b>4,779,792</b>	<b>0</b>	
LESS: Amount of Non-qualified Financing						
LESS: Adjustment for per unit cost limits	1		0			
LESS: Historic tax Credit (Residential Portion)			0	0		20% Historic Credit Rate
Total Eligible Basis		0	4,919,592			0 Annual Historic Credit
TIMES: Adjusted for QCT/DDA	100.0%		4,919,592			
TIMES: Applicable Fraction	38.22%	0	1,880,099			
Total Qualified Basis		0	1,880,099			
TIMES: Applicable Percentage		3.54%	3.54%			
Total Annual Credit Qualified		0	66,555			
<b>TOTAL TAX CREDITS REQUESTED</b>						
Total Tax Credits Requested	66,555					
Estimated Net Syndication Proceeds (excluding historic credit equity)	560,000					
Estimated Yield - Housing Credit Syndication	84.99%					
Equity Gap	560,000					
Credits Needed to fill Equity Gap	66,555					
<b>DEPRECIATION SCHEDULE</b>						
4,779,792 Long Term Depreciable Basis						
27.5 Depreciation Schedule						
173,811 Annual Depreciation						
139,800 Short Term Depreciable Basis						
7 Depreciation Schedule						
19,971 Annual Depreciation						

15-Aug-01 **Falcon Manor**

HC Restricted Units Bedrooms	Type	Average Square Feet	Number	Average Rent	Utilities	Total Annual Rent
0 Br			0	0		0
1 Br		600	13	521		81,276
2 Br		850	12	625		90,000
3 Br			0	0		0
4+ Br			0	0		0
	Totals	18,000	25			171,276

Non-HC Restricted Units Bedrooms	Type	Square Feet	Number	Rent	Utilities	Total Annual Rent
0 Br			0	0		0
1 Br		600	6	850		61,200
2 Br		850	30	975		351,000
3 Br			0	0		0
4+ Br			0	0		0
	Totals	29,100	36			412,200

All Units

Grand Totals	47,100	61	583,476
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Less Vacancy	5.00%	(29,174)
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<u>NET RENT</u>	<u>554,302</u>
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OTHER INCOME

Laundry	
Parking	
Commercial Space Income (VNA)	
Other	Cable TV

7,200
30,000
2,976

<u>TOTAL INCOME</u>	<u>594,478</u>
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15-Aug-01 **Falcon Manor**

	Annual	Monthly	Per Unit Per Month	
<b>Administration</b>				
Management Fee	30,720	2,560	42	5.2%
Supportive Services	20,000	1,667	27	
Audit/Accounting	4,000	333	5	
Legal	1,500	125	2	
Marketing	5,000	417	7	
Other	18,837	1,570	26	
<b>TOTAL ADMINISTRATIVE</b>	<b>80,057</b>	<b>6,671</b>	<b>109</b>	
<b>Utilities</b>				
Electricity	25,000	2,083	34	
Fuel	16,000	1,333	22	
Water and Sewer	5,600	467	8	
Fire Alarm / Emergency	2,700	225	4	
Other		0	0	
<b>TOTAL UTILITIES</b>	<b>49,300</b>	<b>4,108</b>	<b>67</b>	
<b>Maintenance</b>				
Maintenance / Janitor Payroll	20,135	1,678	28	
Janitor Supplies	3,400	283	5	
Exterminating	0	0	0	
Trash Removal	3,060	255	4	
Snow Removal	5,000	417	7	
Grounds	2,000	167	3	
Repairs Material	200	17	0	
Repairs Contract	500	42	1	
HVAC Repairs / Maintenance	500	42	1	
Elevator Contract / Repairs	1,800	150	2	
Painting and Decorating	500	42	1	
Other	400	33	1	
<b>TOTAL MAINTENANCE</b>	<b>37,495</b>	<b>3,125</b>	<b>51</b>	
Real Estate Taxes	40,000	3,333	55	per unit month excl. ds & res. 295
Property Insurance	9,300	775	13	
Replacement Reserves	19,200	1,600	26	
Primary Debt Service	312,077	26,006	426	
Other "must pay" debt service		0	0	
Other		0	0	
<b>Total</b>	<b>547,429</b>	<b>45,619</b>	<b>748</b>	

15-Aug-01 Falcon Manor

Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Operating Income															
LIHTC Rent	171,276	173,845	176,453	179,100	181,786	184,513	187,281	190,090	192,941	195,835	198,773	201,754	204,781	207,852	210,970
Market Rent	412,200	420,444	428,853	437,430	446,179	455,102	464,204	473,488	482,958	492,617	502,469	512,519	522,769	533,225	543,889
Other Income (Includes VNA)	40,176	40,779	41,390	42,011	42,641	43,281	43,930	44,589	45,258	45,937	46,626	47,325	48,035	48,756	49,487
Vacancy and other losses	(29,174)	(29,714)	(30,265)	(30,826)	(31,398)	(31,981)	(32,574)	(33,179)	(33,795)	(34,423)	(35,062)	(35,714)	(36,377)	(37,054)	(37,743)
Total Operating Income	594,478	605,353	616,431	627,714	639,208	650,915	662,841	674,988	687,362	699,967	712,806	725,885	739,208	752,779	766,603
Operating Expenses															
Total Expenses (excl. Reserves)	216,152	222,637	229,316	236,195	243,281	250,579	258,097	265,840	273,815	282,029	290,490	299,205	308,181	317,426	326,949
Reserves	19,200	19,488	19,780	20,077	20,378	20,684	20,994	21,309	21,629	21,953	22,282	22,617	22,956	23,300	23,650
Total Operating Expense	235,352	242,125	249,096	256,272	263,659	271,263	279,091	287,149	295,444	303,982	312,773	321,822	331,137	340,727	350,599
Net Operating Income	359,126	363,229	367,335	371,442	375,549	379,652	383,750	387,840	391,919	395,984	400,033	404,063	408,071	412,052	416,004
Less Primary Debt Service	312,077	312,077	312,077	312,077	312,077	312,077	312,077	312,077	312,077	312,077	312,077	312,077	312,077	312,077	312,077
Less Secondary Debt Service	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Annual Cash Flow	47,050	51,152	55,258	59,365	63,472	67,575	71,673	75,763	79,842	83,908	87,957	91,987	95,994	99,976	103,928
Operating Subsidies / Sinking Fund	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash	47,050	51,152	55,258	59,365	63,472	67,575	71,673	75,763	79,842	83,908	87,957	91,987	95,994	99,976	103,928
DCR	115.08%	116.39%	117.71%	119.02%	120.34%	121.65%	122.97%	124.28%	125.58%	126.89%	128.18%	129.48%	130.76%	132.04%	133.30%
Cumulative Cash Flow															
Beginning Balance	45,000	38,811	36,662	38,678	44,985	55,710	70,984	90,937	115,701	145,409	180,197	220,198	265,550	316,391	372,857
Deposits	47,050	51,152	55,258	59,365	63,472	67,575	71,673	75,763	79,842	83,908	87,957	91,987	95,994	99,976	103,928
Interest	2,761	2,699	2,758	2,941	3,254	3,699	4,280	5,001	5,866	6,880	8,045	9,366	10,846	12,491	14,304
Withdrawal for payment of dev fee loan	(53,824)	(53,824)	(53,824)	(53,824)	(53,824)	(53,824)	(53,824)	(53,824)	(53,824)	(53,824)	(53,824)	(53,824)	(53,824)	(53,824)	(53,824)
Withdrawal for distributions	(2,176)	(2,176)	(2,176)	(2,176)	(2,176)	(2,176)	(2,176)	(2,176)	(2,176)	(2,176)	(2,176)	(2,176)	(2,176)	(2,176)	(2,176)
Ending Balance	38,811	36,662	38,678	44,985	55,710	70,984	90,937	115,701	145,409	180,197	220,198	265,550	316,391	372,857	435,089
Cumulative Replacement Reserves															
Beginning Balance	0	19,392	39,269	59,640	80,514	(20,511)	175	21,381	43,116	65,393	(34,193)	(12,029)	10,693	33,985	57,859
Deposits	19,200	19,488	19,780	20,077	20,378	20,684	20,994	21,309	21,629	21,953	22,282	22,617	22,956	23,300	23,650
Interest	192	389	590	797	1,009	2	212	427	647	873	(119)	106	336	573	815
Withdrawals	0	0	0	0	(122,412)	0	0	0	0	(122,412)	0	0	0	0	(122,412)
Ending Balance	19,392	39,269	59,640	80,514	(20,511)	175	21,381	43,116	65,393	(34,193)	(12,029)	10,693	33,985	57,859	(40,088)

**RESOLUTION RE: CONSTRUCTION AND PERMANENT FINANCING  
FOR FALCON MANOR, WILLISTON**

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

WHEREAS, an application has been submitted to the Agency by Yandow/Dousevicz Construction (the "Sponsor") on behalf of a to be formed limited partnership in which the Sponsor or its subsidiary will be the general partner (the "Borrower") involving the construction of a three-story building containing sixty-one (61) units of rental housing for seniors in the Town of Williston (the "Development"); and

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

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

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

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Joe Erdelyi dated August 16, 2001, containing information and recommendations about the Development (the "Memorandum");

THEREFORE, it is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income.
2. The acquisition and construction costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.
3. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and moderate income are able to afford within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of the residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families.
4. The housing sponsor undertaking the Development will increase the supply of well-planned, well-designed permanent, temporary, transitional or emergency housing for persons and families of low and moderate income.
5. The security value of the Development will equal at least the amount of the Agency's loan.



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

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to the limited partnership to be created by the Sponsor for the construction and permanent term financing of the Development based on the recommendations in the attached Memorandum. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the Sponsor in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.
2. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designees may, in his or her discretion, issue one or more Commitment Letters for a mortgage loan to the limited partnership to be created by the Sponsor for the construction and permanent term financing of the Development based on the recommendations in the attached Memorandum. The Commitment Letter may be issued to the Sponsor as a representative of the Borrower. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.
3. The issuance of the Bonds for the purpose of financing one or more loans to the Borrower is hereby preliminarily approved, and, pursuant to Section 1:150-2 of the Internal Revenue Code Regulations, the Agency hereby states its intention to reimburse itself from Bond proceeds for any advances of Agency funds prior to the issuance of the Bonds.
4. The preliminary approval described in the preceding paragraph does not obligate the Agency to give final approval for the issuance of said Bonds. Final approval of the issuance of the Bonds can only be authorized by independent action, which may contain such conditions thereto as the Agency may deem appropriate. The Agency in its absolute discretion may refuse to finally authorize the issuance of the Bonds and shall not be liable to the Sponsor, the Borrower or any other person for its refusal to do so.
5. The Executive Director and the Loan Review Committee will establish the final sources and amounts of the loans for the Development, and such conditions and terms that are appropriate for the Development in accordance with all requirements of the Act, and the applicable regulations and policies of the Agency, including the Underwriting Guidelines.

*I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont on August 23, 2001.*

  
**Sarah E. Carpenter**

*Executive Director and Secretary  
Vermont Housing Finance Agency*





## Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Multifamily Development Underwriter *CR*

DATE: August 16, 2001

RE: Multifamily Construction and Permanent Loan Application for Smiths Housing, Middlebury

<b>Name:</b>	Smiths Housing	<b>Location:</b>	Middlebury
<b>Housing Type:</b>	General Occupancy	<b>Unit Type:</b>	Flats & Townhouses
<b>Total Units:</b>	17	<b>Unit Sizes:</b>	1 BR 591 s.f.; 2 BR 850 s.f.; 3 BR 1,000 s.f.
<b>Total Cost:</b>	\$2,761,506	<b>Per S.F. Devel Cost:</b>	\$211
<b>Loan Requested:</b>	\$1,520,000 construction \$235,800 permanent	<b>Housing Credits:</b>	\$75,707
<b>Other Funding:</b>	VHCB, HOME, VCDP, AHP, REEP, VHCB Lead, Historic Credits		
<b>Sponsors:</b>	Housing Vermont & Addison County Community Action Group (ACCAG)		

Housing Vermont (on behalf of a to-be-formed limited partnership consisting of a subsidiary of Housing Vermont and ACCAG) is seeking \$1,520,000 in tax exempt construction financing and \$235,800 in permanent financing to acquire four buildings on two parcels in downtown Middlebury. The tax exempt construction loan will enable the partnership to obtain 4% Housing Credits. Three buildings located at 76-88 South Pleasant Street will be rehabilitated, one will be demolished and a new building constructed in its place. The historic Clinton Smith main house is a brick Queen Anne-style building with seven units. The carriage house behind it has two units. A garage on the same parcel will be demolished and in its place a four-unit building will be constructed. The fourth building (4 units) located at 32 Seminary Street is currently owned by ACCAG and in need of rehabilitation. This property houses individuals with special needs who obtain services from the mental health agency in Addison County. In addition, the operating budget for the development has funding to support services for these households. The total number of units will be 17, 15 of which will be tax credit. The developer hopes to secure ten project-based Section 8 vouchers to serve low income households. The project is all permitted and has all of its other funding secured. The sponsor plans to begin construction in October and complete it by July 2002. ACCAG will manage the property once completed. A Phase 1 Environmental Site Assessment was performed and contained recommendations based on findings which do not appear significant. The loan will be conditioned upon following the recommendations. An as-built appraisal has been ordered but is not yet completed.

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



mailing address P.O. Box 408, Burlington, VT 05402-0408

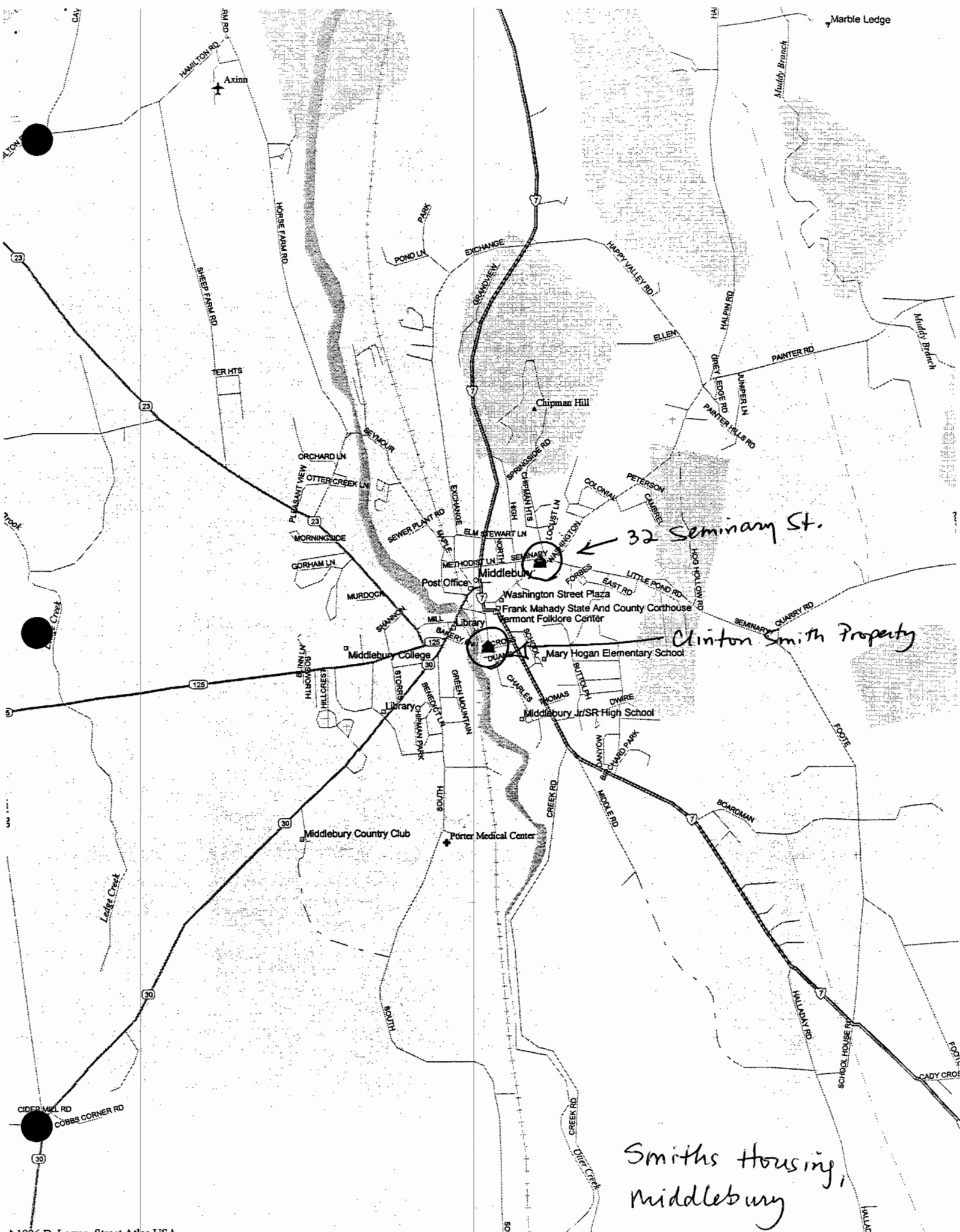
phone (802) 864-5743

delivery address 164 Saint Paul St., Burlington, VT 05401-4364

fax (802) 864-5746

www.vhfa.org





Total Residential Units:	17	Increase in Income from Rental Units:	1.50%
Housing Credit Restricted Units:	15	Increase in Income from Other Sources:	3.00%
Percent Restricted:	88.24%	Increase in Income from Commercial:	1.50%
Total Development Cost:	2,761,506	Expense increase:	3.00%
Total Development Cost per Unit:	162,442	Vacancy Rate:	5%
Total Development Cost Per SF:	212	Partner's Tax Rate:	35%
		Long Depreciation Schedule:	27.5 years
Max Credit Potential:	75,707	Short Depreciation Schedule:	7 years
Credit Amount Allocated:	75,707	Sponsor's Estimated Yield:	124.00%
Historic Credit:	330,893		
LIHTC - 9%	8.25%	(August 2001)	
LIHTC - 4%	3.54%		

**SOURCES**

		% of Total Development Cost	Interest Rate	Amortization	Term
First Mortgage - VHFA	235,798	8.54%	7.25%	30	30
HOME	290,000	10.50%	7.00%	30	30
VHCB Lead	45,500	1.65%	7.00%	30	30
VHCB	300,000	10.86%	0.00%	30	30
VCDP Loan	349,000	12.64%	0.00%	30	30
AHP Loan	95,000	3.44%	0.00%	30	30
VHCB Feasibility Grant	6,300	0.23%	N/A	N/A	N/A
ACCAG Note	69,407	2.51%	N/A	N/A	N/A
Old VHCB/VCDP	36,000	1.30%	N/A	N/A	N/A
REEP Grant	10,000	0.36%	N/A	N/A	N/A
Historic equity		0.00%	N/A	N/A	N/A
Tax Credit Equity	1,324,500	47.96%	N/A	N/A	N/A
<b>TOTAL SOURCES</b>	<b>2,761,505</b>	<b>100.00%</b>			
VHFA Construction Loan	1,520,000				

**USES**

Acquisition	500,825	18.14%
Construction Hard Costs	1,734,495	62.81%
Soft Costs	526,186	19.05%
<b>TOTAL USES</b>	<b>2,761,506</b>	<b>100.00%</b>

Gap 1

**PER UNIT COST LIMIT CALCULATION**

	per unit limits	number of units		
0 Br	84,390	0	0	
1 Br	90,140	6	540,840	
2 Br	95,890	10	958,900	
3 Br	101,637	1	101,637	
4 Br	107,390	0	0	
Maximum cost allowed under the per unit cost limits			1,601,377	
Projected total cost, excluding cash accounts			2,744,506	Cost Overage % 58%
	(over)/under		(1,143,129)	

General Partner's Capital Contribution	13,245	1.00%
Limited Partner's Capital Contribution	1,311,255	99.00%
Total Equity	1,324,500	100.00%

**APPLICABLE FRACTION CALCULATION**

Tax Credit Restricted Units	15
Total Units	17
Unit Fraction	88.24%
Tax Credit Square Footage	11,620
Total Residential Square Footage	13,045
Square Footage Fraction	89.08%
Applicable Fraction	88.24%

	Budget	Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Other
<b>SOUTH PLEASANT STREET ACQUISITION</b>						
1 Land	30,678					
2 Purchase of Building(s)	224,972	224,972		224,972		
3 Demolition (without replacement)	0					
4 Property Appraisal	418	418		418	418	
5 Legal - Title and Recording	1,672	1,672		1,672		
Subtotal - Acquisition	257,740	227,062				
<b>CONSTRUCTION HARD COSTS</b>						
6 Rehabilitation	563,391		563,391	563,391	563,391	
7 New Building(s)	0		0	0		
8 Accessory Buildings	0				0	
9 Sitework	29,682		29,682	29,682	14,841	
10 Commercial Space Costs (if any)	0				0	
11 General Requirements	0		0	0	0	
12 Contractor Overhead	0		0	0	0	
13 Contractor Profit	0		0	0	0	
14 Construction Contingency	59,307		59,307	59,307	59,307	
15 Construction Management	0				0	
16 Construction Bond Fee	0				0	
17 Hazardous Materials Abatement	27,742		27,742	27,742	27,742	
18 Survey/Testing	3,222		3,222	3,222	3,222	
19 Furnishings, Fixtures, & Equipment	6,363		6,363		0	
20 Other ( )	0				0	
Subtotal - Hard Costs	689,707					
<b>SOFT COSTS</b>						
21 Architectural	62,792		62,792	62,792	62,792	
22 Engineering	0				0	
23 Legal/Accounting	6,118		6,118	6,118	6,118	
24 Relocation	17,947		17,947	17,947	17,947	
25 Environmental Assessment	489		489	489	489	
26 Energy Assessment	0				0	
27 Permits/Fees	3,027		3,027	3,027	3,027	
28 Independent Market Study	0				0	
29 Construction Period Insurance	5,809		5,809	5,809	5,809	
30 Construction Interest	19,034		19,034	19,034	19,034	
31 Construction Loan Origination Fee	0				0	
32 Taxes During Construction	0		0	0	0	
33 Clerk of the Works	6,118		6,118	6,118	6,118	
34 Marketing	816					
35 Tax Credit Fees	1,403		1,403	1,403	1,403	
36 Soft Cost Contingency	1,334		1,334	1,334	1,334	
37 Permanent Loan Origination Fee	11,829					
38 Lender's Counsel's Fee	0				0	
39 Other (consultants)	0		0	0	0	
<b>SYNDICATION COSTS</b>						
40 Organizational (Partnership)	0					
41 Bridge Loan Fees and Expenses	0					
42 Syndication Consultant	0					
43 Tax Opinion	0					
<b>DEVELOPER'S FEES</b>						
44 Developer's Fees	35,486		35,486	35,486	35,486	
45 Other Partnership Fees	35,486		35,486	35,486	35,486	
46 Consultant Fees	0					
<b>RESERVES</b>						
47 Working Capital	6,934					
48 Rent-up (Deficit Escrow) Reserve	0					
49 Other Operating Reserves	0					
50 Sinking Fund	0					
51 Replacement Reserves	0					
Subtotal - Soft Costs	214,622					
<b>TOTALS</b>	<b>1,162,069</b>	<b>227,062</b>	<b>884,750</b>	<b>1,105,449</b>	<b>863,964</b>	
LESS: Amount of Non-qualified Financing		0	49,353	0	6,648	
LESS: Adjustment for per unit cost limits	0.58	0	0			
LESS: Historic tax Credit (Residential Portion)			171,463	171,463		
<b>Total Eligible Basis</b>		<b>227,062</b>	<b>663,934</b>			
TIMES: Adjusted for QCT/DDA	130.0%	0	863,114			
TIMES: Applicable Fraction & bldg adjuster	85.71%	194,615	739,775			
<b>Total Qualified Basis</b>		<b>194,615</b>	<b>739,775</b>			
TIMES: Applicable Percentage		3.54%	3.54%	933,986	Long Term Depreciable Basis	
<b>Total Annual Credit Qualified</b>		<b>0</b>	<b>26,188</b>	27.5	Depreciation Schedule	
				33,963	Annual Depreciation	
Total Tax Credits Requested	26,188			6,363	Short Term Depreciable Basis	
Estimated Net Syndication Proceeds (excluding historic credit equity)						
Estimated Yield - Housing Credit Syndication				7	Depreciation Schedule	
Equity Gap			220,816	909	Annual Depreciation	
Credits Needed to fill Equity Gap	#DIV/0!					

## CARRIAGE BARN

	Budget	Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Other
<b>CARRIAGE BARN ACQUISITION</b>						
1 Land	9,522					
2 Purchase of Building(s)	69,828	69,828		69,828		
3 Demolition (without replacement)	0					
4 Property Appraisal	130	130		130	130	
5 Legal - Title and Recording	519	519		519		
Subtotal - Acquisition	79,999	70,477				
<b>CONSTRUCTION HARD COSTS</b>						
6 Rehabilitation	234,930		234,930	234,930		
7 New Building(s)	0		0	0		
8 Accessory Buildings	0				0	
9 Sitework	30,000		30,000	30,000	15,000	
10 Commercial Space Costs (if any)	0				0	
11 General Requirements	0		0	0	0	
12 Contractor Overhead	0		0	0	0	
13 Contractor Profit	0		0	0	0	
14 Construction Contingency	26,493		26,493	26,493	26,493	
15 Construction Management	0				0	
16 Construction Bond Fee	0				0	
17 Hazardous Materials Abatement	8,611		8,611	8,611	8,611	
18 Survey/Testing	1,000		1,000	1,000	1,000	
19 Furnishings, Fixtures, & Equipment	1,975		1,975		0	
20 Other ( )	0				0	
Subtotal - Hard Costs	303,009					
<b>SOFT COSTS</b>						
21 Architectural	19,489		19,489	19,489	19,489	
22 Engineering	0				0	
23 Legal/Accounting	1,899		1,899	1,899	1,899	
24 Relocation	5,570		5,570	5,570	5,570	
25 Environmental Assessment	152		152	152	152	
26 Energy Assessment	0				0	
27 Permits/Fees	939		939	939	939	
28 Independent Market Study	0				0	
29 Construction Period Insurance	1,803		1,803	1,803	1,803	
30 Construction Interest	5,908		5,908	5,908	5,908	
31 Construction Loan Origination Fee	0				0	
32 Taxes During Construction	0		0	0	0	
33 Clerk of the Works	1,899		1,899	1,899	1,899	
34 Marketing	253					
35 Tax Credit Fees	436		436	436	436	
36 Soft Cost Contingency	414		414	414	414	
37 Permanent Loan Origination Fee	3,671					
38 Lender's Counsel's Fee	0				0	
39 Other (consultants )	0		0	0	0	
<b>SYNDICATION COSTS</b>						
40 Organizational (Partnership)	0					
41 Bridge Loan Fees and Expenses	0					
42 Syndication Consultant	0					
43 Tax Opinion	0					
<b>DEVELOPER'S FEES</b>						
44 Developer's Fees	11,014		11,014	11,014	11,014	
45 Other Partnership Fees	11,014		11,014	11,014	11,014	
46 Consultant Fees	0					
<b>RESERVES</b>						
47 Working Capital	2,152					
48 Rent-up (Deficit Escrow) Reserve	0					
49 Other Operating Reserves	0					
50 Sinking Fund	0					
51 Replacement Reserves	0					
Subtotal - Soft Costs	66,613					
<b>TOTALS</b>	<b>449,621</b>	<b>70,477</b>	<b>363,546</b>	<b>432,048</b>	<b>346,701</b>	
LESS: Amount of Non-qualified Financing		0	19,245		0	2,063
LESS: Adjustment for per unit cost limits	0.58	0	0			
LESS: Historic tax Credit (Residential Portion)			68,928	68,928		20% Historic Credit Rate
<b>Total Eligible Basis</b>		<b>70,477</b>	<b>275,373</b>			<b>68,928 Annual Historic Credit</b>
TIMES: Adjusted for QCT/DDA	130.0%	0	357,985			
TIMES: Applicable Fraction & bldg adjuster	40.00%	28,191	143,194			
<b>Total Qualified Basis</b>		<b>28,191</b>	<b>143,194</b>	<b>363,120</b>		<b>Long Term Depreciable Basis</b>
TIMES: Applicable Percentage		3.54%	3.54%			<b>27.5 Depreciation Schedule</b>
<b>Total Annual Credit Qualified</b>		<b>0</b>	<b>5,069</b>	<b>13,204</b>		<b>Annual Depreciation</b>
<b>Total Tax Credits Requested</b>	<b>5,069</b>				<b>1,975</b>	<b>Short Term Depreciable Basis</b>
Estimated Net Syndication Proceeds (excluding historic credit equity)						
Estimated Yield - Housing Credit Syndication Equity Gap			5,069			
Credits Needed to fill Equity Gap	#DIV/0!					
					<b>7</b>	<



**SMITHS**

NEW ADDITION ACQUISITION		Budget	Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Other
1	Land	15,000					
2	Purchase of Building(s)	0	0		0		
3	Demolition (without replacement)	0					
4	Property Appraisal	226	226		226		
5	Legal - Title and Recording	906	906		906		
Subtotal - Acquisition		16,132	1,132				
CONSTRUCTION HARD COSTS							
6	Rehabilitation	311,921		311,921	311,921		
7	New Building(s)	0		0	0		
8	Accessory Buildings	0					
9	Sitework	30,000		30,000	30,000		
10	Commercial Space Costs (if any)	0					
11	General Requirements	0		0	0		
12	Contractor Overhead	0		0	0		
13	Contractor Profit	0		0	0		
14	Construction Contingency	34,192		34,192	34,192		
15	Construction Management	0					
16	Construction Bond Fee	0					
17	Hazardous Materials Abatement	15,028		15,028	15,028		
18	Survey/Testing	1,746		1,746	1,746		
19	Furnishings, Fixtures, & Equipment	3,447		3,447			
20	Other ( )	0					
Subtotal - Hard Costs		396,334					
SOFT COSTS							
21	Architectural	34,015		34,015	34,015		
22	Engineering	0					
23	Legal/Accounting	3,314		3,314	3,314		
24	Relocation	9,722		9,722	9,722		
25	Environmental Assessment	265		265	265		
26	Energy Assessment	0					
27	Permits/Fees	1,640		1,640	1,640		
28	Independent Market Study	0					
29	Construction Period Insurance	3,147		3,147	3,147		
30	Construction Interest	10,311		10,311	10,311		
31	Construction Loan Origination Fee	0					
32	Taxes During Construction	0		0	0		
33	Clerk of the Works	3,314		3,314	3,314		
34	Marketing	442					
35	Tax Credit Fees	760		760	760		
36	Soft Cost Contingency	723		723	723		
37	Permanent Loan Origination Fee	6,408					
38	Lender's Counsel's Fee	0					
39	Other (consultants )	0		0	0		
SYNDICATION COSTS							
40	Organizational (Partnership)	0					
41	Bridge Loan Fees and Expenses	0					
42	Syndication Consultant	0					
43	Tax Opinion	0					
DEVELOPER'S FEES							
44	Developer's Fees	19,223		19,223	19,223		
45	Other Partnership Fees	19,223		19,223	19,223		
46	Consultant Fees	0					
RESERVES							
47	Working Capital	3,756					
48	Rent-up (Deficit Escrow) Reserve	0					
49	Other Operating Reserves	0					
50	Sinking Fund	0					
51	Replacement Reserves	0					
Subtotal - Soft Costs		116,263					
TOTALS		528,729	1,132	501,991	499,676		
LESS:	Amount of Non-qualified Financing		0	3,602	0		
LESS:	Adjustment for per unit cost limits	0.58	0	0			
LESS:	Historic tax Credit (Residential Portion)			0	0		20% Historic Credit Rate
Total Eligible Basis			1,132	498,389			0 Annual Historic Credit
TIMES:	Adjusted for QCT/DDA	130.0%	0	647,906			
TIMES:	Applicable Fraction & bldg adjuster	100.00%	1,132	647,906			
Total Qualified Basis			1,132	647,906			
TIMES:	Applicable Percentage		3.54%	3.54%	499,676	Long Term Depreciable Basis	
Total Annual Credit Qualified			0	22,936	27.5	Depreciation Schedule	
					18,170	Annual Depreciation	
Total Tax Credits Requested		22,936			3,447	Short Term Depreciable Basis	
Estimated Net Syndication Proceeds (excluding historic credit equity)					7	Depreciation Schedule	
Estimated Yield - Housing Credit Syndication					492	Annual Depreciation	
Equity Gap							
Credits Needed to fill Equity Gap		#DIV/0!					

32 SEMINARY STREET		Budget	Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Other
ACQUISITION							
1	Land	17,484					
2	Purchase of Building(s)	128,216	128,216		128,216		
3	Demolition (without replacement)	0					
4	Property Appraisal	251	251		251	251	
5	Legal - Title and Recording	1,003	1,003		1,003		
	Subtotal - Acquisition	146,954	129,470				
CONSTRUCTION HARD COSTS							
6	Rehabilitation	289,038		289,038	289,038	289,038	
7	New Building(s)	0		0	0		
8	Accessory Buildings	0				0	
9	Sitework	4,656		4,656	4,656	2,328	
10	Commercial Space Costs (if any)	0				0	
11	General Requirements	0		0	0	0	
12	Contractor Overhead	0		0	0	0	
13	Contractor Profit	0		0	0	0	
14	Construction Contingency	29,369		29,369	29,369	29,369	
15	Construction Management	0				0	
16	Construction Bond Fee	0				0	
17	Hazardous Materials Abatement	16,634		16,634	16,634	16,634	
18	Survey/Testing	1,932		1,932	1,932	1,932	
19	Furnishings, Fixtures, & Equipment	3,815		3,815			
20	Other ( )	0				0	
	Subtotal - Hard Costs	345,444					
SOFT COSTS							
21	Architectural	37,649		37,649	37,649	37,649	
22	Engineering	0				0	
23	Legal/Accounting	3,668		3,668	3,668	3,668	
24	Relocation	10,761		10,761	10,761	10,761	
25	Environmental Assessment	293		293	293	293	
26	Energy Assessment	0				0	
27	Permits/Fees	1,815		1,815	1,815	1,815	
28	Independent Market Study	0				0	
29	Construction Period Insurance	3,483		3,483	3,483	3,483	
30	Construction Interest	11,413		11,413	11,413	11,413	
31	Construction Loan Origination Fee	0				0	
32	Taxes During Construction	0		0	0	0	
33	Clerk of the Works	3,668		3,668	3,668	3,668	
34	Marketing	489					
35	Tax Credit Fees	841		841	841	841	
36	Soft Cost Contingency	800		800	800	800	
37	Permanent Loan Origination Fee	7,092					
38	Lender's Counsel's Fee	0				0	
39	Other ( consultants )	0		0	0	0	
SYNDICATION COSTS							
40	Organizational (Partnership)	0					
41	Bridge Loan Fees and Expenses	0					
42	Syndication Consultant	0					
43	Tax Opinion	0					
DEVELOPER'S FEES							
44	Developer's Fees	21,277		21,277	21,277	21,277	
45	Other Partnership Fees	21,277		21,277	21,277	21,277	
46	Consultant Fees	0					
RESERVES							
47	Working Capital	4,158					
48	Rent-up (Deficit Escrow) Reserve	0					
49	Other Operating Reserves	0					
50	Sinking Fund	0					
51	Replacement Reserves	0					
	Subtotal - Soft Costs	128,684					
TOTALS		621,082	129,470	462,389	588,044	456,497	
LESS: Amount of Non-qualified Financing			0	3,986	0	3,986	
LESS: Adjustment for per unit cost limits		0.58	0	0			
LESS: Historic tax Credit (Residential Portion)				90,502	90,502		
Total Eligible Basis			129,470	367,901			20% Historic Credit Rate
TIMES: Adjusted for QCT/DDA		130.0%	0	478,271			90,502 Annual Historic Credit
TIMES: Applicable Fraction & bldg adjuster		100.00%	129,470	478,271			
Total Qualified Basis			129,470	478,271	497,542		Long Term Depreciable Basis
TIMES: Applicable Percentage			3.54%	3.54%	27.5		Depreciation Schedule
Total Annual Credit Qualified			4,583	16,931	18,092		Annual Depreciation
Total Tax Credits Requested		21,514			3,815		Short Term Depreciable Basis
Estimated Net Syndication Proceeds (excluding historic credit equity)							
Estimated Yield - Housing Credit Syndication				21,514	7		Depreciation Schedule
Equity Gap					545		Annual Depreciation
Credits Needed to fill Equity Gap		#DIV/0!					

16-Aug-01 SMITHS

HC Restricted Units  
Bedrooms

Type	Average Square Feet	Number	Average Rent	Utilities	Total Annual Rent
0 Br	0	0	0		0
1 Br	589	5	453		27,180
2 Br	853	9	596		64,320
3 Br	1,000	1	850		10,200
4+ Br		0	0		0
Totals	11,620	15			101,700

Non-HC Restricted Units  
Bedrooms

Type	Square Feet	Number	Rent	Utilities	Total Annual Rent
0 Br		0	0		0
1 Br	600	1	525	0	6,300
2 Br	825	1	550	0	6,600
3 Br		0	0		0
4+ Br		0	0		0
Totals	1,425	2			12,900

All Units

Grand Totals	13,045	17	114,600
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Less Vacancy	5.00%	(5,730)
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NET RENT	108,870
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OTHER INCOME

Laundry  
Parking  
Commercial Space Income  
Other

1,000
0
0
0

TOTAL INCOME	109,870
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16-Aug-01

## SMITHS

Building #	Check all Applicable										A				C						
	Unit #	HOME Unit	Lead Paint Unit	Project Based Assistance	Tax Credit Unit	VHCB Restricted	Accessible	Adaptable	Unrestricted	Number of Bedrooms	Proposed Square Footage	Proposed Rent	Utility Allowance for Tenant-Paid Utilities	Gross Rent (Rent + Tenant-Paid Utilities)	AFFORDABLE TO: Units affordable to residents at:						
															30%	50%	60%	65%	80%	100%+	
S. Pleasant	1		1			1				1	600	525	38	563						1	
	2		1	1						2	925	610	47	657	1						
	3		1	1		1				1	625	525	38	563	1						
	4		1	1		1				2	840	610	47	657	1						
	5		1	1		1				2	945	610	47	657	1						
	6		1	1		1				2	825	610	47	657	1						
	7		1	1		1				1	550	405	38	443		1					
Carriage Barn	1					1				2	825	550	47	597					1		
	2			1	1	1				1	550	525	38	563	1						
New Addition	1					1				1	610	405	38	443				1			
	2			1	1	1				2	860	610	47	657	1						
	3			1	1	1				3	1,000	850	54	904	1						
	4					1				1	610	405	38	443			1				
32 Seminary	1		1			1				2	840	605	47	652	1						
	2		1	1		1				2	840	605	47	652	1						
	3		1	1		1				2	800	550	47	597		1					
	4		1	1		1				2	800	550	47	597			1				
Total # Units	17	0	10	10	15	17	3	0	0	Totals:	13,045	9,550	Total # Units:			10	1	4	0	2	0

16-Aug-01 SMITHS

	Annual	Monthly	Per Unit Per Month	
Administration				
Management Fee	12,240	1,020	60	11.1%
Supportive Services	3,800	317	19	
Audit/Accounting	1,020	85	5	
Legal	0	0	0	
Compliance Monitoring	816	68	4	
Marketing	0	0	0	
Other	1,632	136	8	
TOTAL ADMINISTRATIVE	19,508	1,626	96	
Utilities				
Electricity	3,060	255	15	
Fuel - oil	8,160	680	40	
Water and Sewer	5,100	425	25	
Fire Alarm / Emergency	1,428	119	7	
Other	0	0	0	
TOTAL UTILITIES	17,748	1,479	87	
Maintenance				
Maintenance / Janitor Payroll	9,180	765	45	
Janitor Supplies	1,020	85	5	
Exterminating	408	34	2	
Trash Removal	1,836	153	9	
Snow Removal	3,060	255	15	
Grounds	1,428	119	7	
Repairs Material	0	0	0	
Repairs Contract	0	0	0	
HVAC Repairs / Maintenance	0	0	0	
Elevator Contract / Repairs	0	0	0	
Painting and Decorating	2,040	170	10	
Other	0	0	0	
TOTAL MAINTENANCE	18,972	1,581	93	
Real Estate Taxes	13,260	1,105	65	
Property Insurance	4,080	340	20	
Replacement Reserves	6,120	510	30	
Primary Debt Service	19,303	1,609	95	
Other "must pay" debt service	0	0	0	
Other	0	0	0	
Total	98,991	8,249	485	

per unit month excl. ds & res. & services 342
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16-Aug-01 SMITHS																
	Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Operating Income																
Gross Rent		114,600	116,319	118,064	119,835	121,632	123,457	125,309	127,188	129,096	131,032	132,998	134,993	137,018	139,073	141,159
Other Income		1,000	1,030	1,061	1,093	1,126	1,159	1,194	1,230	1,267	1,305	1,344	1,384	1,426	1,469	1,513
Vacancy and other losses		(5,730)	(5,816)	(5,903)	(5,992)	(6,082)	(6,173)	(6,265)	(6,359)	(6,455)	(6,552)	(6,650)	(6,750)	(6,851)	(6,954)	(7,058)
Total Operating Income		109,870	111,533	113,221	114,936	116,676	118,443	120,237	122,059	123,908	125,786	127,692	129,628	131,593	133,588	135,614
Operating Expenses																
Total Expenses (excl. Reserves)		73,568	75,775	78,048	80,390	82,801	85,285	87,844	90,479	93,194	95,990	98,869	101,835	104,890	108,037	111,278
Reserves		6,120	6,212	6,305	6,400	6,496	6,593	6,692	6,792	6,894	6,998	7,103	7,209	7,317	7,427	7,538
Total Operating Expense		79,688	81,987	84,353	86,789	89,297	91,878	94,536	97,272	100,088	102,987	105,972	109,044	112,208	115,464	118,817
Net Operating Income		30,182	29,546	28,868	28,146	27,379	26,565	25,701	24,787	23,820	22,799	21,720	20,583	19,385	18,124	16,797
Less Primary Debt Service		19,303	19,303	19,303	19,303	19,303	19,303	19,303	19,303	19,303	19,303	19,303	19,303	19,303	19,303	19,303
Less Secondary Debt Service																
Annual Cash Flow		10,879	10,244	9,566	8,844	8,076	7,262	6,399	5,484	4,517	3,496	2,418	1,280	82	(1,179)	(2,505)
Operating Subsidies / Sinking Fund		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash		10,879	10,244	9,566	8,844	8,076	7,262	6,399	5,484	4,517	3,496	2,418	1,280	82	(1,179)	(2,505)
Cumulative Cash Flow		156.36%	153.07%	149.56%	145.82%	141.84%	137.62%	133.15%	128.41%	123.40%	118.11%	112.52%	106.63%	100.43%	93.89%	87.02%
DCR																
Beginning Balance		0	10,989	21,558	31,656	41,228	50,219	58,569	66,216	73,093	79,133	84,263	88,407	91,486	93,418	94,115
Deposits		10,879	10,244	9,566	8,844	8,076	7,262	6,399	5,484	4,517	3,496	2,418	1,280	82	0	0
Interest	2.0%	110	325	532	729	914	1,088	1,248	1,393	1,522	1,634	1,727	1,799	1,849	1,875	1,888
Withdrawals		0	0	0	0	0	0	0	0	0	0	0	0	0	(1,179)	(2,505)
Ending Balance		10,989	21,558	31,656	41,228	50,219	58,569	66,216	73,093	79,133	84,263	88,407	91,486	93,418	94,115	93,498
Cumulative Replacement Reserves																
Beginning Balance		0	6,181	12,581	19,203	26,056	33,143	40,472	48,049	55,881	63,974	72,334	80,970	89,887	99,094	108,598
Deposits		6,120	6,212	6,305	6,400	6,496	6,593	6,692	6,792	6,894	6,998	7,103	7,209	7,317	7,427	7,538
Interest	2.0%	61	188	318	453	592	736	885	1,039	1,199	1,363	1,533	1,709	1,890	2,077	2,270
Withdrawals		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance		6,181	12,581	19,203	26,056	33,143	40,472	48,049	55,881	63,974	72,334	80,970	89,887	99,094	108,598	118,407
Net Operating Income		30,182	29,546	28,868	28,146	27,379	26,565	25,701	24,787	23,820	22,799	21,720	20,583	19,385	18,124	16,797
Plus Reserves		6,120	6,212	6,305	6,400	6,496	6,593	6,692	6,792	6,894	6,998	7,103	7,209	7,317	7,427	7,538
Less Interest Expense		(124,540)	(101,748)	(77,134)	(39,987)	(39,740)	(39,512)	(39,266)	(39,002)	(38,719)	(38,414)	(38,086)	(37,733)	(37,355)	(36,947)	(36,510)
Less Long Depreciation		(83,430)	(83,430)	(83,430)	(83,430)	(83,430)	(83,430)	(83,430)	(83,430)	(83,430)	(83,430)	(83,430)	(83,430)	(83,430)	(83,430)	(83,430)
Less Short Depreciation		(2,229)	(2,229)	(2,229)	(2,229)	(2,229)	(2,229)	(2,229)	(2,229)	(2,229)	(2,229)	(2,229)	(2,229)	(2,229)	(2,229)	(2,229)
Taxable Income (Loss)		(173,897)	(151,649)	(127,619)	(91,100)	(51,524)	(92,013)	(92,332)	(90,853)	(91,434)	(92,048)	(92,693)	(93,371)	(94,082)	(94,826)	(95,604)
Cash Flow		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings		60,864	53,077	44,667	31,885	32,033	32,204	32,386	31,799	32,002	32,217	32,443	32,680	32,929	33,189	33,461
Plus Tax Credits		406,600	75,707	75,707	75,707	75,707	75,707	75,707	75,707	75,707	75,707	75,707	75,707	75,707	75,707	75,707
After Tax Cash Flow		467,464	128,784	120,374	107,592	107,740	107,911	108,093	107,505	107,709	107,924	108,143	107,505	107,709	107,924	108,143
Total Years	15															
Reinvestment Rate	8.00%															
Current After Tax Cash Flows		467,464	128,784	120,374	107,592	107,740	107,911	108,093	107,505	107,709	107,924	108,143	107,505	107,709	107,924	108,143
Future Value of Cash Flows at Yr 15:		1,482,875	378,263	327,371	270,935	251,212	232,972	216,078	198,985	184,594	171,261	157,669	144,461	131,481	118,712	106,138
Discount Rate:	6.00%															
Capital Contribution Number:	1	2	3	4	5	6	7	8								
Date of Capital Contribution:	30-Sep-01	01-Apr-02	01-Sep-02	01-Sep-03	01-Sep-04	01-Sep-05										
Amount of Capital Contribution:	14,672	73,359	146,718	366,795	366,795	499,843	0									
Present Value of Contributions:	14,672	138,728	326,353	307,042	392,934	0										
Cash Flows		0	0	0	0	0	0	0	0	0	0	0	0	0	0	3,923,006
IRR:	7.92%															
Equity Yield:	116.14%															

**RESOLUTION RE: CONSTRUCTION AND PERMANENT FINANCING  
FOR SMITHS HOUSING, MIDDLEBURY**

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

WHEREAS, an application has been submitted to the Agency by Housing Vermont and Addison County Community Action Group (the "Sponsors") on behalf of a to be formed limited partnership in which the Sponsors or their subsidiaries will be the general partners (the "Borrower") involving the construction and rehabilitation of four (4) buildings containing a total of seventeen (17) units of rental housing in the Town of Middlebury (the "Development"); and

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

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

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

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cindy Reid dated August 16, 2001, containing information and recommendations about the Development (the "Memorandum");

THEREFORE, it is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income.
2. The acquisition and construction costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.
3. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and moderate income are able to afford within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of the residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families.
4. The housing sponsor undertaking the Development will increase the supply of well-planned, well-designed permanent, temporary, transitional or emergency housing for persons and families of low and moderate income.
5. The security value of the Development will equal at least the amount of the Agency's loan.
6. The Sponsor is financially responsible and is a qualified housing sponsor within the

meaning of the Act. The Borrower will be required to qualify as housing sponsors within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to the limited partnership to be created by the Sponsors for the construction and permanent term financing of the Development based on the recommendations in the attached Memorandum. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the Sponsors in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.
2. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designees may, in his or her discretion, issue one or more Commitment Letters for a mortgage loan to the limited partnership to be created by the Sponsors for the construction and permanent term financing of the Development based on the recommendations in the attached Memorandum. The Commitment Letter may be issued to the Sponsors as representatives of the Borrower. The Commitment Letter shall be conditioned on the satisfaction by the Sponsors of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.
3. The issuance of the Bonds for the purpose of financing one or more loans to the Borrower is hereby preliminarily approved, and, pursuant to Section 1:150-2 of the Internal Revenue Code Regulations, the Agency hereby states its intention to reimburse itself from Bond proceeds for any advances of Agency funds prior to the issuance of the Bonds.
4. The preliminary approval described in the preceding paragraph does not obligate the Agency to give final approval for the issuance of said Bonds. Final approval of the issuance of the Bonds can only be authorized by independent action, which may contain such conditions thereto as the Agency may deem appropriate. The Agency in its absolute discretion may refuse to finally authorize the issuance of the Bonds and shall not be liable to the Sponsors, the Borrower or any other person for its refusal to do so.
5. The Executive Director and the Loan Review Committee will establish the final sources and amounts of the loans for the Development, and such conditions and terms that are appropriate for the Development in accordance with all requirements of the Act, and the applicable regulations and policies of the Agency, including the Underwriting Guidelines.

*I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont on August 23, 2001.*

  
Sarah E. Carpenter

Executive Director and Secretary  
Vermont Housing Finance Agency



## Vermont Housing Finance Agency

TO: VHFA Board of Commissioners  
FR: Dave Adams , Chief of Program Operations  
DATE: August 16, 2001  
RE: **MAPLES II, Rutland**  
**Construction/Permanent Tax Exempt Loan Request**

<b>Name:</b>	Maples II	<b>Location:</b>	Rutland
<b>Housing Type:</b>	Elderly Housing	<b>Unit Types :</b>	Flats
<b>Total Units:</b>	32	<b>Unit Sizes :</b>	26 @ 1bdrm @ 624 Sq Ft 6 @ 2bdrm @ 864 Sq Ft
<b>Total Dev Cost:</b>	\$2,286,094	<b>Per Sq. Ft. Cost:</b>	\$90.00
<b>Loan Requested:</b>	\$1,775,000 cons/perm \$ 198,000 zero/def	<b>Housing Credits:</b>	\$41,249
<b>Other Funding:</b>	No outside sources: Developer is not taking a developers fee and is deferring some of the land acquisition costs from Maples I & II to Maples III		
<b>Developer/Sponsor:</b>	Green Mountain Development Group, Inc.		

Maples II is the second of a three phase Elderly Housing Project located in Rutland, Vermont. John Giebink and Charlie Brush are the owner/operators of Green Mountain Development Group, Inc. (GMDG). The sponsor is headquartered in South Burlington, VT. Maples I consists 51 elderly housing units and was completed in 2000. Maples I was financed by Key Bank. Key Investment Services was the tax credit investor on Maples I and is the anticipated investor for Maples II and III.

Development costs at \$90.00 sq ft (\$71,568 per unit) are lower than we generally see. Infrastructure costs paid for in Maples I, combined with a deferral of some of the land acquisition cost to Maples III account for most of this. GMDG has an established track history for completing their projects on time and within budget from their previously completed projects: Pines I, II, III and IV in South Burlington, as well as Quail Hollow, in Lebanon New Hampshire. We have also received a review of the proposed construction budget by Dave Anderson, our construction consultant. Mr. Anderson has been involved with all of these projects and is very familiar with GMDG. Mr. Anderson has indicated that he believes Maples II can be delivered as proposed by GMDG, given their track history, the building model they use, the fact that they will hire the same group of subcontractors and suppliers, along with a recent softening in the construction market for materials and with subcontractors becoming more willing to commit to contract prices further out on the calendar.

Proposed operating expenses we have used to underwrite Maples II are moderately lower than our normal underwriting requirements of \$300.00 per unit per month. We would anticipate lower operating expenses given the number of units they can spread their fixed cost over, along with being a



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newly constructed, elderly housing project. Further support of the lower operating expenses are achieved through economies of scale once Maples II is built to spread some of the fixed expenses over 83 units. In addition, a review of audited financial statements from the Pines and Maples I, indicate a track history of achieving the levels under which we are recommending approval.

This loan request reflects a zero percent deferred loan in the amount of \$198,000 which the Board previously approved in October last year. At that time there continued to be a financing gap with the final underwriting which has been reduced to \$4,091 as a result of declining interest rates, and extending the term of amortization to 40 years. This remaining gap will be paid for either in construction cost savings or out of pocket by the Developer.

Conditions of approval will include:

Receipt of a market study as part of the appraisal which supports a need and demand for this housing in the Rutland area, and which provides evidence that Maples II will not have an adverse impact on other subsidized projects in the area.

We will also require the City of Rutland to enter into an agreement that formally acknowledges and agrees to allow excess cash flows from Maples I, to fund an operating deficit account for Maples II, up to and to maintain a balance of \$50,000.

Other normal conditions as generally required.

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

Total Residential Units:	32	Increase in Income from Rental Units:	2.00%
Housing Credit Restricted Units:	14	Increase in Income from Other Sources:	2.00%
Percent Restricted:	43.75%	Increase in Income from Commercial:	2.00%
Total Development Cost:	2,290,185	Expense increase:	3.50%
Total Development Cost per Unit:	71,568	Vacancy Rate:	4.50%
Total Development Cost Per SF:	90	Partner's Tax Rate:	35%
		Long Depreciation Schedule:	27.5 years
Max Credit Potential:	41,249	Short Depreciation Schedule:	7 years
Credit Amount Allocated:	41,249	Sponsor's Estimated Yield:	73.97%

LIHTC - 9%	8.23%	2/1
LIHTC - 4%	3.55%	

**SOURCES**

	% of Total Development Cost	Interest Rate	Amortization	Term
First Mortgage	1,775,000	77.50%	7.00%	40
VHFA Zero Percent Deferred	198,000	8.65%	0.00%	0
VCDP	0	0.00%	0.00%	0
Other Equity	0	0.00%	N/A	N/A
Deferred Developers Fee	0	0.00%	N/A	N/A
Tax Credit Equity	313,094	13.67%	N/A	N/A
<b>TOTAL SOURCES</b>	<b>2,286,094</b>	<b>99.82%</b>		

**USES**

Acquisition	61,451	2.68%
Construction Hard Costs	1,953,706	85.31%
Soft Costs	275,028	12.01%
<b>TOTAL USES</b>	<b>2,290,185</b>	<b>100%</b>

Gap 4,091

**PER UNIT COST LIMIT CALCULATION**

	per unit limits	number of units	
0 Br	84,390	0	0
1 Br	90,140	26	2,343,640
2 Br	95,890	6	575,340
3 Br	101,637	0	0
4 Br	107,390	0	0
Maximum cost allowed under the per unit cost limits			2,918,980
Projected total cost, excluding cash accounts			2,265,185
			Cost Overage % 129%
	(over)/under		653,795

General Partner's Capital Contribution	305	0.10%
Limited Partner's Capital Contribution	304,835	99.90%
Total Equity	305,140	

**APPLICABLE FRACTION CALCULATION**

Tax Credit Restricted Units	14
Total Units	32
Unit Fraction	43.75%
Tax Credit Square Footage	8,750
Total Residential Square Footage	12,690
Square Footage Fraction	40.81%
Applicable Fraction	40.81%



				Allocation of Sources						
				VHFA	VHFA	Developer	Debt	Tax Equity	Other	
				Terms:	Terms:	Terms:	Terms:	Terms:	Terms:	
				7.5%, 360	0%	Deferred		4%		
				mos	20 yrs def	Dev Fee		credits		
TOTAL SOURCES										
ACQUISITION										
1	Land	60,692	1,897	2.39						0
2	Purchase of Building(s)		0	0.00						0
3	Demolition (without replacement)		0	0.00						0
4	Property Appraisal		0	0.00						0
5	Legal - Title and Recording	759	24	0.03						0
Subtotal - Acquisition		61,451	1,920	2.42						
CONSTRUCTION HARD COSTS										
6	Rehabilitation		0	0.00						0
7	New Building(s)	1,686,626	52,707	66.55						0
8	Accessory Buildings		0	0.00						0
9	Sitework	114,417	3,576	4.51						0
10	Commercial Space Costs (if any)		0	0.00						0
11	General Requirements		0	0.00						0
12	Contractor Overhead		0	0.00						0
13	Contractor Profit		0	0.00						0
14	Construction Contingency	107,815	3,369	4.25						0
15	Construction Management		0	0.00						0
16	Construction Bond Fee		0	0.00						0
17	Hazardous Materials Abatement		0	0.00						0
18	Off-Site Improvements		0	0.00						0
19	Furnishings, Fixtures, & Equipment	44,848	1,402	1.77						0
20	Other ( )		0	0.00						0
Subtotal - Hard Costs		1,953,706	61,053	77.09						
SOFT COSTS										
21	Architectural	38,919	1,216	1.54						0
22	Engineering	3,986	125	0.16						0
23	Legal/Accounting	17,508	547	0.69						0
24	Relocation		0	0.00						0
25	Environmental Assessment		0	0.00						0
26	Energy Assessment		0	0.00						0
27	Permits/Fees	40,318	1,260	1.59						0
28	Independent Market Study		0	0.00						0
29	Construction Period Insurance	8,480	265	0.33						0
30	Construction Interest	29,176	912	1.15						0
31	Construction Loan Origination Fee	26,625	832	1.05						0
32	Taxes During Construction	3,405	106	0.13						0
33	Clerk of the Works		0	0.00						0
34	Marketing	12,000	375	0.47						0
35	Tax Credit Fees	1,650	52	0.07						0
	Other Professionals	3,600								
	Lender's Inspections	3,000								
36	Soft Cost Contingency		0	0.00						0
37	Permanent Loan Origination Fee		0	0.00						0
38	Lender's Counsel's Fee	5,000	156	0.20						0
39	Other ( )	2,361	74	0.09						0
SYNDICATION COSTS										
40	Organizational (Partnership)		0	0.00						0
41	Bridge Loan Fees and Expenses		0	0.00						0
42	Syndication Consultant		0	0.00						0
43	Tax Opinion		0	0.00						0
DEVELOPER'S FEES										
44	Developer's Fees	0	0	0.00						0
45	Other Partnership Fees		0	0.00						0
46	Consultant Fees	54,000	1,688	2.13						0
RESERVES										
47	Working Capital		0	0.00						0
48	Rent-up (Deficit Escrow) Reserve	0	0	0.00						0
49	Other Operating Reserves		0	0.00						0
50	Sinking Fund	25,000	781	0.99						0
51	Replacement Reserves		0	0.00						0
Subtotal - Soft Costs		275,028	8,595	10.85						
TOTAL DEVELOPMENT COSTS										
				2,290,185	71,568	90	0	0	0	0

	Budget	Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Other
<b>ACQUISITION</b>						
1 Land	60,692	60,692				
2 Purchase of Building(s)	0	0				
3 Demolition (without replacement)	0	0				
4 Property Appraisal	0	0				
5 Legal - Title and Recording	759	759				
Subtotal - Acquisition	61,451					
<b>CONSTRUCTION HARD COSTS</b>						
6 Rehabilitation	0		0			
7 New Building(s)	1,686,626		1,686,626	1,686,626		
8 Accessory Buildings	0		0	0		
9 Sitework	114,417		114,417	114,417		
10 Commercial Space Costs (if any)	0		0	0		
11 General Requirements	0		0	0		
12 Contractor Overhead	0		0	0		
13 Contractor Profit	0		0	0		
14 Construction Contingency	107,815		107,815	107,815		
15 Construction Management	0		0	0		
16 Construction Bond Fee	0		0	0		
17 Hazardous Materials Abatement	0		0	0		
18 Off-Site Improvements	0		0	0		
19 Furnishings, Fixtures, & Equipment	44,848		44,848	44,848		
20 Other ( )	0		0	0		
Subtotal - Hard Costs	1,953,706					
<b>SOFT COSTS</b>						
21 Architectural	38,919		38,919	38,919		
22 Engineering	3,986		3,986	3,986		
23 Legal/Accounting	17,508		17,508	17,508		
24 Relocation	0		0	0		
25 Environmental Assessment	0		0	0		
26 Energy Assessment	0		0	0		
27 Permits/Fees	40,318		40,318	40,318		
28 Independent Market Study	0		0	0		
29 Construction Period Insurance	8,480		8,480	8,480		
30 Construction Interest	29,176		29,176	29,176		
31 Construction Loan Origination Fee	26,625		26,625	26,625		
32 Taxes During Construction	3,405		3,405	3,405		
33 Clerk of the Works	0		0	0		
34 Marketing	12,000					
35 Tax Credit Fees	1,650					
Other Professionals	3,600		3,600	3,600		
Lender's Inspections	3,000		3,000	3,000		
36 Soft Cost Contingency	0		0	0		
37 Permanent Loan Origination Fee	0		0	0		
38 Lender's Counsel's Fee	5,000		5,000	5,000		
39 Other ( )	2,361		2,361	2,361		
<b>SYNDICATION COSTS</b>						
40 Organizational (Partnership)	0					
41 Bridge Loan Fees and Expenses	0					
42 Syndication Consultant	0					
43 Tax Opinion	0					
<b>DEVELOPER'S FEES</b>						
44 Developer's Fees	0		0	0		
45 Other Partnership Fees	0		0	0		
46 Consultant Fees	54,000		54,000	54,000		
<b>RESERVES</b>						
47 Working Capital	0					
48 Rent-up (Deficit Escrow) Reserve	0					
49 Other Operating Reserves	0					
50 Sinking Fund	25,000					
51 Replacement Reserves	0					
Subtotal - Soft Costs	275,028					
<b>TOTALS</b>	<b>2,290,185</b>	<b>0</b>	<b>2,190,084</b>	<b>2,190,084</b>	<b>0</b>	
LESS: Amount of Non-qualified Financing						
LESS: Adjustment for per unit cost limits	1		0			
LESS: Historic tax Credit (Residential Portion)			0	0		
Total Eligible Basis		0	2,190,084			
TIMES: Adjusted for QCT/DDA	130.0%		2,847,109			
TIMES: Applicable Fraction	40.81%		1,161,950			
Total Qualified Basis		0	1,161,950			
TIMES: Applicable Percentage		3.55%	3.55%			
Total Annual Credit Qualified		0	41,249			
Total Tax Credits Requested	42,752					
Estimated Net Syndication Proceeds (excluding historic credit equity)	313,094					
Estimated Yield - Housing Credit Syndication	73.97%					
Equity Gap	317,185					
Credits Needed to fill Equity Gap	42,920					
				2,190,084	Long Term Depreciable Basis	
				27.5	Depreciation Schedule	
				79,639	Annual Depreciation	
				44,848	Short Term Depreciable Basis	
				7	Depreciation Schedule	
				6,407	Annual Depreciation	

16-Aug-01 **Maples II, Rutland VT**

**HC Restricted Units**  
Bedrooms

Type	Average Square Feet	Number	Average Rent	Utilities	Total Annual Rent
0 Br		0	0		0
1 Br	624	14	472		79,296
2 Br	864	0	567		0
3 Br		0	0		0
4+ Br		0	0		0
<b>Totals</b>	<b>8,736</b>	<b>14</b>			<b>79,296</b>

**Non-HC Restricted Units**  
Bedrooms

Type	Square Feet	Number	Rent	Utilities	Total Annual Rent
0 Br		0	0		0
1 Br	624	12	775		111,600
2 Br	864	6	925		66,600
3 Br		0	0		0
4+ Br		0	0		0
<b>Totals</b>	<b>12,672</b>	<b>18</b>			<b>178,200</b>

**Common Areas**

	3,936				
<b>Grand Totals</b>	<b>25,344</b>	<b>32</b>	<b>1,700</b>		<b>257,496</b>

Less Vacancy 4.50% (11,587)

**NET RENT 245,909**

**OTHER INCOME**

Laundry (\$13/unit/month)  
Parking  
Interest Income (1.5% of gross rents)  
City of Rutland  
Other (see expenses services mngt fee exp offset to)

4,992
0
200
7,325

**TOTAL INCOME 258,426**

16-Aug-01

## Maples II, Rutland VT

Building #	Unit #	Check all Applicable						A				C									
		HOME Unit	Lead Paint Unit	Project Based Assistance	Tax Credit Unit	VHCB Restricted	Accessible	Adaptable	Unrestricted	Number of Bedrooms	Proposed Square Footage	Proposed Rent	Utility Allowance for Tenant-Paid Utilities	Gross Rent (Rent + Tenant-Paid Utilities)	AFFORDABLE TO: Units affordable to residents at:						
															30%	50%	60%	65%	80%	100%+	
Maples II	122									1	625	472	0	472							1
Maples II	124									1	625	472	0	472							1
Maples II	126									1	625	472	0	472							1
Maples II	127									1	625	472	0	472							1
Maples II	128									1	625	472	0	472							1
Maples II	129									1	625	472	0	472							1
Maples II	130									1	625	472	0	472							1
Maples II	131									1	625	472	0	472							1
Maples II	132									1	625	472	0	472							1
Maples II	133									1	625	472	0	472							1
Maples II	134									1	625	472	0	472							1
Maples II	135									1	625	472	0	472							1
Maples II	136								1	2	865	925	0	925							1
Maples II	137								1	2	865	925	0	925							1
Maples II	138								1	2	865	925	0	925							1
Maples II	139								1	2	865	925	0	925							1
Maples II	222								1	2	625	472	0	472							1
Maples II	224								1	1	625	775	0	775							1
Maples II	226								1	1	625	775	0	775							1
Maples II	227								1	1	625	775	0	775							1
Maples II	228								1	1	625	775	0	775							1
Maples II	229								1	1	625	775	0	775							1
Maples II	230								1	1	625	775	0	775							1
Maples II	231								1	1	625	775	0	775							1
Maples II	232								1	1	625	775	0	775							1
Maples II	233								1	1	625	775	0	775							1
Maples II	234								1	1	625	775	0	775							1
Maples II	235								1	1	625	775	0	775							1
Maples II	236								1	2	865	925	0	925							1
Maples II	237								1	1	625	775	0	775							1
Maples II	238								1	2	865	925	0	925							1
Maples II	239								1	2	865	925	0	925							1
Total # Units	32				14				18	Totals:	21,440	21,458		Total # Units:	0	0	13	0	0	19	

TC Units 8,750 40.81%  
Mkt Units 12,690 59.19%



16-Aug-01 **Maples II, Rutland VT**

	Annual	Monthly	Per Unit Per Month	
Administration				
Management Fee	15,960	1,330	42	6.2%
Services Management Fee	5,620			
Supportive Services	1,600	133	4	
Audit/Accounting	1,500	125	4	
Legal	500	42	1	
Compliance Monitoring	672	56	2	
Marketing	500	42	1	
Other	690	58	2	
<b>TOTAL ADMINISTRATIVE</b>	<b>27,042</b>	<b>2,254</b>	<b>70</b>	
Utilities				
Electricity	11,520	960	30	
Fuel	11,520	960	30	
Water and Sewer	1,920	160	5	
Fire Alarm / Emergency	640	53	2	
Telephone	1,200	100	3	
<b>TOTAL UTILITIES</b>	<b>26,800</b>	<b>2,233</b>	<b>70</b>	
Maintenance				
Maintenance / Janitor Payroll	6,000	500	16	
Janitor Supplies	900	75	2	
Exterminating	300	25	1	
Trash Removal	1,920	160	5	
Snow Removal	3,000	250	8	
Grounds	4,000	333	10	
Repairs Material	0	0	0	
Repairs Contract	2,400	200	6	
HVAC Repairs / Maintenance		0	0	
Elevator Contract / Repairs	300	25	1	
Painting and Decorating	1,600	133	4	
Other	3,200	267	8	
Other	0	0	0	
<b>TOTAL MAINTENANCE</b>	<b>23,620</b>	<b>1,968</b>	<b>62</b>	
Real Estate Taxes	26,000	2,167	68	
Property Insurance	2,880	240	8	
Replacement Reserves	9,600	800	25	
Primary Debt Service	132,365	11,030	345	
Other "must pay" debt service		0	0	
Partnership Supervision Fee		0	0	
<b>Total</b>	<b>248,307</b>	<b>20,692</b>	<b>647</b>	

per unit month  
excl. ds & res.  
277

**RESOLUTION RE: CONSTRUCTION AND PERMANENT FINANCING  
FOR MAPLES II, RUTLAND**

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

WHEREAS, an application has been submitted to the Agency by Green Mountain Development Group, Inc. (the "Sponsor") on behalf of a to be formed limited partnership in which the Sponsor or its subsidiary will be the general partner (the "Borrower") involving the construction of a building containing thirty-two (32) units of rental housing for seniors in the City of Rutland (the "Development"); and

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

WHEREAS, the application contemplates a mortgage loan for construction and permanent term financing for the Development with the interest rates to be determined by the Agency depending on the source of funds, but not to exceed 150 basis points above the Agency's cost of funds, including a 0% deferred loan in the amount of \$198,000 approved by the Board at its October 2000 meeting;

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

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Dave Adams dated August 16, 2001, containing information and recommendations about the Development (the "Memorandum");

THEREFORE, it is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income.
2. The acquisition and construction costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.
3. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and moderate income are able to afford within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of the residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families.
4. The housing sponsor undertaking the Development will increase the supply of well-planned, well-designed permanent, temporary, transitional or emergency housing for persons and families of low and moderate income.
5. The security value of the Development will equal at least the amount of the Agency's loan.

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

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to the limited partnership to be created by the Sponsor for the construction and permanent term financing of the Development based on the recommendations in the attached Memorandum. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the Sponsor in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.
2. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designees may, in his or her discretion, issue one or more Commitment Letters for a mortgage loan to the limited partnership to be created by the Sponsor for the construction and permanent term financing of the Development based on the recommendations in the attached Memorandum. The Commitment Letter may be issued to the Sponsor as the representative of the Borrower. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.
3. The issuance of the Bonds for the purpose of financing one or more loans to the Borrower is hereby preliminarily approved, and, pursuant to Section 1:150-2 of the Internal Revenue Code Regulations, the Agency hereby states its intention to reimburse itself from Bond proceeds for any advances of Agency funds prior to the issuance of the Bonds.
4. The preliminary approval described in the preceding paragraph does not obligate the Agency to give final approval for the issuance of said Bonds. Final approval of the issuance of the Bonds can only be authorized by independent action, which may contain such conditions thereto as the Agency may deem appropriate. The Agency in its absolute discretion may refuse to finally authorize the issuance of the Bonds and shall not be liable to the Sponsor, the Borrower or any other person for its refusal to do so.
5. The Executive Director and the Loan Review Committee will establish the final sources and amounts of the loans for the Development, and such conditions and terms that are appropriate for the Development in accordance with all requirements of the Act, and the applicable regulations and policies of the Agency, including the Underwriting Guidelines.

*I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont on August 23, 2001.*

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



**Vermont Housing Finance Agency**

**MEMORANDUM**

**TO:** VHFA Board of Commissioners  
**FROM:** Elizabeth Mullikin Drake  
**RE:** Multi-Family General Authorizing Resolution  
**DATE:** August 16, 2001

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After the last multi-family bond issuance, only \$795,000 in authority remains available in the General Authorizing Resolution adopted on March 22, 2001. Based on pending approvals and new projects being considered, a new General Authorizing Resolution is attached for your consideration.

This resolution provides the same framework as the March 2001 resolution and also authorizes up to \$15 million in multi-family bonds.

**Requested Board Action:** Adoption of attached resolution



**mailing address** P.O. Box 408, Burlington, VT 05402-0408

**phone** (802) 864-5743

**delivery address** 164 Saint Paul St., Burlington, VT 05401-4364

**fax** (802) 864-5746

**www.vhfa.org**





**VERMONT HOUSING FINANCE AGENCY**

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

Adopted August 23, 2001

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

**August 23, 2001**

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

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

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

**ARTICLE I**

**DEFINITIONS AND AUTHORITY**

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

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

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

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

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

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

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

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

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

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

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

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

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

## ARTICLE II

### AUTHORIZATION, TERMS AND ISSUANCE OF BONDS

**Section 2.01. Authorization of Bonds, Principal Amount and Series.** In order to provide sufficient funds necessary for the Program, in accordance with and subject to the terms, conditions and limitations established in this Resolution and in any General Resolution applicable thereto, one or more series of Bonds are hereby authorized to be issued, from time to time, each by the execution and delivery of a Series Certificate, in an aggregate principal amount not to exceed \$15,000,000. Such Series Certificate shall be signed by at least two of the following—Chairman, Vice-Chairman, Executive Director, Chief Financial Officer or Chief of Program Operations; provided that if the amount of Bonds authorized by such Series Certificate exceeds \$1,000,000 one of the signatories thereto must be the Chairman or Vice-Chairman. The Agency is of the opinion and hereby determines (a) that the issuance of Bonds in said amount is necessary to provide sufficient funds to be used and expended from time to time for the Program; (b) that the Mortgage Loans to be made or financed on behalf of the Agency with the proceeds of the Bonds can be issued bearing a rate or rates of interest which will be less than the prevailing rate of interest on comparable mortgage loans available in the State of Vermont without the assistance of the Agency; and (c) that the Agency will derive receipts, revenues and other income from the Mortgage Loans purchased or made with the proceeds of the Bonds sufficient to provide, together with all other available receipts, revenues and income of the Agency, for the

payment of the Bonds and the payment of all costs and expenses incurred by the Agency with respect to the Program or purpose for which the Bonds are issued.

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

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

- (a) the principal amount of Bonds to be issued pursuant thereto;
- (b) the Series or sub-Series designation and title;
- (c) the maturity or maturities of the Bonds, which in no event shall exceed 40 years, provided that if the Agency otherwise approves a Mortgage Loan with a maturity in excess of 40 years from the date of issuance of the Bonds intended to fund such Mortgage, such Bonds may have a maturity not to exceed six months following the maturity of such Mortgage Loan, subject in any case to limitations imposed by the Act;
- (d) the interest rate or rates on the Bonds or the method of determining the same, provided that the interest rate or rates on the Bonds (or the initial rate or rates if the rates are not fixed rates) shall not exceed 7% if the interest on the Bonds is to be exempt from federal income taxation or 9% otherwise, and provided further that if the initial rate or rates are not fixed rates the maximum permitted rate in any case may not exceed 12%;
- (e) the date or dates on which interest on the Bonds is payable;
- (f) the dated date or dates of the Bonds, or the method of determining the same;
- (g) the redemption provisions for the Bonds, which may include optional, mandatory and/or sinking fund redemptions, provided that the Bonds shall be optionally redeemable no later than 15 years after their date of issuance and at a redemption premium not exceeding 3% and reducing by at least 1% annually thereafter;
- (h) the minimum and authorized denominations of the Bonds;
- (i) whether or not the interest on the Bonds is to be exempt from federal income taxation;
- (j) whether or not the Bonds are to be DTC Eligible;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### ARTICLE III

#### SPECIAL COVENANTS FOR TAX-EXEMPT BONDS

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

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

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

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

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

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

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

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

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

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

**Section 3.04. Compliance With Article III.** If and to the extent a Series or sub-Series of Bonds is designated as Bonds the interest on which is not to be subject to federal income taxation, the provisions of this Article III shall be complied with by the Agency in order to meet the requirements of the Code such that interest on such Bonds shall be and remain exempt from federal income taxes; provided, however, that the Agency shall not be required to comply with any such provision with respect to such Bonds in the event the Agency receives a Counsel's Opinion from a nationally recognized bond counsel firm that compliance with such provision is



no longer required to satisfy the requirements of the Code or that compliance with some other provision in lieu of a provision specified in this Article III will satisfy said requirements, in which case compliance with such other provision specified in the Counsel's Opinion shall constitute compliance with the provisions specified in this Article III.

## **ARTICLE IV**

### **MISCELLANEOUS**

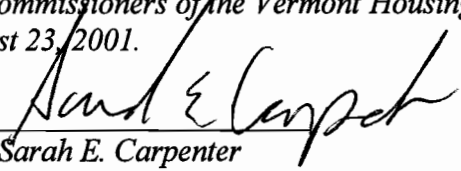
**Section 4.01. Amendments.** This Resolution may be amended from time to time prior to the issuance of any Series of Bonds, which right shall be in addition to any other rights to amend. To the extent a Series of Bonds is issued under and pursuant to a General Resolution, this Resolution and any Series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

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

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

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

*I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont on August 23, 2001.*

  
Sarah E. Carpenter

*Executive Director and Secretary  
Vermont Housing Finance Agency*



**Vermont Housing Finance Agency**

**VHFA Board Minutes**  
**Vermont Housing Finance Agency**  
**The Gardens**  
**Williamstown, Vermont**

**Thursday, September 20<sup>th</sup>, 2001 at 10:00 AM**

**PRESENT:** Chairperson Lisa Randall, Commissioners Kathy Beyer (Designee of Lambert), Dayne Canney, Tom Candon (Designee of Costle), Jim Douglas, Gus Seelig,  
Staff: Sarah Carpenter, Pat Loller, Ruth Kendrick, Holly Keough, Roger Schoenbeck, David Adams, Joe Erdelyi, Sam Falzone, Cindy Reid, John Fairbanks,  
Guests: Mac Nicoll (KPMG LLP), Michael Richardson (Victoria Apts)

### **MINUTES**

Mr. Candon made a motion to approve the August 23, 2001 minutes. The motion carried unanimously after being seconded by Mr. Seelig.

### **FINANCE**

#### **Fiscal Year June 30, 2001 Audit Results**

Mr. Schoenbeck introduced Mr. Nichol of KPMG LLP, the Partner in charge of the audit. Mr. Schoenbeck continued. The full year financials, which tie into the audit report comments on major items, validates and verifies what the Board has been recently discussing. FY2001 was an excellent year. Highlights were:

1. Good retention of mortgage loans and the loans that we have are performing well, resulting in low loan losses.
2. Change in market value of investments. We are much better off when rates go down, making our investments worth more. This added surplus of \$1.5 million this year.
3. Additional 0% loans when made add to surplus an extra \$2 million in these loans this year.



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4. Net losses on single-family properties for the year were \$570,000, including a \$500,000 reduction in the loss reserve. Each year as losses decrease, our average decreases and so do reserves.
5. The General Fund balance increased by \$400,000.

There remains a liquidity issue in the General Fund. Although we have \$5.8 million in cash, the Agency needs to keep \$3.5 million in escrow cash deposits, owes accounts payable of \$1 million and have outstanding borrowed funds from Howard Bank of \$5 million. Our liquidity shortage is \$3.5 million. One way to fix this problem is to increase transfer of funds from the Bond programs back into the General Fund. One of the reasons that we haven't done this is that the rating agencies like to see surplus in the bond funds when they rate our programs. This year our budget estimates that between points and servicing fees paid to lenders we will spend \$1 million out of the General Fund that has no short-term payback. Mr. Schoenbeck discussed with the financial advisor team that next time we do a bond issue to include a premium to cover that cost so that it will be paid by the bond funds. We will need to deal with the payments already made by the General fund in recent bond issues. We will be coming back to the Board before the next single family bond issue to deal with this issue in more detail.

Mr. Candon questioned when the \$1 million from the next bond issue starts eating into the \$3.5 million liquidity gap. Mr. Schoenbeck stated that the \$1 million would come from the sale of bonds, so we would collect cash up front like we did on the PAC bonds, and we would transfer money out of our single family program back to the General Fund. This is a balancing act to keep the rating agencies happy. The 1998 financial advisor update cautioned about lending funds out of our General Fund.

Ms. Randall asked the borrowing rate on the bank funds. Mr. Schoenbeck stated that we borrow at 75 basis points over the 30 day LIBOR rate. These funds are used for example on bridge loans made to Housing VT at a surplus of about 75 basis points to us. This is making our money work for us, yet is an excellent rate for Housing VT.

Mr. Douglas questioned how the rating agency determined a minimum balance for the bond funds. Mr. Schoenbeck stated that they do a parity test; meaning 101% of liabilities is sitting in the bond funds before you can take money. The other test that they do is an expected worse case test where the cash flow must cover all future principal and interest payments before we can release surpluses. These tests satisfy a Single A rating. The 101% is a fair test.

Mr. Schoenbeck stated that most of the loans we are now purchasing are no point mortgages and this means that we write a check out of the General Fund to pay the points to the lenders. Ms. Canney asked if these funds were made up over the life of the loan. Mr. Schoenbeck stated that it take 8-10 years to break even.

Ms. Randall asked about the necessary transfer amount and benefit. Mr. Schoenbeck stated \$3.5 million is the amount and that it makes sense to do it in one transfer, but that

he wants the financial advisors to tell us since the internal rating and liquidity is a big issue. This issue will be brought up at a later date for more discussion.

#### Audit Review

Mr. Nichol of KMPG stated that, as in the past, this audit was a clean report, no issues to report or adjustments to financials. There was one minor past adjustment related to capitalizing REO costs. One thought Mr. Nichol had was to accrue interest only on loans 90 days past due. He felt that this was a minor difference and wouldn't change the financial outcome. He feels comfortable that we are being conservative with our loan loss calculations. There were no material weaknesses discovered, no essential staff turnover and systems are solid, so he has no suggestions for improvement. Overall, this is a very good report.

Mr. Schoenbeck noted that there was a significant change in the audit team; to which Mr. Nichol replied that a new set of glasses and refocus was a positive audit step.

Mr. Nichol reviewed a new rule out for future presentation that will change the format of accepted financial statements. Essentially the new rules state that there needs to be a management narrative of financial and operational happening in the agency included with the audit.

Mr. Seelig made the motion to accept the Financial Reports and Audit. Ms. Canney seconded the motion and it was approved unanimously.

#### Financial Advisor Review

Mr. Schoenbeck and Ms. Carpenter discussed the issue of the change of personnel at our financial advisors. Due to ongoing bond activity, VHFA continued with the financial advisors that knew our business even though they moved to US Bancorp Piper Jaffray from Evensen Dodge.

Evensen Dodge subsequently put together a new team and would like to retain our business. To entice us they have offered to cut our contracted fee by between \$500-\$1,000. On their team is Tim Rittenhouse who worked on our account as one of the co-managers for our bond sales at AG Edwards. Ms. Carpenter stated that Tim's role is more sales and that we did not feel he is a strong analytical advisor.

Caine Mitter and Associates has also expressed an interest in our account and is based near Boston. Mr. Schoenbeck felt that this firm has a good background but they are more expensive and would not add more than US Bancorp Piper Jaffray.

Mr. Schoenbeck recommended the US Bancorp Piper Jaffray proposal, which is priced at our former contract rate. Mr. Douglas thought that perhaps we could improve on the pricing to make it more competitive. Ms. Carpenter thought that Evensen Dodge having

a huge turnover bid aggressively to keep our business. Mr. Schoenbeck stated that we had not experienced an increase in fees since 1993 with our previous group. Mr. Seelig brought up the concern that we haven't done a full RFP process and are we in compliance. Ms. Carpenter stated that this was a selected bid list and that it is a limited field of financial advisors in housing bonds. Mr. Douglas was comfortable with the process, but would like to see if we can get a lower price from US Bancorp Piper Jaffray. Mr. Schoenbeck said that he would pass on the pricing concerns and he felt that Piper Jaffray would probably accept the terms.

## DEVELOPMENT

### Victoria Place Apartments

Mr. Erdelyi presented this project based on his memorandum to the Board.

The project is scheduled to have a final Act 250 permit hearing. The wastewater permit still needs to be signed. Hazardous materials are being taken care of. Mr. Richardson explained that Mr. Bove couldn't make the meeting due to a family illness, but he wanted to stress that he would like the project to start quickly due to winter approaching. The project would need to be started by October 1<sup>st</sup> if it is to be finished by the end of June.

Board members asked several questions about the financial structure of the project. Mr. Richardson explained that there would be \$136,000 put up by the owner as security, half in Letters of Credit and in cash. Any operating deficit the owner needs to cover. Mr. Erdelyi said there is a request pending for additional tax credits since there is no other source to cover cost overruns. Mr. Seelig asked about the impact on the project if more tax credits are not awarded and that contingency was budgeted. Mr. Richardson responded that there is a 3-4% contingency and a \$215,000 interest line item. The construction loan will not be taken out until early December 2002, and the cushion is the developers' fee. Ms. Beyer asked about a cushion on time frame to which Mr. Richardson responded that the estimated completion date was August 1<sup>st</sup> of next year. He also explained that there is an adjuster clause in the limited partnership agreement that could adjust the amount of equity that will be put into the project.

Ms. Carpenter stated the Board should grant the requested waiver of the rule that only allows VHFA to make a loan on a mixed-use project if it is a rehab because of the inability of the sponsors to receive favorable financing from any other lender. The findings are discussed in the recommended resolution. Ms. Drake is analyzing these rules as they might relate to future similar projects. Perhaps we might do a participation loan with VEDA or another lender.

Ms. Canney moved to pass the recommended resolution, seconded by Mr. Seelig. The resolution passed unanimously.

## HOMEOWNERSHIP

Dave Adams reported that single-family loan purchases at \$8.6 million for the month of August were the highest reported in the last 14 months. Reservations continue to be strong in spite of a decreasing spread between our rates and conventional mortgage rates.

Mortgage delinquencies were slightly lower at 6.07% at the end of August and have been relatively stable for the last six months. New loan purchases offset the number of loans paid off during the month, which also helps to keep delinquencies in check. Dave noted some concern of the trend in foreclosures, which increased from 56 to 61 in August. The Homeownership Department works very hard to facilitate shortened redemptions, workouts, and short sales to prevent these from moving into REO status. There were 14 REO's at the end of August, of which seven were under contract. Loan losses continue to track our expectations and are within our budgeted projections.

The schedule of upcoming lender lunches around the state was discussed and Board members are invited to attend.

## PUBLIC AFFAIRS

An agency communication plan is in place that has increased marketing efforts and is more proactive. Mr. Fairbanks reported on the Ad Campaign that supported the 6.3% home ownership rate. Twenty-one radio stations are running 30 second spots, and the times are staggered on the various radio stations. Ads were placed in all 10 Vermont daily newspapers and in 9 weeklies in Central and Southeast Vermont.

Bruce Edwards, business writer at the Rutland Herald, interviewed Ms. Carpenter as a result of the Bond Buyer Article and the Herald subsequently ran a good story.

A final draft of the Housing Awareness Campaign will be ready soon. Implementation will happen in stages. These stages include developing campaign materials and raising \$100,000 total funds. There will be a public opinion poll conducted. The committee is hoping to piggyback on a VT Public Sprawl Poll to save money. This will be an organic plan, and will evolve over time. It includes paid media, earned media and campaign representatives talking at public events statewide. Ms. Randall asked that the campaign plan be shared with the Board.

Ms. Carpenter stated that a VHFA contribution of \$10,000 is in our current budget and that Mr. Fairbanks and Mr. Bailey are contributing significantly, but we may be coming back to the Board for more funding. Ms. Randall queried the Board and the Board Members were comfortable with this.

Mr. Bailey is assigned to complete the Annual Report. It is on time and under budget at this point.

## ADMINISTRATION

### Executive Director's Report

Ms. Carpenter referred the Board to her written ED Report. It has been a busy month.


Ms. Carpenter spoke briefly about the Board meeting schedule. Ms. Randall stated that we should set a schedule and stick to it. The preference seemed to be third Thursday of each month, after 9:45AM, with a location to be determined by the Legislative calendar. Ms. Carpenter stated that a schedule would be sent out.

Ms. Carpenter reminded everyone that there is a joint Tax Credit Committee and Board meeting on October 24<sup>th</sup> that will probably last the full day. She suggests that for next year there be two prearranged meetings annually in February and June.

Ms. Canney made the motion to adjourn. Mr. Candon seconded the motion and it carried unanimously.

Meeting adjourned at 12:20PM.

Sincerely,

A handwritten signature in black ink, appearing to read "Sarah E. Carpenter". The signature is fluid and cursive, with the first name "Sarah" being the most prominent.

Sarah E. Carpenter  
Executive Director and Secretary





## Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Joe Erdelyi, Senior Development Officer *JE*

DATE: September 13, 2001

RE: Multifamily Loan Application for Victoria Apartments, Burlington

<b>Name:</b>	Victoria Apartments	<b>Location:</b>	Burlington
<b>Housing Type:</b>	General Occupancy	<b>Unit Type:</b>	Flats
<b>Total Units:</b>	34 residential units 5-6 commercial spaces	<b>Unit Sizes:</b>	15 1-Br, 600 sf; 18 2-Br, 900 sf 1 3-Br, 1200 sf
<b>Total Development Cost:</b>	\$4,209,854 Total \$3,322,217 Residential \$887,637 Commercial	<b>Per S.F. Devel Cost (land plus hard construction cost):</b>	\$61.80 total \$69.43 res. \$42.41 comm.
<b>Loan Requested:</b>	\$3,065,000 const. & \$1,300,000 permanent	<b>Housing Credits:</b>	\$327,243
<b>Other Funding:</b>	Deferred Developer's Fee Loan, Equity from Housing Credits		
<b>Sponsor:</b>	Bove Brothers, Inc. (Richard Bove Jr. and Mark Bove)		

The sponsors have applied for funding to demolish two buildings and to construct a new building on Pearl Street adjacent to Bove's Restaurant. The property will be mixed-use, and the sponsors have requested a single loan from VHFA for the entire building. Since VHFA's rules for mixed-use developments generally permit financing a mixed-use building only if it is a rehabilitation, this would require a waiver from the rules (as discussed at last month's Board meeting). As required by these rules, the residential units of the project comprise more than half of both the floor space and the development cost. The property has all local permits and anticipates Act 250 approval soon. They also have received a commitment from Related Capital Corporation to syndicate the tax credits (the project holds a reservation of tax credits awarded earlier this year). There are no other outside sources of funding being used besides the VHFA loans and the tax credit equity. However, the City did waive some parking requirements as well as provide a density bonus, and because of this there is a value added. The City will want to see a covenant restricting the occupancy on at least five units to tenants below 65% of area median income (and may impose additional restrictions as well) in exchange for its concessions. All 34 of the residential units will also be restricted in perpetuity under the tax credit program. The building will be served by an elevator, and there will be storage spaces in the basement for the tenants included in the basic rent.

VHFA has never financed commercial space before. In this case, the project is financially feasible in part because of the income from the commercial space, which is a requirement of VHFA's rules. Other alternatives for the site have been considered and eliminated as financially infeasible: 1) a renovation would be prohibitively expensive and would result in many fewer units; 2) ground-floor residential units on this site would be much less marketable; and 3) up to four current commercial tenants would be permanently displaced without the storefront commercial spaces. Staff intend to review the appraisal



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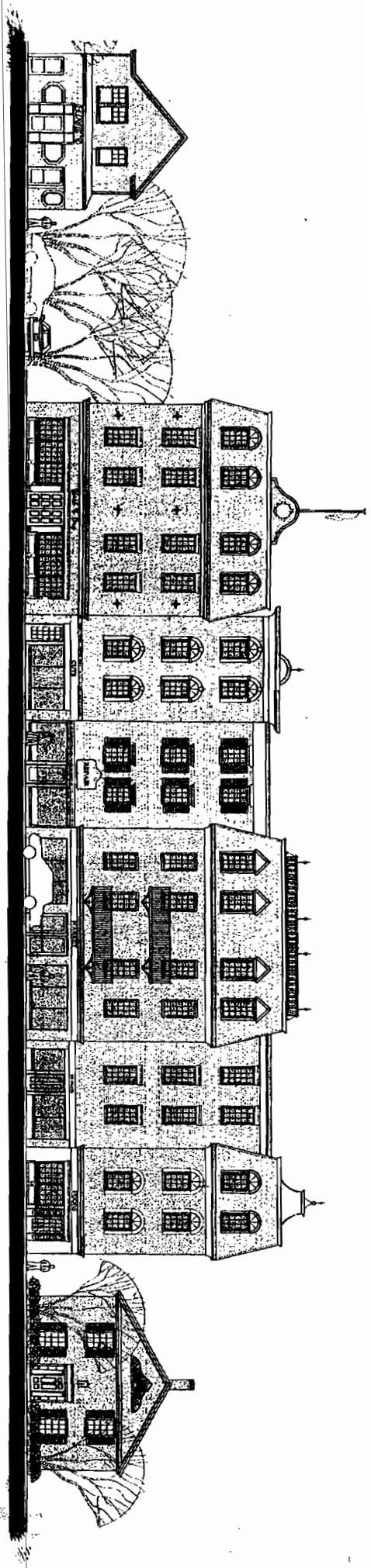


thoroughly to achieve a level of understanding on the projected commercial rent and vacancy rate. To minimize VHFA's risk as a lender, Bove Brother's Inc. ("BBI") will master lease the commercial space from the partnership at a fixed price, regardless of occupancy levels. BBI will need to achieve 75% occupancy at \$12 per square foot in order to cover this payment from the rental of the commercial space. Staff will also review the financial statements of the borrowers to ascertain our risk should the project not generate this revenue. Based on these reviews, VHFA may require additional security from the borrowers.

The land will be long-term leased to the partnership by the current owners, Richard Bove Sr. and Josephine Bove (the parents). The lease payment will be \$48,000 with an annual adjustment for inflation. Assuming a land value of \$800,000, the lease payment would represent a net return to the lessor of 6%. As this represents an identity-of-interest relationship, staff will look to the appraisal for a reasonable land value to justify the lease payments. Because of this lease arrangement, the development cost is lower than many other current projects.

The sponsors anticipate starting construction in October and completion by the end of next year. An as-completed appraisal has been ordered but not yet obtained. A Level I Environmental Site Assessment has been completed and no adverse site conditions were found. However, because of asbestos in the buildings there will need to be some remediation before demolition. VHFA will have a review of the plans and construction budget done for cost reasonableness. Yandow / Dousevicz will be the general contractor. Burlington Housing Authority will manage the tenant income qualification and tax credit compliance, and the BBI will do the daily property management. The pro forma budget is attached.

**Recommendation:** That the VHFA Board of Commissioners pass the attached resolution and make the required findings as outlined in the resolution, and that the Board waive the VHFA Rules on Grants, Loans, and Advances as described in the resolution, and authorize the Executive Director to issue a Letter of Interest and/or a Commitment Letter to finance this development upon satisfactory completion of staff underwriting and due diligence.



ARCHITECT

Colin P. Lindberg  
208 Flynn Ave.  
Burlington, VT

PROJECT NAME:

**Pearl Street Development**  
Design Development

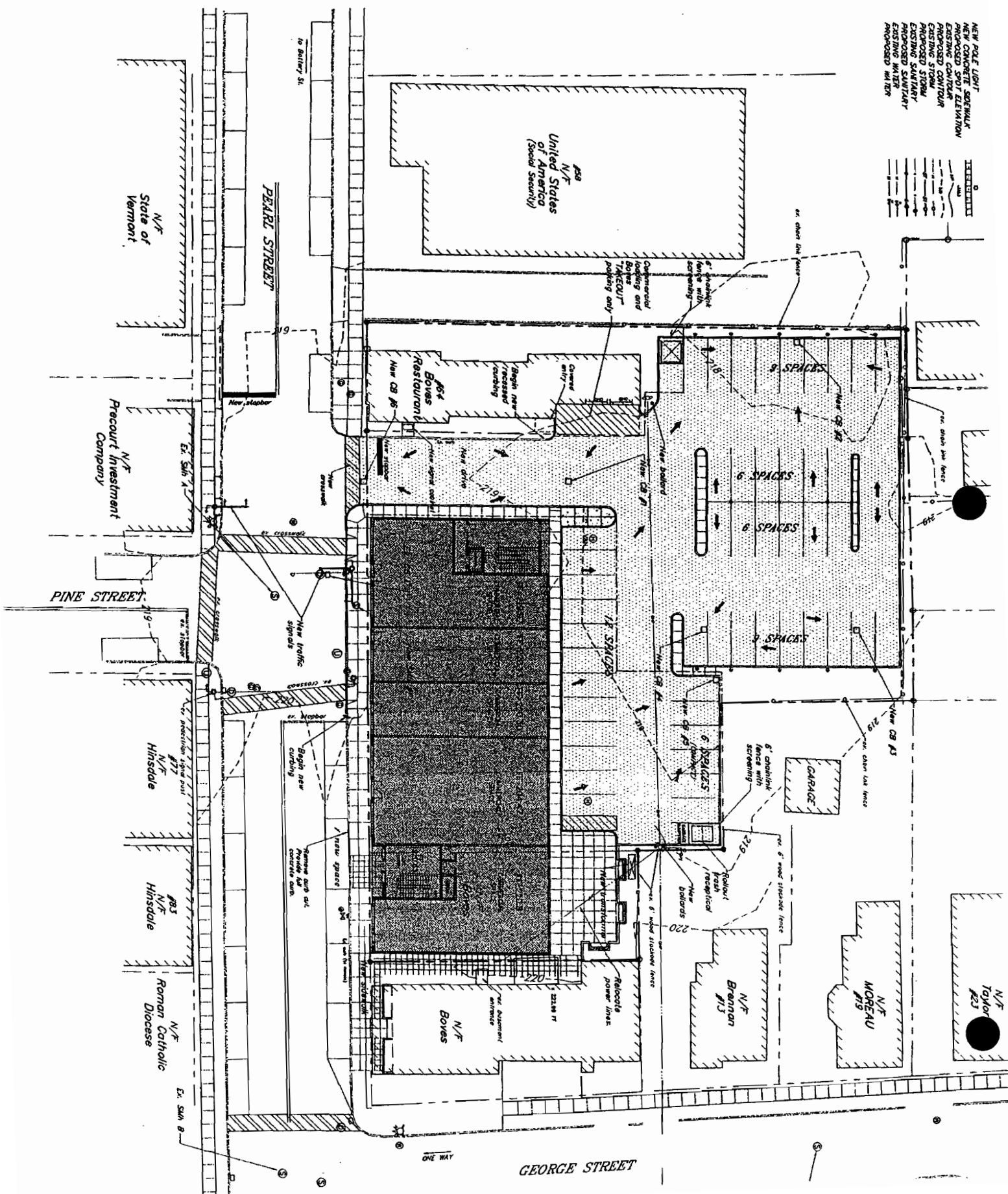
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13-Sep-01 Victoria Place Apartments			SUMMARY/ASSUMPTIONS		
Run Date	07/24/01				
Total Residential Units:	34	Increase in Income from Rental Units:	1.50%		
Housing Credit Restricted Units:	34	Increase in Income from Other Sources:	1.50%		
Percent Restricted:	100.00%	Increase in Income from Commercial:	2.00%		
Total Development Cost:	4,209,854	Expense increase:	3.00%		
Total Residential Development Cost:	3,322,217	Vacancy Rate:	5.00%		
Total Residential Area	37,322	Partner's Tax Rate:	40%		
Total Residential Dev Cost Per SF:	89.01	Long Depreciation Schedule:	27.5 years		
Max Credit Potential:	355,807	Short Depreciation Schedule:	7 years		
Credit Amount Allocated:	327,243	Sponsor's Estimated Yield:	\$ 0.79		
LIHTC - 9%	8.25%	August 2001			
LIHTC - 4%	3.54%				
<b>SOURCES</b>					
		% of Total Development Cost	Interest Rate	Amortization	Term
First Mortgage	1,300,000	30.88%	8.75%	40	30
Other Debt		0.00%	0.00%	0	n/a
Other Debt		0.00%	0.00%	0	n/a
Developer Loan	327,354	7.78%	5.57%	DCR	168%
Historic Equity	0	0.00%			
Tax Credit Equity	2,582,500	61.34%			
<b>TOTAL SOURCES</b>	<b>4,209,854</b>	<b>100.00%</b>			
<b>USES</b>					
Acquisition	51,850	1.23% (Includes demolition)			
Construction Hard Costs	3,162,000	75.11%			
Soft Costs	996,004	23.66%			
<b>TOTAL USES</b>	<b>4,209,854</b>	<b>100%</b>			
<b>Gap (0)</b>					
<b>PER UNIT COST LIMIT CALCULATION</b>					
	per unit limits	number of units	Housing Cost		
0 Br	84,390	0	TDC	3,322,217	
1 Br	90,140	15	Less Cash reserve	(8,613)	
2 Br	95,890	18	Adjusted TDC	3,313,604	
3 Br	101,637	1			
4 Br	107,390	0			
Maximum cost allowed under the per unit cost limits			3,179,757		
Projected total cost, excluding cash accounts			3,313,604	Cost Overage %	104.21%
	(over)/under		(133,847)		
<b>General Partner's Capital Contribution</b>					
Limited Partner's Capital Contribution			0.1000%	2,583	
Total Equity			99.9990%	2,582,474	
			100.0990%		
<b>APPLICABLE FRACTION CALCULATION</b>					
		2,582,634			
Tax Credit Restricted Units	34				
Total Units	34				
Unit Fraction	100.00%				
Tax Credit Square Footage	26,400				
Total Residential Square Footage	26,400				
Square Footage Fraction	100.00%				
Applicable Fraction	100.00%				

**USES OF FUNDS**

	Budget	Housing	Commercial
<b>ACQUISITION</b>			
1 Land	0	0	0
2 Purchase of Building(s)	0	0	0
3 Demolition (without replacement)	45,000	32,298	12,702
4 Property Appraisal	3,350	2,404	946
5 Legal - Title and Recording	3,500	2,512	988
Subtotal - Acquisition	51,850	37,214	14,636
<b>CONSTRUCTION HARD COSTS</b>			
6 Rehabilitation			
7 New Building(s)	2,043,320	2,043,320	0
8 Accessory Buildings		0	0
9 Sitework	181,034	129,934	51,100
10 Commercial Space Costs (if any)	451,580	0	451,580
11 General Requirements		0	0
12 Contractor Overhead		0	0
13 Contractor Profit		0	0
14 Construction Contingency	160,000	114,837	45,163
15 Construction Management		0	0
16 Construction Bond Fee (LOC)	22,500	16,149	6,351
17 Window Treatments	6,000	4,306	1,694
18 Off-Site Improvements (Parking & Traffic	168,966	121,272	47,694
19 Furnishings, Fixtures, & Equipment	113,600	113,600	0
20 Other (Landscaping)	15,000	10,766	4,234
Subtotal - Hard Costs	3,162,000	2,554,184	607,816
<b>SOFT COSTS</b>			
21 Architectural	120,740	86,659	34,081
22 Engineering	12,500	8,972	3,528
23 Legal/Accounting	10,300	7,393	2,907
24 Relocation		0	0
25 Environmental Assessment	5,500	3,948	1,552
26 Energy Assessment		0	0
27 Permits/Fees	50,571	36,296	14,275
28 Independent Market Study		0	0
29 Construction Period Insurance	11,067	7,943	3,124
30 Construction & Bridge Interest	215,000	154,312	60,688
31 Construction Loan Origination Fee		0	0
32 Taxes During Construction	10,800	7,751	3,049
33 VHFA Construction Inspection Fees	3,500	2,512	988
34 Marketing	1,500	1,077	423
35 Tax Credit Fees	14,726	14,726	0
36 Soft Cost Contingency		0	0
37 Permanent Loan Origination Fee	19,500	13,996	5,504
38 Lender's Counsel's Fee	5,000	3,589	1,411
39 Other (Audit/Cost Certification)	4,000	2,871	1,129
SYNDICATION COSTS		0	0
40 Organizational (Partnership)	2,500	1,794	706
41 Bridge Loan Fees and Expenses		0	0
42 Syndication Consultant	15,000	15,000	0
43 Tax Opinion		0	0
<b>DEVELOPER'S FEES</b>			
44 Developer's Fees	455,000	326,568	128,433
45 Other Partnership Fees		0	0
46 Consultant Fees	26,800	26,800	0
<b>RESERVES</b>			
47 Working Capital	12,000	8,613	3,387
48 Deficit Escrow funded by LOC		0	0
49 Other Operating Reserves		0	0
50 Sinking Fund		0	0
51 Replacement Reserves		0	0
Subtotal - Soft Costs	996,004	730,818	265,186
<b>TOTAL DEVELOPMENT COSTS</b>	<b>4,209,854</b>	<b>3,322,217</b>	<b>887,637</b>

##### Victoria Place Apartments		83.29%		16.71%	
	Budget	Acquisition Basis	Construction Basis	Residential Depreciation	Commercial Depreciation
<b>CREDIT CALCULATIONS</b>					
<b>ACQUISITION</b>					
1 Land	0				
2 Purchase of Building(s)	0				
3 Demolition (without replacement)	0				
4 Property Appraisal	3,350				
5 Legal - Title and Recording	3,500				
Subtotal - Acquisition	51,850				
<b>CONSTRUCTION HARD COSTS</b>					
6 Rehabilitation	0				
7 New Building(s)	2,043,320		2,043,320	2,043,320	
8 Accessory Buildings	0				
9 Sitework	181,034		123,128	123,128	24,697
10 Commercial Space Costs (if any)	451,580				
11 General Requirements	0		0		0
12 Contractor Overhead	0		0		0
13 Contractor Profit	0		0		0
14 Construction Contingency	160,000		133,269	133,269	26,731
15 Construction Management	0		0		0
16 Construction Bond Fee (LOC)	22,500		18,741		3,759
17 Window Treatments	6,000		6,000		1,002
18 Off-Site Improvements (Parking & Traffic Signa	168,966		0		0
19 Furnishings, Fixtures, & Equipment	113,600		113,600	113,600	0
20 Other (Landscaping)	15,000		12,494		2,506
Subtotal - Hard Costs	3,162,000				
<b>SOFT COSTS</b>					
21 Architectural	120,740		100,568	100,568	20,172
22 Engineering	12,500		10,412	10,412	2,088
23 Legal/Accounting	10,300		8,579	8,579	1,721
24 Relocation	0		0	0	0
25 Environmental Assessment	5,500		4,581	4,581	919
26 Energy Assessment	0		0	0	0
27 Permits/Fees	50,571		42,122	42,122	8,449
28 Independent Market Study	0		0	0	0
29 Construction Period Insurance	11,067		9,218	9,218	1,849
30 Construction & Bridge Interest	215,000		179,081	179,081	35,919
31 Construction Loan Origination Fee	0		0	0	0
32 Taxes During Construction	10,800		8,996	8,996	1,804
33 VHFA Construction Inspection Fees	3,500		2,915	2,915	585
34 Marketing	1,500			0	
35 Tax Credit Fees	14,726		14,726	14,726	
36 Soft Cost Contingency	0		0	0	0
37 Permanent Loan Origination Fee	19,500			0	
38 Lender's Counsel's Fee	5,000			0	
39 Other (Audit/Cost Certification)	4,000		4,000	4,000	
<b>SYNDICATION COSTS</b>					
40 Organizational (Partnership)	2,500				
41 Bridge Loan Fees and Expenses	0				
42 Syndication Consultant	15,000				
43 Tax Opinion	0				
<b>DEVELOPER'S FEES</b>					
44 Developer's Fees	455,000		455,000	455,000	
45 Other Partnership Fees	0				
46 Consultant Fees	26,800		26,800	26,800	
<b>RESERVES</b>					
47 Working Capital	12,000				
48 Deficit Escrow funded by LOC	0				
49 Other Operating Reserves	0				
50 Sinking Fund	0				
51 Replacement Reserves	0				
Subtotal - Soft Costs	996,004				
<b>TOTALS</b>	4,209,854		0 3,317,551	3,139,916	132,200
LESS: Amount of Non-qualified Financing			0		
LESS: Adjustment for per unit cost limits	100.00%		0		
LESS: Historic tax Credit (Residential Portion)			0	0	
Total Eligible Basis			0 3,317,551		
TIMES: Adjusted for QCT/DDA	130.0%		4,312,817		
TIMES: Applicable Fraction	100.00%		0 4,312,817	3,272,551	Long Term Depreciable Basis
Total Qualified Basis			0 4,312,817	27.5	Depreciation Schedule
TIMES: Applicable Percentage		3.54%	8.25%	119,002	Annual Depreciation
Total Annual Credit Qualified			355,807	158,600	Short Term Depreciable Basis
				7	Depreciation Schedule
Total Tax Credits Awarded	327,243		28,564	22,657	Annual Depreciation
Estimated Net Syndication Proceeds (excluding historic credit equity)	2,582,634		285,644	132,200	Commercial basis
Estimated Yield - Housing Credit Syndication	\$ 0.790		225,659	40	Depreciation Schedule
Equity Gap	0			3,305	Annual Depreciation
Credits Needed to fill Equity Gap	0			122,307	Total Long
				22,657	Total Short

13-Sep-01 **Victoria Place Apartments**

**RENT SUMMARY**

RESIDENTIAL RENT Bedrooms	Average Square Feet	Number	Gross Rent	Net Utilities Rent	Total Annual Rent
0 Br		0			0
1 Br	600	15	623	23	108,000
2 Br	900	18	750	30	155,520
3 Br	1,200	1	858	38	9,840
4+ Br		0	0		0
	26,400	34			273,360
	Less Vacancy		5.00%		(13,668)
	NET RESIDENTIAL RENT				259,692

**COMMERCIAL RENT**

Commercial Space	8,000
Rent per Square Foot	\$ 12.00
Gross Commercial Rent	96,000
Vacancy rate	25%
<b>NET COMMERCIAL RENT</b>	<b>72,000</b>

<b>Maximum LIHTC Limit</b>	<b>HUD: 04/06/01</b>			
	1 BR	2BR	3BR	<b>TOTAL NET INCOME</b>
For 60% MAI	625.00	750.00	867.00	<b>331,692</b>
Less Utility Allowances	(23.00)	(30.00)	(38.00)	
Maximum Net Rents	602.00	720.00	829.00	
Proposed Rents	600.00	720.00	820.00	

<b>Utility Allowances</b>	BHA	06/01/00		
High Efficiency/MultiFam	Fuel Type	1BR	2BR	3BR
Heating	Nat Gas	Owner	Owner	Owner
Cooking	Electric	3.00	4.00	5.00
Other Electric	Electric	20.00	26.00	33.00
Water Heating	Nat Gas			
Trash	n/a	Owner	Owner	Owner
<b>Total Utility Allowance</b>		<b>23.00</b>	<b>30.00</b>	<b>38.00</b>



13-Sep-01 **Victoria Place Apartments**

**OPERATING EXPENSES**

	Annual	Monthly	Per Unit Per Month	
<b>Administration</b>				
Management Fee/Residential	13,668	1,139	34	5.0%
Management Fee/Commercial	0	0	0	0.0%
Supportive Services	0	0	0	
Audit/Accounting	3,500	292	9	
Legal	500	42	1	
Compliance Monitoring	1,632	136	4	
Marketing	250	21	1	
Other	500	42	1	
<b>TOTAL ADMINISTRATIVE</b>	<b>20,050</b>	<b>1,671</b>	<b>49</b>	
<b>Utilities</b>				
Electricity	3,000	250	7	
Fuel	15,984	1,332	39	
Water and Sewer	12,500	1,042	31	
Fire Alarm / Emergency	500	42	1	
City Inspection Fee	2,550	213	6	
<b>TOTAL UTILITIES</b>	<b>34,534</b>	<b>2,878</b>	<b>85</b>	
<b>Maintenance</b>				
Maintenance / Janitor Payroll	6,500	542	16	
Janitor Supplies	750	63	2	
Exterminating		0	0	
Trash Removal	4,800	400	12	
Snow Removal	500	42	1	
Grounds		0	0	
Repairs Material		0	0	
Repairs Contract		0	0	
HVAC Repairs / Maintenance		0	0	
Elevator Contract / Repairs	2,500	208	6	
Painting and Decorating	750	63	2	
Other	2,460	205	6	
<b>TOTAL MAINTENANCE</b>	<b>18,260</b>	<b>1,522</b>	<b>45</b>	
Real Estate Taxes	45,000	3,750	110	per unit month excl. ds & res. 301.33
Property Insurance	5,100	425	13	
Replacement Reserves	11,900	992	29	
Primary Debt Service	117,339	9,778	288	
Other "must pay" debt service		0	0	
Other		0	0	
<b>Total</b>	<b>252,183</b>	<b>21,015</b>	<b>618</b>	

13-Sep-01 Victoria Place Apartments																
CASH FLOWS	Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Operating Income		8.71%	6.40%	345,360	24,175											
Gross Rent		273,360	277,460	281,622	285,847	290,134	294,486	298,904	303,387	307,938	312,557	317,245	322,004	326,834	331,737	336,713
Other Income		72,000	73,440	74,909	76,407	77,935	79,494	81,084	82,705	84,359	86,047	87,768	89,523	91,313	93,140	95,002
Vacancy and other losses		(13,668)	(13,873)	(14,081)	(14,292)	(14,507)	(14,724)	(14,945)	(15,169)	(15,397)	(15,628)	(15,862)	(16,100)	(16,342)	(16,587)	(16,836)
Total Operating Income		331,692	337,027	342,450	347,961	353,563	359,256	365,042	370,923	376,901	382,976	389,151	395,427	401,806	408,290	414,880
Operating Expenses																
Total Expenses (excl. Reserves)		122,944	126,632	130,431	134,344	138,375	142,526	146,802	151,206	155,742	160,414	165,226	170,183	175,289	180,547	185,964
Lease Reserves	3.00%	48,000	49,440	50,923	52,451	54,024	55,645	57,312	59,034	60,805	62,629	64,508	66,443	68,437	70,490	72,604
Total Operating Expense		182,844	188,151	193,614	199,239	205,029	210,991	217,128	223,447	229,952	236,649	243,545	250,644	257,953	265,478	273,226
Net Operating Income		148,848	148,877	148,836	148,723	148,534	148,265	147,914	147,477	146,949	146,326	145,606	144,783	143,853	142,811	141,654
Less Primary Debt Service		117,339	117,339	117,339	117,339	117,339	117,339	117,339	117,339	117,339	117,339	117,339	117,339	117,339	117,339	117,339
Bank-calculated DC(RNOI plus Lease)*		167,769	169,019	170,249	171,459	172,639	173,789	174,909	176,009	177,059	178,089	179,079	180,019	180,929	181,789	182,609
SLP Local Administrative Fee	3.00%	5,000	5,150	5,305	5,464	5,628	5,796	5,970	6,149	6,334	6,524	6,720	6,921	7,129	7,343	7,563
Net Cash		26,509	26,388	26,193	25,920	25,567	25,130	24,605	23,989	23,276	22,464	21,548	20,523	19,385	18,130	16,752
Repayment of Developer's Loan		26,509	26,388	26,193	25,920	25,567	25,130	24,605	23,989	23,276	22,464	21,548	20,523	19,385	18,130	16,752
Less General Partner's Supervisory Management Fee		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Annual Cash Flow		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Annual Cash Flow		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash to LP	49.90%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash to GP	50.10%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Cash to GP		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
*Lease subordinated to mortgage payment																
Cumulative Replacement Reserves																
Beginning Balance		0	11,900	24,217	36,961	50,143	63,961	78,404	93,566	109,449	126,174	142,749	159,174	175,449	191,574	207,549
Deposits		11,900	12,079	12,260	12,444	12,630	12,820	13,012	13,207	13,405	13,606	13,810	14,018	14,228	14,441	14,658
Interest	2.0%	0	238	484	739	1,003	1,287	1,591	1,915	2,269	2,653	3,067	3,511	3,985	4,489	5,023
Withdrawals		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance		11,900	24,217	36,961	50,143	63,961	78,404	93,566	109,449	126,174	142,749	159,174	175,449	191,574	207,549	223,574
After Tax Cash Flows																
Net Operating Income		148,848	148,877	148,836	148,723	148,534	148,265	147,914	147,477	146,949	146,326	145,606	144,783	143,853	142,811	141,654
Plus Reserves		11,900	12,079	12,260	12,444	12,630	12,820	13,012	13,207	13,405	13,606	13,810	14,018	14,228	14,441	14,658
Less Interest Expense		(131,836)	(131,035)	(130,184)	(129,283)	(128,332)	(127,333)	(126,286)	(125,190)	(124,048)	(122,860)	(121,626)	(120,349)	(119,028)	(117,666)	(116,264)
Less Long Depreciation		(122,307)	(122,307)	(122,307)	(122,307)	(122,307)	(122,307)	(122,307)	(122,307)	(122,307)	(122,307)	(122,307)	(122,307)	(122,307)	(122,307)	(122,307)
Less Short Depreciation		(22,657)	(22,657)	(22,657)	(22,657)	(22,657)	(22,657)	(22,657)	(22,657)	(22,657)	(22,657)	(22,657)	(22,657)	(22,657)	(22,657)	(22,657)
Taxable Income (Loss)		(116,052)	(115,044)	(114,032)	(113,081)	(112,133)	(111,212)	(110,324)	(109,469)	(108,644)	(107,854)	(107,097)	(106,373)	(105,682)	(105,023)	(104,396)
Cash Flow		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings		46,421	46,018	45,621	45,232	44,853	44,485	44,129	43,785	43,454	43,134	42,824	42,524	42,234	41,944	41,664
Plus Net Sales Proceeds		327,243	327,243	327,243	327,243	327,243	327,243	327,243	327,243	327,243	327,243	327,243	327,243	327,243	327,243	327,243
After Tax Cash Flows		373,664	373,261	372,864	372,475	372,096	371,728	371,372	371,028	370,694	370,370	370,046	369,732	369,418	369,104	368,790

**RESOLUTION RE: CONSTRUCTION AND PERMANENT FINANCING  
FOR VICTORIA APARTMENTS, BURLINGTON**

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

WHEREAS, an application has been submitted to the Agency by Bove Brothers, Inc. (the "Sponsor") on behalf of a to be formed limited partnership in which the Sponsor or its subsidiaries will be the general partner(s) (the "Borrower") involving the construction of thirty four (34) units of rental housing in the City of Burlington (the "Development"); and

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

WHEREAS, the application contemplates a mortgage loan for construction and permanent term financing for the Development with the interest rates to be determined by the Agency depending on the source of funds;

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

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Joe Erdelyi dated September 13, 2001, containing information and recommendations about the Development (the "Memorandum");

THEREFORE, it is hereby DETERMINED:

1. The Development is primarily for occupancy by persons and families of low and moderate income.
2. The acquisition and construction costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.
3. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and moderate income are able to afford within the general housing market area to be served by the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of the residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families.
4. The housing sponsor undertaking the Development will increase the supply of well-planned, well-designed permanent, transitional or emergency housing for persons and families of low and moderate income.
5. The Sponsor is financially responsible and the Borrower will be required to qualify as a housing sponsor within the meaning of the Act.

6. More than half of each of (a) the total floor area and (b) the total development cost of the Development will be allocated to dwelling units for persons and families of low and moderate income; and
7. The non-housing facilities to be acquired and/or rehabilitated or constructed in connection with the Development, and which are not designed primarily for the benefit of the occupants of the dwelling units, are necessary in order to render the lease of the dwelling units economically feasible for persons and families of low and moderate income.

WHEREFORE, it is hereby RESOLVED:

1. After due consideration of the Memorandum, the Board hereby grants a waiver to the rehabilitation requirement under Chapter Four of the Grants, Loans, and Advances rules of the Agency for the new construction of the Development to avoid the undue hardship that compliance with the rehabilitation requirement would cause the Sponsor.
2. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to the limited partnership to be created by the Sponsor for the construction and permanent term financing of the Development based on the recommendations in the attached Memorandum. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the Sponsors in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.
3. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designees may, in his or her discretion, issue one or more Commitment Letters for a mortgage loan to the limited partnership to be created by the Sponsor for the construction and permanent term financing of the Development based on the recommendations in the attached Memorandum. The Commitment Letter may be issued to the Sponsor as representative of the Borrower. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.
4. The issuance of the Bonds for the purpose of financing one or more loans to the Borrower is hereby preliminarily approved, and, pursuant to Section 1:150-2 of the Internal Revenue Code Regulations, the Agency hereby states its intention to reimburse itself from Bond proceeds for any advances of Agency funds prior to the issuance of the Bonds.
5. The preliminary approval described in the preceding paragraph does not obligate the Agency to give final approval for the issuance of said Bonds. Final approval of the issuance of the Bonds can only be authorized by independent action, which may contain such conditions thereto as the Agency may deem appropriate. The Agency in its absolute discretion may refuse to finally authorize the issuance of the Bonds and shall not be liable to the Sponsor, the Borrower or any other person for its refusal to do so.
6. The Executive Director and the Loan Review Committee will establish the final sources and amounts of the loans for the Development, and such conditions and terms that are appropriate

7. for the Development in accordance with all requirements of the Act, and the applicable regulations and policies of the Agency, including the Underwriting Guidelines.

*I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at, Willimastown, Vermont, on September 20, 2001.*



**Sarah E. Carpenter**

*Executive Director and Secretary  
Vermont Housing Finance Agency*



## Vermont Housing Finance Agency

**VHFA Board Minutes**  
Vermont Housing Finance Agency  
VT Association of Realtors  
148 State Street  
Montpelier, VT

Thursday, November 15<sup>th</sup>, 9:00AM

**PRESENT:** Chairperson Lisa Randall, Commissioners Kathy Beyer (Designee of Lambert), Dagyne Canney, Tom Candon (Designee of Costle), Karen Lafayette, Gus Seelig  
Staff: Sarah Carpenter, Pat Loller, Holly Keough, Roger Schoenbeck, David Adams, Pat Crady, Cindy Reid, Elizabeth Mullikin Drake

### MINUTES

Ms. Carpenter handed out the annual report, which is in a calendar form this year. Credit for producing the calendar was given to Mr. Bailey of the Public Affairs Department.

Ms. Carpenter handed out and discussed a survey on construction costs done by the Housing & Conservation Board. She noted that construction costs have increased dramatically resulting in an overall increase in project cost.

Chairperson Randall called the meeting to order at 9:12AM.

Ms. Canney made a motion to approve the September 20, 2001 minutes. The motion carried unanimously after being seconded by Mr. Candon.

### DEVELOPMENT

#### Farrell St. (Marketplace), So. Burlington

Ms. Reid stated that the Marketplace project will not be ready for Board review until the December Board meeting. The budget changed after the board mailing due to a change in pricing.

The foundation design is being reviewed by an independent engineer and an opinion will be provided in the next couple of weeks because there is concern with Code that the foundation footings are not under the frost level. The area that is of concern is at the entrance of the parking garage.



mailing address P.O. Box 408, Burlington, VT 05402-0408

1/10/02 12:45 PM phone (802) 864-5743

delivery address 164 Saint Paul St., Burlington, VT 05401-4364

fax (802) 864-5746

[www.vhfa.org](http://www.vhfa.org)



Ms. Beyer asked why there were two separate permanent loans on each project, to which it was replied that one loan per project matched the ten-year term of Section 8 income.

No action was needed at this time.

#### Moose River, St. Johnsbury

Ms. Reid presented this project based on her memorandum to the Board.

The project has state tax credits and is now seeking Federal Home Loan Bank Affordable Housing Program (AHP) funding. That decision will be made on 11/28. VHCB and VCDP have both provided contingent commitments should the project not receive an AHP award.

NCMC will be managing the project as they are now. Ms. Beyer asked if there were any issues with NCMC management. Ms. Carpenter stated there was nothing specific to report on NCMC except that they have been struggling financially.

Ms. Beyer moved to approve the recommended resolution, this was seconded by Mr. Candon. The resolution passed unanimously.

#### HOMEOWNERSHIP

Ms. Crady reviewed the Summary of Homeownership Activities.

Ms. Crady stated that Homeownership is on track with the budget, though production is a little slower currently. Loan purchases are at \$28.5 million. Lenders purchase activity slowed after 9/11 though it is starting to get back to normal. Rutland County is strong, which Ms. Canney confirmed, but said that Bennington County is not doing as well.

Ms. Crady stated that VHFA is watching the conventional rate point spread, though she doesn't recommend adjusting the Agency's rates downward until after the first of the year.

Ms. Canney stated that many real estate brokers are suggesting 15-20 year mortgages due to the low rates and wondered if VHFA should be offering a similar product. Ms. Crady stated that most of VHFA's borrowers need a long term to keep the payment lower. Though VHFA will need to do some analysis on how many of our borrowers would have qualified for a 15 year product. The other issue is that this could affect the bond issue and would need to be looked at closely. Ms. Carpenter thought that a 15-20 year mortgage is usually more popular in refinances. Discussions ensued around the different ways that VHFA could meet consumer needs. Ms. Randall also suggested that VHFA may want to look at price limits in January in conjunction with qualifications for 15-20 year loan product analysis.

Ms. Crady stated that delinquency rates as of September 30, 2001 have increased and that this is part of a normal fall cycle. (Delinquency rates as of October 31, 2001 were much lower than the September 30<sup>th</sup> levels.)

VHFA's total portfolio has declined due to refinances. To offset this VHFA needs to continue to offer good programs to add new good loans. Ms. Carpenter suggested that a study be done on who is paying off and why. This may help VHFA understand what needs to be done to keep this business. Mr. Adams will look into this. Mr. Adams discussed the fact that this year prepaids are averaging 12-16%, which is 2.5 times higher than normally expected prepay rates. To which Mr. Schoenbeck responded that it was not time for alarm yet.

Ms. Crady stated that the Loan Origination Procedural Guide went out last week and is also online. Homeownership is working on an online reservation form.

With the release of the new procedural guides, several changes will become effective December 3, 2001. Those changes include: 1. Requiring title insurance on all loans; 2. Offering 100% financing to borrowers with credit scores of 700 and above (previously VHFA required a credit score of 720); 3. Offering 97% financing to borrowers with credit scores of 660 or above (previously VHFA required a credit score of 680).

Homeownership also rolled-out a limited refinance program to help people refinance debt on mobile homes and also refinance loans secured by property with shared appreciation requirements. The interest rate will be 8.75% for a zero point loan. This program will greatly benefit household who have interest rates on their mobile home loans of 12% to 14%; however, the feedback we are getting from nonprofits is that we probably won't see a lot of activity in refinancing of shared appreciation properties due to the 8.75% interest rate. VHFA will begin to accept reservations for this loan on Monday, December 3<sup>rd</sup>. The refinance program is being financed with a taxable bond. Expected level for the first year is \$1-1.5 million. Ms. Crady stated that a list of eligible mobile home parks will be available on the VHFA website and that the list has been given to the lenders. Ms. Drake stated that the perfection of the loan would be a mortgage and UCC's. Ms. Beyer feels that this will need to be marketed well. Mr. Seelig stated that this kind of refinancing is a great start for this hard market and would suggest that we market to resident associations. Kelly Deforge is doing regional training of lenders on both the program changes and the new refinance program. After lenders are trained we will begin an outreach and marketing plan to consumers.

Ms. Crady reviewed the delinquency levels stating that VHFA is in decent shape at this time. Ms. Crady also pointed out that VHFA's loss on the former Balestra property is expected to be approximately \$68 thousand. The property was in extremely poor condition and cleanup costs were estimated to be \$10-15 thousand. VHFA accepted a cash offer for the property in "as is" condition. Two issues were brought up by Board members were concerns about bad appraisals and the need for septic inspections. Ms. Crady stated that the need septic inspections should be part of the educational process during homeownership classes.



Mr. Adams discussed the purchase of servicing. Passumpsic Savings Bank decided not to sell their servicing, we have rescinded the offer. First Brandon has issues with some of the terms of the purchase agreement, so we are not sure where this is going. Wells River Savings Bank has been completed. Charter One has a big portfolio that Graystone is evaluating and we will be reviewing to make an acquisition offer. Mr. Adams announced the hiring of Ingrid Malmgren as the Research Analyst.

## FINANCE

### Multifamily Bond Financing

Mr. Schoenbeck stated that there have been two calls with the bond working group in regard to the public offering of multi-family bonds. The Farrell St. project deferral has delayed the bond issue because this project comprises \$13 million of the total issue. The rates are very low now. VHFA plans to send out offering statements to have a sale in mid-January with a closing at the end of January. Until the bond issuance, the projects, other than Farrell St. will be temporarily funded internally.

Mr. Seelig questioned Ms. Beyer, who is on the VT Community Loan Fund board, whether they could be creative in covering the one month funding need before VHFA bond issuance. Ms. Beyer stated that VT Community Loan Fund has only \$500 thousand that may be available and accessibility is questionable. Ms. Carpenter stated that we might look into this because it may help the VT Community Loan Fund meet their match requirements to draw down Federal CDFI funds. Mr. Schoenbeck mentioned that the Vermont Community foundation could possibly do some funding. Also noted was the change in the board memo regarding the bond amount, which has increased from \$15 million to \$21 million.

### Additional Board Allocation of Volume Cap

Ms. Drake presented her write up on Additional Board Allocation of Volume Cap and stated that VHFA needs to make the designated allocation for its IRS filing at year end. There are varying rules on volume cap carry over. Ms. Carpenter stated that generally industrial revenue bonds cannot be carried over at year end, but there will be more discussions on the subject of organizational volume cap carryovers with the other issuing agencies.

### Resolutions

Ms. Drake presented the General Authorizing Resolution to Finance Multifamily Projects and a resolution regarding Federal Home Loan Bank Signatory Authority.

Ms. Beyer made the motion to accept the General Authorizing Resolution to Finance Multifamily Projects and the \$5 million increase for a total of \$15 million. Mr. Candon seconded the motion and it was approved unanimously.

Mr. Seelig made the motion to accept the Federal Home Loan Bank Signatory Authority Resolution. Mr. Candon seconded the motion and it was approved unanimously.

General discussion continued around the issue of Volume Cap. Ms. Carpenter stated that the state's annual allocation increases to \$225 million. This would probably be split among VEDA, VSAC, the Municipal Bond Bank and VHFA. Ms. Carpenter has learned that the Winooski project has changed its housing developer. Ms. Beyer stated that she will push the Winooski on their plans to use bond cap and that this project should be part of the 2002 funding plan. It was suggested that perhaps not all the bond cap be allocated pending discussions with Winooski. Ms. Beyer suggested that VHFA needs to raise the issue with the emergency board regarding use of the increased bond cap for Winooski Housing. Ms. Carpenter stated that perhaps VHFA should offer again to have them apply for a loan to do the market study. Ms. Lafayette said that she could approach the City of Winooski as middleperson.

#### Quarterly Financial Report

Mr. Schoenbeck reviewed the general fund budget financial reports and stated that he will have the full financials in the mail to the Board by Thursday. The full report is delayed based on the (early in the month) meeting time. The following are the highlights:

- 25% is where VHFA expects to be in expenses and other costs are in the 21% range
- Bond programs doing well
- Paper gain on investments are healthy
- Loan losses are low (\$110 thousand for the quarter)
- Overall VHFA is in good shape through September
- Expect mortgage loans to be lower this month due to payoffs

#### ADMINISTRATION

##### Executive Director's Report

Ms. Carpenter referred the Board to her written ED Report.

Ms. Carpenter spoke briefly about the multifamily conversion to Mitas. Mr. Adams stated that Mitas and staff went into the conversion concerned about whether this is a good product fit, but it surpassed their expectations and has created lots of momentum with the staff. Mr. Schoenbeck stated that if the Mitas system is used as designed, there will be a direct feed to GL and accounting records.

Ms. Carpenter reviewed VHFA's United Way campaign. [Ms. Lafayette stated that her mother would make a pie donation for the Pie and Ice Cream Social event. A note of thanks to Mrs. Moran.]

Ms. Carpenter stated that the first electronic external newsletter will go out in December and that we are currently reviewing and obtaining email addresses. Ms. Canney stated that the realtor listing would be a good source for realtor email addresses.

##### Revisions to Administrative Rules

Ms. Drake stated that staff has reviewed the existing agency administrative rules and found that some revisions need to happen to reflect VHFA's current practices. Ms. Drake then asked if staff can go ahead with the revisions, then review a draft with the Board, to be followed by a filing with the Secretary of State. Ms. Carpenter stated that these were small changes and that staff might suggest eliminating some of the rules because they are agency processes not rules. Unanimously the Board concurred with this request to move forward with the review.

Ms. Carpenter discussed Chapter 117 study committee, which is reviewing the local planning law, its processes and its relationship with other permits. Their findings will be presented to the Board in January. Ms. Lafayette stated that she will be working for the VT Low Income Advocacy Council and will help keep VHFA up to date on the legislative housing committees' work.

Ms. Carpenter reviewed her memo on VT Property Transfer Tax Exemption. She reported that Joint Housing Committee may be looking into increasing property transfer taxes on high end (over \$300 thousand) houses. Nothing is concrete at the moment. Mr. Seelig stated that chances of getting this increase passed is low this year. Ms. Drake stated that increasing the \$100 thousand exemption has been discussed. Mr. Seelig feels that this could happen.

Ms. Loller is working on summarizing the information collected at the retreat and a report will be forthcoming in December.

Ms. Carpenter concluded and reminded everyone that the Tax Credit Meeting will be before the Board Meeting in February, so plan on a full day.

Ms. Lafayette made the motion to adjourn. Mr. Candon seconded the motion and it carried unanimously.

Meeting adjourned at 11:50AM.

Sincerely,



Sarah E. Carpenter  
Executive Director



## Vermont Housing Finance Agency

**VHFA Board Minutes**  
Vermont Housing Finance Agency  
The Gardens  
Williamstown, Vermont

Thursday, September 20<sup>th</sup>, 2001 at 10:00 AM

**PRESENT:** Chairperson Lisa Randall, Commissioners Kathy Beyer (Designee of Lambert), Dagyne Canney, Tom Candon (Designee of Costle), Jim Douglas, Gus Seelig,  
Staff: Sarah Carpenter, Pat Loller, Ruth Kendrick, Holly Keough, Roger Schoenbeck, David Adams, Joe Erdelyi, Sam Falzone, Cindy Reid, John Fairbanks,  
Guests: Mac Nicoll (KPMG LLP), Michael Richardson (Victoria Apts)

### MINUTES

Mr. Candon made a motion to approve the August 23, 2001 minutes. The motion carried unanimously after being seconded by Mr. Seelig.

### FINANCE

#### Fiscal Year June 30, 2001 Audit Results

Mr. Schoenbeck introduced Mr. Nichol of KPMG LLP, the Partner in charge of the audit. Mr. Schoenbeck continued. The full year financials, which tie into the audit report comments on major items, validates and verifies what the Board has been recently discussing. FY2001 was an excellent year. Highlights were:

1. Good retention of mortgage loans and the loans that we have are performing well, resulting in low loan losses.
2. Change in market value of investments. We are much better off when rates go down, making our investments worth more. This added surplus of \$1.5 million this year.
3. Additional 0% loans when made add to surplus an extra \$2 million in these loans this year.



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4. Net losses on single-family properties for the year were \$570,000, including a \$500,000 reduction in the loss reserve. Each year as losses decrease, our average decreases and so do reserves.
5. The General Fund balance increased by \$400,000.

There remains a liquidity issue in the General Fund. Although we have \$5.8 million in cash, the Agency needs to keep \$3.5 million in escrow cash deposits, owes accounts payable of \$1 million and have outstanding borrowed funds from Howard Bank of \$5 million. Our liquidity shortage is \$3.5 million. One way to fix this problem is to increase transfer of funds from the Bond programs back into the General Fund. One of the reasons that we haven't done this is that the rating agencies like to see surplus in the bond funds when they rate our programs. This year our budget estimates that between points and servicing fees paid to lenders we will spend \$1 million out of the General Fund that has no short-term payback. Mr. Schoenbeck discussed with the financial advisor team that next time we do a bond issue to include a premium to cover that cost so that it will be paid by the bond funds. We will need to deal with the payments already made by the General fund in recent bond issues. We will be coming back to the Board before the next single family bond issue to deal with this issue in more detail.

Mr. Candon questioned when the \$1 million from the next bond issue starts eating into the \$3.5 million liquidity gap. Mr. Schoenbeck stated that the \$1 million would come from the sale of bonds, so we would collect cash up front like we did on the PAC bonds, and we would transfer money out of our single family program back to the General Fund. This is a balancing act to keep the rating agencies happy. The 1998 financial advisor update cautioned about lending funds out of our General Fund.

Ms. Randall asked the borrowing rate on the bank funds. Mr. Schoenbeck stated that we borrow at 75 basis points over the 30 day LIBOR rate. These funds are used for example on bridge loans made to Housing VT at a surplus of about 75 basis points to us. This is making our money work for us, yet is an excellent rate for Housing VT.

Mr. Douglas questioned how the rating agency determined a minimum balance for the bond funds. Mr. Schoenbeck stated that they do a parity test; meaning 101% of liabilities is sitting in the bond funds before you can take money. The other test that they do is an expected worse case test where the cash flow must cover all future principal and interest payments before we can release surpluses. These tests satisfy a Single A rating. The 101% is a fair test.

Mr. Schoenbeck stated that most of the loans we are now purchasing are no point mortgages and this means that we write a check out of the General Fund to pay the points to the lenders. Ms. Canney asked if these funds were made up over the life of the loan. Mr. Schoenbeck stated that it take 8-10 years to break even.

Ms. Randall asked about the necessary transfer amount and benefit. Mr. Schoenbeck stated \$3.5 million is the amount and that it makes sense to do it in one transfer, but that

he wants the financial advisors to tell us since the internal rating and liquidity is a big issue. This issue will be brought up at a later date for more discussion.

#### Audit Review

Mr. Nichol of KMPG stated that, as in the past, this audit was a clean report, no issues to report or adjustments to financials. There was one minor past adjustment related to capitalizing REO costs. One thought Mr. Nichol had was to accrue interest only on loans 90 days past due. He felt that this was a minor difference and wouldn't change the financial outcome. He feels comfortable that we are being conservative with our loan loss calculations. There were no material weaknesses discovered, no essential staff turnover and systems are solid, so he has no suggestions for improvement. Overall, this is a very good report.

Mr. Schoenbeck noted that there was a significant change in the audit team; to which Mr. Nichol replied that a new set of glasses and refocus was a positive audit step.

Mr. Nichol reviewed a new rule out for future presentation that will change the format of accepted financial statements. Essentially the new rules state that there needs to be a management narrative of financial and operational happening in the agency included with the audit.

Mr. Seelig made the motion to accept the Financial Reports and Audit. Ms. Canney seconded the motion and it was approved unanimously.

#### Financial Advisor Review

Mr. Schoenbeck and Ms. Carpenter discussed the issue of the change of personnel at our financial advisors. Due to ongoing bond activity, VHFA continued with the financial advisors that knew our business even though they moved to US Bancorp Piper Jaffray from Evensen Dodge.

Evensen Dodge subsequently put together a new team and would like to retain our business. To entice us they have offered to cut our contracted fee by between \$500-\$1,000. On their team is Tim Rittenhouse who worked on our account as one of the co-managers for our bond sales at AG Edwards. Ms. Carpenter stated that Tim's role is more sales and that we did not feel he is a strong analytical advisor.

Caine Mitter and Associates has also expressed an interest in our account and is based near Boston. Mr. Schoenbeck felt that this firm has a good background but they are more expensive and would not add more than US Bancorp Piper Jaffray.

Mr. Schoenbeck recommended the US Bancorp Piper Jaffray proposal, which is priced at our former contract rate. Mr. Douglas thought that perhaps we could improve on the pricing to make it more competitive. Ms. Carpenter thought that Evensen Dodge having

a huge turnover bid aggressively to keep our business. Mr. Schoenbeck stated that we had not experienced an increase in fees since 1993 with our previous group. Mr. Seelig brought up the concern that we haven't done a full RFP process and are we in compliance. Ms. Carpenter stated that this was a selected bid list and that it is a limited field of financial advisors in housing bonds. Mr. Douglas was comfortable with the process, but would like to see if we can get a lower price from US Bancorp Piper Jaffray. Mr. Schoenbeck said that he would pass on the pricing concerns and he felt that Piper Jaffray would probably accept the terms.

## **DEVELOPMENT**

### **Victoria Place Apartments**

Mr. Erdelyi presented this project based on his memorandum to the Board.

The project is scheduled to have a final Act 250 permit hearing. The wastewater permit still needs to be signed. Hazardous materials are being taken care of. Mr. Richardson explained that Mr. Bove couldn't make the meeting due to a family illness, but he wanted to stress that he would like the project to start quickly due to winter approaching. The project would need to be started by October 1<sup>st</sup> if it is to be finished by the end of June.

Board members asked several questions about the financial structure of the project. Mr. Richardson explained that there would be \$136,000 put up by the owner as security, half in Letters of Credit and in cash. Any operating deficit the owner needs to cover. Mr. Erdelyi said there is a request pending for additional tax credits since there is no other source to cover cost overruns. Mr. Seelig asked about the impact on the project if more tax credits are not awarded and that contingency was budgeted. Mr. Richardson responded that there is a 3-4% contingency and a \$215,000 interest line item. The construction loan will not be taken out until early December 2002, and the cushion is the developers' fee. Ms. Beyer asked about a cushion on time frame to which Mr. Richardson responded that the estimated completion date was August 1<sup>st</sup> of next year. He also explained that there is an adjuster clause in the limited partnership agreement that could adjust the amount of equity that will be put into the project.

Ms. Carpenter stated the Board should grant the requested waiver of the rule that only allows VHFA to make a loan on a mixed-use project if it is a rehab because of the inability of the sponsors to receive favorable financing from any other lender. The findings are discussed in the recommended resolution. Ms. Drake is analyzing these rules as they might relate to future similar projects. Perhaps we might do a participation loan with VEDA or another lender.

Ms. Canney moved to pass the recommended resolution, seconded by Mr. Seelig. The resolution passed unanimously.

## **HOMEOWNERSHIP**

Dave Adams reported that single-family loan purchases at \$8.6 million for the month of August were the highest reported in the last 14 months. Reservations continue to be strong in spite of a decreasing spread between our rates and conventional mortgage rates.

Mortgage delinquencies were slightly lower at 6.07% at the end of August and have been relatively stable for the last six months. New loan purchases offset the number of loans paid off during the month, which also helps to keep delinquencies in check. Dave noted some concern of the trend in foreclosures, which increased from 56 to 61 in August. The Homeownership Department works very hard to facilitate shortened redemptions, workouts, and short sales to prevent these from moving into REO status. There were 14 REO's at the end of August, of which seven were under contract. Loan losses continue to track our expectations and are within our budgeted projections.

The schedule of upcoming lender lunches around the state was discussed and Board members are invited to attend.

## **PUBLIC AFFAIRS**

An agency communication plan is in place that has increased marketing efforts and is more proactive. Mr. Fairbanks reported on the Ad Campaign that supported the 6.3% home ownership rate. Twenty-one radio stations are running 30 second spots, and the times are staggered on the various radio stations. Ads were placed in all 10 Vermont daily newspapers and in 9 weeklies in Central and Southeast Vermont.

Bruce Edwards, business writer at the Rutland Herald, interviewed Ms. Carpenter as a result of the Bond Buyer Article and the Herald subsequently ran a good story.

A final draft of the Housing Awareness Campaign will be ready soon. Implementation will happen in stages. These stages include developing campaign materials and raising \$100,000 total funds. There will be a public opinion poll conducted. The committee is hoping to piggyback on a VT Public Sprawl Poll to save money. This will be an organic plan, and will evolve over time. It includes paid media, earned media and campaign representatives talking at public events statewide. Ms. Randall asked that the campaign plan be shared with the Board.

Ms. Carpenter stated that a VHFA contribution of \$10,000 is in our current budget and that Mr. Fairbanks and Mr. Bailey are contributing significantly, but we may be coming back to the Board for more funding. Ms. Randall queried the Board and the Board Members were comfortable with this.

Mr. Bailey is assigned to complete the Annual Report. It is on time and under budget at this point.



## ADMINISTRATION

### Executive Director's Report

Ms. Carpenter referred the Board to her written ED Report. It has been a busy month.

Ms. Carpenter spoke briefly about the Board meeting schedule. Ms. Randall stated that we should set a schedule and stick to it. The preference seemed to be third Thursday of each month, after 9:45AM, with a location to be determined by the Legislative calendar. Ms. Carpenter stated that a schedule would be sent out.

Ms. Carpenter reminded everyone that there is a joint Tax Credit Committee and Board meeting on October 24<sup>th</sup> that will probably last the full day. She suggests that for next year there be two prearranged meetings annually in February and June.

Ms. Canney made the motion to adjourn. Mr. Candon seconded the motion and it carried unanimously.

Meeting adjourned at 12:20PM.



## Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Multifamily Development Underwriter *CR*

DATE: November 7, 2001

RE: Multifamily Construction & Permanent Loans for Farrell Street (Marketplace) Allocated and Bond, South Burlington

<b>Name:</b>	Farrell Street <i>Allocated</i>	<b>Location:</b>	So. Burlington
<b>Housing Type:</b>	General Occupancy	<b>Unit Type:</b>	Flats (elevator) & Townhouses
<b>Total Units:</b>	80	<b>Unit Sizes:</b>	12 1-Br 722 sf; 60 2-Br 949 sf; 8 3-Br 1,076 sf
<b>Total Cost:</b>	\$8,372,908	<b>Per S.F. Acquis. &amp; Construction Cost:</b>	\$99.59
<b>Loan Requested:</b>	\$2,170,000 permanent \$345,000 permanent \$5,585,579 const.	<b>Housing Credits (9%):</b>	\$460,000
<b>Other Funding:</b>	VHCB, VCDP, HUD Special Purpose, Housing Credits		
<b>Sponsors:</b>	Housing Vermont (HVT) & Lake Champlain Housing Development Corporation (LCHDC)		

<b>Name:</b>	Farrell Street <i>Bond</i>	<b>Location:</b>	So. Burlington
<b>Housing Type:</b>	General Occupancy	<b>Unit Type:</b>	Flats (elevator) & Townhouses
<b>Total Units:</b>	80	<b>Unit Sizes:</b>	12 1-Br, 722 sf; 60 2-Br 949 sf 8 3-Br 1,076 sf
<b>Total Cost:</b>	\$8,366,174	<b>Per S.F. Devel Cost:</b>	\$99.59
<b>Loan Requested:</b>	\$2,364,637 permanent \$175,000 permanent \$4,600,637 const. \$300,000 0% Loan	<b>Housing Credits (4%):</b>	\$284,065
<b>Other Funding:</b>	VHCB, VCDP, HOME, Developer Loan, Housing Credits, HUD Special Purpose, REEP		
<b>Sponsors:</b>	Housing Vermont (HVT) & Lake Champlain Housing Development Corporation (LCHDC)		



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Housing Vermont has re-structured the Farrell Street project (Marketplace) because of cost increases primarily due to the Act 250 permit appeal. The development consists of four buildings, each with 40 units, for a total of 160 units. Two buildings will use taxable financing and 9% Housing Credits ("Allocated" project) and two buildings will use tax exempt financing and 4% Housing Credits ("Bond" project). For this reason, each "project" will be owned by a different limited partnership, both of which will be comprised of subsidiaries of Housing Vermont and Lake Champlain Housing Development Corporation. The project has all of its funding commitments except for REEP (for energy efficiency measures). The project now has all of its permit approvals. Burlington Housing Authority has set aside a total of 25 project based Section 8 vouchers. Overall, 25 units with Section 8 will be affordable to households with incomes as low as 30% of median income, three units will be affordable to households below 50% of median, 91 units will be affordable to households between 50% and 60% of median income, ten units will be affordable to households at 60% of median income, and 31 units will be market units. Each building has four stories, an elevator, and underground parking. Lake Champlain Housing Ventures will manage the properties once they are completed. Construction will begin as soon as possible. Buildings will be phased with the first building being completed as early as September 2002, and the last completed by March 2003. An as-completed appraisal values the entire property of 160 units at \$13,000,000; the loan to value ratio for the permanent loans on the Allocated project is 39%; the loan to value ratio for the permanent loans on the Bond project (including the 0% loan) is 44%. A Phase I Environmental Site Assessment was completed and no environmentally hazardous conditions were found. VHFA's construction inspector has reviewed the plans and specifications. He identified many concerns early on along with Housing Vermont's review architect; those concerns have in large part been addressed. There is one remaining issue to be worked out, and that is the foundation design. As of this memo, we have requested that Housing Vermont obtain an independent engineer's opinion on the foundation design, as both our inspector and HVT's review architect share a concern regarding the design. The budgets are attached.

**Recommendation:** That the VHFA Board of Commissioners pass the attached resolution.

**RESOLUTION RE: CONSTRUCTION AND PERMANENT FINANCING  
FOR FARRELL STREET/MARKETPLACE, SOUTH BURLINGTON**

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

WHEREAS, a revised application has been submitted to the Agency by Housing Vermont and Lake Champlain Housing Development Corporation (the "Sponsors") on behalf of a to be formed limited partnership in which the Sponsors or their subsidiaries will be the general partners (the "Borrower") involving the new construction of four buildings containing 160 units of rental housing in the City of South Burlington (the "Development"); and

WHEREAS, the Agency has taken action on two (2) previous proposals for the Development in November 2000 and April 2001;

WHEREAS, the application now contemplates a 0% loan and mortgage loans for construction and permanent term financing for the Development with the interest rates to be determined by the Agency depending on the source of funds, but not to exceed 150 basis points above the Agency's cost of funds;

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid dated November 7, 2001, containing information and recommendations about the Development (the "Memorandum");

The determinations and findings made by the Agency in its November 28, 2000 resolution are incorporated herein by reference and remain in full force and effect. The contents of the November 28, 2000 and April 19, 2001 resolutions of the Agency related to financing terms and conditions are superceded by the action taken in this resolution.

WHEREFORE, it is hereby RESOLVED:

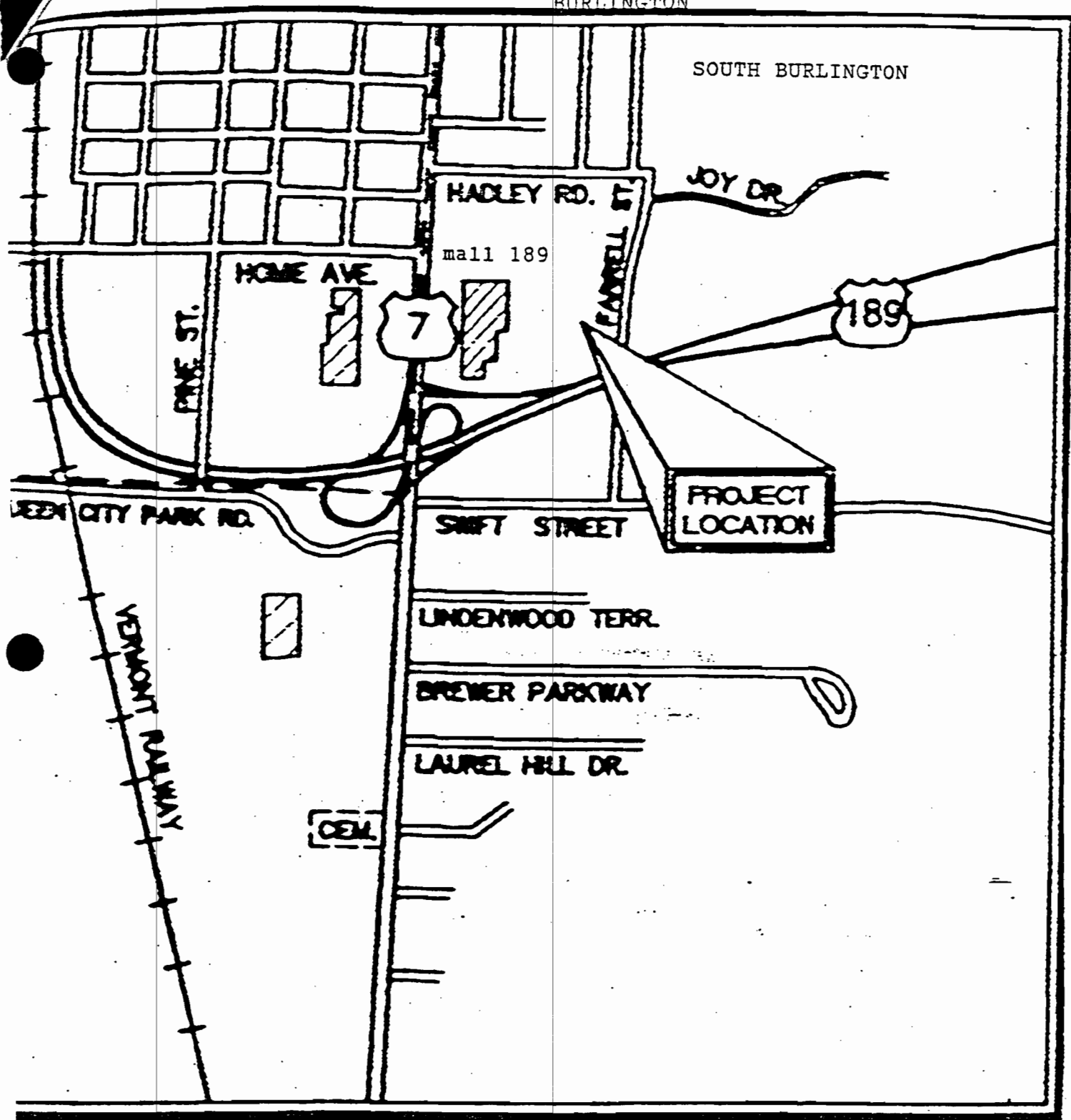
1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to the limited partnership to be created by the Sponsor for the construction and permanent term financing of the Development based on the recommendations in the attached Memorandum. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the Sponsor in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.
2. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designees may, in his or her discretion, issue one or more Commitment Letters for a mortgage loan(s) to the limited partnership to be created by the Sponsors for the construction and permanent term financing of the Development based on the recommendations in the attached

Memorandum. The Commitment Letter may be issued to one or both of the Sponsors as a representative(s) of the Borrower. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.

3. The Executive Director is hereby authorized to make an additional loan to the Borrower for the Development of not more than \$300,000 at an interest rate of 0%.
4. The Executive Director and the Loan Review Committee will establish the final sources and amounts of the loans for the Development, and such conditions and terms that are appropriate for the Development in accordance with all requirements of the Act, and the applicable regulations and policies of the Agency, including the Underwriting Guidelines.

MARKETPLACE SITE MAP

BURLINGTON

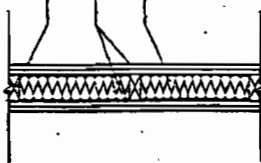
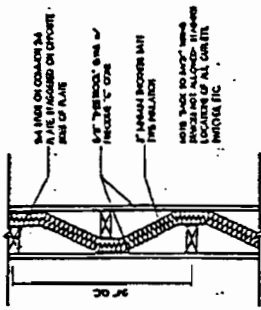


# LOCATION MAP

SCALE: 1" = 2000 feet

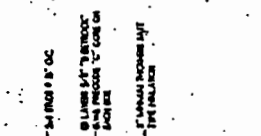
## INTERIOR WALL ASSEMBLY ONE

ALL INFORMATION CONTAINED  
HEREIN IS UNCLASSIFIED  
DATE 01-11-01 BY 60322 UCBAW



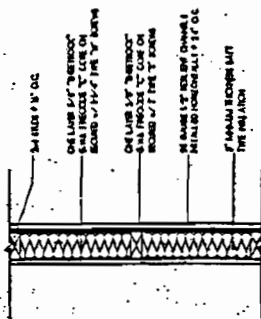
## INTERIOR WALL ASSEMBLY TWO

CALL 1-877-1-800-  
WE'LL SOLVE YOUR PROBLEMS  
FOR YOU. NO CHARGE.



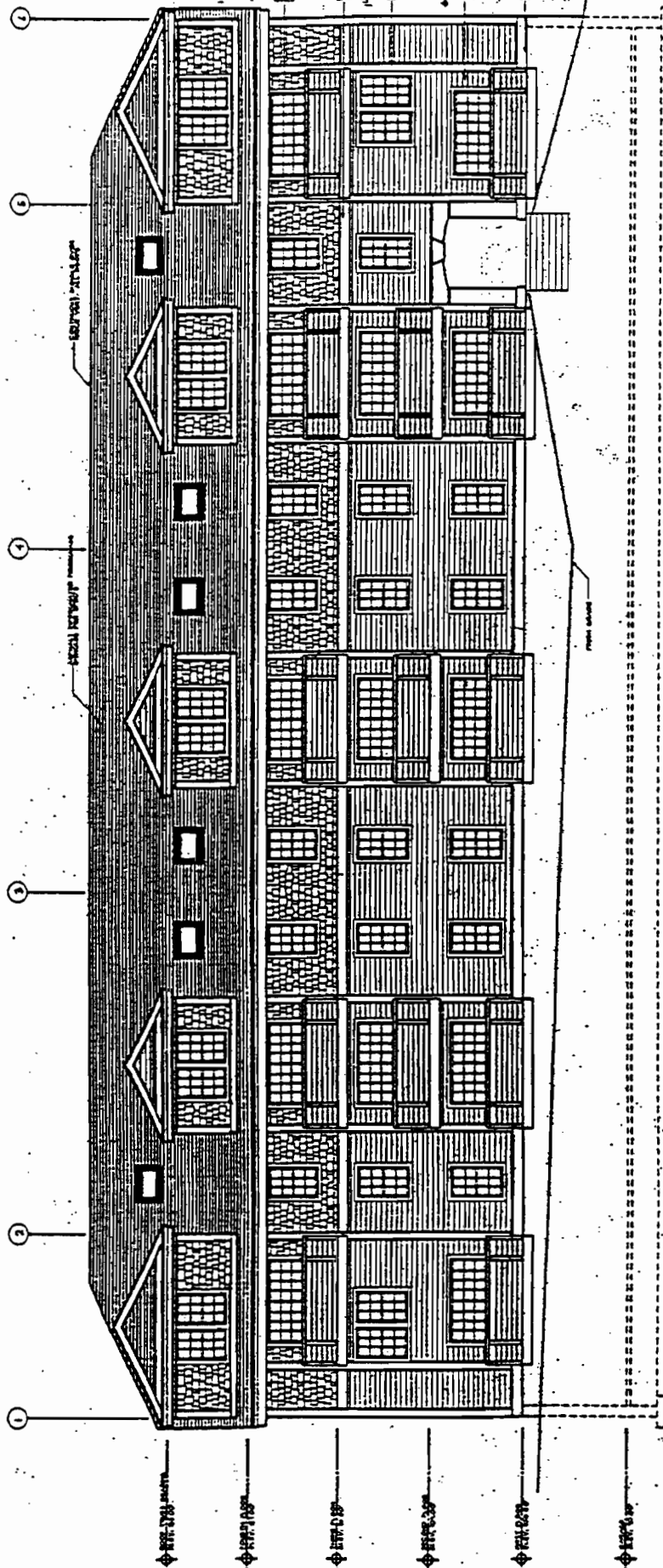
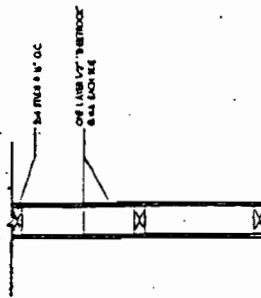
INTERIOR WALL ASSEMBLY TIERB

SCALE 1/2" = 1'-0"  
USE TO MEASURE WITH FROM END CORNER



**INTERIOR WALL ASSEMBLY FOUR**

SCALE 1 1/2" = 1'-0"  
SEE FOR ALL NOTES, MATERIALS, FINISHES, Etc.



**FRONT ELEVATION**

REAR ELEVATION IS SIMILAR BUT OPPOSITE HAND

**EXTERIOR MATERIALS.**  
 STEPS WITH GRAB BARS: OVER 1000 LBS. EACH.  
 COATED METAL AS CORROSION RESISTANT.  
 THERMALLY INSULATED IN WHICH HEAVY DUTY  
 WOODWORK WITH LAMINATED GLASS AND  
 DOORS: HOLLOW METAL DOORS IN HOLD FRAMES.  
 ALL EXTERIOR WALLS MUST PROVIDE A MINIMUM R-10 INSULATION.  
 ALL FLOORS MUST PROVIDE A MINIMUM R-10 INSULATION VALUE.

ALL EXTERIOR WALLS WILL PROVIDE A MINIMUM R-VALUE OF 13.0. THE ROOF SHALL PROVIDE A MINIMUM R-VALUE OF 30.0.

Total Residential Units:	80	Increase in Income from Rental Units:	1.5%
Housing Credit Restricted Units:	61	Increase in Income from Other Sources:	1.5%
Percent Restricted:	76.25%	Increase in Income from Commercial:	1.5%
Total Development Cost:	8,372,908	Expense increase:	3%
Total Development Cost per Unit:	104,661	Vacancy Rate:	5%
Total Development Cost Per SF:	114.45	Partner's Tax Rate:	35%
		Long Depreciation Schedule:	27.5 years
		Short Depreciation Schedule:	7 years
9% Credit Allocated:	460,000	Sponsor's Estimated Yield:	80.77%
Max Credit Potential:	461,447		

LIHTC - 9%	8.16%	(October 2001)
LIHTC - 4%	3.50%	

**SOURCES**

		% of Total Development Cost	Interest Rate	Amortization	Term
First Mortgage - taxable bond	2,170,000	25.92%	8.50%	40	40
First Mortgage - taxable bond	345,000	4.12%	8.50%	10	10
HUD Special Purpose	369,316	4.41%	0.00%	10	10
VCDP Loan	187,500	2.24%	0.00%	30	30
VHCB Special	1,462,233	17.46%	0.00%	30	30
Tax Credit Equity	3,838,224	45.84%	N/A	N/A	
<b>TOTAL SOURCES</b>	<b>8,372,273</b>	<b>99.99%</b>			

VHFA Construction Loan	5,585,579	66.72%	6.00%	18 months
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**USES**

Acquisition	732,500	8.75%
Construction Hard Costs	6,553,000	78.26%
Soft Costs	1,087,408	12.99%
<b>TOTAL USES</b>	<b>8,372,908</b>	<b>100.00%</b>

Gap 635

**PER UNIT COST LIMIT CALCULATION**

	per unit limits	number of units		
0 Br	84,390	0	0	
1 Br	90,140	12	1,081,680	
2 Br	95,890	60	5,753,400	
3 Br	101,637	8	813,096	
4 Br	107,390	0	0	
Maximum cost allowed under the per unit cost limits		80	7,648,176	
Projected total cost, excluding cash accounts			8,372,908	Cost Overage %
	(over)/under		(724,732)	91.34%

General Partner's Capital Contribution	38,382	1.00%
Limited Partner's Capital Contribution	3,799,842	99.00%
<b>Total Equity</b>	<b>3,838,224</b>	

**APPLICABLE FRACTION CALCULATION**

Tax Credit Restricted Units	61
Total Units	80
Unit Fraction	76.25%
Tax Credit Square Footage	55,998
Total Residential Square Footage	73,156
Square Footage Fraction	76.55%
Applicable Fraction	76.25%



## Marketplace Allocated

99.59

## Total Allocated Costs (2 Buildings)

	Budget	Per Unit	Per s.f.
<b>ACQUISITION</b>			
Land	720,000	9,000	9.84
Purchase of Building(s)	0	0	0.00
Demolition (without replacement)	0	0	0.00
Property Appraisal	2,000	25	0.03
Legal - Title and Recording	10,500	131	0.14
Subtotal - Acquisition	732,500	9,156	10.01
<b>CONSTRUCTION HARD COSTS</b>			
Rehabilitation	0	0	0.00
New Building(s)	5,880,000	73,500	80.38
Accessory Buildings	0	0	0.00
Sitework	500,000	6,250	6.83
Commercial Space Costs (if any)	0	0	0.00
General Requirements	0	0	0.00
Contractor Overhead	0	0	0.00
Contractor Profit	0	0	0.00
Construction Contingency	109,000	1,363	1.49
Construction Management	0	0	0.00
Construction Bond Fee	0	0	0.00
Hazardous Materials Abatement	0	0	0.00
Off-Site Improvements	0	0	0.00
Furnishings, Fixtures, & Equipment	64,000	800	0.87
Other ( )	0	0	0.00
Subtotal - Hard Costs	6,553,000	81,913	89.58
<b>SOFT COSTS</b>			
Architectural	10,000	125	0.14
Engineering	0	0	0.00
Legal/Accounting	17,500	219	0.24
Relocation	0	0	0.00
Environmental Assessment	2,000	25	0.03
Energy Assessment	0	0	0.00
Permits/Fees	0	0	0.00
Independent Market Study	0	0	0.00
Construction Period Inspections	0	0	0.00
Construction Interest	120,000	1,500	1.64
Construction Loan Origination Fee	96,284	1,204	1.32
Taxes During Construction	0	0	0.00
Clerk of the Works	20,000	250	0.27
Marketing	3,750	47	0.05
Tax Credit Fees	18,650	233	0.25
Soft Cost Contingency	11,568	145	0.16
Permanent Loan Origination Fee	0	0	0.00
Lender's Counsel's Fee	0	0	0.00
Other ( )	13,656	171	0.19
<b>SYNDICATION COSTS</b>			
Organizational (Partnership)	0	0	0.00
Bridge Loan Fees and Expenses	0	0	0.00
Syndication Consultant	0	0	0.00
Tax Opinion	0	0	0.00
<b>DEVELOPER'S FEES</b>			
HVT Development Fee	320,000	4,000	4.37
LCHDC Development Fee	320,000	4,000	4.37
Consultant Fees	10,000	125	0.14
<b>RESERVES</b>			
Working Capital	104,000	1,300	1.42
Rent-up (Deficit Escrow) Reserve	20,000	250	0.27
Other Operating Reserves	0	0	0.00
Sinking Fund	0	0	0.00
Replacement Reserves	0	0	0.00
Subtotal - Soft Costs	1,087,408	13,593	14.86
<b>TOTAL DEVELOPMENT COSTS</b>	<b>8,372,908</b>	<b>104,661</b>	<b>114.45</b>

Combined Allocated project		Budget	Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Other
<b>ACQUISITION</b>							
1	Land	720,000					
2	Purchase of Building(s)	0					
3	Demolition (without replacement)	0					
4	Property Appraisal	2,000	2,000		2,000		
5	Legal - Title and Recording	10,500			10,500		
	Subtotal - Acquisition	732,500					
<b>CONSTRUCTION HARD COSTS</b>							
6	Rehabilitation	0					
7	New Building(s)	5,880,000		5,880,000	5,880,000		
8	Accessory Buildings	0					
9	Sitework	500,000		500,000	500,000		
10	Commercial Space Costs (if any)	0					
11	General Requirements	0					
12	Contractor Overhead	0					
13	Contractor Profit	0					
14	Construction Contingency	109,000		109,000	109,000		
15	Construction Management	0					
16	Construction Bond Fee	0					
17	Hazardous Materials Abatement	0					
18	Off-Site Improvements	0					
19	Furnishings, Fixtures, & Equipment	64,000		64,000			
20	Other ( )	0					
	Subtotal - Hard Costs	6,553,000					
<b>SOFT COSTS</b>							
21	Architectural	10,000		10,000	10,000		
22	Engineering	0					
23	Legal/Accounting	17,500		17,500	17,500		
24	Relocation	0					
25	Environmental Assessment	2,000		2,000	2,000		
26	Energy Assessment	0					
27	Permits/Fees	0		0	0		
28	Independent Market Study	0					
29	Construction Period Inspections	0					
30	Construction Interest	120,000		120,000	120,000		
31	Construction Loan Origination Fee	96,284		0			
32	Taxes During Construction	0					
33	Clerk of the Works	20,000		20,000	20,000		
34	Marketing	3,750			3,750		
35	Tax Credit Fees	18,650		18,650	18,650		
36	Soft Cost Contingency	11,568		11,568	11,568		
37	Permanent Loan Origination Fee	0					
38	Lender's Counsel's Fee	0					
39	Other (VCDP Admin Fee)	13,656		13,656	13,656		
	SYNDICATION COSTS	0					
40	Organizational (Partnership)	0					
41	Bridge Loan Fees and Expenses	0					
42	Syndication Consultant	0					
43	Tax Opinion	0					
	DEVELOPER'S FEES	0					
44	HVT Development Fee	320,000		320,000	320,000		
45	LCHDC Development Fee	320,000		320,000	320,000		
46	Consultant Fees	10,000		10,000	10,000		
	RESERVES	0					
47	Working Capital	104,000					
48	Rent-up (Deficit Escrow) Reserve	20,000					
49	Other Operating Reserves	0					
50	Sinking Fund	0					
51	Replacement Reserves	0					
	Subtotal - Soft Costs	1,087,408					
	<b>TOTALS</b>	<b>8,372,908</b>	<b>2,000</b>	<b>7,416,374</b>	<b>7,368,624</b>	<b>0</b>	
LESS:	Amount of Non-qualified Financing						
LESS:	Adjustment for per unit cost limits	100.00%		0			
LESS:	Historic tax Credit (Residential Portion)			0	0	20% Historic Credit Rate	
	Total Eligible Basis		2,000	7,416,374		0 Annual Historic Credit	
TIMES:	Adjusted for QCT/DDA	100.00%		7,416,374			
TIMES:	Applicable Fraction		1,525	5,654,985			
	Total Qualified Basis		1,525	5,654,985	7,368,624	Long Term Depreciable Basis	
TIMES:	Applicable Percentage		3.50%	8.16%	27.5	Depreciation Schedule	
	Total Annual Credit Qualified		0	461,447	267,950	Annual Depreciation	
	Total Tax Credits Requested	236,517			64,000	Short Term Depreciable Basis	
	Estimated Net Syndication Proceeds (excluding historic credit equity)	1,919,429			7	Depreciation Schedule	
	Estimated Yield - Housing Credit Syndication	81.97%			9,143	Annual Depreciation	
	Equity Gap	1,919,429					
	Credits Needed to fill Equity Gap	236,517					

07-Nov-01 **Marketplace Allocated**

HC Restricted Units  
Bedrooms

0 Br  
1 Br  
2 Br Flats  
2 Br Townhouses  
3 Br

Type	Average Square Feet	Number	Average Rent	Utilities	Total Annual Rent
		0	0		0
	722	9	482		52,056
	925	40	579		277,920
	973	4	595		28,560
	1,076	8	816		78,336
Totals	55,998	61			436,872

Non-HC Restricted Units  
Bedrooms

0 Br  
1 Br  
2 Br Flats  
2 Br Townhouses  
3 Br

Type	Square Feet	Number	Rent	Utilities	Total Annual Rent
		0	0		0
	722	3	612		22,032
	925	12	747		107,568
	973	4	757		36,336
	1,076	0	0		0
Totals	17,158	19			165,936

All Units

Grand Totals	73,156	80			602,808
Less Vacancy		5.00%			(30,140)

**NET RENT** 572,668

OTHER INCOME

Laundry 600/month  
Section 8  
Commercial Space Income  
Other

7,200
54,982
0
0

**TOTAL INCOME** 634,850

07-Nov-01 **Marketplace Allocated**

	Annual	Monthly	Per Unit Per Month	
Administration				
Management Fee	43,200	3,600	45	7.1%
Admin Salaries/Benefits	17,280	1,440	18	
Audit/Accounting	3,840	320	4	
Legal	3,840	320	4	
Compliance Monitoring	2,928	244	3	
Marketing		0	0	
Other	7,680	640	8	
<b>TOTAL ADMINISTRATIVE</b>	<b>78,768</b>	<b>6,564</b>	<b>82</b>	
Utilities				
Electricity	4,800	400	5	
Fuel - oil	33,600	2,800	35	
Water and Sewer	19,200	1,600	20	
Fire Alarm / Emergency	1,920	160	2	
Other		0	0	
<b>TOTAL UTILITIES</b>	<b>59,520</b>	<b>4,960</b>	<b>62</b>	
Maintenance				
Maintenance / Janitor Payroll	38,400	3,200	40	
Janitor Supplies	4,800	400	5	
Exterminating	1,920	160	2	
Trash Removal	14,400	1,200	15	
Snow Removal	7,680	640	8	
Grounds	7,680	640	8	
Repairs Material		0	0	
Repairs Contract		0	0	
HVAC Repairs / Maintenance		0	0	
Elevator Contract / Repairs	4,800	400	5	
Painting and Decorating	6,720	560	7	
Other		0	0	
<b>TOTAL MAINTENANCE</b>	<b>86,400</b>	<b>7,200</b>	<b>90</b>	
Real Estate Taxes	86,400	7,200	90	per unit month excl. ds & res. 337
Property Insurance	12,480	1,040	13	
Replacement Reserves	28,800	2,400	30	
Primary Debt Service	190,898	15,908	199	
Other "must pay" debt service	51,330	4,278	53	
Other		0	0	
<b>Total</b>	<b>594,596</b>	<b>49,550</b>	<b>619</b>	
	323,568			
	352,368			

99,099 2 months wc

07-Nov-01		Marketplace Allocated														
Year		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Operating Income	Gross Rent	602,808	611,850	621,028	630,343	639,798	649,395	659,136	669,023	679,059	689,245	699,583	710,077	720,728	731,539	742,512
	Other Income (Rental Assistance)	54,982	55,807	56,644	57,494	58,356	59,231	60,120	61,022	61,937	62,866	0	0	0	0	0
	Other Income (Laundry)	7,200	7,308	7,418	7,529	7,642	7,756	7,873	7,991	8,111	8,232	8,356	8,481	8,608	8,738	8,869
	Vacancy and other losses	(30,140)	(30,593)	(31,051)	(31,517)	(31,990)	(32,470)	(32,957)	(33,451)	(33,953)	(34,462)	(34,979)	(35,504)	(36,036)	(36,577)	(37,126)
	Total Operating Income	634,850	644,373	654,038	663,849	673,806	683,914	694,172	704,585	715,154	725,881	736,760	747,804	758,934	770,147	781,435
Operating Expenses	Total Expenses (excl. Reserves)	323,568	333,275	343,273	353,571	364,179	375,104	386,357	397,948	409,886	422,183	434,848	447,894	461,331	475,171	489,426
	Reserves	28,800	29,232	29,670	30,116	30,567	31,026	31,491	31,964	32,443	32,930	33,424	33,925	34,434	34,950	35,475
	Total Operating Expense	352,368	362,507	372,944	383,687	394,746	406,130	417,848	429,911	442,329	455,112	468,272	481,819	495,764	510,121	524,900
Net Operating Income		282,482	281,866	281,094	280,162	279,061	277,784	276,324	274,673	272,824	270,768	268,588	266,236	263,799	261,278	258,666
Less Primary Debt Service (taxable)		190,898	190,898	190,898	190,898	190,898	190,898	190,898	190,898	190,898	190,898	190,898	190,898	190,898	190,898	190,898
Less Primary Debt Service (taxable)		51,330	51,330	51,330	51,330	51,330	51,330	51,330	51,330	51,330	51,330	51,330	51,330	51,330	51,330	51,330
Less Developer Loan		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Annual Cash Flow		40,254	39,638	38,867	37,934	36,833	35,556	34,096	32,446	30,597	28,541	26,254	23,790	21,119	18,281	15,332
Operating Subsidies / Sinking Fund		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash		40,254	39,638	38,867	37,934	36,833	35,556	34,096	32,446	30,597	28,541	26,254	23,790	21,119	18,281	15,332
DCR		116.62%	116.36%	116.05%	115.66%	115.21%	114.68%	114.08%	113.39%	112.63%	111.78%	107.22%	105.42%	103.48%	101.40%	99.19%
Cumulative Cash Flow		Beginning Balance	0	40,657	81,910	123,623	165,645	207,815	249,961	291,897	333,424	374,330	414,386	440,745	464,409	485,046
Deposits		40,254	39,638	38,867	37,934	36,833	35,556	34,096	32,446	30,597	28,541	26,254	23,790	21,119	18,281	15,332
Interest		403	1,616	2,846	4,088	5,338	6,590	7,840	9,081	10,309	11,515	12,569	13,326	13,999	14,578	15,069
Withdrawals		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance		40,657	81,910	123,623	165,645	207,815	249,961	291,897	333,424	374,330	414,386	440,745	464,409	485,046	502,305	515,832
Cumulative Replacement Reserves		Beginning Balance	0	29,088	59,485	91,237	124,390	995	34,395	66,899	100,537	135,339	16,167	50,254	85,537	122,047
Deposits		28,800	29,232	29,670	30,116	30,567	31,026	31,491	31,964	32,443	32,930	33,424	33,925	34,434	34,950	35,475
Interest		288	1,165	2,081	3,038	4,037	5,074	6,153	7,274	8,437	9,643	10,891	12,181	13,514	14,891	16,312
Withdrawals*		0	0	0	0	(158,000)	0	0	0	0	(158,000)	0	0	0	(158,000)	0
Ending Balance		29,088	59,485	91,237	124,390	995	34,395	66,899	100,537	135,339	16,167	50,254	85,537	122,047	159,816	43,648
1,975		80	5	3	4	5	6	7	8	9	10	11	12	13	14	15
Net Operating Income		282,482	281,866	281,094	280,162	279,061	277,784	276,324	274,673	272,824	270,768	268,588	266,236	263,799	261,278	258,666
Plus Reserves		28,800	29,232	29,670	30,116	30,567	31,026	31,491	31,964	32,443	32,930	33,424	33,925	34,434	34,950	35,475
Less Interest Expense		212,640	210,025	207,178	204,080	200,708	197,038	193,044	188,696	183,965	178,815	173,257	167,875	162,620	157,450	152,350
Less Long Depreciation		(267,520)	(267,520)	(267,520)	(267,520)	(267,520)	(267,520)	(267,520)	(267,520)	(267,520)	(267,520)	(267,520)	(267,520)	(267,520)	(267,520)	(267,520)
Less Short Depreciation		(9,143)	(9,143)	(9,143)	(9,143)	(9,143)	(9,143)	(9,143)	(9,143)	(9,143)	(9,143)	(9,143)	(9,143)	(9,143)	(9,143)	(9,143)
Taxable Income (Loss)		247,259	244,459	241,280	237,695	233,673	229,185	224,196	218,814	212,712	205,993	198,849	191,156	182,920	174,142	164,860
Cash Flow		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings		(86,541)	(85,561)	(84,448)	(83,193)	(81,786)	(80,215)	(78,469)	(76,553)	(74,499)	(72,318)	(70,014)	(67,597)	(65,067)	(62,424)	(59,669)
Plus Tax Credits		460,000	460,000	460,000	460,000	460,000	460,000	460,000	460,000	460,000	460,000	460,000	460,000	460,000	460,000	460,000
After Tax Cash Flow		373,459	374,439	375,552	376,807	378,214	379,785	381,531	383,465	385,584	387,897	390,414	393,136	396,064	399,200	402,544
Total Years		15														
Reinvestment Rate		12.00%														
Current After Tax Cash Flows		373,459	374,439	375,552	376,807	378,214	379,785	381,531	383,465	385,584	387,897	390,414	393,136	396,064	399,200	402,544
Future Value of Cash Flows at Yr 15:		2,044,154	1,829,926	1,638,718	1,468,031	1,315,638	1,179,555	1,058,016	941,523	834,366	734,433	641,752	556,331	478,147	406,191	339,464
Discount Rate:		6.00%														
Capital Contribution Number:		1	2	3	4	5	6	7	8							
Date of Capital Contribution:		15-Dec-01	01-Sep-02	15-Nov-02	01-Sep-03	01-Sep-04	01-Sep-05									
Amount of Capital Contribution:		38,483	3,459,418	345,942		0	0	0	0							
Present Value of Contributions:		38,483	3,312,723	327,158		0	0	0	0							
Cash Flows		(3,678,364)														12,737,848

29-Apr-00 Marketplace Bond

Total Residential Units:	80	Increase in Income from Rental Units:	1.5%
Housing Credit Restricted Units:	68	Increase in Income from Other Sources:	1.5%
Percent Restricted:	85.00%	Increase in Income from Commercial:	1.5%
Total Development Cost:	8,366,174	Expense increase:	3%
Total Development Cost per Unit:	104,577	Vacancy Rate:	5%
Total Development Cost Per SF:	114.36	Partner's Tax Rate:	35%
		Long Depreciation Schedule:	27.5 years
		Short Depreciation Schedule:	7 years
4% Credit Amount Allocated:	284,065	Sponsor's Estimated Yield:	76.59%

LIHTC - 9%	8.10%	(November 2001)
LIHTC - 4%	3.47%	

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term
First Mortgage - tax exempt	2,364,637	28.26%	7.00%	40	40
First Mortgage - tax exempt	175,000	2.09%	7.00%	10	10
HOME	216,000	2.58%	6.00%	30	30
VCDP	562,500	6.72%	6.00%	30	30
VHCB	1,721,767	20.58%	0.00%	30	30
HUD Special Purpose	305,934	3.66%	6.00%	10	10
VHFA 0% Loan	300,000	3.59%	0.00%	30	30
Developer Loan	230,000	2.75%	3.00%	15	15
VHCB Development Loan	50,000	0.60%	0.00%	15	15
REEP	150,000	1.79%	N/A	N/A	N/A
Tax Credit Equity	2,290,000	27.37%	N/A	N/A	
<b>TOTAL SOURCES</b>	<b>8,365,838</b>	<b>100.00%</b>			

VHFA Construction Loan	4,600,637	54.99%	6.00%	18 months
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USES

Acquisition	732,500	8.76%		
Construction Hard Costs	6,553,000	78.33%	2,839,637	
Soft Costs	1,080,674	12.92%	6,500,000	
<b>TOTAL USES</b>	<b>8,366,174</b>	<b>100.00%</b>	<b>43.69%</b>	

Gap 336

PER UNIT COST LIMIT CALCULATION

	per unit limits	number of units		
0 Br	84,390	0	0	
1 Br	90,140	12	1,081,680	
2 Br	95,890	60	5,753,400	
3 Br	101,637	8	813,096	
4 Br	107,390	0	0	
Maximum cost allowed under the per unit cost limits		80	7,648,176	
Projected total cost, excluding cash accounts			12,369,261	Cost Coverage %
			(4,721,085)	61.83%
	(over)/under			

General Partner's Capital Contribution	22,900	1.00%
Limited Partner's Capital Contribution	2,267,100	99.00%
Total Equity	2,290,000	

APPLICABLE FRACTION CALCULATION

Tax Credit Restricted Units	68
Total Units	80
Unit Fraction	85.00%
Tax Credit Square Footage	62,270
Total Residential Square Footage	73,156
Square Footage Fraction	85.12%
Applicable Fraction	85.00%



**TOTAL BOND SOURCES/USES**

	80	Budget	Per Unit	Per s.f.
<b>ACQUISITION</b>				
1 Land		720,000	9,000	9.84
2 Purchase of Building(s)		0	0	0.00
3 Demolition (without replacement)		0	0	0.00
4 Property Appraisal		2,000	25	0.03
5 Legal - Title and Recording		10,500	131	0.14
Subtotal - Acquisition		732,500	9,156	10.01
<b>CONSTRUCTION HARD COSTS</b>				
6 Rehabilitation		0	0	0.00
7 New Building(s)		5,880,000	73,500	80.38
8 Accessory Buildings		0	0	0.00
9 Sitework		500,000	6,250	6.83
10 Commercial Space Costs (if any)		0	0	0.00
11 General Requirements		0	0	0.00
12 Contractor Overhead		0	0	0.00
13 Contractor Profit		0	0	0.00
14 Construction Contingency		109,000	1,363	1.49
15 Construction Management		0	0	0.00
16 Construction Bond Fee		0	0	0.00
17 Hazardous Materials Abatement		0	0	0.00
18 Off-Site Improvements		0	0	0.00
19 Furnishings, Fixtures, & Equipment		64,000	800	0.87
20 Other ( )		0	0	0.00
Subtotal - Hard Costs		6,553,000	81,913	89.58
<b>SOFT COSTS</b>				
21 Architectural		10,000	125	0.14
22 Engineering		0	0	0.00
23 Legal/Accounting		17,500	219	0.24
24 Relocation		0	0	0.00
25 Environmental Assessment		2,000	25	0.03
26 Energy Assessment		0	0	0.00
27 Permits/Fees		0	0	0.00
28 Independent Market Study		0	0	0.00
29 Construction Period Inspections		0	0	0.00
30 Construction Interest		120,000	1,500	1.64
31 Construction Loan Origination Fee		81,510	1,019	1.11
32 Taxes During Construction		0	0	0.00
33 Clerk of the Works		20,000	250	0.27
34 Marketing		3,750	47	0.05
35 Tax Credit Fees		11,690	146	0.16
36 Soft Cost Contingency		10,568	132	0.14
37 Permanent Loan Origination Fee		0	0	0.00
38 Lender's Counsel's Fee		0	0	0.00
39 Other (VCDP Admin Fee)		13,656	171	0.19
<b>SYNDICATION COSTS</b>				
40 Organizational (Partnership)		0	0	0.00
41 Bridge Loan Fees and Expenses		0	0	0.00
42 Syndication Consultant		0	0	0.00
43 Tax Opinion		0	0	0.00
<b>DEVELOPER'S FEES</b>				
44 HVT Development Fee		320,000	4,000	4.37
45 LCHDC Development Fee		320,000	4,000	4.37
46 Consultant Fees		10,000	125	0.14
<b>RESERVES</b>				
47 Working Capital		120,000	1,500	1.64
48 Rent-up (Deficit Escrow) Reserve		20,000	250	0.27
49 Other Operating Reserves		0	0	0.00
50 Sinking Fund		0	0	0.00
51 Replacement Reserves		0	0	0.00
Subtotal - Soft Costs		1,080,674	13,508	14.77
<b>TOTAL DEVELOPMENT COSTS</b>		<b>8,366,174</b>	<b>104,577</b>	<b>114.36</b>

Total Bond (80 unit) Credit Calc		Budget	Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Other
<b>ACQUISITION</b>							
1	Land	720,000					
2	Purchase of Building(s)	0					
3	Demolition (without replacement)	0					
4	Property Appraisal	2,000	2,000		2,000		
5	Legal - Title and Recording	10,500			10,500		
	Subtotal - Acquisition	732,500					
<b>CONSTRUCTION HARD COSTS</b>							
6	Rehabilitation	0					
7	New Building(s)	5,880,000		5,880,000	5,880,000		
8	Accessory Buildings	0					
9	Sitework	500,000		500,000	500,000		
10	Commercial Space Costs (if any)	0					
11	General Requirements	0					
12	Contractor Overhead	0					
13	Contractor Profit	0					
14	Construction Contingency	109,000		109,000	109,000		
15	Construction Management	0					
16	Construction Bond Fee	0					
17	Hazardous Materials Abatement	0					
18	Off-Site Improvements	0					
19	Furnishings, Fixtures, & Equipment	64,000		64,000			
20	Other ( )	0					
	Subtotal - Hard Costs	6,553,000					
<b>SOFT COSTS</b>							
21	Architectural	10,000		10,000	10,000		
22	Engineering	0					
23	Legal/Accounting	17,500		17,500	17,500		
24	Relocation	0					
25	Environmental Assessment	2,000		2,000	2,000		
26	Energy Assessment	0		0	0		
27	Permits/Fees	0		0	0		
28	Independent Market Study	0					
29	Construction Period Inspections	0					
30	Construction Interest	120,000		120,000	120,000		
31	Construction Loan Origination Fee	81,510					
32	Taxes During Construction	0					
33	Clerk of the Works	20,000		20,000	20,000		
34	Marketing	3,750			3,750		
35	Tax Credit Fees	11,690		11,690	11,690		
36	Soft Cost Contingency	10,568		10,568	10,568		
37	Permanent Loan Origination Fee	0					
38	Lender's Counsel's Fee	0					
39	Other ( )	13,656		13,656	13,656		
	SYNDICATION COSTS	0					
40	Organizational (Partnership)	0					
41	Bridge Loan Fees and Expenses	0					
42	Syndication Consultant	0					
43	Tax Opinion	0					
	DEVELOPER'S FEES	0					
44	HVT Development Fee	320,000		320,000	320,000		
45	LCHDC Development Fee	320,000		320,000	320,000		
46	Consultant Fees	10,000		10,000	10,000		
	RESERVES	0					
47	Working Capital	120,000					
48	Rent-up (Deficit Escrow) Reserve	20,000					
49	Other Operating Reserves	0					
50	Sinking Fund	0					
51	Replacement Reserves	0					
	Subtotal - Soft Costs	1,080,674					
	<b>TOTALS</b>	<b>8,366,174</b>	<b>2,000</b>	<b>7,408,414</b>	<b>7,360,664</b>	<b>0</b>	
LESS:	Amount of Non-qualified Financing						
LESS:	Adjustment for per unit cost limits	100.00%		0			
LESS:	Historic tax Credit (Residential Portion)			0	0	20% Historic Credit Rate	
	Total Eligible Basis		2,000	7,408,414		0 Annual Historic Credit	
TIMES:	Adjusted for QCT/DDA	130.00%		9,630,938			
TIMES:	Applicable Fraction		1,700	8,186,297			
	Total Qualified Basis		1,700	8,186,297			
TIMES:	Applicable Percentage		3.47%	3.47%	7,360,664	Long Term Depreciable Basis	
	Total Annual Credit Qualified		0	284,065	27.5	Depreciation Schedule	
					267,661	Annual Depreciation	
	Total Tax Credits Requested	284,103			64,000	Short Term Depreciable Basis	
	Estimated Net Syndication Proceeds (excluding historic credit equity)	2,290,000			7	Depreciation Schedule	
	Estimated Yield - Housing Credit Syndication	81.42%			9,143	Annual Depreciation	
	Equity Gap	2,290,000					
	Credits Needed to fill Equity Gap	284,103					



07-Nov-01 **Marketplace Bond**

HC Restricted Units Bedrooms	Type	Average Square Feet	Number	Average Rent	Utilities	Total Annual Rent
0 Br			0	0		0
1 Br		722	10	492		59,088
2 Br Flats		925	46	580		320,400
2 Br Townhouses		973	4	595		28,560
3 Br		1,076	8	816		78,336
Totals		62,270	68			486,384

Non-HC Restricted Units Bedrooms	Type	Square Feet	Number	Rent	Utilities	Total Annual Rent
0 Br			0	0		0
1 Br		722	2	622		14,928
2 Br Flats		925	6	747		53,784
2 Br Townhouses		973	4	757		36,336
3 Br		1,076	0	950		0
Totals		10,886	12			105,048

All Units

Grand Totals	73,156	80	591,432
Less Vacancy	5.00%		(29,572)

NET RENT	561,860
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## OTHER INCOME

Laundry	600/month	7,200
Section 8		38,486
Commercial Space Income		0
Other		0

TOTAL INCOME	607,547
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07-Nov-01 **Marketplace Bond**

	Annual	Monthly	Per Unit Per Month	
Administration				
Management Fee	43,200	3,600	45	7.1%
Admin Salaries & Benefits	17,280	1,440	18	
Audit/Accounting	3,840	320	4	
Legal	3,840	320	4	
Compliance Monitoring	3,264	272	3	
Marketing		0	0	
Other	7,680	640	8	
<b>TOTAL ADMINISTRATIVE</b>	<b>79,104</b>	<b>6,592</b>	<b>82</b>	
Utilities				
Electricity	4,800	400	5	
Fuel - oil	33,600	2,800	35	
Water and Sewer	19,200	1,600	20	
Fire Alarm / Emergency	1,920	160	2	
Other		0	0	
<b>TOTAL UTILITIES</b>	<b>59,520</b>	<b>4,960</b>	<b>62</b>	
Maintenance				
Maintenance / Janitor Payroll	38,400	3,200	40	
Janitor Supplies	4,800	400	5	
Exterminating	1,920	160	2	
Trash Removal	14,400	1,200	15	
Snow Removal	7,680	640	8	
Grounds	7,680	640	8	
Repairs Material		0	0	
Repairs Contract		0	0	
HVAC Repairs / Maintenance		0	0	
Elevator Contract / Repairs	4,800	400	5	
Painting and Decorating	6,720	560	7	
Other		0	0	
<b>TOTAL MAINTENANCE</b>	<b>86,400</b>	<b>7,200</b>	<b>90</b>	
Real Estate Taxes	86,400	7,200	90	per unit month excl. ds & res. 337
Property Insurance	12,480	1,040	13	
Replacement Reserves	28,800	2,400	30	
Primary Debt Service	176,335	14,695	184	
Other "must pay" debt service	24,383	2,032	25	
Other 0- Developer Loan	19,060	1,588	20	
<b>Total</b>	<b>572,482</b>	<b>47,707</b>	<b>596</b>	
	352,704			
	323,904			

95,414 2 months wc

07-Nov-01

Marketplace Bond

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Operating Income															
Gross Rent	591,432	600,303	609,308	618,448	627,724	637,140	646,697	656,398	666,244	676,237	686,381	696,677	707,127	717,734	728,500
Other Income (Rental Assistance)	38,486	39,064	39,650	40,244	40,848	41,461	42,083	42,714	43,355	44,005	0	0	0	0	0
Other Income (Laundry)	7,200	7,308	7,418	7,529	7,642	7,756	7,873	7,991	8,111	8,232	8,356	8,481	8,608	8,738	8,869
Vacancy and other losses	(29,572)	(30,015)	(30,465)	(30,922)	(31,386)	(31,857)	(32,335)	(32,820)	(33,312)	(33,812)	(34,319)	(34,834)	(35,356)	(35,887)	(36,425)
Total Operating Income	607,547	616,660	625,910	635,299	644,828	654,500	664,318	674,283	684,397	694,663	705,018	715,481	726,051	736,739	747,543
Operating Expenses															
Total Expenses (excl. Reserves)	323,904	333,621	343,630	353,939	364,557	375,494	386,758	398,361	410,312	422,621	435,300	448,359	461,810	475,664	489,934
Reserves	28,800	29,232	29,670	30,116	30,567	31,026	31,491	31,964	32,443	32,930	33,424	33,925	34,434	34,950	35,475
Total Operating Expense	352,704	362,853	373,300	384,054	395,124	406,519	418,249	430,325	442,755	455,551	468,723	482,284	496,243	510,614	525,408
Net Operating Income	254,843	253,807	252,610	251,244	249,704	247,981	246,068	243,958	241,642	239,112	236,318	233,806	231,407	229,125	226,935
Less Primary Debt Service (tax exempt)	176,335	176,335	176,335	176,335	176,335	176,335	176,335	176,335	176,335	176,335	176,335	176,335	176,335	176,335	176,335
Less Primary Debt Service (tax exempt)	24,383	24,383	24,383	24,383	24,383	24,383	24,383	24,383	24,383	24,383	24,383	24,383	24,383	24,383	24,383
Less Developer Loan	19,060	19,060	19,060	19,060	19,060	19,060	19,060	19,060	19,060	19,060	19,060	19,060	19,060	19,060	19,060
Annual Cash Flow	35,065	34,029	32,832	31,466	29,926	28,203	26,291	24,180	21,864	19,334	16,601	13,766	10,831	7,786	4,641
Operating Subsidies / Sinking Fund	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash	35,065	34,029	32,832	31,466	29,926	28,203	26,291	24,180	21,864	19,334	16,601	13,766	10,831	7,786	4,641
Cumulative Cash Flow															
Beginning Balance	0	29,088	59,485	91,237	124,390	158,593	192,844	227,145	261,496	295,847	330,198	364,549	398,900	433,251	467,602
Deposits	28,800	29,232	29,670	30,116	30,567	31,026	31,491	31,964	32,443	32,930	33,424	33,925	34,434	34,950	35,475
Interest	288	1,165	2,081	3,038	4,037	5,076	6,156	7,277	8,440	9,645	10,892	12,181	13,512	14,895	16,329
Withdrawals*	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance	29,088	59,485	91,237	124,390	158,593	192,844	227,145	261,496	295,847	330,198	364,549	398,900	433,251	467,602	501,953
Cumulative Replacement Reserves															
Beginning Balance	0	29,088	59,485	91,237	124,390	158,593	192,844	227,145	261,496	295,847	330,198	364,549	398,900	433,251	467,602
Deposits	28,800	29,232	29,670	30,116	30,567	31,026	31,491	31,964	32,443	32,930	33,424	33,925	34,434	34,950	35,475
Interest	288	1,165	2,081	3,038	4,037	5,076	6,156	7,277	8,440	9,645	10,892	12,181	13,512	14,895	16,329
Withdrawals*	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance	29,088	59,485	91,237	124,390	158,593	192,844	227,145	261,496	295,847	330,198	364,549	398,900	433,251	467,602	501,953
* = assumes \$1975 per unit is expended every 5 years															
Net Operating Income	254,843	253,807	252,610	251,244	249,704	247,981	246,068	243,958	241,642	239,112	236,318	233,806	231,407	229,125	226,935
Plus Reserves	28,800	29,232	29,670	30,116	30,567	31,026	31,491	31,964	32,443	32,930	33,424	33,925	34,434	34,950	35,475
Less Interest Expense	(251,821)	(253,040)	(254,322)	(255,669)	(257,085)	(258,572)	(260,133)	(261,771)	(263,488)	(265,287)	(267,170)	(269,139)	(271,195)	(273,339)	(275,572)
Less Long Depreciation	(535,466)	(535,466)	(535,466)	(535,466)	(535,466)	(535,466)	(535,466)	(535,466)	(535,466)	(535,466)	(535,466)	(535,466)	(535,466)	(535,466)	(535,466)
Less Short Depreciation	(18,286)	(18,286)	(18,286)	(18,286)	(18,286)	(18,286)	(18,286)	(18,286)	(18,286)	(18,286)	(18,286)	(18,286)	(18,286)	(18,286)	(18,286)
Taxable Income (Loss)	(521,930)	(523,753)	(525,793)	(528,061)	(530,565)	(533,317)	(536,325)	(539,589)	(543,118)	(546,911)	(550,969)	(555,294)	(559,887)	(564,750)	(569,882)
Cash Flow	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings	182,676	183,313	184,028	184,821	185,698	186,661	187,714	188,860	189,704	190,449	191,194	191,939	192,684	193,429	194,174
Plus Tax Credits	284,065	284,065	284,065	284,065	284,065	284,065	284,065	284,065	284,065	284,065	284,065	284,065	284,065	284,065	284,065
After Tax Cash Flow	466,740	467,378	468,092	468,886	469,762	470,725	471,778	472,923	474,068	475,213	476,358	477,503	478,648	479,793	480,938
Total Years	15														
Reinvestment Rate	12.00%														
Current After Tax Cash Flows	466,740	467,378	468,092	468,886	469,762	470,725	471,778	472,923	474,068	475,213	476,358	477,503	478,648	479,793	480,938
Future Value of Cash Flows at Yr 15:	2,554,732	2,284,128	2,042,516	1,826,768	1,634,092	1,462,001	1,308,278	1,155,098	1,034,087	925,947	822,323	723,436	629,436	540,436	456,436
Discount Rate:	6.00%														
Capital Contribution Number:	1	2	3	4	5	6	7	8							
Date of Capital Contribution:	15-Dec-01	30-Sep-02	15-Dec-02	01-Sep-03	01-Sep-04	01-Sep-05									
Amount of Capital Contribution:	340,065	1,813,680	90,684												
Present Value of Contributions:	340,065	1,728,399	85,332	0	0	0	0	0	0	0	0	0	0	0	0
Cash Flows	(2,153,796)														
IRR:	15.08%														
Equity Yield:	76.59%														



## Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Multifamily Development Underwriter *CR*

DATE: November 7, 2001

RE: Multifamily Construction Loan Application for Moose River, St. Johnsbury

<b>Name:</b>	Moose River Housing	<b>Location:</b>	St. Johnsbury
<b>Housing Type:</b>	General Occupancy	<b>Unit Type:</b>	Flats & Townhouses
<b>Total Units:</b>	28	<b>Unit Sizes:</b>	8 1-BR 746 s.f.; 12 2-BR 1,123 s.f.; 5 3-BR 2,050 s.f.; 3 4-BR 2,050 s.f.
<b>Total Cost:</b>	\$3,787,700	<b>Per S.F. Acquisition &amp; Construction Cost:</b>	\$86.19
<b>Loan Requested:</b>	\$2,200,000 construction	<b>Housing Credits (4%):</b>	\$157,734
<b>Other Funding:</b>	Rural Development (RD), VHCB, Neighborworks, REEP, State Tax Credits, Affordable Housing Program (AHP), bank debt (subsidized by AHP)		
<b>Sponsors:</b>	Housing Vermont (HVT) & Gilman Housing Trust (GHT)		

Housing Vermont (on behalf of a to-be-formed limited partnership consisting of a subsidiary of HVT and GHT) is seeking \$2,200,000 in tax-exempt construction financing to rehabilitate four buildings at what was formerly called Townhouse Terrace (and Moonlight Ridge) in St. Johnsbury. This project was built in 1972 as 36 units of federally-subsidized housing. The development has had a horrendous reputation for a long time because of its rough physical shape (it was poorly maintained) and difficult tenants. A partnership consisting of HVT and GHT purchased the property a year ago, and have since assembled the majority of the funding needed to re-develop the project. The number of units will be downsized from 36 to 28 to make it a less dense, more livable environment. In addition to addressing bedroom size and livability, the re-development will address problems with drainage and site design, as the project is located on a terrace part way up a hillside. There will be a 43% decrease in the number of bedrooms on site, while still accommodating some large family units. The sponsors have a commitment for RD permanent financing and rental assistance, and all other funding except for AHP. VHCB has made a contingent commitment for funds should AHP not fund the project. The sponsors have the necessary permits and hope to begin construction in December and complete it within one year. Northern Community Management Corporation will be the property manager. A Phase 1 Environmental Site Assessment was completed and found no environmentally hazardous conditions. An as-built appraisal has been ordered but is not yet available. A budget is attached.

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



mailing address P.O. Box 408, Burlington, VT 05402-0408

phone (802) 864-5743

delivery address 164 Saint Paul St., Burlington, VT 05401-4364

fax (802) 864-5746

www.vhfa.org



**RESOLUTION RE: CONSTRUCTION FINANCING  
FOR MOOSE RIVER, ST. JOHNSBURY**

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

WHEREAS, an application has been submitted to the Agency by Housing Vermont and Gilman Housing Trust (the "Sponsors") on behalf of a to be formed limited partnership in which the Sponsors or their subsidiaries will be the general partners (the "Borrower") involving the rehabilitation of four (4) buildings containing a total of twenty-eight (28) units of rental housing in the Town of St. Johnsbury (the "Development"); and

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

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

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

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid dated November 7, 2001, containing information and recommendations about the Development (the "Memorandum");

THEREFORE, it is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income.
2. The acquisition and construction costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.
3. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and moderate income are able to afford within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of the residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families.
4. The housing sponsor undertaking the Development will increase the supply of well-planned, well-designed permanent, temporary, transitional or emergency housing for persons and families of low and moderate income.

5. The security value of the Development will equal at least the amount of the Agency's loan.
6. The Sponsors are financially responsible and are qualified housing sponsors within the meaning of the Act. The Borrower will be required to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to the limited partnership to be created by the Sponsors for the construction financing of the Development based on the recommendations in the attached Memorandum. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the Sponsors in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.
2. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designees may, in his or her discretion, issue one or more Commitment Letters for a mortgage loan to the limited partnership to be created by the Sponsors for the construction financing of the Development based on the recommendations in the attached Memorandum. The Commitment Letter may be issued to the Sponsors as representatives of the Borrower. The Commitment Letter shall be conditioned on the satisfaction by the Sponsors of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.
3. The issuance of the Bonds for the purpose of financing one or more loans to the Borrower is hereby preliminarily approved, and, pursuant to Section 1:150-2 of the Internal Revenue Code Regulations, the Agency hereby states its intention to reimburse itself from Bond proceeds for any advances of Agency funds prior to the issuance of the Bonds.
4. The preliminary approval described in the preceding paragraph does not obligate the Agency to give final approval for the issuance of said Bonds. Final approval of the issuance of the Bonds can only be authorized by independent action, which may contain such conditions thereto as the Agency may deem appropriate. The Agency in its absolute discretion may refuse to finally authorize the issuance of the Bonds and shall not be liable to the Sponsors, the Borrower or any other person for its refusal to do so.
5. The Executive Director and the Loan Review Committee will establish the final source and amount of the loan for the Development, and such conditions and terms that are

appropriate for the Development in accordance with all requirements of the Act, and the applicable regulations and policies of the Agency, including the Underwriting Guidelines.

*I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on November 15, 2001.*

A handwritten signature in cursive script, reading "Sarah E. Carpenter", written in dark ink.

**Sarah E. Carpenter**

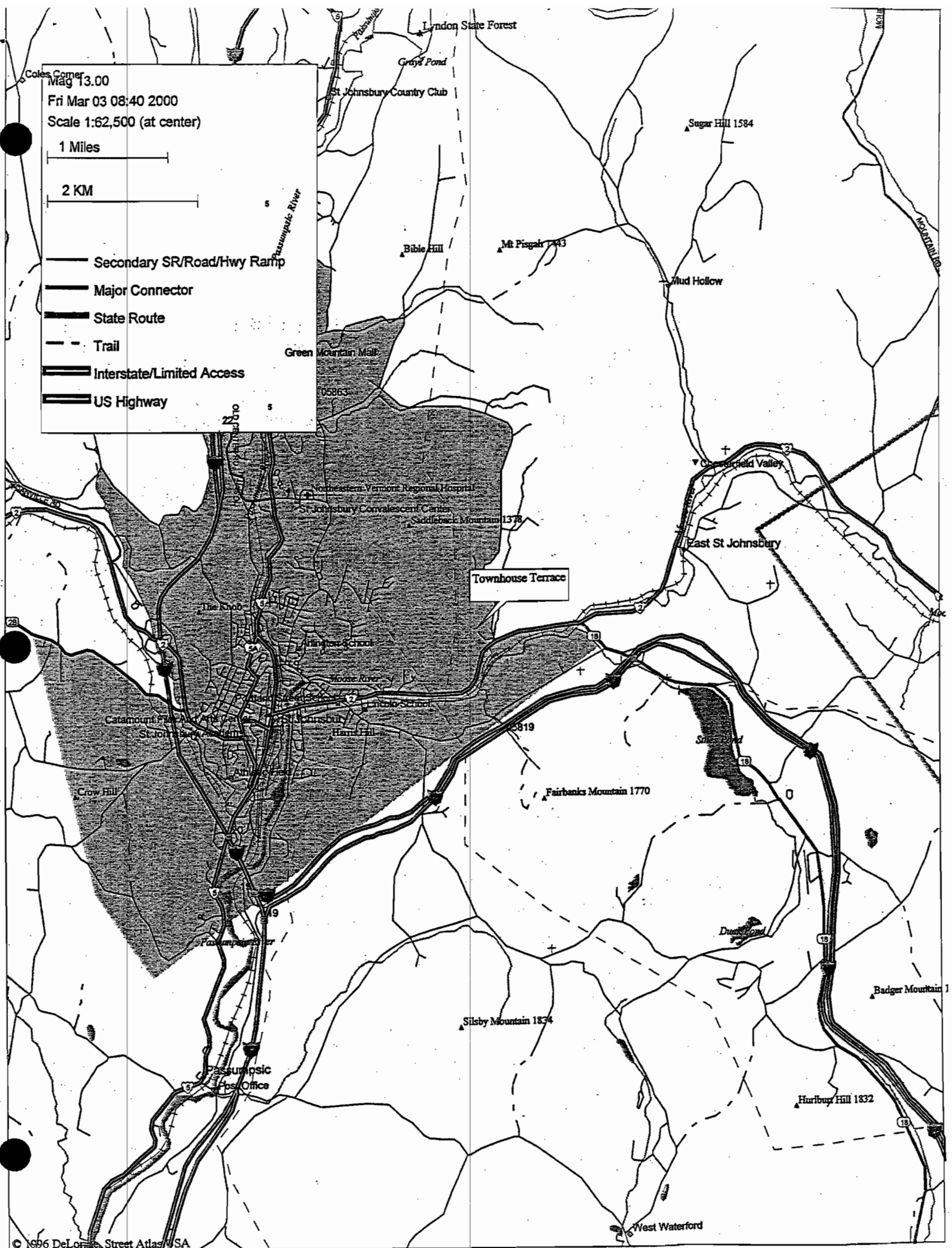
*Executive Director and Secretary  
Vermont Housing Finance Agency*

Mag 13.00  
Fri Mar 03 08:40 2000  
Scale 1:62,500 (at center)

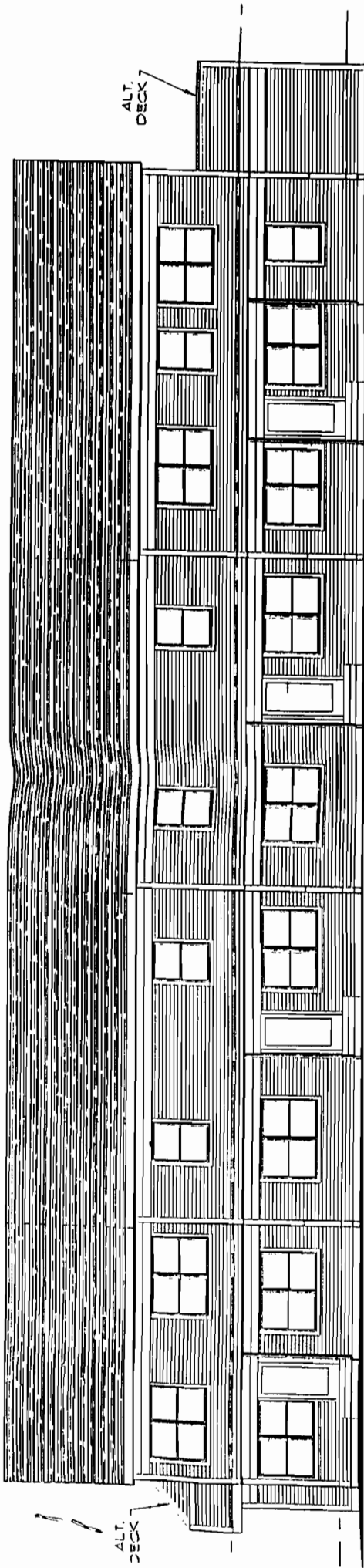
1 Miles

2 KM

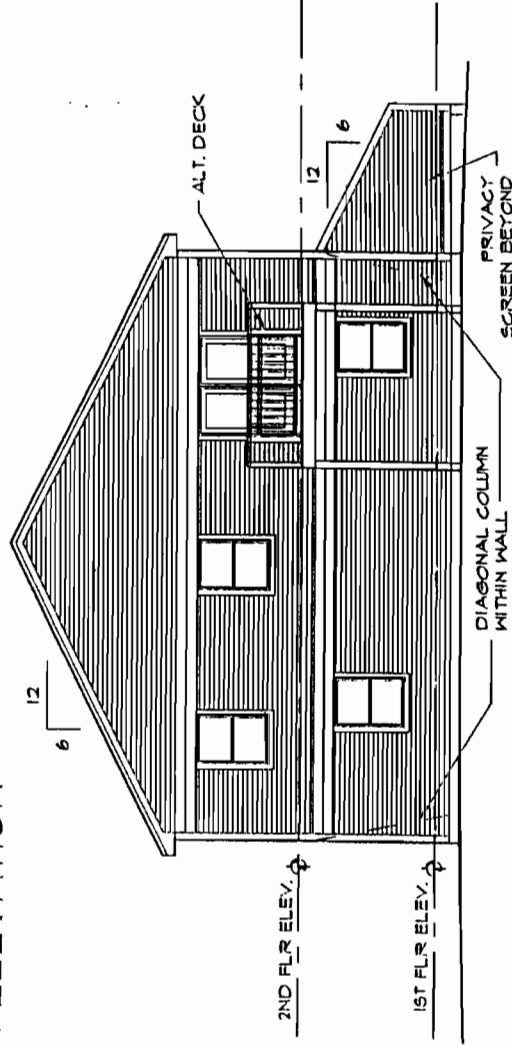
- Secondary SR/Road/Hwy Ramp
- Major Connector
- State Route
- Trail
- Interstate/Limited Access
- US Highway







SOUTH ELEVATION



EAST ELEVATION

LDING 1 & 3 ELEVATIONS  
 ' = 1'-0" 3/22/01

TOWNHOUSE TERRACE

WILLIAM MACLAY ARCHITECTS & PLANNERS  
 4509 MAIN STREET WAITSFIELD, VT 05673 (802) 496-4004

### Moose River Housing (Townhouse Terrace)

Total Residential Units:	28	Increase in Income from Rental Units:	1.00%
Housing Credit Restricted Units:	28	Increase in Income from Other Sources:	1.00%
Percent Restricted:	100.00%	Increase in Income from Commercial:	1.00%
Total Development Cost:	3,787,700	Expense increase:	2.50%
Total Development Cost per Unit:	135,275	Vacancy Rate:	5%
Total Development Cost Per SF:	105.68	Partner's Tax Rate:	35%
Total Cost Per SF, Acq & Hard Costs	86.19	Long Depreciation Schedule:	27.5 years
Max 4% Credit Potential:	157,734	Short Depreciation Schedule:	7 years
State Credit Allocated:	50,000	Sponsor's Estimated Yield:	94.26%

LIHTC - 9%	8.10%	(November 2001)
LIHTC - 4%	3.47%	

#### SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term
First Mortgage - Rural Development	1,000,000	26.40%	1.00%	50	50
AHP/Passumpsic Loan	357,540	9.44%	3.25%	30	30
AHP	400,000	10.56%	0.00%	30	30
VHCB	453,282	11.97%	0.00%	30	30
Neighborworks	100,000	2.64%	0.00%	N/A	30
REEP	5,000	0.13%	N/A	N/A	
Tax Credit Equity	1,471,878	38.86%	N/A	N/A	
<b>TOTAL SOURCES</b>	<b>3,787,700</b>	<b>100.00%</b>			
VHFA Construction Loan	2,200,000	58.08%			12 months

#### USES

Acquisition	344,050	9.08%
Construction Hard Costs	2,744,866	72.47%
Soft Costs	698,784	18.45%
<b>TOTAL USES</b>	<b>3,787,700</b>	<b>100.00%</b>

Gap                      0

#### PER UNIT COST LIMIT CALCULATION

	per unit limits	number of units	
0 Br	84,390	0	0
1 Br	90,140	8	721,120
2 Br	95,890	12	1,150,680
3 Br	101,637	5	508,185
4 Br	107,390	3	322,170
Maximum cost allowed under the per unit cost limits		28	2,702,155
Projected total cost, excluding cash accounts			3,611,100
			(908,945)
			Cost Overage      74.83%
			(over)/under

General Partner's Capital Contribution	14,719	1.00%
Limited Partner's Capital Contribution	1,457,159	99.00%
Total Equity	1,471,878	

#### APPLICABLE FRACTION CALCULATION

Tax Credit Restricted Units	28
Total Units	28
Unit Fraction	100.00%
Tax Credit Square Footage	35,840
Total Residential Square Footage	35,840
Square Footage Fraction	100.00%
Applicable Fraction	100.00%

	Budget	Per Unit	Per s.f.
<b>ACQUISITION</b>			
1 Land	55,134	1,969	1.54
2 Purchase of Building(s)	251,166	8,970	7.01
3 Rent Loss During Contract	30,000	1,071	0.84
4 Property Appraisal	5,500	196	0.15
5 Legal - Title and Recording	2,250	80	0.06
Subtotal - Acquisition	344,050	12,288	9.60
<b>CONSTRUCTION HARD COSTS</b>			
6 Rehabilitation	2,180,393	77,871	60.84
7 New Building(s)		0	0.00
8 Accessory Buildings		0	0.00
9 Sitework	158,212	5,650	4.41
10 Commercial Space Costs (if any)		0	0.00
11 General Requirements		0	0.00
12 Contractor Overhead		0	0.00
13 Contractor Profit		0	0.00
14 Construction Contingency	233,861	8,352	6.53
15 Construction Management		0	0.00
16 Construction Bond Fee		0	0.00
17 Hazardous Materials Abatement	150,000	5,357	4.19
18 Off-Site Improvements		0	0.00
19 Furnishings, Fixtures, & Equipm	22,400	800	0.63
20 Other ( )		0	0.00
Subtotal - Hard Costs	2,744,866	98,031	76.59
<b>SOFT COSTS</b>			
21 Architectural	110,000	3,929	3.07
22 Engineering		0	0.00
23 Legal/Accounting	15,000	536	0.42
24 Relocation	22,000	786	0.61
25 Environmental Assessment	3,500	125	0.10
26 Energy Assessment		0	0.00
27 Permits/Fees	11,933	426	0.33
28 Independent Market Study		0	0.00
29 Construction Period Insurance	6,000	214	0.17
30 Construction Interest	93,333	3,333	2.60
31 Construction Loan Origination F	67,000	2,393	1.87
32 Taxes During Construction		0	0.00
33 Clerk of the Works	15,600	557	0.44
34 Marketing	4,000	143	0.11
35 Tax Credit Fees	2,500	89	0.07
36 Soft Cost Contingency	11,318	404	0.32
37 Permanent Loan Origination Fee		0	0.00
38 Lender's Counsel's Fee		0	0.00
39 Other (Rent Loss)		0	0.00
<b>SYNDICATION COSTS</b>			
40 Organizational (Partnership)		0	0.00
41 Bridge Loan Fees and Expenses		0	0.00
42 Syndication Consultant		0	0.00
43 Tax Opinion		0	0.00
<b>DEVELOPER'S FEES</b>			
44 HVT Development Fee	155,000	5,536	4.32
45 GHT Development Fee	155,000	5,536	4.32
46 Consultant Fees		0	0.00
<b>RESERVES</b>			
47 Working Capital	21,000	750	0.59
48 Rent-up (Deficit Escrow) Reserv	5,600	200	0.16
49 Other Operating Reserves		0	0.00
50 Sinking Fund		0	0.00
51 Replacement Reserves		0	0.00
Subtotal - Soft Costs	698,784	24,957	19.50
<b>TOTAL DEVELOPMENT COST</b>	<b>3,787,700</b>	<b>135,275</b>	<b>105.68</b>

## 06-Nov-01 Moose River Housing (Townhouse Terrace)

Total Project Calc		Budget	Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Other
<b>ACQUISITION</b>							
1	Land	55,134					
2	Purchase of Building(s)	251,166	251,166		251,166		
3	Rent Loss During Contract	30,000					
4	Property Appraisal	5,500	5,500		5,500		
5	Legal - Title and Recording	2,250	2,250		2,250		
	Subtotal - Acquisition	344,050					
<b>CONSTRUCTION HARD COSTS</b>							
6	Rehabilitation	2,180,393		2,180,393	2,180,393		
7	New Building(s)	0					
8	Accessory Buildings	0					
9	Sitework	158,212		158,212	158,212		
10	Commercial Space Costs (if any)	0					
11	General Requirements	0		0			
12	Contractor Overhead	0					
13	Contractor Profit	0					
14	Construction Contingency	233,861		233,861	233,861		
15	Construction Management	0					
16	Construction Bond Fee	0					
17	Hazardous Materials Abatement	150,000		150,000	150,000		
18	Off-Site Improvements	0					
19	Furnishings, Fixtures, & Equipment	22,400		22,400	22,400		
20	Other ( )	0					
	Subtotal - Hard Costs	2,744,866					
<b>SOFT COSTS</b>							
21	Architectural	110,000		110,000	110,000		
22	Engineering	0		0	0		
23	Legal/Accounting	15,000		15,000	15,000		
24	Relocation	22,000		22,000	22,000		
25	Environmental Assessment	3,500		3,500	3,500		
26	Energy Assessment	0		0	0		
27	Permits/Fees	11,933		11,933	11,933		
28	Independent Market Study	0		0	0		
29	Construction Period Insurance	6,000		6,000	6,000		
30	Construction Interest	93,333		93,333	93,333		
31	Construction Loan Origination Fee	67,000		67,000	67,000		
32	Taxes During Construction	0		0	0		
33	Clerk of the Works	15,600		15,600	15,600		
34	Marketing	4,000					
35	Tax Credit Fees	2,500		2,500	2,500		
36	Soft Cost Contingency	11,318		11,318	11,318		
37	Permanent Loan Origination Fee	0					
38	Lender's Counsel's Fee	0					
39	Other (Rent Loss)	0					
<b>SYNDICATION COSTS</b>							
40	Organizational (Partnership)	0					
41	Bridge Loan Fees and Expenses	0					
42	Syndication Consultant	0					
43	Tax Opinion	0					
<b>DEVELOPER'S FEES</b>							
44	HVT Development Fee	155,000		155,000	155,000		
45	GHT Development Fee	155,000		155,000	155,000		
46	Consultant Fees	0					
<b>RESERVES</b>							
47	Working Capital	21,000					
48	Rent-up (Deficit Escrow) Reserve	5,600					
49	Other Operating Reserves	0					
50	Sinking Fund	0					
51	Replacement Reserves	0					
	Subtotal - Soft Costs	698,784					
	<b>TOTALS</b>	<b>3,787,700</b>	<b>258,916</b>	<b>3,413,050</b>	<b>3,649,566</b>	<b>0</b>	
LESS:	Amount of Non-qualified Financing		0	0	0	0	
LESS:	Adjustment for per unit cost limits	1		0			
LESS:	Historic tax Credit (Residential Portion)			0	0	20% Historic Credit Rate	
	Total Eligible Basis		258,916	3,413,050		0 Annual Historic Credit	
TIMES:	Adjusted for QCT/DDA	130.0%		4,436,965			
TIMES:	Applicable Fraction	100.00%	258,916	4,436,965			
	Total Qualified Basis		258,916	4,436,965			
TIMES:	Applicable Percentage		3.47%	3.47%	3,649,566	Long Term Depreciable Basis	
	Total Annual Credit Qualified		8,984	153,963	27.5	Depreciation Schedule	
	Total Tax Credits Requested	157,734		162,947	132,711	Annual Depreciation	
	Estimated Net Syndication Proceeds				22,400	Short Term Depreciable Basis	
	(excluding historic credit equity)	1,471,878			7	Depreciation Schedule	
	Estimated Yield - Housing Credit Synd	94.26%			3,200	Annual Depreciation	
	Equity Gap	1,471,878					
	Credits Needed to fill Equity Gap	157,734					

06-Nov-01 **Moose River Housing (Townhouse Terrace)**

HC Restricted Units Bedrooms	Type	Average Square Feet	Number	Average Rent	Utilities	Total Annual Rent
0 Br			0	0	0	0
1 Br		746	8	507	0	48,672
2 Br		1,123	12	637	0	91,728
3 Br		2,050	5	707	0	42,420
4+ Br		2,050	3	807	0	29,052
Totals		29,690	28			211,872

Non-HC Restricted Units Bedrooms	Type	Square Feet	Number	Rent	Utilities	Total Annual Rent
0 Br			0	0	0	0
1 Br			0	0	0	0
2 Br			0	0	0	0
3 Br			0	0	0	0
4+ Br			0	0	0	0
Totals		0	0	0	0	0

All Units

Grand Total	29,690	28			211,872
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Less Vacancy	5.00%			(10,594)
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<b>NET RENT</b>	<b>201,278</b>
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**OTHER INCOME**

Laundry	1,200
Parking	0
Commercial Space Income	0
Other	0

<b>TOTAL INCO</b>	<b>202,478</b>
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06-Nov-01

## Moose River Housing (Townhouse Terrace)

Building #	Unit #	Check all Applicable								A				
		HOME Unit	Lead Paint Unit	Project Based Assistance	Tax Credit Unit	VHCB Restricted	Accessible	Adaptable	Unrestricted	Number of Bedrooms	Proposed Square Footage	Proposed Rent	Utility Allowance for Tenant-Paid Utilities	Gross Rent (Rent + Tenant-Paid Utilities)
	1				1	1	1			1	701	507	38	545
	2			1	1	1				1	790	507	38	545
	3	1			1	1	1			4	2,050	807	60	867
	4			1	1	1				3	2,050	707	54	761
	5			1	1	1				2	1,105	607	47	654
	6			1	1	1				2	1,200	607	47	654
2	7													
	7			1	1	1				2	1,165	697	47	744
	8			1	1	1				2	1,218	697	47	744
	9	1			1	1	1			3	2,050	707	54	761
	10			1	1	1				2	1,025	607	47	654
	11			1	1	1				2	1,025	607	47	654
	12	1		1	1	1				3	2,050	707	54	761
	13			1	1	1	1			1	701	507	38	545
	14			1	1	1				1	790	507	38	545
	3	15			1	1	1	1		1	701	507	38	545
	16			1	1	1				1	790	507	38	545
	17	1			1	1	1			3	2,050	707	54	761
	18			1	1	1				4	2,050	807	60	867
	19			1	1	1				2	1,105	607	47	654
	20			1	1	1				2	1,200	607	47	654
	4	21			1	1	1	1		2	1,165	697	47	744
	22			1	1	1				2	1,218	697	47	744
	23	1			1	1	1			3	2,050	707	54	761
	24			1	1	1				2	1,025	607	47	654
	25			1	1	1				2	1,025	607	47	654
	26	1		1	1	1				4	2,050	807	60	867
	27			1	1	1	1			1	701	507	38	545
Total # Units	28	6	0	28	28	28	5	0	0	Totals:	35,840	17,656		Total # Units:
											S.F.	Rent		
									1		746	507		
								2			1,123	637		



06-Nov-01 **Moose River Housing (Townhouse Terrace)**

	Annual	Monthly	Per Unit Per Month	
<b>Administration</b>				
Management Fee	15,120	1,260	45	7.5%
Supportive Services	1,680	140	5	
Audit/Accounting	3,800	317	11	
Legal	840	70	3	
Compliance Monitoring	0	0	0	
Marketing	672	56	2	
Other	4,620	385	14	
<b>TOTAL ADMINISTRATIVE</b>	<b>26,732</b>	<b>2,228</b>	<b>80</b>	
<b>Utilities</b>				
Electricity	2,688	224	8	
Fuel	18,480	1,540	55	
Water and Sewer	8,400	700	25	
Fire Alarm / Emergency	1,200	100	4	
Other		0	0	
<b>TOTAL UTILITIES</b>	<b>30,768</b>	<b>2,564</b>	<b>92</b>	
<b>Maintenance</b>				
Maintenance / Janitor Payroll	16,800	1,400	50	
Janitor Supplies	1,680	140	5	
Exterminating	672	56	2	
Trash Removal	5,040	420	15	
Snow Removal	3,360	280	10	
Grounds	3,360	280	10	
Repairs Material		0	0	
Repairs Contract		0	0	
HVAC Repairs / Maintenance		0	0	
Elevator Contract / Repairs		0	0	
Painting and Decorating	3,360	280	10	
Other		0	0	
<b>TOTAL MAINTENANCE</b>	<b>34,272</b>	<b>2,856</b>	<b>102</b>	
Real Estate Taxes	23,520	1,960	70	per unit month excl. ds & res. 357
Property Insurance	4,704	392	14	
Replacement Reserves	31,787	2,649	95	
Primary Debt Service	25,423	2,119	76	
Other "must pay" debt service	18,672	1,556	56	
Other		0	0	
<b>Total</b>	<b>195,879</b>	<b>16,323</b>	<b>583</b>	

06-Nov-01 Moose River Housing (Townhouse Terrace)

Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Operating Income															
Gross Rent	211,872	213,991	216,131	218,292	220,475	222,680	224,906	227,155	229,427	231,721	234,038	236,379	238,743	241,130	243,541
Other Income	1,200	1,212	1,224	1,236	1,249	1,261	1,274	1,287	1,299	1,312	1,325	1,339	1,352	1,366	1,379
Vacancy and other losses	(10,594)	(10,700)	(10,807)	(10,915)	(11,024)	(11,134)	(11,245)	(11,358)	(11,471)	(11,586)	(11,702)	(11,819)	(11,937)	(12,057)	(12,177)
Total Operating Income	202,478	204,503	206,548	208,614	210,700	212,807	214,935	217,084	219,255	221,448	223,662	225,899	228,158	230,439	232,744
Operating Expenses															
Total Expenses (excl. Reserves)	119,996	122,996	126,071	129,223	132,453	135,764	139,159	142,638	146,203	149,859	153,605	157,445	161,381	165,416	169,551
Reserves	31,787	32,105	32,426	32,750	33,078	33,408	33,743	34,080	34,421	34,765	35,113	35,464	35,818	36,177	36,538
Total Operating Expense	151,783	155,101	158,497	161,973	165,531	169,173	172,901	176,718	180,624	184,624	188,718	192,909	197,200	201,592	206,090
Net Operating Income	50,695	49,402	48,051	46,641	45,169	43,634	42,034	40,367	38,631	36,824	34,944	32,990	30,958	28,847	26,654
Less Primary Debt Service	25,423	25,423	25,423	25,423	25,423	25,423	25,423	25,423	25,423	25,423	25,423	25,423	25,423	25,423	25,423
Less Secondary Debt Service	18,672	18,672	18,672	18,672	18,672	18,672	18,672	18,672	18,672	18,672	18,672	18,672	18,672	18,672	18,672
Annual Cash Flow	6,600	5,307	3,956	2,545	1,073	(462)	(2,062)	(3,729)	(5,465)	(7,271)	(9,151)	(11,066)	(13,137)	(15,249)	(17,441)
Operating Subsidies / Sinking Fund	0	0	0	0	0	462	2,062	3,729	5,465	7,271	9,151	11,066	13,137	15,249	17,441
Net Cash	6,600	5,307	3,956	2,545	1,073	0	0	0	0	0	0	0	0	0	0
DCR	114.97%	112.03%	108.97%	105.77%	102.43%	98.95%	95.32%	91.54%	87.61%	83.51%	79.25%	74.81%	70.21%	65.42%	60.45%
Cumulative Cash Flow															
Beginning Balance	0	6,699	12,286	16,670	19,754	21,436	21,618	20,204	17,082	12,129	5,222	(3,773)	(14,878)	(28,016)	(43,264)
Deposits	6,600	5,307	3,956	2,545	1,073	0	0	0	0	0	0	0	0	0	0
Interest	99	281	428	538	609	643	649	606	512	364	157	0	0	0	0
Withdrawals	0	0	0	0	0	(462)	(2,062)	(3,729)	(5,465)	(7,271)	(9,151)	(11,066)	(13,137)	(15,249)	(17,441)
Ending Balance	6,699	12,286	16,670	19,754	21,436	21,618	20,204	17,082	12,129	5,222	(3,773)	(14,878)	(28,016)	(43,264)	(60,706)
Cumulative Replacement Reserves															
Beginning Balance	0	32,264	65,818	100,705	136,968	174,650	213,800	254,462	296,687	340,525	386,027	433,247	482,240	533,063	585,774
Deposits	31,787	32,105	32,426	32,750	33,078	33,408	33,743	34,080	34,421	34,765	35,113	35,464	35,818	36,177	36,538
Interest	477	1,449	2,461	3,512	4,605	5,741	6,920	8,145	9,417	10,737	12,108	13,529	15,004	16,535	18,121
Withdrawals	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance	32,264	65,818	100,705	136,968	174,650	213,800	254,462	296,687	340,525	386,027	433,247	482,240	533,063	585,774	640,434
Net Operating Income	50,695	49,402	48,051	46,641	45,169	43,634	42,034	40,367	38,631	36,824	34,944	32,990	30,958	28,847	26,654
Plus Reserves	31,787	32,105	32,426	32,750	33,078	33,408	33,743	34,080	34,421	34,765	35,113	35,464	35,818	36,177	36,538
Less Interest Expense	(21,443)	(21,051)	(20,650)	(20,239)	(19,819)	(19,388)	(18,946)	(18,494)	(18,031)	(17,556)	(17,070)	(16,571)	(16,060)	(15,536)	(14,998)
Less Long Depreciation	(132,711)	(132,711)	(132,711)	(132,711)	(132,711)	(132,711)	(132,711)	(132,711)	(132,711)	(132,711)	(132,711)	(132,711)	(132,711)	(132,711)	(132,711)
Less Short Depreciation	(3,200)	(3,200)	(3,200)	(3,200)	(3,200)	(3,200)	(3,200)	(3,200)	(3,200)	(3,200)	(3,200)	(3,200)	(3,200)	(3,200)	(3,200)
Taxable Income (Loss)	(74,872)	(73,456)	(76,084)	(76,760)	(77,484)	(78,257)	(79,082)	(79,859)	(80,631)	(81,404)	(82,177)	(82,950)	(83,723)	(84,496)	(85,269)
Cash Flow	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings	26,205	26,409	26,629	26,866	27,119	27,390	27,679	27,986	28,301	28,624	28,956	29,297	29,646	29,994	30,341
Plus State Tax Credits	32,500	32,500	32,500	32,500	32,500	32,500	32,500	32,500	32,500	32,500	32,500	32,500	32,500	32,500	32,500
Plus Federal Tax Credits	157,734	157,734	157,734	157,734	157,734	157,734	157,734	157,734	157,734	157,734	157,734	157,734	157,734	157,734	157,734
After Tax Cash Flow	216,439	216,643	216,863	217,100	217,353	217,624	217,901	218,184	218,471	218,762	219,057	219,356	219,659	219,966	220,277

Total Years	15																		
Reinvestment Rate	12.00%																		
Current After Tax Cash Flows	216,439	216,643	216,863	217,100	217,353	185,124	185,413	184,600	184,926	185,272	27,903	28,290	28,698	29,128	29,581				
uture Value of Cash Flows at Yr 15:	1,184,695	1,058,761	946,282	845,816	756,074	574,967	514,164	457,062	408,812	365,693	49,175	44,515	40,319	36,539	33,131				
Discount Rate:	6.00%																		
Capital Contribution Number:	1	2	3	4	5	6	7	8											
Date of Capital Contribution:	01-Dec-01	01-May-02	01-Sep-02	01-May-03	01-May-04	15-Oct-04	15-Oct-05												
Amount of Capital Contribution:	14,572	14,572	1,428,016	0	0	0	0	0											
Present Value of Contributions:	14,572	14,210	1,364,275	0	0	0	0	0											
Cash Flows (1,393,057)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	7,316,004





**Vermont Housing Finance Agency**

**MEMORANDUM**

**TO: VHFA BOARD OF COMMISSIONERS**

**FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE**

A handwritten signature in black ink, appearing to read "RAS", is written over the name "ROGER A. SCHOENBECK".

**DATE: NOVEMBER 7, 2001**

**RE: MULTI-FAMILY BOND FINANCING**

We are currently working on a financing plan for several projects that have recently come before the Board. Although, you have approved the individual projects and a master resolution, we wanted to update you on the funding progress. We are targeting around December 10<sup>th</sup> for the closing of the bond transaction. We expect this will be publicly placed through our standard bond financing team, consisting of PaineWebber, Piper Jaffray and Kutak Rock. We are expecting to issue approximately \$15 million of bonds for the Farrell Street, Falcon Manor, Smith's Housing, Townhouse Terrace, Boves and Ben South developments. Recent financial market developments have given us hope to deliver the lowest financing rates in memory. These bonds will be sold for construction financing, permanent financing, taxable and tax exempt purposes and short and long term. Each variation will require a different series of bonds to be issued under the same issue.

We will be starting the bond process with the working group by having a kickoff conference call scheduled for Thursday, November 8<sup>th</sup>. If new information develops subsequent to the call we will update the Board at the meeting on the 15<sup>th</sup>.



**mailing address** P.O. Box 408, Burlington, VT 05402-0408  
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**VERMONT HOUSING FINANCE AGENCY**

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

**Adopted November 15, 2001**

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

**November 15, 2001**

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

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

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

**ARTICLE I**

**DEFINITIONS AND AUTHORITY**

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

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

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

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

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

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

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

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

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

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

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

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

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

## ARTICLE II

### AUTHORIZATION, TERMS AND ISSUANCE OF BONDS

**Section 2.01. Authorization of Bonds, Principal Amount and Series.** In order to provide sufficient funds necessary for the Program, in accordance with and subject to the terms, conditions and limitations established in this Resolution and in any General Resolution applicable thereto, one or more series of Bonds are hereby authorized to be issued, from time to time, each by the execution and delivery of a Series Certificate, in an aggregate principal amount not to exceed \$15,000,000. Such Series Certificate shall be signed by at least two of the following—Chairman, Vice-Chairman, Executive Director, Chief Financial Officer or Chief of Program Operations; provided that if the amount of Bonds authorized by such Series Certificate exceeds \$1,000,000 one of the signatories thereto must be the Chairman or Vice-Chairman. The Agency is of the opinion and hereby determines (a) that the issuance of Bonds in said amount is necessary to provide sufficient funds to be used and expended from time to time for the Program; (b) that the Mortgage Loans to be made or financed on behalf of the Agency with the proceeds of the Bonds can be issued bearing a rate or rates of interest which will be less than the prevailing rate of interest on comparable mortgage loans available in the State of Vermont without the assistance of the Agency; and (c) that the Agency will derive receipts, revenues and other income from the Mortgage Loans purchased or made with the proceeds of the Bonds sufficient to provide, together with all other available receipts, revenues and income of the Agency, for the

payment of the Bonds and the payment of all costs and expenses incurred by the Agency with respect to the Program or purpose for which the Bonds are issued.

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

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

- (a) the principal amount of Bonds to be issued pursuant thereto;
- (b) the Series or sub-Series designation and title;
- (c) the maturity or maturities of the Bonds, which in no event shall exceed 40 years, provided that if the Agency otherwise approves a Mortgage Loan with a maturity in excess of 40 years from the date of issuance of the Bonds intended to fund such Mortgage, such Bonds may have a maturity not to exceed six months following the maturity of such Mortgage Loan, subject in any case to limitations imposed by the Act;
- (d) the interest rate or rates on the Bonds or the method of determining the same, provided that the interest rate or rates on the Bonds (or the initial rate or rates if the rates are not fixed rates) shall not exceed 7% if the interest on the Bonds is to be exempt from federal income taxation or 9% otherwise, and provided further that if the initial rate or rates are not fixed rates the maximum permitted rate in any case may not exceed 12%;
- (e) the date or dates on which interest on the Bonds is payable;
- (f) the dated date or dates of the Bonds, or the method of determining the same;
- (g) the redemption provisions for the Bonds, which may include optional, mandatory and/or sinking fund redemptions, provided that the Bonds shall be optionally redeemable no later than 15 years after their date of issuance and at a redemption premium not exceeding 3% and reducing by at least 1% annually thereafter;
- (h) the minimum and authorized denominations of the Bonds;
- (i) whether or not the interest on the Bonds is to be exempt from federal income taxation;
- (j) whether or not the Bonds are to be DTC Eligible;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### ARTICLE III

#### SPECIAL COVENANTS FOR TAX-EXEMPT BONDS

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

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



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

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

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

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

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

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

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

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

**Section 3.04. Compliance With Article III.** If and to the extent a Series or sub-Series of Bonds is designated as Bonds the interest on which is not to be subject to federal income taxation, the provisions of this Article III shall be complied with by the Agency in order to meet the requirements of the Code such that interest on such Bonds shall be and remain exempt from federal income taxes; provided, however, that the Agency shall not be required to comply with any such provision with respect to such Bonds in the event the Agency receives a Counsel's Opinion from a nationally recognized bond counsel firm that compliance with such provision is

no longer required to satisfy the requirements of the Code or that compliance with some other provision in lieu of a provision specified in this Article III will satisfy said requirements, in which case compliance with such other provision specified in the Counsel's Opinion shall constitute compliance with the provisions specified in this Article III.

#### ARTICLE IV

##### MISCELLANEOUS

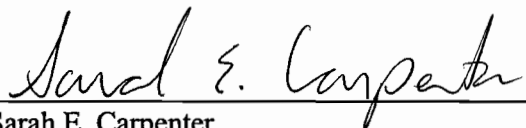
**Section 4.01. Amendments.** This Resolution may be amended from time to time prior to the issuance of any Series of Bonds, which right shall be in addition to any other rights to amend. To the extent a Series of Bonds is issued under and pursuant to a General Resolution, this Resolution and any Series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

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

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

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

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont on November 15, 2001.

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



**Vermont Housing Finance Agency**

**MEMORANDUM**

**TO:** VHFA Board of Commissioners  
**FROM:** Elizabeth Mullikin Drake *EMD*  
**RE:** Additional Board Allocation of Volume Cap  
**DATE:** November 7, 2001

To followup on the June 2001 update on the Agency's use of its allocation of the State's private activity bond volume cap, I have updated this information based on the Agency's most recent bond issues.

Since January, the Agency has allocated a total of \$66,000,000 (\$46 million for Homeownership and \$20 million for Multifamily) of the Agency's 2001 State Allocation of \$77,750,000. The Agency has issued a total of \$57,412,865 (\$42,562,865 in Homeownership bonds and \$14,850,000 in Multifamily bonds) in private activity bonds issued against the State's volume cap. As the year end approaches, the remaining unallocated balance in the amount of \$11,750,000 should be allocated between Homeownership and Multifamily for carryover purposes.

The following chart shows the status of the Agency's available private activity volume cap.

Allocated by VHFA Board				
		Unallocated by	Homeownership	Multifamily
		VHFA		
Carryforward from 2000			7,000,000.00	13,424,000.00
2001 State Allocation		77,750,000.00		
VHFA Board Allocation		(66,000,000.00)	46,000,000.00	20,000,000.00
2001 Private Activity Bonds Issued			(42,562,865.00)	(14,850,000.00)
Balance as of 11/7/01	40,761,135.00	11,750,000.00	10,437,135.00	18,574,000.00

**Recommended Board Action:** To adopt the attached resolution to allocate the remaining \$11,750,000 of the Agency's 2001 State Allocation to Multifamily.



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**RESOLUTION RE: ALLOCATION OF  
2001 PRIVATE ACTIVITY BOND  
VOLUME CAP ALLOCATION**

WHEREAS, the Vermont Housing Finance Agency (the "Agency") has been allocated \$77,750,000 in 2001 private activity bond volume cap by the State of Vermont Emergency Board ("2001 Allocation"); and

WHEREAS, the Agency has allocated \$66 million of the 2001 Allocation and desires to elect to utilize another \$11,750,000 of the 2001 Allocation for exempt facility bonds;


NOW, THEREFORE, IT IS HEREBY RESOLVED:

1. The Agency elects to allocate \$11,750,000 of its 2001 Allocation pursuant to Section 146 of the Internal Revenue Code of 1986 as amended for the purposes of issuing exempt facility bonds.



**Vermont Housing Finance Agency**

**MEMORANDUM**

**TO:** VHFA Board of Commissioners  
**FROM:** Elizabeth Mullikin Drake   
**RE:** Resolutions regarding  
1. General Authorizing Resolution to Finance Multi-Family Projects; and  
2. Federal Home Loan Bank Signatory Authority  
**DATE:** November 7, 2001

---

General Authorizing Resolution to Finance Multi-Family Projects.

The Agency is currently planning a public offering of multi-family bonds. The Board has outstanding authorizing resolutions in the amount of \$15,760,000. After issuing the multifamily bonds in December, there will be little authorizing authority remaining to issue bonds for additional advances and new commitments. A new resolution in the amount of \$10 million is attached for your consideration.

Federal Home Loan Bank Signatory Authority.

The Agency needs to update its signatory authority with the Federal Home Loan Bank ("Bank"). At this time, Roger is the only current employee that is an authorized representative of the Agency for purposes of the Bank's programs. The attached resolution authorizes Sarah, Roger and Dave in their capacity as officers and/or employees of the Agency to execute various documents required by the Bank when the Agency uses its various financing programs.

**Recommended Board Action:** To adopt the attached resolutions entitled "Resolution Authorizing the Issuance and Sale of a Maximum of \$10,000,000 of Bonds In One or More Series to Finance Multi-Family Projects" and "Resolution Pertaining to Federal Home Loan Bank of Boston Advances."



**VERMONT HOUSING FINANCE AGENCY**

**Resolution Authorizing the Issuance and Sale of a Maximum of \$10,000,000  
of Bonds In One or More Series to Finance Multi-Family Projects**

**Adopted November 15, 2001**

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**VERMONT HOUSING FINANCE AGENCY  
SERIES RESOLUTION AUTHORIZING THE ISSUANCE AND  
SALE OF A MAXIMUM OF \$10,000,000 OF BONDS  
IN ONE OR MORE SERIES TO FINANCE MULTI-FAMILY PROJECTS**

**November 15, 2001**

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

WHEREAS, in order to obtain funds with which to provide financing for mortgage loans to acquire, construct, rehabilitate or refinance various developments for persons and families of low and moderate income, such developments as or to be separately approved by the Commissioners of the Agency, it is deemed necessary and advisable to issue and sell one or more series of bonds of the Agency, not to exceed \$10,000,000 in the aggregate, all as hereinafter provided;

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

**ARTICLE I**

**DEFINITIONS AND AUTHORITY**

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

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

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

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

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



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

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

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

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

*"Resolution"* means this Resolution Authorizing the Issuance and Sale of a Maximum of \$10,000,000 of Bonds In One or More Series to Finance Multi-Family Projects.

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

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

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

## ARTICLE II

### AUTHORIZATION, TERMS AND ISSUANCE OF BONDS

**Section 2.01. Authorization of Bonds, Principal Amount and Series.** In order to provide sufficient funds necessary for the Program, in accordance with and subject to the terms, conditions and limitations established in this Resolution and in any General Resolution applicable thereto, one or more series of Bonds are hereby authorized to be issued, from time to time, each by the execution and delivery of a Series Certificate, in an aggregate principal amount not to exceed \$10,000,000. Such Series Certificate shall be signed by at least two of the following—Chairman, Vice-Chairman, Executive Director, Chief Financial Officer or Chief of Program Operations; provided that if the amount of Bonds authorized by such Series Certificate exceeds \$1,000,000 one of the signatories thereto must be the Chairman or Vice-Chairman. The Agency is of the opinion and hereby determines (a) that the issuance of Bonds in said amount is necessary to provide sufficient funds to be used and expended from time to time for the Program; (b) that the Mortgage Loans to be made or financed on behalf of the Agency with the proceeds of the Bonds can be issued bearing a rate or rates of interest which will be less than the prevailing rate of interest on comparable mortgage loans available in the State of Vermont without the assistance of the Agency; and (c) that the Agency will derive receipts, revenues and other income from the Mortgage Loans purchased or made with the proceeds of the Bonds sufficient to provide, together with all other available receipts, revenues and income of the Agency, for the

payment of the Bonds and the payment of all costs and expenses incurred by the Agency with respect to the Program or purpose for which the Bonds are issued.

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

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

- (a) the principal amount of Bonds to be issued pursuant thereto;
- (b) the Series or sub-Series designation and title;
- (c) the maturity or maturities of the Bonds, which in no event shall exceed 40 years, provided that if the Agency otherwise approves a Mortgage Loan with a maturity in excess of 40 years from the date of issuance of the Bonds intended to fund such Mortgage, such Bonds may have a maturity not to exceed six months following the maturity of such Mortgage Loan, subject in any case to limitations imposed by the Act;
- (d) the interest rate or rates on the Bonds or the method of determining the same, provided that the interest rate or rates on the Bonds (or the initial rate or rates if the rates are not fixed rates) shall not exceed 7% if the interest on the Bonds is to be exempt from federal income taxation or 9% otherwise, and provided further that if the initial rate or rates are not fixed rates the maximum permitted rate in any case may not exceed 12%;
- (e) the date or dates on which interest on the Bonds is payable;
- (f) the dated date or dates of the Bonds, or the method of determining the same;
- (g) the redemption provisions for the Bonds, which may include optional, mandatory and/or sinking fund redemptions, provided that the Bonds shall be optionally redeemable no later than 15 years after their date of issuance and at a redemption premium not exceeding 3% and reducing by at least 1% annually thereafter;
- (h) the minimum and authorized denominations of the Bonds;
- (i) whether or not the interest on the Bonds is to be exempt from federal income taxation;
- (j) whether or not the Bonds are to be DTC Eligible;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### ARTICLE III

#### SPECIAL COVENANTS FOR TAX-EXEMPT BONDS

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

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

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

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

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

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

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

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

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

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

**Section 3.04. Compliance With Article III.** If and to the extent a Series or sub-Series of Bonds is designated as Bonds the interest on which is not to be subject to federal income taxation, the provisions of this Article III shall be complied with by the Agency in order to meet the requirements of the Code such that interest on such Bonds shall be and remain exempt from federal income taxes; provided, however, that the Agency shall not be required to comply with any such provision with respect to such Bonds in the event the Agency receives a Counsel's Opinion from a nationally recognized bond counsel firm that compliance with such provision is

no longer required to satisfy the requirements of the Code or that compliance with some other provision in lieu of a provision specified in this Article III will satisfy said requirements, in which case compliance with such other provision specified in the Counsel's Opinion shall constitute compliance with the provisions specified in this Article III.

## **ARTICLE IV**

### **MISCELLANEOUS**

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

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

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

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

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont on November 15, 2001.

---

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

**RESOLUTION PERTAINING TO  
FEDERAL HOME LOAN BANK OF BOSTON ADVANCES**

WHEREAS, the Agency has been a nonmember borrower with the Federal Home Loan Bank of Boston ("FHLB") since 1996; and

WHEREAS, the FHLB requires approval of an authorizing resolution and because of changes in personnel, the following resolution to amend the authorized agents of the Vermont Housing Finance Agency is necessary;

THEREFORE, it is hereby RESOLVED:

That any one of the following persons, all of whom are duly qualified officers and/or employees of the Vermont Housing Finance Agency,

Sarah E. Carpenter	
Name	Signature
Roger A. Schoenbeck	
Name	Signature
David S. Adams	
Name	Signature

be and they are hereby authorized to apply to the Federal Home Loan Bank of Boston for advances, and to execute if required a note or notes, and to furnish and assign and substitute such collateral if any as may be required from time to time by the FHLB as security for the payment and performance of any and all obligations due the FHLB, and to extend, renew, or consolidate the advances obtained when convenience may require and the FHLB will permit, and to make and execute such other agreements and do all things necessary in connection with such matters as may be required, provided only that the advances obtained from said the FHLB and all other obligations due the FHLB shall at no time exceed in aggregate unpaid principal the maximum permitted to this institution by the Federal Home Loan Bank Act, or any other Act or regulation applicable to this institution, or any written policy of the Federal Home Loan Bank of Boston. This authorization shall continue in effect until receipt by the FHLB of written notice of its amendment or revocation.



## Vermont Housing Finance Agency

**VHFA Board Minutes**  
Vermont Housing Finance Agency  
164 St. Paul St.  
Burlington, VT

Thursday, December 6, 2001 at 9:30 AM

**PRESENT:** Chairperson Randall, Commissioners Canney, Candon (Designee of Costle), Douglas, Lafayette, Beyer (Designee of Lambert)  
Staff: Ms. Carpenter, Ms. Loller, Ms. Reid, Mr. Erdelyi, Ms. Keough, Mr. Schoenbeck, Ms. Crady, Ms. Malmgren, Mr. Fairbanks, Mr. Falzone  
Guests: JoAnna Villone, Cathedral Square Corporation; Andy Broderick, Housing Vermont; J. Ladd, Lake Champlain Housing Development Corporation

### MINUTES

The meeting was called to order at 9:34 AM by Chairperson Randall.

Two corrections were made to the November 15, 2001 minutes. They included a correction in a bank/servicer name from Mascoma Savings Bank to Wells River Savings Bank, and re-wording of the Winooski project discussion to more accurately reflect the meaning intended. Ms. Beyer made a motion to approve the minutes. The motion carried unanimously after being seconded by Ms. Lafayette.

Ms. Carpenter introduced Ingrid Malmgren, VHFA's new Research Analyst.

### FINANCE

Mr. Schoenbeck reviewed the memo on Allocation of Additional Volume Cap and Carryforward of Unused Volume Cap. Multifamily will not use its allocated volume cap until January, then approximately half of the Multifamily carryforward will be used for the upcoming bond issue. Ms. Carpenter commented that within the next few weeks there will be a discussion of next years bond cap allocation between various issuing agencies. Since Vermont Economic Development Authority cannot carryover its allocated cap they may need to put volume cap back into the pool for re-allocation, possibly to VHFA or VSAC.

Ms. Beyer moved to approve the recommended resolution, which allocates any additional volume cap made available to the Agency to Homeownership for the upcoming spring bond issue and authorizes the filing of the Carryforward with the IRS, this was seconded by Ms. Canney. The resolution passed unanimously.



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## MULTI-FAMILY DEVELOPMENT

### O'Dell Parkway (Farrell Street/Marketplace)

Ms. Reid reviewed the memo on O'Dell stating that the project financing has been restructured due to cost increases. The project will now be two projects consisting of two buildings each, this enables them to use tax exempt bonds on one project.

All permits are in place and the appeal period is done. The project has all of its funding commitments except for \$150,000. This gap was caused by changes to the foundation work and other construction increases. The change will include heating the garages and adding doors to prevent the slab from freezing. The Agency is being asked to increase its commitment of 0% financing by \$50,000. Mr. Schoenbeck stated that these funds are available in the 0% pool.

Mr. Broderick said that marketing will begin in March or April.

Ms. Randall questioned the effect on rents, to which Ms. Reid stated that there was a slight increase of \$10 per unit per month because of the cost increases of the project.

Mr. Broderick stated that they are still evaluating whether to add garage doors and heat or whether to add additional insulation and drainage to lessen the potential problems associated with a shallow foundation design. Several other projects in Vermont have used this type of foundation and parking area, including the apartments near Hoyts Cinema 9.

Mr. Candon questioned whether the Agency has done any other projects with over 160 units. Mr. Erdelyi responded that this is one of the largest in units that the Agency has ever done in recent history and the largest in dollars.

Ms. Beyer moved to approve the recommended resolution, this was seconded by Ms. Lafayette. The resolution passed unanimously.

### Cathedral Square Assisted Living

Ms. Reid reviewed the memo stating that the Agency would be financing a seven unit addition to the existing building and would include a lounge, mechanical room, and a dining room that would be used for all twenty-eight assisted living units. Twenty-one units will be renovated on two floors of the existing building and paid for under a HUD 202 grant. On the permanent financing of the seven units the Agency would be in a first mortgage position, though the Agency would be in a second position to HUD during the construction period.

The seven units are "market units", four of which will be under median income requirements. Technically this will need a Board waiver of the 75% requirement under the Agency's Rules for occupancy, even though the whole project is over 90% affordable. Ms. Carpenter stated that the Board may want to consider changing the standard rule. The Bond rule is as low as 20%.

Ms. Villone showed plans for the two story addition and discussed how it would blend into the existing building. Accessibility will be improved for the whole building. Construction will begin around the end of January with completion in November.

Ms. Beyer questioned the demand for assisted living. Ms. Villone explained that the expansion was needed due to demand, which will allow people to age in place. The additional services will allow eleven residents who are nursing home eligible to remain in their apartments.

All local permits are in place.

Mr. Candon moved to approve the recommended resolution, this was seconded by Ms. Beyer. The resolution passed unanimously.

### HOMEOWNERSHIP

Ms. Crady reviewed the November 30, 2001 production reports showing \$7.7 million in loans purchased in November. There is a pipeline of approximately \$18 million that will close within the next three months. The majority of those loans will be purchased by VHFA by June 30, 2002.

Delinquency reports as of November 30, 2001 were not available and will be included with the December 31, 2001 reports in the next board mailing. There is no indication that delinquencies have substantially increased over October 31, 2001 numbers. VHFA and our servicers are being very proactive in dealing with delinquent borrowers. The Agency averages approximately four to six loan modifications per month. Mr. Candon questioned the loan modification process. Ms. Crady explained that the servicer has first contact, if the servicer believes that the borrower is committed but cannot bring their loan current with a reasonable repayment plan they obtain current financial information. Then the servicer coordinates a plan of action with VHFA. A loan modification may include capitalizing delinquent interest, taxes, etc. in addition to an interest rate reduction and/or extending the loan term. Ms. Canney asked if VHFA accepted partial payments, to which Ms. Crady stated that the servicer deals with partial payments, but that generally partial payments are accepted as long as the total amount paid each month is sufficient to pay one month's payment plus a portion of the delinquent payments. Ms. Crady also explained that since March 1997 VHFA requires that all taxes and insurance be escrowed. Ms. Randall expressed concern about the property being allowed to deteriorate before the Agency gets involved. VHFA does require that a servicer or its agent inspect a property once the loan is 45 days delinquent. When VHFA reviews a loan for modification, it generally obtains a current market analysis which gives an indication of not only the value but if the property is being maintained. VHFA is flexible and works with people, but does look at things on a case by case basis. VHFA does reevaluate affordability, but is more flexible than the Agency would be if it was approving a new loan.

Cash assistance production is at 1/3 of total production, which is consistent with the amount of cash assistance allocated in the current bond issues. Ms. Canney expressed concern that the fund wiring process was delaying closings. Ms. Crady explained that cash assistance funds were wired to lenders weekly. Requests received on Tuesday are wired so they are available on Friday of that week. Lenders do have to anticipate what loans will close to request the funds; however, Ms. Crady was not aware that closings were being delayed because they have not requested funds. Mr. Schoenbeck stated that the lender may also request cash assistance funds prior to loan closing.

### ADMINISTRATION

### Demonstration Project Discussion

The feasibility of doing a demonstration project to promote affordable housing was a high priority item for the Board during the October retreat. Ms. Carpenter is requesting feedback from the Board regarding clarification on the scope of this initiative. A listing of Issues to Consider Regarding a Demonstration Project, which were preliminary thoughts of the staff, was distributed to aid the discussion.

Ms. Beyer felt that the baseline design criteria needs to be put out by the Board. The other issue is that this would be moderately priced homes, not necessarily a perpetually affordable development.

Ms. Carpenter thought the intent was to develop tools or loan products to spur development that could be replicated. The Agency is concentrating on homeownership opportunities, rather than rental for this initiative.

Ms. Randall stated that, as a Board, we need to look at this to decide if the Agency should use resource dollars. Ms. Carpenter responded that to take this further the Agency needs to look at what dollars are available and we may need a consultant to spend time on this to narrow down the scope and work with towns and regional entities. Ms. Randall stated that this would not be wasted data, but a learning experience.

Ideas that started forming are:

- This project would be to help developers, not to drive the ship. The Agency would not want to be the developer.
- The money should revolve, if possible, to get back the Agency's investment, maybe not with the return that you could get with another investment, but to enable the use of this money again for future projects.
- The Agency should consider redevelopment, maybe industrial sites that could be redeveloped into usable space.
- The Agency should be careful not to dedicate this resource to do something that it already knows how to do.
- A complimentary tool that could perhaps be used in conjunction with CDBG to finance the infrastructure.
- Housing development near a town where there is employment opportunities.
- Focus on creating partnerships with municipalities that could work for both the municipality and the Agency.
- Partnering with the state for land.

Ms. Randall stated that the Agency shouldn't limit itself until the research is done. Ms. Carpenter responded that the Agency has had a good year and now is the time to look at a project like this. Ms. Carpenter asked for permission from the Board to go forward in designing this project, to which the Board concurred.

Mr. Candon questioned whether we should ask some experienced builder to talk to the Board. Ms. Carpenter said that maybe a focus group of builders should be formed to look at the issues after the Agency has a list of questions identified.

Ms. Carpenter will come back to the Board in January with some suggested ideas/parameters.

### Retreat Packet

Ms. Loller handed out a summary packet of the Retreat. Ms. Carpenter shared that the staff appreciated having the Board at the Retreat. Follow up meetings will happen with each department. New initiatives identified at this year's Retreat will be incorporated into the current Strategic Plan Document. An update will be available for the January Board meeting.

The Agency has already implemented a refinancing program for mobile home loans and properties with shared appreciation requirements (i.e. land trust assisted loans). These loans will be funded with General Funds until we have enough activity to sell a taxable bond.

Ms. Beyer brought up the issue of contract administration. Ms. Carpenter stated that the Agency shares contract administration with VSHA, but HUD recently transferred additional contract administration to the state, so that on a project that both VSHA and VHFA may participate, there is some concern about multiple work tasks. VHFA is required to provide asset management oversight and tax credit monitoring on many of these projects. There is some concern how this can be done efficiently and who should take the lead as HUD tries to consolidate contract administration. Ms. Beyer said that the legislature is questioning the layers of redundancy. For example, regarding the Templeton project, VSHA and VHFA are reviewing the same project issues. Mr. Falzone will follow up on this subject with a memo explaining the current agreements.

Ms. Carpenter stated that VSHA wants to come to the January Board meeting to see how much VHFA is willing to commit to Templeton. They really will need direction for the Tax Credit Meeting in February.

For the Board's information, Ms. Carpenter distributed and reviewed the VT Affordable Housing Coalition's 2002 Legislative Priorities.

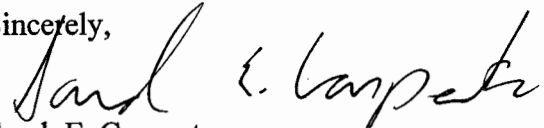
Mr. Candon stated that subprime lending and predatory lending is becoming an issue in the state as well as nationally. During reviews/audits of banks, the Banking Commission looks at this issue.

Mr. Schoenbeck recommended to the Board a Bond Basics class put on by John Wagner of Kutak Rock. The class will be scheduled for January 15<sup>th</sup> 9-11 am. Ms. Keough will follow up with the Board on the details.

Mr. Candon made the motion to adjourn. Ms. Beyer seconded the motion and it carried unanimously.

With no further business, the meeting adjourned at 12:02 PM.

Sincerely,



Sarah E. Carpenter  
Executive Director



## Vermont Housing Finance Agency

**VHFA Board Minutes**  
Vermont Housing Finance Agency  
VT Association of Realtors  
148 State Street  
Montpelier, VT

Thursday, November 15<sup>th</sup>, 9:00AM

**PRESENT:** Chairperson Lisa Randall, Commissioners Kathy Beyer (Designee of Lambert), Dagyne Canney, Tom Candon (Designee of Costle), Karen Lafayette, Gus Seelig  
Staff: Sarah Carpenter, Pat Loller, Holly Keough, Roger Schoenbeck, David Adams, Pat Crady, Cindy Reid, Elizabeth Mullikin Drake

### MINUTES

Ms. Carpenter handed out the annual report, which is in a calendar form this year. Credit for producing the calendar was given to Mr. Bailey of the Public Affairs Department.

Ms. Carpenter handed out and discussed a survey on construction costs done by the Housing & Conservation Board. She noted that construction costs have increased dramatically resulting in an overall increase in project cost.

Chairperson Randall called the meeting to order at 9:12AM.

Ms. Canney made a motion to approve the September 20, 2001 minutes. The motion carried unanimously after being seconded by Mr. Candon.

### DEVELOPMENT

Farrell St. (Marketplace), So. Burlington

Ms. Reid stated that the Marketplace project will not be ready for Board review until the December Board meeting. The budget changed after the board mailing due to a change in pricing.

The foundation design is being reviewed by an independent engineer and an opinion will be provided in the next couple of weeks because there is concern with Code that the foundation footings are not under the frost level. The area that is of concern is at the entrance of the parking garage.



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## **Vermont Housing Finance Agency**

Ms. Beyer asked why there were two separate permanent loans on each project, to which it was replied that one loan per project matched the ten-year term of Section 8 income.

No action was needed at this time.

### Moose River, St. Johnsbury

Ms. Reid presented this project based on her memorandum to the Board.

The project has state tax credits and is now seeking Federal Home Loan Bank Affordable Housing Program (AHP) funding. That decision will be made on 11/28. VHCB and VCDP have both provided contingent commitments should the project not receive an AHP award.

NCMC will be managing the project as they are now. Ms. Beyer asked if there were any issues with NCMC management. Ms. Carpenter stated there was nothing specific to report on NCMC except that they have been struggling financially.

Ms. Beyer moved to approve the recommended resolution, this was seconded by Mr. Candon. The resolution passed unanimously.

### HOMEOWNERSHIP

Ms. Crady reviewed the Summary of Homeownership Activities.

Ms. Crady stated that Homeownership is on track with the budget, though production is a little slower currently. Loan purchases are at \$28.5 million. Lenders purchase activity slowed after 9/11 though it is starting to get back to normal. Rutland County is strong, which Ms. Canney confirmed, but said that Bennington County is not doing as well.

Ms. Crady stated that VHFA is watching the conventional rate point spread, though she doesn't recommend adjusting the Agency's rates downward until after the first of the year.

Ms. Canney stated that many real estate brokers are suggesting 15-20 year mortgages due to the low rates and wondered if VHFA should be offering a similar product. Ms. Crady stated that most of VHFA's borrowers need a long term to keep the payment lower. Though VHFA will need to do some analysis on how many of our borrowers would have qualified for a 15 year product. The other issue is that this could affect the bond issue and would need to be looked at closely. Ms. Carpenter thought that a 15-20 year mortgage is usually more popular in refinances. Discussions ensued around the different ways that VHFA could meet consumer needs. Ms. Randall also suggested that VHFA may want to look at price limits in January in conjunction with qualifications for 15-20 year loan product analysis.



Ms. Crady stated that delinquency rates as of September 30, 2001 have increased and that this is part of a normal fall cycle. (Delinquency rates as of October 31, 2001 were much lower than the September 30<sup>th</sup> levels.)

VHFA's total portfolio has declined due to refinances. To offset this VHFA needs to continue to offer good programs to add new good loans. Ms. Carpenter suggested that a study be done on who is paying off and why. This may help VHFA understand what needs to be done to keep this business. Mr. Adams will look into this. Mr. Adams discussed the fact that this year prepaids are averaging 12-16%, which is 2.5 times higher than normally expected prepay rates. To which Mr. Schoenbeck responded that it was not time for alarm yet.

Ms. Crady stated that the Loan Origination Procedural Guide went out last week and is also online. Homeownership is working on an online reservation form.

With the release of the new procedural guides, several changes will become effective December 3, 2001. Those changes include: 1. Requiring title insurance on all loans; 2. Offering 100% financing to borrowers with credit scores of 700 and above (previously VHFA required a credit score of 720); 3. Offering 97% financing to borrowers with credit scores of 660 or above (previously VHFA required a credit score of 680).

Homeownership also rolled-out a limited refinance program to help people refinance debt on mobile homes and also refinance loans secured by property with shared appreciation requirements. The interest rate will be 8.75% for a zero point loan. This program will greatly benefit household who have interest rates on their mobile home loans of 12% to 14%; however, the feedback we are getting from nonprofits is that we probably won't see a lot of activity in refinancing of shared appreciation properties due to the 8.75% interest rate. VHFA will begin to accept reservations for this loan on Monday, December 3<sup>rd</sup>. The refinance program is being financed with a taxable bond. Expected level for the first year is \$1-1.5 million. Ms. Crady stated that a list of eligible mobile home parks will be available on the VHFA website and that the list has been given to the lenders. Ms. Drake stated that the perfection of the loan would be a mortgage and UCC's. Ms. Beyer feels that this will need to be marketed well. Mr. Seelig stated that this kind of refinancing is a great start for this hard market and would suggest that we market to resident associations. Kelly Deforge is doing regional training of lenders on both the program changes and the new refinance program. After lenders are trained we will begin an outreach and marketing plan to consumers.

Ms. Crady reviewed the delinquency levels stating that VHFA is in decent shape at this time. Ms. Crady also pointed out that VHFA's loss on the former Balestra property is expected to be approximately \$68 thousand. The property was in extremely poor condition and cleanup costs were estimated to be \$10-15 thousand. VHFA accepted a cash offer for the property in "as is" condition. Two issues were brought up by Board members were concerns about bad appraisals and the need for septic inspections. Ms. Crady stated that the need septic inspections should be part of the educational process during homeownership classes.



Mr. Adams discussed the purchase of servicing. Passumpsic Savings Bank decided not to sell their servicing, we have rescinded the offer. First Brandon has issues with some of the terms of the purchase agreement, so we are not sure where this is going. Wells River Savings Bank has been completed. Charter One has a big portfolio that Graystone is evaluating and we will be reviewing to make an acquisition offer. Mr. Adams announced the hiring of Ingrid Malmgren as the Research Analyst.

## FINANCE

### Multifamily Bond Financing

Mr. Schoenbeck stated that there have been two calls with the bond working group in regard to the public offering of multi-family bonds. The Farrell St. project deferral has delayed the bond issue because this project comprises \$13 million of the total issue. The rates are very low now. VHFA plans to send out offering statements to have a sale in mid-January with a closing at the end of January. Until the bond issuance, the projects, other than Farrell St. will be temporarily funded internally.

Mr. Seelig questioned Ms. Beyer, who is on the VT Community Loan Fund board, whether they could be creative in covering the one month funding need before VHFA bond issuance. Ms. Beyer stated that VT Community Loan Fund has only \$500 thousand that may be available and accessibility is questionable. Ms. Carpenter stated that we might look into this because it may help the VT Community Loan Fund meet their match requirements to draw down Federal CDFI funds. Mr. Schoenbeck mentioned that the Vermont Community foundation could possibly do some funding. Also noted was the change in the board memo regarding the bond amount, which has increased from \$15 million to \$21 million.

### Additional Board Allocation of Volume Cap

Ms. Drake presented her write up on Additional Board Allocation of Volume Cap and stated that VHFA needs to make the designated allocation for its IRS filing at year end. There are varying rules on volume cap carry over. Ms. Carpenter stated that generally industrial revenue bonds cannot be carried over at year end, but there will be more discussions on the subject of organizational volume cap carryovers with the other issuing agencies.

### Resolutions

Ms. Drake presented the General Authorizing Resolution to Finance Multifamily Projects and a resolution regarding Federal Home Loan Bank Signatory Authority.

Ms. Beyer made the motion to accept the General Authorizing Resolution to Finance Multifamily Projects and the \$5 million increase for a total of \$15 million. Mr. Candon seconded the motion and it was approved unanimously.

Mr. Seelig made the motion to accept the Federal Home Loan Bank Signatory Authority Resolution. Mr. Candon seconded the motion and it was approved unanimously.



General discussion continued around the issue of Volume Cap. Ms. Carpenter stated that the state's annual allocation increases to \$225 million. This would probably be split among VEDA, VSAC, the Municipal Bond Bank and VHFA. Ms. Carpenter has learned that the Winooski project has changed its housing developer. Ms. Beyer stated that she will push the Winooski on their plans to use bond cap and that this project should be part of the 2002 funding plan. It was suggested that perhaps not all the bond cap be allocated pending discussions with Winooski. Ms. Beyer suggested that VHFA needs to raise the issue with the emergency board regarding use of the increased bond cap for Winooski Housing. Ms. Carpenter stated that perhaps VHFA should offer again to have them apply for a loan to do the market study. Ms. Lafayette said that she could approach the City of Winooski as middleperson.

#### Quarterly Financial Report

Mr. Schoenbeck reviewed the general fund budget financial reports and stated that he will have the full financials in the mail to the Board by Thursday. The full report is delayed based on the (early in the month) meeting time. The following are the highlights:

- 25% is where VHFA expects to be in expenses and other costs are in the 21% range
- Bond programs doing well
- Paper gain on investments are healthy
- Loan losses are low (\$110 thousand for the quarter)
- Overall VHFA is in good shape through September
- Expect mortgage loans to be lower this month due to payoffs

#### ADMINISTRATION

##### Executive Director's Report

Ms. Carpenter referred the Board to her written ED Report.

Ms. Carpenter spoke briefly about the multifamily conversion to Mitas. Mr. Adams stated that Mitas and staff went into the conversion concerned about whether this is a good product fit, but it surpassed their expectations and has created lots of momentum with the staff. Mr. Schoenbeck stated that if the Mitas system is used as designed, there will be a direct feed to GL and accounting records.

Ms. Carpenter reviewed VHFA's United Way campaign. [Ms. Lafayette stated that her mother would make a pie donation for the Pie and Ice Cream Social event. A note of thanks to Mrs. Moran.]

Ms. Carpenter stated that the first electronic external newsletter will go out in December and that we are currently reviewing and obtaining email addresses. Ms. Canney stated that the realtor listing would be a good source for realtor email addresses.

##### Revisions to Administrative Rules

Ms. Drake stated that staff has reviewed the existing agency administrative rules and found that some revisions need to happen to reflect VHFA's current practices. Ms. Drake then asked if staff can go ahead with the revisions, then review a draft with the Board, to be followed by a filing with the Secretary of State. Ms. Carpenter stated that these were small changes and that staff might suggest eliminating some of the rules because they are agency processes not rules. Unanimously the Board concurred with this request to move forward with the review.

Ms. Carpenter discussed Chapter 117 study committee, which is reviewing the local planning law, its processes and its relationship with other permits. Their findings will be presented to the Board in January. Ms. Lafayette stated that she will be working for the VT Low Income Advocacy Council and will help keep VHFA up to date on the legislative housing committees' work.

Ms. Carpenter reviewed her memo on VT Property Transfer Tax Exemption. She reported that Joint Housing Committee may be looking into increasing property transfer taxes on high end (over \$300 thousand) houses. Nothing is concrete at the moment. Mr. Seelig stated that chances of getting this increase passed is low this year. Ms. Drake stated that increasing the \$100 thousand exemption has been discussed. Mr. Seelig feels that this could happen.

Ms. Loller is working on summarizing the information collected at the retreat and a report will be forthcoming in December.

Ms. Carpenter concluded and reminded everyone that the Tax Credit Meeting will be before the Board Meeting in February, so plan on a full day.

Ms. Lafayette made the motion to adjourn. Mr. Candon seconded the motion and it carried unanimously.

Meeting adjourned at 11:50AM.

Sincerely,

Sarah E. Carpenter  
Executive Director



## Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Multifamily Development Underwriter *CR*

DATE: November 28, 2001

RE: Multifamily Construction & Permanent Loans for O'Dell Place (Farrell Street/Marketplace) Allocated and Bond, South Burlington

<b>Name:</b>	<b>O'Dell Allocated</b>	<b>Location:</b>	So. Burlington
<b>Housing Type:</b>	General Occupancy	<b>Unit Type:</b>	Flats (elevator) & Townhouses
<b>Total Units:</b>	80	<b>Unit Sizes:</b>	12 1-Br 722 sf; 60 2-Br 949 sf; 8 3-Br 1,076 sf
<b>Total Cost:</b>	\$8,602,816	<b>Per S.F. Acquis. &amp; Construction Cost:</b>	\$102.90
<b>Loan Requested:</b>	\$2,250,000 permanent \$307,000 permanent \$5,585,579 construction	<b>Housing Credits (9%):</b>	\$460,000
<b>Other Funding:</b>	VHCB, VCDP, HUD Special Purpose, Developer Loan, Housing Credits		
<b>Sponsors:</b>	Housing Vermont (HVT) & Lake Champlain Housing Development Corporation (LCHDC)		

<b>Name:</b>	<b>O'Dell Bond</b>	<b>Location:</b>	So. Burlington
<b>Housing Type:</b>	General Occupancy	<b>Unit Type:</b>	Flats (elevator) & Townhouses
<b>Total Units:</b>	80	<b>Unit Sizes:</b>	12 1-Br, 722 sf; 60 2-Br 949 sf 8 3-Br 1,076 sf
<b>Total Cost:</b>	\$8,596,082	<b>Per S.F. Devel Cost:</b>	\$102.90
<b>Loan Requested:</b>	\$2,365,000 permanent \$300,000 permanent \$4,600,637 construction \$350,000 0% Loan	<b>Housing Credits (4%):</b>	\$291,192
<b>Other Funding:</b>	VHCB, VCDP, HOME, Developer Loan, Housing Credits, HUD Special Purpose, REEP		
<b>Sponsors:</b>	Housing Vermont (HVT) & Lake Champlain Housing Development Corporation (LCHDC)		



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Housing Vermont has re-structured the Farrell Street project (formerly Marketplace, now called O'Dell Place), because of cost increases primarily due to the Act 250 permit appeal. The development consists of four buildings, each with 40 units. Two buildings will use taxable financing and 9% Housing Credits ("Allocated" project) and two buildings will use tax-exempt financing and 4% Housing Credits ("Bond" project). For this reason, each "project" will be owned by a different limited partnership, both of which will be comprised of subsidiaries of Housing Vermont and Lake Champlain Housing Development Corporation.

The project has all of its funding commitments except for \$150,000. Housing Vermont is requesting an additional \$50,000 in 0% financing (VHFA previously committed \$300,000) and plans to go back to VHCB and VCDP for the remainder. The project has all of its permit approvals. Burlington Housing Authority has set aside a total of 25 project-based Section 8 vouchers. Overall, 25 units with Section 8 will be affordable to households with incomes as low as 30% of median income, three units will be affordable to households below 50% of median, 91 units will be affordable to households between 50% and 60% of median income, ten units will be affordable to households at 60% of median income, and 31 units will be market units. Each building has four stories, an elevator, and underground parking. Lake Champlain Housing Ventures will manage the properties once they are completed. Construction will begin as soon as possible. Buildings will be phased with the first building being completed as early as September 2002, and the last completed by March 2003.

An as-completed appraisal estimates the value of the entire property at \$13,000,000; the loan-to-value ratio for the permanent loans on the Allocated project is 39%; the loan-to-value ratio for the permanent loans on the Bond project (including the 0% loan) is 46%. A Phase I Environmental Site Assessment was completed and no environmentally hazardous conditions were found.

VHFA's construction inspector has reviewed the plans and specifications and his concerns have been addressed. The foundation plan was reviewed by an independent engineer who recommended some options to improve the design (they are shallow foundations with footings not going below frost level due to soil conditions). Housing Vermont intends to install heat and garage doors in the underground parking areas, which appears to be an acceptable solution to all parties. The estimated cost of that change is included in the attached budgets.

**Recommendation:** That the VHFA Board of Commissioners pass the attached resolution.

Total Residential Units:	80	Increase in Income from Rental Units:	1.5%
Housing Credit Restricted Units:	61	Increase in Income from Other Sources:	1.5%
Percent Restricted:	76.25%	Increase in Income from Commercial:	1.5%
Total Development Cost:	8,602,816	Expense increase:	3%
Total Development Cost per Unit:	107,535	Vacancy Rate:	5%
Total Development Cost Per SF:	117.60	Partner's Tax Rate:	35%
		Long Depreciation Schedule:	27.5 years
		Short Depreciation Schedule:	7 years
9% Credit Allocated:	460,000	Sponsor's Estimated Yield:	79.18%
Max Credit Potential:	465,405		

LIHTC - 9%	8.16%	(October 2001)
LIHTC - 4%	3.50%	

**SOURCES**

		% of Total Development Cost	Interest Rate	Amortization	Term
First Mortgage - taxable bond	2,250,000	26.15%	8.50%	40	40
First Mortgage - taxable bond	307,000	3.57%	8.50%	10	10
HUD Special Purpose	369,436	4.29%	0.00%	10	10
VCDP Loan	240,750	2.80%	0.00%	30	30
VHCB Special	1,472,233	17.11%	0.00%	30	30
Developer Loan	125,000	1.45%	0.00%	15	15
Tax Credit Equity	3,838,224	44.62%	N/A	N/A	
<b>TOTAL SOURCES</b>	<b>8,602,643</b>	<b>100.00%</b>			
VHFA Construction Loan	5,585,579	64.93%	6.00%		18 months

**USES**

Acquisition	732,500	8.51%
Construction Hard Costs	6,795,008	78.99%
Soft Costs	1,075,308	12.50%
<b>TOTAL USES</b>	<b>8,602,816</b>	<b>100.00%</b>
Gap	173	

**PER UNIT COST LIMIT CALCULATION**

	per unit limits	number of units		
0 Br	84,390	0	0	
1 Br	90,140	12	1,081,680	
2 Br	95,890	60	5,753,400	
3 Br	101,637	8	813,096	
4 Br	107,390	0	0	
Maximum cost allowed under the per unit cost limits		80	7,648,176	
Projected total cost, excluding cash accounts			8,602,816	Cost Overage %
	(over)/under		(954,640)	88.90%

General Partner's Capital Contribution	38,382	1.00%
Limited Partner's Capital Contribution	3,799,842	99.00%
<b>Total Equity</b>	<b>3,838,224</b>	

**APPLICABLE FRACTION CALCULATION**

Tax Credit Restricted Units	61
Total Units	80
Unit Fraction	76.25%
Tax Credit Square Footage	55,998
Total Residential Square Footage	73,156
Square Footage Fraction	76.55%
Applicable Fraction	76.25%

**Total Allocated Costs (2 Buildings)**

	Budget	Per Unit	Per s.f.
<b>ACQUISITION</b>			
Land	720,000	9,000	9.84
Purchase of Building(s)	0	0	0.00
Demolition (without replacement)	0	0	0.00
Property Appraisal	2,000	25	0.03
Legal - Title and Recording	10,500	131	0.14
Subtotal - Acquisition	732,500	9,156	10.01
<b>CONSTRUCTION HARD COSTS</b>			
Rehabilitation	0	0	0.00
New Building(s)	5,971,008	74,638	81.62
Accessory Buildings	0	0	0.00
Sitework	500,000	6,250	6.83
Commercial Space Costs (if any)	0	0	0.00
General Requirements	0	0	0.00
Contractor Overhead	0	0	0.00
Contractor Profit	0	0	0.00
Construction Contingency	260,000	3,250	3.55
Construction Management	0	0	0.00
Construction Bond Fee	0	0	0.00
Hazardous Materials Abatement	0	0	0.00
Off-Site Improvements	0	0	0.00
Furnishings, Fixtures, & Equipment	64,000	800	0.87
Other ( )	0	0	0.00
Subtotal - Hard Costs	6,795,008	84,938	92.88
<b>SOFT COSTS</b>			
Architectural	4,000	50	0.05
Engineering	0	0	0.00
Legal/Accounting	17,500	219	0.24
Relocation	0	0	0.00
Environmental Assessment	400	5	0.01
Energy Assessment	0	0	0.00
Permits/Fees	0	0	0.00
Independent Market Study	0	0	0.00
Construction Period Inspections	0	0	0.00
Construction Interest	120,000	1,500	1.64
Construction Loan Origination Fee	95,284	1,191	1.30
Taxes During Construction	0	0	0.00
Clerk of the Works	20,000	250	0.27
Marketing	3,750	47	0.05
Tax Credit Fees	18,650	233	0.25
Soft Cost Contingency	9,568	120	0.13
Permanent Loan Origination Fee	0	0	0.00
Lender's Counsel's Fee	0	0	0.00
Other ( )	13,656	171	0.19
<b>SYNDICATION COSTS</b>			
Organizational (Partnership)	0	0	0.00
Bridge Loan Fees and Expenses	0	0	0.00
Syndication Consultant	0	0	0.00
Tax Opinion	0	0	0.00
<b>DEVELOPER'S FEES</b>			
HVT Development Fee	320,000	4,000	4.37
LCHDC Development Fee	320,000	4,000	4.37
Consultant Fees	7,500	94	0.10
<b>RESERVES</b>			
Working Capital	110,000	1,375	1.50
Rent-up (Deficit Escrow) Reserve	15,000	188	0.21
Other Operating Reserves	0	0	0.00
Sinking Fund	0	0	0.00
Replacement Reserves	0	0	0.00
Subtotal - Soft Costs	1,075,308	13,441	14.70
<b>TOTAL DEVELOPMENT COSTS</b>	<b>8,602,816</b>	<b>107,535</b>	<b>117.60</b>

Combined Allocated project		Budget	Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Other
<b>ACQUISITION</b>							
1	Land	720,000					
2	Purchase of Building(s)	0					
3	Demolition (without replacement)	0					
4	Property Appraisal	2,000	2,000		2,000		
5	Legal - Title and Recording	10,500			10,500		
	Subtotal - Acquisition	732,500					
<b>CONSTRUCTION HARD COSTS</b>							
6	Rehabilitation	0					
7	New Building(s)	5,971,008		5,971,008	5,971,008		
8	Accessory Buildings	0					
9	Sitework	500,000		500,000	500,000		
10	Commercial Space Costs (if any)	0					
11	General Requirements	0					
12	Contractor Overhead	0					
13	Contractor Profit	0					
14	Construction Contingency	260,000		260,000	260,000		
15	Construction Management	0					
16	Construction Bond Fee	0					
17	Hazardous Materials Abatement	0					
18	Off-Site Improvements	0					
19	Furnishings, Fixtures, & Equipment	64,000		64,000			
20	Other ( )	0					
	Subtotal - Hard Costs	6,795,008					
<b>SOFT COSTS</b>							
21	Architectural	4,000		4,000	4,000		
22	Engineering	0					
23	Legal/Accounting	17,500		17,500	17,500		
24	Relocation	0					
25	Environmental Assessment	400		400	400		
26	Energy Assessment	0					
27	Permits/Fees	0		0	0		
28	Independent Market Study	0					
29	Construction Period Inspections	0					
30	Construction Interest	120,000		120,000	120,000		
31	Construction Loan Origination Fee	95,284		0			
32	Taxes During Construction	0					
33	Clerk of the Works	20,000		20,000	20,000		
34	Marketing	3,750			3,750		
35	Tax Credit Fees	18,650		18,650	18,650		
36	Soft Cost Contingency	9,568		9,568	9,568		
37	Permanent Loan Origination Fee	0					
38	Lender's Counsel's Fee	0					
39	Other (VCDP Admin Fee)	13,656		13,656	13,656		
	SYNDICATION COSTS	0					
40	Organizational (Partnership)	0					
41	Bridge Loan Fees and Expenses	0					
42	Syndication Consultant	0					
43	Tax Opinion	0					
	DEVELOPER'S FEES	0					
44	HVT Development Fee	320,000		320,000	320,000		
45	LCHDC Development Fee	320,000		320,000	320,000		
46	Consultant Fees	7,500		7,500	7,500		
	RESERVES	0					
47	Working Capital	110,000					
48	Rent-up (Deficit Escrow) Reserve	15,000					
49	Other Operating Reserves	0					
50	Sinking Fund	0					
51	Replacement Reserves	0					
	Subtotal - Soft Costs	1,075,308					
	<b>TOTALS</b>	<b>8,602,816</b>	<b>2,000</b>	<b>7,646,282</b>	<b>7,598,532</b>	<b>0</b>	
LESS:	Amount of Non-qualified Financing						
LESS:	Adjustment for per unit cost limits	100.00%		0			
LESS:	Historic tax Credit (Residential Portion)			0	0	20% Historic Credit Rate	
	Total Eligible Basis		2,000	7,646,282		0 Annual Historic Credit	
TIMES:	Adjusted for QCT/DDA	100.00%		7,646,282			
TIMES:	Applicable Fraction		1,525	5,830,290			
	Total Qualified Basis		1,525	5,830,290	7,598,532	Long Term Depreciable Basis	
TIMES:	Applicable Percentage		3.50%	8.16%	27.5	Depreciation Schedule	
	Total Annual Credit Qualified		0	475,752	276,310	Annual Depreciation	
Total Tax Credits Requested		460,000			64,000	Short Term Depreciable Basis	
Estimated Net Syndication Proceeds (excluding historic credit equity)		3,838,224			7	Depreciation Schedule	
Estimated Yield - Housing Credit Syndication		84.28%			9,143	Annual Depreciation	
Equity Gap		3,838,224					
Credits Needed to fill Equity Gap		460,000					

28-Nov-01 O'Dell Allocated

HC Restricted Units  
Bedrooms

0 Br  
1 Br  
2 Br Flats  
2 Br Townhouses  
3 Br

Type	Average Square Feet	Number	Average Rent	Utilities	Total Annual Rent
		0	0		0
	722	9	492		53,136
	925	40	590		282,960
	973	4	605		29,040
	1,076	8	826		79,296
Totals	55,998	61			444,432

Non-HC Restricted Units  
Bedrooms

0 Br  
1 Br  
2 Br Flats  
2 Br Townhouses  
3 Br

Type	Square Feet	Number	Rent	Utilities	Total Annual Rent
		0	0		0
	722	3	622		22,392
	925	12	757		109,008
	973	4	767		36,816
	1,076	0	0		0
Totals	17,158	19			168,216

All Units

Grand Totals 73,156 80 612,648

Less Vacancy 5.00% (30,632)

NET RENT 582,016

OTHER INCOME

Laundry 600/month  
Section 8  
Commercial Space Income  
Other

7,200
53,044
0
0

TOTAL INCOME 642,260



28-Nov-01 O'Dell Allocated

	Annual	Monthly	Per Unit Per Month	
<b>Administration</b>				
Management Fee	43,200	3,600	45	7.0%
Admin Salaries/Benefits	17,280	1,440	18	
Audit/Accounting	3,840	320	4	
Legal	3,840	320	4	
Compliance Monitoring	2,928	244	3	
Marketing		0	0	
Other	7,680	640	8	
<b>TOTAL ADMINISTRATIVE</b>	<b>78,768</b>	<b>6,564</b>	<b>82</b>	
<b>Utilities</b>				
Electricity	4,800	400	5	
Fuel - oil	33,600	2,800	35	
Water and Sewer	19,200	1,600	20	
Fire Alarm / Emergency	1,920	160	2	
Other		0	0	
<b>TOTAL UTILITIES</b>	<b>59,520</b>	<b>4,960</b>	<b>62</b>	
<b>Maintenance</b>				
Maintenance / Janitor Payroll	38,400	3,200	40	
Janitor Supplies	4,800	400	5	
Exterminating	1,920	160	2	
Trash Removal	14,400	1,200	15	
Snow Removal	7,680	640	8	
Grounds	7,680	640	8	
Repairs Material		0	0	
Repairs Contract		0	0	
HVAC Repairs / Maintenance		0	0	
Elevator Contract / Repairs	4,800	400	5	
Painting and Decorating	6,720	560	7	
Other		0	0	
<b>TOTAL MAINTENANCE</b>	<b>86,400</b>	<b>7,200</b>	<b>90</b>	
Real Estate Taxes	86,400	7,200	90	per unit month excl. ds & res. 337
Property Insurance	12,480	1,040	13	
Replacement Reserves	28,800	2,400	30	
Primary Debt Service	197,935	16,495	206	
Other "must pay" debt service	45,676	3,806	48	
Other		0	0	
<b>Total</b>	<b>595,980</b>	<b>49,665</b>	<b>621</b>	
	323,568			
	352,368			567,180

99,330 2 months wc

28-Nov-01 O'Dell Allocated														
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Operating Income														
Other Income (Rental Assistance)	612,648	621,838	631,165	640,633	650,242	659,996	669,896	679,944	690,143	700,496	711,003	721,668	732,493	743,480
Other Income (Laundry)	53,044	53,840	54,647	55,467	56,299	57,144	58,001	58,871	59,754	60,650	61,556	62,473	63,400	64,337
Vacancy and other losses	7,200	7,308	7,418	7,529	7,642	7,756	7,873	7,991	8,111	8,232	8,356	8,481	8,608	8,738
Total Operating Income	(30,632)	(31,092)	(31,558)	(32,032)	(32,512)	(33,000)	(33,495)	(33,997)	(34,507)	(35,025)	(35,550)	(36,083)	(36,625)	(37,174)
Operating Expenses														
Total Expenses (excl. Reserves)	642,260	651,894	661,672	671,597	681,671	691,896	702,275	712,809	723,501	734,353	745,266	756,334	767,466	778,654
Total Operating Expense	323,568	333,273	343,273	353,571	364,179	375,104	386,357	397,948	409,886	422,183	434,848	447,894	461,331	475,171
Net Operating Income	28,800	29,232	29,670	30,116	30,567	31,026	31,491	31,964	32,443	32,930	33,424	33,925	34,434	34,950
Less Primary Debt Service (taxable)	352,368	362,507	372,944	383,687	394,746	406,130	417,848	429,911	442,329	455,112	468,272	481,819	495,764	510,121
Less Primary Debt Service (taxable)	289,892	289,387	288,728	287,910	286,925	285,766	284,426	282,897	281,172	279,241	277,095	274,742	272,181	269,419
Less Primary Debt Service (taxable)	197,935	197,935	197,935	197,935	197,935	197,935	197,935	197,935	197,935	197,935	197,935	197,935	197,935	197,935
Less Primary Debt Service (taxable)	45,676	45,676	45,676	45,676	45,676	45,676	45,676	45,676	45,676	45,676	45,676	45,676	45,676	45,676
Less Primary Debt Service (taxable)	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333
Annual Cash Flow	37,947	37,442	36,783	35,965	34,980	33,821	32,481	30,952	29,227	27,296	25,058	22,618	20,000	17,222
Operating Subsidies / Sinking Fund	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash	37,947	37,442	36,783	35,965	34,980	33,821	32,481	30,952	29,227	27,296	25,058	22,618	20,000	17,222
Cumulative Cash Flow	115.00%	114.86%	114.60%	114.27%	113.88%	113.42%	112.89%	112.29%	111.60%	110.83%	104.49%	102.90%	101.18%	99.35%
Beginning Balance	0	38,326	77,292	116,762	156,589	196,617	236,675	276,582	316,141	355,144	393,367	430,003	465,061	499,644
Deposits	37,947	37,442	36,783	35,965	34,980	33,821	32,481	30,952	29,227	27,296	25,058	22,618	20,000	17,222
Interest	379	1,524	2,687	3,863	5,047	6,237	7,425	8,607	9,776	10,927	11,894	12,496	13,015	13,454
Withdrawals	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance	38,326	77,292	116,762	156,589	196,617	236,675	276,582	316,141	355,144	393,367	430,003	465,061	499,644	533,866
Cumulative Replacement Reserves														
Beginning Balance	0	29,088	59,485	91,237	124,390	156,589	196,617	236,675	276,582	316,141	355,144	393,367	430,003	465,061
Deposits	28,800	29,232	29,670	30,116	30,567	31,026	31,491	31,964	32,443	32,930	33,424	33,925	34,434	34,950
Interest	288	1,165	2,081	3,038	4,037	5,076	6,154	7,271	8,428	9,625	10,862	12,139	13,454	14,811
Withdrawals*	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance	29,088	59,485	91,237	124,390	156,589	196,617	236,675	276,582	316,141	355,144	393,367	430,003	465,061	499,644
1,975														
Net Operating Income	289,892	289,387	288,728	287,910	286,925	285,766	284,426	282,897	281,172	279,241	277,095	274,742	272,181	269,419
Plus Reserves	28,800	29,232	29,670	30,116	30,567	31,026	31,491	31,964	32,443	32,930	33,424	33,925	34,434	34,950
Less Interest Expense	216,297	213,883	211,255	208,395	205,282	201,894	198,207	194,193	189,825	185,071	181,719	178,725	175,179	172,000
Less Long Depreciation	(275,926)	(275,926)	(275,926)	(275,926)	(275,926)	(275,926)	(275,926)	(275,926)	(275,926)	(275,926)	(275,926)	(275,926)	(275,926)	(275,926)
Less Short Depreciation	(9,143)	(9,143)	(9,143)	(9,143)	(9,143)	(9,143)	(9,143)	(9,143)	(9,143)	(9,143)	(9,143)	(9,143)	(9,143)	(9,143)
Taxable Income (Loss)	249,920	247,433	244,385	241,352	237,706	233,618	229,056	233,129	227,514	221,316	214,753	207,832	200,496	192,869
Cash Flow	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings	(87,472)	(86,602)	(85,605)	(84,473)	(83,197)	(81,766)	(80,170)	(78,505)	(76,766)	(74,961)	(73,104)	(71,194)	(69,238)	(67,238)
Plus Tax Credits	460,000	460,000	460,000	460,000	460,000	460,000	460,000	460,000	460,000	460,000	460,000	460,000	460,000	460,000
After Tax Cash Flow	372,528	373,398	374,395	375,527	376,803	378,234	379,830	381,595	383,514	385,589	387,820	390,214	392,772	395,491
Total Years	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Reinvestment Rate	12.00%													
Current After Tax Cash Flows	372,528	373,398	374,395	375,527	376,803	378,234	379,830	381,595	383,514	385,589	387,820	390,214	392,772	395,491
Future Value of Cash Flows at Yr 15:	2,039,056	1,824,840	1,633,671	1,463,043	1,310,728	1,174,737	1,053,300	936,917	840,877	755,065	681,455	618,903	567,461	526,154
Discount Rate:	6.00%													
Capital Contribution Number:	1	2	3	4	5	6	7	8						
Date of Capital Contribution:	31-Jan-02	15-Nov-02	01-Sep-03	01-Sep-04	01-Sep-05									
Amount of Capital Contribution:	37,998	3,761,843	0	0	0	0	0	0						
Present Value of Contributions:	37,998	3,567,672	0	0	0	0	0	0						
Cash Flows	(3,605,670)													

Total Years	15														
Reinvestment Rate	12.00%														
Current After Tax Cash Flows	372,528	373,398	374,395	375,527	376,803	378,234	379,830	380,370	382,539	384,055	385,666	387,262	388,844	390,412	
Future Value of Cash Flows at Yr 15:	2,039,056	1,824,840	1,633,671	1,463,043	1,310,728	1,174,737	1,053,300	936,917	755,065	541,164	326,686	102,803	(61,894)	(47,459)	
Discount Rate:	5.00%														
Capital Contribution Number:	1	2	3	4	5	6	7	8							
Date of Capital Contribution:	31-Jan-02	15-Dec-02	15-Nov-02	01-Sep-03	01-Sep-04	01-Sep-05									
Amount of Capital Contribution:	37,998	37,618,843	0					0							
Present Value of Contributions:	37,998	3,567,672	0	0	0	0	0	0	0	0	0	0	0	12,667,062	
Cash Flows	(3,605,670)														

29-Apr-00 O'Dell Bond

Total Residential Units:	80	Increase in Income from Rental Units:	1.5%
Housing Credit Restricted Units:	68	Increase in Income from Other Sources:	1.5%
Percent Restricted:	85.00%	Increase in Income from Commercial:	1.5%
Total Development Cost:	8,596,082	Expense increase:	3%
Total Development Cost per Unit:	107,451	Vacancy Rate:	5%
Total Development Cost Per SF:	117.50	Partner's Tax Rate:	35%
		Long Depreciation Schedule:	27.5 years
		Short Depreciation Schedule:	7 years
4% Credit Amount Allocated:	291,192	Sponsor's Estimated Yield:	78.76%

LIHTC - 9%	8.05%	(December 2001)
LIHTC - 4%	3.45%	

#### SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term
First Mortgage - tax exempt	2,365,000	27.51%	7.00%	40	40
First Mortgage - tax exempt	300,000	3.49%	7.00%	10	10
HOME	216,000	2.51%	6.00%	30	30
VCDP	559,250	6.51%	6.00%	30	30
VHCB	1,761,767	20.49%	0.00%	30	30
HUD Special Purpose	305,814	3.56%	6.00%	10	10
VHFA 0% Loan	350,000	4.07%	0.00%	30	30
Developer Loan	125,000	1.45%	2.50%	15	15
VHCB Development Loan	50,000	0.58%	0.00%	15	15
REEP	123,000	1.43%	N/A	N/A	N/A
Tax Credit Equity	2,440,000	28.39%	N/A	N/A	
<b>TOTAL SOURCES</b>	<b>8,595,831</b>	<b>100.00%</b>			

Total Both Projects  
115.19%

800,000  
3,234,000  
675,250

VHFA Construction Loan	4,660,637	54.22%	6.00%	18 months
<b>USES</b>				
Acquisition	732,500	8.52%		
Construction Hard Costs	6,795,008	79.05%		
Soft Costs	1,068,574	12.43%		
<b>TOTAL USES</b>	<b>8,596,082</b>	<b>100.00%</b>		

Gap 251

#### PER UNIT COST LIMIT CALCULATION

	per unit limits	number of units	
0 Br	84,390	0	0
1 Br	90,140	12	1,081,680
2 Br	95,890	60	5,753,400
3 Br	101,637	8	813,096
4 Br	107,390	0	0
Maximum cost allowed under the per unit cost limits		80	7,648,176
Projected total cost, excluding cash accounts			12,729,123
	(over)/under		(5,080,947)
			Cost Overage % 60.08%

General Partner's Capital Contribution	24,400	1.00%
Limited Partner's Capital Contribution	2,415,600	99.00%
Total Equity	2,440,000	

#### APPLICABLE FRACTION CALCULATION

Tax Credit Restricted Units	68
Total Units	80
Unit Fraction	85.00%
Tax Credit Square Footage	62,270
Total Residential Square Footage	73,156
Square Footage Fraction	85.12%
Applicable Fraction	85.00%

TOTAL BOND SOURCES/USES			
80	Budget	Per Unit	Per s.f.
<b>ACQUISITION</b>			
1 Land	720,000	9,000	9.84
2 Purchase of Building(s)	0	0	0.00
3 Demolition (without replacement)	0	0	0.00
4 Property Appraisal	2,000	25	0.03
5 Legal - Title and Recording	10,500	131	0.14
Subtotal - Acquisition	732,500	9,156	10.01
<b>CONSTRUCTION HARD COSTS</b>			
6 Rehabilitation	0	0	0.00
7 New Building(s)	5,971,008	74,638	81.62
8 Accessory Buildings	0	0	0.00
9 Sitework	500,000	6,250	6.83
10 Commercial Space Costs (if any)	0	0	0.00
11 General Requirements	0	0	0.00
12 Contractor Overhead	0	0	0.00
13 Contractor Profit	0	0	0.00
14 Construction Contingency	260,000	3,250	3.55
15 Construction Management	0	0	0.00
16 Construction Bond Fee	0	0	0.00
17 Hazardous Materials Abatement	0	0	0.00
18 Off-Site Improvements	0	0	0.00
19 Furnishings, Fixtures, & Equipment	64,000	800	0.87
20 Other ( )	0	0	0.00
Subtotal - Hard Costs	6,795,008	84,938	92.88
<b>SOFT COSTS</b>			
21 Architectural	4,000	50	0.05
22 Engineering	0	0	0.00
23 Legal/Accounting	17,500	219	0.24
24 Relocation	0	0	0.00
25 Environmental Assessment	400	5	0.01
26 Energy Assessment	0	0	0.00
27 Permits/Fees	0	0	0.00
28 Independent Market Study	0	0	0.00
29 Construction Period Inspections	0	0	0.00
30 Construction Interest	120,000	1,500	1.64
31 Construction Loan Origination Fee	81,510	1,019	1.11
32 Taxes During Construction	0	0	0.00
33 Clerk of the Works	20,000	250	0.27
34 Marketing	3,750	47	0.05
35 Tax Credit Fees	11,690	146	0.16
36 Soft Cost Contingency	8,568	107	0.12
37 Permanent Loan Origination Fee	0	0	0.00
38 Lender's Counsel's Fee	0	0	0.00
39 Other (VCDP Admin Fee)	13,656	171	0.19
<b>SYNDICATION COSTS</b>			
40 Organizational (Partnership)	0	0	0.00
41 Bridge Loan Fees and Expenses	0	0	0.00
42 Syndication Consultant	0	0	0.00
43 Tax Opinion	0	0	0.00
<b>DEVELOPER'S FEES</b>			
44 HVT Development Fee	320,000	4,000	4.37
45 LCHDC Development Fee	320,000	4,000	4.37
46 Consultant Fees	7,500	94	0.10
<b>RESERVES</b>			
47 Working Capital	110,000	1,375	1.50
48 Rent-up (Deficit Escrow) Reserve	30,000	375	0.41
49 Other Operating Reserves	0	0	0.00
50 Sinking Fund	0	0	0.00
51 Replacement Reserves	0	0	0.00
Subtotal - Soft Costs	1,068,574	13,357	14.61
TOTAL DEVELOPMENT COSTS	8,596,082	107,451	117.50

	Budget	Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Other
<b>Total Bond (80 unit) Credit Calc</b>						
<b>ACQUISITION</b>						
1 Land	720,000					
2 Purchase of Building(s)	0					
3 Demolition (without replacement)	0					
4 Property Appraisal	2,000	2,000		2,000		
5 Legal - Title and Recording	10,500			10,500		
Subtotal - Acquisition	732,500					
<b>CONSTRUCTION HARD COSTS</b>						
6 Rehabilitation	0					
7 New Building(s)	5,971,008		5,971,008	5,971,008		
8 Accessory Buildings	0					
9 Sitework	500,000		500,000	500,000		
10 Commercial Space Costs (if any)	0					
11 General Requirements	0					
12 Contractor Overhead	0					
13 Contractor Profit	0					
14 Construction Contingency	260,000		260,000	260,000		
15 Construction Management	0					
16 Construction Bond Fee	0					
17 Hazardous Materials Abatement	0					
18 Off-Site Improvements	0					
19 Furnishings, Fixtures, & Equipment	64,000		64,000			
20 Other ( )	0					
Subtotal - Hard Costs	6,795,008					
<b>SOFT COSTS</b>						
21 Architectural	4,000		4,000	4,000		
22 Engineering	0					
23 Legal/Accounting	17,500		17,500	17,500		
24 Relocation	0					
25 Environmental Assessment	400		400	400		
26 Energy Assessment	0		0	0		
27 Permits/Fees	0		0	0		
28 Independent Market Study	0					
29 Construction Period Inspections	0					
30 Construction Interest	120,000		120,000	120,000		
31 Construction Loan Origination Fee	81,510					
32 Taxes During Construction	0					
33 Clerk of the Works	20,000		20,000	20,000		
34 Marketing	3,750			3,750		
35 Tax Credit Fees	11,690		11,690	11,690		
36 Soft Cost Contingency	8,568		8,568	8,568		
37 Permanent Loan Origination Fee	0					
38 Lender's Counsel's Fee	0					
39 Other ( )	13,656		13,656	13,656		
<b>SYNDICATION COSTS</b>						
40 Organizational (Partnership)	0					
41 Bridge Loan Fees and Expenses	0					
42 Syndication Consultant	0					
43 Tax Opinion	0					
<b>DEVELOPER'S FEES</b>						
44 HVT Development Fee	320,000		320,000	320,000		
45 LCHDC Development Fee	320,000		320,000	320,000		
46 Consultant Fees	7,500		7,500	7,500		
<b>RESERVES</b>						
47 Working Capital	110,000					
48 Rent-up (Deficit Escrow) Reserve	30,000					
49 Other Operating Reserves	0					
50 Sinking Fund	0					
51 Replacement Reserves	0					
Subtotal - Soft Costs	1,068,574					
<b>TOTALS</b>	<b>8,596,082</b>	<b>2,000</b>	<b>7,638,322</b>	<b>7,590,572</b>	<b>0</b>	
LESS: Amount of Non-qualified Financing						
LESS: Adjustment for per unit cost limits	100.00%		0			
LESS: Historic tax Credit (Residential Portion)			0	0	20% Historic Credit Rate	
Total Eligible Basis		2,000	7,638,322		0 Annual Historic Credit	
TIMES: Adjusted for QCT/DDA	130.00%		9,929,819			
TIMES: Applicable Fraction		1,700	8,440,346			
Total Qualified Basis		1,700	8,440,346	7,590,572	Long Term Depreciable Basis	
TIMES: Applicable Percentage		3.45%	3.45%	27.5	Depreciation Schedule	
Total Annual Credit Qualified		0	291,192	276,021	Annual Depreciation	
Total Tax Credits Requested	291,268			64,000	Short Term Depreciable Basis	
Estimated Net Syndication Proceeds (excluding historic credit equity)	2,440,000			7	Depreciation Schedule	
Estimated Yield - Housing Credit Syndication	84.62%			9,143	Annual Depreciation	
Equity Gap	2,440,000					
Credits Needed to fill Equity Gap	291,268					

HC Restricted Units  
Bedrooms

0 Br  
1 Br  
2 Br Flats  
2 Br Townhouses  
3 Br

Type	Average Square Feet	Number	Average Rent	Utilities	Total Annual Rent
		0	0		0
	722	10	502		60,288
	925	46	590		325,920
	973	4	605		29,040
	1,076	8	826		79,296
Totals	62,270	68			494,544

Non-HC Restricted Units  
Bedrooms

0 Br  
1 Br  
2 Br Flats  
2 Br Townhouses  
3 Br

Type	Square Feet	Number	Rent	Utilities	Total Annual Rent
		0	0		0
	722	2	632		15,168
	925	6	757		54,504
	973	4	767		36,816
	1,076	0	950		0
Totals	10,886	12			106,488

All Units

Grand Totals	73,156	80			601,032
Less Vacancy		5.00%			(30,052)

**NET RENT** 570,980

OTHER INCOME

Laundry  
Section 8  
Commercial Space Income  
Other

600/month

7,200
37,346
0
0

**TOTAL INCOME** 615,527

28-Nov-01 O'Dell Bond

	Annual	Monthly	Per Unit Per Month	
<b>Administration</b>				
Management Fee	43,200	3,600	45	7.0%
Admin Salaries & Benefits	17,280	1,440	18	
Audit/Accounting	3,840	320	4	
Legal	3,840	320	4	
Compliance Monitoring	3,264	272	3	
Marketing		0	0	
Other	7,680	640	8	
<b>TOTAL ADMINISTRATIVE</b>	<b>79,104</b>	<b>6,592</b>	<b>82</b>	
<b>Utilities</b>				
Electricity	4,800	400	5	
Fuel - oil	33,600	2,800	35	
Water and Sewer	19,200	1,600	20	
Fire Alarm / Emergency	1,920	160	2	
Other		0	0	
<b>TOTAL UTILITIES</b>	<b>59,520</b>	<b>4,960</b>	<b>62</b>	
<b>Maintenance</b>				
Maintenance / Janitor Payroll	38,400	3,200	40	
Janitor Supplies	4,800	400	5	
Exterminating	1,920	160	2	
Trash Removal	14,400	1,200	15	
Snow Removal	7,680	640	8	
Grounds	7,680	640	8	
Repairs Material		0	0	
Repairs Contract		0	0	
HVAC Repairs / Maintenance		0	0	
Elevator Contract / Repairs	4,800	400	5	
Painting and Decorating	6,720	560	7	
Other		0	0	
<b>TOTAL MAINTENANCE</b>	<b>86,400</b>	<b>7,200</b>	<b>90</b>	
Real Estate Taxes	86,400	7,200	90	per unit month excl. ds & res. 337
Property Insurance	12,480	1,040	13	
Replacement Reserves	28,800	2,400	30	
Primary Debt Service	176,362	14,697	184	
Other "must pay" debt service	41,799	3,483	44	
Other 0- Developer Loan	10,002	833	10	
<b>Total</b>	<b>580,867</b>	<b>48,406</b>	<b>605</b>	
	352,704			
	323,904			552,067

96,811 2 months wc



Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Operating Income															
Other Income (Rental Assistance)	601,032	610,047	619,198	628,486	637,913	647,482	657,194	667,052	677,058	687,214	697,522	707,985	718,605	729,384	740,325
Other Income (Laundry)	37,346	37,907	38,475	39,052	39,638	40,233	40,836	41,449	42,070	42,701	0	0	0	0	0
Vacancy and other losses	7,200	7,308	7,418	7,529	7,642	7,756	7,873	7,991	8,111	8,232	8,356	8,481	8,608	8,738	8,869
Total Operating Income	(30,052)	(30,502)	(30,960)	(31,424)	(31,896)	(32,374)	(32,861)	(33,353)	(33,851)	(34,361)	(34,876)	(35,399)	(35,930)	(36,469)	(37,016)
Operating Expenses															
Total Expenses (excl. Reserves)	615,527	624,760	634,131	643,643	653,298	663,097	673,044	683,139	693,386	703,787	714,342	725,057	735,934	746,873	757,862
Reserves	323,904	331,621	343,630	353,939	364,557	375,494	386,758	398,361	410,312	422,621	435,300	448,359	461,810	475,664	489,934
Total Operating Expense	28,800	29,232	29,670	30,116	30,567	31,026	31,491	31,964	32,443	32,930	33,424	33,925	34,434	34,950	35,475
Net Operating Income	352,704	362,853	373,300	384,054	395,124	406,519	418,249	430,325	442,755	455,551	468,723	482,284	496,243	510,614	525,408
Less Primary Debt Service (tax exempt)	262,823	261,907	260,831	259,589	258,174	256,578	254,794	252,815	250,631	248,236	245,728	243,199	240,640	238,064	235,475
Less Primary Debt Service (tax exempt)	176,362	176,362	176,362	176,362	176,362	176,362	176,362	176,362	176,362	176,362	176,362	176,362	176,362	176,362	176,362
Less Developer Loan	41,799	41,799	41,799	41,799	41,799	41,799	41,799	41,799	41,799	41,799	41,799	41,799	41,799	41,799	41,799
Annual Cash Flow	10,002	10,002	10,002	10,002	10,002	10,002	10,002	10,002	10,002	10,002	10,002	10,002	10,002	10,002	10,002
Operating Subsidies / Sinking Fund	34,660	33,743	32,668	31,426	30,011	28,415	26,631	24,652	22,468	20,073	15,914	12,419	8,675	4,674	405
Net Cash	34,660	33,743	32,668	31,426	30,011	28,415	26,631	24,652	22,468	20,073	15,914	12,419	8,675	4,674	405
Cumulative Cash Flow															
Beginning Balance	115.19%	114.79%	114.32%	113.77%	113.15%	112.45%	111.67%	110.80%	109.85%	108.80%	107.54%	106.06%	104.66%	102.51%	100.22%
Deposits	0	35,006	70,137	105,236	140,133	174,648	208,586	241,741	273,891	304,801	334,219	360,319	383,672	403,945	420,784
Interest	34,660	33,743	32,668	31,426	30,011	28,415	26,631	24,652	22,468	20,073	15,914	12,419	8,675	4,674	405
Withdrawals	0	1,388	2,431	3,471	4,504	5,524	6,524	7,499	8,441	9,345	10,186	10,934	11,597	12,165	12,628
Ending Balance	35,006	70,137	105,236	140,133	174,648	208,586	241,741	273,891	304,801	334,219	360,319	383,672	403,945	420,784	438,816
Cumulative Replacement Reserves															
Beginning Balance	0	29,088	59,485	91,237	124,390	158,000	191,153	223,806	255,959	287,612	318,765	349,418	379,571	409,224	438,377
Deposits	28,800	29,232	29,670	30,116	30,567	31,026	31,491	31,964	32,443	32,930	33,424	33,925	34,434	34,950	35,475
Interest	288	1,165	2,081	3,038	4,057	5,138	6,286	7,504	8,789	10,140	11,557	13,034	14,571	16,168	17,825
Withdrawals*	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance	29,088	59,485	91,237	124,390	158,000	191,153	223,806	255,959	287,612	318,765	349,418	379,571	409,224	438,377	467,002
* = assumes \$1975 per unit is expended every 5 years															
Net Operating Income	262,823	261,907	260,831	259,589	258,174	256,578	254,794	252,815	250,631	248,236	245,728	243,199	240,640	238,064	235,475
Plus Reserves	28,800	29,232	29,670	30,116	30,567	31,026	31,491	31,964	32,443	32,930	33,424	33,925	34,434	34,950	35,475
Less Interest Expense	(256,425)	(257,184)	(257,965)	(258,768)	(259,592)	(260,436)	(261,300)	(262,181)	(263,078)	(263,989)	(264,914)	(265,853)	(266,806)	(267,773)	(268,753)
Less Long Depreciation	(552,186)	(552,186)	(552,186)	(552,186)	(552,186)	(552,186)	(552,186)	(552,186)	(552,186)	(552,186)	(552,186)	(552,186)	(552,186)	(552,186)	(552,186)
Less Short Depreciation	(18,286)	(18,286)	(18,286)	(18,286)	(18,286)	(18,286)	(18,286)	(18,286)	(18,286)	(18,286)	(18,286)	(18,286)	(18,286)	(18,286)	(18,286)
Taxable Income (Loss)	(535,275)	(536,517)	(537,935)	(539,533)	(541,323)	(543,303)	(545,487)	(547,869)	(550,451)	(553,233)	(556,215)	(559,400)	(562,788)	(566,380)	(570,077)
Cash Flow	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings	187,346	187,781	188,277	188,837	189,463	190,157	190,920	191,756	192,657	193,624	194,657	195,757	196,924	198,158	199,460
Plus Tax Credits	291,192	291,192	291,192	291,192	291,192	291,192	291,192	291,192	291,192	291,192	291,192	291,192	291,192	291,192	291,192
After Tax Cash Flow	478,538	478,973	479,469	480,029	480,655	481,349	482,112	482,948	483,849	484,816	485,850	486,952	488,122	489,364	490,672
Total Years	15														
Reinvestment Rate	12.00%														
Current After Tax Cash Flows	478,538	478,973	479,469	480,029	480,655	481,349	482,112	482,948	483,849	484,816	485,850	486,952	488,122	489,364	490,672
Future Value of Cash Flows at Yr 15:	2,619,309	2,340,795	2,092,161	1,870,183	1,671,982	1,494,996	1,336,935	1,179,916	1,055,509	944,366	839,460	739,720	644,924	555,967	472,853

Discount Rate:	6.00%
Capital Contribution Number:	1
Date of Capital Contribution:	31-Jan-02
Amount of Capital Contribution:	25,156
Present Value of Contributions:	2,045,739
Cash Flows	(2,270,418)
IRR:	14.84%
Equity Yield:	78.76%



**RESOLUTION RE: CONSTRUCTION AND PERMANENT FINANCING  
FOR FARRELL STREET/O'DELL/MARKETPLACE, SOUTH BURLINGTON**

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

WHEREAS, a revised application has been submitted to the Agency by Housing Vermont and Lake Champlain Housing Development Corporation (the "Sponsors") on behalf of a to be formed limited partnership in which the Sponsors or their subsidiaries will be the general partners (the "Borrower") involving the new construction of four buildings containing 160 units of rental housing in the City of South Burlington (the "Development"); and

WHEREAS, the Agency has taken action on two (2) previous proposals for the Development in November 2000 and April 2001;

WHEREAS, the application now contemplates a 0% loan and mortgage loans for construction and permanent term financing for the Development with the interest rates to be determined by the Agency depending on the source of funds, but not to exceed 150 basis points above the Agency's cost of funds;

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid dated November 28, 2001, containing information and recommendations about the Development (the "Memorandum");

The determinations and findings made by the Agency in its November 28, 2000 resolution including the "official action" taken under paragraphs 3 and 4 of the RESOLVED are incorporated herein by reference and remain in full force and effect. The contents of the November 28, 2000 and April 19, 2001 resolutions of the Agency related to financing terms and conditions are superceded by the action taken in this resolution.

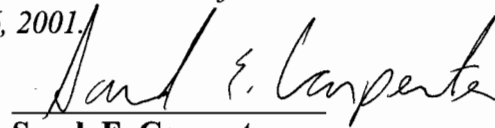
WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to the limited partnership to be created by the Sponsor for the construction and permanent term financing of the Development based on the recommendations in the attached Memorandum. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the Sponsor in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.
2. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designees may, in his or her discretion, issue one or more Commitment Letters for a mortgage loan(s) to the limited partnership to be created by the Sponsors for the construction and permanent term

financing of the Development based on the recommendations in the attached Memorandum. The Commitment Letter may be issued to one or both of the Sponsors as a representative(s) of the Borrower. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.

3. The Executive Director is hereby authorized to make an additional loan to the Borrower for the Development of not more than \$350,000 at an interest rate of 0%.
4. The Executive Director and the Loan Review Committee will establish the final sources and amounts of the loans for the Development, and such conditions and terms that are appropriate for the Development in accordance with all requirements of the Act, and the applicable regulations and policies of the Agency, including the Underwriting Guidelines.

*I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on December 6, 2001.*



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



## Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Multifamily Development Underwriter *CR*

DATE: November 28, 2001

RE: Multifamily Construction and Permanent Loan Application for Cathedral Square Assisted Living, Burlington

<b>Name:</b>	Cathedral Square Assisted Living	<b>Location:</b>	Burlington
<b>Housing Type:</b>	Elderly	<b>Unit Type:</b>	Flats (elevator)
<b>Total Units:</b>	7	<b>Unit Sizes:</b>	7 1-BR 490 s.f.
<b>Total Cost:</b>	\$893,878	<b>Per S.F. Acquisition &amp; Construction Cost:</b>	\$179
<b>Loan Requested:</b>	\$200,500 construction \$200,500 permanent		
<b>Other Funding:</b>	VHCB, HUD Special Purpose		
<b>Sponsors:</b>	Cathedral Square Corporation		

Cathedral Square Corporation (CSC) is seeking construction and permanent financing to build a seven-unit addition on their existing 101-unit building at 3 Cathedral Square on Cherry Street in Burlington. CSC obtained a grant from HUD to convert two floors of the building totaling 21 units into assisted living, in order to better serve the needs of the frail elderly residents. The new addition will add 7 market units, a commercial kitchen, a dining room, a lounge and a mechanical room. A total of 28 assisted living units will be created which is enough to support the cost of the services which will be offered at the facility. Services will include assistance with personal care needs, nursing overview, medication management, three meals daily, weekly housekeeping, laundry, transportation, service coordination, daily activities, and 24-hour awake staff supervision. The seven units to be financed by VHFA are the "market units"; of those, four will be affordable to households below 80% of area median income. This would meet the VHFA requirement that "more than half" of the units shall be affordable to persons of low to moderate income. *This requires a Board waiver from our standard 75% requirement.* (Affordability is calculated on the rental expense only, not on the total package of rent plus services; the other 21 assisted living units are affordable to households below 50% of median income and 12 of those units will have Medicaid waivers to insure services are affordable to those residents.) In addition to creating 28 assisted living units, kitchen and dining room, the project will also add a wellness center which will include a nursing area and an exam room, a hair salon, and fire alarm upgrades to the entire building. HUD has an existing mortgage and will have additional covenants for a new grant. Because HUD has been and continues to be the primary lender, they will not subordinate to VHFA, so our loan security will be a second-position mortgage on the entire property during construction. At permanent closing VHFA would make a loan to a 501(c)3 organization to be created by CSC, which will be secured by a lease of the seven new units and the related common utilities and space. This will be a first-position mortgage. An Environmental Site Assessment was completed and no environmentally hazardous conditions were found. An as-built appraisal has not yet been obtained.



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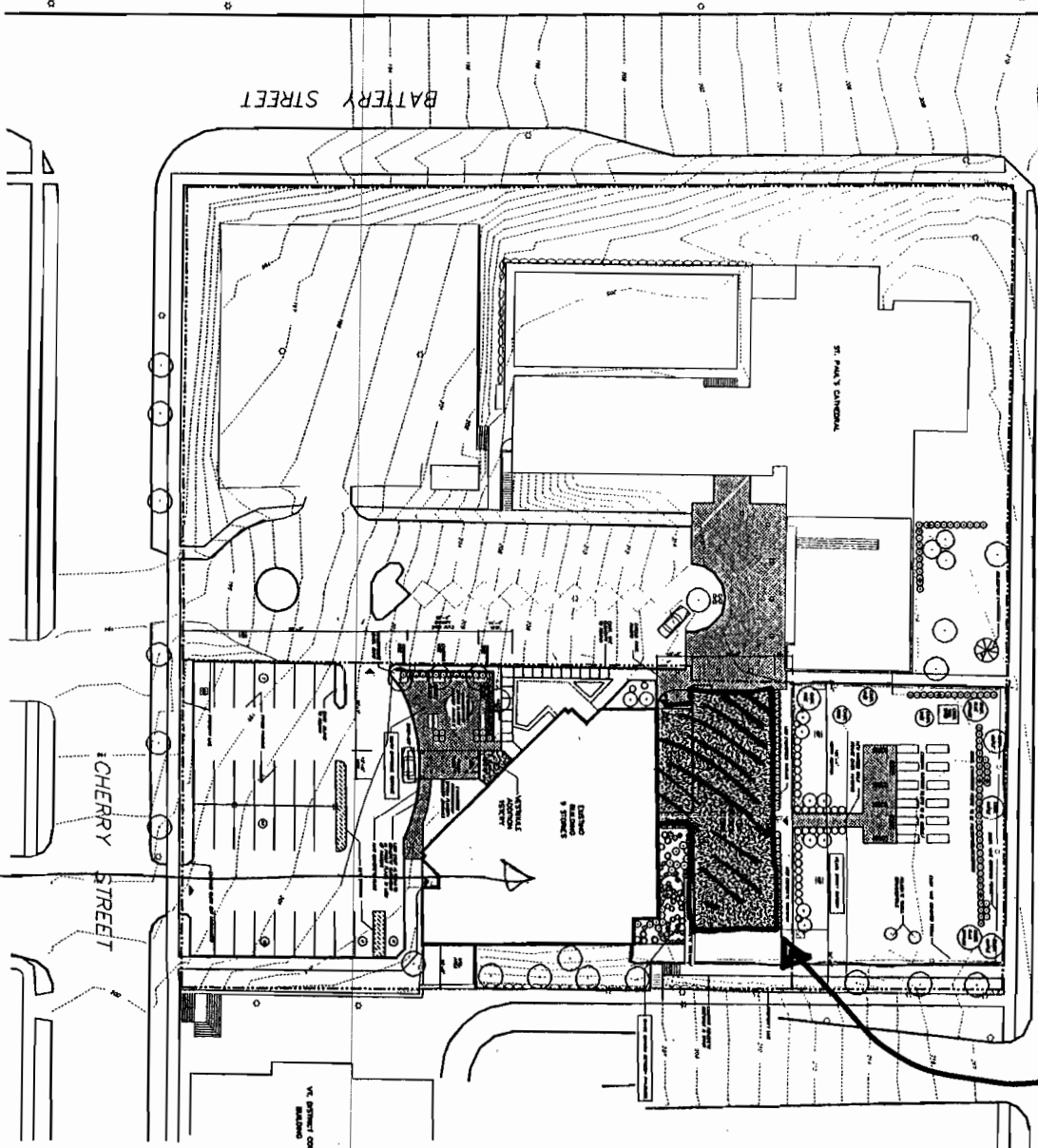
**Recommendation:** That the VHFA Board of Commissioners pass the attached resolution and make the required findings as outlined in the second section of the resolution ("It is hereby determined:"), and that the Board authorize the Executive Director to issue a Letter of Interest and/or a Commitment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

PEARL STREET

New Addition

BATTERY STREET

CHERRY STREET

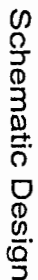


Existing Building

Schematic Design



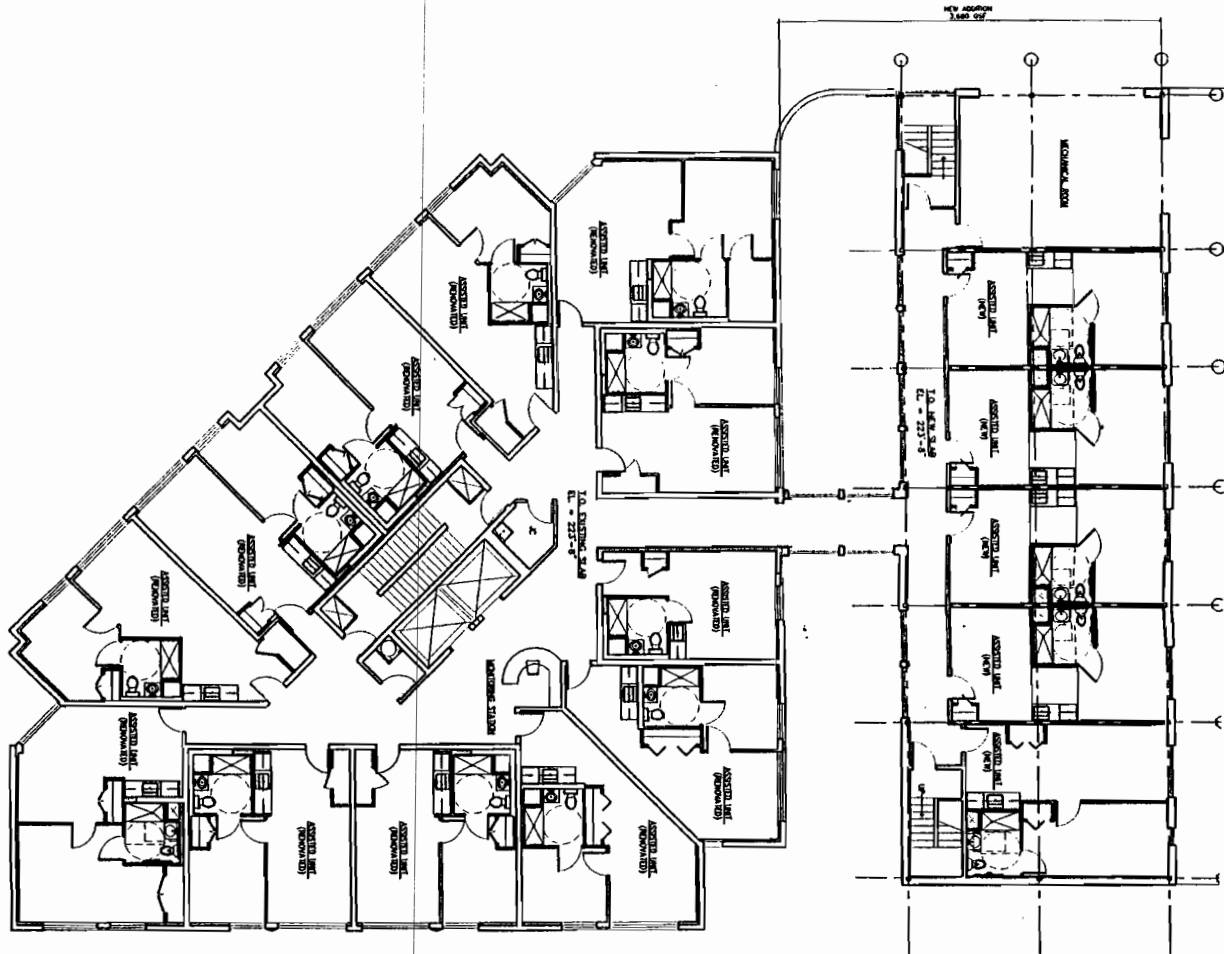
<p><b>GENERAL NOTES</b></p> <p>1. ALL CONSTRUCTION SHALL BE IN ACCORDANCE WITH THE LATEST EDITIONS OF THE V.T. BUILDING CODE AND THE V.T. ZONING ORDINANCE.</p> <p>2. THE OWNER SHALL BE RESPONSIBLE FOR OBTAINING ALL NECESSARY PERMITS AND APPROVALS FROM THE APPROPRIATE AGENCIES.</p> <p>3. THE DESIGNER SHALL BE RESPONSIBLE FOR THE DESIGN OF THE BUILDING AND THE SITE PLAN.</p> <p>4. THE CONTRACTOR SHALL BE RESPONSIBLE FOR THE CONSTRUCTION OF THE BUILDING AND THE SITE PLAN.</p>	
<p><b>LEGEND</b></p> <p>1. EXISTING BUILDING</p> <p>2. NEW ADDITION</p> <p>3. EXISTING DRIVE</p> <p>4. NEW DRIVE</p> <p>5. EXISTING SIDEWALK</p> <p>6. NEW SIDEWALK</p> <p>7. EXISTING PARKING</p> <p>8. NEW PARKING</p> <p>9. EXISTING LANDSCAPE</p> <p>10. NEW LANDSCAPE</p>	
<p><b>TABLE OF CONTENTS</b></p> <p>1. GENERAL NOTES</p> <p>2. LEGEND</p> <p>3. TABLE OF CONTENTS</p> <p>4. SITE PLAN</p> <p>5. FLOOR PLAN</p> <p>6. SECTION</p> <p>7. ELEVATION</p> <p>8. DETAIL</p>	



Date: 07/26/01  
Scale: 1"=16'  
Drawn by:

Date: 07/26/01  
Scale: 1"=16'  
Drawn by:

## A 1.1



Schematic Design



3 CATHEDRAL SQUARE  
ADDITIONS AND ALTERATIONS  
BURLINGTON VERMONT  
TRUEX COLLINS & PARTNERS ARCHITECTS 209 Battery Street, Burlington, Vermont 05401

Date: 07/26/01  
Scale: 1"=16'  
Drawn by:

SECOND FLOOR  
PLAN

A

**RESOLUTION RE: CONSTRUCTION AND PERMANENT FINANCING  
FOR CATHEDRAL SQUARE ASSISTED LIVING, BURLINGTON**

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

WHEREAS, an application has been submitted to the Agency by Cathedral Square Corporation (the "Sponsor") on behalf of itself and a to be formed 501c3 nonprofit organization (the "Borrowers") involving the new construction of seven (7) units of elderly assisted living housing in the City of Burlington (the "Development"); and

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

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

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid dated November 28, 2001, containing information and recommendations about the Development (the "Memorandum");

THEREFORE, it is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income.
2. The acquisition and construction costs to be incurred by the housing sponsor are for housing development costs within the meaning of the Act.
3. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and moderate income are able to afford within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of the residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families.
4. The housing sponsor undertaking the Development will increase the supply of well-planned, well-designed permanent, temporary, transitional or emergency housing for persons and families of low and moderate income.
5. The security value of the Development will equal at least the amount of the Agency's loan.



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

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to the Borrowers for the construction and permanent term financing of the Development based on the recommendations in the attached Memorandum. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the Sponsor in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.
2. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designees may, in his or her discretion, issue one or more Commitment Letters for a mortgage loan(s) to the Sponsor for the construction and permanent term financing of the Development based on the recommendations in the attached Memorandum. The Commitment Letter may be issued to the Sponsor as a representative of the second Borrower. The Commitment Letter shall be conditioned on the satisfaction by the Borrowers of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.
3. The issuance of the Bonds for the purpose of financing one or more loans to the Sponsor and/or Borrowers is hereby preliminarily approved, and, pursuant to Section 1:150-2 of the Internal Revenue Code Regulations, the Agency hereby states its intention to reimburse itself from Bond proceeds for any advances of Agency funds prior to the issuance of the Bonds.
4. The preliminary approval described in the preceding paragraph does not obligate the Agency to give final approval for the issuance of said Bonds. Final approval of the issuance of the Bonds can only be authorized by independent action, which may contain such conditions thereto as the Agency may deem appropriate. The Agency in its absolute discretion may refuse to finally authorize the issuance of the Bonds and shall not be liable to the Sponsor, the Borrowers or any other person for its refusal to do so.
5. The Executive Director is hereby authorized to make the construction loan secured by a second mortgage on 3 Cathedral Square.
6. The Board has determined that the occupancy requirement should be waived and that more than half of the housing units in the Development shall remain reserved for initial occupancy by persons and families of low and moderate income.
7. The Executive Director and the Loan Review Committee will establish the final

sources and amounts of the loans for the Development, and such conditions and terms that are appropriate for the Development in accordance with all requirements of the Act, and the applicable regulations and policies of the Agency, including the Underwriting Guidelines.

*I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on December 6, 2001.*

  
**Sarah E. Carpenter**

*Executive Director and Secretary  
Vermont Housing Finance Agency*



## Vermont Housing Finance Agency

### MEMORANDUM

**TO:** VHFA Board of Commissioners

**FROM:** Elizabeth Mullikin Drake

**RE:** Allocation of Additional Volume Cap  
Carryforward of Unused Volume Cap

**DATE:** November 28, 2001

As part of the end of year housekeeping, I have prepared the attached resolution to address the allocation of any additional volume cap and the carryforward of unused volume cap.

At your last meeting, the Board allocated the remainder of the Agency's 2001 State Allocation of \$77,750,000. In the event that the Governor or Emergency Board decides to allocate any additional 2001 State volume cap to the Agency before the end of the 2001 calendar year, staff recommends that this new allocation be assigned to Homeownership for the upcoming spring bond issue. In addition, the Board should authorize the filing of the Carryforward Election with the IRS.

The following chart shows the status of the Agency's available private activity volume cap.

Allocated by VHFA Board				
		Unallocated by VHFA	Homeownership	Multifamily
Carryforward from 2000			7,000,000.00	13,424,000.00
2001 State Allocation		77,750,000.00		
VHFA Board Allocation		(77,750,000.00)	46,000,000.00	31,750,000.00
2001 Private Activity Bonds Issued			(42,562,865.00)	(14,850,000.00)
Balance as of 11/28/01	40,761,135.00	-0-	10,437,135.00	30,324,000.00

**Recommended Board Action:** To adopt the attached resolution to allocate any additional volume cap to Homeownership and to authorize the carryforward of any unused volume cap.



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**RESOLUTION RELATING TO  
VERMONT HOUSING FINANCE AGENCY  
ELECTION TO CARRYFORWARD  
2001 PRIVATE ACTIVITY BOND  
VOLUME CAP ALLOCATION**


WHEREAS, the Vermont Housing Finance Agency (the "Agency") has been allocated \$77,750,000 in 2001 private activity bond volume cap by the State of Vermont and has allocated \$46,000,000 of that to qualified mortgage bonds and mortgage credit certificates and has allocated \$31,750,000 to exempt facility bonds; and

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

NOW, THEREFORE, it is hereby RESOLVED:

1. If the Vermont Housing Finance Agency is allocated any additional volume cap by the State of Vermont on or after December 6, 2001, it elects to allocate all of such additional volume cap for the purposes of issuing qualified mortgage bonds or mortgage credit certificates.
2. The Vermont Housing Finance Agency elects to carryforward all of its unused volume cap pursuant to section 146 of the Internal Revenue Code of 1986 for the purposes of issuing exempt facility bonds unless it is allocated any additional volume cap by the State of Vermont on or after December 6, 2001, in which case it elects to carryforward all of such additional volume cap for the purposes of issuing qualified mortgage bonds or mortgage credit certificates.
3. The Executive Director and Chief Financial Officer are directed, and each of them is authorized, to take all steps necessary to carryforward the Agency's unused volume cap, including, but not limited to preparation, execution, and delivery of a Carryforward Election of Unused Private Activity Volume Cap in such form as may be required by the Internal Revenue Service and consistent in content and effect with this Resolution.

*I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on December 6, 2001.*

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