VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: January 8, 1990

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director

RE: CANCELLATION OF UPCOMING BOARD MEETING

This is to notify you that the January Vermont Housing Finance Agency Board of Commissioners meeting has been cancelled.

The next meeting will be held at 1:30 p.m. Thursday, February 15, at the VHFA office, One Burlington Square, Burlington, Vermont.

The agenda and board packet will be distributed in February.

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Burlington February 15!

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/336-5866

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: January 11, 1990

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director

RE: UPDATE MEMO IN LIEU OF JANUARY BOARD MEETING

In recognition of the successful closing of Northgate and the fact that many of us are exhausted from the ordeal, the January Board meeting has been cancelled. There is really nothing that can't wait until the February meeting. We did manage to accomplish several things in addition to Northgate and the Single Family Bond issue: Glenn did a great job closing the Tricor project in Swanton, Cummings Street in Montpelier, Winchester Place in Colchester, and Heineberg Senior Housing in Burlington! Quite an ending to 1989. Thank you all for the support and willingness to stay flexible over the past few weeks.

The Legislature has convened and we were surprised and pleased by the Senate Finance Committee approval (7-0) of our bonding bill (a copy is attached). Next stop, we think, is the full Senate. Thanks to Paul for his supportive testimony! The major housing issue, aside from recapitalizing the Trust Fund, will be mobile home park legislation. There has been a flurry of potential mobile home parks put up for sale, with the possibility of displacing many tenants. Bills to control this activity have been introduced and will be widely debated.

I am also pleased to enclose our 15th Anniversary Annual Report. It looks great! Hollis has done an excellent job! I hope you agree.

In response to a request from the Vermont Home Mortgage Guarantee Board, we will begin our February 15 meeting at 2:00.

See you all in February!

Enclosures

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/336-5866

S.258

Introduced by Senator Skinner of Washington County, Senator Finn of Franklin County and Senator Sherman of Caledonia County

Referred to Committee on

Date:

Subject: Development; Vermont housing finance agency; bonds

Statement of purpose: This bill proposes to increase the overall limit on bonds that the Vermont housing finance agency can issue and increases the limit for bonds that are backed by the moral obligation of the state and to change reporting requirements for the agency.

AN ACT RELATING TO BONDS ISSUED BY THE VERMONT HOUSING FINANCE AGENCY

It is hereby enacted by the General Assembly of the State of Vermont:

Sec. 1. 10 V.S.A. § 631(a)(1) is amended to read:

(a)(1) The agency may issue its negotiable notes and bonds in such principal amount as the agency determines to be necessary to provide sufficient funds for achieving any of its corporate purposes, including the payment of interest on notes and bonds of the agency, establishment of reserves to secure the notes and bonds including the reserve funds created under section 632 of this title,

and all other expenditures of the agency incident to and necessary or convenient to carry out its corporate purposes and powers. However, the bonds or notes of the agency outstanding at any one time shall not exceed *[$600,000,000.00]* $900,000,000.00.

Sec. 2. 10 V.S.A. § 632(d) is amended to read:

(d) In order to assure the maintenance of the debt service reserve requirement in each debt service reserve fund established by the agency, there may be appropriated annually and paid to the agency for deposit in each such fund, such sum as shall be certified by the chairman of the agency, to the governor or the governor-elect, the president of the senate, and the speaker of the house, as is necessary to restore each such debt service reserve fund to an amount equal to the debt service reserve requirement for such fund. The chairman shall annually, on or about February 1, make and deliver to the governor or the governor-elect, the president of the senate, and the speaker of the house, his certificate stating the sum required to restore each such debt service reserve fund to the amount aforesaid, and the sum so certified may be appropriated, and if appropriated, shall be paid to the agency during the then current state fiscal year. The principal amount of bonds or notes outstanding at any one time and secured in whole or in part by a debt service reserve fund to which state funds may be appropriated pursuant to this subsection shall not exceed *[$84,000,000.00]* $125,000,000.00, provided that the foregoing

shall not impair the obligation of any contract or contracts entered into by the agency in contravention of the Constitution of the United States of America.

Sec. 3. 10 V.S.A. § 639(a) is amended to read:

(a) On or before the last day of January in each year the agency shall submit a report of its activities for the preceding *[calendar]* fiscal year to the governor and to the general assembly. Each report shall set forth a complete operating and financial statement covering its operations during the year *[, and shall contain a full and complete statement of the agency's anticipated budget and operations for the ensuing year]* . The agency shall cause an audit of its books and accounts to be made at least once in each year by certified public accountants; the cost shall be considered an expense of the agency and a copy shall be filed with the state treasurer.

Sec. 4. EFFECTIVE DATE

This act shall take effect from passage.

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In the years since the farm crisis laid waste to many rural communities, many

But scholars say most states are already engaged in some form of triage, whether

(See Page 12: Rural)

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Tenants Take Over Housing Complex

By MARK JOHNSON

BURLINGTON — A non-profit group that includes tenants took control of the state's largest lower-income project Tuesday under a plan that will keep the 336 units affordable.

The transfer of the deed to Northgate Housing Inc. culminated a three-year seesaw effort to keep the complex from being sold to a private developer, who would have been free to increase rents sharply.

The previous owner, Fairfield Associates of Connecticut, had been required to keep the rents low in return for receiving a low-interest federal loan to build the project 20 years ago. A tenants' group was formed three years ago because the restriction on rents was scheduled to be lifted.

The $21 million deal, which includes funds for renovations, including a conversion from electric to gas heat, was financed through state, federal and non-profit agencies.

The complex financing deal included $9.5 million from Vermont Housing Financing Agency, a $3 million loan from Vermont Housing and Conservation Trust Fund, a $3.5 million investment from Bank of Vermont and Federal National Mortgage Association and $3 million from the U.S. Department of Housing and Urban Development. Officials hope to convince HUD to provide another $1.2 million for renovations.

Gov. Madeleine Kunin, Mayor Peter Clavelle, and an aide to Sen. Patrick Leahy credited the tenacity of the tenants' group and local non-profit agencies for bringing about the deal.

"I have to tell you, this was almost like a 37-month pregnancy. We almost suffered several miscarriages, we worked hard, the last 72 hours of labor was difficult and when the call came Friday (that HUD funds had been secured), I felt like a father," said Francis Gros-Louis, a HUD official.

Gov. Madeleine Kunin said, "I think what we're witnessing today is people having control over their own lives.

"All of us could have stood by and watched this affordable housing disappear because really that's the way the cards were stacked. At many times I know the people who worked on this project felt that might happen, but each time there was a new

(See Page 12: Housing)

Experts Question Early Secrets of the Bomb

By WILLIAM J. BROAD
The New York Times

Nuclear experts have concluded that the Soviet Union learned almost nothing of how to make the hydrogen bomb from the atom spy Dr. Klaus Fuchs and may have instead deduced the crucial secret by analyzing radioactive fallout from American nuclear blasts.

The experts now believe Fuchs, a British citizen, passed along hydrogen bomb data that he was unaware were seriously flawed.

These experts, in their historical revision, attribute much of the faulty data to early work by Dr. Edward Teller and also diminish his role in the invention of the weapon.

Two of three critical ideas for the invention grew out of the work of Dr. Stanislaw M. Ulam, a mathematician who played a major role at the Los Alamos Laboratory in New Mexico, experts now believe.

Teller, a physicist at Los Alamos who is often called the "father" of the hydrogen bomb, added a third idea that ensured the invention's success.

The major revision in the history of the hydrogen bomb is the work of various scholars, largely working independently of one another.

Dr. Daniel Hirsch and Dr. William G. Mathews, nuclear experts, write about Fuchs and the fallout question in the January issue of The Bulletin of the Atomic Scientists.

Dr. Thomas B. Cochran and Dr. Robert S. Norris, authors of "The Nuclear Weapons Databook," and Chuck Hansen, author of "U.S. Nuclear Weapons: The Secret History," deal with the genesis of the hydrogen bomb.

The scholars are well-known civilian experts whose books and articles are the basis for much of the public's knowledge of nuclear weapons.

"It is now clear that the 'secrets' regarding the H-bomb known to Fuchs were worse than worthless," Hirsch and Mathews write in The Bulletin.

A hydrogen bomb fuses light atoms, usually isotopes of hydrogen, to release energy stored in the atomic nucleus.

Hydrogen bombs are generally more powerful than atomic bombs, which split heavy atoms to liberate nuclear energy in a process

(See Page 12: Atom Bomb)

Rutland Herald
Page 1
Jan. 3, 1990

of Saint Agnes continued on. bout 7 o'clock last [illegible]nt, they e ambushed, and the result is people killed, two people nded."

orma Venkler, a classmate of ureen Courtney in the 1960s at ine Savior Holy Angels High ool in Milwaukee, said her

Nov. 1, 1988, and fighting has been sporadic since then.

Asked about the government claim that the Contras were responsible for the ambush, Estrada replied, "We have no indication. ... It doesn't matter who has done it, we condemn the fact."

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vive, economists say.

There are going to be some al communities that prosper at expense of dying neighbors, d I fully expect the trend to conue," Drabenstott said.

William C. Davis, North Dakos director of industrial developnt, said that in the move toird regionalization, "the towns at don't have much of a trade ea and don't have any primary vernment service will be the st to go."

Whether a state should permit is is far from settled. Roland autour, undersecretary of agrilture for small community and ral development, said that the ill of the people should be the termining factor in deciding the te of a community.

"The leadership has to come om the local area," Vautour said.

dealerships, five service stations," Engel said. "It doesn't seem possible, but it was."

The problem now, Engel said, is: "You need people, is what you need. And we don't have people."

The numbers tell the story. In what has become a nationwide trend, the number of farms in Sheridan County declined by nearly half from 1950 to 1982, to 495 from 881.

And in the past year, the Federal Farmers Home Administration has had to write off $1.9 million in outstanding debt that Sheridan County farmers were unable to pay, said James Pellman, supervisor of the agency's office in Sheridan County.

The county is almost solely dependent on farming and ranching, and residents attribute the county's downturn to the recent

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Continued from [illegible]ge One

wave of enthusiasm ... and it was that it-can-be-done spirit that made it happen," Kunin said.

"The tenants will go home with empowerment, they'll go home with a deed," said Clavelle.

Housing advocates hope the purchase of Northgate sends a signal that could help protect other affordable housing projects from developers.

"Clearly pulling off a $20 million deal by the non-profit sector gives great credibility to all kinds of non-profit groups in the housing field," said Gustave Seelig, Housing and Conservation board director. "They can be taken seriously as people who can deal with serious issues and complicated deals."

Nancy Eldridge, state director of housing, said, "This sends a very positive message that residents can work in concert with the private and public sector to purchase their housing. Another message it sends is the extreme need for funding to preserve the stock of affordable housing we have."

Among the housing projects expected to come up for resale in coming years are the so-called "Gates," all owned by the owner of Northgate. They include Highgate of Barre, Applegate in Bennington and Westgate in Brattleboro. Mountain View in Springfield is also considered to be in jeopardy.

Seelig said Highgate was a priority project because it comes up for resale next year and provides more than half the affordable housing in Washington County. A purchase agreement is in place for Highgate, and Seelig says he hopes the project will be purchased before 1991.

Residents of the other projects are also working with the state to put together plans to buy their housing complexes. And the state is working on preserving about 2,000 units of affordable housing built only 10 years ago, although those will not be eligible for resale for years.

But the housing advocates say the successful purchase of Northgate sends a signal that low-income groups can successfully work for the purchase [illegible] housing, which guarantees the units will remain affordabl[illegible]

"Northgate was the most complicated and expensive in terms of total cost of any of the housing projects," said Allan Hunt, director of the Vermont Housing Finance Agency. "This gives credibility to the participants. The private sector, if they have housing projects they are thinking about converting, they should consider talking to us."

"I think we have, as a result of Northgate, proven that the necessary funds to assist us with purchasing the affordable housing can be found, especially for the other three Gates," said Sen. John Finn, D-Franklin. Finn is chairman of the Legislature's Joint Housing Committee.

"This will make it easier for the state and the private non-profit groups that have been formed to take care of that," he added.

The Associated Press also contributed to this report.

Revenues

Rutland Herald

[redacted] shop in Gloversville, [redacted]y the opening of the first [redacted]rl store in Plattsburgh, N.Y., [redacted]he store was named after his [redacted]fe, who died in 1972.

[redacted]n Walcoff's book, the evolution of [redacted]everly Pearl from a mini department [redacted]re to its present incarnation as a tops-[redacted]-bottoms mall outlet in Burlington reads like the decline and fall of personalized retailing over the past 25 years.

"In 1965, to tell you what I mean, the clerks knew the customers on a first-name basis," he said. "There was no MasterCard or Visa, just personal charge accounts. At Christmas, we'd give out cards for the women to put their sizes on, and the men would come in with the cards in their pockets."

All that began to change in the 1970s. Stores began to multiply — if you had three, you had a chain; 10 made you a mogul. Then came shopping centers, then malls, then private labeling. The concept of customized service and assortment was out; shorter shelf lives and leaner, meaner retailing was in.

"The customer allowed it to happen," Walcoff, 65, said. "Now we've got different stores owned by the same parent company targeting different groups of shoppers in the same mall."

To survive this war of the cash registers, Walcoff has, over the years, slimmed Beverly Pearl down from 4,500 square feet to half that, shedding merchandise like bras, sleepwear and jewelry along the [redacted]y. He also moved the store from Church [redacted]reet underground to Burlington Square Mall, where a younger clientele is more inclined to shop.

This retailing revolution has also made Walcoff a soldier in the battle against mall developers like Pyramid Co. and a fighter for a Church Street Marketplace where the independent retailer can live and prosper.

It's been a successful fight, on both fronts. Pyramid is still only a bad dream, and the Marketplace is thriving with a better variety of shops than any suburban mall could ever boast. Walcoff pins its success on the wisdom of city fathers who let the business community call the shots when the Marketplace was taking shape.

The fight's not finished nor will it ever be.

"In retailing, you're always at war with the competition. You never win the war," he said. "Retailing is as fragile as this morning's newspaper."

The phone rang. Walcoff slid the glasses back over his eyes and went back into battle.

Sam Hemingway is the state news columnist for The Burlington Free Press.

not permitted at the Colchester dump, unlike at Burlington's former city landfill, which closed Saturday.

City Engineer Steven Goodkind said residents will either have to contract with a commercial hauler or, if they want to transport their trash, pay to drop it off at a garbage truck the Public Works Department plans to station in the city.

Although Burlington's use of the unlined area is temporary, Goodkind said Tuesday he is disappointed at having to use the section at all.

"... (The) city is taking a big step backward by being forced to use an unlined landfill, which is literally a stone's throw away from the only lined landfill in the state," Goodkind said.

Timothy Burke, state environmental conservation commissioner, told Burling-

Turn to BURLINGTON, 4B

Northgate residents are lauded

By Ann E. Donlan
Free Press Staff Writer

Anne-Marie Dennis of Burlington never mops the basement of her Northgate apartment during the winter because the water freezes on the floor.

Her monthly winter heating bills exceed the $306 subsidized rent she pays on her three-bedroom apartment.

But thanks to the sale of Northgate and rehabilitation plans for the 336 apartments off North Avenue Extension, Dennis and other tenants can expect new doors, windows, insulation and conversion of the heating system from electric to gas during the next two years.

Northgate a sign of change, 4B.

"There isn't a single door or window that you can't get a breeze from," Dennis said Tuesday night. "It is cold in these apartments — even paying $350 a month (for heat)."

Dennis was one of many who gathered Tuesday at Northgate to laud the deal that preserves and rehabilitates the low-income housing in Burlington's New North End.

The $21 million sale of Northgate from a Connecticut-based company to a non-profit limited partnership ensures rents will remain affordable to low-income tenants. The deal also guarantees

Turn to NORTHGATE, 4B

Teens find wa

Vermonters open hearts to Soviets

By Lori Campbell
Free Press Staff Writer

It was Russian love at first sight.

The American girls were falling all over the Soviet boys on their first day at South Burlington High School on Tuesday. The Soviet girls were stellar to the American boys, too.

For the first time, 25 Russian teenagers strolled through the school's halls, ate cheeseburgers in the cafeteria, sat in geometry classes, and apparently were much fawned over by wide-eyed teens.

"Some of the Russian boys are quite handsome and have become very popular with the girls. And the Russian girls are very popular with the boys, too," said the school's foreign language chairman, Tim Kahn, with a smile.

After traveling 38 hours, the Russian

COTS decision

By Kathryn Haralambous
Free Press Staff Writer

A decision by Burlington's Committee on Temporary Shelter not to allow intoxicated people to stay at its overnight shelter is being touted as a constructive — and overdue — move.

But advocates for the homeless say the policy shift calls for new treatment programs for homeless addicts.

"It was an important step to take," said Will Humphries of the Homeless Empowerment Coalition, a seven-member group formed in June. "But I'm concerned that the services they were providing before, that are now somehow going to be the responsibility of other agencies, get met adequately."

He said there are eight beds for homeless addicts in Burlington, at Act I, an overnight drug and alcohol facility on North Winooski Avenue.

Act I has been affected by an interim COTS policy that since Dec. 5 has kept those who are visibly incapacitated, or who have a blood alcohol content above 0.02 percent, from using the 40-bed Waystation on Lower Church Street.

Beginning May 1, people who are drunk or addicted to drugs will not be able to stay overnight at the Waystation.

From Dec. 5 through 29, the Waystation made 40 referrals to Act I, Sister

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BURLINGTON FREE PRESS

Advocates: Northgate sale might be sign of future

By Susan Allen
The Associated Press

MONTPELIER — Housing advocates hope the purchase of the Northgate apartment complex in Burlington sends a signal that could help protect other affordable housing projects from developers.

"Clearly pulling off a $20 million deal by the non-profit sector gives great credibility to all kinds of non-profit groups in the housing field," said Gustave Seelig, executive director of the Housing and Conservation Board. "They can be taken seriously as people who can deal with serious issues and complicated deals."

The board was one of several federal, state, local and private players who came together to push through the $21 million Northgate purchase — a deal that preserves housing for 336 Burlington families.

The purchase of the Northgate project was announced at a Tuesday news conference.

"This sends a very positive message that residents can work in concert with the private and public sector to purchase their housing," said Nancy Eldridge, state director of housing. "Another message it sends is the extreme need for funding to preserve the stock of affordable housing we have."

Northgate is one of several complexes built in the late 1960s and early '70s. Developers agreed to keep them affordable for at least 20 years in return for federal incentives, including tax breaks.

Those projects are becoming eligible for resale. Housing advocates fear developers will purchase them and turn them into expensive condominiums or apartments, putting low-income residents out on the streets.

Among those expected to come up for resale in coming years are the so-called "Gates," all owned by Northgate owner Fairfield Associates of Connecticut. They include Highgate of Barre, Applegate in Bennington and Westgate in Brattleboro. Mountain View in Springfield also is considered in jeopardy.

Seelig says Highgate is considered a priority because it comes up for resale next year and provides more than half the affordable housing in Washington County. Seelig hopes it will be purchased before 1991.

The Vermont Housing Finance Agency has an option to buy all three "Gates," said its executive director, Allan S. Hunt.

Securing Northgate should help the agency do the same with the other projects, he said.

Residents of the other projects also are working with the state to put together plans to buy their housing complexes. And the state is working on preserving about 2,000 units of affordable housing built only 10 years ago, although those will not be eligible for resale for years.

But the housing advocates say the successful purchase of Northgate sends a signal that low-income groups can successfully work for the purchase of their housing, which guarantees the units remain affordable.

"Northgate was the most complicated and expensive in terms of total cost of any of the housing projects," Hunt said. "This gives credibility to the participants. The private sector, if they have housing projects they are thinking about converting, they should consider talking to us."

"I think we have, as a result of Northgate, proven that the necessary funds to assist us with purchasing the affordable housing can be found, especially for the other three Gates," said Sen. John Finn, D-Franklin. Finn chairs the Legislature's Joint Housing Committee.

"This will make it easier for the state and the private non-profit groups that have been formed to take care of that," he added.

John Romano, U.S. Sen. Patrick Leahy's projects coordinator, says he expects the other Gates to be purchased one by one. But he said HUD financing will be needed, and he expects Leahy to continue to pressure the federal government for that money.

Northgate was purchased for about $11 million, although the project is expected to total $21 million in construction and other costs. Because of technical tax laws, the project is officially owned by a partnership of residents, interested parties and investors. Residents will rent the units from the partnership.

When the tax regulations expire in 15 years, the project then could be purchased by residents as a co-op or another non-profit group, including the Housing Finance Agency, which would maintain its affordable status.

A bill that would have guaranteed that the projects remain affordable died in the 1987 Legislature. But officials say the Northgate purchase proved the legislation was not needed because developers appear to have cooperated in the purchase voluntarily.

Northgate residents lauded for their efforts

From page 1B

tenants' involvement in the supervision, management and ownership of the 20-year-old project.

Gov. Madeleine M. Kunin and Burlington Mayor Peter Clavelle were several of the guests invited to a news conference at Northgate to commend tenants and investors who pulled the deal together during the last three years.

Kunin applauded the efforts of tenants who organized to persuade the owners of the project not to sell it to commercial developers.

"When you have the courage and conviction to say, 'I'm going to do something about this,' you really can succeed," she said.

Friday's closing happened just in time to prevent the deal from collapsing. An option to buy and essential tax credits expired Dec. 31.

"It's a new year with a new beginning," said Lynn Witter, president of the Northgate Greenfield Tenants Association. "It's been a long haul over the last three years. But we finally reached our goal of saving Northgate now and in the future."

> "When you have the courage and conviction to say, 'I'm going to do something about this,' you really can succeed."
>
> **Gov. Madeleine Kunin**

A pool of money from the federal and state government, non-profit housing organizations and private investors helped Northgate Housing Limited Partnership to buy the project from Fairfield Associates. Money was committed from the following sources:

- $9.5 million in tax-exempt financing from the Vermont Housing Finance Agency, a statewide financier of affordable housing.
- A $3.05 million, low-interest loan with deferred payment from the Vermont Housing and Conservation Trust Fund, a public foundation that supports land and housing preservation.
- $3.5 million in equity investments in exchange for tax credits from the Bank of Vermont and the Federal National Mortgage Association in Washington.
- $3 million in flexible-subsidy loans and 163 rent subsidies from the U.S. Department of Housing and Urban Development.
- $267,000 from the Burlington Electric Department to help to pay for energy conservation measures.
- A $159,000 Community Development Block Grant from Burlington.

Northgate Housing Limited Partnership is made up of two general partners: Housing Vermont, a statewide non-profit housing development agency and Northgate Housing Inc. — a combination of Northgate Greenfield Tenants Association and Northgate Non-Profit, a community group. The Bank of Vermont and the Federal National Mortgage Association are limited partners.

U.S. Sen. Patrick J. Leahy, D-Vt., who has helped to secure federal money for Northgate, will continue to push HUD Secretary Jack Kemp to release an additional $1.2 million that Northgate Non-Profit wanted to help pay for renovations totaling $6.5 million.

The money for Northgate and 40 other projects nationwide is in Kemp's discretionary fund. Kemp has refused to release the money Congress earmarked for the projects because of the political favoritism scandals that plagued the department.

"If HUD doesn't give us the $1.2 million, we'll keep slapping Band-Aids on the project," rehabilitation manager Amy L. Johnston said. "We want (HUD) to cough it up."

Without the $1.2 million grant, planners have decided to wait on repairing dilapidated wooden fences, basement walls and decks; fixing individual units; and building an enclosure for basement boilers, said Thomas B. O'Brien, an architect with Northern Architects Inc. in Burlington.

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Tenants Take Over Northgate

By MARK JOHNSON
Correspondent

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VERMONT HOUSING FINANCE AGENCY

February 5, 1990

Ms. Jean Gauthier
Department of Administration
Pavilion Office Building
109 State Street
Montpelier, VT 05602

Dear Ms. Gauthier:

2:00 called 2/7 a reported change of time. - bp

The Vermont Housing Finance Agency will be having its monthly Board Meeting on Thursday, February 15, at 1:30 p.m., here at the office of the Vermont Housing Finance Agency, One Burlington Square, Burlington, Vermont.

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

Sincerely,

Barbara M. Parker

Barbara M. Parker
Executive Assistant

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802 864-5743 • 1-800 336-5866

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director

DATE: February 9, 1990

RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held at **2:00 p.m.** Thursday, February 15, here at the VHFA office, One Burlington Square, Burlington, Vermont. Please note that the meeting will start one half hour later than usual, in order to accommodate an earlier request from the Vermont Home Mortgage Guarantee Board.

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

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Burlington February 15!

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/336-5866

VERMONT HOUSING FINANCE AGENCY

VHFA BOARD MEETING AGENDA

Vermont Housing Finance Agency
One Burlington Square
Burlington, Vermont

Thursday, February 15, 1990 at 2:00 p.m.

1. Review and approval of minutes of December 7, 1989

2. Review and approval of minutes of December 21, 1989

3. Executive Director's Report

   A. Dalton Drive Update [**Hunt**]

4. Operations

   A. MOVE 1989A Update [**Lothrop/Enclosure**]
   B. River's Edge Condominiums [**Lothrop/Enclosure**]

5. Development

   A. Business Plan: Mid-Year Update [**Pond/Enclosure**]
   B. Proposed Rules Change [**Pond/Enclosure**]
   C. Secondary Mortgage Market Update [**Crady/Enclosure**]
   D. Multi-Family Project Update [**Koppelkam/Encl.**]
   E. Multi-Family Financing Proposals [**Koppelkam/Encl.**]
      (1) Pine Meadow
      (2) Allen House
   F. Mobile Home Park Proposal (Sandy Pines) [**Beyer Kehoe/Encl.**]
   G. Funds for use with Mobile Homes on Leased Land (Resolution) [**Beyer Kehoe/Encl.**]

6. Finance

   A. Underwriter RFP Status [**Schoenbeck/Encl.**]
   B. FY 1990 General Fund Budget Update [**Schoenbeck/Encl.**]

7. Legal

   A. Legislative Update [**Jarrett/Enclosure**]
   B. Allen Apartments [**Jarrett**]

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

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
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VERMONT HOUSING FINANCE AGENCY

BOARD MINUTES
Vermont Housing Finance Agency
One Burlington Square
Burlington, Vermont
Thursday, December 7, 1989

PRESENT: Commissioners Shaw, Ruse, Francis, Hebard, Seelig, Myette (via speakerphone)

Agency Staff: Mr. Hunt, Mr. Jarrett, Mr. Schoenbeck, Mr. Lothrop, Mrs. Parker, Mr. Koppelkam, Mr. Falzone, Ms. Pond, Ms. Hope, Ms. Markman; Ms. Pearson (VHMGB); Ms. Wadhams (Consultant); Mr. Kochman (F.L. Kochman, Inc.)

Guests Present: Mr. Gurley, Mr. Birbrower (Drexel Burnham Lambert); Mr. Hale (Palmer & Dodge); Ms. Cade (Bank of Boston); Ms. Brisson (The Howard Bank, NA); Mr. Chirls (Orrick Herrington Sutcliffe)

The meeting was called to order at 2:05 p.m.

Upon a motion duly made and seconded, the minutes of October 26, 1989 were unanimously accepted as written.

Mr. Schoenbeck reviewed his "Single Family Bond Financing (1989B)" memorandum, dated November 30 and included in the Board packet, as well as specifics on the bond pricing which, as structured, would allow for $50 million in lendable proceeds. A $700,000 letter of credit has been obtained from the First National Bank of Boston. MBIA (Municipal Bond Investors Assurance Corporation) is offering bond insurance on the term bonds for 13 basis points. The availability of bond insurance on the term bonds would allow a 20-25 basis point reduction in rate on those bonds. Mr. Gurley explained the sizing of the issue and the schedule for bond issuance, and reviewed the pricing book prepared by Drexel Burnham Lambert.

[At this point, Mr. Seelig arrived.]

The Series Resolution was reviewed by Mr. Hale, who explained that by voting to adopt the Series Resolution, the Board would also be approving the purchase contract, official statement, and reimbursement agreement to the First National Bank of Boston. Ms. Markman addressed the Board and presented the recommendations of the Program Group for the proposed bond issue, including the set aside of $5 million for the Perpetually

Affordable Program and $6.7 million for Energy Efficient Mortgages. It was suggested by staff that although the bond sale should take place before the end of 1989, mortgage funds should not be made available until February or March of 1990, which would be consistent with the approximate end of funds from the 1989A program, as well as the beginning of the next home buying season.

Mr. Myette commended the staff for a great job; Mr. Seelig queried why the set aside for lower income borrowers was only 30%, as he would prefer to have a higher goal which might not be met, rather than too low of a goal--but he also commended the staff for their efforts.

A motion was duly made and seconded that the "Series Resolution Authorizing the Issuance and Sale of Home Mortgage Purchase Bonds, 1989 Series B," a copy of which is attached to these minutes, be adopted in substantially the form presented to the Board, with such changes or modifications as are approved by the Agency's Chairman, Executive Director or Director of Finance; this motion passed unanimously, with Mr. Shaw abstaining.

Upon further discussion, a motion was duly made and seconded to approve the "Resolution Pertaining to Continuation of VHFA 1989 Mortgage Purchase Program" as attached to these minutes; the motion was unanimously adopted, with Mr. Shaw abstaining. Ms. Brisson reported that the good faith deposit had already been wired to and received by The Howard Bank.

Turning next to the issue of Northgate, Mr. Hunt advised the Board that the closing for Northgate and Greenfield would need to occur prior to the end of 1989. Mr. Kochman explained that the pre-closing has been scheduled for December 19, with the closing to start December 21 and hopefully be completed by December 31. Mr. Hunt also advised the Board that additional office space at One Burlington Square has been rented to hold the mountains of paperwork connected with the transaction; Mr. Francis suggested that one of the buildings at Dalton Drive could have been used for this purpose! According to Mr. Hunt, the U.S. Department of Housing and Urban Development (HUD) has assured the Agency that HUD is prepared to give approvals in December. One negative HUD issue is that Senator Leahy managed to have $1.2 million appropriated specifically for financing the purchase of Northgate-Greenfield Apartments, and Mr. Kemp, Secretary of HUD, has taken offense at this action and is resisting the release of the funds.

Following further discussion and a suggestion by Mr. Kochman, a motion was duly made, seconded and unanimously adopted that a special Board meeting via telephone conference call would

need to be held (probably December 21 or 22) to authorize the sale of tax exempt bonds for the purchase of the land, as well as for the project itself. Mr. Kochman assured the Board that documents would be provided to the Board for review prior to the actual conference call.

Regarding the other "Gates" projects, Mr. Hunt advised that an "Amendment to the Option Agreement" had been drafted by Mr. Kochman, which would allow the Agency to close on the other "Gates" projects after 1990, if necessary. Mr. Kochman explained the details of the amended option agreement, as well as various scenarios and possibilities for the complicated closings of the projects. No further Board action was necessary, as the Executive Director is already authorized to approve the necessary documents.

Mr. Hunt next addressed the selection of a developer for the buildings on Dalton Drive at Fort Ethan Allen. A listing of the pros and cons for both Preservation Investments, Ltd. and Northshore Development, Inc. was distributed to the Board for review. The Board was reminded by Mr. Hunt that the Dalton Drive project was taken on by the Agency in an effort to show the state and the development community that affordable housing, as well as open space preservation, could be done by means of a public/private partnership, and he repeated his firm belief that the developer for this project should continue this goal. Following a detailed discussion of both developers, a motion was duly made and seconded to select Preservation Investments, Ltd. as the developer for Dalton Drive; this motion passed unanimously.

Next, Mr. Hunt reported on the sunset extensions for Mortgage Revenue Bonds (MRBs) through September 30, 1990, with a full year's bond allocation, and Low Income Housing Tax Credits (LIHTC) through December 31, 1990 with nine months of authority. Mr. Hunt further advised the Board that the Municipal Employee pension fund has committed to investing $1.5 million in the Green Mountain Mortgage Market (Sugar Mae) and $500,000 in the financing or refinancing of mobile home parks. The State Employee pension fund has voted to commit $5 million to Sugar Mae and $3 million to financing for mobile home parks. According to Mr. Hunt, the teachers' pension fund will be meeting soon to determine their amount of investment in the same Agency programs. Mr. Seelig congratulated Mr. Ruse for his role in securing these investment decisions.

The 1989A program update from Mr. Lothrop, as included in the Board packet, was duly noted.

Mr. Falzone briefly reviewed the "Partial Prepayment of Section 8 Loan" as detailed in the November 30 memorandum from Mr. Falzone and Ms. Taylor, included in the Board packet. A motion was duly made, seconded and unanimously adopted to approve the partial prepayment on the Riverview Apartments in Enosburg Falls, as proposed in the memorandum cited.

The "Status of the Low Income Housing Tax Credit Program" as described in her November 30 memorandum, included in the Board packet, was updated by Ms. Pond, who advised that a carry forward of 1989 tax credits would not be allowed. No Board action was required.

Ms. Pond then distributed the memorandum "Loan Request for Section 8 Sale/Purchase: Montpelier/Cummings Street," dated December 6. Following a brief discussion of the project, a motion was made, seconded and unanimously agreed to approve the assumption of the first mortgage by the proposed new owner, further approve an additional second mortgage loan not to exceed $165,000 at 8.5% to be coterminous with the first mortgage, and allow the waiver of one-half of the assumption fee (½ of 1% of the remaining existing mortgage amount).

A review of the "Status of Projects Under Construction" as detailed in his memorandum of November 30, included in the Board packet, was conducted by Mr. Koppelkam. After a brief discussion, a motion was duly made and seconded to approve the "Resolution Authorizing Phase One of Permanent Mortgage Loan to Winchester Associates," as attached to these minutes; this motion passed unanimously. Mr. Koppelkam circulated photographs of the Salmon Run project and informed the Board on the cost anticipated cost overrun of $270,000 which includes slope work and repairs to the retaining walls. Mr. Hunt further explained to the Board that the funds for the cost overruns would come from Housing Vermont, and that utilization of these funds for Salmon Run would have an impact on the availability of funds from Housing Vermont for other projects.

A brief review of the "Potential Vehicles for VHFA Financing of Mobile Home Parks" dated November 30 and included in the Board packet was offered Ms. Beyer Kehoe.

Mr. Jarrett led a discussion of the "Private Activity Volume Cap" as described in his memo of November 28, included in the Board packet. Upon a motion duly made and seconded, it was unanimously agreed to (a) have the Board allocate only the amount of the 1989 volume cap needed for the 1989B Single Family Bond Issue; (b) return any unused volume cap to the State for reallocation at the end of the year; and (c) carry forward the

entire amount of volume cap remaining at the end of the year for multi-family bonds.

The "Country Park Partnership Transfer" described in his memo of November 30 was addressed by Mr. Jarrett. A motion was duly made and seconded to approve the dissolution and liquidation of Country Park Associates, the distribution of the partnership's assets to a new partnership consisting of the general partners of Country Park Associates, the assumption of the Mortgage, the Security Agreement, the Promissory Note, the Housing Assistance Payments (HAP) Contract, and the Regulatory Agreement pertaining to the Country Park development, the release of Country Park Associates from further obligations under the Mortgage, the Security Agreement, the Note, the HAP Contract and the Regulatory Agreement and to give the Executive Director authority to execute documents to achieve the above actions. This motion was carried unanimously.

Following a brief discussion led by Mr. Jarrett, a motion was duly made, seconded and unanimously carried to authorize the sale of the Tricor 16 unit Section 8 project in Swanton to a limited partnership consisting of Housing Foundations, Inc. and a Housing Vermont subsidiary as general partners and the Vermont Equity Fund I as limited partner in order to help to ensure perpetual affordability for the project.

An update on legislation of specific interest to the Agency was offered by Mr. Jarrett, as per his memo of November 30, included in the Board packet. A motion was duly made, seconded and unanimously agreed to withhold a decision on the Board's stance on S.130 (Uniform Common Interest Ownership Act) until a report detailing further specifics of this legislation's impact could be presented to the Board.

Mr. Shaw commended Ms. Hope on her communications and public relations efforts for the year, as demonstrated by the articles distributed in the Board packet.

The Chair then belatedly recognized and introduced Mr. Hebard, who has been reappointed to the Board of Commissioners, and offered congratulations to Mr. Francis on his appointment as Secretary of the Agency of Development and Community Affairs.

There being no further business, and following a motion duly made and seconded, the meeting was adjourned at 4:20 p.m.

Respectfully submitted,

Allan S. Hunt
Secretary

RESOLUTION PERTAINING TO CONTINUATION OF VERMONT HOUSING FINANCE AGENCY 1989 MORTGAGE PURCHASE PROGRAM

WHEREAS, the Agency has this date adopted its Series Resolution Authorizing the Issuance and Sale of $55,875,000 Home Mortgage Purchase Bonds, 1989 Series B (the "Series Resolution", together with the General Resolution hereinafter called the "Resolutions"); and

NOW THEREFORE, with all terms herein and not otherwise defined having the same meaning as they have in the Series Resolution, it is hereby RESOLVED:

1. The Agency's 1989 Mortgage Purchase Program (the Program") is hereby extended.

2. Subject to the terms and conditions of the Series Resolution, monies in the 1989 Series B Home Mortgage Purchase Program Account established under and pursuant to the Resolutions (the "Program Account") shall be used to purchase Mortgage Loans from Mortgage Lenders in an aggregate amount equal to the portion of the proceeds of the 1989 Series B Bonds required to be deposited into the Program Account.

3. The Executive Director is authorized to extend to each Mortgage Lender that has indicated an intention to participate in the Program, including the Mortgage Lenders identified in the "Schedule of Mortgage Lenders" set forth in the Official Statement, an invitation to continue its participation in the Program. Any such invitation previously extended is hereby ratified. The Executive Director and the Director of Operations, and each of them, is further authorized to enter agreements with any such Mortgage Lender who has executed and delivered to the Agency a Mortgage Loan Purchase and Servicing Agreement as described in the Official Statement, which agreements shall be substantially in accordance with the "Commitment Agreement" described in the Official Statement.

4. The previous appointment of all Depositories under the Agency's Resolution of May 25, 1989 is hereby reaffirmed for the purposes of this Program, together with any substitute Depositories named by the Mortgage Lenders.

I certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of VHFA held at Burlington, Vermont on December 7, 1989.

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

VERMONT HOUSING FINANCE AGENCY

BOARD MINUTES
CONFERENCE CALL
Vermont Housing Finance Agency
One Burlington Square
Burlington, Vermont
Thursday, December 21, 1989

PRESENT: Commissioners Shaw, Ruse; via speakerphone: Francis, Hebard, Seelig, Myette, Babcock

Agency Staff: Mr. Hunt, Mr. Jarrett, Mr. Schoenbeck, Mrs. Parker, Mr. Koppelkam, Ms. Pond; Mr. Richardson (Housing Vermont); Mr. Kochman (F.L. Kochman, Inc.)

Guests Present: Mr. Hale (Palmer & Dodge)

The meeting was called to order at 3:30 p.m. Board members were identified by roll call.

Following a brief review of his "Volume Cap Allocation" memo dated December 19 and distributed to the Board prior to the call, a motion was duly made and seconded to adopt the "Resolution Relating to VHFA Election to Carryforward 1989 Private Activity Bond Volume Cap Allocation" as drafted and attached to these minutes; this motion was carried unanimously.

Mr. Hunt then offered a review of the most recent events regarding the Northgate and Greenfield Apartments. According to Mr. Hunt, there could be a delay of as much as six months in having the U.S. Department of Housing and Urban Development (HUD) allocate the $1.2 million grant previously designated for Northgate, with a lesser chance of not getting the money at all. Additionally, HUD has approved 140 Section 8 subsidies, 23 fewer than were approved previously. In order to assess the impact these delays would have on the financing for the project, a revised budget had been drafted; this budget was distributed to the Board members present.

Mr. Seelig explained that the Vermont Housing and Conservation Board would be having a conference call with its Board members on December 22, during which the extent of additional financial support for the Northgate project would be discussed and determined. Other potential sources of funding were explained by Mr. Seelig and Mr. Hunt, such as additional Burlington Electric Department support, the Weatherization project and the proposed Tax Stabilization Agreement for the City of Burlington. Mr. Seelig further explained that the Burlington City Administration had not yet determined its stance on the Tax

Stabilization Agreement, but were it to rule in favor, the total value to the Northgate project could be $250,000.

The land purchase, which is still under negotiation, was further detailed by Mr. Hunt who explained that an agreement in principle seemed to have been reached, although there was no finalized written document. The agreed upon purchase price for the land is $725,000; $650,000 of this would come from the sale of bonds to the seller, the balance being divided equally by the sellers and the developer.

According to Mr. Hunt, no formal partnership agreement has been signed with the Federal National Mortgage Association (Fannie Mae) regarding the equity investment, although such a document was anticipated to be delivered by the end of the day on December 21. Mr. Hale is negotiating legal terms with a potential buyer for the new ($1.13 million) bonds.

Mr. Kochman addressed the concern regarding HUD approvals, as HUD is suggesting that the closing go forward without the Use Agreement in final form, and with the Agency's mortgage subordinate to this unknown document which would control the management of the project for the next twenty years.

The main reasons for attempting to close before December 31, 1989, were recounted by Mr. Hunt, who summed them up as follows:

(1) The Option Agreement on Northgate expires 12/31/89; no discussions for an extension have been held. Allowing the Option Agreement to expire without closing on Northgate would affect purchase options on the other Gates projects.

(2) There would be serious financial consequences if the closing were to occur after 12/31/89, as the new regulations regarding Tax Credit allocations, effective in 1990, would affect the value of Tax Credits for this project (a variation of from $300,000 to $600,000). Vermont's state cap will also be reduced next year, which could directly affect Tax Credits for Highgate and Mountain View.

(3) The Construction Contract with Wright & Morrissey would have to be re-negotiated unless the order to proceed is given by February 1, 1990.

(4) The momentum gained by the work being done by tenants, sellers, purchasers, and the land owner would be lost if the closing did not occur in 1989, and could result in an overall delay of as much as six months.

(5) Fannie Mae may not be interested in doing the project in 1990, due to the new rules regarding the allocation of Tax Credits effective next year.

Of additional concern would be the ripple effect a delay would have on the projects in Brattleboro and Bennington, and especially on Highgate.

Mr. Seelig concurred with Mr. Hunt on his analysis of the potential losses if the closing were delayed. Mr. Hunt further assured the Board that the Housing Subsidy Covenants should not pose a problem with HUD as long as they did not interfere with the statutory requirements of the Use Agreement.

Mr. Hale then reviewed the "Northgate Housing Resolution" as distributed to the Board prior to the meeting and attached to these minutes, and detailed the actual figures for the various Bonds and notes as included in that Resolution. Mr. Hale further explained that a vote to adopt the Resolution would also authorize acceptance of the Development Documents, the Escrow Arrangement with The Howard Bank, the Amendment to the Option Agreement and the Amendment to the Northgate Purchase and Finance Agreement, as well as the Site Acquisition Agreement, including any changes as may occur prior to the actual signing of those documents.

A motion was duly made and seconded that the "Northgate Housing Resolution" be adopted substantially in the form presented, with only such changes and additions thereto, not inconsistent with such form, as may be approved by the Executive Director prior to the delivery of any of the Northgate Obligations referred to in the Resolution; this motion passed unanimously, with Mr. Shaw abstaining.

There being no further business, and following a motion duly made and seconded, the meeting was adjourned at 4:20 p.m.

Respectfully submitted,

Allan S. Hunt
Secretary

RESOLUTION RELATING TO
VERMONT HOUSING FINANCE AGENCY
ELECTION TO CARRYFORWARD
1989 PRIVATE ACTIVITY BOND
VOLUME CAP ALLOCATION

WHEREAS, the Agency has been allocated 1989 private activity bond volume cap by the State of Vermont; and

WHEREAS, the Agency's 1989 volume cap exceeds the aggregate amount of tax-exempt private activity bonds issued by the Agency during 1989; and

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

NOW, THEREFORE, it is hereby RESOLVED:

1. Vermont Housing Finance Agency elects to treat all the excess 1989 volume cap it has been allocated as carryforward for the purpose of issuing qualified mortgage bonds and mortgage credit certificates.

2. The Executive Director is authorized to take all necessary steps to accomplish the carryforward.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont on December 21, 1989.

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

STATISTICAL REPORT PROGRAM ID: 89A
UNDERWRITING DATABASE
LTV 0% TO 100%
Effective for 01/01/89 thru 02/08/90
Loan Status: CC,UC,O

Total Number of Loans: 476
Total Loan Amount: $29,060,210

EXISTING:	$20,701,647	73.1%	348 Loans
NEW CONSTRUCTION:	$8,358,563	26.8%	128 Loans
NEW DETACHED HOUSING:	$6,702,911	80.1%	102 Loans
NEW CONDOMINIUM:	$1,655,652	19.8%	26 Loans
Funds Remaining to be Reserved:	$5,553,578	13.5%	90 Loans (Est.)

Total Insured or Guaranteed Loans: 418
Loans Guaranteed by VHMGB: 411

	ACED	NON ACED	STATEWIDE
Avg. Purchase Price	$67,687	$72,242	$69,122
Avg. Loan Amount	$59,465	$64,495	$61,050
Avg. Borrower Income	$26,650	$27,798	$27,012
Avg. Housing Debt-Income Ratio	26.6%	27.7%	26.9%
Avg. Total Debt	$761.12	$809.64	$776.41
Avg. Total Debt-Income Ratio	34.3%	35.1%	34.5%
Total No. of Loans	326	150	476
% of Total Loan Amount	66.7%	33.3%	100.0%
First Time Homebuyers	83.1%	100.0%	88.4%
% Meeting Low Income Set Aside	36.1%	53.3%	41.5%

	Loans	% of Loans	$ Amount	*Households	% of Hshlds	% DIFF
Addison	20	4.2%	$1,179,377	5,000	5.8%	1.6-
Bennington	21	4.4%	$1,330,005	6,000	7.0%	2.6-
Caledonia	45	9.5%	$2,515,434	5,000	5.8%	3.7
Chittenden	77	16.2%	$5,137,084	16,000	18.6%	2.4-
Essex	6	1.3%	$301,622	1,000	1.2%	0.1
Franklin	74	15.5%	$4,687,201	6,000	7.0%	8.5
Grand Isle	8	1.7%	$503,198	1,000	1.2%	0.5
Lamoille	23	4.8%	$1,314,127	3,000	3.5%	1.3
Orange	22	4.6%	$1,300,168	4,000	4.7%	0.1-
Orleans	34	7.1%	$1,675,192	4,000	4.7%	2.4
Rutland	38	8.0%	$2,272,522	10,000	11.6%	3.6-
Washington	55	11.6%	$3,415,876	9,000	10.5%	1.1
Windham	29	6.1%	$1,903,758	7,000	8.1%	2.0-
Windsor	24	5.0%	$1,524,646	9,000	10.5%	5.5-
TOTAL	476	100.0%	$29,060,210	86,000	100.0%	

*Estimated number of households, $15,000 to $35,000 income.
Source: CACI, 1989 Sourcebook of County Demographics

Vermont Housing Finance Agency
89A - $41,000,000 HOME MORTGAGE PURCHASE BONDS
Status Report (with percent of pool proceeds approved)
Rate : 8.800%
Date : 02/08/90

Lender	Funds Reserved	Percent Reserved	Prelim. Approval	% Prelim Approval	Loans Purchased	Loans to be Purchased	PERC
Bank of Vermont	$1,999,070	4.8%	$1,720,745	4.1%	$1,234,792	$485,953	24.3%
Bradford National Bank	$120,700	0.2%	$120,700	0.2%	$53,200	$67,500	55.9%
Caledonia National Bank of Danville, The	$687,091	1.6%	$622,016	1.5%	$454,916	$167,100	24.3%
Chittenden Trust Company	$7,991,469	19.4%	$7,058,786	17.2%	$5,049,573	$2,009,213	25.1%
Commonwealth Mortgage Company, Inc	$291,586	0.7%	$151,586	0.3%	$70,836	$80,750	27.6%
Community National Bank	$583,039	1.4%	$494,689	1.2%	$354,089	$140,600	24.1%
Factory Point National Bank, The	$251,034	0.6%	$179,784	0.4%	$100,934	$78,850	31.4%
First Twin-state Bank	$378,292	0.9%	$211,927	0.5%	$107,427	$104,500	27.6%
Franklin-Lamoille Bank	$1,010,102	2.4%	$668,177	1.6%	$585,577	$82,600	8.1%
Granite Savings Bank and Trust Company	$140,000	0.3%	$140,000	0.3%	$65,000	$75,000	53.5%
Howard Bank, National Assn, The	$1,340,702	3.2%	$1,037,927	2.5%	$853,577	$184,350	13.7%
Lyndonville Savings Bank & Trust Company	$567,739	1.3%	$567,739	1.3%	$426,039	$141,700	24.9%
Marble Bank	$657,462	1.6%	$589,962	1.4%	$419,722	$170,240	25.8%
Merchants Bank, The	$1,693,728	4.1%	$1,327,247	3.2%	$902,644	$424,603	25.0%
National Bank of Middlebury, The	$287,557	0.7%	$237,207	0.5%	$191,207	$46,000	15.9%
New England IBM Employees Fed Crdt Union	$830,350	2.0%	$573,003	1.3%	$450,503	$122,500	14.7%
Northfield Savings Bank	$554,580	1.3%	$554,580	1.3%	$492,480	$62,100	11.1%
Passumpsic Savings Bank	$1,658,247	4.0%	$1,411,672	3.4%	$1,057,777	$353,895	21.3%
Peoples Trust Company of St Albans	$447,000	1.0%	$127,750	0.3%	$0	$127,750	28.5%
Proctor Bank	$547,700	1.3%	$495,700	1.2%	$293,300	$202,400	36.9%
Randolph National Bank	$513,817	1.2%	$331,267	0.8%	$209,817	$121,450	23.6%
Statewide Funding Corporation	$251,655	0.6%	$251,655	0.6%	$0	$251,655	100.0%
Union Bank	$1,541,865	3.7%	$1,021,974	2.4%	$423,725	$598,249	38.8%
Valley Bank	$476,529	1.1%	$476,529	1.1%	$345,479	$131,050	27.5%
Vermont Federal Bank, FSB	$5,868,120	14.3%	$4,892,120	11.9%	$3,969,265	$922,855	15.7%
Vermont Mortgage Group, Inc	$1,253,220	3.0%	$959,270	2.3%	$894,670	$64,600	5.1%
Vermont National Bank	$3,565,785	8.6%	$2,836,198	6.9%	$659,428	$2,176,770	61.0%
TOTALS 581 Loans	$35,508,439	86.6%	$29,060,210	70.8%	$19,665,977	$9,394,233	26.4%

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Douglas R. Lothrop, Director of Operations

DATE: February 7, 1990

RE: River's Edge Condominiums - Burlington, VT

The River's Edge Condominium Project is a new 60 unit project located in the north end of Burlington off Plattsburg Avenue. The developer of this project is Northshore Development Corporation and the construction financier is The Merchants Bank.

The majority (55 of the 60 units) are being offered at a price within our present purchase price limit of $93,000 for new construction ($86,900 to $92,900) with the remaining just over our limit by $1,000.

River's Edge has a unique financing mechanism which enhances the affordability of the units. Along with funds from The Merchants Bank the developer has agreed to take their profit at a later date and offer qualified buyers a second mortgage of up to $20,000 at an interest rate of 4% for a period of 5 years. The second mortgage may be renewed for another 5 years at an interest rate based on a formula taking into consideration the appreciation of the individual unit. This financing technique accomplishes two main purposes:

* Allows borrowers to take advantage of homeownership without the need for accumulating the capital required for down payment and closing costs; and

* Reduces the monthly housing expense to allow lower income borrowers to purchase a unit.

As we learned from "The State of the Nation's Housing 1989," a publication of the Joint Center for Housing Studies at Harvard, the lack of funds for down payment and closing costs is a prime obstacle to homeownership among first time home buyers.

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VHFA was approached in the initial stages of the development of the project and the inception of this financing technique to provide affordable housing and asked about linking our low interest, fixed rate financing with the second mortgage concept.

VHFA took the position that a relatively large second mortgage provided an increased amount of security for our first mortgage rather than a normal 95% LTV mortgage, as the likelihood of the second mortgage holders allowing VHFA to foreclose their interest in a unit if the borrower did not pay was difficult to imagine. The monthly costs of the second mortgage must be calculated into the income to housing expense and income to total expense ratios normally applied to our borrowers.

To date we have received seven reservations on units at River's Edge. Six of the reservations are for units that will have a substantial second mortgage.

VHFA staff has approved River's Edge Condominiums for an initial commitment for financing of 30 units or 50% of the project. This is above the normal 30% level normally approved. Staff's decision was based on: (1) the Burlington market has accepted condominiums as an adequate form of homeownership, (2) the first mortgages with a substantial second of this type is a very secure mortgage, and (3) we need to support and encourage innovative affordable housing initiatives by private enterprise.

No Board action is required.

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Margaret A. Pond, Director of Development

DATE: February 8, 1990

RE: VHFA Business Plan: Mid-year Update

Attached is an updated version of the Business Plan for Fiscal Year 1989-90.

This current version reflects input from throughout VHFA and, thus, truly reflects what works we are all doing. As in the past several years, our activity is diverse and demonstrates the many avenues we are exploring to create new product for the people we serve.

Please let me know if you have thoughts or comments on the content, structure, or usefulness of the Plan.

Thank you.

MAP500:lw

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VERMONT HOUSING FINANCE AGENCY

BUSINESS PLAN

FISCAL YEAR 1989 - 90

(July 1, 1989 - June 30, 1990)

MISSION

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

GOALS

1. To provide low cost mortgage financing to individuals who are not able to qualify for conventional financing.

2. To encourage and stimulate additional affordable rental housing for low and moderate income Vermonters; and to encourage, where possible, mechanisms to ensure that this housing remains perpetually affordable.

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

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

VHFA'S FISCAL YEAR 1989-90

THE CHALLENGE AHEAD

Developing a Business Plan in this unprecedented environment of uncertainty is always a risk. The two major forms of subsidy VHFA uses to assist Vermonters in obtaining affordable housing are due to expire at the end of the year unless extended by Congress. HUD is in a state of chaos and many of their remaining programs have been suspended or cancelled. Our state's own financial picture is becoming less rosy. Yet severe housing needs remain unmet.

Nevertheless, staff has spent many hours developing the enclosed Business Plan, knowing that much will change in the upcoming year. The process itself is extremely useful: reviewing all of the programs and deciding which of many can be continued and which should be let go. It is a critical process by which staff gets "bought in" to owning what they are doing and therefore doing it better!

Despite the uncertainty, we are pleased to present this Plan. Your comments, questions and suggestions are always appreciated!

Allan S. Hunt
Executive Director

FISCAL YEAR 1989-90
(July 1, 1989 - June 30, 1990)

ONGOING PROGRAMS

Homeownership
MOVE
MCC
Builders MOVE Reserve
ERH/EEM
Rural Vermont Mortgage
Perpetually Affordable Housing Program
HE/ILP
CVPS/VHFA/Chittenden Bank Energy Loans
Downpayment Assistance Program
Fort Ethan Allen

Rental
Preservation
  Section 8 Restructuring/Sale
  The Gates
Enhanced Bond Financing
LIHTC
Multi-Family Management
TEAM
Vermont Housing Ventures

PROGRAMS TO IMPLEMENT

	Implementation Target Date
Homeownership	
1. Vermont Secondary Mortgage Market (Phase 1)	March '90
2. Mobile Homes on Leased Land	March '90
3. Affordable Housing Demonstration	March '90
4. Energy Elements Incorporation into MOVE	April '90
Rental	
1. Nonprofit Training Pilot Series	October '89
2. Cooperative (Blanket) Financing	April '90
3. Construction Financing (Multi-Family)	February '90
4. Small Development Financing	May '90
5. Joint Agency Pilot (Mobile Home Park Financing)	March '90
6. Section 8 Refinancing Program	July '90

PROGRAMS/INITIATIVES TO ANALYZE FOR FUTURE IMPLEMENTATION

1. Taxable Bonds: Single Family
2. Portfolio: Proactive Servicing (Single Family)
3. Mortgage Delivery/Servicing Systems
4. Homestart
5. Section 8 Advance Refunding Proposal
6. Joint Perpetually Affordable Pilot with VHCF
7. Homeless Needs Program
8. Section 8 Rent Comparability
9. Prequalifying Pilot
10. Builders New Construction Incentives Initiative

INTERNAL ACTIVITIES IN SUPPORT OF NEW PROGRAMS AND ONGOING PROGRAMS

MOVE: Revision of Procedure Guide
MCC: Restructuring
Program Evaluation
Housing Policies Participate at State and Federal Level
MRB and LIHTC Extension Campaigns
Housing Vermont: Funding
Tax Credits: Vermont Equity Fund
Revenue Production
Cash Flow: Analyze Alternative Programs
Bid Proposal for Underwriters
Public Relations
Statewide Affordable Housing Conference
Home Buyer Workshops
Hotline
Portfolio: Service Existing Loans
Electronic Mail/Network
Program Outreach
Lender Training

ONGOING PROGRAMS

ACTIVITY	RESPONSIBILITY AND EXPLANATION/COMMENTS
Mortgages for Vermonters (MOVE)	OPERATIONS: Ongoing mortgage purchase program authorized under current mortgage revenue bond regulations.
Mortgage Plus Program [Mortgage Credit Certificate] (MCC)	OPERATIONS: The Mortgage Plus program provides a tax credit against a borrowers' federal tax liability. The reduction in taxes is intended to be applied against the borrower's mortgage payment.
Builders MOVE Reserve	DEVELOPMENT/Operations: A program to promote single family new construction through Vermont builders. Currently in the process of being reevaluated and restructured.
Energy Rated Homes of Vermont/ Energy Efficient Mortgage (ERH/EEM)	AFFILIATED ENTITIES, Operations: This program encourages making energy efficiency improvements to the Vermont housing stock with emphasis on doing it at the time of purchase or refinance. Incentives are being used to encourage participation from all areas of the shelter industry.
Rural Vermont Mortgage Program	AFFILIATED ENTITIES, Operations, Finance: This program uses VHFA funds in conjunction with FmHA funds to expand the supply of mortgage money available to lower income borrowers.
Perpetually Affordable Housing Program	DEVELOPMENT: Nonprofit housing developers/sponsors reserve MOVE funds for their projects at a reduced rate. Units financed must provide for perpetual affordability and the maximum income of the purchasers may not exceed 80% of the greater of area or statewide median income.
Home Energy Improvement Loan Program (HE/ILP)	OPERATIONS, Affiliated Entities: This installment loan program is based on the premise that it is cost effective to do energy improvements to a home and use non-bank originators.
CVPS/VHFA/Chittenden Bank Energy Loans	OPERATIONS: This is a public/private initiative to bring affordable energy improvement financing within the reach of qualified Central Vermont Public Service Corporation customers. VHFA provides the capital (Up to $150,000), CVPS provides buydown funds (effective rate to the borrower is 4%), Chittenden Bank originates, obtains the VHMGB guarantee, and services the loans.

ONGOING PROGRAMS (continued)

ACTIVITY	RESPONSIBILITY AND EXPLANATION/COMMENTS
Downpayment Assistance Program	OPERATIONS: VHMGB and VHFA teamed up to sponsor a pilot program where the downpayment of qualified VHFA prospective borrowers can be included in the amount financed. This program is designed to address one of the most often quoted reasons why families are not in a position to purchase a home--insufficient funds for a downpayment.
Fort Ethan Allen	EXECUTIVE DIRECTOR: An initiative to combine State resources to create affordable units from the historical fort buildings on Dalton Drive.
Preservation	EXECUTIVE DIRECTOR/Development/Operations: Initiatives to preserve existing affordable housing rather than allow it to convert to market rate housing.
Enhanced Bond Financing	FINANCE/Development: Tax-exempt and taxable bonding for funds for multi-family developments.
Low Income Housing Tax Credits (LIHTC)	DEVELOPMENT: Multi-family rental tax credit program administered by VHFA. Credits are utilized to support Housing Vermont projects as well as to promote small nonprofit and for-profit developments.
Multi-Family Management	OPERATIONS: Ongoing monitoring through regulatory agreements of VHFA financed developments, and HAP contract administration for 18 projects.
Tenant Education and Assistance Model (TEAM)	OPERATIONS: This program addresses the issue of aging in place by working with project owners and existing service provider agencies. Funding for this project is provided by VHFA, project owners, and a grant from the Robert Wood Johnson Foundation.
Vermont Housing Ventures	DEVELOPMENT: A $250,000 revolving loan fund. Loans of up to $50,000 are made to nonprofits to cover the pre-development expenses incurred in creating an affordable housing project.

PROGRAMS TO IMPLEMENT

ACTIVITY	RESPONSIBILITY AND EXPLANATION/COMMENTS
Vermont Secondary Mortgage Market (Phase 1)	DEVELOPMENT/Operations: Purchase up to $50 million in seasoned conventional mortgages from Vermont lenders and aggregate the mortgages into pools for MBS. Lenders will be required to reinvest a minimum of 50% of the proceeds in housing for low- and moderate-income Vermonters.
Mobile Homes On Leased Land	DEVELOPMENT/Operations: Promote financing for mobile homes on long-term lease land.
Affordable Housing Demonstration	DEVELOPMENT: Combine new building technology and perpetual affordability to create new energy efficient housing for lower income Vermonters.
Energy Elements Incorporation into MOVE	OPERATIONS/Development: Allow the cost of energy to be taken into consideration in the underwriting process. This might be an energy credit applied against housing expense for an efficient home, stretched ratios for energy efficient homes, or some other appropriate mechanism. It is envisioned that the energy rating would be the device used for determining energy efficiency.
Nonprofit Training Pilot Series	DEVELOPMENT: Provide six workshops for nonprofits on subjects such as Board Development and Fundraising, Financing, Construction Process, etc.
Cooperative (Blanket) Financing	DEVELOPMENT/Finance: Determine ways to finance multi-family cooperative developments (i.e. blanket mortgages), as the bond market is unfamiliar with cooperatives. Cooperatives are somewhat different from rental and homeownership options and are a relatively new concept in Vermont.
Construction Financing (Multi-Family)	FINANCE: Create a facility (taxable or tax-exempt) to enable VHFA to make short-term construction loans on multi-family projects pending permanent financing.
Small Development Financing	FINANCE/Development: Develop and implement long-term fixed rate funds to developments requiring less than $750,000.

PROGRAMS TO IMPLEMENT (continued)

ACTIVITY	RESPONSIBILITY AND EXPLANATION/COMMENTS
Joint Agency Pilot (Mobile Home Park Financing)	DEVELOPMENT/Finance: Coordinate resources from the Department of Community Affairs, Vermont Housing and Conservation Fund, Vermont Community Loan Fund, and VHFA to purchase mobile home parks. VHFA's responsibility is to produce a source of permanent fixed-rate financing.
Section 8 Refinancing Program	OPERATIONS/Development/Finance: Refinance Section 8 developments with low interest rates; explore pension fund investment in same.

PROGRAMS/INITIATIVES TO ANALYZE FOR FUTURE IMPLEMENTATION

ACTIVITY	RESPONSIBILITY AND EXPLANATION/COMMENTS
Taxable Bonds: Single Family	FINANCE: Perform analysis as to the feasibility of issuing taxable bonds if our authority to issue tax-exempt bonds expires.
Portfolio: Proactive Servicing (Single Family)	FINANCE: Provide direct billing to the lenders involved in our programs as opposed to responding to their monthly reports. Their reports would only notify us of exceptions to the standard payment billing and a reconciliation of the payment to our billing.
Mortgage Delivery/Servicing Systems	DEVELOPMENT/Operations: Set up a mortgage delivery system through approved nonprofits and/or community action groups which would allow better access to low income Vermont families. The servicing aspect would allow for direct servicing of mortgages by VHFA staff.
Homestart	DEVELOPMENT/Operations/Finance: Combine funds from the State to subsidize monthly mortgage payments for lower income Vermonters. VHFA would provide mortgage financing. Currently no activity.
Section 8 Advance Refunding Proposal	OPERATIONS/Finance: Refinance the Section 8 projects with high interest rates; to be analyzed as part of the Section 8 Refinancing Program (see above).
Joint Perpetually Affordable Pilot with VHCF	DEVELOPMENT/Operations: Discuss with the VHCF a pilot program to provide one-stop funding for nonprofits seeking Perpetually Affordable Housing Program funds along with grants from the Vermont Housing and Conservation Fund.
Homeless Needs Program	DEVELOPMENT: Study viable options to meeting some specific housing needs of Vermont's homeless population.
Section 8 Rent Comparability	OPERATIONS: Comparability process is on hold by HUD until further notice. Once informed, VHFA will respond to HUD directives.

PROGRAMS/INITIATIVES TO ANALYZE FOR FUTURE IMPLEMENTATION (continued)

ACTIVITY	RESPONSIBILITY AND EXPLANATION/COMMENTS
Prequalifying Pilot	COMMUNICATIONS/Operations: Explore the possibility of creating a "pre-eligibility certificate" to give to income-eligible home buyers at VHFA home buyer days. The certificate may lend credibility to the buyer in the eyes of the seller, lender and real estate person. It also may give the buyer more confidence as they proceed in the home buying process.
Builders New Construction Incentives Initiative	DEVELOPMENT/Communications/Operations: Research and identify potential incentives to home builders to encourage use of mortgage funds.

INTERNAL ACTIVITIES IN SUPPORT OF NEW PROGRAMS AND ONGOING PROGRAMS

ACTIVITY	RESPONSIBILITY AND EXPLANATION/COMMENTS
MOVE: Revision of Procedural Guide	OPERATIONS/Communications: Activities to enhance the success of MOVE program.
MCC: Restructuring	OPERATIONS/Communications: Restructuring MCC program to enhance its success.
Program Evaluation	OPERATIONS, Development, Finance, Communications: Based on experience and data from any given program, an evaluation will be performed to ascertain the effectiveness of the program in reaching predetermined goals and to suggest changes.
Housing Policies: Participate at State and Federal Level	DEVELOPMENT, Administration: Several initiatives are being considered at the federal level to develop housing solutions for the future. VHFA will keep abreast of these developments and participate, as appropriate, in cooperation with other state housing agencies.
Mortgage Revenue Bond (MRB) and Low Income Housing Tax Credit (LIHTC) Extension Campaigns	COMMUNICATIONS, Operations, Executive Director: Congressional authority to issue MRBs and LIHTC sunset September 1990 and December, 1990 respectively. Ongoing effort to promote continuation of MRBs and LIHTC.
Housing Vermont: Funding	FINANCE: Finance evaluates and monitors the funding agreement of $2,000,000 for the development of new multi-family projects.
Tax Credits: Vermont Equity Fund	ADMINISTRATION: The companion entity to Housing Vermont is the Vermont Equity Fund, that utilizes the LIHTC credits to pull equity into housing development through Housing Vermont.
Revenue Production	FINANCE, Development, Operations: Staff will examine revenue generation viability for any and all programs.
Cash Flow: Analyze Alternative Programs	FINANCE: A study will be conducted to determine the most cost-effective way to generate timely, responsive cash flow data for the purpose of determining finances available and what-if scenarios.
Bid Proposal for Underwriters	FINANCE: Will create and distribute an RFP for bond underwriters to establish where VHFA can procure the best underwriting service for the best cost.

INTERNAL ACTIVITIES IN SUPPORT OF NEW PROGRAMS AND ONGOING PROGRAMS
(continued)

ACTIVITY	RESPONSIBILITY AND EXPLANATION/COMMENTS
Public Relations	COMMUNICATIONS/Administration: An ongoing effort to inform the public of VHFA's purpose and activities.
Statewide Affordable Housing Conference	COMMUNICATIONS/Development: Annual conference to reach out to nonprofit housing developers and others in the public and private sector.
Home Buyer Workshops	COMMUNICATIONS: A series of affordability workshops designed and implemented to reach Vermonters otherwise not reached with VHFA homeownership programs. Forums serve to empower home buyers in a neutral, non-intimidating setting.
Hotline	COMMUNICATIONS: A toll-free hotline that serves Vermonters by providing access to and general information about VHFA homeownership programs.
Portfolio: Service Existing Loans	OPERATIONS, Finance: The servicing of approximately 5,000 Single Family and 92 Multi-Family mortgage loans requiring ongoing analysis and action on the part of staff.
Electronic Mail/Network	OPERATIONS: Research and implementation of internal and external electronic mail capacity.
Program Outreach	COMMUNICATIONS: Reach out to potential home buyers through builders, real estate professionals, lenders, and community groups statewide through extensive field work. Direct contact strengthens relationships between VHFA and its many constituencies.
Lender Training	COMMUNICATIONS/Operations/Development: An effort to expand training for lenders to better educate them to VHFA's existing and new programs, primarily Single Family.

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Margaret A. Pond, Director of Development

DATE: February 9, 1990

RE: PROPOSED RULES PERTAINING TO GRANTS, LOANS AND ADVANCES TO ASSIST THE PLANNING, CONSTRUCTION, REHABILITATION, AND OPERATION OF RESIDENTIAL HOUSING AND MORTGAGE LOANS TO HOUSING SPONSORS FOR SINGLE FAMILY DEVELOPMENTS

The enclosed "Proposed Rules" primarily interpret and limit the broadened authority of the Agency to make "grants, loans, or advances" to "assist" the planning, construction, rehabilitation, and operation of residential housing primarily for persons of low and moderate income, as established by the Legislature last spring.

In addition to the general utility of the rules, Frank Kochman, who is representing us with respect to Dalton Drive, has indicated that these rules, or similar rules, are desirable in order to establish a firm basis for Agency authority to carry out the current plan for that project. Both he and Bob Hale of Palmer & Dodge have approved the draft that is attached.

The draft regulations grew out of the issues presented by the Dalton Drive transaction. Among the things we would like to be able to do in connection with Dalton Drive, and which these rules would firmly authorize, are:

1. Take direct responsibility for development of the project, including commencing construction (if necessary), until we are at the point at which the respective pieces of the project can be turned over to a housing sponsor and (as currently planned) a sponsor of the small piece contemplated for non-housing development.

2. Make separate loans to separate entities at different times for the main (housing) portion of the project and the non-housing portion, respectively.

3. Make a construction loan for the single-family condominium development.

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In order to avoid reading our statutory authority too broadly, the rules make clear that separate loans for non-housing facilities can only be made under the new statutory language when either (a) the facilities are intended primarily to serve the residents directly, or (b) the facilities are part of the same land, are necessary in order to make the housing economically viable, and will be created by rehabilitation of an existing structure.

The rules would also establish parameters and procedures for all grants, limiting recipients to non-profits or "housing sponsors," requiring a finding consistent with the statutory purpose, and binding both the recipient and any sub-recipient to the terms and conditions of a resolution authorizing the grant, whether or not a formal agreement is signed.

RECOMMENDED ACTION: Authorize filing of the Rules with the Secretary of State as a "proposed rule" in accordance with 3 V.S.A. §838.

PROPOSED RULES 02/15/90

VERMONT HOUSING FINANCE AGENCY
GRANTS, LOANS AND ADVANCES TO ASSIST THE PLANNING, CONSTRUCTION, REHABILITATION, AND OPERATION OF RESIDENTIAL HOUSING; MORTGAGE LOANS TO HOUSING SPONSORS FOR SINGLE FAMILY DEVELOPMENTS RULES

CHAPTER ONE
SCOPE AND DEFINITIONS

1. Authority

These rules are made and published pursuant to sections 621(5), (12) and (17) and section 624 of the Vermont Housing Finance Agency Act of 1974 as amended, (the "Act").

2. Background and Purpose

By No. 77, §3, effective June 7, 1989 (the "Amendment") the Vermont General Assembly amended 10 V.S.A. §621(5) to empower the Agency to provide "such grants, loans, or advances as will assist the planning, construction, rehabilitation, and operation of residential housing primarily for persons of low and moderate income, including but not limited to assistance in community development and organization, advisory services, the formation of cooperative housing corporations, and to encourage community organizations to assist in developing same."

The Agency finds that reductions in the amount of federal financial assistance in the provision of safe and decent housing at costs affordable to persons and families of low and moderate income has created a crisis in the availability of such housing, that incentives for private developers and private lenders to participate in the creation and preservation of such housing have declined, and that the excess of demand for such housing over the supply will increase at an expanding rate in the absence of flexible and timely strategies designed to marshall all resources available from time to time, including land, existing structures, public funds, and private funds.

It is the purpose of these Rules to encourage an adequate supply of safe and decent housing at reasonable cost, to interpret, limit, and implement, in part, the provisions of 10 V.S.A. §621(5), as amended by the Amendment, and to establish criteria for mortgage loans to housing sponsors for Single Family Developments.

3. Definitions

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

(1) "Advance" means a direct expenditure of funds by the Agency for the purpose of planning, constructing, rehabilitating, or

operating Residential Housing primarily for persons and families of low and moderate income;

(2) "Agency" means the Vermont Housing Finance Agency created by the Act;

(3) "Bonds, notes and other obligations" or "bonds, bond anticipation notes or other obligations": means any bonds, notes, debentures, interim certificates or other evidences of financial indebtedness issued by the Agency pursuant to the Act;

(4) "Eligible Borrower" includes a housing sponsor, non-profit entity, or other legal entity qualified to receive a loan for a Single Family Development or a Mixed Use Development under the provisions of these Rules;

(5) "Grant" means a grant of funds which the recipient is not obligated to repay or which the recipient is obligated to repay only in the event of a breach of conditions imposed by the Agency with respect to the use of the funds;

(6) "Land value" means the appraised value of the land as determined by an appraiser approved by the Agency; if purchased less than two years prior to the date of application the purchase price of the land or the appraised value, whichever is lower;

(7) "Limited Profit". A housing sponsor is organized on a limited profit basis if its organizational document, whether directly or by reference to a controlling agreement (which may be a lease, a loan agreement, a Regulatory Agreement, or other agreement between the Agency and the Borrower), imposes significant limitations on rental charges or sale prices, builder's and developer's fees, the right of disposition of the sponsor's property and franchise, or other sources of profit as the Agency may determine on a case by case basis;

(8) "Mixed Use Development" means Residential Housing, a portion of which will be devoted to non-housing facilities, provided that all or a portion of such non-housing facilities are not designed or will not be designed primarily for the benefit of the occupants of the dwelling units;

(9) "Multi-Family Rules" means the Agency's Rules pertaining to Loans to Multi-Family housing sponsors;

(10) "Non-Profit Entity" means a department, division, board, commission, agency or other instrumentality of this State, a political subdivision of this State, an agency of any such political subdivision, an "exempt organization" within the meaning of section 501(c)(2), (3), or (4) of the Internal Revenue Code, a non-profit corporation organized as such under the laws of this State, an entity owned, or whose day-to-day management is

controlled, under the terms of a partnership agreement, by any of the foregoing, or a "limited equity cooperative" within the meaning of Chapter 14 of Title 11, Vermont Statutes Annotated;

(11) "Residential housing" means single or multi-family residential dwelling units designed primarily to provide principal dwelling accommodations for persons or families, including the land and improvements thereon and such non-housing facilities or services considered necessary or convenient by the Agency in connection with the residential housing. "Residential housing" includes, but is not limited to, single or multi-family dwellings, congregate homes, residential care homes as defined in 18 V.S.A. §2002, nursing homes, transitional housing, emergency shelters for the homeless or displaced, mobile homes, single room occupancy dwellings, and group homes for the mentally ill or developmentally disabled. "Residential housing" also means cooperative interests and mobile home parks as defined in 10 V.S.A. Section 6201. Non-housing facilities or services shall be deemed necessary or convenient in connection with the residential housing in any case in which the Agency finds that the particular facilities or services are designed primarily for the benefit of the occupants of the dwelling units or that the acquisition, construction, or rehabilitation of the dwelling units would not be economically practicable except in connection with the economic benefits to be obtained from such facilities or services.

(12) "Single Family Development" means real property acquired or to be acquired for the construction, rehabilitation, or operation of Residential Housing primarily for occupancy by persons and families of low and moderate income, and which consists primarily of individual dwelling structures, condominium apartments, or cooperative interests owned or to be owned by the occupants of the Residential Housing.

Terms used in these Rules and in the Act, and not defined above, shall have the same meaning as they have in the Act, as amended from time to time.

4. Waivers

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

5. Separability

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

CHAPTER TWO
GRANTS

1. No Grant shall be made under the authority of these Rules except to a housing sponsor or a Non-Profit Entity, and upon a finding by the Agency that the Grant will assist the planning, construction, rehabilitation, or operation of Residential Housing primarily for persons and families of low and moderate income.

2. Each Grant shall be made pursuant to a resolution of the Agency, and shall be made subject to such conditions as shall obligate the recipient to its proper use.

3. A Grant may or may not be made subject to the execution of a formal grant agreement by the recipient. In any event, the recipient and any sub-recipient, by the acceptance of the Grant or the proceeds thereof, shall be bound by the conditions of the authorizing resolution and the applicable provisions of these Rules.

4. The obligations of the recipient of a Grant may be secured in such manner as the circumstances warrant, or may be unsecured, as the Agency may determine to be appropriate in the a particular case; provided, however, that in the case of a Grant to a housing sponsor which is not also a Non-Profit Entity, the housing sponsor's compliance with the conditions of the Grant shall be secured by a mortgage on the involved real estate.

5. In any case in which the Agency is authorized to make a Grant under these Rules, it may make a loan instead, and such loan may be secured or unsecured to the extent permitted or required by these Rules in the case of a Grant for the same purpose to the same recipient.

CHAPTER THREE
ADVANCES

1. The Agency may make Advances with respect to real property owned or controlled by it. Such Advances shall be made in anticipation of the sale or lease of such real property or portions thereof to an Eligible Borrower for the purpose of planning, constructing, rehabilitating, and/or operating Residential Housing, provided that the dwelling units in such Residential Housing are intended to be occupied primarily by persons and families of low and moderate income.

2. Advances for planning, architectural and engineering fees, fees for governmental permits, related legal and consulting fees, and other preliminary costs may be made prior to the identification of a particular buyer for the involved real property.

3. No Advances for costs of actual and substantial physical changes to the involved real property shall be made unless the Agency has first identified the proposed buyer and has determined that delay in the commencement of such changes pending completion of the sale or execution of a binding contract of sale would be materially disadvantageous to the Agency and/or would increase the ultimate cost of the Residential Housing.

4. All Advances shall be accounted for at the time of a sale or lease of the involved real property to a housing sponsor or other Eligible Borrower. At the closing of such sale or lease, Advances may be deemed made for the benefit of the buyer, and may be accounted for as a portion of the purchase price, rent, loan proceeds, a Grant (in an appropriate case), or any combination thereof. If such Advances have been made pursuant to contracts with third parties that remain executory in part as of the time of closing, as a condition of the sale or lease the buyer must agree to assume all obligations of the Agency under such contracts, unless the Agency shall otherwise consent.

CHAPTER FOUR
LOANS FOR MIXED USE DEVELOPMENTS

1. The Agency may make loans to Eligible Borrowers to assist the planning, construction, rehabilitation, or operation of Mixed Use Developments in accordance with the terms and conditions of these Rules.

2. All of the land constituting a Mixed Use Development shall be contiguous. Parcels of land separated only by a public way, private way, or non-navigable waters shall be deemed to be contiguous. In the case of a Mixed Use Development involving more than two legally identifiable parcels of land, each parcel contiguous to a given parcel shall be deemed contiguous to all parcels to which the given parcel is contiguous.

3. A Mixed Use Development may be financed by a single mortgage loan to a housing sponsor or, if the portions of the development containing the non-housing facilities can be separated by lease or subdivision as mortgageable parcels, and such separation is deemed desirable by the Agency, the Agency may make a separate loan to an Eligible Borrower with respect to the non-housing facilities. The Eligible Borrower with respect to such non-housing facilities may, but need not be, the housing sponsor. Any such separate loan shall be secured by a separate mortgage containing such provisions as the Agency may deem appropriate in the particular case.

4. A Mixed Use Development may be multi-family Residential Housing, a Single Family Development, or any combination thereof.

5. With respect to any mortgage loan made in whole or in part for the specific purpose of financing dwelling units in a Mixed Use Development which constitutes multi-family Residential Housing, the Multi-Family Rules shall apply to the extent the Multi-Family Rules are consistent with these Rules. In the event of a conflict between express provisions of these Rules and the Multi-Family Rules, the applicable provision of these Rules shall be controlling.

6. The intent of this chapter is to authorize comprehensive financing by the Agency of Mixed Use Developments; provided that the non-housing facilities which are not designed primarily for the benefit of the occupants of the dwelling units shall constitute all or part of an existing structure or structures to be acquired and rehabilitated. Nothing in these Rules shall be construed to authorize the financing by the Agency of new, original construction of non-housing facilities which are not designed primarily for the benefit of the occupants of the dwelling units, nor the financing by the Agency of any non-housing facilities except in connection with the financing of Residential Housing.

7. No loan for a Mixed Use Development shall be made until the Agency has received and reviewed the recommendation of the Executive Director

relating to such loan and the Agency has adopted a resolution approving such loan, which resolution shall include the following determinations:

(1) The Residential Housing is primarily for occupancy by persons and families of low and moderate income;

(2) The construction or rehabilitation costs incurred or to be incurred by the housing sponsor under agreement are for housing development costs within the meaning of the Act;

(3) There exists, or without the proposed Residential Housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low or moderate income are able to afford within the general housing market area to be served by the proposed Residential Housing or there is a shortage of temporary transitional or emergency housing to be served by the proposed Residential Housing and that private enterprise and investment are unable, without assistance, to provide an adequate supply of the Residential Housing and sufficient mortgage financing for occupancy by the persons or families;

(4) The housing sponsor or sponsors undertaking the proposed housing development will maintain or increase the supply of well-planned, well-designed permanent, temporary, transitional or emergency housing for persons or families of low and moderate income and that the sponsors are financially responsible persons or institutions;

(5) More than one half of each of (a) the total floor area and (b) the total development cost of the Mixed Use Development will be allocated to dwelling units for persons and families of low and moderate income and such non-housing facilities and services as directly and primarily benefit the occupants of the dwelling units; and,

(6) The non-housing facilities to be acquired and/or rehabilitated in connection with the Mixed-Use Development, and which are not designed primarily for the benefit of the occupants of the dwelling units, are necessary in order to render the purchase or lease of the dwelling units economically feasible for persons and families of low and moderate income.

8. Nothing in these rules shall be construed to bar the Agency from financing any Residential Housing merely because part of the building in which the Residential Housing is located, or other buildings on the land on which the Residential Housing is located, is used or will be used for purposes other than Residential Housing.

CHAPTER FIVE
MORTGAGE LOANS TO HOUSING SPONSORS FOR SINGLE FAMILY DEVELOPMENTS

1. Pursuant to 10 V.S.A. §624(a)(1), and these Rules, the Agency may make mortgage loans to housing sponsors for the purpose of financing the acquisition, construction, and/or rehabilitation of Single Family Developments, and, in the case of a housing sponsor which is a limited equity cooperative, for the purpose of financing the long-term operation of the development.

2. No mortgage loan to a housing sponsor of a Single Family Development shall be made until the Agency has received and reviewed the recommendation of the Executive Director relating to such mortgage loan and the Agency has adopted a resolution approving such mortgage loan, which resolution shall include the following determinations:

   (1) The Residential Housing is primarily for occupancy by persons and families of low and moderate income;

   (2) The construction or rehabilitation costs incurred or to be incurred by the housing sponsor under agreement are for housing development costs within the meaning of the Act;

   (3) There exists, or without the proposed Residential Housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low or moderate income are able to afford within the general housing market area to be served by the proposed Residential Housing or there is a shortage of temporary transitional or emergency housing to be served by the proposed Residential Housing and that private enterprise and investment are unable, without assistance, to provide an adequate supply of the Residential Housing and sufficient mortgage financing for occupancy by the persons or families;

   (4) The housing sponsor or sponsors undertaking the proposed housing development will maintain or increase the supply of well-planned, well-designed permanent, temporary, transitional or emergency housing for persons or families of low and moderate income and that the sponsors are financially responsible persons or institutions; and

   (5) More than one half of each of (a) the total floor area and (b) the total development cost of the Single Family Development will be allocated to dwelling units for persons and families of low and moderate income and such non-housing facilities and services as directly and primarily benefit the occupants of the dwelling units.

3. If the Single Family Development is also a Mixed Use Development, such Development must also satisfy the provisions of Chapter Four of these Rules.

FK038a

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady PAC, Development Coordinator

DATE: February 8, 1990

RE: Sugar Mae Status Update

Since my last update, numerous activities have been completed toward a March 1, 1990 issue date for Sugar-Mae MBS, and the completion of the first deal for Phase I.

In December, ten lenders executed transaction contracts agreeing to the terms of the initiative including reinvesting 50% in activities that support the needs of low- and moderate-income families. Lenders also provided updated information on approximately $26 million in mortgages. Allan and VHFA staff members met with three state pension funds during December/January and received indications of their interest in investing up to a total of $12.5 million in Sugar Mae MBS.

In January, Fannie Mae assisted in the stratification of loans into 9 pools, for a total of $24.5 million, and provided preliminary pricing of the pools by the Fannie Mae Customer Service Trading Desk. (see attached) Unfortunately, the MBS prices quoted were substantially below what they were last October producing prices that were too low for some lenders, however, six lenders have indicated their interest in selling approximately $9.3 million of their loans provided a minimum price established for the pool is obtained. The lenders now have commitment contracts and instructions on delivering updated information on the loans and documents.

Keeping to the timetable that has been established for the remainder of February is critical to meeting the March 1, 1990 issue date for the MBS. The six lenders currently involved in the first deal appear to be committed to its completion. The lenders who were unable to sell their loans remain interested in working with VHFA to develop Sugar Mae into a true "Vermont Secondary Market" for nonconforming loans.

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GREEN MOUNTAIN MORTGAGE MARKET - SUGAR MAE
PRELIMINARY POOL INFORMATION/PRICING - PHASE I
JANUARY 26, 1990

POOL NUMBER	POOL TYPE	PASS THROUGH RATE	MIN. NOTE RATE	MAX. NOTE RATE	# OF LOANS	POOL BALANCE	ESTIMATED PRICE (%)	ESTIMATED PRICE ($)	WAM	WAC
1	15 YR	9.5	10.375	11.625	26	$1,607,770	100.0625	$1,608,774	145	10.63
2	15 YR	9.0	9.875	10.250	46	$2,234,712	98.3125	$2,197,001	141	10.04
3	15 YR	8.5	9.375	9.750	34	$1,706,219	96.6250	$1,648,634	134	9.6
5	30 YR	9.5	10.375	11.125	59	$3,535,295	99.0000	$3,499,942	307	10.56
6	30 YR	9.0	9.875	11.000	60	$2,466,993	97.5000	$2,405,318	181	10.37
7	30 YR	9.0	9.875	10.300	71	$4,671,446	96.7500	$4,519,624	310	10.07
8	30 YR	8.0	9.000	9.750	106	$2,913,080	93.3750	$2,720,088	161	9.52
9	30 YR	8.0	9.000	9.750	51	$3,291,564	92.3125	$3,038,525	310	9.43
10	30 YR	10.5	11.500	13.000	36	$2,153,004	102.6250	$2,209,520	229	12.05
				TOTALS	489	$24,580,086		$23,847,426		

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Mark Koppelkam, Multi-Family Development Officer

DATE: February 8, 1990

RE: BRIEF STATUS REPORT ON VHFA MULTI-FAMILY PROJECTS

1. HEINEBERG

All 80 units are now rented at Heineberg! An open house (sponsored by Cathedral Square) is schedule 1-4pm on Friday, February 23rd.

The final development costs were $4,053,306. This was 1.4% below earlier projections.[1] The cost per unit was $50,666, with construction costs running about $51 per square foot.

Permanent project financing is being provided by selling the Heineberg mortgage to Fannie Mae (FNMA), with corresponding VHFA purchase of a FNMA mortgage backed security (MBS) using VHFA bond reserve funds. The phase I closing took place in early January. FNMA is expected to issue the MBS by the end of February.

2. WINCHESTER

As of February 8th, 130 of the 166 total number of units have been completed and turned over to the owners, and 123 of the 130 units have been rented. 15 of the market rate units were rented to individuals through the New England Culinary Institute. A slow initial rent up of the market units led the owners to cut the market rate rents $50/m (from $625 to $575) as a construction period schedule. Though successful as a marketing tool, the budgetary implications have not been discussed with the sponsors.

(cont)

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[1] The original development cost budget adopted by the VHFA Board in November 1988 was $3.9 million. This was adjusted to $4.11 million in mid-1989 to pay FNMA financing costs.

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Construction is on schedule and all units should be completed by May. No change orders have been submitted since August 1989 and no new significant problems have arisen, so the existing budget (as revised in August 1989) should be sufficient to complete the work.

3. RIVERSIDE/SALMON RUN

Good news here also as all 80 units are essentially complete (except for minor punchlist and seasonal items) and fully rented. In addition the major change order work on the west slopes was completed $27,110 (13.45%) under budget. We expect to move to permanent closing in the next few weeks.

The final cost overrun is expected to be $361,429 (4.7%), of which $274,882 is construction and sitework. Other areas of overrun are taxes and insurance ($13,000), architectural and engineering ($21,000), non-contract construction ($19,000) and legal ($15,000). The per unit costs at this point are $88,175.

The overrun is partially mollified by the fact that the project can support additional equity investment by Housing Vermont. A small additional 1990 Low Income Housing Tax Credit allocation may help raise more equity as well. Housing Vermont has asked the Housing and Conservation Trust Board to loan a total of $250,000 (up from the initial HCTB commitment of $161,000) for the project. Final reconciliation of the additional loans and equity still needs to be worked out.

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Mark Koppelkam, Multi-Family Development Officer

DATE: February 8, 1990

RE: Interfaith/Pine Meadow Project, Middlebury

THE PROJECT

1. General Description

30 units in 11 buildings, new construction, located on land to be leased from the Town of Middlebury for $1/yr. The primary sponsors are the Middlebury nonprofit Interfaith, Inc., and Housing Vermont. The total projected cost of development at this time is estimated at $1.9 million ($63,300 per unit). Construction is planned to begin in May, and be completed by January 1991. The projected permanent sources of funds are:

Equity - HV Equity Fund	887,500
VHFA 1st Mortgage Loan	822,100
HCTB Deferred Payment Loan	192,500
Total	$1,902,100

Additional rent subsidy will be needed for as many as eleven years. This subsidy ($80,208) has already been approved by the Housing and Conservation Trust Board (along with the deferred payment loan shown above).

The project is heavily dependent upon a $124,000, 9% tax credit allocation, meaning that VHFA cannot provide tax exempt financing, only taxable financing (as at Heineberg).

The project would be sold to either Interfaith or the Addison County Community Land Trust at the end of

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Project: PINE MEADOW C:\QUATTRO\NEW\PINB0206.WKQ 08-Feb-90

*********Unit Information********		*********Assumptions*********	
Total Units:	30	Increase LIHTC	3.25%
Restricted Units:	24	Increase Market	5.00%
Percent Restricted:	80.00%	Expense increase:	4.50%
Avg Net Monthly Rent:	368	Vacancy Rate:	3.00%
Total Development Cost	1,902,100	Partner's Tax Rate:	34.00%
TDC/Unit	63,403	Depreciation Schedule:	27.5

**********HCTB SUMMARY**********		*********LIHTC SUMMARY*********	
HCTB Direct Loan	192,500	Percent Alloc.Needed	100.00%
HCTB Sink Fun 272,708	80,208	Gross Syndication	887,712
Sinking Fund Rate	8.00%	Tax Credit Percentage	8.91%
Breakeven Year	10	Annual Credit Amount	124,331
Total HCTB *	272,708	Percent 1990 LIHTC Cap	24.38%
Total HCTB Per LIHTC Unit	11,363	Units Built Annually	123

* Does not includes $13,250 Capacity Grant to Interfaith Housing

FINANCING SOURCES

	Amount	% of TDC	Interest	Term	Per Unit
Equity 1	887,500	46.66%	N/A	N/A	29,583
VHFA / FHLBB	822,100	43.22%	9.50%	30	27,403
HCTB Direct	192,500	10.12%	7.00%	0	8,021
(Deferred)	----------	-------	-------	64.79%	--------
	1,902,100	100.00%	64.79%	Debt/Equity	63,403

DEVELOPMENT BUDGET

		Budget	Per U
Acquisition		0	0
Market Study		600	20
Site Work / No Paving		190,000	6,333
Construction / Includes Bond		1,305,000	43,500
Contingency	5.00%	74,750	2,492
Arch/Engineering		71,000	2,367
Reimbursables		3,000	100
Maint. Equipment / Tractor		7,000	233
Soil & Concrete Testing		5,000	167
Legal/Accounting		7,000	233
Permits/Fees		8,000	267
Taxes/Insurance	14,792	5,000	167
Construction Loan Interes	16,545	32,000	1,067
Construction Loan Fees	822,100	0	0
Permanent Loan Fee	12,332	12,500	417
Marketing		7,500	250
Addison Ct. Land Trust Fee		2,500	83
Interfaith / HCTB Capacity Grant		13,250	442
Clerk of Works		8,000	267
Working Capital	59,041	60,000	2,000
Syndication Expenses		27,000	900
Developer's Fee	88,771	63,000	2,100

TOTAL DEVELOPMENT COSTS		1,902,100	63,403

INTERFAITH/PINE MEADOW

PROPOSED RENTS

Restricted Units (See assumptions below)

Bedrooms	Type	Sq.Feet	Number	Rent	
1 Br	Flat	713	1	271	
2 Br	Mngr.Occup'd	790	1	331	
2 Br	Townhouse	865	13	331	
3 Br	Townhouse	1,012	9	388	
		-----	----	--------	
	Totals	21,856	24	100,761	Annual

Market Rate Units

Bedrooms	Type	Sq.Feet	Number	Rent
1 Br	Flat	713	1	400
2 Br	Flat	790	2	500
2 Br	Townhouse	865	3	525
		-----	----	--------
	Totals	4,888	6	35,700

All Units

	Grand Totals	26,744	30	136,461	Annual

Market Rates 1988 Middlebury		Market Rates Addison County
450	1 BR	350
500	2 BR	425

Note: Tenants Pay All Utilities

Middlebury and County Market Rents from HV Consultant's Report

fifteen years for the balance of the mortgage debt, as is planned with the other Housing Vermont projects.1

2. Unit Breakdown/Rents

The project will be a mix of rent restricted/tax credit (24) and market rate (6) units. The unit types and projected rents are shown on the attached financial summary. 2 of the units will be handicapped accessible.

3. Site/Location

The site is a 3.9 acre undeveloped meadow, located less than one mile from the center of Middlebury. A site map is attached. The neighborhood is primarily single family residential, bounded by topography and generally non-intrusive but non-residential uses. To the northwest is a town of Middlebury conservation park. The development's backyards are oriented toward this park. To the immediate south is a small condominium project that was largely completed in the 1970's, though some new units are still under construction. Typical unit prices in that condominium project are $50,000-$60,000. To the east is an active, though lightly used Vermont Railway rail-line, and 1/2 mile further, the Borden and Glidden industrial plants. To the west, toward Otter Creek, is the former Middlebury landfill, now limited to stumps and vegetation, a sewage treatment plant, and a small hydro-electric facility.

4. Design/Permits Etcetera

The architect for the project is Turner Brooks, with the lead staff being Dennis Willmott. A project model will be shown at the Board meeting. Mr. Brooks is known as a as a high quality, artistic architect, and we are pleased to be working with his office.

The design features 11 wood frame buildings clustered in two groups, each of which have their backyards oriented to a common greenspace and small gazebo structure. Each

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1 Technically the formula calls for payment of the existing mortgage debt and any outstanding taxes (including capital gains) or other monies necessary to make Equity Fund investors whole with regard to their investment.

unit (except for 2) will have a concrete ground level deck at the back door, with a relatively private, partially fenced area. Each building will have a full basement, containing laundry and storage facilities. Each of the 11 buildings has a common porch at one end of the building, and the basement is accessed from this porch. Siding will be vinyl, with wood trim.

The floor plans feature foyers with generous closets, an efficient kitchen, a large combined living/dining area, with the bathroom and all bedrooms on the second floor. Heating will be provided through a combined gas heat (hydronic) and domestic hot water system, and stoves will be gas as well.

Zoning permits have already been approved, and Act 250 approval is expected within two weeks. The site will have municipal water and sewer.

5. Market Demand

The sponsors last summer commissioned a market study by Douglas J. Kennedy and Associates, which complements an April 1989 housing needs study by the Addison County Regional Planning and Development Commission. They conclude that "All available data and interviews... point to a very strong market for affordable rental housing units for families."

6. Management

The proposed management agent would be Cathedral Square Corporation, which is based in Burlington. Sarah Carpenter is the Executive Director. Cathedral Square was a co-sponsor with Housing Vermont of the recently completed Heineberg Project, which VHFA participated in. Cathedral Square currently manages 2 large senior housing projects in Burlington (including Heineberg), as well as a 30 units elderly project in Middlebury and an elderly project in Richmond.

DISCUSSION

7. Strengths and Weaknesses

The primary strengths of this project include:

a) High demand for affordable housing in the Middlebury area.

b) Growing experience of Housing Vermont as a developer, and the ability to really control this project, without severe time constraints or other limiting factors.

c) Involvement of a high quality architect, which though more costly up-front, shows that Housing Vermont has learned the value of that investment.

d) The excellent reputation of Sarah Carpenter and Cathedral Square as a management agent.

e) The support of the Town of Middlebury for this family development.

The potential weaknesses of this project are:

f) The project faces lower rent generating capacity than Housing Vermont's other projects to date because maximum tax credit rents in Addison County are significantly lower than Chittenden County - more than $100/month lower. All Housing Vermont's projects to date have been in Chittenden County.

g) The general location of this project is "on the other side of the tracks." There are social and environmental implications to this location - some rail noise, potential odor problems from the sewage treatment plant, and most important, a concern for the ability to draw and keep market tenants, which affects both the sociological mix and the pro forma assumptions (about market rate rent levels and their assumed rate of increase).

h) The sponsors have presented a unique pro forma. The current projections call for 10 years of operating losses, requiring subsidy funding of the operating budget by the HCTB. In other circumstances this would be seen as reflecting a serious financial problem. However here it reflects an intent to use the HCTB capital in the most efficient way possible.

In the case of the earlier VHFA financed Winchester project, which had a seven year projected operating loss and $667,000 sinking fund from the Merchants Bank, the Agency required the Merchants Bank to provide a working capital reserve equal to the sinking fund amount for essentially the term of the projected deficits (i.e. seven years).

What has been proposed is a $60,000 working capital amount, which is almost double VHFA's normal working capital requirement (i.e. 40% of debt service). The proposed working capital level is equal to the discounted amount necessary to bring the cash flow up to a 1.05% debt coverage ratio for the 10 years of operating deficit.

i) Finally the sponsors are proposing an aggressively priced construction budget that is 3.2% ($42,250) below an independently made cost estimate (based on preliminary plans and specifications). The feeling of Housing Vermont is that a slow construction market means that builders will be hungry for work, and thus offer low prices. The sponsors are also hoping to avoid sales tax charges on materials for construction (as at the Heineberg Project) as they will be purchased by one of the nonprofit sponsors. VHFA staff will be examining the construction cost aspect of the budget more carefully as final plans and specifications are completed.

Other Notes

8. The sponsors are <u>not</u> looking for construction financing from the Agency. A group of Middlebury banks led by the Chittenden Bank are apparently willing to support the construction loan with no loan fee required and an interest rate at or slightly below prime.

9. The sponsors had a cost estimate done using the preliminary plans available this past summer. The cost estimator is the individual typically used by the Agency, and he has, in the past, been very accurate. His estimate for this job, adding an 8% profit markup, is $1,328,500. The sponsor's construction budget is presented as $1,286,250 (not including the 1.5% construction bond costing $18,750), plus a 5.8% development contingency of $74,750.

RECOMMENDED ACTION

Staff recommends approval of <u>Resolution Pertaining to Letter of Interest for Interfaith Project</u> (Attached), authorizing the Executive Director to issue a letter of interest and make preliminary arrangements toward providing up to $1 million of first mortgage permanent financing for the Development.

RESOLUTION PERTAINING TO LETTER OF INTEREST FOR INTERFAITH/PINE MEADOW DEVELOPMENT, MIDDLEBURY

WHEREAS, Housing Vermont and the non-profit corporation Interfaith, Inc. have presented a proposal for construction of 30 units of rental housing in the town of Middlebury, Vermont (the "Interfaith/Pine Meadow Development"), and;

WHEREAS, the proposal contemplates that the Interfaith/Pine Meadow Development will constitute a "qualified low-income housing project" within the meaning of section 42(g) of the Internal Revenue Code of 1986, and;

WHEREAS, the proposed partnership between Housing Vermont and Interfaith, Inc. (or their subsidiaries) will qualify as a housing sponsor within the meaning of the Vermont Housing Finance Agency Act (the "Act"), and;

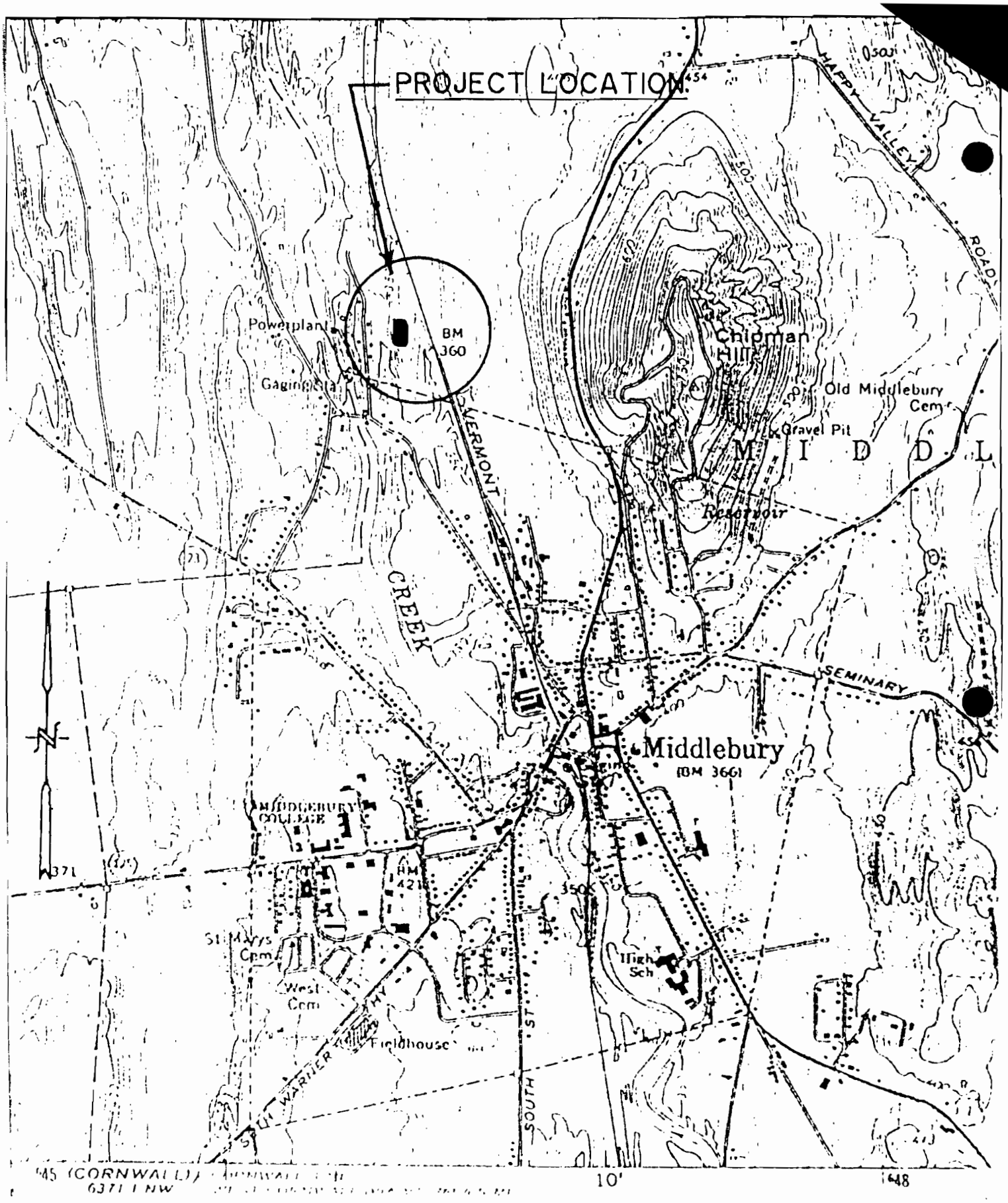
WHEREAS, the Agency has determined that the Interfaith/Pine Meadow Development will assist in fulfilling the purposes of the Act and is financially feasible;

THEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Interest in providing up to $1 million of first mortgage permanent financing for the Interfaith/Pine Meadow Development. The Letter of Interest shall be issued to Housing Vermont as the representative of a limited partnership to be formed that shall include Housing Vermont or a subsidiary thereof and such private equity investors as may be available. Consistent with applicable rules of the Agency, the Letter of Interest shall include the following language:

> "This Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds from the issuance of new bonds or notes of the Agency and the satisfactory completion of such further requirements as the Agency may establish. This Letter of Interest may be used by you in support of applications for construction and/or operating subsidies, insurance, construction financing, and other purposes after first obtaining the permission of the Agency."

2. The Executive Director and appropriate staff are hereby authorized and directed to negotiate with the developer, review all relevant facets of the Interfaith/Pine Meadow Development and make preliminary arrangements for financing by bonds or notes.



SCALE 1" = 2000'

INTERFAITH HOUSIN

PROJECT LOCATION

SITE PLAN

PINE MEADOW — PRO FORMA — 08-Feb-90

Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
LIHTC Rent	100,761	104,035	107,417	110,908	114,512	118,234	122,076	126,044	130,140	134,370	138,737	143,246	147,901	152,708	157,671	162,795	168,086	173,549
Market Rent	35,700	37,485	39,359	41,327	43,394	45,563	47,841	50,233	52,745	55,382	58,152	61,059	64,112	67,318	70,684	74,218	77,929	81,825
Gross Rent Potential	136,461	141,520	146,776	152,235	157,906	163,797	169,918	176,277	182,885	189,752	196,888	204,305	212,013	220,026	228,355	237,013	246,015	255,374
Less Vacancies	(4,094)	(4,246)	(4,403)	(4,567)	(4,737)	(4,914)	(5,098)	(5,288)	(5,487)	(5,693)	(5,907)	(6,129)	(6,360)	(6,601)	(6,851)	(7,110)	(7,380)	(7,661)
Plus Other Income	7,346	7,585	7,832	8,086	8,349	8,620	8,901	9,190	9,488	9,797	10,115	10,444	10,783	11,134	11,496	11,869	12,255	12,653
Total Actual Income	139,713	144,860	150,204	155,754	161,517	167,503	173,721	180,179	186,887	193,856	201,097	208,620	216,436	224,559	233,000	241,772	250,889	260,366
Less Operating Exp.	75,383	78,776	82,321	86,025	89,896	93,941	98,169	102,586	107,203	112,027	117,068	122,336	127,841	133,594	139,606	145,888	152,453	159,313
Less Lease N/A	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Net Operating Income	64,329	66,083	67,883	69,728	71,620	73,561	75,551	77,591	79,684	81,829	84,028	86,283	88,594	90,964	93,393	95,883	98,435	101,052
Less Debt Service	82,952	82,952	82,952	82,952	82,952	82,952	82,952	82,952	82,952	82,952	82,952	82,952	82,952	82,952	82,952	82,952	82,952	82,952
Cash Flow	(18,623)	(16,869)	(15,069)	(13,224)	(11,332)	(9,391)	(7,401)	(5,361)	(3,268)	(1,123)	1,076	3,331	5,642	8,012	10,441	12,931	15,483	18,100
Sinking Fund Loan	19,554	17,712	15,823	13,885	11,898	9,861	7,771	5,629	3,432	1,180	0	0	0	0	0	0	0	0
HCTB Repayment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	(3,132)	(3,879)	(4,645)	(5,430)
Net Cash Flow	931	843	753	661	567	470	370	268	163	56	1,076	3,331	5,642	8,012	7,309	9,052	10,838	12,670
Debt Coverage Ratio	101.12%	101.02%	100.91%	100.80%	100.68%	100.57%	100.45%	100.32%	100.20%	100.07%	101.30%	104.02%	106.80%	109.66%	112.59%	115.59%	118.67%	121.82%
Working Capital Reserve	3,300	3,300	3,400	3,500	3,600	3,700	3,800	3,900	4,100	4,100	3,100	800	0	0				
VHFA DCR (Incl WC)	105.10%	104.99%	105.01%	105.02%	105.02%	105.03%	105.03%	105.02%	105.14%	105.01%	105.03%	104.98%	106.80%	109.66%	112.59%	115.59%	118.67%	121.82%

PINE MEADOW — PRO FORMA — 08-Feb-90

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Net Operating Income	64,329	66,083	67,883	69,728	71,620	73,561	75,551	77,591	79,684	81,829	84,028	86,283	88,594	90,964	93,393	95,883	98,435	101,052
Less Interest Expense	(92,726)	(94,502)	(96,255)	(97,979)	(99,667)	(101,311)	(102,902)	(104,431)	(105,887)	(107,259)	(123,849)	(126,196)	(128,688)	(131,334)	(134,142)	(137,340)	(140,783)	(144,489)
Less Depreciation	(63,428)	(63,428)	(63,428)	(63,428)	(63,428)	(63,428)	(63,428)	(63,428)	(63,428)	(63,428)	(63,428)	(63,428)	(63,428)	(63,428)	(63,428)	(63,428)	(63,428)	(63,428)
Taxable Income (Loss)	(91,825)	(91,847)	(91,800)	(91,679)	(91,475)	(91,178)	(90,779)	(90,267)	(89,632)	(88,858)	(103,249)	(103,341)	(103,522)	(103,799)	(104,177)	(104,885)	(105,776)	(106,865)
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Cash Flow	931	843	753	661	567	470	370	268	163	56	1,076	3,331	5,642	8,012	10,441	12,931	15,483	18,100
Plus Tax Savings	31,221	31,228	31,212	31,171	31,101	31,000	30,865	30,691	30,475	30,212	35,105	35,136	35,198	35,292	35,420	35,661	35,964	36,334
Plus Tax Credits	124,331	124,331	124,331	124,331	124,331	124,331	124,331	124,331	124,331	124,331					(220,351)			
After Tax Cash Flow	156,483	156,403	156,297	156,163	155,999	155,801	155,566	155,290	154,969	154,599	36,181	38,467	40,840	43,303	(174,490)	48,592	51,447	54,434
Total 15 years	1,541,872																	
@NPV 12.00%	887,712																	

Sale @ Mortgage Balance in Year 16

Mortgage Balance		1,440,940
Adjusted Basis		792,848
Capital Gain		648,091
Tax	34.00%	220,351

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Mark Koppelkam, Multi-Family Development Officer

DATE: February 8, 1990

RE: Allen House SRO (Single Room Occupancy)

THE PROJECT

1. General Description

This project is comprised of 27 SRO private bedroom units in an existing 3 story wood frame and brick masonry building in Winooski. There are 7 bathrooms, a common kitchen, and a washer and dryer on site. The sponsor is the Lake Champlain Housing Development Corporation LCHDC), with heavy involvement from the City of Winooski community development office. The total projected cost of development at this time is estimated at $680,220. Permanent financing from VHFA is not being requested for 18 months. Interim financing is coming from the Bank of Vermont, the Institute for Community Economics, the Vermont Community Loan Fund, and the seller. No Low Income Housing Tax Credits are involved. It would appear that no tax exempt bonds can be used for this financing as under IRS regulations the definition of a "qualified low-income housing project" includes a requirement that each living unit contain a kitchen and bathroom.

The projected permanent sources of funds are:

Equity	15,000
VHFA 1st Mortgage Loan	353,200
HCTB Deferred Payment Loan	260,000
Winooski CDBG Def Pay Loan	52,000
Total	$680,220

An attempted January 31, 1990 purchase closing was postponed due to the owner's inability to deliver a clean title. That problem results from the bankruptcy proceedings involving one of the mortgagors. The projected resolution date ranges from 1 to 3 months.

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2. Building Condition & Renovation Plans

The building has been a boarding house/SRO for many years, with a high turnover of owners. At the time this is being written, VHFA has not yet visually inspected the building. According to the appraisal report of Keller Navin Cable and O'Brien, the building is "structurally adequate, average condition." A "Mod Rehab" renovation to the building was completed in 1983.

According to the purchase contract, the sale is contingent upon the Purchaser's satisfaction that there are no housing code violations involving a total cost of repair in excess of $500. The sponsor's Attorney's Report and Opinion of Title says the following:

" The Winooski Housing Inspector has indicated the following Housing Code Violations are on file:

- leaking plumbing in furnace room
- fire protection work needed in furnace room
- back 2nd means of egress is completely blocked off in basement
- leak in roof
- severe infestation of cockroaches
- alarm system was disconnected
- trouble with the smoke detectors malfunctioning, may be caused by roach infestation.

Note: several of these have been corrected; otherwise LCHDC is assuming responsibility for correction."

The acquisition proposal includes a renovation component. This work will be done prior to VHFA's take-out financing. The budget for that work is $75,992, including a 10% contingency. VHFA has not asked for any independent structural or architectural analyses. The renovation program was compiled by the Winooski Community Development office. The sponsor concedes that the proposed renovation program is not as complete as might be desired, but is the best that can be achieved financially at this time. The operating budget is trended at 5.5% annual increases so as to improve maintenance capabilities.

A professional energy analysis of the building was done in January 1990 by Vermont Energy Investment Corporation (VEIC). The primary heating is an oil fired steam heat system. The overall energy improvement recommendations were very modest - costing just $5,870 to $10,055 - and primarily

involve lighting fixtures and minor improvements to the steam heat system.

3. Site/Location

Allen House is located on West Allen St as it becomes Malletts Bay Avenue. This is a mixed retail/commercial, multi-family residential area. It is within a block of City Hall, one block from a commercial center (Grand Union, drug store etc), and two blocks from central Winooski. This seems to be an excellent location for this type of use.

4. Permits

No permits are needed for the acquisition. City building permits for the renovation work should not be a problem given the cooperation of the City of Winooski. A State building permit will also likely be needed.

5. Market Demand

Aside from the 27 SRO units currently available at the existing Allen House facility in Winooski, there are only 22 other subsidized SRO units available in the Burlington area (Wilson St and 10 Park St). The Elmwood Ave SRO (to be operated by the Committee on Temporary Shelter - COTS), was recently approved in Burlington, and will contain 23 units.[1] It is expected that a number of fairly long-term residents currently living at the Waystation Shelter (which holds 40 beds) in Burlington will move to Elmwood Ave or Allen House.

The population to be served by Allen House is not necessarily the same as the homeless population, but they likely share many of the same characteristics. A 1988 Burlington study of 444 homeless individuals found that 35% had substance abuse problems, 15% were mentally ill, and 20% experienced both problems. The same study found that 20% of the area's homeless are employed, 25% are receiving federal SSI benefits, 25% receive State General Assistance or AFDC, and 30% have no income.

Another perspective on availability of suitable housing is that the expected wait for 1 BR units at the Burlington Housing Authority is over 2 years.

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[1] The Elmwood Avenue SRO zoning approval is currently being challenged in court.

A supporting letter in the financing application from the Executive Director of Howard Mental Health Services, Mr. Leddy states: " A number of the residents of Allen House receive services from our agency, and it is our experience that the loss or deterioration of housing often results in a corresponding deterioration in an individual's health and ability to live independently in the community."

6. Management

The proposed property manager for LCHDC will be Ms. Susan Ainsworth. Ms. Ainsworth has a Master of Social Work degree in addition to public housing management experience as the Executive Director of the Winooski Housing Authority. Ms. Ainsworth currently manages the Bobbin Mill/GE project in Burlington, which was financed by VHFA. In the opinion VHFA property management staff, she has a good track record.

LCHDC is choosing to retain the existing on-site management staff person for a 3 month trial period, and transferring most of the primary property management responsibilities to LCHDC's central office. VHFA has not assessed the capabilities of the on-site caretaker. However if he is not retained, LCHDC will be forced by budget constraints to hire from amongst the tenants.

LCHDC itself is in the business of low income housing management (as well as development), and is gradually expanding its capacity. At present they include Salmon Run (80 units), Bobbin Mill/GE (88 units), Fort Ethan Allen (32 units), Duggan Maple St row-house (16 units) and 10 units on North St. LCHDC's Executive Director is Kenn Sassorossi.

7. Pro Forma Analysis

Based on a preliminary review, the project pro forma as proposed can conceivably work, but is extremely tight. The debt coverage ratio for the budget proposed exceeds 1.05 every year, but just a $2,000 (3.3%) addition to the operating expenses drops this to a breakeven pro forma.

As proposed the operating expenses are at 186 PUM (per unit per month). This is as low as some of the much larger multi-family projects (e.g. South Meadow [186 PUM] and Salmon Run [174 PUM]). Allen House is clearly a very different type of facility, however, and VHFA does not have experience with management costs for SRO's. VHFA staff will be looking more carefully at this area.

A second area of concern is equity. As proposed there is only 2.2% equity. While VHFA's debt only comes in after eighteen months and never exceeds 50% of project value, the overall loan to value ratio starts at 97.8%, exceeds 100% by Year 7 and keeps growing due to an accruing and compounding HCTF loan.[2] One possible solution is to alter the Winooski CDBG capital from loan to equity, thus increasing equity to 9.85% of value at start-up. However even here the compounding HCTF loan balance forces the loan to value ratio above 100% by Year 12.

The final issue is one of VHFA reserves. The operating budget has a $3,500 replacement reserve amount which fulfills VHFA's requirement (.006 * building value). There is also a $3,500 sum in the development budget which could constitute a replacement reserve at the closing. However these may be inadequate sums given the recognized need for continued building improvement.

However that leaves two other reserves still to be funded: working capital at 40% of debt service (approximately $12,000) and deficit escrow, which is dependent upon occupancy rates at the time of closing.[3] The sponsor's $13,500 development fee, which is being paid out of a separate HCTF capacity grant to LCHDC, is a likely candidate for these reserves, but may not prove to be sufficient.

8. Appraisal Value

Two appraisals have been done recently on the property. Keller Navin Cable and O'Brien gave a value of $575,000 on January 18, 1990. They were hired by the Winooski Community Development Office. The current owner had an appraisal done by Lacroix Appraisal Services, Inc., which gave a value of $600,000. The existing purchase contract calls for a purchase price of $590,000. LCHDC concedes that this is a

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[2] Project value here is estimated to grow at 3% per year.

[3] The working capital reserve is returned to the sponsor, 25% per year after breakeven is achieved. A letter of credit can be used. The deficit escrow reserve is the difference between rent received at the time of permanent closing and the amount of rent required to achieve breakeven operation. It too can be funded via a letter of credit, and is normally returned to a sponsor after 6 months of sustained breakeven operations.

premium price for the building, but add that the need, and the practical and political difficulties surrounding selection of an alternative site for an SRO make this a worthwhile price.

DISCUSSION

9. Strengths and Weaknesses

Aside from the social benefits to be derived, the primary strengths of this project include:

a) Sponsor and City of Winooski commitment to purchasing, renovating and operating this facility over the long haul, and sponsor experience as a professional low income property management firm.

b) The background of proposed property manager for LCHDC, Susan Ainsworth.

c) According to Vermont State Housing Authority staff, additional Section 8 SRO vouchers are currently available for occupants, and it appears that the rent levels paid by the Section 8 program can be increased slightly from current levels.

d) The present tenant population seems fairly stable. Of the 13 Section 8 tenants, 6 have lived there since January 1, 1988 (i.e. two years), and 4 have lived there since January 1, 1989 (i.e. one year). The Section 8 SRO voucher program encourages resident stability in that the tenant cannot take the voucher with them (unless they move to another SRO). In addition the new management will stress stability.

The potential weaknesses of this project are:

e) In cases of default, the typical VHFA financed project could usually be sold on the open market without too many difficulties. An SRO is clearly in a different category with regard to that kind of risk.

f) Some potential liabilities with the existing on-site manager, noted above.

g) No structural engineers or architects have yet assessed the structural integrity of the building,

or reviewed the renovation budget proposed. The latter budget was compiled by the Winooski community development staff. VHFA staff will proceed to secure this type of evaluation.

h) The operating budget is very tight, and LCHDC does not have deep pockets to cover unforeseen expenses.

i) There needs to be additional equity put into the project (e.g. the Winooski CDBG money), and the Board needs to get comfortable with loan to value ratios exceeding 100% even if that is due to soft HCTF debt.

REQUESTED ACTION

Staff recommends approval of Resolution Pertaining to Letter of Interest for Allen House Project (attached) authorizing the Executive Director to issue a letter of interest and make preliminary arrangements toward providing up to $400,000 of first mortgage permanent financing for the Development.

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FINANCIAL ANALYSIS

Project: Allen House RUN DATE: 08-Feb-90 ft.

*********Summary**********		**********Assumptions**********	
Total Units:	27	Trend Factors Year	1
Restricted Units:	N/A	Increase/Mod Rehab Unit	3.75%
Percent Restricted:	N/A	Increase/SRO Sect 8 Unit	3.75%
Total Cost:	680,220	Increase/Market Units	3.75%
Total Cost/Unit:	25,193	Expense increase:	5.00%
		Vacancy Rate:	5.00% (7% Yr 1)

PERMANENT FINANCING SUMMARY

Source	Amount	% of TDC	Per Unit	Rate	Term	
Equity - Rental Rehab Grant	15,000	2.21%	556			
VHFA 1st Mortgage	353,220	51.93%	13,082	9.50%	30	
HCTF	260,000	38.22%	9,630	3.00%	N/A	deferred
Winooski CD Loan	52,000	7.64%	1,926	0.00%	N/A	deferred
TOTAL COST	680,220	100.00%	25,193			

INTERIM FINANCING

Equity - Rental Rehab Grant	15,000	2.21%	556			
Bank of Vermont*	168,000	24.70%	6,222	10.00%	30	
Gamache Loan*	87,220	12.82%	3,230	8.75%	30	
Institute Comm Econ*	53,000	7.79%	1,963	6.00%	30	
[illegible]ont Comm Loan Fund*	45,000	6.62%	1,667	4.00%	30	
HCTF	260,000	38.22%	9,630	3.00%	N/A	deferred
Winooski CD Loan	52,000	7.64%	1,926	0.00%	N/A	deferred
TOTAL COST	680,220	100.00%	25,193			

Note: Interim financing loans marked with an asterisk will be taken out by VHFA permanent financing.

Allen House DEVELOPMENT BUDGET 08-Feb-90

			Budget	Per Unit
Acquisition	0		590,000	21,852
Rehabilitation		75,922	69,022	2,556
Contingency		6,902	6,900	256
Arch/Engineering			0	0
Legal/Accounting			4,400	163
Permits/Fees			1,000	37
Taxes/Insurance			0	0
Interim Loan Fees			0	0
Permanent Loan Fee		5,298	5,298	196
Closing Costs			100	4
Working Capital		12,927	3,500	130
Developer Fee			0	0
TOTAL DEVELOPMENT COST			680,220	25,193

Note: $475 VCLF Loan Fee and $13,500 LCHDC developer fee to be paid from Grant made directly to LCHDC from HCTF. Developer Fee may be available as VHFA working capital and/or deficit escrow reserve.

Allen House — INCOME & EXPENSE BUDGET — 08-Feb-90

INCOME

Unit Rents

Bedrooms	Type	Number	Month Rent	Annual Rent
1 BR	Mod Rehab Sec 8	15	299	53,820
1 BR	SRO Sect 8	5	310	18,600
1 BR	Market	7	338	28,392
	Totals	27	947	100,812
	Less Vacancy		47	5,041
	Net Rent		900	95,771
	Laundry		100	1,200
	Parking		0	0
	Interest Income		0	0
	Other		0	0
	OTHER INCOME		100	1,200
	TOTAL INCOME		1,000	96,971

Note: Owner pays all utilities
Rent increases trended 3.75% Yrs 1-5, 4% Yrs 6-10, 4.25% Yrs 11-15, 4.5% Yrs 16 on.

Allen House — EXPENSE BUDGET — 08-Feb-90

	1st Year	Per Unit Month
Administration	15,420	48
Utilities	7,365	23
Maintenance	20,700	64
Taxes	8,640	27
Insurance	4,300	13
Reserves	4,000	12
Other	0	0
Total	60,425	186

	08-Feb-90				PRO FORMA			08-Feb-90			PRO FORMA			08-Feb-90			
2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	
58	57,932	60,105	62,359	64,697	67,285	69,976	72,775	75,686	78,714	82,059	85,547	89,182	92,973	96,924	101,286	105,843	
28	20,021	20,772	21,551	22,359	23,253	24,184	25,151	26,157	27,203	28,359	29,565	30,821	32,131	33,497	35,004	36,579	
37	30,561	31,707	32,896	34,130	35,495	36,915	38,392	39,927	41,524	43,289	45,129	47,047	49,046	51,131	53,432	55,836	
50)	(5,426)	(5,629)	(5,840)	(6,059)	(6,302)	(6,554)	(6,816)	(7,089)	(7,372)	(7,685)	(8,012)	(8,353)	(8,708)	(9,078)	(9,486)	(9,913)	
35	1,292	1,340	1,390	1,443	1,497	1,553	1,611	1,671	1,734	1,799	1,867	1,937	2,009	2,085	2,163	2,244	
08	104,381	108,295	112,356	116,569	121,228	126,074	131,113	136,353	141,803	147,821	154,095	160,634	167,452	174,558	182,398	190,590	
36	66,619	69,949	73,447	77,119	80,975	85,024	89,275	93,739	98,426	103,347	108,515	113,940	119,637	125,619	131,900	138,495	
32	37,762	38,345	38,909	39,450	40,253	41,050	41,838	42,614	43,377	44,474	45,580	46,694	47,814	48,939	50,498	52,094	
0	35,641	35,641	35,641	35,641	35,641	35,641	35,641	35,641	35,641	35,641	35,641	35,641	35,641	35,641	35,641	35,641	
02	0																
34	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
3																	
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
38	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
7	35,641	35,641	35,641	35,641	35,641	35,641	35,641	35,641	35,641	35,641	35,641	35,641	35,641	35,641	35,641	35,641	
5	2,121	2,705	3,268	3,809	4,612	5,409	6,197	6,974	7,737	8,833	9,939	11,053	12,174	13,298	14,857	16,454	
=																	
5	1.06	1.08	1.09	1.11	1.13	1.15	1.17	1.20	1.22	1.25	1.28	1.31	1.34	1.37	1.42	1.46	

FRONT OF SUBJECT BUILDING

REAR OF SUBJECT BUILDING

RESOLUTION PERTAINING TO LETTER OF INTEREST FOR
ALLEN HOUSE SINGLE ROOM OCCUPANCY PROJECT, WINOOSKI

WHEREAS the non-profit corporation Lake Champlain Housing Development Corporation (LCHDC) has presented a proposal for the acquisition of 27 units of boarding house/single room occupancy housing in the city of Winooski, Vermont (the "Allen House Development") and;

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

WHEREAS, the Agency has determined that the Allen House Development will assist in fulfilling the purposes of the Act and appears at this stage to be financially feasible;

THEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Interest in providing up to $400,000 of first mortgage permanent financing for the Allen House Development.[1] The Letter of Interest shall be issued to LCHDC. Consistent with applicable rules of the Agency, the Letter of Interest shall include the following language:

> "This 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. This Letter of Interest may be used by you in support of applications for construction and/or operating subsidies, insurance, construction financing, and other purposes after first obtaining the permission of the Agency."

2. The Executive Director and appropriate staff are hereby authorized and directed to negotiate with the developer, review all relevant facets of the Allen House Development and make preliminary arrangements for financing by bonds, notes or other means.

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[1] SRO buildings apparently <u>cannot</u> be financed by tax exempt bonds. In order to constitute a "qualified low-income housing project" within the meaning of section 42(g) of the Internal Revenue Code of 1986, each living unit must have its own kitchen and bathroom.

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Kathy Beyer Kehoe KBK, Special Needs Housing Development Officer

DATE: February 8, 1990

RE: **MOBILE HOME PARK FINANCING INITIATIVE: SANDY PINES**

RECOMMENDED ACTION

Staff recommends approval of Resolution Pertaining to Letter of Interest for Sandy Pines Mobile Home Park, (see attached) authorizing the Executive Director to issue a letter of interest and make preliminary arrangements toward providing up to $736,300 of first mortgage permanent financing for the Development under a taxable bond program.

OVERVIEW

Rising land values and speculative park ownership have resulted in rapidly rising lot rents in Vermont's mobile home parks. Providing long-term financing for acquisition of these parks by nonprofits will remove the park from the speculative market and provide long-term affordability of the lot rents. Four mobile home parks in Vermont have already converted to nonprofit or cooperative ownership; these parks all received primary financing from the previous owner. A fifth park, Sandy Pines, is in need of primary financing from VHFA.

Sandy Pines Mobile Home Park of East Montpelier, a 56-unit park, is considered one of the higher quality parks in the state. The park enjoys a healthy income mix, with approximately 85% below median income levels. While the price per lot is one of the highest paid to date ($17,500, for a total of $980,000), the good condition of the infrastructure appears to support the higher asking price. On January 22, 1990, the development received a deferred loan for the amount of $280,000 from the Vermont Housing and Conservation Trust Fund.

THE PROJECT

1. Lot Rent/Income Mix

   The projected rent of $200/month is reasonable compared to the weighted average lot rent for Washington County of $165; currently six parks in the county (181 lots representing 30% of the mobile home park lots in Washington County) charge $200 to $250 in monthly lot rents. From 1988 to 1989, lot rents in the county increased $21 or 14.6%.

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The 53 lots are currently occupied; three lots are being held open by the owner until spring when new mobile homes will be brought in. Historically the vacancy rate has been well below 1%.

According to a survey completed by 45 of the 53 households in the park, 31% have incomes below 50% of median, 38% below 80% of median, 15.5% are below the median income level with the remaining 15.5% above median.

Sandy Pines is currently a "55 or older" park, but the residents have agreed with HFI to open the park up to all ages in the future.

2. Location/Site

Sandy Pines is located in East Montpelier, just south of the intersection of Routes 14 and Route 2; the 25.58 acre site has 56 mobile home lots (see Attachment A). A private macadam surfaced roadway provides access into the park, and the interior roadways of the park are also surfaced. The parcel varies from level to steeply sloping; the sites for the mobile homes are level to slightly sloping. The site plan for the lots (see attached) and the large pine trees throughout the park provide an attractive setting.

3. Sponsors/Parties

A majority of the park residents authorized Housing Foundation Inc. (HFI) to negotiate on their behalf last year, and a Purchase and Sales Agreement was signed on November 1989. HFI is currently the only nonprofit in the state involved in mobile home parks. HFI has been involved in four other mobile home park acquisitions and managed a 330 lot park in Brattleboro for over two years before the successful conversion of that park to a cooperative.

4. Sandy Pines as a Cooperative

A goal of the acquisition is to transfer title to a limited equity cooperative when appropriate. The Vermont Community Loan Fund will provide technical assistance to the park residents in organizing the coop. The tenants association has been formed and officers elected and the association is committed to the future conversion of the park.

The conversion to a cooperative also means that the VHFA loan must be assumable by the coop.

5. Timetable

The Purchase and Sales Contract (P&S) was signed on November 3, 1989; the P&S calls for a closing date of no later than July 1, 1990. Conversion to cooperative ownership is typically a one to two year process.

6. Infrastructure

The park was initially developed under an Act 250 permit issued in 1972. The park has a community water system consisting of three on-site drilled wells which service a 35,000 gallon storage reservoir. The water system is operating under a conditional permit issued by the

Vermont Department of Health in 1972. Before closing, the seller has agreed to transfer a fully permitted system. Per the P&S agreement, HFI's exposure for infrastructure improvements is limited to $4,500.

Sewage disposal is provided via multiple, clustered systems which are fully operational. The Department of Environmental Conservation has permitted 50 units of the system. The district engineer's letter states there is also adequate sewage for the remaining six units, but the permit on these six units is in the application phase.

The interior roads are in good condition; individual sites include either a macadam surfaced or gravel driveway, developed utilities and a poured concrete pad.

7. Sources and Uses

Total development costs are projected at $1,016,300 (see Attachment B).

Interim Financing

VHFA is negotiating with the Bank of Vermont to access the Federal Home Loan Bank's Community Investment Fund (CIF) Advance. This money will be used as an interim financing source until such time a pool of mobile home park loans has been accumulated which is large enough to take out with bond financing (approximately $3 million). Currently, the interest rate on the advance is around 9% to 10%, and the interim loan will be amortized over a 20 to 25 year period.

Permanent Financing

Permanent financing consists of the VHCB deferred loan and a VHFA loan (proceeds from a taxable bond privately placed with the state pension funds). The amount of the VHFA loan will be no more than $736,300. The pension funds have indicated a commitment to VHFA "mobile home park bonds" at a rate of approximately 10% for 20 years.

The principal and interest (3%) on the VHCB loan of $280,000 is deferred four years from the date of closing. HFI must develop an acceptable housing subsidy covenant by May 1, 1990, which contains an affordability mechanism for maintaining the occupancy mix of the park and maintaining rents at an affordable level in order for $210,000 of the loan to be further deferred. If such a covenant is approved by VHCB by that date, payments on the loan, starting in year five, will be $1000/quarter or 33% of the actual cashflow--whichever is greater. If the covenant is not approved, $210,000 of the loan plus interest is due in year four with the balance deferred for 25 years. The remainder amount of $70,000 is deferred for 25 years.

DISCUSSION

1. Financial Analysis

The acquisition cost of $17,500 per lot is the highest paid for any of the five parks acquired by HFI (see Attachment C); however, due to the fact that the infrastructure is in good condition, the development costs of $648/lot are considerably lower than the development costs of most other parks acquired.

The appraisal dated December 13, 1989, estimated the market value of the property to be $925,000, compared to the P&S price of $980,000. HFI has reentered negotiation with the owner to either get a concession on purchase price or partial owner-financing.

Assuming that the VHCB requirements are met and the full amount of their loan is deferred, preliminary cash flows indicate that the project is viable under the financing scenario described above.

The current budget does not reflect the reserve requirements established in the VHFA multi-family guidelines. However, these guidelines may not be appropriate for mobile home parks which differ from multi-family rental buildings in that the major asset of the park, the land, generally appreciates, in comparison to buildings which depreciate. Furthermore, acquisition of existing parks does not involve construction risk. Recommendations for reserve requirements for mobile home parks will be forthcoming.

2. Market Demand

New mobile home park lot development in Vermont has been negligible, and demand well exceeds supply--statewide vacancy rates are estimated at below 1%. Washington County has 611 lots; the Ran-Mar Corporation, owner of four parks (139 lots) in the area, reports a vacancy rate of zero in all their parks with waiting lists.

Population growth in the area is steady. Washington County experienced a 5.4% increase in population from 1980-1988. The town of East Montpelier experienced a 4.7% increase. Based on both the scarcity of lots and the population growth, market demand for mobile home lots in the area appears to be strong.

3. Concerns

Perhaps the largest uncertainty in mobile home parks is the replacement costs of the infrastructure; however, in the case of Sandy Pines this does not appear to be a problem due to the high quality of the existing systems. Replacement reserves will be maintained at a rate of 3% of gross revenues/year.

Another concern is the interest sensitivity of the project. If VHFA does not take out the permanent financing for one to two years, there is the risk of rising interest rates. A sensitivity analysis shows that a 1% increase in the permanent financing rate could be carried by the project, and a 2% increase could also be covered if the lot rents increased $5 to $10 more than the planned increase for years three to six.

RESOLUTION PERTAINING TO LETTER OF INTEREST FOR SANDY PINES

WHEREAS, Housing Foundation, Inc., a non-profit corporation, has presented a proposal for acquisition of Sandy Pines Mobile Home Park, a 56 unit park in East Montpelier, Vermont ("Sandy Pines"); and

WHEREAS, Housing Foundation, Inc. has received a commitment for a deferred loan in the amount of $280,000 for Sandy Pines from the Vermont Housing and Conservation Board; and

WHEREAS, the proposal contemplates that Sandy Pines will continue to have a resident mix with a large majority of the residents below median income and eventually will be turned into a cooperative run by the tenants; and

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

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

THEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Interest in providing permananent mortgage financing of up to $736,300 for Sandy Pines. The Letter of Interest shall be issued to Housing Foundation, Inc. Consistent with applicable rules of the Agency, the Letter of Interest shall include the following language:

> "This Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds from the issuance of new bonds or notes of the Agency and the satisfactory completion of such further requirements as the Agency may establish. This Letter of Interest may be used by you in support of applications for operating subsidies and other purposes after first obtaining the permission of the Agency."

2. The Executive Director and appropriate staff are hereby authorized and directed to negotiate with Housing Foundation, Inc., the Vermont Housing and Conservation Board staff, potential interim financing sources, and to make preliminary arrangements for financing by taxable bonds or notes.

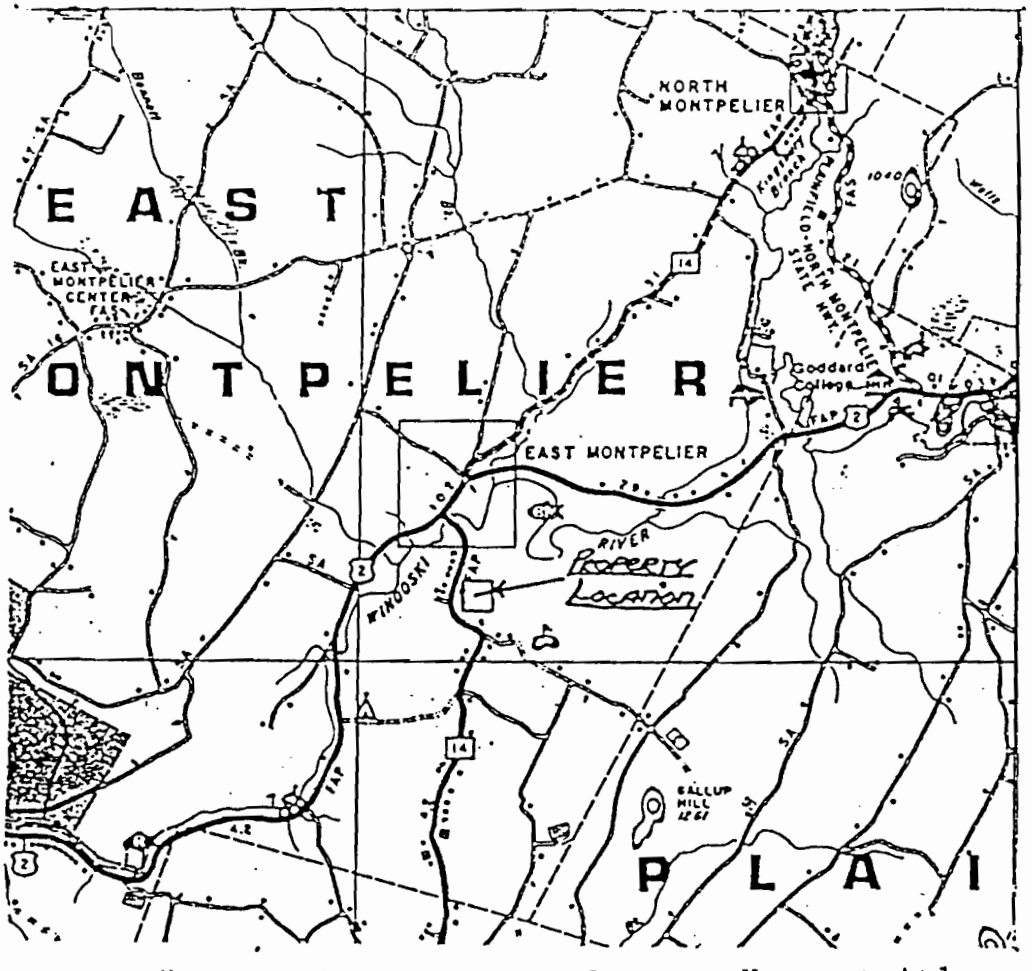
I certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of said Agency held on February 15, 1990.

_____

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

ATTACHMENT A

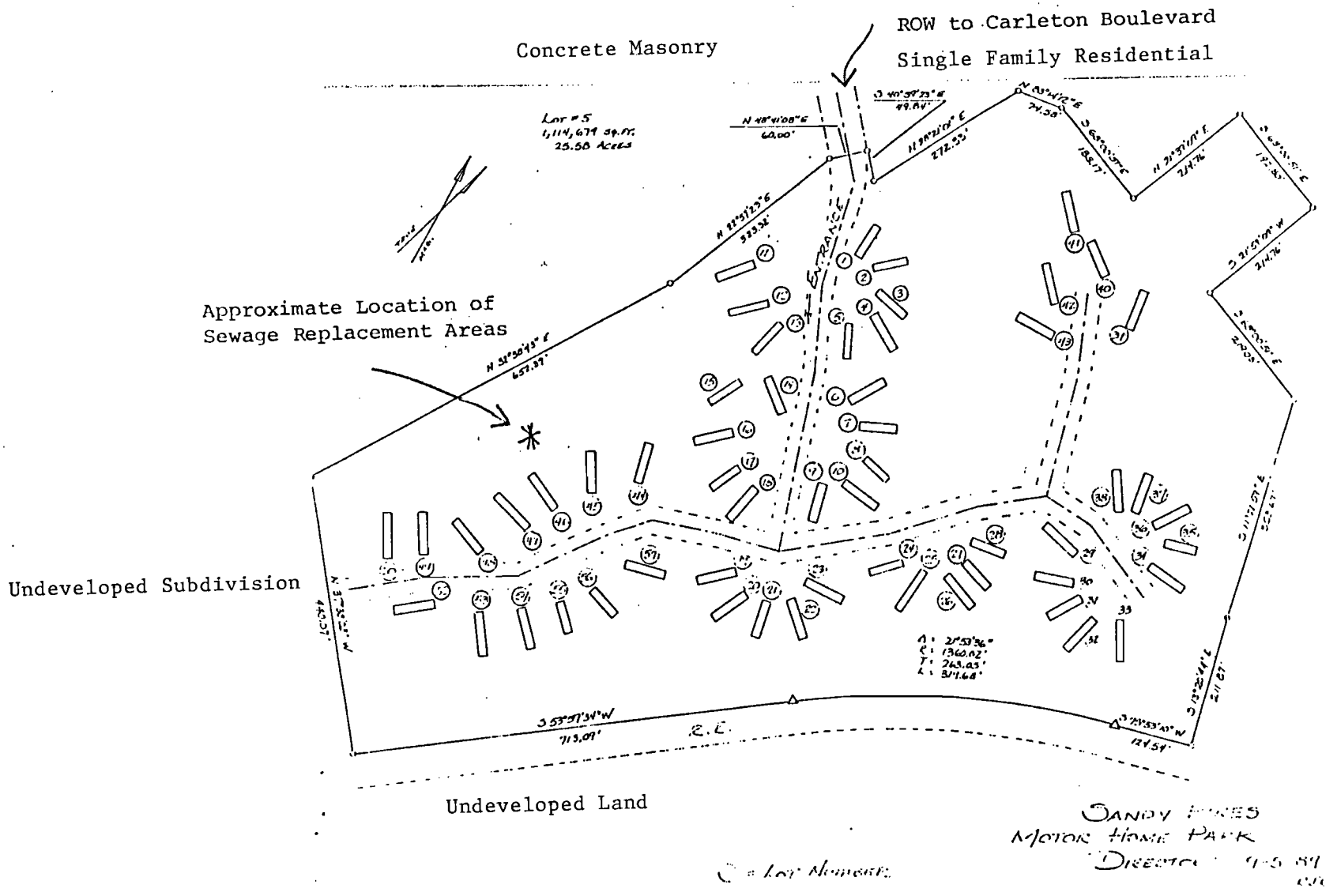
Location Map



Scale: 1" = 1 mile

Source: Vermont Atlas and Gazeteer

SANDY PINES
SITE PLAN



ATTACHMENT B

Sandy Pines/E. Montpelier
Sources & Uses

SOURCES

Interim Financing		Rate	Term	D/S	Balance @ end of yr 2
Bank of Vermont:					
CIF Advance	$736,300	9.00%	20	$79,496	$708,651
VHCB-loan	$70,000	3.00%			
VHCB-loan	$210,000	3.00%			
Total interim financing	$1,016,300			$79,496	

Permanent Financing		Rate	Term	D/S	Comments
VHFA financing*	$708,651	10.00%	20	$82,064	VHFA financing in yr 2
VHCB-loan	$70,000	3.00%			Deferred to Yr 20
VHCB-loan**	$210,000	3.00%			Deferred to Yr 4
Total Permanent Financing	$988,651			$82,064	

*assumes VHFA take-out at end of year two.
**starting in Year 5, the greater of $1000/quarter or 33% of the cashflow is due to VHCB.

USES

Total Development Budget	
Property Acquisition	$980,000 ***
Water Work	$4,500
Appraisal	$1,500
Legal and Title Fees	$2,000
Finance & Closing Costs	$7,300
Engineering	$2,500
Working capital	$8,500
Development Fee	$10,000
Total Development Costs	$1,016,300

***Acquisition price under negotiation

ATTACHMENT C

SANDY PINES
COMPARISION OF MOBILE HOME PARK COSTS

	Sandy Pines E. Mtplr	Tri-Park Brattleboro	Mountain View Hinesburg	Hunters Grand Isle	Riverside Woodstock
Year Acquired	1990	1986	1989	1989	1989
Property Acquisition	$980,000	$3,750,000	$820,000	$360,000	$350,000
Dvlmpt Costs	$36,300	$0	$50,000	$94,000	$152,259
Total Development Costs	$1,016,300	$3,750,000	$870,000	$454,000	$502,259
#lots	56	330	52	24	40
Propery Acq Cost/Lot	$17,500	$11,364	$15,769	$15,000	$8,750
Dvlmpt Cost/lot	$648	$0	$962	$3,917	$3,806
Total Cost/lot	$18,148	$11,364	$16,731	$18,917	$12,556

PROJECT OPERATING PRO FORMA--1989

	Sandy Pines	Tri-Park**	Mountainview	Hunters	Riverside
Lot rents: 1990	$200	$145-165	$170	$190	125
#lots	56	330	52	24	40
Total Operating Expenses per lot/per month*	$74	$77	$60	$73	$74
Debt Service	$82,064	$280,230	$66,645	$32,891	$35,250
per lot	$1,465	$849	$1,282	$1,370	$881
per month	$122	$71	$107	$114	$73

*Source: HFI budgeted proformas and actual f/s for acquired parks
**Actual operating budget per 9/30/89 f/s.

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Kathy Beyer Kehoe, KBK Special Needs Housing Development Officer

DATE: February 8, 1990

RE: **MOBILE HOME ASSISTANCE PROGRAM**

Currently, three mobile home parks in Vermont are under nonprofit ownership and another park is under cooperative ownership. These parks provide security to the residents both in the form of long-term leases and stabilized lot rents. However, in addition to lot rents, residents of mobile home parks are often faced with large monthly payments on their mobile homes. This is due to the fact that commercial loans are used to finance the home; these loans are higher in rate and shorter in term than a mortgage loan.

While VHFA is able to offer the MOVE program to new residents of these parks, we cannot use these same funds to refinance the commercial loans of current residents in the park due to tax code restrictions. Therefore, it is proposed that $2 million of funds from the 1977 Single Family Programs, which do not carry the same restrictions as the MOVE program, be used to refinance commercial loans on mobile homes in parks committed to long-term affordability.

RECOMMENDED ACTION:

Approval of the attached Resolution Pertaining to Refinancing Mobile Homes.

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RESOLUTION PERTAINING TO REFINANCING MOBILE HOMES

WHEREAS, mobile homes are among the most affordable single family housing existing in Vermont; and

WHEREAS, lots in mobile home parks are in short supply throughout the state and few new parks are being created; and

WHEREAS, several mobile home parks have been acquired by non-profit corporations in order to preserve this scarce resource, stabilize the residents' rent payments, provide perpetual or long-term leases and, in many cases, work toward establishing a cooperative so that residents can control their own destiny; and

WHEREAS, the Agency has available limited amounts of bond proceeds that do not carry with them the same restrictions that apply to bond proceeds from more recent issues; and

WHEREAS, many mobile home park owners of low and moderate income are paying high rates of interest on commercial loans to finance their homes, putting severe strains on their income; and

WHEREAS, the Agency has determined that using the bond proceeds that it has available to refinance mobile homes for residents of low and moderate income who are most in need of assistance will assist in fulfilling the purposes of the Act;

THEREFORE, it is hereby RESOLVED:

1. The Agency will make available up to $2 million of funds from the 1977 Single Family Program to refinance commercial loans on mobile homes owned by residents in mobile home parks that:

- have in place a mechanism to ensure the long-term affordability of lot rents

- have not experienced involuntary tenant displacement

- offer residents a long-term or perpetual lease

2. Loans will be made at a rate of 6.95% for a term of 12 years.

3. Loans will be targeted to those owners who:

- have a household income at or below 80% of statewide median income and

- are currently paying more than 30% of their gross monthly income for housing expenses.

4. Staff is directed to implement the program, to be known as the Mobile Home Assistance Program, as expeditiously as possible.

I certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of said Agency held on February 15, 1990.

_____

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

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE

DATE: FEBRUARY 7, 1990

RE: UNDERWRITER REQUEST FOR PROPOSALS

In August of 1989, we put together a memorandum to the Board about the selection process for underwriters. At that time, it was decided to table the process until after the December bond financing. On January 18th we sent a request for proposal (RFP) to eighteen different underwriters (copy attached).

As of today, three underwriters have declined to participate and we have not received responses from any firms. Based on telephone conversations, we know that many of the firms are working on their presentations.

The current schedule calls for the RFP's to be submitted by February 16th. In light of the discussions at the Board meetings regarding the process, staff will review the proposals and send a synopsis of the leading proposals to the Board members who will make up the selection committee. Additional copies of the full proposals can also be made or requested from the underwriters. A joint meeting of staff and Board may be required to select the finalists for oral presentations.

The oral presentations and questioning of the finalists is currently scheduled to take place sometime during the week of March 12th, so that a recommendation can be made to the full Board at the regularly scheduled March 15th meeting.

RECOMMENDED ACTION:
Decisions need to be made as to the makeup of the Board committee to select the underwriters, whether the format outlined above is appropriate, and scheduling availability for the final presentations of the finalists.

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January 18, 1990

^F1^
^F2^
^F3^
^F4?^
^F5?^
^F6?^
^F7^

Vermont Housing Finance Agency is soliciting requests for proposals (RFP) from underwriters who are interested in serving as either the lead manager or co-manager of the Agency's bond issues. Your firm has come to our attention from either personal knowledge or due to your respected place in the underwriting community.

We have attached a two page questionnaire defining issues of interest to VHFA. We ask that you respond directly to the questions posed. The initial review of the packages submitted will be performed by the staff of VHFA with recommendations made to the Board of Commissioners. Please provide us with three (3) copies of your package of **no more than thirty (30) pages, including all appendices.** Submissions should be mailed to the attention of: Roger A. Schoenbeck, Director of Finance. The final due date for the receipt of the packages is February 16, 1990. Initial review of the RFP will be completed by March 2, 1990. Notification of firms will take place by March 9, 1990 with oral interviews scheduled with the finalists the following week. A decision by the Board of Commissioners is expected at the March 15th regularly scheduled board meeting.

The Board of VHFA has specifically requested that no contact be initiated by prospective underwriters during the process.

If you have any questions regarding the questionnaire or the process, please contact Roger Schoenbeck at your convenience. Thank you for your anticipated participation!

Very truly yours,

Roger A. Schoenbeck
Director of Finance

VERMONT HOUSING FINANCE AGENCY

REQUEST FOR PROPOSAL

NARRATIVE RESPONSES

JANUARY 1990

GENERAL INFORMATION

1. Discuss your firm's Public Finance department including its ability to handle both tax-exempt and taxable financings.

2. What is your firm's opinion regarding the optimal size and composition of the management group?

3. Discuss your firm's institutional and retail sales capability and how you would meet VHFA's goal of providing ample product for Vermonters.

4. Indicate what firm(s) you would employ as underwriter counsel and their experience with State HFA's.

HOUSING FINANCE EXPERIENCE AND RESOURCES

1. List any housing bond issued that you served as either senior manager or co-manager since 1986. Please include pertinent information about each issue including issuer, size of issue, type of issue, special features, gross spread, ratings and bond yield.

2. Provide a brief description of innovative housing finance structures implemented by your firm.

3. Describe your firm's capacity for cash flow and indenture analysis and whether you utilize in-house or external sources.

4. Indicate which members of your department would be assigned to VHFA and a brief description of their backgrounds. Discuss their responsibility for our account and their responsibilities for other clients.

5. What is your firm's current staffing in housing finance and how has that changed over the last two years? What is the firm philosophy and commitment to housing financing in the future?

6. How do you service the needs of smaller HFA's and what is your experience in New England?

7. Please provide three references from among your state or local housing finance agency clients including names, addresses and telephone numbers.

ISSUE COSTS

1. Describe what your firm's estimated costs would be for a $50 million single family financing and a $10 million multi-family financing. Include in your detail specifics of the gross spread including average takedown, management fee, expenses and underwriting fee.

2. Indicate which common costs of issuance you would expect VHFA to absorb.

FINANCING RECOMMENDATIONS

1. What taxable financing programs would you recommend to VHFA?

2. Describe your experience in managing housing issues for 501(c)(3) non-profit corporations.

3. There has been quite a lot of discussion regarding high coupon, Multi-family Section 8 subsidized issue refinancings. How would you approach this problem and assist the Agency.

4. The cloud of sunset has been hanging over HFA's for several years. If in fact, sunset appeared imminent, how would you structure a financing to provide longer term availability of funds realizing limited HFA resources and the desire to limit risk.

OTHER

Discuss any other topics not specifically covered in the questions stated above that you would like VHFA to be aware of in considering your firm.

VERMONT HOUSING FINANCE AGENCY
M E M O R A N D U M

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE

DATE: FEBRUARY 7, 1990

RE: GENERAL FUND BUDGET UPDATE

Attached is the budget performance report for the period ending December 31, 1989 representing the first six months of the fiscal year ending June 30, 1990.

Since the original budget was approved there have been three different events that required adjusting the budget. The Board authorized a contribution to the Vermont Community Loan Fund in the amount of $15,000, which is being charged and budgeted in the Miscellaneous expense category. The bond financings that were done late in the year for the 1989 Series B Single Family Issue and the Winchester project multi-family issue required contributions from the General Fund of $750,000 and $64,770, respectively. We had also indicated that the contribution to the 1989B Single Family issue would be transferred through the General Fund from the Mortgage Purchase Program. These amounts and related adjustments are shown in the Fund Transfers section of the budget.

In reviewing the budget performance report to date, we are on target in all areas. Following is a summary of the major areas of the budget.

INCOME. We are about where we expect to be in the income area; single family fee income should pick up in the spring and we collected multi-family fees on the Northgate and Winchester transactions.

FUND TRANSFERS. The transfers of funds from the Programs to the General Fund have been collected as expected. We are planning on drawing funds from the Mortgage Purchase Program to reimburse the General Fund for the $750,000 contributed to the 1989B Program.

EXPENSES. Total expenses are at 40% of the annual budgeted amounts and most line items are within expected ranges.

If you have any questions relative to the budget performance report, feel free to contact me at your convenience, or bring your questions to the Board meeting.

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BUDGET PERFORMANCE REPORT
VERMONT HOUSING FINANCE AGENCY
DECEMBER 31, 1989

	ORIGINAL BUDGET FYE 6/30/90	CURRENT APPROVED BUDGET	ACTUAL YR TO DATE 12/31/89	% BUDGET RECOGNIZED TO DATE
INCOME				
SINGLE FAMILY FEES	730,500	730,500	287,722	39.39%
MULTI-FAMILY FEES	564,000	564,000	284,135	50.38%
PROJECT ADMIN FEES	106,400	106,400	53,163	49.97%
INTEREST INCOME	550,000	550,000	292,766	53.23%
MISCELLANEOUS	18,000	18,000	15,266	84.81%
TOTAL INCOME	1,968,900	1,968,900	933,052	47.39%
FUND TRANSFERS				
LOANS TO LENDERS 76-79	180,000	180,000	204,402	113.56%
SF-INS MTG PROG 76-77	100,000	100,000	50,000	50.00%
SF-MTG PUR PROG 78-82	1,250,000	2,000,000	500,000	25.00%
SF-HOME MTG PROG 83-89	150,000	(600,000)	(562,500)	93.75%
MF-MTG PROG 77-79/86-88	430,000	430,000	215,000	50.00%
MF-HOUS PROG 81-83	80,000	80,000	40,519	50.65%
MF-HOUS DEV PROG 89	0	(64,770)	(64,770)	100.00%
MF-DIR PLAC PROG 85-86	10,000	10,000	20,000	200.00%
TOTAL TRANSFERS	2,200,000	2,135,230	402,651	18.86%
TOTAL INC & TFRS	4,168,900	4,104,130	1,335,703	32.55%
EXPENSES				
ADVERTISING & PROMOTION	67,100	67,100	7,141	10.64%
AUDIT	24,500	24,500	24,000	97.96%
ANNUAL REPORT	15,000	15,000	929	6.19%
COMMISSIONERS EXPENSES	4,000	4,000	1,120	28.00%
CONSULTING FEES	72,000	72,000	8,040	11.17%
DUES & SUBSCRIPTIONS	22,275	22,275	11,111	49.88%
INSURANCE	119,400	119,400	65,746	55.06%
INTEREST EXPENSE	321,500	321,500	171,434	53.32%
LEGAL	44,000	44,000	11,445	26.01%
MISCELLANEOUS	5,500	20,500	21,081	102.83%
OFFICE EXPENSES	32,000	32,000	12,451	38.91%
PENSION PLAN	85,000	85,000	29,423	34.62%
POSTAGE	22,000	22,000	8,436	38.35%
RENT	79,000	79,000	43,383	54.92%
REPAIRS & MAINTENANCE	33,000	33,000	19,255	58.35%
SALARIES & WAGES	1,070,600	1,070,600	502,057	46.89%
STAFF TRAVEL & TRAINING	90,450	90,450	26,932	29.78%
SUBSIDY-HVT, ERH, RWJ	550,000	550,000	76,433	13.90%
TAXES-PAYROLL	74,850	74,850	37,211	49.71%
TELEPHONE	33,000	33,000	15,921	48.25%
TRUSTEE & CREDIT FEES	225,000	225,000	87,518	38.90%
DEPRECIATION	65,000	65,000	36,804	56.62%
TOTAL EXPENSES	3,055,175	3,070,175	1,217,871	39.67%
SURPLUS (DEFICIT)	1,113,725	1,033,955	117,832	11.40%

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: February 8, 1990

TO: Board of Commissioners

FROM: Glenn A. Jarrett, General Counsel GAJ

RE: Legislative Update

The Agency has one bill in progress that we asked to have introduced, S. 258, which would raise the overall bond ceiling of the Agency from $600 million to $900 million, raise the moral obligation limit from $84 million to $125 million, and conform the annual report requirements to the realities of the Agency's fiscal year and accounting practices. The bill sailed through the Senate and has been sent to the House Commerce Committee. Paul Harrington, the chairman of that committee, has told me that the committee will take it up after cross-over, which is in early March. I don't anticipate any problems in the House unless the State's bond rating is felt to be in jeopardy. In that event, the increase in the moral obligation limit might cause a problem. We have the ability to issue an additional $72 million in bonds before we hit the ceiling.

Other bills that we have been following include S. 130, the Common Interest Ownership bill, S. 157, the bill to license real estate appraisers, S. 260, a bill that would make changes in mobile home laws and H. 853, a mobile home park bill introduced by the Joint Housing Committee. I will provide an oral update on these bills at the meeting on the 15th.

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VERMONT HOUSING FINANCE AGENCY

March 5, 1990

Ms. Jean Gauthier
Department of Administration
Pavilion Office Building
109 State Street
Montpelier, VT 05602

Dear Ms. Gauthier:

The Vermont Housing Finance Agency will be having its monthly Board Meeting on Thursday, March 15, at 1:30 p.m., at the office of the Commissioner of Banking and Insurance, 89 Main Street, Montpelier, Vermont.

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

Sincerely,

Barbara M. Parker

Barbara M. Parker
Executive Assistant

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
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VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, ASH Executive Director

DATE: March 9, 1990

RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held at 1:30 p.m. Thursday, March 15, at the office of the Commissioner of Banking and Insurance, 89 Main Street, Montpelier, Vermont.

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

Please feel free to contact me should you have any questions prior to the meeting. I will be out of the state from March 7-18, and will not be seeing you in Montpelier March 15!

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VERMONT HOUSING FINANCE AGENCY

VHFA BOARD MEETING AGENDA

Office of the Commissioner
Department of Banking and Insurance
89 Main Street
Montpelier, Vermont

Thursday, March 15, 1990 at 1:30 p.m.

1. Review and approval of minutes of February 15, 1990

2. Executive Director's Report

   A. Dalton Drive Update [**Kochman/Enclosure**]

3. Operations

   A. MOVE 1989A Update [**Lothrop/Enclosure**]
   B. Discriminatory Planned Unit Development (PUD) Covenants [**Lothrop**]
   C. River's Edge Condominiums Follow-Up [**Lothrop/Enclosure**]
   D. Vermont Development Credit Union Application [**Lothrop/Enclosure**]

4. Development

   A. 1989B Income and Purchase Price Recommendations [**Markman/Enclosure**]
   B. Summary of 1989 Low Income Housing Tax Credit Allocations; 1990 Tax Credit Program Update [**Pond/Enclosure**]
   C. Secondary Mortgage Market Update [**Crady**]

5. Finance

   A. Underwriter RFP Status Update [**Schoenbeck/Encl.**]

6. Legal

   A. Legislative Update [**Jarrett**]

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

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VERMONT HOUSING FINANCE AGENCY

BOARD MINUTES
CONFERENCE CALL
Vermont Housing Finance Agency
One Burlington Square
Burlington, Vermont
Thursday, February 15, 1990

PRESENT: (via speakerphone) Commissioners Shaw, Ruse, Francis, Johnson, Seelig, Myette

Agency Staff: Mr. Hunt, Mr. Jarrett, Mr. Schoenbeck, Mr. Lothrop, Mrs. Parker, Mr. Koppelkam, Ms. Pond, Ms. Hope, Ms. Beyer Kehoe; Mr. Collins (Housing Vermont) Ms. Pearson (VHMGB); Ms. Wadhams (Consultant); Mr. Kochman (F.L. Kochman, Inc.)

Guests Present: Mr. Nemitz, Deputy Commissioner, Banking and Insurance (via speakerphone); Ms. Wright and Mr. Sassorossi, Lake Champlain Housing Development Corporation

The meeting was called to order at 2:25 p.m.

Upon a motion duly made and seconded, the minutes of the meetings held December 7, 1989 and December 21, 1989 were both unanimously accepted as written.

Mr. Hunt advised the Board that, as the Agency has no investments with them, Drexel Burnham Lambert's filing for bankruptcy should not have a financial impact on the Agency; however, Drexel did agree to defer a portion of their underwriting fees from the Home Mortgage Purchase Bond Series 1989B, pending the actual purchase of mortgages. The disposition of these fees is thus in question.

Mr. Shaw informed the Board that he would be out of the state from March 15 through April 20. This should not necessarily have an impact on scheduled Board meetings.

An update on the Request for Proposal (RFP) for bond underwriters was offered by Mr. Schoenbeck. A brief discussion followed, during which a committee was formed to review the RFP's; this committee will consist of Commissioners Shaw, Ruse, Myette and Johnson. It was further agreed by the Board to delay the review process until April 15 or until such time as Mr. Shaw is available to review the selected proposals and conduct interviews of the finalists.

A review of the Dalton Drive (Fort Ethan Allen) project was presented by Ms. Wadhams. The units will be sold in "as is" but livable condition; asbestos abatement will be done prior to sale and the kitchens will be restored to working condition, but the units will not be cosmetically finished. Negotiations with Engelberth to continue as contractor are still underway; Preservation Investments, Ltd. (Towny Anderson) will be the developer. Ms. Wadhams will remain as consultant and liaison. Mr. Hunt reminded the Board that according to the current Option Agreement the closing was scheduled for February 23, but that an extension could be drafted, arranging for the closing to occur July 1. Additional costs would be $32,400 (representing lost interest income to UVM and maintenance expenses) plus the prorated share of property taxes. Additionally, UVM was seeking damages of $7,500 per month (maximum of six months) should the closing not take place by July 1. In response to a query from Mr. Seelig, Mr. Hunt assured the Board that UVM had paid the back taxes due the Town of Colchester. Upon a motion duly made and seconded, it was unanimously agreed that the Executive Director negotiate for extension of the closing date to July 1, consistent with the terms above, or whatever date would be agreeable to UVM and in the best interest of the Agency.

Mr. Lothrop briefly outlined the "River's Edge Condominiums (Burlington)" project, as described in his memo of February 7, included in the Board packet. The actual figures (detailing the appreciation formula and the scenario for refinancing) will be distributed to the Board prior to the next Board meeting. Following a brief discussion, a motion was duly made, seconded and unanimously agreed to approve financing for up to 70% of the condominium units at River's Edge, based on the unusual financing provided by the bank/developers increasing the affordability of the units.

After Mr. Kochman offered a fairly brief review of the changes detailed in Ms. Pond's memo of February 9, "Proposed Rules Pertaining to Grants, Loans and Advances to Assist the Planning, Construction, Rehabilitation, and Operation of Residential Housing and Mortgage Loans to Housing Sponsors for Single Family Developments," included in the Board packet, a motion was duly made and seconded to submit the Rules as drafts to the Secretary of State for filing in accordance with 3 V.S.A. §838; this motion was carried unanimously.

Mr. Shaw commended the staff for their efforts on the mid-year update of the Business Plan and further noted that the staff and the Board will be very busy during the remainder of the fiscal year.

The Board noted receipt of the "Sugar Mae Status Update" as per Ms. Crady's memo of February 8, as well as the "Brief Status Report on VHFA Multi-Family Projects" in Mr. Koppelkam's February 8 memo.

Next, the Board reviewed the "Interfaith/Pine Meadow Project, Middlebury" as described in Mr. Koppelkam's memo of February 8, included in the Board packet. A motion was duly made, seconded and unanimously agreed to adopt the "Resolution Pertaining to Letter of Interest for Interfaith/Pine Meadow Development, Middlebury" as attached to these minutes.

Mr. Koppelkam reviewed his memo of February 8 regarding "Allen House SRO (Single Room Occupancy)" as included in the Board packet. Mr. Seelig noted that the project speaks to the diversity of the Agency's interests, and that such a project makes him proud to be associated with the Agency. Mr. Sassorossi assured the Board that although there were no plans to have a resident manager at the project, there will be an individual living at the project who will be available for any required maintenance. The Board deferred action on the resolution until the next Board meeting, pending receipt of more information on the condition of the building, but indicated general support for the project in terms of staff time.

The "Mobile Home Park Financing Initiative: Sandy Pines" was further detailed by Ms. Beyer Kehoe as information in addition to her memo of February 8, included in the Board packet. A motion was made, seconded and unanimously accepted to adopt the "Resolution Pertaining to Letter of Interest for Sandy Pines" as attached to these minutes. Following further discussion, a motion was made to adopt the "Resolution Pertaining to Refinancing Mobile Homes," as attached to these minutes; this motion passed unanimously.

The Board also acknowledged receipt of the "General Fund Budget Update" as included in the Board packet in Mr. Schoenbeck's memo of February 7.

Next, Mr. Jarrett indicated that he had no further update to the "Legislative Update" as outlined in his memo of February 8, included in the Board packet. The Board was advised that a notice of intent to declare default had been served on an owner of a Section 8 project in Winooski, Allen Apartments, and a motion was made and seconded that, with respect to Allen Apartments, Agency staff may take whatever action which, in the opinion of staff, is justified to protect the occupants, the integrity of the structures, and the Agency's investment, including, but not limited to, declaring a default under the

Mortgage and Regulatory Agreement, seeking the appointment of a receiver and approving the reorganization of the housing sponsor; this motion was adopted unanimously.

Mr. Hunt next addressed a proposal to waive or reduce fees for the Faith Hope and Charity project in Randolph; a motion was duly made, seconded and unanimously agreed to defer collecting the half percent fee until the Agency has the opportunity to refinance that project from its current high rate to a low rate, at which time the fee would be assessed.

There being no further business, and following a motion duly made and seconded, the meeting was adjourned at 3:35 p.m.

Respectfully submitted,

Allan S. Hunt
Secretary

RESOLUTION PERTAINING TO LETTER OF INTEREST FOR INTERFAITH/PINE MEADOW DEVELOPMENT, MIDDLEBURY

WHEREAS, Housing Vermont and the nonprofit corporation Interfaith, Inc. have presented a proposal for construction of 30 units of rental housing in the town of Middlebury, Vermont (the "Interfaith/Pine Meadow Development"); and

WHEREAS, the proposal contemplates that the Interfaith/Pine Meadow Development will constitute a "qualified low-income housing project" within the meaning of Section 42(g) of the Internal Revenue Code of 1986; and

WHEREAS, the proposed partnership between Housing Vermont and Interfaith, Inc. (or their subsidiaries) will qualify as a housing sponsor within the meaning of the Vermont Housing Finance Agency Act (the "Act"); and

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

THEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Interest in providing up to $1 million of first mortgage permanent financing for the Interfaith/Pine Meadow Development. The Letter of Interest shall be issued to Housing Vermont as the representative of a limited partnership to be formed that shall include Housing Vermont or a subsidiary thereof and such private equity investors as may be available. Consistent with applicable rules of the Agency, the Letter of Interest shall include the following language:

> "This Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds from the issuance of new bonds or notes of the Agency and the satisfactory completion of such further requirements as the Agency may establish. This Letter of Interest may be used by you in support of applications for construction and/or operating subsidies, insurance, construction financing, and other purposes after first obtaining the permission of the Agency.

2. The Executive Director and appropriate staff are hereby authorized and directed to negotiate with the developer, review all relevant facets of the Interfaith/Pine Meadow Development and make preliminary arrangements for financing by bonds or notes.

I certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of said Agency held on February 15, 1990.

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

RESOLUTION PERTAINING TO LETTER OF INTEREST FOR SANDY PINES

WHEREAS, Housing Foundation, Inc., a nonprofit corporation, has presented a proposal for acquisition of Sandy Pines Mobile Home Park, a 56 unit park in East Montpelier, Vermont ("Sandy Pines"); and

WHEREAS, Housing Foundation, Inc. has received a commitment for a deferred loan in the amount of $280,000 for Sandy Pines from the Vermont Housing and Conservation Board; and

WHEREAS, the proposal contemplates that Sandy Pines will continue to have a resident mix with a large majority of the residents below median income and eventually will be turned into a cooperative run by the tenants; and

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

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

THEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Interest in providing permanent mortgage financing of up to $736,300 for Sandy Pines. The Letter of Interest shall be issued to Housing Foundation, Inc. Consistent with applicable rules of the Agency, the Letter of Interest shall include the following language:

> "This Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds from the issuance of new bonds or notes of the Agency and the satisfactory completion of such further requirements as the Agency may establish. This Letter of Interest may be used by you in support of applications for operating subsidies and other purposes after first obtaining the permission of the Agency."

2. The Executive Director and appropriate staff are hereby authorized and directed to negotiate with Housing Foundation, Inc., the Vermont Housing and Conservation Board staff, potential interim financing sources, and to make preliminary arrangements for financing by taxable bonds or notes.

I certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of said Agency held on February 15, 1990.

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

RESOLUTION PERTAINING TO REFINANCING MOBILE HOMES

WHEREAS, mobile homes are among the most affordable single family housing existing in Vermont; and

WHEREAS, lots in mobile home parks are in short supply throughout the state and few new parks are being created; and

WHEREAS, several mobile home parks have been acquired by nonprofit corporations in order to preserve this scarce resource, stabilize the residents' rent payments, provide perpetual or long-term leases and, in many cases, work toward establishing a cooperative so that residents can control their own destiny; and

WHEREAS, the Agency has available limited amounts of bond proceeds that do not carry with them the same restrictions that apply to bond proceeds from more recent issues; and

WHEREAS, many mobile home park owners of low and moderate income are paying high rates of interest on commercial loans to finance their homes, putting severe strains on their income; and

WHEREAS, the Agency has determined that using the bond proceeds that it has available to refinance mobile homes for residents of low and moderate income who are most in need of assistance will assist in fulfilling the purposes of the Act;

THEREFORE, it is hereby RESOLVED:

(1) The Agency will make available up to $2 million of funds from the 1977 Single Family Program to refinance commercial loans on mobile homes owned by residents in mobile home parks that:

- have in place a mechanism to ensure the long-term affordability of lot rents
- have not experienced involuntary tenant displacement
- offer residents a long-term or perpetual lease

(2) Loans will be made at a rate of 6.95% for a term of 12 years.

(3) Loans will be targeted to those owners who:

- have a household income at or below 80% of statewide median income and
- are currently paying more than 30% of their gross monthly income for housing expenses.

(4) Staff is directed to implement the program, to be known as the Mobile Home Assistance Program, as expeditiously as possible.

I certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of said Agency held on February 15, 1990.

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

MEMO

TO: VHFA COMMISSIONERS
FROM: FRANK KOCHMAN
DATE: March 8, 1990
RE: DALTON DRIVE STATUS REPORT

Since the last board meeting, the following has occurred:

1. "Closing Extension Agreement" with UVM executed, establishing new closing date of July 1, 1990 (other terms summarized below.)

2. First phase of zoning application submitted to each of the Towns. Determination as to necessity for other governmental permits (including Act 250) is in process.

3. Negotiations with Developer (Preservation Investments, Ltd.) on detailed terms of Development Services Contract almost complete. (See outline of principal features, below.)

4. The new regulations which would enable all planned elements of the project, and which were approved for submission to the Secretary of State at the last meeting, were submitted on February 15, 1990, and the final publication was completed today. The deadline for public comment is March 26. Barring complications, the new rules should be in effect by the middle of May.

* * *

Principal terms of Closing Extension Agreement.

-Closing date extended to July 1, 1990.
-Closing Extension Fee (non-recoverable unless they breach and non-creditable against Purchase Price) = $32,400.00, due April 15. (This figure was based on their estimated carrying costs between original closing date and new date.)
-Other extra costs: Notwithstanding July 1 closing, tax pro-ration date will be February 23 (the original closing date).
-Additional consequence of failing to close by July 1: liquidated damages of $7,500 per month from July 1 until the first to occur of (a) December 31, 1990 or (b) the date UVM sells the property.
-Other features: (1) based on needs revealed by our studies, the service road easement behind the buildings was expanded to our benefit, and the reserved rights of UVM in the easement were narrowed; (2) we have the new right to fix up a sample unit before the closing date (subject to loss of the money expended if we don't close and it's our fault); (3) the UVM first preference for its staff in a portion of the units was further limited, to our benefit.

Outline of Principal Features of Development Services Contract. This twenty-five-page item is not quite ready for signature, but most major issues have been worked out in draft form. Under the current working draft, here are the principal features:

DEVELOPER'S BASIC UNDERTAKING: With respect to the housing development portion of the project, to do everything necessary to obtain the permits for the rehabilitation, create the Housing Sponsor, present an acceptable housing development budget, negotiate the principal contracts (subject to VHFA approval), comply with the conditions for closing the construction loan, construction manage the rehabilitation, comply with asbestos abatement laws, create the condominium and sell approximately 75% of the condominium units at prices consistent with the conditions of (a) the Option Agreement, (b) VHCB assistance, and (c) VHFA Single Family Program limits. Between 20 and 25 percent of the units will be market units, unrestricted as to sales price. Also, as of the construction closing, Developer must present a reasonably detailed and viable plan for development of the Non-housing facilities (i.e., the officer's club and the adjacent building), which will be subject to the reasonable approval of VHFA.

LEGAL STANDARD FOR DEVELOPER'S PERFORMANCE: "Best efforts", i.e., less than a warranty of successful performance, but more than ordinary care.

OUTSIDE DATE FOR COMPLETION OF HOUSING REHAB AND SALE OF ALL UNITS: January 1, 1992.

DEVELOPER'S COMPENSATION: Maximum Fee (the "Upset Figure") for completing the Housing Development and delivering an acceptable Non-housing Facilities Plan will, I believe, be somewhere between $125,000 and $140,000 (the exact figure is still under discussion between the executive director and PIL). Developer will bill principal's time at $45/hr and staff time at $25/hour, but payment will be subject to retainage of 30% of billed time, with the retainage to be "earned" on the basis of achievement of a schedule of "project milestones". Billing is further restricted to a percentage of the Upset Figure until final completion. Upon timely final completion (including all sales), Developer is entitled to the balance (if any) of the Maximum Fee. Developer is also entitled to recover its out-of-pocket expenses (excluding general overhead). In addition, the Housing Sponsor is entitled to mark up the sales price of each unit by 3% of its pro-rated development cost. Within certain limits, the Housing Sponsor will have discretion to sell some units below cost as a marketing device.

STATISTICAL REPORT PROGRAM ID: 89A
UNDERWRITING DATABASE
LTV 0% TO 100%
Effective for 06/03/89 thru 03/08/90
Loan Status: CC,UC,O

Total Number of Loans: 509
Total Loan Amount: $31,014,589

EXISTING:	$21,701,448	72.1%	367 Loans
NEW CONSTRUCTION:	$9,313,141	27.8%	142 Loans
NEW DETACHED HOUSING:	$7,336,019	78.7%	111 Loans
NEW CONDOMINIUM:	$1,977,122	21.2%	31 Loans
Funds Remaining to be Reserved:	$7,053,764	15.6%	115 Loans (Est.)

Total Insured or Guaranteed Loans: 443
Loans Guaranteed by VHMGB: 436

	ACED	NON ACED	STATEWIDE
Avg. Purchase Price	$67,638	$72,428	$69,153
Avg. Loan Amount	$59,333	$64,387	$60,932
Avg. Borrower Income	$26,687	$27,902	$27,071
Avg. Housing Debt-Income Ratio	26.5%	27.7%	26.8%
Avg. Total Debt	$759.45	$812.04	$776.08
Avg. Total Debt-Income Ratio	34.2%	35.0%	34.4%
Total No. of Loans	348	161	509
% of Total Loan Amount	66.6%	33.4%	100.0%
First Time Homebuyers	83.6%	100.0%	88.8%
% Meeting Low Income Set Aside	35.6%	53.4%	41.2%

	Loans	% of Loans	$ Amount	*Households	% of Hshlds	% DIFF
Addison	23	4.5%	$1,339,838	5,000	5.8%	1.3-
Bennington	22	4.3%	$1,401,255	6,000	7.0%	2.7-
Caledonia	47	9.2%	$2,638,807	5,000	5.8%	3.4
Chittenden	83	16.3%	$5,534,748	16,000	18.6%	2.3-
Essex	8	1.6%	$412,297	1,000	1.2%	0.4
Franklin	79	15.5%	$4,983,230	6,000	7.0%	8.5
Grand Isle	8	1.6%	$503,198	1,000	1.2%	0.4
Lamoille	29	5.7%	$1,716,402	3,000	3.5%	2.2
Orange	23	4.5%	$1,352,318	4,000	4.7%	0.2-
Orleans	35	6.9%	$1,696,962	4,000	4.7%	2.2
Rutland	39	7.7%	$2,325,377	10,000	11.6%	3.9-
Washington	58	11.4%	$3,567,316	9,000	10.5%	0.9
Windham	30	5.9%	$1,955,495	7,000	8.1%	2.2-
Windsor	25	4.9%	$1,587,346	9,000	10.5%	5.6-
TOTAL	509	100.0%	$31,014,589	86,000	100.0%	

* Estimated number of households, $15,000 to $35,000 income.
Source: CACI, 1989 Sourcebook of County Demographics

AS OF: 03/08/90 | Vermont Housing Finance Agency | Report: 1130

PAGE NO. 1 | 89A - $45,000,000 HOME MORTGAGE PURCHASE BONDS | PERSTATU

Status Report (with percent of pool proceeds approved)

Rate : 8.800%

Date : 03/08/90

Lender	Funds Reserved	Percent Reserved	Prelim. Approval	% Prelim Approval	Loans Purchased	Loans to be Purchased	PERC
Bank of Vermont	$2,042,657	4.5%	$1,788,837	3.9%	$1,449,720	$339,117	16.6%
Bradford National Bank	$120,700	0.2%	$120,700	0.2%	$53,200	$67,500	55.9%
Caledonia National Bank of Danville, The	$760,516	1.6%	$687,016	1.5%	$536,066	$150,950	19.8%
Chittenden Trust Company	$8,669,751	19.2%	$7,431,996	16.5%	$5,670,769	$1,761,227	20.3%
Commonwealth Mortgage Company, Inc	$291,400	0.6%	$151,400	0.3%	$151,400	$0	0.0%
Community National Bank	$783,563	1.7%	$574,313	1.2%	$411,913	$162,400	20.7%
Factory Point National Bank, The	$251,034	0.5%	$179,784	0.3%	$100,934	$78,850	31.4%
First Twin-state Bank	$375,586	0.8%	$211,927	0.4%	$107,427	$104,500	27.8%
Franklin-Lamoille Bank	$1,129,102	2.5%	$713,302	1.5%	$585,577	$127,725	11.3%
Granite Savings Bank and Trust Company	$139,890	0.3%	$139,890	0.3%	$139,890	$0	0.0%
Howard Bank, National Assn, The	$1,319,252	2.9%	$1,037,927	2.3%	$853,577	$184,350	13.9%
Lyndonville Savings Bank & Trust Company	$593,499	1.3%	$557,739	1.2%	$426,039	$131,700	22.1%
Marble Bank	$657,423	1.4%	$589,923	1.3%	$589,923	$0	0.0%
Merchants Bank, The	$1,895,489	4.2%	$1,593,332	3.5%	$1,047,494	$545,838	28.7%
National Bank of Middlebury, The	$287,367	0.6%	$237,207	0.5%	$191,207	$46,000	16.0%
New England IBM Employees Fed Crdt Union	$913,375	2.0%	$573,003	1.2%	$450,503	$122,500	13.4%
Northfield Savings Bank	$600,180	1.3%	$600,180	1.3%	$492,480	$107,700	17.9%
Passumpsic Savings Bank	$1,738,620	3.8%	$1,590,720	3.5%	$1,175,777	$414,943	23.8%
Peoples Trust Company of St Albans	$446,675	0.9%	$200,675	0.4%	$65,925	$134,750	30.1%
Proctor Bank	$548,635	1.2%	$548,635	1.2%	$328,035	$220,600	40.2%
Randolph National Bank	$513,717	1.1%	$383,417	0.8%	$261,817	$121,600	23.6%
Statewide Funding Corporation	$251,655	0.5%	$251,655	0.5%	$0	$251,655	100.0%
Union Bank	$1,612,819	3.5%	$1,348,249	2.9%	$536,259	$811,990	50.3%
Valley Bank	$544,029	1.2%	$476,529	1.0%	$345,479	$131,050	24.0%
Vermont Federal Bank, FSB	$6,424,880	14.2%	$5,078,770	11.2%	$4,485,320	$593,450	9.2%
Vermont Mortgage Group, Inc	$1,305,183	2.9%	$1,074,183	2.3%	$959,233	$114,950	8.8%
Vermont National Bank	$3,651,892	8.1%	$2,988,104	6.6%	$961,127	$2,026,977	55.5%
TOTALS 618 Loans	$37,868,889	84.1%	$31,129,413	69.1%	$22,377,091	$8,752,322	23.1%

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Douglas R. Lothrop, Director of Operations

DATE: March 7, 1990

RE: Shared Appreciation Mortgage (SAM) at River's Edge Condominium

At the last board meeting, you requested information on the debt load that borrowers who take advantage of the SAM second mortgage being offered by The Merchants Bank and Northshore at River's Edge Condominiums would be facing at the end of the original term.

Although the interest rate a borrower will have to pay during the original term is set at 4%, the shared appreciation of the property that accrues to the mortgagors, less the costs of capital improvements and appraisal cost, may be as high as 40%.

For this comparison we will assume that the original property value is $90,000, the SAM second mortgage is in the amount of $20,000, and the lender share of the appreciation is 35%.

The following chart indicates the true cost to the borrower after the initial 5 year term.

	Int. Paid 5 years	Appreciation due mortgagor	Effective Cost
4% Int. Only 5% Appreciation	$4,000.00	$ 8,700.00	$12,700.00
4% Int. Only 10% Appreciation	$4,000.00	$19,200.00	$23,200.00
4% Int. Only 15% Appreciation	$4,000.00	$31,800.00	$35,800.00

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At the end of the original term (5 years) the borrower may refinance the outstanding principal balance ($20,000.00) plus the accumulated appreciation over the original term with a fully amortizing mortgage having a term of at least 30 years.

The option being offered by The Merchants Bank, in addition to any other second mortgage financing option, is an adjustable rate mortgage where the initial interest rate is based on the appreciation of the property.

The following chart outlines the plan:

Appreciation	0-4.999%	5.0-7.4999%	7.5-9.99%	10.0%+
Initial Rate	10%	8%	6%	4%
Ann. Max. Adj.	2%	2%	2%	2%
Life. Cap	6%	8%	10%	12%

If a property appreciates at 5% then the borrower would refinance at the end of the original term a total of $32,700.00 at an initial interest rate of 8%. The monthly payment for the first 12 months would be $239.94. Assuming the maximum annual increase, the next year's rate would be 10% and the payment would be $286.15.

For comparison's sake, the monthly payment for a mortgage of $85,500.00, which is 95% of $90,000.00, at 8.9% for 30 years would be $681.81. The monthly mortgage payment using the SAM would be $624.88. After the original 5 year term, using the assumptions above, the borrower's total monthly mortgage payments would be $861.82 in the first year.

When compared to a 95% MOVE first mortgage, the SAM definitely allows for qualifying a borrower at a lower income (by about $2200). However, the borrower must pay the piper beginning in five years, if they take advantage of the Merchants Bank refinancing offer.

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Douglas R. Lothrop, Director of Operations

DATE: March 1, 1990

RE: Eligibility of the Vermont Development Credit Union (VDCU) for participation in VHFA single family programs

The VDCU was formed for the specific purpose of providing low and moderate income Vermonters with financial services that they find difficult to obtain in the conventional marketplace. At this time these services include deposit and small loan lending. The VDCU has one office located in the Old North End of Burlington.

VHFA has been approached by the VDCU to work with them to provide mortgage financing, as an added lending function, by allowing them to become eligible to participate in our single family programs.

This request is being brought before the Board for two reasons. The first is that VDCU has not been in business in Vermont for the required one year term and the second is that they have no direct experience in originating and servicing mortgage loans.

I have discussed the issues with Spencer Potter, the manager of VDCU. Spencer is an experienced credit union manager having managed the General Electric Credit Union for seven years supervising their loan functions. We have agreed to work with them under the following operating procedures with prior Board approval of VDCU as a participating lender:

* VDCU will originate and fund the mortgages to be purchased by VHFA. In the origination phase this would initially include the gathering of all applicable documents to complete a standard VHFA underwriting package as well as a pre-qualifying interview with the applicant;

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* VHFA will underwrite the mortgage loan package and let VDCU know whether or not we will purchase the mortgage loan;

* VDCU will close the mortgage loan and submit it to VHFA for purchase; and

* After purchase the VDCU will service the mortgage per VHFA guidelines and they will receive the standard servicing fee.

In addition to the above, we have proposed that VDCU would be trained in underwriting, servicing and reporting by VHFA staff.

The Vermont National Bank, has agreed to train VDCU in closing mortgages which includes compliance with all federal and state laws.

VHFA would further agree to waive the participation fee mentioned in the most current contract and that VHFA and VDCU would split the origination fee 50/50 until VDCU reaches the point where they will be underwriting the mortgage loans. At present, lenders receive 1.25% and VHFA receives .75% of the 2% origination fee.

Enclosed for your information is a copy of the VDCU application and their unaudited statements of income and condition as of February 27, 1990. These financial statements were prepared internally by VDCU staff.

RECOMMENDED ACTION

VHFA staff recommends the approval of the Vermont Development Credit Union as a participating lender under the conditions outlined in this memorandum with adjustments by staff as warranted by current conditions.

VERMONT HOUSING FINANCE AGENCY
MEMORANDUM

DATE: March 8, 1990

TO: VHFA Board of Commissioners

FROM: Stacy Markman, Acting Program Group Coordinator SM

SUBJECT: Recommendations for Income and Purchase Price Limits, 1989B Mortgage Purchase Program

RECOMMENDED INCOME LIMITS

HUD recently released new FY 1990 median income figures for Vermont. The Program Group recommends that income limits for the 1989B MOVE program be set using the same relationship with HUD median income as applied in 1989.

			Proposed 1989B	Existing 1989A
1-2 Person Households	= 100% of Median	=	$32,300	$31,600
3+ Person Households	= 115% of Median	=	$37,100	$36,300

Proposed income limits for 1989B represent an increase of $700 for 1-2 Person Households and $800 for 3+ Person Households.

These figures represent the maximum limits allowable under federal guidelines, if VHFA chooses to set limits on a statewide basis.

VHFA does have the option of setting higher limits for counties designated as "target" counties, but the Program Group unanimously favors retaining statewide limits. Statewide limits are judged to be more equitable as federally targeted counties are not wholly representative of higher cost areas. Statewide limits also reduce consumer confusion and provide for more administrative ease; if limits were set by county there would be two limits per county and Burlington MSA (adjusted for two family sizes as federally required) producing a cumbersome 30 income limits.

VHFA staff has been very pleased with the operating effectiveness of statewide limits in 1989A, and comments received from lenders, real estate agents, and borrowers have been positive.

PROPOSED PURCHASE PRICE LIMITS

As with income limits, VHFA has the option of setting higher purchase price limits in federally targeted counties, but the Program Group recommends setting purchase price limits on a statewide basis for the same reasons outlined above. Recommended 1989B purchase price limits and the maximum limits allowable under federal Safe Harbor requirements (assuming VHFA wishes to set limits statewide):

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	Proposed 1989B	Maximum Allowable	Existing 1989A
Existing Homes	$89,000	$ 89,730	$85,000
New Homes	$98,000	$114,930	$93,000

Proposed purchase price limits for 1989B represent an increase of $4,000 for existing homes, and $5,000 for new homes.

RELATIONSHIP BETWEEN INCOME LIMITS AND "AFFORDABLE" PURCHASE PRICE

The estimated maximum purchase price affordable to households with incomes at the proposed limits are listed below. Also listed is the average price of a Vermont home purchased in the first half of 1989 (based on property transfer tax records; tax record compilations are not yet available for all of 1989).

Income	Estimated Maximum Affordable Purchase Price *(@8.7% rate, 5% down)*	Average VT Purchase Price, Jan-Jun 1989
$32,300	$ 89,900	$111,000
$37,100	$103,700	
	(Applies 30% housing debt ratio, including average taxes and insurance.)	*(Property Transfer Data do not differentiate between new and existing properties.)*

NEW LIMITS FOR FUNDS REMAINING FROM PREVIOUS BOND ISSUES

The Program Group recommends having new limits apply to 1989B funds and all funds remaining from previous issues, with two exceptions: 1) funds used in existing special programs, e.g., Rural Vermont Mortgages with FmHA, Perpetually Affordable Housing Programs, and 2) funds remaining from the 1988B issue. For 1988B funds, we recommend retaining previously set income limits, while allowing purchase price limits to increase to the new proposed limits of $89,000 and $98,000. Retaining income limits for 1988B as previously set will allow the continued use of the higher $38,000 income limit for Burlington MSA and Chittenden County, especially important to projects already underway in these areas. (Estimated remaining funds for 1988B as of March 1 is $3 million.)

ATTACHMENTS

Appendix 1 presents data on purchase prices in the 1989A program. While the average purchase price was $77,000 for new homes and $66,000 for existing homes, the most common purchase price was for homes at the maximum prices allowable, $93,000 for new homes and $85,000 for existing homes.

The graphs presented as Appendix 2 illustrate the distribution of VHFA purchase prices for new and existing homes in the 1989A program. It appears that there was a strong demand for higher cost homes among VHFA borrowers.

Appendix 3 provides information about VHFA's four most recent single family bond issues. The chart includes data on the size of each issue, income and purchase price limits, and average borrower incomes and purchase prices. These data

provide information on the effect of income limit changes adopted for the 1989A issue, when we first began utilizing statewide limits, adjusted for family size. The average borrower income and average purchase price was lower in the 1989A program than in the 1988B program, and a higher percentage of borrowers with incomes below $30,000 were targeted in 1989A. In addition, as anticipated, a higher percentage of borrowers in 1989A as compared to 1988B were in larger households of three or more persons.

The change in income limits for 1989A also had an effect on the distribution of mortgage loans among Vermont's fourteen counties. The first column of the chart presented as Appendix 4 lists the distribution of Vermont households with incomes between $15,000 and $35,000 (representative of VHFA's homeownership market) residing in each county. If we assume that the distribution of VHFA mortgage funds should reflect the distribution of moderate income households among the counties, then we can compare how mortgage loans were actually distributed to determine which counties were "overserved" or "underserved" by VHFA.

In the 1988B program (when income limits were set by county) there were eight county populations "underserved." In 1989A, when the adoption of statewide limits raised income limits for some counties and lowered them for others, seven counties were "underserved" and the standard deviation of the overall distribution was reduced. (Standard deviation measures dispersion, i.e., a standard deviation of zero would indicate that no counties were over- or underserved). Therefore, it appears that the change to statewide limits promoted a more equitable distribution of VHFA loan funds among the counties. The graph attached as Appendix 5 illustrates this same information in a graphic format.

LOW INCOME TARGET GOALS

As with past programs, a target goal will be set for a percentage of bond proceeds for lower-income Vermonters. For this issue, it is recommended that a goal of 40 percent of the proceeds be set to serve Vermonters at or below 80 percent of the area or state median income (whichever is greater).

RELEASE DATE OF FUNDS

The Program Group estimates that unexpended proceeds from 1988B and 1989A will be exhausted by approximately May 1, 1990, at which time new 1989B funds will be released. We plan to give the Governor the opportunity to announce VHFA's new program, and therefore will not release information regarding the 1989B program prior to the Governor's announcement.

RECOMMENDED BOARD ACTION

The Program Group requests Board approval of the following:

1) the income and purchase price limits proposed herein for the 1989B program, and for all remaining funds from previous VHFA issues, with the exception of funds in existing special programs and 1988B, as described above.

2) the goal of 40% of proceeds to be targeted to borrowers with incomes at or below 80% of area or state median.

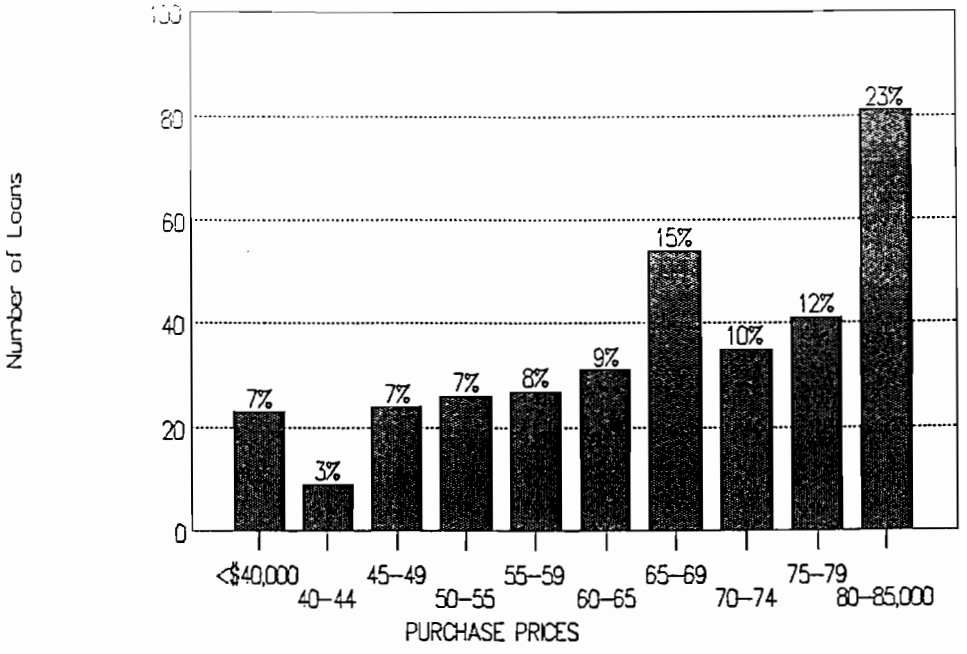
1989A MOVE - PURCHASE PRICES - NEW vs. EXISTING

	NEW CONSTRUCTION	EXISTING HOMES
NUMBER OF LOANS	131 (27%)	351 (73%)
AVERAGE	$77,000	$66,200
MEDIAN (Middle)	$78,000	$69,000
MODE (Most common)	$93,000 10% of all loans	$85,000 13% of all loans
PERCENT OF LOANS WITH HIGHEST PURCHASE PRICES	$90,000-$93,000 25% of all loans	$80,000-$85,000 23% of all loans
RANGE	$38,000 - $93,000 ($55,000 range)	$24,900 - $85,000 ($60,000 range)

sm/PP89A

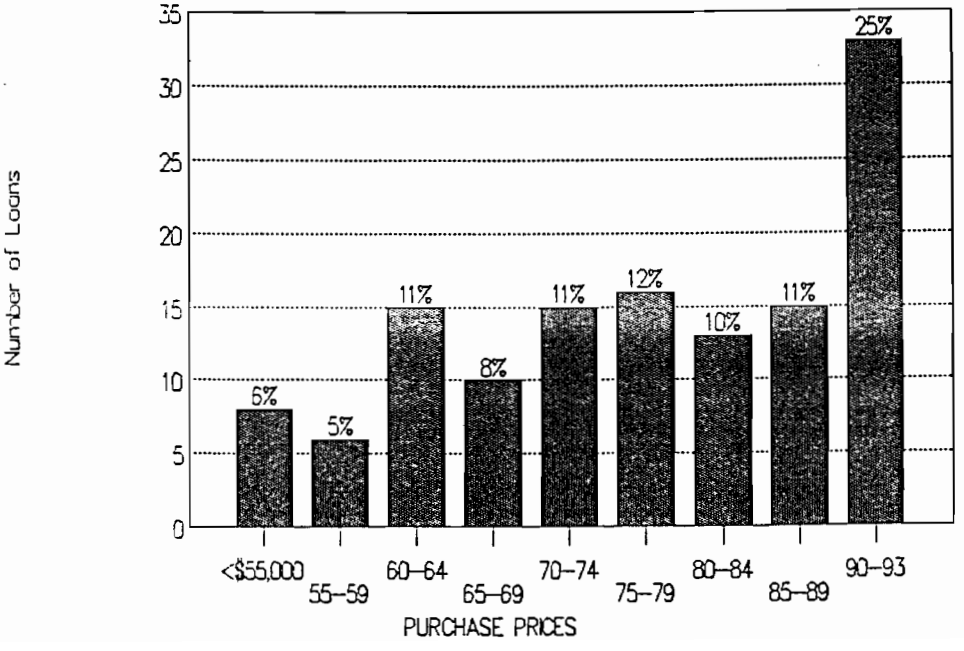
1989A MOVE – EXISTING HOMES,

PURCHASE PRICE DISTRIBUTION



1989A MOVE – NEW CONSTRUCTION,

PURCHASE PRICE DISTRIBUTION



VHFA BOND ISSUES 1987-1989

BOND	DATE SIZE	RATE TERM	VHFA INCOME LIMITS	HUD VT MEDIAN INCOME	VHFA AVG. BORROWER INCOME	PURCHASE PRICE LIMITS	VHFA AVG. PURCHASE PRICE	% VHFA HSDS 3+ PERSONS
87A	7/87 $25 m	9.7% 25 yrs 1.75%	$26,220-37,720 By county	$27,100 (1987)	$26,500	$75,000 80,000	$57,500	
88A	7/88 $14 m	9.1% 25 yrs 1.75%	$26,220-37,720 By county	$29,100 (1988)	$27,300	$75,000 80,000	$59,200	
88B	1/89 $54 m (+$6m @7.9%)	8.9% 30 yrs 2.0%	$31,500-38,000 By county	$31,600 (1989)	$28,900 54% of borrowers <$30,000 income	$85,000 93,000	$70,800 40% of homes <$70,000 pur price	38.5%
89A	6/89 $45 m (+$5m @7.8%)	8.8% 30 yrs 2.0%	$31,600 36,300 By family size	$31,600 (1989)	$27,000 68% of borrowers <$30,000 income	$85,000 93,000	$69,200 48% of homes <$70,000 pur price	41.8%

slm/89B2

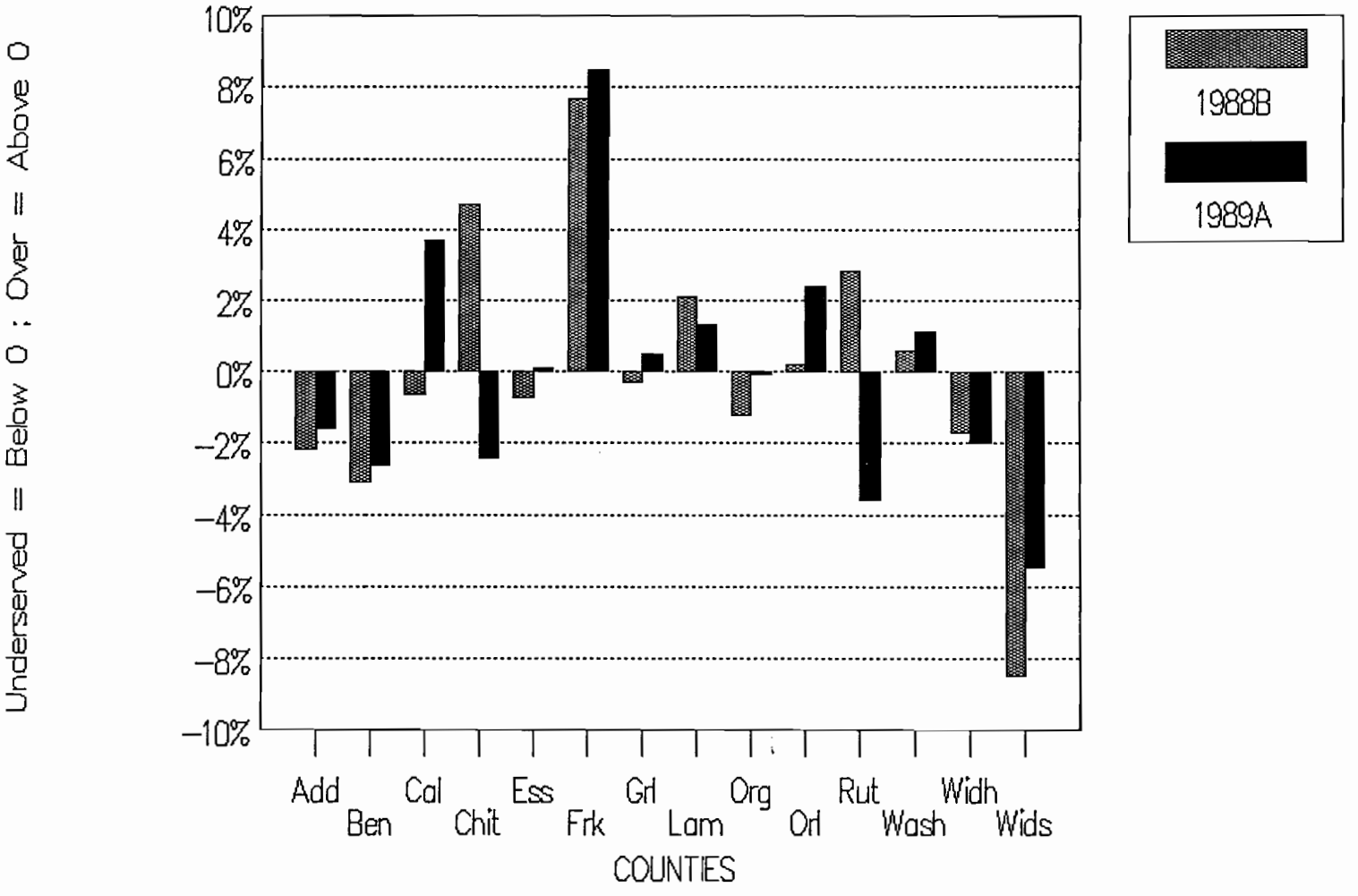
EFFECT OF INCOME LIMIT CHANGES 1988B & 1989A: COMPARATIVE DISTRIBUTION OF LOANS BY COUNTY sm/89BLIMIT

(Counties under- or overserved by VHFA in relation to county population)

	1989 Estimated % of VT Population in Each County with Incomes $15,000-$35,000	1988B Loan Distribution	% County Under- or Overserved (+ = overserved, - = underserved)	1989A Loan Distribution	Overserved (+ = overserved, - = underserved)
Addison	5.8%	3.6%	-2.2%	4.2%	-1.6%
Bennington	7.0%	3.9%	-3.1%	4.4%	-2.6%
Caledonia	5.8%	5.2%	-0.6%	9.5%	3.7%
Chittenden	18.6%	23.3%	4.7%	16.2%	-2.4%
Essex	1.2%	0.5%	-0.7%	1.3%	0.1%
Franklin	7.0%	14.7%	7.7%	15.5%	8.5%
Grand Isle	1.2%	0.9%	-0.3%	1.7%	0.5%
Lamoille	3.5%	5.6%	2.1%	4.8%	1.3%
Orange	4.7%	3.5%	-1.2%	4.6%	-0.1%
Orleans	4.7%	4.9%	0.2%	7.1%	2.4%
Rutland	11.6%	14.4%	2.8%	8.0%	-3.6%
Washington	10.5%	11.1%	0.6%	11.6%	1.1%
Windham	8.1%	6.4%	-1.7%	6.1%	-2.0%
Windsor	10.5%	2.0%	-8.5%	5.0%	-5.5%
TOTAL	100%	100%	3.6% Standard Deviation	100%	3.4% Standard Deviation

Counties Under– or Overserved:

Comparative Percentages 1988B & 1989A



APPENDIX 5

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Margaret A. Pond, Director of Development

DATE: March 9, 1990

RE: Summary of 1989 Low Income Housing Tax Credit Allocations;
1990 Tax Credit Program Update

Summary of 1989 Credit Allocation:

As you may know, we were successful in allocating 100% of the 1989 tax credit allocation of $695,000 for Vermont in the final days of the year.

Vermont is unique for at least two reasons. First, our allocation of $540,797 to partnerships that include future nonprofit ownership represents 78% of the total allocation. The national average for nonprofit ownership is well below that at closer to 10%. Second, we were able to allocate $327,468 outside of the state credit cap (under the bond cap) which allowed Vermont to allocate nearly 50% more than our credit allocation. Not all states have bond cap available, and of those that do, none maximized the credit use as effectively as we did in Vermont. This was due as well to Housing Vermont's efficient use of the credit.

1990 Tax Credit Program:

The Omnibus Budget Reconciliation Act of 1989 (the "1989 Tax Act") extended the tax credit for one more year with a reduced volume cap. Vermont has $531,562 for its 1990 allocation. The changes made by the 1989 Tax Act include provisions which will affect the way in which credits are allocated, the amount of credit which can be allocated to any one owner, the term of low-income use, the manner by which rents are calculated, and it expanded the pool of investors who can take advantage of the credit. In short, the program has undergone major revisions, growing out of Congressional concerns that the credit be more effectively administered and targeted. Unfortunately, a number of provisions are difficult to interpret perpetuating the frustrations that we have experienced since the beginning of the program over three years ago.

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A primary requirement of the 1989 Tax Act is that states must allocate credit pursuant to a "qualified allocation plan" which must be approved by the state after a public hearing has been conducted. Furthermore, the chief executive officer of the jurisdiction in which a building is located must be notified and given an opportunity to comment on a specific allocation.

A "qualified allocation plan" is one which meets the following criteria:

1. It contains selection criteria which are appropriate to local conditions,

2. It gives the highest priority to projects with the lowest cost of "intermediaries," unless such a priority would impede the development of projects in hard-to-develop areas, and

3. Gives preference to projects which serve the lowest income tenants, which serve qualified tenants for the longest period of time and which provide procedures for notifying the Internal Revenue Service of any noncompliance of which the agency becomes aware.

VHFA is in the midst of drafting this Allocation Plan for the Joint Tax Credit Committee's review and DCA's approval to be followed by the opportunity for public input at the hearing(s). At the same time, we have drafted proposed APA rules changes. Unfortunately, the rules changes must be made prior to implementing the Allocation Plan for the 1990 credit program. At this time the estimate for getting rules changes through the process is 90 days minimum, taking us up optimistically to the first part of June! Thus, we will not be able to make firm tax credit commitments until mid-June, or whenever the entire process is completed. We will keep you apprised of the status of both the APA and Allocation Plan process.

VHFA 1989 LIHTC FINAL ALLOCATIONS

1989 Vermont Allocation: $695,000

Project	Location	Housing Sponsor	Total # of Units	# of LIHTC Units	Credit Type	Final Credit Commitments	Outside of Credit Cap Commitments
APPROVED COMMITMENTS							
Sherlock Homes	New Haven	Sherlock	2	2	New Construction	$ 8,814	
Cummings Street	Montpelier	Housing VT	20	20	Acquisition	$ 27,199	
Northgate	Burlington	Housing VT	336	163	Rehabilitation	$239,786	
Northgate**	Burlington	Housing VT			Acquisition		$165,788
Middlebury Commons	Middlebury	Realty Resource	64	54	New Construction	$139,851	
Montpelier Elderly	Montpelier	Housing Vermont	29	29	New Construction	$ 65,007	
Bristol	Bristol	Addison CAP	12	12	New Construction	$ 45,954	
Depot Square Apartments	St. Johnsbury	Berezin	47	47	Rehabilitation	$130,555	
Pearl Street Apartments	St. Johnsbury	Berezin	10	10	Rehabilitation	$ 14,834	
Winchester**	Colchester	Housing Vermont	166	70	New Construction		$161,680
Tricor Village	Swanton	VSHA	16	16	Acquisition	$ 23,000	
Subtotal - Tax Credit Commitments			702	423		$695,000	$327,468

** These projects will be all or part outside the State LIHTC cap.

29-Dec-89

VERMONT HOUSING FINANCE AGENCY

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE

DATE: MARCH 8, 1990

RE: UNDERWRITER SELECTION PROCESS (RFP)

At the February 15th Board meeting, there was a discussion regarding the implementation of the RFP (request for proposal) process. We received ten responses from the eighteen firms that we solicited. Staff is currently reviewing the proposals received and will provide a summary to the Board committee by the end of April. The delay is due to the unavailability of the Chairman until after April 15th. We have advised the underwriters that they would be notified by May 4th of the selection of firms for oral presentations to be conducted in time for a recommendation to the full Board by the May 17th meeting.

In a related development, Andy Gurley is still contemplating offers from Paine Webber and Chase Manhattan Bank (Securities Division). By the time of the March Board meeting, it is fairly certain that Andy will be associated with one of these firms.

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VERMONT HOUSING FINANCE AGENCY

April 16, 1990

Ms. Jean Gauthier
Department of Administration
Pavilion Office Building
109 State Street
Montpelier, VT 05602

Dear Ms. Gauthier:

The Vermont Housing Finance Agency will be having its monthly Board Meeting on Thursday, April 26, at 1:30 p.m., at the office of the Commissioner of Banking and Insurance, 89 Main Street, Montpelier, Vermont.

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

Sincerely,

Barbara M. Parker

Barbara M. Parker
Executive Assistant

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VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director

DATE: April 20, 1990

RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held at 1:30 p.m. Thursday, April 26, at the office of the Commissioner of Banking and Insurance, 89 Main Street, Montpelier, Vermont.

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

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Montpelier April 26!

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VERMONT HOUSING FINANCE AGENCY

VHFA BOARD MEETING AGENDA

Office of the Commissioner
Department of Banking and Insurance
89 Main Street
Montpelier, Vermont

Thursday, April 26, 1990 at 1:30 p.m.

1. Review and approval of minutes of March 15, 1990

2. Executive Director's Report
   - A. Dalton Drive Update [**Hunt/Enclosure**]

3. Operations
   - A. MOVE 1989A Update [**Lothrop/Enclosure**]
   - B. Amendment to Single Family Insured Mortgage Bond Resolution [**Lothrop/Enclosure**]
   - C. Mortgage Plus: Suggested Income and Purchase Price Limits [**Lothrop/Enclosure**]
   - D. Supportive Services for the Elderly: Possible Additional Grant [**Lothrop**]

4. Development
   - A. 1989B Scheduled Release Date [**Pond/Enclosure**]
   - B. Perpetually Affordable Housing: Income/Purchase Price Limits [**Kehoe/Enclosure**]
   - C. Underwriting Guidelines for Mobile Home Parks [**Kehoe/Enclosure**]
   - D. Sandy Pines: Letter of Commitment [**Kehoe/Enclosure**]
   - E. Pine Meadow: Resolution Authorizing Letter of Commitment [**Koppelkam/Encl.**]
   - F. Bristol: Policy Discussion [**Pond/Enclosure**]
   - G. St. Johnsbury: Letter of Interest [**Koppelkam/Encl.**]

5. Finance
   - A. Underwriter RFP Status Update [**Schoenbeck/Encl.**]
   - B. GE Credit: Pool Insurance Replacement Policy [**Schoenbeck/Encl.**]
   - C. General Fund: Budget Update 03/31/90 [**Schoenbeck**]

6. Legal
   - A. Legislative Update [**Jarrett/Enclosure**]
   - B. Allen Apartments Status [**Jarrett/Enclosure**]

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

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VERMONT HOUSING FINANCE AGENCY

BOARD MINUTES
Vermont Housing Finance Agency
Office of the Commissioner of Banking and Insurance
89 Main Street
Montpelier, Vermont
Thursday, March 15, 1990

PRESENT: Commissioners Ruse, Francis, Nemitz (designee of Commissioner Johnson), Hebard, Seelig, Myette (via speakerphone)

Agency Staff: Mr. Schoenbeck, Mr. Lothrop, Mr. Jarrett, Mrs. Parker, Ms. Pond, Ms. Hope; Ms. Crady, Ms. Markman; Mr. Kochman (FL Kochman, Inc.)

Guests Present: Ms. Erdman, Agency of Development and Community Affairs; Mr. Rosen, Bear, Stearns & Co. Inc.

The meeting was called to order at 1:30 p.m. by Acting Chairman Ruse. Upon a motion duly made, seconded and unanimously accepted, Mr. Schoenbeck was appointed Acting Secretary for the March 15 meeting.

A motion was duly made and seconded that the minutes of the February 15 meeting be accepted as written; this motion was carried unanimously.

The "MOVE 1989A Update," as included in the Board packet, was reviewed by Mr. Lothrop. No Board action was necessary.

Mr. Lothrop next described for the Board a concern regarding a Planned Unit Development (PUD) consisting of affordable housing, but which has written covenants excluding mobile homes. Following a brief discussion, a motion was duly made, seconded and unanimously agreed directing staff to research and present at a future Board meeting a proposed procedural recommendation regarding the approval for eligibility of a PUD which is known to have covenants restricting or excluding certain types of affordable housing.

Next, after a review of Mr. Lothrop's memo of March 1 regarding the "Eligibility of the Vermont Development Credit Union (VDCU) for Participation in VHFA Single Family Programs," as included in the Board packet, a motion was made and seconded to approve the VDCU as a participating lender under the conditions outlined in the memorandum, and with any adjustments

by the staff as may be warranted by current conditions; this motion passed unanimously.

A "River's Edge Condominiums Follow-Up" was then offered by Mr. Lothrop, who reviewed his memo of March 7, included in the Board packet. No Board action was necessary.

Mr. Kochman then briefly reviewed his "Dalton Drive Status Report" of March 8, as included in the Board packet. A motion that the Board ratify the extension agreement with the University of Vermont as actually executed was duly made, seconded, and unanimously adopted. A further motion was made to authorize the Executive Director to enter into the Developer's Contract as drafted and with such changes as the Executive Director may deem appropriate in his discretion; after being seconded, this motion was adopted by unanimous assent.

Mr. Kochman further informed the Board that the Agency expects to approach the Housing and Conservation Trust Fund (HCTF) regarding Fort Ethan Allen for: (a) an open land grant dedicated to preserving the parade ground; (b) historic rehabilitation for the building exteriors; and (c) silent seconds for mortgages on the properties. According to Mr. Kochman, a preliminary budget should be available by the end of March.

In an unrelated matter, Mr. Kochman advised the Board that he had been approached by the HCTF's legal counsel regarding the technical aspect of certain bonding matters of interest to HCTF and pending before the Legislature. Mr. Kochman stated that he did not believe that providing services to HCTF in this connection involved him in any conflict of interest, but he wanted the Board to be aware of his actions. No formal action was taken by the Board, but general agreement was expressed to allow Mr. Kochman to proceed.

The "Recommendations for Income and Purchase Price Limits, 1989B Mortgage Purchase Program," as detailed in her memo of March 8, included in the Board packet, were presented by Ms. Markman. A motion was made and seconded to approve the new income limits for the 1989B program at $32,300 for one to two person households at 100% of median income, and $37,100 for households of three or more at 115% of median income; purchase price limits were set at $89,000 for existing homes and $98,000 for new homes, with maximum allowable limits at $89,730 and $114,930 respectively; this motion specifically excluded the "Mortgage Plus" and 1988B programs; the motion further clarified a goal of 40% of proceeds to be targeted to borrowers with incomes at or below 80% of area or state median; this motion was adopted unanimously.

Ms. Pond reviewed her memo of March 9, "Summary of 1989 Low Income Housing Tax Credit Allocations; 1990 Tax Credit Program Update," as included in the Board packet. Mr. Jarrett informed the Board that an amendment to the tax credit rules had been approved by the Commissioner of Development and Community Affairs, and further reviewed the steps involved in the approval process. No Board action was required.

An update on the Secondary Mortgage Market was offered by Ms. Crady, who reported Phase I of Sugar Mae had a funding level of $6.1 million from six lenders. Mr. Ruse's help with the investment of the state pension funds was acknowledged by the Board. Mr. Lothrop pointed out that Sugar Mae was being aggressively pursued by various HFA's across the country as a model for creating secondary markets. No Board action was necessary.

Regarding the Underwriter Selection Process, Mr. Schoenbeck reported that Mr. Gurley is now with Chase Securities, Inc., in New York. Applications have been received and are being reviewed by staff. Both First Albany and Bank of Boston have responded that they are not in a position to be a lead underwriter, but show some potential interest in the retail aspect.

Mr. Jarrett offered a Legislative Update on the few bills of interest to the Agency. According to Mr. Jarrett, Fannie Mae (Federal National Mortgage Association) has issued Mortgage Backed Securities regarding the Heineberg Senior Housing project; a few details are still being worked out.

On a matter of litigation, Mr. Jarrett informed the Board that the Agency had filed suit against Allen Realty and its general partner seeking the appointment of a receiver to manage the project (rather than foreclosure). The defendants have admitted all of the Agency's claims, and the Agency is requesting the Court to appoint a receiver recommended by the Agency.

Ms. Pond reported that staff is in the process of determining better incentives for a builder/developer program. Focus groups including builders from around the state have been scheduled for late March and early April; discussions will center around what would potentially assist builders or developers in creating more new affordable housing. Mr. Francis suggested further investigation of the Winter Panel Corporation in Brattleboro, or other manufacturers of construction materials in Vermont.

Mr. Ruse advised the Board that the Vermont Home Mortgage Guarantee Board (VHMGB) had been approached by the State for $1.5

million from their reserve funds (total reserves just under $5 million) to aid in balancing the state budget. Mr. Lothrop cautioned the Board that VHMGB had approached both Fannie Mae and Freddie Mac (Federal Mortgage Acceptance Corporation) for acceptance as a mortgage insurer based on their reserve funds being nearly $5 million. No actuarial study has been done to determine the necessary level of reserve funds for VHMGB, and Mr. Lothrop observed that the lowering of reserve funds may impact Fannie Mae's continued approval of VHMGB. Mr. Schoenbeck further stressed the impact of the State securing VHMGB's reserve funds and the potential impact on the Agency's bonding authority, especially if there is no apparent structure to limit the State's acquisition of reserve funds. Mr. Jarrett was directed to look into seeing that the legislative language require an actuarial study.

The next meeting was scheduled for April 26; there being no further business, following a motion duly made and seconded the meeting was adjourned at 2:45 p.m.

Respectfully submitted,

Roger A. Schoenbeck

Roger A. Schoenbeck
Acting Secretary

VERMONT HOUSING FINANCE AGENCY
M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director

DATE: April 19, 1990

RE: DALTON DRIVE UPDATE

Substantial progress has been made in recent weeks. Notable events include:

(1) Unanimous sketch plan approval has been received from both the Town of Essex and the Town of Colchester. Both planning commissions seemed generally supportive of our proposal, with each having different concerns about open space, traffic, schools, etc.

(2) The developer, Preservation Investments, Ltd., has tentatively decided to use North Hollow Construction Co. of Middlebury to act as general contractor. Not only has North Hollow done a lot of preservation work, it has spent a great deal of time evaluating ways to approach this project. North Hollow did $2.5 million in business last year and is bondable for $3 million. Their references are impeccable.

(3) The application for funding from the Housing and Conservation Trust Fund was presented to the Colchester Board of Selectmen last week. *(See attached Application for details, budgets, etc.)* We were asking Colchester to serve as applicant for the $500,000 request for loans and grants. The Colchester board had significant problems with the proposed resale controls and declined to serve as the applicant. We are now approaching Housing Vermont and Lake Champlain Housing Development Corporation to serve as an applicant, but we do not feel that this will have a significant impact on our schedule.

(4) Based on the current development budget, all units will be sold under the new VHFA cap of $98,000. 40-60% of the units may be available to families earning less than 80% of median income, depending on final construction numbers, level of Trust Fund support and requirements of the two communities. The goal of making this development truly affordable seems to be achievable.

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Currently, we are at a stage where plans are being completed, final budgets prepared and preliminary marketing plans are being developed. One major component of the marketing is a model unit, which the developer wants to do immediately. The model would serve as a dry run for testing rehabilitation procedures, as well as allowing for marketing well in advance of construction. The negative factor is the cost, which would be lost should we fail to get all necessary permits. Towny Anderson will have estimates by April 23 which we can discuss at the Board meeting. For your information, after paying the extension fee of $32,400 to UVM we have spent over $200,000 on this project.

DALTON DRIVE

FORT ETHAN ALLEN

VERMONT HOUSING AND CONSERVATION BOARD APPLICATION

APPLICANT: Town of Colchester

DATE: March 29, 1990

VERMONT HOUSING AND CONSERVATION BOARD
136 1/2 Main Street
Montpelier, Vermont 05602

SUMMARY

Applicant: Town of Colchester, Vermont

Contact Person: David Timmons, Town Manager
Allan Hunt or Emily Wadhams, VHFA
Townsend Anderson, Preservation Investments, Ltd.

Project: Dalton Drive, Fort Ethan Allen

Dalton Drive is located in Fort Ethan Allen in the Towns of Colchester and Essex, Vermont. The Vermont Housing Finance Agency has an option to purchase the 30.05 acre Dalton Drive parcel from the University of Vermont. It consists of 21 historic buildings and the 16 acre Parade Grounds. Nineteen of the 21 buildings are proposed to be rehabilitated into 77 one, two and three bedroom residential condominium units. The remaining two buildings are not easily adaptable to living units and will be used for a daycare, shared elder housing, offices or other compatible use.

All building exteriors will be restored according to the Secretary of the Interior's Standards of Rehabilitation. Preservation easements will be conveyed to an appropriate organization that will monitor the terms of the covenants.

The plan for the interiors proposes a less intensive rehabilitation treatment which will include at a minimum new demising walls needed to create new units, new gas-fired heating systems and compliance with building codes. Utilizing the proven buyer appeal of historic houses in mature, attractive neighborhoods (most of which are now unattainable to the average income family), the Dalton Drive units will provide homebuyers with the opportunity to restore or renovate their interiors, using an Owner's Step-by-Step Guide to assure successful results.

The Town of Colchester has received an infrastructure grant from the Vermont Agency of Development and Community Affairs to upgrade the utilities and streets throughout the Fort, including Dalton Drive. This work will be completed before units are sold.

The full exterior and partial interior rehabilitation approach to the buildings at Dalton Drive translates into lower construction costs and consequently lower purchase prices than would be possible if the buildings were fully rehabilitated. Between 30 and 47 of the units will be available to families with an income of 80% or less of median --- all 77 units meet the criteria for 100% of median income or less.

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136 1/2 Main Street
Montpelier, Vermont 05602

PHONE: 802-828-3250
FAX: 802-828-3203

APPLICATION FOR PROJECT FUNDING

Date: March 30, 1990

APPLICANT

Name of Organization: Town of Colchester

Address: P.O. Box 55
Colchester, Vt. 05446

Telephone Number: 655-8011 FAX: Same

Contact Person: David Timmons, Town Manager

Status: Municipality

Project Location: Towns of Colchester and Essex, Chittenden County

Number of housing units developed: 77

Total Project Cost: $5,860,000.00

Amount of this request: $ 200,000.00 Grant Requested

300,000.00 Loan Requested

$ 500,000.00 Total Amount of this Request

The VHCB encourages applicants to contact the regional planning commission and appropriate municipal officials about the project. You may use the attached SUMMARY to make this contact. Have you made these contacts? X Yes

VERMONT HOUSING AND CONSERVATION BOARD

DALTON DRIVE

1. ORGANIZATIONAL

(a) Briefly describe the history and purpose of the organization which is applying.

The Applicant is the Town of Colchester in Chittenden County.

(b) Will the applicant be holding title to the property?

The Applicant will not hold title to the property. The Vermont Housing Finance Agency has an option to purchase the Dalton Drive property from the University of Vermont. Preservation Investments, Ltd. has been selected to be the developer and VHFA's legal agent for the purpose of obtaining permits. Under its agreement with VHFA, PIL will form a Housing Sponsor which will purchase the buildings and to which VHFA will make a construction loan for rehabilitation of the buildings. The Housing Sponsor will create a condominium and sell the residential units to qualified buyers. VHFA will retain ownership of the land and control resale values on some or all of the units through a ground lease. Buildings 504 and 600 will be dealt with separately for the purpose of raising money to help support the cost of the housing project. They will either be sold or leased on a separate ground lease for either commercial, residential or other compatible use.

2. AMOUNT AND FORM OF ASSISTANCE SOUGHT

The Town of Colchester is seeking a grant/loan combination from VHCB --- a $200,000.00 grant to purchase and protect in perpetuity the 15 acre Parade Grounds and nineteen building facade easements, as well as a $300,000.00 deferred low interest loan to assist up to forty-seven qualified owners in purchasing the rehabilitated units.

Total Loan Request: $300,000.00
in second mortgages not to exceed $11,000 each
Interest Rate: 0% - 3% - 6% - 9%
Term: 30 years
Payment Terms: Stepped rate, interest only. Principal due upon sale or 30 years. 0 interest years 1-3, 3% years 4-6, 6% years 7-9, 9% years 10-30.

3. PROJECT DESCRIPTION

The need for affordable housing for home purchasers in Chittenden County is well documented. According to the 1986 Applied Economic Research, Inc. (AER) study, in the Burlington market area high purchase prices put the option of home ownership out of the reach of many first-time buyers. Compounding the problem, those households that cannot afford to move up compete with first-time home buyers for the lower-priced units. The Northwestern Vermont Multiple Listing Service (MLS) reports that as of September 1989, the average sales price of a single-family detached house in Chittenden County listed in MLS was $137,801 and $95,000 for a condominium. ("A Planning Guide - Housing the Workforce", GBIC, 1989) Average sales prices for single-family homes in Colchester and Essex in September 1989 were $128,819 and $151,362 respectively. According to the MLS listings for November 1989, there were only 8 residential properties in Colchester and 5 in Essex for sale for under $100,000.

Dalton Drive will create 77 condominium units in 19 existing buildings that are projected to sell for $52,800 to $94,000 for one, two and three bedroom homes.

Dalton Drive and the Parade Grounds are an integral part of Fort Ethan Allen: the only fort of its kind in Vermont, and one of the best preserved forts from the 1890 - 1920 era remaining in the country. Working from standardized specifications, these forts were the centerpiece of a complete modernization of the United States Army. The majority of the building materials used at Fort Ethan Allen were native to Vermont.

The historical and architectural significance of Dalton Drive and Fort Ethan Allen has been documented in its nomination to the National Register of Historic Places.

For many citizens of Chittenden County, Dalton Drive and the Parade Grounds represent an important greenbelt between two rapidly growing towns --- Colchester and Essex. Each end of the Parade Grounds, in fact, is an entrance gate to the two respective towns. The deliberately placed buildings, describing a large undulating radius, define one edge of the Parade Grounds --- military architecture and land planning used the same stylistic vocabulary as its civilian counterparts. Thus, the sense of time and integrity of the Dalton Drive neighborhood can be directly attributed to our familiarity with numerous early twentieth century neighborhoods with large Colonial Revival houses fronting gently curving streets

lined with beautiful shade trees.

The redevelopment of Dalton Drive includes preservation of the Parade Grounds using easements and covenants to ensure compatible and sensitive uses in perpetuity. These easements will also protect the integrity of the building facades in perpetuity.

Sale prices for 1 bedroom units will be as low as $52,800.00; for 2 bedroom units as low as $73,500.00; and for 3 bedroom units as low as $84,500.00. Income levels for prospective buyers of these units may therefore be below 80% of the area median. (refer to attached project budget for projected unit sales prices and income levels of residents.)

With VHCB loan assistance, at least 30 of the 77 units will be affordable to residents with incomes of less than 80% of the area median under generally accepted criteria. By setting a second mortgage cap of $11,000.00, but distributing assistance of less than $11,000.00 to more units, as many as 47 units could be made available to persons and families with incomes of less than 80% of the area median. These units, through the use of covenants, will be affordable in perpetuity.

A formula for perpetual affordability is outlined below. Comments from the Vermont Housing and Conservation Board and staff are encouraged. VHFA intends to retain ownership of the land and control resale values on the condominium units through a ground lease. VHFA will be the optionee and have the right to purchase a unit when it goes on sale, thus guaranteeing that it will be sold to an eligible buyer.

<u>VHCB Units</u> - Units sold to households with incomes at or below 80% of median income will be entitled to 50% of the appreciation of that unit. However, once the owner is paying the maximum interest rate of 9% on the VHCB second mortgage, they will be entitled to 75% of the equity upon sale of the unit.

In addition, VHFA and the housing sponsor will explore the possibility of restricting additional units. The formulas being considered are :

<u>Units between 80% and 100% of median income</u> - Upon sale, the seller can get 50% of the appreciation. However, the amount of appreciation will increase by 5% each year, capping at 75%.

Market Units - Upon sale, the seller is entitled to 75% of the appreciation of that unit. This increases by 5% per year. By year six, they will be entitled to the full appreciation of the unit.

Vermont Housing Finance Agency, currently owning the option on the property, will transfer title to the Housing Sponsor, to be created by the selected developer for the project, Preservation Investments, Ltd. VHFA has negotiated a Contract for Development Services with Preservation Investments, Ltd. and VHFA will become the principal lender to the project. Emily Wadhams is VHFA's consultant and liaison between Preservation Investments, Ltd. and VHFA. Truex, DeGroot, and Cullins is the architect of record. Donald Hamlin Consulting Engineers is responsible for the infrastructure improvements under separate contract with the Town of Colchester. Site Concern is developing the landscape improvements for Dalton Drive, and the general contractor is presently under consideration by Preservation Investments and VHFA. A property manager for the condominium has not been selected.

4. TRUST FUND ASSISTANCE

(a) What specific use will be made of the assistance from the Trust Fund? Describe why an allocation from the Fund is necessary for the project's viability. Be specific.

The grant portion of the request will be used to purchase the Parade Grounds and covenant their future use to protect the resource in perpetuity. In addition, part of the grant request will purchase easements on the building facades, protecting their architectural integrity in perpetuity. Together with the deferred loan request, the Trust Fund allocation will make the Dalton Drive units available to a resident population in need of financially viable housing options.

Furthermore, the deferred loan request will make available a reasonable mix of 1,2, and 3 bedroom units. Without the assistance of both the grant and the loan, the development costs, spread over the 77 units, would force purchase prices above the income capability of residents at or below 80% of the area median, seriously compromising the conceptual objectives of the project which encourage buyers with a respect for and interest in historic houses to purchase and, through there own spare-time work and avocation, create a home of which they can take pride and enjoyment.

(b) How does the project further the Trust Fund goals of "creating affordable housing for Vermonters" and/or "conserving and protecting agricultural land, historic properties, important natural areas and recreational lands"? If applicable, how does the project link these dual goals or help to achieve them both?

Dalton Drive is a dual purpose project in that it preserves buildings of national historic significance and 16 acres of recreational space for public use. In addition, 77 units of housing are being created that will be affordable to households earning below the area median income. Up to 47 of the units will be available to households at 80% of area median income. VHCB's goal of home ownership for moderate income Vermonters with a formula for perpetual affordability is met by this project as is the goal of preservation of important Vermont lands. The parade grounds front on a section of Route 15 which is the third most traveled stretch of highway in the State. In addition, the parade grounds, lined with the imposing brick "Officer's Row" buildings, provides a prominent entrance to both the Towns of Colchester and Essex.

The rehabilitation plans will not alter the exterior of the buildings, nor remove or adversely impact significant interior features. In addition, the redevelopment of Dalton Drive will preserve the Parade Grounds --- a significant historical and recreational resource. Therefore, the redevelopment plans for Dalton Drive will achieve and further both goals of the Trust Fund.

5. TIMETABLE: What is the timetable proposed for completion of the project? For loan requests: What is the repayment schedule to the Trust Fund? What security will be given as collateral?

The property will be purchased from UVM in late June (the option expiration date is July 1st) and construction will start immediately. The first units will be available for sale in September. An 18 month sell-out period is projected. All construction should be completed by May, 1991.

The second mortgage loans from VHCB will begin to be repaid three years after the loans are made. The schedule is as follows:

Mortgage amount:	A maximum of $11,000 each
Term:	30 years
Principal:	Due on sale or 30 years
Interest:	Stepped Rate - Interest Only
	Year 1-3 0%
	Year 4-6 3%
	Year 7-9 6%
	Year 10-30 9%

The loan will be secured by second mortgages to the individual unit purchasers in a second position behind the primary lender.

6. SITE INFORMATION - For Site Specific Projects

(a) Site Plan is attached.

(b) What is the present use of the site?

The 21 buildings at the site are presently vacant except for one residential unit.

Proposed Use?

19 of the 21 buildings will be rehabilitated creating 77 units of affordable housing for sale. The units will vary in size and configuration. There will be a mix of 1,2, and 3 bedroom homes.

(c) How large is the parcel? The parcel totals 30.05 acres.

(d) What are its significant features?

The significant features are 21 historic Colonial Revival brick buildings, a mature landscape and the 16 acre parade grounds and gazebo.

(e) If applicable, how many acres of prime soils...? Not applicable.

(f) Is the site recognized on the state register or national register of historic sites...?

Fort Ethan Allen is listed on the State Register of Historic Places. Fort Ethan Allen is being nominated to the National Register of Historic Places as an historic

district. The buildings along Dalton Drive are listed as contributing structures.

(g) For farm projects, does...? Not applicable.

(h) For farm projects, is the property enrolled...? Not applicable.

(i) Is any portion of the site in the floodplain? No.

(j) Are there any deed restrictions on the use of the property?

The University of Vermont will retain the right to use the service road behind the buildings to gain access to its adjacent property for maintenance purposes. The deed will include a covenant restricting the parade ground to light recreational use.

(k) What is the appraised value of the property? An Appraisal Report of estimated market values of stipulated units was completed by Keller, Navin, Cable, and O'Brien on December 5, 1989. The average building value before interior rehabilitation is approximately $230,000.00. A copy of the Appraisal Report is submitted under separate cover.

Have there been any other appraisals within the past six months? No.

(l) Is there a proposed closing or purchase and sale contract on the property?

The Vermont Housing Finance Agency has an option to purchase the Dalton Drive property from The University of Vermont. Included with this application is a copy of the original Agreement dated June 22, 1989, the Closing Extension Agreement (Short Term) dated February 23, 1990 and the Closing Agreement effective February 23, 1990. The option expires on July 1, 1990. It is not renewable. The Option Price and Extension Price are to be applied to the purchase price but the Closing Extension Fee is not.

Summary of major provisions:

(1) Within 90 days of the date that the Purchaser (VHFA or Housing Sponsor) delivers to the Owner (UVM) floor plans, specifications and unit prices, 25% of the units (units to be selected by the Purchaser), are to be held available for sale exclusively for faculty and staff of the Owner.

(2) Purchaser can rehabilitate a unit for use of a sales office and model prior to closing.

(3) On or before April 15, 1990, Purchaser shall pay Owner $32,400 as a Closing Extension Fee. It will not be applied against the purchase price. This is intended to be a reasonable amount of compensation to the owner for the extension of the closing date from February 23, 1990 to July 1, 1990 acknowledging additional maintenance costs and loss of investment.

(4) The Purchaser will pay the prorated property taxes between February 23, 1990 (the original closing date) and the actual closing date.

(4) If the Purchaser does not purchase the property by the closing date, the Purchaser must pay the Owner $7,500 per month until the earlier of (a) the Owner selling the property to another purchaser, or (b) December 31, 1990.

(5) Owner grants a Service Road Easement over its adjacent property along the west boundary for parking and road needed to meet the local and state permit requirements.

(6) Not less than 50% of the rehabilitated units shall be initially affordable to persons and families whose gross annual income does not exceed 110% of average area income for a four-person family in accordance with the underwriting guidelines of VHFA.

(7) Purchaser endeavors to make a good faith effort to rehabilitate and provide for the ongoing maintenance of the buildings in accordance with "The Secretary of the Interior's Standards of Rehabilitation", and to advise the Owner of its rehabilitation plans.

(8) The Parade Ground is to be restricted to light recreational use.

7. PLANNING

(a) Is the project in conformance with adopted or proposed local and regional plans and zoning?

The project is in conformance with adopted local and regional plans and zoning. The Town of Essex recently amended its zoning regulations to allow for the increase in density from the 12 existing units to the 24 units projected in Essex for this project and we are well below the maximum density allowed in the Town of Colchester.

(b) What local and state permits are required? If applicable, where do you stand in both the local permit process and the Act 250 permit process? What steps or obstacles remain before you obtain these approvals?

The project will need subdivision and site plan approval from both Towns. It is in the Sketch Plan phase of the approval process and a combined meeting of both Planning Commissions is scheduled for April 5th.

The Town of Colchester through its agent, the Colchester Community Development Corporation is getting the required permits for the infrastructure work throughout the Fort, including Dalton Drive.

A letter has been sent to the District Coordinator for the District 4 Environmental Commission requesting an opinion on the necessity of an Act 250 Permit for this project. That decision is pending. If a Land Use Permit is required, we will request that the project be treated as a minor permit application.

Local and state building permits will be required. There do not appear to be any major obstacles to receiving the required state and local permits.

8. LOCAL/ REGIONAL SIGNIFICANCE: What is the importance to the community, region, or state of the resource in question, ie. the parcel of land or the structure(s)?

The 21 red brick "Officer's Row" buildings along Dalton Drive were constructed between 1894 and 1904 as the officers quarters and

administrative offices of the newly commissioned Fort Ethan Allen, a cavalry training base close to the Canadian border. The only Fort of its kind in Vermont, it is significant both nationally and statewide as an excellent and well-preserved example of a residential fort built as part of the Army's modernization efforts at the turn of the 20th Century. By 1937 there were 139 buildings including a guard house, bakery, water tower, stables, hospital facilities, drill hall, power house and barracks.

Use as a military base was discontinued in 1960 and in 1964 The University of Vermont was authorized by the Federal Government to use the buildings and grounds several parcels of land including Dalton Drive. In 1984 the University officially took ownership of the property. It has used the duplex buildings primarily for student dorms and faculty and staff housing. At present, only one of the 42 existing units is occupied.

In recognition of the importance of the Fort to the community and to the State of Vermont, the Town of Colchester completed a Master Plan of the Fort in 1988 with the intention of suggesting a Fort-wide development plan that would focus on four goals: historic preservation, open space preservation, affordable housing and fiscal responsibility. Since then, the Plan has been adopted by the Colchester Board of Selectmen as part of the Colchester Town Plan. The Master Plan concluded that the very visible and extremely underutilized buildings along Dalton Drive offered the opportunity for rehabilitation as affordable housing, although the high cost of rehabilitation was cited as a possible deterrent to this goal. The study also strongly recommended that the Parade Grounds be maintained as open space.

The Vermont Agency of Development and Community Affairs did a follow-up study to further evaluate affordable housing possibilities at Dalton Drive. A core team of affordable housing and historic preservation experts was assembled to assist with the effort. The team included Jeffrey Francis, at that time the Executive Assistant to Secretary of the Agency of Development and Community Affairs; Nancy Eldridge, Director of Housing, Department of Housing and community Affairs; Eric Gilbertson, Director of the Vermont Division for Historic Preservation; Kenn Sassarossi, Executive Director, lake Champlain Housing Development Director; Michael Richardson, President, Housing Vermont; Pam Kraynak, attorney; Bill Truex and Scott Brown, architects; Townsend Anderson, President, Preservation Investments, ltd.; Blair Hamilton, Vermont Energy Investment Corporation; Christina Pingert, at that time the Chairperson of the Colchester Selectboard; and

Dawn Francis, Town Planner, Town of Essex. Their report concluded that a "modified homesteading " approach would attain affordability at Dalton Drive.

The Vermont Housing Finance Agency has taken the leadership role in coordinating the efforts of the state and local interests that have worked for several years to realize the vision of affordable housing at Dalton Drive. Its mandate is to create perpetual affordability while preserving the architectural integrity of the buildings and to maintain the Parade Grounds as open space for the community.

LINKAGE

Dalton Drive is a dual goal application creating affordable housing and conserving and protecting an important property which includes both historic buildings and historic open and recreational lands (the Parade Grounds).

10. COMMUNITY SUPPORT: How has the community supported the project? Were both public and private community members contacted about the project and involved in planning it? Are they represented on the board of the organization?

The Towns of Colchester and Essex have both encouraged and been supportive of the efforts to preserve the land and buildings and to create affordable housing at Dalton Drive.

(a) Master Plan Study - In response to UVM's interest in disposing of the property in 1987, housing advocates in Chittenden County as well as representatives of Governor Kunin's administration contacted the University to suggest that the buildings be examined for their affordable housing potential. As a result, the University agreed to postpone selling the property until an inventory and master plan for the entire Fort Ethan Allen could be completed. The Town paid $75,000.00 to the Colchester Community Development Corporation to undertake the study. Although the Master Plan determined that Dalton Drive was best suited for housing, it was concerned that the high cost of rehabilitation, estimated at sixty-two dollars per square foot, would make affordable housing difficult to accomplish.

(b) **Housing and Conservation Trust Fund** - The Agency of Development and Community Affairs coordinated a study entitled "Dalton Drive Affordable Housing Development: A Feasibility Study" to further analyze the potential for affordable housing in the Dalton Drive buildings. The study was paid for by a $25,660.00 grant from the Vermont Housing and Conservation Trust Fund. Full exterior rehabilitation and a less intensive interior rehabilitation treatment was proposed as a solution to reducing construction costs and increasing affordability.

(c) **Infrastructure Grant** - The Town of Colchester received a Community Development Block Grant of $750,000.00 from the Vermont Agency of Development and Community Affairs to upgrade the infrastructure throughout Fort Ethan Allen in order to encourage economic development and the creation of affordable housing. Funds earmarked specifically for Dalton Drive total $291,900.00 for the repair of the sewer and water systems, road repair and service road and parking.

(d) **Vermont Housing Finance Agency** - VHFA has continued to assess the viability of affordable housing at Dalton Drive and is proceeding with acquiring the required permits. It has contracted with a developer and established the legal structure for the project. To date monies have been expended on architectural, engineering, consulting and legal fees, option fees, and other costs associated coordinating a project of this size.

(e) **Essex Rezoning** - The Board of Selectmen in the Town of Essex amended the Town's zoning regulations to allow the parade grounds to be used for density purposes, which effectively allowed for an increase in the units in Essex from 12 to 24 to allow for the renovation of the existing structures into multiple family residences. As a condition of this change,the zoning amendment states that at least 50% of the units must be sold or rented at a price that is affordable to a household with an annual income that does not exceed 100% of area median income adjusted for family size.

(f) **Permit Fee Waivers** - Both Essex and Colchester are considering waiving some of the required application and permit fees for this project.

(g) **Cooperation among Municipalities** - The Planning Commissions and staffs of Essex and Colchester have agreed to expedite the permit process by holding joint Planning Commission meetings.

(h) Public Support - Preliminary market outreach indicates a strong interest in the concept of partial rehabilitation of the Dalton Drive buildings. The combination of affordability in historic buildings, the lure of an established neighborhood, and the non-standardization of the units has been very well received. Initial concerns about the feasibility of affordable housing in the Dalton Drive buildings by some members of both communities and some Fort property owners have been replaced by genuine support for the project.

11. STEWARDSHIP

How can the Housing and Conservation Trust Fund Board be assured that its investment will be protected and its goals accomplished in the long run? How will you meet your stewardship responsibilities? What are your plans for funding and keeping your organization active on an ongoing basis? What will happen to the property in the event of your organization's dissolution? In housing projects, how will resident involvement be assured over time?

The grant portion of the request to VHCB will ensure that the Parade Grounds and the exterior facades of the buildings comprising Dalton Drive will be preserved in perpetuity, thus ensuring the success of the long term goals of the Trust Fund Board. Stewardship will be addressed in the Condominium Declaration and associated documents. Because the units are for sale, the Condominium Declaration will govern the future welfare of the common areas.

Dalton Drive will establish a Condominium Association with governing council comprised of elected residents, thus assuring resident involvement in perpetuity.

The Vermont Housing Finance Agency will retain ownership of the land and control resale values on some or all of the units through the ground lease.

12. LEVERAGE

What form of leverage does the project contain?

Dalton Drive has a verbal commitment from the Agency of Development and Community Affairs for funds to assist in the abatement of asbestos. the exact amount has not been determined.

The Town of Colchester has received a Vermont Community Development Program Implementation Grant for infrastructure improvements to Fort Ethan Allen which includes Dalton Drive. The total grant amount was $750,000.00. The Dalton Drive portion is $291,900.00.

VHFA is committed to financing the construction for this project. The estimated construction loan amount is $5,300,000.00. VHFA is developing a mortgage package for qualified buyers.

The Housing and Conservation Trust Fund has spent $25,660.00 specifically for Dalton Drive and the Town of Colchester has expended $75,000.00 on Fort Ethan Allen for planning and analysis as described in Section 10 above.

Because of the important model which can be developed for historic fort adaptive reuse nationwide, funding for the Owners' Manual will be sought from the National Trust for Historic Preservation.

13. BUDGET

Please attach a budget for the entire project including, but not limited to the VHCB contribution. Show all sources and uses of funds. The budget should cover the first year and as long a time period as is relevant thereafter. For housing projects, attach three budgets: development budget, operating budget, and cash flow projections.

Please see attached sheets 13.1, 13.2 and 13.3 with Tables I, II, IIIA and IIIB.

(a) Describe alternative sources of funding that have been solicited in the past year or which are under past or current consideration, and the likelihood or availability of such sources.

Vermont Community Development Program Implementation Grant for infrastructure improvements: source has been made available.

Vermont Community Development Program Implementation Grant for asbestos abatement: source is pending.

(b) Are there any contingencies related to these funds?

The grant for infrastructure improvements requires that 60% of the Fort Ethan Allen housing units benefit families with incomes at or below 80% of the area median.

Assumptions:

* Number of Housing Units:	77
* Number of Housing Buildings:	19
* Construction Loan:	5,300,000
* Construction Interest Rate:	9.00%
* Acquisition Date:	7/1/90
* Construction Start Date:	7/1/90
* Construction/Sales Period:	18 months

HOUSING DEVELOPMENT BUDGET

1. ACQUISITION COST: LAND AND BUILDINGS

Purchase Price		1,532,500	
Development Costs paid by VHFA		158,704	
Transfer Tax	1.25%	18,750	
Legal/Recording/Title Insurance		12,300	
Pro-rated Utilites and Taxes		5,500	
TOTAL ACQUISITION			1,727,754

2. HARD COSTS

Residential Rehabilitation		2,780,088	
Asbestos Removal		300,000	
Sitework and Landscaping		258,885	
Utility Connections		22,000	
Builders Risk Insurance		32,501	
Labor and Industry Permit		9,240	
Contingency	10%	340,271	
TOTAL HARD COSTS			3,742,986

3. SOFT COSTS

Architect /Engineer	64,000	
Homeowner Manual & Technical Assistanc	45,000	
Permits Sate and Local	49,340	
Impact Fee	20,000	
Legal and Accounting	60,275	
Marketing and Advertising	76,450	
Sales Commissions	175,680	
VHFA Transaction Costs and Fee	150,000	
Developer Costs and Fee	160,577	
TOTAL SOFT COSTS		801,322

4. FINANCING AND CARRYING CHARGES

Construction Period Interest	352,750	
Financing Fee: Construction Loan	53,000	
Lender Inspections	6,300	
Bond Premium	27,801	
Carrying Costs During Construction:		
Property Taxes	65,000	
Liability Insurance	6,750	
Utilities/Maintenance	72,000	
TOTAL FINANCING/CARRYING COSTS		583,601
TOTAL PROJECT COST		6,855,663

HOUSING DEVELOPMENT BUDGET
HOUSING UNIT COST ANALYSIS

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* total project cost	$6,855,663
* less non-housing component income:	
- sell building 504 @ $40/sf	$209,600
- sell building 600 @ $25/sf	$290,000
* less housing grant income:	
- VHCB Grant	$200,000
- VCDP Grant (re: asbestos removal	$300,000
* Net Housing Development Cost	$5,856,063
* Net Housing Cost per Unit	$76,053
* VHCB Grant Per Unit	$2,597
* VHCB Grant as % of Housing Cost	3.4%
* VHCB Homeowner Loans as % of Hsg Co (assumes $300,000 of 2nd mortgage loans)	5.1%
* VCDP Grant Per Unit	$3,896
* VCDP Grant as % of Housing Cost	5.1%

PARK BIRCH HOUSE - [illegible]

TABLE I
NET MORTGAGE AMOUNT

VHFA MORTGAGE TERMS :
INTEREST* 8.62%
TERM (YEARS) 30

PURCHASE PRICE LIMIT: $93,000
INCOME LIMIT: $38,000
DOWNPAYMENT: 5%

CONVENTIONAL MORTGAGE TERMS:
INTEREST 11.00%
TERM 30

PURCHASE PRICE: ALL BUILDINGS OVER $93000
DOWNPAYMENT: 10%

HOUSING AND CONSERVATION TRUST IND MORTGAGE TERMS:
TOTAL COST LIMIT $25,000
MORTGAGE AMOUNT $10,000 *, variable to achieve greatest # units
TERM DEFERRED, DUE ON SALE
INTEREST 0.00%
TOTAL HOTF FUNDS/LOANS $300,000

UNIT TYPE	# UNITS	PURCHASE PRICE/UNIT	LESS DWNPMT	LESS HOTF IND	MORTGAGE AMOUNT	ANNUAL PAYMENT	MONTHLY PAYMENT	# OF UNITS	PRELIMIN HOTF FU
1 BEDROOM	10	$52,000	$2,640	$0	$50,160	$4,600	$400	10	
1 BEDROOM	2	$54,500	$2,725	$0	$51,775	$4,954	$413	2	
1 BEDROOM	1	$60,500	$3,025	$4,000	$53,475	$5,117	$426	1	$4,0
1 BEDROOM	1	$65,500	$3,275	$0	$62,225	$5,954	$496	1	
1 BEDROOM	6	$67,500	$3,375	$0	$64,125	$6,136	$511	6	
1 BEDROOM	1	$72,500	$3,625	$0	$68,875	$6,591	$549	1	
SUBTOTAL 1 BEDROOMS	21	$1,240,500						21	$4,0
2 BEDROOM	1	$73,500	$3,675	$3,000	$66,825	$6,395	$533	1	$3,
2 BEDROOM	2	$75,000	$3,750	$4,500	$66,750	$6,387	$532	2	$9,
2 BEDROOM	1	$75,500	$3,775	$4,800	$66,925	$6,404	$534	1	$4,
2 BEDROOM	2	$76,000	$3,800	$5,500	$66,700	$6,383	$532	2	$11,
2 BEDROOM	6	$77,500	$3,875	$10,000	$63,625	$6,088	$507	6	$60,
2 BEDROOM	4	$79,500	$3,975	$10,500	$65,025	$6,222	$519	4	$42,
2 BEDROOM	4	$79,500	$3,975	$10,500	$65,025	$6,222	$519	4	$42,
2 BEDROOM	6	$80,500	$4,025	$11,000	$65,475	$6,265	$522	6	$66,
2 BEDROOM	6	$82,500	$4,125	$0	$78,375	$7,500	$625	6	
2 BEDROOM	4	$83,000	$4,150	$0	$78,850	$7,545	$629	4	
2 BEDROOM	4	$84,000	$4,200	$0	$79,800	$7,636	$636	4	
2 BEDROOM	2	$91,000	$4,550	$0	$86,450	$8,273	$689	2	
SUBTOTAL 2 BEDROOMS	42	$3,380,000						42	$237,
3 BEDROOM	2	$84,500	$4,225	$7,275	$73,000	$6,986	$582	2	$14
3 BEDROOM	2	$93,000	$9,300	$0	$83,700	$9,565	$797	2	
SUBTOTAL 3 BEDROOMS	4	$355,000						4	$14
3 BEDROOM TOWNHOUSE	6	$84,500	$4,225	$7,275	$73,000	$6,986	$582	6	$43
3 BEDROOM TOWNHOUSE	2	$92,750	$4,638	$0	$88,113	$8,432	$703	2	
3 BEDROOM TOWNHOUSE	2	$94,000	$9,400	$0	$84,600	$9,668	$806	2	
SUBTOTAL 3 BEDROOM TOWNHOUSE	10	$880,500						10	$43
GRAND TOTALS	77	5,856,000						77	$300

[redacted] - DALTON DRIVE AFFORDABLE HOUSING PROJECT

[redacted]COME REQUIRED TO MEET SHELTER COST

UNIT TYPE	% INTEREST	ANNUAL PAYMENT	20.00% TAXES AT $2.45 PER $100	ANNUAL CONDO FEE*	TOTAL SHELTER COST PER YEAR	INCOME NEEDED @ 30%
1 BEDROOM	0.97%	$4,800	$1,035	$472	$6,307	$21,024
1 BEDROOM	0.98%	$4,954	$1,068	$488	$6,510	$21,701
1 BEDROOM	1.06%	$5,117	$1,166	$541	$6,844	$22,814
1 BEDROOM	1.12%	$5,554	$1,284	$566	$7,804	$26,081
1 BEDROOM	1.15%	$5,706	$1,323	$624	$8,063	$26,877
1 BEDROOM	1.24%	$6,591	$1,421	$649	$8,660	$28,868
2 BEDROOM	1.21%	$6,395	$1,441	$658	$8,493	$28,310
2 BEDROOM	1.26%	$6,357	$1,470	$671	$8,529	$28,428
2 BEDROOM	1.29%	$6,404	$1,486	$676	$8,560	$28,532
2 BEDROOM	1.30%	$6,783	$1,491	$680	$8,952	$29,840
2 BEDROOM	1.32%	$6,833	$1,519	$693	$9,301	$27,669
2 BEDROOM	1.36%	$6,232	$1,555	$711	$8,492	$28,306
2 BEDROOM	1.36%	$6,212	$1,555	$711	$8,492	$28,306
2 BEDROOM	1.37%	$6,265	$1,572	$720	$8,564	$28,545
2 BEDROOM	1.41%	$7,510	$1,617	$738	$9,855	$32,850
2 BEDROOM	1.42%	$7,545	$1,627	$743	$9,915	$33,049
2 BEDROOM	1.43%	$7,636	$1,646	$752	$10,034	$33,447
2 BEDROOM	1.55%	$8,273	$1,784	$814	$10,870	$36,235
3 BEDROOM	1.44%	$6,986	$1,656	$756	$9,398	$31,326
3 BEDROOM	1.56%	$9,565	$1,823	$832	$12,220	$40,733
3 BEDROOM TOWNHOUSE	1.44%	$6,986	$1,656	$756	$9,398	$31,326
3 BEDROOM TOWNHOUSE	1.58%	$8,432	$1,818	$830	$11,079	$36,932
3 BEDROOM TOWNHOUSE	1.61%	$9,668	$1,842	$841	$12,351	$41,171

*CONDOMINIUM ASSOCIATION FEE

ANNUAL OPERATING EXPENSES

MANAGEMENT FEE		$11,000
TAXES		PD BY HOMEOWNER
INSURANCE		$15,000
BUILDING MAINTENANCE		$10,000
GROUNDS MAINTENANCE/SNOW REMOVAL		$29,000
TRASH REMOVAL		$6,000
COMMON AREA UTILITIES		$6,300
RESERVE FOR REPLACEMENT		$4,000
PROFESSIONAL FEES		$3,500
WATER/SEWER		$15,000
contingency	5%	$4,990
TOTAL EXPENSES		$104,790

PERCENT TOWARDS HOUSING COST CALC IN TABLE II 80%
ALLOCATED BY % INTEREST - UNIT COST/COST OF ALL UNITS= % INTEREST
****

MARCH 1990
FORT ETHAN ALLEN - DALTON DRIVE AFFORDABLE HOUSING PROJECT
TABLE III A
PERCENTAGE OF AFFORDABLE UNITS
MEDIAN INCOME OR BELOW

MEDIAN INCOME LEVELS FOR BURLINGTON MSA PER 2/90 FEDERAL REGISTER

	1 PERSON	2 PERSON	3 PERSON	4 PERSON	5 PERSON
80% OF MEDIAN	$22,000	$25,350	$28,550	$31,700	$35,700
100% OF MEDIAN	$27,500	$31,688	$35,688	$39,625	$42,125

FAMILY SIZE BASED ON THOSE USED FOR PROPOSED INCLUSIONARY ZONING REGS FOR BURLINGTON

	# PERSONS	APPROX MEDIAN INCOME
1BR	1.5 PERSONS	$29,594
2BR	3 PERSONS	$35,688
3BR	4.6 PERSONS	$40,875

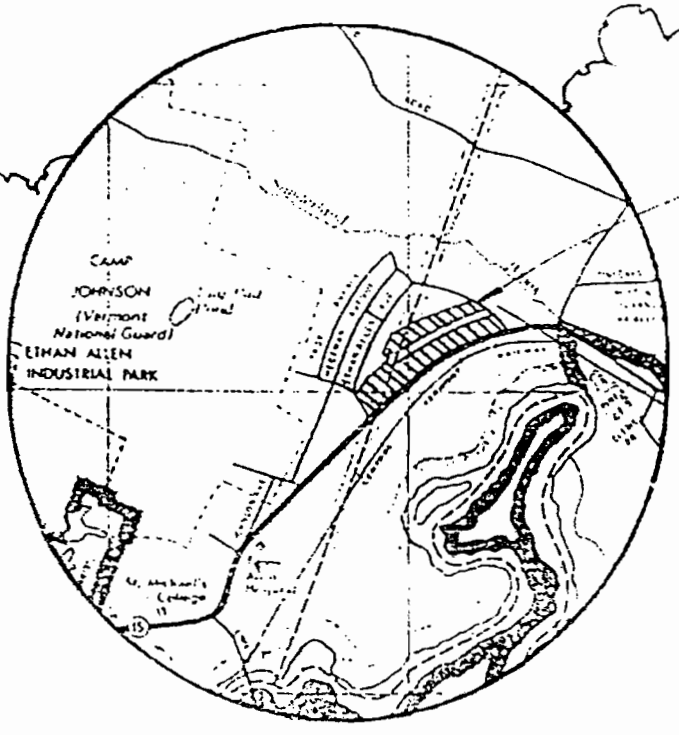
UNIT TYPE	TOTAL UNITS	NUMBER OF BEDROOMS	INCOME NEEDED	$29,594 MEDIAN 1 BR	$35,688 MEDIAN 2 BR	$40,875 MEDIAN 3 BR	TOT MEDI OR BEL
1 BEDROOM	10	1	$21,024	10			
1 BEDROOM	2	1	$21,701	2			
1 BEDROOM	1	1	$22,814	1			
1 BEDROOM	1	1	$26,081	1			
1 BEDROOM	6	1	$26,877	6			
1 BEDROOM	1	1	$28,868	1			
2 BEDROOM	1	2	$28,310		1		
2 BEDROOM	2	2	$28,428		2		
2 BEDROOM	1	2	$28,532		1		
2 BEDROOM	2	2	$28,508		2		
2 BEDROOM	6	2	$27,669		6		
2 BEDROOM	4	2	$28,306		4		
2 BEDROOM	4	2	$28,306		4		
2 BEDROOM	6	2	$28,545		6		
2 BEDROOM	6	2	$32,850		6		
2 BEDROOM	4	2	$33,049		4		
2 BEDROOM	4	2	$33,447		4		
2 BEDROOM	2	2	$36,235		0		
3 BEDROOM	2	3	$31,326			2	
3 BEDROOM	2	3	$40,733			2	
3 BEDROOM TOWNHOUSE	6	3	$31,326			6	
3 BEDROOM TOWNHOUSE	2	3	$36,932			2	
3 BEDROOM TOWNHOUSE	2	3	$41,171		0	0	
	77			21	40	12	

[redacted]/9 DALTON DRIVE AFFORDABLE HOUSING PROJECT

ABLE III B
PERCENTAGE OF AFFORDABLE UNITS: 80% OF MEDIAN INCOME

AMILY SIZE BASED ON THOSE USED FOR PROPOSED INCLUSIONARY ZONING
REGS FOR BURLINGTON

UNIT TYPE	TOTAL UNITS	NUMBER OF BEDROOMS	INCOME NEEDED	$23,675 MEDIAN 1 BR	$28,350 MEDIAN 2 BR	$32,700 MEDIAN 3 BR	MEDIA OR BELO
1 BEDROOM	10	1	$21,024	10			
1 BEDROOM	2	1	$21,701	2			
1 BEDROOM	1	1	$22,814	1			
1 BEDROOM	1	1	$26,061	0			
1 BEDROOM	6	1	$26,877	0			
1 BEDROOM	1	1	$28,566	0			
2 BEDROOM	1	2	$28,310		1		
2 BEDROOM	2	2	$28,428		2		
2 BEDROOM	1	2	$28,552		1		
2 BEDROOM	2	2	$28,596		2		
2 BEDROOM	6	2	$27,669		6		
2 BEDROOM	4	2	$28,306		4		
2 BEDROOM	4	2	$28,306		4		
2 BEDROOM	6	2	$28,545		6		
2 BEDROOM	6	2	$32,850		0		
2 BEDROOM	4	2	$33,049		0		
2 BEDROOM	4	2	$33,447		0		
2 BEDROOM	2	2	$36,235		0		
3 BEDROOM	2	3	$31,326			2	
3 BEDROOM	2	3	$40,733			0	
3 BEDROOM TOWNHOUSE	6	3	$31,326			6	
3 BEDROOM TOWNHOUSE	2	3	$36,932			0	
3 BEDROOM TOWNHOUSE	2	3	$41,171		0	0	
	77			13	26	8	4
							61



SITE

Vicinity Map
nts

STATISTICAL REPORT PROGRAM ID: 89A
UNDERWRITING DATABASE
LTV 0% TO 100%
Effective for 06/03/89 thru 04/20/90
Loan Status: CC,UC,O

Total Number of Loans: 578
Total Loan Amount: $35,329,834

EXISTING:	$24,641,382	71.9%	416 Loans
NEW CONSTRUCTION:	$10,688,452	28.0%	162 Loans
NEW DETACHED HOUSING:	$8,383,610	78.4%	126 Loans
NEW CONDOMINIUM:	$2,304,842	21.5%	36 Loans
Funds Remaining to be Reserved:	$975,829	2.1%	15 Loans (Est.)

Total Insured or Guaranteed Loans: 499
Loans Guaranteed by VHMGB: 492

	ACED	NON ACED	STATEWIDE
Avg. Purchase Price	$67,762	$72,757	$69,369
Avg. Loan Amount	$59,542	$64,457	$61,124
Avg. Borrower Income	$26,726	$27,893	$27,102
Avg. Housing Debt-Income Ratio	26.5%	27.8%	26.9%
Avg. Total Debt	$760.29	$813.26	$777.34
Avg. Total Debt-Income Ratio	34.2%	35.1%	34.5%
Total No. of Loans	392	186	578
% of Total Loan Amount	66.1%	33.9%	100.0%
First Time Homebuyers	83.4%	100.0%	88.7%
% Meeting Low Income Set Aside	35.7%	54.8%	41.8%

	Loans	% of Loans	$ Amount	*Households	% of Hshlds	% DIFF
Addison	28	4.8%	$1,696,453	5,000	5.8%	1.0-
Bennington	23	4.0%	$1,453,238	6,000	7.0%	3.0-
Caledonia	51	8.8%	$2,863,726	5,000	5.8%	3.0
Chittenden	99	17.2%	$6,557,166	16,000	18.6%	1.4-
Essex	8	1.4%	$415,085	1,000	1.2%	0.2
Franklin	93	16.1%	$5,852,730	6,000	7.0%	9.1
Grand Isle	8	1.4%	$503,198	1,000	1.2%	0.2
Lamoille	34	5.9%	$1,995,085	3,000	3.5%	2.4
Orange	25	4.3%	$1,489,593	4,000	4.7%	0.4-
Orleans	42	7.3%	$2,096,035	4,000	4.7%	2.6
Rutland	43	7.4%	$2,552,550	10,000	11.6%	4.2-
Washington	66	11.4%	$4,119,267	9,000	10.5%	0.9
Windham	30	5.2%	$1,956,749	7,000	8.1%	2.9-
Windsor	28	4.8%	$1,778,959	9,000	10.5%	5.7-
TOTAL	578	100.0%	$35,329,834	86,000	100.0%	

*Estimated number of households, $15,000 to $35,000 income.
Source: CACI, 1989 Sourcebook of County Demographics

Vermont Housing Finance Agency
89A - $45,000,000 HOME MORTGAGE PURCHASE BONDS
Status Report (with percent of pool proceeds approved)
Rate : 8.800%
Date : 04/20/90

Lender	Funds Reserved	Percent Reserved	Prelim. Approval	% Prelim Approval	Loans Purchased	Loans to be Purchased	PERC
Bank of Vermont	$2,244,637	4.9%	$1,995,137	4.4%	$1,518,120	$477,017	21.2%
Bradford National Bank	$194,800	0.4%	$120,700	0.2%	$53,200	$67,500	34.6%
Caledonia National Bank of Danville, The	$853,316	1.8%	$760,516	1.6%	$601,066	$159,450	18.6%
Chittenden Trust Company	$10,378,574	23.0%	$8,762,919	19.4%	$6,439,209	$2,323,710	22.3%
Commonwealth Mortgage Company, Inc	$217,900	0.4%	$151,400	0.3%	$151,400	$0	0.0%
Community National Bank	$1,172,574	2.6%	$911,949	2.0%	$555,069	$356,880	30.4%
Factory Point National Bank, The	$250,937	0.5%	$179,687	0.3%	$179,687	$0	0.0%
First Twin-state Bank	$385,586	0.8%	$211,927	0.4%	$164,427	$47,500	12.3%
Franklin-Lamoille Bank	$1,224,202	2.7%	$922,052	2.0%	$681,952	$240,100	19.6%
Granite Savings Bank and Trust Company	$211,140	0.4%	$139,890	0.3%	$139,890	$0	0.0%
Howard Bank, National Assn, The	$1,531,502	3.4%	$1,320,502	2.9%	$943,427	$377,075	24.6%
Lyndonville Savings Bank & Trust Company	$756,924	1.6%	$657,499	1.4%	$426,039	$231,460	30.5%
Marble Bank	$749,423	1.6%	$589,923	1.3%	$589,923	$0	0.0%
Merchants Bank, The	$2,244,393	4.9%	$1,745,319	3.8%	$1,233,224	$512,095	22.8%
National Bank of Middlebury, The	$507,167	1.1%	$287,367	0.6%	$287,367	$0	0.0%
New England IBM Employees Fed Crdt Union	$868,630	1.9%	$655,558	1.4%	$533,058	$122,500	14.1%
Northfield Savings Bank	$665,180	1.4%	$600,180	1.3%	$492,480	$107,700	16.1%
Passumpsic Savings Bank	$2,073,354	4.6%	$1,590,679	3.5%	$1,429,654	$161,025	7.7%
Peoples Trust Company of St Albans	$423,175	0.9%	$286,175	0.6%	$65,925	$220,250	52.0%
Proctor Bank	$605,635	1.3%	$550,635	1.2%	$435,235	$115,400	19.0%
Randolph National Bank	$513,717	1.1%	$383,417	0.8%	$261,817	$121,600	23.6%
Statewide Funding Corporation	$434,377	0.9%	$298,877	0.6%	$68,027	$230,850	53.1%
Union Bank	$2,052,348	4.5%	$1,600,432	3.5%	$937,218	$663,214	32.3%
Valley Bank	$632,674	1.4%	$555,674	1.2%	$345,479	$210,195	33.2%
Vermont Federal Bank, FSB	$7,458,970	16.5%	$5,997,070	13.3%	$4,651,720	$1,345,350	18.0%
Vermont Mortgage Group, Inc	$1,284,583	2.8%	$1,074,183	2.3%	$959,233	$114,950	8.9%
Vermont National Bank	$4,086,821	9.0%	$3,123,016	6.9%	$1,805,296	$1,317,720	32.2%
TOTALS 718 Loans	$44,022,539	97.8%	$35,472,683	78.8%	$25,949,142	$9,523,541	21.6%

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Douglas R. Lothrop, Director of Operations

DATE: April 17, 1990

RE: SUPPLEMENTAL RESOLUTION TO THE SINGLE FAMILY INSURED MORTGAGE BOND RESOLUTION

Attached is an amendment to the Insured Mortgage Bond Resolution adopted by VHFA on September 17, 1976.

The purpose of this amendment is to allow VHFA to make mortgage loans at lower than 75% loan to value without obtaining mortgage insurance or a guarantee. This is consistent with our present resolution on which MOVE is based.

BACKGROUND

In the course of developing the Mobile Home Assistance Program the question arose as to whether or not we need to obtain mortgage insurance on mortgages that were at or below 75% loan to value.

The Resolution provides, in effect, that mortgage loans purchased shall be finally endorsed for insurance by either FHA, FmHA, VA, or VHMGB. However, the Resolution fails to deal with circumstances where insurance on a loan terminates because the loan to value ratio has, over time, declined below insurance or guarantee availability or when the loan to value ratio at initial closing is below the insurance threshold.

Approval of this Supplemental Resolution will enable VHFA to make mortgage loans at or below 75% loan to value without mortgage insurance if it is not available from any one of the providers mentioned in the Resolution. VHFA would have to obtain assurance from one of the eligible mortgage insurers, in writing, that the mortgage loan would be eligible for insurance except for the loan to value ratio.

Bond counsel has been consulted on this issue and has provided the attached Resolution for your consideration.

RECOMMENDED ACTION

Approval of the attached Supplemental Resolution amending the Single Family insured mortgage bond resolution.

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/336-5866

SUPPLEMENTAL RESOLUTION AMENDING
SINGLE FAMILY INSURED MORTGAGE BOND RESOLUTION

WHEREAS, the Vermont Housing Finance Agency (the "Agency") heretofore adopted on September 17, 1976, a resolution entitled "Single Family Insured Mortgage Bond Resolution" (the "Bond Resolution"; with all undefined terms used in this Supplemental Resolution having the meanings given such terms in the Bond Resolution); and

WHEREAS, Section 405(G) of the Bond Resolution provides, in part, that Mortgage Loans purchased by the Agency thereunder shall have been finally endorsed for insurance or guaranty by, among others, the Federal Housing Administration, the Farmers Home Administration, the Veterans Administration or the Vermont Home Mortgage Guarantee Board; and

WHEREAS, a question has arisen under the Bond Resolution with respect to the purchase thereunder of Mortgage Loans which, while otherwise qualifying for endorsement of insurance or guaranty as required by Section 405(G), are in a principal balance relative to the value of the property securing such Mortgage Loan less than the minimum amount for which insurance or a guaranty is legally available from one or more of the insurers and guarantors set forth in said Section 405(G); and

WHEREAS, Section 802 of the Bond Resolution permits the Agency to adopt one or more resolutions amending the Bond Resolution to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Bond Resolution or to insert such provisions clarifying matters or questions arising under the Bond Resolution as are necessary or desirable and are not contrary to or inconsistent with the Bond Resolution as theretofore in effect; and

WHEREAS, the Agency has determined that the provisions of this Supplemental Resolution are necessary and desirable and not contrary to or inconsistent with the Bond Resolution as currently in effect,

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

101. *Amendment to Section 405(G) of the Bond Resolution.* Section 405(G) of the Bond Resolution is hereby amended to read as follows:

(G) No Mortgage Loan shall be purchased or made by the Agency unless (i) it shall have been finally endorsed for insurance or guaranty by the Federal Housing Administration, the Farmers Home Administration, the Veterans Administration or the Vermont Home Mortgage Guarantee Board, or another agency or instrumentality of the United States or the State to which the powers of any of them have been transferred, or which is exercising similar powers with reference to insurance or guaranty of Mortgage Loans, or (ii) the ratio of the principal balance of the Mortgage Loan to the value of the property securing the Mortgage Loan is less than the minimum ratio at which insurance or a guaranty is legally

available from one or more of the foregoing and the Agency files with the Trustee a certificate executed by at least one of such insurers or guarantors to the effect that, except for such ratio, the Mortgage Loan qualifies for such insurance or guaranty.

102. *Effective Date*. This Supplemental Resolution shall be effective immediately.

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Douglas R. Lothrop, Program Group Participant

DATE: April 19, 1990

RE: RECOMMENDATION FOR INCOME AND PURCHASE PRICE LIMITS, MORTGAGE PLUS PROGRAM

PROPOSED INCOME LIMITS

Based on the recently released FY 1990 median income figures for Vermont, the Program Group proposes that the income limits for the Mortgage Plus program be based on the county median as indicated on Attachment "A."

The Mortgage Plus program authority for this issue was converted from the 1988 private activity bonding authority allocated by the State to VHFA. This authority does not require that income be adjusted for family size, as was the case when the Board discussed and approved income limits for the MOVE program at the March meeting.

The Program Group proposes that we not adjust for family size and that we also use the county by county method of establishing income limits for the Mortgage Plus program. The following are the more important benefits to be gained:

* Allows continuity with how our present income limits for Mortgage Plus are determined;

* Allows access to the program for those Vermonters who do not qualify for MOVE but need some assistance;

* Encourages increase usage of the Mortgage Plus program; and

* Encourages the higher income borrowers to use this program rather than the MOVE program which will conserve this resource for lower income Vermonters.

Attachment "B" presents the maximum income limits allowed by adjusting for family size and those using a statewide median. Mortgage Plus is a tax credit program which generally encourages use by those borrowers in the upper level of our income limits.

PROPOSED PURCHASE PRICE LIMITS

The Program Group proposes establishing purchase price limits for the Mortgage Plus program on a statewide basis. In addition, we also propose that the maximum new home purchase price be increased to $105,000 from the present limit of $93,000. This will make the new home purchase price $7,000 higher than the MOVE limit of $98,000 for new construction. Attachment "C" illustrates the maximum limits available to us and offers a comparison between the Program Group proposal, the MOVE program, and the present Mortgage Plus limits.

This purchase price structure will have the following major benefits:

* Along with the proposed income limits, encourages higher income borrowers that can afford higher priced housing to use the Mortgage Plus program, thus preserving MOVE funds for lower income borrowers;

* Encourages the construction of new housing, within reasonable limits, that will allow present homeowners to move up, freeing up lower-cost housing; and

* Encourages increased use of the Mortgage Plus program to gain more acceptability and use in the marketplace.

A 95% loan to value mortgage is affordable to a potential borrower in the $40,000 to $42,000 range.

REQUESTED BOARD ACTION

Approval of the Income and Purchase Price Limits as proposed for the Mortgage Plus program by the Program Group as outlined in this memorandum.

Attachment "A"

INCOME COMPARISONS

County	Recommended Income Limits	Maximum Income Limit*	Present Income Limit
Addison	$35,300	$35,304	$31,500
Bennington	36,200	36,225	32,500
Caledonia	42,000	42,560	33,500
Chittenden	42,000	43,240	38,000
Essex	42,000	42,560	31,500
Franklin	42,000	42,560	35,000
Grand Isle	34,900	34,960	31,500
Lamoille	42,000	42,560	35,000
Orange	42,000	42,560	32,500
Orleans	42,000	42,560	31,500
Rutland	42,000	44,520	37,500
Washington	42,000	47,600	36,500
Windham	42,000	46,620	37,500
Windsor	41,200	41,285	34,000

* Maximum allowable income limit based on HUD published medians.

April, 1990

Attachment "B"

INCOME COMPARISON (Continued)

County	Recommended Income Limits	1&2 Person Families	3+ Person Families	Maximum* State Income Limit
Addison	$35,300	$30,700	$31,500	
Bennington	36,200	31,500	32,500	
Caledonia	42,000	33,120	33,500	
Chittenden	42,000	37,600	38,000	
Essex	42,000	31,080	31,500	
Franklin	42,000	34,200	35,000	
Grand Isle	34,900	25,700	31,500	
Lamoille	42,000	34,200	35,000	
Orange	42,000	32,280	32,500	
Orleans	42,000	31,080	31,500	
Rutland	42,000	38,160	37,500	
Washington	42,000	37,800	36,500	
Windham	42,000	36,960	37,500	
Windsor	41,200	33,200	34,000	
Vermont	__	32,300	37,100	$37,145

* Maximum allowable income limit based on HUD published medians

April, 1990

Attachment "C"

MAXIMUM PURCHASE PRICE LIMITS

Area		Targeted	Non Targeted
Vermont	New	$140,470	$114,930
	Existing	111,870	89,730
Burlington, MSA	New	--	$114,930
	Existing	--	89,730

PURCHASE PRICE COMPARISONS

Area		Proposed Limit	Present Limit	MOVE Limit
Vermont	New	$105,000	$93,000	$98,000
	Existing	89,000	85,000	85,000

April, 1990

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Margaret A. Pond, Director of Development

DATE: April 19, 1990

RE: New Single Family Funds (1989B) Release Date

The release date/announcement for the 89B MOVE funds, at a rate of 8.7%, will be June 1, 1990. Initially, we planned to release funds on May 1, 1990. The decision by staff to delay the release of funds until June 1, 1990, was made for a variety of reasons including:

- to use all uncommitted 8.8% (funds also remain at 8.9% and are reserved for several new construction projects);
- to enable staff to complete a revised and revamped program guide for lenders;
- to start the process of an ongoing lender training initiative;
- to complete the development and implementation of a marketing plan focused on increasing the number of energy-efficient existing homes by encouraging the use of the Energy Efficient Mortgage with MOVE.

The current MOVE Program will continue with funds reserved for borrowers at 8.8%. We anticipate sufficient funding at 8.8% for an additional one to two weeks. Loans reserved after the 8.8% funds are exhausted, will be switched to 8.7% once the new funds are announced.

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Kathy Beyer Kehoe, Special Needs Housing Development Officer

DATE: April 18, 1990

RE: Recommendation for revised income limits and purchase price limits for the Perpetually Affordable Housing Program

VHFA has set aside $11 million in mortgage funds at a fixed rate of 7.8% and 7.9% under the 1988B and 1989A mortgage purchase programs for use in the Perpetually Affordable Housing Program (PAHP). Additionally, $5 million in mortgage funds will also be available under the 1989B mortgage purchase program.

The existing income limits set for PAHP are the greater of 80% of the statewide median ($25,300 for 1989) versus 80% of the county median for the area.

Since the initiation of PAHP in July of 1989, over $7 million of funds have been reserved for use by participating nonprofit housing developers; however, of the reserved funds, approximately $450,000 of mortgage loans have actually closed. In order to ascertain why the funds have been moving slowly, a telephone survey of the ten participating nonprofits was performed. Discussions with the nonprofits suggests that the 80% of median income limitation is perhaps too inflexible for their needs of matching an eligible borrower to a home.

Specifically, it was discovered that the various funding agencies (Vermont Housing and Conservation Trust Fund, Community Development Block Grants, and VHFA) require various income limitations for the use of their funds--income limits range from 80% to 100% of median. Additionally, nonprofits have experienced difficulty in qualifying households with incomes below the 80% of median limit. These two factors--inconsistency among funding sources and inadequate incomes for mortgage qualification--have created roadblocks in matching eligible buyers to perpetually affordable homes.

RECOMMENDED INCOME LIMITS:

The Program Group recommends to the Board that the income guidelines for PAHP are set at 100% of the statewide median, or $32,300.

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This broader income limit allows for the flexibility needed by the nonprofit to market the unit to a qualified buyer. Additionally, the recommended income limit will bring VHFA's limit in line with the other funding sources.

RECOMMENDED PURCHASE PRICE LIMITS:

The Program Group also recommends that the same purchase price limits adopted by the Board for the MOVE program are adopted for the Perpetually Affordable Housing Program:

Existing	$89,000
New Construction	$98,000

Use of the same purchase price limits is recommended in order to maintain consistency among VHFA programs.

BUYDOWNS:

VHFA'S existing policy for buydowns allows for a maximum of a 3-2-1% interest rate reduction spread out over three years. The policy does not allow for recapture of the buydown.

Vermont Housing and Conservation Trust Fund is considering a proposal to create a pool of funds to be utilized for payment subsidies for VHFA's perpetually affordable mortgages. These payment subsidies can be used as buydowns. In anticipation of such a payment subsidy, VHFA proposes the following policy change:

> Funds provided by the Vermont Housing and Conservation Trust Fund to be used for the purpose of "buying down" the interest rate of mortgages under the Perpetually Affordable Housing Program, will be considered PAYMENT SUBSIDIES by VHFA. The maximum Payment Subsidy allowed for PAHP mortgages will be 1.5% over a three year period; the payment subsidy may be recaptured by the funding agency at the time of resale. Contributions by other sources for BUYDOWNS on PAHP mortgages will not be allowed.

The maximum payment subsidy of 1.5% over three years is recommended for two reasons: firstly, an increase of a full percentage point in interest each year would require a 7-8% increase in the household's income to cover the increased monthly housing payment. Secondly, a full 3-2-1 buydown would result in a original interest rate of 4.8% to 4.9%; this low interest rate

would allow households at very low income levels (50% of median) to qualify which might result in a somewhat risky underwriting decision.

Allowing for the recapture of the Payment Subsidy is recommended in order to recycle the public subsidy into the future generations of households who live in the perpetually affordable house.

RECOMMENDED ACTION:

Approval of the new income limits for the Perpetually Affordable Housing Program of 100% of median or $32,300, and purchase price limits of $89,000 for existing homes and $98,000 for new construction.

For Payment Subsidies contributed by the Vermont Housing and Conservation Trust Fund or other funding agencies to mortgages made under the Perpetually Affordable Housing Program. The maximum buydown allowed will be 1.5% over three years. Payment subsidies may be recaptured by the funding agency for the purpose of recycling the funds for future generations.

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Kathy Beyer Kehoe/Special Needs Housing Development Officer

DATE: April 17, 1990

RE: UNDERWRITING GUIDELINES AND MOBILE HOME PARKS

In the process of reviewing cash flow projections for potential mobile home park acquisitions (such as the Sandy Pines proposal), staff has found that the Agency's guidelines for underwriting of multi-family developments are not suitable for mobile home park developments. The primary reason for this is that most multi-family developments involve new construction or substantial rehabilitation of apartment buildings; mobile home parks, on the other hand, typically involve only the acquisition of land and the infrastructure. Thus the major asset of a mobile home park, the land, is appreciating--not depreciating. Additionally, for acquisition of existing parks, there is often no construction risk. Finally, the vacancy rates in existing mobile home parks in Vermont are extremely low (less than 1%).

Due to these unique characteristics of mobile home parks, the proposed changes are recommended to the Agency's guidelines for mobile home parks:

1. Working Capital Reserve

Existing guideline: Requires 40% of annual debt service; 25% reimbursed each year of break even operation.

Comment: This requirement appears to be overly conservative in the purchase of an existing park with an established history of a solid cash flow. A reserve of 10% of the debt service is recommended which allows for approximately a 6% vacancy rate in parks reviewed by VHFA staff. Amount also appears adequate to address emergency infrastructure problems, usually related to septic systems.

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2. Revenue Deficit Escrow

Existing guideline: Difference between rents received at the time of closing and the amount of rent required to achieve break even.

Comment: This is basically a vacancy escrow; mobile home parks are typically 100% occupied and should not present a problem.

3. Reserve for Replacements

Existing guideline: Set at .006 of the original construction costs and adjusted annually.

Comment: Since parks do not involve construction this approach is not suitable. A generally accepted replacement reserve for parks is 3% of the adjusted gross rents. This is primarily for infrastructure.

RECOMMENDED ACTION: Staff recommends the adoption of the following underwriting guidelines for reserve and ratio requirements for mobile home parks:

1. Working capital reserve: Equal to 10% of annual debt service reserve on the Agency's loan.

2. Revenue Deficit Escrow: Unless a vacancy exists at the time of closing, no revenue deficit escrow is required.

3. Reserve for replacements: 3% of adjusted gross revenues.

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Kathy Beyer Kehoe/Special Needs Housing Development Officer

DATE: April 19, 1990

RE: Status Report and Recommended Action: Sandy Pines Mobile Home Park

PROJECT SUMMARY

In February of 1990, the Board approved a letter of interest for Sandy Pines Mobile Home Park; staff now seeks a commitment to permanent financing of the Park. Located in East Montpelier, Sandy Pines is a 56 unit park with an income mix of approximately 85% below median income levels.

Project strengths: Experienced sponsor--Housing Foundation Inc. has been involved in five mobile home park acquisitions; high quality of existing infrastructure; strong cash flow projections; and high market demand for mobile home lots.

Project weaknesses: High purchase price--current negotiated sales price of $980,000 is 106% of the appraised value of $925,000; uncertainty as to strength of management during early months of cooperative ownership; contingencies placed on Trust Fund deferred loan not yet resolved.

FINANCIAL SUMMARY

Project Sources and Uses of Funds

Sources		Uses	
VHCB deferred loan	$ 280,000	Acquisition	$ 971,250
VHFA Bond	727,550	Water Work	4,500
		Appraisal	1,500
Total	$1,007,550	Legal & Title Fees	2,000
		Finance & Closing	7,300
		Engineering	2,500
		Working Capital	8,500
		Development Fee	10,000
			$1,007,550

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The VHFA bond will be privately placed with the State Employees, Teachers, and Municipal Employees Retirement Funds. The 20 year bond will carry an average rate of return to the investors of 10%. The Agency will price the loan to the park to yield 10.75% and will be amortized over 25 years. A stepped interest rate structure will be used, with interest rate increases every five years. At the end of year 20 when the loan balloons, $330,000 of the principal will remain to be refinanced at that time.

The spread on the mortgage loan versus the cost of funds will yield approximately $4700/year to the Agency in servicing fees.

Because the lower interest rates occur in the early years of the loan, with higher rates charged later to return an average of 10% to the pension fund investment, a strong prepayment penalty clause will be included in the loan terms.

The working capital reserve does not meet the current Agency guideline of 40% of annual debt service, rather the reserve shown above represents approximately 10% of the annual debt service. A recommendation as to underwriting guidelines for mobile home parks is included in this Board packet.

APPRAISED VALUE

Appraisers Keller Navin Cable & O'Brien submitted an appraised market value of $925,000 dated November 20, 1989. VHFA rules do not allow a loan of more than 95% of the lesser of total project cost or appraised market value. The loan to value ratio on Sandy Pines as proposed is:

$$\frac{\text{VHFA loan } \$727{,}550}{\text{Total Project cost } \$1{,}007{,}550} = 72\%$$

$$\frac{\text{VHFA loan } \$727{,}550}{\text{Appraised value } \$925{,}000} = 79\%$$

The Vermont Housing and Conservation Board deferred loan requires a negotiated sales price of no more than 105% of the appraised price. The staff recommends to the Board to also require such a negotiated sales price.

PROJECT ISSUES

1. The principal and interest (3%) on the VHCB loan of $280,000 is deferred four years from the date of closing. HFI must develop an acceptable housing subsidy covenant by May 1, 1990 which contains an affordability mechanism for maintaining the occupancy mix of the park and maintaining rents at an affor-

dable level in order for $210,000 of the loan to be further deferred. The details of this housing subsidy covenant have not been finalized. These details may affect the project's cash flows and so require settlement before final closure of the VHFA loan. VHFA staff will work with both HFI and VHCB on this issue.

2. The replacement reserve of 3% of gross revenues does not meet Agency guidelines of .006 of construction costs. A recommendation as to underwriting guidelines for mobile home parks is included in this month's Board packet.

3. The conversion of the park to a tenant cooperative requires that the loan is assumable. A tenant run park also raises concerns over the management of the park in the future--the regulatory agreement is a vehicle for VHFA to continue to review the management of the park after conversion. It will be necessary for the VHFA multi-family staff to work closely with the newly formed cooperative in the early months to ensure a smooth transition.

RECOMMENDED ACTION

Staff recommends approval of Resolution Pertaining to the Letter of Commitment for Sandy Pines Mobile Home Park, (see attached) authorizing the Executive Director to issue a letter of commitment and make arrangements toward providing up to $740,000 of first mortgage permanent financing for the Development under a taxable bond program, contingent upon a negotiated sales price of no more than 105% of the appraised value.

RESOLUTION PERTAINING TO COMMITMENT LETTER FOR SANDY PINES

WHEREAS, Housing Foundation, Inc., a non-profit corporation ("HFI"), has presented a proposal for acquisition of Sandy Pines Mobile Home Park, a 56 unit park in East Montpelier, Vermont ("Sandy Pines"); and

WHEREAS, the total cost of acquisition and work planned in conjunction with the acquisition is not expected to exceed $1,030,000; and

WHEREAS, HFI has received a commitment for a deferred loan in the amount of $280,000 for Sandy Pines from the Vermont Housing and Conservation Board; and

WHEREAS, the proposal contemplates that Sandy Pines will continue to have a resident mix with a large majority of the residents below median income and eventually will be turned into a cooperative run by the tenants; and

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

WHEREAS, the Agency has secured a commitment from the State's pension funds to purchase taxable bonds issued by the Agency;

WHEREAS, the Agency has determined that the acquisition of Sandy Pines by HFI will assist in fulfilling the purposes of the Act and is financially feasible,

It is hereby DETERMINED:

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

2. The acquisition and 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 housing for persons and families of low and moderate income, and the sponsors are financially responsible persons or institutions.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a combined letter of intent and commitment (the "Commitment Letter") to provide a first mortgage for permanent financing of not more than $740,000 for Sandy Pines Mobile Home Park.

2. The Commitment Letter shall be issued to Housing Foundation, Inc.

3. The acquisition price will not exceed 105% of the appraised value of the park.

4. The commitment of the Agency shall be subject to receipt, at the time of the closing, of a commitment fee in an amount equal to one percent (1%) of the principal amount of the mortgage loan.

5. The Commitment Letter shall provide that the interest rate to be charged on, and the term of, the Mortgage Loan, shall be as determined by the Agency.

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

7. The Commitment Letter shall contain such other terms and conditions as the Executive Director shall deem necessary or appropriate, given the circumstances.

8. The Executive Director is authorized to make preliminary arrangements for the issuance and private placement of taxable bonds of the Agency to provide proceeds for financing this loan.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont on April 26, 1990.

_____

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

SOURCES

Permanent Financing		Rate	Term	D/S	Comments
VHFA financing*	$727,550	9.75%	25	$77,802	
VHCB-loan	$70,000	3.00%			Deferred
VHCB-loan**	$210,000	3.00%			Deferred
Total Permanent Financing	$1,007,550			$77,802	

* a stepped interest rate structure, with interest rate increases every 5 years will be used, with an average rate over the life of the loan of no more than 11%
**starting in Year 5, the greater of $1000/quarter or 33% of the cashflow is due to VHCB.

USES

Total Development Budget		
Property Acquisition	$971,250	***
Water Work	$4,500	
Appraisal	$1,500	
Legal and Title Fees	$2,000	
Finance & Closing Costs	$7,300	
Engineering	$2,500	
Working capital	$8,500	
Development Fee	$10,000	
Total Development Costs	$1,007,550	

***Acquisition price not to exceed 105% of appraised value of $925,000

Sandy Pines/E. Montpelier

PROJECT OPERATING PRO FORMA

	Year 1	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Gross Annual Income		$151,268	$155,806	$160,481	$165,295	$170,254	$175,362	$180,622	$186,041	$191,622	$197,371	$203,292	$209,391	$215,673	$222,143	$228,807	$235,671
Less Vacancy Allowance:	1%	13	$1,558	$1,605	$1,653	$1,703	$1,754	$1,806	$1,860	$1,916	$1,974	$2,033	$2,094	$2,157	$2,221	$2,288	$2,357
Other Income			$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Adjusted Gross Income		$154,248	$158,876	$163,642	$168,551	$173,608	$178,816	$184,181		$189,706	$195,397	$201,259	$207,297	$213,516	$219,921	$226,519	$233,315
Management		4	$17,310	$18,002	$18,722	$19,471	$20,250	$21,060		$21,902	$22,778	$23,689	$24,637	$25,622	$26,647	$27,713	$28,822
Audit/Legal			$1,898	$1,974	$2,053	$2,135	$2,220	$2,309		$2,402	$2,498	$2,598	$2,701	$2,809	$2,922	$3,039	$3,160
Utilities			$18,600	$19,344	$20,118	$20,923	$21,760	$22,630		$23,535	$24,477	$25,456	$26,474	$27,533	$28,634	$29,780	$30,971
Maint.			1,518	$1,579	$1,642	$1,708	$1,776	$1,847		$1,921	$1,998	$2,078	$2,161	$2,248	$2,337	$2,431	$2,528
R		78	$15,265	$15,875	$16,510	$17,171	$17,858			$18,572	$19,315	$20,087	$20,891	$21,727	$22,596	$23,499	$24,439
			$3,421	$3,558	$3,701	$3,849	$4,003			$4,163	$4,329	$4,502	$4,682	$4,870	$5,065	$5,267	$5,478
			$4,909	$5,106	$5,310	$5,522	$5,743			$5,973	$6,212	$6,460	$6,719	$6,987	$7,267	$7,558	$7,860
			2,369	$2,463	$2,562	$2,664	$2,771			$2,882	$2,997	$3,117	$3,242	$3,371	$3,506	$3,646	$3,792
			3	$69,538	$72,319	$75,212	$78,221			$81,349	$84,603	$87,988	$91,507	$95,167	$98,974	$102,933	$107,050
			9	$99,013	$101,289	$103,604	$105,960			$108,357	$110,794	$113,272	$115,790	$118,348	$120,947	$123,586	$126,264
			2	$81,892	$81,892	$85,369	$85,369			$85,369	$85,369	$85,369	$88,008	$88,008	$88,008	$88,008	$88,008
			3	$5,650	$6,401	$6,018	$6,795			$7,586	$8,390	$9,208	$9,168	$10,012	$10,870	$11,741	$12,625
			4	$11,471	$12,996	$12,217	$13,796			$15,402	$17,035	$18,695	$18,614	$20,328	$22,069	$35,578	$38,256
								11.25%					12.00%				

Year	Rate	Pmt	Beg Bal	End Bal	
1-5	9.75%	$77,802	$727,550	$683,538	
-10	10.50%	$81,892	$683,538	$617,361	
1-15	11.25%	$85,369	$617,361	$511,186	
6-20	12.00%	$88,008	$511,186	$329,702	***amount to be refinanced in Year 20

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Mark Koppelkam, Multi-Family Development Officer

DATE: April 18, 1990

RE: COMMITMENT LETTER TO INTERFAITH/PINE MEADOW DEVELOPMENT, MIDDLEBURY

THE DEVELOPMENT

1. General Description

Thirty units in eleven buildings, new construction, located on land to be leased from the Town of Middlebury for $1/yr. The sponsor is a partnership comprised of the Middlebury Nonprofit Interfaith, Inc., and Housing Vermont. The total projected cost of development at this time is estimated at $2.0 million ($66,698 per unit). Construction is planned to begin in July, and should be completed by March 1991.

The development would be sold to either Interfaith or the Addison County Community Land Trust at the end of fifteen years for the balance of the mortgage debt, as is planned with the other Housing Vermont developments.[1]

The development is heavily dependent on a $127,000 to $133,000 (depending upon the financing scenario) 9% Low Income Housing Tax Credit allocation, meaning that only VHFA taxable financing can be used (as was the case at Heineberg). This tax credit allocation would use 25% of Vermont's total 1990 allocation.

Both financing scenarios presented (see below) assume a VHFA rate of financing of 9.5% fixed for 30 years. Given that the financing cannot be tax exempt, it is not likely that VHFA could offer (or perhaps even obtain)

---

[1] Technically the formula calls for payment of the existing mortgage debt and any outstanding taxes (including capital gains) or other monies necessary to make Equity Fund investors whole with regard to their investment.

this low a rate at this time. Unfortunately neither of the two financing scenarios proposed works at a rate higher than 9.5%. VHFA's primary source of taxable funds is the State Pension Fund, which is requesting a 10% minimum yield.

An application is being prepared by Housing Vermont to the Federal Home Loan Bank of Boston for financing at a rate which, when blended with VHFA's sources, could yield a 9.5% rate. Housing Vermont has also sent a complete financing package to FNMA for their review and possible participation, as at Heineberg.

At this time, project feasibility depends upon the receipt of some very low construction bids and/or some additional source of low cost financing.

2. Financial Projections

Two alternative financing scenarios have been presented by the sponsor - one with CDBG funds, one without. Choice of the two is dependent upon a decision by the Department of Community Affairs (DCA) over a $200,000 CDBG application. A decision by DCA is expected in May. If approved, the projected permanent sources of funds are:

	Amount	Percent
Equity - HV Equity Fund	928,000	46.4
VHFA 1st Mortgage Loan	662,944	33.1
HCTB Deferred Payment Loan	210,000	10.0
CDBG Deferred Payment Loan	200,000	10.5
Total	$2,000,944	100%

This is the strongest of the two scenarios. Part of the CDBG funds go to support construction costs, and part to lower rents on six of the units to make them more affordable to lower income families.

Even though it is a stronger proposal, it still requires a rent subsidy from the Housing and Conservation Trust Board (HCTB) for ten years according to the most current projections. The HCTB has approved a total development financing commitment of $273,135, of which $62,522 serves as the rent subsidy fund (i.e., sinking fund) in the CDBG scenario. This mix of HCTF as part direct loan, and part sinking fund, makes the most efficient use of the HCTF capital.

The HCTF sinking fund is backstopped by a small ($20,000 to $26,000) special working capital fund which has been added to the development budget. Its purpose is to ensure that a debt coverage ratio of 1.05 can be maintained during the 10 to 14 years of operating deficits (which are brought to breakeven by the HCTF sinking fund) without unnecessarily directing precious positive cashflows to the limited partners, who are essentially interested only in the development's tax benefits.

If CDBG funds are not approved in this funding cycle, an alternative pro forma has been presented at a total development cost of $1.93 million. In this case the sources of funds are as follows:

	Amount	Percent
Equity - HV Equity Fund	847,000	43.9
VHFA 1st Mortgage Loan	971,294	50.4
HCTB Deferred Payment Loan	110,000	5.7
Total	$1,928,294	100%

In this second scenario, the rent subsidy/sinking fund portion of the HCTB loan is necessary for 14 years, and amounts to $163,071. In both scenarios the total HCTB loan equals $273,000, or $11,355 per rent restricted unit.

For ease of understanding, the financial summaries attached to this report relate only to Scenario I.

3. Unit Breakdown, Rents and Income Limits

The development will be a mix of 24 rent restricted/tax credit and 6 market rate units. The unit types and projected rents are shown on the attached financial summary. Two of the units will be handicapped accessible.

Current income limits for Addison County for the 24 rent restricted units are $14,700 for a family of 2, $16,550 for 3, $18,400 for 4 and $19,550 for 5.

4. Site/Location

The site is a 3.9 acre undeveloped meadow, located less than one mile from the center of Middlebury. A site map

is attached. The neighborhood is primarily single family residential, bounded by topography and generally non-intrusive but non-residential uses. To the northwest is a town of Middlebury conservation park. The development's backyards are oriented toward this park. To the immediate south is a small condominium development that was partially completed in the 1970's, with additional new units currently under construction. Typical unit prices in this neighboring condominium development are $50,000-$60,000. To the east is an active, though lightly used Vermont Railway rail-line, and 1/2 mile further, the Borden and Glidden industrial plants. To the west, toward Otter Creek, is the former Middlebury landfill, now limited to stumps and vegetation, and a hydro-electric facility.

5. Design and Permits

The architect for the development is Turner Brooks, with the lead staff being Dennis Willmott. A development model will be shown at the Board meeting. Mr. Brooks is known as a as a high quality, artistic architect with a high awareness of family needs, and we are pleased to be working with his office.

The design features eleven wood frame buildings clustered in two groups, each of which have their backyards oriented to a common greenspace and small gazebo structure. Each unit (except for two) will have a relatively private, partially fenced area as their backyard. Each building will have a full basement, containing laundry and storage facilities. Each of the eleven buildings has a common porch at one end of the building, and the basement is accessed from this porch. Siding will be vinyl, with wood trim.

The floor plans feature foyers with generous closets, an efficient kitchen, a large combined living/dining area, with the bathroom and all bedrooms on the second floor. Heating will be provided through a combined LP gas heat (hydronic) and domestic hot water system, and stoves will be LP gas as well.

The Act 250 and local zoning permits have been approved, and the site will have municipal water and sewer.

6. Market Demand and Rent Levels

The sponsors last summer commissioned a market study by Douglas J. Kennedy and Associates, which complements an

April 1989 housing needs study by the Addison County Regional Planning and Development Commission. They conclude that "All available data and interviews... point to a very strong market for affordable rental housing units for families."
The 1989 Rental Housing Cost Study done by the Vermont State Housing Authority found that the median gross rents (i.e., including utility costs) for Middlebury were $413 for a 1 BR, $514 for a 2 BR, and $627 for a 3BR. For Addison County as a whole, rents for 1BR and 3BR units did not increase from 1987 to 1989. However 2 BR units did increase 6.3% (i.e. 3.15% per year).

The development's six market units are all 2 BR townhouses with a proposed rent of $515/month (not including utilities). The pro forma shows a 5% annual increase in the market rents. This may be a tad aggressive.

7. Management

The proposed management agent is Cathedral Square Corporation, which is based in Burlington. Sarah Carpenter is the Executive Director. Cathedral Square was a co-sponsor with Housing Vermont of the recently completed Heineberg Development, which VHFA participated in. Cathedral Square currently manages two large senior housing developments in Burlington (including Heineberg), a small single room occupancy project in Burlington, a 30 unit elderly development in Middlebury and an elderly development in Richmond. They do not have any direct experience with family housing management. Ms. Carpenter is also on the Board of Directors of Housing Vermont.

DISCUSSION

8. Strengths and Weaknesses

The primary strengths of this development include:

a) High demand for affordable housing in the Middlebury area.

b) Growing experience of Housing Vermont as a developer, and the ability to really control this development without severe time constraints or other limiting factors.

c) The strong support of the Town of Middlebury for this family development.

d) Location next to a large piece of undeveloped Town parkland, for which there are some development plans in the next five years.

e) That it involves VHFA in affordable housing financing outside of Chittenden County.

The potential weaknesses of this development are:

f) At this point in time, as indicated earlier, there is not a financing proposal in place which makes the development financially feasible. Use of the 9% tax credit is the driving force of the development, and that mandates use of the higher cost taxable financing.

g) The development faces a much lower rent generating capacity on the rent restricted units than Housing Vermont's other developments to date. This is because maximum tax credit rents in Addison County are significantly lower than Chittenden County - more than $100/month lower. All Housing Vermont's new construction developments to date have been in Chittenden County.

h) The general location of this development is in a low income residential neighborhood, with surrounding non-residential uses. There are some potential social and environmental implications to this location - a bit of rail noise, two industrial neighbors, and location on "the Town dump road." A neighboring condominium developer apparently went bankrupt some years ago after building 5 or so units. Bill Hauke now owns this neighboring development and has added a relatively large number of units. Sales of Hauke's condominiums have reportedly been slow.

Consequently there is some concern for the ability to attract and retain market tenants. This problem could affect both the sociological mix and the pro forma assumptions (about market rate rent levels). VHFA staff is convinced that the rental market is different enough from the condominium market to largely discount Hauke's experience.

The related concern is one of public policy, choosing between mixed income housing development, versus developments heavily weighted to low income units. The economics of the tax credit program definitely provide a strong incentive to lean toward 100% low income developments.

i) VHFA's has had a cost estimator review the detailed plans and specifications. His estimate of costs, using the lowest typical profit margin of 6% (due to the slowed construction market), yielded an estimate of $1.6 million. The sponsor's construction budget is presented as $1,325,000 (not including the 1.5% construction bond costing $15,250), plus a 6% development contingency of $91,500.

In short the proposed construction budget is substantially low - $200,000 to $300,000 lower than our cost estimates, or as much as 20% off.

Clearly VHFA's involvement is contingent upon construction costs being reduced, or the development being made financially viable in some other fashion. One of the benefits of the tightening economy is that construction firms are apparently hungry for work. The development is being bid out to a selected group of three Vermont contractors. It is Housing Vermont's hope that given the economy, and given the involvement of a good architect who has lots of building experience, construction costs can be kept near to budget without sacrificing quality. VHFA staff has received a tentative add/delete budget, and would carefully monitor architectural changes which result from the construction cost negotiation process.

OTHER NOTES

9. The sponsors are not looking for construction financing from the Agency. The Chittenden Bank is apparently willing to support the construction loan with below market rate loan fees and rates. Housing Vermont is continuing to shop for the best construction loan rates.

RECOMMENDED ACTION

Staff recommends approval of Resolution Pertaining to Commitment Letter for Interfaith/Pine Meadow Development, Middlebury (Attached), authorizing the

INTERFAITH/PINE MEADOW DEVELOPMENT

Executive Director to issue a Commitment Letter, contingent upon approval of a feasible financing plan, in an amount not to exceed $1 million for a 30 unit mixed income family development located in Middlebury.

RESOLUTION PERTAINING TO COMMITMENT LETTER FOR INTERFAITH/PINE MEADOW DEVELOPMENT, MIDDLEBURY

WHEREAS, Housing Vermont and the non-profit corporation Interfaith, Inc. have presented a proposal for construction of 30 units of rental housing in the town of Middlebury, Vermont (the "Interfaith/Pine Meadow Development"or the "Development"); and

WHEREAS, the proposal contemplates that the Interfaith/Pine Meadow Development will constitute a "qualified low-income housing project" within the meaning of section 42(g) of the Internal Revenue Code of 1986; and

WHEREAS, the proposed partnership between Housing Vermont and Interfaith, Inc. (or their subsidiaries) will qualify as a housing sponsor within the meaning of the Vermont Housing Finance Agency Act (the "Act"); and

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

It is hereby DETERMINED:

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

2. The acquisition and 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 housing for persons and families of low and moderate income, and the sponsors are financially responsible persons or institutions.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a combined letter of intent and commitment (the "Commitment Letter") to provide a first mortgage for permanent financing in an amount to be determined by the Executive Director, but not to exceed $1,000,000, for the Interfaith/Pine Meadow Development.

2. The Commitment Letter shall be issued to Housing Vermont as a representative of the housing sponsor.

3. The commitment of the Agency shall be subject to receipt, on or before the date of the construction closing, of a commitment fee in an amount equal to one and a half percent (1.5%) of the principal amount of the mortgage loan.

4. The Commitment Letter shall provide that the interest rate to be charged on the mortgage loan shall be as determined by the Agency, but shall not exceed 10.75% per annum. The Commitment letter shall also provide that the loan term will be determined by the Agency, the loan shall be amortized over a period not to exceed 25 years, but the final payment shall be due not later than 20 years from the date of issuance of any bonds whose proceeds are used to fund the loan.

5. The Commitment Letter shall require the Developer to demonstrate to the satisfaction of the Executive Director that a combination of equity funds, deferred loan funds, or below market interest rate funds are available in an amount at least equal to the difference between the total development cost as accepted by the Agency and the amount of the permanent financing commitment.

6. The Commitment Letter shall contain such other terms and conditions as the Executive Director shall deem necessary or appropriate, given the circumstances.

7. The Executive Director is authorized to make preliminary arrangements for the issuance and private placement of taxable bonds of the Agency to provide proceeds for financing this loan.

Project: PINE MEADOW / CDBG GRANT RUN DATE: 19-Apr-90

*********Unit Information********		**********Assumptions**********	
Total Units:	30	Increase LIHTC	3.25%
Restricted Units:	24	Increase Market	5.00%
Percent Restricted:	80.00%	Expense increase:	4.50%
Avg Net Monthly Rent:	343	Vacancy Rate:	3.30%
Total Development Cost	2,000,944	Partner's Tax Rate:	34.00%
TDC/Unit	66,698	Depreciation Schedule:	27.5

**********HCTB SUMMARY**********		*********LIHTC SUMMARY*********	
HCTB Direct Loan	210,000	Percent Alloc.Needed	100.00%
HCTB Sink Fund	62,522	Gross Syndication	928,162
Sinking Fund Rate	8.50%	Tax Credit Percentage	9.03%
Breakeven Year	10	Annual Credit Amount	133,635
Total HCTB *	272,522	Cap	26.20%
Total HCTB Per LIHTC Unit	11,355		

* Does not includes $13,250 Capacity Grant to Interfaith Housing

FINANCING SOURCES

	Amount	% of TDC	Interest	Term	Per Unit
Equity	928,000	46.38%	N/A	N/A	30,933
VHFA	662,944	33.13%	9.50%	30	22,098
CDBG*	200,000	10.00%	8.50%	0	6,667
HCTB Direct*	210,000	10.50%	8.50%	0	7,000
*Deferred					
	2,000,944	100.00%	72.09% Debt/Equity		66,698

PINE MEADOW / CDBG GRANT INCOME & EXPENSE BUDGET 19-Apr-90

INCOME

RENTS / TENNANT PAYS OWN UTILITIES

Restricted Units / Possible through an internal subsidy

Bedrooms	Type	Sq.Feet	Number	Rent	Utilities
1 Br	Handicap Flat	713	2	265	70
2 Br	Mngr. Flat	790	1	320	80
2 Br	Flat	790	1	320	80
2 Br	Townhouse	865	7	330	80
*2 Br	VLI Townhouse	865	4	205	80
*3 Br	VLI Townhouse	1,012	2	293	90
3 Br	Townhouse	1,012	7	380	90
*VERY LOW INCOME					
	Totals	21,629	24	90,552	(annual)

Market Rate Units

Bedrooms	Type	Sq.Feet	Number	Rent
1 Br	Flat	713		410
1 Br	Townhouse	790		410
2 Br	Flat	790		500
2 Br	Townhouse	865	6	515
3 Br	Flat	865		600
3 Br	Townhouse	1,012		600
	Totals	5,190	6	37,080 (annual)

All Units

Grand Totals		26,819	30	127,632
Floor Space	80.65% Less Vacancy		3.30%	(4,212)
Unit Frac.	80.00%			
NET RENT				123,420

OTHER INCOME

Laundry	1,920
Parking	0
Interest Income	4,428
Other	0
Total Other Income	6,348
TOTAL INCOME	129,768

EXPENSE BUDGET

	Annual	Per Unit	Per Month
Administration	19,290	643	54
Utilities	4,000	133	11
Maintenance	18,230	608	51
Taxes	24,000	800	67
Insurance	4,000	133	11
Reserves	7,950	265	22
Lease	1	1	0
Total	77,471	2,582	215
NET OPERATING INCOME	52,297		

PINE MEADOW / CDBG GRANT DEVELOPMENT BUDGET 19-Apr-90

		Budget	Per Unit	Per Sq.Ft.
Acquisition		0	0	0.00
Market Study		600	20	0.02
Site Work / No Paving		200,000	6,667	7.46
Construction Contract		1,325,000	44,167	49.41
Bond Premium	15,250	15,250	508	0.57
Contingency	6.00%	91,500	3,050	3.41
Arch/Engineering		71,000	2,367	2.65
Reimbursables		3,000	100	0.11
Maint. Equipment / Tractor		7,000	233	0.26
Soil & Concrete Testing		6,000	200	0.22
Legal/Accounting		7,000	233	0.26
Permits/Fees		11,975	399	0.45
Taxes/Insurance		5,000	167	0.19
Construction Loan Interest		70,569	2,352	2.63
Construction Loan Fees	662,944	0	0	0.00
Permanent Loan Fee	9,944	9,900	330	0.37
Marketing / Management		10,000	333	0.37
Addison Ct. Land Trust Fee		2,500	83	0.09
Interfaith / HCTB Capacity Grant		13,250	442	0.49
Clerk of Works		12,000	400	0.45
Predev. Interest		2,000	67	0.07
Working Capital	47,404	47,400	1,580	1.77
Syndication Expenses		27,000	900	1.01
Developer's Fee	92,816	63,000	2,100	2.35
TOTAL DEVELOPMENT COSTS		2,000,944	66,698	75
		2,000,944		

PINE MEADOW / CDBG GRANT TAX CREDIT CALCULATION 19-Apr-90

Total Development Cost	2,000,944
Less Land	0
Less Non-Capital Items	(151,067) *
Equals Adjusted Basis	1,849,877
Percentage Qualifying as Low Income	80.00%
Qualified Basis	1,479,902
Tax Credit Percentage	9.03%
Annual Tax Credit	133,635
Percent Allocated	100.00%
NET CREDIT	133,635

* This amount includes: Syndication Expenses; Marketing Costs; Working Capital; and 1/3 of Site Work

PINE MEADOW / CDBG GRANT — PRO FORMA — Apr-90

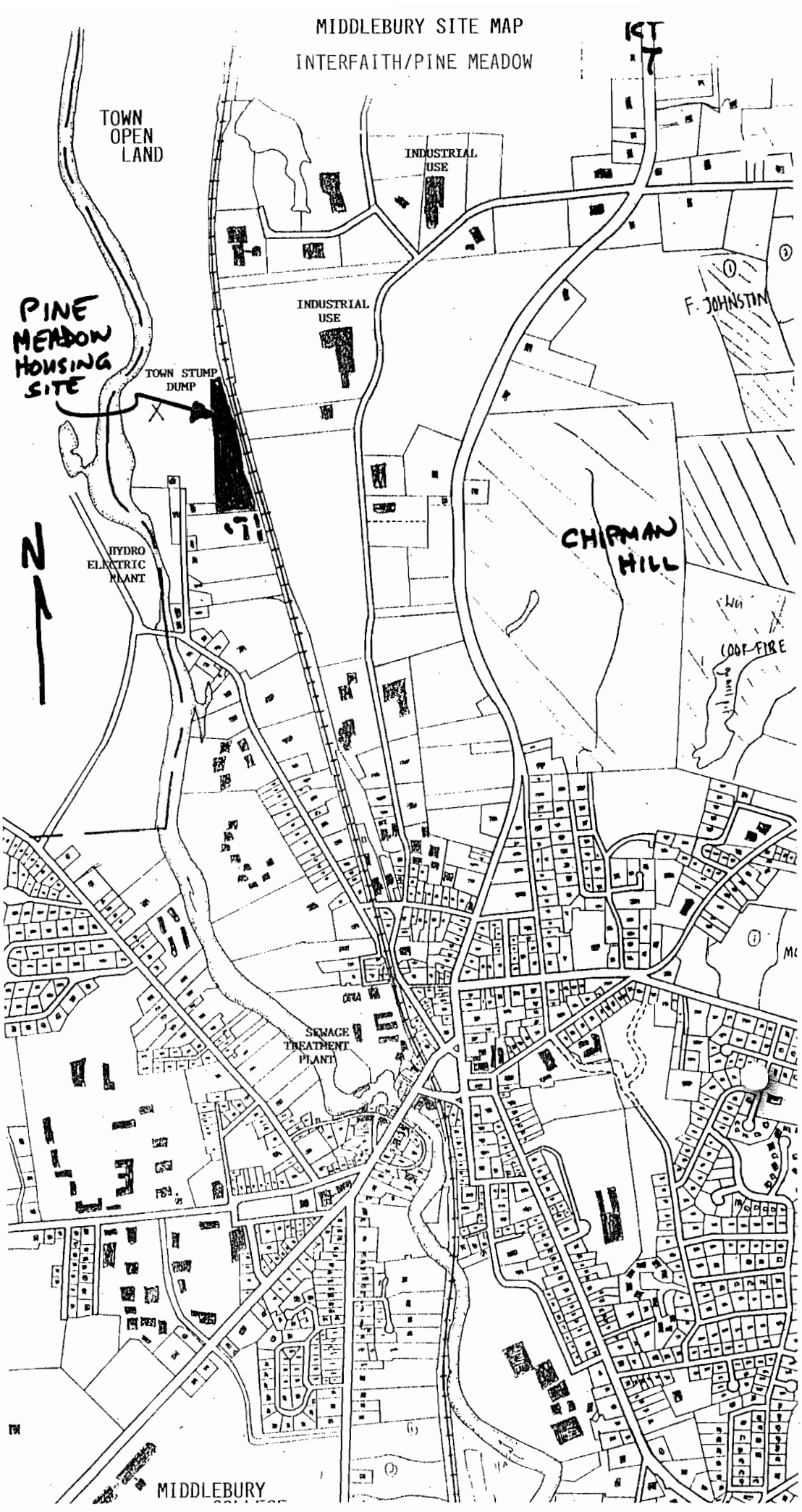
Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
LIHTC Rent	90,552	93,495	96,534	99,671	102,910	106,255	109,708	113,274	116,955	120,756	124,681	128,733	132,916	137,236	141,696	146,302	151,056	155,966
Market Rent	37,080	38,934	40,881	42,925	45,071	47,325	49,691	52,175	54,784	57,523	60,399	63,419	66,590	69,920	73,416	77,087	80,941	84,988
Gross Rent Potential	127,632	132,429	137,414	142,596	147,981	153,579	159,399	165,449	171,739	178,279	185,080	192,152	199,507	207,156	215,112	223,388	231,997	240,954
Less Vacancies	(4,212)	(4,370)	(4,535)	(4,706)	(4,883)	(5,068)	(5,260)	(5,460)	(5,667)	(5,883)	(6,108)	(6,341)	(6,584)	(6,836)	(7,099)	(7,372)	(7,656)	(7,951)
Plus Other Income	6,348	6,554	6,767	6,987	7,214	7,449	7,691	7,941	8,199	8,465	8,741	9,025	9,318	9,621	9,933	10,256	10,590	10,934
Total Actual Income	129,768	134,613	139,647	144,877	150,312	155,960	161,830	167,930	174,271	180,861	187,713	194,836	202,241	209,941	217,947	226,273	234,931	243,936
Less Operating Exp.	77,471	80,957	84,600	88,407	92,386	96,543	100,887	105,427	110,172	115,129	120,310	125,724	131,382	137,294	143,472	149,928	156,675	163,725
Less Lease H/A	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Net Operating Income	52,296	53,655	55,046	56,469	57,926	59,416	60,941	62,502	64,098	65,731	67,402	69,111	70,858	72,646	74,474	76,343	78,255	80,210
Less Debt Service	66,893	66,893	66,893	66,893	66,893	66,893	66,893	66,893	66,893	66,893	66,893	66,893	66,893	66,893	66,893	66,893	66,893	66,893
Cash Flow	(14,597)	(13,238)	(11,847)	(10,424)	(8,967)	(7,477)	(5,952)	(4,391)	(2,795)	(1,162)	509	2,218	3,966	5,753	7,581	9,451	11,362	13,317
Sinking Fund Loan	15,326	13,900	12,439	10,945	9,416	7,851	6,249	4,611	2,934	1,220	0	0	0	0	0	0	0	0
HCTB Repayment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	4,000	4,000	4,000	4,000
Net Cash	730	662	592	521	448	374	298	220	140	58	509	2,218	3,966	5,753	3,581	5,451	7,362	9,317
VHFA Working Cap Extra	2,800	2,800	2,800	2,900	2,900	3,000	3,100	3,200	3,200	3,300	3,000	1,200	0	0	0	0	0	0
VHFA Debt Cov.Ratio	105.28%	105.18%	105.07%	105.11%	105.01%	105.04%	105.08%	105.11%	104.99%	105.02%	105.25%	105.11%	105.93%	108.60%	111.33%	114.13%	116.99%	119.91%

PRO FORMA 19-Apr-90

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Net Operating Income	52,296	53,655	55,046	56,469	57,926	59,416	60,941	62,502	64,098	65,731	67,402	69,111	70,858	72,646	74,474	76,343	78,255	80,210
Reserves	7,950	7,950	7,950	7,950	7,950	7,950	7,950	7,950	7,950	7,950	7,950	7,950	7,950	7,950	7,950	7,950	7,950	7,950
Less Interest Expense	(81,957)	(84,361)	(86,839)	(89,395)	(92,030)	(94,749)	(97,555)	(100,450)	(103,439)	(106,525)	(122,044)	(126,289)	(130,885)	(135,859)	(141,243)	(146,729)	(152,665)	(159,087)
Less Depreciation	(67,268)	(67,268)	(67,268)	(67,268)	(67,268)	(67,268)	(67,268)	(67,268)	(67,268)	(67,268)	(67,268)	(67,268)	(67,268)	(67,268)	(67,268)	(67,268)	(67,268)	(67,268)
Taxable Income (Loss)	(88,980)	(90,025)	(91,112)	(92,244)	(93,423)	(94,652)	(95,932)	(97,267)	(98,659)	(100,112)	(113,960)	(116,497)	(119,345)	(122,531)	(126,087)	(129,704)	(133,729)	(138,196)
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Cash Flow	730	662	592	521	448	374	298	220	140	58	509	2,218	3,966	5,753	7,581	9,451	11,362	13,317
Plus Tax Savings	30,253	30,608	30,978	31,363	31,764	32,182	32,617	33,071	33,544	34,038	38,747	39,609	40,577	41,661	42,870	44,099	45,468	46,986
Plus Tax Credits	133,635	133,635	133,635	133,635	133,635	133,635	133,635	133,635	133,635	133,635								
After Tax Cash Flow	164,618	164,905	165,206	165,519	165,847	166,191	166,550	166,925	167,319	167,731	39,256	41,827	44,543	47,414	(275,834)	53,550	56,830	60,303
Total 15 years	1,558,017																	
@NPV 12.00%	928,162																	

Original Basis		2,000,944	
Less Losses		(1,540,826)	
Basis at sale		460,118	
Sales Price		1,419,780	
Gain		959,662	
TAX	34.00%	326,285	

DEBT 1


MIDDLEBURY SITE MAP
INTERFAITH/PINE MEADOW
TOWN OPEN LAND
INDUSTRIAL USE
INDUSTRIAL USE
PINE MEADOW HOUSING SITE
TOWN STUMP DUMP
HYDRO ELECTRIC PLANT
CHIPMAN HILL
SEWAGE TREATMENT PLANT
MIDDLEBURY

Copy

RESOLUTION PERTAINING TO COMMITMENT LETTER FOR INTERFAITH/PINE MEADOW DEVELOPMENT, MIDDLEBURY

WHEREAS, Housing Vermont and the non-profit corporation Interfaith, Inc. have presented a proposal for construction of 30 units of rental housing in the town of Middlebury, Vermont (the "Interfaith/Pine Meadow Development"or the "Development"); and

WHEREAS, the proposal contemplates that the Interfaith/Pine Meadow Development will constitute a "qualified low-income housing project" within the meaning of section 42(g) of the Internal Revenue Code of 1986; and

WHEREAS, the proposed partnership between Housing Vermont and Interfaith, Inc. (or their subsidiaries) will qualify as a housing sponsor within the meaning of the Vermont Housing Finance Agency Act (the "Act"); and

WHEREAS, the Agency has determined that the Interfaith/Pine Meadow Development will assist in fulfilling the purposes of the Act;

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 maintain the supply of well-planned, well-designed permanent housing for persons and families of low and moderate income, and the sponsors are financially responsible persons or institutions.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a combined letter of intent and commitment (the "Commitment Letter") to provide a first mortgage for permanent financing in an amount to be determined by the Executive Director, but not to exceed $1,000,000, for the Interfaith/Pine Meadow Development.

2. The Commitment Letter shall be issued to Housing Vermont as a representative of the housing sponsor.

3. The commitment of the Agency shall be subject to receipt, on or before the date of the construction closing, of a commitment fee in an amount equal to one and a half percent (1.5%) of the principal amount of the mortgage loan.

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5. The Commitment Letter shall require the Developer to demonstrate to the satisfaction of the Executive Director that a combination of equity funds, deferred loan funds, or below market interest rate funds are available in an amount at least equal to the difference between the total development cost as accepted by the Agency and the amount of the permanent financing commitment.

6. The Commitment Letter shall contain such other terms and conditions as the Executive Director shall deem necessary or appropriate, given the circumstances.

7. The Executive Director is authorized to make preliminary arrangements for the issuance and private placement of taxable bonds of the Agency to provide proceeds for financing this loan.

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Meg Pond, Director of Development

DATE: April 20, 1990

RE: NEW CONSTRUCTION PROPOSAL - BRISTOL

We are bringing you a proposed development in Bristol to have a broad policy discussion and to gain your direction on this particular development at this time.

PROPOSED DEVELOPMENT:

The Bristol development is a proposed twelve unit rural family development located about two and a half miles from downtown Bristol. The sponsor is the Addison County Community Action Group (ACCAG). ACCAG has no new construction experience, although it has successfully rehabilitated several small developments in the past few years. ACCAG has limited housing management experience and the preliminary proposed operating budget is quite modest, including the line item for management.

At this point in time, Housing Vermont (HV) has not received approval from their Board to do this project. The Vermont Housing and Conservation Board - which has already approved funding for Bristol (see attached) - has made the partnership with Housing Vermont a requirement of their funding. Mike Richardson is seriously considering taking the proposal to the HV board for discussion within the next few months.

The proposed VHFA participation in this development for permanent financing is less than 30%. The primary source of funding (42%) is contemplated coming from tax credits being syndicated through the Vermont Equity Fund, requiring HOusing Vermont's involvement. Utilizing the tax credits to make the deal work ultimately makes this a 100% low income development. This is the policy discussion issue.

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/336-5866

POLICY ISSUE:

Is it good policy to create a 100% low income family development? Given our public posture of encouraging mixed income housing, will approval of a development of this type detract from our overall efforts to promote affordable housing with communities?

DISCUSSION:

The proposed St. Johnsbury development presented to you in another memo in this board packet is an example of a 100% low income development. The primary differences are that the sites are scattered, they are not rural, and they are not new construction.

The proposed Middlebury Pine Meadow development also presented to you elsewhere in this packet is also largely low income: out of 30 units, 6 are market rate. It is yet unknown if the marketability of the units will attract the market rate residents. Pine Meadows, in contrast with Bristol, is closer to downtown Middlebury and is on land leased from the Town.

While all three developments are primarily low income, both St. Johnsbury (scattered site rehab) and Middlebury (larger scale with proximity to services) seem to have redeeming qualities that warrant strong consideration and make them somewhat more appealing than the Bristol development.

Given the relatively low loan to value ratio, none of these projects represent a significant underwriting risk. The real question for the Board is the policy question of financing projects with all lower income residents.

MEB BOND

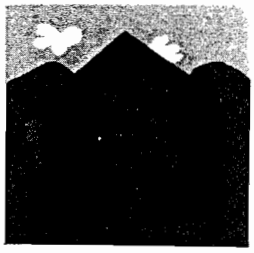
Housing & Conservation Board

April 9, 1990

RECEIVED

APR 10 1990

VHFA



Tom Plumb
Addison County Community Action Group
P. O. Box 165
Middlebury, Vermont 05753

136½ Main Street
Montpelier
Vermont 05602

802 828 3250
FAX 802 828 3203

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Rev. John E. Nutting
Stuart J. Thurber, Jr.

Gustave Seelig
Executive Director

Re: Bristol Application (#89-060)

Dear Tom,

I am writing to confirm the Board action at their meeting on March 30, 1990 on ACCAG's application for the Bristol project.

The Board voted to award the Addison County Community Action Group a deferred loan of up to $70,000 and a loan of up to $110,000 to enable them to construct twelve units of family housing in Bristol and to cover associated costs. This award shall be subject to the following conditions:

1. The $110,000 loan shall be at an interest rate of 4% compounded and payable quarterly, and a term of not more than 40 years, and shall be secured by a mortgage and promissory note. Repayment shall begin three months after completion of construction;

2. The deferred loan shall be at an interest rate of 0% (and shall be due and payable in full in thirty-one years when the VHFA or other principal mortgage has been repaid) with repayment schedule to be determined by staff upon consultation with the Board chair prior to drafting of the Grant Agreement;

3. Up to 10% of this award can be drawn down for non-construction items such as soft costs;

4. Receipt of a commitment of $60,000 from the Community Development Block Grant program with rate and term such as not to adversely impact the long-term affordability of the units;

5. Allocation of 1990 low income housing tax credits. Receipt of a commitment for up to $488,000 in equity from the sale of 1989 and 1990 low income housing tax credits or another source. Equity from the sale of such tax credits and from other sources shall be adequate to insure financial feasibility as determined by the staffs of the agencies and organizations providing equity and debt financing;

6. A permanent financing commitment of up to $137,097 from the Vermont Housing Finance Agency or another low interest source;

7. A construction loan commitment at an interest rate that does not jeopardize the affordability of the units;

8. This project shall be done in partnership with Housing Vermont or the VHCB shall be presented with another acceptable alternative;

9. The VHCTF loan shall be in second position behind the Vermont Housing Finance Agency loan and/or any bank financing;

10. Prior to disbursement staff shall be presented with an acceptable plan for management and disbursement of Trust Fund money during construction. This plan could include management of the funds by a private lender or the Vermont Housing Finance Agency;

11. If the lenders including the Board deem it necessary, ACCAG shall hire an outside clerk-of-the-works for this project. The person who fills that position must be acceptable to staff;

12. If ACCAG is the general contractor, prior to disbursement, the lenders including the Board shall be provided with the names, resumes, and references of all subcontractors who will work on the project for approval;

13. If ACCAG is the general contractor, they shall post security in the form of a bond, letter of credit, or another acceptable form, in an amount that would enable a general contractor to step in and finish the project if need be. This shall be done prior to disbursement;

14. Detailed specifications shall be drawn up and approved by VHCB staff for this project prior to disbursement. Specifications shall include materials for soundproofing between the units;

15. Storage areas for bikes, other outdoor toys etc. shall be built on the property. These could include separate sheds built using volunteer labor;

16. Prior to disbursement of funds, VHCB shall review and approve a housing subsidy covenant of perpetual duration which shall require the owner to guarantee the following affordability provisions while paying all reasonable and necessary project costs:

    a. ACCAG, the limited partnership, and any other subsequent owner of the property shall agree that (1) a minimum of eight units shall be occupied by households with adjusted for family size incomes at or below 60% of Addison County or state median, whichever is higher, at the time of initial occupancy, and (2) that all twelve units shall be occupied by households with adjusted for family size incomes at or below Addison County or state median, whichever is higher, at the time of initial occupancy

    b. Rent must remain affordable to such occupants. Affordability is defined as monthly rent plus utilities equal to not more than 30% of the household's income at the time of initial occupancy.

c. If occupancy in this project is an improvement over the household's former living conditions and/or rental situation prior to occupancy, a waiver may be requested to 16b. In addition, projected budgets shall be submitted annually for VHCB review. If rents are at least 10% below fair market for Addison County and if the partnership or its successors so certify, a waiver to 16b may be granted for the upcoming year.

d. Notwithstanding the above, it is understood that financial feasibility of this project necessitates that rents be set at tax credit levels, that is 30% of 60% of median for a household of appropriate size for the unit, but in no event shall the household pay more than 51% of income for rent plus utilities nor shall the rent become less affordable over time. A one year grace period may be requested during which time assistance in obtaining a Section 8 certificate or voucher is provided to the household.

e. Affordability shall be defined in the Housing Subsidy Covenant. Such covenant shall be consistent with the project as structured for tax credit purposes;

17. Every attempt shall be made to increase the affordability of the units to the lowest income households residing there through appropriate means including but not limited to receipt of Section 8 certificates, establishment of some form of internal subsidy, or inclusion of several "market rate" units. Staff shall have the authority to negotiate such changes upon consultation with the Board chair.

18. VHCB staff shall be provided with copies of project budgets as they are revised along with any other documents relevant to the amount or conditions of this Trust Fund commitment;

19. VHCB staff and legal counsel shall review and approve all documents prior to closing, including, but not limited to, the Option Agreement including the option holders for the sale of the project by the limited partnership, and the loan or grant documents from the Town of Bristol or lead municipality to ACCAG or the limited partnership. Such documents must assure continuing affordability of the project to lower income tenants;

20. If the property is sold to anyone other than the approved optionees, or if such optionees do not guarantee perpetual affordability both the loan and grant shall become immediately due and payable. A penalty equal to 21% of the increase in equity that is received as a result of such sale shall be due. This condition shall be secured by a mortgage and appropriate covenants;

21. Prior to disbursement, ACCAG shall develop plans for marketing, tenant selection, and management of the units. Such plans shall be acceptable to VHCB staff and staff of the other involved agencies or organizations.

22. ACCAG shall make every effort to make this a mixed income project;

23. If ACCAG plans to cut timber from the woodland, the county forester shall be consulted to mark the trees for cutting and to provide a forestry management plan, if this service is available and free.

24. A site plan shall be submitted to VHCB staff for review and approval. Any future changes to the site, including construction of additional units, shall be approved by VHCB staff. No further development of the site shall take place to the east of the project between the proposed buildings and Rte. 116;

Congratulations on the award! We will be sending out a draft grant agreement within the next few weeks for your review. Please let us know if you have questions about the conditions of the award.

Sincerely,

Gus Seelig
Executive Director

cc: Robert E. Woolmington, Chairman
Josh Besse, Roman Kokodyniak, DHCA
Meg Pond, Mark Kopplekam, VHFA
Vaughn Collins, Mike Richardson, Housing Vermont

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Mark Koppelkam, Multi-Family Development Officer

DATE: April 20, 1990

RE: APPROVAL OF LETTER OF INTEREST TO FINANCE EIGHT RESIDENTIAL BUILDINGS IN ST. JOHNSBURY, USING TAXABLE FINANCING

THE DEVELOPMENT

1. General Description

Thirty seven occupied units in eight scattered site buildings, with each requiring substantial renovation. twenty five of the units would be tax credit/rent restricted. The buildings are being purchased simultaneously from one owner. The condition of the eight buildings varies from good to fair. The Vermont State Housing Authority does not have any current quality "findings" regarding current Section 8 tenant occupied units in any of the eight buildings, inferring that the buildings "as is" are in good or at least passable condition.

The total projected cost of development is currently estimated at $1.69 million ($45,753 per unit). Units are currently budgeted at $18,500 per unit for renovation work. Acquisition is planned for June 1990. Renovation is planned to begin immediately on at least 4 of the buildings in order to meet a HAP contract deadline of December 1, 1990.

Taxable financing is being requested so that a 9% Low Income Housing Tax Credit (LIHTC) can be claimed. Two financing scenarios are presented (see below), both of which assume a VHFA rate of taxable financing of 10.0% fixed for thirty years. Given that the financing cannot be tax exempt, it is not likely that VHFA could offer this low a rate. VHFA's primary source of taxable funds is the State Pension Fund, which is requesting a 10% minimum yield.

Unfortunately neither of the two financing scenarios as proposed works at a rate higher than 10.0%. At this time,

project feasibility will likely depend upon some additional source of low cost financing.

The project would require a 1990 LIHTC allocation of approximately $48,000.

The sponsors may pursue Historic Tax Credit benefits, as some of the buildings appear to have some historic value.

The project would be sold to the local nonprofit partner, Northern Community Housing Corporation (NCHC) at the end of fifteen years for the balance of the mortgage debt, as is planned with other Housing Vermont projects.[1]

2. Financial Projections

Two different funding scenarios have been submitted and both assume that some level of CDBG funds will be allocated to the project by the Department of Community Affairs during their June 1990 allocation round. The two scenarios are called the "Lesser CDBG" and the "Greater CDBG." If the "Lesser CDBG" proposal is funded, the projected sources of funding are as follows:

	Amount	Percent
Equity - HV Equity Fund	332,260	19.6
VHFA Taxable 1st Mort Loan	475,158	28.1
HCTB Deferred Payment Loan	443,000	26.1
CDBG Grant	424,400	25.1
Gap (Source to be determined)	18,038	1.0
Total	$1,692,855	100%

A budget and financial summary are attached at the end of this report.

3. Sponsors

The sponsor is a partnership comprised of Housing Vermont and NCHC. NCHC is a nonprofit subsidiary of NCIC, which is also a nonprofit. Both are headquartered in St. Johnsbury.

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[1] Technically the formula calls for payment of the existing mortgage debt and any outstanding taxes (including capital gains) or other monies necessary to make Equity Fund investors whole with regard to their investment.

Christine Owre is NCHC's Senior Vice President, and project leader for this proposal. She has been with NCIC for 18 years, and has been a strong leader in the nonprofit housing development arena in Vermont.

4. Unit Breakdown/Rents

Of the 37 units, 27 will be rent restricted tax credit units. Thirteen project based Section 8 certificates have been allocated by the VSHA. It is not clear at this time how many of the units will be required to be handicapped accessible.

It is the intent of the sponsor to initially lower rents to as close to 30% of income as possible for those current low income tenants who would not receive Section 8 certificates. Those rents would then be fixed for that unit and trended with time, as opposed to changing as the tenants change and/or their respective income varies.

The sponsor has surveyed the existing tenant population of the eight buildings and estimates that incomes of tenants in 31 of the 37 total units is significantly below 50% of adjusted median incomes for Caledonia county. Those 31 low income households average an estimated gross annual income of $9,000 per household. Nineteen of the 37 households are headed by a single female, and 16 of the households have an elderly and/or a disabled individual.

5. Site/Location

The buildings are located in various parts of St. Johnsbury (see site map, attached). A few of the buildings are in very nice, quiet neighborhoods. Two are located literally on the other side of the tracks.

6. Renovation Work and Permits

The renovation project leader is Chris Lyon of NCHC. His position title is Rehab Coordinator, and he has been with NCHC for two years. Prior to that he was a construction estimator with Simpson Construction for seven years. In that capacity he worked with VHFA on several Section 8 projects, and his work was quite satisfactory to the Agency.

NCHC also recently hired a Vermont Registered Architect onto their staff, Ben Nickerson.

The scope of the renovation work involves code work, fire proofing, re-wiring of electrical systems, new gas furnaces

in many of the buildings, weatherization, and general interior and exterior repairs as necessary. A structural engineer has been consulted when appropriate. A small amount of asbestos has been found in two of the buildings.

No state or local zoning permits will be needed. State approval of the renovation work will be handled by the Department of Labor and Industry.

7. Market Demand

No market study has been conducted. Given that the units are currently occupied, that rents will be reduced or maintained at present levels for all current tenants, and that the sponsors are concentrating on low priced units, VHFA had not requested that a formal market study be done. The sponsors feel the St. Johnsbury vacancy rate is about three to five percent, but less than one percent for 2 BR and 3 BR units.

The 1989 Rental Housing Cost Study done by the Vermont State Housing Authority found that the median gross rents (i.e., including utility costs) for St. Johnsbury (and Lyndon, combined) were $329 for a 1 BR, $427 for a 2 BR, and $560 for a 3 BR. For Caledonia county as a whole, rents for 1 BR units increased 4.5% annually, for 2 BR units rents increased 6.5% annually during the period from 1987 to 1989. Rents for 3 BR units did not increase during that time period.

8. Relocation and Displacement

Existing tenants will be retained to the extent possible, with no longterm relocation, and no displacement. Temporary (one week) relocation of the tenants in one building will be necessary due to extensive foundation work. The development budget has funds included (motel and meals) for this purpose.

9. Management

The proposed management agent would be Northern Community Management Corporation (NCMC), which is the for-profit management arm of NCIC. NCMC currently manages over 400 units in northeastern Vermont and New Hampshire with a staff of seventeen full and part-time people. NCMC was formed in 1979. They currently manage two VHFA financed mixed family/elderly projects in St. Johnsbury.

DISCUSSION

10. Strengths and Weaknesses

The primary strengths of this project include:

a) The low acquisition price, averaging $20,600/unit. Together with renovation and all other development costs, completed costs will average $45,700/unit. This compares to $59,500 at Northgate (acquisition and rehab), $88,300 at Salmon Run (new construction), and $59,300 at Winchester (new construction).

b) VHFA's proposed loan would be just 28% of total development value.

c) The combination of Housing Vermont and NCHC should work nicely as both have a good deal of development, renovation and property management experience.

d) Many of the buildings are in attractive residential areas, and most of the buildings already look in reasonably good shape.

e) The targeting of an existing very low income tenant population, with a substantial number of Section 8 certificates (13) committed.

The potential weaknesses of this project are:

f) Relocation and tenant housing problems during renovation.

g) The risk of uncovering unforeseen problems during renovation may be magnified since eight multi-unit buildings are being worked on, and the state Department of Labor and Industry is involved.

h) Difficulty of defining common renovation quality standards for the scope of work, during the writing of specifications, during the actual renovation work, and during the punchlist approvals.

i) The proposed rent structure, for the present and the future, is based on current tenant incomes (with trending for increases in operating expenses). VHFA staff feels that this policy may need review.

Other Notes

11. There will be no construction financing as part of this project.

12. VHFA will need to have an independent cost verification done for this project, and certification as to how the asbestos will need to be dealt with (in place and possible disposal).

RECOMMENDED ACTION

Staff recommends approval of Resolution Pertaining to Letter of Interest for the St. Johnsbury Project (attached), authorizing the Executive Director to issue a letter of interest and make preliminary arrangements toward providing up to $500,000 of taxable permanent financing for the Development.

[redacted] 4/20/90

Cost Analysis

Address	# Units	Current Appraisal Value	Purchase Price	Purchase Price/Unit	Per Unit Rehab Cost With Markup	Per Unit Rehab & Acquis	Per Unit Total Dev Cost
10 Clark	4	95,000	95,000	23,750	16,493	40,243	
16 Elm	3	55,000	55,000	18,333	12,042	30,375	
76 Pearl	3	78,000	78,000	26,000	23,332	49,332	
74 Pearl	3	70,000	70,000	23,333	19,486	42,820	
Portland	8	140,000	140,000	17,500	13,305	30,805	
131 Main	5	100,000	100,000	20,000	25,854	45,854	
83 Summer	4	100,000	100,000	25,000	24,363	49,363	
53 Summer	7	125,000	125,000	17,857	11,985	29,842	
	37	763,000	763,000	20,622	17,503	38,124	45,753

ST. J HOUSING COMBINED (LESSER CDBG SCENARIO) SOURCES & USES

USES	Budget	Per Unit
Option Pmts not toward Price	2,000	42
Purchase Price	763,000	19,375
(Land)	160,000	3,333
(Buildings)	603,000	16,042
Transfer Tax	9,538	242
TOTAL ACQUISTION	774,538	19,659
(Tot less Acquis)	918,318	24,147
Rehab Estimate	565,087	15,109
Contingency (15%)	84,763	2,266
(Constr Contracts)	649,850	17,375
Construction Supervision	34,125	948
TOTAL CONSTRUCTION	683,975	18,323
Legal/Organizational	10,000	208
Title/Recording	4,000	83
Survey/Appraisal	12,000	250
Arch/Engineering	12,000	250
Historic Nominations	12,500	260
Permits	2,750	69
Tenant Certif/Lease-up	5,550	150
Construction Insurance	2,350	71
Rent Loss during Construction	11,064	146
Temporary Relocation	6,923	222
Financing Fee	6,614	84
Constr Letter of Credit Fee	3,899	104
Tax Credit Alloc Fee	3,000	63
Interest Interim Equity Loan	19,334	583
(Soft Costs w/o Contingency)	111,983	2,543
Contingency (3%)	3,359	76
TOTAL SOFT COSTS	115,343	2,619
Working Capital	30,000	800
Syndication & Devel Fees	89,000	2,405
TOTAL DEVELOPMENT COST	1,692,855	45,753

ST. JOHNSBURY HOUSING COMBINED (LESSER CDBG SCENARIO)

Total Units	37	********Assumptions*******	
TC Restricted	25	Income increase:	3.00%
Low Income	30	Expense increase:	4.25%
Rent	309	Appreciation:	2.75%
Low Inc Rent	299	Vacancy Rate:	5.00%
Expenses	141	Partner's Tax Rate:	34.00%
N.O.I.	167	Depreciation Schedule:	27.50
Debt Service	117	Gross Syndication:	332,260
Cash	13	Excess Syndication	(0)
Total Cost	1,692,855	LIHTC Credit Percentage	8.75%
LI Units:Av Gr Rnt/Av Inc	75.00%	Percent of Allocation	100.00%
Low Inc Gr Rent Reduction	56.00%	Allocation Needed	48,020

FINANCING SOURCES

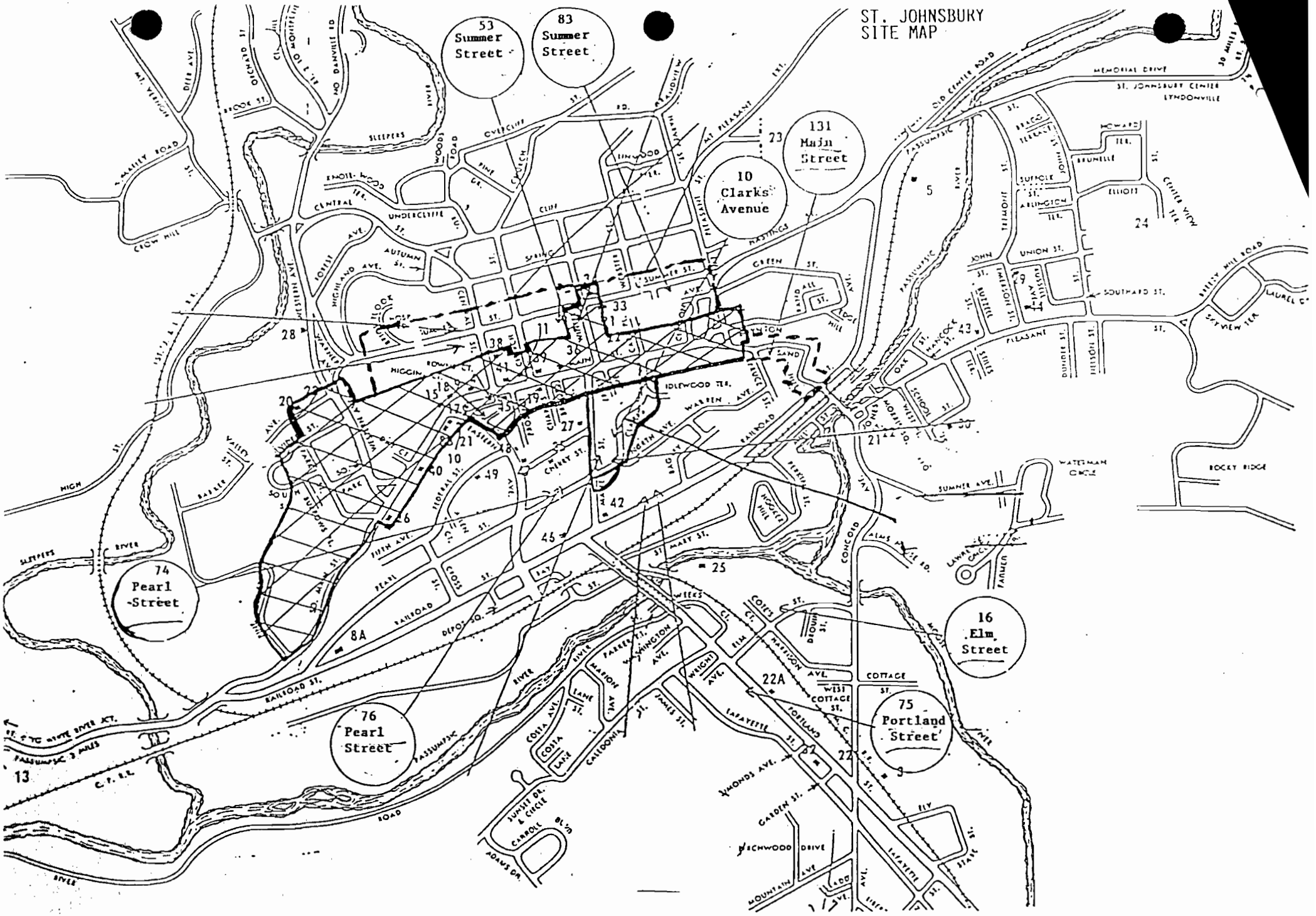
		% of Total	Per Unit	Interest	Term
Equity 1	332,260	19.63%	8,980	Interest	Term
VHFA Taxable	475,158	28.07%	12,842	10.00%	30
VHCB	443,000	26.17%	11,973	4.50%	Deferred
CDBG	424,400	25.07%	11,470	3.00%	Deferred
GAP	18,038	1.07%	488	7.50%	30
					0
Total	1,692,855	100.00%	45,753		
Debt to Value Yr 20		77.10%			
Max Debt to Value		86.55%			

ST. J HOUSING COMBINED (LESSER CDBG SCENARIO) INCOME & EXPENSE BUDGET

Units	37	Square Feet	30,373	
TC Restricted	25	Per Unit	839	Avg

RENTAL INCOME		Per Month	Per Unit	Per Unit/Mo
Potential	126,076	10,506	3,407	284
Less Vacancy	(6,304)	(525)	(170)	(14)
NET RENT	119,772	9,981	3,237	270
OTHER INCOME				
Laundry	0			
Parking	720			
Interest Income	0			
Other	0			
Total Other Income	720			
TOTAL INCOME	120,492			

GROSS EXPENSES		
Admin/Audit		14,208
Oil	0	
Gas	0	
Elec	1,835	
Water/Sewer	6,490	
Utilities Subtotal		8,325
Maint/Repairs		19,980
Taxes		14,399
Insurance		5,558
TOTAL EXPENSES		62,469
NET OPERATING INCOME		58,023
Reserve for Replacement		13,320
DEBT SERVICE		42,574
CASH FLOW		2,129


ST. JOHNSBURY
SITE MAP
53 Summer Street
83 Summer Street
131 Main Street
10 Clarks Avenue
74 Pearl Street
76 Pearl Street
16 Elm Street
75 Portland Street
MAIN ST.
SUMMER ST.
PEARL ST.
RAILROAD ST.
ELM ST.
PORTLAND ST.
CONCORD AVE.
PASSUMPSIC RIVER
ST. JOHNSBURY CENTER
LYNDONVILLE

RESOLUTION PERTAINING TO LETTER OF INTEREST RE:
ST. JOHNSBURY SCATTERED SITE DEVELOPMENT

WHEREAS, a proposal has been presented to the Agency by Northern Community Housing Corporation ("NCHC"), a non-profit corporation that is a subsidiary of Northern Community Investment Corp. in St. Johnsbury, involving the acquisition and rehabilitation of 37 units in 8 buildings located on scattered sites in St. Johnsbury (the "Development"); and

WHEREAS, the proposal contemplates that the Development will constitute a "qualified low-income housing project" within the meaning of section 42(g) of the Internal Revenue Code of 1986; and

WHEREAS, the proposed partnership between Housing Vermont and NCHC (or their subsidiaries) will qualify as a housing sponsor within the meaning of the Vermont Housing Finance Agency Act (the "Act"); and

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

THEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Interest in providing up to $850,000 of first mortgage permanent financing for the St. Johnsbury Scattered Site Development. The Letter of Interest shall be issued to Housing Vermont as the representative of a limited partnership to be formed that shall include Housing Vermont or a subsidiary thereof, NCHC or a subsidiary thereof, and such private equity investors as may be available. Consistent with applicable rules of the Agency, the Letter of Interest shall include the following language:

> "This Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds from the issuance of new bonds or notes of the Agency and the satisfactory completion of such further requirements as the Agency may establish. This Letter of Interest may be used by you in support of applications for construction and/or operating subsidies, insurance, construction financing, and other purposes after first obtaining the permission of the Agency."

2. The Executive Director and appropriate staff are hereby authorized and directed to negotiate with the developer, review all relevant facets of the St. Johnsbury Scattered Site Development and make preliminary arrangements for financing by taxable bonds or notes.

VERMONT HOUSING FINANCE AGENCY

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE RAS

DATE: APRIL 19, 1990

RE: UNDERWRITER SELECTION PROCESS (RFP)

As you may remember from past Board meetings, we have solicited and received underwriters proposals from ten different firms. Since Drexel Burnham has died and Andy Gurley and his major staff have moved on to Chase Securities, we are down to nine viable candidates. This week we received the final updates from the underwriters and are in the process of evaluating the proposals. Staff will be meeting prior to the Board meeting to make formal recommendations to the Board RFP Committee consisting of Commissioners Shaw, Myette, Ruse and Johnson. The recommendations will ultimately narrow the field to a smaller group consisting of three or four firms to invite to make formal presentations to the Committee.

If there are any specific areas of concern regarding the underwriter selection process or criteria that you think are important to be considered during the final selection process, please let Allan, myself or any member of the RFP Committee know. We plan to schedule the formal presentations during the first two weeks of May.

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/336-5866

VERMONT HOUSING FINANCE AGENCY

TO: VHFA BOARD OF COMMISSIONERS-RFP COMMITTEE

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE

DATE: APRIL 26, 1990

RE: UNDERWRITER SELECTION PROCESS (RFP)

The VHFA staff committee consisting of Doug Lothrop, Glenn Jarrett, Meg Pond, Allan and myself have reviewed all of the proposals, (reduced to nine with Drexel's collapse,) as submitted by the participating underwriters. In general, the proposals were well written and it was a difficult process to reduce the applicants to a manageable number to recommend to the RFP Committee. We have come up with a group of four or five firms we feel deserve additional consideration in the form of oral presentations to the Committee.

The current process being followed by VHFA is to designate a lead manager, along with two co-managers. This group has been intact over the last several years and consists of Andy Gurley and his staff as the lead manager now at Chase Securities and Shearson Lehman Hutton and the Bank of Boston as co-managers.

The consensus of the staff committee was that the following firms should be considered to make oral presentations, based on the proposals submitted. A brief synopsis of each firms proposal follows.

Chase Securities, Inc.
Andy Gurley, who has acted as the lead manager of the majority of VHFA financings since our inception, has moved to Chase Securities Inc. and has retained his critical staff in the areas of underwriting, marketing and sales. Andy's honesty and integrity have been key factors in retaining him over the years as he has changed firms. As we have been confronted with problems during the course of bond issuance, Andy has always found a positive solution. VHFA's acknowledged leadership position in the public finance arena is strong evidence of Andy's assistance. Andy has over 25 years experience in the industry. Chase has not been a traditional leader in housing finance but now has over 10 State HFA's as housing clients. Many innovative techniques have been components

of VHFA's deals including interest rate reduction bonds, deferred underwriters fees, zero coupon bonds, extended recycling, tender option bonds and most recently a partial bond insured financing. On the negative side, it has sometimes been called into question as to whether our financings have been sold as aggressively as they should, that Andy's firms seem to be reactive instead of proactive and the fact that Drexel was an acknowledged industry leader in taxable financings but no proposals were made to VHFA regarding this technique.

Shearson Lehman Hutton
Shearson and its predecessor, EF Hutton, have for a very long time served as a co-manager of VHFA financings. They have the strongest retail presence in the state of Vermont and have done very well in selling Agency bonds to individuals. They have worked on several financings and at times offered structural assistance. Unfortunately, more times than not their ideas have not ended up being feasible. Shearson has gone through a great deal of internal change and has dedicated a highly respected individual, Henry Lanier, to assist on our account. They have implemented some innovative ideas on other HFA issues. Although we are somewhat skeptical of Shearson acting as the lead manager, their retail capacity and new management team warrant their consideration as a co-manager.

Goldman Sachs
Goldman is the second-rated firm in number of issues underwritten for HFA's and has a strong presence in the state of Vermont in underwriting issues. They have demonstrated many innovative financings and have a history of serving smaller HFA's. They also have the best in-house computer capabilities available to their clients. VHFA had positive experiences with the firm when Andy Gurley was employed by them. Their management group is, in our opinion, not as strong as some other firms, most notably Chase and possibly Bear Stearns.

Bear Stearns
Bear Stearns was probably the most "comfortable" presentation that we read, they did their homework, understood the Agency and our programs and offered creative enhancements to things we have already done. They have structured many unique deals to meet the needs of the client being serviced. They produced the highest volume of taxable financings during 1989. They serve many smaller HFA clients and have recently expanded their operations significantly in New England. They now serve as co-managers in Maine, Massachusetts and Rhode Island. A drawback might be that they are not deep in staff or market exposure.

Merrill Lynch
This firm was the committee's fifth choice and somewhat marginal. Merrill Lynch has traditionally been the leader in Public Finance ratings for number and size of issues handled and has shown a lot of innovation in their structures. They serve as co-managers for many housing agencies. They have a strong presence in the retail area in Vermont. Their proposal suggested few innovative ideas in the areas requested. A further concern would be the level of service VHFA would receive based on our small size and number of issues compared to their other housing clients.

Other Firms
The firms of A. G. Edwards, Paine Webber, and Smith Barney did not, in our opinion, warrant further consideration. We are also proposing that the Bank of Boston not be considered for lead underwriter, but feel that based on their performance in assisting us with multi-family financings, acting as a letter of credit provider, and proposing to create a short term credit facility, they should continue to be represented in the management group.

Next Steps
As you can tell from the foregoing, this is a long, difficult process. We have several questions to answer before moving forward, such as:

> do we keep our structure of a lead manager and two co-managers, or change to a process of co-senior managers and alter the size of the management group;

> which firms should be invited for oral presentations;

> what questions should be asked of these firms; should they be tailored specifically, or generic so that a comparison can be made equally of each firm, or a combination of both;

> should questions be submitted to the contestants ahead of the presentation or on the spot; and finally

> the actual scheduling of the contestants' interviews.

We can discuss these and other concerns the Committee may have, for example: Does the Board or the Committee want copies of the original proposals in full? Should participants schedule their proposals for the same day, with a time limit on presentations?

As a final reminder, we would like to schedule the presentations for the week of May 7-11 so that a formal recommendation can be made to the full Board at the May 17th Board meeting.

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE

DATE: APRIL 25, 1990

RE: GENERAL FUND BUDGET UPDATE

Attached is the budget performance report for the period ending March 31, 1990 representing the first nine months of the fiscal year ending June 30, 1990.

In reviewing the budget performance report to date, we continue to be very close to expectations in all areas. Following is a summary of the major areas of the budget.

INCOME. We are running a little behind in the single family fee account as mortgage purchases are somewhat slower than anticipated. Multi-family fees have lagged due to lack of additional Gate's financing and the much reduced size of the Sugar Mae Program.

FUND TRANSFERS. The transfers of funds from the Programs to the General Fund have been collected as expected. We are currently on track to slightly exceed the budgeted Fund transfers by the end of the year.

EXPENSES. Total expenses are at 60% of the annual budgeted amounts. We expect that expense line items will be within budgeted amounts for the year. Some categories, mainly advertising, legal and consulting should be below budgeted amounts due to the fact that some of these expenses are being deferred to cost of issuance of bond financings related to Fort Ethan Allen and the 1989B Single Family Financing. The only other item of note is that Housing Vermont has not drawn the full amount of their subsidy at this point in time.

If you have any questions relative to the budget performance report, feel free to contact me at your convenience, or bring your questions to the May Board meeting. Any budget adjustments requests will be documented in the mailing prior to the May meeting.

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BUDGET PERFORMANCE REPORT
VERMONT HOUSING FINANCE AGENCY
MARCH 31, 1990

	ORIGINAL BUDGET FYE 6/30/90	CURRENT APPROVED BUDGET	ACTUAL YR TO DATE 3/31/90	% BUDGET RECOGNIZED TO DATE
INCOME				
SINGLE FAMILY FEES	730,500	730,500	427,527	58.53%
MULTI-FAMILY FEES	564,000	564,000	285,887	50.69%
PROJECT ADMIN FEES	106,400	106,400	53,163	49.97%
INTEREST INCOME	550,000	550,000	673,071	122.38%
MISCELLANEOUS	18,000	18,000	18,390	102.17%
TOTAL INCOME	1,968,900	1,968,900	1,458,038	74.05%
FUND TRANSFERS				
LOANS TO LENDERS 76-79	180,000	180,000	204,402	113.56%
SF-INS MTG PROG 76-77	100,000	100,000	50,000	50.00%
SF-MTG PUR PROG 78-82	1,250,000	2,000,000	1,250,000	62.50%
SF-HOME MTG PROG 83-89	150,000	(600,000)	(442,500)	73.75%
MF-MTG PROG 77-79/86-88	430,000	430,000	415,000	96.51%
MF-HOUS PROG 81-83	80,000	80,000	40,519	50.65%
MF-HOUS DEV PROG 89	0	(64,770)	(54,770)	84.56%
MF-DIR PLAC PROG 85-86	10,000	10,000	10,000	100.00%
TOTAL TRANSFERS	2,200,000	2,135,230	1,472,651	68.97%
TOTAL INC & TFRS	4,168,900	4,104,130	2,930,689	71.41%
EXPENSES				
ADVERTISING & PROMOTION	67,100	67,100	9,736	14.51%
AUDIT	24,500	24,500	24,000	97.96%
ANNUAL REPORT	15,000	15,000	13,408	89.39%
COMMISSIONERS EXPENSES	4,000	4,000	3,013	75.32%
CONSULTING FEES	72,000	72,000	40,962	56.89%
DUES & SUBSCRIPTIONS	22,275	22,275	16,388	73.57%
INSURANCE	119,400	119,400	92,938	77.84%
INTEREST EXPENSE	321,500	321,500	249,192	77.51%
LEGAL	44,000	44,000	16,707	37.97%
MISCELLANEOUS	5,500	20,500	19,918	97.16%
OFFICE EXPENSES	32,000	32,000	19,114	59.73%
PENSION PLAN	85,000	85,000	54,930	64.62%
POSTAGE	22,000	22,000	12,759	58.00%
RENT	79,000	79,000	62,680	79.34%
REPAIRS & MAINTENANCE	33,000	33,000	25,985	78.74%
SALARIES & WAGES	1,070,600	1,070,600	766,910	71.63%
STAFF TRAVEL & TRAINING	90,450	90,450	43,396	47.98%
SUBSIDY-HVT, ERH, RWJ	550,000	550,000	118,632	21.57%
TAXES-PAYROLL	74,850	74,850	55,911	74.70%
TELEPHONE	33,000	33,000	24,260	73.52%
TRUSTEE & CREDIT FEES	225,000	225,000	121,513	54.01%
DEPRECIATION	65,000	65,000	55,104	84.78%
TOTAL EXPENSES	3,055,175	3,070,175	1,847,456	60.17%
SURPLUS (DEFICIT)	1,113,725	1,033,955	1,083,233	104.77%

VERMONT HOUSING FINANCE AGENCY

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE

DATE: APRIL 19, 1990

RE: POOL INSURANCE ALTERNATIVE-GE MORTGAGE INSURANCE

VHFA has struggled for several years with a provision of the 1978 Single Family Bond Resolution which requires pool insurance to be obtained on all loans originated after 1980. We have in place a pool insurance policy with Mortgage Guarantee Insurance Company (MGIC) with a negligible premium associated, which was obtained in 1980. MGIC, and most other pool insurance providers have been hit with heavy losses over the last several years and have altered their underwriting criteria on new loans which has made it difficult, if not impossible, to get our new mortgage loans covered. This is significant because we have recyclable funds available from the 1979 bond series that now amount to more than $12 million. These recycled funds have less restrictive requirements than current lendable proceeds and also have a 8.25% associated mortgage rate. Based on the original cash flows for this program we assumed that these funds would be recycled by 1989. We have been treading water and trading dollars by investing these funds slightly above their cost of 7.25% over the last couple of years.

Andy Gurley has been assisting VHFA in its many efforts to work out a solution to this problem. Through Andy we have been in touch with General Electric Mortgage Insurance Companies (GEMICO) and staff has met with them directly several times over the last couple of months. GE has given us a proposal to act as the pool insurer for the recycled funds that would be dedicated to new mortgages. Although we have asked GE to "sharpen their pencil" regarding the proposed rates, the substance of the transaction is in place.

The proposal consists of GE providing all primary mortgage insurance for those loans that require it (loans with a loan to value ratio of greater than 75% at time of purchase), along with a pool policy on all new loans within the pool. The risk sharing approach is divided into three tiers of losses under both policies, calculated on an assumed portfolio size of $15 million. GE would be responsible for the initial losses up to $100,000 under both policies. If losses exceeded $100,000 VHFA would be responsible

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for the next $400,000 of losses (second tier). If losses exceeded $500,000, GE would step back in and absorb losses to the extend of policy limits (third tier-catastrophic). These limits would approximate an additional $3 million on the primary and $1 million on the pool policy. Based on our experience with portfolio losses we feel comfortable in assuming the risk portion as presented and will be pressing to negotiate a better price for the policy by trading off cost against additional risk exposure.

Staff has talked with lenders throughout the state and has heard very positive reports about GE and lenders' experience with them on the primary insurance. We have also talked with the New Hampshire and Rhode Island HFA's which offered similar accounts about their experiences with pool coverage. Although the primary insurance is priced somewhat higher than VHMGB, the cost is lower than their standard premiums and those of other primary insurance carriers. The pool cost as currently proposed would amount to about $30,000 per year. The charges seem reasonable based on what it would cost to bond for new funds to this extent, and as mentioned previously, this pool of funds is much more flexible than "new money." The Operations Department will be scheduling a meeting with the underwriters from GE to discuss specific loan underwriting issues so as to enable us to produce a viable program.

RECOMMENDATION

Authorize staff to pursue this agreement in principle with General Electric Mortgage Insurance Company.

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

DATE: April 19, 1990

TO: Board of Commissioners

FROM: Glenn A. Jarrett, General Counsel GAJ

RE: Legislative Update

At this writing, most observers expect the session to continue into the week of April 23 and wind up at the end of that week, barring unforeseen delays. Here are updates on some of the bills that VHFA has been following:

S. 258

This bill will increase the Agency's bond ceiling from $600 million to $900 million, increase the moral obligation ceiling from $84 million to $125 million, and modify the requirements for the Agency's annual report. It passed the House last week and will be going to the Governor for her signature.

S. 157

This bill would provide a two tier licensing structure for real estate appraisers. Such a licensing mechanism is mandated by the federal savings and loan bailout legislation and is heavily regulated by a federal appraisal body. The state bill has passed the Senate and currently is in the House Government Operations Committee. We have been urging its passage because of the severe consequences if the State fails to adopt appraiser licensing. The federal law requires all "federally related real estate transactions" closed after July 1, 1991 to utilize a state licensed or state certified real appraiser. Unless a licensing mechanism is in place by then, banks will not be able to engage in most real estate transactions or will have to use out of state appraisers. Because of the time required to appoint board members, make rules, approve courses, and administer and grade exams, passage of such legislation next year would not be in time to meet the deadline.

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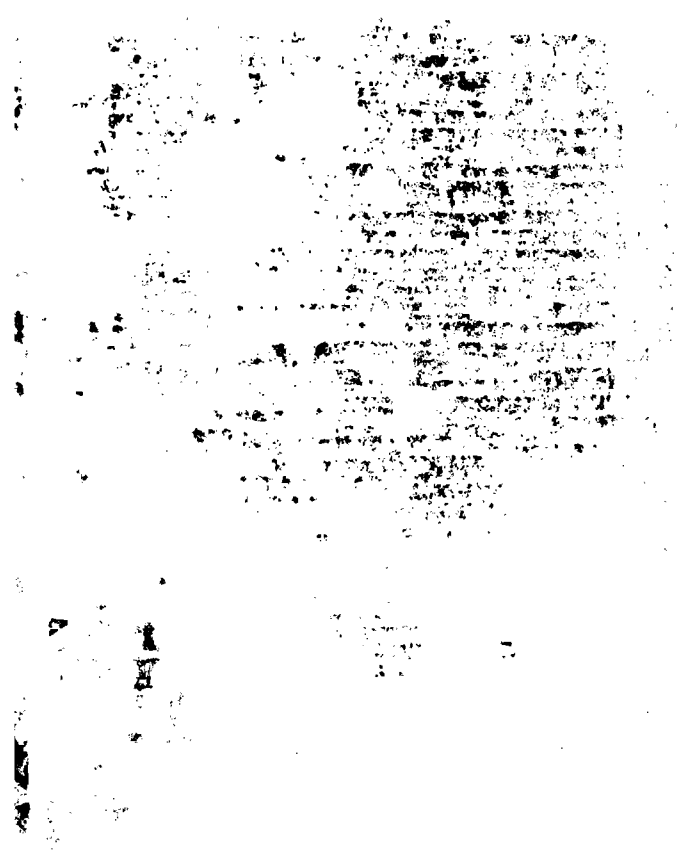
S. 260

The House Judiciary Committee is considering this mobile home park legislation. It was amended on the Senate floor to insert some tenant-oriented provisions after a dispute about the good faith of the park owners in negotiating with tenant representatives. VHFA has not taken a position on the bill. Prospects for passage are not good.

H. 757

This legislation would provide a state tax credit for below market rate investments in housing charities approved by the Commissioner of Housing and Community Affairs that use the money for affordable housing. The original version listed VHFA and Housing Vermont, among other "charities" as the types of organizations intended to be included. A later version has removed the list of organizations, but the intent is clearly to include organizations like Housing Vermont. The maximum amount of the credit in a year would be $150,000 (a maximum of three percent on a total investment of $5 million). I indicated to the Senate General Affairs and Housing and Finance Committees that, while the Board had not reviewed the bill, I was confident that you would support the bill as a beneficial addition to the sources of financing available for affordable housing development. It has now passed the Senate and will go back to the House to see if the House will concur with the Senate amendments.



VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

DATE: April 19, 1990

TO: Board of Commissioners

FROM: Glenn A. Jarrett, General Counsel GAJ

RE: Allen Apartments

Since the last Board meeting, we have secured the appointment of a receiver for the development by the Chittenden Superior Court. The receiver is Lake Champlain Housing Ventures, which was our choice. Upon delivery of the accounts of the development, the receiver discovered that the development accounts had been reduced to almost zero, in part because of seemingly improper expenditures from the development account by the general partner/manager. The books have been turned over to an auditor who will be attempting to prepare an audit for the period from January 1, 1989 to the time the receiver took control of the project. It may be difficult for the auditor to come up with a meaningful audit because there are few, if any, supporting records for the expenditures from the development account.

In addition to the problems discussed above, there are also bills that were not paid by the general partner/manager. We have authorized the receiver to requisition money from the Project Cost Escrow and Replacement Reserve accounts to pay such bills. There are also physical problems at the development that will need to be remedied.

As a result of the discovery of the financial condition of the development, the Agency notified the partnership in early April that we would be amending our Superior Court suit in 30 days (May 3) to allege additional defaults, accelerate the note, and commence foreclosure proceedings. I met with the attorney for the limited partners today. They are anxious to stave off foreclosure, but are not sure that they want to put more money into the project. They have filed suit against the general partner to try to force him out of the partnership. Our position in any talks will be that the accounts need to be made whole in order to avert the foreclosure.

You can expect another update at the May board meeting.

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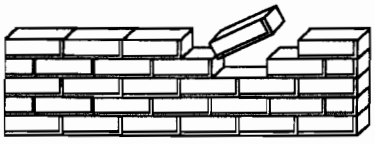
COMING SOON!

2nd Annual Lieutenant Governor's Conference on Affordable Housing

" Partnerships: Bringing Affordable Housing to Vermont Communities . . . Getting it Built! "



June 7-8, 1990
Ascutney Mountain Resort
Brownsville, Vermont

WHY: Let's stop talking and start building! To follow up on the success of last year's forum, we have a dynamic program sketched out to provide two days of dialogue and activity with the focus on Getting it Built. We'll offer tools and models to inspire action on affordable housing issues related to planning and growth, financing, development, generating community support and marketing.

WHO SHOULD ATTEND: Architects, Builders, Employers, Lenders, Non-profit and for-profit Developers, Planners, Real Estate Professionals, State and Local Officials and anyone interested in providing affordable housing opportunities in the 90s and for future generations of Vermonters. Last June over 370 people attended this conference.

COORDINATED BY: Greater Burlington Industrial Corporation, Home Builders Association of Vermont, Lt. Governor Howard Dean's Office, Vermont Association of REALTORS, Vermont Department of Housing and Community Affairs, Vermont Housing and Conservation Board, Vermont Housing Finance Agency, Vermont League of Cities and Towns, Vermont State Housing Authority.

REGISTRATION: $50; Conference program and registration form to follow, or call 828-2226 for more information.

Mark your calendars!

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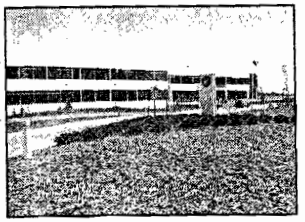

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Federally Subsidized Housing at Risk

Rents May Rise As Owners Buy Out Projects

By THOMAS J. LUECK

At a time when homelessness and the shortage of affordable housing are high on the nation's political agenda, lawmakers and housing officials are grappling with the problem of how to prevent steep losses in the federally subsidized apartments built during the 60's and 70's.

Across the country, more than a million subsidized low- and moderate-income apartments were built in those two decades and housing analysts now fear that as many as 200,000 could be transformed into market-rate housing by 1995. In New York City, with 90,000 of the federally subsidized apartments, a study released last month found that more than 19,000 were "at risk" over the next two years.

"These programs were designed to self-destruct," said Representative Barney Frank, Democrat of Massachusetts and a member of the subcommittee on housing and community development of the House Banking Committee. The panel is working on legislation that it hopes will retain most of the subsidized apartments.

But some have already been lost.

"This thing just fell out of the sky," said Clayton Guyton, a transportation dispatcher who lives at Buena Vista, a subsidized complex of 236 apartments in Alameda, Calif., near Oakland, whose owners bought out their mortgage and began charging market rate rents last year.

Mr. Guyton, his wife, Delores, and their three children have managed to remain, even though their rent jumped to $675 from $271. Many of his neighbors have not.

"Some moved in with relatives," he said. "Some just got in the car and drove away."

The problem results mainly from financial deadlines written into several Federal housing initiatives. By offering cut-rate loans to developers and rent subsidies to poor tenants, the programs formed the bulk of the nation's housing policy before 1980.

But the subsidies were not designed to last forever. Developers given low-cost Government mortgages were promised the option of paying them off after 20 years and converting their subsidized apartments into much more expensive market-rate housing.

Other deadlines are passing. Landlords whose tenants are receiving direct rent subsidies from Washington are allowed to "opt-out," deciding they will no longer accept the Government checks and instead seek higher income market-rate tenants. In many cases, the option can be exercised every five years.

Solutions are being tested. In Burlington, Vt., a nonprofit housing group, fearing that the owners of a 20-year-old subsidized rental complex would convert it to condominiums, raised $21 million last year, bought the complex and are renovating it extensively. Most of its low- and moderate-income tenants have retained their apartments.

Still, housing analysts say the biggest threat of losses, and the most urgent need for solutions, will come over the next five years, as hundreds of the subsidized buildings become eligible for mortgage buy-outs or the withdrawal from rent subsidies.

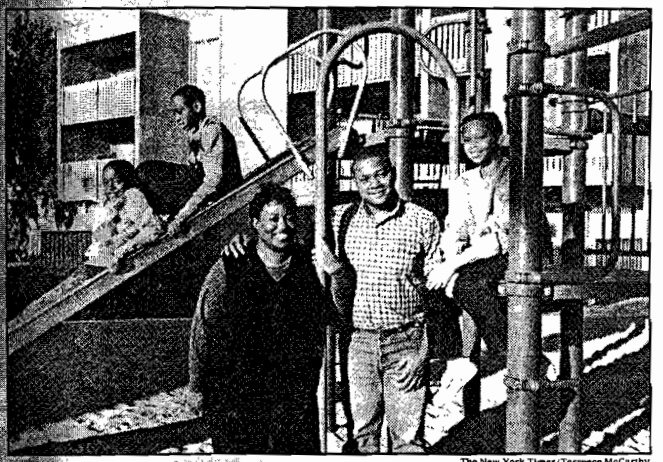
"We are sitting on the edge of some big problems," said Victor Bach, an analyst with the Community Service Society, a nonprofit social advocacy group in New York City. The city has more apartments built with the Federal mortgages and rent subsidies than any other urban area.

In a study released in March, Mr. Bach said 6,106 of the subsidized apartments were at risk this year and 13,624 would be at risk in 1991 if owners excercised all their options to withdraw from the Federal programs. The most vulnerable buildings, he said, are in Chelsea, Clinton and other neighborhoods where the subsidized housing of the 60's and 70's now coexists with newer market-rate rental buildings, co-ops and condominiums.

The Federal subsidy programs, with names layered in bureaucratic jargon, have financed low- and moderate-income housing in cities across the country. They include three major programs:

¶ The Section 221 Below Market Rate Program, which provided developers with 40-year mortgages at 3 percent interest, and the Section 236 program, which provided similar

Continued on Page 13, Col. 1



The New York Times/Terrence McCarthy

ABOVE Clayton and Delores Guyton with their three children at Buena Vista complex, Alameda, Calif. Family's rent rose 250 percent after owner bought out the mortgage on the subsidized complex.

BELOW Brenda Torpy, director of Northgate Housing, at 336-unit Northgate Apartments complex the group is renovating in Burlington, Vt. She and other tenants bought the complex to prevent condo conversion.

The New York Times/Paul O. Boisvert

Buyouts Put Federally Subsidized Housing at Risk

Continued From Page 1

mortgages at 1 percent interest. Over 500,000 low- and moderate-income apartments were built under the two programs from 1961 to 1973 when they were phased out.

Both require developers to charge rents that are affordable for low- and moderate-income tenants, but also allow them to "prepay" their mortgages after 20 years.

The Section 8 Program, begun in 1974, which provided rent subsidies to tenants and assured developers of new or rehabilitated apartments of market-rate rents, which are set and adjusted by the Government. Tenants in the program are designated "moderate income" if their earnings are less than 80 percent of the median in their areas, or "low income" if they make less than 50 percent of the median. They pay 30 percent of their income in rent, and Federal subsidies make up the difference.

More than 800,000 apartments were built under the Section 8 program, most in the late 70's. Owners with Section 8 tenants can "opt-out" every five years.

To be sure, no one is predicting the complete dismantling of Federal housing subsidies, at least not right away. Housing analysts say that many of the subsidized buildings are in blighted or declining areas where owners would find it difficult or impossible to find higher-income tenants, and therefore need the Federal subsidies to assure a profit on their buildings.

> Analysts say some owners need the subsidies to assure a profit in blighted areas.

In Washington, several measures have been approved or proposed to preserve the subsidized housing. The Bush Administration has proposed a Federal budget that would maintain rent subsidies under the Section 8 program, and Congress has imposed a moratorium on the loss of housing that was put up with discounted Federal mortgages.

The moratorium, imposed in 1988, has temporarily forbidden building owners from paying off their subsidized mortgages when the original 20-year deadline passes. But the moratorium will expire in September.

In the meantime, several measures are working their way through Congress that would extend the moratorium, or provide a more permanent solution with new incentives for the owners of subsidized housing. Proponents say the incentives would persuade owners to continue renting to their poor tenants, or sell their buildings to others who would.

Several states have begun testing ways to head off the loss of federally subsidized housing. Rhode Island and Maryland have passed laws requiring owners to give their tenants or nonprofit housing organizations a "right of first refusal" — the first opportunity to buy their subsidized buildings if they are going to be sold.

Other states, including California, have begun requiring notice far in advance to subsidized tenants if the ownership of their buildings is going to change, or if rental subsidies will no longer be accepted. And in New York, housing activists are proposing a state law that would require owners to notify their tenants of "at-risk dates" when mortgage buyouts, or rental-subsidy opt-outs would be allowed under Federal guidelines.

"My sense is that there is enormous pressure not to lose subsidized buildings," said Robert C. Rosenberg, chairman of Grenadier Realty Corporation, New York City's largest manager of subsidized low- and moderate-income housing, with 14,000 apartments.

He added that he expected lawmakers in Washington and Albany to provide a "reasonable program of incentives" for owners and managers. Nonetheless, he said, because some of the subsidized buildings are in neighborhoods where values have soared, owners will receive a much higher return by withdrawing from the Federal programs.

"There are instances where owners will go," he said.

Rising property values are not the only problem. Housing analysts predict a rapid increase in defaults among the owners of subsidized housing, particularly in blighted and declining neighborhoods, because their rental income is not providing enough cash to maintain their aging buildings.

Some of the buildings "are in such poor financial condition that, in the absence of any Government intervention, the owners' best alternative is to stop making interest and principal payments," said a recent report commissioned by the House Subcommittee on Housing and Community Development and the Senate Subcommittee on Housing and Urban Affairs. Although properties in default would revert to the Federal Government, which could maintain them as low-income housing, the report said continuing financial losses would have to be corrected.

But experts say the most likely candidates for removal from the federally subsidized housing stock are buildings whose owners could profit by turning them into market-rate housing. In cases where the buildings could be converted into high-priced condominiums or cooperatives, or rented out at far higher rates, they say the pressure to withdraw from Federal subsidies is particularly strong.

Changes in the Federal tax code, enacted in 1986, have added to the pressure. Accelerated depreciation, the deduction of passive losses and other incentives that had made investing in low-income housing one of the most popular tax shelters have been all but eliminated, and investors who put their money into the projects in many cities are looking for a way out.

In New York, some low-income tenants say they fear an impending disaster.

"Gentrification is going on all over the place," said Deborah Alston, a resident and editor of a tenants' newsletter at Stevenson Commons, a complex on White Plains Road in the Classons Point section of the Bronx that was built with 1 percent Federal loans under the Section 236 program in 1974.

Families in the complex, who qualified for their apartments because their incomes were 80 percent of the New York City median or lower, pay no more than $445 a month for two-bedroom apartments and $530 a month for three-bedroom units, little more than half of what market rate apartments would cost in the neighborhood. The complex is managed by Grenadier Realty, which said it now has no plans to change its federally subsidized status.

Nonetheless, Mrs. Alston said tenants in the complex, many of whom have lived there with their families for more than a decade, are aware of the 20-year deadline that would give their private landlord the option of buying out his Federal mortgage, and are worried about the risks involved.

"We know they are going to try to move us out eventually," she said.

In New York State, the near-term future of subsidized housing is clouded further by questions surrounding the Mitchell-Lama program, begun in 1955, under which 170,000 low- and moderate-income apartments were built with tax abatements and low-interest mortgages. Many of the buildings were put up in the 60's and received financing under the Federal Section 236 program, in addition to state benefits.

The New York Times/Alan Zale

Stevenson Commons in the Bronx. Manager says there are no plans for a mortgage buyout, but tenants are concerned.

> To stop the loss of subsidized housing, several states have new laws giving tenants the first opportunity to buy their buildings.

Like the Federal programs, Mitchell-Lama allows building owners to pay off their subsidized mortgages after 20 years. Twenty of the buildings have already been removed from subsidized status, and most of them converted to much more expensive co-ops. Notice has been filed by the owners of 21 other Mitchell-Lama buildings that they intend to pay off their mortgages.

Lawmakers in Albany are deadlocked over how to prevent further losses in the Mitchell-Lama inventory. Many endorse a 15-year moratorium on mortgage buyouts, a measure that has prompted fierce opposition from building owners, who say it would simply deny them rights they were assured of when they built the subsidized housing.

In Washington, meanwhile, the Department of Housing and Urban Development sent proposals to Congress in March that it said were designed to preserve most of the Federal subsidized housing. One element in the proposal would provide $1.1 billion in Federal grants to be used by the tenants of subsidized housing or nonprofit groups to buy out their buildings if landlords elect to sell them. Under the proposal, as much as $90,000 would be allocated for each subsidized apartment.

Other Federal housing agency proposals, which must be approved by Congress, include offering the owners of Section 221, Section 236 and Section 8 housing higher rents to give them a better return on their investments. Another would require current [illegible] and provide moving expenses for their subsidized tenants who are forced to move because their buildings are being converted to co-ops, condominiums or market-rate rentals.

One unresolved issue is how to determine a fair-market value for the subsidized housing complexes, particularly if they are to be bought by their tenants or nonprofit groups that intend to continuing operating them for low-income tenants.

Although owners expect the same price they would get if they were to sell to private, market-rate landlords, many in Congress say that that price would be too high, particularly because of the Government benefits the owners received when they went into construction in the 60's and 70's.

"It is going to be sticky," said Representative Floyd H. Flake, a Democrat whose district covers sections of Brooklyn and Queens. Mr. Flake is a member of the House Subcommittee on Housing and Community Development, which is exploring ways to preserve subsidized housing.

If many owners attempt to sell at to the highest bidders, he added, "we don't have enough money in the housing area to buy them out."

But others in Congress said they were confident a plan would be approved this year to preserve most of the subsidized housing.

"There are some areas that have become so gentrified that it will not pay" to try to prevent conversion of subsidized apartments to market-rate co-ops, condominiums or rentals, said Representative Frank of Massachusetts. But he added that "we can preserve 90 percent of the units."

Although the proposal to finance buyouts by tenants or nonprofit groups would represent a sharp departure from past Federal policies, such measures are not without precedent.

One was in Burlington, Vt., where Northgate Housing, a nonprofit group, has raised $21 million to buy and renovate the Northgate Apartments, a complex of 336 units built with Federal [illegible]. The previous owners had planned to pay off their Federal mortgage last year and convert the complex, now surrounded by expensive condominiums, into market-rate housing.

Brenda Torpy, director of Northgate Housing, said buying out the complex required support from the city of Burlington, which adopted strict laws limiting the conversion of apartments to condominiums, and the State of Vermont, which raised $8 million in tax-exempt bonds to help finance the acquisition of Northgate.

Because of the newly enacted laws on condominium conversion, she said, the previous owners were limited in their plans for the complex, and were willing to negotiate a lower-than-expected selling price to the nonprofit group. They agreed on $10.1 million.

In buying the complex, Ms. Torpy said, her group was also able to reduce its costs by taking over a 3 percent Federal mortgage, which had been extended to the project in 1968 but still has 20 years to go before it is fully amortized. The mortgage was obtained in the Section 221 program.

Many subsidized tenants have remained in the complex, she added, receiving rental subsidies under Section 8 that are still available even though the ownership of their complex has changed.

With extensive renovations under way, she said the tenants have been given greater responsibility for managing the complex, and have formed a committee to supervise maintenance and set rents for higher income newcomers who do not qualify for Federal subsidies.

"If we are going to preserve the bulk of our subsidized housing," said Ms. Torpy, "a lot more money has to be set aside for this kind of approach."

New Rules Set for Sponsor Disclosures

By THOMAS J. LUECK

With financial troubles deepening at some of New York City's residential cooperatives, Attorney General Robert Abrams has sent a new set of requirements for financial disclosure to the sponsors of more than 2,000 co-op buildings across the city.

One of the city's largest co-op converters, Time Equities, filed notice last week that it is behind on maintenance charges or in arrears needed to pay for repairs or improvements not covered by routine monthly maintenance charges.

Sponsors must list all unsold shares or apartments that are used as collateral for loans. The identity of the lenders, the amount and maturity date of the loans, and the amount of monthly payments on the loans, must also be disclosed.

They must also list all other buildings in before it is converted under a noneviction plan. In buildings where the sponsors retain the majority of unsold shares, they are often for rent-controlled or rent-stabilized apartments whose tenants pay less in rent than is required to meet monthly maintenance charges. The squeeze on co-op converters and sponsors is also attributed by experts to their having used their unsold shares as collateral to get bank financing for other real

The company said it owed Crossland Savings Bank $14,794,600 and was behind in its payments on a loan taken out with the unsold shares of 10 co-ops as collateral. They include three buildings in Tudor City in East Midtown and other buildings in the East 40's and West 80's.

Payments are also in arrears, with the shares of other co-ops used as collateral, on a $10 million loan from Goldome Savings Bank

vhfa
VERMONT HOUSING FINANCE AGENCY

May 7, 1990

Ms. Jean Gauthier
Department of Administration
Pavilion Office Building
109 State Street
Montpelier, VT 05602

Dear Ms. Gauthier:

The Vermont Housing Finance Agency will be having its monthly Board Meeting on Thursday, May 17, at 2:00 p.m., here at the office of Vermont Housing Finance Agency, One Burlington Square, Burlington, Vermont.

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

Sincerely,

Barbara M. Parker

Barbara M. Parker
Executive Assistant

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/336-5866

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director

DATE: May 11, 1990

RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held at 2:00 p.m. Thursday, May 17. Due to the brief agenda, the meeting will be held via conference call originating here at the VHFA office, One Burlington Square, Burlington. It is anticipated that the meeting will take no longer than an hour.*

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

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Burlington May 17!

*Should you prefer to join the staff at the VHFA office, please feel free to do so. We will arrange the conference call to include contacting each of you at your office or any other telephone number which you specify prior to the meeting.

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866

VERMONT HOUSING FINANCE AGENCY

VHFA BOARD MEETING AGENDA
VIA CONFERENCE CALL

One Burlington Square
Burlington, Vermont

Thursday, May 17, 1990 at 2:00 p.m.

1. Review and approval of minutes of April 26, 1990

2. Executive Director's Report [**Hunt**]

3. Operations
   - A. MOVE 1989A Update [**Lothrop/Enclosure**]
   - B. GE Insurance Contract Proposal [**Lothrop**]

4. Development
   - A. Proposed Single Family Rules [**Pond/Enclosure**]
   - B. Whetstone Condominiums Discussion [**Pond/Enclosure**]
   - C. St. Johnsbury Scattered Site Development Letter of Commitment [**Pond/Enclosure**]

5. Finance
   - A. Underwriter RFP Proposal [**Schoenbeck**]
   - B. FY 1990 Budget Adjustments [**Schoenbeck/Encl.**]

6. Legal
   - A. Legislative Update [**Jarrett/Enclosure**]
   - B. Larkin Condominium Discussion [**Jarrett/Enclosure**]

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

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866

VERMONT HOUSING FINANCE AGENCY

BOARD MINUTES
Vermont Housing Finance Agency
Office of the Commissioner of Banking and Insurance
89 Main Street
Montpelier, Vermont
Thursday, April 26, 1990

PRESENT: Commissioners Shaw, Ruse, Erdman (designee of Commissioner Francis), Nemitz (designee of Commissioner Johnson), Hebard, Seelig, Myette (via speakerphone)

Agency Staff: Mr. Hunt, Mr. Schoenbeck, Mr. Lothrop, Mrs. B. Parker, Ms. Pond, Ms. Hope, Ms. P. Parker, Mr. Koppelkam, Ms. Kehoe; Ms. Wadhams (Consultant); Ms. Pearson (VHMGB); Mr. Richardson, Mr. Collins (Housing Vermont).

Guests Present: Mr. Rockford, Department of Banking and Insurance; Mr. Anderson, Preservation Investments, Ltd.; Ms. Owre, Northern Community Investment Corp.

The meeting was called to order at 1:30 p.m. by Chairman Shaw. A motion was duly made and seconded that the minutes of the March 15 meeting be accepted as written; this motion was carried unanimously.

In his Executive Director's Report, Mr. Hunt asked Mr. Anderson to update the Board on the Dalton Drive (Fort Ethan Allen) project. Mr. Anderson informed the Board that he had met with the Town Planners of both Colchester and Essex to discuss the 19 buildings to be rehabilitated at Dalton Drive and site plan approval has been received from both towns. According to Mr. Anderson, at a cost of just under $50,000, one unit will become a model unit to be shown to prospective buyers, demonstrating the "basic" level of rehabilitation to be achieved prior to sale of the units. Further, one room will be restored fully (to the proper period interior) in an effort to illustrate the potential finished product the homeowner could achieve after purchasing the unit at the "basic" restoration level. The Board was assured by Ms. Wadhams that a record would be kept at each step of the restoration, in an effort to provide buyers with an estimate of the time, labor and costs involved, and that the asbestos abatement issue will be handled prior to the marketing or sale of any units at Dalton Drive. In response to concerns expressed by Mr. Hebard about the Burlington area real estate

market, Mr. Shaw observed that it seemed almost mandatory to have a model unit at the site. Mr. Hunt reminded the Board that this project is unique, will offer units which are more affordable on a per square foot basis, and offers the best financing (VHFA and Housing and Conservation Trust Fund); approximately 40 units will be made available to families under 80% of the median income. No Board action was necessary, but staff was advised to proceed with the restoration of a model unit as described.

Mr. Hunt advised the Board that he had attended a meeting hosted by the Federal Home Loan Bank Board in New York April 6, at which Governor Kunin was the keynote speaker. Governor Kunin's speech was well received.

The "MOVE 1989A Update," as included in the Board packet, was reviewed by Mr. Lothrop. No Board action was necessary.

Ms. Pond announced that, as stated in her memo, "New Single Family Funds (1989B) Release Date," included in the Board packet, the release of funds in the 1989B MOVE program will be delayed until June 1 in order to better utilize existing funds. No Board action was necessary.

The "Supplemental Resolution to the Single Family Insured Mortgage Bond Resolution," as described in his memo of April 17, included in the Board packet, was addressed next by Mr. Lothrop. A motion was duly made and seconded and the resolution as attached to these minutes was adopted unanimously.

Mr. Lothrop next reviewed the "Recommendation for Income and Purchase Price Limits, Mortgage Plus Program," as detailed in his memo of April 19, included in the Board packet. A motion was duly made and seconded and the limits were unanimously adopted as presented.

The Robert Wood Johnson Foundation (RWJF) initiative was reviewed by Ms. Parker, who is the TEAM (Tenant Education and Assistance Model) Director for the Support Services for the Elderly program as funded by the RWJF. Ms. Parker reported that the program is halfway through the three-year funding of the grant. Additional funds of $100,000 per year for two years may be possible through the Administration on Aging; however, any award of these funds would require a contribution of $33,000 from the Agency for the first year. According to Ms. Parker, the RWJF grant only allows the Agency to work with projects which are Agency-financed; should the new funds be awarded, they would allow the TEAM staff to work with other Vermont developments which were not funded by the Agency. Ms. Parker further emphasized that the various agencies around Vermont with which the TEAM staff have worked have offered positive feedback on the

TEAM efforts. A motion was duly made, seconded and unanimously approved to ratify the submission of an application for the additional funds and to commit $33,000 from the Agency should the grant be awarded.

Ms. Kehoe discussed her memo of April 18, included in the Board packet, regarding the "Recommendation for Revised Income Limits and Purchase Price Limits for the Perpetually Affordable Housing Program." Following a brief discussion, a motion was duly made and seconded that: (a) the income limits for the Perpetually Affordable Housing Program be set at 100% of median income or $32,300, and that purchase price limits be set at $89,000 for existing homes and $98,000 for new construction; (b) as a goal, but not a requirement, 80% of the funds are to be made available to persons or families at or below 80% of the median income; and (c) in the case of payment subsidies to mortgages made under the Perpetually Affordable Housing Program, the maximum buy down allowed will be 1.5% over a period of three to five years, with payment subsidies to be recaptured by the funding agency for the purpose of recycling the funds for future generations. This motion, slightly altering the recommended proposal, was adopted unanimously.

The Board turned next to Ms. Kehoe's memo of April 17, "Underwriting Guidelines and Mobile Home Parks" included in the Board packet. A motion was made, seconded and unanimously accepted that underwriting guidelines for reserve and ratio requirements for mobile home parks be as follows: (a) the working capital reserve is to be equal to 10% of annual debt service reserve on the Agency's loan; (b) revenue deficit escrow would not be required unless a vacancy exists at the time of closing; and (c) the reserve for replacement must be equal to 3% of the adjusted gross revenues.

A "Status Report and Recommended Action: Sandy Pines Mobile Home Park," as detailed in her memo of April 19, included in the Board packet, was reviewed by Ms. Kehoe, who cautioned the Board that the proposed sales price is still higher than the appraisal value. Ms. Kehoe further stressed that all required Act 250 permits have been issued. A motion was duly made and seconded that the proposed resolution be approved after being amended to read "*The acquisition price must, in the opinion of the Executive Director, be consistent with the appraised value of the park;*" the resolution was unanimously approved with the revision and is attached to these minutes.

Next, Ms. Pond opened a discussion of the "New Construction Proposal - Bristol," as outlined in her memo of April 20, included in the Board packet. The policy issues before the Board encompass the appropriateness of a multi-family project in a rural setting, the potential "ghetto-izing" of low-income

families, and the overall issue of financing a development that is proposed to be occupied 100% by low income persons or families. A lengthy discussion followed, during which Mr. Hunt explained that the normal mix of low- and moderate-income residents would be limited to only low income in this project due to the use of enhanced low income housing tax credits, which bring in the equity, thereby making the proposed development financially feasible. Mr. Seelig observed that the Housing and Conservation Trust Fund had approved the Bristol proposal but had numerous concerns, as evidenced in their letter of April 9 (which was attached to Ms. Pond's memo), stating 24 conditions of approval for financing of the project. Mr. Koppelkam advised the Board that the total cost for the 12-unit development was expected to be $850,000. Mr. Richardson explained that the economics of tax credits are different in urban and rural areas because the rent structure is much lower in rural areas, and rural rental developments face higher costs (such as roads, water and sewage systems, etc.) than a similar development in an urban area. No formal action was taken, but the Board agreed in principal that developments be reviewed on a case-by-case basis, rather than having fixed rules for low-income and mixed-income developments.

Mr. Koppelkam led a discussion of the "Approval of Letter of Interest to Finance Eight Residential Buildings in St. Johnsbury, Using Taxable Financing," as described in his memo of April 20, included in the Board packet. Ms. Owre assured the Board that as a representative of Northern Community Investment Corporation (NCIC) she was convinced this is the best project possible for the site. According to Ms. Owre, all eight buildings are eligible for both the state and national historic registers. A motion was duly made and seconded to adopt the "Resolution Pertaining to Letter of Interest re: St. Johnsbury Scattered Site Development" as proposed and attached to these minutes; this motion was carried unanimously.

Next, the Board reviewed the "Commitment Letter to Interfaith/Pine Meadow Development, Middlebury," as presented in Mr. Koppelkam's memo of April 18, included in the Board packet. Upon a motion made and seconded it was unanimously agreed to adopt the "Resolution Pertaining to Commitment Letter for Interfaith/Pine Meadow Development, Middlebury," as attached to these minutes.

Before Mr. Richardson and Mr. Collins left the meeting, Mr. Hunt advised the Board that Housing Vermont has been selected as one of 25 finalists in a pool of 1,552 applicants in the Ford Foundation/Kennedy School of Government "Innovations Award" program. VHFA submitted the application as the creator of Housing Vermont. The Board expressed congratulations to the representatives of Housing Vermont and staff.

Mr. Schoenbeck distributed a memo dated April 26 regarding the "Underwriter Selection Process (RFP)" as an update for the Board. After a discussion of the qualifications of the applicants, it was agreed that the four top-rated firms should be interviewed. Oral presentations by the finalists will be scheduled with Board representatives, and a final recommendation will be made at the next Board meeting. The Board agreed with Mr. Schoenbeck's further suggestion that a review process be considered once every three years.

The Board next considered the "Pool Insurance Alternative--GE Mortgage Insurance," as detailed in Mr. Schoenbeck's memo of April 19. Following a brief discussion, and without any formal action being taken, the Board indicated general agreement for staff to proceed and pursue an agreement with GE Mortgage, with a formal recommendation and anticipated ratification of the contract at the next Board meeting.

The Board noted receipt of the memos from Mr. Jarrett regarding "Allen Apartments" and a "Legislative Update." Mr. Nemitz advised the Board that the bill regarding appraiser licensing had still not been passed, and a motion was made, seconded and unanimously adopted that the Chairman send a letter to the legislature in support of S.157; a copy of the letter as sent is attached to these minutes.

Mr. Hunt approached the Board with a request to increase the funding limit of the Vermont Housing Ventures fund (with $240,000 committed of the total $250,000 available). A motion was duly made, seconded and unanimously adopted to informally increased the funds for Vermont Housing Ventures to $310,000 to cover anticipated commitments, with the understanding that the formal budget review to be conducted at the next Board meeting would include the necessary financial details.

The Board was briefly apprised of a planned condominium conversion in Brattleboro, known as Whetstone, and staff was requested to review the project and present a firm recommendation to the Board at the next meeting.

The next meeting was scheduled for May 17; there being no further business, following a motion duly made and seconded the meeting was adjourned at 4:00 p.m.

Respectfully submitted,

Allan S. Hunt
Secretary

SUPPLEMENTAL RESOLUTION AMENDING
SINGLE FAMILY INSURED MORTGAGE BOND RESOLUTION

WHEREAS, the Vermont Housing Finance Agency (the "Agency") heretofore adopted on September 17, 1976, a resolution entitled "Single Family Insured Mortgage Bond Resolution" (the "Bond Resolution"; with all undefined terms used in this Supplemental Resolution having the meanings given such terms in the Bond Resolution); and

WHEREAS, Section 405(G) of the Bond Resolution provides, in part, that Mortgage Loans purchased by the Agency thereunder shall have been finally endorsed for insurance or guaranty by, among others, the Federal Housing Administration, the Farmers Home Administration, the Veterans Administration or the Vermont Home Mortgage Guarantee Board; and

WHEREAS, a question has arisen under the Bond Resolution with respect to the purchase thereunder of Mortgage Loans which, while otherwise qualifying for endorsement of insurance or guaranty as required by Section 405(G), are in a principal balance relative to the value of the property securing such Mortgage Loan less than the minimum amount for which insurance or a guaranty is legally available from one or more of the insurers and guarantors set forth in said Section 405(G); and

WHEREAS, Section 802 of the Bond Resolution permits the Agency to adopt one or more resolutions amending the Bond Resolution to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Bond Resolution or to insert such provisions clarifying matters or questions arising under the Bond Resolution as are necessary or desirable and are not contrary to or inconsistent with the Bond Resolution as theretofore in effect; and

WHEREAS, the Agency has determined that the provisions of this Supplemental Resolution are necessary and desirable and not contrary to or inconsistent with the Bond Resolution as currently in effect,

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

101. *Amendment to Section 405(G) of the Bond Resolution.* Section 405(G) of the Bond Resolution is hereby amended to read as follows:

(G) No Mortgage Loan shall be purchased or made by the Agency unless (i) it shall have been finally endorsed for insurance or guaranty by the Federal Housing Administration, the Farmers Home Administration, the Veterans Administration or the Vermont Home Mortgage Guarantee Board, or another agency or instrumentality of the United States or the State to which the powers of any of them have been transferred, or which is exercising similar powers with reference to insurance or guaranty of Mortgage Loans, or (ii) the ratio of the principal balance of the Mortgage Loan to the value of the property securing the Mortgage Loan is less than the minimum ratio at which insurance or a guaranty is legally

available from one or more of the foregoing and the Agency files with the Trustee a certificate executed by at least one of such insurers or guarantors to the effect that, except for such ratio, the Mortgage Loan qualifies for such insurance or guaranty.

102. *Effective Date*. This Supplemental Resolution shall be effective 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 April 26, 1990.

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

RESOLUTION PERTAINING TO COMMITMENT LETTER FOR SANDY PINES

WHEREAS, Housing Foundation, Inc., a nonprofit corporation, ("HFI"), has presented a proposal for acquisition of Sandy Pines Mobile Home Park, a 56 unit park in East Montpelier, Vermont ("Sandy Pines"); and

WHEREAS, the total cost of acquisition and work planned in conjunction with the acquisition is not expected to exceed $1,030,000; and

WHEREAS, HFI has received a commitment for a deferred loan in the amount of $280,000 for Sandy Pines from the Vermont Housing and Conservation Board; and

WHEREAS, the proposal contemplates that Sandy Pines will continue to have a resident mix with a large majority of the residents below median income and eventually will be turned into a cooperative run by the tenants; and

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

WHEREAS, the Agency has secured a commitment from the State's pension funds to purchase taxable bonds issued by the Agency; and

WHEREAS, the Agency has determined that the acquisition of Sandy Pines by HFI will assist in fulfilling the purposes of the Act and is financially feasible;

It is hereby DETERMINED:

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

2. The acquisition and 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 housing for persons and families of low and moderate income,

RE: COMMITMENT LETTER FOR SANDY PINES (Continued)

and the sponsors are financially responsible persons or institutions.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a combined letter of intent and commitment (the "Commitment Letter") to provide a first mortgage for permanent financing of not more than $740,300 for Sandy Pines Mobile Home Park.

2. The Commitment Letter shall be issued to Housing Foundation, Inc.

3. The acquisition price must, in the opinion of the Executive Director, be consistent with the appraised value of the park.

4. The commitment of the Agency shall be subject to receipt, at the time of the closing, of a commitment fee in an amount equal to one percent (1%) of the principal amount of the mortgage loan.

5. The Commitment Letter shall provide that the interest rate to be charged on, and the term of, the Mortgage Loan, shall be as determined by the Agency.

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

7. The Commitment Letter shall contain such other terms and conditions as the Executive Director shall deem necessary or appropriate, given the circumstances.

8. The Executive Director is authorized to make preliminary arrangements for the issuance and private placement of taxable bonds of the Agency to provide proceeds for financing this loan.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont on April 26, 1990.

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

RESOLUTION PERTAINING TO LETTER OF INTEREST RE:
ST. JOHNSBURY SCATTERED SITE DEVELOPMENT

WHEREAS, a proposal has been presented to the Agency by Northern Community Housing Corporation ("NCHC"), a nonprofit corporation that is a subsidiary of Northern Community Investment Corp. in St. Johnsbury, involving the acquisition and rehabilitation of 37 units in 8 buildings located on scattered sites in St. Johnsbury (the "Development"); and

WHEREAS, the proposal contemplates that the Development will constitute a "qualified low-income housing project" within the meaning of section 42(g) of the Internal Revenue Code of 1986; and

WHEREAS, the proposed partnership between Housing Vermont and NCHC (or their subsidiaries) will qualify as a housing sponsor within the meaning of the Vermont Housing Finance Agency Act (the "Act"); and

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

THEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Interest in providing up to $850,000 of first mortgage permanent financing for the St. Johnsbury Scattered Site Development. The Letter of Interest shall be issued to Housing Vermont as the representative of a limited partnership to be formed that shall include Housing Vermont or a subsidiary thereof, NCHC or a subsidiary thereof, and such private equity investors as may be available. Consistent with applicable rules of the Agency, the Letter of Interest shall include the following language:

   "This Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds from the issuance of new bonds or notes of the Agency and the satisfactory completion of such further requirements as the Agency may establish. This Letter of Interest may be used by you in support of applications for construction and/or operating subsidies, insurance, construction financing, and other purposes after first obtaining the permission of the Agency."

2. The Executive Director and appropriate staff are hereby authorized and directed to negotiate with the developer, review all relevant facets of the St. Johnsbury Scattered Site Development and make preliminary arrangements for financing by taxable bonds or notes.

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 26, 1990.

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

RESOLUTION PERTAINING TO COMMITMENT LETTER FOR INTERFAITH/PINE MEADOW DEVELOPMENT, MIDDLEBURY

WHEREAS, Housing Vermont and the non-profit corporation Interfaith, Inc. have presented a proposal for construction of 30 units of rental housing in the town of Middlebury, Vermont (the "Interfaith/Pine Meadow Development" or the "Development"); and

WHEREAS, the proposal contemplates that the Interfaith/Pine Meadow Development will constitute a "qualified low-income housing project" within the meaning of section 42(g) of the Internal Revenue Code of 1986; and

WHEREAS, the proposed partnership between Housing Vermont and Interfaith, Inc. (or their subsidiaries) will qualify as a housing sponsor within the meaning of the Vermont Housing Finance Agency Act (the "Act"); and

WHEREAS, the Agency has determined that the Interfaith/Pine Meadow Development will assist in fulfilling the purposes of the Act;

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 maintain the supply of well-planned, well-designed permanent housing for persons and families of low and moderate income, and the sponsors are financially responsible persons or institutions.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a combined letter of intent and commitment (the

"Commitment Letter") to provide a first mortgage for permanent financing in an amount to be determined by the Executive Director, but not to exceed $1,000,000, for the Interfaith/Pine Meadow Development.

2. The Commitment Letter shall be issued to Housing Vermont as a representative of the housing sponsor.

3. The commitment of the Agency shall be subject to receipt, on or before the date of the construction closing, of a commitment fee in an amount equal to one and one half percent (1.5%) of the principal amount of the mortgage loan.

4. The Commitment Letter shall provide that the interest rate to be charged on the mortgage loan shall be as determined by the Agency, but shall not exceed 10.75% per annum. The Commitment Letter shall also provide that the loan term will be determined by the Agency, the loan shall be amortized over a period not to exceed 25 years, but the final payment shall be due not later than 20 years from the date of issuance of any bonds whose proceeds are used to fund the loan.

5. The Commitment Letter shall require the Developer to demonstrate to the satisfaction of the Executive Director that a combination of equity funds, deferred loan funds, or below market interest rate funds are available in an amount at least equal to the difference between the total development cost as accepted by the Agency and the amount of the permanent financing commitment.

6. The Commitment Letter shall contain such other terms and conditions as the Executive Director shall deem necessary or appropriate, given the circumstances.

7. The Executive Director is authorized to make preliminary arrangements for the issuance and private placement of taxable bonds of the Agency to provide proceeds for financing this loan.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont on April 26, 1990.

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

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director

DATE: April 27, 1990

RE: LETTER IN SUPPORT OF S.157 (APPRAISER CERTIFICATION)

As was agreed at our Board meeting of April 26, attached please find a copy of a letter which was signed by Horace Shaw, Chairman, and delivered to the Vermont State House on Friday, April 27, in support of the passage of S.157.

cc: Gar Anderson
Tim Hayward

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866

VERMONT HOUSING FINANCE AGENCY

April 27, 1990

Dear Representative:

The Board of the Vermont Housing Finance Agency strongly supports the passage of S.157, an act relating to Real Estate Appraisers, in the form passed by the Senate. Passage of this bill this year is critical, in our opinion, to assuring smooth implementation of the federally required appraiser certification process by July 1, 1991. Obviously, having certified appraisers in place to appraise residential housing is critical to assuring an adequate supply of mortgage capital to Vermont.

It is also our opinion that the progress made to expand the supply of affordable housing could potentially be jeopardized if Vermont is unable to comply with the federal certification process. The same law requiring this certification process also requires the Federal Home Loan Bank system to make available a minimum of 5% of its net income annually to promote affordable housing. This amounts to nearly $6 million this year alone in housing subsidies for New England. We would anticipate that Vermont member banks will be aggressively seeking these funds on an annual basis. However, their efforts may also be jeopardized if certified appraisers are not in place when required.

We urge you to support S.157 in the form passed by the Senate. Action on this bill is critical ***this year!***

Sincerely,

Horace B. Shaw, Jr.
Chairman

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802 864-5743 • 1-800 339-5866

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director

DATE: May 10, 1990

RE: ESTIMATED COSTS TO CLOSING--DALTON DRIVE

Towny Anderson, of Preservation Investments, Ltd., has provided the attached pre-construction budget for Dalton Drive. It was alluded to but not presented at the April Board meeting. The budget includes the cost of the model unit approved at our last meeting.

While the total cost expended by VHFA will exceed $400,000 before closing, staff feels there is ample value in the real estate to fully recover our costs should this project not move forward.

Please call me with any questions!

Enclosure

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866

DALTON DRIVE
Pre-Construction Budget
April 1, 1990 - July 1, 1990 (13 weeks)

April 22, 1990

Note: Expenses through July 1, 1990. With a typical 30 day payment schedule, actual expenses paid as of July 1 may be 30% less than budget total.

From Housing Development Budget 3/26/90:

2.	Hard Costs		
	A. Building Rehabilitation: GC pre-construction cost analysis, specification consulting. 156 hrs. @ 35/hr		5460.00
	B. Asbestos Testing/ abatement evaluation 19 bldgs x 0.5 x 8 hrs x 75/hr		5700.00
	E. Landscaping: local to model unit/ office		1150.00
	F. Signage: directional for model unit building		500.00
	H. L & I permit application		8400.00
	Subtotal (#2)		$21,210.00
3.	Soft Costs and Fees		
	A. Architect: Per Contract proposal (pending) Completion date 7/7/90		25,075.00
	1. Consultants/ Specifications: Energy analysis, mechanical, other 104 hrs x 75/hr		7800.00
	2. Landscape Architect per contract		7500.00
	B. Traffic Engineer: under contract	1500.00	
	Follow-up, hearing testimony	750.00	2250.00
	C. Legal re: Structure/ financing Permit counsel, forms of documents		
	16 hrs @ 85/hr	1360.00	
	80 hrs @ 75/hr	6000.00	7360.00
	Construction Contract - pre-construction agreement. 8 hrs @ 85/hr	680.00	
	12 hrs @ 75/hr	900.00	1580.00

F.	Marketing: Logo Design	2000.00	
	Marketing Concept	3500.00	
	Signage: Rte. 15 and Barnes Avenue	2500.00	
	Initial Advertising	4500.00	12,500.00
* 1.	Model Fit-up and Furnishings		18,700.00

* See below

I.	Permits: local due before closing		
	Preliminary and Final Plat		
	Colchester	5000.00	
	Essex	1250.00	6250.00
K.	VHFA Transaction Costs and Fee		
1.	VHFA Consultant (E. Wadhams)		
	DDN, Inc. 260 hrs @ 30/hr	7800.00	
	VHFA 156 hrs @ 30/hr	4680.00	12,480.00
2.	Legal Counsel (F. Kochman)		
	Forms of Documents		
	40 hrs @ 95/hr	3800.00	
	Construction Contract; Pre-construction Agreement, Final GC Contract		
	32 hrs @ 95/hr	3040.00	6840.00
L.	Developer's Fees		
	JBP - 200 hrs @ 45/hr	9000.00	
	THA - 400 hrs @ 45/hr	18,000.00	
	JG - 80 hrs @ 45/hr	3600.00	30,600.00
M.	Rehab Coordinator and Book Owners Manual 22 week contract 60% of Research, Documentation, and writing		10,620.00
	Subtotal (#3)		149,555.00
Total (#2 and #3)			$170,765.00

* - Model unit

-	Repairs to exterior of building, including porches. Allow	12,000.00
-	Base unit rehabilitation, interior	22,363.00
*Total		$205,128.00

daltondr\preconst.bud

Vermont Housing Finance Agency
89A - $45,000,000 HOME MORTGAGE PURCHASE BONDS
Status Report (with percent of pool proceeds approved)
Rate : 8.800%
Date : 05/10/90

Lender	Funds Reserved	Percent Reserved	Prelim. Approval	% Prelim Approval	Loans Purchased	Loans to be Purchased	PERC
Bank of Vermont	$2,639,745	5.8%	$2,175,745	4.8%	$1,518,120	$657,625	24.9%
Bradford National Bank	$194,800	0.4%	$120,700	0.2%	$53,200	$67,500	34.6%
Caledonia National Bank of Danville, The	$965,016	2.1%	$760,516	1.6%	$601,066	$159,450	16.5%
Chittenden Trust Company	$11,089,919	24.6%	$9,621,629	21.3%	$6,824,614	$2,797,015	25.2%
Commonwealth Mortgage Company, Inc	$306,800	0.6%	$151,400	0.3%	$151,400	$0	0.0%
Community National Bank	$1,337,099	2.9%	$1,028,049	2.2%	$555,069	$472,980	35.3%
Factory Point National Bank, The	$305,250	0.6%	$179,687	0.3%	$179,687	$0	0.0%
First Twin-state Bank	$385,586	0.8%	$318,136	0.7%	$164,427	$153,709	39.8%
Franklin-Lamoille Bank	$1,459,302	3.2%	$980,052	2.1%	$738,952	$241,100	16.5%
Granite Savings Bank and Trust Company	$211,140	0.4%	$211,140	0.4%	$139,890	$71,250	33.7%
Howard Bank, National Assn, The	$1,722,602	3.8%	$1,456,502	3.2%	$985,727	$470,775	27.3%
Lyndonville Savings Bank & Trust Company	$720,472	1.6%	$660,472	1.4%	$460,239	$200,233	27.7%
Marble Bank	$939,048	2.0%	$589,923	1.3%	$589,923	$0	0.0%
Merchants Bank, The	$2,280,938	5.0%	$1,946,088	4.3%	$1,233,224	$712,864	31.2%
National Bank of Middlebury, The	$554,667	1.2%	$440,667	0.9%	$287,367	$153,300	27.6%
New England IBM Employees Fed Crdt Union	$868,630	1.9%	$731,558	1.6%	$533,058	$198,500	22.8%
Northfield Savings Bank	$665,180	1.4%	$665,180	1.4%	$538,080	$127,100	19.1%
Passumpsic Savings Bank	$2,121,599	4.7%	$1,732,774	3.8%	$1,517,274	$215,500	10.1%
Peoples Trust Company of St Albans	$550,133	1.2%	$286,175	0.6%	$65,925	$220,250	40.0%
Proctor Bank	$620,635	1.3%	$550,635	1.2%	$435,235	$115,400	18.5%
Randolph National Bank	$513,717	1.1%	$383,417	0.8%	$261,817	$121,600	23.6%
Statewide Funding Corporation	$490,302	1.0%	$298,877	0.6%	$68,027	$230,850	47.0%
Union Bank	$2,162,198	4.8%	$1,759,682	3.9%	$937,218	$822,464	38.0%
Valley Bank	$632,674	1.4%	$486,799	1.0%	$345,479	$141,320	22.3%
Vermont Federal Bank, FSB	$8,413,260	18.6%	$6,411,520	14.2%	$4,947,470	$1,464,050	17.4%
Vermont Mortgage Group, Inc	$1,361,382	3.0%	$1,179,882	2.6%	$1,021,897	$157,985	11.6%
Vermont National Bank	$4,601,287	10.2%	$3,463,977	7.6%	$2,012,392	$1,451,585	31.5%
TOTALS 784 Loans	$48,113,381	106.9%	$38,591,182	85.7%	$27,166,777	$11,424,405	23.7%

STATISTICAL REPORT PROGRAM ID: 89A
UNDERWRITING DATABASE
LTV 0% TO 100%
Effective for 06/03/89 thru 05/10/90
Loan Status: CC,UC,O

Total Number of Loans: 626
Total Loan Amount: $38,448,333

EXISTING:	$26,758,877	71.7%	449 Loans
NEW CONSTRUCTION:	$11,689,456	28.2%	177 Loans
NEW DETACHED HOUSING:	$9,183,845	78.5%	138 Loans
NEW CONDOMINIUM:	$2,505,611	21.4%	39 Loans
Funds Remaining to be Reserved:	$3,050,313	6.7%	49 Loans (Est.)

Total Insured or Guaranteed Loans: 542
Loans Guaranteed by VHMGB: 535

	ACED	NON ACED	STATEWIDE
Avg. Purchase Price	$67,746	$73,482	$69,606
Avg. Loan Amount	$59,660	$65,082	$61,419
Avg. Borrower Income	$26,790	$28,060	$27,202
Avg. Housing Debt-Income Ratio	26.4%	28.0%	26.9%
Avg. Total Debt	$762.52	$823.31	$782.24
Avg. Total Debt-Income Ratio	34.2%	35.3%	34.5%
Total No. of Loans	423	203	626
% of Total Loan Amount	65.6%	34.4%	100.0%
First Time Homebuyers	83.2%	100.0%	88.6%
% Meeting Low Income Set Aside	34.9%	54.1%	41.2%

	Loans	% of Loans	$ Amount	*Households	% of Hshlds	% DIFF
Addison	34	5.4%	$2,112,003	5,000	5.8%	0.4-
Bennington	25	4.0%	$1,618,533	6,000	7.0%	3.0-
Caledonia	54	8.6%	$3,060,549	5,000	5.8%	2.8
Chittenden	107	17.2%	$7,128,963	16,000	18.6%	1.4-
Essex	8	1.3%	$414,830	1,000	1.2%	0.1
Franklin	101	16.1%	$6,379,588	6,000	7.0%	9.1
Grand Isle	8	1.3%	$503,198	1,000	1.2%	0.1
Lamoille	37	5.9%	$2,195,210	3,000	3.5%	2.4
Orange	29	4.6%	$1,718,352	4,000	4.7%	0.1-
Orleans	45	7.2%	$2,240,635	4,000	4.7%	2.5
Rutland	47	7.5%	$2,827,340	10,000	11.6%	4.1-
Washington	70	11.2%	$4,337,667	9,000	10.5%	0.7
Windham	32	5.1%	$2,062,384	7,000	8.1%	3.0-
Windsor	29	4.6%	$1,849,081	9,000	10.5%	5.9-
TOTAL	626	100.0%	$38,448,333	86,000	100.0%	

*Estimated number of households, $15,000 to $35,000 income.
Source: CACI, 1989 Sourcebook of County Demographics

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Margaret A. Pond, Director of Development

DATE: May 17, 1990

RE: VHFA RULE ENTITLED "GRANTS, LOANS AND ADVANCES TO ASSIST THE PLANNING, CONSTRUCTION, REHABILITATION, AND OPERATION OF RESIDENTIAL HOUSING; MORTGAGE LOANS TO HOUSING SPONSORS FOR SINGLE FAMILY DEVELOPMENTS

The captioned rule (which will authorize all anticipated elements of the Dalton Drive project) is enclosed and is ready for adoption. It has been approved by the Legislative Committee on Administrative Rules, subject to language revision. The revision will make clear that more than 50% of each project will be allocated to dwelling units for low and moderate income persons. VHFA retains the authority to finance certain non-housing ventures located in existing buildings when it is necessary to assist low and moderate income housing.

The exact language change requested by Counsel for the Committee has been incorporated into the Rule, and is spelled-out in the Executive Director's proposed cover letter to the Committee and the Secretary of State. (Copies attached.)

If adopted and filed today, the Rule will become effective June 4, 1990, comfortably in advance of our July 1 contractual target date for acquiring the Dalton Drive property from the University.

RECOMMENDED ACTION:

Adopt the Rule and authorize the Executive Director to file the Rule with the Secretary of State and the Legislative Committee on Administrative Rules pursuant to 3 V.S.A. §843, all in the form included in the board mailing.

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866

VERMONT HOUSING FINANCE AGENCY

May 17, 1990

Legislative Committee on Administrative Rules
c/o Legislative Council
State House
115 State Street
Montpelier, VT 05602

RE: Vermont Housing Finance Agency Rule entitled "Grants, Loans and Advances to Assist the Planning, Construction, Rehabilitation, and Operation of Residential Housing; Mortgage Loans to Housing Sponsors for Single Family Developments."

Ladies and Gentlemen:

Pursuant to 3 V.S.A. §843, Vermont Housing Finance Agency herewith files the captioned Rule, as adopted today, together with Adopted Rule: Cover Sheet and Adopting Page, fully executed.

Since the filing of the final proposal, and in response to a concern expressed by the Legislative Committee on Administrative Rules, the text of the Rule has been changed pursuant to 3 V.S.A. §843(b) in the following particulars, as requested in the notice of approval received from Counsel for the Committee and dated April 20, 1990:

> Chapter Four, 7.(5) and Chapter Five, 2.(5) by deleting the phrase "and such non-housing facilities and services as directly and primarily benefit the occupants of the dwelling units."

Except as noted above, the text of the adopted Rule is identical to the text of the final proposal.

Very truly yours,

VERMONT HOUSING FINANCE AGENCY

By: _____
Allan S. Hunt, Executive Director

ASH187/bp

Enclosures

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/336-5866

VERMONT HOUSING FINANCE AGENCY

May 17, 1990

Vermont Secretary of State
26 Terrace Street
Montpelier, VT 05602

RE: Vermont Housing Finance Agency Rule entitled "Grants, Loans and Advances to Assist the Planning, Construction, Rehabilitation, and Operation of Residential Housing; Mortgage Loans to Housing Sponsors for Single Family Developments."

Dear Mr. Secretary:

Pursuant to 3 V.S.A. §843, Vermont Housing Finance Agency herewith files the captioned Rule, as adopted today, together with Adopted Rule: Cover Sheet and Adopting Page, fully executed.

Since the filing of the final proposal, and in response to a concern expressed by the Legislative Committee on Administrative Rules, the text of the Rule has been changed pursuant to 3 V.S.A. §843(b) in the following particulars, as requested in the notice of approval received from Counsel for the Committee and dated April 20, 1990:

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Except as noted above, the text of the adopted Rule is identical to the text of the final proposal.

Very truly yours,

VERMONT HOUSING FINANCE AGENCY

By: _____
Allan S. Hunt, Executive Director

ASH187/bp

Enclosures

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/336-5866

SOS#_____

(Do not complete)

ADOPTED RULE: COVER SHEET

Note: File this form with the Secretary of State and the Legislative Committee on Administrative Rules. You must file an adopting page and the text of the adopted rule with this cover sheet.

Please complete the following.

1. Title or subject of adopted rule: Grants, Loans and Advances to Assist the Planning, Construction, Rehabilitation, and Operation of Residential Housing; Mortgage Loans to Housing Sponsors for Single Family Developments

2. Agency:

Vermont Housing Finance Agency

3. This filing X has ___ has not changed since the filing of the final proposal. If it has changed, please attach a letter to this filing explaining in detail what changes were made, citing chapter and section of those changes where applicable, including changes in economic impact.

4. The Legislative Committee on Administrative Rules X did not object ___ objected to the final proposal.

5. Procedural history of adoption:

This rule ___ was prefiled X was not prefiled. If prefiled, please give the date of prefiling: N/A.

This rule was filed in proposed form with the secretary of state on the following date: February 15, 1990.

This rule was published in newspapers of record on March 1, 1990 and March 8, 1990.

This rule was the subject of public hearings held as follows (give date, time, and place):

Not applicable

The deadline for public comment for this rule was March 26, 1990.

This rule was filed in its final proposed form with the secretary of state and with the Legislative Committee on Administrative Rules on March 29, 1990.

This rule was considered by the Legislative Committee on Administrative Rules on April 12, 1990 and April 19, 1990

This rule is filed in its adopted form on May 17, 1990.

The effective date of this rule will be June 4, 1990 (must be no sooner than 15 days following the filing of the adopted rule).

(PLEASE COMPLETE THE BACK OF THIS COVER SHEET)

CERTIFICATION: AS THE ADOPTING AUTHORITY (see 3 V.S.A. § 801(b)(11) for a definition) OF THIS RULE, I HEREBY CERTIFY THAT THE PROCEDURAL REQUIREMENTS OF TITLE 3, CHAPTER 25 HAVE BEEN MET. I ALSO APPROVE THE CONTENTS OF THIS FILING.

Date: May 17, 1990

_____
(Sign here)

Allan S. Hunt, Executive Director
(Type name here please)

Vermont Housing Finance Agency

ADOPTING PAGE

Note: This form must be filed three times during the rulemaking process, viz., with the Proposed Rule Cover Sheet, Final Proposal Cover Sheet, and Adopted Rule Cover Sheet.

Please complete the following:

1. Title or subject of rule: Grants, Loans and Advances to Assist the Planning, Construction, Rehabilitation, and Operation of Residential Housing; Mortgage Loans to Housing Sponsors for Single Family Developments.
2. Agency:

   Vermont Housing Finance Agency

3. Agency's reference number, if any: 90-2

4. This is X a new rule ___ an amendment of an existing rule

   ___ a repeal of an existing rule

Except for new rules, please give the name of the existing rule and the date on which it was last amended or adopted:

Not applicable.

Note: To satisfy the requirement for an annotated text, an agency must submit the entire rule in annotated form with the filings of proposed rules and final proposals. Filing a paragraph or page of a larger rule is not sufficient. Similarly, if the rules of the agency have been published as part of the Vermont Administrative Code (VAC), the agency shall file the annotated text, if possible, using the appropriate page or pages of the VAC as a basis for the annotated version. New rules need not be accompanied by an annotated text. Rules which have been comprehensively revised are also exempted from the requirement for an annotated text, although a copy of the former rule is required.

VERMONT HOUSING FINANCE AGENCY
GRANTS, LOANS AND ADVANCES TO ASSIST THE PLANNING,
CONSTRUCTION, REHABILITATION, AND OPERATION OF RESIDENTIAL HOUSING;
MORTGAGE LOANS TO HOUSING SPONSORS FOR SINGLE FAMILY DEVELOPMENTS
RULES

CHAPTER ONE
SCOPE AND DEFINITIONS

1. Authority

These rules are made and published pursuant to sections 621(5), (12) and (17) and section 624 of the Vermont Housing Finance Agency Act of 1974 as amended, (the "Act").

2. Background and Purpose

By No. 77, §3, effective June 7, 1989 (the "Amendment") the Vermont General Assembly amended 10 V.S.A. §621(5) to empower the Agency to provide "such grants, loans, or advances as will assist the planning, construction, rehabilitation, and operation of residential housing primarily for persons of low and moderate income, including but not limited to assistance in community development and organization, advisory services, the formation of cooperative housing corporations, and to encourage community organizations to assist in developing same."

The Agency finds that reductions in the amount of federal financial assistance in the provision of safe and decent housing at costs affordable to persons and families of low and moderate income has created a crisis in the availability of such housing, that incentives for private developers and private lenders to participate in the creation and preservation of such housing have declined, and that the excess of demand for such housing over the supply will increase at an expanding rate in the absence of flexible and timely strategies designed to marshall all resources available from time to time, including land, existing structures, public funds, and private funds.

It is the purpose of these Rules to encourage an adequate supply of safe and decent housing at reasonable cost, to interpret, limit, and implement, in part, the provisions of 10 V.S.A. §621(5), as amended by the Amendment, and to establish criteria for mortgage loans to housing sponsors for Single Family Developments.

3. Definitions

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

(1) "Advance" means a direct expenditure of funds by the Agency for the purpose of planning, constructing, rehabilitating, or

operating Residential Housing primarily for persons and families of low and moderate income;

(2) "Agency" means the Vermont Housing Finance Agency created by the Act;

(3) "Bonds, notes and other obligations" or "bonds, bond anticipation notes or other obligations": means any bonds, notes, debentures, interim certificates or other evidences of financial indebtedness issued by the Agency pursuant to the Act;

(4) "Eligible Borrower" includes a housing sponsor, non-profit entity, or other legal entity qualified to receive a loan for a Single Family Development or a Mixed Use Development under the provisions of these Rules;

(5) "Grant" means a grant of funds which the recipient is not obligated to repay or which the recipient is obligated to repay only in the event of a breach of conditions imposed by the Agency with respect to the use of the funds;

(6) "Land value" means the appraised value of the land as determined by an appraiser approved by the Agency; if purchased less than two years prior to the date of application the purchase price of the land or the appraised value, whichever is lower;

(7) "Limited Profit". A housing sponsor is organized on a limited profit basis if its organizational document, whether directly or by reference to a controlling agreement (which may be a lease, a loan agreement, a Regulatory Agreement, or other agreement between the Agency and the Borrower), imposes significant limitations on rental charges or sale prices, builder's and developer's fees, the right of disposition of the sponsor's property and franchise, or other sources of profit as the Agency may determine on a case by case basis;

(8) "Mixed Use Development" means Residential Housing, a portion of which will be devoted to non-housing facilities, provided that all or a portion of such non-housing facilities are not designed or will not be designed primarily for the benefit of the occupants of the dwelling units;

(9) "Multi-Family Rules" means the Agency's Rules pertaining to Loans to Multi-Family housing sponsors;

(10) "Non-Profit Entity" means a department, division, board, commission, agency or other instrumentality of this State, a political subdivision of this State, an agency of any such political subdivision, an "exempt organization" within the meaning of section 501(c)(2), (3), or (4) of the Internal Revenue Code, a non-profit corporation organized as such under the laws of this State, an entity owned, or whose day-to-day management is

controlled, under the terms of a partnership agreement, by any of the foregoing, or a "limited equity cooperative" within the meaning of Chapter 14 of Title 11, Vermont Statutes Annotated;

(11) "Residential housing" means single or multi-family residential dwelling units designed primarily to provide principal dwelling accommodations for persons or families, including the land and improvements thereon and such non-housing facilities or services considered necessary or convenient by the Agency in connection with the residential housing. "Residential housing" includes, but is not limited to, single or multi-family dwellings, congregate homes, residential care homes as defined in 18 V.S.A. §2002, nursing homes, transitional housing, emergency shelters for the homeless or displaced, mobile homes, single room occupancy dwellings, and group homes for the mentally ill or developmentally disabled. "Residential housing" also means cooperative interests and mobile home parks as defined in 10 V.S.A. Section 6201. Non-housing facilities or services shall be deemed necessary or convenient in connection with the residential housing in any case in which the Agency finds that the particular facilities or services are designed primarily for the benefit of the occupants of the dwelling units or that the acquisition, construction, or rehabilitation of the dwelling units would not be economically practicable except in connection with the economic benefits to be obtained from such facilities or services.

(12) "Single Family Development" means real property acquired or to be acquired for the construction, rehabilitation, or operation of Residential Housing primarily for occupancy by persons and families of low and moderate income, and which consists primarily of individual dwelling structures, condominium apartments, or cooperative interests owned or to be owned by the occupants of the Residential Housing.

Terms used in these Rules and in the Act, and not defined above, shall have the same meaning as they have in the Act, as amended from time to time.

4. Waivers

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

5. Separability

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

CHAPTER TWO
GRANTS

1. No Grant shall be made under the authority of these Rules except to a housing sponsor or a Non-Profit Entity, and upon a finding by the Agency that the Grant will assist the planning, construction, rehabilitation, or operation of Residential Housing primarily for persons and families of low and moderate income.

2. Each Grant shall be made pursuant to a resolution of the Agency, and shall be made subject to such conditions as shall obligate the recipient to its proper use.

3. A Grant may or may not be made subject to the execution of a formal grant agreement by the recipient. In any event, the recipient and any sub-recipient, by the acceptance of the Grant or the proceeds thereof, shall be bound by the conditions of the authorizing resolution and the applicable provisions of these Rules.

4. The obligations of the recipient of a Grant may be secured in such manner as the circumstances warrant, or may be unsecured, as the Agency may determine to be appropriate in the a particular case; provided, however, that in the case of a Grant to a housing sponsor which is not also a Non-Profit Entity, the housing sponsor's compliance with the conditions of the Grant shall be secured by a mortgage on the involved real estate.

5. In any case in which the Agency is authorized to make a Grant under these Rules, it may make a loan instead, and such loan may be secured or unsecured to the extent permitted or required by these Rules in the case of a Grant for the same purpose to the same recipient.

CHAPTER THREE
ADVANCES

1. The Agency may make Advances with respect to real property owned or controlled by it. Such Advances shall be made in anticipation of the sale or lease of such real property or portions thereof to an Eligible Borrower for the purpose of planning, constructing, rehabilitating, and/or operating Residential Housing, provided that the dwelling units in such Residential Housing are intended to be occupied primarily by persons and families of low and moderate income.

2. Advances for planning, architectural and engineering fees, fees for governmental permits, related legal and consulting fees, and other preliminary costs may be made prior to the identification of a particular buyer for the involved real property.

3. No Advances for costs of actual and substantial physical changes to the involved real property shall be made unless the Agency has first identified the proposed buyer and has determined that delay in the commencement of such changes pending completion of the sale or execution of a binding contract of sale would be materially disadvantageous to the Agency and/or would increase the ultimate cost of the Residential Housing.

4. All Advances shall be accounted for at the time of a sale or lease of the involved real property to a housing sponsor or other Eligible Borrower. At the closing of such sale or lease, Advances may be deemed made for the benefit of the buyer, and may be accounted for as a portion of the purchase price, rent, loan proceeds, a Grant (in an appropriate case), or any combination thereof. If such Advances have been made pursuant to contracts with third parties that remain executory in part as of the time of closing, as a condition of the sale or lease the buyer must agree to assume all obligations of the Agency under such contracts, unless the Agency shall otherwise consent.

CHAPTER FOUR
LOANS FOR MIXED USE DEVELOPMENTS

1. The Agency may make loans to Eligible Borrowers to assist the planning, construction, rehabilitation, or operation of Mixed Use Developments in accordance with the terms and conditions of these Rules.

2. All of the land constituting a Mixed Use Development shall be contiguous. Parcels of land separated only by a public way, private way, or non-navigable waters shall be deemed to be contiguous. In the case of a Mixed Use Development involving more than two legally identifiable parcels of land, each parcel contiguous to a given parcel shall be deemed contiguous to all parcels to which the given parcel is contiguous.

3. A Mixed Use Development may be financed by a single mortgage loan to a housing sponsor or, if the portions of the development containing the non-housing facilities can be separated by lease or subdivision as mortgageable parcels, and such separation is deemed desirable by the Agency, the Agency may make a separate loan to an Eligible Borrower with respect to the non-housing facilities. The Eligible Borrower with respect to such non-housing facilities may, but need not be, the housing sponsor. Any such separate loan shall be secured by a separate mortgage containing such provisions as the Agency may deem appropriate in the particular case.

4. A Mixed Use Development may be multi-family Residential Housing, a Single Family Development, or any combination thereof.

5. With respect to any mortgage loan made in whole or in part for the specific purpose of financing dwelling units in a Mixed Use Development which constitutes multi-family Residential Housing, the Multi-Family Rules shall apply to the extent the Multi-Family Rules are consistent with these Rules. In the event of a conflict between express provisions of these Rules and the Multi-Family Rules, the applicable provision of these Rules shall be controlling.

6. The intent of this chapter is to authorize comprehensive financing by the Agency of Mixed Use Developments; provided that the non-housing facilities which are not designed primarily for the benefit of the occupants of the dwelling units shall constitute all or part of an existing structure or structures to be acquired and rehabilitated. Nothing in these Rules shall be construed to authorize the financing by the Agency of new, original construction of non-housing facilities which are not designed primarily for the benefit of the occupants of the dwelling units, nor the financing by the Agency of any non-housing facilities except in connection with the financing of Residential Housing.

7. No loan for a Mixed Use Development shall be made until the Agency has received and reviewed the recommendation of the Executive Director

relating to such loan and the Agency has adopted a resolution approving such loan, which resolution shall include the following determinations:

(1) The Residential Housing is primarily for occupancy by persons and families of low and moderate income;

(2) The construction or rehabilitation costs incurred or to be incurred by the housing sponsor under agreement are for housing development costs within the meaning of the Act;

(3) There exists, or without the proposed Residential Housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low or moderate income are able to afford within the general housing market area to be served by the proposed Residential Housing or there is a shortage of temporary transitional or emergency housing to be served by the proposed Residential Housing and that private enterprise and investment are unable, without assistance, to provide an adequate supply of the Residential Housing and sufficient mortgage financing for occupancy by the persons or families;

(4) The housing sponsor or sponsors undertaking the proposed housing development will maintain or increase the supply of well-planned, well-designed permanent, temporary, transitional or emergency housing for persons or families of low and moderate income and that the sponsors are financially responsible persons or institutions;

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

(6) The non-housing facilities to be acquired and/or rehabilitated in connection with the Mixed-Use Development, and which are not designed primarily for the benefit of the occupants of the dwelling units, are necessary in order to render the purchase or lease of the dwelling units economically feasible for persons and families of low and moderate income.

8. Nothing in these rules shall be construed to bar the Agency from financing any Residential Housing merely because part of the building in which the Residential Housing is located, or other buildings on the land on which the Residential Housing is located, is used or will be used for purposes other than Residential Housing.

CHAPTER FIVE
MORTGAGE LOANS TO HOUSING SPONSORS FOR SINGLE FAMILY DEVELOPMENTS

1. Pursuant to 10 V.S.A. §624(a)(1), and these Rules, the Agency may make mortgage loans to housing sponsors for the purpose of financing the acquisition, construction, and/or rehabilitation of Single Family Developments, and, in the case of a housing sponsor which is a limited equity cooperative, for the purpose of financing the long-term operation of the development.

2. No mortgage loan to a housing sponsor of a Single Family Development shall be made until the Agency has received and reviewed the recommendation of the Executive Director relating to such mortgage loan and the Agency has adopted a resolution approving such mortgage loan, which resolution shall include the following determinations:

   (1) The Residential Housing is primarily for occupancy by persons and families of low and moderate income;

   (2) The construction or rehabilitation costs incurred or to be incurred by the housing sponsor under agreement are for housing development costs within the meaning of the Act;

   (3) There exists, or without the proposed Residential Housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low or moderate income are able to afford within the general housing market area to be served by the proposed Residential Housing or there is a shortage of temporary transitional or emergency housing to be served by the proposed Residential Housing and that private enterprise and investment are unable, without assistance, to provide an adequate supply of the Residential Housing and sufficient mortgage financing for occupancy by the persons or families;

   (4) The housing sponsor or sponsors undertaking the proposed housing development will maintain or increase the supply of well-planned, well-designed permanent, temporary, transitional or emergency housing for persons or families of low and moderate income and that the sponsors are financially responsible persons or institutions; and

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

3. If the Single Family Development is also a Mixed Use Development, such Development must also satisfy the provisions of Chapter Four of these Rules.

FK038a

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Kathy Beyer Kehoe, KBK Special Needs Housing Development Officer

DATE: May 17, 1990

RE: WHETSTONE COURT CONDOMINIUMS

Overview

Whetstone Court involves the conversion of a 48-unit rental building in Brattleboro to condominiums; the units will sell in the price range of $46,000 to $73,000.

Background

Whetstone Court was built in 1987-1988 as a rental building. The developer, James Loney, expected to sell the building in a turnkey arrangement. However, this deal fell through because the units were not rented up to the required percentage of 75% (currently 12 units are vacant). While in the past the rental market in Brattleboro has been quite tight, there is a perception that the rental market has softened recently. Mr. Loney has continued to manage the building as rental property and now plans to convert the units to condos.

Market Considerations

The Whetstone units are small, ranging from 500 square feet in one bedroom apartments to 750 square feet in two bedrooms. Prices are as follows:

18 units @ $46-$50,000	1 bedrooms
6 units @ $50-$60,000	1 & 2 bedrooms
19 units @ $60-$70,000	2 bedrooms
5 units @ $70-$73,000	2 bedrooms

Condo fees are $220/month; however, this includes heat, electricity and taxes.

Other condominium projects in the area include Morningside Common where a 1,040 square foot townhouse sells for $77,000-$80,000.

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Whetstone As a Rental Building

As mentioned above, the units have not been fully rented in the two-year history of the project. Rents (including heat) range from $475-$495 for a one bedroom to $575-$595 for a two bedroom. The seller maintains that the units will be more affordable to own than to rent.

VHFA Condominium Conversion Policy

The seller has been informed of VHFA's reluctance to participate in condominium conversions, and he is fully aware that VHFA would only finance units for existing tenants. The displacement plan follows the state condominium conversion statute by giving tenants a six month to two year period to move. The seller is also open to the idea of allowing existing tenants to rent for as long as desired if they choose not to buy.

Recommendation

The Board is asked to give guidance on two issues. First, does VHFA want to be involved at all in the Whetstone project? Second, if VHFA does offer end-financing for Whetstone, to what extent?

The first issue relates to our comfort in involvement of conversions of rental projects; certainly, we do not want to be seen as a facilitator of a conversion. Therefore, it is recommended that VHFA maintain an "arms-length" position with Whetstone, with financing available to existing tenants available after the date of conversion and on a tenant-by-tenant basis--not on a project basis.

The second issue is one of marketability: would VHFA consider financing 30% and if so, would VHFA want to "ration" our participation? Due to what appears to be a softening condominium market and the questionable marketability of the Whetstone units, it is recommended that the participation by VHFA is done on an incremental basis up to 30%.

Recommended Action

Approval of VHFA mortgage financing for existing tenants of Whetstone Court to be available after the date of conversion. VHFA will finance up to 30% of the units (14 units) for existing tenants, but on an incremental basis.

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Margaret A. Pond, Director of Development

DATE: May 10, 1990

RE: ST. JOHNSBURY, SCATTERED SITE DEVELOPMENT: LETTER OF COMMITMENT

Last month the Board approved a Letter of Interest on this proposed development from a partnership comprised of Housing Vermont (HV) and Northern Community Housing Corporation (NCIC). Please refer to your April Board packet memo "St. Johnsbury: Letter of Interest" for a review of the basic information.

As you will recall, the financing requested on this proposal is taxable, and we anticipate placing it with the Teacher's Pension Fund. The proposal last month contemplated a 9% mortgage rate. A revised pro forma demonstrates that the development could handle a 10% interest rate if the underwriting allowed for the inclusion of the higher Section 8 certificate rents (currently five Section 8 units).

Although we believe that to include the Section 8 income is a reasonable assumption, it must be noted that this does not meet our standard underwriting criteria. We have comfort with it in this instance because it is reasonable that at least five of the twenty-four units in Phase 1 would be Section 8: in actuality it may well prove to be a greater number.

Because of the slightly higher risk for VHFA, we are requiring that the partnership bring the actual return to VHFA up to 10½% through cash flow in future years. Cash flow exceeding the 10½% rate will be shared with HV and can go toward retiring the principle.

Overall, we believe this proposal is worthy of our financing and risk, and we are hopeful that it succeeds in its requests for other Vermont funding through CDBG and State Housing Authority funds.

RECOMMENDED ACTION:

Approve Resolution Pertaining to Letter of Commitment for the St. Johnsbury Scattered Site Development contingent upon acceptable cost estimates and asbestos reports with a financially feasible plan done by a certified professional recommending resolution of the problem wherever identified.

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RESOLUTION PERTAINING TO COMMITMENT LETTER RE:
ST. JOHNSBURY SCATTERED SITE DEVELOPMENT

WHEREAS, a proposal has been presented to the Agency by Northern Community Housing Corporation ("NCHC"), a non-profit corporation that is a subsidiary of Northern Community Investment Corp. in St. Johnsbury, involving the acquisition and rehabilitation of 37 units in 8 buildings located on scattered sites in St. Johnsbury (the "Development"); and

WHEREAS, the proposal contemplates that the Development will constitute a "qualified low-income housing project" within the meaning of section 42(g) of the Internal Revenue Code of 1986; and

WHEREAS, the proposed partnership between Housing Vermont and NCHC (or their subsidiaries) will qualify as a housing sponsor within the meaning of the Vermont Housing Finance Agency Act (the "Act"); and

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

It is hereby DETERMINED:

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

2. The acquisition and 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 housing for persons and families of low and moderate income, and the sponsors are financially responsible persons or institutions.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a combined letter of intent and commitment (the "Commitment Letter") to provide a first mortgage for permanent financing in an amount to be determined by the

Executive Director, but not to exceed $500,000, for the St. Johnsbury Scattered Site Development.

2. The Commitment Letter shall be issued to Housing Vermont and NCHC as representatives of the housing sponsor.

3. The commitment of the Agency shall be subject to receipt, on or before the date of the acquisition, of a commitment fee in an amount equal to one and a half percent (1.5%) of the principal amount of the mortgage loan.

4. The Commitment Letter shall provide that the interest rate to be charged on the mortgage loan shall be 10.25% per annum. In the discretion of the Executive Director, after consultation with legal counsel, the Commitment Letter may provide that if the Borrower has insufficient income from the Development to make full debt service payments and other necessary operating expenses, the Agency will not declare a default if debt service is paid in a reduced amount, but at a rate not less than would be required to fully amortize a loan at a rate of 9.00% over a thirty year period, with the conditions that (1) unpaid interest based on the face rate of the note be accrued and paid to the Agency from net cash flow of the Development, when available, and (2) that the Agency shall be entitled to additional monies, when the Development has net cash flow, either in the form of an increased interest rate on the note, or a percentage of net cash flow. The Commitment letter shall also provide that the loan term will be determined by the Agency, the loan shall be amortized over a period not to exceed 30 years, but the final payment shall be due not later than 20 years from the date of issuance of any bonds whose proceeds are used to fund the loan.

5. The Commitment Letter shall require the Developer to demonstrate to the satisfaction of the Executive Director that a combination of equity funds, deferred loan funds, grant funds, and/or below market interest rate funds are available in an amount at least equal to the difference between the total development cost as accepted by the Agency and the amount of the permanent financing commitment.

6. The Commitment Letter shall contain such other terms and conditions as the Executive Director shall deem necessary or appropriate, given the circumstances.

7. The Executive Director is authorized to make preliminary arrangements for the issuance and private placement of taxable bonds of the Agency to provide proceeds for financing this loan.

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE RAS

DATE: MAY 10, 1990

RE: GENERAL FUND BUDGET ADJUSTMENT REQUESTS

As promised at the last Board meeting, some budget items need adjusting before the end of the fiscal year ending June 30, 1990. There have been no budget adjustments so far this year other than a Board approved contribution to the Vermont Community Loan Fund and contributions to a single and multi-family bond financing. We have reviewed the budget and estimated expenses through the end of the year to make the recommendations that follow.

INCOME. As mentioned in previous Board meetings, single family and multi-family fees have lagged from original estimates and will come in significantly lower than budgeted. Interest income is higher than expected due to having State Treasurer funds for the full year and higher reinvestment rates than projected. It is anticipated that total income will be in line with the budget.

FUND TRANSFERS. The transfers of funds from the Programs to the General Fund have been collected as expected. We are currently on track to slightly exceed the budgeted Fund transfers by the end of the year.

EXPENSES. A few account categories need adjusting based on things that have changed since we originally budgeted last June.

Insurance. Insurance costs have escalated a little faster than planned and additional staff hired near the end of last fiscal year will contribute to a shortage of approximately $8,000 of the originally budgeted $119,400.

Miscellaneous. The cost of the holiday/anniversary party exceeded original projections which should cause an approximate $1,000 shortage in this account.

Rent. The rental of storage space and an error in calculating the rate change for our space will cause this account to be short by about $5,000 from the original budget.

Repairs and Maintenance. Increased support costs for the computer system indicate that this account may be $2,000 short of budget.

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Subsidy-HVT, etc. During the last fiscal year, Housing Vermont did not draw the full amount of their subsidy, by $216,000. Since this carries over as available to draw during the current year, it must be added to the budget.

Depreciation. This category is an accounting function representing the write-off of equipment. Accelerated write-off of improvements and larger than expected expenses in computer equipment indicate that depreciation for the year will be about $75,000 instead of the $65,000 originally budgeted.

Other expenses. The Board was advised in April that some categories, mainly advertising, legal and consulting, should be below budgeted amounts due to the fact that some of these expenses are being deferred to cost of issuance of bond financings related to Fort Ethan Allen and the 1989B Single Family Financing.

If you have any questions relative to the budget areas mentioned above, feel free to contact me at your convenience.

RECOMMENDED BOARD ACTION

Approval of the increase in operating budget items referenced above totalling $16,000; an increase of the Housing Vermont subsidy account of $216,000; and an increase to depreciation of $10,000.

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: Board of Commissioners

FROM: Glenn A. Jarrett, General Counsel

DATE: May 11, 1990

RE: Legislative Update

As you no doubt have read, the Legislature is not doing very much right now to resolve differences between the House and Senate on major bills or to either override the Governor's veto of the 1990 Supplemental Budget or rework that budget. There is not too much to report since the last Board meeting.

S. 258

The Governor has signed this bill, increasing the Agency's bond ceiling from $600 million to $900 million, and the moral obligation ceiling from $84 million to $125 million.

S. 157

The appraisal licensing bill was voted down by the House Government Operations Committee, approved by the Ways and Means Committee, and is currently in the Appropriations Committee. Outlook for passage is uncertain.

S. 260

Contrary to my prognostication last month, S. 260 passed the House and has been sent to the Governor for her signature.

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VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: Board of Commissioners

FROM: Glenn A. Jarrett GAJ, General Counsel

DATE: May 10, 1990

RE: John Larkin Request re Condominium Conversion

Over a year ago, John Larkin sought eligibility for VHFA financing for a condominium project he owned in South Burlington. The development is called Bay Court and is located off Shelburne Road behind the Howard Johnson's Larkin erected a few years ago. We rejected the development because of some technical problems with the execution of the declaration in 1986 on the eve of the effective date of the Condominium Conversion Act. In order to meet our concerns, the developer would have had to file a new declaration and comply with the provisions of the Conversion Act. At the time, he was not willing to do this and the application lapsed.

This spring the developer again became interested in securing eligibility for VHFA financing for the condominiums and has prepared documents to be filed that satisfy the concerns referred to above. He is also giving tenants the notice required under the Conversion Act, but telling them that none of them will be forced to vacate at any time. However, in addition to seeking approval for financing for tenants who wish to purchase units, he is asking to have three vacant units declared eligible for financing. Staff is satisfied that the tenants were not forced out of these units. This request is at odds with our policy on conversion condominiums (copy attached). Those of you who were on the Board in late 1988 may recall a discussion about conversions when you adopted the policy on condominiums. Our practice under that policy is:

1) We offer financing for up to 30% of the total number of units in the project for purchasers eligible for VHFA financing in a project that was converted to condominiums over two years ago.

2) We offer financing to tenants only, if the project was converted less than two years ago.

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On the plus side, these units are affordable, attractive units located in one of the highest cost areas of the State. The current asking price is $78,500 for an interior unit and $80,500 for an end unit.

This request presents policy questions for you to consider, such as:

1. Should the Board make an exception to its policy on conversions to allow financing on the units currently vacant and/or units that become vacant in the future in this development?

2. Since the owner is willing to tell the tenants in writing that no one will be displaced, is VHFA financing necessary to avoid displacement?

3. Would we be giving a signal that we are not serious about our policy of discouraging conversions by approving this project?

4. Should we allow financing of vacant units in conversion projects, so long as tenants were not forced out directly or indirectly (i.e., by large rent increases)?

STAFF RECOMMENDATION:

That the Board approve this project for eligibility for financing both tenant occupied units and vacant units in light of the circumstances, and revisit the policy on condominium conversions.

Conversion Condominiums

This type consists of projects that were built as rental units or as condominium units and have been or are in the process of being converted to homeownership units. Date of conversion will be the date the first written notice of the conversion is given to the occupants of the units.

Requirements

A. Projects that have been converted.

1. Projects in this category must have been under control of the Homeowners Association for a period of two years.
2. The conversion process was in compliance with Chapter 15 of Title 27, Vermont Statutes Annotated, if ~~conversion took place on~~ or after July 1, 1986. THE DECLARATION WAS FILED
3. All requirements listed under General Policies must be met.
4. List of owners and addresses along with an indication of which units are owner occupied.
5. Certification from the Association that to the best of their knowledge there are no circumstances which would subordinate a recorded first mortgage on any unit or that they anticipate any such action.
6. Certification from the Association that there are no substantive problems with the developers' warranties, that there is no anticipated phasing of additional units, and that all common elements and units are complete.
7. A report of delinquent Association dues.
8. If FreddieMac/FannieMae approved the following will apply or are required:
    A. Fee will be reduced to $100.00.
    B. In addition to required documentation an unconditional letter of approval by FreddieMac or FannieMae must be provided.

B. Projects in the process of conversion or recently converted.

1. VHFA will consider financing only for tenants who: were given written notice of conversion; wish to purchase their units; are eligible for VHFA financing; and through the financing will avoid displacement.
2. Conversion process was in compliance with Chapter 15 of Title 27, Vermont Statutes Annotated.
3. All requirements listed under General Policies must be met.
4. If FreddieMac/FannieMae approval is being sought and is obtained the following will apply or are required:
    A. Fee will be reduced to $100.00.
    B. In addition to required documentation an unconditional letter of approval by FreddieMac or FannieMae must be provided.

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director

DATE: May 25, 1990

RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting, as rescheduled, has been confirmed. The meeting will be held at 1:30 p.m. Thursday, June 28. The meeting will be held here at the VHFA office, One Burlington Square, Burlington.

The agenda and board packet will be mailed to you under separate cover, one week prior to the meeting.

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Burlington June 28!

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VERMONT HOUSING FINANCE AGENCY

June 18, 1990

Ms. Jean Gauthier
Department of Administration
Pavilion Office Building
109 State Street
Montpelier, VT 05602

Dear Ms. Gauthier:

The Vermont Housing Finance Agency will be having its monthly Board Meeting on Thursday, June 28, at 1:30 p.m., here at the office of Vermont Housing Finance Agency, One Burlington Square, Burlington, Vermont.

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

Sincerely,

Barbara M. Parker

Barbara M. Parker
Executive Assistant

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
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VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director

DATE: June 22, 1990

RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held at 1:30 p.m. Thursday, June 28, here at the VHFA office, One Burlington Square, Burlington.

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

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Burlington June 28!

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VERMONT HOUSING FINANCE AGENCY

VHFA BOARD MEETING AGENDA

Vermont Housing Finance Agency
One Burlington Square
Burlington, Vermont

Thursday, June 28, 1990 at 1:30 p.m.

1. Review and approval of minutes of May 17, 1990

2. Executive Director's Report
   A. Dalton Drive Update
      and Proposed Resolution [**Kochman/Enclosure**]

3. Operations
   A. MOVE 1989A/1989B Update [**Lothrop/Enclosure**]
   B. Discussion of Condominium Projects
      (Less Than 6 Units) [**Lothrop/Enclosure**]

4. Development
   A. Mobile Home Assistance Program:
      Proposed Income Guidelines [**Kehoe/Enclosure**]
   B. Coburn Mobile Home Park:
      Letter of Interest [**Kehoe/Enclosure**]
   C. French Hill Mobile Home Park [**Kehoe/Enclosure**]
      Letter of Interest; Commitment Letter
   D. Sherwood Hollow Modular Home
      Demonstration Program: Status Report [**Kehoe/Enclosure**]
   E. Vermont Secondary Market (Phase II):
      The Next Steps [**Crady/Enclosure**]

5. Finance
   A. Proposed FY 1991 Budget [**Schoenbeck/Encl.**]
   B. Multi-Family HUD Audit Results [**Schoenbeck/Encl.**]
   C. Taxable Bond Resolution [**Schoenbeck/Jarrett//Encl.**]

6. Legal
   A. Multi-Family Developments Updates
      Sandy Pines Proposed Resolution [**Jarrett/Enclosure**]
      Pine Meadow
      Winchester Place Proposed Resolution [**Jarrett/Enclosure**]
   B. Allen Apartments Update [**Jarrett**]
   C. Waitsfield (Babcock) Discussion [**Jarrett**]

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

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VERMONT HOUSING FINANCE AGENCY

BOARD MINUTES
Vermont Housing Finance Agency
One Burlington Square
Burlington, Vermont
Thursday, May 17, 1990

PRESENT: Commissioners Shaw, Ruse; via speakerphone, Commissioners Myette, Hebard, Seelig, Erdman (designee of Commissioner Francis), Rockford (designee of Commissioner Johnson)

Agency Staff: Mr. Hunt, Mr. Schoenbeck, Mr. Lothrop, Mrs. Parker, Ms. Pond, Ms. Hope, Mr. Jarrett, Ms. Kehoe, Mr. Koppelkam

The meeting was called to order at 2:00 p.m. by Chairman Shaw. A motion was duly made and seconded, and unanimously accepted that the minutes of the April 26 meeting be amended to add the following at the end of the first paragraph on Page 4 *"...and that the Board wishes to develop programs to serve rural and economically disadvantaged communities."*

Mr. Hunt reviewed the status of Dalton Drive in his Executive Director's report. According to Mr. Hunt, the prior determination by the District 4 Coordinator that the residential undertaking at Dalton Drive did not require an Act 250 permit is being administratively challenged by the Fort Ethan Allen Business Association. This action is based on the increase in street traffic due to the development of nearby Winchester Place, which is affecting access to the Fort; the Business Association has been asked to withdraw the challenge. Mr. Hunt reminded the Board that according to the option agreement, closing on the Dalton Drive property must happen by June 30, 1990. A motion was made, seconded and unanimously accepted that the purchase and closing proceed.

Mr. Hunt next advised that an onsite visit had been made by Mary Nenno, representing the Innovations Award Program of the Ford Foundation/Kennedy School of Government, which is reviewing an application submitted by the Agency as the creator of Housing Vermont. Housing Vermont is among 25 finalists, of which 10 will be awarded cash prizes of $100,000 each. Ms. Nenno met with both Mr. Hunt and Mr. Richardson (of Housing Vermont), and said that she would make a strong positive recommendation to the Awards

committee based on her observations. Mr. Hunt also informed the Board that many of the Agency's staff members were scheduled to attend the spring workshops (held in Milwaukee at the end of May this year) sponsored by the National Council of State Housing Agencies.

Next, Mr. Lothrop reviewed the status of MOVE 1989A and reported that funds were at a reservation level of $2.5 million per week; any overbooking will be transferred to the 1989B funds to be made available June 1, after normal reservation fallout has occurred.

Following a brief discussion led by Mr. Lothrop, and as a follow-up to last month's discussion, a motion was made and seconded to accept General Electric Mortgage Insurance Company (GEMICO or GE Credit) as an additional pool insurer; this motion was carried unanimously.

Ms. Pond briefly reviewed the "VHFA Rule...for Single Family Developments" as detailed in her memo of May 17, included in the Board packet. A motion was duly made, seconded and unanimously carried to adopt the Rule as proposed and authorize the Executive Director to file the Rule with the Secretary of State and the Legislative Committee on Administrative Rules, as required.

The "Whetstone Court Condominiums" in Brattleboro were reviewed by Ms. Kehoe, as a follow-up to her memo of May 17, included in the Board packet. A motion was made and seconded to: (a) approve the availability of mortgage financing for up to 30% of the units, with such financing available only to existing tenants of Whetstone Court after the date of conversion; (b) offer such financing on an incremental basis (meaning that for every one or two conventional borrowers the Agency will finance a VHFA-eligible borrower); (c) require the owners to ensure that the project stays within the Agency's condominium conversion guidelines; and (d) also require that the condominium project owners inform the residents in writing that this financing is available for current tenants; this motion was carried unanimously.

Turning to the "John Larkin Request re: Condominium Conversion" detailed in Mr. Jarrett's memo dated May 10 and included in the Board packet, a motion was made and seconded that the Bay Court project in South Burlington be approved for eligibility for financing both tenant-occupied and vacant units.

The Board next addressed the "St. Johnsbury, Scattered Site Development Letter of Commitment" as detailed in Ms. Pond's memo of May 10, included in the Board packet; Ms. Pond presented a

revised resolution for the Board's consideration. Mr. Jarrett explained to the Board that the proposed point spread over the cost of funds made it possible that the Agency might share in revenues of the project, which could lead to questions on the Agency being a partner as well as a lender and could be used in an attempt to impute greater liability to the Agency. Ms. Pond further explained that any additional Community Development Block Grant funds which may be obtained by the project would be committed entirely to reducing rents. After a motion was made and seconded, the "Resolution Pertaining to Commitment Letter re: St. Johnsbury Scattered Site Development" was unanimously approved as revised and attached to these minutes.

Mr. Schoenbeck advised the Board that the subcommittee regarding the Request for Proposals (RFP) for Underwriters had met with the finalists in Burlington May 14. The committee's recommendation is to have Chase Securities, Inc. be the lead underwriter, adding the firms of Goldman Sachs and Bear Stearns, and retaining Shearson Lehman Hutton and Bank of Boston. All four firms would serve as co-managers. A motion was made, seconded and unanimously adopted to ratify the committee's recommendations for bond underwriters as described.

The "General Fund Budget Adjustment Requests" were reviewed by Mr. Schoenbeck, as detailed in his memo of May 10, included in the Board packet. A motion was made and seconded that the adjustments to the budget be accepted as proposed; this motion passed unanimously.

As a Legislative Update, Mr. Jarrett reported that the appraiser certification bill had passed, thanks in large part to the letter sent to the Legislature by Chairman Shaw in support of the proposed legislation.

In other business, Ms. Kehoe addressed the Board regarding the Mobile Home Assistance Program. Current guidelines recommend that mobile home owners must be paying more than 30% of their monthly income toward housing expense in order to qualify for the Mobile Home Assistance Program. Ms. Kehoe commented that with this limitation potential borrowers who were currently paying high interest rates on their mobile homes are prohibited from accessing the funds, if they are paying less than the 30% housing expense requirement. A motion was made and seconded that the guidelines for the Mobile Home Assistance Program be revised to reflect the opinion of the Board, eliminating the 30% housing expense requirement; the Board also directed staff to monitor the program so that if and when the demand for the remaining funds exceeds the supply, priority would be given to borrowers according to need, based on the amount of current housing expense; this motion was passed unanimously.

Mr. Jarrett informed the Board that the Agency of Development and Community Affairs' proposed rules regarding the Low Income Housing Tax Credit had been approved. As an update to a previous issue regarding the Allen Apartments, Mr. Jarrett reported that a foreclosure complaint had been filed.

The next meeting was scheduled for June 28 in Burlington; there being no further business, following a motion duly made and seconded the meeting was adjourned at 2:55 p.m.

Respectfully submitted,

Allan S. Hunt
Secretary

RESOLUTION PERTAINING TO COMMITMENT LETTER RE:
ST. JOHNSBURY SCATTERED SITE DEVELOPMENT

WHEREAS, a proposal has been presented to the Agency by Northern Community Housing Corporation ("NCHC"), a non-profit corporation that is a subsidiary of Northern Community Investment Corp. in St. Johnsbury, involving the acquisition and rehabilitation of 37 units in 8 buildings located on scattered sites in St. Johnsbury (the "Development"); and

WHEREAS, the proposal contemplates that the Development will constitute a "qualified low-income housing project" within the meaning of section 42(g) of the Internal Revenue Code of 1986; and

WHEREAS, the proposed partnership between Housing Vermont and NCHC (or their subsidiaries) will qualify as a housing sponsor within the meaning of the Vermont Housing Finance Agency Act (the "Act"); and

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

It is hereby DETERMINED:

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

2. The acquisition and 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 housing for persons and families of low and moderate income, and the sponsors are financially responsible persons or institutions.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a combined letter of intent and commitment (the "Commitment Letter") to provide a first mortgage for permanent financing in an amount to be determined by the Executive Director, but not to exceed $500,000, for the St. Johnsbury Scattered Site Development.

2. The Commitment Letter shall be issued to Housing Vermont and NCHC as representatives of the housing sponsor.

3. The commitment of the Agency shall be subject to receipt, on or before the date of the acquisition, of a commitment fee in an amount equal to one and a half percent (1.5%) of the principal amount of the mortgage loan.

4. The Commitment Letter shall provide that the face rate of interest to be charged on the mortgage loan shall be 10.25% per annum. In the discretion of the Executive Director, after consultation with legal counsel, the Commitment Letter may provide that if the Borrower has insufficient income from the Development to make full debt service payments and other necessary operating expenses, the Agency will not declare a default if debt service is paid in a reduced amount, but at a rate not less than would be required to fully amortize a loan at a rate of 9.00% over a thirty year period, with the conditions that: (1) unpaid interest based on the face rate of the note be accrued and paid to the Agency from net cash flow of the Development, when available, and (2) that the Agency shall be entitled to additional monies, when the Development has net cash flow, either in the form of an increased interest rate on the note, or a percentage of net cash flow. The Commitment letter shall also provide that the loan term will be determined by the Agency, the loan shall be amortized over a period not to exceed 30 years, but the final payment shall be due not later than 20 years from the date of issuance of any bonds whose proceeds are used to fund the loan.

5. The Commitment Letter shall require the Developer to demonstrate to the satisfaction of the Executive Director that a combination of equity funds, deferred loan funds, grant funds, and/or below market interest rate funds are available in an amount at least equal to the difference between the total development cost as accepted by the Agency and the amount of the permanent financing commitment.

6. The Commitment Letter shall contain such other terms and conditions as the Executive Director shall deem necessary or appropriate, given the circumstances.

7. The Executive Director is authorized to make preliminary arrangements for the issuance and private placement of taxable bonds of the Agency to provide proceeds for financing this loan.

I certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of said Agency held on May 17, 1990.

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

MEMO

TO: VHFA COMMISSIONERS
FROM: FRANK KOCHMAN
DATE: June 21, 1990
Re: DALTON DRIVE

I am writing this memo in the absence of the executive director, who had expected it to seek only authorization of a formal resolution to proceed with the purchase from UVM on certain conditions but on schedule (June 29).

However, subject to confirmation from UVM and concurrence of the executive director on his return, I believe that staff will be recommending a "no-fault" closing delay of several weeks (July 17 or 18) in order to allow the parties to resolve a number of outstanding issues.

Most of the issues are technical; a few are substantive, both on the ground and in law. The most critical are summarized below:

1. At this moment, and until we can nail down a few points in writing with the electric company, the phone company, and an adjoining property holder, it is not completely certain that UVM is in a position/willing to give certain utility easements located where the project may need them.

2. It is unclear whether UVM needs an Act 250 permit to convey (as distinct from the Act 250 permit it now appears we will need to develop). This depends on how lots are counted for the purpose of the "ten lots in five years rule"; UVM is either just within or just outside the rule.

3. It is unclear whether UVM can have a Natural Resources Agency subdivision permit (which is legally needed to close) in hand by the scheduled closing date. We do not see this as a true substantive issue, as no one anticipates that it will not be obtained, but the law does not permit closing without one.

Substantial progress was made on the utility issue during a lengthy meeting in the field this morning among the developer, VHFA consultants, the engineer, the surveyor, UVM rep, Green Mountain Power field rep, and the lawyers, and I believe agreement was reached in principle on some difficult points. Because final resolution involves additional surveying work, drafting and multi-party review of some new documents, and, especially, the availability and cooperation of a number of third parties, I believe everyone who was in the field today concurred in the belief that a delay of a few weeks is the only realistic course.

Although a case can be made for attributing fault in these matters, I will be recommending that we agree to a "no-fault" short-term delay while we work through the utilities and permit issue. The lawyer for UVM (Austin Hart) advises that he will be recommending a similar course for UVM. If the short term is not adequate for the purpose, the fault issue can be looked at more closely later.

Enclosed for your information is a form of promissory note for the non-cash portion of the transaction and a form of resolution authorizing the issuance of the note, purchase of the property, and the execution of all closing documents (including a "Closing Memorandum"). Although a draft of the Closing Memorandum exists, I have not bothered to attach it because its specific content is already outdated by events. I still anticipate that we will be asking you to authorize execution of such a document; it will deal with a number of post-closing issues that, by their nature, cannot be resolved as of closing and probably not until the Towns and the State have acted on the permits necessary for the rehabilitation.

The attached documents are drafts, and are subject to revision before the meeting (including language authorizing the delay). At this time I am uncertain whether staff will be recommending actual adoption of a closing resolution with appropriate conditions, or simply authorization to extend the closing date. I expect the executive director will be making that decision upon his return and in light of events between now and the meeting.

VERMONT HOUSING FINANCE AGENCY
DALTON DRIVE SITE ACQUISITION NOTE

DRAFT
FOR DISCUSSION ONLY

$1,000,000.00

June 29, 1990
Burlington, Vermont

FOR VALUE RECEIVED, the undersigned, Vermont Housing Finance Agency, a body politic and corporate and public instrumentality of the State of Vermont (the "Agency"), promises to pay to UNIVERSITY OF VERMONT AND STATE AGRICULTURAL COLLEGE ("Payee"), at the address stipulated on the last page hereof, or such other address as Payee may direct in writing, the sum of ONE MILLION 00/100 ($1,000,000.00) DOLLARS in legal and lawful money of the United States of America, without interest, on February 23, 1991, unless sooner prepaid as provided herein.

This Note is issued under and by virtue of the Vermont Housing Finance Agency Act, being Public Law No. 260 of the Laws of Vermont, 1974, as amended (the "Act") and a resolution of the Agency adopted June 28, 1990 (the "Resolution"). This Note arises out of that one certain Agreement dated June 22, 1989, between Agency, as purchaser, and Payee, as owner (the "Agreement"), as amended by a certain "Closing Extension Agreement" dated February 23, 1990, and a "Closing Memorandum" of even date. THIS NOTE IS SUBJECT TO CANCELLATION UNDER THE CIRCUMSTANCES SPECIFIED IN PARAGRAPH __ OF THE SAID "CLOSING MEMORANDUM."

This Note is subject to prepayment in whole or in part at any time prior to maturity, at the option of the Agency and upon not less than ten (10) days prior notice to the Payee, at a prepayment price equal to the principal amount of this Note or portion thereof so prepaid without premium or interest.

If this Note is not paid at maturity, and the same is collected by suit or through bankruptcy or other legal proceedings, the Agency agrees to pay to Payee all costs of collection, including reasonable attorneys' fees. Notwithstanding anything herein to the contrary, the Agency agrees to pay interest on any overdue payment of principal hereunder at a rate per annum equal to twelve percent (12%) per annum from the date of said default hereunder until such overdue amount is paid in full.

Any notice required hereunder shall be deemed to be delivered on the date such notice is deposited in the United States mail, postage prepaid, certified mail, return receipt requested, addressed to the Agency or Payee as the case may be at the address set out hereinbelow, or at such other address as such party may have theretofore requested by notice delivered in accordance herewith.

Except as otherwise expressly provided for herein, the Agency, to the extent permitted by law, waives demand, presentment, protest, notice of intent to accelerate, notice of acceleration, notice of nonpayment, and notice of protest.

This Note is an unsecured general obligation of the Agency p[redacted] of any revenues or moneys of the Agency, subject only to agreements he[redacted] or hereafter made with holders of bonds, notes, or other obligations of th[redacted] Agency pledging particular assets or revenues for the security thereof. The Agency is not obligated to pay this Note or the interest hereon except from such revenues and moneys and any other assets pledged therefor and neither the faith and credit nor the taxing power of the State of Vermont or of any political subdivision thereof is pledged to the payment of the principal of or interest of this Note. THIS NOTE IS NOT SECURED BY ANY MORTGAGE OR ANY OTHER INTEREST WHATSOEVER IN ANY REAL OR PERSONAL PROPERTY. FURTHER, THE PAYEE BY ITS ACCEPTANCE HEREOF EXPRESSLY WAIVES ANY SUCH INTEREST IN PROPERTY WHICH MAY OTHERWISE ARISE BY IMPLICATION OF LAW, INCLUDING ANY PRINCIPAL OF EQUITY.

This Note may not be assigned or transferred without the express consent of the Agency.

No recourse shall be had for the principal of or interest on this Note or for any claim based thereon, or on the Agreement, the Closing Extension Agreement, the Closing Memorandum, or the Resolution, personally, against any commissioner of the Agency or any person executing this Note.

This Note shall be governed by and construed in accordance with the laws of the State of Vermont.

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

IN WITNESS WHEREOF, VERMONT HOUSING FINANCE AGENCY has caused this Note to be signed in its name and on its behalf by its Chairman or Vice Chairman, and its corporate seal to be affixed hereto or imprinted hereon and attested by its Secretary or Assistant Secretary effective as of the day and year first above written.

VERMONT HOUSING FINANCE AGENCY

[SEAL]

By _____
Chairman

Attest: _____
Secretary

ADDRESSES OF THE PARTIES

VERMONT HOUSING FINANCE AGENCY
One Burlington Square
P.O. Box 408

Burlington, VT 05402-0408

UNIVERSITY OF VERMONT AND STATE AGRICULTURAL COLLEGE

Burlington, VT 05405

DD013

DRAFT
FOR DISCUSSION ONLY

RESOLUTION OF VERMONT HOUSING FINANCE AGENCY
AUTHORIZING THE ISSUANCE OF ITS DALTON DRIVE SITE ACQUISITION NOTE
AND RELATED MATTERS

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

ARTICLE I

DETERMINATIONS, DEFINITIONS AND AUTHORITY

SECTION 101. Short Title. This resolution shall be and is hereinafter referred to as the "Dalton Drive Resolution" or the "Resolution".

SECTION 102. Authority For Resolution. This Dalton Drive Resolution is adopted pursuant to the Act and in accordance with the provisions thereof.

SECTION 103. Definitions. All capitalized, undefined terms used in this Resolution shall have the same meanings as they have in the Closing Memorandum (as hereinafter defined). In addition, the following words and phrases shall have the following meanings:

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

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

"Authorized Officer" means the Chairman, Vice Chairman, Treasurer, Executive Director and Secretary, Director of Finance and any other person authorized by resolution of the Agency to act as an Authorized Officer hereunder;

"Closing Memorandum" means an agreement between the Seller and the Agency, substantially in the form attached hereto as Exhibit C.

"Deed" means the quitclaim deed of the Seller, substantially in the form attached hereto as Exhibit A.

"Development Agreement" means the Contract for Development Services dated effective January 1, 1990, between the Agency and Preservation Investments, Ltd.

"Development Plan" means the plan for rehabilitation and sale of the buildings on the Property for Residential Housing and non-housing purposes as outlined in the Development Agreement.

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

The terms "herein", "hereunder", "hereby", "hereto", "hereof", [illegible] similar terms, refer to this Resolution; the terms "heretofore" means bef[illegible] the date of adoption of this Resolution; and the term "hereafter" means after the date of adoption of this Resolution;

"Note" means the Site Acquisition Note;

"Officer's Certificate" means a certificate signed by an Authorized Officer;

"Owner" or "owners" or "noteowner", when used in reference to the Note, means the registered owner of the Note;

"Property" means the real and personal property which is the subject of the Option Agreement and the Closing Extension Agreement (as defined in the Closing Memorandum), as more particularly described in the Deed.

"Purchase Documents" means the Closing Extension Agreement, the Closing Memorandum, and documents reasonably required to be executed and delivered by the Agency in connection therewith.

"Seller" means University of Vermont and State Agricultural College;

"Site Acquisition Note" means the Dalton Drive Site Acquisition Note authorized and outstanding under Article __ hereof;

"State" means the State of Vermont;

SECTION 104. Parties Interested Herein. Nothing in this Resolution expressed or implied is intended or shall be construed to confer upon, or to give to, any person, other than the Agency, the Seller, and the Owner of the Site Acquisition Note, any right, remedy or claim under or by reason of this Resolution or any covenant, stipulation, obligation, agreement or condition therein. All the covenants, stipulations, obligations, promises and agreements in this Resolution contained by and on behalf of the Agency shall be for the sole and exclusive benefit of the Agency, the Seller, and the Owner of the Site Acquisition Note.

SECTION 105. Law Applicable. The laws of the State shall be applicable to the interpretation and construction of this Resolution.

SECTION 106. Severability of Invalid Provision. If any one or more of the provisions, covenants or agreements in this Resolution on the part of the Agency to be performed should be contrary to law, then such provisions, covenants or agreements shall be deemed separable from the remaining provisions, covenants and agreements, and shall in no way affect the validity of the other provisions of this Resolution or of the Note.

SECTION 107. Findings and Determinations. The Agency hereby finds and determines in accordance with Section 631 of the Act (and with all terms not defined in this Section having the meaning given such terms in the Act) that:

(1) The Agency is acquiring the Property for the purpose of carrying out the Development Plan.

(2) The aggregate principal amount of the Site Acquisition Note is necessary to provide sufficient funds to accomplish the corporate purposes of the Agency with respect to the Property;

(3) The Agency reasonably anticipates that loans made by or on behalf of the Agency as contemplated by the Development Plan for the acquisition by persons and families of residential housing units to be constructed or rehabilitated on or in respect of the Property 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 without the assistance ofthe Agency;

(4) The Agency will derive receipts, revenues or other income from or with respect to the Property and the Development Plan sufficient to provide, together with all other available receipts, revenues and income of the Agency, for the payment, or reimbursement to the General Fund for the payment, of the Site Acquisition Note, and the payment of all costs and expenses incurred by the Agency with respect to the Property and the Development Plan.

ARTICLE II

AUTHORIZATION OF DALTON DRIVE HOUSING SITE ACQUISITION NOTE

SECTION 201. The Site Acquisition Note. (A) A note of the Agency, designated "Dalton Drive Site Acquisition Note", is hereby authorized to be issued in the principal amount of $1,000,000.00.

(B) The Site Acquisition Note shall be dated June 29, 1990.

(C) The Site Acquisition Note shall be payable as to principal on February 23, 1991, shall bear no interest, shall be executed, shall be subject to prepayment and transfer, and shall otherwise be in form and tenor as provided in, and the respective rights and obligations of the Agency and the Owner thereof shall be as described in, the form of the Site Acquisition Note set forth in Exhibit A hereto.

SECTION 202. General Obligation of Agency. The Site Acquisition Note shall be a general obligation of the Agency payable out of any revenues or moneys of the Agency, subject only to agreements heretofore or hereafter made with holders of bonds, notes, or other obligations of the Agency, other than the Site Acquisition Note, pledging particular assets or revenues for the security thereof. The Agency shall not be obligated to pay the Site Acquisition Note or the interest thereon except from such revenues and moneys and neither the faith and credit nor the taxing power of the State or of any political subdivision thereof is pledged to the payment of the principal of or interest of the Site Acquisition Note.

SECTION 203. Purpose, Sale and Delivery. (A) The Site Acquisition Note is issued for the purpose of paying a portion of the purchase price of the Property.

Site Acquisition Note is hereby sold to the [redacted] of par. The Authorized Officers of the Agency are authorized [redacted] execute and deliver the Site Acquisition Note to the Seller upon [redacted] delivery by the Seller of the Deed, an appropriate Vermont Property Tra[redacted] Tax Return, the Closing Memorandum, and such other documentation, opinions of counsel and assurances as an Authorized Officer may deem appropriate.

ARTICLE III

MISCELLANEOUS

SECTION 301. Purchase Authorization. The Authorized Officer(s) are hereby authorized to consummate the Purchase of the Property from the Seller in accordance with the provisions of the Purchase Documents.

SECTION 302. Purchase Documents. The Closing Memorandum, and the execution and delivery thereof by any Authorized Officer of the Agency, is hereby approved in substantially the form presented at this meeting, with such changes thereto as the Authorized Officer executing the same may approve prior to its execution and after consultation with counsel. By adoption of this Resolution, all other Purchase Documents, and the execution and delivery thereof by or on behalf of the Agency, are hereby ratified and approved.

SECTION 303. Amendment. (A) Without the consent of the Owner of the Site Acquisition Note, this Resolution may be amended at any time and from time to time by supplemental resolution adopted by the Agency (1) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision herein, or (2) to insert such provisions clarifying matters or questions arising under this Resolution as are necessary or desirable and are not contrary to or inconsistent with this Resolution as theretofore in effect.

(B) Except as provided in Paragraph (A) of this section, this Resolution may only be amended with the prior written consent of the Owner of the Site Acquisition Note.

SECTION 304. Authorization of Officers. The Chairman, Vice-Chairman, Executive Director, Director of Finance and each other Authorized Officer are each hereby authorized and directed to do all acts and things and to execute and deliver any and all documents, certificates, and other instruments necessary or desirable to effectuate the transactions contemplated by this Resolution.

SECTION 305. Effective Date. This Dalton Drive Resolution shall take effect upon its adoption.

DD014

STATISTICAL REPORT PROGRAM ID: 89A
UNDERWRITING DATABASE
LTV 0% TO 100%
Effective for 01/01/89 thru 06/20/90
Loan Status: CC,UC,O

Total Number of Loans: 730
Total Loan Amount: $44,753,603

EXISTING:	$31,380,229	72.1%	527 Loans
NEW CONSTRUCTION:	$13,373,374	27.8%	203 Loans
NEW DETACHED HOUSING:	$10,637,254	79.5%	160 Loans
NEW CONDOMINIUM:	$2,736,120	20.4%	43 Loans
Funds Remaining to be Reserved:	$6,172,725	13.7%	100 Loans (Est.)

Total Insured or Guaranteed Loans: 629
Loans Guaranteed by VHMGB: 621

	ACED	NON ACED	STATEWIDE
Avg. Purchase Price	$67,733	$73,420	$69,602
Avg. Loan Amount	$59,565	$64,860	$61,306
Avg. Borrower Income	$26,766	$27,995	$27,170
Avg. Housing Debt-Income Ratio	26.4%	28.0%	26.9%
Avg. Total Debt	$762.28	$820.51	$781.43
Avg. Total Debt-Income Ratio	34.2%	35.3%	34.5%
Total No. of Loans	490	240	730
% of Total Loan Amount	65.2%	34.8%	100.0%
First Time Homebuyers	81.8%	100.0%	87.8%
% Meeting Low Income Set Aside	35.7%	55.0%	42.0%

	Loans	% of Loans	$ Amount	*Households	% of Hshlds	% DIFF
Addison	40	5.5%	$2,457,573	5,000	5.8%	0.3-
Bennington	27	3.7%	$1,734,541	6,000	7.0%	3.3-
Caledonia	58	7.9%	$3,234,810	5,000	5.8%	2.1
Chittenden	125	17.1%	$8,326,872	16,000	18.6%	1.5-
Essex	9	1.2%	$487,258	1,000	1.2%	0.0
Franklin	115	15.8%	$7,328,714	6,000	7.0%	8.8
Grand Isle	11	1.5%	$649,713	1,000	1.2%	0.3
Lamoille	46	6.3%	$2,738,881	3,000	3.5%	2.8
Orange	34	4.7%	$2,019,027	4,000	4.7%	0.0
Orleans	54	7.4%	$2,614,911	4,000	4.7%	2.7
Rutland	55	7.5%	$3,359,765	10,000	11.6%	4.1-
Washington	80	11.0%	$4,963,992	9,000	10.5%	0.5
Windham	39	5.3%	$2,439,686	7,000	8.1%	2.8-
Windsor	37	5.1%	$2,397,860	9,000	10.5%	5.4-
TOTAL	730	100.0%	$44,753,603	86,000	100.0%	

* Estimated number of households, $15,000 to $35,000 income.
Source: CACI, 1989 Sourcebook of County Demographics

STATISTICAL REPORT PROGRAM ID: 89B
UNDERWRITING DATABASE
LTV 0% TO 100%
Effective for 01/01/89 thru 06/21/90
Loan Status: CC,UC,O

Total Number of Loans:	10
Total Loan Amount:	$625,200

EXISTING:	$516,200	80.0%	8 Loans
NEW CONSTRUCTION:	$109,000	20.0%	2 Loans
NEW DETACHED HOUSING:	$109,000	100.0%	2 Loans
NEW CONDOMINIUM:	$0	0.0%	0 Loans
Funds Remaining to be Reserved:	$30,771,234	80.0%	492 Loans (Est.)

Total Insured or Guaranteed Loans:	8
Loans Guaranteed by VHMGB:	8

	ACED	NON ACED	STATEWIDE
Avg. Purchase Price	$69,615	$74,980	$72,297
Avg. Loan Amount	$55,250	$69,790	$62,520
Avg. Borrower Income	$25,708	$29,316	$27,512
Avg. Housing Debt-Income Ratio	26.0%	27.2%	26.6%
Avg. Total Debt	$734.20	$769.00	$751.60
Avg. Total Debt-Income Ratio	34.6%	32.0%	33.3%
Total No. of Loans	5	5	10
% of Total Loan Amount	44.2%	55.8%	100.0%
First Time Homebuyers	80.0%	100.0%	90.0%
% Meeting Low Income Set Aside	60.0%	60.0%	60.0%

	Loans	% of Loans	$ Amount	*Households	% of Hshlds	% DIFF
Addison	0	0.0%	$0	5,000	5.8%	5.8-
Bennington	1	10.0%	$52,250	6,000	7.0%	3.0
Caledonia	0	0.0%	$0	5,000	5.8%	5.8-
Chittenden	4	40.0%	$296,700	16,000	18.6%	21.4
Essex	1	10.0%	$57,000	1,000	1.2%	8.8
Franklin	1	10.0%	$35,250	6,000	7.0%	3.0
Grand Isle	0	0.0%	$0	1,000	1.2%	1.2-
Lamoille	1	10.0%	$52,000	3,000	3.5%	6.5
Orange	0	0.0%	$0	4,000	4.7%	4.7-
Orleans	0	0.0%	$0	4,000	4.7%	4.7-
Rutland	0	0.0%	$0	10,000	11.6%	11.6-
Washington	1	10.0%	$66,500	9,000	10.5%	0.5-
Windham	1	10.0%	$65,500	7,000	8.1%	1.9
Windsor	0	0.0%	$0	9,000	10.5%	10.5-
TOTAL	10	100.0%	$625,200	86,000	100.0%	

* Estimated number of households, $15,000 to $35,000 income.
Source: CACI, 1989 Sourcebook of County Demographics

Vermont Housing Finance Agency
89B - $38,450,000 MORTGAGE LOAN PURCHASE PROGRAM
Status Report (with percent of pool proceeds approved)
Rate : 8.700%
Date : 06/21/90

Lender	Funds Reserved	Percent Reserved	Prelim. Approval	% Prelim Approval	Loans Purchased	Loans to be Purchased	PERC
Bank of Vermont	$810,335	2.1%	$78,750	0.2%	$0	$78,750	9.7%
Caledonia National Bank of Danville, The	$216,500	0.5%	$0	0.0%	$0	$0	0.0%
Chittenden Trust Company	$1,609,536	4.1%	$131,250	0.3%	$0	$131,250	8.1%
Citizens Savings Bank and Trust	$54,900	0.1%	$0	0.0%	$0	$0	0.0%
Commonwealth Mortgage Company, Inc	$82,923	0.2%	$0	0.0%	$0	$0	0.0%
Community National Bank	$412,375	1.0%	$0	0.0%	$0	$0	0.0%
Franklin-Lamoille Bank	$35,250	0.0%	$35,250	0.0%	$0	$35,250	100.0%
Howard Bank, National Assn, The	$153,900	0.4%	$76,950	0.2%	$0	$76,950	50.0%
Lyndonville Savings Bank & Trust Company	$46,550	0.1%	$0	0.0%	$0	$0	0.0%
Marble Bank	$185,645	0.4%	$0	0.0%	$0	$0	0.0%
Merchants Bank, The	$499,009	1.2%	$0	0.0%	$0	$0	0.0%
National Bank of Middlebury, The	$35,000	0.0%	$0	0.0%	$0	$0	0.0%
New England IBM Employees Fed Crdt Union	$75,000	0.1%	$0	0.0%	$0	$0	0.0%
Passumpsic Savings Bank	$590,286	1.5%	$0	0.0%	$0	$0	0.0%
Peoples Trust Company of St Albans	$59,000	0.1%	$0	0.0%	$0	$0	0.0%
Proctor Bank	$192,250	0.5%	$0	0.0%	$0	$0	0.0%
Randolph National Bank	$57,000	0.1%	$0	0.0%	$0	$0	0.0%
Statewide Funding Corporation	$134,827	0.3%	$0	0.0%	$0	$0	0.0%
Summit Financial Center, Inc.	$135,800	0.3%	$0	0.0%	$0	$0	0.0%
Union Bank	$159,250	0.4%	$52,000	0.1%	$0	$52,000	32.6%
Vermont Federal Bank, FSB	$856,455	2.2%	$57,000	0.1%	$0	$57,000	6.6%
Vermont Mortgage Group, Inc	$408,850	1.0%	$0	0.0%	$0	$0	0.0%
Vermont National Bank	$868,125	2.2%	$194,000	0.5%	$0	$194,000	22.3%
TOTALS 119 Loans	$7,678,766	19.9%	$625,200	1.6%	$0	$625,200	8.1%

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Douglas R. Lothrop, Director of Operations

DATE: May 10, 1990

RE: DISCUSSION OF CONDOMINIUM PROJECTS OF LESS THAN SIX UNITS

At the December 14, 1988 Board meeting, the Board approved condominium procedures to give staff guidance in approving projects for eligibility for VHFA programs. Since that time, these guidelines have served us very well.

One of the restrictions contained in the procedures was that only projects of six or more units were eligible for VHFA programs. The most prominent reasons for this restriction were:

* The increased workload that potentially could accrue to VHFA staff with the increase in the number of requests for approval for eligibility;

* A project with only six individuals or families to share the common costs is an added risk;

* Settlement of disputes between unit owners is more difficult in smaller projects; and

* There had been no demand for approval of small projects.

Staff has noticed an increase in the number of requests from the marketplace to approve projects of less than six units. The first three issues mentioned above are still a concern. Staff will attempt to streamline the process for approval of eligibility, in an effort to reduce the time necessary to do an adequate review of the project. Staff would also be prepared to recommend any other step that might be appropriate for dealing with an increased workload.

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The risk of increased shared costs, due to non-payment of assessments by one or more of the unit owners, is arguably an acceptable risk for VHFA to take, based on the recent added difficulty of increasing the density of housing on the available building space. An additional benefit of the smaller projects might be that they fit better into the community than larger projects, thus easing community objections.

VHFA approval of projects for eligibility of less than six units would be contingent on a satisfactory dispute resolution system which should take care of misunderstandings between unit owners.

REQUESTED BOARD ACTION

Approval for VHFA to finance units in condominium projects of six units or less.

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Kathy Beyer Kehoe KBK/Special Needs Housing Development Officer

DATE: June 13, 1990

RE: Mobile Home Assistance Program Income Guidelines

DISCUSSION

The Mobile Home Assistance Program MHAP, which provides 6.95% 12-year loans for eligible borrowers to refinance their mobile homes in eligible mobile home parks, was initiated on May 1, 1990. The program is targeted to those at or below 80% of the statewide median income, or $25,840. Currently, only one reservation has been made under the program.

Staff has been marketing the program directly to the eligible parks, and held a "Lender Day" at one of the parks in May. From the feedback we have had so far on the program, it appears that the income guideline of 80% is too restrictive. It also appears that the target audience for MHAP are the younger households who are more likely to be in the 80-100% of median range, but also have higher financing costs on their mobile home. Many residents in the below 80% category are retired and typically have little or no debt on their homes.

Additionally, the MHAP loans have a term of only 12 years; if these funds are not used within the next year, the loan term would have to be shortened even more. Therefore, there is a need to utilize these funds expediently.

The Program Group recommends to the Board that the MHAP guidelines are adjusted to 100% of the statewide median which is $32,300

RECOMMENDED ACTION

Approval of the proposed change to the Mobile Home Assistance Program, revising the income guideline to 100% of statewide median, or $32,300.

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VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Kathy Beyer Kehoe/Special Needs Housing Development Officer

DATE: June 20, 1990

RE: Coburn Mobile Home Park: Request for Letter of Interest

PROJECT SUMMARY

The staff seeks a letter of interest to construction financing and permanent financing for the Coburn Mobile Home Park. Located in Clarendon, Coburn is a 52 unit park being purchased by the Rutland County Community Land Trust (RCCLT) for the price of $330,000 or $6346/lot.

The park's septic system has failed and was scheduled to close in August of 1990 which would have resulted in the displacement of 52 households and their mobile homes. RCCLT's plans for acquisition include connecting the park to Rutland City's sewer system. Estimates for the cost of construction and impact fees range from a low of $316,000 to a high of $624,000. Final estimates should be available for the Board meeting.

THE PROJECT

1. Financing

The construction financing will be pursued by VHFA through accessing the Bank of Boston credit facility. Depending on whether the loan will be tax-exempt or taxable, the interest on the construction loan will be 8% to 10%.

Under the high cost scenario, the VHFA loan will be structured with a stepped interest rate starting at 9.75% and increasing .75% every five years to a final interest rate of 12%. The loan is for 20 years but is amortized over 25 years; approximately $250,000 will need to be refinanced at the end of year 20. Under the low cost scenario, the VHFA loan the VHFA loan will carry a fixed 10.75% interest rate for 20 years.

Coburn Mobile Home Park/Clarendon
Development Budget

****

SOURCES	High Estimate	Low Estimate
VHFA	$519,825	$208,125
VCLF loan	$30,000	$30,000
VHCB deferred loan	$200,000	$200,000
VHCB short term loan	$60,000	60000
CDOP grant	$200,000	200000
Total Permanent Financing	$1,009,825	$698,125

USES

		%TDC		%TDC
Property Acquisition	$330,000	32.68%	$330,000	32.68%
Constr/Infrastructure	$350,000	34.66%	$150,000	34.66%
Construction loan interest	$7,875	0.78%	$3,375	0.78%
Contingency	$17,500	1.73%	$7,500	1.73%
TOTAL CONSTRUCTION	$375,375		$160,875	
Impact Fees & Permits	$250,000	24.76%	$156,000	24.76%
Appraisal	$800	0.08%	$800	0.08%
Engineering	$11,900	1.18%	$11,900	1.18%
Consultants	$0	0.00%	$0	0.00%
Legal and Title Fees	$1,800	0.18%	$1,800	0.18%
Permanent Loan Fee	$5,200	0.51%	$3,000	0.51%
Construction loan fee	$1,750	0.17%	$750	0.17%
TOTAL SOFT COSTS	$271,450		$174,250	
Working Capital Reserve	$8,000	0.79%	$8,000	0.79%
Development Fee	$25,000	2.48%	$25,000	2.48%
Total Development Costs	$1,009,825	100.00%	$698,125	100.00%
Per lot	$19,420		$13,425	

VHCB is being asked to give a $210,000 deferred loan and a $50,000 short-term loan which must be paid back within five years. The town of Clarendon is submitting an application for a $200,000 Community Development Opportunity Grant (CDOP) in July. Finally, $30,000 is sought from the Vermont Community Loan Fund, for a 5%, 5-year loan.

It should be noted that the only equity in this project is the CDOP grant, which is not true equity contributed directly by the sponsor.

2. Appraisal & Loan To Project Value

The May appraisal, done by the Sargeant Appraisal Service of Rutland, estimated the value of the Park after the infrastructure improvements to be $650,000 or $12,500/lot. This appraisal is slightly lower than the total development costs at a low estimate of $698,000; however, the appraisal is significantly less than the high estimate of total development costs of $1,009,000. It should be noted that a significant amount of the development costs are related to impact fees ($156,000 to $250,000).

VHFA's multi-family rules state that the VHFA loan will be limited to no more than 95% of the total housing costs or security value of the project, which ever is less (which is the appraised value for Coburn):

	High Estimate	Low Estimate
VHFA loan	$519,038	$208,125
Appraised value	$650,000	$650,000
LTV	80%	32%

Under the high cost scenario, the total development costs represent 155% of the appraised value, and under the low cost scenario represent 107% of the appraised value. The park is being re-appraised by Keller Navin. However, under the high estimate scenario it is quite likely that the total development costs will exceed that of the appraised value.

3. Lot Rent/Market Demand/Income Mix

The current rent is $135/month; lot rents in Rutland County average $128/month, with several parks charging $150 to $160 per month. The residents have indicated a willingness to pay up to $180/month if necessary to keep their park open. Under the low estimate, rents would remain at $135/month; under the high estimate, lot rents would have to increase to $170/month.

Demand for mobile home park lots is very strong in the Rutland County area; even under the existing conditions, all lots in the park are rented although three mobile homes are for sale (and vacant at this time).

The income mix of the park is typical of many mobile home parks in the state:

9 households or 18% at or below 50% of median
19 households or 39% between 50% to 80% of median
11 households or 23% between 80% to 100% of median
10 households or 20% above median

4. Location/Site

Coburn Mobile Home Park is situated on 6.5 acres, located along Route 7 in Clarendon. Access to the park is over a right-of-way off Route 7B. The neighborhood is a mixture of commercial and residential, and is only a five minute drive from employment and shopping in Rutland.

The site itself is very flat; the mobile homes are situated on very small lots, and there is little buffer between the park boundary and the mobile homes. The park includes a small one room apartment used by the former owner.

5. Sponsors/Parties

Bennington-Rutland Opportunity Council (BROC) has undertaken the majority of the pre-development work for Coburn; BROC will continue as a development consultant to the project up to the time of acquisition, when RCCLT assumes title. RCCLT will own and manage the park, and BROC will continue in their capacity of supporting the tenant association.

While BROC has had limited experience in rental rehabilitation, and currently manages five rental units, BROC has no experience in mobile home park development and management. RCCLT is a relatively new land trust, incorporated in October of 1989; RCCLT has one staff person, formerly a project director in BROC's housing program. Therefore, the issue of management capacity is of large concern here. Management of the park may be facilitated by continuing to use the current resident managers of the park. Another capacity concern lies in the management of the construction phase; however, all estimates of construction costs include payment for a consulting engineer to act as general contractor on the job.

6. Timetable

The Purchase and Sales Contract was signed on April 12, 1990, and calls for an October 30, 1990 closing--all financing commitments must be obtained by September 1. An application to the Vermont Housing and Conservation Trust Fund for a $260,000 deferred loan will be brought before that Board in early August. The CDOP

application will be submitted to the Department of Community Affairs in July, and the decision as to that request will be available in August. It is hoped that construction work can be completed this fall. If not, the septic system will continue to be pumped through out the winter, and construction will begin in the spring. The construction should take no longer than three months.

7. Infrastructure

The septic system has failed and as a result must be pumped regularly. The park does not have land that is capable of developing additional septic systems. The only possible method of keeping the park open is by connecting to the Rutland City sewer line, which is located across Route 7. An engineer has been hired and is in the process of estimating the cost to bring the sewer line across Route 7 and into the park. Additionally, the City of Rutland will assess an impact fee of $10/gallon. The City sewer line also goes through a portion of the Town of Rutland. The Town of Rutland is also considering assessing an impact fee for usage of the pipe.

The private water supply of the park is reported to be of adequate quality and quantity by the residents. However, water tests have shown high sodium levels periodically, and the 2,000 gallon storage tank may not be sufficient for the Department of Health's standards. Improvements to the park's water supply will also be evaluated by the consulting engineer--major improvements in of the water supply would result in the "high" estimate scenario.

Electrical wiring was updated two years ago and should not need any more work. Also, the roads in the park are asphalt and appear to be in good condition.

DISCUSSION

6. Strengths and Weaknesses

The primary strengths of this project include:

a. The park is fully rented, and the rental income will continue during the construction phase.

b. Even given the large amount of infrastructure work to be done, the total development cost per lot of $13,400 to $19,400 is reasonable compared to the selling prices of parks in the area.

c. The CDOP grant brings a considerable amount of equity to the project.

The potential weaknesses of this project include:

a. The ratio of total development costs to the current appraised value is 107% under the low cost scenario, and 155% under the high cost scenario.

b. The construction phase will require outside management expertise.

c. Neither RCCLT or BROC has experience in mobile home park management, nor this large of a scale of rental management. RCCLT has few assets and has been in existence for less than a year.

RECOMMENDED ACTION

Staff recommends approval of Resolution Pertaining to Letter of Interest for the Coburn Mobile Home Park, authorizing the Executive Director to issue a letter of interest toward providing up to $600,000 of construction financing and taxable permanent financing for the Development, contingent upon staff's analysis of the feasibility of the finalized construction estimate for the park's infrastructure, and the reasonableness of the impact fees assessed by the towns.

RESOLUTION PERTAINING TO LETTER OF INTEREST FOR COBURN MOBILE HOME PARK

WHEREAS, the Rutland County Community Land Trust (RCCLT), a non-profit corporation, has presented a proposal for the acquisition of the Coburn Mobile Home Park, a 52 unit park in Clarendon, Vermont ("Coburn"); and

WHEREAS, unless Coburn is purchased by RCCLT and substantial work is performed on the park's septic system, the park will have to close, resulting in the displacement of 52 families; and

WHEREAS, RCCLT is applying to other sources for a deferred loan of approximately $210,000, a short term loan of approximately $50,000 to be repaid within five years, and a grant of $200,000; and

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

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

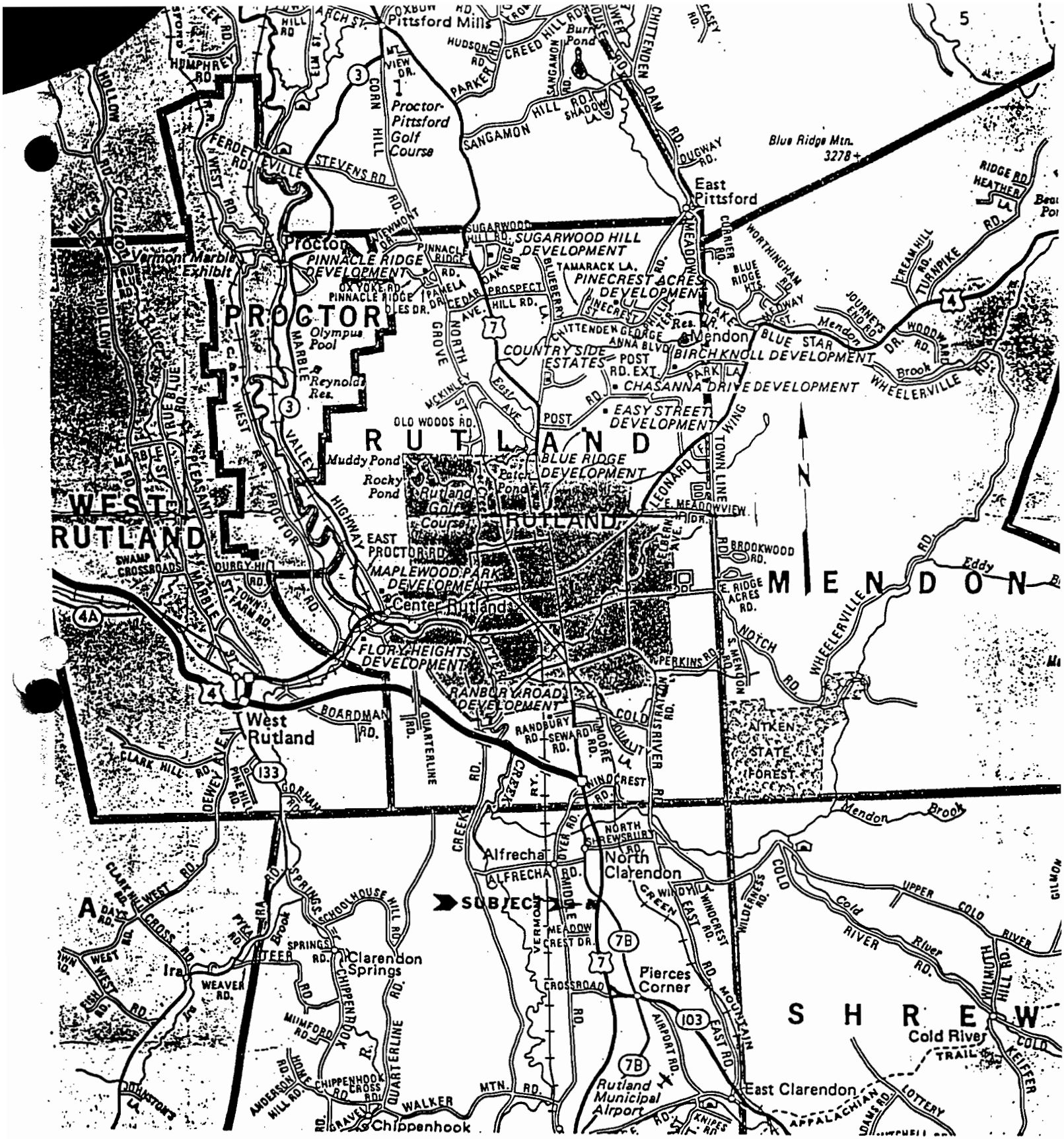
THEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Interest in providing construction financing and permanent mortgage financing of up to $600,000 for Coburn Mobile Home Park. The Letter of Interest shall be issued to Rutland County Community Land Trust, Inc. Consistent with applicable rules of the Agency, the Letter of Interest shall include the following language:

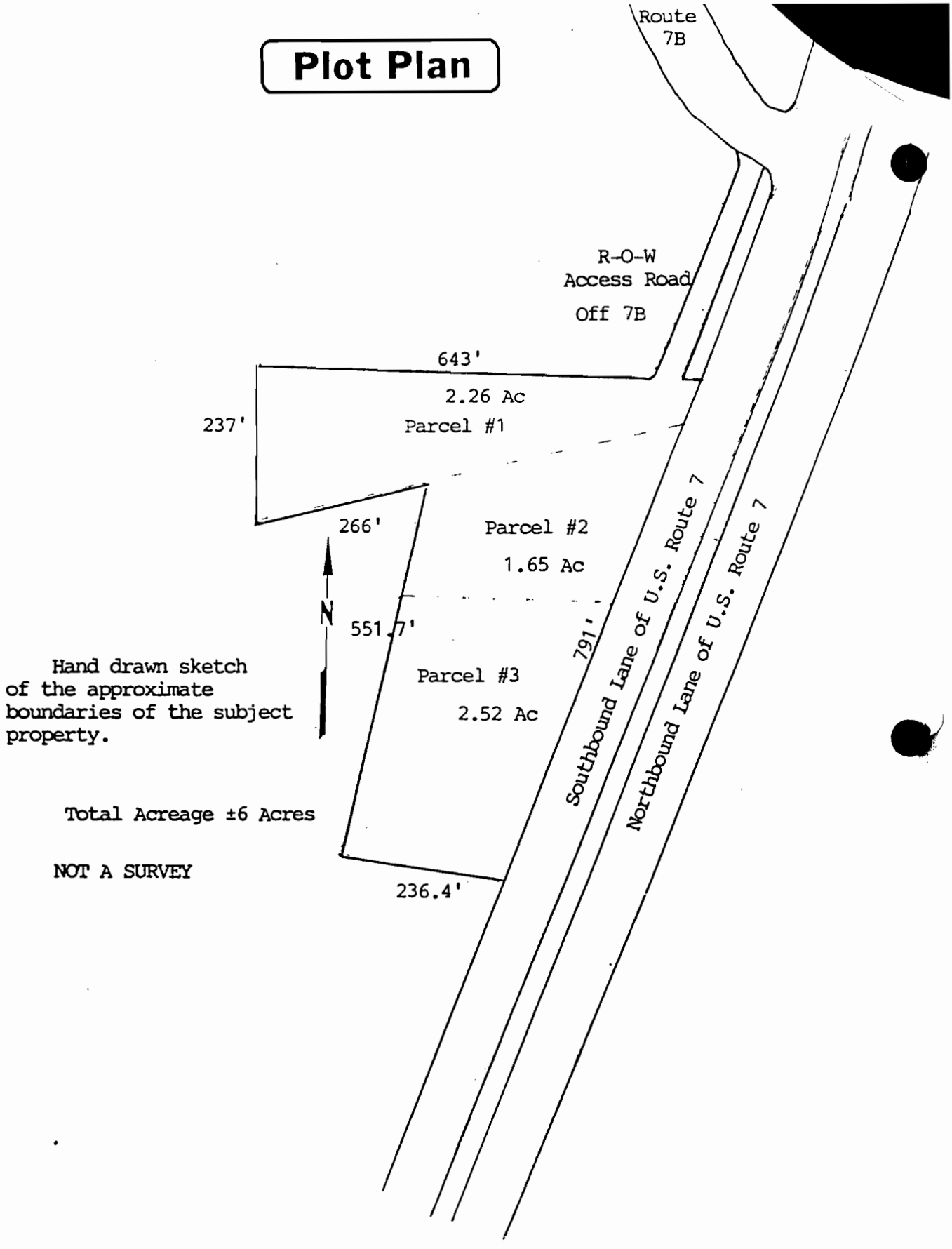
> "This Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds from the issuance of new bonds or notes of the Agency and the satisfactory completion of such further requirements as the Agency may establish. This Letter of Interest may be used by you in support of applications for operating subsidies and other purposes after first obtaining the permission of the Agency."

2. The Executive Director shall review the final construction cost estimates and the level of impact fees assessed by the municipalities involved before issuing the Commitment Letter.

3. The Executive Director and appropriate staff are hereby authorized and directed to negotiate with Rutland County Community Land Trust, the Vermont Housing and Conservation Board staff, the municipalities involved, potential construction financing sources, and to make preliminary arrangements for financing by taxable bonds or notes.


Pittsford Mills
Burt Pond
Proctor-Pittsford Golf Course
Blue Ridge Mtn. 3278+
East Pittsford
SUGARWOOD HILL DEVELOPMENT
PINNACLE RIDGE DEVELOPMENT
PINECREST ACRES DEVELOPMENT
Vermont Marble Exhibit
PROCTOR
Olympus Pool
Reynolds Res.
Mendon
BLUE STAR
BIRCH KNOLL DEVELOPMENT
COUNTRY SIDE ESTATES
CHASANNA DRIVE DEVELOPMENT
EASY STREET DEVELOPMENT
RUTLAND
Muddy Pond
Rocky Pond
Patch Pond
Rutland Golf Course
BLUE RIDGE DEVELOPMENT
WEST RUTLAND
EAST RUTLAND
MAPLEWOOD PARK DEVELOPMENT
Center Rutland
FLORY HEIGHTS DEVELOPMENT
RANBURY ROAD DEVELOPMENT
MENDON
West Rutland
AITKEN STATE FOREST
Alfrecha
North Clarendon
SUBJECT
Clarendon Springs
Pierces Corner
Ira
Chippenhook
Rutland Municipal Airport
East Clarendon
SHREWSBURY
Cold River
Mendon Brook
Cold River
Upper Cold River
Cold River Trail
Eddy
Wheelerville Rd.
Notch Rd.
Brookwood Rd.
Sugarwood Hill Rd.
Sangamon Hill Rd.
Creed Hill Rd.
Parker Rd.
Stevens Rd.
Ferdelville Rd.
Corn Hill Rd.
Humphrey Rd.
Hollow Rd.
Castle Rd.
Oxbow Rd.
Hudson Rd.
Shadow La.
Dugway Rd.
Ridge Rd.
Heather La.
Meadow Dr.
Courier Rd.
Worthington Rd.
Cream Hill Rd.
Turnpike
Journeys End Rd.
Woodward Rd.
Wheelerville Rd.
Pinnacle Ridge Rd.
Oak Ridge Rd.
Prospect Ave.
Cedar Hill Rd.
Blueberry La.
Tamarack La.
Pinecrest Dr.
Lake Dr.
Oxyoke Rd.
Pamela Dr.
Oles Dr.
Grove St.
North Main St.
Marble St.
Valley R.R.
Proctor Highway
West R.R.
Pleasant St.
True Blue Rd.
Swamp Crossroads
Durgy Hill Rd.
Town Farm Rd.
East Proctor Rd.
Old Woods Rd.
McKinley St.
East Ave.
Post Rd.
Post Rd. Ext.
Park La.
Leonard Dr.
Town Line
Wing Rd.
E. Meadowview Dr.
Eastern Ave.
E. Ridge Acres Rd.
Perkins Rd.
Mendon Rd.
Boardman Rd.
Quarterline Rd.
Randbury Rd.
Seward Rd.
Moore La.
Cold River Rd.
Windcrest Rd.
Clark Hill Rd.
Dewey Ave.
Pine Hill Rd.
Gorham Rd.
Creek Rd.
Ry.
Alfrecha Rd.
North Shrewsbury Rd.
Middle Rd.
Vermont Rd.
Meadow Crest Dr.
Windy Green East
Wilderness Rd.
Mountain Rd.
Airport Rd.
Crossroad
Springs Rd.
Schoolhouse Hill Rd.
Clark Hill Rd.
West Rd.
Cross Rd.
Weaver Rd.
Chippenhook Rd.
Mumford Rd.
Anderson Hill Rd.
Home Rd.
Chippenhook Cross Rd.
Walker Mtn. Rd.
Gravel Rd.
Johnston's La.
Lottery Rd.
Appalachian Trail
Knipes Rd.
Gilmon
Ira Brook
Chippenhook R.
Rt. 3
Rt. 4
Rt. 4A
Rt. 7
Rt. 7B
Rt. 103
Rt. 133
N

Plot Plan



Hand drawn sketch of the approximate boundaries of the subject property.

Total Acreage ±6 Acres

NOT A SURVEY

[redacted]ISION OF MOBILE HOME PARK COSTS

	Sandy Pines E. Mtplr	Tri-Park Brattleboro	Mountain View Hinesburg	Hunters Grand Isle	Riverside Woodstock	French Hill Williston	Coburns Clarendon
Year Acquired	1990	1986	1989	1989	1989	1990	1990
Property Acquisition	$980,000	$3,750,000	$820,000	$360,000	$350,000	$144,000	$330,000
Dvlmpt Costs	$36,300	$0	$50,000	$94,000	$152,259	$22,500	$679,038 (high estimate)
Total Development Costs	$1,016,300	$3,750,000	$870,000	$454,000	$502,259	$166,500	$1,009,038
#lots	56	330	52	24	40	9	52
Propery Acq Cost/Lot	$17,500	$11,364	$15,769	$15,000	$8,750	$16,000	$6,346
Dvlmpt Cost/lot	$648	$0	$962	$3,917	$3,806	$2,500	$13,058
Total Cost/lot	$18,148	$11,364	$16,731	$18,917	$12,556	$18,500	$19,405

PROJECT OPERATING PRO FORMA--1989

	Sandy Pines	Tri-Park**	Mountainview	Hunters	Riverside	French Hill	Coburns
Lot rents: 1990	$200	$145-165	$170	$190	125	195	170
#lots	56	330	52	24	40	9	52
Total Operating Expenses per lot/per month*	$74	$77	$60	$73	$74	$77	$66
Debt Service	$82,064	$280,230	$66,645	$32,891	$35,250	$12,993	$61,609
per lot	$1,465	$849	$1,282	$1,370	$881	$1,444	$1,185
per month	$122	$71	$107	$114	$73	$120	$99

*Source: HFI budgeted proformas and actual f/s for acquired parks
**Actual operating budget per 9/30/89 f/s.

Coburn Mobile Home Park/Clarendon

High Estimate

PROJECT OPERATING PRO FORMA

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Gross Annual Income	$106,080	$110,058	$114,185	$118,467	$122,910	$127,519	$132,301	$137,262	$142,409	$147,750	$153,290	$159,039	$165,003	$171,190	$177,610	$184,270	$191,180	$198,350	$205,788	$213,505
Less Vacancy Allowance: 1%	$1,061	$1,101	$1,142	$1,185	$1,229	$1,275	$1,323	$1,373	$1,424	$1,477	$1,533	$1,590	$1,650	$1,712	$1,776	$1,843	$1,912	$1,983	$2,058	$2,135
Other Income	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Adjusted Gross Income	$105,019	$108,957	$113,043	$117,282	$121,681	$126,244	$130,978	$135,889	$140,985	$146,272	$151,757	$157,448	$163,353	$169,478	$175,834	$182,427	$189,269	$196,366	$203,730	$211,370
Management Fee	$4,000	$4,180	$4,368	$4,565	$4,770	$4,985	$5,209	$5,443	$5,688	$5,944	$6,212	$6,491	$6,784	$7,089	$7,408	$7,741	$8,089	$8,454	$8,834	$9,231
Resident Manager	$3,000	$3,135	$3,276	$3,423	$3,578	$3,739	$3,907	$4,083	$4,266	$4,458	$4,659	$4,869	$5,088	$5,317	$5,556	$5,806	$6,067	$6,340	$6,625	$6,924
Audit/Legal	$1,500	$1,568	$1,638	$1,712	$1,789	$1,869	$1,953	$2,041	$2,133	$2,229	$2,329	$2,434	$2,544	$2,658	$2,778	$2,903	$3,034	$3,170	$3,313	$3,462
Utilities	$4,000	$4,180	$4,368	$4,565	$4,770	$4,985	$5,209	$5,443	$5,688	$5,944	$6,212	$6,491	$6,784	$7,089	$7,408	$7,741	$8,089	$8,454	$8,834	$9,231
Sewer/Septic charge	$7,800	$8,151	$8,518	$8,901	$9,302	$9,720	$10,158	$10,615	$11,092	$11,592	$12,113	$12,658	$13,228	$13,823	$14,445	$15,095	$15,774	$16,484	$17,226	$18,001
Snow Plowing/Lawn	$2,000	$2,090	$2,184	$2,282	$2,385	$2,492	$2,605	$2,722	$2,844	$2,972	$3,106	$3,246	$3,392	$3,544	$3,704	$3,871	$4,045	$4,227	$4,417	$4,616
Rubbish removal	$7,200	$7,524	$7,863	$8,216	$8,586	$8,973	$9,376	$9,798	$10,239	$10,700	$11,181	$11,685	$12,210	$12,760	$13,334	$13,934	$14,561	$15,216	$15,901	$16,617
Real Estate Taxes	$5,800	$6,061	$6,334	$6,619	$6,917	$7,228	$7,553	$7,893	$8,248	$8,619	$9,007	$9,413	$9,836	$10,279	$10,741	$11,225	$11,730	$12,258	$12,809	$13,386
Insurance	$3,000	$3,135	$3,276	$3,423	$3,578	$3,739	$3,907	$4,083	$4,266	$4,458	$4,659	$4,869	$5,088	$5,317	$5,556	$5,806	$6,067	$6,340	$6,625	$6,924
Replacement Reserve	$3,182	$3,302	$3,426	$3,554	$3,687	$3,826	$3,969	$4,118	$4,272	$4,432	$4,599	$4,771	$4,950	$5,136	$5,328	$5,528	$5,735	$5,950	$6,174	$6,405
Total Expenses	$41,482	$43,325	$45,250	$47,261	$49,361	$51,554	$53,846	$56,239	$58,739	$61,350	$64,077	$66,926	$69,902	$73,011	$76,258	$79,649	$83,192	$86,893	$90,758	$94,796
Net Operating Income	$63,537	$65,632	$67,793	$70,022	$72,320	$74,689	$77,132	$79,650	$82,246	$84,922	$87,680	$90,522	$93,450	$96,467	$99,576	$102,778	$106,076	$109,473	$112,971	$116,573
Debt Service																				
VHFA	$55,588	$55,588	$55,588	$55,588	$55,588	$58,708	$58,708	$58,708	$58,708	$58,708	$61,575	$61,575	$61,575	$61,575	$61,575	$64,293	$64,293	$64,293	$64,293	$64,293
VCLF*	$2,105	$2,105	$2,105	$2,105	$2,105	$4,590	$4,590	$4,590	$4,590	$4,590	$4,590	$4,590	$4,590	$4,590	$4,590	$0				
VHCB	$3,000	$5,000	$7,000	$9,000	$11,000	$10,000	$10,000	$10,000	$12,000	$12,000	$15,000	$15,000	$15,000	$15,000	$15,000	$20,000	$20,000	$20,000	$20,000	$20,000
Cash Flow	$2,844	$2,939	$3,100	$3,329	$3,627	$1,391	$3,834	$6,353	$6,949	$9,624	$6,515	$9,357	$12,285	$15,302	$18,411	$18,485	$21,783	$25,180	$28,679	$32,281
	9.75%					10.50%					11.25%					12.00%				
Debt Coverage Ratio	1.05	1.05	1.05	1.05	1.05	1.02	1.05	1.09	1.09	1.13	1.08	1.12	1.15	1.19	1.23	1.22	1.26	1.30	1.34	1.38

ASSUMPTIONS

Income Increase	3.75%
Expense Increase	4.50%
Replace. Reserve	3.00%

Rents	Units	Rents	Annual Rents
# Mobile Homes	52	$170	$106,080

*Assume VCLF refinance in Year 6 to a 12%, 10 year loan

ile Name* Clarendon

Low Estimate

OPERATING PRO FORMA

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Gross Annual Income	$84,240	$87,399	$90,676	$94,077	$97,605	$101,265	$105,062	$109,002
Less Vacancy Allowance: 1%	$842	$874	$907	$941	$976	$1,013	$1,051	$1,090
Other Income	$0	$0	$0	$0	$0	$0	$0	$0
Adjusted Gross Income	$83,398	$86,525	$89,770	$93,136	$96,629	$100,252	$104,012	$107,912
Management Fee	$4,000	$4,180	$4,368	$4,565	$4,770	$4,985	$5,209	$5,443
Resident Manager	$3,000	$3,135	$3,276	$3,423	$3,578	$3,739	$3,907	$4,083
Audit	$1,500	$1,568	$1,638	$1,712	$1,789	$1,869	$1,953	$2,041
Utilities	$4,000	$4,180	$4,368	$4,565	$4,770	$4,985	$5,209	$5,443
Sewer/Septic charge	$7,800	$8,151	$8,518	$8,901	$9,302	$9,720	$10,158	$10,615
Snow Plowing/Lawn	$2,000	$2,090	$2,184	$2,282	$2,385	$2,492	$2,605	$2,722
Rubbish removal	$7,200	$7,524	$7,863	$8,216	$8,586	$8,973	$9,376	$9,798
Real Estate Taxes	$5,800	$6,061	$6,334	$6,619	$6,917	$7,228	$7,553	$7,893
Insurance	$3,000	$3,135	$3,276	$3,423	$3,578	$3,739	$3,907	$4,083
Replacement Reserve	$2,527	$2,622	$2,720	$2,822	$2,928	$3,038	$3,152	$3,270
Total Expenses	$40,827	$42,645	$44,545	$46,529	$48,602	$50,767	$53,028	$55,391
Net Operating Income	$42,570	$43,880	$45,225	$46,607	$48,027	$49,486	$50,983	$52,521
Debt Service								
VHFA	$25,355	$25,355	$25,355	$25,355	$25,355	$25,355	$25,355	$25,355
VCLF	$6,794	$6,794	$6,794	$6,794	$6,794			
VHCB	$5,000	$5,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000
Cash Flow	$5,421	$6,731	$3,076	$4,458	$5,878	$14,130	$15,628	$17,166

	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Gross Annual Income	$113,090	$117,331	$121,731	$126,295	$131,031	$135,945	$141,043	$146,332	$151,820	$157,513	$163,420	$169,548
Less Vacancy Allowance: 1%	$1,131	$1,173	$1,217	$1,263	$1,310	$1,359	$1,410	$1,463	$1,518	$1,575	$1,634	$1,695
Other Income	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Adjusted Gross Income	$111,959	$116,157	$120,513	$125,032	$129,721	$134,586	$139,633	$144,869	$150,301	$155,938	$161,785	$167,852
Management Fee	$5,688	$5,944	$6,212	$6,491	$6,784	$7,089	$7,355	$7,630	$7,917	$8,213	$8,521	$8,841
Resident Manager	$4,266	$4,458	$4,659	$4,869	$5,088	$5,317	$5,516	$5,723	$5,937	$6,160	$6,391	$6,631
Audit	$2,133	$2,229	$2,329	$2,434	$2,544	$2,658	$2,758	$2,861	$2,969	$3,080	$3,196	$3,315
Utilities	$5,688	$5,944	$6,212	$6,491	$6,784	$7,089	$7,355	$7,630	$7,917	$8,213	$8,521	$8,841
Sewer/Septic charge	$11,092	$11,592	$12,113	$12,658	$13,228	$13,823	$14,341	$14,879	$15,437	$16,016	$16,617	$17,240
Snow Plowing/Lawn	$2,844	$2,972	$3,106	$3,246	$3,392	$3,544	$3,677	$3,815	$3,958	$4,107	$4,261	$4,420
Rubbish removal	$10,239	$10,700	$11,181	$11,685	$12,210	$12,760	$13,238	$13,735	$14,250	$14,784	$15,339	$15,914
Real Estate Taxes	$8,248	$8,619	$9,007	$9,413	$9,836	$10,279	$10,664	$11,064	$11,479	$11,909	$12,356	$12,819
Insurance	$4,266	$4,458	$4,659	$4,869	$5,088	$5,317	$5,516	$5,723	$5,937	$6,160	$6,391	$6,631
Replacement Reserve	$3,393	$3,520	$3,652	$3,789	$3,931	$4,078	$4,231	$4,390	$4,555	$4,725	$4,903	$5,086
							$0	$0	$0	$0	$0	$0
Total Expenses	$57,859	$60,437	$63,131	$65,944	$68,883	$71,953	$74,652	$77,451	$80,356	$83,369	$86,495	$89,739
Net Operating Income	$54,100	$55,720	$57,383	$59,088	$60,838	$62,632	$64,981	$67,418	$69,946	$72,569	$75,290	$78,114
Debt Service												
VHFA	$25,355	$25,355	$25,355	$25,355	$25,355	$25,355	$25,355	$25,355	$25,355	$25,355	$25,355	$25,355
VCLF												
VHCB	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000
Cash Flow	$18,744	$20,365	$22,027	$23,733	$25,483	$27,277	$29,626	$32,062	$34,591	$37,214	$39,935	$42,758

ASSUMPTIONS

Income Increase	3.75%
Expense Increase	4.50%
Replace. Reserve	3.00%

Debt Coverage Ratio 1.32

Rents*	Units	Rents	Annual Rents
# Mobile Homes	52	$135	$84,240

Assumes VCLF loan refinanced in year 6 at interest rate of 12%

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Kathy Beyer Kehoe/Special Needs Housing Development Officer

DATE: June 21, 1990

RE: French Hill Manor Mobile Home Park: Request for Letter of Interest and Commitment Letter

PROJECT SUMMARY

The staff seeks a combined letter of interest and letter of commitment for permanent financing for the French Hill Manor Mobile Home Park. Located in Williston, French Hill is a nine unit park being purchased by Lake Champlain Housing Development Corporation (LCHDC) for the price of $144,000 or $16,000/lot.

THE PROJECT

1. Financing

Sources		Uses	
VHFA	$117,500	Acquisition	$144,000
VHCB loan	30,000	Infrastructure	10,000
VHCB loan	15,000	Legal & Title	3,000
		Finance & Closing	2,000
Total	$162,500	Engineering	2,500
		Working Capital	1,000
		Total	$162,500

The VHFA loan will be structured with a stepped interest rate starting at 9.75% and increasing .75% every five years to a final interest rate of 12%. The loan is for 20 years but is amortized over 25 years. Approximately $55,000 will need to be refinanced at the end of year 20.

VHCB is being asked to give a $30,000 deferred loan, and a $15,000 0%, 20 year loan. VHCB is also being asked for a grant to cover the development fee of LCHDC and to contribute $4500 to the project for an additional working capital reserve. The status of this request will be known by the time of the VHFA Board meeting.

Aside from the deferred loans of the Trust Fund, no equity is brought to this project from LCHDC.

2. Appraisal

The Keller Navin appraisal was done for the seller, and valued the park at $144,000. The VHFA loan represents 87% of the total appraised value and purchase price.

3. Lot Rent/Market Demand/Income Mix

The current rent of $210/month, with a $15 discount, if paid by the 25th of the preceding month, is one of the highest in Chittenden County. The average lot rent in Chittenden County is $150/month, although many parks are at or near the $200/month level. LCHDC will charge $200/month with no discount structure.

As in the rest of the state, demand for mobile home park lots is very strong in the Chittenden County area and the vacancy rates are minimal. The park is fully rented and all nine households have indicated their desire to continue to live in the park at the current rent level.

The income mix of the park is typical of many mobile home parks in the state:

2 households or 22% at or below 50% of median
3 households or 34% at or below 80% of median
1 household or 11% at or below 100% of median
3 households or 33% above median

2. Location/Site

French Hill Manor is on Route 2 in Williston 2.5 miles east of the town center (see attached). The park consists of 6.25 acres of an irregularly shaped parcel of land; the developed portion of the site is level, and the remaining undeveloped area is a large ravine.

3. Sponsors/Parties

In February of 1990 the park residents voted unanimously to support a nonprofit buy-out of the park during the Act 252 notification period; Champlain Valley Office of Economic Opportunity (CVOEO) has been working closely with the tenants, and brought in LCHDC to be the nonprofit owner of the park. Although this is the first mobile home park purchase for LCHDC, their experience in other multi-family developments has shown LCHDC to be a competent housing sponsor. LCHDC will purchase the park and their management corporation, Housing Ventures, will manage it, while CVOEO will continue to work with the residents on potential conversion to a tenant-owned cooperative.

RESOLUTION PERTAINING TO COMBINED LETTER OF INTEREST AND COMMITMENT LETTER FOR FRENCH HILL MANOR MOBILE HOME PARK

WHEREAS, Lake Champlain Housing Development Corp., a non-profit corporation ("LCHDC"), has presented a proposal for acquisition of French Hill Manor Mobile Home Park, a 9 unit park in Williston, Vermont ("French Hill"); and

WHEREAS, the total cost of acquisition and work planned in conjunction with the acquisition is not expected to exceed $175,000; and

WHEREAS, LCHDC has received a commitment for a deferred loan in the amount of $30,000 for French Hill from the Vermont Housing and Conservation Board along with a $15,000 short term loan; and

WHEREAS, the proposal contemplates that French Hill will continue to have a resident mix with a large majority of the residents below median income and eventually will likely be turned into a cooperative run by the tenants; and

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

WHEREAS, the Agency has secured a commitment from the State's pension funds to purchase taxable bonds issued by the Agency for the purpose of funding mobile home park acquisitions; and

WHEREAS, the Agency has determined that the acquisition of French Hill by LHCDC will assist in fulfilling the purposes of the Act and is financially feasible,

It is hereby DETERMINED:

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

2. The acquisition and 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

housing for persons and families of low and moderate income, and the sponsors are financially responsible persons or institutions.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a combined letter of interest and commitment (the "Commitment Letter") to provide a first mortgage for permanent financing of not more than $122,000 for French Hill Manor Mobile Home Park.

2. The Commitment Letter shall be issued to Lake Champlain Housing Development Corp.

3. The Executive Director will review the relationship of the acquisition price to the appraised value of the park.

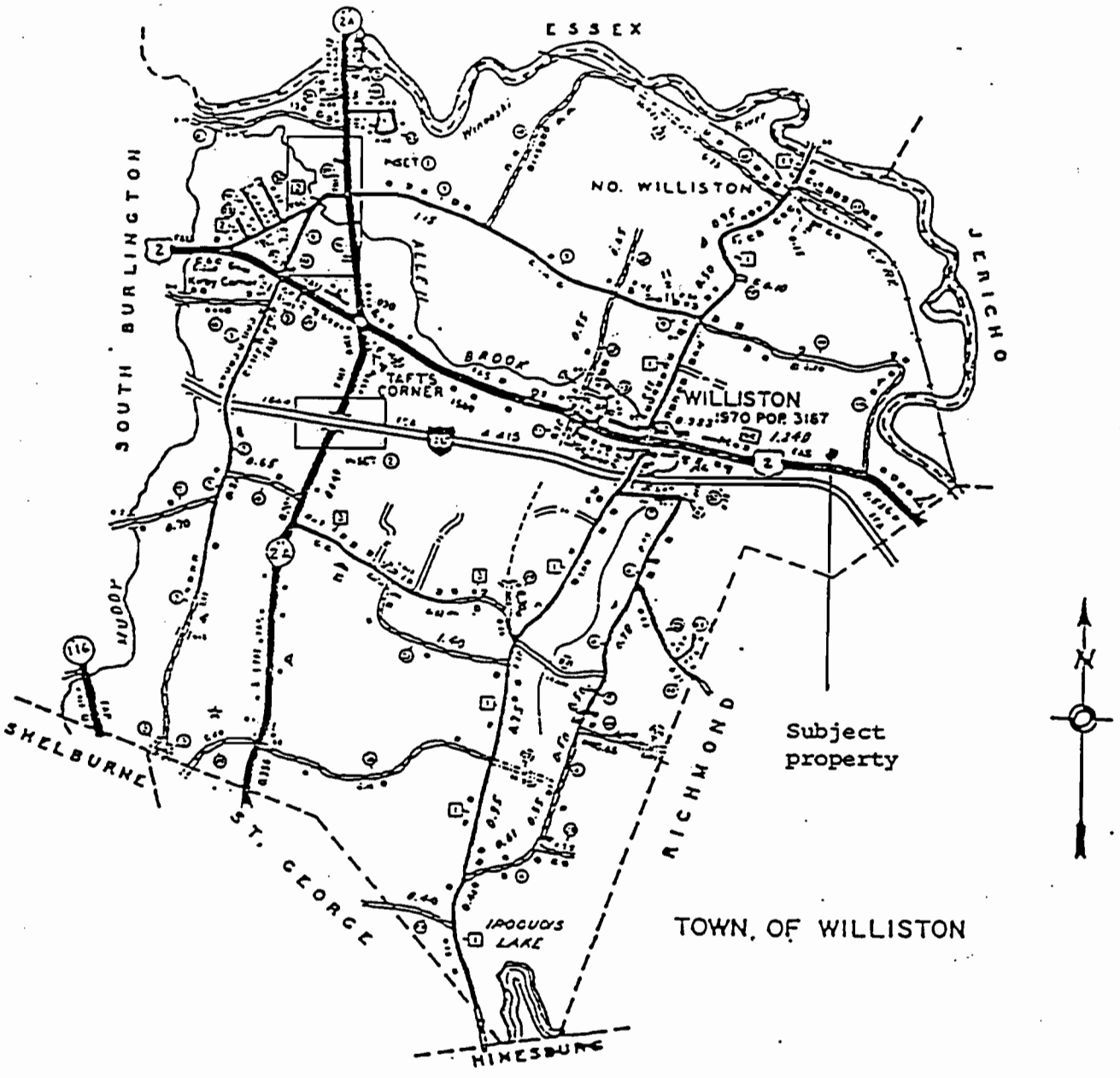
4. The commitment of the Agency shall be subject to receipt, at the time of the closing, of a commitment fee in an amount equal to one percent (1%) of the principal amount of the mortgage loan.

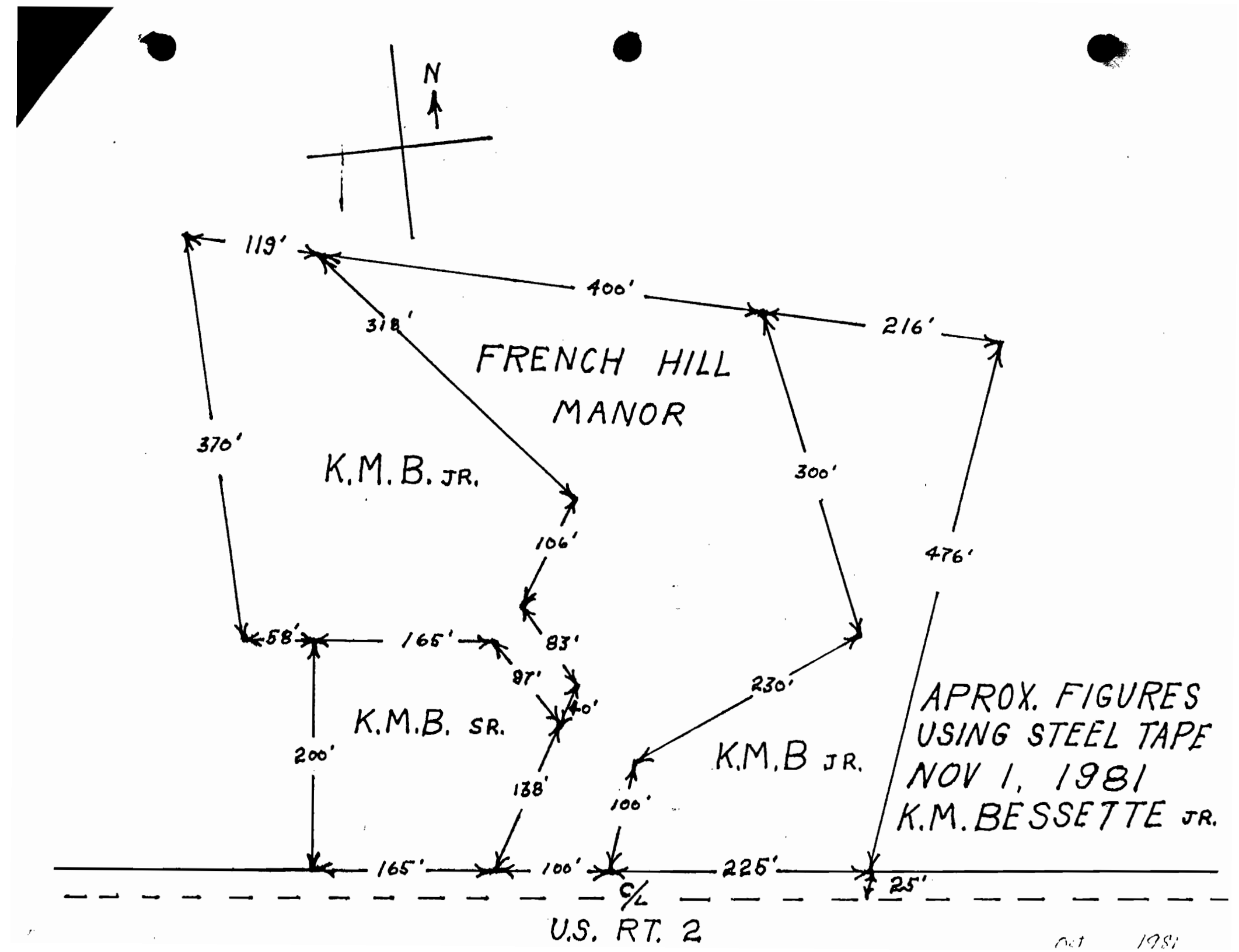
5. The Commitment Letter shall provide that the interest rate to be charged on, and the term of, the Mortgage Loan, shall be as determined by the Agency.

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

7. The Commitment Letter shall contain such other terms and conditions as the Executive Director shall deem necessary or appropriate, given the circumstances.

8. The Executive Director is authorized to make arrangements for the issuance and private placement of taxable bonds of the Agency to provide proceeds for financing this loan.


ESSEX
NO. WILLISTON
JERICHO
SOUTH BURLINGTON
ALLEN
BROOK
TAFTS CORNER
WILLISTON
1970 POP. 3187
HUDSON
SHELBURNE
ST. GEORGE
RICHMOND
IROQUOIS LAKE
HINESBURG
Subject property
N
TOWN OF WILLISTON


N
119'
400'
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FRENCH HILL
MANOR
370'
K.M.B. JR.
300'
106'
476'
58'
165'
83'
97'
40'
230'
APROX. FIGURES
USING STEEL TAPE
NOV 1, 1981
K.M.BESSETTE JR.
K.M.B. SR.
200'
K.M.B JR.
138'
100'
165'
100'
225'
25'
℄
U.S. RT. 2
Oct 1981

COMPARISION OF MOBILE HOME PARK COSTS

	Sandy Pines E. Mtplr	Tri-Park Brattleboro	Mountain View Hinesburg	Hunters Grand Isle	Riverside Woodstock	French Hill Williston	Coburns Clarendon	
Year Acquired	1990	1986	1989	1989	1989	1990	1990	
Property Acquisition	$980,000	$3,750,000	$820,000	$360,000	$350,000	$144,000	$330,000	
Dvlmpt Costs	$36,300	$0	$50,000	$94,000	$152,259	$22,500	$679,038	(high estimate)
Total Development Costs	$1,016,300	$3,750,000	$870,000	$454,000	$502,259	$166,500	$1,009,038	
#lots	56	330	52	24	40	9	52	
Propery Acq Cost/Lot	$17,500	$11,364	$15,769	$15,000	$8,750	$16,000	$6,346	
Dvlmpt Cost/lot	$648	$0	$962	$3,917	$3,806	$2,500	$13,058	
Total Cost/lot	$18,148	$11,364	$16,731	$18,917	$12,556	$18,500	$19,405	

PROJECT OPERATING PRO FORMA--1989

	Sandy Pines	Tri-Park**	Mountainview	Hunters	Riverside	French Hill	Coburns
Lot rents: 1990	$200	$145-165	$170	$190	125	195	170
#lots	56	330	52	24	40	9	52
Total Operating Expenses per lot/per month*	$74	$77	$60	$73	$74	$77	$66
Debt Service	$82,064	$280,230	$66,645	$32,891	$35,250	$12,993	$61,609
per lot	$1,465	$849	$1,282	$1,370	$881	$1,444	$1,185
per month	$122	$71	$107	$114	$73	$120	$99

*Source: HFI budgeted proformas and actual f/s for acquired parks
**Actual operating budget per 9/30/89 f/s.

French Hill Manor Mobile Home Park
PROJECT OPERATING PRO FORMA

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 1
Gross Annual Income	21,600	22,248	22,915	23,603	24,311	25,040	25,792	26,565	27,362	28,183	29,029	29,899	30,796	31,720	32,672	33,652	34,6
Less Vacancy																	
Allowance: 1%	216	222	229	236	243	250	258	266	274	282	290	299	308	317	327	337	3
Other Income	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Adjusted Gross Income	21,384	22,026	22,686	23,367	24,068	24,790	25,534	26,300	27,089	27,901	28,738	29,600	30,488	31,403	32,345	33,316	34,3
Management	1,080	1,123	1,168	1,215	1,263	1,314	1,367	1,421	1,478	1,537	1,599	1,663	1,729	1,798	1,870	1,945	2,0
Audit/Legal	400	416	433	450	468	487	506	526	547	569	592	616	640	666	693	720	7
Utilities & trash & water	1,795	1,867	1,941	2,019	2,100	2,184	2,271	2,362	2,457	2,555	2,657	2,763	2,874	2,989	3,108	3,233	3,3
Maintenance--total	600	624	649	675	702	730	759	790	821	854	888	924	961	999	1,039	1,081	1,1
Real Estate Taxes	2,200	2,288	2,380	2,475	2,574	2,677	2,784	2,895	3,011	3,131	3,257	3,387	3,522	3,663	3,810	3,962	4,1
Insurance	550	572	595	619	643	669	696	724	753	783	814	847	881	916	952	991	1,0
Replacement Reserve	850	876	902	929	957	985	1,015	1,045	1,087	1,131	1,176	1,223	1,272	1,323	1,376	1,431	1,4
Other: Snow Plowing	800	832	865	900	936	973	1,012	1,053	1,095	1,139	1,184	1,232	1,281	1,332	1,385	1,441	1,4
Total Expenses	8,275	8,606	8,950	9,308	9,681	10,068	10,471	10,889	11,325	11,778	12,249	12,739	13,249	13,778	14,330	14,903	15,4
Net Operating Income	13,109	13,420	13,736	14,059	14,387	14,722	15,063	15,410	15,764	16,123	16,489	16,861	17,240	17,625	18,016	18,413	18,8
Debt Service: VHFA	(12,565)	(12,565)	(12,565)	(12,565)	(12,565)	(13,334)	(13,334)	(13,334)	(13,334)	(13,985)	(13,985)	(13,985)	(13,985)	(13,985)	(14,602)	(14,602)	(14,6
VHCB loans		(200)	(450)	(700)	(900)	(450)	(650)	(900)	(1,100)	(1,300)	(1,300)	(1,500)	(2,000)	(2,500)	(2,500)	(2,500)	(3,0
Cash Flow	544	654	721	794	922	938	1,079	1,176	1,330	838	1,204	1,376	1,255	1,139	913	1,310	1,7
VHFA RATE	9.75%				10.50%					11.25					12.00%		
Debt Coverage Ratio	1.04	1.05	1.06	1.06	1.07	1.07	1.08	1.08	1.09	1.05	1.08	1.09	1.08	1.07	1.05	1.08	
Op Exp/Lot/Month	$77																

ASSUMPTIONS

Oper cost/lot/month	
Income Increase	3%
Expense Increase	4%
Replace. Reserve	3%

Rents*	Units	Yr 1 Rents	Ann Rents
# Mobile Homes	9	$200	$21,600

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Kathy Beyer Kehoe (KBK)/Special Needs Housing Development Officer

DATE: June 20, 1990

RE: SHERWOOD HOLLOW MODULAR HOME DEMONSTRATION PROGRAM STATUS REPORT

As part of VHFA's Affordable Housing Demonstration Program, VHFA has initiated the Sherwood Hollow Modular Home Demonstration Program in West Brattleboro, Vermont. As indicated in the attached partial copy of a request for proposal sent out recently, the goal of this program is to demonstrate how new building technology can produce affordable housing for Vermonters.

VHFA plans to purchase five lots at the planned unit development named Sherwood Hollow; these lots will then be used by the five selected participants of the Demonstration Program to develop a turnkey modular home with a total sales price of no more than $90,000. The homes will be showcased as affordable and high quality homes in the Brattleboro area.

Up to the end sale of the home, VHFA will carry the cost of the five lots; it is the responsibility of the modular home company to develop the site and carry the cost of the home until the end sale. The projected VHFA outlay for this is $158,000 for the lots; this amount will be reduced by the $2,500 VHFA deposit on the lots, and a $10,000 loan plus interest made to Sherwood Associates in early 1988.

Five of the applicants will be selected for the demonstration in early July; homes should be on site and ready for sale by the end of August.

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866

REQUEST FOR PROPOSAL

SHERWOOD HOLLOW MODULAR HOME DEMONSTRATION PROGRAM

West Brattleboro, Vermont

VERMONT HOUSING FINANCE AGENCY (VHFA), in conjunction with **SHERWOOD HOLLOW ASSOCIATES** announces the availability of five lots open for development in the **Sherwood Hollow Modular Home Demonstration Program**. The goal of this program is to demonstrate how new building technology can produce homes priced within the reach of the average Vermonter. Units selected for the five sites will be showcased to the builders and buyers of southern Vermont as a high quality and affordable home.

WHAT & WHERE: Sherwood Hollow is a planned unit development situated on 25 beautifully wooded acres, consisting of 48 single family home lots in West Brattleboro, Vermont. VHFA purchased five of the lots for the modular home demonstration program.

WHY: The median annual household income in Windham County is $30,800 and for the state is $32,200. With this income, the average borrower can afford a home with a purchase price of no more than $83,000 to $90,000. Yet many of the homes built today do not meet the needs of the moderate and lower income households. The homes in the Sherwood Hollow Modular Demonstration Program will meet this need.

WHEN: Site development and construction is scheduled to begin in July and August of 1990. Proposals should be submitted by June 30, 1990.

Additional details are enclosed. Questions? Call Kathy Beyer Kehoe at VHFA: 1-802-864-5743 or in Vermont toll-free at 1-800-339-5866.

SHERWOOD HOLLOW MODULAR HOME DEMONSTRATION PROGRAM

Design Parameters

Physical dimensions: The living space must include at a minimum two bedrooms, one bath, kitchen, living/dining rooms. Single story homes must have a minimum footprint of 960 square feet and a minimum roof pitch of 5/12. A full basement is also required. VHFA's Energy Conservation Standards must also be met as well as the conservation guidelines in the state subdivision permit (see attached). Participants are also encouraged to qualify for a FOUR STAR energy rating certified by Energy Rated Homes of Vermont.

Lot dimensions: Lots vary in size from .28 acres to .40 acres. The lots are level to gently sloping and conducive to a ranch or cape design, or a raised ranch design.

Site development: Site work (utilities, landscaping) and foundation work is the responsibility of the participant. Sherwood Hollow is serviced by both municipal water and sewer. An estimate for site development by a local subcontractor is enclosed. (The participant may arrange for their own site contract work.)

Construction: The participant is responsible for transporting and setting up the modular home on the site. All finish work must also be provided by the participant. The end product will be a turnkey home.

Costs: The cost of the lot is financed by VHFA; prices range from $31,000 to $32,000. The cost of the site development, modular home cost, and finishing work is the responsibility of the participant up until the time of the end sale.

Public Relations: VHFA and Sherwood Associates will coordinate publicity events to highlight the Sherwood Hollow Modular Home Demonstration Program. Participants are encouraged to hold their own open houses to showcase their model home.

Marketing: Marketing for the end sale of the units will be performed at no cost by Sherwood Hollow Associates.

End Financing: The VHFA 8.9%, 30 year mortgage will be available to qualified homebuyers who meet VHFA income guidelines.

Selection Criteria: Priority will be given to proposals which incorporate both a high quality home and the lowest possible price. More specifically, the homes should be affordable to Vermonters in the income range of 80% to 100% of the statewide median; therefore, the total cost of the home should be no more than $90,000.

VERMONT HOUSING FINANCE AGENCY

DATE: June 20, 1990

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, Development Coordinator PAC

RE: Vermont Secondary Market (Phase II)--The Next Steps

Over the past several months I have met with lenders to gain their input into the future direction of the Vermont Secondary Market. Although only 6 lenders participated in Phase I by selling fixed rate mortgages from their portfolios, all the lenders I have spoken with have indicated their support of the concept and look forward to participating in future phases.

From information received from previous surveys, lenders are holding a large volume of fixed rate mortgages in their portfolios. A good number, however, appear to be below current market rates. Most lenders have indicated to me they would not be interested in selling loans at a loss. Lenders portfolios contain a still larger volume of adjustable rate mortgages and they indicate that a high percentage of these mortgages are at market rates. Lenders also tell me that they would eventually like the Vermont Secondary Market to evolve into an ongoing program whereby they can price nonconforming loans competitively with conforming loans and sell them as soon as possible after origination.

Possible future phases discussed with lenders are:

* Additional purchase of seasoned fixed mortgages;
* Purchase of seasoned adjustable rate mortgages;
* Purchase of recent originations.

I plan to mail a survey to all lenders in the state next week to determine their degree of interest in selling adjustable rate loans, and to obtain some basic information about their portfolios to determine the feasibility of purchasing adjustable rate loans. I also plan to continue developing a database of information on fixed rate loans so if market conditions improve, we can complete additional fixed rate deals.

I have preliminarily set a goal of $50 million in Sugar Mae transactions during the next fiscal year. I plan to have a recommendation for the next phase for your consideration at the August Board meeting.

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VERMONT HOUSING FINANCE AGENCY

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE

DATE: JUNE 21, 1990

RE: FISCAL YEAR JUNE 1991 BUDGET

Attached is the proposed budget for the next fiscal year showing the approved budget for the current year, the estimated actual results for the current year and the staff proposal for the next fiscal year. Also included is a column showing the dollar differences between the estimated actual and the proposed budget. Comments will basically be directed at the third column, which represents the proposed budget.

Overall Summary. Looking at the bottom line first, you will notice that for the projection of the next fiscal year, there is expected to be a surplus of the General Fund of approximately $1,000,000. The major reasons for the change from the current fiscal year are that fee income is projected to decrease from FY '90 by $260,000 and no contributions to single family or multi-family bond programs are included, which saves $800,000 from last year. The three-year Housing Vermont subsidy of $2,000,000 is now fully funded. An additional major impact area is interest income and expense; it is expected that funds invested and borrowed from the State Treasurer, through the Housing and Conservation Trust Fund, will be eliminated.

Income. Projections have been revised based on performance last year and we anticipate a lower level of single family mortgage originations and lower multi-family fees due to the lag in actually closing projects. During the past year we estimated substantially higher fees in both the Secondary Market program and the "Gates" financings.

Fund Balance Transfers. This area represents the annual take-outs from the bond programs which help to subsidize operating income and are structured to be fairly constant through the life of the bond programs. If we bond during the current fiscal year, there is a strong possibility that a contribution would be required for the new bond financing.

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Salaries and Wages. The increase shown represents a 6.7% increase in total wages to create three new positions, as well as increases for existing personnel totalling 7.1%. The new positions contemplated are an additional staff person in the loan servicing area (currently handled by one employee), an accounting staff position to assist with the Secondary Market program, and an additional staff person to assist development in new initiatives.

Other Expenses. All other operating expenses in total represent an increase of approximately 2.5% over the approved budget for fiscal year June '90. As in the past, detailed information on specific line items will be available at the meeting.

Capital Budget. For the upcoming year we are budgeting $155,000 for capital purposes. This is an increase of $50,000 from this year; however, it should be noted that expenditures for capital items will only total $55,000 for FY '90 as several purchases have been deferred. The main components of the capital budget are a new telephone system, expected to cost not more than $50,000, which will replace our inadequate and outgrown hardware; an additional $23,000 will allow us to retrofit our office space to accommodate our increased staff.

If you would like to discuss any areas of the budget prior to the Board meeting, please call upon Allan or myself at your convenience.

Recommendation: Approval of operating and capital budgets as shown on the attached.

PROPOSED BUDGET
VERMONT HOUSING FINANCE AGENCY
F/Y/E JUNE 30, 1991

	APPROVED BUDGET FYE 6/30/90	ESTIMATED ACTUAL 6/30/90	PROPOSED BUDGET FYE 6/30/91	$ INC/DEC PROPOSED VS ACTUAL
INCOME				
SINGLE FAMILY FEES	730,500	550,000	413,650	(136,350)
MULTI-FAMILY FEES	564,000	300,000	176,500	(123,500)
PROJECT ADMIN FEES	106,400	106,400	115,000	8,600
INTEREST INCOME	550,000	750,000	400,000	(350,000)
MISCELLANEOUS	18,000	20,000	20,000	0
TOTAL INCOME	1,968,900	1,726,400	1,125,150	(601,250)
FUND TRANSFERS				
LOANS TO LENDERS	180,000	217,000	0	(217,000)
SHAWMUT MTG PURCHASE	100,000	100,000	100,000	0
HOWARD MTG PURCHASE	2,000,000	1,250,000	1,250,000	0
HOWARD HOME MTG PURCH	(600,000)	(200,000)	400,000	600,000
HOWARD MULTI-FAMILY	430,000	415,000	430,000	15,000
CONN NATL MULTI-FAMILY	80,000	80,000	80,000	0
HOUSING DEVELOP BDS-MF	(64,770)	(54,770)	10,000	64,770
DIRECT PLACEMENT BONDS	10,000	10,000	10,000	0
TOTAL TRANSFERS	2,135,230	1,817,230	2,280,000	462,770
TOTAL INC & TFRS	4,104,130	3,543,630	3,405,150	(138,480)
EXPENSES				
ADVERTISING & PROMOTION	67,100	30,000	48,000	18,000
AUDIT	24,500	24,000	26,500	2,500
ANNUAL REPORT	15,000	13,408	15,000	1,592
COMMISSIONERS EXPENSES	4,000	4,000	4,000	0
CONSULTING FEES	72,000	60,000	55,500	(4,500)
DUES & SUBSCRIPTIONS	22,275	22,275	30,000	7,725
INSURANCE	127,400	127,400	143,000	15,600
INTEREST EXPENSE	321,500	321,500	5,000	(316,500)
LEGAL	44,000	45,000	40,000	(5,000)
MISCELLANEOUS	21,500	22,000	7,000	(15,000)
OFFICE EXPENSES	32,000	28,000	35,000	7,000
PENSION PLAN	85,000	82,000	88,000	6,000
POSTAGE	22,000	18,000	22,000	4,000
RENT	84,000	84,000	90,000	6,000
REPAIRS & MAINTENANCE	35,000	35,000	37,500	2,500
SALARIES & WAGES	1,070,600	1,000,000	1,165,000	165,000
STAFF TRAVEL & TRAINING	90,450	78,000	98,900	20,900
SUBSIDY-HOUSING VT, ERH	766,000	766,000	80,000	(686,000)
TAXES-PAYROLL	74,850	74,850	85,000	10,150
TELEPHONE	33,000	33,000	36,000	3,000
TRUSTEE & CREDIT FEES	225,000	180,000	240,000	60,000
DEPRECIATION	75,000	75,000	80,000	5,000
TOTAL EXPENSES	3,312,175	3,123,433	2,431,400	(692,033)
SURPLUS (DEFICIT)	791,955	420,197	973,750	553,553

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA BOARD OF COMMISSIONERS

FROM: Roger A. Schoenbeck, Director of Finance

DATE: June 21, 1990

RE: HUD AUDIT

The Manchester office of HUD has notified us that they have received and approved with no exceptions our annual audit of the Section 8 projects for which we serve as project manager.

We expect to have an official letter from HUD by the time of the Board meeting and copies of the audits prepared by Nolte, Cornman & Johnson P.C. of Newton, Iowa, are available.

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VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: **Board of Commissioners**

FROM: **Glenn A. Jarrett, General Counsel**

RE: **Taxable Bond Resolution**

DATE: **June 22, 1990**

With the first closing on a mobile home park financed by VHFA coming up in mid-July, we have been working on a taxable bond resolution to be used for mobile home parks and other affordable multi-family developments. The bonds would be privately placed with the state's three pension funds, banks, colleges, or other institutional investors.

Enclosed is a draft resolution for your review. Our intent is to authorize the issuance of taxable bonds in a simple manner. Each time a project is presented, the Board would have to make the findings contained in Section 201(B) and authorize the Agency to issue the particular Bond or Bonds involved. There will be a Three Party Agreement between the Agency, the buyer of the Bond(s) and the Sponsor of the housing development. We hope to avoid having a long series resolution each time a Bond is issued. The bonds will be general obligations of the Agency. We are still discussing whether the specific loans will be pledged to the bonds as well.

We expect there will be changes in the resolution before the board meeting, at which time we will present you with the final version. Palmer and Dodge is reviewing this draft and we will have their input in revising this draft resolution. Your comments on the draft would be welcome at any time, before or at the meeting.

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DRAFT

RESOLUTION OF VERMONT HOUSING FINANCE AGENCY
AUTHORIZING THE ISSUANCE OF ITS
TAXABLE HOUSING BONDS

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

ARTICLE I
DEFINITIONS AND AUTHORITY

SECTION 101. Definitions.

In this Resolution unless a different meaning clearly appears from the context:

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

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

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

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

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

"Commitment Letter" means a Commitment Letter issued pursuant to Resolution of the Agency and accepted by the Sponsor.

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

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

"Development" means a Development that constitutes Residential Housing as defined in the Act.

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

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

"Loan Account" means a Loan Account established under Section 301 of this Resolution.

"Permanent Loan" means a permanent mortgage loan made by or on behalf of Agency with the proceeds of the Bonds.

"Permanent Loan Amount" means the amount of the Permanent Loan established pursuant to paragraph 3 of the Commitment Letter.

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

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

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

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

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

"Sponsor" means a housing sponsor as defined in the Act.

"Three Party Agreement" means an Agreement executed by the Sponsor, the buyer of the Bond, and the Agency.

SECTION 102. Authority.

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

ARTICLE II
AUTHORIZATION OF TAXABLE HOUSING BONDS:
FINDINGS: TERMS AND SALE OF BONDS

SECTION 201. The Bonds.

(A) Bonds of the Agency designated "Taxable Housing Bonds" are hereby authorized to be issued from time to time without limitation as to amount except as may be limited by law subject to the terms, conditions and limitations established in this Resolution.

(B) The Agency will determine (terms used in this paragraph and not otherwise defined herein being used as defined in the Act) that for every Development to be financed with proceeds of the Bonds,

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

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

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

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

(5) the acquisition, construction and or rehabilitation costs to be incurred by the Sponsor are for housing development costs within the meaning of the Act;

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

(7) the Sponsor of the Development will maintain or increase the supply of well-planned, well-designed permanent, temporary

transitional or emergency housing for persons of low and moderate income and such Sponsor is a financially responsible person.

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

(D) The Agency may issue Bonds hereunder that bear a fixed rate or rates of interest during the remaining term thereof or Bonds that provide for variable, adjustable, convertible or other similar rates of interest, not fixed as to percentage at the date of issue thereof. The Bonds shall be issued in the form of fully-registered Bonds, shall be dated and bear interest from the Bond Date, and shall bear a number and/or letter designation to distinguish such bonds from other bonds issued under this Resolution.

(E) The Bonds shall mature on the date or dates, shall bear interest at the rates and be payable in the manner, shall be subject to redemption at the price, at the times and in the manner, and shall be subject to the other terms and conditions (including certain restrictions upon transfer) set forth in Article IV hereof.

SECTION 202. Sale of the Bonds.

(A) The Bonds shall be sold to agencies or instrumentalities of the State of Vermont, accredited investors (as that term or any like term is used in Regulation D or any successor regulation of the Securities and Exchange Commission), institutional investors (as that term or any like term is used in the Vermont Securities Act, or regulations promulagated thereunder), or other investors, who are capable of, and do, in fact, make representations in the Three Party Agreement as to their status as investors that reasonably satisfy the Agency that selling a Bond or Bonds to the investor will not cause the Bonds to be subject to registration under the Securities Act of 1933 or the Vermont Securities Act. The Bonds will be sold at prices, and on terms and conditions set forth herein or in the Bonds.

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

SECTION 301. Project Fund and Accounts.

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

(1) Taxable Bond Loan Account ("Loan Account")

(2) Taxable Bond Cost of Issuance Account ("Cost of Issuance Account")

(3) Taxable Bond Sinking Fund Account ("Sinking Fund Account")

(4) Taxable Bond Special Redemption Account ("Special Redemption Account")

(5) Taxable Bond General Account ("General Account")

SECTION 302. Application of Bond Proceeds.

(A) The proceeds of the Bonds shall be deposited in the Loan Account. Moneys in the Loan Account shall be used solely as follows:

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

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

(3) if the Permanent Loan is not made within six (6) months of the Bond Date, the entire balance in the Loan Account shall be promptly applied to the redemption of the Bonds by transfer to the Special Redemption Account.

(B) Moneys in the Cost of Issuance Account shall be used to defray certain of the Agency's Costs of Issuance. Any moneys not so used shall be transferred to the Special Redemption Account not later than 120 days after the Bond Date.

SECTION 303. Application of Revenues.

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

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

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

(3) Revenues constituting earnings from investments in the Project Fund - to the account in which the investments were held; provided that as of the date any remaining Bond proceeds are used under Section 302(B) or (C) hereof and as of the date of any redemption of the Bond from the Sinking Fund Account or the Special

Redemption Account, and to the extent such earnings are not then needed to pay interest included in the redemption price of the Bond or any portion thereof being redeemed from the applicable account, such earnings shall be transferred to the General Account; and

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

(B) On each anniversary of the Bond Date, all amounts deposited in the Sinking Fund Account under Section 303(A)(1) shall be applied to the redemption of the outstanding principal of the Bond, except that, in the event that the Agency receives prepayment of the outstanding principal of the Permanent Loan under Section 303(A)(1), on the tenth anniversary of the Bond Date, and at any time thereafter, at the election of the Agency, the Bond shall be subject to redemption in whole, but not in part, from the amount deposited in said Account. Any amounts then in said Account under Section 303(A)(3) shall be applied so far as needed to pay the interest included in the redemption price of such outstanding principal being redeemed.

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

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

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

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

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

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

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

SECTION 304. Transfers from General Fund.

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

SECTION 305. Investment.

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

SECTION 306. Obligation of Bonds; Pledge.

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

ARTICLE IV
FORM OF BONDS

The Bonds shall be issued substantially in the following form:

VERMONT HOUSING FINANCE AGENCY
TAXABLE HOUSING BOND

No. __ $_____

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

The Vermont Housing Finance Agency (herein called the "Agency"), a body politic and corporate of the State of Vermont, for value received hereby promises to pay to _____ or registered assigns, on the _____ day of _____, ____, the principal sum of _____, upon presentation and surrender hereof, and to pay interest on the principal balance hereof outstanding from time to time from the date of original delivery of this bond (the "Bond Date") until final payment hereof at the annual rate provided below, such interest payments to be made semi-annually on the first day of March and September in each year. The principal or redemption price of and interest on this bond are payable in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts and shall be payable by check or draft mailed to the registered owner at his address appearing on the registration books of the Agency kept for that purpose at the offices of the Agency; provided that the registered owner of this Bond by acceptance hereof agrees that whenever any payment on account of principal shall occur, such owner shall promptly note the date and amount thereof on the Schedule of Payments and Prepayments endorsed hereon and further agrees that this Bond shall be surrendered to the Agency upon final payment hereof.

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

This bond is issued pursuant to No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended (the "Act") and under and pursuant to the resolution of the Agency adopted June 28, 1990 entitled "Resolution of Vermont Housing Finance Agency Authorizing the Issuance of its Taxable Housing Bonds" (the "Resolution"). This bond is a general obligation of the Agency payable out of any of the Agency's revenues, moneys or assets, subject only to agreements heretofore or hereafter made with the holders of obligations of the Agency other than this bond pledging particular revenues, moneys or assets for the payment thereof, [and is also secured by a pledge of the Permanent Loans, Revenues and Project Fund (defined in the Resolution) made by the Resolution and subject to all provisions and conditions therein.]

The Agency is not obligated to pay this bond or the interest hereon except from the revenues or assets of the Agency pledged under the Resolution and neither the faith and credit nor the taxing power of the State of Vermont or of any political subdivision thereof is pledged to the payment of the principal of or the interest on this bond.

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

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

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

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

2. in whole or in part at any time upon notice through application of moneys in the Special Redemption Account as required by the Resolution; and

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

Any notice required hereunder shall be given by certified letter, return receipt requested, mailed to the registered owner at his address appearing on

the registration books of the Agency not less than five days prior to the redemption date. Any redemption shall be accomplished by mailing, two days prior to the redemption date, the Agency's check (dated as of the redemption date) for the redemption price to the registered owner in the same manner as is hereinabove provided for notice of redemption.

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

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

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

ATTEST: VERMONT HOUSING FINANCE AGENCY

By: _____ By: _____
Authorized Officer Authorized Officer

Bond Date: _____ __, 19__

Schedule of Payments and Prepayments of Principal

Principal Amount Paid	Date Paid	Balance Due	Authorized Signature and Title

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

ARTICLE V
MISCELLANEOUS

SECTION 501. Authorization of Officers.

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

SECTION 502. Default.

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

SECTION 503. Defeasance.

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

SECTION 504. Severability.

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

SECTION 505. Transfer.

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

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: **Board of Commissioners**

FROM: **Glenn A. Jarrett, General Counsel**

RE: **Sandy Pines Mobile Home Park**

DATE: **June 22, 1990**

In connection with the issuance of taxable bonds to provide the proceeds to make the mortgage loan to enable the Housing Foundation, Inc., to purchase the Sandy Pines Mobile Home Park in East Montpelier, there are some supplemental findings that the Board should make. The attached draft resolution includes those findings, authorizes the issuance of the taxable bonds, and includes the form of the Bond. This resolution is also subject to change somewhat before the meeting.

RECOMMENDED ACTION

Approval of the attached resolution.

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866

RESOLUTION AUTHORIZING ISSUANCE OF

TAXABLE HOUSING BONDS

SANDY PINES MOBILE HOME PARK

June 28, 1990

WHEREAS, the Vermont Housing Finance Agency (the "Agency") anticipates the financing of a Mortgage Loan for multi-family 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 Act. No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended (the "Act"); and

WHEREAS, the Agency heretofore adopted on June 28, 1990, a resolution entitled "Taxable Housing Bond Resolution" (the "Bond Resolution"); and

WHEREAS, in order to obain funds with which to finance such Mortgage Loan it is deemed necessary and advisable to issue the Taxable Housing Bond of the Agency as hereinafter provided;

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

1. This Resolution is adopted pursuant to and in accordance with the provisions of the Act and the Bond Resolution.

2. (A) In order to provide sufficient funds necessary for the Program, in accordance with and subject to the terms, conditions and limitations established in the Bond Resolution and this Resolution, a Bond designated "Sandy Pines Taxable Housing Bond", is hereby authorized to be issued in an aggregate principal amount not to exceed $740,000. The Agency is of the opinion and hereby determines (1) that the issuance of a Bond in the principal amount of not more than $740,000 is necessary to provide sufficient funds to be used and expended for the Program; (2) that the Mortgage Loan to be made on behalf of the Agency with the proceeds of the Sandy Pines Taxable Housing Bond can be issued bearing a rate of interest that 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 (3) that the Agency will derive receipts, revenues and other income from the Mortgage Loan made with the proceeds of the Sandy Pines Taxable Housing Bond sufficient to provide, together with all other available receipts, revenues and income of the Agency, for the payment of the Sandy Pines Taxable Housing Bond and the payment of all costs and expenses incurred by the Agency with respect to the

Program for which the Sandy Pines Taxable Housing Bond is issued.

(B) The Sandy Pines Taxable Housing Bond shall be dated July 17, 1990 and shall bear interest from July 17, 1990. The Sandy Pines Taxable Housing Bond shall mature on July 16, 2010. Interest on the Sandy Pines Taxable Housing Bond shall be payable on September 1, 1990 and semi-annually thereafter on March 1 and September 1 of each year and at the rates shown in the Form of the Bond.

3. The Form of the Bond will be substantially as follows:

VERMONT HOUSING FINANCE AGENCY
TAXABLE HOUSING BOND

No. __ $_____

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

The Vermont Housing Finance Agency (herein called the "Agency"), a body politic and corporate of the State of Vermont, for value received hereby promises to pay to _____ or registered assigns, on the _____ day of _____, ____, the principal sum of _____, upon presentation and surrender hereof, and to pay interest on the principal balance hereof outstanding from time to time from the date of original delivery of this bond (the "Bond Date") until final payment hereof at the annual rate provided below, such interest payments to be made semi-annually on the first days of March and September in each year. The principal or redemption price of and interest on this bond are payable in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts and shall be payable by check or draft mailed to the registered owner at his address appearing on the registration books of the Agency kept for that purpose at the offices of the Agency; provided that the registered owner of this Bond by acceptance hereof agrees that whenever any payment on account of principal shall occur, such owner shall promptly note the date and amount thereof on the Schedule of Payments and Prepayments endorsed hereon and further agrees that this Bond shall be surrendered to the Agency upon final payment hereof.

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

1. From the Bond Date to but excluding the fifth anniversary of the Bond Date - 9.75%;

2. From the fifth anniversary of the Bond Date to but excluding the tenth anniversary of the Bond Date, a rate equal to

10.50%;

3. From the tenth anniversary of the Bond Date to but excluding the fifteenth anniversary of the Bond Date, a rate equal to 11.25%;

4. From the fifteenth anniversary of the Bond Date to the earlier of final maturity or redemption hereof, a rate equal to 12.00%.

This bond is issued pursuant to No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended (the "Act") and under and pursuant to the resolution of the Agency adopted June 28, 1990 entitled "Resolution of Vermont Housing Finance Agency Authorizing the Issuance of its Mobile Home Park Housing Bonds" (the "Resolution"). This bond is a general obligation of the Agency payable out of any of the Agency's revenues, moneys or assets, subject only to agreements heretofore or hereafter made with the holders of obligations of the Agency other than this bond pledging particular revenues, moneys or assets for the payment thereof, and is also secured by a pledge of the Permanent Loans, Revenues and Project Fund (defined in the Resolution) made by the Resolution and subject to all provisions and conditions therein.

The Agency is not obligated to pay this bond or the interest hereon except from the revenues or assets of the Agency pledged under the Resolution and neither the faith and credit nor the taxing power of the State of Vermont or of any political subdivision thereof is pledged to the payment of the principal of or the interest on this bond.

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

This bond may not be transferred except to a transferee capable of making representations comparable to those made by the original owner hereof in Paragraph 13 of the Three Party Agreement described in the Resolution to the reasonable satisfaction of the Agency. Furthermore, before any transfer of this bond by the registered owner or his or its legal representative will be recognized or given effect by the Agency, the registered owner shall note hereon the date to which interest has been paid as well as the amounts of all principal payments and prepayments hereon, and shall notify the Agency of the name and address of the transferee and shall afford the Agency the opportunity of verifying the notation as to payment of interest and principal. By the acceptance hereof the owner of this bond and each transferee shall be deemed to have agreed to indemnify and hold harmless the Agency against all losses, claims, damages or liabilities arising out of any failure on the part of

the owner or of any such transferee to comply with the requirements of the preceding sentence. Subject to the foregoing, this bond is transferable only upon the books of the Agency at the offices of the Agency, by the registered owner hereof in person or by his or its agent duly authorized in writing, upon surrender hereof together with a written instrument of transfer satisfactory to the Agency duly executed by the registered owner or his or its duly authorized agent, and upon the payment of the charges described in the Resolution, the Agency shall issue in the name of the transferee a new substitute registered Mobile Home Park Housing Bond with the same date and in the same form and amount as this bond, endorsed to show the principal amount of the predecessor bond or bonds paid to the delivery date of such substitute bond.

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

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

2. in whole or in part at any time upon notice through application of moneys in the Special Redemption Account as required by the Resolution; and

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

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

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

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

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

ATTEST: VERMONT HOUSING FINANCE AGENCY

By: _____ By: _____
Authorized Officer Authorized Officer

Bond Date: _____ __, 19__

Schedule of Payments and Prepayments of Principal

Principal Amount Paid	Date Paid	Balance Due	Authorized Signature and Title

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

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

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: **Board of Commissioners**

FROM: **Glenn A. Jarrett, General Counsel** GAJ

RE: **Winchester Closing Resolution**

DATE: **June 21, 1990**

The second, and final, phase of the Winchester Place closing was on June 20, 1990. The Agency disbursed $2,639,372, which represents the remainder of the proceeds of the Housing Development Bonds that the Agency issued in August, 1989. Attached is a proposed resolution for your consideration. As you recall, I talked to you earlier this month and explained that the resolution authorizing the closing that you passed last year was limited to the Phase One closing. The attached resolution authorizes the Phase Two closing and ratifies the actions of the staff in closing the loan.

RECOMMENDED ACTION:

Approval of the attached resolution.

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866

RESOLUTION AUTHORIZING AND RATIFYING PHASE TWO OF PERMANENT MORTGAGE LOAN TO WINCHESTER ASSOCIATES

WHEREAS, Phase One of the Winchester Place Development was completed on schedule and the Agency closed Phase One of the Permanent Loan on December 19, 1989; and

WHEREAS, the remaining construction of the Development is substantially complete and all apartments are occupied or ready for occupancy; and

WHEREAS, Merchants Properties, Inc., one of the general partners of Winchester Associates, has requested Agency approval of its withdrawal from the partnership and the transfer of its interest to H.V. Winchester, Inc., the other general partner; and

WHEREAS, staff of the Agency considered it important to close Phase Two of the Permanent Loan and consulted with the Board prior to the closing; therefore, it is hereby

RESOLVED:

The transfer of the interest of Merchants Properties, Inc. to H.V. Winchester, Inc. is hereby approved.

The Executive Director and the Director of Finance, or either of them, are authorized to take all necessary steps to accomplish the closing of Phase Two of the Permanent Loan and all previous actions taken by the staff to close Phase Two of the Permanent Loan to Winchester Associates are hereby ratified.

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Hollis Hope, Director of Communications

DATE: June 22, 1990

RE: ANNOUNCEMENT OF HOUSING VERMONT AS INNOVATIONS AWARD COMPETITION FINALIST; VERMONT BUSINESS ARTICLES ON HOUSING VERMONT AND NORTHGATE

Today news is being released to the media nationally and in Vermont that Housing Vermont has been named a finalist in the 1990 Innovations in State and Local Government Awards Program, sponsored by the Ford Foundation and Harvard University's John F. Kennedy School of Government. Attached for your information are copies of press releases issued by Governor Kunin's office and the Innovations Program. A brief description of the projects of all 25 finalists is also attached.

Allan and Michael Richardson will be at the Kennedy School on July 13 to participate in the final round of the competition, which consists of a very brief presentation to a national committee chaired by former Michigan Governor William G. Milliken. The 10 winners will be selected soon thereafter. The awards ceremony and public announcement is scheduled for sometime this fall.

The June issue of Vermont Business is hot off the press and I wanted to bring to your attention two articles by Susan Youngwood on Housing Vermont and Northgate. A copy of these articles is attached. They are thorough, informative and a refreshing example of good journalism.

Attachment

309.hh

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866

. KUNIN
ERNOR

STATE OF VERMONT
OFFICE OF THE GOVERNOR
109 STATE STREET
MONTPELIER, VERMONT 05602
(802) 828-3333

PRESS RELEASE
June 22, 1990

FOR IMMEDIATE RELEASE

Housing Vermont Named National Award Finalist

BURLINGTON, VT--Housing Vermont, a statewide nonprofit housing development corporation created by the Vermont Housing Finance Agency (VHFA), was named today as a finalist in the 1990 Innovations in State and Local Government Awards Program, announced Governor Madeleine M. Kunin.

Initially funded by VHFA, Housing Vermont was created two years ago to fill the gap left by the loss of federal incentives for private development of affordable housing. Housing Vermont established a vehicle that gives corporate investors, primarily banks, an opportunity to invest in permanently affordable housing.

"I am delighted that we have received this national recognition," Kunin said. "Housing Vermont has sparked innovative public/private partnerships to create and preserve much needed affordable housing for Vermonters of modest means. Vermont banks have played a key role by providing equity for developments through Vermont Equity Fund investments."

By the end of this year, Housing Vermont will have completed 700 units of perpetually affordable housing. Equity commitments

-MORE-

essential to completing the financing on Housing Vermont transactions to date have been provided by the Merchants Bank, the Chittenden Bank, the Howard Bank, the Bank of Vermont, Northfield Savings Bank and Vermont National Bank. The investors receive 99 percent of the tax benefits generated by each project.

Innovations is sponsored by the Ford Foundation and Harvard University's John F. Kennedy School of Government. Housing Vermont is one of 25 finalists chosen this year by Innovations. Ten outstanding state and local programs drawn from the finalists will each receive $100,000 grants from the Ford Foundation when the winners are announced in September.

A site-visit was conducted in May, which included tours of Vermont housing developments. The next and final round in the competition will occur in July. A National Committee on Innovations in State and Local Government, chaired by former Michigan Governor William G. Milliken, will review site-visit reports and meet with representatives of all 25 finalists before choosing the 10 winners.

--30--

FOR MORE INFORMATION, CONTACT:

Hollis Hope
Vermont Housing Finance Agency
(802) 864-5743

Andrea Taylor
Ford Foundations
(212) 573-4811

Marc Zegans
The Kennedy School, Harvard
(617) 495-0557

Innovations
STATE AND LOCAL GOVERNMENT
NEWS

An awards program
of the Ford Foundation
and Harvard University

CONTACT: Andrea Taylor
FORD FOUNDATION
212/573-4811

Marc Zegans
THE KENNEDY SCHOOL, HARVARD
617/495-0557

HOLD FOR RELEASE:
Friday AM, June 22, 1990

HOUSING VERMONT NAMED NATIONAL "INNOVATIONS" AWARD FINALIST

Will Contend for $100,000 Ford Foundation Grant

NEW YORK, June 22, 1990 -- Housing Vermont, a statewide nonprofit corporation to preserve or develop permanently affordable rental housing, was named today as a finalist in the 1990 Innovations in State and Local Government Awards Program. Innovations is sponsored by the Ford Foundation and Harvard University's John F. Kennedy School of Government.

The program was created and initially funded by the Vermont Housing Finance Authority two years ago to fill the gap left by the loss of Federal incentives for private development of affordable housing. The initiative includes the Vermont Equity Fund, a vehicle that gives corporate investors, primarily banks, an opportunity to invest in affordable housing. These private investors receive 99 percent of the tax benefits generated by each project.

-- MORE --

Housing Vermont hopes to complete 700 units of perpetually affordable housing within its first two years, and 5,000 units in five years.

The Housing Vermont program is one of twenty-five finalists cited this year by the Innovations Program. Ten outstanding state and local projects drawn from the finalists will each receive $100,000 grants from the Ford Foundation when the winners are announced in September.

The Innovations Awards seek to recognize programs and policies considered to be unusually creative in addressing public needs at the state and local levels. Four criteria are used in evaluating the applications: the program's novelty; its significance in addressing important local and national problems; the value it brings to its clients; and the degree to which it can be replicated by other jurisdictions. Review teams of scholars and government professionals worked to narrow the number of applicants to the twenty-five finalists, which represent only two percent of all applicants.

-- MORE --

Commenting on this year's applications, former Michigan Governor William G. Milliken, Chairman of the National Committee on Innovations in State and Local Government, said: "State, county and municipal governments across the land have confounded the heralds of gloom who say that government is unresponsive and unimaginative in tackling tough problems. We are happy to note the unusually large number of applications this year and to salute their high quality and diversity."

Governor Milliken continued, "The 1990 Innovations finalists exemplify the best in American government today. Each demonstrates that resourceful leadership is alive and well in states and localities throughout the nation."

In July, Governor Milliken and the National Committee on Innovations in State and Local Government will review site-visit reports and meet with representatives of all twenty-five finalists before choosing the ten winners.

-- MORE --

Other members of the National Committee are: Yvonne B. Burke, partner, Jones, Day, Reavis & Pogue; Henry Cisneros, chairman, Cisneros Asset Management Company; Margaret Gordon, dean of the Graduate School of Public Affairs at the University of Washington; Antonia Hernandez, executive director of the Mexican American Legal Defense and Educational Fund; Dorothy S. Ridings, publisher and president of The Bradenton (Florida) Herald; Jack Rosenthal, editorial page editor of The New York Times; Ellen Schall, president of the National Center for Health and Education; Max R. Sherman, dean of the Lyndon B. Johnson School of Public Affairs at the University of Texas; Hubert Williams, president of the Police Foundation; and William Woodside, chairman, Sky Chefs, Inc.

The Innovations Program was established in 1985, and in its first three years the Ford Foundation made awards of up to $100,000 to a total of thirty programs. After a year's hiatus, the Foundation renewed the competition this year. It is directed by Professor Alan Altshuler, of the A. Alfred Taubman Center for State and Local Government at the Kennedy School.

The Ford Foundation, established in 1936, is a private, nonprofit institution committed to preserving peace and advancing human welfare. A national and international philanthropy with an endowment of more than $5 billion, the Foundation has granted some $7 billion to more than 9,000 institutions and 100,000 individuals worldwide. The Foundation maintains headquarters in New York City and has offices in fifteen countries in Latin America, Africa and Asia.

A brief description of the projects of each of the twenty-five finalists is attached.

# # #

FOR LOCAL PROJECT INFORMATION, CONTACT:

Hollis Hope
Director of Communications
Housing Vermont
Vermont Housing Finance Agency
POB 408, One Burlington Square
Burlington, Vermont 05402-0408
802/864-5743

Innovations
IN STATE AND LOCAL GOVERNMENT
NEWS

An awards program
of the Ford Foundation
and Harvard University

FORD FOUNDATION - KENNEDY SCHOOL

1990 INNOVATIONS AWARDS PROGRAM

Finalists

ALASKA

Inupiat Ilitqusiat of the Maniilaq Association, a tribal organization in Kotzbue, Alaska, representing eleven Eskimo villages, seeks to reverse high rates of alcohol abuse and suicide and promote the survival of Eskimo culture in a remote region mostly above the Arctic Circle.

The Alaska State Troopers' Village Public Safety Officer Program trains civilians in 123 isolated communities to respond to common emergencies such as fire and water accidents, as well as problems relating to alcohol abuse.

ARIZONA

The Pima County Floodprone Land Acquisition Program links flood and erosion damage control with environmental and cultural concerns in metropolitan Tucson.

CALIFORNIA

Specialized Treatment and Rehabilitation Services of the Merced County Department of Mental Health provides comprehensive support services for boys under the age of eighteen who are victims of sexual abuse. Such cases often go unreported.

FLORIDA

Collier County's Landfill Reclamation Program has developed processes to mine its municipal landfill for ferrous metals, aluminum, plastics and combustible material, for use as fuel and to eliminate potential hazards to underground water sources.

-- MORE --

Innovations Program
79 Alfred Taubman Center
79 Mount Auburn Street
Cambridge, MA 02138

GEORGIA

The Dry Hydrant Assistance Program of the State Office of Energy Resources supplies rural fire departments with an an assured water supply by installing permanent nonpressurized pipe systems in lakes, farm ponds and streams.

IOWA

The Farm Family Assistance Program of Iowa Comprehensive Human Services provides training in debt management and other assistance to Iowa farm families threatened with bankruptcy and dislocation.

MARYLAND

The Moderately Priced Dwelling Unit Program of Montgomery County's Department of Housing and Community Development seeks to enlarge the supply of affordable housing by requiring builders of fifty or more residential units to set aside 12.5 percent to 15 percent of these units for moderate-income people.

Montgomery County Health Department's Meeting Obstetrical Needs of Indigent Women is a public/private partnership that engages obstetricians in private practice as part-time county employees in order to assure that needy pregnant women receive obstetrical and delivery care.

MASSACHUSETTS

The Systemic Fair Housing Testing and Enforcement Program of the Massachusetts Commission Against Discrimination uses innovative techniques to uncover fair housing violations, including discrimination against single mothers.

The Cambridge Housing Authority's Work Force Unemployment Prevention Program combines after-school classes with "try-out" jobs in local businesses for students between the ages of thirteen and nineteen who live in public housing.

MINNESOTA

The Electronic Benefit System of Ramsey County's Human Services Department is the nation's first project to dispense public assistance benefits through automatic teller machines and point-of-service terminals.

NEW JERSEY

The School-Based Youth Services Program of the New Jersey Department of Human Services provides educational, mental health, employment and health services at one site to help teens stay in school and develop good skills.

NEW YORK

Through streamlined procedures, immediate advocacy, investigation and mediation, the AIDS Discrimination Division of the New York City Commission on Human Rights successfully resolves over 87 percent of AIDS discrimination complaints within thirty days.

The Decision Techtronics Group of the Rockefeller Institute of Government at SUNY Albany uses computer-based simulations and decision-modeling techniques to help state officials tackle complex management problems.

Self-Help Support System of the New York Department of State's Office of Local Government Services provides technical and other assistance to small towns that need to build or repair water and waste-water systems, enabling them to cut project costs.

The XPORT Program of the Port Authority of New York and New Jersey is the first publicly-sponsored export trading company in the United States and is a model for similar programs in other cities.

OREGON

Newport Performing Arts Center: Family Arts Agenda delivers social services such as day care for latchkey children, along with creative dramatics and Saturday classes for family crafts in an arts environment.

VERMONT

Housing Vermont of The Vermont Housing Finance Agency seeks to fill the gap in affordable housing caused by the loss of federal subsidies, by giving corporate investors, primarily banks, low-risk incentives to invest in building affordable rental units.

VIRGINIA

Fairfax County's Medical Care for Children Project utilizes two major health maintenance organizations, which provide low-cost medical and dental services to children of the "working poor" who are not eligible for Medicaid.

Problem-Oriented Policing of the Newport News Police Department replaces traditional police methods with a four-part problem-solving response to incidents.

WASHINGTON

The City of Seattle's Recycling Program is a model voluntary waste-management plan designed to recycle 60 percent of the city's garbage by 1998.

Government-To-Government: A State/Tribal Accord, between the State of Washington and Native American tribes, reverses a national historic pattern of disputes over Indian rights, significantly reducing litigation and improving fish and wildlife management.

The Martin Luther King Ecumenical Center of Tacoma's Department of Human Development seeks out homeless people to manage important, large-scale social service programs within the city, such as operating shelters and advocating for the homeless mentally ill.

WISCONSIN

The Wisconsin Correctional Service's Community Support Program is an unconventional outpatient approach that helps keep mentally-ill criminal offenders out of jail by providing immediate access to everyday needs, including help in managing their finances, as well as specialized medical and psychiatric care.

# # #

Housing Vermont helping to house Vermonters

By Susan Youngwood

Say 'subsidized housing' and most people visualize stark tenements pockmarked with broken windows and marred with graffiti. Think again.

If you visit Salmon Run and Heineberg Senior Housing in Burlington, Winchester Place in Colchester, or look at the plans for Pine Meadows in Middlebury, you'll instead see things like townhouse designs, tasteful landscaping — even classy touches like bay windows, decks, porches and varied rooflines.

These projects, all providing affordable housing to low and middle income families and senior citizens, have one thing in common — their financing was made possible by Housing Vermont.

Housing Vermont is a statewide nonprofit housing development corporation whose mission is to create affordable rental housing through partnerships between private investors and local nonprofit groups. Initially funded by a seed capital grant of $2 million from the Vermont Housing Finance Agency in 1988, Housing Vermont has helped to build or preserve 700 units of affordable housing in the state — making it one of the largest real estate developers in Vermont.

"We're astounded by what they've done," said Alan S Hunt, executive director of VHFA.

Housing Vermont is one of the myriad of nonprofit organizations created in Vermont the last several years to tackle the problem of affordable housing. Because it operates statewide and started out on a sound financial foot, Housing Vermont has had a visible impact.

Hunt was one of the main forces behind the creation of Housing Vermont. He realized that Vermont needed a vehicle that would provide both financing and expertise to the challenge of building affordable housing.

"What happened in Vermont is there was no incentive for private developers to develop affordable housing," he said. Although local nonprofit groups were trying to fill the gap, he said, "it is difficult for nonprofits to hire and afford the expertise that development needs."

Hunt said he envisioned a "group of people who have the developer mentality and the expertise to help local groups put projects together." The group would also help nonprofits get their hands on the one remaining source of funding — low income tax credits.

Although there are other similar groups across the country — one in San Francisco and another in Massachusetts — Hunt said Vermont's group is different in that its financing and support came from a state housing finance agency.

Because of that support, he said, Housing Vermont didn't have to spend time and money fundraising, and it had an immediate air of credibility.

Michael Richardson, president of Housing Vermont, explained that VHFA, "thought that a nonprofit developer might be better suited to address the higher risk associated with rental housing and perhaps be in a better position to approach companies to invest in housing, because it would be nonprofit."

Housing Vermont now has six employees, all with experience in real estate. Richardson, for example, worked for four years at VHFA, headed the state's community development block grant program and served as executive director of a nonprofit housing development company. Other employees are Elizabeth Mullikin, vice president of development; Mary E Parent, financial officer; Vaughn T Collins, project manager; and Jennifer O'Hara, development specialist.

So far, Housing Vermont has arranged $43 million in financing for affordable housing.

A key element to Housing Vermont is the equity money it has raised for affordable housing. The state's banks have invested more than $11 million in Housing Vermont's two equity funds, which provide the equity for the downpayment needed in these projects.

The banks get a 12 percent after-tax return on their investment, said Richardson — which is much lower than the return for a standard real estate investment. They can take a low income housing tax credit to reduce their tax burden, and take advantage of other tax benefits such as depreciation and interest write offs.

Investors have included Merchants, Bank of Vermont, Chittenden, Howard, Vermont National and Northfield Savings. Richardson is now talking to other companies, including the state's utilities, who have expressed interest in similar investments.

"They are pulling together real expertise to try to preserve affordable housing," said John Ewing, executive vice president at the Bank of Vermont.

For each project, Housing Vermont has also relied on a mixed bag of other financing. Debt financing has come from the Federal National Mortgage Association and the Farmer's Home Administration. The Vermont Housing and Conservation Trust Fund, which was created by the state Legislature in 1987 to provide affordable housing and preserve important land, has also provided money.

"They package our funds with other kinds of financing and equity financing to help make our funds go further," said executive director Gus Seelig. "We get a lot of leverage in their projects."

Projects have also been kept affordable in other ways. For example, the town of Middlebury is leasing land for one project at a rent of $1 a year.

While the money comes from government and private sources, a key aspect to all Housing Vermont projects is community support. Each project must have a local and regional nonprofit agency as a sponsoring partner. This partner presents the project to the local planning and zoning boards and explains it to its neighbors. It is also in charge of the management of the project.

"It is really essential for us to have a local partner," said Richardson. "We

Northgate: Protecting affordable housing

One of Housing Vermont's most celebrated deals was the preservation last year of Burlington's Northgate housing project, the state's largest subsidized rental housing complex.

The $20 million deal, which was approved by the US Department of Housing and Urban Development, arranged for tenant involvement in the supervision, management and ownership of the 20-year-old Northgate housing project.

Northgate was one of four subsidized housing projects developed in Vermont by Fairfield Associates, a Connecticut firm. The developers, who received a 40-year low-interest loan from HUD, promised to keep rents affordable for the term of the loan, but had the option of paying off the loan after 20 years.

Low-income advocates feared that Fairfield Associates eventually would convert the complex — a townhouse-style development located on Lake Champlain with views of the Adirondack Mountains — into condominiums. With 336 apartments and more than 1,000 tenants, Northgate provides one-quarter of Burlington's affordable housing stock.

"We knew that if this project was sold and went to market rentals or condominiums, these people would be displaced," said Brenda Torpy, executive director of Northgate Housing Inc, the managing partner of the new ownership entity, the Northgate Housing Limited Partnership.

State, federal, local and private parties worked for months to arrange the financing package, a combination of tax incentives and public subsidies which involved 10 separate financing sources.

The complex was purchased in late December for just under $10 million. The sellers received an equity payment of $1.5 million, financed by Housing Vermont, a nonprofit development company which is now a general partner of Northgate Housing Inc, and $8.4 million in tax-exempt bonds issued by the Vermont Housing Finance Agency. The new owners assumed the existing low-interest HUD mortgages; there were another $3 million in development and transaction costs.

Bernhard Gilhuly of Fairfield Associates said the tax benefits of receiving the VHFA bonds as payment made the deal attractive for the sellers. The former owners agreed to a price below the appraised value because the capital gains tax was limited under this arrangement.

The new owners are spending $6.5 million on renovations. Using a $270,000 grant from the Burlington Electric Department, the complex is being converted from electric heat to gas heat, which will significantly reduce residents' utility bills. Doors and windows are being replaced, insulation improved and new siding and roofing installed.

Additional financing was from a $3 million deferred payment loan from the Vermont Housing and Conservation Trust Fund and $3 million in HUD loans. The Housing Vermont contribution came from Bank of Vermont and the Federal National Mortgage Association, who received tax credits for their equity investment. Another $1.2 million is slated to come as special appropriations secured by US Senator Patrick Leahy.

The tenants association has an option to buy the project in 21 years. The financing package includes covenants which require the housing units remain affordable to low- and moderate-income families despite change of ownership. Although rents vary, no Northgate tenants pay more than 30 percent of their monthly income.

"We felt it was not worth doing Northgate unless it was removed from the speculative cycle," said Michael Richardson, president of Housing Vermont.

The arrangement also ensures that tenants have a direct impact on the management of the housing complex. The Northgate Tenants Association, which is part of Northgate Housing Inc, will review budgets and supervise the management company.

With the Northgate deal completed, Housing Vermont and the VHFA are now putting together financing packages to purchase the three other subsidized housing projects in Vermont developed by Fairfield Associates — Highgate in Barre, Westgate in Brattleboro and Applegate in Bennington. These three projects have 350 units of affordable housing.

VHFA holds an option to purchase these projects from Fairfield Associates. The 20-year exemption on the HUD mortgage for the Highgate complex expires at the end of 1990, and is the agency's first priority. Highgate provides more than half the affordable housing in Washington County.

"Assuring long-term affordability is our primary goal," said Allan Hunt, VHFA executive director.

— Susan Youngwood

want the community to accept this housing."

Some examples of how Housing Vermont puts together projects are:

- ***Salmon Run*** is an 80-unit project with two and three bedroom apartments renting from $365 to $600. The local partner is the Lake Champlain Housing Development Corporation; equity was provided by the Merchants Bank, the Chittenden Bank and The Howard Bank. Debt financing came from VHFA, the Housing and Conservation Trust Board and the City of Burlington, which received a federal grant. Total project cost was $6.7 million.
- ***Heineberg Senior Housing*** is also an 80-unit project, in this case for the elderly with rents ranging from $375 to $615. The units come as either one or two bedrooms. Financing came from the same sources as Salmon Run. The local nonprofit was created by the Chittenden County Senior Alliance and the Cathedral Square Corporation. Cathedral Square is managing the project.
- ***Winchester Place*** is a 166-unit project built on property leased from St Michael's College. Partners include Merchants Bank and the Greater Burlington Industrial Corporation. The project will have 70 apartments available to moderate income families with the balance renting at market rate.

Other projects planned for this year include:

- 64 units of housing for the elderly in Middlebury.
- Pine Meadows, a 30-unit, mixed-income townhouse project in Middlebury with the Interfaith Housing Corporation, for families.
- 29 units of housing for the elderly in Montpelier.
- Preservation of 120 units of rental housing for families at the Highgate project in Barre.
- Preservation of a 72-unit apartment project in Springfield called Mountainview.
- Purchase of eight apartment buildings in St Johnsbury with 37 units.

Richardson said he is determined that all these projects look as different from the image of subsidized housing as possible. Pine Meadows, for instance, was designed by Turner Brooks, who has done a lot of residential architecture in Chittenden County.

"I've always wanted to do an affordable housing project," Brooks said. "I think it is a basic challenge to work with low budget housing. Low budget is not necessarily an excuse to not do something good."

Another project, planned for Norwich, will use a design which won first place in a New England-wide design contest sponsored by the Bank of Vermont, Bank of Boston and Housing Vermont.

The demand for such housing is shown by how fast it goes. Some projects already have waiting lists.

A key element to the projects financed by Housing Vermont is that they will remain affordable. In all cases, the tenants are given the option to purchase the project for $1 over the remaining mortgage balance when the tax benefits are finished.

"We only want to do housing that stays permanently affordable from now on," Richardson said.

One way this goal is ensured, Richardson explained, is that Housing Vermont is not in the housing business to make money. Rents will increase only to cover higher maintenance and operating costs, and not to provide profits.

But Housing Vermont alone is not the solution. It cannot help many people on welfare, whose shelter allowance is too low, or the homeless.

"We probably need 10 more volumes of Housing Vermont activity to approach the problem," said Veda Lyon, director of Central Vermont Community Action. Many of Vermont's poor live in dilapidated houses or mobile homes in rural areas, and money is needed for rehabilitation and weatherization, she said.

Despite these problems, Richardson believes that Housing Vermont has come up with the best formula for building affordable housing.

The government first did subsidized housing through local housing authorities -- many of these we[re] struction and are the [ho]housing projects of today. [In] 1970s, the federal government [o]inducements to the private sector [to] develop and manage affordable housing. These units were better built and better managed, but were expensive and were affordable only for a temporary period.

"What you're seeing now and what will happen in the '90s is a synthesis of those two approaches -- public and private and nonprofit organizations," said Richardson. "We have to operate with the efficiency of the private sector, but be guided by public purposes that government housing had. It's really kind of an experiment."

Susan Youngwood is a freelance writer who lives in Montpelier. ■

SUMMING UP

A nonprofit housing development corporation called Housing Vermont is bringing together private investors and local nonprofit groups to create affordable rental housing.

- Started with $2 million from the Vermont Housing Finance Agency, Housing Vermont has become one of the largest real estate developers in the state.
- Housing Vermont has arranged $43 million in financing for affordable housing, with the state's banks investing more than $11 million in two equity funds. The banks receive a 12 percent after-tax return.
- Each project must have a local or regional nonprofit agency or sponsoring partner.

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RESOLUTION OF VERMONT HOUSING FINANCE AGENCY
AUTHORIZING THE ISSUANCE OF ITS DALTON DRIVE SITE ACQUISITION NOTE
AND RELATED MATTERS

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

ARTICLE I

DETERMINATIONS, DEFINITIONS AND AUTHORITY

SECTION 101. Short Title. This resolution shall be and is hereinafter referred to as the "Dalton Drive Resolution" or the "Resolution".

SECTION 102. Authority For Resolution. This Dalton Drive Resolution is adopted pursuant to the Act and in accordance with the provisions thereof.

SECTION 103. Definitions. All capitalized, undefined terms used in this Resolution shall have the same meanings as they have in the Closing Memorandum (as hereinafter defined). In addition, the following words and phrases shall have the following meanings:

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

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

"Authorized Officer" means the Chairman, Vice Chairman, Treasurer, Executive Director and Secretary, Director of Finance and any other person authorized by resolution of the Agency to act as an Authorized Officer hereunder;

"Closing Date" means July 18, 1990, or such earlier or later date as an Authorized Officer may agree pursuant to the Second Extension.

"Closing Memorandum" means an agreement between the Seller and the Agency, governing rights and duties of the parties intended to survive delivery of the Deed, and having such provisions as an Authorized Officer shall deem necessary or appropriate in furtherance of the Development Plan. ~~substantially in the form attached hereto as Exhibit C.~~

"Deed" means the quitclaim deed of the Seller conveying the Property to the Agency, in such form as an Authorized Officer may accept. ~~, substantially in the form attached hereto as Exhibit A.~~

"Developer" means Preservation Investments, Ltd.

"Development Agreement" means the Contract for Development Services dated effective January 1, 1990, between the Agency and the Developer. ~~Preservation Investments, Ltd.~~

"Development Plan" means the plan for rehabilitation and sale of the buildings on the Property for Residential Housing and non-housing purposes as outlined in the Development Agreement.

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

The terms "herein", "hereunder", "hereby", "hereto", "hereof", and any similar terms, refer to this Resolution; the terms "heretofore" means before the date of adoption of this Resolution; and the term "hereafter" means after the date of adoption of this Resolution;

"Note" means the Site Acquisition Note;

"Officer's Certificate" means a certificate signed by an Authorized Officer;

"Owner" or "owners" or "noteowner", when used in reference to the Note, means the registered owner of the Note;

"Property" means the real and personal property which is the subject of the Option Agreement and the Closing Extension Agreement (as defined in the Closing Memorandum), subject to and having the benefits of such easements and other rights as an Authorized Officer shall deem necessary or appropriate in furtherance of the Development Plan. ~~, as more particularly described in the Deed.~~

"Purchase Documents" means the Closing Extension Agreement, the Closing Memorandum, the Second Extension, and documents reasonably required to be executed and delivered by the Agency in connection therewith.

"Second Extension" means Second Closing Extension Agreement between the Seller and the Agency, in the form attached hereto as Exhibit B, as the same may be modified pursuant to Section 302, below.

"Seller" means University of Vermont and State Agricultural College;

"Site Acquisition Note" means the Dalton Drive Site Acquisition Note authorized and outstanding under Article II hereof;

"State" means the State of Vermont;

SECTION 104. Parties Interested Herein. Nothing in this Resolution expressed or implied is intended or shall be construed to confer upon, or to give to, any person, other than the Agency, the Seller, and the Owner of the Site Acquisition Note, any right, remedy or claim under or by reason of this Resolution or any covenant, stipulation, obligation, agreement or condition therein. All the covenants, stipulations, obligations, promises and agreements in this Resolution contained by and on behalf of the Agency shall

be for the sole and exclusive benefit of the Agency, the Seller, and the Owner of the Site Acquisition Note.

SECTION 105. Law Applicable. The laws of the State shall be applicable to the interpretation and construction of this Resolution.

SECTION 106. Severability of Invalid Provision. If any one or more of the provisions, covenants or agreements in this Resolution on the part of the Agency to be performed should be contrary to law, then such provisions, covenants or agreements shall be deemed separable from the remaining provisions, covenants and agreements, and shall in no way affect the validity of the other provisions of this Resolution or of the Note.

SECTION 107. Findings and Determinations. The Agency hereby finds and determines in accordance with Section 631 of the Act (and with all terms not defined in this Section having the meaning given such terms in the Act) that:

(1) The Agency is acquiring the Property for the purpose of carrying out the Development Plan.

(2) The aggregate principal amount of the Site Acquisition Note is necessary to provide sufficient funds to accomplish the corporate purposes of the Agency with respect to the Property;

(3) The Agency reasonably anticipates that loans made by or on behalf of the Agency as contemplated by the Development Plan for the acquisition by persons and families of residential housing units to be constructed or rehabilitated on or in respect of the Property 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 without the assistance of the Agency;

(4) The Agency will derive receipts, revenues or other income from or with respect to the Property and the Development Plan sufficient to provide, together with all other available receipts, revenues and income of the Agency, for the payment, or reimbursement to the General Fund for the payment, of the Site Acquisition Note, and the payment of all costs and expenses incurred by the Agency with respect to the Property and the Development Plan.

ARTICLE II

AUTHORIZATION OF DALTON DRIVE HOUSING SITE ACQUISITION NOTE

SECTION 201. The Site Acquisition Note. (A) A note of the Agency, designated "Dalton Drive Site Acquisition Note", is hereby authorized to be issued in the principal amount of $1,000,000.00.

(B) The Site Acquisition Note shall be dated as of the Closing Date. ~~June 29, 1990.~~

(C) The Site Acquisition Note shall be payable as to principal on February 23, 1991, shall bear no interest, shall be executed by an Authorized Officer, shall be subject to prepayment and transfer, and shall otherwise be

in form and tenor as provided in, and the respective rights and obligations of the Agency and the Owner thereof shall be as described in, the form of the Site Acquisition Note set forth in Exhibit A hereto.

SECTION 202. General Obligation of Agency. The Site Acquisition Note shall be a general obligation of the Agency payable out of any revenues or moneys of the Agency, subject only to agreements heretofore or hereafter made with holders of bonds, notes, or other obligations of the Agency, other than the Site Acquisition Note, pledging particular assets or revenues for the security thereof. The Agency shall not be obligated to pay the Site Acquisition Note or the interest thereon except from such revenues and moneys and neither the faith and credit nor the taxing power of the State or of any political subdivision thereof is pledged to the payment of the principal of or interest of the Site Acquisition Note.

SECTION 203. Purpose, Sale and Delivery. (A) The Site Acquisition Note is issued for the purpose of paying a portion of the purchase price of the Property.

(B) The Site Acquisition Note is hereby sold to the Seller at the price of par. As of the Closing Date, the Authorized Officers of the Agency are authorized ~~and directed~~ to execute and deliver the Site Acquisition Note to the Seller upon execution and delivery by the Seller of the Deed, an appropriate Vermont Property Transfer Tax Return, the Closing Memorandum, and such other documentation, opinions of counsel and assurances as an Authorized Officer may deem appropriate.

ARTICLE III

MISCELLANEOUS

SECTION 301. Purchase Authorization. The Authorized Officer(s) are hereby authorized to consummate the Purchase of the Property from the Seller in accordance with the provisions of the Purchase Documents.

SECTION 302. Second Extension ~~Purchase Documents~~. The Second Extension ~~Closing Memorandum~~, and the execution and delivery thereof by any Authorized Officer of the Agency, is hereby approved in substantially the form presented at this meeting, with such changes thereto as the Authorized Officer executing the same may approve prior to its execution. ~~and after consultation with counsel.~~By adoption of this Resolution, all other Purchase Documents, and the execution and delivery thereof by or on behalf of the Agency, are hereby ratified and approved.

SECTION 303. Amendment. (A) Without the consent of the Owner of the Site Acquisition Note, this Resolution may be amended at any time and from time to time by supplemental resolution adopted by the Agency (1) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision herein, or (2) to insert such provisions clarifying matters or questions arising under this Resolution as are necessary or desirable and are not contrary to or inconsistent with this Resolution as theretofore in effect.

(B) Except as provided in Paragraph (A) of this section, this Resolution may only be amended with the prior written consent of the Owner of the Site Acquisition Note.

SECTION 304. Authorization of Officers. The Chairman, Vice-Chairman, Executive Director, Director of Finance and each other Authorized Officer are each hereby authorized and directed to do all acts and things and to execute and deliver the Closing Memorandum and any and all documents, certificates, and other instruments necessary or desirable to effectuate the transactions contemplated by this Resolution.

SECTION 305. Effective Date. This Dalton Drive Resolution shall take effect upon its adoption.

DD014a

VERMONT HOUSING FINANCE AGENCY

DALTON DRIVE SITE ACQUISITION NOTE

EXHIBIT A

$1,000,000.00

[Closing Date] ~~June 29, 1990~~
Burlington, Vermont

FOR VALUE RECEIVED, the undersigned, Vermont Housing Finance Agency, a body politic and corporate and public instrumentality of the State of Vermont (the "Agency"), promises to pay to UNIVERSITY OF VERMONT AND STATE AGRICULTURAL COLLEGE ("Payee"), at the address stipulated on the last page hereof, or such other address as Payee may direct in writing, the sum of ONE MILLION 00/100 ($1,000,000.00) DOLLARS in legal and lawful money of the United States of America, without interest, on February 23, 1991, unless sooner prepaid as provided herein.

This Note is issued under and by virtue of the Vermont Housing Finance Agency Act, being Public Law No. 260 of the Laws of Vermont, 1974, as amended (the "Act") and a resolution of the Agency adopted June 28, 1990 (the "Resolution"). This Note arises out of that one certain Agreement dated June 22, 1989, between Agency, as purchaser, and Payee, as owner (the "Agreement"), as amended by a certain "Closing Extension Agreement" dated February 23, 1990, and a "Closing Memorandum" of even date. ~~THIS NOTE IS SUBJECT TO CANCELLATION UNDER THE CIRCUMSTANCES SPECIFIED IN PARAGRAPH __ OF THE SAID "CLOSING MEMORANDUM."~~

This Note is subject to prepayment in whole or in part at any time prior to maturity, at the option of the Agency and upon not less than ten (10) days prior notice to the Payee, at a prepayment price equal to the principal amount of this Note or portion thereof so prepaid without premium or interest.

If this Note is not paid at maturity, and the same is collected by suit or through bankruptcy or other legal proceedings, the Agency agrees to pay to Payee all costs of collection, including reasonable attorneys' fees. Notwithstanding anything herein to the contrary, the Agency agrees to pay interest on any overdue payment of principal hereunder at a rate per annum equal to twelve percent (12%) per annum from the date of said default hereunder until such overdue amount is paid in full.

Any notice required hereunder shall be deemed to be delivered on the date such notice is deposited in the United States mail, postage prepaid, certified mail, return receipt requested, addressed to the Agency or Payee as the case may be at the address set out hereinbelow, or at such other address as such party may have theretofore requested by notice delivered in accordance herewith.

Except as otherwise expressly provided for herein, the Agency, to the extent permitted by law, waives demand, presentment, protest, notice of intent to accelerate, notice of acceleration, notice of nonpayment, and notice of protest.

This Note is an unsecured general obligation of the Agency payable out of any revenues or moneys of the Agency, subject only to agreements heretofore or hereafter made with holders of bonds, notes, or other obligations of the

Agency pledging particular assets or revenues for the security thereof. The Agency is not obligated to pay this Note or the interest hereon except from such revenues and moneys and any other assets pledged therefor and neither the faith and credit nor the taxing power of the State of Vermont or of any political subdivision thereof is pledged to the payment of the principal of or interest of this Note. THIS NOTE IS NOT SECURED BY ANY MORTGAGE OR ANY OTHER INTEREST WHATSOEVER IN ANY REAL OR PERSONAL PROPERTY. FURTHER, THE PAYEE BY ITS ACCEPTANCE HEREOF EXPRESSLY WAIVES ANY SUCH INTEREST IN PROPERTY WHICH MAY OTHERWISE ARISE BY IMPLICATION OF LAW, INCLUDING ANY PRINCIPAL OF EQUITY.

This Note may not be assigned or transferred without the express consent of the Agency.

No recourse shall be had for the principal of or interest on this Note or for any claim based thereon, or on the Agreement, the Closing Extension Agreement, the Closing Memorandum, or the Resolution, personally, against any commissioner of the Agency or any person executing this Note.

This Note shall be governed by and construed in accordance with the laws of the State of Vermont.

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

IN WITNESS WHEREOF, VERMONT HOUSING FINANCE AGENCY has caused this Note to be signed in its name and on its behalf by its Authorized Officer ~~Chairman or Vice Chairman, and its corporate seal to be affixed hereto or imprinted hereon and attested by its Secretary or Assistant Secretary effective~~ as of the day and year first above written.

VERMONT HOUSING FINANCE AGENCY

~~[SEAL]~~

~~Attest:~~ _____
~~Secretary~~

By _____
[Authorized Officer] ~~Chairman~~

ADDRESSES OF THE PARTIES

VERMONT HOUSING FINANCE AGENCY
One Burlington Square
P.O. Box 408
Burlington, VT 05402-0408

UNIVERSITY OF VERMONT AND STATE AGRICULTURAL COLLEGE

_____

Burlington, VT 05405

DD013a

SECOND CLOSING EXTENSION AGREEMENT

EXHIBIT B

This agreement effective the 29th day of June, 1990, by and between UNIVERSITY OF VERMONT AND STATE AGRICULTURAL COLLEGE ("Owner") and VERMONT HOUSING FINANCE AGENCY ("Purchaser"),

W I T N E S S E T H

WHEREAS, Owner and Purchaser are the parties to a certain prior agreement (the "Closing Extension Agreement") dated February 23, 1990; and,

WHEREAS, the parties desire to extend the Closing Date on the terms hereinafter set forth;

NOW THEREFORE, in consideration of the terms and conditions hereinafter set forth, the parties agree as follows:

1. All capitalized terms used herein and not otherwise defined shall have the same meaning as they have in the Closing Extension Agreement.

2. The Closing Date shall be July 18, 1990 or such earlier date as the parties may subsequently agree.

3. This extension is for the mutual convenience of the parties, and is for the joint purpose of allowing the Owner additional time to meet certain legal prerequisites for transfer of the Property and to allow the parties additional time to negotiate in good faith with a view to reaching agreement with respect to certain easements and other ancillary rights that may be reasonably necessary in connection with the rehabilitation of the Property in accordance with the Purchaser's plans. If despite the best efforts of the parties to obtain certainty regarding the placement of utility line easements to be relocated, such certainty is not obtained by the Closing Date, then the parties agree to further extend the Closing Date for such reasonable period as is needed to obtain such certainty.

IN WITNESS WHEREOF, the parties have caused this agreement to be executed by their respective agents duly authorized at Burlington, Vermont effective the date first above written.

UNIVERSITY OF VERMONT AND STATE AGRICULTURAL COLLEGE

By _____
Its senior vice president and authorized agent

VERMONT HOUSING FINANCE AGENCY

By _____
Its executive director and authorized agent

DD015

U.S. Department of Housing
and Urban Development
Boston Regional Office, Region I
Thomas P. O'Neill Jr. Federal Building
10 Causeway Street
Boston, MA 02222-1092

90-BO-203-900-2158

Posted 4/5/90 vc

April 5, 1990

MEMORANDUM FOR: David P. Forsberg, Regional Administrator--
Regional Housing Commissioner, 1S

ATTENTION: Jaames J. Barry, Manager, Manchester Office, 1.2S

FROM: Ardashes Der Ananian, Regional Inspector General, Office of Audit, 1ZA

SUBJECT: Transmittal of report on Audit of the Vermont Housing Finance Agency, Burlington, Vermont for the period, July 1, 1988 through June 30, 1989

We have reviewed the subject report prepared by Nolte, Cornman & Johnson, P.C., Certified Public Accountants, Newton, Iowa.

The IA did not include any findings affecting HUD Programs.

The audit was conducted in accordance with Standards for Audit of Governmental Organizations, Programs, Activities, and Functions; the Single Audit Act of 1984; and OMB Circular A-128. Based upon our review, we find the IA's report generally complies with the above cited requirements.

We are providing three copies of the audit report to the Audit Liaison Officer.

Please send us copies of any correspondence pertaining to this report.

1ZA COURTEMANCHE:vc 4-5-90 835-5259

DISTRIBUTION:
1S Regional Administrator
1.2S Manager, Manchester Office 93)
1AM Managementand Budget
1AF Director, Regional Accounting Division
PF Audit Liaison Officer, Office of Finance and Accounting (Room 4224)

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director

DATE: July 17, 1990

RE: RESCHEDULED AUGUST BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been rescheduled and confirmed.

The meeting will be held at **1:30 p.m. TUESDAY, AUGUST 7**, here at the VHFA office, One Burlington Square, Burlington.

This will be the Annual Meeting, and will include the election of officers. An agenda and Board packet will be mailed separately.

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Burlington TUESDAY, AUGUST 7!

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director

DATE: July 9, 1990

RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. There will be no meeting held in July. The Annual Meeting and election of officers will be held at 1:30 p.m. Wednesday, August 8, here at the VHFA office, One Burlington Square, Burlington.

An agenda and board packet will be mailed to you prior to the meeting.

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Burlington August 8!

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866

VERMONT HOUSING FINANCE AGENCY

July 27, 1990

Ms. Jean Gauthier
Department of Administration
Pavilion Office Building
109 State Street
Montpelier, VT 05602

Dear Ms. Gauthier:

The Vermont Housing Finance Agency will be having its Annual Board Meeting on Tuesday, August 7, at 1:30 p.m., here at the office of Vermont Housing Finance Agency, One Burlington Square, Burlington, Vermont.

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

Sincerely,

Barbara M. Parker

Barbara M. Parker
Executive Assistant

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802 864-5743 • 1-800 339-5866

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director

DATE: July 31, 1990

RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held at 1:30 p.m. Tuesday, August 7, here at the VHFA office, One Burlington Square, Burlington.

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

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Burlington August 7!

P.S. The VHFA Picnic will be held Wednesday, August 8, on the Parade Ground at Fort Ethan Allen. The grills will be lit at 12:30 and you are welcome to join us for the afternoon! Some of the buildings will be open for you to tour, if you'd like.

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866

VERMONT HOUSING FINANCE AGENCY

VHFA BOARD MEETING AGENDA

Vermont Housing Finance Agency
One Burlington Square
Burlington, Vermont

Wednesday, August 8 at 1:30 p.m.

1. Review and approval of minutes of June 28, 1990.

2. Annual Meeting and Election of Officers

3. Executive Director's Report [**Hunt**]

4. Operations
   A. MOVE 1989A/1989B Update [**Lothrop/Enclosure**]

5. Development
   A. 1990 Low Income Housing Tax Credit Program: First Round [**Pond/Enclosure**]
   B. VHFA Business Plan for Fiscal Year 1990-1991 [**Pond/Enclosure**]
   C. Application to the Federal Home Loan Bank for the Affordable Housing Program [**Kehoe/Enclosure**]
   D. Minutes and Status of Ventures Loan Fund - Informational Purposes Only [**Koppelkam/Encl.**]
   E. Revised Income Limits and Purchase Price Limits for Funds Remaining at 9.10% [**Crady/Enclosure**]
   F. Sugar Mae Update [**Crady/Enclosure**]

6. Legal
   A. French Hill Manor Mobile Home Park Taxable Bond Resolution and Update [**Jarrett/Kehoe/Encl.**]
   B. St. Johnsbury Housing Development Taxable Bond Resolution [**Schoenbeck/ Jarrett/Enclosure**]

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

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VERMONT HOUSING FINANCE AGENCY

BOARD MINUTES
Vermont Housing Finance Agency
One Burlington Square
Burlington, Vermont
Thursday, June 28, 1990

PRESENT: Commissioners Shaw, Ruse, Myette, Hebard, Seelig, Francis, Rockford (designee of Commissioner Johnson)

Agency Staff: Mr. Hunt, Mr. Schoenbeck, Mr. Lothrop, Mrs. Parker, Ms. Hope, Mr. Jarrett, Ms. Kehoe, Ms. Crady; Ms. Wadhams (Consultant); Ms. Pearson (VHMGB); Mr. Kochman (FL Kochman)

The meeting was called to order at 1:35 p.m. Upon a motion duly made and seconded, the minutes of the May 17, 1990 meeting were unanimously accepted as written.

The status of the MOVE 1989A and 1989B Programs, as included in the Board packet, was reviewed by Mr. Lothrop. The 1989B Program began June 1. Responding to Mr. Shaw's question as to whether another bond deal is being considered, Mr. Schoenbeck advised the Board that a meeting had been held June 14 in New York with the members of the new bond underwriting team. It is the underwriters' collective opinion that Mortgage Revenue Bonds (MRBs) will most likely "Sunset" as scheduled in September and then be reintroduced in early 1991. Mr. Schoenbeck reported that staff is considering a late September financing in anticipation of the MRB Sunset. Forecasters predict that rates will drop, and it should be a good time to enter the bond market. On an indirectly related topic, Mr. Lothrop informed the Board that staff has sent letters to realtors, builders and lenders throughout Vermont in an effort to make the recipients aware of the recapture provision that takes effect on January 1, 1991, included in the 1988 tax law and the potential impact of this provision. No Board action was necessary.

Mr. Lothrop introduced the "Discussion of Condominium Projects of Less Than 6 Units" as per his memo of May 10, included in the Board packet. A motion was duly made and seconded to approve the financing of condominium projects of six units or less, with the understanding that according to already existing Agency guidelines, no more than 50 percent of the units would be eligible for financing by VHFA; this motion was carried unanimously, with a request that staff keep the Board informed of the status with periodic reports.

In his Executive Director's report, Mr. Hunt advised the Board of the status of the Dalton Drive/Fort Ethan Allen project. The scheduled purchase has been delayed until July 19 in order to allow time for further negotiations. The Vermont Housing and Conservation Trust Fund has agreed to provide approximately $560,000 as financing in second mortgages for qualified borrowers at or below 80% of median income, and to cover a portion of the rehabilitation expenses and site purchase costs. Ms. Wadhams informed the Board that the Town of Essex had given unanimous approval of the preliminary plan, with some conditions such as a perpetual affordability requirement for 50% of the 24 units located in Essex. According to Ms. Wadhams, the Town of Colchester had unanimously approved the "sketch plan" phase, but an Act 250 permit is required. Mr. Kochman advised that once the proposed Resolution regarding the acquisition of Dalton Drive had been approved, it would be like crossing the Rubicon, and should the closing not occur as scheduled, the money the Agency has spent so far would be forfeited. A motion was duly made and seconded to adopt the proposed "Resolution of Vermont Housing Finance Agency Authorizing the Issuance of its Dalton Drive Site Acquisition Note and Related Matters" as attached to these minutes; this motion was passed unanimously.

The Board next turned to the "Mobile Home Assistance Program Income Guidelines" as detailed in Ms. Kehoe's memo of June 13, included in the Board packet. Upon a motion duly made and seconded, the Board unanimously authorized the proposed change to the Mobile Home Assistance Program, revising the income guideline to 100% of the statewide median, or $32,300.

In response to Ms. Kehoe's suggestion the "Coburn Mobile Home Park: Request for Letter of Interest" was removed from the agenda due to the unfavorable results of an engineering study which had been conducted.

The "French Hill Manor Mobile Home Park: Request for Letter of Interest and Commitment Letter," as detailed in her memo of June 21, was reviewed by Ms. Kehoe. After a brief discussion, a motion was made and seconded to accept the proposed "Resolution Pertaining to Combined Letter of Interest and Commitment Letter for French Hill Manor Mobile Home Park" as attached to these minutes; this motion passed unanimously.

Next, Ms. Kehoe reviewed the "Sherwood Hollow Modular Home Demonstration Program Status Report" as detailed in her memo of June 20 included in the Board packet; no Board action was necessary.

Ms. Crady reviewed her memo "Vermont Secondary market (Phase II)--The Next Steps" as detailed in her June 20 memo included in the Board packet. Mr. Rockford requested a copy of the lender survey be sent to him; no further Board action was necessary.

The "Fiscal Year 1991 Budget" was addressed next, as detailed in Mr. Schoenbeck's memo of June 21, included in the Board packet. Mr. Ruse questioned the necessity of creating three new positions at a time when the State is being asked to cut back on staffing. Mr. Hunt explained that many of the programs which the Board has approved are "boutique" programs which demand specialized attention, thus requiring the need to add an additional staff member to the Development department. Until this year, the Agency's approximately 5,000 loans have been serviced by only one staff member, and the Agency is requesting this staffing be increased. Mr. Francis noted that fiscal conservatism is necessary, but staff productivity is most important. After some discussion, a motion was made and seconded and the budget for FY 1991 was approved as presented.

The Board noted receipt of the letter regarding the results of the HUD audit for Multi-Family projects, and noted that no further Board action was necessary.

After a brief discussion, the "Resolution Authorizing Issuance of Taxable Housing Bonds Sandy Pines Mobile Home Park" was moved, seconded, and unanimously approved as attached to these minutes. Mr. Jarrett assured the Board that discussion on the proposed Taxable Bond Resolution could be delayed until the next Board meeting.

Mr. Jarrett informed the Board that the construction closing on the Pine Meadow project in Middlebury has been scheduled to occur in August. According to Mr. Hunt, Middlebury College is considering the purchase of taxable security issued by the Agency for this project; the rate and term are being negotiated.

The Winchester Place closing was held June 20, 1990, and upon a motion duly made and seconded it was unanimously agreed to adopt the "Resolution Authorizing and Ratifying Phase Two of Permanent Mortgage Loan to Winchester Associates" as attached to these minutes.

Mr. Jarrett further informed the Board that suit had been filed against Allen Apartments in March, and foreclosure is proceeding. Conditions which raised previous management concerns with Judd Babcock's project in Waitsfield seem to be improving.

The Board offered congratulations to Ms. Hope, Mr. Hunt and Mr. Richardson on advancing to the finalist round of the "Innovations" awards. It was also noted by the Board that the Lieutenant Governor's conference on affordable housing went well.

The next meeting was originally scheduled for Wednesday, August 8 {***later rescheduled to Tuesday, August 7***} in Burlington; there being no further business, following a motion duly made and seconded the meeting was adjourned at 3:35 p.m.

Respectfully submitted,

Allan S. Hunt
Secretary

RESOLUTION OF VERMONT HOUSING FINANCE AGENCY
AUTHORIZING THE ISSUANCE OF ITS
HOUSING PROJECT BONDS (FEDERALLY TAXABLE
ISSUE) SANDY PINES MOBILE HOME PARK DEVELOPMENT

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

ARTICLE I
DEFINITIONS AND AUTHORITY

SECTION 101. Definitions.

(A) In this Resolution unless a different meaning clearly appears from the context:

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

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

"Authorized Officer" means the Chairman, Vice Chairman, Executive Director and Secretary and Director of Finance of the Agency, and any other person authorized by resolution of the Agency to act as an Authorized Officer under this Resolution.

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

"Bond Date" means the date the Bonds are originally issued hereunder.

"Bond Fund" means the fund so designated and established under Section 301 of this Resolution.

"Commitment Letter" means the Commitment Letter relating to the Permanent Loan dated as of June 26, 1990 issued by the Agency and accepted by the Sponsor.

"Costs of Issuance" means any items of expense payable or reimbursable directly or indirectly by the Agency and

related to the authorization, sale and issuance of the Bonds.

"Development" means the Sandy Pines Mobile Home Park as more fully described in the Commitment Letter and the Three Party Agreement.

"General Account" means the account so designated and established under Section 301 of this Resolution.

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

"Loan Account" means the account so designated and established under Section 301 of this Resolution.

"Permanent Loan" means a permanent mortgage loan made by or on behalf of Agency to the Sponsor with the proceeds of the Bonds.

"Permanent Loan Amount" means the amount of the Permanent Loan established pursuant to paragraph 3 of the Commitment Letter.

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

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

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

"Revenues" means and includes all payments, proceeds, charges, fees, rents, investment earnings and all other income (including without limitation all payments of principal and interest received by or on behalf of the Agency on the Permanent Loan and all Recovery Payments) derived by or for the account of the Agency from or related to the Development and the Permanent Loan.

"Sinking Fund Account" means the account so designated and established under Section 301 of the Resolution.

"Sponsor" means Housing Foundation Inc., a non-profit corporation organized and existing under the laws of the State.

"State" means the State of Vermont.

"Three Party Agreement" means the agreement so denominated among the Sponsor, the purchaser of the Bonds, and the Agency, in substantially the form presented at this meeting.

(B) Except as otherwise expressly provided in this Resolution, the terms "housing development costs," "housing sponsor," "mortgage," "mortgage loan," and "residential housing" when used in this Resolution shall have the meanings given such terms in the Act.

SECTION 102. Authority.

This Resolution is adopted pursuant to the Act and shall take effect upon its adoption. The Agency is duly authorized under the Act and all applicable laws to issue the Bonds and to adopt this Resolution in the manner and to the extent provided herein. The Agency will at all times, to the extent permitted by law, defend, preserve and protect all the rights of the registered owner of the Bonds hereunder against all claims and demands of all persons whomsoever.

ARTICLE II
AUTHORIZATION OF BONDS; FINDINGS; TERMS AND SALE OF BONDS

SECTION 201. The Bonds.

(A) Bonds of the Agency, designated "Housing Project Bonds (Federally Taxable Issue) Sandy Pines Mobile Home Park Development" are hereby authorized to be issued as herein provided in an aggregate principal amount not to exceed Seven Hundred Forty Thousand Dollars ($740,000), the original principal amount of the Bonds to be determined upon their issuance by the Authorized Officers of the Agency executing the same. The bonds shall be in such denominations as the authorized officers of the Agency shall determine. The Bonds shall be dated and shall bear interest from the Bond Date and shall mature, subject to prior redemption as herein and in the Bonds provided, on July 16, 2010. Interest on the Bonds shall be payable on September 1, 1990 and semi-annually thereafter on March 1 and September 1 of each year. The form of the

Bonds, the rate or rates of interest payable thereon, the terms of redemption thereof prior to maturity and all other terms and conditions thereof shall be as set forth in Article IV of this Resolution.

(B) The Agency hereby ratifies and confirms the Commitment Letter and approves the Permanent Loan on the terms and conditions provided herein, in the Commitment Letter and in the Three Party Agreement. The Agency hereby determines that:

(1) the Permanent Loan does not exceed the value of the Development as determined by the Agency and the principal amount of the Bond is necessary to provide sufficient funds to be used and expended for the Program in respect of the Development;

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

(3) the Agency will derive receipts, revenues or other income from the Permanent Loan 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 for which the Bonds are issued;

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

(5) the acquisition, construction and or rehabilitation costs incurred or to be incurred by the Sponsor are for housing development costs within the meaning of the Act;

(6) there exists or without the Development 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 investments are unable, without assistance, to provide an adequate supply of residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families; and

(7) the Sponsor is a housing sponsor as defined in the Act, the Sponsor will maintain or increase the supply of well-planned, well-designed permanent, temporary transitional or emergency housing for persons of low and

moderate income and the Sponsor is a financially responsible person.

(C) The purposes for which the Bonds are being issued are to provide funds to make the Permanent Loan and to pay Costs of Issuance in the amount determined by or pursuant to Article III hereof.

SECTION 202. Sale of the Bonds.

(A) The Bonds are hereby sold to _____ at the price of par on the terms and conditions provided herein and in the Three Party Agreement. The Three Party Agreement, in substantially the form presented at this meeting and included in the minutes thereof, and its execution and delivery by Authorized Officers of the Agency is hereby approved with such changes therein and thereto not inconsistent herewith as may be approved by the Authorized Officers executing the same prior to the execution and delivery thereof.

ARTICLE III
ESTABLISHMENT OF FUNDS AND ACCOUNTS; APPLICATION OF BOND PROCEEDS; OBLIGATION OF BONDS

SECTION 301. Funds and Accounts.

(A) The Housing Project (Federally Taxable Issue) Project Fund (the "Project Fund") is hereby established to be held and administered together with all accounts therein by the Agency as provided in this Resolution. On or prior to the Bond Date the Agency shall establish within the Project Fund a separate account designated the "Sandy Pines Loan Account" (the "Loan Account"), the amounts in which shall be applied as provided in this Article III.

(B) The Housing Project (Federally Taxable Issue) Bond Fund (the "Bond Fund") is hereby established to be held and administered together with all accounts therein by the Agency as provided in this Resolution. On or prior to the Bond Date the Agency shall establish within the Bond Fund the following separate accounts to be applied as provided in this Article III:

(1) Sandy Pines General Account (the "General Account");

(2) Sandy Pines Sinking Fund Account (the "Sinking Fund Account");

(3) Sandy Pines Special Redemption Account (the "Special Redemption Account").

SECTION 302. Application of Bond Proceeds.

(A) The proceeds of the Bonds shall be deposited in the Loan Account. Moneys in the Loan Account shall be used solely as follows:

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

(2) amounts in the Loan Account in excess of the Permanent Loan Amount shall be applied by the Agency to defray

Costs of Issuance of the Bonds within six (6) months of the Bond Date.

(B) Notwithstanding anything herein to the contrary, if the Permanent Loan is not made within six (6) months of the Bond Date, or in any event if any balance remains on deposit in the Loan Account on the date which is six (6) months after the Bond Date, the entire balance on deposit in the Loan Account shall be transferred to the Special Redemption Account for application to the redemption of the Bonds as provided in Section 303 of this Resolution.

SECTION 303. Application of Revenues.

(A) The Agency shall deposit all Revenues in the Bond Fund upon receipt and shall immediately allocate the same to accounts therein as follows:

(1) Revenues constituting scheduled repayments of principal on the Permanent Loan and Revenues constituting permitted prepayments of the outstanding principal of the Permanent Loan - to the Sinking Fund Account;

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

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

(B) On September 1, 1990 and each succeeding September 1 thereafter, all amounts deposited in the Sinking Fund Account under Section 303(A)(1) shall be applied to the redemption of the outstanding principal of the Bonds, except that, in the event that the Agency receives a prepayment of the outstanding principal of the Permanent Loan under Section 303(A)(1) on the tenth anniversary of the Bond Date, or at any time thereafter, all as provided in the Permanent Loan, the Bonds shall be subject to redemption at the option of the Agency in whole, but not in part, from the amount deposited in said Account.

(C) All amounts deposited in the Special Redemption Account shall be promptly applied to the redemption of the outstanding principal of the Bond. At any time not later than the interest payment date for the Bonds next succeeding the date of any deposit into said Account under Section 303(A)(2), the amount so deposited shall be applied to the redemption of the outstanding principal of the Bonds.

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

(1) on each interest payment date of the Bonds, to pay the interest on the Bonds then due;

(2) on the redemption date of any portion of the principal of the Bonds being redeemed hereunder to pay any interest then payable on the principal amount of the Bonds to be redeemed;

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

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

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

SECTION 304. Transfers from General Fund.

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

SECTION 305. Investment.

Moneys in the funds and accounts established hereunder may be

invested by the Agency, until needed for their respective purposes, in any manner permitted by the Act. Moneys in two or more of such funds and accounts may be invested on a commingled basis for the account of such funds and accounts pro rata in proportion to the moneys invested on behalf of each such fund or account. Interest and other income earned upon the investment or deposit of amounts in the Loan Account shall be deposited in such Account. Interest and other income earned upon the investment or deposit of amounts on deposit in the General Account, the Sinking Fund Account and the Special Redemption Account shall be deposited in the General Account.

SECTION 306. Obligation of Bonds.

The Bonds shall be general obligations of the Agency payable out of any of the Agency's revenues, moneys or assets, subject only to agreements heretofore or hereafter made with the holders of obligations of the Agency other than the Bonds pledging particular revenues, moneys or assets for the payment thereof. The Agency hereby covenants and agrees with the registered owners of the Bonds that it will not grant to any person any lien on or pledge of the Permanent Loan or of any of the Revenues or moneys or investments in any of the accounts created hereunder or any proceeds thereof unless the Agency shall simultaneously therewith grant to the registered owners of the Bonds a prior and senior lien on or pledge of the Permanent Loan and such Revenues, moneys and investments and the proceeds thereof. The Bonds shall not constitute a debt or grant or loan of credit of the State and the State shall not be liable thereon nor shall the Bonds be payable out of any funds other than those of the Agency. The Agency is not obligated to pay the Bonds or the interest thereon except from the revenues or assets of the Agency pledged therefor under this Resolution and neither the faith nor credit nor taxing power of the State or any political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds.

ARTICLE IV
FORM OF BONDS

The Bonds shall be issued substantially in the following form:

VERMONT HOUSING FINANCE AGENCY
HOUSING PROJECT BOND
(Federally Taxable Issue)
Sandy Pines Mobile Home Park Project

No. __ $_____

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

FORTH BELOW.

The Vermont Housing Finance Agency (herein called the "Agency"), a body politic and corporate of the State of Vermont, for value received hereby promises to pay to _____ or registered assigns, on the sixteenth day of July, 2010, the principal sum of _____, upon presentation and surrender hereof, and to pay interest on the principal balance hereof outstanding from time to time from the date of original delivery of this bond (the "Bond Date") until final payment hereof at the annual rate provided below, such interest payments to be made semi-annually on the first day of March and September in each year commencing September 1, 1990. The principal or redemption price of and interest on this bond are payable in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts and shall be payable by check or draft mailed to the registered owner at his address appearing on the registration books of the Agency kept for that purpose at the offices of the Agency; provided that the registered owner of this Bond by acceptance hereof agrees that whenever any payment on account of principal shall occur, such owner shall promptly note the date and amount thereof on the Schedule of Payments and Prepayments endorsed hereon and further agrees that this Bond shall be surrendered to the Agency upon final payment hereof.

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

1. From the Bond Date to but excluding the fifth anniversary of the Bond Date - 9.75%;

2. From the fifth anniversary of the Bond Date to but excluding the tenth anniversary of the Bond Date, a rate equal to 10.50%;

3. From the tenth anniversary of the Bond Date to but excluding the fifteenth anniversary of the Bond Date, a rate equal to 11.25%;

4. From the fifteenth anniversary of the Bond Date to the earlier of final maturity or redemption hereof, a rate equal to 12.00%.

This bond is issued pursuant to No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended (the "Act") and under and pursuant to a resolution of the Agency adopted June 28, 1990 entitled "Resolution of Vermont Housing Finance Agency Authorizing the Issuance of its Housing Project Bond (Federally Taxable Issue) Sandy Pines Mobile Home Park Development" (the "Resolution"). This bond is a general obligation of the Agency payable out of any of the Agency's revenues, moneys or assets, subject only to agreements heretofore or hereafter made with the holders of obligations of the

Agency other than this bond pledging particular revenues, moneys or assets for the payment thereof.

The Agency is not obligated to pay this bond or the interest hereon except from the revenues or assets of the Agency pledged under the Resolution and neither the faith and credit nor the taxing power of the State of Vermont or of any political subdivision thereof is pledged to the payment of the principal of or the interest on this bond.

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

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

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

1. in whole or in part on September 1, 1990 and on each September

1 thereafter without notice through application of moneys in the Sinking Fund Account as required by the Resolution;

2. in whole or in part at any time upon notice through application of moneys in the Special Redemption Account as required by the Resolution; and

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

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

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

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

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

ATTEST: VERMONT HOUSING FINANCE AGENCY

By: _____ By: _____
Authorized Officer Authorized Officer

Bond Date: _____ __, 19__

Schedule of Payments and Prepayments of Principal

Principal Amount Paid	Date Paid	Balance Due	Authorized Signature and Title

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

ARTICLE V
MISCELLANEOUS

SECTION 501. Default.

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

SECTION 502. Defeasance.

If the Agency shall pay or cause to be paid to the registered owners of the Bonds the principal, redemption price and interest thereon at the times and in the manner stipulated therein and herein, then all obligations of the Agency hereunder and under the Bonds and all other rights granted hereby shall be discharged and satisfied.

SECTION 503. Transfer.

The Bonds may be transferred in whole but not in part to new owners, subject to the restrictions on transfer and upon compliance with the provisions for transfer described in the form of the Bond and payment of a transfer fee of $100.00 for each substitute bond

issued as a result of a request for transfer.

SECTION 504. Amendment.

This Resolution may be amended by the Agency without the consent of the registered owners of the Bonds to cure any ambiguity, supply any omission or cure or correct any defect or inconsistent provision herein or to insert such provisions clarifying matters or questions arising hereunder as are necessary or desirable and are not inconsistent with this Resolution as theretofore in effect. The Agency may also adopt a resolution amending, supplementing or otherwise modifying this Resolution without the consent of the registered owners of the Bonds to incorporate the provisions hereof in a resolution of the Agency of general application to bonds issued to finance the Program the interest on which is not excludable from federal income taxes; provided no such resolution shall reduce the principal amount of the Bonds or the rate of interest payable thereon or change the maturity date thereof or the dates for payment of interest thereon or the terms of redemption thereof or the security granted for the payment thereof without the express written consent of the registered owners of the Bonds. Except as hereinabove provided in this Section 504, this Resolution and the Bonds may be amended by the Agency only with the prior written consent of the registered owners of the Bonds.

SECTION 505. Authorization of Officers.

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

SECTION 506. Severability.

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

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont, on June 28, 1990.

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

2. At the closing of the purchase of the Development and after compliance with all of the applicable prerequisites set forth below, the Agency will make a loan to the Borrower for the long-term financing of the Development (the "Loan"), to be secured and evidenced by the Note, the Mortgage, the Assignment and the Regulatory Agreement.

3. The Note shall be in the amount of $740,000 which shall be payable in monthly installments of principal and interest, over a period of 20 years, based on an amortization at 10.75% over 25 years, but with the interest rate beginning at 9.75% and increasing by .75% every five years. Prepayment of the Note shall be prohibited without the written consent of the Agency prior to July 17, 2000 and prepayment of the Note after that date shall require the payment of prepayment charges, as set out in the Note. The Note shall have such other terms and conditions as are set forth in ATTACHMENT B.

4. In order to preserve this Commitment, the Borrower shall pay to the Agency, on or before the date of closing, a financing fee in an amount equal to $7,400.00, representing one percent of the permanent financing commitment.

5. The Borrower must demonstrate to the satisfaction of the Agency that equity funds and/or deferred loan funds are available in an amount at least equal to the difference between the total development cost as accepted by the Agency and the amount of the permanent financing commitment.

6. At least 10 business days prior to July 17, 1990, the Borrower shall provide the Agency with the following documents (the "Closing Documents") in form satisfactory to the Agency:

A. Organizational Documents.

1. Borrower

a. Articles of Association with copy of Certificate of Incorporation.

b. Bylaws.

c. Resolution designating person authorized to carry out its function as general partner of Borrower.

B. Title Documents.

2. Warranty Deed, in form acceptable to the Agency

3. Perimeter survey of the Property (mylar).

4. Housing Subsidy Covenants, in form acceptable to the Agency.

5. Mortgagee's Title Insurance Policy issued by a company authorized to do business in Vermont naming the Agency as permanent mortgagee, in an amount at least equal to the maximum amount of the Permanent Loan.

6. Such other deeds and instruments as may be necessary or reasonably required by the Agency in order to evidence marketability of title and/or to satisfy any conditions of the title insurance commitment.

C. Opinions of Counsel.

7. Opinion of Vermont attorney, for the benefit of the Agency, and such other persons as the Agency may specify, in form satisfactory to counsel to the Agency, as to the following matters:

   a. Title to the Development.

   b. Lawful existence and due organization of the Borrower.

   c. Authority of the Borrower and its representative to execute and deliver the closing documents.

   d. That the Closing Documents are the valid and binding obligations of the Borrower and are enforceable against the Borrower in accordance with their respective terms, subject only to bankruptcy, insolvency and other laws affecting creditor rights generally, and the exercise of equitable discretion by a court.

8. Opinion of Vermont attorney, for the benefit of the Agency, and such other persons as the Agency may specify, in form satisfactory to counsel to the Agency, as to the following matters:

   That the Development has all permits and approvals of any governmental authority required for the continued operation of the Development, with all such permits and approvals attached.

D. Permanent Loan Documents.

9. Agency Commitment Letter with all attachments.

10. Note.

11. Mortgage.

12. Regulatory Agreement.

13. Collateral Assignment of Leases and Rents.

14. Borrower's Financial Analysis Form.

15. Management Plan.

16. A complete list adequately describing all personal property belonging to the Development, including model and serial numbers.

17. Signed policy for fire and extended coverage insurance, liability insurance, and business interruption insurance as required under the Regulatory Agreement, issued by a company authorized to do business in Vermont and acceptable to the Agency, which shall include a Vermont standard mortgage clause in favor of the Agency.

18. Completed VHFA Permanent Record Sheet.

19. Copies of all Letters of Credit, if any, to be delivered at permanent closing, in the exact form proposed by the issuer.

20. A certification by Borrower that the real property and all improvements thereon securing the Mortgage (the "Property") are not in material violation of any federal, state or local law, statute, ordinance, rule or regulation relating to occupational health and safety or to the environmental conditions on, under, or about such Property including, but not limited to, soil and surface and ground water conditions. The Borrower further represents and warrants that there has been no disposal, release, or threatened release of any flammable explosives, radioactive materials, hazardous substances or wastes, or related materials including asbestos, polycholrinated biphenyls (PCBs) or radon gases, on, from, or under the Property. For the purposes of this paragraph 20, the terms "disposal," release," "threatened release," "hazardous substances," and "hazardous wastes" shall mean and include any hazardous, toxic, or dangerous waste, substance, or material, or any disposal, discharge, release, or threatened release, or any defined as such in (or for purposes of) the federal Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, or any other federal, state, or local statute, law, ordinance, code, rule, regulation, order, or decree regulating, relating to, or imposing liability or standards of conduct concerning any hazardous, toxic, or dangerous waste, substance, or material, as now in effect.

21. Such other documents, certificates, assurances and attorney opinions as the Agency may reasonably require.

7. This offer to enter into a Commitment will expire on July 6, 1990 unless on or before such date, Borrower executes the acceptance page, returns the acceptance and a copy of this letter to the Agency.

8. This Commitment, once accepted by the Borrower, shall remain in force until July 17, 1990. The Agency may extend its Commitment for such

reasonable period of time which in its discretion is necessary or prudent. Any discretionary extension shall be conditioned upon the payment of an additional commitment fee of one-twelfth of the commitment fee for each month's extension beyond the term originally agreed upon by the parties, provided that there shall be no increase in the amount of the Mortgage Loan above the amount specified in this Commitment.

9. Borrower shall pay all expenses in connection with the Loan contemplated hereby, including, but not limited to, the fees and disbursements of the Agency's counsel (including allocation costs of in-house counsel), travel expenses of Agency personnel related to the making of the Loan or the issuance of bonds, the proceeds of which are used to make the Loan, appraisal fees, title insurance premiums, survey charges, and recording charges. To the extent incurred, the foregoing expenses shall be paid by Borrower whether or not the Loan is made.

NOTE: All Agency requirements of the Borrower, including any required performance on documents set forth herein in any provision hereof, are express conditions precedent to the Agency's performance of this Commitment.

Notices shall be deemed delivered when mailed registered or certified mail, return receipt requested to the Borrower in care of the addressee hereof and to the Agency at One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408 (or to such other place as a party may designate in writing).

VERMONT HOUSING FINANCE AGENCY

June 26, 1990
Date

By: _____
Its Duly Authorized Agent

ACCEPTED BY BORROWER, HOUSING FOUNDATION, INC.

_____
Date

By: _____
Its Duly Authorized Agent

Sandcomm

THREE PARTY AGREEMENT

DRAFT

This Agreement is made this _____ day of _____, 19__, by and among _____, having its principal office at _____ (hereinafter called the "Buyer"); Housing Foundation, Inc., a Vermont nonprofit corporation having its principal office at Montpelier, Vermont (hereinafter called "Borrower"); and the Vermont Housing Finance Agency, having its principal office at One Burlington Square, Burlington, Vermont (hereinafter called "Agency").

In consideration of the promises hereinafter set forth, it is agreed by and among the parties hereto as follows:

1. Upon acquisition of the Sandy Pines mobile home park located in East Montpelier, Vermont (the "Development"), and otherwise subject to the terms and conditions of the Agency's commitment letter to the Borrower or Borrower's representative dated June 26, 1990 (the "Commitment Letter"), Agency agrees to make a Permanent Loan to Borrower in such amount as Borrower may request, provided that the amount of such Loan shall not exceed the lesser of (a) 85% of the security value of the Development as determined by the Agency, or (b) Seven Hundred Forty Thousand ($740,000) AND 00/100 DOLLARS. The Permanent Loan shall conform in all respects to the requirements of the Commitment Letter. The Permanent Loan shall be evidenced and secured by a Note, Mortgage and Security Agreement covering all realty and personalty, and be subject to the conditions of the Regulatory Agreement. The Development shall have no encumbrances or defects in title that would adversely impair in any way the security of the Agency therein.

2. The parties hereby agree that, notwithstanding any date set forth in any other document of prior date between the parties, the agreement of the Agency to make the Permanent Loan upon completion of the Development by the Borrower shall continue in force until September 30, 1990, which date shall be the expiration date of the Agency Commitment and any Agency responsibility or liability, unless further extended in writing by the Agency.

3. The Borrower agrees for the benefit of the Agency and the Bank to accept the Permanent Loan to be made by the Agency pursuant to the terms of the Commitment Letter, and the Borrower further consents and agrees that it will not accept a permanent first mortgage loan from any lender other than the Agency during the term of this Agreement or any extension hereof.

4. Agency hereby acknowledges that the Agency Commitment Letter is in full force and is unmodified except as follows:

5. The parties hereby acknowledge that the Agency Commitment Letter and all of its terms are an express condition of this document. Furthermore, the Borrower agrees to accept and approve for purposes of the Permanent Loan the form of the following documents attached to the Commitment Letter:

   (a) Note
   (b) Mortgage Deed and Security Agreement
   (c) Regulatory Agreement

6. Subject to the terms of the Commitment Letter, at the time of the Permanent Loan (or at such earlier date as the Buyer may request on 30 days' notice to the Agency) and prior to the expiration of the Agency Commitment, the Agency agrees to issue to the Buyer (and/or to another investor acceptable to the Agency in its sole and absolute discretion, but subject to the consent of the Buyer) and the Buyer agrees to purchase from the Agency, at its face value, the Agency's Bond in an amount established pursuant to the Commitment Letter. For the protection of the Agency, the Buyer represents as follows:

   (a) The Buyer is a sophisticated investor in securities of the general type of the Agency's Bond.

   (b) The Buyer has examined the Agency's audited financial statements for the most recent period for which audited statements are available, has been offered access to all prior audited financial statements of the Agency and the current books of account of the Agency and has availed itself of such access to the extent it deems necessary.

   (c) The Buyer represents that it is purchasing the Bond for its own account for investment and does not currently intend to sell or otherwise distribute the Bond or any interest or participation therein. The Buyer understands that the extent and nature of the information furnished in this transaction is based upon the foregoing.

   (d) As between the Buyer and the Agency and all counsel for and representatives of the Agency, the Buyer has assumed responsibility for obtaining the information relating to the Bond that it deems necessary for its investment decision, and has not looked to the Agency,

its counsel, or its other representatives to provide or review that information.

7. The Agency represents to the Bank and the Borrower that, under current law, and subject to compliance with such law, it is able to issue bonds in such form, and that the interest thereon will be subject to federal income tax, but exempt from Vermont income tax.

8. In the event that the Agency is unable to issue its Bond as of the time of expiration of the Agency Commitment, this agreement and the Agency Commitment as evidenced by the Commitment letter shall be null and void.

9. Notice shall be deemed delivered when mailed registered mail, return receipt requested, to the Borrower at P.O. Box 397, Montpelier, Vermont 05602-0397, to the Agency at P.O. Box 408, Burlington, Vermont 05402-0408, or the Buyer c/o State Treasurer, 133 State Street, Montpelier, Vermont 05602 (or to such other place as a party may designate in writing).

10. This Agreement is not assignable.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be signed by their duly authorized agents all as of the date and year first above mentioned.

HOUSING FOUNDATION, INC.

By: _____
Its _____

_____ PENSION FUND

By: _____
Its _____

VERMONT HOUSING FINANCE AGENCY

By: _____

Its _____

SAND3PAR

RESOLUTION AUTHORIZING AND RATIFYING PHASE TWO OF PERMANENT MORTGAGE LOAN TO WINCHESTER ASSOCIATES

WHEREAS, Phase One of the Winchester Place Development was completed on schedule and the Agency closed Phase One of the Permanent Loan on December 19, 1989; and

WHEREAS, the remaining construction of the Development is substantially complete and all apartments are occupied or ready for occupancy; and

WHEREAS, Merchants Properties, Inc., one of the general partners of Winchester Associates, has requested Agency approval of its withdrawal from the partnership and the transfer of its interest to H.V. Winchester, Inc., the other general partner; and

WHEREAS, staff of the Agency considered it important to close Phase Two of the Permanent Loan and consulted with the Board prior to the closing; therefore, it is hereby

RESOLVED:

The transfer of the interest of Merchants Properties, Inc. to H.V. Winchester, Inc. is hereby approved.

The Executive Director and the Director of Finance, or either of them, are authorized to take all necessary steps to accomplish the closing of Phase Two of the Permanent Loan and all previous actions taken by the staff to close Phase Two of the Permanent Loan to Winchester Associates are hereby ratified.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont on June 28, 1990.

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

RESOLUTION PERTAINING TO COMBINED LETTER OF INTEREST AND COMMITMENT LETTER FOR FRENCH HILL MANOR MOBILE HOME PARK

WHEREAS, Lake Champlain Housing Development Corp., a non-profit corporation ("LCHDC"), has presented a proposal for acquisition of French Hill Manor Mobile Home Park, a 9 unit park in Williston, Vermont ("French Hill"); and

WHEREAS, the total cost of acquisition and work planned in conjunction with the acquisition is not expected to exceed $175,000; and

WHEREAS, LCHDC has received a commitment for a deferred loan in the amount of $30,000 for French Hill from the Vermont Housing and Conservation Board along with a $15,000 short term loan; and

WHEREAS, the proposal contemplates that French Hill will continue to have a resident mix with a large majority of the residents below median income and eventually will likely be turned into a cooperative run by the tenants; and

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

WHEREAS, the Agency has secured a commitment from the State's pension funds to purchase taxable bonds issued by the Agency for the purpose of funding mobile home park acquisitions; and

WHEREAS, the Agency has determined that the acquisition of French Hill by LHCDC will assist in fulfilling the purposes of the Act and is financially feasible,

It is hereby DETERMINED:

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

2. The acquisition and 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

housing for persons and families of low and moderate income, and the sponsors are financially responsible persons or institutions.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a combined letter of interest and commitment (the "Commitment Letter") to provide a first mortgage for permanent financing of not more than $122,000 for French Hill Manor Mobile Home Park.

2. The Commitment Letter shall be issued to Lake Champlain Housing Development Corp.

3. The Executive Director will review the relationship of the acquisition price to the appraised value of the park.

4. The commitment of the Agency shall be subject to receipt, at the time of the closing, of a commitment fee in an amount equal to one percent (1%) of the principal amount of the mortgage loan.

5. The Commitment Letter shall provide that the interest rate to be charged on, and the term of, the Mortgage Loan, shall be as determined by the Agency.

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

7. The Commitment Letter shall contain such other terms and conditions as the Executive Director shall deem necessary or appropriate, given the circumstances.

8. The Executive Director is authorized to make arrangements for the issuance and private placement of taxable bonds of the Agency to provide proceeds for financing this loan.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont, on June 28, 1990.

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

RESOLUTION OF VERMONT HOUSING FINANCE AGENCY
AUTHORIZING THE ISSUANCE OF ITS DALTON DRIVE SITE ACQUISITION NOTE
AND RELATED MATTERS

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

ARTICLE I

DETERMINATIONS, DEFINITIONS AND AUTHORITY

SECTION 101. Short Title. This resolution shall be and is hereinafter referred to as the "Dalton Drive Resolution" or the "Resolution".

SECTION 102. Authority For Resolution. This Dalton Drive Resolution is adopted pursuant to the Act and in accordance with the provisions thereof.

SECTION 103. Definitions. All capitalized, undefined terms used in this Resolution shall have the same meanings as they have in the Closing Memorandum (as hereinafter defined). In addition, the following words and phrases shall have the following meanings:

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

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

"Authorized Officer" means the Chairman, Vice Chairman, Treasurer, Executive Director and Secretary, Director of Finance and any other person authorized by resolution of the Agency to act as an Authorized Officer hereunder;

"Closing Date" means July 18, 1990, or such earlier or later date as an Authorized Officer may agree pursuant to the Second Extension.

"Closing Memorandum" means an agreement between the Seller and the Agency, governing rights and duties of the parties intended to survive delivery of the Deed, and having such provisions as an Authorized Officer shall deem necessary or appropriate in furtherance of the Development Plan.

"Deed" means the quitclaim deed of the Seller conveying the Property to the Agency, in such form as an Authorized Officer may accept.

"Developer" means Preservation Investments, Ltd.

"Development Agreement" means the Contract for Development Services dated effective January 1, 1990, between the Agency and the Developer.

"Development Plan" means the plan for rehabilitation and sale of the buildings on the Property for Residential Housing and non-housing purposes as outlined in the Development Agreement.

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

The terms "herein", "hereunder", "hereby", "hereto", "hereof", and any similar terms, refer to this Resolution; the terms "heretofore" means before the date of adoption of this Resolution; and the term "hereafter" means after the date of adoption of this Resolution;

"Note" means the Site Acquisition Note;

"Officer's Certificate" means a certificate signed by an Authorized Officer;

"Owner" or "owners" or "noteowner", when used in reference to the Note, means the registered owner of the Note;

"Property" means the real and personal property which is the subject of the Option Agreement and the Closing Extension Agreement (as defined in the Closing Memorandum), subject to and having the benefits of such easements and other rights as an Authorized Officer shall deem necessary or appropriate in furtherance of the Development Plan.

"Purchase Documents" means the Closing Extension Agreement, the Closing Memorandum, the Second Extension, and documents reasonably required to be executed and delivered by the Agency in connection therewith.

"Second Extension" means Second Closing Extension Agreement between the Seller and the Agency, in the form attached hereto as Exhibit B, as the same may be modified pursuant to Section 302, below.

"Seller" means University of Vermont and State Agricultural College;

"Site Acquisition Note" means the Dalton Drive Site Acquisition Note authorized and outstanding under Article II hereof;

"State" means the State of Vermont;

SECTION 104. Parties Interested Herein. Nothing in this Resolution expressed or implied is intended or shall be construed to confer upon, or to give to, any person, other than the Agency, the Seller, and the Owner of the Site Acquisition Note, any right, remedy or claim under or by reason of this Resolution or any covenant, stipulation, obligation, agreement or condition therein. All the covenants, stipulations, obligations, promises and agreements in this Resolution contained by and on behalf of the Agency shall be for the sole and exclusive benefit of the Agency, the Seller, and the Owner of the Site Acquisition Note.

SECTION 105. Law Applicable. The laws of the State shall be applicable to the interpretation and construction of this Resolution.

SECTION 106. Severability of Invalid Provision. If any one or more of the provisions, covenants or agreements in this Resolution on the part of the Agency to be performed should be contrary to law, then such provisions, covenants or agreements shall be deemed separable from the remaining provisions, covenants and agreements, and shall in no way affect the validity of the other provisions of this Resolution or of the Note.

SECTION 107. Findings and Determinations. The Agency hereby finds and determines in accordance with Section 631 of the Act (and with all terms not defined in this Section having the meaning given such terms in the Act) that:

(1) The Agency is acquiring the Property for the purpose of carrying out the Development Plan.

(2) The aggregate principal amount of the Site Acquisition Note is necessary to provide sufficient funds to accomplish the corporate purposes of the Agency with respect to the Property;

(3) The Agency reasonably anticipates that loans made by or on behalf of the Agency as contemplated by the Development Plan for the acquisition by persons and families of residential housing units to be constructed or rehabilitated on or in respect of the Property 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 without the assistance of the Agency;

(4) The Agency will derive receipts, revenues or other income from or with respect to the Property and the Development Plan sufficient to provide, together with all other available receipts, revenues and income of the Agency, for the payment, or reimbursement to the General Fund for the payment, of the Site Acquisition Note, and the payment of all costs and expenses incurred by the Agency with respect to the Property and the Development Plan.

ARTICLE II

AUTHORIZATION OF DALTON DRIVE HOUSING SITE ACQUISITION NOTE

SECTION 201. The Site Acquisition Note. (A) A note of the Agency, designated "Dalton Drive Site Acquisition Note", is hereby authorized to be issued in the principal amount of $1,000,000.00.

(B) The Site Acquisition Note shall be dated as of the Closing Date.

(C) The Site Acquisition Note shall be payable as to principal on February 23, 1991, shall bear no interest, shall be executed by an Authorized Officer, shall be subject to prepayment and transfer, and shall otherwise be in form and tenor as provided in, and the respective rights and obligations of the Agency and the Owner thereof shall be as described in, the form of the Site Acquisition Note set forth in Exhibit A hereto.

SECTION 202. General Obligation of Agency. The Site Acquisition Note shall be a general obligation of the Agency payable out of any revenues or moneys of the Agency, subject only to agreements heretofore or hereafter

made with holders of bonds, notes, or other obligations of the Agency, other than the Site Acquisition Note, pledging particular assets or revenues for the security thereof. The Agency shall not be obligated to pay the Site Acquisition Note or the interest thereon except from such revenues and moneys and neither the faith and credit nor the taxing power of the State or of any political subdivision thereof is pledged to the payment of the principal of or interest of the Site Acquisition Note.

SECTION 203. Purpose, Sale and Delivery. (A) The Site Acquisition Note is issued for the purpose of paying a portion of the purchase price of the Property.

(B) The Site Acquisition Note is hereby sold to the Seller at the price of par. As of the Closing Date, the Authorized Officers of the Agency are authorized to execute and deliver the Site Acquisition Note to the Seller upon execution and delivery by the Seller of the Deed, an appropriate Vermont Property Transfer Tax Return, the Closing Memorandum, and such other documentation, opinions of counsel and assurances as an Authorized Officer may deem appropriate.

ARTICLE III

MISCELLANEOUS

SECTION 301. Purchase Authorization. The Authorized Officer(s) are hereby authorized to consummate the Purchase of the Property from the Seller in accordance with the provisions of the Purchase Documents.

SECTION 302. Second Extension. The Second Extension, and the execution and delivery thereof by any Authorized Officer of the Agency, is hereby approved in substantially the form presented at this meeting, with such changes thereto as the Authorized Officer executing the same may approve prior to its execution. By adoption of this Resolution, all other Purchase Documents, and the execution and delivery thereof by or on behalf of the Agency, are hereby ratified and approved.

SECTION 303. Amendment. (A) Without the consent of the Owner of the Site Acquisition Note, this Resolution may be amended at any time and from time to time by supplemental resolution adopted by the Agency (1) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision herein, or (2) to insert such provisions clarifying matters or questions arising under this Resolution as are necessary or desirable and are not contrary to or inconsistent with this Resolution as theretofore in effect.

(B) Except as provided in Paragraph (A) of this section, this Resolution may only be amended with the prior written consent of the Owner of the Site Acquisition Note.

SECTION 304. Authorization of Officers. The Chairman, Vice-Chairman, Executive Director, Director of Finance and each other Authorized Officer are each hereby authorized and directed to do all acts and things and to execute and deliver the Closing Memorandum and any and all documents, certificates, and other instruments necessary or desirable to effectuate the transactions contemplated by this Resolution.

SECTION 305. Effective Date. This Dalton Drive Resolution shall take effect upon its adoption.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont on June 28, 1990.

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

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VERMONT HOUSING FINANCE AGENCY
DALTON DRIVE SITE ACQUISITION NOTE

EXHIBIT A

$1,000,000.00

[Closing Date]
Burlington, Vermont

FOR VALUE RECEIVED, the undersigned, Vermont Housing Finance Agency, a body politic and corporate and public instrumentality of the State of Vermont (the "Agency"), promises to pay to UNIVERSITY OF VERMONT AND STATE AGRICULTURAL COLLEGE ("Payee"), at the address stipulated on the last page hereof, or such other address as Payee may direct in writing, the sum of ONE MILLION 00/100 ($1,000,000.00) DOLLARS in legal and lawful money of the United States of America, without interest, on February 23, 1991, unless sooner prepaid as provided herein.

This Note is issued under and by virtue of the Vermont Housing Finance Agency Act, being Public Law No. 260 of the Laws of Vermont, 1974, as amended (the "Act") and a resolution of the Agency adopted June 28, 1990 (the "Resolution"). This Note arises out of that one certain Agreement dated June 22, 1989, between Agency, as purchaser, and Payee, as owner (the "Agreement"), as amended by a certain "Closing Extension Agreement" dated February 23, 1990, and a "Closing Memorandum" of even date.

This Note is subject to prepayment in whole or in part at any time prior to maturity, at the option of the Agency and upon not less than ten (10) days prior notice to the Payee, at a prepayment price equal to the principal amount of this Note or portion thereof so prepaid without premium or interest.

If this Note is not paid at maturity, and the same is collected by suit or through bankruptcy or other legal proceedings, the Agency agrees to pay to Payee all costs of collection, including reasonable attorneys' fees. Notwithstanding anything herein to the contrary, the Agency agrees to pay interest on any overdue payment of principal hereunder at a rate per annum equal to twelve percent (12%) per annum from the date of said default hereunder until such overdue amount is paid in full.

Any notice required hereunder shall be deemed to be delivered on the date such notice is deposited in the United States mail, postage prepaid, certified mail, return receipt requested, addressed to the Agency or Payee as the case may be at the address set out hereinbelow, or at such other address as such party may have theretofore requested by notice delivered in accordance herewith.

Except as otherwise expressly provided for herein, the Agency, to the extent permitted by law, waives demand, presentment, protest, notice of intent to accelerate, notice of acceleration, notice of nonpayment, and notice of protest.

This Note is an unsecured general obligation of the Agency payable out of any revenues or moneys of the Agency, subject only to agreements heretofore or hereafter made with holders of bonds, notes, or other obligations of the Agency pledging particular assets or revenues for the security thereof. The Agency is not obligated to pay this Note or the interest hereon except from

such revenues and moneys and any other assets pledged therefor and neither the faith and credit nor the taxing power of the State of Vermont or of any political subdivision thereof is pledged to the payment of the principal of or interest of this Note. THIS NOTE IS NOT SECURED BY ANY MORTGAGE OR ANY OTHER INTEREST WHATSOEVER IN ANY REAL OR PERSONAL PROPERTY. FURTHER, THE PAYEE BY ITS ACCEPTANCE HEREOF EXPRESSLY WAIVES ANY SUCH INTEREST IN PROPERTY WHICH MAY OTHERWISE ARISE BY IMPLICATION OF LAW, INCLUDING ANY PRINCIPAL OF EQUITY.

This Note may not be assigned or transferred without the express consent of the Agency.

No recourse shall be had for the principal of or interest on this Note or for any claim based thereon, or on the Agreement, the Closing Extension Agreement, the Closing Memorandum, or the Resolution, personally, against any commissioner of the Agency or any person executing this Note.

This Note shall be governed by and construed in accordance with the laws of the State of Vermont.

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

IN WITNESS WHEREOF, VERMONT HOUSING FINANCE AGENCY has caused this Note to be signed in its name and on its behalf by its Authorized Officer as of the day and year first above written.

VERMONT HOUSING FINANCE AGENCY

By _____
[Authorized Officer]

ADDRESSES OF THE PARTIES

VERMONT HOUSING FINANCE AGENCY
One Burlington Square
P.O. Box 408
Burlington, VT 05402-0408

UNIVERSITY OF VERMONT AND STATE AGRICULTURAL COLLEGE

_____

Burlington, VT 05405

DD013b

SECOND CLOSING EXTENSION AGREEMENT

EXHIBIT B

This agreement effective the 29th day of June, 1990, by and between UNIVERSITY OF VERMONT AND STATE AGRICULTURAL COLLEGE ("Owner") and VERMONT HOUSING FINANCE AGENCY ("Purchaser"),

W I T N E S S E T H

WHEREAS, Owner and Purchaser are the parties to a certain prior agreement (the "Closing Extension Agreement") dated February 23, 1990; and,

WHEREAS, the parties desire to extend the Closing Date on the terms hereinafter set forth;

NOW THEREFORE, in consideration of the terms and conditions hereinafter set forth, the parties agree as follows:

1. All capitalized terms used herein and not otherwise defined shall have the same meaning as they have in the Closing Extension Agreement.

2. The Closing Date shall be July 18, 1990 or such earlier date as the parties may subsequently agree.

3. This extension is for the mutual convenience of the parties, and is for the joint purpose of allowing the Owner additional time to meet certain legal prerequisites for transfer of the Property and to allow the parties additional time to negotiate in good faith with a view to reaching agreement with respect to certain easements and other ancillary rights that may be reasonably necessary in connection with the rehabilitation of the Property in accordance with the Purchaser's plans. If despite the best efforts of the parties to obtain certainty regarding the placement of utility line easements to be relocated, such certainty is not obtained by the Closing Date, then the parties agree to further extend the Closing Date for such reasonable period as is needed to obtain such certainty.

IN WITNESS WHEREOF, the parties have caused this agreement to be executed by their respective agents duly authorized at Burlington, Vermont effective the date first above written.

UNIVERSITY OF VERMONT AND STATE AGRICULTURAL COLLEGE

By _____
Its senior vice president and authorized agent

VERMONT HOUSING FINANCE AGENCY

By _____
Its executive director and authorized agent

DD015

RESOLUTION AUTHORIZING AND RATIFYING PHASE TWO OF PERMANENT MORTGAGE LOAN TO WINCHESTER ASSOCIATES

WHEREAS, Phase One of the Winchester Place Development was completed on schedule and the Agency closed Phase One of the Permanent Loan on December 19, 1989; and

WHEREAS, the remaining construction of the Development is substantially complete and all apartments are occupied or ready for occupancy; and

WHEREAS, Merchants Properties, Inc., one of the general partners of Winchester Associates, has requested Agency approval of its withdrawal from the partnership and the transfer of its interest to H.V. Winchester, Inc., the other general partner; and

WHEREAS, staff of the Agency considered it important to close Phase Two of the Permanent Loan and consulted with the Board prior to the closing; therefore, it is hereby

RESOLVED:

The transfer of the interest of Merchants Properties, Inc. to H.V. Winchester, Inc. is hereby approved.

The Executive Director and the Director of Finance, or either of them, are authorized to take all necessary steps to accomplish the closing of Phase Two of the Permanent Loan and all previous actions taken by the staff to close Phase Two of the Permanent Loan to Winchester Associates are hereby ratified.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont on June 28, 1990.

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

RESOLUTION PERTAINING TO COMBINED LETTER OF INTEREST AND COMMITMENT LETTER FOR FRENCH HILL MANOR MOBILE HOME PARK

WHEREAS, Lake Champlain Housing Development Corp., a non-profit corporation ("LCHDC"), has presented a proposal for acquisition of French Hill Manor Mobile Home Park, a 9 unit park in Williston, Vermont ("French Hill"); and

WHEREAS, the total cost of acquisition and work planned in conjunction with the acquisition is not expected to exceed $175,000; and

WHEREAS, LCHDC has received a commitment for a deferred loan in the amount of $30,000 for French Hill from the Vermont Housing and Conservation Board along with a $15,000 short term loan; and

WHEREAS, the proposal contemplates that French Hill will continue to have a resident mix with a large majority of the residents below median income and eventually will likely be turned into a cooperative run by the tenants; and

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

WHEREAS, the Agency has secured a commitment from the State's pension funds to purchase taxable bonds issued by the Agency for the purpose of funding mobile home park acquisitions; and

WHEREAS, the Agency has determined that the acquisition of French Hill by LHCDC will assist in fulfilling the purposes of the Act and is financially feasible,

It is hereby DETERMINED:

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

2. The acquisition and 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

housing for persons and families of low and moderate income, and the sponsors are financially responsible persons or institutions.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a combined letter of interest and commitment (the "Commitment Letter") to provide a first mortgage for permanent financing of not more than $122,000 for French Hill Manor Mobile Home Park.

2. The Commitment Letter shall be issued to Lake Champlain Housing Development Corp.

3. The Executive Director will review the relationship of the acquisition price to the appraised value of the park.

4. The commitment of the Agency shall be subject to receipt, at the time of the closing, of a commitment fee in an amount equal to one percent (1%) of the principal amount of the mortgage loan.

5. The Commitment Letter shall provide that the interest rate to be charged on, and the term of, the Mortgage Loan, shall be as determined by the Agency.

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

7. The Commitment Letter shall contain such other terms and conditions as the Executive Director shall deem necessary or appropriate, given the circumstances.

8. The Executive Director is authorized to make arrangements for the issuance and private placement of taxable bonds of the Agency to provide proceeds for financing this loan.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont, on June 28, 1990.

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

RESOLUTION OF VERMONT HOUSING FINANCE AGENCY
AUTHORIZING THE ISSUANCE OF ITS DALTON DRIVE SITE ACQUISITION NOTE
AND RELATED MATTERS

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

ARTICLE I

DETERMINATIONS, DEFINITIONS AND AUTHORITY

SECTION 101. Short Title. This resolution shall be and is hereinafter referred to as the "Dalton Drive Resolution" or the "Resolution".

SECTION 102. Authority For Resolution. This Dalton Drive Resolution is adopted pursuant to the Act and in accordance with the provisions thereof.

SECTION 103. Definitions. All capitalized, undefined terms used in this Resolution shall have the same meanings as they have in the Closing Memorandum (as hereinafter defined). In addition, the following words and phrases shall have the following meanings:

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

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

"Authorized Officer" means the Chairman, Vice Chairman, Treasurer, Executive Director and Secretary, Director of Finance and any other person authorized by resolution of the Agency to act as an Authorized Officer hereunder;

"Closing Date" means July 18, 1990, or such earlier or later date as an Authorized Officer may agree pursuant to the Second Extension.

"Closing Memorandum" means an agreement between the Seller and the Agency, governing rights and duties of the parties intended to survive delivery of the Deed, and having such provisions as an Authorized Officer shall deem necessary or appropriate in furtherance of the Development Plan.

"Deed" means the quitclaim deed of the Seller conveying the Property to the Agency, in such form as an Authorized Officer may accept.

"Developer" means Preservation Investments, Ltd.

"Development Agreement" means the Contract for Development Services dated effective January 1, 1990, between the Agency and the Developer.

"Development Plan" means the plan for rehabilitation and sale of the buildings on the Property for Residential Housing and non-housing purposes as outlined in the Development Agreement.

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

The terms "herein", "hereunder", "hereby", "hereto", "hereof", and any similar terms, refer to this Resolution; the terms "heretofore" means before the date of adoption of this Resolution; and the term "hereafter" means after the date of adoption of this Resolution;

"Note" means the Site Acquisition Note;

"Officer's Certificate" means a certificate signed by an Authorized Officer;

"Owner" or "owners" or "noteowner", when used in reference to the Note, means the registered owner of the Note;

"Property" means the real and personal property which is the subject of the Option Agreement and the Closing Extension Agreement (as defined in the Closing Memorandum), subject to and having the benefits of such easements and other rights as an Authorized Officer shall deem necessary or appropriate in furtherance of the Development Plan.

"Purchase Documents" means the Closing Extension Agreement, the Closing Memorandum, the Second Extension, and documents reasonably required to be executed and delivered by the Agency in connection therewith.

"Second Extension" means Second Closing Extension Agreement between the Seller and the Agency, in the form attached hereto as Exhibit B, as the same may be modified pursuant to Section 302, below.

"Seller" means University of Vermont and State Agricultural College;

"Site Acquisition Note" means the Dalton Drive Site Acquisition Note authorized and outstanding under Article II hereof;

"State" means the State of Vermont;

SECTION 104. Parties Interested Herein. Nothing in this Resolution expressed or implied is intended or shall be construed to confer upon, or to give to, any person, other than the Agency, the Seller, and the Owner of the Site Acquisition Note, any right, remedy or claim under or by reason of this Resolution or any covenant, stipulation, obligation, agreement or condition therein. All the covenants, stipulations, obligations, promises and agreements in this Resolution contained by and on behalf of the Agency shall be for the sole and exclusive benefit of the Agency, the Seller, and the Owner of the Site Acquisition Note.

SECTION 105. Law Applicable. The laws of the State shall be applicable to the interpretation and construction of this Resolution.

SECTION 106. Severability of Invalid Provision. If any one or more of the provisions, covenants or agreements in this Resolution on the part of the Agency to be performed should be contrary to law, then such provisions, covenants or agreements shall be deemed separable from the remaining provisions, covenants and agreements, and shall in no way affect the validity of the other provisions of this Resolution or of the Note.

SECTION 107. Findings and Determinations. The Agency hereby finds and determines in accordance with Section 631 of the Act (and with all terms not defined in this Section having the meaning given such terms in the Act) that:

(1) The Agency is acquiring the Property for the purpose of carrying out the Development Plan.

(2) The aggregate principal amount of the Site Acquisition Note is necessary to provide sufficient funds to accomplish the corporate purposes of the Agency with respect to the Property;

(3) The Agency reasonably anticipates that loans made by or on behalf of the Agency as contemplated by the Development Plan for the acquisition by persons and families of residential housing units to be constructed or rehabilitated on or in respect of the Property 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 without the assistance of the Agency;

(4) The Agency will derive receipts, revenues or other income from or with respect to the Property and the Development Plan sufficient to provide, together with all other available receipts, revenues and income of the Agency, for the payment, or reimbursement to the General Fund for the payment, of the Site Acquisition Note, and the payment of all costs and expenses incurred by the Agency with respect to the Property and the Development Plan.

ARTICLE II

AUTHORIZATION OF DALTON DRIVE HOUSING SITE ACQUISITION NOTE

SECTION 201. The Site Acquisition Note. (A) A note of the Agency, designated "Dalton Drive Site Acquisition Note", is hereby authorized to be issued in the principal amount of $1,000,000.00.

(B) The Site Acquisition Note shall be dated as of the Closing Date.

(C) The Site Acquisition Note shall be payable as to principal on February 23, 1991, shall bear no interest, shall be executed by an Authorized Officer, shall be subject to prepayment and transfer, and shall otherwise be in form and tenor as provided in, and the respective rights and obligations of the Agency and the Owner thereof shall be as described in, the form of the Site Acquisition Note set forth in Exhibit A hereto.

SECTION 202. General Obligation of Agency. The Site Acquisition Note shall be a general obligation of the Agency payable out of any revenues or moneys of the Agency, subject only to agreements heretofore or hereafter

made with holders of bonds, notes, or other obligations of the Agency, other than the Site Acquisition Note, pledging particular assets or revenues for the security thereof. The Agency shall not be obligated to pay the Site Acquisition Note or the interest thereon except from such revenues and moneys and neither the faith and credit nor the taxing power of the State or of any political subdivision thereof is pledged to the payment of the principal of or interest of the Site Acquisition Note.

SECTION 203. Purpose, Sale and Delivery. (A) The Site Acquisition Note is issued for the purpose of paying a portion of the purchase price of the Property.

(B) The Site Acquisition Note is hereby sold to the Seller at the price of par. As of the Closing Date, the Authorized Officers of the Agency are authorized to execute and deliver the Site Acquisition Note to the Seller upon execution and delivery by the Seller of the Deed, an appropriate Vermont Property Transfer Tax Return, the Closing Memorandum, and such other documentation, opinions of counsel and assurances as an Authorized Officer may deem appropriate.

ARTICLE III

MISCELLANEOUS

SECTION 301. Purchase Authorization. The Authorized Officer(s) are hereby authorized to consummate the Purchase of the Property from the Seller in accordance with the provisions of the Purchase Documents.

SECTION 302. Second Extension. The Second Extension, and the execution and delivery thereof by any Authorized Officer of the Agency, is hereby approved in substantially the form presented at this meeting, with such changes thereto as the Authorized Officer executing the same may approve prior to its execution. By adoption of this Resolution, all other Purchase Documents, and the execution and delivery thereof by or on behalf of the Agency, are hereby ratified and approved.

SECTION 303. Amendment. (A) Without the consent of the Owner of the Site Acquisition Note, this Resolution may be amended at any time and from time to time by supplemental resolution adopted by the Agency (1) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision herein, or (2) to insert such provisions clarifying matters or questions arising under this Resolution as are necessary or desirable and are not contrary to or inconsistent with this Resolution as theretofore in effect.

(B) Except as provided in Paragraph (A) of this section, this Resolution may only be amended with the prior written consent of the Owner of the Site Acquisition Note.

SECTION 304. Authorization of Officers. The Chairman, Vice-Chairman, Executive Director, Director of Finance and each other Authorized Officer are each hereby authorized and directed to do all acts and things and to execute and deliver the Closing Memorandum and any and all documents, certificates, and other instruments necessary or desirable to effectuate the transactions contemplated by this Resolution.

SECTION 305. Effective Date. This Dalton Drive Resolution shall take effect upon its adoption.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont on June 28, 1990.

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

DD014b

VERMONT HOUSING FINANCE AGENCY
DALTON DRIVE SITE ACQUISITION NOTE

EXHIBIT A

$1,000,000.00

[Closing Date]
Burlington, Vermont

FOR VALUE RECEIVED, the undersigned, Vermont Housing Finance Agency, a body politic and corporate and public instrumentality of the State of Vermont (the "Agency"), promises to pay to UNIVERSITY OF VERMONT AND STATE AGRICULTURAL COLLEGE ("Payee"), at the address stipulated on the last page hereof, or such other address as Payee may direct in writing, the sum of ONE MILLION 00/100 ($1,000,000.00) DOLLARS in legal and lawful money of the United States of America, without interest, on February 23, 1991, unless sooner prepaid as provided herein.

This Note is issued under and by virtue of the Vermont Housing Finance Agency Act, being Public Law No. 260 of the Laws of Vermont, 1974, as amended (the "Act") and a resolution of the Agency adopted June 28, 1990 (the "Resolution"). This Note arises out of that one certain Agreement dated June 22, 1989, between Agency, as purchaser, and Payee, as owner (the "Agreement"), as amended by a certain "Closing Extension Agreement" dated February 23, 1990, and a "Closing Memorandum" of even date.

This Note is subject to prepayment in whole or in part at any time prior to maturity, at the option of the Agency and upon not less than ten (10) days prior notice to the Payee, at a prepayment price equal to the principal amount of this Note or portion thereof so prepaid without premium or interest.

If this Note is not paid at maturity, and the same is collected by suit or through bankruptcy or other legal proceedings, the Agency agrees to pay to Payee all costs of collection, including reasonable attorneys' fees. Notwithstanding anything herein to the contrary, the Agency agrees to pay interest on any overdue payment of principal hereunder at a rate per annum equal to twelve percent (12%) per annum from the date of said default hereunder until such overdue amount is paid in full.

Any notice required hereunder shall be deemed to be delivered on the date such notice is deposited in the United States mail, postage prepaid, certified mail, return receipt requested, addressed to the Agency or Payee as the case may be at the address set out hereinbelow, or at such other address as such party may have theretofore requested by notice delivered in accordance herewith.

Except as otherwise expressly provided for herein, the Agency, to the extent permitted by law, waives demand, presentment, protest, notice of intent to accelerate, notice of acceleration, notice of nonpayment, and notice of protest.

This Note is an unsecured general obligation of the Agency payable out of any revenues or moneys of the Agency, subject only to agreements heretofore or hereafter made with holders of bonds, notes, or other obligations of the Agency pledging particular assets or revenues for the security thereof. The Agency is not obligated to pay this Note or the interest hereon except from

such revenues and moneys and any other assets pledged therefor and neither the faith and credit nor the taxing power of the State of Vermont or of any political subdivision thereof is pledged to the payment of the principal of or interest of this Note. THIS NOTE IS NOT SECURED BY ANY MORTGAGE OR ANY OTHER INTEREST WHATSOEVER IN ANY REAL OR PERSONAL PROPERTY. FURTHER, THE PAYEE BY ITS ACCEPTANCE HEREOF EXPRESSLY WAIVES ANY SUCH INTEREST IN PROPERTY WHICH MAY OTHERWISE ARISE BY IMPLICATION OF LAW, INCLUDING ANY PRINCIPAL OF EQUITY.

This Note may not be assigned or transferred without the express consent of the Agency.

No recourse shall be had for the principal of or interest on this Note or for any claim based thereon, or on the Agreement, the Closing Extension Agreement, the Closing Memorandum, or the Resolution, personally, against any commissioner of the Agency or any person executing this Note.

This Note shall be governed by and construed in accordance with the laws of the State of Vermont.

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

IN WITNESS WHEREOF, VERMONT HOUSING FINANCE AGENCY has caused this Note to be signed in its name and on its behalf by its Authorized Officer as of the day and year first above written.

VERMONT HOUSING FINANCE AGENCY

By _____
[Authorized Officer]

ADDRESSES OF THE PARTIES

VERMONT HOUSING FINANCE AGENCY
One Burlington Square
P.O. Box 408
Burlington, VT 05402-0408

UNIVERSITY OF VERMONT AND STATE AGRICULTURAL COLLEGE

_____

Burlington, VT 05405

DD013b

SECOND CLOSING EXTENSION AGREEMENT

EXHIBIT B

This agreement effective the 29th day of June, 1990, by and between UNIVERSITY OF VERMONT AND STATE AGRICULTURAL COLLEGE ("Owner") and VERMONT HOUSING FINANCE AGENCY ("Purchaser"),

W I T N E S S E T H

WHEREAS, Owner and Purchaser are the parties to a certain prior agreement (the "Closing Extension Agreement") dated February 23, 1990; and,

WHEREAS, the parties desire to extend the Closing Date on the terms hereinafter set forth;

NOW THEREFORE, in consideration of the terms and conditions hereinafter set forth, the parties agree as follows:

1. All capitalized terms used herein and not otherwise defined shall have the same meaning as they have in the Closing Extension Agreement.

2. The Closing Date shall be July 18, 1990 or such earlier date as the parties may subsequently agree.

3. This extension is for the mutual convenience of the parties, and is for the joint purpose of allowing the Owner additional time to meet certain legal prerequisites for transfer of the Property and to allow the parties additional time to negotiate in good faith with a view to reaching agreement with respect to certain easements and other ancillary rights that may be reasonably necessary in connection with the rehabilitation of the Property in accordance with the Purchaser's plans. If despite the best efforts of the parties to obtain certainty regarding the placement of utility line easements to be relocated, such certainty is not obtained by the Closing Date, then the parties agree to further extend the Closing Date for such reasonable period as is needed to obtain such certainty.

IN WITNESS WHEREOF, the parties have caused this agreement to be executed by their respective agents duly authorized at Burlington, Vermont effective the date first above written.

UNIVERSITY OF VERMONT AND STATE AGRICULTURAL COLLEGE

By _____
Its senior vice president and authorized agent

VERMONT HOUSING FINANCE AGENCY

By _____
Its executive director and authorized agent

DD015

RESOLUTION OF VERMONT HOUSING FINANCE AGENCY
AUTHORIZING THE ISSUANCE OF ITS
HOUSING PROJECT BONDS (FEDERALLY TAXABLE
ISSUE) SANDY PINES MOBILE HOME PARK DEVELOPMENT

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

ARTICLE I
DEFINITIONS AND AUTHORITY

SECTION 101. Definitions.

(A) In this Resolution unless a different meaning clearly appears from the context:

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

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

"Authorized Officer" means the Chairman, Vice Chairman, Executive Director and Secretary and Director of Finance of the Agency, and any other person authorized by resolution of the Agency to act as an Authorized Officer under this Resolution.

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

"Bond Date" means the date the Bonds are originally issued hereunder.

"Bond Fund" means the fund so designated and established under Section 301 of this Resolution.

"Commitment Letter" means the Commitment Letter relating to the Permanent Loan dated as of June 26, 1990 issued by the Agency and accepted by the Sponsor.

"Costs of Issuance" means any items of expense payable or reimbursable directly or indirectly by the Agency and

related to the authorization, sale and issuance of the Bonds.

"Development" means the Sandy Pines Mobile Home Park as more fully described in the Commitment Letter and the Three Party Agreement.

"General Account" means the account so designated and established under Section 301 of this Resolution.

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

"Loan Account" means the account so designated and established under Section 301 of this Resolution.

"Permanent Loan" means a permanent mortgage loan made by or on behalf of Agency to the Sponsor with the proceeds of the Bonds.

"Permanent Loan Amount" means the amount of the Permanent Loan established pursuant to paragraph 3 of the Commitment Letter.

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

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

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

"Revenues" means and includes all payments, proceeds, charges, fees, rents, investment earnings and all other income (including without limitation all payments of principal and interest received by or on behalf of the Agency on the Permanent Loan and all Recovery Payments) derived by or for the account of the Agency from or related to the Development and the Permanent Loan.

"Sinking Fund Account" means the account so designated and established under Section 301 of the Resolution.

"Sponsor" means Housing Foundation Inc., a non-profit corporation organized and existing under the laws of the State.

"State" means the State of Vermont.

"Three Party Agreement" means the agreement so denominated among the Sponsor, the purchaser of the Bonds, and the Agency, in substantially the form presented at this meeting.

(B) Except as otherwise expressly provided in this Resolution, the terms "housing development costs," "housing sponsor," "mortgage," "mortgage loan," and "residential housing" when used in this Resolution shall have the meanings given such terms in the Act.

SECTION 102. Authority.

This Resolution is adopted pursuant to the Act and shall take effect upon its adoption. The Agency is duly authorized under the Act and all applicable laws to issue the Bonds and to adopt this Resolution in the manner and to the extent provided herein. The Agency will at all times, to the extent permitted by law, defend, preserve and protect all the rights of the registered owner of the Bonds hereunder against all claims and demands of all persons whomsoever.

ARTICLE II
AUTHORIZATION OF BONDS; FINDINGS; TERMS AND SALE OF BONDS

SECTION 201. The Bonds.

(A) Bonds of the Agency, designated "Housing Project Bonds (Federally Taxable Issue) Sandy Pines Mobile Home Park Development" are hereby authorized to be issued as herein provided in an aggregate principal amount not to exceed Seven Hundred Forty Thousand Dollars ($740,000), the original principal amount of the Bonds to be determined upon their issuance by the Authorized Officers of the Agency executing the same. The bonds shall be in such denominations as the authorized officers of the Agency shall determine. The Bonds shall be dated and shall bear interest from the Bond Date and shall mature, subject to prior redemption as herein and in the Bonds provided, on July 16, 2010. Interest on the Bonds shall be payable on September 1, 1990 and semi-annually thereafter on March 1 and September 1 of each year. The form of the

Bonds, the rate or rates of interest payable thereon, the terms of redemption thereof prior to maturity and all other terms and conditions thereof shall be as set forth in Article IV of this Resolution.

(B) The Agency hereby ratifies and confirms the Commitment Letter and approves the Permanent Loan on the terms and conditions provided herein, in the Commitment Letter and in the Three Party Agreement. The Agency hereby determines that:

(1) the Permanent Loan does not exceed the value of the Development as determined by the Agency and the principal amount of the Bond is necessary to provide sufficient funds to be used and expended for the Program in respect of the Development;

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

(3) the Agency will derive receipts, revenues or other income from the Permanent Loan 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 for which the Bonds are issued;

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

(5) the acquisition, construction and or rehabilitation costs incurred or to be incurred by the Sponsor are for housing development costs within the meaning of the Act;

(6) there exists or without the Development 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 investments are unable, without assistance, to provide an adequate supply of residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families; and

(7) the Sponsor is a housing sponsor as defined in the Act, the Sponsor will maintain or increase the supply of well-planned, well-designed permanent, temporary transitional or emergency housing for persons of low and

moderate income and the Sponsor is a financially responsible person.

(C) The purposes for which the Bonds are being issued are to provide funds to make the Permanent Loan and to pay Costs of Issuance in the amount determined by or pursuant to Article III hereof.

SECTION 202. Sale of the Bonds.

(A) The Bonds are hereby sold to _____ at the price of par on the terms and conditions provided herein and in the Three Party Agreement. The Three Party Agreement, in substantially the form presented at this meeting and included in the minutes thereof, and its execution and delivery by Authorized Officers of the Agency is hereby approved with such changes therein and thereto not inconsistent herewith as may be approved by the Authorized Officers executing the same prior to the execution and delivery thereof.

ARTICLE III
ESTABLISHMENT OF FUNDS AND ACCOUNTS; APPLICATION OF BOND PROCEEDS; OBLIGATION OF BONDS

SECTION 301. Funds and Accounts.

(A) The Housing Project (Federally Taxable Issue) Project Fund (the "Project Fund") is hereby established to be held and administered together with all accounts therein by the Agency as provided in this Resolution. On or prior to the Bond Date the Agency shall establish within the Project Fund a separate account designated the "Sandy Pines Loan Account" (the "Loan Account"), the amounts in which shall be applied as provided in this Article III.

(B) The Housing Project (Federally Taxable Issue) Bond Fund (the "Bond Fund") is hereby established to be held and administered together with all accounts therein by the Agency as provided in this Resolution. On or prior to the Bond Date the Agency shall establish within the Bond Fund the following separate accounts to be applied as provided in this Article III:

(1) Sandy Pines General Account (the "General Account");

(2) Sandy Pines Sinking Fund Account (the "Sinking Fund Account");

(3) Sandy Pines Special Redemption Account (the "Special Redemption Account").

SECTION 302. Application of Bond Proceeds.

(A) The proceeds of the Bonds shall be deposited in the Loan Account. Moneys in the Loan Account shall be used solely as follows:

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

(2) amounts in the Loan Account in excess of the Permanent Loan Amount shall be applied by the Agency to defray

Costs of Issuance of the Bonds within six (6) months of the Bond Date.

(B) Notwithstanding anything herein to the contrary, if the Permanent Loan is not made within six (6) months of the Bond Date, or in any event if any balance remains on deposit in the Loan Account on the date which is six (6) months after the Bond Date, the entire balance on deposit in the Loan Account shall be transferred to the Special Redemption Account for application to the redemption of the Bonds as provided in Section 303 of this Resolution.

SECTION 303. Application of Revenues.

(A) The Agency shall deposit all Revenues in the Bond Fund upon receipt and shall immediately allocate the same to accounts therein as follows:

(1) Revenues constituting scheduled repayments of principal on the Permanent Loan and Revenues constituting permitted prepayments of the outstanding principal of the Permanent Loan - to the Sinking Fund Account;

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

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

(B) On September 1, 1990 and each succeeding September 1 thereafter, all amounts deposited in the Sinking Fund Account under Section 303(A)(1) shall be applied to the redemption of the outstanding principal of the Bonds, except that, in the event that the Agency receives a prepayment of the outstanding principal of the Permanent Loan under Section 303(A)(1) on the tenth anniversary of the Bond Date, or at any time thereafter, all as provided in the Permanent Loan, the Bonds shall be subject to redemption at the option of the Agency in whole, but not in part, from the amount deposited in said Account.

(C) All amounts deposited in the Special Redemption Account shall be promptly applied to the redemption of the outstanding principal of the Bond. At any time not later than the interest payment date for the Bonds next succeeding the date of any deposit into said Account under Section 303(A)(2), the amount so deposited shall be applied to the redemption of the outstanding principal of the Bonds.

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

(1) on each interest payment date of the Bonds, to pay the interest on the Bonds then due;

(2) on the redemption date of any portion of the principal of the Bonds being redeemed hereunder to pay any interest then payable on the principal amount of the Bonds to be redeemed;

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

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

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

SECTION 304. Transfers from General Fund.

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

SECTION 305. Investment.

Moneys in the funds and accounts established hereunder may be

invested by the Agency, until needed for their respective purposes, in any manner permitted by the Act. Moneys in two or more of such funds and accounts may be invested on a commingled basis for the account of such funds and accounts pro rata in proportion to the moneys invested on behalf of each such fund or account. Interest and other income earned upon the investment or deposit of amounts in the Loan Account shall be deposited in such Account. Interest and other income earned upon the investment or deposit of amounts on deposit in the General Account, the Sinking Fund Account and the Special Redemption Account shall be deposited in the General Account.

SECTION 306. Obligation of Bonds.

The Bonds shall be general obligations of the Agency payable out of any of the Agency's revenues, moneys or assets, subject only to agreements heretofore or hereafter made with the holders of obligations of the Agency other than the Bonds pledging particular revenues, moneys or assets for the payment thereof. The Agency hereby covenants and agrees with the registered owners of the Bonds that it will not grant to any person any lien on or pledge of the Permanent Loan or of any of the Revenues or moneys or investments in any of the accounts created hereunder or any proceeds thereof unless the Agency shall simultaneously therewith grant to the registered owners of the Bonds a prior and senior lien on or pledge of the Permanent Loan and such Revenues, moneys and investments and the proceeds thereof. The Bonds shall not constitute a debt or grant or loan of credit of the State and the State shall not be liable thereon nor shall the Bonds be payable out of any funds other than those of the Agency. The Agency is not obligated to pay the Bonds or the interest thereon except from the revenues or assets of the Agency pledged therefor under this Resolution and neither the faith nor credit nor taxing power of the State or any political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds.

ARTICLE IV
FORM OF BONDS

The Bonds shall be issued substantially in the following form:

VERMONT HOUSING FINANCE AGENCY
HOUSING PROJECT BOND
(Federally Taxable Issue)
Sandy Pines Mobile Home Park Project

No. __ $_____

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

FORTH BELOW.

The Vermont Housing Finance Agency (herein called the "Agency"), a body politic and corporate of the State of Vermont, for value received hereby promises to pay to _____ or registered assigns, on the sixteenth day of July, 2010, the principal sum of _____, upon presentation and surrender hereof, and to pay interest on the principal balance hereof outstanding from time to time from the date of original delivery of this bond (the "Bond Date") until final payment hereof at the annual rate provided below, such interest payments to be made semi-annually on the first day of March and September in each year commencing September 1, 1990. The principal or redemption price of and interest on this bond are payable in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts and shall be payable by check or draft mailed to the registered owner at his address appearing on the registration books of the Agency kept for that purpose at the offices of the Agency; provided that the registered owner of this Bond by acceptance hereof agrees that whenever any payment on account of principal shall occur, such owner shall promptly note the date and amount thereof on the Schedule of Payments and Prepayments endorsed hereon and further agrees that this Bond shall be surrendered to the Agency upon final payment hereof.

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

1. From the Bond Date to but excluding the fifth anniversary of the Bond Date - 9.75%;

2. From the fifth anniversary of the Bond Date to but excluding the tenth anniversary of the Bond Date, a rate equal to 10.50%;

3. From the tenth anniversary of the Bond Date to but excluding the fifteenth anniversary of the Bond Date, a rate equal to 11.25%;

4. From the fifteenth anniversary of the Bond Date to the earlier of final maturity or redemption hereof, a rate equal to 12.00%.

This bond is issued pursuant to No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended (the "Act") and under and pursuant to a resolution of the Agency adopted June 28, 1990 entitled "Resolution of Vermont Housing Finance Agency Authorizing the Issuance of its Housing Project Bond (Federally Taxable Issue) Sandy Pines Mobile Home Park Development" (the "Resolution"). This bond is a general obligation of the Agency payable out of any of the Agency's revenues, moneys or assets, subject only to agreements heretofore or hereafter made with the holders of obligations of the

Agency other than this bond pledging particular revenues, moneys or assets for the payment thereof.

The Agency is not obligated to pay this bond or the interest hereon except from the revenues or assets of the Agency pledged under the Resolution and neither the faith and credit nor the taxing power of the State of Vermont or of any political subdivision thereof is pledged to the payment of the principal of or the interest on this bond.

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

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

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

1. in whole or in part on September 1, 1990 and on each September

1 thereafter without notice through application of moneys in the Sinking Fund Account as required by the Resolution;

2. in whole or in part at any time upon notice through application of moneys in the Special Redemption Account as required by the Resolution; and

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

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

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

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

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

ATTEST: VERMONT HOUSING FINANCE AGENCY

By: _____ By: _____
Authorized Officer Authorized Officer

Bond Date: _____ __, 19__

Schedule of Payments and Prepayments of Principal

Principal Amount Paid	Date Paid	Balance Due	Authorized Signature and Title

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

ARTICLE V
MISCELLANEOUS

SECTION 501. Default.

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

SECTION 502. Defeasance.

If the Agency shall pay or cause to be paid to the registered owners of the Bonds the principal, redemption price and interest thereon at the times and in the manner stipulated therein and herein, then all obligations of the Agency hereunder and under the Bonds and all other rights granted hereby shall be discharged and satisfied.

SECTION 503. Transfer.

The Bonds may be transferred in whole but not in part to new owners, subject to the restrictions on transfer and upon compliance with the provisions for transfer described in the form of the Bond and payment of a transfer fee of $100.00 for each substitute bond

issued as a result of a request for transfer.

SECTION 504. Amendment.

This Resolution may be amended by the Agency without the consent of the registered owners of the Bonds to cure any ambiguity, supply any omission or cure or correct any defect or inconsistent provision herein or to insert such provisions clarifying matters or questions arising hereunder as are necessary or desirable and are not inconsistent with this Resolution as theretofore in effect. The Agency may also adopt a resolution amending, supplementing or otherwise modifying this Resolution without the consent of the registered owners of the Bonds to incorporate the provisions hereof in a resolution of the Agency of general application to bonds issued to finance the Program the interest on which is not excludable from federal income taxes; provided no such resolution shall reduce the principal amount of the Bonds or the rate of interest payable thereon or change the maturity date thereof or the dates for payment of interest thereon or the terms of redemption thereof or the security granted for the payment thereof without the express written consent of the registered owners of the Bonds. Except as hereinabove provided in this Section 504, this Resolution and the Bonds may be amended by the Agency only with the prior written consent of the registered owners of the Bonds.

SECTION 505. Authorization of Officers.

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

SECTION 506. Severability.

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

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont, on June 28, 1990.

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

2. At the closing of the purchase of the Development and after compliance with all of the applicable prerequisites set forth below, the Agency will make a loan to the Borrower for the long-term financing of the Development (the "Loan"), to be secured and evidenced by the Note, the Mortgage, the Assignment and the Regulatory Agreement.

3. The Note shall be in the amount of $740,000 which shall be payable in monthly installments of principal and interest, over a period of 20 years, based on an amortization at 10.75% over 25 years, but with the interest rate beginning at 9.75% and increasing by .75% every five years. Prepayment of the Note shall be prohibited without the written consent of the Agency prior to July 17, 2000 and prepayment of the Note after that date shall require the payment of prepayment charges, as set out in the Note. The Note shall have such other terms and conditions as are set forth in ATTACHMENT B.

4. In order to preserve this Commitment, the Borrower shall pay to the Agency, on or before the date of closing, a financing fee in an amount equal to $7,400.00, representing one percent of the permanent financing commitment.

5. The Borrower must demonstrate to the satisfaction of the Agency that equity funds and/or deferred loan funds are available in an amount at least equal to the difference between the total development cost as accepted by the Agency and the amount of the permanent financing commitment.

6. At least 10 business days prior to July 17, 1990, the Borrower shall provide the Agency with the following documents (the "Closing Documents") in form satisfactory to the Agency:

A. Organizational Documents.

1. Borrower

a. Articles of Association with copy of Certificate of Incorporation.

b. Bylaws.

c. Resolution designating person authorized to carry out its function as general partner of Borrower.

B. Title Documents.

2. Warranty Deed, in form acceptable to the Agency

3. Perimeter survey of the Property (mylar).

4. Housing Subsidy Covenants, in form acceptable to the Agency.

5. Mortgagee's Title Insurance Policy issued by a company authorized to do business in Vermont naming the Agency as permanent mortgagee, in an amount at least equal to the maximum amount of the Permanent Loan.

6. Such other deeds and instruments as may be necessary or reasonably required by the Agency in order to evidence marketability of title and/or to satisfy any conditions of the title insurance commitment.

C. Opinions of Counsel.

7. Opinion of Vermont attorney, for the benefit of the Agency, and such other persons as the Agency may specify, in form satisfactory to counsel to the Agency, as to the following matters:

a. Title to the Development.

b. Lawful existence and due organization of the Borrower.

c. Authority of the Borrower and its representative to execute and deliver the closing documents.

d. That the Closing Documents are the valid and binding obligations of the Borrower and are enforceable against the Borrower in accordance with their respective terms, subject only to bankruptcy, insolvency and other laws affecting creditor rights generally, and the exercise of equitable discretion by a court.

8. Opinion of Vermont attorney, for the benefit of the Agency, and such other persons as the Agency may specify, in form satisfactory to counsel to the Agency, as to the following matters:

That the Development has all permits and approvals of any governmental authority required for the continued operation of the Development, with all such permits and approvals attached.

D. Permanent Loan Documents.

9. Agency Commitment Letter with all attachments.

10. Note.

11. Mortgage.

12. Regulatory Agreement.

13. Collateral Assignment of Leases and Rents.

14. Borrower's Financial Analysis Form.

15. Management Plan.

16. A complete list adequately describing all personal property belonging to the Development, including model and serial numbers.

17. Signed policy for fire and extended coverage insurance, liability insurance, and business interruption insurance as required under the Regulatory Agreement, issued by a company authorized to do business in Vermont and acceptable to the Agency, which shall include a Vermont standard mortgage clause in favor of the Agency.

18. Completed VHFA Permanent Record Sheet.

19. Copies of all Letters of Credit, if any, to be delivered at permanent closing, in the exact form proposed by the issuer.

20. A certification by Borrower that the real property and all improvements thereon securing the Mortgage (the "Property") are not in material violation of any federal, state or local law, statute, ordinance, rule or regulation relating to occupational health and safety or to the environmental conditions on, under, or about such Property including, but not limited to, soil and surface and ground water conditions. The Borrower further represents and warrants that there has been no disposal, release, or threatened release of any flammable explosives, radioactive materials, hazardous substances or wastes, or related materials including asbestos, polycholrinated biphenyls (PCBs) or radon gases, on, from, or under the Property. For the purposes of this paragraph 20, the terms "disposal," release," "threatened release," "hazardous substances," and "hazardous wastes" shall mean and include any hazardous, toxic, or dangerous waste, substance, or material, or any disposal, discharge, release, or threatened release, or any defined as such in (or for purposes of) the federal Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, or any other federal, state, or local statute, law, ordinance, code, rule, regulation, order, or decree regulating, relating to, or imposing liability or standards of conduct concerning any hazardous, toxic, or dangerous waste, substance, or material, as now in effect.

21. Such other documents, certificates, assurances and attorney opinions as the Agency may reasonably require.

7. This offer to enter into a Commitment will expire on July 6, 1990 unless on or before such date, Borrower executes the acceptance page, returns the acceptance and a copy of this letter to the Agency.

8. This Commitment, once accepted by the Borrower, shall remain in force until July 17, 1990. The Agency may extend its Commitment for such

reasonable period of time which in its discretion is necessary or prudent. Any discretionary extension shall be conditioned upon the payment of an additional commitment fee of one-twelfth of the commitment fee for each month's extension beyond the term originally agreed upon by the parties, provided that there shall be no increase in the amount of the Mortgage Loan above the amount specified in this Commitment.

9. Borrower shall pay all expenses in connection with the Loan contemplated hereby, including, but not limited to, the fees and disbursements of the Agency's counsel (including allocation costs of in-house counsel), travel expenses of Agency personnel related to the making of the Loan or the issuance of bonds, the proceeds of which are used to make the Loan, appraisal fees, title insurance premiums, survey charges, and recording charges. To the extent incurred, the foregoing expenses shall be paid by Borrower whether or not the Loan is made.

NOTE: All Agency requirements of the Borrower, including any required performance on documents set forth herein in any provision hereof, are express conditions precedent to the Agency's performance of this Commitment.

Notices shall be deemed delivered when mailed registered or certified mail, return receipt requested to the Borrower in care of the addressee hereof and to the Agency at One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408 (or to such other place as a party may designate in writing).

VERMONT HOUSING FINANCE AGENCY

June 26, 1990
Date

By: _____
Its Duly Authorized Agent

ACCEPTED BY BORROWER, HOUSING FOUNDATION, INC.

_____
Date

By: _____
Its Duly Authorized Agent

Sandcomm

THREE PARTY AGREEMENT

DRAFT

This Agreement is made this _____ day of _____, 19__, by and among _____, having its principal office at _____ (hereinafter called the "Buyer"); Housing Foundation, Inc., a Vermont nonprofit corporation having its principal office at Montpelier, Vermont (hereinafter called "Borrower"); and the Vermont Housing Finance Agency, having its principal office at One Burlington Square, Burlington, Vermont (hereinafter called "Agency").

In consideration of the promises hereinafter set forth, it is agreed by and among the parties hereto as follows:

1. Upon acquisition of the Sandy Pines mobile home park located in East Montpelier, Vermont (the "Development"), and otherwise subject to the terms and conditions of the Agency's commitment letter to the Borrower or Borrower's representative dated June 26, 1990 (the "Commitment Letter"), Agency agrees to make a Permanent Loan to Borrower in such amount as Borrower may request, provided that the amount of such Loan shall not exceed the lesser of (a) 85% of the security value of the Development as determined by the Agency, or (b) Seven Hundred Forty Thousand ($740,000) AND 00/100 DOLLARS. The Permanent Loan shall conform in all respects to the requirements of the Commitment Letter. The Permanent Loan shall be evidenced and secured by a Note, Mortgage and Security Agreement covering all realty and personalty, and be subject to the conditions of the Regulatory Agreement. The Development shall have no encumbrances or defects in title that would adversely impair in any way the security of the Agency therein.

2. The parties hereby agree that, notwithstanding any date set forth in any other document of prior date between the parties, the agreement of the Agency to make the Permanent Loan upon completion of the Development by the Borrower shall continue in force until September 30, 1990, which date shall be the expiration date of the Agency Commitment and any Agency responsibility or liability, unless further extended in writing by the Agency.

3. The Borrower agrees for the benefit of the Agency and the Bank to accept the Permanent Loan to be made by the Agency pursuant to the terms of the Commitment Letter, and the Borrower further consents and agrees that it will not accept a permanent first mortgage loan from any lender other than the Agency during the term of this Agreement or any extension hereof.

4. Agency hereby acknowledges that the Agency Commitment Letter is in full force and is unmodified except as follows:

5. The parties hereby acknowledge that the Agency Commitment Letter and all of its terms are an express condition of this document. Furthermore, the Borrower agrees to accept and approve for purposes of the Permanent Loan the form of the following documents attached to the Commitment Letter:

   (a) Note
   (b) Mortgage Deed and Security Agreement
   (c) Regulatory Agreement

6. Subject to the terms of the Commitment Letter, at the time of the Permanent Loan (or at such earlier date as the Buyer may request on 30 days' notice to the Agency) and prior to the expiration of the Agency Commitment, the Agency agrees to issue to the Buyer (and/or to another investor acceptable to the Agency in its sole and absolute discretion, but subject to the consent of the Buyer) and the Buyer agrees to purchase from the Agency, at its face value, the Agency's Bond in an amount established pursuant to the Commitment Letter. For the protection of the Agency, the Buyer represents as follows:

   (a) The Buyer is a sophisticated investor in securities of the general type of the Agency's Bond.

   (b) The Buyer has examined the Agency's audited financial statements for the most recent period for which audited statements are available, has been offered access to all prior audited financial statements of the Agency and the current books of account of the Agency and has availed itself of such access to the extent it deems necessary.

   (c) The Buyer represents that it is purchasing the Bond for its own account for investment and does not currently intend to sell or otherwise distribute the Bond or any interest or participation therein. The Buyer understands that the extent and nature of the information furnished in this transaction is based upon the foregoing.

   (d) As between the Buyer and the Agency and all counsel for and representatives of the Agency, the Buyer has assumed responsibility for obtaining the information relating to the Bond that it deems necessary for its investment decision, and has not looked to the Agency,

its counsel, or its other representatives to provide or review that information.

7. The Agency represents to the Bank and the Borrower that, under current law, and subject to compliance with such law, it is able to issue bonds in such form, and that the interest thereon will be subject to federal income tax, but exempt from Vermont income tax.

8. In the event that the Agency is unable to issue its Bond as of the time of expiration of the Agency Commitment, this agreement and the Agency Commitment as evidenced by the Commitment letter shall be null and void.

9. Notice shall be deemed delivered when mailed registered mail, return receipt requested, to the Borrower at P.O. Box 397, Montpelier, Vermont 05602-0397, to the Agency at P.O. Box 408, Burlington, Vermont 05402-0408, or the Buyer c/o State Treasurer, 133 State Street, Montpelier, Vermont 05602 (or to such other place as a party may designate in writing).

10. This Agreement is not assignable.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be signed by their duly authorized agents all as of the date and year first above mentioned.

HOUSING FOUNDATION, INC.

By: _____
Its _____

_____ PENSION FUND

By: _____
Its _____

VERMONT HOUSING FINANCE AGENCY

By: _____

Its _____

SAND3PAR

STATISTICAL REPORT PROGRAM ID: 89A
UNDERWRITING DATABASE
LTV 0% TO 100%
Effective for 01/01/89 thru 12/31/89
Loan Status: CC,UC,O

Total Number of Loans: 432
Total Loan Amount: $26,346,044

EXISTING:	$19,033,865	74.0%	320 Loans
NEW CONSTRUCTION:	$7,312,179	25.9%	112 Loans
NEW DETACHED HOUSING:	$5,820,947	79.6%	89 Loans
NEW CONDOMINIUM:	$1,491,232	20.3%	23 Loans
Funds Remaining to be Reserved:	$5,183,458	11.5%	84 Loans (Est.)

Total Insured or Guaranteed Loans: 376
Loans Guaranteed by VHMGB: 370

	ACED	NON ACED	STATEWIDE
Avg. Purchase Price	$67,520	$72,521	$69,071
Avg. Loan Amount	$59,457	$64,385	$60,986
Avg. Borrower Income	$26,670	$27,827	$27,029
Avg. Housing Debt-Income Ratio	26.5%	27.7%	26.9%
Avg. Total Debt	$761.23	$810.46	$776.50
Avg. Total Debt-Income Ratio	34.3%	35.1%	34.5%
Total No. of Loans	298	134	432
% of Total Loan Amount	67.3%	32.7%	100.0%
First Time Homebuyers	83.5%	100.0%	88.6%
% Meeting Low Income Set Aside	35.9%	52.9%	41.2%

	Loans	% of Loans	$ Amount	*Households	% of Hshlds	% DIFF
Addison	18	4.2%	$1,086,753	5,000	5.8%	1.6-
Bennington	17	3.9%	$1,094,141	6,000	7.0%	3.1-
Caledonia	41	9.5%	$2,299,448	5,000	5.8%	3.7
Chittenden	69	15.8%	$4,546,726	16,000	18.6%	2.8-
Essex	6	1.4%	$304,410	1,000	1.2%	0.2
Franklin	66	15.3%	$4,242,301	6,000	7.0%	8.3
Grand Isle	8	1.9%	$503,198	1,000	1.2%	0.7
Lamoille	21	4.9%	$1,190,902	3,000	3.5%	1.4
Orange	22	5.1%	$1,306,898	4,000	4.7%	0.4
Orleans	33	7.6%	$1,631,354	4,000	4.7%	2.9
Rutland	34	7.9%	$2,006,055	10,000	11.6%	3.7-
Washington	50	11.6%	$3,082,074	9,000	10.5%	1.1
Windham	25	5.8%	$1,654,976	7,000	8.1%	2.3-
Windsor	22	5.1%	$1,396,808	9,000	10.5%	5.4-
TOTAL	432	100.0%	$26,346,044	86,000	100.0%	

* Estimated number of households, $15,000 to $35,000 income.
Source: CACI, 1989 Sourcebook of County Demographics

Vermont Housing Finance Agency
89A - $45,000,000 HOME MORTGAGE PURCHASE BONDS
Status Report (with percent of pool proceeds approved)
Rate : 8.800%
Date : 07/31/90

Lender	Funds Reserved	Percent Reserved	Prelim. Approval	% Prelim Approval	Loans Purchased	Loans to be Purchased	PERC
Bank of Vermont	$3,145,531	6.9%	$2,861,581	6.3%	$2,269,296	$592,285	18.8%
Bradford National Bank	$120,700	0.2%	$120,700	0.2%	$120,700	$0	0.0%
Caledonia National Bank of Danville, The	$969,402	2.1%	$840,202	1.8%	$740,766	$99,436	10.2%
Chittenden Trust Company	$11,410,366	25.3%	$10,650,161	23.6%	$8,545,661	$2,104,500	18.4%
Commonwealth Mortgage Company, Inc	$223,200	0.4%	$223,200	0.4%	$223,200	$0	0.0%
Community National Bank	$1,323,786	2.9%	$1,254,786	2.7%	$843,156	$411,630	31.0%
Factory Point National Bank, The	$305,250	0.6%	$234,000	0.5%	$179,687	$54,313	17.7%
First Twin-state Bank	$385,586	0.8%	$318,136	0.7%	$261,927	$56,209	14.5%
Franklin-Lamoille Bank	$1,426,373	3.1%	$1,270,573	2.8%	$990,427	$280,146	19.6%
Granite Savings Bank and Trust Company	$211,140	0.4%	$211,140	0.4%	$139,890	$71,250	33.7%
Howard Bank, National Assn, The	$1,813,177	4.0%	$1,762,177	3.9%	$1,341,977	$420,200	23.1%
Lyndonville Savings Bank & Trust Company	$720,472	1.6%	$660,472	1.4%	$561,739	$98,733	13.7%
Marble Bank	$1,134,466	2.5%	$971,966	2.1%	$646,923	$325,043	28.6%
Merchants Bank, The	$2,439,193	5.4%	$2,176,387	4.8%	$2,003,387	$173,000	7.0%
National Bank of Middlebury, The	$587,167	1.3%	$520,667	1.1%	$440,667	$80,000	13.6%
New England IBM Employees Fed Crdt Union	$868,600	1.9%	$800,783	1.7%	$602,283	$198,500	22.8%
Northfield Savings Bank	$832,480	1.8%	$832,480	1.8%	$730,380	$102,100	12.2%
Passumpsic Savings Bank	$2,450,768	5.4%	$2,002,243	4.4%	$1,721,374	$280,869	11.4%
Peoples Trust Company of St Albans	$645,484	1.4%	$440,384	0.9%	$184,509	$255,875	39.6%
Proctor Bank	$743,085	1.6%	$673,085	1.4%	$488,635	$184,450	24.8%
Randolph National Bank	$513,648	1.1%	$383,348	0.8%	$383,348	$0	0.0%
Statewide Funding Corporation	$800,077	1.7%	$607,627	1.3%	$183,452	$424,175	53.0%
Union Bank	$2,354,238	5.2%	$2,314,477	5.1%	$1,411,584	$902,893	38.3%
Valley Bank	$632,674	1.4%	$632,674	1.4%	$557,674	$75,000	11.8%
Vermont Federal Bank, FSB	$8,519,787	18.9%	$7,752,547	17.2%	$6,641,072	$1,111,475	13.0%
Vermont Mortgage Group, Inc	$1,360,084	3.0%	$1,360,084	3.0%	$1,307,834	$52,250	3.8%
Vermont National Bank	$4,863,059	10.8%	$4,336,459	9.6%	$2,494,999	$1,841,460	37.8%
TOTALS 829 Loans	$50,799,793	112.8%	$46,212,339	102.6%	$36,016,547	$10,195,792	20.0%

STATISTICAL REPORT PROGRAM ID: 89B
UNDERWRITING DATABASE
LTV 0% TO 100%
Effective for 01/01/89 thru 12/31/89
Loan Status: CC,UC,O

Total Number of Loans:	50
Total Loan Amount:	$50

EXISTING:	$45	5.5%	65 Loans
NEW CONSTRUCTION:	$45	5.5%	65 Loans
NEW DETACHED HOUSING:	$45	5.5%	65 Loans
NEW CONDOMINIUM:	$45	5.5%	65 Loans
Funds Remaining to be Reserved:	$21,846,442	56.8%	****** Loans (Est.)

Total Insured or Guaranteed Loans:	55
Loans Guaranteed by VHMGB:	55

	ACED	NON ACED	STATEWIDE
Avg. Purchase Price	$51	$64	$77
Avg. Loan Amount	$51	$64	$77
Avg. Borrower Income	$51	$64	$77
Avg. Housing Debt-Income Ratio	5.1%	6.4%	7.7%
Avg. Total Debt	$0.51	$0.64	$0.77
Avg. Total Debt-Income Ratio	5.1%	6.4%	7.7%
Total No. of Loans	51	64	77
% of Total Loan Amount	5.1%	6.4%	100.0%
First Time Homebuyers	5.1%	6.4%	7.7%
% Meeting Low Income Set Aside	5.1%	6.4%	7.7%

	Loans	% of Loans	$ Amount	*Households	% of Hshlds	% DIFF
Addison	20	3.2%	$44	5,000	5.8%	7.7
Bennington	20	3.2%	$44	6,000	7.0%	7.7
Caledonia	20	3.2%	$44	5,000	5.8%	7.7
Chittenden	20	3.2%	$44	16,000	18.6%	7.7
Essex	20	3.2%	$44	1,000	1.2%	7.7
Franklin	20	3.2%	$44	6,000	7.0%	7.7
Grand Isle	20	3.2%	$44	1,000	1.2%	7.7
Lamoille	20	3.2%	$44	3,000	3.5%	7.7
Orange	20	3.2%	$44	4,000	4.7%	7.7
Orleans	20	3.2%	$44	4,000	4.7%	7.7
Rutland	20	3.2%	$44	10,000	11.6%	7.7
Washington	20	3.2%	$44	9,000	10.5%	7.7
Windham	20	3.2%	$44	7,000	8.1%	7.7
Windsor	20	3.2%	$44	9,000	10.5%	7.7
TOTAL	20	100.0%	$44	86,000	100.0%	

* Estimated number of households, $15,000 to $35,000 income.
Source: CACI, 1989 Sourcebook of County Demographics

Vermont Housing Finance Agency
89B - $38,450,000 MORTGAGE LOAN PURCHASE PROGRAM
Status Report (with percent of pool proceeds approved)
Rate : 8.700%
Date : 07/31/90

Lender	Funds Reserved	Percent Reserved	Prelim. Approval	% Prelim Approval	Loans Purchased	Loans to be Purchased	PERC
Bank of Vermont	$1,287,614	3.3%	$826,460	2.1%	$78,750	$747,710	58.0%
Bradford National Bank	$57,000	0.1%	$0	0.0%	$0	$0	0.0%
Caledonia National Bank of Danville, The	$357,530	0.9%	$153,850	0.4%	$0	$153,850	43.0%
Chittenden Trust Company	$3,253,044	8.4%	$1,660,350	4.3%	$0	$1,660,350	51.0%
Citizens Savings Bank and Trust	$345,471	0.8%	$114,375	0.2%	$0	$114,375	33.1%
Commonwealth Mortgage Company, Inc	$321,423	0.8%	$0	0.0%	$0	$0	0.0%
Community National Bank	$765,032	1.9%	$459,050	1.1%	$0	$459,050	60.0%
Factory Point National Bank, The	$81,700	0.2%	$81,700	0.2%	$0	$81,700	100.0%
Franklin-Lamoille Bank	$163,525	0.4%	$35,250	0.0%	$35,250	$0	0.0%
Granite Savings Bank and Trust Company	$70,000	0.1%	$0	0.0%	$0	$0	0.0%
Howard Bank, National Assn, The	$455,075	1.1%	$76,950	0.2%	$76,950	$0	0.0%
Lyndonville Savings Bank & Trust Company	$98,800	0.2%	$46,550	0.1%	$0	$46,550	47.1%
Marble Bank	$252,295	0.6%	$185,645	0.4%	$0	$185,645	73.5%
Merchants Bank, The	$821,469	2.1%	$398,477	1.0%	$0	$398,477	48.5%
National Bank of Middlebury, The	$107,400	0.2%	$37,400	0.0%	$0	$37,400	34.8%
New England IBM Employees Fed Crdt Union	$287,300	0.7%	$78,000	0.2%	$0	$78,000	27.1%
Northfield Savings Bank	$47,500	0.1%	$47,500	0.1%	$0	$47,500	100.0%
Passumpsic Savings Bank	$751,340	1.9%	$360,590	0.9%	$47,000	$313,590	41.7%
Peoples Trust Company of St Albans	$119,800	0.3%	$59,000	0.1%	$0	$59,000	49.2%
Proctor Bank	$276,500	0.7%	$148,250	0.3%	$0	$148,250	53.6%
Randolph National Bank	$194,425	0.5%	$117,000	0.3%	$0	$117,000	60.1%
Statewide Funding Corporation	$316,975	0.8%	$72,602	0.1%	$0	$72,602	22.9%
Summit Financial Center, Inc.	$261,212	0.6%	$133,437	0.3%	$0	$133,437	51.0%
Union Bank	$496,012	1.2%	$194,026	0.5%	$0	$194,026	39.1%
Vermont Federal Bank, FSB	$2,620,550	6.8%	$1,083,040	2.8%	$0	$1,083,040	41.3%
Vermont Mortgage Group, Inc	$829,951	2.1%	$303,901	0.7%	$0	$303,901	36.6%
Vermont National Bank	$1,883,865	4.8%	$605,500	1.5%	$0	$605,500	32.1%
TOTALS 256 Loans	$16,522,808	42.9%	$7,278,903	18.9%	$237,950	$7,040,953	42.6%

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: July 31, 1990

TO: VHFA Board of Commissioners

FROM: Margaret A. Pond, Director of Development

RE: 1990 Low Income Housing Tax Credit Program: First Round

In late June we reviewed applications for the first round of the LIHTC program. Reservations were made for four developments in Springfield, St. Johnsbury, Middlebury, and Putney (See attachment that details the reservations and future known considerations).

At this point, Housing Vermont is part of the development and ownership of the first three of these developments. Putney's development will be working with a nonprofit, probably either Housing Foundation, Inc. or Housing Vermont.

This first round reservation (out of three rounds) represents 60% of Vermont's 1990 allocation of $531,562. The next round is August 15th when we can reserve up to 90% of the annual allocation. Projections at this time are that we will not have adequate credit dollars for all requests in 1990.

One marked difference in this year's requests is the preference for taxable financing to warrant the 9% credit rate in order to make the numbers work. This presents a significant problem because it uses up our limited allocation much faster than the 4% does. Also putting pressure on the allocation is the scheduled sunset of the program at the end of 1990. We will keep you informed on the progress of this program.

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866

VHFA 1990 LOW INCOME HOUSING TAX CREDITS
FIRST ROUND RESERVATION DECISIONS

C:\QUATTRO\LIH\LIH8910
31-Jul-90
7/24/90

1990 Vermont Allocation:	$531,562
1st Round Max Allocation (60%)	$318,937
Actual 1st Round Reservations	$313,111
1990 Allocation Remaining	$218,451

1990 LIHTC FIRST ROUND RESERVATION DECISIONS - APPROVED

Project Name	City	Last Name	Total # of Units	# of LIHTC Units	Project Type	LIHTC Credit Requested	LIHTC Credit Reserved	Credit Type Requested	Total Proj Cost	Developer Fee as % of TDC	Rate of Return on Equity
Putney Cares	Putney	Crawford-Realty Resou	28	28	new constr-elderly	$64,700	$60,200	4%	$1,756,850	13.80%	12.00%
Pine Meadow	Middlebury	Interfaith-Housing VT	30	24	new constr-family	$146,062	$146,062	9%	$2,094,125	3.76%	12.00%
Mountain View	Springfield	Springfield HA	72	51	acquis & rehab-fami	$76,682	$76,682	4% & 9%	$2,639,201	1.44%	12.00%
St Johnsbury	St Johnsbury	NCHC-Housing VT	32	22	rehab-family	$36,007	$30,167	9%	$1,479,256	5.41%	12.00%
Totals - Tax Credit Reservations to Date			162	125		$323,451	$313,111		$7,969,432		

1990 LIHTC FIRST ROUND RESERVATION DECISIONS - CONSIDERATION POSTPONED

North St	Burlington	Bissonette	6	6	rehab-family	$4,277	$0	9%	$73,519	0.00%	??
Hebert	Winooski	Winooski Housing Auth	70	31	new constr-elderly	$175,998	$0	9%	$5,338,819	16.67%	14.55%
Bristol	Bristol	ACCAG-Housing Vermont	9	9	new constr-family	$20,000	$0	9%	$763,255	3.93%	12.00%
			85	46					$6,175,593		

Note: Bristol received $45,954 LITHC allocation in 1989. Ratio columns adjusted to reflect Bristol's 1989 allocation.
Hebert Rate of Return on Equity assumes all cash flow goes to limited partner.
North St Rate of Return on Equity not calculated because no acquisition is necessary and sale not planned.
The Rate of Return on Equity includes all syndication fees.

Other Known Applications Expected in 1990

Project Name	City	Last Name	Total # of Units	# of LIHTC Units	Project Type	Prelim LIHTC Estimate
Salmon Run	Burlington	LCHDC-Housing VT	80	36	new constr-family	$20,000
Highgate	Barre	CVEOE-Housing VT	120		acquis-rehab-fam	$89,803
Williston	Williston	Williston Elders-HV	44		new constr-elderly	$123,000

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: July 31, 1990

TO: VHFA Board of Commissioners

FROM: Margaret A. Pond, Director of Development

RE: VHFA Business Plan for Fiscal Year 1990-1991

Attached please find a draft of the 1990-1991 Business Plan which identifies the proposed focus for this fiscal year. The format is largely the same as last year and provides a look at our programs and initiatives that are in one of three stages: ongoing, ready to implement, and under consideration for future implementation. All VHFA staff participated in the creation of the plan to some degree, with the bulk of the work having been done by the senior staff members.

Recognizing that the Plan is basically a road map that may change direction down the way as we get closer to our destination, staff will perform at least quarterly reviews to propose amendments to the plan as needed. We will be discussing any of the significant proposed changes with you throughout the year.

I look forward to discussing the various elements of the Plan with you at your meeting on August 7th.

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
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VERMONT HOUSING FINANCE AGENCY

BUSINESS PLAN

FISCAL YEAR 1990 - 91

(July 1, 1990 - June 30, 1991)

MISSION

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

GOALS

1. To provide low cost mortgage financing to individuals who are not able to qualify for conventional financing.

2. To encourage and stimulate additional affordable rental housing for low and moderate income Vermonters; and to encourage, where possible, mechanisms to ensure that this housing remains perpetually affordable.

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

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

FISCAL YEAR 1990-91
(July 1, 1990 - June 30, 1991)

ONGOING PROGRAMS

Homeownership

MOVE
MCC
Builders MOVE Reserve ($6.2 Remaining Funds)
MOVE/EEM
Rural Vermont Mortgage Program
Perpetually Affordable Housing Program
HE/ILP
CVPS/VHFA/Chittenden Bank Energy Loans
Downpayment Assistance Program Pilot
Fort Ethan Allen
Vermont Secondary Mortgage Market (Phase I)
Mobile Home Assistance Program

Rental

Preservation
  Section 8 Restructuring/Sale
  The Gates
Enhanced Bond Financing
LIHTC
Multi-Family Management
TEAM
Vermont Housing Ventures
Construction Financing (Multi-Family)
Mobile Home Park Financing Program
Nonprofit Training Series

PROGRAMS TO IMPLEMENT

	Implementation Target Date
Homeownership	
1. Affordable Housing Demonstration	August 1990
Rental	
1. Cooperative (Blanket) Financing	November . . .1990
2. Section 8 Refinancing and Advance Refunding/ Rental Production Program	September. . .1990

PROGRAMS/INITIATIVES TO ANALYZE FOR FUTURE IMPLEMENTATION

	Development Timeline
1. Section 8 Rent Comparability	To be determined
2. Public Awareness Campaign for Affordable Housing	September. . .1990
3. Home Improvement/Qualified Rehabilitation Loans	To be determined
4. Taxable Bonds: Single Family	October. . . .1990
5. Builders New Construction Incentives Initiative	August 1990
6. Special Needs/Transitional Program	
7. Portfolio: Proactive Servicing (Single Family)	
8. Mortgage Delivery/Servicing with Nonprofits	
9. Cooperative (Share) Financing	
10. Prequalifying Pilot	
11. Employer Assisted Housing	
12. Agency on Aging Grant (Supportive Services for the Elderly)	

INTERNAL ACTIVITIES RELATING TO CURRENT INITIATIVES

Housing Policies: Participate at State and Federal Level
MRB and LIHTC Extension Campaigns
Housing Vermont: Funding
Cash Flow: Analyze Alternative Programs
Statewide Affordable Housing Conference
Home Buyer Workshops
Electronic Mail/Network
Lender Training

FY 1990-1991
ONGOING PROGRAMS

ACTIVITY	RESPONSIBILITY AND EXPLANATION/COMMENTS
Mortgages for Vermonters (MOVE)	OPERATIONS: Ongoing mortgage purchase program authorized under current mortgage revenue bond regulations.
Mortgage Plus Program [Mortgage Credit Certificate] (MCC)	OPERATIONS: A program to provide tax credits against a borrowers' federal tax liability. The reduction in taxes is intended to be applied against the borrower's mortgage payment.
Builders MOVE Reserve	DEVELOPMENT/Operations: A program to promote single family new construction through Vermont builders. Currently in the process of being reevaluated and restructured.
Energy Efficient Mortgage [Energy Rated Homes of Vermont] (ERH/EEM)	AFFILIATED ENTITIES, Operations: A program to encourage making energy efficiency improvements to the Vermont housing stock with emphasis on doing it at the time of purchase or refinance. Incentives are being used to encourage participation from all areas of the shelter industry.
Rural Vermont Mortgage Program	AFFILIATED ENTITIES, Operations, Finance: This program uses VHFA funds in conjunction with FmHA funds to expand the supply of mortgage money available to lower income borrowers.
Perpetually Affordable Housing Program	DEVELOPMENT: Nonprofit housing developers/sponsors reserve MOVE funds for their units/projects at a reduced rate. Units financed must provide for perpetual affordability. The targeted income of the purchasers is 80% of the greater of area or statewide median income.
Home Energy Improvement Loan Program (HE/ILP)	OPERATIONS, Affiliated Entities: An installment loan program based on the premise that it is cost effective to do energy improvements to a home and use non-bank originators.
CVPS/VHFA/Chittenden Bank Energy Loans	OPERATIONS: A public/private initiative to bring affordable energy improvement financing within the reach of qualified Central Vermont Public Service Corporation customers. VHFA provides the capital (Up to $150,000), CVPS provides buydown funds (effective rate to the borrower is 4%), Chittenden Bank originates, obtains the VHMGB guarantee, and services the loans.

ONGOING PROGRAMS (continued)

ACTIVITY	RESPONSIBILITY AND EXPLANATION/COMMENTS
Downpayment Assistance Program	OPERATIONS: A VHFA and VHMGB pilot program where the downpayment of qualified VHFA prospective borrowers can be included in the amount financed. This program is designed to address one of the most often quoted reasons why families are not in a position to purchase a home--insufficient funds for a downpayment.
Fort Ethan Allen	EXECUTIVE DIRECTOR: An initiative to combine State resources to create affordable units from the historical fort buildings on Dalton Drive.
Vermont Secondary Mortgage Market (Phase I)	DEVELOPMENT/Operations: First phase of program to purchase mortgages from Vermont lenders, aggregate mortgages into pools for MBS, to sell and free up more lending proceeds. Lenders reinvest no less than 50% of the proceeds in activities supporting low and moderate-income Vermonters.
Mobile Home Assistance Program	DEVELOPMENT/Operations: A program to assist eligible mobile home owners to replace current housing debt with lower rate mortgage financing available to borrowers in mobile home parks with a long-term affordability mechanism.
Preservation	EXECUTIVE DIRECTOR/Development/Operations: Initiatives to preserve existing affordable housing rather than allow it to convert to market rate housing.
Enhanced Bond Financing	FINANCE/Development: Tax-exempt and taxable bonding for funds for multi-family developments utilizing various rate enhancements.
Low Income Housing Tax Credits (LIHTC)	DEVELOPMENT: Multi-family rental federal tax credit program administered by VHFA. Credits are utilized to support Housing Vermont projects as well as to promote nonprofit and for-profit developments.
Multi-Family Management	OPERATIONS: Ongoing servicing and monitoring of VHFA financed developments through regulatory agreements and HAP contract administration.

ONGOING PROGRAMS (continued)

ACTIVITY	RESPONSIBILITY AND EXPLANATION/COMMENTS
Tenant Education and Assistance Model (TEAM)	OPERATIONS: A program to address the issue of aging in place by working with project owners and existing service provider agencies. Funding for this project is provided by VHFA, project owners, and a grant from the Robert Wood Johnson Foundation.
Vermont Housing Ventures	DEVELOPMENT: A $250,000 revolving fund for loans to nonprofits to cover pre-development expenses incurred in creating an affordable housing project.
Construction Financing (Multi-Family)	FINANCE: A financing facility with Bank of Boston for short term loans for construction of multi-family developments.
Mobile Home Park Financing Program (Multi-Family)	DEVELOPMENT/Operations/Finance: A program to provide below market rate financing for mobile home parks through investment by Vermont's pension funds in taxable VHFA bonds.
Nonprofit Training Series	DEVELOPMENT: Workshops for nonprofits to expand and strengthen their ability to create more long-term affordable housing.

PROGRAMS TO IMPLEMENT

ACTIVITY	RESPONSIBILITY AND EXPLANATION/COMMENTS
Affordable Housing Demonstration	DEVELOPMENT: A demonstration program to promote various building technologies and energy efficient models as options for affordable housing.
Cooperative (Blanket) Financing	DEVELOPMENT/Finance: Create ways to finance multi-family cooperative developments (i.e. blanket mortgages); Cooperatives are somewhat different from rental and homeownership options and are a relatively new concept in Vermont.
Section 8 Refinancing and Advance Refunding/Rental Production Program	FINANCE/Development/Operations: An initiative to create ways to refinance high interest rate Section 8 projects and use savings to assist new small rental production.

PROGRAMS/INITIATIVES TO ANALYZE FOR FUTURE IMPLEMENTATION

ACTIVITY	RESPONSIBILITY AND EXPLANATION/COMMENTS
Section 8 Rent Comparability	OPERATIONS: An initiative to comply with HUD's pending directive to limit Section 8 rent increases as a means of controlling the cost of HAPs while addressing Preservation issues.
Public Awareness Campaign for Affordable Housing	COMMUNICATIONS: A statewide campaign to educate the public about affordable housing.
Home Improvement/Qualified Rehabilitation Loans	OPERATIONS/Development/Finance: An initiative to provide financing to eligible borrowers for home improvements which add to the basic livability of an existing residential structure.
Taxable Bonds: Single Family	FINANCE: Perform analysis as to the feasibility of issuing taxable bonds if our authority to issue tax-exempt bonds expires.
Builders New Construction Incentives Initiatives	DEVELOPMENT/Communications/Operations: Research and identify potential incentives to home builders to encourage use of mortgage funds.
Special Needs/Transitional Program	DEVELOPMENT: Research viable options to expand housing options of Vermont's special needs populations; transitional housing opportunities will be the focus.
Portfolio: Proactive Servicing (Single Family)	FINANCE: Provide direct billing to the lenders involved in our programs as opposed to responding to their monthly reports. Their reports would only notify us of exceptions to the standard payment billing and a reconciliation of the payment to our billing.
Mortgage Delivery/Servicing with Nonprofits	DEVELOPMENT/Operations: Set up a mortgage delivery system through approved nonprofits and/or community action groups which would allow better access to low income Vermont families. The servicing aspect would allow for direct servicing of mortgages by VHFA staff.
Cooperative (Share) Financing	DEVELOPMENT/Finance: An initiative to provide share financing to eligible borrowers participating in a housing cooperative.

PROGRAMS/INITIATIVES TO ANALYZE FOR FUTURE IMPLEMENTATION
(cont.)

ACTIVITY	RESPONSIBILITY AND EXPLANATION/COMMENTS
Prequalifying Pilot	COMMUNICATIONS/Operations: Explore the possibility of creating a "pre-eligibility certificate" to give to income-eligible home buyers at VHFA home buyer days. The certificate may lend credibility to the buyer in the eyes of the seller, lender and real estate person. It also may give the buyer more confidence as they proceed in the home buying process.
Employer Assisted Housing	DEVELOPMENT/Executive Director/Operations: An initiative to get Vermont employers to offer opportunities to their employees for reducing cost of employee housing.
Agency on Aging Grant (Supportive Services for the Elderly	OPERATIONS: An initiative to fund expansion of TEAM program to non-VHFA financed subsidized, developments and Section 8 Certificate holders unable to participate in TEAM at present. If funded, it will result in a viable statewide network of service coordination for all elderly tenants of federally subsidized housing.

INTERNAL ACTIVITIES IN SUPPORT OF NEW PROGRAMS AND ONGOING PROGRAMS

ACTIVITY	RESPONSIBILITY AND EXPLANATION/COMMENTS
Housing Policies: Participate at State and Federal Level	DEVELOPMENT, Administration: Initiatives are being considered at the federal level to develop housing solutions for the future. VHFA will keep abreast of these developments and participate, as appropriate, in cooperation with other state housing agencies.
Mortgage Revenue Bond (MRB) and Low Income Housing Tax Credit (LIHTC) Extension Campaigns	COMMUNICATIONS, Operations, Executive Director: Congressional authority to issue MRBs and LIHTC sunset September 1990 and December, 1990 respectively. Ongoing effort to promote continuation of MRBs and LIHTC.
Housing Vermont: Funding	FINANCE: Ongoing evaluation and monitoring of the funding agreement of $2,000,000 for the development of new multi-family projects.
Cash Flow: Analyze Alternative Programs	FINANCE: A study to determine the most cost-effective way to generate timely, responsive cash flow data for the purpose of determining finances available and what-if scenarios.
Statewide Affordable Housing Conference	COMMUNICATIONS/Development: Annual conference to reach out to nonprofit housing developers and others in the public and private sector.
Home Buyer Workshops	COMMUNICATIONS: A series of affordability workshops designed and implemented to reach Vermonters otherwise not reached with VHFA homeownership programs. Forums serve to empower home buyers in a neutral, non-intimidating setting.
Electronic Mail/Network	OPERATIONS: Research and implement internal and external electronic mail capacity.
Lender Training	COMMUNICATIONS/Operations/Development: An effort to expand training for lenders to better educate them to VHFA's existing and new programs, primarily Single Family.

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: July 31, 1990

TO: VHFA Board of Commissioners

FROM: Kathy Beyer Kehoe/Special Needs Housing Development Officer

RE: APPLICATION TO THE FEDERAL HOME LOAN BANK FOR THE AFFORDABLE HOUSING PROGRAM

VHFA will be involved in the second round of funding through the Affordable Housing Program of the Federal Home Loan Bank of Boston (FHLBB) by requesting subsidized funds to be used towards the purchase of two mobile home parks which are in the process of acquisition by nonprofits.

VHFA is working with FHLBB members Vermont Federal and Marble Bank, who will submit the application for VHFA. The funds requested may be in the form of either a subsidized five year advance, or a direct subsidy which can be used to buy down the interest rate of VHFA's current loan funds available to mobile home parks.

Applications must be submitted by August 31st. The results of the funding awards will be announced in November.

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA BOARD OF COMMISSIONERS

FROM: MARK KOPPELKAM

DATE: JULY 31, 1990

RE: MINUTES AND STATUS OF VENTURES LOAN FUND - INFORMATIONAL PURPOSES ONLY

Ventures Loan Fund - Minutes of May 31, 1990, Other Action

Present: Meg, Allan, Roger, Mark

1. Committee agreed to forgive $93 sum spent by Rutland County Community Land Trust for Clarendon mobile home park for Terrace Hills mobile home park. This sum was spent on legal fees before the loan agreement was finalized. The loan agreement never was signed as seller decided against selling at this time.

2. Committee gave Meg authority to forgive loan amounts of less than $500.

3. Committee noted that the VHFA Board gave approval at the April 1990 Board meeting to temporarily increase the Ventures loan fund "commitable" amount from $250,000 to $310,000. This was based on the assumption that actual disbursements would not exceed $250,000. Discussion related to increasing the fund limit permanently will take place at a later Board meeting.

4. Committee approved loan application by Champlain Valley Office of Economic Opportunity for $10,500 for the French Hill mobile home park in Williston. See materials distributed in May 31 Ventures agenda packet for details.

5. Committee postponed consideration of a request by the Addison County Community Trust for a loan of $18,500 for a mobile home park in Vergennes. The committee wanted the sponsor to establish a firmer sale price, and review the pro forma and the management situation.

6. There was a brief review of the overall program status. The Mad River Housing Coalition application is being held pending written communication from Lester Breault at Farmers Home.

OTHER ACTION

At the request of the Ventures Loan Coordinator during a period when Allan and Mark where on vacation, Meg approved an $16,500 request to Addison County Community Trust (technically the Parent Child Center Inc.) for the Vergennes mobile home park (Item 5 above). The sponsor had arrived at a reasonable price with the owner, and language was included in the loan agreement giving VHFA the right to approve the management plan.

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VERMONT HOUSING VENTURES STATUS REPORT 7/30/90

ORGANIZATION	PROJECT	APPROVED LOAN AMOUNT	TOTAL LENT TO DATE	PENDING DISBURSEMENTS	LOAN COMMENTS	STATUS	Anticipated Payoff Date
Addison County CAP	9 units - Bristol	$12,000 $18,000	$12,000 $18,000		Phase I Phase II	VHCB approved. HV reviewing. CDBG approved. FHLBB approved. VHFA Board review in Sept.	Smr/Fall '90
Addison County Trust	73 Unit MHP Vergennes	$16,500	$0	$8,000		$18,500 approved. Loan agreement in process.	Fall '90
Rutland County Comm Land Trust	Coburn MHP--52 units in Clarendon to go coop	$16,900	$4,694	$3,153		$7,847 total, will ask forgiveness $4,847.	Summer '90
Bennington-Rutland Opportunity Council	Transitional Shelter Bennington - 5 Units	$6,500	$1,000			Loan Agreement Signed 4/10/90.	
Brattleboro Area Community Land Trust	33 units - Brattleboro	$3,213	$2,063			Partial repayment made ($1,150) 3/22/90	Summer '90
Central Vermont CAC	Highgate--120 units HUD 236	$23,721 $26,279	$23,721 $5,301		Phase I Phase II	$29,022.57 disbursed 5/4/90	Spring '91
CVOEO - French Hill	9 unit MHP Williston	$10,500	$5,000			Loan agreement signed. August closing.	Fall '90
Housing Foundation Inc.	41 unit mobile home park in Brattleboro--extension of Tri-Pa Coop.	$24,600 $25,400	$0 $0		Phase I Phase II	No new information.	Fall '90
Kellogg Woods Home-Owners Association	250 unit mobile home park in Colchester--tenants want to purchase from owner, Atkins.	$15,000	$0			No new information.	Summer '90
Washington County Mental Health	10 unit HUD 202 - rental for mentally handicapped.	$4,000	$0			Loan Agreement signed.	August '90
Williston Elder Housing, Inc.	30 units of rental housing for elderly in Williston	$15,000	$15,000			LIHTC Application for August round.	Spring '91
TOTAL LOANS OUTSTANDING		$217,613	$86,779	$11,153			

ACTUAL LOAN COMMITMENTS OUTSTANDING $204,410
LOAN CAPITAL AVAILABLE (ASSUMING $310,000) $105,590
LOAN CAPITAL AVAILABLE (ASSUMING $250,000) $45,590

APPLICATIONS EXPECTED OR UNDER CONSIDERATION

Mad River Valley Housing Coalition	24 unit elderly FmHA 515 rehab Waitsfield	Loan request $48,000 postponed 3/13/90 L. Breault not favorable at this time.
Winooski Housing Auth	Allan Hebert - Senior Housing	Not Yet Received - On Hold
CVCLT	Barrett Block - Montpelier	$70,000 Request
BROC	Brandon - 2 mobile home parks	Not Yet Received - $4,500 Expected Sum Requested

RECENTLY CLOSED LOANS

Rutland County Comm Land Trust	Terrace Hills MHP--15 units in Clarendon to go coop	$6,500 Loan Approved 3/22/90, w/drawn 4/24/90 Forgiveness of $93 approved.
[illegible] Temporary	20 units of SRO housing, [illegible]	$26,070.31 [illegible]id 7/25/90

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, Development Coordinator PAC

DATE: July 31, 1990

RE: Revised Income Limits and Purchase Price Limits for Funds Remaining at 9.10%

VHFA has received a request from Northshore Development to reserve MOVE funds at 8.9% for their new 44 unit condominium project in Williston. We presently have $1.5 million which has not been reserved for projects under the Builders MOVE Reserve program. We have tentatively reserved this amount for Northshore subject to review and approval of the project. I estimate that this amount would provide financing for 21 units at an average mortgage amount of $70,000. The project will be similar to their recently completed River's Edge project in design. They plan to utilize the Shared Appreciation Second Mortgage Program (SAM) which they offer in partnership with the Merchants Bank. (Please see attached information on the SAM program provided at previous Board meetings.)

To reserve funds, Northshore will sign a contract and pay a one percent (1%) fee. One half of the fee (.50%) will be refunded upon satisfactory completion of the contract. Northshore feels there will be demand for VHFA financing by purchasers over the $1.5 million available for reservation at 8.9%, and has requested additional funds with income limits that allow greater flexibility than under the 8.7% program. (Whether additional funds are actually needed will depend on the number of units eligible for VHFA financing.)

There is approximately $600,000 remaining from the 1988A program at a rate of 9.10% and a term of 25 years. This is due to fallout of applications and loans not submitted for purchase. We would like to increase the income limits and purchase price limits for the remaining 9.10% funds to be consistent with the 8.9% program, and to allow funds to be reserved for new construction projects.

Funds available at 9.10% may not be recycled. If we do not originate mortgages for the remaining funds under this program by July 1, 1991, we will have to redeem bonds. Given that we currently have funds available at 8.7% for a 30 year term, there is no demand for the funds. It is unlikely that we will be able to originate mortgages on these funds before that time unless they are dedicated to Northshore or other new construction projects.

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I recommend increasing the limits for the 1988A Program (9.10%) to be consistent with the limits currently in effect for the 1988B Program. (see below for current and proposed limits)

Action Requested By the Board

Approval of new income limits and purchase price limits for funds remaining under the 1988A Program at 9.10%.

1988A INCOME LIMITS

County or MSA	Current Limit	Proposed Limit
Addison	$29,095	$31,500
Bennington	$30,360	$32,500
Burlington MSA	$37,720	$38,000
Caledonia	$33,320	$33,500
Chittenden	$35,880	$38,000
Essex	$31,360	$31,500
Franklin	$34,580	$35,000
Grand Isle	$26,220	$31,500
Lamoille	$34,580	$35,000
Orange	$32,060	$32,500
Orleans	$31,360	$31,500
Rutland	$37,380	$37,500
Washington	$36,260	$36,500
Windham	$36,120	$37,500
Windsor	$32,085	$34,000

1988A PURCHASE PRICE LIMITS

	Current Limit	Proposed Limit
New Construction	$85,000	$98,000
Existing	$80,000	$89,000

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Douglas R. Lothrop, Director of Operations

DATE: February 7, 1990

RE: River's Edge Condominiums - Burlington, VT

The River's Edge Condominium Project is a new 60 unit project located in the north end of Burlington off Plattsburg Avenue. The developer of this project is Northshore Development Corporation and the construction financier is The Merchants Bank.

The majority (55 of the 60 units) are being offered at a price within our present purchase price limit of $93,000 for new construction ($86,900 to $92,900) with the remaining just over our limit by $1,000.

River's Edge has a unique financing mechanism which enhances the affordability of the units. Along with funds from The Merchants Bank the developer has agreed to take their profit at a later date and offer qualified buyers a second mortgage of up to $20,000 at an interest rate of 4% for a period of 5 years. The second mortgage may be renewed for another 5 years at an interest rate based on a formula taking into consideration the appreciation of the individual unit. This financing technique accomplishes two main purposes:

* Allows borrowers to take advantage of homeownership without the need for accumulating the capital required for down payment and closing costs; and

* Reduces the monthly housing expense to allow lower income borrowers to purchase a unit.

As we learned from "The State of the Nation's Housing 1989," a publication of the Joint Center for Housing Studies at Harvard, the lack of funds for down payment and closing costs is a prime obstacle to homeownership among first time home buyers.

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VHFA was approached in the initial stages of the development of the project and the inception of this financing technique to provide affordable housing and asked about linking our low interest, fixed rate financing with the second mortgage concept.

VHFA took the position that a relatively large second mortgage provided an increased amount of security for our first mortgage rather than a normal 95% LTV mortgage, as the likelihood of the second mortgage holders allowing VHFA to foreclose their interest in a unit if the borrower did not pay was difficult to imagine. The monthly costs of the second mortgage must be calculated into the income to housing expense and income to total expense ratios normally applied to our borrowers.

To date we have received seven reservations on units at River's Edge. Six of the reservations are for units that will have a substantial second mortgage.

VHFA staff has approved River's Edge Condominiums for an initial commitment for financing of 30 units or 50% of the project. This is above the normal 30% level normally approved. Staff's decision was based on: (1) the Burlington market has accepted condominiums as an adequate form of homeownership, (2) the first mortgages with a substantial second of this type is a very secure mortgage, and (3) we need to support and encourage innovative affordable housing initiatives by private enterprise.

No Board action is required.

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Douglas R. Lothrop, Director of Operations

DATE: March 7, 1990

RE: Shared Appreciation Mortgage (SAM) at River's Edge Condominium

At the last board meeting, you requested information on the debt load that borrowers who take advantage of the SAM second mortgage being offered by The Merchants Bank and Northshore at River's Edge Condominiums would be facing at the end of the original term.

Although the interest rate a borrower will have to pay during the original term is set at 4%, the shared appreciation of the property that accrues to the mortgagors, less the costs of capital improvements and appraisal cost, may be as high as 40%.

For this comparison we will assume that the original property value is $90,000, the SAM second mortgage is in the amount of $20,000, and the lender share of the appreciation is 35%.

The following chart indicates the true cost to the borrower after the initial 5 year term.

	Int. Paid 5 years	Appreciation due mortgagor	Effective Cost
4% Int. Only 5% Appreciation	$4,000.00	$ 8,700.00	$12,700.00
4% Int. Only 10% Appreciation	$4,000.00	$19,200.00	$23,200.00
4% Int. Only 15% Appreciation	$4,000.00	$31,800.00	$35,800.00

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At the end of the original term (5 years) the borrower may refinance the outstanding principal balance ($20,000.00) plus the accumulated appreciation over the original term with a fully amortizing mortgage having a term of at least 30 years.

The option being offered by The Merchants Bank, in addition to any other second mortgage financing option, is an adjustable rate mortgage where the initial interest rate is based on the appreciation of the property.

The following chart outlines the plan:

Appreciation	0-4.999%	5.0-7.4999%	7.5-9.99%	10.0%+
Initial Rate	10%	8%	6%	4%
Ann. Max. Adj.	2%	2%	2%	2%
Life. Cap	6%	8%	10%	12%

If a property appreciates at 5% then the borrower would refinance at the end of the original term a total of $32,700.00 at an initial interest rate of 8%. The monthly payment for the first 12 months would be $239.94. Assuming the maximum annual increase, the next year's rate would be 10% and the payment would be $286.15.

For comparison's sake, the monthly payment for a mortgage of $85,500.00, which is 95% of $90,000.00, at 8.9% for 30 years would be $681.81. The monthly mortgage payment using the SAM would be $624.88. After the original 5 year term, using the assumptions above, the borrower's total monthly mortgage payments would be $861.82 in the first year.

When compared to a 95% MOVE first mortgage, the SAM definitely allows for qualifying a borrower at a lower income (by about $2200). However, the borrower must pay the piper beginning in five years, if they take advantage of the Merchants Bank refinancing offer.

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, Development Coordinator PAC

DATE: July 31, 1990

RE: Sugar Mae Update

I plan to have the preliminary results of a survey, scheduled for completion by lenders on August 3rd, available for you at your meeting on the 7th. The survey will provide information necessary for further development of Sugar Mae. Based on very preliminary results, there appears to be strong interest in an adjustable rate deal.

One of the next steps is to sit down with lenders to discuss terms of future deals. For the first transaction, lenders were required to reinvest 50% of the proceeds in activities that support the housing needs of low- and moderate-income Vermonters and to report to us semi-annually on their progress. Before we enter into discussions with lenders, it would be helpful to have your thoughts as to the goals we need to achieve in the area of reinvestment. I would like to discuss this with you on August 7th.

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VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Kathy Beyer Kehoe/Special Needs Housing Development Officer

DATE: July 31, 1990

RE: FRENCH HILL MANOR MOBILE HOME PARK UPDATE

The Board's commitment in June to the permanent financing for French Hill Manor, a nine unit mobile home park, was contingent on the ability of the sponsor, Lake Champlain Housing Development Corporation (LCHDC), to find an additional $15,000 in financing. Since that time, LCHDC has received the final engineering report with cost estimates of needed improvements.

The electrical service must be replaced. LCHDC knew this work was needed and had budgeted $10,000 for the work. The cost estimate came in at $11,500. This work will be done immediately after closing.

Additionally, the engineer also commented that while the septic systems are in working order, it would be prudent to redesign the individual septic systems as a community system; the cost of this work is estimated to be $25,000. While rebuilding the system is not of immediate concern, LCHDC feels that it is important to develop a reliable system. Therefore, this work will be done next spring.

Based on this information, LCHDC went back to the owner and renegotiated the purchase price down by $15,000.

LCHDC plans to use the full VHFA commitment of $122,000 towards the acquisition of the park. The electric work will be done immediately after the purchase using the trust fund money. The septic work will be done next spring and will be financed in part by a $22,000 rental rehabilitation loan.

LCHDC is currently waiting for the completion of the survey. The closing for French Hill Manor should occur shortly thereafter. See the attached bond resolution authorizing the issuance of a taxable bond, proceeds of which will be used to make the permanent mortgage for French Hill Manor.

RECOMMENDED ACTION:

Approval of the attached bond resolution.

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RESOLUTION OF VERMONT HOUSING FINANCE AGENCY
AUTHORIZING THE ISSUANCE OF ITS
HOUSING PROJECT BOND (FEDERALLY TAXABLE
ISSUE) FRENCH HILL MANOR MOBILE HOME PARK

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

ARTICLE I
DEFINITIONS AND AUTHORITY

SECTION 101. Definitions.

(A) In this Resolution unless a different meaning clearly appears from the context:

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

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

"Authorized Officer" means the Chairman, Vice Chairman, Executive Director and Secretary and Director of Finance of the Agency, and any other person authorized by resolution of the Agency to act as an Authorized Officer under this Resolution.

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

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

"Bond Fund" means the Housing Project (Federally Taxable Issue) Bond Fund established under Section 301 of this Resolution.

"Commitment Letter" means the Commitment Letter relating to the Permanent Loan dated as of August 1, 1990, issued by the Agency and accepted by the Sponsor.

"Costs of Issuance" means any items of expense payable or reimbursable directly or indirectly by the Agency and

related to the authorization, sale and issuance of the Bond.

"Development" means the French Hill Manor Mobile Home Park as more fully described in the Commitment Letter and the Three Party Agreement.

"General Account" means the account so designated and established under Section 301 of this Resolution.

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

"Loan Account" means the account so designated and established under Section 301 of this Resolution.

"Permanent Loan" means a permanent mortgage loan made by or on behalf of Agency to the Sponsor with the proceeds of the Bond.

"Permanent Loan Amount" means the amount of the Permanent Loan established pursuant to paragraph 3 of the Commitment Letter.

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

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

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

"Revenues" means and includes all payments, proceeds, charges, fees, rents, investment earnings and all other income (including without limitation all payments of principal and interest received by or on behalf of the Agency on the Permanent Loan and all Recovery Payments) derived by or for the account of the Agency from or related to the Development and the Permanent Loan.

"Sinking Fund Account" means the account so designated and established under Section 301 of the Resolution.

"Sponsor" means Lake Champlain Housing Development Corp., a non-profit corporation organized and existing under the laws of the State.

"State" means the State of Vermont.

"Three Party Agreement" means the agreement so denominated among the Sponsor, the purchaser of the Bond, and the Agency, in substantially the form presented at this meeting.

(B) Except as otherwise expressly provided in this Resolution, the terms "housing development costs," "housing sponsor," "mortgage," "mortgage loan," and "residential housing" when used in this Resolution shall have the meanings given such terms in the Act.

SECTION 102. Authority.

This Resolution is adopted pursuant to the Act and shall take effect upon its adoption. The Agency is duly authorized under the Act and all applicable laws to issue the Bond and to adopt this Resolution in the manner and to the extent provided herein. The Agency will at all times, to the extent permitted by law, defend, preserve and protect all the rights of the registered owner of the Bond hereunder against all claims and demands of all persons whomsoever.

ARTICLE II
AUTHORIZATION OF THE BOND; FINDINGS; TERMS AND SALE OF THE BOND

SECTION 201. The Bond.

(A) The Bond of the Agency, designated "Housing Project Bond (Federally Taxable Issue) French Hill Manor Mobile Home Park" are hereby authorized to be issued as herein provided in an aggregate principal amount not to exceed One Hundred Twenty Two Thousand Dollars ($122,000), the original principal amount of the Bond to be determined upon its issuance by the Authorized Officers of the Agency executing the same. The Bond shall be in such denomination as the authorized officers of the Agency shall determine. The Bond shall be dated and shall bear interest from the Bond Date and shall mature, subject to prior redemption as herein and in the Bond provided, twenty years from the Bond Date. Interest on the Bond shall be payable on March 1, 1991 and semi-annually thereafter on March 1 and September 1 of each year. The form of the Bond, the

rate or rates of interest payable thereon, the terms of redemption thereof prior to maturity and all other terms and conditions thereof shall be as set forth in Article IV of this Resolution.

(B) The Agency hereby ratifies and confirms the Commitment Letter and approves the Permanent Loan on the terms and conditions provided herein, in the Commitment Letter and in the Three Party Agreement. The Agency hereby determines that:

(1) the Permanent Loan does not exceed the value of the Development as determined by the Agency and the principal amount of the Bond is necessary to provide sufficient funds to be used and expended for the Program in respect of the Development;

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

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

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

(5) the acquisition, construction and or rehabilitation costs incurred or to be incurred by the Sponsor are for housing development costs within the meaning of the Act;

(6) there exists or without the Development 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 investments are unable, without assistance, to provide an adequate supply of residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families; and

(7) the Sponsor is a housing sponsor as defined in the Act, the Sponsor will maintain or increase the supply of well-planned, well-designed permanent, temporary transitional or emergency housing for persons of low and

moderate income and the Sponsor is a financially responsible person.

(C) The purposes for which the Bond is being issued are to provide funds to make the Permanent Loan and to pay Costs of Issuance in the amount determined by or pursuant to Article III hereof.

SECTION 202. Sale of the Bond.

(A) The Bond is hereby sold to the State Teachers' Retirement System of Vermont at the price of par on the terms and conditions provided herein and in the Three Party Agreement. The Three Party Agreement, in substantially the form presented at this meeting and included in the minutes thereof, and its execution and delivery by Authorized Officers of the Agency is hereby approved with such changes therein and thereto not inconsistent herewith as may be approved by the Authorized Officers executing the same prior to the execution and delivery thereof.

ARTICLE III
ESTABLISHMENT OF FUNDS AND ACCOUNTS; APPLICATION OF BOND PROCEEDS; OBLIGATION OF THE BOND

SECTION 301. Funds and Accounts.

(A) The Housing Project (Federally Taxable Issue) Project Fund (the "Project Fund") is hereby established to be held and administered together with all accounts therein by the Agency as provided in this Resolution. On or prior to the Bond Date the Agency shall establish within the Project Fund a separate account designated the "French Hill Manor Loan Account" (the "Loan Account"), the amounts in which shall be applied as provided in this Article III.

(B) The Housing Project (Federally Taxable Issue) Bond Fund (the "Bond Fund") is hereby established to be held and administered together with all accounts therein by the Agency as provided in this Resolution. On or prior to the Bond Date the Agency shall establish within the Bond Fund the following separate accounts to be applied as provided in this Article III:

(1) French Hill Manor General Account (the "General Account");

(2) French Hill Manor Sinking Fund Account (the "Sinking Fund Account");

(3) French Hill Manor Special Redemption Account (the "Special Redemption Account").

SECTION 302. Application of Bond Proceeds.

(A) The proceeds of the Bond shall be deposited in the Loan Account. Moneys in the Loan Account shall be used solely as follows:

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

(2) amounts in the Loan Account in excess of the Permanent Loan Amount shall be applied by the Agency to defray

Costs of Issuance of the Bond within six (6) months of the Bond Date.

(B) Notwithstanding anything herein to the contrary, if the Permanent Loan is not made within six (6) months of the Bond Date, or in any event if any balance remains on deposit in the Loan Account on the date which is six (6) months after the Bond Date, the entire balance on deposit in the Loan Account shall be transferred to the Special Redemption Account for application to the redemption of the Bond as provided in Section 303 of this Resolution.

SECTION 303. Application of Revenues.

(A) The Agency shall deposit all Revenues in the Bond Fund upon receipt and shall immediately allocate the same to accounts therein as follows:

(1) Revenues constituting scheduled repayments of principal on the Permanent Loan and Revenues constituting permitted prepayments of the outstanding principal of the Permanent Loan - to the Sinking Fund Account;

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

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

(B) On September 1, 1991 and each succeeding September 1 thereafter, all amounts deposited in the Sinking Fund Account under Section 303(A)(1) shall be applied to the redemption of the outstanding principal of the Bond, except that, in the event that the Agency receives a prepayment of the outstanding principal of the Permanent Loan under Section 303(A)(1) on the tenth anniversary of the Bond Date, or at any time thereafter, all as provided in the Permanent Loan, the Bond shall be subject to redemption at the option of the Agency in whole, but not in part, from the amount deposited in said Account.

(C) All amounts deposited in the Special Redemption Account shall be promptly applied to the redemption of the outstanding principal of the Bond. At any time not later than the interest payment date for the Bond next succeeding the date of any deposit into said Account under Section 303(A)(2), the amount so deposited shall be applied to the redemption of the outstanding principal of the Bond.

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

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

(2) on the redemption date of any portion of the principal of the Bond being redeemed hereunder to pay any interest then payable on the principal amount of the Bond to be redeemed;

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

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

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

SECTION 304. Transfers from General Fund.

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

SECTION 305. Investment.

Moneys in the funds and accounts established hereunder may be

invested by the Agency, until needed for their respective purposes, in any manner permitted by the Act. Moneys in two or more of such funds and accounts may be invested on a commingled basis for the account of such funds and accounts pro rata in proportion to the moneys invested on behalf of each such fund or account. Interest and other income earned upon the investment or deposit of amounts in the Loan Account shall be deposited in such Account. Interest and other income earned upon the investment or deposit of amounts on deposit in the General Account, the Sinking Fund Account and the Special Redemption Account shall be deposited in the General Account.

SECTION 306. Obligation of The Bond.

The Bond shall be a general obligation of the Agency payable out of any of the Agency's revenues, moneys or assets, subject only to agreements heretofore or hereafter made with the holders of obligations of the Agency other than the Bond pledging particular revenues, moneys or assets for the payment thereof. The Agency hereby covenants and agrees with the registered owners of the Bond that it will not grant to any person any lien on or pledge of the Permanent Loan or of any of the Revenues or moneys or investments in any of the accounts created hereunder or any proceeds thereof unless the Agency shall simultaneously therewith grant to the registered owners of the Bond a prior and senior lien on or pledge of the Permanent Loan and such Revenues, moneys and investments and the proceeds thereof. The Bond shall not constitute a debt or grant or loan of credit of the State and the State shall not be liable thereon nor shall the Bond be payable out of any funds other than those of the Agency. The Agency is not obligated to pay the Bond or the interest thereon except from the revenues or assets of the Agency pledged therefor under this Resolution and neither the faith nor credit nor taxing power of the State or any political subdivision thereof is pledged to the payment of the principal of or interest on the Bond.

ARTICLE IV
FORM OF THE BOND

The Bond shall be issued substantially in the following form:

VERMONT HOUSING FINANCE AGENCY
HOUSING PROJECT BOND
(Federally Taxable Issue)
French Hill Manor Mobile Home Park

No. __ $_____

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

FORTH BELOW.

The Vermont Housing Finance Agency (herein called the "Agency"), a body politic and corporate of the State of Vermont, for value received hereby promises to pay to _____ or registered assigns, on the _____ day of August, 2010, the principal sum of _____, upon presentation and surrender hereof, and to pay interest on the principal balance hereof outstanding from time to time from the date of original delivery of this bond (the "Bond Date") until final payment hereof at the annual rate provided below, such interest payments to be made semi-annually on the first day of March and September in each year commencing March 1, 1991. The principal or redemption price of and interest on this Bond are payable in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts and shall be payable by check or draft mailed to the registered owner at his address appearing on the registration books of the Agency kept for that purpose at the offices of the Agency; provided that the registered owner of this bond by acceptance hereof agrees that whenever any payment on account of principal shall occur, such owner shall promptly note the date and amount thereof on the Schedule of Payments and Prepayments endorsed hereon and further agrees that this bond shall be surrendered to the Agency upon final payment hereof.

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

1. From the Bond Date to but excluding the fifth anniversary of the Bond Date - 9.75%;

2. From the fifth anniversary of the Bond Date to but excluding the tenth anniversary of the Bond Date, a rate equal to 10.50%;

3. From the tenth anniversary of the Bond Date to but excluding the fifteenth anniversary of the Bond Date, a rate equal to 11.25%;

4. From the fifteenth anniversary of the Bond Date to the earlier of final maturity or redemption hereof, a rate equal to 12.00%.

This bond is issued pursuant to No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended (the "Act") and under and pursuant to a resolution of the Agency adopted August 7, 1990 entitled "Resolution of Vermont Housing Finance Agency Authorizing the Issuance of its Housing Project Bond (Federally Taxable Issue) French Hill Manor Mobile Home Park" (the "Resolution"). This bond is a general obligation of the Agency payable out of any of the Agency's revenues, moneys or assets, subject only to agreements heretofore or hereafter made with the holders of obligations of the

Agency other than this bond pledging particular revenues, moneys or assets for the payment thereof.

The Agency is not obligated to pay this bond or the interest hereon except from the revenues or assets of the Agency pledged under the Resolution and neither the faith and credit nor the taxing power of the State of Vermont or of any political subdivision thereof is pledged to the payment of the principal of or the interest on this bond.

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

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

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

1. in whole or in part on September 1, 1991 and on each September

1 thereafter without notice through application of moneys in the Sinking Fund Account as required by the Resolution;

2. in whole or in part at any time upon notice through application of moneys in the Special Redemption Account as required by the Resolution; and

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

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

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

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

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

ATTEST: VERMONT HOUSING FINANCE AGENCY

By: _____ By: _____
Authorized Officer Authorized Officer

Bond Date: _____ __, 19__

Schedule of Payments and Prepayments of Principal

Principal Amount Paid	Date Paid	Balance Due	Authorized Signature and Title

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

ARTICLE V
MISCELLANEOUS

SECTION 501. Default.

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

SECTION 502. Defeasance.

If the Agency shall pay or cause to be paid to the registered owners of the Bond the principal, redemption price and interest thereon at the times and in the manner stipulated therein and herein, then all obligations of the Agency hereunder and under the Bond and all other rights granted hereby shall be discharged and satisfied.

SECTION 503. Transfer.

The Bond may be transferred in whole but not in part to new owners, subject to the restrictions on transfer and upon compliance with the provisions for transfer described in the form of the Bond and payment of a transfer fee of $100.00 for each substitute Bond

issued as a result of a request for transfer.

SECTION 504. Amendment.

This Resolution may be amended by the Agency without the consent of the registered owners of the Bond to cure any ambiguity, supply any omission or cure or correct any defect or inconsistent provision herein or to insert such provisions clarifying matters or questions arising hereunder as are necessary or desirable and are not inconsistent with this Resolution as theretofore in effect. The Agency may also adopt a resolution amending, supplementing or otherwise modifying this Resolution without the consent of the registered owners of the Bond to incorporate the provisions hereof in a resolution of the Agency of general application to bonds issued to finance the Program the interest on which is not excludable from federal income taxes; provided no such resolution shall reduce the principal amount of the Bond or the rate of interest payable thereon or change the maturity date thereof or the dates for payment of interest thereon or the terms of redemption thereof or the security granted for the payment thereof without the express written consent of the registered owners of the Bond. Except as hereinabove provided in this Section 504, this Resolution and the Bond may be amended by the Agency only with the prior written consent of the registered owners of the Bond.

SECTION 505. Authorization of Officers.

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

SECTION 506. Severability.

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

THREE PARTY AGREEMENT

This Agreement is made this _____ day of _____, 19__, by and among _____, having its principal office at _____ (hereinafter called the "Buyer"); Housing Foundation, Inc., a Vermont nonprofit corporation (hereinafter called "Borrower"); and the Vermont Housing Finance Agency, having its principal office at One Burlington Square, Burlington, Vermont (hereinafter called "Agency").

In consideration of the promises hereinafter set forth, it is agreed by and among the parties hereto as follows:

1. Upon acquisition of a certain mobile home park located in Williston, Vermont (the "Development"), and otherwise subject to the terms and conditions of the Agency's commitment letter to the Borrower or Borrower's representative dated _____ (the "Commitment Letter"), Agency agrees to make a Permanent Loan to Borrower in such amount as Borrower may request, provided that the amount of such Loan shall not exceed the lesser of (a) 85% of the security value of the Development as determined by the Agency, or (b) ONE HUNDRED TWENTY TWO THOUSAND ($122,000) AND 00/100 DOLLARS. The Permanent Loan shall conform in all respects to the requirements of the Commitment Letter. The Permanent Loan shall be evidenced and secured by a Note, Mortgage and Security Agreement covering all realty and personalty, and be subject to the conditions of the Regulatory Agreement. The Development shall have no encumbrances or defects in title that would adversely impair in any way the security of the Agency therein.

2. The parties hereby agree that, notwithstanding any date set forth in any other document of prior date between the parties, the agreement of the Agency to make the Permanent Loan upon completion of the Development by the Borrower shall continue in force until September 30, 1990, which date shall be the expiration date of the Agency Commitment and any Agency responsibility or liability, unless further extended in writing by the Agency.

3. The Borrower agrees for the benefit of the Agency and the Bank to accept the Permanent Loan to be made by the Agency pursuant to the terms of the Commitment Letter, and the Borrower further consents and agrees that it will not accept a permanent first mortgage loan from any lender other than the Agency during the term of this Agreement or any extension hereof.

4. Agency hereby acknowledges that the Agency Commitment Letter is in full force and is unmodified except as set forth in this Agreement.

5. The parties hereby acknowledge that the Agency Commitment Letter and all of its terms are an express condition of this document. Furthermore, the Borrower agrees to accept and approve for purposes of the Permanent Loan the form of the following documents attached to the Commitment Letter:

   (a) Note
   (b) Mortgage Deed
   (c) Regulatory Agreement
   (d) Collateral Assignment of Leases and Rents

6. Subject to the terms of the Commitment Letter, at the time of the Permanent Loan (or at such earlier date as the Buyer may request on 30 days' notice to the Agency) and prior to the expiration of the Agency Commitment, the Agency agrees to issue to the Buyer (and/or to another investor acceptable to the Agency in its sole and absolute discretion, but subject to the consent of the Buyer) and the Buyer agrees to purchase from the Agency, at its face value, the Agency's Bond in an amount established pursuant to the Commitment Letter. For the protection of the Agency, the Buyer represents as follows:

   (a) The Buyer is a sophisticated investor in securities of the general type of the Agency's Bond.

   (b) The Buyer has examined the Agency's audited financial statements for the most recent period for which audited statements are available, has been offered access to all prior audited financial statements of the Agency and the current books of account of the Agency and has availed itself of such access to the extent it deems necessary.

   (c) The Buyer represents that it is purchasing the Bond for its own account for investment and does not presently intend to sell or otherwise distribute the Bond or any interest or participation therein. The Buyer understands that the extent and nature of the information furnished in this transaction is based upon the foregoing.

   (d) As between the Buyer and the Agency and all counsel for and representatives of the Agency, the Buyer has assumed responsibility for obtaining the information relating to the Bond which it deems necessary for its investment decision, and has not looked to the Agency,

its counsel, or its other representatives to provide or review that information.

7. The Agency represents to the Bank and the Borrower that, under current law, and subject to compliance with such law, it is able to issue bonds in such form, that the interest thereon will be subject to federal income tax, but exempt from Vermont income tax.

8. In the event that the Agency is unable to issue its Bond as of the time of expiration of the Agency Commitment, this agreement and the Agency Commitment as evidenced by the Commitment letter shall be null and void.

9. Notice shall be deemed delivered when mailed registered mail, return receipt requested, to the Borrower at 220 Riverside Avenue, Burlington, Vermont 05401, to the Agency at P.O. Box 408, Burlington, Vermont 05402-0408, or the Buyer c/o State Treasurer, 133 State Street, Montpelier, Vermont 05602 (or to such other place as a party may designate in writing).

10. This Agreement is not assignable.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be signed by their duly authorized agents all as of the date and year first above mentioned.

LAKE CHAMPLAIN HOUSING DEVELOPMENT CORP. By:

_____

(Borrower) Its

_____

STATE TEACHERS' RETIREMENT SYSTEM By:

_____

(Buyer) Its

_____

VERMONT HOUSING FINANCE AGENCY By:

_____

(Agency) Its

_____

FREN3PAR

VERMONT HOUSING FINANCE AGENCY

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE

RE: TAXABLE BOND RESOLUTION ST. JOHNSBURY HOUSING

DATE: JULY 31, 1990

Enclosed in your board package is a lengthy document entitled Resolution of Vermont Housing Finance Agency Authorizing the Issuance of Its Housing Project Bonds (Federally Taxable Issue) St. Johnsbury Housing Development. This document gives us the authority to issue debt for the St. Johnsbury development. The Bank of Vermont will be the purchaser of this bond utilizing funds from the Federal Reserve Home Loan Bank program. The project will be charged 8.5% and the Bank of Vermont is paying 6.5% on the funds it is passing through. We are negotiating with the bank as to the split on the 2% override. It is expected that the amount of the bond will be $410,000, mature in fifteen years and will constitute a general obligation of the Agency.

Since we expect that there will be multiple taxable bond issues, the goal of the Agency and Palmer & Dodge is to complete a general resolution and then specific series resolutions pertinent to each project financed. If nothing else, this will cut the paper immensely as we issue bonds for new projects. This particular bond should be able to be "wrapped" into the Taxable General Resolution. This bond is very similar to the Sandy Pines taxable bond approved at the last Board meeting.

RECOMMENDED ACTION

Approval of the Taxable Bond Resolution for the St. Johnsbury Housing Development.

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866

RESOLUTION OF VERMONT HOUSING FINANCE AGENCY
AUTHORIZING THE ISSUANCE OF ITS
HOUSING PROJECT BOND (FEDERALLY TAXABLE
ISSUE) ST. JOHNSBURY HOUSING DEVELOPMENT

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

ARTICLE I
DEFINITIONS AND AUTHORITY

SECTION 101. Definitions.

(A) In this Resolution unless a different meaning clearly appears from the context:

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

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

"Authorized Officer" means the Chairman, Vice Chairman, Executive Director and Secretary and Director of Finance of the Agency, and any other person authorized by resolution of the Agency to act as an Authorized Officer under this Resolution.

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

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

"Bond Fund" means the Housing Project (Federally Taxable Issue) Bond Fund established under a resolution adopted by the Agency of even date herewith.

"Commitment Letter" means the Commitment Letter relating to the Permanent Loan dated as of _____, 1990, issued by the Agency and accepted by the Sponsor.

"Costs of Issuance" means any items of expense payable or reimbursable directly or indirectly by the Agency and

related to the authorization, sale and issuance of the Bond.

"Development" means the St. Johnsbury Housing Development as more fully described in the Commitment Letter and the Three Party Agreement.

"General Account" means the account so designated and established under Section 301 of this Resolution.

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

"Loan Account" means the account so designated and established under Section 301 of this Resolution.

"Permanent Loan" means a permanent mortgage loan made by or on behalf of Agency to the Sponsor with the proceeds of the Bond.

"Permanent Loan Amount" means the amount of the Permanent Loan established pursuant to paragraph 3 of the Commitment Letter.

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

"Project Fund" means the Housing Project (Federally Taxable Issue) Project established under a resolution adopted by the Agency of even date herewith.

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

"Revenues" means and includes all payments, proceeds, charges, fees, rents, investment earnings and all other income (including without limitation all payments of principal and interest received by or on behalf of the Agency on the Permanent Loan and all Recovery Payments) derived by or for the account of the Agency from or

related to the Development and the Permanent Loan.

"Sinking Fund Account" means the account so designated and established under Section 301 of the Resolution.

"Sponsor" means St. Johnsbury Housing Limited Partnership, a limited partnership organized and existing under the laws of the State.

"State" means the State of Vermont.

"Three Party Agreement" means the agreement so denominated among the Sponsor, the purchaser of the Bond, and the Agency, in substantially the form presented at this meeting.

(B) Except as otherwise expressly provided in this Resolution, the terms "housing development costs," "housing sponsor," "mortgage," "mortgage loan," and "residential housing" when used in this Resolution shall have the meanings given such terms in the Act.

SECTION 102. Authority.

This Resolution is adopted pursuant to the Act and shall take effect upon its adoption. The Agency is duly authorized under the Act and all applicable laws to issue the Bond and to adopt this Resolution in the manner and to the extent provided herein. The Agency will at all times, to the extent permitted by law, defend, preserve and protect all the rights of the registered owner of the Bond hereunder against all claims and demands of all persons whomsoever.

ARTICLE II
AUTHORIZATION OF THE BOND; FINDINGS; TERMS AND SALE OF THE BOND

SECTION 201. The Bond.

(A) The Bond of the Agency, designated "Housing Project Bond (Federally Taxable Issue) St. Johnsbury Housing Development" are hereby authorized to be issued as herein provided in an aggregate principal amount not to exceed Four Hundred Forty Thousand Dollars ($440,000), the original principal amount of the Bond to be determined upon its issuance by the Authorized Officers of the Agency executing the same. The Bond shall be in such denomination as the authorized officers of the Agency shall determine. The Bond shall be dated and shall bear interest from the Bond Date and shall mature, subject to prior redemption as herein and in the Bond provided, on August 8, 2005. Interest on the Bond shall be payable on March 1, 1991

and semi-annually thereafter on March 1 and September 1 of each year. The form of the Bond, the rate or rates of interest payable thereon, the terms of redemption thereof prior to maturity and all other terms and conditions thereof shall be as set forth in Article IV of this Resolution.

(B) The Agency hereby ratifies and confirms the Commitment Letter and approves the Permanent Loan on the terms and conditions provided herein, in the Commitment Letter and in the Three Party Agreement. The Agency hereby determines that:

(1) the Permanent Loan does not exceed the value of the Development as determined by the Agency and the principal amount of the Bond is necessary to provide sufficient funds to be used and expended for the Program in respect of the Development;

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

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

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

(5) the acquisition, construction and or rehabilitation costs incurred or to be incurred by the Sponsor are for housing development costs within the meaning of the Act;

(6) there exists or without the Development 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 investments are unable, without assistance, to provide an adequate supply of residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families; and

(7) the Sponsor is a housing sponsor as defined in the Act, the Sponsor will maintain or increase the supply of well-planned, well-designed permanent, temporary

transitional or emergency housing for persons of low and moderate income and the Sponsor is a financially responsible person.

(C) The purposes for which the Bond is being issued are to provide funds to make the Permanent Loan and to pay Costs of Issuance in the amount determined by or pursuant to Article III hereof.

SECTION 202. Sale of the Bond.

(A) The Bond is hereby sold to the Bank of Vermont upon the conditions provided herein and in the Three Party Agreement. The Three Party Agreement, in substantially the form presented at this meeting and included in the minutes thereof, and its execution and delivery by Authorized Officers of the Agency is hereby approved with such changes therein and thereto not inconsistent herewith as may be approved by the Authorized Officers executing the same prior to the execution and delivery thereof.

ARTICLE III
ESTABLISHMENT OF FUNDS AND ACCOUNTS; APPLICATION OF BOND PROCEEDS; OBLIGATION OF THE BOND

SECTION 301. Funds and Accounts.

(A) The Housing Project (Federally Taxable Issue) Project Fund (the "Project Fund") is hereby established to be held and administered together with all accounts therein by the Agency as provided in this Resolution. On or prior to the Bond Date the Agency shall establish within the Project Fund a separate account designated the "St. Johnsbury Loan Account" (the "Loan Account"), the amounts in which shall be applied as provided in this Article III.

(B) The Housing Project (Federally Taxable Issue) Bond Fund (the "Bond Fund") is hereby established to be held and administered together with all accounts therein by the Agency as provided in this Resolution. On or prior to the Bond Date the Agency shall establish within the Bond Fund the following separate accounts to be applied as provided in this Article III:

(1) St. Johnsbury General Account (the "General Account");

(2) St. Johnsbury Sinking Fund Account (the "Sinking Fund Account");

(3) St. Johnsbury Special Redemption Account (the "Special Redemption Account").

SECTION 302. Application of Bond Proceeds.

(A) The proceeds of the Bond shall be deposited in the Loan Account. Moneys in the Loan Account shall be used solely as follows:

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

(2) amounts in the Loan Account in excess of the Permanent Loan Amount shall be applied by the Agency to defray

Costs of Issuance of the Bond within six (6) months of the Bond Date.

(B) Notwithstanding anything herein to the contrary, if the Permanent Loan is not made within six (6) months of the Bond Date, or in any event if any balance remains on deposit in the Loan Account on the date which is six (6) months after the Bond Date, the entire balance on deposit in the Loan Account shall be transferred to the Special Redemption Account for application to the redemption of the Bond as provided in Section 303 of this Resolution.

SECTION 303. Application of Revenues.

(A) The Agency shall deposit all Revenues in the Bond Fund upon receipt and shall immediately allocate the same to accounts therein as follows:

(1) Revenues constituting scheduled repayments of principal on the Permanent Loan and Revenues constituting permitted prepayments of the outstanding principal of the Permanent Loan - to the Sinking Fund Account;

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

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

(B) On August 8, 1991 and each succeeding August 8 thereafter, all amounts deposited in the Sinking Fund Account under Section 303(A)(1) shall be applied to the redemption of the outstanding principal of the Bond, except that, in the event that the Agency receives a prepayment of the outstanding principal of the Permanent Loan under Section 303(A)(1) on the tenth anniversary of the Bond Date, or at any time thereafter, all as provided in the Permanent Loan, the Bond shall be subject to redemption at the option of the Agency in whole, but not in part, from the amount deposited in said Account.

(C) All amounts deposited in the Special Redemption Account shall be promptly applied to the redemption of the outstanding principal of the Bond. At any time not later than the interest payment date for the Bond next succeeding the date of any deposit into said Account under Section 303(A)(2), the amount so deposited shall be applied to the redemption of the outstanding principal of the Bond.

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

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

(2) on the redemption date of any portion of the principal of the Bond being redeemed hereunder to pay any interest then payable on the principal amount of the Bond to be redeemed;

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

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

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

SECTION 304. Transfers from General Fund.

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

SECTION 305. Investment.

Moneys in the funds and accounts established hereunder may be

invested by the Agency, until needed for their respective purposes, in any manner permitted by the Act. Moneys in two or more of such funds and accounts may be invested on a commingled basis for the account of such funds and accounts pro rata in proportion to the moneys invested on behalf of each such fund or account. Interest and other income earned upon the investment or deposit of amounts in the Loan Account shall be deposited in such Account. Interest and other income earned upon the investment or deposit of amounts on deposit in the General Account, the Sinking Fund Account and the Special Redemption Account shall be deposited in the General Account.

SECTION 306. Obligation of The Bond.

The Bond shall be a general obligation of the Agency payable out of any of the Agency's revenues, moneys or assets, subject only to agreements heretofore or hereafter made with the holders of obligations of the Agency other than the Bond pledging particular revenues, moneys or assets for the payment thereof. The Agency hereby covenants and agrees with the registered owners of the Bond that it will not grant to any person any lien on or pledge of the Permanent Loan or of any of the Revenues or moneys or investments in any of the accounts created hereunder or any proceeds thereof unless the Agency shall simultaneously therewith grant to the registered owners of the Bond a prior and senior lien on or pledge of the Permanent Loan and such Revenues, moneys and investments and the proceeds thereof. The Bond shall not constitute a debt or grant or loan of credit of the State and the State shall not be liable thereon nor shall the Bond be payable out of any funds other than those of the Agency. The Agency is not obligated to pay the Bond or the interest thereon except from the revenues or assets of the Agency pledged therefor under this Resolution and neither the faith nor credit nor taxing power of the State or any political subdivision thereof is pledged to the payment of the principal of or interest on the Bond.

ARTICLE IV
FORM OF THE BOND

The Bond shall be issued substantially in the following form:

VERMONT HOUSING FINANCE AGENCY
HOUSING PROJECT BOND
(Federally Taxable Issue)
St. Johnsbury Housing Development

No. __ $_____

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

FORTH BELOW.

The Vermont Housing Finance Agency (herein called the "Agency"), a body politic and corporate of the State of Vermont, for value received hereby promises to pay to _____ or registered assigns, on the eighth day of August, 2005, the principal sum of _____, upon presentation and surrender hereof, and to pay interest on the principal balance hereof outstanding from time to time from the date of original delivery of this bond (the "Bond Date") until final payment hereof at the annual rate provided below, such interest payments to be made semi-annually on the first day of March and September in each year commencing March 1, 1991. The principal or redemption price of and interest on this Bond are payable in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts and shall be payable by check or draft mailed to the registered owner at his address appearing on the registration books of the Agency kept for that purpose at the offices of the Agency; provided that the registered owner of this bond by acceptance hereof agrees that whenever any payment on account of principal shall occur, such owner shall promptly note the date and amount thereof on the Schedule of Payments and Prepayments endorsed hereon and further agrees that this bond shall be surrendered to the Agency upon final payment hereof.

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

This bond is issued pursuant to No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended (the "Act") and under and pursuant to a resolution of the Agency adopted June 28, 1990 entitled "Resolution of Vermont Housing Finance Agency Authorizing the Issuance of its Housing Project Bond (Federally Taxable Issue) St. Johnsbury Housing Development" (the "Resolution"). This bond is a general obligation of the Agency payable out of any of the Agency's revenues, moneys or assets, subject only to agreements heretofore or hereafter made with the holders of obligations of the Agency other than this bond pledging particular revenues, moneys or assets for the payment thereof.

The Agency is not obligated to pay this bond or the interest hereon except from the revenues or assets of the Agency pledged under the Resolution and neither the faith and credit nor the taxing power of the State of Vermont or of any political subdivision thereof is pledged to the payment of the principal of or the interest on this bond.

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

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

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

1. in whole or in part on August 8, 1991 and on each August 8 thereafter without notice through application of moneys in the Sinking Fund Account as required by the Resolution;

2. in whole or in part at any time upon notice through application of moneys in the Special Redemption Account as required by the Resolution; and

3. in whole (but not in part) on the tenth anniversary of the Bond Date or at any time thereafter, at the election of the

Agency upon notice, through application of moneys deposited in the Sinking Fund Account in the event of the prepayment of the outstanding principal amount of the Permanent Loan as described in the Resolution.

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

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

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

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

ATTEST: VERMONT HOUSING FINANCE AGENCY

By: _____ By: _____
Authorized Officer Authorized Officer

Bond Date: _____ __, 19__

Schedule of Payments and Prepayments of Principal

Principal Amount Paid	Date Paid	Balance Due	Authorized Signature and Title

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

ARTICLE V
MISCELLANEOUS

SECTION 501. Default.

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

SECTION 502. Defeasance.

If the Agency shall pay or cause to be paid to the registered owners of the Bond the principal, redemption price and interest thereon at the times and in the manner stipulated therein and herein, then all obligations of the Agency hereunder and under the Bond and all other rights granted hereby shall be discharged and satisfied.

SECTION 503. Transfer.

The Bond may be transferred in whole but not in part to new owners, subject to the restrictions on transfer and upon compliance with the provisions for transfer described in the form of the Bond and payment of a transfer fee of $100.00 for each substitute Bond issued as a result of a request for transfer.

SECTION 504. Amendment.

This Resolution may be amended by the Agency without the consent of the registered owners of the Bond to cure any ambiguity, supply any omission or cure or correct any defect or inconsistent provision herein or to insert such provisions clarifying matters or questions arising hereunder as are necessary or desirable and

are not inconsistent with this Resolution as theretofore in effect. The Agency may also adopt a resolution amending, supplementing or otherwise modifying this Resolution without the consent of the registered owners of the Bond to incorporate the provisions hereof in a resolution of the Agency of general application to bonds issued to finance the Program the interest on which is not excludable from federal income taxes; provided no such resolution shall reduce the principal amount of the Bond or the rate of interest payable thereon or change the maturity date thereof or the dates for payment of interest thereon or the terms of redemption thereof or the security granted for the payment thereof without the express written consent of the registered owners of the Bond. Except as hereinabove provided in this Section 504, this Resolution and the Bond may be amended by the Agency only with the prior written consent of the registered owners of the Bond.

SECTION 505. Authorization of Officers.

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

SECTION 506. Severability.

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

THREE PARTY AGREEMENT

This Agreement is made this _____ day of _____, 19__, by and among Bank of Vermont, having its principal office at Burlington, Vermont (hereinafter called the "Buyer"); St. Johnsbury Housing Limited Partnership, a Vermont limited partnership (hereinafter called "Borrower"); and the Vermont Housing Finance Agency, having its principal office at One Burlington Square, Burlington, Vermont (hereinafter called "Agency").

In consideration of the promises hereinafter set forth, it is agreed by and among the parties hereto as follows:

1. Upon acquisition of a certain housing development located in St. Johnsbury, Vermont (the "Development"), and otherwise subject to the terms and conditions of the Agency's commitment letter to the Borrower or Borrower's representative dated _____ (the "Commitment Letter"), Agency agrees to make a Permanent Loan to Borrower in such amount as Borrower may request, provided that the amount of such Loan shall not exceed the lesser of (a) 85% of the security value of the Development as determined by the Agency, or (b) FOUR HUNDRED FORTY THOUSAND ($440,000) AND 00/100 DOLLARS. The Permanent Loan shall conform in all respects to the requirements of the Commitment Letter. The Permanent Loan shall be evidenced and secured by a Note, Mortgage and Security Agreement covering all realty and personalty, and be subject to the conditions of the Regulatory Agreement. The Development shall have no encumbrances or defects in title that would adversely impair in any way the security of the Agency therein.

2. The parties hereby agree that, notwithstanding any date set forth in any other document of prior date between the parties, the agreement of the Agency to make the Permanent Loan upon completion of the Development by the Borrower shall continue in force until September 30, 1990, which date shall be the expiration date of the Agency Commitment and any Agency responsibility or liability, unless further extended in writing by the Agency.

3. The Borrower agrees for the benefit of the Agency and the Bank to accept the Permanent Loan to be made by the Agency pursuant to the terms of the Commitment Letter, and the Borrower further consents and agrees that it will not accept a first mortgage loan from any lender other than the Agency during the term of this Agreement or any extension hereof.

4. Agency hereby acknowledges that the Agency Commitment Letter is in full force and is unmodified except as set forth in this Agreement.

5. The parties hereby acknowledge that the Agency Commitment Letter and all of its terms are an express condition of this document. Furthermore, the Borrower agrees to accept and approve for purposes of the Permanent Loan the form of the following documents attached to the Commitment Letter:

   (a) Note
   (b) Mortgage Deed and Security Agreement
   (c) Regulatory Agreement
   (d) Collateral Assignment of Leases and Rents

6. Subject to the terms of the Commitment Letter, at the time of the Acquisition (or at such earlier date as the Buyer may request on 30 days' notice to the Agency) and prior to the expiration of the Agency Commitment, the Agency agrees to issue to the Buyer (and/or to another investor acceptable to the Agency in its sole and absolute discretion, but subject to the consent of the Buyer) and the Buyer agrees to purchase from the Agency, at its face value, the Agency's Bond in an amount established pursuant to the Commitment Letter. For the protection of the Agency, the Buyer represents as follows:

   (a) The Buyer is a sophisticated investor in securities of the general type of the Agency's Bond.

   (b) The Buyer has examined the Agency's audited financial statements for the most recent period for which audited statements are available, has been offered access to all prior audited financial statements of the Agency and the current books of account of the Agency and has availed itself of such access to the extent it deems necessary.

   (c) The Buyer represents that it is purchasing the Bond for its own account for investment and does not presently intend to sell or otherwise distribute the Bond or any interest or participation therein. The Buyer understands that the extent and nature of the information furnished in this transaction is based upon the foregoing.

   (d) As between the Buyer and the Agency and all counsel for and representatives of the Agency, the Buyer has assumed responsibility for obtaining the information relating to the Bond which it deems necessary for its investment decision, and has not looked to the Agency, its counsel, or its other representatives to provide or review that information.

7. The Agency represents to the Bank and the Borrower that, under current law, and subject to compliance with such law, it is able to issue bonds in such form, that the interest thereon will be subject to federal income tax, but exempt from Vermont income tax.

8. In the event that the Agency is unable to issue its Bond as of the time of expiration of the Agency Commitment, this agreement and the Agency Commitment as evidenced by the Commitment letter shall be null and void.

9. Notice shall be deemed delivered when mailed registered mail, return receipt requested, to the Borrower at P.O. Box 596, St. Johnsbury, Vermont 05819, to the Agency at P.O. Box 408, Burlington, Vermont 05402-0408, or the Buyer at 149 Bank Street, Burlington, Vermont 05401 (or to such other place as a party may designate in writing).

10. This Agreement is not assignable.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be signed by their duly authorized agents all as of the date and year first above mentioned.

ST. JOHNSBURY HOUSING LIMITED PARTNERSHIP

By: _____
Its General Partner

By: _____

Its _____

BANK OF VERMONT

By: _____
(Buyer)
Its _____

VERMONT HOUSING FINANCE AGENCY

By: _____
(Agency)
Its _____

STJ3PAR

RESOLUTION PERTAINING TO SALMON RUN PERMANENT LOAN

WHEREAS, pursuant to its "Resolution Authorizing Issuance of Commitment Letter to the Riverside Housing Partnership," adopted October 17, 1988, the Agency issued its Commitment Letter dated October 17, 1988 to The Riverside Housing Partnership (the Commitment Letter) for construction and permanent financing of the Development (as defined in the Commitment Letter);

WHEREAS, the Development has experienced sloughing and erosion of the slopes adjacent to Nash Place and Trinity College, which has been the subject of corrective work;

WHEREAS, the Architect for the Development has certified to the Agency that the Development is now in good and tenantable condition and complies with all applicable laws, as more particularly set forth in the attached "Final Architect's Certification" of Goldsmith & Morris, Architects; and

WHEREAS, the Executive Director has, on four occasions, extended the expiration date of the Agency's commitment to make the Permanent Loan (as defined in the Commitment Letter);

NOW THEREFORE, it is hereby RESOLVED:

1. The four extensions of the expiration date of the commitment period issued by the Executive Director are hereby ratified.

2. The expiration date for the Commitment period for the Permanent Loan is hereby extended to September 10, 1990, and all extension fees are waived.

3. Upon his reasonable determination that the corrective work on the eroded slopes has been completed in accordance with approved change orders, the Executive Director is authorized to make the Permanent Loan generally upon the terms and conditions set forth in the Commitment Letter, as modified in this Resolution.

4. The principal amount of the Permanent Loan shall be $2,528,759.00, shall bear interest at 9.5% per annum, and shall be payable in 353 consecutive installments of principal and interest of $21,263.18 each, commencing October 10, 1990, with a balloon payment of $144,231.78 due on the maturity date. The maturity date of the Permanent Loan shall be February 10, 2020, on which date all unpaid principal and accrued interest then outstanding shall be due and payable in full. The form of the promissory note evidencing the Permanent Loan shall be modified accordingly.

5. Other Permanent Loan docket materials called for by the Commitment Letter may be waived, modified, or supplemented as the Executive Director determines to be appropriate to the circumstances.

VERMONT HOUSING FINANCE AGENCY

FINAL ARCHITECT'S CERTIFICATION

PROJECT: Salmon Run
220 Riverside Avenue
Burlington, Vermont

I, Dan Morris, Registered Architect, to the best of my knowledge, belief and professional judgment, do hereby certify to the Vermont Housing Finance Agency and any lender participating in the permanent mortgage financing of the captioned project that:

(1) ~~I am~~ our firm is the architect for that construction project known as "Salmon Run" located at 220 Riverside Avenue, Burlington, Vermont and which was the subject of a prior Design Architect's Certification dated October 17, 1988 (the first page of which is attached hereto for certainty of identification), by J. Graham Goldsmith, Architects, to which this firm is the successor;

(2) The project has been substantially completed in good and tenable condition;

(3) There are no defects or deficiencies in the project except for: a) ordinary punchlist items; b) incomplete work awaiting seasonal opportunity; c) those conditions reflected in the Report on Engineering Study of Slope Grading in Courtyard, dated January, 1990 and prepared by Krebs and Lansing; and d) recent sloughing and erosion on the slopes adjacent to Nash Place and Trinity College.

Understanding that the Owner and Lender may hold a different position, the Architect disclaims any responsibility for the design of the grades in the courtyard and around the buildings and for the condition of those grades as reflected in the Krebs and Lansing report described above.

(4) The project has been constructed in accordance with plans and specifications, including all change orders, as approved by VHFA and all applicable and local, State and federal codes, ordinances, regulations and statutes; including, without limitation, laws governing access to the handicapped.

GOLDSMITH & MORRIS, ARCHITECTS

Dan Morris
Registered Architect

6/28/90
Date

Vermont Housing Finance Agency

DESIGN ARCHITECT'S CERTIFICATION

PROJECT: Riverside Avenue Apartments

I, J. Graham Goldsmith, Registered Architect, to the best of my knowledge, belief, and professional judgment, and according to generally accepted standards of the profession, do hereby state to Vermont Housing Finance Agency, the City of Burlington, and The Riverside Housing Partnership as follows:

1. The project referred to above is an 80 unit housing development located at 220 Riverside Avenue, Burlington, Vermont, and is more particularly described in the specifications and drawings prepared by me and other material referred to in "VHFA Acknowledgement of Specifications and Drawings" (the "Acknowledgement"), attached hereto and signed by me.

2. The project as described in the Acknowledgement is hereinafter called the "project as proposed."

3. The project as proposed is in conformity with applicable federal, state, and local zoning, building, public health, land use and environmental regulations, ordinances, and statutes.

4. The project as proposed is in compliance with applicable federal, state, and local ordinances, regulations and statutes regarding access for the handicapped.

5. Recommendations of Doherty Consulting Engineers, Civil Engineering Associates, Inc., and Krebs and Lansing Consulting Engineers, Inc. have been incorporated into the project as proposed; as a result, soil, ground, water and surface water conditions will not impair the structural soundness of the project as proposed or materially interfere with the use of the project as proposed for residential housing.

J. GRAHAM GOLDSMITH, ARCHITECTS

BY _____
J. Graham Goldsmith, Registered Architect

Date: Oct. 17, 1988

ATTACHMENTS:

1. VHFA Acknowledgment of Specifications and Drawings, including letter of VHFA to The Riverside Housing Partnership dated Oct 17, 1988.
2. Letter of Doherty Consulting Engineers to Larry Williams, dated 7/10/88.
3. Letter of Krebs & Lansing to Mark Koppelkam, 7/13/88.
4. Letter of Civil Engineering Association, Inc. to VHFA, 7/12/88.

SENATE COMMITTEE
ON
BANKING, HOUSING AND URBAN AFFAIRS

SUBCOMMITTEE ON HOUSING AND URBAN AFFAIRS

Testimony of
Allan Hunt, Executive Director
Vermont Housing Finance Agency
on
The Activities of FNMA and FHLMC

on Behalf of
the
National Council of State Housing Agencies

August 2, 1990

Testimony of Allan Hunt, Executive Director,
Vermont Housing Finance Agency
on Behalf of the
National Council of State Housing Agencies
Before the
Housing and Urban Affairs Subcommittee
Senate Committee on Banking, Housing and Urban Affairs

August 2, 1990

Chairman Cranston, Senator D'Amato, and members of the Subcommittee, my name is Allan Hunt and I am Executive Director of the Vermont Housing Finance Agency (VHFA). I am here this morning on behalf of the National Council of State Housing Agencies (NCSHA) which represents the housing finance agencies (HFAs) of the fifty states.

We appreciate the opportunity to comment on the activities of the Federal National Mortgage Association (FNMA) and the Federal Home Loan Mortgage Corporation (FHLMC), particularly in the area of low and moderate income housing. A number of NCSHA's member agencies, including VHFA, have partnered with these important secondary market institutions to provide housing for low and moderate income individuals and families across the country. We have a strong stake in their continued financial strength and commitment to affordable housing.

I will be making two key points in my testimony:

- Congress has entrusted FNMA and FHLMC with the responsibility to assure the availability of mortgage capital to low and moderate income homebuyers. They are crucial to these markets. At a time of severe affordability problems for the very buyers FNMA and FHLMC are intended to serve, they should be encouraged to do more, not constrained to do less, to increase low and moderate income housing opportunities.

- Any measures to ensure FNMA's and FHLMC's safety and soundness must be carefully balanced with the need to preserve their Congressionally-mandated public purpose. HUD's, Treasury's and the President's oversight authority should be exercised not only to assure safety and soundness, consistent with FNMA's and FHLMC's public purpose, but also to encourage them to make a greater effort toward expanding and mainstreaming their lending programs for low and moderate income housing.

NCSHA is a national, not-for-profit organization created in 1970 to represent the interests of State HFAs in low and moderate income housing. HFAs in every state, the District of Columbia, Puerto Rico, and the Virgin Islands respond to low and moderate income housing needs through the financing, development, and preservation of affordable ownership and rental housing. HFAs collectively operate more than 350 affordable housing programs, which range from homeownership to homeless initiatives.

State HFAs have helped more than 1,000,000 low and moderate income Americans buy their first home through MRB programs which they administer in every state. These HFAs issued approximately $6 billion in MRBs in 1989 under the private activity bond cap which strictly limits the overall volume of such bonds. In 19 states, these HFAs also operate Mortgage Credit Certificate (MCC) programs.

NCSHA's member HFAs have also financed over 500,000 units of rental housing for low and moderate income tenants through reduced interest rate mortgages financed by tax-exempt bonds. Since 1986, NCSHA members have financed 235,000 low income rental units with the Low-Income Housing Tax Credit (Tax Credit) for households with incomes at 60 percent or less of area median.

The MRB program, the only generally available federal mortgage assistance program in today's disheartening environment of climbing home prices and declining homeownership rates, is scheduled to expire on September 30 of this year. An overwhelming 85 percent majority of the Congress -- 455 of the 535 House and Senate members, including 70 percent of the members of both tax-writing committees -- have co-sponsored legislation in this Congress to extend this time-honored, well-tested, and Congressionally limited program to make the national goal of homeownership attainable by lower income Americans. We urge the Congress to support a permanent MRB extension in this year's Budget Reconciliation bill. Similarly, we encourage your support for a permanent extension of the Tax Credit, the major federal stimulus of low income rental housing production nationally, which terminates at the end of this year.

Existing Federal Oversight of FNMA, FHLMC

In establishing FNMA as a government-sponsored private corporation in 1968, the Congress assigned it two primary missions: (1) to maintain a viable secondary market which would make mortgage capital available to all areas of the nation, and (2) to ensure the availability of mortgage capital to low and moderate income families to purchase homes.

FNMA has more than fulfilled the first purpose, financing one out of every seven homes in the United States. By creating a

secondary market for 3,000 lenders, FNMA ensures the continuing availability of mortgage funds to the communities served by those lenders. Without this secondary market, lenders would be forced to limit their residential lending according to their size, and now with increased capital requirements, this availability would be even further restricted for loans kept in portfolio.

FNMA is aggressively working toward the accomplishment of its second mission, expanding housing opportunities for low and moderate income households. Further efforts in this area are crucial.

To ensure that these public purposes could be realized, Congress conferred certain benefits upon FNMA which are not available to the private sector such as exemption from SEC regulation and state taxes. To make sure that these purposes were realized, Congress gave HUD, the Treasury and the Executive Branch significant regulatory authority over the agency.

HUD's current oversight and regulatory authority over FNMA is extensive. The HUD Secretary must approve FNMA's issuance of stock, obligations, securities, or other instruments and its purchase, servicing, sale, or lending on the security of conventional mortgages. In addition, the Secretary must sign off on the amount of nonrefundable capital contributions required of each mortgage seller and the stock retention requirements imposed on each servicer of its mortgages. FNMA may not allow the obligations of the Corporation to exceed 15 times the sum of its capital, capital surplus, general surplus, reserves, and undistributed earnings without Secretary approval. The Secretary must approve the payment of cash dividends to shareholders and can only approve such payments if they do not exceed what the Secretary determines is a fair rate of return.

In addition to HUD's authority, the Secretary of Treasury since 1986 has exercised total control over the maturity and rate of interest of FNMA's obligations and FNMA's access to the capital markets. Finally, the President has control over the appointment of five public members to the 15 member Board of Directors and the power to remove both the Presidential appointees and the ten private members elected by shareholders for "good cause."

Proposals such as those advanced by the Treasury and OMB to tighten FNMA's capital reserve and borrowing requirements would endanger FNMA's public purpose and frustrate Congressional intent, as expressed in FNMA's 1968 Charter. To ensure that FNMA's activities do not create unreasonable risks for the government and serve the public purpose for which FNMA was created, HUD need only exercise its existing regulatory authority. HUD's recommendations to improve its regulation of FNMA and to undertake the regulation of FHLMC (as

required under FIRREA) contained in its June, 1990 Report to Congress would be positive steps.

The analogy between FNMA and FHLMC and banks is not a fair one. Banks have not been subject to the close scrutiny and regulatory control which has been imposed upon FNMA and FHLMC and in fact, have operated in a deregulated environment. FIRREA legislation has only recently brought banks onto the same regulated playing field. Capital requirements recently imposed on banks were necessary partly because of the risks and losses of those institutions in areas other than residential lending. FNMA/FHLMC investments do not include the more risky merchant loans, commercially secured loans and risky securities investments which caused great losses to private lending institutions. Not only have private lenders not been subject to the kind of regulation which FNMA/FHLMC have had, they have also not been subjected to scrutiny by the business community, bond holders and shareholders.

To achieve a AAA credit rating, lending restrictions would have to be imposed on FNMA and FHLMC business which would preclude the additional risk necessitated in serving low and moderate income housing needs. Such action would lead to the elimination of FNMA's and FHLMC's low and moderate income lending initiatives in place for only the past few years, and the drastic contraction of their secondary market activities in conventional areas.

Most important, the impact of increased capital adequacy requirements on FNMA's public purpose mandate was not addressed by the Treasury report. Certainly, no action should be taken without a full study of this issue. It appears that the Treasury seeks self-protection by one arm of the government which would undoubtedly undermine, if not destroy, the intention of Congress in chartering FNMA and FHLMC as government-sponsored private institutions to maintain a secondary market which makes housing affordable for low and moderate income Americans.

Increased public accountability, however, to ensure FNMA's and FHLMC's fulfillment of their mandate to provide housing to this sector is warranted. For example, FNMA and FHLMC should set forth aggressive low and moderate income performance standards. HUD oversight could ensure that this mission is not compromised by an overzealous effort to achieve fiscal soundness through risk aversion. Efficient, effective and profitable mortgage lending is accomplished through risk management not risk avoidance.

FNMA and FHLMC Are Important Partners with HFAs in Affordable Housing

In this regulatory environment, FNMA and FHLMC have not only remained solvent but have thrived, and in fact, FNMA has expanded its programs deeper into the service of low and moderate income lending.

In 1987, FNMA made a commitment to increase its efforts on behalf of low and moderate income families through the creation of its Office of Low and Moderate Income Housing. By the end of 1989, this office had made commitments to invest nearly $3.5 billion to help finance housing for more than 70,000 low and moderate income households through public finance programs, community lending programs and low-income rental housing equity investments. FNMA now offers a number of products designed to reduce state and local agencies' cost of borrowing, making it possible for agencies to enhance housing affordability.

Since 1987, FNMA has purchased MRBs issued by both state and local housing agencies to fund single family mortgages. As of February, 1990, these purchases totaled $2.2 billion in bonds from twelve states to provide below-market mortgage financing for approximately 37,000 first-time homebuyers. By selling bonds directly to FNMA, agencies can reduce their issuance costs and consequently can make mortgages available at lower interest rates and with lower closing costs than would otherwise be possible. Recent purchases have included set-asides for borrowers with incomes at and below 80 percent of area median income. This program poses virtually no risk for FNMA since the bonds are backed by GNMA securities, and earns a healthy return. It already accounts for over half of the low and moderate income families served by FNMA programs as well as half of the corporation's $3.5 billion dollar investment in low and moderate income housing. We would like to see it expanded.

FNMA has also purchased the bulk of HFA loans made with Mortgage Credit Certificates (MCCs). As of 1989, 18,000 loans had been made with MCCs in 16 states.

Our agencies are also working with FNMA to move government-owned, foreclosed properties into the hands of low income people. FNMA's private placement program offers below-market interest rates for the acquisition and rehabilitation of real estate owned properties. Just last month, FNMA agreed to purchase $93 million of $140 million in MRBs purchased by the Resolution Trust Corporation (RTC) to finance more than 2,000 RTC-owned single family homes for low and moderate income homebuyers in Texas.

State HFAs also rely on FNMA for credit enhancement for bonds issued to finance both homeownership and rental housing units. FNMA assures the payment of principal and interest on the bonds either through the issuance of mortgage-backed securities or the pledging of mortgage collateral from its portfolio. This enables agencies to issue bonds with a more attractive credit rating, thereby reducing their borrowing costs and permitting participating lenders to originate mortgages at lower interest rates. In California, Kentucky and Georgia, single family credit enhancement transactions have resulted in the below-market financing of 1,800 homes for low and moderate income families. FNMA is working with our agencies in 27 states to provide credit enhancement for multifamily projects. We look forward to stepped up FNMA activity in the credit enhancement area.

FNMA has also provided needed access to the secondary market for nonconforming mortgage loans. The Vermont Housing Finance Agency (VHFA) has teamed up with FNMA to package and sell mortgage-backed securities pooled from residential, fixed-rate loans with nonconforming aspects which made them unacceptable to the national secondary mortgage market. Under the Green Mountain Mortgage Market, or "Sugar Mae" venture, VHFA will purchase up to $100 million of these mortgages and aggregate them into pools for mortgage-backed securities (MBS). FNMA will guarantee the securities and ensure timely payment of principal and interest. FNMA's MBS are considered "triple A quality." VHFA will sell the MBS to investors at close to market rates and act as master servicer for the collateral mortgages. Participating lenders will reinvest at least 50 percent of the proceeds from the sale of their loans in activities that support the housing needs of low and moderate income Vermonters. Sugar Mae's first commitment was a $6.1 million MBS sale to a Vermont pension fund.

Under the Delegated Underwriting and Servicing producer line, high quality lenders can obtain special approval to underwrite and sell to FNMA new multifamily loans without prior review. Mortgages on existing and recently completed properties and on properties to be moderately rehabilitated are eligible. In exchange for the faster and easier processing and favorable pricing provided by the program, lenders share any losses with FNMA according to a predetermined formula. Fifteen State HFAs, including VHFA, are approved single family FNMA seller/servicers. In addition, New Hampshire and North Carolina have expressed interest in becoming seller/servicers. The states approved as multifamily seller/servicers are Pennsylvania, Vermont and Massachusetts. We feel that this program could be even more beneficial if its qualification standards were revised to better address the needs of the organizations which use it.

Less State HFA activity has occurred with FHLMC, but we are encouraged that this will change with the creation of FHLMC's Affordable Housing Initiatives Department. We hope to see more of what FHLMC is doing with the Michigan State Housing Development Authority, from whom FHLMC has agreed to purchase $500 million in mortgages originated under a public/private partnership. By modifying underwriting and servicing guidelines, providing homebuyer education and counseling, sharing credit risk, and involving community groups, more than 10,000 Michigan families will have access to financing that would not otherwise have been available to them.

In addition, FHLMC and FNMA have made investments in equity pools and in HFA assisted projects. Tax credits have been purchased in several states including Michigan, Massachusetts, Rhode Island, Washington, New Mexico, Maryland, Missouri, Vermont, and D.C. These investments have earned FNMA exceedingly high returns. The corporation's desire to avert risk, however, in some cases has led to higher project costs and more complicated transactions. Improvements to this program should take the form of simpler underwriting standards and partnership agreements as well as lower required rates of return.

Improvements Needed In FNMA, FHLMC Affordable Housing Operations

Some improvements in addition to those noted above are needed in FNMA's and FHLMC's low and moderate income lending programs. The development, coordination and administration of financing techniques with FNMA and FHLMC has often been time-consuming and challenging because few within the credit decision-making bodies of these agencies have a sufficient level of familiarity with standard mortgage banking practices, coupled with the nuances of public policy and low income housing issues.

More balanced risk analysis is essential in evaluating "standard requirements" established for conventional lending programs against factors which reduce risk to state agencies, such as full recourse, strong financial structure, top tier status with ratings agencies, deeper primary insurance coverage, pool insurance and recognition that HFAs, unlike most private lenders, are subject to increased public scrutiny as well as that of their bond counsel and rating agencies.

To achieve a more efficient and effective administration of FNMA's and FHLMC's public purpose objectives in partnership with HFAs, we recommend that representatives of the public finance industry be appointed to the credit policy committee of each, and be appointed to each of their regional advisory boards. These representatives could work to ensure that FNMA and FHLMC dovetail

their programs with existing HFA programs to provide and preserve affordable housing.

We also recommend that FNMA and FHLMC continue to identify staff with experience in low income housing finance. Low-income housing initiatives groups should be formed with representatives from each relevant office or department having sign-off. Specific individuals in the central offices should be designated to evaluate all low-income proposals so that they may develop knowledge and expertise in this area. Industry input should be sought through the creation of low and moderate income housing advisory committees, perhaps commissioned by HUD.

Congress in the 1968 charter required only that FNMA make a "reasonable" contribution to low and moderate income housing. The lack of definition of or scrutiny of this mandate has resulted in much less of a contribution to low and moderate income housing needs than has been necessary to fulfill their fiduciary responsibility. A definition of low and moderate income should be developed which coincides with that of Congressional and IRS definitions, not to exceed 115 percent of area median income. Currently, FNMA and FHLMC are silent on the definition of income, depending on mortgage limits to fulfill this objective. This is ineffective because the purchase price of a home does not necessarily correlate to the income level of a purchaser. It is a passive, rather than an active, approach toward defining their markets. In fact, FNMA's current relatively high average balance on current loan purchases suggests that FNMA may be serving the middle and upper reaches of the market more effectively than the low to middle sector.

FNMA and FHLMC need to work closely with HFAs to develop new products and financing techniques which can approximate the benefits offered by tax-exempt financing, especially those products which have already been tested and proved by public entities. For instance, silent second mortgages (which have been offered by several HFAs for some time) provide a safe, sound and wise investment which return a healthy profit to the provider, at the same time they achieve the same or greater benefit for a homeowner as achieved through tax-exempt rates. Further, unlike most conventional secondary financing, second mortgages do not increase the risk of default on a borrower's first mortgage. We strongly recommend that FNMA and FHLMC, as long-term market players, provide a long-term investment source for this uniquely effective form of financing.

While FNMA contributed enormously to the development of a secondary marketable reverse annuity mortgage product through its participation in the Home Equity Conversion Mortgage (HECM) program, this needs to be taken to the next step to develop more reverse annuity mortgage products, with and without FHA insurance.

which more effectively address the homeownership needs of senior citizens. For instance, several HFAs have for some time offered their constituencies a reverse annuity mortgage which does not have the constraints and added cost to borrowers who can least afford it of mortgage insurance, but which at the same time poses little risk of loss to the investor. Expanding on the experience and expertise which now exists within the public finance arena, FNMA could continue its initiative in this area with or without Congressional expansion of the HECM program.

FNMA holds in its portfolio a sizable number of existing HUD-insured project mortgages and, as owner of these mortgages, has enormous potential to influence and direct the outcome of the prepayment crisis. To give substance to their concern about expiring-use properties that are at risk of loss from the low income housing inventory, FNMA and FHLMC should put a simple, inexpensive program in place to refinance loans on projects at risk.

For apartment buildings serving lower-income tenants, there is still no standard secondary market loan program offered. For low and moderate income rental projects, FNMA and FHLMC should offer a simpler, more flexible multifamily product like the one used in FNMA's pilot program with the Low Income Housing Fund of San Francisco. FNMA has made few purchases of multifamily loans with community-based nonprofit borrowers; many smaller projects have been submitted to FNMA, but loans under $1 million are discouraged and upfront fees are high, as are debt service coverage and insurance requirements.

Conclusion

Once again, we must reaffirm our commitment to meet America's housing needs. Over fifty years ago, we created a secondary market that made homeownership more than a dream, but reality for many people. Twenty years ago, we privatized this effort to incorporate all the efficiencies of the private sector.

Today, we reassess this experiment which has exceeded all expectations and is working, and we ask ourselves: Could it work better? More specifically, have FNMA and FHLMC met the needs of low and moderate income families? The answer is yes -- in some cases and at some times. The success stories have been widely publicized, but we need more of them.

We must review these organizations not strictly as merchants of debt, but more critically, as agents for low and moderate income homeownership. These organizations provide access to mortgage capital that is as important today as it was fifty years ago. The credit crunch alone necessitates the existence of FNMA and FHLMC. If we

set credit standards for FNMA and FHLMC based on third party reviews, we are abnegating public responsibilities. Without such third party reviews, FNMA and FHLMC have been instrumental in making mortgages available to working families. Will third party standards enhance that goal? No. On the contrary, if we raise credit standards, we undermine our service to those families. To cite a truism, we shouldn't fix what isn't broken.

To paraphrase one of our newer allies,

> Organizations are never merely a product of the world around them, they are always capable of striving for something better.

Let us push FNMA and FHLMC. Let us poke, but let us not shackle them.

STATISTICAL REPORT PROGRAM ID: 89A
UNDERWRITING DATABASE
LTV 0% TO 100%
Effective for 01/01/89 thru 07/31/90
Loan Status: CC,UC,O

Total Number of Loans: 751
Total Loan Amount: $45,960,339

EXISTING:	$32,052,670	71.7%	539 Loans
NEW CONSTRUCTION:	$13,907,669	28.2%	212 Loans
NEW DETACHED HOUSING:	$11,198,387	80.5%	169 Loans
NEW CONDOMINIUM:	$2,709,282	19.4%	43 Loans
Funds Remaining to be Reserved:	$5,011,185	11.1%	81 Loans (Est.)

Total Insured or Guaranteed Loans: 646
Loans Guaranteed by VHMGB: 637

	ACED	NON ACED	STATEWIDE
Avg. Purchase Price	$67,713	$73,496	$69,615
Avg. Loan Amount	$59,525	$64,614	$61,198
Avg. Borrower Income	$26,725	$27,949	$27,128
Avg. Housing Debt-Income Ratio	26.5%	27.9%	27.0%
Avg. Total Debt	$764.57	$817.09	$781.84
Avg. Total Debt-Income Ratio	34.3%	35.2%	34.6%
Total No. of Loans	504	247	751
% of Total Loan Amount	65.3%	34.7%	100.0%
First Time Homebuyers	81.9%	100.0%	87.8%
% Meeting Low Income Set Aside	35.7%	55.0%	42.0%

	Loans	% of Loans	$ Amount	*Households	% of Hshlds	% DIFF
Addison	40	5.3%	$2,482,010	5,000	5.8%	0.5-
Bennington	29	3.9%	$1,815,014	6,000	7.0%	3.1-
Caledonia	61	8.1%	$3,439,651	5,000	5.8%	2.3
Chittenden	129	17.0%	$8,558,567	16,000	18.6%	1.6-
Essex	9	1.2%	$487,258	1,000	1.2%	0.0
Franklin	115	15.3%	$7,251,956	6,000	7.0%	8.3
Grand Isle	11	1.5%	$649,682	1,000	1.2%	0.3
Lamoille	47	6.3%	$2,813,750	3,000	3.5%	2.8
Orange	35	4.7%	$2,079,827	4,000	4.7%	0.0
Orleans	55	7.3%	$2,669,473	4,000	4.7%	2.6
Rutland	56	7.5%	$3,364,638	10,000	11.6%	4.1-
Washington	85	11.3%	$5,295,317	9,000	10.5%	0.8
Windham	41	5.5%	$2,598,811	7,000	8.1%	2.6-
Windsor	38	5.1%	$2,454,385	9,000	10.5%	5.4-
TOTAL	751	100.0%	$45,960,339	86,000	100.0%	

* Estimated number of households, $15,000 to $35,000 income.
Source: CACI, 1989 Sourcebook of County Demographics

Vermont Housing Finance Agency
89A - $45,000,000 HOME MORTGAGE PURCHASE BONDS
Status Report (with percent of pool proceeds approved)
Rate : 8.800%
Date : 07/31/90

Lender		Funds Reserved	Percent Reserved	Prelim. Approval	% Prelim Approval	Loans Purchased	Loans to be Purchased	PERC
Bank of Vermont		$3,145,531	6.9%	$2,861,581	6.3%	$2,269,296	$592,285	18.8%
Bradford National Bank		$120,700	0.2%	$120,700	0.2%	$120,700	$0	0.0%
Caledonia National Bank of Danville, The		$969,402	2.1%	$840,202	1.8%	$740,766	$99,436	10.2%
Chittenden Trust Company		$11,410,366	25.3%	$10,650,161	23.6%	$8,545,661	$2,104,500	18.4%
Commonwealth Mortgage Company, Inc		$223,200	0.4%	$223,200	0.4%	$223,200	$0	0.0%
Community National Bank		$1,323,786	2.9%	$1,254,786	2.7%	$843,156	$411,630	31.0%
Factory Point National Bank, The		$305,250	0.6%	$234,000	0.5%	$179,687	$54,313	17.7%
First Twin-state Bank		$385,586	0.8%	$318,136	0.7%	$261,927	$56,209	14.5%
Franklin-Lamoille Bank		$1,426,373	3.1%	$1,270,573	2.8%	$990,427	$280,146	19.6%
Granite Savings Bank and Trust Company		$211,140	0.4%	$211,140	0.4%	$139,890	$71,250	33.7%
Howard Bank, National Assn, The		$1,813,177	4.0%	$1,762,177	3.9%	$1,341,977	$420,200	23.1%
Lyndonville Savings Bank & Trust Company		$720,472	1.6%	$660,472	1.4%	$561,739	$98,733	13.7%
Marble Bank		$1,134,466	2.5%	$971,966	2.1%	$646,923	$325,043	28.6%
Merchants Bank, The		$2,439,193	5.4%	$2,176,387	4.8%	$2,003,387	$173,000	7.0%
National Bank of Middlebury, The		$587,167	1.3%	$520,667	1.1%	$440,667	$80,000	13.6%
New England IBM Employees Fed Crdt Union		$868,600	1.9%	$800,783	1.7%	$602,283	$198,500	22.8%
Northfield Savings Bank		$832,480	1.8%	$832,480	1.8%	$730,380	$102,100	12.2%
Passumpsic Savings Bank		$2,450,768	5.4%	$2,002,243	4.4%	$1,721,374	$280,869	11.4%
Peoples Trust Company of St Albans		$645,484	1.4%	$440,384	0.9%	$184,509	$255,875	39.6%
Proctor Bank		$743,085	1.6%	$673,085	1.4%	$488,635	$184,450	24.8%
Randolph National Bank		$513,648	1.1%	$383,348	0.8%	$383,348	$0	0.0%
Statewide Funding Corporation		$800,077	1.7%	$607,627	1.3%	$183,452	$424,175	53.0%
Union Bank		$2,354,238	5.2%	$2,314,477	5.1%	$1,411,584	$902,893	38.3%
Valley Bank		$632,674	1.4%	$632,674	1.4%	$557,674	$75,000	11.8%
Vermont Federal Bank, FSB		$8,519,787	18.9%	$7,752,547	17.2%	$6,641,072	$1,111,475	13.0%
Vermont Mortgage Group, Inc		$1,360,084	3.0%	$1,360,084	3.0%	$1,307,834	$52,250	3.8%
Vermont National Bank		$4,863,059	10.8%	$4,336,459	9.6%	$2,494,999	$1,841,460	37.8%
TOTALS	829 Loans	$50,799,793	112.8%	$46,212,339	102.6%	$36,016,547	$10,195,792	20.0%

STATISTICAL REPORT PROGRAM ID: 89B
UNDERWRITING DATABASE
LTV 0% TO 100%
Effective for 01/01/89 thru 07/31/90
Loan Status: CC,UC,O

Total Number of Loans: 114
Total Loan Amount: $7,304,903

EXISTING:	$5,297,483	72.8%	83 Loans
NEW CONSTRUCTION:	$2,007,420	27.1%	31 Loans
NEW DETACHED HOUSING:	$1,673,733	83.3%	26 Loans
NEW CONDOMINIUM:	$333,687	16.6%	5 Loans
Funds Remaining to be Reserved:	$21,145,093	54.9%	329 Loans (Est.)

Total Insured or Guaranteed Loans: 99
Loans Guaranteed by VHMGB: 98

	ACED	NON ACED	STATEWIDE
Avg. Purchase Price	$69,692	$79,024	$72,639
Avg. Loan Amount	$62,280	$67,972	$64,078
Avg. Borrower Income	$27,120	$27,659	$27,291
Avg. Housing Debt-Income Ratio	26.8%	29.6%	27.7%
Avg. Total Debt	$818.79	$799.50	$812.70
Avg. Total Debt-Income Ratio	36.2%	35.0%	35.8%
Total No. of Loans	78	36	114
% of Total Loan Amount	66.5%	33.5%	100.0%
First Time Homebuyers	79.4%	100.0%	85.9%
% Meeting Low Income Set Aside	38.4%	52.7%	42.9%

	Loans	% of Loans	$ Amount	*Households	% of Hshlds	% DIFF
Addison	6	5.3%	$352,810	5,000	5.8%	0.5-
Bennington	3	2.6%	$212,700	6,000	7.0%	4.4-
Caledonia	13	11.4%	$690,115	5,000	5.8%	5.6
Chittenden	23	20.1%	$1,631,993	16,000	18.6%	1.5
Essex	2	1.8%	$94,500	1,000	1.2%	0.6
Franklin	18	15.8%	$1,197,623	6,000	7.0%	8.8
Grand Isle	0	0.0%	$0	1,000	1.2%	1.2-
Lamoille	4	3.5%	$218,176	3,000	3.5%	0.0
Orange	6	5.3%	$367,495	4,000	4.7%	0.6
Orleans	9	7.9%	$466,050	4,000	4.7%	3.2
Rutland	8	7.0%	$529,377	10,000	11.6%	4.6-
Washington	10	8.8%	$719,463	9,000	10.5%	1.7-
Windham	8	7.0%	$575,101	7,000	8.1%	1.1-
Windsor	4	3.5%	$249,500	9,000	10.5%	7.0-
TOTAL	114	100.0%	$7,304,903	86,000	100.0%	

* Estimated number of households, $15,000 to $35,000 income.
Source: CACI, 1989 Sourcebook of County Demographics

Vermont Housing Finance Agency
89B - $38,450,000 MORTGAGE LOAN PURCHASE PROGRAM
Status Report (with percent of pool proceeds approved)
Rate : 8.700%
Date : 07/31/90

Lender	Funds Reserved	Percent Reserved	Prelim. Approval	% Prelim Approval	Loans Purchased	Loans to be Purchased	PERC
Bank of Vermont	$1,287,614	3.3%	$826,460	2.1%	$78,750	$747,710	58.0%
Bradford National Bank	$57,000	0.1%	$0	0.0%	$0	$0	0.0%
Caledonia National Bank of Danville, The	$357,530	0.9%	$153,850	0.4%	$0	$153,850	43.0%
Chittenden Trust Company	$3,253,044	8.4%	$1,660,350	4.3%	$0	$1,660,350	51.0%
Citizens Savings Bank and Trust	$345,471	0.8%	$114,375	0.2%	$0	$114,375	33.1%
Commonwealth Mortgage Company, Inc	$321,423	0.8%	$0	0.0%	$0	$0	0.0%
Community National Bank	$765,032	1.9%	$459,050	1.1%	$0	$459,050	60.0%
Factory Point National Bank, The	$81,700	0.2%	$81,700	0.2%	$0	$81,700	100.0%
Franklin-Lamoille Bank	$163,525	0.4%	$35,250	0.0%	$35,250	$0	0.0%
Granite Savings Bank and Trust Company	$70,000	0.1%	$0	0.0%	$0	$0	0.0%
Howard Bank, National Assn, The	$455,075	1.1%	$76,950	0.2%	$76,950	$0	0.0%
Lyndonville Savings Bank & Trust Company	$98,800	0.2%	$46,550	0.1%	$0	$46,550	47.1%
Marble Bank	$252,295	0.6%	$185,645	0.4%	$0	$185,645	73.5%
Merchants Bank, The	$821,469	2.1%	$398,477	1.0%	$0	$398,477	48.5%
National Bank of Middlebury, The	$107,400	0.2%	$37,400	0.0%	$0	$37,400	34.8%
New England IBM Employees Fed Crdt Union	$287,300	0.7%	$78,000	0.2%	$0	$78,000	27.1%
Northfield Savings Bank	$47,500	0.1%	$47,500	0.1%	$0	$47,500	100.0%
Passumpsic Savings Bank	$751,340	1.9%	$360,590	0.9%	$47,000	$313,590	41.7%
Peoples Trust Company of St Albans	$119,800	0.3%	$59,000	0.1%	$0	$59,000	49.2%
Proctor Bank	$276,500	0.7%	$148,250	0.3%	$0	$148,250	53.6%
Randolph National Bank	$194,425	0.5%	$117,000	0.3%	$0	$117,000	60.1%
Statewide Funding Corporation	$316,975	0.8%	$72,602	0.1%	$0	$72,602	22.9%
Summit Financial Center, Inc.	$261,212	0.6%	$133,437	0.3%	$0	$133,437	51.0%
Union Bank	$496,012	1.2%	$194,026	0.5%	$0	$194,026	39.1%
Vermont Federal Bank, FSB	$2,620,550	6.8%	$1,083,040	2.8%	$0	$1,083,040	41.3%
Vermont Mortgage Group, Inc	$829,951	2.1%	$303,901	0.7%	$0	$303,901	36.6%
Vermont National Bank	$1,883,865	4.8%	$605,500	1.5%	$0	$605,500	32.1%
TOTALS 256 Loans	$16,522,808	42.9%	$7,278,903	18.9%	$237,950	$7,040,953	42.6%

vhfa

VERMONT HOUSING FINANCE AGENCY

September 10, 1990

Ms. Jean Gauthier
Department of Administration
Pavilion Office Building
109 State Street
Montpelier, VT 05602

Dear Ms. Gauthier:

The Vermont Housing Finance Agency will be having its regular monthly Board Meeting on Thursday, September 20, at 1:30 p.m., at the office of the Commissioner of Banking and Insurance, 89 Main Street, Montpelier, Vermont.

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

Sincerely,

Barbara M. Parker
Executive Assistant

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/336-5866

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director

DATE: September 14, 1990

RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held at 1:30 p.m. Thursday, September 20, at the office of the Commissioner of Banking and Insurance, 89 Main Street, Montpelier.

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

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Montpelier September 20!

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

VERMONT HOUSING FINANCE AGENCY

VHFA BOARD MEETING AGENDA

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

Thursday, September 20, 1990 at 1:30 p.m.

1. Review and approval of minutes of August 7, 1990

2. Executive Director's Report [**Hunt**]

3. Operations

   A. MOVE 1989B Update [**Lothrop/Enclosure**]
   B. Mortgage Plus: Proposed Strategy In Case of Sunset [**Lothrop/Enclosure**]

4. Development

   A. Recycled 8.25% Funds (Discussion) [**Pond/Enclosure**]
   B. Low Income Housing Tax Credits: Round 2 Reservation Discussion [**Koppelkam/Encl.**]
   C. Sugar Mae Update [**Crady**]

5. Finance

   A. Proposed Sale of 1990A Single Family Housing Bonds (Series 1 and Series 2) [**Schoenbeck/Encl.**]

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

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

VERMONT HOUSING FINANCE AGENCY

BOARD MINUTES
Vermont Housing Finance Agency
One Burlington Square
Burlington, Vermont
Tuesday, August 7, 1990

PRESENT: Commissioners Shaw, Hebard, Myette, Seelig, Francis, Rockford (designee of Commissioner Johnson)

Agency Staff: Mr. Hunt, Mr. Schoenbeck, Mr. Lothrop, Mrs. Parker, Ms. Hope, Mr. Jarrett, Ms. Kehoe, Ms. Pond, Mr. Koppelkam

Also Present: Mr. Richardson (Housing Vermont); Mr. Kochman (FL Kochman)

Guest: Neil Mickenberg, of Mickenberg, Dunn, Sirotkin and Dorsch

The meeting was called to order at 1:30 p.m.

After a motion was duly made and seconded, the Board went into Executive Session to discuss a legal matter; a brief discussion was followed by a motion and second to come out of Executive Session.

Next, Mr. Kochman distributed a proposed "Resolution Pertaining to Salmon Run Permanent Loan" which was moved; seconded and unanimously adopted as presented and attached to these minutes. Mr. Kochman, Mr. Mickenberg and Mr. Richardson left the meeting.

The minutes of the June 28, 1990 meeting were reviewed and Mr. Hunt suggested that the sixth sentence of the first paragraph on the second page of the minutes be amended to read: *"Mr. Kochman advised that once the proposed Resolution regarding the acquisition of Dalton Drive had been approved, it would be like crossing the Rubicon, and should the construction closing ultimately not occur, the pre-development money the Agency had spent so far would be forfeited."* Upon a motion duly made and seconded, the minutes of the June 28, 1990 meeting were unanimously accepted as amended.

In his Executive Director's report, Mr. Hunt advised the Board that the closing for the purchase of the Dalton Drive/Fort Ethan Allen land and buildings had occurred July 19, almost on schedule. Mr. Seelig inquired as to the status of a "model unit"

and Mr. Hunt explained that since an Act 250 permit is required for the development, work cannot proceed on a model unit until the permit is approved, although the Agency is appealing this requirement.

Next, Mr. Hunt distributed to the Board a copy of his testimony of August 2 to the U.S. Senate Committee on Banking, Housing and Urban Affairs' Subcommittee on Housing and Urban Affairs. Mr. Shaw observed that the Board was fortunate to have an Executive Director of enough stature to be asked to appear before the committee.

Mr. Hunt reported that the taxable security purchase for the Pine Meadow development in Middlebury was delayed due to the upcoming administrative staffing changes at Middlebury College. Mr. Jarrett noted that the construction closing for Pine Meadow occurred August 7.

A revised version of the 1989A and 1989B program status reports was distributed to the Board by Mr. Lothrop, who explained that due to computer problems the report included in the Board packet was incorrect. Mr. Hunt explained to the Board that underwriting for Bank of Vermont residential mortgage loans is now being handled by BancBoston, with the exception of VHFA-qualified loans, which tentatively will still be the responsibility of Bank of Vermont.

Mr. Seelig questioned the impact of the Middle East situation on the proposed issuance and marketing of single family mortgage purchase bonds. Mr. Schoenbeck assured the Board that staff is still pursuing a September marketing of bonds, as it does not appear that rates are unduly affected. It is bond underwriters' opinion that Mortgage Revenue Bond (MRB) Sunset is very likely to happen, but that MRB's will also probably be extended (perhaps as early as January 1991). Mr. Hunt commented that the higher oil prices could impact both Single Family and Multi-Family portfolios. No Board action was necessary at this time.

The "1990 Low Income Housing Tax Credit Program: First Round" was reviewed by Ms. Pond, as per her memo of July 31, included in the Board packet. In response to a question from Mr. Shaw, Ms. Pond indicated that if all of the tax credits are not allocated, carry-over would absolutely be allowed. Mr. Hunt also pointed out that the Barrett Block in Montpelier, a likely applicant, was not included in the information distributed to the Board.

Ms. Pond next led the Board in a discussion of the "VHFA Business Plan for Fiscal Year 1990-1991" as per her memo of July 31, included in the Board packet. According to Ms. Pond, the draft Business Plan will be distributed to the Regional Planning Commissions and the League of Cities and Towns for their input, as was done in the previous fiscal year. The proposed changes to the Business Plan were explained by Ms. Pond. Mr. Seelig noted that seeing the projects move from the implementation stage to the ongoing program stage indicates the significant amount of work the staff already has completed and is still accomplishing. At his suggestion, staff will consider the implementation of a pilot mortgage delivery/servicing program in conjunction with nonprofits, as well as an energy retrofit program. Mr. Hunt also informed the Board that Green Mountain Power has agreed to give the funds necessary ($750,000) for the conversion from electric to propane for the Highgate apartments contingent upon a successful sale to Housing Vermont and their local partnership. Ms. Pond reminded the Board that further thoughts and comments on the Business Plan would be welcomed, and that dollar figures for the various programs would be distributed in an upcoming Board packet, once audit figures are complete.

The memo of July 31 concerning the "Application to the Federal Home Loan Bank for the Affordable Housing Program" was included in the Board packet by Ms. Kehoe for information purposes only, and did not require further discussion.

The Board next reviewed the "Minutes and Status of the Vermont Housing Ventures Loan Fund - Informational Purposes" as detailed in Mr. Koppelkam's memo of July 31, included in the Board packet. Mr. Hunt further explained to the Board that at a future Board meeting (perhaps in October), when the staff approaches the Board for additional funding for the Vermont Housing Ventures (VHV) fund, a volunteer may be solicited to represent the Board on the VHV committee.

Ms. Crady approached the Board to review her July 31 memo, included in the Board packet, "Revised Income Limits and Purchase Price Limits for Funds Remaining at 9.10%." Mr. Seelig raised the question of a potential marketing problem created by having a separate set of income and purchase price guidelines. Ms. Hope noted for the Board that the program would be narrowly targeted, and not available to the general public, but would enable the Agency to respond to particular builders who request higher income limits, and is precedent setting. Following a brief discussion, a motion was made, seconded and unanimously adopted to set the income limits and purchase price limits for 9.10% funds remaining under the 1988A Program as proposed.

A "Sugar Mae Update" was offered by Ms. Crady, who reviewed her memo of July 31, included in the Board packet. Ms. Crady assured the Board that reinvestments are already occurring, even though participating lenders are not required to do so yet per the agreements which were signed. The focus is on completing many small deals on a regular basis rather than only a few large deals, according to Ms. Crady. Both Mr. Seelig and Mr. Francis encouraged staff to continue the reinvestment requirement at 50%, while maintaining a program goal of 60% or 65%. No formal action was taken.

Turning to several legal matters before the Board, Mr. Jarrett presented a proposed "Resolution Repealing Prior Resolution of Vermont Housing Finance Agency," regarding the Sandy Pines Mobile Home Park in East Montpelier. After a brief discussion, a motion was duly made and seconded to adopt this Resolution as proposed and attached to these minutes; this motion passed unanimously.

Following a motion duly made and seconded, the "Resolution of Vermont Housing Finance Agency Authorizing the Issuance of its Housing Project Bond (Federally Taxable Issue) French Hill Manor Mobile Home Park" as attached to Ms. Kehoe's memo of July 31, included in the Board packet, was unanimously adopted and is attached to these minutes.

A motion was made and seconded to adopt the "Resolution of Vermont Housing Finance Agency Authorizing the Issuance of its Housing Project Bond (Federally Taxable Issue) St. Johnsbury Housing Development" as attached to these minutes. This motion was unanimously adopted. A further "Resolution Pertaining to Closing for: St. Johnsbury Scattered Site Development," as attached to these minutes, was also moved, seconded and adopted unanimously.

The "Resolution Pertaining to Modification of Commitment Letter for Interfaith/Pine Meadow Development, Middlebury" was introduced, moved and seconded, and passed unanimously in the form attached to these minutes.

The next meeting was scheduled for Thursday, September 20, in Montpelier; there being no further business and following a motion duly made and seconded, the meeting was adjourned at 3:40 p.m.

Respectfully submitted,

Allan S. Hunt
Secretary

RESOLUTION PERTAINING TO SALMON RUN PERMANENT LOAN

WHEREAS, pursuant to its "Resolution Authorizing Issuance of Commitment Letter to the Riverside Housing Partnership," adopted October 17, 1988, the Agency issued its Commitment Letter dated October 17, 1988 to The Riverside Housing Partnership (the Commitment Letter) for construction and permanent financing of the Development (as defined in the Commitment Letter);

WHEREAS, the Development has experienced sloughing and erosion of the slopes adjacent to Nash Place and Trinity College, which has been the subject of corrective work;

WHEREAS, the Architect for the Development has certified to the Agency that the Development is now in good and tenantable condition and complies with all applicable laws, as more particularly set forth in the attached "Final Architect's Certification" of Goldsmith & Morris, Architects; and

WHEREAS, the Executive Director has, on four occasions, extended the expiration date of the Agency's commitment to make the Permanent Loan (as defined in the Commitment Letter);

NOW THEREFORE, it is hereby RESOLVED:

1. The four extensions of the expiration date of the commitment period issued by the Executive Director are hereby ratified.

2. The expiration date for the Commitment period for the Permanent Loan is hereby extended to September 10, 1990, and all extension fees are waived.

3. Upon his reasonable determination that the corrective work on the eroded slopes has been completed in accordance with approved change orders, the Executive Director is authorized to make the Permanent Loan generally upon the terms and conditions set forth in the Commitment Letter, as modified in this Resolution.

4. The principal amount of the Permanent Loan shall be $2,528,759.00, shall bear interest at 9.5% per annum, and shall be payable in 353 consecutive installments of principal and interest of $21,263.18 each, commencing October 10, 1990, with a balloon payment of $144,231.78 due on the maturity date. The maturity date of the Permanent Loan shall be February 10, 2020, on which date all unpaid principal and accrued interest then outstanding shall be due and payable in full. The form of the promissory note evidencing the Permanent Loan shall be modified accordingly.

5. Other Permanent Loan docket materials called for by the Commitment Letter may be waived, modified, or supplemented as the Executive Director determines to be appropriate to the circumstances.

I hereby certify that the foregoing is 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 7, 1990.

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

VERMONT HOUSING FINANCE AGENCY

FINAL ARCHITECT'S CERTIFICATION

PROJECT: Salmon Run
220 Riverside Avenue
Burlington, Vermont

I, Dan Morris, Registered Architect, to the best of my knowledge, belief and professional judgment, do hereby certify to the Vermont Housing Finance Agency and any lender participating in the permanent mortgage financing of the captioned project that:

(1) ~~I am~~ Our firm is the architect for that construction project known as "Salmon Run" located at 220 Riverside Avenue, Burlington, Vermont and which was the subject of a prior Design Architect's Certification dated October 17, 1988 (the first page of which is attached hereto for certainty of identification), by J. Graham Goldsmith, Architects, to which this firm is the successor;

(2) The project has been substantially completed in good and tenable condition;

(3) There are no defects or deficiencies in the project except for: a) ordinary punchlist items; b) incomplete work awaiting seasonal opportunity; c) those conditions reflected in the Report on Engineering Study of Slope Grading in Courtyard, dated January, 1990 and prepared by Krebs and Lansing; and d) recent sloughing and erosion on the slopes adjacent to Nash Place and Trinity College.

Understanding that the Owner and Lender may hold a different position, the Architect disclaims any responsibility for the design of the grades in the courtyard and around the buildings and for the condition of those grades as reflected in the Krebs and Lansing report described above.

(4) The project has been constructed in accordance with plans and specifications, including all change orders, as approved by VHFA and all applicable and local, State and federal codes, ordinances, regulations and statutes; including, without limitation, laws governing access to the handicapped.

GOLDSMITH & MORRIS, ARCHITECTS

Dan Morris
Registered Architect

6/20/90
Date

Vermont Housing Finance Agency

DESIGN ARCHITECT'S CERTIFICATION

PROJECT: Riverside Avenue Apartments

I, J. Graham Goldsmith, Registered Architect, to the best of my knowledge, belief, and professional judgment, and according to generally accepted standards of the profession, do hereby state to Vermont Housing Finance Agency, the City of Burlington, and The Riverside Housing Partnership as follows:

1. The project referred to above is an 80 unit housing development located at 220 Riverside Avenue, Burlington, Vermont, and is more particularly described in the specifications and drawings prepared by me and other material referred to in "VHFA Acknowledgement of Specifications and Drawings" (the "Acknowledgement"), attached hereto and signed by me.

2. The project as described in the Acknowledgement is hereinafter called the "project as proposed."

3. The project as proposed is in conformity with applicable federal, state, and local zoning, building, public health, land use and environmental regulations, ordinances, and statutes.

4. The project as proposed is in compliance with applicable federal, state, and local ordinances, regulations and statutes regarding access for the handicapped.

5. Recommendations of Doherty Consulting Engineers, Civil Engineering Associates, Inc., and Krebs and Lansing Consulting Engineers, Inc. have been incorporated into the project as proposed; as a result, soil, ground, water and surface water conditions will not impair the structural soundness of the project as proposed or materially interfere with the use of the project as proposed for residential housing.

J. GRAHAM GOLDSMITH, ARCHITECTS

BY _____
J. Graham Goldsmith, Registered Architect

Date: Oct. 17, 1988

ATTACHMENTS:

1. VHFA Acknowledgment of Specifications and Drawings, including letter of VHFA to The Riverside Housing Partnership dated Oct 17, 1988.
2. Letter of Doherty Consulting Engineers to Larry Williams, dated 7/10/88.
3. Letter of Krebs & Lansing to Mark Koppelkam, 7/13/88.
4. Letter of Civil Engineering Association, Inc. to VHFA, 7/12/88.

RESOLUTION REPEALING PRIOR RESOLUTION

OF VERMONT HOUSING FINANCE AGENCY

WHEREAS, on June 28, 1990, the Agency passed a resolution authorizing the sale of federally taxable bonds for the purpose of making a loan to the Housing Foundation, Inc. for the acquisition of the Sandy Pines Mobile Home Park in East Montpelier, Vermont; and

WHEREAS, the sponsor of the development notified the Agency in July that it no longer desired the loan from the Agency; and

WHEREAS, it is desirable to repeal the prior resolution;

WHEREFORE, it is hereby RESOLVED:

The Resolution of the Agency entitled "Resolution of Vermont Housing Finance Agency authorizing the issuance of its Housing Project Bonds (Federally Taxable Issue) Sandy Pines Mobile Home Park Development" is hereby repealed and is of no further force and effect.

I hereby certify that the foregoing is 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 7, 1990.

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

RESOLUTION OF VERMONT HOUSING FINANCE AGENCY
AUTHORIZING THE ISSUANCE OF ITS
HOUSING PROJECT BOND (FEDERALLY TAXABLE
ISSUE) FRENCH HILL MANOR MOBILE HOME PARK

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

ARTICLE I
DEFINITIONS AND AUTHORITY

SECTION 101. Definitions.

(A) In this Resolution unless a different meaning clearly appears from the context:

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

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

"Authorized Officer" means the Chairman, Vice Chairman, Executive Director and Secretary and Director of Finance of the Agency, and any other person authorized by resolution of the Agency to act as an Authorized Officer under this Resolution.

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

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

"Bond Fund" means the Housing Project (Federally Taxable Issue) Bond Fund established under Section 301 of this Resolution.

"Commitment Letter" means the Commitment Letter relating to the Permanent Loan dated as of August 1, 1990, issued by the Agency and accepted by the Sponsor.

"Costs of Issuance" means any items of expense payable or reimbursable directly or indirectly by the Agency and

related to the authorization, sale and issuance of the Bond.

"Development" means the French Hill Manor Mobile Home Park as more fully described in the Commitment Letter and the Three Party Agreement.

"General Account" means the account so designated and established under Section 301 of this Resolution.

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

"Loan Account" means the account so designated and established under Section 301 of this Resolution.

"Permanent Loan" means a permanent mortgage loan made by or on behalf of Agency to the Sponsor with the proceeds of the Bond.

"Permanent Loan Amount" means the amount of the Permanent Loan established pursuant to paragraph 3 of the Commitment Letter.

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

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

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

"Revenues" means and includes all payments, proceeds, charges, fees, rents, investment earnings and all other income (including without limitation all payments of principal and interest received by or on behalf of the Agency on the Permanent Loan and all Recovery Payments) derived by or for the account of the Agency from or related to the Development and the Permanent Loan.

"Sinking Fund Account" means the account so designated and established under Section 301 of the Resolution.

"Sponsor" means Lake Champlain Housing Development Corp., a non-profit corporation organized and existing under the laws of the State.

"State" means the State of Vermont.

"Three Party Agreement" means the agreement so denominated among the Sponsor, the purchaser of the Bond, and the Agency, in substantially the form presented at this meeting.

(B) Except as otherwise expressly provided in this Resolution, the terms "housing development costs," "housing sponsor," "mortgage," "mortgage loan," and "residential housing" when used in this Resolution shall have the meanings given such terms in the Act.

SECTION 102. Authority.

This Resolution is adopted pursuant to the Act and shall take effect upon its adoption. The Agency is duly authorized under the Act and all applicable laws to issue the Bond and to adopt this Resolution in the manner and to the extent provided herein. The Agency will at all times, to the extent permitted by law, defend, preserve and protect all the rights of the registered owner of the Bond hereunder against all claims and demands of all persons whomsoever.

ARTICLE II
AUTHORIZATION OF THE BOND; FINDINGS; TERMS AND SALE OF THE BOND

SECTION 201. The Bond.

(A) The Bond of the Agency, designated "Housing Project Bond (Federally Taxable Issue) French Hill Manor Mobile Home Park" are hereby authorized to be issued as herein provided in an aggregate principal amount not to exceed One Hundred Twenty Two Thousand Dollars ($122,000), the original principal amount of the Bond to be determined upon its issuance by the Authorized Officers of the Agency executing the same. The Bond shall be in such denomination as the authorized officers of the Agency shall determine. The Bond shall be dated and shall bear interest from the Bond Date and shall mature, subject to prior redemption as herein and in the Bond provided, twenty years from the Bond Date. Interest on the Bond shall be payable on March 1, 1991 and semi-annually thereafter on March 1 and September 1 of each year. The form of the Bond, the

rate or rates of interest payable thereon, the terms of redemption thereof prior to maturity and all other terms and conditions thereof shall be as set forth in Article IV of this Resolution.

(B) The Agency hereby ratifies and confirms the Commitment Letter and approves the Permanent Loan on the terms and conditions provided herein, in the Commitment Letter and in the Three Party Agreement. The Agency hereby determines that:

(1) the Permanent Loan does not exceed the value of the Development as determined by the Agency and the principal amount of the Bond is necessary to provide sufficient funds to be used and expended for the Program in respect of the Development;

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

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

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

(5) the acquisition, construction and or rehabilitation costs incurred or to be incurred by the Sponsor are for housing development costs within the meaning of the Act;

(6) there exists or without the Development 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 investments are unable, without assistance, to provide an adequate supply of residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families; and

(7) the Sponsor is a housing sponsor as defined in the Act, the Sponsor will maintain or increase the supply of well-planned, well-designed permanent, temporary transitional or emergency housing for persons of low and

moderate income and the Sponsor is a financially responsible person.

(C) The purposes for which the Bond is being issued are to provide funds to make the Permanent Loan and to pay Costs of Issuance in the amount determined by or pursuant to Article III hereof.

SECTION 202. Sale of the Bond.

(A) The Bond is hereby sold to the State Teachers' Retirement System of Vermont at the price of par on the terms and conditions provided herein and in the Three Party Agreement. The Three Party Agreement, in substantially the form presented at this meeting and included in the minutes thereof, and its execution and delivery by Authorized Officers of the Agency is hereby approved with such changes therein and thereto not inconsistent herewith as may be approved by the Authorized Officers executing the same prior to the execution and delivery thereof.

ARTICLE III
ESTABLISHMENT OF FUNDS AND ACCOUNTS; APPLICATION OF BOND PROCEEDS; OBLIGATION OF THE BOND

SECTION 301. Funds and Accounts.

(A) The Housing Project (Federally Taxable Issue) Project Fund (the "Project Fund") is hereby established to be held and administered together with all accounts therein by the Agency as provided in this Resolution. On or prior to the Bond Date the Agency shall establish within the Project Fund a separate account designated the "French Hill Manor Loan Account" (the "Loan Account"), the amounts in which shall be applied as provided in this Article III.

(B) The Housing Project (Federally Taxable Issue) Bond Fund (the "Bond Fund") is hereby established to be held and administered together with all accounts therein by the Agency as provided in this Resolution. On or prior to the Bond Date the Agency shall establish within the Bond Fund the following separate accounts to be applied as provided in this Article III:

(1) French Hill Manor General Account (the "General Account");

(2) French Hill Manor Sinking Fund Account (the "Sinking Fund Account");

(3) French Hill Manor Special Redemption Account (the "Special Redemption Account").

SECTION 302. Application of Bond Proceeds.

(A) The proceeds of the Bond shall be deposited in the Loan Account. Moneys in the Loan Account shall be used solely as follows:

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

(2) amounts in the Loan Account in excess of the Permanent Loan Amount shall be applied by the Agency to defray

Costs of Issuance of the Bond within six (6) months of the Bond Date.

(B) Notwithstanding anything herein to the contrary, if the Permanent Loan is not made within six (6) months of the Bond Date, or in any event if any balance remains on deposit in the Loan Account on the date which is six (6) months after the Bond Date, the entire balance on deposit in the Loan Account shall be transferred to the Special Redemption Account for application to the redemption of the Bond as provided in Section 303 of this Resolution.

SECTION 303. Application of Revenues.

(A) The Agency shall deposit all Revenues in the Bond Fund upon receipt and shall immediately allocate the same to accounts therein as follows:

(1) Revenues constituting scheduled repayments of principal on the Permanent Loan and Revenues constituting permitted prepayments of the outstanding principal of the Permanent Loan - to the Sinking Fund Account;

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

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

(B) On September 1, 1991 and each succeeding September 1 thereafter, all amounts deposited in the Sinking Fund Account under Section 303(A)(1) shall be applied to the redemption of the outstanding principal of the Bond, except that, in the event that the Agency receives a prepayment of the outstanding principal of the Permanent Loan under Section 303(A)(1) on the tenth anniversary of the Bond Date, or at any time thereafter, all as provided in the Permanent Loan, the Bond shall be subject to redemption at the option of the Agency in whole, but not in part, from the amount deposited in said Account.

(C) All amounts deposited in the Special Redemption Account shall be promptly applied to the redemption of the outstanding principal of the Bond. At any time not later than the interest payment date for the Bond next succeeding the date of any deposit into said Account under Section 303(A)(2), the amount so deposited shall be applied to the redemption of the outstanding principal of the Bond.

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

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

(2) on the redemption date of any portion of the principal of the Bond being redeemed hereunder to pay any interest then payable on the principal amount of the Bond to be redeemed;

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

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

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

SECTION 304. Transfers from General Fund.

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

SECTION 305. Investment.

Moneys in the funds and accounts established hereunder may be

invested by the Agency, until needed for their respective purposes, in any manner permitted by the Act. Moneys in two or more of such funds and accounts may be invested on a commingled basis for the account of such funds and accounts pro rata in proportion to the moneys invested on behalf of each such fund or account. Interest and other income earned upon the investment or deposit of amounts in the Loan Account shall be deposited in such Account. Interest and other income earned upon the investment or deposit of amounts on deposit in the General Account, the Sinking Fund Account and the Special Redemption Account shall be deposited in the General Account.

SECTION 306. Obligation of The Bond.

The Bond shall be a general obligation of the Agency payable out of any of the Agency's revenues, moneys or assets, subject only to agreements heretofore or hereafter made with the holders of obligations of the Agency other than the Bond pledging particular revenues, moneys or assets for the payment thereof. The Agency hereby covenants and agrees with the registered owners of the Bond that it will not grant to any person any lien on or pledge of the Permanent Loan or of any of the Revenues or moneys or investments in any of the accounts created hereunder or any proceeds thereof unless the Agency shall simultaneously therewith grant to the registered owners of the Bond a prior and senior lien on or pledge of the Permanent Loan and such Revenues, moneys and investments and the proceeds thereof. The Bond shall not constitute a debt or grant or loan of credit of the State and the State shall not be liable thereon nor shall the Bond be payable out of any funds other than those of the Agency. The Agency is not obligated to pay the Bond or the interest thereon except from the revenues or assets of the Agency pledged therefor under this Resolution and neither the faith nor credit nor taxing power of the State or any political subdivision thereof is pledged to the payment of the principal of or interest on the Bond.

ARTICLE IV
FORM OF THE BOND

The Bond shall be issued substantially in the following form:

VERMONT HOUSING FINANCE AGENCY
HOUSING PROJECT BOND
(Federally Taxable Issue)
French Hill Manor Mobile Home Park

No. __ $_____

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

FORTH BELOW.

The Vermont Housing Finance Agency (herein called the "Agency"), a body politic and corporate of the State of Vermont, for value received hereby promises to pay to _____ or registered assigns, on the _____ day of August, 2010, the principal sum of _____, upon presentation and surrender hereof, and to pay interest on the principal balance hereof outstanding from time to time from the date of original delivery of this bond (the "Bond Date") until final payment hereof at the annual rate provided below, such interest payments to be made semi-annually on the first day of March and September in each year commencing March 1, 1991. The principal or redemption price of and interest on this Bond are payable in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts and shall be payable by check or draft mailed to the registered owner at his address appearing on the registration books of the Agency kept for that purpose at the offices of the Agency; provided that the registered owner of this bond by acceptance hereof agrees that whenever any payment on account of principal shall occur, such owner shall promptly note the date and amount thereof on the Schedule of Payments and Prepayments endorsed hereon and further agrees that this bond shall be surrendered to the Agency upon final payment hereof.

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

1. From the Bond Date to but excluding the fifth anniversary of the Bond Date - 9.75%;

2. From the fifth anniversary of the Bond Date to but excluding the tenth anniversary of the Bond Date, a rate equal to 10.50%;

3. From the tenth anniversary of the Bond Date to but excluding the fifteenth anniversary of the Bond Date, a rate equal to 11.25%;

4. From the fifteenth anniversary of the Bond Date to the earlier of final maturity or redemption hereof, a rate equal to 12.00%.

This bond is issued pursuant to No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended (the "Act") and under and pursuant to a resolution of the Agency adopted August 7, 1990 entitled "Resolution of Vermont Housing Finance Agency Authorizing the Issuance of its Housing Project Bond (Federally Taxable Issue) French Hill Manor Mobile Home Park" (the "Resolution"). This bond is a general obligation of the Agency payable out of any of the Agency's revenues, moneys or assets, subject only to agreements heretofore or hereafter made with the holders of obligations of the

Agency other than this bond pledging particular revenues, moneys or assets for the payment thereof.

The Agency is not obligated to pay this bond or the interest hereon except from the revenues or assets of the Agency pledged under the Resolution and neither the faith and credit nor the taxing power of the State of Vermont or of any political subdivision thereof is pledged to the payment of the principal of or the interest on this bond.

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

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

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

1. in whole or in part on September 1, 1991 and on each September

1 thereafter without notice through application of moneys in the Sinking Fund Account as required by the Resolution;

2. in whole or in part at any time upon notice through application of moneys in the Special Redemption Account as required by the Resolution; and

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

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

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

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

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

ATTEST: VERMONT HOUSING FINANCE AGENCY

By: _____ By: _____
Authorized Officer Authorized Officer

Bond Date: _____ __, 19__

Schedule of Payments and Prepayments of Principal

Principal Amount Paid	Date Paid	Balance Due	Authorized Signature and Title

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

ARTICLE V
MISCELLANEOUS

SECTION 501. Default.

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

SECTION 502. Defeasance.

If the Agency shall pay or cause to be paid to the registered owners of the Bond the principal, redemption price and interest thereon at the times and in the manner stipulated therein and herein, then all obligations of the Agency hereunder and under the Bond and all other rights granted hereby shall be discharged and satisfied.

SECTION 503. Transfer.

The Bond may be transferred in whole but not in part to new owners, subject to the restrictions on transfer and upon compliance with the provisions for transfer described in the form of the Bond and payment of a transfer fee of $100.00 for each substitute Bond

issued as a result of a request for transfer.

SECTION 504. Amendment.

This Resolution may be amended by the Agency without the consent of the registered owners of the Bond to cure any ambiguity, supply any omission or cure or correct any defect or inconsistent provision herein or to insert such provisions clarifying matters or questions arising hereunder as are necessary or desirable and are not inconsistent with this Resolution as theretofore in effect. The Agency may also adopt a resolution amending, supplementing or otherwise modifying this Resolution without the consent of the registered owners of the Bond to incorporate the provisions hereof in a resolution of the Agency of general application to bonds issued to finance the Program the interest on which is not excludable from federal income taxes; provided no such resolution shall reduce the principal amount of the Bond or the rate of interest payable thereon or change the maturity date thereof or the dates for payment of interest thereon or the terms of redemption thereof or the security granted for the payment thereof without the express written consent of the registered owners of the Bond. Except as hereinabove provided in this Section 504, this Resolution and the Bond may be amended by the Agency only with the prior written consent of the registered owners of the Bond.

SECTION 505. Authorization of Officers.

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

SECTION 506. Severability.

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

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 7, 1990.

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

THREE PARTY AGREEMENT

This Agreement is made this _____ day of _____, 19__, by and among _____, having its principal office at _____ (hereinafter called the "Buyer"); Housing Foundation, Inc., a Vermont nonprofit corporation (hereinafter called "Borrower"); and the Vermont Housing Finance Agency, having its principal office at One Burlington Square, Burlington, Vermont (hereinafter called "Agency").

In consideration of the promises hereinafter set forth, it is agreed by and among the parties hereto as follows:

1. Upon acquisition of a certain mobile home park located in Williston, Vermont (the "Development"), and otherwise subject to the terms and conditions of the Agency's commitment letter to the Borrower or Borrower's representative dated _____ (the "Commitment Letter"), Agency agrees to make a Permanent Loan to Borrower in such amount as Borrower may request, provided that the amount of such Loan shall not exceed the lesser of (a) 85% of the security value of the Development as determined by the Agency, or (b) ONE HUNDRED TWENTY TWO THOUSAND ($122,000) AND 00/100 DOLLARS. The Permanent Loan shall conform in all respects to the requirements of the Commitment Letter. The Permanent Loan shall be evidenced and secured by a Note, Mortgage and Security Agreement covering all realty and personalty, and be subject to the conditions of the Regulatory Agreement. The Development shall have no encumbrances or defects in title that would adversely impair in any way the security of the Agency therein.

2. The parties hereby agree that, notwithstanding any date set forth in any other document of prior date between the parties, the agreement of the Agency to make the Permanent Loan upon completion of the Development by the Borrower shall continue in force until September 30, 1990, which date shall be the expiration date of the Agency Commitment and any Agency responsibility or liability, unless further extended in writing by the Agency.

3. The Borrower agrees for the benefit of the Agency and the Bank to accept the Permanent Loan to be made by the Agency pursuant to the terms of the Commitment Letter, and the Borrower further consents and agrees that it will not accept a permanent first mortgage loan from any lender other than the Agency during the term of this Agreement or any extension hereof.

4. Agency hereby acknowledges that the Agency Commitment Letter is in full force and is unmodified except as set forth in this Agreement.

5. The parties hereby acknowledge that the Agency Commitment Letter and all of its terms are an express condition of this document. Furthermore, the Borrower agrees to accept and approve for purposes of the Permanent Loan the form of the following documents attached to the Commitment Letter:

   (a) Note
   (b) Mortgage Deed
   (c) Regulatory Agreement
   (d) Collateral Assignment of Leases and Rents

6. Subject to the terms of the Commitment Letter, at the time of the Permanent Loan (or at such earlier date as the Buyer may request on 30 days' notice to the Agency) and prior to the expiration of the Agency Commitment, the Agency agrees to issue to the Buyer (and/or to another investor acceptable to the Agency in its sole and absolute discretion, but subject to the consent of the Buyer) and the Buyer agrees to purchase from the Agency, at its face value, the Agency's Bond in an amount established pursuant to the Commitment Letter. For the protection of the Agency, the Buyer represents as follows:

   (a) The Buyer is a sophisticated investor in securities of the general type of the Agency's Bond.

   (b) The Buyer has examined the Agency's audited financial statements for the most recent period for which audited statements are available, has been offered access to all prior audited financial statements of the Agency and the current books of account of the Agency and has availed itself of such access to the extent it deems necessary.

   (c) The Buyer represents that it is purchasing the Bond for its own account for investment and does not presently intend to sell or otherwise distribute the Bond or any interest or participation therein. The Buyer understands that the extent and nature of the information furnished in this transaction is based upon the foregoing.

   (d) As between the Buyer and the Agency and all counsel for and representatives of the Agency, the Buyer has assumed responsibility for obtaining the information relating to the Bond which it deems necessary for its investment decision, and has not looked to the Agency,

its counsel, or its other representatives to provide or review that information.

7. The Agency represents to the Bank and the Borrower that, under current law, and subject to compliance with such law, it is able to issue bonds in such form, that the interest thereon will be subject to federal income tax, but exempt from Vermont income tax.

8. In the event that the Agency is unable to issue its Bond as of the time of expiration of the Agency Commitment, this agreement and the Agency Commitment as evidenced by the Commitment letter shall be null and void.

9. Notice shall be deemed delivered when mailed registered mail, return receipt requested, to the Borrower at 220 Riverside Avenue, Burlington, Vermont 05401, to the Agency at P.O. Box 408, Burlington, Vermont 05402-0408, or the Buyer c/o State Treasurer, 133 State Street, Montpelier, Vermont 05602 (or to such other place as a party may designate in writing).

10. This Agreement is not assignable.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be signed by their duly authorized agents all as of the date and year first above mentioned.

LAKE CHAMPLAIN HOUSING DEVELOPMENT CORP. By:

_____

(Borrower) Its

_____

STATE TEACHERS' RETIREMENT SYSTEM By:

_____

(Buyer) Its

_____

VERMONT HOUSING FINANCE AGENCY By:

_____

(Agency) Its

_____

FREN3PAR

RESOLUTION OF VERMONT HOUSING FINANCE AGENCY
AUTHORIZING THE ISSUANCE OF ITS
HOUSING PROJECT BOND (FEDERALLY TAXABLE
ISSUE) ST. JOHNSBURY HOUSING DEVELOPMENT

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

ARTICLE I
DEFINITIONS AND AUTHORITY

SECTION 101. Definitions.

(A) In this Resolution unless a different meaning clearly appears from the context:

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

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

"Authorized Officer" means the Chairman, Vice Chairman, Executive Director and Secretary and Director of Finance of the Agency, and any other person authorized by resolution of the Agency to act as an Authorized Officer under this Resolution.

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

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

"Bond Fund" means the Housing Project (Federally Taxable Issue) Bond Fund established under a resolution adopted by the Agency of even date herewith.

"Commitment Letter" means the Commitment Letter relating to the Permanent Loan dated as of _____, 1990, issued by the Agency and accepted by the Sponsor.

"Costs of Issuance" means any items of expense payable or reimbursable directly or indirectly by the Agency and

related to the authorization, sale and issuance of the Bond.

"Development" means the St. Johnsbury Housing Development as more fully described in the Commitment Letter and the Three Party Agreement.

"General Account" means the account so designated and established under Section 301 of this Resolution.

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

"Loan Account" means the account so designated and established under Section 301 of this Resolution.

"Permanent Loan" means a permanent mortgage loan made by or on behalf of Agency to the Sponsor with the proceeds of the Bond.

"Permanent Loan Amount" means the amount of the Permanent Loan established pursuant to paragraph 3 of the Commitment Letter.

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

"Project Fund" means the Housing Project (Federally Taxable Issue) Project established under a resolution adopted by the Agency of even date herewith.

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

"Revenues" means and includes all payments, proceeds, charges, fees, rents, investment earnings and all other income (including without limitation all payments of principal and interest received by or on behalf of the Agency on the Permanent Loan and all Recovery Payments) derived by or for the account of the Agency from or

related to the Development and the Permanent Loan.

"Sinking Fund Account" means the account so designated and established under Section 301 of the Resolution.

"Sponsor" means St. Johnsbury Housing Limited Partnership, a limited partnership organized and existing under the laws of the State.

"State" means the State of Vermont.

"Three Party Agreement" means the agreement so denominated among the Sponsor, the purchaser of the Bond, and the Agency, in substantially the form presented at this meeting.

(B) Except as otherwise expressly provided in this Resolution, the terms "housing development costs," "housing sponsor," "mortgage," "mortgage loan," and "residential housing" when used in this Resolution shall have the meanings given such terms in the Act.

SECTION 102. Authority.

This Resolution is adopted pursuant to the Act and shall take effect upon its adoption. The Agency is duly authorized under the Act and all applicable laws to issue the Bond and to adopt this Resolution in the manner and to the extent provided herein. The Agency will at all times, to the extent permitted by law, defend, preserve and protect all the rights of the registered owner of the Bond hereunder against all claims and demands of all persons whomsoever.

ARTICLE II
AUTHORIZATION OF THE BOND; FINDINGS; TERMS AND SALE OF THE BOND

SECTION 201. The Bond.

(A) The Bond of the Agency, designated "Housing Project Bond (Federally Taxable Issue) St. Johnsbury Housing Development" are hereby authorized to be issued as herein provided in an aggregate principal amount not to exceed Four Hundred Forty Thousand Dollars ($440,000), the original principal amount of the Bond to be determined upon its issuance by the Authorized Officers of the Agency executing the same. The Bond shall be in such denomination as the authorized officers of the Agency shall determine. The Bond shall be dated and shall bear interest from the Bond Date and shall mature, subject to prior redemption as herein and in the Bond provided, on August __, 2005. Interest on the Bond shall be payable on March 1, 1991

and semi-annually thereafter on March 1 and September 1 of each year. The form of the Bond, the rate or rates of interest payable thereon, the terms of redemption thereof prior to maturity and all other terms and conditions thereof shall be as set forth in Article IV of this Resolution.

(B) The Agency hereby ratifies and confirms the Commitment Letter and approves the Permanent Loan on the terms and conditions provided herein, in the Commitment Letter and in the Three Party Agreement. The Agency hereby determines that:

(1) the Permanent Loan does not exceed the value of the Development as determined by the Agency and the principal amount of the Bond is necessary to provide sufficient funds to be used and expended for the Program in respect of the Development;

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

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

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

(5) the acquisition, construction and or rehabilitation costs incurred or to be incurred by the Sponsor are for housing development costs within the meaning of the Act;

(6) there exists or without the Development 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 investments are unable, without assistance, to provide an adequate supply of residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families; and

(7) the Sponsor is a housing sponsor as defined in the Act, the Sponsor will maintain or increase the supply of well-planned, well-designed permanent, temporary

transitional or emergency housing for persons of low and moderate income and the Sponsor is a financially responsible person.

(C) The purposes for which the Bond is being issued are to provide funds to make the Permanent Loan and to pay Costs of Issuance in the amount determined by or pursuant to Article III hereof.

SECTION 202. Sale of the Bond.

(A) The Bond is hereby sold to the Bank of Vermont upon the conditions provided herein and in the Three Party Agreement. The Three Party Agreement, in substantially the form presented at this meeting and included in the minutes thereof, and its execution and delivery by Authorized Officers of the Agency is hereby approved with such changes therein and thereto not inconsistent herewith as may be approved by the Authorized Officers executing the same prior to the execution and delivery thereof.

ARTICLE III
ESTABLISHMENT OF FUNDS AND ACCOUNTS; APPLICATION OF BOND PROCEEDS; OBLIGATION OF THE BOND

SECTION 301. Funds and Accounts.

(A) The Housing Project (Federally Taxable Issue) Project Fund (the "Project Fund") is hereby established to be held and administered together with all accounts therein by the Agency as provided in this Resolution. On or prior to the Bond Date the Agency shall establish within the Project Fund a separate account designated the "St. Johnsbury Loan Account" (the "Loan Account"), the amounts in which shall be applied as provided in this Article III.

(B) The Housing Project (Federally Taxable Issue) Bond Fund (the "Bond Fund") is hereby established to be held and administered together with all accounts therein by the Agency as provided in this Resolution. On or prior to the Bond Date the Agency shall establish within the Bond Fund the following separate accounts to be applied as provided in this Article III:

(1) St. Johnsbury General Account (the "General Account");

(2) St. Johnsbury Sinking Fund Account (the "Sinking Fund Account");

(3) St. Johnsbury Special Redemption Account (the "Special Redemption Account").

SECTION 302. Application of Bond Proceeds.

(A) The proceeds of the Bond shall be deposited in the Loan Account. Moneys in the Loan Account shall be used solely as follows:

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

(2) amounts in the Loan Account in excess of the Permanent Loan Amount shall be applied by the Agency to defray

Costs of Issuance of the Bond within six (6) months of the Bond Date.

(B) Notwithstanding anything herein to the contrary, if the Permanent Loan is not made within six (6) months of the Bond Date, or in any event if any balance remains on deposit in the Loan Account on the date which is six (6) months after the Bond Date, the entire balance on deposit in the Loan Account shall be transferred to the Special Redemption Account for application to the redemption of the Bond as provided in Section 303 of this Resolution.

SECTION 303. Application of Revenues.

(A) The Agency shall deposit all Revenues in the Bond Fund upon receipt and shall immediately allocate the same to accounts therein as follows:

(1) Revenues constituting scheduled repayments of principal on the Permanent Loan and Revenues constituting permitted prepayments of the outstanding principal of the Permanent Loan - to the Sinking Fund Account;

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

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

(B) On August __, 1991 and each succeeding August __ thereafter, all amounts deposited in the Sinking Fund Account under Section 303(A)(1) shall be applied to the redemption of the outstanding principal of the Bond, except that, in the event that the Agency receives a prepayment of the outstanding principal of the Permanent Loan under Section 303(A)(1) on the tenth anniversary of the Bond Date, or at any time thereafter, all as provided in the Permanent Loan, the Bond shall be subject to redemption at the option of the Agency in whole, but not in part, from the amount deposited in said Account.

(C) All amounts deposited in the Special Redemption Account shall be promptly applied to the redemption of the outstanding principal of the Bond. At any time not later than the interest payment date for the Bond next succeeding the date of any deposit into said Account under Section 303(A)(2), the amount so deposited shall be applied to the redemption of the outstanding principal of the Bond.

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

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

(2) on the redemption date of any portion of the principal of the Bond being redeemed hereunder to pay any interest then payable on the principal amount of the Bond to be redeemed;

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

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

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

SECTION 304. Transfers from General Fund.

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

SECTION 305. Investment.

Moneys in the funds and accounts established hereunder may be

invested by the Agency, until needed for their respective purposes, in any manner permitted by the Act. Moneys in two or more of such funds and accounts may be invested on a commingled basis for the account of such funds and accounts pro rata in proportion to the moneys invested on behalf of each such fund or account. Interest and other income earned upon the investment or deposit of amounts in the Loan Account shall be deposited in such Account. Interest and other income earned upon the investment or deposit of amounts on deposit in the General Account, the Sinking Fund Account and the Special Redemption Account shall be deposited in the General Account.

SECTION 306. Obligation of The Bond.

The Bond shall be a general obligation of the Agency payable out of any of the Agency's revenues, moneys or assets, subject only to agreements heretofore or hereafter made with the holders of obligations of the Agency other than the Bond pledging particular revenues, moneys or assets for the payment thereof. The Agency hereby covenants and agrees with the registered owners of the Bond that it will not grant to any person any lien on or pledge of the Permanent Loan or of any of the Revenues or moneys or investments in any of the accounts created hereunder or any proceeds thereof unless the Agency shall simultaneously therewith grant to the registered owners of the Bond a prior and senior lien on or pledge of the Permanent Loan and such Revenues, moneys and investments and the proceeds thereof. The Bond shall not constitute a debt or grant or loan of credit of the State and the State shall not be liable thereon nor shall the Bond be payable out of any funds other than those of the Agency. The Agency is not obligated to pay the Bond or the interest thereon except from the revenues or assets of the Agency pledged therefor under this Resolution and neither the faith nor credit nor taxing power of the State or any political subdivision thereof is pledged to the payment of the principal of or interest on the Bond.

ARTICLE IV
FORM OF THE BOND

The Bond shall be issued substantially in the following form:

VERMONT HOUSING FINANCE AGENCY
HOUSING PROJECT BOND
(Federally Taxable Issue)
St. Johnsbury Housing Development

No. __ $_____

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

FORTH BELOW.

The Vermont Housing Finance Agency (herein called the "Agency"), a body politic and corporate of the State of Vermont, for value received hereby promises to pay to _____ or registered assigns, on the _____ day of August, 2005, the principal sum of _____, upon presentation and surrender hereof, and to pay interest on the principal balance hereof outstanding from time to time from the date of original delivery of this bond (the "Bond Date") until final payment hereof at the annual rate provided below, such interest payments to be made semi-annually on the first day of March and September in each year commencing March 1, 1991. The principal or redemption price of and interest on this Bond are payable in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts and shall be payable by check or draft mailed to the registered owner at his address appearing on the registration books of the Agency kept for that purpose at the offices of the Agency; provided that the registered owner of this bond by acceptance hereof agrees that whenever any payment on account of principal shall occur, such owner shall promptly note the date and amount thereof on the Schedule of Payments and Prepayments endorsed hereon and further agrees that this bond shall be surrendered to the Agency upon final payment hereof.

The annual rate of interest on this bond shall be 7.50% per annum.

This bond is issued pursuant to No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended (the "Act") and under and pursuant to a resolution of the Agency adopted August 7, 1990 entitled "Resolution of Vermont Housing Finance Agency Authorizing the Issuance of its Housing Project Bond (Federally Taxable Issue) St. Johnsbury Housing Development" (the "Resolution"). This bond is a general obligation of the Agency payable out of any of the Agency's revenues, moneys or assets, subject only to agreements heretofore or hereafter made with the holders of obligations of the Agency other than this bond pledging particular revenues, moneys or assets for the payment thereof.

The Agency is not obligated to pay this bond or the interest hereon except from the revenues or assets of the Agency pledged under the Resolution and neither the faith and credit nor the taxing power of the State of Vermont or of any political subdivision thereof is pledged to the payment of the principal of or the interest on this bond.

Copies of the Resolution are on file at the office of the Agency in the City of Burlington, Vermont, and reference to the Resolution and to the Act is made for a description of the covenants securing this bond, the manner of enforcement of the covenants, the rights

and remedies of the registered owner of this bond with respect thereto, and the terms and conditions upon which this bond is issued.

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

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

1. in whole or in part on August __, 1991 and on each August __ thereafter without notice through application of moneys in the Sinking Fund Account as required by the Resolution;

2. in whole or in part at any time upon notice through application of moneys in the Special Redemption Account as required by the Resolution; and

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

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

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

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

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

ATTEST: VERMONT HOUSING FINANCE AGENCY

By: _____ By: _____
Authorized Officer Authorized Officer

Bond Date: _____ __, 19__

Schedule of Payments and Prepayments of Principal

Principal Amount Paid	Date Paid	Balance Due	Authorized Signature and Title

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

ARTICLE V
MISCELLANEOUS

SECTION 501. Default.

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

SECTION 502. Defeasance.

If the Agency shall pay or cause to be paid to the registered owners of the Bond the principal, redemption price and interest thereon at the times and in the manner stipulated therein and herein, then all obligations of the Agency hereunder and under the Bond and all other rights granted hereby shall be discharged and satisfied.

SECTION 503. Transfer.

The Bond may be transferred in whole but not in part to new owners, subject to the restrictions on transfer and upon compliance with the provisions for transfer described in the form of the Bond and payment of a transfer fee of $100.00 for each substitute Bond issued as a result of a request for transfer.

SECTION 504. Amendment.

This Resolution may be amended by the Agency without the consent of the registered owners of the Bond to cure any ambiguity, supply any omission or cure or correct any defect or inconsistent provision herein or to insert such provisions clarifying matters or questions arising hereunder as are necessary or desirable and are not inconsistent with this Resolution as theretofore in effect.

RESOLUTION PERTAINING TO CLOSING FOR:
ST. JOHNSBURY SCATTERED SITE DEVELOPMENT

WHEREAS, a proposal has been presented to the Agency by Northern Community Housing Corporation ("NCHC"), a non-profit corporation that is a subsidiary of Northern Community Investment Corp. in St. Johnsbury, involving the acquisition and rehabilitation of 32 units in 7 buildings located on scattered sites in St. Johnsbury (the "Development"); and

WHEREAS, the proposal contemplates that the Development will constitute a "qualified low-income housing project" within the meaning of section 42(g) of the Internal Revenue Code of 1986; and

WHEREAS, the St. Johnsbury Housing Partnership with St. Johnsbury Housing Corporation and H.V. St. Johnsbury as general partners will qualify as a housing sponsor within the meaning of the Vermont Housing Finance Agency Act (the "Act"); and

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

WHEREAS, this development has previously been the subject of resolutions of the Agency dated April 26, 1990 and May 17, 1990; and

WHEREAS, the Agency has issued its Commitment Letter to make a loan in the amount of $440,000 for rehabilitation and a first mortgage loan to be amortized over a period of 15 years at a rate of 8.5%; and

WHEREAS, the sponsors have secured financing from the Federal Home Loan Bank's Affordable Housing Program through the Bank of Vermont, which money will be used to purchase the Agency's federally taxable bond to provide funds for the mortgage for the Development;

WHEREFORE, it is hereby RESOLVED:

1. The Commitment Letter of the Agency is hereby ratified and the actions of Agency staff in negotiating the loan and preparing for the closing are hereby ratified.

3. The Executive Director, the Director of Finance, the Director of Development, or any of them, are authorized to do all acts and things and to execute and deliver any and all documents or other instruments, in form satisfactory to counsel for the Agency, necessary or desirable for the purpose of effectuating the loan to the St. Johnsbury Housing Partnership in the amount of $440,000 for a 15 year term at the closing on the Development.

I hereby certify that the foregoing is 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 7, 1990.

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

RESOLUTION PERTAINING TO MODIFICATION OF COMMITMENT LETTER FOR INTERFAITH/PINE MEADOW DEVELOPMENT, MIDDLEBURY

WHEREAS, Housing Vermont and the non-profit corporation Interfaith, Inc. have presented a proposal for construction of 30 units of rental housing in the town of Middlebury, Vermont (the "Interfaith/Pine Meadow Development"or the "Development"); and

WHEREAS, this Board authorized the issuance of a Commitment Letter by the Executive Director by resolution dated April 26, 1990, which Commitment Letter was issued on June 21, 1990 and revised on July 18 and August 7, 1990; and

WHEREAS, the construction closing for the Development was held on August 7, 1990; and

WHEREAS, the representatives of the general partner of the Borrower under the Commitment Letter have requested a modification of the terms of the Commitment Letter so as to allow a longer amortization of the payments under the Loan authorized by the Commitment Letter;

WHEREFORE, it is hereby RESOLVED:

1. The combined letter of intent and commitment (the "Commitment Letter") issued on June 21, 1990 and revised on July 18 and August 7, 1990 to provide a first mortgage for permanent financing in an amount not to exceed $870,000 for the Interfaith/Pine Meadow Development is hereby ratified.

2. The resolution of the Agency dated April 26, 1990 is modified to provide that the loan shall be amortized over a period not to exceed 30 years, but the final payment shall be due not later than 20 years from the date of issuance of any bonds whose proceeds are used to fund the loan and the action of the Staff in so modifying the Commitment Letter is ratified.

3. The acts of the Staff in representing the Agency at the Construction Closing are hereby ratified.

I hereby certify that the foregoing is 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 7, 1990.

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

STATISTICAL REPORT PROGRAM ID: 89B
UNDERWRITING DATABASE
LTV 0% TO 100%
Effective for 01/01/89 thru 09/13/90
Loan Status: CC,UC,O

Total Number of Loans:	256		
Total Loan Amount:	$16,504,563		
EXISTING:	$11,691,545	71.4%	183 Loans
NEW CONSTRUCTION:	$4,813,018	28.5%	73 Loans
NEW DETACHED HOUSING:	$4,201,820	87.3%	64 Loans
NEW CONDOMINIUM:	$611,198	12.6%	9 Loans
Funds Remaining to be Reserved:	$12,180,052	31.6%	188 Loans (Est.)
Total Insured or Guaranteed Loans:	225		
Loans Guaranteed by VHMGB:	223		

	ACED	NON ACED	STATEWIDE
Avg. Purchase Price	$69,387	$78,492	$72,339
Avg. Loan Amount	$62,314	$68,965	$64,470
Avg. Borrower Income	$29,585	$27,943	$29,052
Avg. Housing Debt-Income Ratio	26.6%	29.3%	27.5%
Avg. Total Debt	$793.63	$809.18	$798.67
Avg. Total Debt-Income Ratio	35.0%	35.1%	35.0%
Total No. of Loans	173	83	256
% of Total Loan Amount	65.3%	34.7%	100.0%
First Time Homebuyers	79.7%	98.7%	85.9%
% Meeting Low Income Set Aside	34.6%	57.8%	42.1%

	Loans	% of Loans	$ Amount	*Households	% of Hshlds	% DIFF
Addison	10	3.9%	$620,695	5,000	5.8%	1.9-
Bennington	6	2.3%	$395,350	6,000	7.0%	4.7-
Caledonia	27	10.5%	$1,593,765	5,000	5.8%	4.7
Chittenden	56	22.1%	$3,980,354	16,000	18.6%	3.5
Essex	6	2.3%	$325,517	1,000	1.2%	1.1
Franklin	39	15.2%	$2,387,422	6,000	7.0%	8.2
Grand Isle	2	0.8%	$135,275	1,000	1.2%	0.4-
Lamoille	17	6.6%	$1,051,731	3,000	3.5%	3.1
Orange	9	3.5%	$551,370	4,000	4.7%	1.2-
Orleans	17	6.6%	$937,052	4,000	4.7%	1.9
Rutland	25	9.8%	$1,644,893	10,000	11.6%	1.8-
Washington	20	7.8%	$1,431,829	9,000	10.5%	2.7-
Windham	13	5.1%	$856,813	7,000	8.1%	3.0-
Windsor	9	3.5%	$592,497	9,000	10.5%	7.0-
TOTAL	256	100.0%	$16,504,563	86,000	100.0%	

*Estimated number of households, $15,000 to $35,000 income.
Source: CACI, 1989 Sourcebook of County Demographics

Vermont Housing Finance Agency
89B - $38,450,000 MORTGAGE LOAN PURCHASE PROGRAM
Status Report (with percent of pool proceeds approved)
Rate : 8.700%
Date : 09/13/90

Lender	Funds Reserved	Percent Reserved	Prelim. Approval	% Prelim Approval	Loans Purchased	Loans to be Purchased	PERC
Bank of Vermont	$1,850,621	4.8%	$1,347,265	3.5%	$586,120	$761,145	41.1%
Bradford National Bank	$58,950	0.1%	$58,950	0.1%	$0	$58,950	100.0%
Caledonia National Bank of Danville, The	$400,280	1.0%	$260,350	0.6%	$47,600	$212,750	53.1%
Chittenden Trust Company	$4,819,276	12.5%	$3,244,179	8.4%	$1,140,732	$2,103,447	43.6%
Citizens Savings Bank and Trust	$476,852	1.2%	$366,137	0.9%	$114,345	$251,792	52.8%
Commonwealth Mortgage Company, Inc	$375,500	0.9%	$310,950	0.8%	$0	$310,950	82.8%
Community National Bank	$994,502	2.5%	$710,052	1.8%	$153,025	$557,027	56.0%
Factory Point National Bank, The	$81,700	0.2%	$81,700	0.2%	$0	$81,700	100.0%
Franklin-Lamoille Bank	$756,846	1.9%	$437,571	1.1%	$162,250	$275,321	36.3%
Granite Savings Bank and Trust Company	$130,650	0.3%	$0	0.0%	$0	$0	0.0%
Howard Bank, National Assn, The	$504,275	1.3%	$368,425	0.9%	$143,450	$224,975	44.6%
Lyndonville Savings Bank & Trust Company	$256,400	0.6%	$131,800	0.3%	$98,800	$33,000	12.8%
Marble Bank	$764,858	1.9%	$361,695	0.9%	$58,900	$302,795	39.5%
Merchants Bank, The	$1,161,551	3.0%	$681,194	1.7%	$400,622	$280,572	24.1%
National Bank of Middlebury, The	$107,400	0.2%	$107,400	0.2%	$37,400	$70,000	65.1%
New England IBM Employees Fed Crdt Union	$332,300	0.8%	$287,300	0.7%	$78,000	$209,300	62.9%
Northfield Savings Bank	$265,775	0.6%	$119,700	0.3%	$47,500	$72,200	27.1%
Passumpsic Savings Bank	$1,372,095	3.5%	$828,245	2.1%	$153,200	$675,045	49.1%
Peoples Trust Company of St Albans	$332,325	0.8%	$119,800	0.3%	$59,000	$60,800	18.2%
Proctor Bank	$349,500	0.9%	$148,250	0.3%	$148,250	$0	0.0%
Randolph National Bank	$309,850	0.8%	$196,325	0.5%	$58,900	$137,425	44.3%
Statewide Funding Corporation	$755,128	1.9%	$381,061	0.9%	$72,602	$308,459	40.8%
Summit Financial Center, Inc.	$485,817	1.2%	$254,162	0.6%	$0	$254,162	52.3%
Union Bank	$1,158,224	3.0%	$851,475	2.2%	$52,250	$799,225	69.0%
Vermont Federal Bank, FSB	$3,816,714	9.9%	$2,551,229	6.6%	$1,115,801	$1,435,428	37.6%
Vermont Mortgage Group, Inc	$1,049,589	2.7%	$741,951	1.9%	$83,000	$658,951	62.7%
Vermont National Bank	$3,171,607	8.2%	$1,577,397	4.1%	$298,568	$1,278,829	40.3%
TOTALS 410 Loans	$26,138,585	67.9%	$16,524,563	42.9%	$5,110,315	$11,414,248	43.6%

VERMONT HOUSING FINANCE AGENCY
MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Douglas R. Lothrop, Director of Operations

DATE: September 12, 1990

RE: Mortgage Plus Program

Background

The ability of VHFA to issue Mortgage Plus certificates will end September 30, 1990.

If sunset were not an issue, VHFA staff would most likely have asked the Board to approve a new Mortgage Plus Program and convert additional Mortgage Revenue Bond (MRB) authority to Mortgage Credit Certificate (MCC) authority effective, January 1, 1991 as our present program would have been in place up to that date.

The normal procedure, after Board approval, would have called for our publishing a 90 day public notice, as required by regulation, prior to September 30, 1990 (so the program would be continuous), updating the Mortgage Plus Program (Guide, Documents, etc.), and deciding on a marketing/targeting strategy.

Recommendation

It is the opinion of staff that VHFA's ability to issue Mortgage Credit Certificates will definitely cease as of September 30th, and that the authority will be restored in the future. The one issue that we cannot predict is when that will be.

Staff recommends that VHFA publish the required 90 day public notice, a copy of which is attached, prior to MCC authority being restored so that the new MCC program may begin as soon as possible. Timing of the public notice is important as we do not want it to be outdated and have to republish a second time.

Another issue that VHFA must address is one of exchanging authority between MRB and MCC when new bonding authority is granted. This is necessary as our ability to carry forward will end September 30th and the tax regulations do not allow us to convert MRB to MCC authority for any period after September 30th.

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Staff recommends that the Board approve the conversion of $25,000,000 of bonding authority to $5,000,000 MCC authority as soon as the bonding authority is available.

These two actions will allow us to reintroduce the growing Mortgage Plus Program into the marketplace as soon as possible after authority is restored

Requested Action

That the Board authorize the Executive Director to publish the required 90 day notice at a time in the future that he determines is appropriate and initiate the process to convert the above mentioned MRB authority to MCC authority as soon as MRB authority is available.

PUBLIC NOTICE

MORTGAGE CREDIT CERTIFICATE PROGRAM

This notice is published pursuant to Section 25 of the Internal Revenue Code of 1986 (the "Code") and Treasury Temp. Reg. Sec. 1.25-7T.

Vermont Housing Finance Agency (VHFA") announces its Mortgage Credit Certificate Program (the "Program") to take effect on or after , 1990.

The authority allowing VHFA to issue Mortgage Credit Certificates has expired. This notice is being published in anticipation of obtaining future authority to issue Mortgage Credit Certificates.

Under the Program, VHFA will issue Mortgage Credit Certificates ("Certificates") through participating lenders for the purpose of aiding persons and families of low and moderate income to purchase affordable single family primary residences in the State of Vermont, or mobile homes that meet certain conditions. Certificates will also be issued for qualified home improvement loans on the borrower's principal residence. A Certificate will entitle the borrower to the annual federal income tax credit established by Section 25 of the Code.

Program Requirements.

Some requirements of the Program vary according to the location of the particular residence to be acquired. In general, the requirements are less restrictive in the following counties, known as "Targeted Areas": Caledonia, Essex, Franklin, Lamoille, Orange, Orleans, Rutland, Washington, and Windham. Targeted Areas are entitled to a preference under the Program; therefore, Certificates pertaining to non-Targeted Areas may be delayed or unavailable from time to time. The basic requirements of the Program are explained below.

Income Limits. In Targeted Areas, annual borrower family income may not exceed 140% of the median gross income of the area (generally the county) in which the residence is located. In non-Targeted Areas, the applicable percentage is 115% of median gross income. Actual figures may vary from time to time as required by data published by the Federal government or as determined by VHFA. For the purposes of the Program, and until further notice, the table below sets forth maximum eligible borrower family income by area:

ADDISON	$29,095	WASHINGTON	$36,260
BENNINGTON	30,360	WINDHAM	36,120
CALEDONIA	33,320	WINDSOR	32,085
CHITTENDEN	35,880		
ESSEX	31,360		
FRANKLIN	34,580		
GRAND ISLE	26,220		
LAMOILLE	34,580		
ORANGE	32,060		
ORLEANS	31,360		
RUTLAND	37,380		

[redacted]ncipal Residence Requirement. The borrower must intend to [redacted]y, and must occupy, the residence as the borrower's principal [redacted]idence within 60 days of the time the mortgage loan is provided by [redacted]he lender. A Certificate will cease to be valid, and will be revoked, if and when the residence to which it applies ceases to be the principal residence of the Borrower. For the purposes of this requirement, a "residence" may include any manufactured home which has a minimum of 400 square feet of living space and a minimum width in excess of 102 inches and which is of a kind customarily used at a fixed location. A residence may also include a duplex that was first occupied at least five years prior to the date of the mortgage ("Qualified Duplex").

Three-Year Requirement. In non-targeted Areas, the borrower must not have held a present ownership interest in borrower's principal residence (excluding any manufactured housing not permanently affixed to real property) at any time during the three-year period ending on the date the mortgage is executed. **This rule does not apply in Targeted Areas.**

New Mortgage Requirement. Under the Program, except in the case of a qualified home improvement loan, a mortgage must be a new mortgage; it must not be used to acquire or replace any existing mortgage except for a construction loan or bridge financing or other temporary financing not exceeding 24 months. Further (subject only to these limited exceptions) the residence must not have been subject to any mortgage given by the borrower, whether or not paid off, at any time prior to execution of the mortgage given under the Program.

Purchase Price Limits. Subject to change as required by data published by the Federal government or as otherwise determined by VHFA, the purchase price of a residence under the Program may not exceed$105,000 for a newly constructed one-family residence or $89,000 for an existing one-family residence or Qualified Duplex.

Method by which Certificates will be issued under the Program.

Certificates will be issued through any lender that has entered a Program participation agreement with VHFA. Application for a Certificate will be taken by a participating lender at the same time as the lender takes a formal loan application. The opportunity to participate will be open to any lender. A list of currently participating lenders will be available from VHFA on or before the effective date of the Program.

Fees. Each applicant will be charged a processing fee of $150, in addition to other normal loan charges. Fees may be subject to change.

Further Information.

For further information, write to Vermont Housing Finance Agency, P.O. Box 408, Burlington, VT 05402, ATTN: Douglas R. Lothrop, or phone, toll free: 1-(800)-222-VHFA.

DRL/kal:052

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Margaret A. Pond, Director of Development

DATE: September 13, 1990

RE: **Recycled 8.25% Funds: Discussion of Potential Uses**

Background:

Over the past few years we have been seeking ways to use these pre-1980 funds that have fewer restrictions attached to them. This allows more flexibility for use of the funds than we have under post-1980 funds. The major problem preventing widespread use of the funds was the pool mortgage insurer which applied more stringent underwriting standards than VHMGB, making the funds more complicated to access even though they are at a very favorable rate.

Earlier this year, we were successful in negotiating an arrangement with General Electric Mortgage Insurance Company (GEMICO) to replace the prior insurer (MGIC). The actual contract has not been signed as of the writing of this memo, but we believe changing to GEMICO will be a significant step toward utilizing these funds.

Potential Uses for the Funds:

There are several characteristics that make these funds unique:

* Has GEMICO mortgage insurance (pool and primary) which will be somewhat more stringent than VHMGB;

* No first-time homebuyer requirement;

* Term is currently 24-25 years: there is pressure to get the funds out, even if it is not costing us to hold on to them;

* May be able to do construction financing to borrower;

* May be able to do refinancing and rehabilitation.

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Given these considerations, as well as others, we would like to research using the funds for a **new construction program with construction/permanent financing** to borrowers purchasing units in participating development projects. We envision rather broad purchase price limits and income limits to respond to the very slow construction sector.

Additionally, for a much smaller portion of the funds, we would like to consider a **non first-time homebuyer reserve** (in counties which have the first-time homebuyer requirement) to provide financing to borrowers who have experienced some kind of hardship (such as job relocation or divorce). As currently contemplated, this would not be a pro-active program as much as a reactive capacity to assist VHFA borrowers who experience hardship of some sort.

Attached is a matrix done by Pat Crady which helps to sort out the various options considered by staff in our discussions.

Recommended Action:

Approval to proceed with development and, if the development justifies it, implementation of both a new construction program with construction/permanent financing capacity and a non first-time homebuyer reserve.

DEVELOPMENT OPTIONS --- 8.25% FUNDS

PROGRAM TYPE	DESCRIPTION	PROS	CONS
New Construction	Program to provide construction/permanent financing to borrowers purchasing units in participating projects--All new homes would have to be ERH 4 Star	• ability to provide 95% construction loans • stimulate new construction • less restrictive income and purchase price targeting than MOVE • no first-time homebuyer restriction • reinforce ERH • does not compete with MOVE	• financial risk • delivery system • more restrictive underwriting • staffing considerations • requires major program development • loss of interest during construction • need??? • recapture
Purchase/Refinance Rehabilitation	Purchase/Refinance Rehabilitation Mortgages--All homes would have to be brought up to a 4 Star Rating	• upgrade existing housing stock • reinforce ERH • less restrictive income and purchase targeting than MOVE • no first-time homebuyer restriction • refinance/rehab component does not compete with MOVE	• We offer purchase/rehab with MOVE-- with less restrictive underwriting • delivery system • staffing considerations • requires major program development • recapture • would need GEMICO approval
Non First-time Homebuyer Program	Program to provide mortgage financing to individuals who are not first-time homebuyers	• serve individuals not currently eligible for MOVE--would not compete with MOVE • delivery--no special features	• criticism for using lower interest rate funds for non first-time homebuyers • recapture
Group Homes	Program to finance the acquisition of Group Homes by nonprofit groups		• not eligible for pool or primary insurance with GEMICO
Employer Assisted Housing	Program to finance the purchase of homes by individuals receiving some form of assistance from their employer	• no first-time homebuyer restriction	• more restrictive underwriting than MOVE--we can presently accomodate most types of assistance within MOVE • will not be a major use of funds at the present time
Supplement to MOVE	Use funds when 8.7% funds have been exhausted		• more restrictive eligibility, property requirements, documentation and underwriting than present MOVE program--would cause confusion for borrowers, lenders and REALTORS

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Mark Koppelkam, Multi-Family Development Underwriter

DATE: September 12, 1990

RE: **Results of Second Round LIHTC Reservation Decisions**

The second round for the tax credit application was August 15th. The only application approved for reservation at that time was $69,000 for the Elm Street/Barrett Block development in Montpelier. This project has a high priority because an estimated 85% of tenants have incomes below 50% of median income. HUD forced a deadline for a reservation decision as they wanted to base their HUD 312 loan approval on getting an LIHTC allocation.

We decided to postpone consideration of all other applications until at least October 1st, which is the deadline for receipt of applications for the last round. As you can see from the attached summary chart, we have a very competitive situation this year for very few LIHTC dollars.

More time is needed for the second highest priority project, Highgate, to determine if it can and will happen in 1990. It may be possible for Highgate to proceed with a financing package that is more than 50% tax exempt, which would put its LIHTC allocation "out-of-cap," and therefore free up other LIHTC money for other projects. Highgate is awaiting Congressional action on an amendment specifically including it in the list of eligible projects for assistance under the terms of the Preservation Act. An estimated 80% of the tenants at Highgate have incomes below 50% of median.

It was generally felt that none of the other projects suffer significantly from a 45 day delay.

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VHFA 1990 LOW INCOME HOUSING TAX CREDITS 8/27/90
SECOND ROUND APPLICATIONS AND ANALYSIS

1990 Vermont Allocation	$531,562
Actual 1st and 2nd Round Reservations	$383,011
1990 Allocation Remaining	$148,551
3rd Round Max Allocation (100%) OCT 1, 1990	$148,551

1990 LIHTC FIRST AND SECOND ROUND RESERVATION DECISIONS - APPROVED

Project Name	City	Last Name	Total # of Units	# of LIHTC Units	Project Type	LIHTC Credit Requested	LIHTC Credit Reserved	Credit Type Requested	Total Proj Cost	Developer Fee as % of TDC	Rate of Return on Equity	% of Allocation	LIHTC Cos for each unit
Putney Cares	Putney	Crawford-Realty Resou	28	28	new constr-elderly	$64,700	$60,200	4%	$1,756,850	13.80%	8.00%	11.33%	$2,150
Pine Meadow	Middlebury	Interfaith-Housing VT	30	24	new constr-family	$146,062	$146,062	9%	$2,094,125	3.76%	12.00%	27.48%	$4,869
Barrett Block	Montpelier	CVCLT	46	35	rehab & new constr-fam	$69,900	$69,900	4% & 9%	$2,924,337	5.61%	12.00%	13.15%	$1,520
Mountain View	Springfield	Springfield HA	72	51	acquis & rehab-family	$76,682	$76,682	4% & 9%	$2,639,201	1.44%	12.00%	14.43%	$1,065
St Johnsbury	St Johnsbury	NCHC-Housing VT	32	22	rehab-family	$36,007	$30,167	9%	$1,479,256	5.41%	12.00%	5.68%	$943
Totals -	Tax Credit Reservations to Date		208	160		$393,351	$383,011		$10,893,769			72.05%	$1,841

1990 LIHTC THIRD ROUND RESERVATION APPLICATIONS

Project Name	City	Last Name	Total # of Units	# of LIHTC Units	Project Type	LIHTC Credit Requested	LIHTC Credit Reserved	Credit Type Requested	Total Proj Cost	Developer Fee as % of TDC	Rate of Return on Equity	LIHTC Cost for each unit
North St	Burlington	Bissonette	6	6	rehab-family	$4,277		9%	$73,519	0.00%	??	$713
Hebert	Winooski	Winooski Housing Auth	70	31	new constr-elderly	$175,998		9%	$5,338,819	16.67%	14.55%	$2,514
Bristol	Bristol	ACCAG-Housing Vermont	9	9	new constr-family	$20,000		9%	$763,255	3.93%	12.00%	$2,222
Highgate	Barre	CVEOE-Housing VT	120	87	rehab-fam	$113,473		4%	$7,714,386	1.27%	12.00%	$946
Williston	Williston	Williston Elders-HV	44	28	new constr-elderly	$142,324		9%	$2,802,240	4.18%	12.00%	$3,235
ewbury	Newbury	Realty Resources	24	24	new constr-family	$61,300		4%	$1,619,280	13.09%		$2,554
			273	185		$517,372	$0		$18,311,499			$1,895

VERMONT HOUSING FINANCE AGENCY

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE RAS

DATE: SEPTEMBER 13, 1990

RE: 1990A BOND FINANCING UPDATE

Attached to this memorandum is the Preliminary Official Statement (P.O.S.) related to the proposed bond financing. This document is sent to potential investors to review before the pricing by underwriters. The POS also explains in general terms the provisions of the General and Series Resolution(s). These documents will be brought to the Board meeting by Bob Hale of Palmer and Dodge and available for review. Since the Resolutions are not in final form at this time, I am not enclosing drafts. If you would like draft copies before the Board meeting, please let me know.

The bond financing continues to be running on course as stated in the prior memo sent to the Board. The only other significant point that was not mentioned is that the additional letter of credit required to cover "disaster scenarios" will be sized in the neighborhood of $1 million. The Agency may be asked to cover in cash a portion of this coverage, not expected to be more than $200,000 for some short period of time. It is hoped that the full spread mortgage rate will come in under 9% and we believe that the proceeds of the financing can be invested at no cost to VHFA.

As a reminder a conference call is scheduled for 9:00 AM on Tuesday, September 18th at which time the Underwriters will discuss the plans for pricing of the Bonds and be looking for Board consent to release the pricing of the issue. If you have any questions either prior to or during the call, please do not hesitate to ask.

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

RESOLUTION AUTHORIZING
VERMONT HOUSING FINANCE AGENCY
1990 MORTGAGE PURCHASE PROGRAM

WHEREAS, pursuant to its Single Family Housing Bond Resolution adopted September 20, 1990 (the "General Resolution"), Vermont Housing Finance Agency has this date adopted its First Supplemental Resolution Authorizing the Issuance and Sale of $27,000,000 Single Family Housing Bonds, Series 1 (the "Supplemental Resolution", together with the General Resolution hereinafter called the "Resolutions"); and

WHEREAS, the staff of the Agency has proposed the creation of the 1990 Mortgage Purchase Program (the "1990 Program") and has presented the Mortgage Loan Application and Commitment Agreement dated as of September 12, 1990 (the "Commitment Agreement") incorporating the Mortgage Loan Purchase and Servicing Agreement referenced therein (the "Purchase Agreement") and the Mortgage Purchase Program Procedural Guide, as amended (the "Procedural Guide");

NOW THEREFORE, with all terms herein and not otherwise defined having the same meaning as they have in the First Supplemental Resolution, it is hereby RESOLVED:

1. Subject to the terms and conditions of the Supplemental Resolution, monies in the Series 1 Program Account established under and pursuant to the Resolutions (the "Program Account") shall be used to purchase Mortgage Loans from Mortgage Lenders in an aggregate amount equal to the portion of the proceeds of the Series 1 Bonds required to be deposited into the Program Account.

2. The Purchase Agreement and the Procedural Guide are hereby approved.

3. The Agency's 1990 Program is hereby approved.

4. The form of the Commitment Agreement is hereby approved and the Executive Director and the Director of Operations, or either of them, is authorized to execute and deliver the same to Mortgage Lenders participating in the 1990 Program.

VERMONT HOUSING FINANCE AGENCY

SINGLE FAMILY MORTGAGE PROGRAM DATA

September 1990

1) Total VHFA Single Family Loans: 1974 - June 30, 1990

- 13,280 single family loans
- 12,935 loans (97%) financed by sale of Mortgage Revenue Bonds
- $630 million in MRBs issued since 1974

2) VHFA Market Share, 1987-1990 (See Graph A)

(VHFA Market Share calculated for loans made in all single family programs including MOVE, recycled MRB funds, Perpetually Affordable Housing, New Homes, Mortgage Plus, joint loans with FmHA, VEIC, and CVPS.)

	VHFA Assisted Purchases	Vermont Primary Home Purchases at or below VHFA Limits ($80,000 in 1987-88, $93,000 in 1989-90)	VHFA Assisted Purchases as a Percent of All Vermont Purchases at or Below VHFA Price Limits
1987	392	6,154	6.4%
1988	864	3,949	21.9%
1989	1,093	3,222	33.9%
Jan-Jun 1990	500	1,055	47.4%

3) VHFA Market Share: Jan-Jun 1989 vs Jan-Jun 1990

	VHFA Assisted Purchases	VT Primary Homes Sold <= $93,000	VHFA Market Share of Homes Sold for $93,000 or Less
Jan-Jun 1989	459	1,471	31.2%
Jan-Jun 1990	500 (up 9%)	1,055 (down 28%)	47.4%

	VT Primary Homes Sold for more than $93,000	All Vermont Primary Homes Sold	VHFA Market Share of all Vermont Primary Homes Sold
Jan-Jun 1989	1,398	2,869	16.0%
Jan-Jun 1990	1,008 (down 28%)	2,063 (down 28%)	24.2%

4) Profile of Average VHFA MOVE Home Mortgage Borrower: FY 1990 & FY 1989

(Includes MOVE program participants only.)

	FY 1990	FY 1989
Income	$28,000	$27,900
Age	30.5	29.9
Family Size	2.3	2.4
Purchase Price	$69,600	$63,800
Loan Amount	$61,900	$57,700
Principal & Interest Payment	$496	$479
Loan to Value Ratio	89.5%	90.9%
Percent New Construction	27.6%	22.7%
Total Loans	979	785
Mortgage Volume	$60.6 million	$45.3 million

5) Borrower Income Distributions FY 1990 (See Graph B)

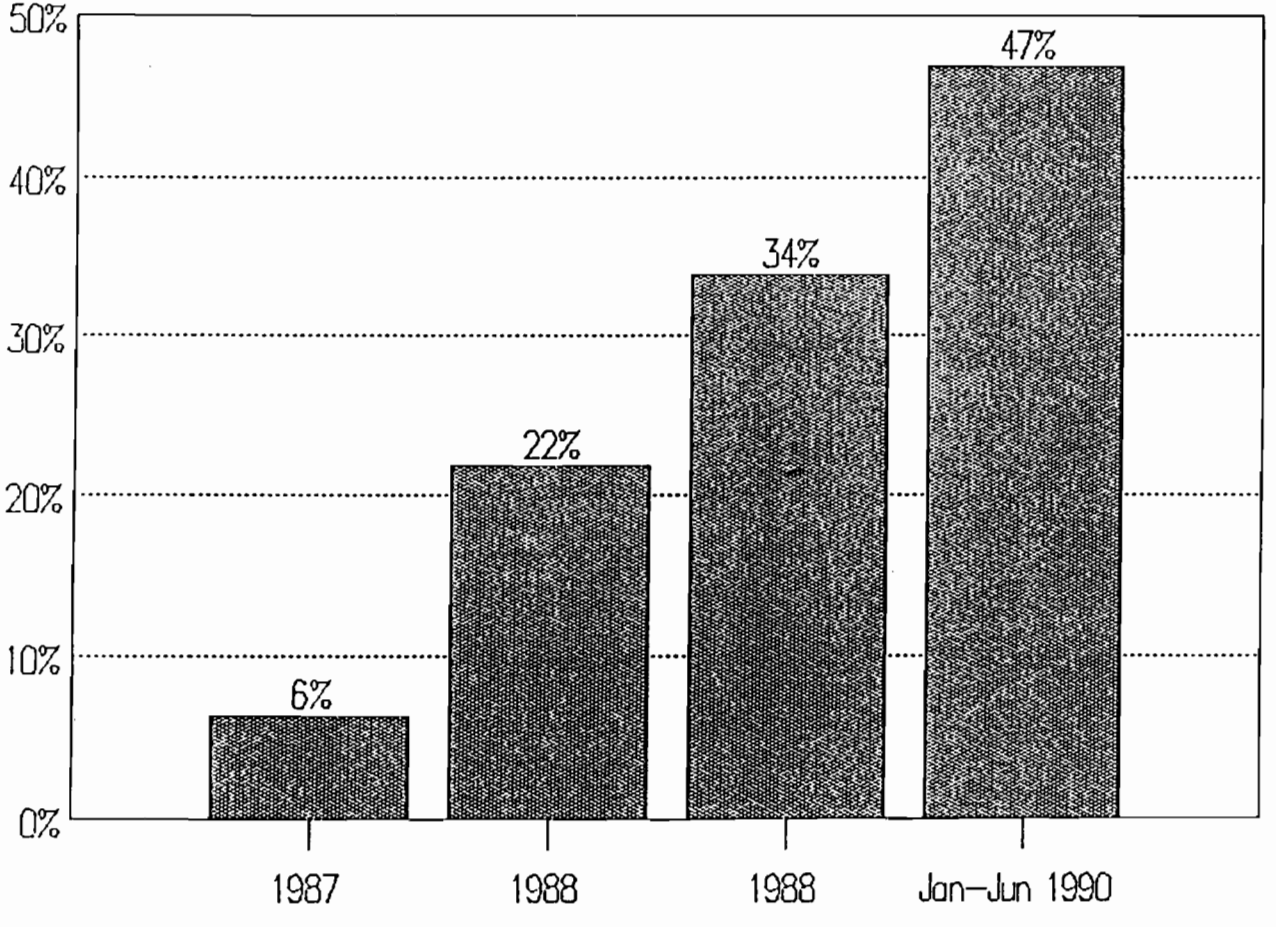
6) Borrower Purchase Price Distributions FY 1990 (See Graph C)

7) VHFA Average Home Prices vs. Average Price of Primary Vermont Homes Sold, 1987-1990 (See Graph D)

sm/WP/BRDSEP90
9/18/90

VHFA MARKET SHARE OF VERMONT HOMES SOLD AT OR BELOW VHFA'S PRICE LIMIT

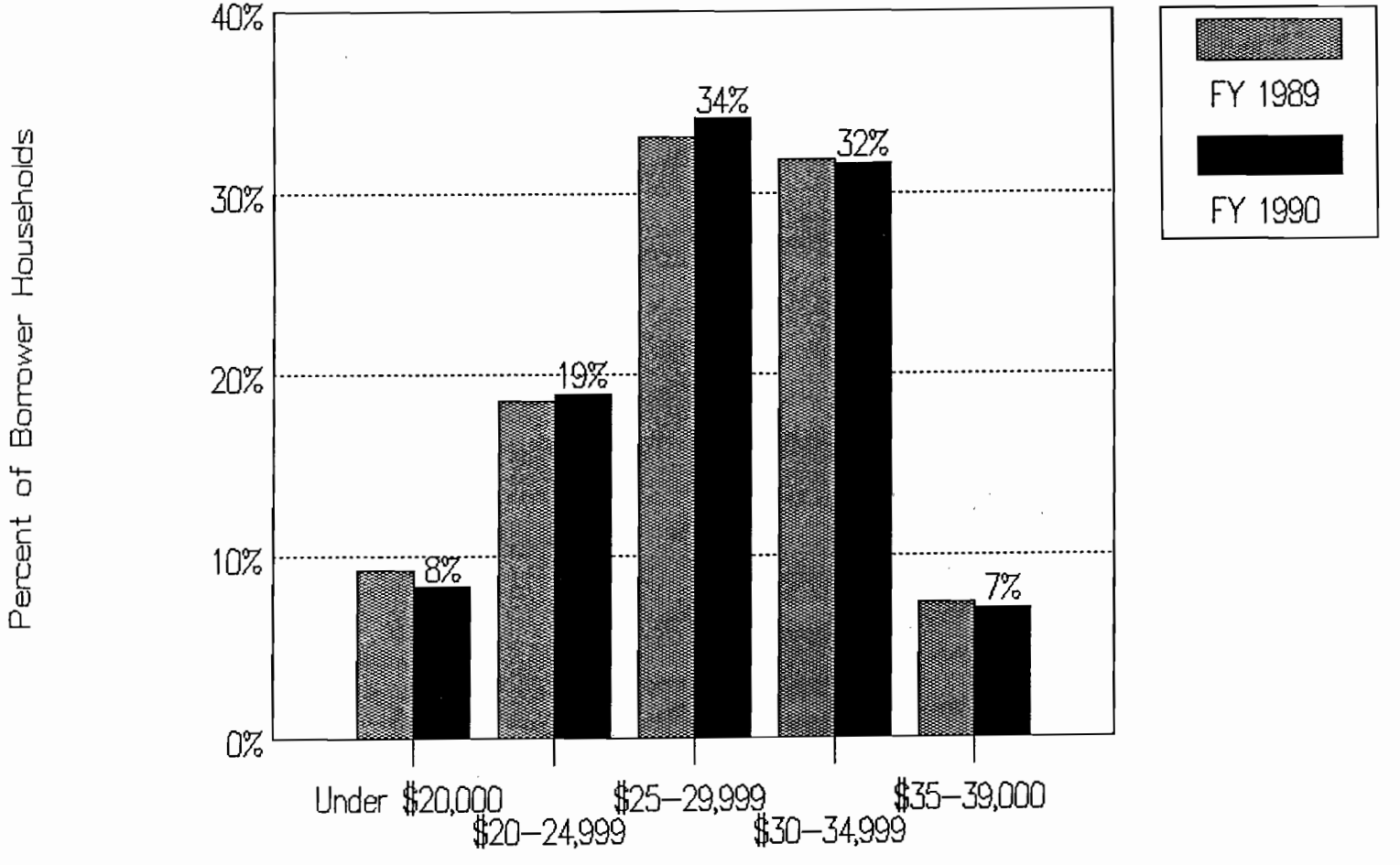
VHFA assisted purchases as a percent of all Vermont primary home purchases at or below VHFA's purchase price limits ($80,000 in 1987 and 1988, $93,000 in 1989 and 1990).



Source: Vermont Department of Taxes, based on returns processed as of 9/8/90.

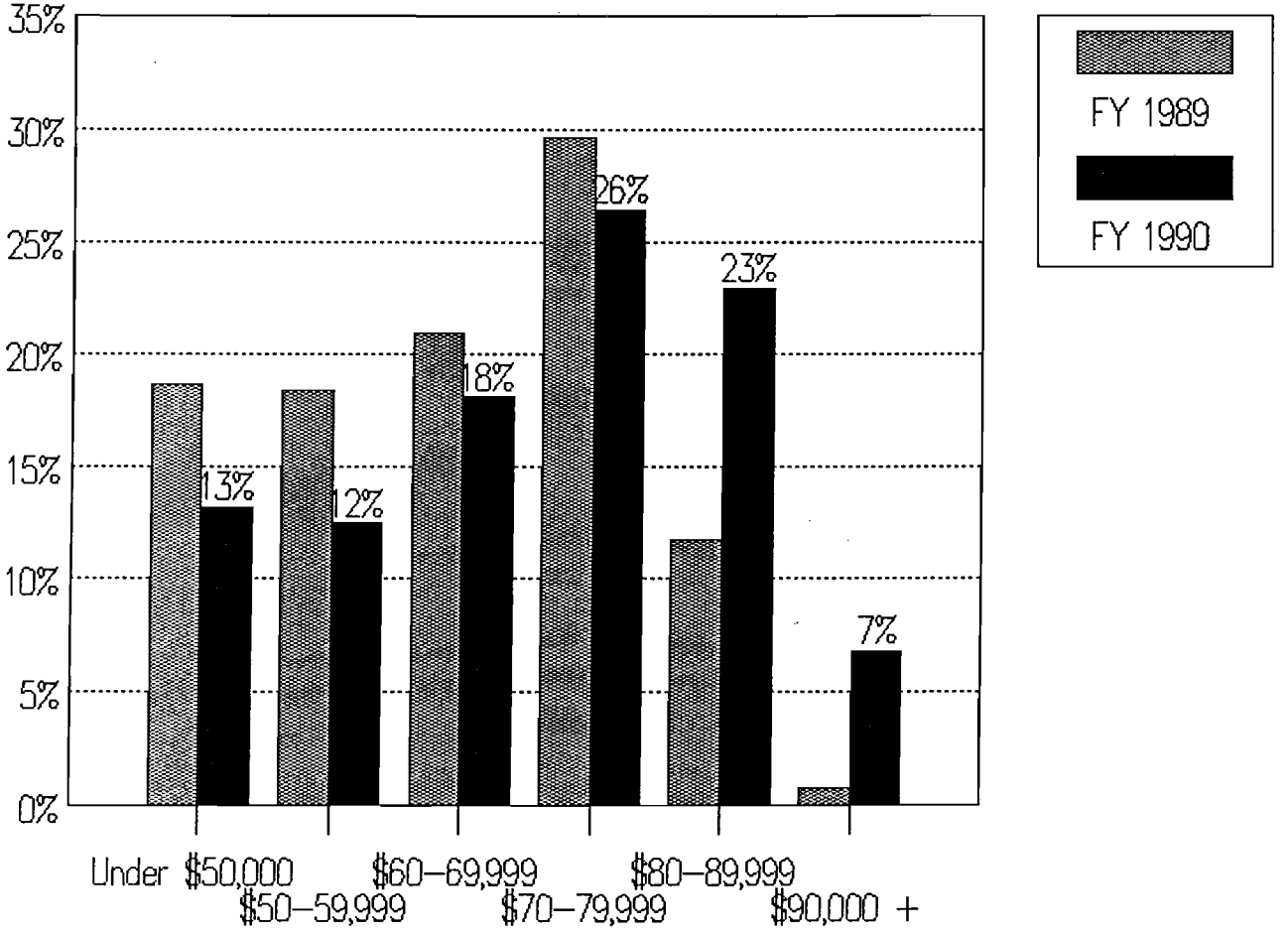
VHFA BORROWER INCOME

FY 1989 and FY 1990



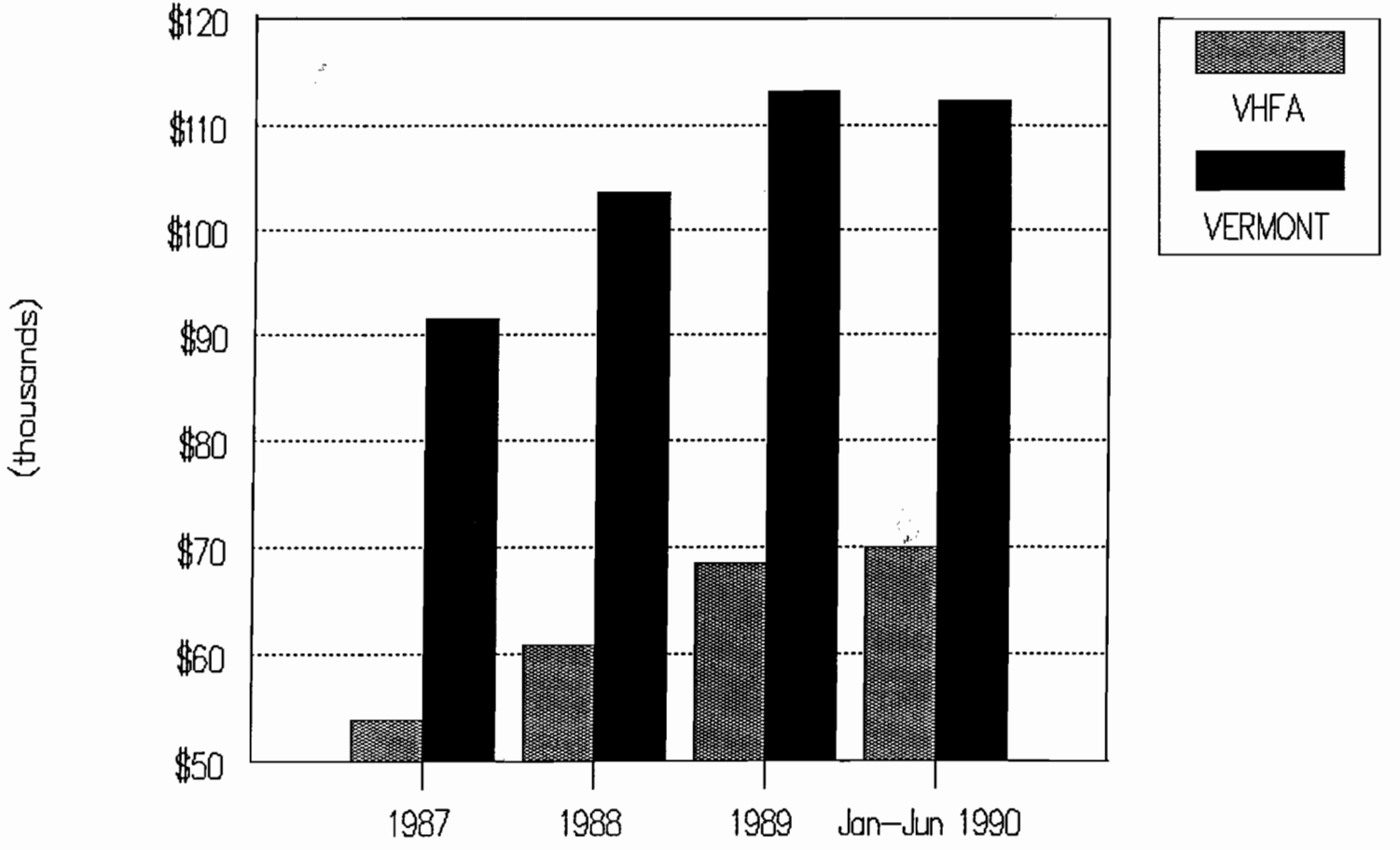
VHFA HOME PURCHASE PRICES

FY 1989 and FY 1990



COMPARATIVE AVERAGE HOME PRICES

VHFA vs ALL VERMONT HOMES



SUGAR MAE-- RECAP OF LENDER SURVEY
September 19, 1990

Number of Surveys mailed: 34

Number of Lenders Responding: 17

Brattleboro Savings & Loan	Caledonia National
Chittenden Bank	Community National
Franklin Lamoille Bank	First National of VT
Granite Savings	Lyndonville Savings
Marble Bank	National Bank of Middlebury
Northfield Savings	Proctor Bank
Randolph National Bank	Union Bank
Vermont Federal Bank	Wells River Savings
Woodstock National Bank	

Lenders indicating they wish to sell ARMs: 9

Randolph National Bank	Marble Bank
Caledonia National Bank	Proctor Bank
Chittenden Bank	Northfield Savings Bank
Community National Bank	Woodstock National Bank
Wells River Savings Bank	

Lenders indicating they wish to sell Fixed Rate Mortgages: 6

Marble Bank	Proctor Bank
National Bank of Middlebury	Brattleboro Savings & Loan
Franklin Lamoille Bank	Wells River Savings Bank

Lenders indicating they did not wish to sell loans at this time:

Vermont Federal Bank	Union Bank
Lyndonville Savings Bank	Granite Savings Bank
First National Bank of VT	

==========

Summary of Loan Products:

ARMs	$ 1.0 million--6 month
	$ 112.2 million--1 year
	$ 5.6 million--3 year
	$ 118.8 million TOTAL ARMs
FIXED	$ 7.4 million--15 year
	$ 38.6 million--30 year
	$ 46.0 million TOTAL FIXED

SEE ATTACHED FOR MOST PREDOMINANT LOAN PRODUCTS

ADJUSTABLE RATE MORTGAGES

Loan Type: 1 Yr ARM (T-Bills), 2% adj. cap, 6% lifetime cap

Interest Rates	Volume
8.0% - 8.5%	$ 3.4 million
9.1% - 9.5%	$ 2.1 million
9.6% - 10.0%	$ 1.9 million
10.1% - 10.5%	$ 2.5 million
10.6% - 11.0%	$ 9.9 million
11.1% - 11.5%	$ 1.7 million
above 12.0%	$ 12.0 million
Total	**$ 33.5 million**

Lenders: Chittenden Bank, Randolph National Bank, Marble Bank, Caledonia National Bank, Proctor Bank

****

Loan Type: 1 Yr ARM (T-Bills), 2% adj. cap, 5% lifetime cap

Interest Rates	Volume
8.0% - 8.5%	$ .1 million
8.6% - 9.0%	$ 3.7 million
9.1% - 9.5%	$ 3.4 million
9.6% - 10.0%	$ 3.1 million
10.1% - 10.5%	$ 3.0 million
10.6% - 11.0%	$ 8.5 million
11.1% - 11.5%	$ 20.4 million
11.6% - 12.0%	$ 3.1 million
above 12.0%	$ 11.7 million
Total	**$ 57.0 million**

Lenders: Chittenden Bank, Community National Bank, Woodstock National Bank

****

Loan Type: 1 Yr ARM (T-Bills), 1% adj. cap, 5% lifetime cap

Interest Rates	Volume
10.1% - 10.5%	$ 1.6 million
10.6% - 11.0%	$ 7.8 million
11.1% - 11.5%	$ 3.7 million
11.6% - 12.0%	$ 3.1 million
above 12.0%	$ 1.0 million
Total	**$ 17.2 million**

Lender: Woodstock National Bank

FIXED RATE MORTGAGES

Interest Rates	15 years	16 to 30 years
below 8.0%	$ .1 million	$ .8 million
8.0% - 8.5%	$ .2 million	$ 1.9 million
8.6% - 9.0%	$ .4 million	$ 4.9 million
9.1% - 9.5%	$ .6 million	$ 4.3 million
9.6% - 10.0%	$ 3.2 million	$ 7.2 million
10.1% - 10.5%	$ 2.4 million	$ 12.8 million
10.6% - 11.0%	$ .2 million	$ 4.1 million
11.1% - 11.5%	$ .1 million	$ 1.4 million
11.6% - 12.0%	$	$ .6 million
above 12.0%	$	$ .6 million
Totals	**$ 7.4 million**	**$ 38.6 million**

Lenders: Franklin Lamoille Bank, National Bank of Middlebury, Brattleboro Savings & Loan, Wells River Savings Bank, Proctor Bank, Marble Bank

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Chittenden Bank	Northfield Savings Bank
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10.1% - 10.5%	$ 2.4 million	$ 12.8 million
10.6% - 11.0%	$ .2 million	$ 4.1 million
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11.6% - 12.0%	$	$ .6 million
above 12.0%	$	$ .6 million
Totals	**$ 7.4 million**	**$ 38.6 million**

Lenders: Franklin Lamoille Bank, National Bank of Middlebury, Brattleboro Savings & Loan, Wells River Savings Bank, Proctor Bank, Marble Bank

VERMONT HOUSING FINANCE AGENCY
1990 SERIES 1 MORTGAGE PURCHASE PROGRAM
MORTGAGE LOAN APPLICATION AND COMMITMENT AGREEMENT

Dated as of September 12, 1990

THIS APPLICATION MUST BE DELIVERED TO VERMONT HOUSING FINANCE AGENCY ON OR BEFORE September 25, 1990.

The undersigned Mortgage Lender hereby commits itself by this application to participate in the Vermont Housing Finance Agency (VHFA) 1990 Series 1 Mortgage Purchase Program (the "1990 Program"), it being understood that VHFA will rely on such commitment in marketing its Single Family Housing Bonds, 1990 Series 1 (the "Bonds") and in making representations to prospective purchasers of Bonds.

Section I. Agreement to Originate, Sell and Service Mortgage Loans

In accordance with all of the terms and conditions of the Mortgage Loan Purchase and Servicing Agreement and the Procedural Guides which are a part thereof, the undersigned Lender agrees to originate Mortgage Loans from time to time during the 1990 Program, to sell the same to VHFA at a price of par, and to service the same on behalf of VHFA. With the understanding that it is not obligated to originate, and VHFA is not obligated to reserve funds for, any particular dollar-volume of Mortgage Loans, the Lender has estimated a demand on it for approximately $_____ aggregate principal amount of Mortgage Loans under the 1990 Program. With respect to such Mortgage Loans:

A. All Mortgage Loans shall be Eligible Mortgage Loans originated after the date hereof for the purpose of sale to VHFA. For purposes of the definition of "Eligible Mortgage Loan" as used herein and otherwise under the Program, and notwithstanding any more limiting definition set forth in the Mortgage Loan Purchase and Servicing Agreement, "Eligible Residence" means a Residence which meets the requirements of the Procedural Guide.

B. The term of each Mortgage Loan shall be 30 years (25 years in the event that the Mortgage Loan is made between September 1, 1995 and September 1, 2000).

C. The interest rate on each Mortgage Loan financed under the 1990 Program shall be as specified by VHFA in writing from time to time, but shall not exceed 9.5% per annum.

D. Unless VHFA extends the time limits stated in this paragraph by subsequent written notice, Mortgage Loans for which VHFA has reserved funds shall have a Loan Closing Date not later than September 30, 1991 and must be delivered to VHFA not later than October 31, 1991. (Each Mortgage Loan must still be offered for sale within 30 days after its Loan Closing Date).

E. Notwithstanding any other provision of the Mortgage Loan Purchase and Servicing Agreement, Mortgage Loans to be purchased hereunder or otherwise under the 1990 Program shall be limited to Mortgage Loans guaranteed or insured by the Vermont Home Mortgage Guarantee Board, the Federal Housing Administration, private mortgage insurance, guaranteed by the Veterans' Administration, the Farmers Home Administration or meeting the requirements specified in the Procedural Guide for uninsured Mortgage Loans. Additionally, an otherwise Eligible Mortgagor shall not be ineligible by reason of any prior ownership of a Principal Residence if his or her Principal Residence to be financed under the Program is located in one of the counties specified in Section IV(C), below.

F. The Lender agrees to inform all potential borrowers of the recapture tax, as outlined on VHFA Form #S-305, Federal Recapture Tax Requirements, which is incorporated by reference and which may be amended from time to time, or any other form promulgated by VHFA for the same purpose.

Section II. Fees

A. Origination Fees

The Lender shall collect on the Loan Closing Date an origination fee equal to 2.00% of the principal amount of each Mortgage Loan. Three quarters of one percent (0.75%) shall be remitted to VHFA and one and one-quarter per-cent (1.25%) shall be retained by the Lender.

B. Servicing Fees

After collection of each monthly payment due under a Mortgage Loan, the Lender may deduct as its Servicing Fee, prior to remittance to VHFA, one-twelfth of three-eighths of one percent of the outstanding principal balance of the Mortgage Loan before crediting the monthly payment to the account of the Mortgagor.

C. Participation Fee

The undersigned delivers herewith its participation fee in the amount of $1000.00. The participation fee will be refunded in full if VHFA does not deliver the Bonds to the purchasers thereof on or before September 30, 1990.

Section III. Mortgage Loan Purchase and Servicing Agreement

The undersigned will execute a Purchase and Servicing Agreement in the form attached hereto and effective as of the date hereof. Such Mortgage Loan Purchase and Servicing Agreement and the Procedural Guide as amended from time to time, which constitutes a part thereof, are incorporated herein by reference.

Section IV. Special Allocations and Schedules

A. The Lender understands and agrees that, notwithstanding the general eligibility of Mortgagors proposed for Mortgage Loans under the 1990 Program, from the total proceeds of the Bonds available to VHFA for the purpose of purchasing Mortgage Loans (the Proceeds Pool), during the first three months of the 1990 Program VHFA may elect to reserve funds in the amounts and for the special purpose specified below:

(i) Up to 40% of the Proceeds Pool may be reserved by VHFA exclusively for the purpose of purchasing Mortgage Loans made to Eligible Mortgagors whose Federal Act Income, as determined pursuant to the Procedural Guide, does not exceed 80% of Area Median Income, as determined by VHFA. Loans made under Paragraph D, below, will be included in this program.

B. After the expiration of such period of three months, the entire remaining Proceeds Pool will be available generally for Eligible Mortgagors, subject, however, to the provisions of paragraph C of this section.

C. The Lender understands and agrees that VHFA will reserve at least 20% of the Proceeds Pool for the financing of Eligible Residences located in one or more of the following counties: Caledonia, Essex, Franklin, Lamoille, Orange, Orleans, Rutland, Washington and Windham.

D. VHFA reserves the right to set aside a portion of the Proceeds Pool, to make direct Mortgage Loans, Construction Loans, Co-operative Share Loans, Home improvement Loans, and Qualified Rehabilitation Loans.

E. Mortgage Loans for which VHFA has reserved funds pursuant hereto must be committed to Eligible Mortgagors by written Mortgage Loan commitments by the Lender not later than 6 (six) months after the date the Bonds are delivered (the "Commitment Period").

F. All Mortgage Loans which are the subject of VHFA's preliminary approval under the 1990 Program and which are originated by the Lender shall be offered by the Lender for sale to VHFA in accordance with the requirements of the Procedural Guide. Such offer shall be made within 30 days of the respective Loan Closing Date for each Mortgage Loan. With respect to each Mortgage Loan not so offered within such 30-day period, and as to each day after the thirtieth

day which passes before the Mortgage Loan is offered, VHFA shall be entitled to collect as liquidated damages, $3.00 per day (the "Late Delivery Fee") from the Lender. On each Sale Date, the Lender shall tender its separate check payable to VHFA in an amount equal to the aggregate amount of Late Delivery Fees then due. In the event that Mortgage Loans are tendered for purchase unaccompanied by such check, VHFA, at its option, may elect to reject any or all of such Mortgage Loans until such check is delivered.

Section V. Reservation System

Funds from the Proceeds Pool will be allocated to the Mortgage Lender and other participating Lenders on a "first come first served" basis in accordance with the reservation procedures specified in the Procedural Guide.

Section VI. Commitment Irrevocable

The commitment by the undersigned to participate in the 1990 Program is irrevocable provided that it is accepted by VHFA on or before September 25, 1990. It is understood that this commitment and any acceptance by VHFA is expressly conditioned on delivery of the Bonds on or before September 30, 1990, or the extension of VHFA's authority to issue qualified mortgage bonds past that date.

Section VII. Acceptance of Depository

The undersigned (if a Bank or Trust Company) agrees to serve as a Depository under the 1990 Program. If not a Bank or Trust Company, _____ will be the Depository for the 1990 Program.

Section VIII. Authorized Signers.

The following employees of the Lender are authorized to sign documents relating to Mortgage Loans to be purchased under the 1990 Program:

Name	Title
_____	_____
_____	_____
_____	_____
_____	_____

Any additions or deletions in the list of authorized employees shall be made in writing and delivered to VHFA on or before the effective date of such change.

Section IX. Designated Liaison

_____(name), _____(title) is hereby appointed designated liaison pursuant to the Procedural Guide.

Section X. Active Vermont Participation Requirement

Notwithstanding any other provision of this Mortgage Loan Application and Commitment Agreement, the Mortgage Loan Purchase and Servicing Agreement, or the Procedural Guide, in the event that the undersigned Lender or its successors fails to maintain a staffed business office having qualified personnel charged with the duty of servicing Mortgage Loans in Vermont in accordance with the requirements of the Procedural Guide, then VHFA at its election may take any one or more of the following actions on written notice to the Lender:

(i) Immediately cease the issuance of preliminary approvals for the purchase of Mortgage Loans under the 1990 Program;

(ii) Refuse to purchase any further Mortgage Loans from the Lender except those Mortgage Loans which were the subject of preliminary approval prior to the date of notice;

(iii) Recapture and reallocate all funds reserved hereunder and not previously disbursed or required to honor preliminary approvals; and

(iv) Direct the Lender to assign to VHFA or its designee, without further consideration and within 60 days of the date of notice, all of the Lender's servicing rights and responsibilities for any Mortgage Loans sold to VHFA by the Lender under the 1990 Program and/or any other Mortgage Purchase Program of VHFA.

Further, if the Lender or its successors cease to maintain a staffed business office in Vermont having personnel charged with the duty of originating Mortgage Loans, then VHFA on written notice to the Lender, may take any one or more of the actions specified in subparagraphs (i), (ii), or (iii), above.

IN WITNESS WHEREOF, the undersigned Lender has caused this instrument to be signed by its duly authorized agent, effective as of the date first above written.

_____
NAME OF LENDER

_____
ADDRESS

BY _____
ITS DULY AUTHORIZED AGENT

_____
TITLE

_____
DATE

ACCEPTANCE BY VERMONT HOUSING FINANCE AGENCY

Pursuant to the terms of the foregoing Application and Commitment Agreement, VHFA agrees to purchase Mortgage Loans from the Lender named above in accordance with the terms of the 1990 Program.

VERMONT HOUSING FINANCE AGENCY

BY _____
ITS DULY AUTHORIZED AGENT

_____
DATE

GAJ560.90A Rev. 09\90

VERMONT HOUSING FINANCE AGENCY
MORTGAGE LOAN PURCHASE AND SERVICING AGREEMENT

THIS AGREEMENT, dated as of _____, 19____ by and between VERMONT HOUSING FINANCE AGENCY, having its principal office in Burlington, Vermont (hereinafter called "VHFA") and (Lender)_____, having its principal office in _____, _____, (hereinafter
City State
called the "Lender" or the "Servicer", as applicable).

W I T N E S S E T H

PART I: GENERAL CONDITIONS, DEFINITIONS, RELATION OF THE PARTIES

Section 1. Agreement. Subject to the conditions of any applicable Commitment Agreement, this Agreement, and the Procedural Guide, and in consideration of the terms thereof, the Lender agrees to originate, sell, and service, and VHFA agrees to purchase, Eligible Mortgage Loans, as provided herein.

Section 2. Fees. Fees payable to or by the Lender shall be as established pursuant to the Commitment Agreement, and the Lender shall neither charge nor collect, nor be required to pay, any other fee except as specifically set forth herein or in the Procedural Guide.

Section 3. Mortgage Lender as Special Agent. Lender is appointed and agrees to serve as the special agent of VHFA with respect to the following matters:

A. After the sale of a Mortgage Loan to VHFA pursuant to this Agreement, the Lender shall with respect to that Mortgage Loan be the agent of VHFA for the purpose of collection of Mortgage Loan payments and delinquencies, processing and collection of insurance claims, foreclosure, and obtaining title to mortgaged premises after default. The authority of the Lender as agent under this subsection A shall be limited to those acts necessary to fulfill the obligations of the Servicer under the Procedural Guide.

B. Except as specified in this Section 3, the Lender is not and shall not hold itself out to be the agent of VHFA. In particular, but without limitation, the parties agree that:

(i) The Lender acts strictly for its own account in committing itself to make, and in making, any Mortgage Loan, and VHFA shall neither acquire any interest nor incur any obligation in or under any Mortgage Loan until purchased pursuant to this Agreement, except as otherwise provided pursuant to a Commitment Agreement; and,

(ii) The Lender in its capacity as Servicer is not authorized to waive any right or remedy of VHFA.

Section 4. Warranty of VHFA. VHFA represents and warrants to the Lender that VHFA's execution of this Agreement has been duly authorized and is in all respects in compliance with the Act.

Section 5. Procedural Guide. The Lender agrees to comply with all terms, conditions, and requirements of the Procedural Guide in effect as of a Loan Closing Date with respect to Mortgage Loans which are closed on or after such Loan Closing Date unless any such terms, conditions, or requirements are waived in writing by VHFA. The Lender agrees that VHFA shall have the right to amend and supplement the Procedural Guide from time to time by mailing to the Lender changed pages or memoranda, which amendments or supplements will be effective as noted on the change; provided, however, that in the event of any conflict between the provisions of this agreement and the provisions of the Procedural Guide, this Agreement shall govern.

Section 6. Definitions. For purposes of this Agreement, any Commitment Agreement and the Procedural Guide, the following words and phrases shall have the meaning ascribed to them herein:

Acquisition Cost means the cost of acquiring a Residence as a completed residential unit. (Calculated in accordance with the Procedural Guide.)

Act means the Vermont Housing Finance Agency Act, 10 V.S.A. Chapter 25, and all applicable procedures, rules and regulations thereunder, as amended.

Area of Chronic Economic Distress (ACED) means areas established pursuant to U.S. Department of Treasury Temporary Regulation 6a.103A-2(b)(5).

Commitment Agreement means any agreement executed by the Lender and VHFA on or after January 1, 1990, whereby the Lender agrees to originate and sell Mortgage Loans under the Program.

Common Elements means any land, structure, or other tangible facility including, without limitation, party walls, roads, and facilities for the provision of potable water and the disposal of wastewater, owned in common by the owners of residences and other buildings constituting a Planned Residential Development or an association of such owners.

Condominium Project means a group of dwelling units and common areas as to which a declaration of condominium and the as-built plans and verified statement required by 27 V.S.A. Chapter 15 have been recorded.

De minimis PRD means a Planned Residential Development that has a relatively minimal amount of Common Elements and improvements, and contains no multi dwelling units that represent security for a single mortgage. The Common Elements should have little or no effect on the value of the property that secures the mortgage.

Depository means any bank or trust company doing business in Vermont and appointed by VHFA as a depository as evidenced by a written certificate of VHFA to the Servicer.

Eligible Condonimium means a Condominium Development that is eligible for financing of units by VHFA.

Eligible Mortgagors means Persons and Families of Low and Moderate Income (i) none of whom had a Present Ownership Interest in his Principal Residence (exclusive of an interest in the property to be mortgaged pursuant to the Program) at any time during the three-year period before the Loan Closing Date, (ii) none of whom is qualified without government assistance (including Mortgage Credit Certificates) for a loan of equal down payment and amortization requirements under any other fixed interest-rate mortgage loan program then being offered by the Lender, and (iii) who otherwise meet the requirements of the Procedural Guide. The requirement of subdivision (i) of this definition shall not apply to Eligible Mortgagors seeking to finance residences in Targeted Areas.

Eligible Federal Act Income means the maximum permissible Federal Act Income under the Program for particular Mortgagors, as specified by VHFA as amended or supplemented from time to time.

Eligible Mortgage Loan means a Qualified Mortgage Loan to a Eligible mortgagor secured by a New Mortgage on an Eligible Residence.

Eligible Planned Residential Development means a Planned Residential Development that is eligible for financing of individual residences by the VHFA.

Eligible Residence means a Residence which meets the requirements of the Procedural Guide.

Escrow Payment means all payments made to the Servicer by the Mortgagor in order to obtain or maintain mortgage insurance and fire and other hazard insurance, including payments for any federal, state, local, or private program intended to assist in providing Mortgage Loans and any payments required to be made with respect to Mortgage Loans for taxes or other governmental charges or other similar charges to a Mortgagor customarily required to be escrowed.

Federal Act means Section 143 of the United States Internal Revenue Code of 1986, as amended, and all rules and regulations adopted pursuant thereto and, until such rules and regulations are promulgated, all applicable rules and regulations under the Internal Revenue Code of 1954, as amended.

Federal Act Income means the combined annualized gross monthly income of each Mortgagor who is expected to live in the Residence being financed by the Mortgage Loan and any other person who will live in such Residence and be liable in any way on such Mortgage Loan.

Guide means the Procedural Guide.

Lender means the institution or firm originating, processing and servicing Mortgage Loans pursuant to the VHFA Mortgage Loan Application and Commitment Agreement and VHFA Mortgage Loan Purchase and Servicing Agreement.

Loan Closing Date means the date of making a Mortgage Loan intended for purchase under the Program.

Loan Origination Fee means any fee or charge paid by any person to or for the benefit of the Lender in consideration for making, committing to make, taking an application for, processing an application for, or otherwise originating or considering the origination of, a Mortgage Loan.

Mortgage Loan means an interest bearing obligation secured by a Mortgage constituting a first lien on land and improvements in the State of Vermont.

Mortgage Pool Insurer, if applicable, means such mortgage pool insurer as VHFA may specify.

Mortgagor means the obligor or obligors under a Mortgage Loan, or an applicant for a Mortgage Loan, as the case may be.

New Construction means a Residence which has never been occupied prior to the Loan Closing Date.

New Mortgage means a Mortgage Loan for the purchase of property which has never secured a previous mortgage given by the Mortgagor, or a Mortgage Loan which replaces a construction period mortgage, bridge loan, or similar temporary financing having a term of 24 months or less.

Persons and Families of Low and Moderate Income means persons and families whose Federal Act Income does not exceed the applicable Eligible Federal Act Income.

Planned Residential Development or PRD or PUD means a project that contains substantial common elements and improvements, and is not a Condominium Project.

Present Ownership Interest means any present interest in real property.

Principal Residence means a Residence occupied, or intended for occupancy, by a Mortgagor as their domicile, not as an investment property or a recreational home, and not primarily in a trade or business.

Procedural Guide means the guides (Loan Origination, Loan Sale, Loan Accounting and Reporting and Loan Servicing) that have been published by VHFA which contain procedural instructions relating to the duties of the Lender and Servicer and substantive interpretations of matters within the scope of the Program, as amended or supplemented.

Proceeds Pool means the aggregate proceeds of bonds of VHFA available for the purchase of Mortgage Loans under the Program.

Program means any program of VHFA whereby Mortgage Loans are purchased in whole or in part with the proceeds of Qualified Mortgage Bonds.

Purchase Price means Acquisition Cost.

Qualified Mortgage Bonds means bonds, notes, or other obligations of VHFA, the interest on which is intended by VHFA to be excluded from the gross income of the recipient thereof for federal tax purposes pursuant to the Internal Revenue Code.

Qualified Mortgage Loan means a Mortgage Loan insured or guaranteed pursuant to Qualified Mortgage Loan Enabling Legislation, or a Mortgage Loan insured by a private mortgage insurance company approved by VHFA pursuant to a policy of insurance which meets the security requirements of the Act as determined by VHFA, or an uninsured and nonguaranteed Mortgage Loan, provided that the outstanding principal amount of such Mortgage Loan is not greater than seventy-five percent (75%) of the Value of the mortgaged property at the time of purchase of the Mortgage Loan by VHFA.

Qualified Mortgage Loan Enabling Legislation means the National Housing Act of 1949, 12 U.S.C. Section 1701 et seq., in the case of Mortgage Loans insured by the Federal Housing Administration; the Servicemen's Readjustment Act, 28 U.S.C. Section 1801 et seq., in the case of Mortgage Loans guaranteed by the Veteran's Administration; the Farmers Home Administration Act, 42 U.S.C. Section 1471 et seq., in the case of Mortgage Loans insured by the Farmers Home Administration; and the Vermont Housing Finance Agency Act, 10 V.S.A. Chapter 18, in the case of Mortgage Loans guaranteed by the Vermont Home Mortgage Guarantee Board.

Remittance Cutoff Date means the last day of each calendar month.

Residence means an owner-occupied dwelling, other than a mobile home or manufactured housing that is not permanently fixed to real property. The term "Residence" includes stock held by a tenant-stockholder in a cooperative housing corporation (as those terms are defined in Section 216(b)(1) and (2) of the Internal Revenue Code of 1986, as amended), and a cooperative interest in a cooperative housing corporation, (as that term is defined in Title 11 Chapter 14, Vermont Statutes Annotated.)

Revenues mean all payments, proceeds, charges, rents, and all other income related to Mortgage Loans including, without limiting the generality of the foregoing, prepayments of principal and interest, but not including Escrow Payments or financing fees charged by VHFA.

Sale Date means any date on which the parties mutually agree that payment is to be made by VHFA to the Lender for Mortgage Loans being purchased under the program.

Servicing Fee means the amount of interest income received by the Servicer to be retained by the Servicer in order to provide compensation for servicing Mortgage Loans purchased by VHFA, as established pursuant to the Commitment Agreement.

Targeted Area means an area that is either a qualified census tract or an ACED. The following counties have been designated as Targeted Area: Caledonia, Essex, Franklin, Lamoille, Orange, Orleans, Rutland, Washington, and Windham.

Value, when applied to a Residence, means the lower of the purchase price or the appraised value as determined pursuant to the Procedural Guide.

PART II: MORTGAGE LOAN ORIGINATION AND PURCHASE

Section 7. Origination.

A. All Mortgage Loan applications together with such supporting documentation as VHFA may require pursuant to the Procedural Guide and any applicable Commitment Agreement, shall be submitted to VHFA for preliminary approval before the Lender makes a commitment to a prospective Mortgagor. Preliminary approval shall not obligate VHFA to purchase any particular Mortgage Loan.

B. After preliminary approval has been obtained, the Lender shall proceed to commit itself to the prospective Mortgagor to originate the Mortgage Loan or shall determine, based on its own investigation, not to originate the Mortgage Loan.

C. In the event that the Mortgage Lender determines for any reason that it will not complete the origination of any Mortgage Loan for which it was issued a Preliminary Approval by VHFA, it shall promptly so notify VHFA in writing.

D. In the event that the Lender does originate the Mortgage Loan, it must offer the Mortgage Loan for sale to VHFA in accordance with the requirements of the Procedural Guide.

Section 8. Purchase of Mortgage Loans by VHFA.

A. Subject to the terms and conditions and in reliance upon the covenants, representations, and warranties set forth in this Agreement, VHFA will purchase from the Lender Mortgage Loans which are the subject of preliminary approval and are identified in the Schedule of Mortgage Loans (hereinafter the "Schedule") to be supplied from time to time by the Lender in accordance with the requirements of the Procedural Guide.

B. Each Schedule shall be delivered to VHFA at least 10 days before the Scheduled Sale Date for the Mortgage Loans identified therein.

C. On the Sale Date, VHFA will purchase each Mortgage Loan identified in the Schedule at that price equal to the original principal amount of the promissory note evidencing the Mortgage Loan, subject to adjustment to the Sale Date for payments of principal, other agreed adjustments, and such substitutions, deletions, or additions to the Schedule as may be approved by VHFA prior to the Sale Date.

D. On the Sale Date, the Lender shall transfer all of its right, title and interest in the Mortgage Loans to VHFA in the following manner: each promissory note evidencing a Mortgage Loan shall be endorsed on the back thereof by the Lender to the order of VHFA as follows: "payable without recourse to the order of Vermont Housing Finance Agency"; and all mortgage deeds securing said Mortgage Loans shall be assigned to VHFA in form sufficient to be recorded in the land records of each city, town, or other recording jurisdiction wherein the property is located; or by such other method as VHFA may direct, all in a manner, form and condition satisfactory to counsel to VHFA.

E. Notwithstanding any other provision of this Agreement, or the existence of a preliminary approval by VHFA of any Mortgage Loan, VHFA reserves the right at all times to decline to purchase any Mortgage Loan submitted to it by the Lender which, in the reasonable opinion of VHFA, does not conform to the requirements of the Act, the Federal Act, this Agreement, any applicable Commitment Agreement, or the Procedural Guide.

Section 9. Covenants, Representations, and Warranties of the Mortgage Lender. The Lender covenants with, and represents and warrants to, VHFA as follows:

A. The Lender has, and its officers acting on its behalf have, full legal authority to execute this Agreement and to engage in the transactions contemplated by this Agreement; and the execution of this Agreement, the consummation of the transactions herein contemplated, whether currently or in the future, and compliance with the terms, conditions, and provisions hereof and thereof will not conflict with or result in a breach of any of the terms, conditions or provisions of the charter or by-laws of the Lender or any agreement or instrument to which the Lender is now a party or by which it is bound, or constitute a default thereunder; and the Lender is not a party to or bound by any agreement or instrument or subject to any charter or other corporate restriction or any judgment, order, writ, injunction, decree, law, or regulations which may

materially and adversely affect the ability of the Lender to perform its obligations under this Agreement; nor are there any proceedings in progress or to its knowledge contemplated, which would, if successful, lead to any such restriction or order.

B. All Mortgage Loans offered for purchase pursuant to this Agreement shall be Eligible Mortgage Loans as of the applicable Sale Date.

C. The Lender shall be fully liable for all warranties, certifications, and representations made to VHFA hereunder or pursuant hereto by it or by any of its agents or employees in connection with the acceptance and review of any application for a Mortgage Loan, the creation of any Mortgage Loan, or the purchase of any Mortgage Loan by VHFA, and for any act or omission by it or its employees or agents which constitutes a breach of any of its obligations pursuant to this Agreement and results in any loss or expense to VHFA or impairs or delays any remedy otherwise available to VHFA pursuant to the terms of a Mortgage Loan.

D. If required by the Procedural Guide, all Mortgage Loans shall be approved by VHFA's Mortgage Pool Insurer.

E. As of the applicable Sale Date, with respect to each Mortgage Loan offered for purchase pursuant to this Agreement:

(i) the Mortgage Loan shall be evidenced by a promissory note and mortgage deed in form as specified in the Procedural Guide or otherwise approved in writing by VHFA;

(ii) the promissory note and the endorsement thereof to VHFA, the mortgage deed and the assignment thereof to VHFA, and all supporting documentation required by the Procedural Guide shall have been properly and completely filled out, shall have been duly executed, acknowledged, delivered, and recorded, as applicable, shall constitute valid and binding obligations of the makers thereof and all signatories thereto, and shall be enforceable in accordance with their terms.

(iii) the Mortgage Loan in respect of the security therefor would be a prudent investment for the Lender's own account.

(iv) the Mortgage Loan shall constitute, and the assignment thereof to VHFA shall convey, a valid first and only lien on a Residence as to which the Mortgagor holds marketable record title, and as to which the Lender has no notice of any matter which would affect its value or interfere with its intended use, except as otherwise specifically permitted in writing by VHFA.

(v) the Lender will have complied:

(a) as to each Mortgage Loan insured or guaranteed pursuant to Qualified Mortgage Loan Enabling Legislation, with such legislation, all rules and regulations issued thereunder and all administrative publications, and such insurance or guarantee is in full force and effect and will, upon purchase, inure to the benefit of VHFA;

(b) as to each Mortgage Loan insured by a qualified private mortgage insurance company, with the policy of insurance, riders thereto, and related contracts and commitments, and such insurance is in full force and effect and will, upon purchase of the Mortgage Loan, inure to the benefit of VHFA; and

(c) as to each and every Mortgage Loan, with all applicable local, state, and federal laws, rules and regulations which govern the affairs of the Lender and the Mortgagor, including without limitation all applicable truth-in-lending laws, consumer fraud laws, and anti-discrimination laws; and no counterclaim, offset, defense, or right of rescission exists which can be asserted and maintained by the Mortgagor or his successor in interest against VHFA as assignee of the Mortgage Loan;

(vi) the lien of, or the estate created by, the Mortgage Loan has not been satisfied, subordinated or impaired, in whole or in part, except for the payment of principal and interest to the Sale Date as disclosed to VHFA by the Lender, and no part of the mortgaged property has been released therefrom, other than releases executed prior to the Sale Date and agreed to in writing by VHFA, and where necessary, pursuant to the requirements of Qualified Mortgage Loan Enabling Legislation;

(vii) the unpaid principal balance on the Mortgage Loan, the interest rate thereon, and all other data provided in the Schedule have been accurately stated by the Lender;

(viii) the Mortgage Loan is current, and the amount of the unpaid principal balance and interest, including accrued interest, if any, is justly owing;

(ix) the improvements on the property covered by the Mortgage Loan shall have been fully completed except to the extent disclosed to and approved in writing by VHFA in accordance with the applicable provisions of the Procedural Guide;

(x) the improvements on the real property covered by the Mortgage Loan are covered by a valid and subsisting policy of hazard insurance with an endorsement by the insurer in favor of the Lender, its successors or Assigns, issued by a company lawfully doing business in the State of Vermont, in an amount equal to one hundred percent (100%) of the insurable value of said improvements at the time of the Loan Closing Date, or the amount due under the Mortgage Loan, whichever is less;

(xi) as to each Mortgage Loan secured by a condominium unit or a Residence which is part of a PRD:

(a) all declarations, plans, certifications, discharges, releases, or other documents required by law to be recorded prior to or at the time of conveyance of the condominium unit or PRD Residence shall have been properly recorded in the appropriate public office in a timely manner;

(b) VHFA has determined the Condominium Project or PRD of which the unit is a part as eligible for financing, and has so noted on its preliminary approval of the Mortgage Loan;

(c) VHFA has noted in its preliminary approval that as of the time of preliminary approval the aggregate number of units in the Condominium Project or PRD financed and to be financed by VHFA, including the unit which is the subject of the preliminary approval, will not exceed the permissible percentage of the total number of units in the project, as

established pursuant to the Procedural Guide or that such requirement has been waived by VHFA;

(xii) the Mortgage Loan shall comply with the Act; and

(xiii) such original documents as may be required by the Procedural Guide shall have been delivered to VHFA or shall be in the possession of the Lender as may be required by the Procedural Guide.

F. VHFA shall have received the opinion of counsel to the Lender, in proper form, that the assignments and other documents transferring and conveying the Lender's interest in all Mortgage Loans are made pursuant to duly authorized action by the governing body of the Lender, together with clerk certification of the vote or votes authorizing such action to be taken hereunder.

G. The substance of each covenant, representation, and warranty hereinabove set forth in this Section 9 shall constitute a condition precedent to VHFA's obligation to purchase any Mortgage Loan, and such covenants, warranties, and representations shall survive the purchase by VHFA of any Mortgage Loan with respect to that Mortgage Loan.

H. The Lender shall pay for the preparation and furnishing to VHFA of all instruments specified herein or in the Procedural Guide, and shall pay any expenses in connection with the transactions incident to the origination and sale of Mortgage Loans hereunder, including but not limited to recording charges and legal fees (other than legal fees for services rendered by counsel to VHFA).

Section 10. Conditions Subsequent to VHFA's Purchase Obligation. The Lender agrees that the occurrence of any of the following circumstances at any time during the term of each Mortgage Loan purchased pursuant to this Agreement shall constitute a breach for which VHFA at its option may require the Lender to repurchase any Mortgage Loan affected by such breach, all without regard to any statute of limitations that might otherwise be available to the Mortgage as a defense to its repurchase obligations hereunder, which statutes of limitation the Lender hereby agrees to waive:

A. Discovery by VHFA of any fact or circumstance which existed as of the Loan Sale Date and which:

(i) impairs the status of a Mortgage Loan or any portion thereof as a first lien in favor of VHFA; or

(ii) impairs the marketability of the title of the Mortgagor in the mortgaged property; or

(iii) causes any Mortgage Loan purchased by VHFA pursuant to this Agreement to be other than an Eligible Mortgage Loan; or

(iv) materially impairs the value of the security of a Mortgage Loan purchased by VHFA pursuant to this Agreement; or

(v) causes any Mortgage Loan to be unlawful or impairs any remedy of VHFA as assignee thereof.

B. Absence or lapse of any policy of mortgage insurance or mortgage guarantee upon the existence of which VHFA relied in purchasing any Mortgage Loan pursuant to this Agreement, or lawful refusal by the insurer or guarantor to honor a claim by reason of the Lender's failure to comply with the conditions of the policy or guarantee or its failure to meet its obligations under this Agreement or the Procedural Guide.

Section 11. Repurchase and Other Remedies of VHFA.

A. In the event of any breach described in Section 10, above, the Lender shall, within 90 days of notice of such breach, either cause the same to be corrected to the satisfaction of VHFA or repurchase any loan affected by such breach for the sum of its principal balance as of the Sale Date less amounts subsequently paid in reduction of the principal balance plus any interest accrued but unpaid. Upon repurchase, VHFA shall reassign its interest in all appropriate Mortgage Loan documents to the Lender and shall hold the Lender harmless from any action taken by VHFA which has impaired the lien of the mortgage.

B. In the event that the Lender fails to deliver Mortgage Loans in a timely manner in accordance with the terms of the Commitment Agreement, the Lender shall be liable to VHFA, in addition to any other damages for which it may be liable, for an amount equal to the principal of, the interest on and the premium, if any, on any Qualified Mortgage Bonds to be redeemed by VHFA by reason of such failure and shall be further liable for expenses incident to such redemption, including attorneys fees.

C. In the event that any representation of the Lender shall prove to have been untrue when made, or in the event of breach or failure of any covenant, warranty, or condition, the Lender shall be liable to VHFA for all damages, including consequential damages, suffered by VHFA as a result thereof.

D. All remedies of VHFA specified in this Section 11 shall be cumulative for the benefit of VHFA, and in addition to any other remedy available to VHFA at law or in equity.

Section 12. Loan Sale. The sale of Mortgage Loans to VHFA shall take place at the offices of VHFA on a Sale Date within the time specified for delivery in the Commitment Agreement, unless such period is extended in writing by VHFA. Mortgage Loans may be delivered to VHFA on a Sale Date in principal amounts aggregating not less than the minimum delivery amount specified in the Commitment Agreement, unless delivery of a lesser amount is approved by VHFA.

PART III. SERVICING OF MORTGAGE LOANS

Section 13. General Obligations of the Mortgage Lender as Servicer.

A. Notwithstanding the purchase of the Mortgage Loans by VHFA, the Servicer hereby agrees that it shall collect on the terms and on the several payment dates, the Revenues and Escrow payments, if any, on each Mortgage Loan in the same manner as employed by the servicer with respect to servicing its own mortgage loan, including mailing, at its own expense, notices of payments due, and such other collection efforts as may be required by or pursuant to the Procedural Guide.

B. All collections of Revenues and Escrow Payments, respectively, shall be received in trust by the Servicer for VHFA and shall be deposited with a Depository, or shall be received and deposited in such other manner as may be prescribed by or pursuant to the Procedural Guide; provided, however, that the Servicer shall be entitled to deduct and retain for its own account so much of the first Revenues applicable to a particular Mortgage Loan received after sale of that Mortgage Loan to VHFA as represents interest accrued on that Mortgage Loan to the date of sale.

C. All Revenues collected by the Servicer shall be remitted to VHFA or to its trustee as designated in the Procedural Guide on the Remittance Cut-Off Date, and in accordance with the remittance procedures specified in the Procedural Guide.

D. All Escrow payments shall be held by the Servicer until the several obligations for which the escrow was created shall fall due, at which time such payments shall be remitted by the Servicer to the appropriate payees and shall not be forwarded to VHFA.

E. Upon termination of this Agreement, all Revenues and Escrow Payments in the possession of the Servicer shall be remitted to VHFA or its designated trustee within five days.

F. In the event of any default in the payment of any Mortgage Loan, or any other breach of the Mortgagor's obligations under the Mortgage Loan, the Servicer shall, at the direction and expense of VHFA, but not otherwise, commence, in the name of VHFA, and prosecute to judgement, appropriate legal proceedings to make such collections, and/or take such other action as VHFA may reasonably require in order to realize its rights as mortgagee. The Servicer and VHFA shall cooperate with each other in making such Mortgage Loan documents available with respect to such proceedings. The Servicer shall likewise perform all other obligations of the mortgagee under each Mortgage Loan and each contract of insurance guarantee applicable to any Mortgage Loan.

G. In the event that title to mortgaged property is acquired by VHFA pursuant to a default under a Mortgage Loan, the Servicer agrees that, at the request and expense of VHFA, but not otherwise, it shall act on behalf of VHFA for the purpose of selling or otherwise disposing of the acquired property in such manner as VHFA may specify.

H. The Servicer agrees that all Mortgage Loans serviced by the Servicer on behalf of VHFA, including any Mortgage Loans serviced under the Program and any prior mortgage purchase program of VHFA, shall be serviced in accordance with the terms and conditions of this PART III of this Agreement and the Procedural Guide, and this PART III amends, supersedes and replaces any prior servicing agreement to the extent inconsistent therewith. With respect to all such Mortgage Loans, the Servicer is the special agent of VHFA as more particularly set forth in Part I, Section 3 of this Agreement. Notwithstanding the foregoing, remittance cutoff dates as established under any such prior mortgage purchase program shall remain unchanged.

Section 14. Hazard and Liability Insurance, Taxes, Lienable Debts.

A. The Servicer shall, during the term of each Mortgage Loan, or in the case of acquired property until the property is sold, keep in force or cause to be kept in force, fire and extended coverage insurance upon the mortgaged premises in accordance with the requirements of the Procedural Guide, with insurers qualified to do business in the State of Vermont and satisfactory to the Servicer and VHFA, and in any event in the amount of one hundred per centum (100%) of the insurable value of the mortgage premises or the amount owing on the Mortgage Loan, whichever is less, but in no event less than the amount which is necessary in order to avoid responsibility as a coinsurer pursuant to the terms of the policy. The Servicer shall notify VHFA promptly of any loss or damage to the mortgage premises by fire or other cause. The Servicer shall endeavor to collect all insurance proceeds arising from said loss or damage and apply or remit all such collections as required by the Procedural Guide. The Servicer shall also cause to be kept in force public liability insurance for each mortgaged premises in accordance with the requirements of the Procedural Guide.

B. The Servicer may, during the term of each Mortgage Loan, obtain all municipal and other tax or assessment statements against the mortgaged premises, and pay or require payment of the same in time to prevent any lien or interest penalty. The servicer shall forward copies of said statements to VHFA if so requested.

C. The Servicer shall advance on behalf of VHFA any taxes, assessments, or other charges for which Escrow Payments could be provided which are not paid when due and which could become a lien under Vermont law or Federal law superior to the lien of any Mortgage Loan.

D. The Servicer shall advance on behalf of VHFA any premiums for hazard insurance not paid when due within the time necessary to keep the same in force.

Section 15. Mortgage Insurance or Guarantee.

A. The Servicer shall do all things on behalf of VHFA required by any policy of primary mortgage insurance or applicable Qualified Mortgage Loan Enabling Legislation and the rules, regulations, and administrative publications thereunder to keep the mortgage insurance or guarantee in full force with respect to any Mortgage Loan insured or guaranteed thereunder, and shall endeavor to collect the same in the event of a loss.

B. Notwithstanding and in addition to any other provision of this Agreement, in the event of the invalidity or lapse of any such insurance or guarantee, the Servicer shall pay to VHFA monthly, for each month or portion thereof during which such lapse or invalidity shall continue, a charge in lieu of insurance equal to one per centum (1%) of the outstanding principal balance of any Mortgage Loan so affected, unless and until such Mortgage Loan is repurchased by the Servicer.

Section 16. Duties of Notice and Inspection.

A. The Servicer shall notify VHFA of any delinquent Mortgage Loan by submission of a notice of default in the form and according to the procedures specified in the Procedural Guide. At the same time, the Servicer shall recommend to VHFA the appropriate action to be taken in order to cure such default.

B. The Servicer shall notify VHFA whenever the Servicer shall have notice of the vacancy of the mortgaged premises, any change of occupancy, any sale of the premises, the name of any new owner of record, the date of transfer of title and whether the Mortgage Loan has been assumed by the new owner, the presence of any recorded junior liens or mortgages, the death or bankruptcy of the Mortgagor or any waste of the premises. In addition to the facts of which it has actual notice, the Servicer shall be deemed to have notice of any fact of which it has no actual notice because of its failure for any reason to perform its inspection obligations hereunder.

C. Servicer shall make a prompt physical inspection of a mortgaged property in the event of any of the following:

(i) loan delinquency of three payments; or

(ii) loss claim for damage to the mortgaged property in excess of $2,000.00; or

(iii) receipt of notification or indication of the vacancy, abandonment, or deterioration of the mortgaged property, or a change of occupancy thereof.

Section 17. Books, Records and Reports.

A. The Servicer shall keep detailed books and records pertaining to each Mortgage Loan in accordance with generally accepted accounting principles and the accounting requirements of the Procedural Guide. All such books and records shall be available for

inspection by VHFA or its designated agents at all times during the regular business hours of the Servicer.

B. The Servicer shall, at its expense, submit to VHFA at least annually the report, as of the date of their audit, of their independent certified public accountants, stating that such accountants have made an examination of the records and documents of the Mortgage Lender, including those relating to Mortgage Loans serviced for VHFA, in accordance with the most current issue of the Mortgage Bankers Association Single Audit Program for Mortgage Bankers. The report shall be submitted to VHFA promptly upon completion of the Audit.

Section 18. Duty to Prevent Waste After Default. The Servicer's obligations to service defaulted Mortgage Loans shall continue until the Servicer effects a settlement and during such period the Servicer shall endeavor to protect the mortgaged premises from waste and strip at the expense of VHFA.

Section 19. Prepayment; Modification; Waiver. The Servicer shall not accept any prepayment of principal under any Mortgage Loan except as permitted by the terms of the mortgage, nor waive, modify, release or consent to any deferment on the part of any Mortgagor of any term or provisions of any Mortgage Loan or the assumption of any Mortgage Loan without the prior written consent of VHFA.

Section 20. Duty to Repurchase in the Event of Impairment of Foreclosure Remedy by the Servicer. In the event any attempted foreclosure proceeding is prevented, delayed or judicially determined improper by virtue of any defect in the completion or execution of the mortgage deed, mortgage note or other documents assigned to VHFA or unauthorized waiver of any right of VHFA the Servicer shall repurchase promptly any Mortgage Loan sold by the Servicer to VHFA so affected for the outstanding balance of principal plus accrued interest at the time of such delay, determination, impropriety or prevention, plus costs incurred by VHFA as a result of any such delay or defect (including, without limitation, attorneys' fees), less collection of principal received to date of repurchase.

Section 21. Reduction of Interest Rate. If directed by VHFA, the Servicer shall bill the payments on each Mortgage Loan at a reduced interest rate, subject to being reinstated to the original rate, all as specified by VHFA, if VHFA determines such reductions to be necessary or advisable in order to reduce the interest to within such limits as may be necessary to preserve the exclusion from the gross income of the recipient thereof for federal income tax purposes of interest on the Qualified Mortgage

Bonds or other obligations which VHFA has issued or expects to issue in order to purchase the Mortgage Loans. VHFA shall bear all costs necessary to accomplish any such reduction of interest rate it may direct. VHFA further agrees that any reduction of interest rate directed with respect to any Mortgage Loan subject to being repurchased by the Servicer pursuant to this Agreement shall be accomplished in a manner which will preserve the right to re-establish the interest rate to its original rate for the remainder of the term of the Mortgage Loan in the event of any repurchase by the Servicer, and will also preserve all insurance and guarantees applicable to the Mortgage Loan. No reduction directed by VHFA shall reduce the Servicing Fee.

Section 22. Assignment of Agreement and Sale or Other Transfer of Mortgage Loans. The Servicer may assign its obligations under this Agreement, in whole or in part, subject to the written approval of VHFA and provided that the Servicer shall remain liable to VHFA for any breach of duty or misconduct whatsoever of its assignee to the same extent as it would be liable if there were no assignment. Subject to the rights of the holders of its bonds, VHFA shall not sell or otherwise transfer any of the Mortgage Loans purchased from the Servicer unless the Servicer shall first be given the opportunity to repurchase the same. The Servicer shall have the option therefore, to be exercised within 20 days after receipt of written notice of a proposed sale or other transfer by VHFA, to repurchase such Mortgage Loans at the price and terms then being offered to VHFA by a bona fide purchaser which VHFA is willing to accept. Such repurchase, if elected by the Servicer, shall entitle it to a delivery of all pertinent Mortgage Loan documents, Escrow Payments and duly executed assignments of mortgages and other such documents, in recordable form where applicable. If repurchase shall not be elected by the Servicer, the repurchase rights shall cease to be of any effect, except that should VHFA not conclude the proposed sale or transfer to said bona fide purchaser on said price and terms, VHFA shall not sell or transfer any such Mortgage Loans until a similar such right of repurchase has been offered the Servicer. No sale or other transfer of such Mortgage Loans shall be valid unless the Servicer shall have first received such notice and declined or failed to so repurchase. Notwithstanding the foregoing, the repurchase rights of the Servicer are and shall continue to be subordinate in all respects to the pledge or other transfer of said Mortgage Loans by VHFA under any Qualified Mortgage Bond resolution, whether general or supplemental now existing or hereafter arising, all rights granted to or retained by the trustees under said Resolutions and all rights of the holders of VHFA's Qualified Mortgage Bonds now issued or to be issued hereafter. The Servicer acknowledges that the pledge or other transfer of the Mortgage Loans pursuant to any Qualified Mortgage Bond Resolution is neither a sale nor a transfer subject to the Servicer's repurchase rights. In the event of a sale or

assignment by VHFA of any Mortgage Loan serviced hereunder to any party other than the Servicer, the Servicer shall have no liability or obligation hereunder to said purchaser or assignee but shall remain obligated only to VHFA in accordance with the terms of this Agreement.

PART IV. MISCELLANEOUS

Section 23. The Contract Documents. This Agreement is intended to be consistent with any Commitment Agreement and the Procedural Guide, all of which together shall constitute the contract between the parties and may be referred to collectively as the Contract Documents. In the event of an irreconcilable conflict between or among any Contract Documents, this Agreement shall control and govern over the Procedural Guide, and the applicable Commitment Agreement shall control and govern over this Agreement and/or the Procedural Guide. The provisions of the Contract Documents cannot be waived or modified unless in writing. Inaction or failure to demand strict performance shall not be deemed a waiver.

Section 24. Termination.

A. This Agreement, if not terminated sooner under the provisions of paragraph (B) of this Section, shall terminate upon the payment in full in due course of all principal and interest due under the Mortgage Loans serviced hereunder, and the remittance to or for VHFA of all collections less Servicing Fees and payment of all Escrow Payments.

B. VHFA may terminate this Agreement upon the occurrence of any of the following events and written notice to the Lender:

(i) The Lender shall initiate or suffer any proceedings of insolvency or reorganization under the Bankruptcy Act, or other Federal or State receivership laws or make any common law assignment for the benefit of creditors;

(ii) The Lender shall assign its rights and duties under this Agreement without consent of VHFA; or

(iii) The Lender shall fail to perform any one or more of its obligations under this Agreement or the Procedural Guide, and shall continue in default thereof for a period of 60 days after notice by VHFA of said failure.

C. Upon any termination of this Agreement, the Servicer shall within 30 days deliver to VHFA a report of the type set forth in paragraph (B) of Section 17 as of the

date of termination, and the remittances and reports required by the Procedural Guide to the date of termination. In the event the Servicer declines or fails to provide the statements and opinions required, it agrees to pay the cost that VHFA incurs to ascertain the information.

D. Upon any termination of this Agreement, the Servicer also shall deliver or cause to be delivered to VHFA within 30 days thereof, all the books and records that the Servicer has maintained for the Mortgage Loans, including all tax bills, assessment notices, insurance premium notices and all other documents as well as all original documents held on behalf of VHFA in connection with the Mortgage Loans.

E. Upon termination pursuant to paragraph (B) of this section, the Servicer shall cease all its efforts to obtain the collections of Revenues and Escrow Payments. Any collections received by the Servicer after termination shall be endorsed by it in favor of VHFA, where necessary, and remitted directly to VHFA or such other Servicer as VHFA shall designate without deposit into any account of the Servicer.

Section 25. Fidelity Bond. The Lender shall maintain a blanket coverage fidelity bond in an amount and form acceptable to VHFA with a surety duly authorized to issue such coverage in the State of Vermont, which may be a pre-existing policy if acceptable to VHFA, on all employees of the Lender or other persons who, under the direction, control or permission of the Lender, whether implied or expressed, will from time to time deal with the collections of Revenues and Escrow Payments, earned interest, documents, papers or things of value relating to the Mortgage Loans of VHFA, which insures the Servicer against losses resulting from dishonest or fraudulent acts committed by the Servicer's above-described personnel. Compliance with Fidelity Bond requirements of the Federal National Mortgage Association (FNMA) shall constitute compliance per se with this section, but VHFA reserves the right to accept lesser coverage on a case-by-case basis if, in the opinion of an authorized officer of VHFA, FNMA type coverage is not necessary to protect VHFA's interests.

Section 26. Interpretation.

A. The interpretation, construction, validity and effect of this Agreement shall be governed by the laws of the State of Vermont.

B. Captions and headings are for convenience only and do not limit, expand, or alter the meaning of any term or provision of this Agreement.

C. As applicable in context, pronouns of one gender shall be deemed to apply to all genders, terms stated in the singular shall apply equally to the plural, and terms stated in the plural shall apply equally to the singular.

Section 27. Notices. Notices to VHFA shall be sent to Vermont Housing Finance Agency, Attention: Executive Director, P.O. Box 408, Burlington, Vermont 05402. Notices to the Lender shall be sent to its principal office or to its designated liaison as specified in the Procedural Guide.

Section 28. Successors and Assigns. This Agreement binds, and inures to the benefit of, the parties and their respective successors and lawful assigns.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed effective the date and year first above written.

ATTEST:

_____
LENDER NAME

BY _____
DULY AUTHORIZED AGENT

TITLE _____

ATTEST:

VERMONT HOUSING FINANCE AGENCY

BY _____
DULY AUTHORIZED AGENT

TITLE _____

FK/kal:159 Rev. 09/90

VERMONT HOUSING FINANCE AGENCY

October 4, 1990

Ms. Jean Gauthier
Department of Administration
Pavilion Office Building
109 State Street
Montpelier, VT 05602

Dear Ms. Gauthier:

The Vermont Housing Finance Agency will be having its regular monthly Board Meeting on Thursday, October 18, at 1:30 p.m., at the UVM Married Student Housing Community Center/Windsor House located off Ethan Allen Avenue in Colchester, Vermont.

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

Sincerely,

Barbara M. Parker

Barbara M. Parker
Executive Assistant

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800 339-5866

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, DSH Executive Director

DATE: October 12, 1990

RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held at 1:30 p.m. Thursday, October 18, at Fort Ethan Allen, in the UVM Married Student Housing Community Center/Windsor House located off Ethan Allen Avenue, Colchester. A map has been enclosed for your convenience.

Prior to the meeting a photographer will be at the gazebo on the Parade Ground at 12:00, to photograph the Board members for this year's Annual Report in front of Officers' Row at Dalton Drive. In case of poor weather, an interior shot will be arranged. Should you wish further details on the photography schedule, please contact Hollis Hope.

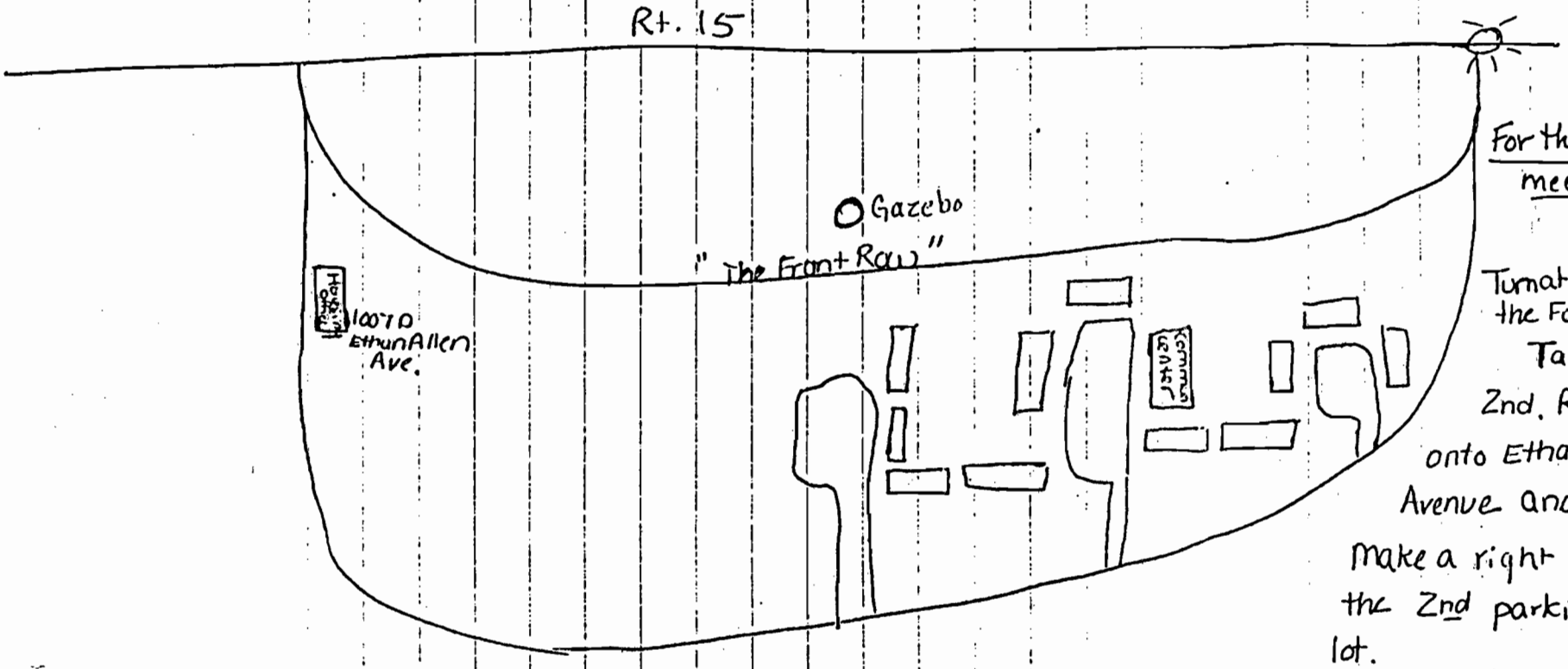
Lunch will be available at the Community Center.

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

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Colchester October 18!

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866

EQUAL HOUSING OPPORTUNITY



For the Board meeting:

Turn at light into the Fort Take 2nd. Right onto Ethan Allen Avenue and make a right into the 2nd parking lot.
The Community center is the "Windsor House".

For the photography session, take the first right onto Dalton Drive + meet the rest of the Board and the photographer near the gazebo.

VERMONT HOUSING FINANCE AGENCY

VHFA BOARD MEETING AGENDA

Vermont Housing Finance Agency
Fort Ethan Allen
UVM Married Student Housing Community Center/Windsor House
Off Ethan Allen Avenue
Colchester, Vermont

Thursday, October 18, 1990 at 1:30 p.m.

1. Review and approval of minutes of September 20, 1990

2. Executive Director's Report [Hunt]

3. Operations

   A. MOVE 1989B Update [Lothrop/Enclosure]
   B. Resolution Trust Corporation: The Agency's Role as Clearinghouse [Lothrop/Enclosure]
   C. Prospect-Forest Homes: Possible Loan to Section 8 Project in Randolph [Lothrop/Enclosure]

4. Development

   A. St. Johnsbury/Berezin: Letter of Intent [Koppelkam/Encl.]
   B. Business Plan: Numbers and Update [Pond/Enclosure]
   C. Bolton/Fernwood Manor: Letter of Intent [Koppelkam/Encl.]

5. Finance

   A. Audited Financials for FY90 [Schoenbeck/Encl.]

6. Legal

   A. Ideas for Potential Legislation [Jarrett]

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

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866

EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

BOARD MINUTES
Vermont Housing Finance Agency
Office of the Commissioner of Banking and Insurance
89 Main Street
Montpelier, Vermont
Thursday, September 20, 1990

PRESENT: Commissioners Shaw, Hebard, Seelig, Erdman (designee of Commissioner Francis, Rockford (designee of Commissioner Johnson), Myette (via speakerphone)

Agency Staff: Mr. Hunt, Mr. Schoenbeck, Mr. Lothrop, Mrs. Parker, Ms. Hope, Mr. Jarrett, Ms. Kehoe, Ms. Pond, Ms. Crady, Ms. Markman

Guests: Mr. Hale (Palmer & Dodge); Mr. Gurley and Mr. Irvin (Chase Securities); Mr. Farber (Orrick, Herrington & Sutcliffe)

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

Upon a motion duly made and seconded, the minutes of the August 7, 1990 meeting were unanimously accepted as written.

Turning first to the Executive Director's report, Mr. Hunt informed the Board that sources at the National Council of State Housing Agencies (NCSHA) had believed (apparently erroneously) that the extension of Mortgage Revenue Bonds (MRB), Mortgage Credit Certificates (MCC) and Low Income Housing Tax Credits (LIHTC) would be included in the budget negotiations being conducted in Washington. Mr. Hale further pointed out that the budget compromise will result in the continuation of the Sunset of MRB, MCC and LIHTC September 30, 1990, as originally scheduled. Mr. Hunt and Ms. Hope have met with an editorial writer of The Burlington Free Press regarding MRBs and their importance to Agency and affordable housing; another meeting has been scheduled with the editorial board of The Rutland Herald.

According to Mr. Hunt, an Act 250 hearing will be held October 9 regarding the restoration and rehabilitation of buildings on Dalton Drive in Fort Ethan Allen. A review is being conducted by staff of the real estate marketplace and plans for marketing the development, as well as how the Fort may be viewed by prospective tenants. At this time, staff is considering having the buildings released to the market in phases, in order to avoid overexposure. Mr. Hunt further reported that several

contracting bids have been received for such things as asbestos removal and general refurbishing; these bids will be utilized by staff as a reference point to ensure that budget projections are in line with actual costs. Mr. Hunt assured the Board that the overall outlook for the Dalton Drive buildings remains positive, despite a slowing economy.

Mr. Lothrop reviewed the status of the 1989B program, as included in the Board packet, indicating a continuing brisk pace. Ms. Markman distributed "Single Family Mortgage Program Data" as of September 1990, for review by the Board. The Agency has been responsible for financing 47% of the primary residences (includes condominiums as well as mobile homes with land) sold in Vermont for $93,000 or less during the first six months of 1990. Mr. Hunt pointed out that of major concern is where these home buyers would obtain financing once MRBs sunset; the need for continued programs to allow Vermonters to purchase affordable housing is critical. No Board action was necessary.

The Board then reviewed the "Mortgage Plus Program" as described in Mr. Lothrop's memo of September 12, included in the Board packet. Mr. Lothrop assured the Board that the proposed legal notice was a draft, and the income limits would change prior to actual publication. A motion was made and seconded, and it was unanimously agreed that the Board authorize the Executive Director to publish the required 90 day notice at a time in the future that he determines is appropriate and initiate the process to convert the MRB authority to MCC authority as soon as MRB authority is available.

Ms. Pond introduced a discussion of the Agency's "Recycled 8.25% Funds: Discussion of Potential Uses" as detailed in her memo of September 13, included in the Board packet. Mr. Hebard queried whether the Agency would consider encouraging lenders to accept more than one mortgage payment per month. According to Mr. Hale, there is no legal reason why a biweekly payment schedule could not be applied to Agency financed mortgages. Mr. Lothrop pointed out that technically more lenders can allow these biweekly payments, but many do not promote it due to servicing difficulties. Mr. Seelig suggested that some of the funds could be applied to group homes, but according to Ms. Pond these funds can not be used on institutional borrowers; however, other methods of serving those borrowers are being researched. Following a brief discussion, a motion was made and seconded to allow staff to proceed, subject to receipt of a satisfactory opinion from bond counsel, with development and implementation of both a new construction program with construction/permanent financing capacity and a non first-time home buyer reserve; this motion was carried unanimously.

The Board acknowledged receipt of the "Results of Second Round LIHTC Reservation Decisions" in Mr. Koppelkam's memo of September 12, included in the Board packet. No action was necessary.

The "Sugar Mae--Recap of Lender Survey" was distributed by Ms. Crady and reviewed by the Board. Ms. Crady is hopeful that another transaction can be completed before the end of the calendar year. According to Ms. Crady, there are many "funky little products" out there in which Fannie Mae would probably be interested. Mr. Rockford noted that only half of the lenders surveyed had responded, and Mr. Hunt indicated that unfortunately this was a typical response. There was no action necessary.

Next, Mr. Schoenbeck reviewed the details of the proposed 1990 Single Family Housing Bond. The total bonds issued will be $110 million, including $100 million in potentially lendable proceeds, with an initial distribution of $25 million in lendable funds at a mortgage rate of 8.95 percent. The remaining funds will be invested and can be resold as long bonds in a single financing or a series of subsequent financings, with a separate official statement required for each new piece. Mr. Schoenbeck informed the Board that two letters of credit were to be issued by Sanwa Bank Ltd. in the approximate amounts of $900,000 to cover losses resulting from a worst case scenario and $550,000 meeting the requirement for the loan loss claim fund, to cover potential losses on mortgages.

According to Mr. Hale, the lendable proceeds of the remaining $82.5 million of bonds can be issued as follows: $40 million after six months but within two years, with the other $42.5 million available after twelve months but within three years of the availability date. The initial $25 million in lendable proceeds has an interest rate reduction bond feature, which enables the Agency to resell bonds originally sold under this program at a lower rate, if a falling rate environment causes the original mortgages to be unmarketable.

[At this time, Mr. Seelig left the meeting.]

Mr. Schoenbeck described the proposed use of the convertible option bonds (COBs). The ongoing costs associated with the COBs will be covered by the reinvestment of the COB proceeds into an investment contract. These proceeds, representing $82.5 million, will be converted to fixed rate bonds at a future date, as discussed by Mr. Hale. Mr. Gurley expressed his thanks to the Agency and especially to Mr. Schoenbeck for working with Chase in these negotiations. It is a difficult time to be marketing bonds, but this appears to be an attractive program, according to Mr. Gurley. Mr. Shaw also expressed the appreciation of the

Board for the efforts of Mr. Schoenbeck and Mr. Gurley in handling the intricacies of this bond issue.

Mr. Irvin reviewed the gross spread numbers for the entire issue, and assured the Board that a complete packet of information would be compiled and distributed after the closing. Mr. Hale observed that this was the most complex Single Family issue in the history of the Agency as it involved not only a new general bond resolution which will offer greater flexibility in future issues, but also three series resolutions to cover the proposed three-phase availability of funds. According to Mr. Hale, a reduced bond reserve fund requirement was instituted which must be equal to 50 percent of the annual payment on the bonds representing the loan proceeds. The terms and conditions of the purchase contract were reviewed by Mr. Hale. The Board acknowledged receipt of the good faith check in the amount of $1,100,000 from Chase Securities. Following further discussion, Mr. Hale presented a proposed resolution approving the Bond Resolution and the three Series Resolutions; he explained that approval of the Series 1 Bond Resolution would authorize the remarketing and reimbursement agreement. A motion was duly made and seconded and the resolution was unanimously adopted as proposed and attached to these minutes, with Mr. Shaw abstaining.

A further motion was made and seconded authorizing the Chairman, Vice Chairman, Executive Director or Director of Finance to enter into five separate reimbursement agreements with Sanwa Bank Ltd.; this motion carried unanimously, with Mr. Shaw abstaining.

A motion was then made and seconded to adopt the "Resolution Authorizing Vermont Housing Finance Agency 1990 Mortgage Purchase Program"; this motion, as attached to these minutes, was carried unanimously.

The closing was scheduled September 26 and 27 in Boston. Mr. Myette praised Mr. Schoenbeck and Mr. Gurley for another job well done.

Mr. Jarrett advised the Board that a suit had been filed in March against Allen Apartments; the Court has approved an amendment to add foreclosure to the complaint; the Board will be kept informed of the status of this legal action.

Ms. Kehoe approached the Board regarding the current requirements for resident occupancy mix and income certification for mobile home parks in connection with the anticipated closing of the acquisition of the French Hill Manor mobile home park in Williston. Following a brief discussion, a motion was made and seconded to authorize the Executive Director or the Director of

Finance to perform all necessary acts for the closing of the French Hill Manor mobile home park, as well as to approve the following occupancy mix at the French Hill Manor mobile home park: (a) at least 51 percent of its residents shall be at or below median income; (b) income is to be confirmed at the time of purchase or initial residency for tenants moving into the park, so that income will only be checked once per resident family; this motion was carried unanimously. A more comprehensive recommendation regarding mobile home park procedures will be brought to the Board as staff gains further experience. Until that time, staff will follow the above recommendation for parks financed through the Agency.

The next meeting was scheduled for Thursday, October 18, in Burlington. A photographer will be at Fort Ethan Allen prior to the Board meeting to photograph the Board for the upcoming Annual Report. There being no further business and following a motion duly made and seconded, the meeting was adjourned at 3:10 p.m.

Respectfully submitted,

Allan S. Hunt
Secretary

RESOLUTION AUTHORIZING
VERMONT HOUSING FINANCE AGENCY
1990 MORTGAGE PURCHASE PROGRAM

WHEREAS, pursuant to its Single Family Housing Bond Resolution adopted September 20, 1990 (the "General Resolution"), Vermont Housing Finance Agency has this date adopted its First Supplemental Resolution Authorizing the Issuance and Sale of $27,000,000 Single Family Housing Bonds, Series 1 (the "Supplemental Resolution", together with the General Resolution hereinafter called the "Resolutions"); and

WHEREAS, the staff of the Agency has proposed the creation of the 1990 Mortgage Purchase Program (the "1990 Program") and has presented the Mortgage Loan Application and Commitment Agreement dated as of September 12, 1990 (the "Commitment Agreement") incorporating the Mortgage Loan Purchase and Servicing Agreement referenced therein (the "Purchase Agreement") and the Mortgage Purchase Program Procedural Guide, as amended (the "Procedural Guide");

NOW THEREFORE, with all terms herein and not otherwise defined having the same meaning as they have in the First Supplemental Resolution, it is hereby RESOLVED:

1. Subject to the terms and conditions of the Supplemental Resolution, monies in the Series 1 Program Account established under and pursuant to the Resolutions (the "Program Account") shall be used to purchase Mortgage Loans from Mortgage Lenders in an aggregate amount equal to the portion of the proceeds of the Series 1 Bonds required to be deposited into the Program Account.

2. The Purchase Agreement and the Procedural Guide are hereby approved.

3. The Agency's 1990 Program is hereby approved.

4. The form of the Commitment Agreement is hereby approved and the Executive Director and the Director of Operations, or either of them, is authorized to execute and deliver the same to Mortgage Lenders participating in the 1990 Program.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont on September 21, 1990.

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

RESOLUTION AUTHORIZING
VERMONT HOUSING FINANCE AGENCY
SINGLE FAMILY HOUSING BOND RESOLUTION

RESOLVED: That the Vermont Housing Finance Agency's Single Family Housing Bond Resolution, First Supplemental Single Family Housing Bond Resolution, Second Supplemental Single Family Housing Bond Resolution and Third Supplemental Single Family Housing Bond Resolution, in substantially the forms presented at this meeting, are hereby adopted, with such changes and modifications thereto as the Chairman, Vice Chairman or Executive Director may approve prior to the delivery of the Series 1 Bonds, Series 2 Bonds and Series 3 Bonds referred to therein.

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 September 21, 1990.

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

STATISTICAL REPORT PROGRAM ID: 89B
UNDERWRITING DATABASE
LTV 0% TO 100%
Effective for 01/01/89 thru 10/11/90
Loan Status: CC,UC,O

Total Number of Loans:	313		
Total Loan Amount:	$20,352,973		
EXISTING:	$14,866,606	73.8%	231 Loans
NEW CONSTRUCTION:	$5,486,367	26.1%	82 Loans
NEW DETACHED HOUSING:	$4,794,298	87.3%	72 Loans
NEW CONDOMINIUM:	$692,069	12.6%	10 Loans
Funds Remaining to be Reserved:	$8,502,012	22.1%	130 Loans (Est.)
Total Insured or Guaranteed Loans:	279		
Loans Guaranteed by VHMGB:	277		

	ACED	NON ACED	STATEWIDE
Avg. Purchase Price	$69,385	$78,578	$72,704
Avg. Loan Amount	$62,417	$69,641	$65,025
Avg. Borrower Income	$29,228	$28,059	$28,806
Avg. Housing Debt-Income Ratio	26.8%	29.3%	27.7%
Avg. Total Debt	$791.61	$815.24	$800.14
Avg. Total Debt-Income Ratio	35.0%	35.2%	35.1%
Total No. of Loans	200	113	313
% of Total Loan Amount	61.3%	38.7%	100.0%
First Time Homebuyers	80.5%	99.1%	87.2%
% Meeting Low Income Set Aside	37.5%	56.6%	44.4%

	Loans	% of Loans	$ Amount	*Households	% of Hshlds	% DIFF
Addison	16	5.1%	$1,023,470	5,000	5.7%	0.6-
Bennington	8	2.6%	$541,175	6,300	7.2%	4.6-
Caledonia	27	8.6%	$1,587,933	4,800	5.5%	3.1
Chittenden	72	23.0%	$5,164,590	16,000	18.2%	4.8
Essex	6	1.9%	$325,517	1,300	1.4%	0.5
Franklin	49	15.7%	$3,088,234	6,000	6.8%	8.9
Grand Isle	2	0.6%	$135,275	900	1.0%	0.4-
Lamoille	18	5.8%	$1,114,031	3,300	3.8%	2.0
Orange	11	3.5%	$627,845	4,300	4.9%	1.4-
Orleans	21	6.7%	$1,107,268	4,200	4.8%	1.9
Rutland	27	8.6%	$1,786,693	10,000	11.4%	2.8-
Washington	24	7.7%	$1,715,409	9,000	10.3%	2.6-
Windham	17	5.4%	$1,130,563	7,100	8.1%	2.7-
Windsor	15	4.8%	$1,004,970	9,600	11.0%	6.2-
TOTAL	313	100.0%	$20,352,973	87,800	100.0%	

*Estimated number of households, $15,000 to $35,000 income.
Source: CACI, 1990 Sourcebook of County Demographics

AS OF: 10/11/90
PAGE NO. 1

Vermont Housing Finance Agency
89B - $38,450,000 MORTGAGE LOAN PURCHASE PROGRAM
Status Report (with percent of pool proceeds approved)
Rate : 8.700%
Date : 10/11/90

Report: 1130
PERSTATU

Lender	Funds Reserved	Percent Reserved	Prelim. Approval	% Prelim Approval	Loans Purchased	Loans to be Purchased	PERC
Bank of Vermont	$2,214,971	5.7%	$1,567,170	4.0%	$745,495	$821,675	37.0%
Bradford National Bank	$133,050	0.3%	$58,950	0.1%	$0	$58,950	44.3%
Caledonia National Bank of Danville, The	$365,700	0.9%	$260,350	0.6%	$112,050	$148,300	40.5%
Chittenden Trust Company	$5,688,729	14.7%	$4,396,812	11.4%	$1,928,385	$2,468,427	43.3%
Citizens Savings Bank and Trust	$482,712	1.2%	$366,137	0.9%	$114,345	$251,792	52.1%
Commonwealth Mortgage Company, Inc	$375,453	0.9%	$375,453	0.9%	$130,703	$244,750	65.1%
Community National Bank	$1,029,268	2.6%	$797,768	2.0%	$324,791	$472,977	45.9%
Factory Point National Bank, The	$81,700	0.2%	$81,700	0.2%	$0	$81,700	100.0%
Franklin-Lamoille Bank	$768,246	1.9%	$437,571	1.1%	$162,250	$275,321	35.8%
Granite Savings Bank and Trust Company	$130,650	0.3%	$0	0.0%	$0	$0	0.0%
Howard Bank, National Assn, The	$541,888	1.4%	$368,238	0.9%	$319,538	$48,700	8.9%
Lyndonville Savings Bank & Trust Company	$357,400	0.9%	$169,800	0.4%	$131,800	$38,000	10.6%
Marble Bank	$816,783	2.1%	$327,295	0.8%	$58,900	$268,395	32.8%
Merchants Bank, The	$1,234,305	3.2%	$1,086,930	2.8%	$722,650	$364,280	29.5%
National Bank of Middlebury, The	$107,400	0.2%	$107,400	0.2%	$37,400	$70,000	65.1%
New England IBM Employees Fed Crdt Union	$494,509	1.2%	$337,259	0.8%	$212,259	$125,000	25.2%
Northfield Savings Bank	$282,875	0.7%	$150,575	0.3%	$47,500	$103,075	36.4%
Passumpsic Savings Bank	$1,327,813	3.4%	$864,913	2.2%	$468,803	$396,110	29.8%
Peoples Trust Company of St Albans	$334,325	0.8%	$119,800	0.3%	$59,000	$60,800	18.1%
Proctor Bank	$481,900	1.2%	$148,250	0.3%	$148,250	$0	[illegible]
Randolph National Bank	$382,005	0.9%	$309,805	0.8%	$136,280	$173,525	45.[illegible]
Statewide Funding Corporation	$1,339,023	3.4%	$598,446	1.5%	$72,602	$525,844	39.2%
Summit Financial Center, Inc.	$610,242	1.5%	$293,492	0.7%	$0	$293,492	48.0%
Union Bank	$1,336,284	3.4%	$915,775	2.3%	$119,225	$796,550	59.6%
Vermont Federal Bank, FSB	$4,138,605	10.7%	$2,924,770	7.6%	$1,902,382	$1,022,388	24.7%
Vermont Mortgage Group, Inc	$1,188,401	3.0%	$879,701	2.2%	$682,100	$197,601	16.6%
Vermont National Bank	$3,492,123	9.0%	$2,621,263	6.8%	$787,529	$1,833,734	52.5%
TOTALS 461 Loans	$29,736,360	77.3%	$20,565,623	53.4%	$9,424,237	$11,141,386	37.4%

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Douglas R. Lothrop, Director of Operations

DATE: October 4, 1990

RE: Clearinghouse for Resolution Trust Corporation (RTC) Properties in Vermont

Background

In 1989 Congress passed the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA) in response to the financial problems of numerous savings and loan institutions across the nation. One of the provisions of the Act included the creation of the RTC, whose prime responsibility is disposing of properties, both single and multi family, owned by the government due to the takeover of failed institutions.

The Act further requires that a 90 day marketing period be established to provide homeownership and rental housing opportunities for moderate income, lower income and very low income families and individuals. During the 90 day marketing period the single family properties will only be available to persons and families whose income does not exceed 115% of the area median income, adjusted for family size. The multi family properties will be offered to eligible non-profit agencies, public agencies and for-profit agencies after they sign a commitment agreement to meet the RTC lower income occupancy guidelines.

The RTC asked the Governor of each state to confirm the designation of the state housing finance agency to serve as a clearinghouse. Governor Kunin has informed us that VHFA has been designated as the clearinghouse for the state of Vermont.

Attached is a copy of the memorandum of understanding which the Executive Director has executed on behalf of VHFA and sent to RTC for its authorized signature. The memorandum of understanding outlines the responsibilities to which VHFA and RTC have agreed. Also attached is an addendum to the memorandum of understanding which includes a hold harmless agreement as well as a no conflict of interest agreement should VHFA wish to buy a RTC property.

VHFA will set up a data base to capture property information on RTC properties as well as information on interested purchasers. A mailing list will also be set up to make the information on the properties available to other public agencies, non-profit organizations, and qualifying households. At the present time there are no properties in Vermont owned by the RTC.

Recommended Action

No action by the board is requested. This memorandum is for information purposes and discussion.

MEMORANDUM OF UNDERSTANDING
FOR CLEARINGHOUSE

WHEREAS, Section 21(A) of the Federal Home Loan Bank Act, as added by Section 501(a) of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (P.L. 101-73, 103 Stat. 183) (the "Act:) mandates that the Resolution Trust Corporation ("RTC") provide written notice to clearinghouses containing certain information regarding eligible residential properties; and

WHEREAS, Vermont Housing Finance Agency ("Clearinghouse"), located at P.O. Box 408, 1 Burlington Square, Burlington, VT 05402, is a clearinghouse as defined in the "Act"; and

WHEREAS, RTC and Clearinghouse have agreed that Clearinghouse will disseminate information as required by the Act;

NOW THEREFORE, in consideration of the mutual promises herein set forth, RTC, in its corporate capacity, and the Clearinghouse, enter into this Memorandum of Understanding ("MOU") on this 1st day of November, 1990 ("Effective Date") and agree as follows:

1. Agreement to Serve as Clearinghouse.

The Clearinghouse hereby agrees to serve as a clearinghouse in accordance with the terms of the Act and this MOU, in the State of Vermont.

2. Notice To Clearinghouse.

(a) Eligible single family properties. The RTC will periodically transmit a Notice of Ninety-Day Marketing Period to the Clearinghouse with respect to eligible single family properties that are available for sale in the Clearinghouse's jurisdiction, as set forth in Section 1.

Such Notice shall contain a specific date for commencement of the ninety-day marketing period and basic information about the property, including, but not limited to , the following: location, size, construction, condition, number of rooms, number of bedrooms, number of bathrooms, sale price, whether the property has natural, cultural, recreational, or scientific value of special significance, the name and address of the broker(s) to contact in order to gain access to the property for purposes of inspection, and the name and address of the approved Technical Assistance Advisors, if any, with respect to the property or prospective purchasers.

(b) Eligible multifamily housing properties. The RTC will periodically transmit a Notice of Ninety-Day Marketing Period to the Clearinghouse with respect to eligible multifamily properties that are available for sale in the Clearinghouses's jurisdiction, as set forth in Section 1.

Such Notice shall contain a specific date for commencement of the ninety-day period and basic information about the property, including, but not limited to, the following: location, size, construction, number of units (identified by number of bedrooms), number of bathrooms, the sale price, whether the property has natural, cultural, recreational, or scientific value of special significance, and the name and address of the person to contact in order to gain access to the property.

3. Dissemination of Information.

(a) The Clearinghouse shall make the information described in Section 2(a) above available to other "public agencies," other "nonprofit organizations," and "qualifying households," as such terms are defined in the Act.

(b) The Clearinghouse shall make the information described in Section 2(b) above available to qualifying multifamily purchasers, as defined in the Act.

4. Record Retention; RTC's Right to Examine Books and Records.

(a) For a period of not less than three (3) years after the date of termination or expiration of this MOU, the Clearinghouse shall continue to maintain all files and records pertaining to its performance under this MOU at a single location in clearinghouse's place of business.

(b) At all times during the term of this MOU and at all times during the three (3) year period following the expiration or termination of this MOU, RTC and its duly authorized agent, representative or employees may, at such reasonable times as RTC determines, inspect, audit, and copy any

of the Clearinghouse's records, reports and related materials pertaining to the Clearinghouse's performance under this MOU.

4. Term of Agreement.

(a) Initial Term. The initial term of the MOU shall commence on the Effective Date and terminate one year thereafter (the "Initial Term:), subject to extension or earlier termination as provided herein; provided however, that this MOU shall be effective only as long as sections 501(c) (2) and (3) of the Act mandate the providing of the aforementioned notices to a clearinghouse, as defined in the Act.

(b) Renewal Term. By written agreement of the parties hereto, this MOU and the terms and conditions hereunder may be renewed for three additional one-year terms.

(c) Notice and Acceptance of Renewal Terms. Not less than sixty (60) days before the end of the Initial Term or either of the first two renewal terms, the RTC shall notify Clearinghouse in writing of RTC's offer, if any, to renew the MOU for a one-year term. Clearinghouse shall notify RTC in writing within fifteen (15) days of receipt of RTC's notice whether it accepts or rejects RTC's offer. If Clearinghouse accepts RTC's offer, the renewal term shall commence on the day following the expiration of the then existing term. If Clearinghouse rejects or fails to respond to RTC's offer, this MOU shall terminate upon the expiration of the then existing term without notice from either party.

6. Termination.

(a) Either the RTC or the Clearinghouse may terminate this MOU without cause on thirty (30) days written notice to the other party.

(b) The RTC may unilaterally, upon five (5) days written notice to the Clearinghouse, terminate this MOU if the RTC, in its sole discretion, determines that the Clearinghouse does not meet the definition of "clearinghouse" as set forth in the Act;

8. Reliability of Information.

The information that the RTC supplies to the Clearinghouse pursuant to Sections 2(a) and (b) shall be deemed to be reliable as received, but it shall be the responsibility of each recipient of such information to verify its accuracy.

The Clearinghouse shall not make any representations, warranties or guarantees as to the accuracy of any information contained in a Notice of Ninety-Day Marekting Period, nor shall

it disseminate information with respect to an eligible residential property other than that which is contained in a Notice of Ninety-Day Marketing Period or such other communication from RTC which sets forth information intended to be disseminated.

9. Non-Exclusive.

This MOU is non-exclusive and nothing herein prohibits or restricts the RTC from utilizing other entities to carry out its statutory obligations regarding eligible residential properties.

10. Entire Agreement/Modification.

This MOU and the documents incorporated herein contain the entire understanding of the parties. The terms contained in this MOU shall not be modified or amended except as agreed to by the parties hereto in writing.

11. Notices.

All notices required under the terms of this MOU, including, without limitation, the Notice of Ninety-Day Period referred to in Sections 2(a) and (b), shall be transmitted by certified mail, or any other means of communication with date and time confirmation, to such party at its address set forth below:

To the RTC:

Attn:

To the Clearinghouse:

Vermont Housing Finance Agency
P.O. Box 408
Burlington, Vermont 05402

Attn: Executive Director

Either party may change its address for notice purposes by giving notice to the other party in accordance with this Section 11.

12. Severability.

If any provision of this MOU is held to be unenforceable, invalid or illegal by any court of competent jurisdiction, such unenforceable, invalid or illegal provision shall not affect the remainder of this MOU.

13. Definitions.

To the extent used and not defined herein, unless the context shall clearly indicate otherwise, capitalized terms shall have the meaning assigned to them in the Interim Rule for the Affordable Housing Disposition Program, published at 12 C.F.R. 1609, (42 FR 14081, April 16, 1990), and any amendments or modification thereto.

14. Governing Law.

This MOU shall be construed in accordance with and governed by the laws of the United States.

15. Survival.

The provisions contained in this MOU which, by their terms, require performance after the expiration or termination of this MOU, shall be enforceable notwithstanding the expiration or other termination of this MOU.

16. Counterparts.

This MOU may be executed in one or more counterparts, each of which shall be deemed an original, but all of which, together shall constitute one and the same instrument.

IN WITNESS WHEREOF, each party has caused this instrument to be signed on its behalf by its duly authorized agents.

RESOLUTION TRUST CORPORATION	VERMONT HOUSING FINANCE AGENCY
By:_____	_____
Title:_____	_____
Date:_____	_____

DRL.125/kal Rev. 09/90

ADDENDUM TO MEMORANDUM OF UNDERSTANDING
BETWEEN THE VERMONT HOUSING FINANCE AGENCY (CLEARINGHOUSE)
AND THE RESOLUTION TRUST CORPORATION (RTC)
Effective November 1, 1990.

The Resolution Trust Corporation further agrees that:

1. VHFA as Clearinghouse shall not provide or be required to provide any representations, warranties, or guarantees as to the accuracy of the information contained in Property Notices supplied to the Clearinghouse by the RTC or as to the accuracy of the information described in the Property Notices supplied to the qualifying purchasers by the Clearinghouse;

2. The RTC shall indemnify and hold harmless the Clearinghouse against any losses, claims, actions, damages, liabilities or expenses, including reasonable attorney's fees, which result from any negligent act or omission of the RTC in the dissemination of any information that has been provided by the RTC pursuant to the distribution of Property Notices;

3. The RTC agrees to provide the Clearinghouse of notice as to other organizations within the State of Vermont that have executed or contemplate executing Memorandums of Understanding so that the Clearinghouse may, if deemed advisable or appropriate, coordinate or consult with such other Clearinghouses in the dissemination of information regarding eligible residential properties;

4. The RTC acknowledges and agrees that VHFA as Clearinghouse or any affiliated or subsidiary corporation of VHFA will not be precluded from acquiring residential properties by virtue of its service as a Clearinghouse.

VERMONT HOUSING FINANCE AGENCY	RESOLUTION TRUST CORPORATION
_____	_____
BY: Allan S. Hunt Executive Director	BY:
DATE: _____	DATE: _____

DRL.126/kal

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: October 8, 1990

TO: VHFA Board of Commissioner

FROM: Douglas R. Lothrop, Director of Operations

RE: Prospect-Forest Homes, Randolph

Background

After nearly two years of negotiation, Central Vermont Community Action Council (CVCAC) was successful in the acquisition of this 9-unit family rehab property on May 15, 1990. New ownership and management was a critical first step in the turning around of the property which had deteriorated under local non-profit control.

On August 9, 1990, CVCAC received Housing and Conservation Board approval for a grant of $5,261 and a 0% deferred loan in the amount of $27,576. A condition of the VHCB's approval was that CVCAC receive a commitment from VHFA to provide a matching deferred payment loan in order to make needed project repairs and improvements. These include door and window replacements, exterior painting, landscaping, site and drainage work, and moisture protection. In addition, CVCAC was asked to begin negotiations with Central Vermont Public Service to gain their support for a conversion from electric heat to a less costly source of fuel.

Last month, Veda Lyon, Executive Director for CVCAC, formally requested that VHFA consider a deferred loan in the amount of $27,576. She said that the improvements these funds would help finance are necessary to protect both their financial investment and the quality of life for the residents.

Project Considerations

Prospect-Forest Homes currently has a 14% mortgage rate and will be eligible for refinancing in February 1992. Because of special processing by HUD during the original financing of this development, 50% of the debt service savings that are achieved at the time of refinancing will be made available to VHFA for use in the continued support of affordable housing. At a 9.5% refinancing rate, these savings would provide VHFA with a source of funds to fully repay the two deferred loans that are contemplated. Current cash flow at the property does not allow for any additional loan payments.

REQUESTED BOARD ACTION

Authorize staff to make a loan in an amount not to exceed $27,576, and at terms to be negotiated by the Executive Director.

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Mark Koppelkam, MF Development Underwriter

DATE: October 12, 1990

RE: **New Avenue House Building, St. Johnsbury**

Summary

The sponsor, a Massachusetts based limited partnership, is requesting up to $2 million in VHFA taxable financing, construction and permanent, for the restoration of the New Avenue House Building in St. Johnsbury. The proposed development would have 47 small residential units on the top three floors and numerous storefront commercial spaces on the first floor. The development has HUD Moderate Rehabilitation (Mod Rehab) certificates for all the residential units, meaning that residents would pay no more than 30% of their income for rent and utilities. The building needs to be under construction by February 1991 or the Mod Rehab commitment will be lost.

Sponsor

The sponsor will be a limited partnership, with the general partner being Marken Properties of Mount Holyoke, Massachusetts. Marken Properties is a partnership of Herbert, Mark and Stephen Berezin, all from Massachusetts. The Berezins will likely syndicate the Low Income Housing Tax Credits (issued by VHFA to this project in 1989), Historic Tax Credits and other project benefits to a large national syndication firm. Marken Properties owns and manages 23 subsidized housing properties, primarily in Massachusetts. They own and manage two developments in Vermont, Armory Square in Windsor, and Green Mountain Apartments in Brattleboro.

Location and Building Description

The building is a four story historic landmark in downtown St. Johnsbury. It is a large brick structure that was at one time a hotel, and has six or so commercial storefront spaces on the first floor. The upper three floors are all residential, with wide hallways, 12-14 foot ceilings, large windows and generally small units. The building has been entirely vacant for several years, with the exception of a Chinese restaurant.

worrisome, as is the lack of involvement to date of a design professional.

9. The site essentially has no parking, either for residential or commercial tenants or for their visitors and customers. Most of the commercial spaces also have no back entry, loading dock or other desirable amenities.

Recommendation

Staff recommends adoption of a Letter of Interest (to be distributed at Board meeting) endorsing VHFA taxable financing (construction and permanent) of up to $2 million for the New Avenue House Building in St. Johnsbury. VHFA's conditions of participation would include:

1. A very conservatively sized deficit escrow fund (or letter of credit) based on Agency concerns about the questionable market for the type, size and quality of the proposed housing units and commercial spaces.

2. An architect or other building professional must be involved to insure that local, state and federal housing codes are addressed.

3. A management plan that acknowledges the mixed tenant populations (i.e., elderly, family and mentally ill) that will likely result from the federal preference regulations.

4. Resolution of the parking problem, perhaps through an off-site rental arrangement.

5. Strong encouragement to the sponsor to secure additional commercial tenant commitments, and to make improvements (e.g., facades, back entryways for suppliers, loading dock etc.) related to the commercial space.

RESOLUTION PERTAINING TO LETTER OF INTEREST RE:
ST. JOHNSBURY NEW AVENUE HOUSE DEVELOPMENT

WHEREAS, a proposal has been presented to the Agency by Herbert, Mark and Stephen Berezin of Holyoke, Massachusetts involving the rehabilitation of the New Avenue House, a four story historic landmark in St. Johnsbury (the "Development"); and

WHEREAS, the proposal contemplates that the Development will constitute a "qualified low-income housing project" within the meaning of section 42(g) of the Internal Revenue Code of 1986; and

WHEREAS, the Development has previously received an allocation of low income housing tax credits in 1989; and

WHEREAS, a limited partnership, Depot Square Apartments Limited Partnership, with Herbert, Stephen, and Mark Berezin, as general partners, will qualify as a housing sponsor within the meaning of the Vermont Housing Finance Agency Act (the "Act"); and

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

It is hereby DETERMINED:

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

2. The 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 housing for persons and families of low and moderate income.

5. The sponsor is a financially responsible organization.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a letter of interest (the "Letter of Interest") to provide a first mortgage for construction and/or permanent financing, in an amount to be determined by the

Executive Director, but not to exceed $1,500,000, for the St. Johnsbury New Avenue House Development.

2. The Letter of Interest shall be issued to Depot Square Apartments Limited Partnership.

3. The Letter of Interest shall state that it is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The letter of interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, construction financing, or for other purposes with the consent of the Agency.

4. The Sponsor shall be required to establish and maintain a deficit escrow fund, either with cash or an acceptable letter of credit, in a size to be determined by the staff, to provide funds in the event of slow lease-up.

5. The Sponsor shall be required to involve an architect in order to insure that local, state and federal building codes and requirements are addressed.

6. The Sponsor shall be required to provide a management plan that addresses the mix of tenant populations that will likely result from applicable federal preference regulations.

7. The Sponsor shall be required to submit a plan that addresses the parking needs of the Development in a manner satisfactory to the Executive Director.

8. The Sponsor shall be encouraged to make improvements relating to the commercial space in order to attract additional commitments from commercial tenants.

9. The Executive Director is authorized to make preliminary arrangements for the issuance and private placement of taxable bonds of the Agency to provide proceeds for financing this loan.

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Meg Pond, Director of Development
Roger Schoenbeck, Director of Finance

DATE: October 12, 1990

RE: Business Plan Discussion: FY 1989-90 Performance
FY 1990-91 Projections

Background:

In an effort to better understand and justify our future direction, we wanted to give you new information about our actual performance, especially focusing on fee income, during our last fiscal year, July 1, 1989-June 30, 1990. These numbers come fresh from the recently completed audit. We have selected our primary programs for discussion. Please refer to the attachment for the data.

Discussion:

* Our MOVE program projection for FY 1990-91 is down from our experience of this past year. This is due in part to the housing market as well as the specter of recapture.

* Builder's MOVE Reserve has not been as attractive to developers since we have had attractive financing available on the street for the potential borrowers. We still are happy to reserve funds for a fee, but the advantage to the developer is not as great.

* The Perpetually Affordable Housing Program (PAHP) is a good example of a very small program taking a very large amount of development time. This may well continue to do so, given the amount of attention needed to carry out the program. How do we assess allocating so much time into so little production? Is there sufficient value in promoting a new concept that does not get reflected in fee income?

* Sugar Mae, another labor intensive project, has thus far produced little fee income. The potential for large fee income may not be great in this economy. However, the benefits presumably are not only measured by the income.

* Section 8 Restructuring/Sales is not usually labor intensive and produces a modest fee that reflects this.

* The Gates and other credit enhanced bond multi-family deals are becoming more and more costly to produce. We have been passing on the cost of counsel and other related transaction costs (exclusive of staff and operating costs) to the given deal. However, these multi-family developments are able to carry less in development costs as well as operating costs. The tension is great from the developer community for VHFA to contribute a greater share of making these deals more ahead. How do we want to respond to this obvious need that runs counter to our fiscal accountability?

* The Low Income Housing Tax Credit program has not been a money maker, but is so fundamental to our multi-family production that we have not regarded it as needing to be one. If the program is continued, the fee aspect of it will be reevaluated.

* Multi-family Management provides a steady source of income for the length of the HAP contracts. Unfortunately, there is no current source of funds to be used in the same way on multi-family projects that have been financed since 1985.

Conclusion:

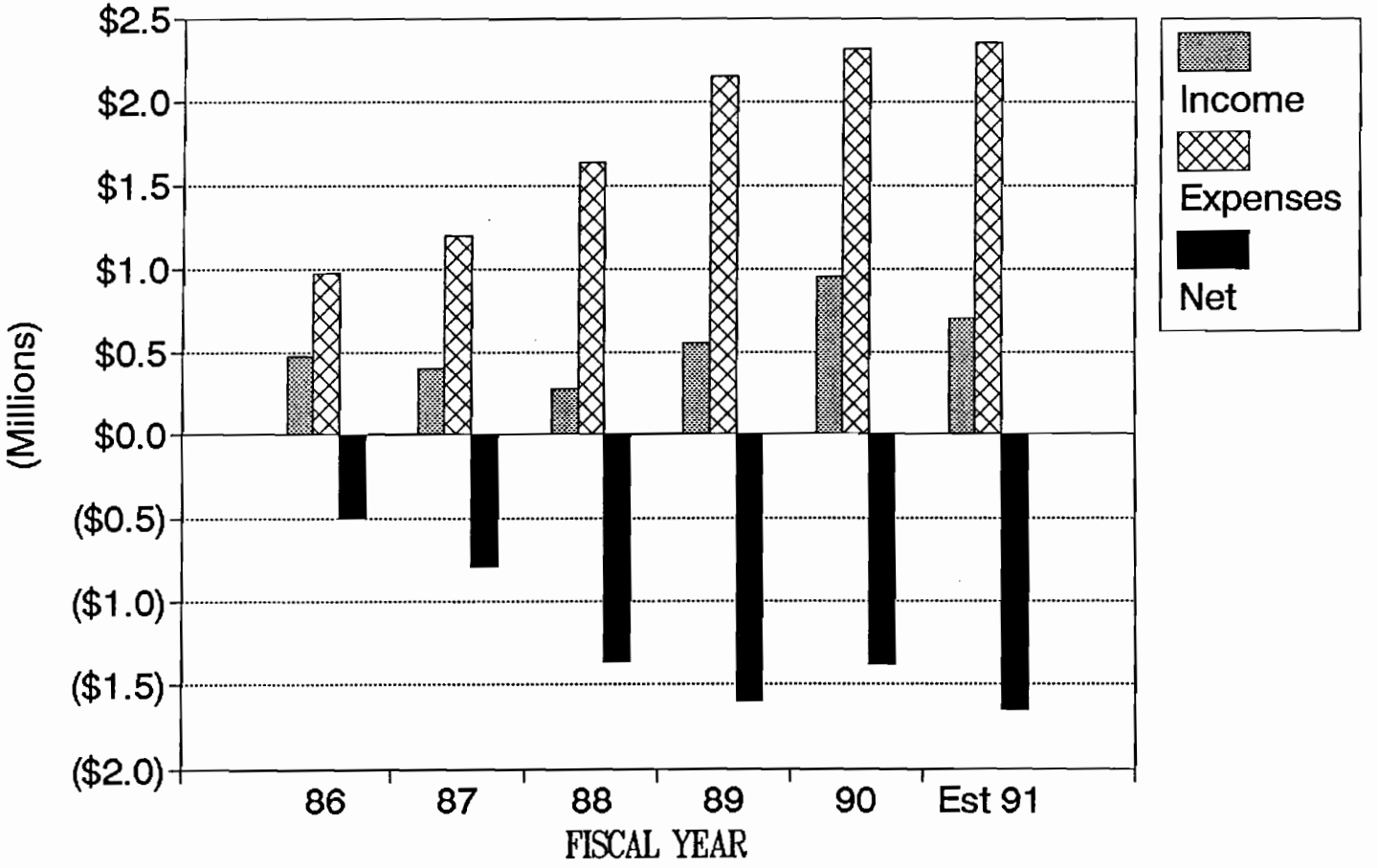
Although there is no action needed from the Board on this matter, we felt it was necessary to bring up the our concerns regarding fee income as an issue we are trying to grapple with. We welcome your thoughts on the situation.

FY 1989-90

	PROJECTIONS			ACTUAL			
	Dollar Amt.	Units	Fees to be earned	Dollar Amt.	Units	Fees Earned	
Homeownership							
MOVE	$60M	1,040	$522,500	$61M	985	$514,847	
Builder's MOVE Reserve	$20M	260	$200,000	$ 1.4M	20	$ 7,250	
PAHP	$11M	200	$ 8,000	.35M	7	$ 7,419	
Sugar Mae	$50M	820	$ 62,500	$ 3.1M	50 loans	$ 7,320	
Rental							
Section 8 Restruct/ Sale	$ 4M	350	$ 60,000	$ 2.9M	107	$ 7,147	
Gates	$22M	686	$254,000	$19.3M	336	$149,000	
Credit Enhanced Bonds	$ 6M	115	$ 90,000	$ 7.8M	166	$128,375	
LIHTC	$ .7M	980	$ 10,000	$ 1.02M	702	$ 17,729	
MF Mngmnt	$ ---	2,145	$106,000	$ ---	2,731	$108,531	
VT Hsg Ventures	$175,000	250	0	$ .1M	500	0	$1①
			TOTAL $1,313,000			TOTAL $947,618	

① $4,485 monthly service fee for six months.

VHFA FEE INCOME ANALYSIS
1986 - 1991



VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Mark Koppelkam, Multi-Family Development Underwriter

DATE: October 11, 1990

RE: Bolton: Fernwood Manor Mobile Home Park, Request for Letter of Interest

PROJECT SUMMARY

Staff seeks a letter of interest for permanent financing for the Fernwood Manor Mobile Home Park. Located in Bolton, Fernwood Manor is a 78 unit park being purchased by Housing Foundation Inc. (HFI), for the price of $1,425,000 or $18,269/lot.

THE PROJECT

1. Financing

Sources	
VHFA	$1,203,250
VHCB loan	255,000
VHCB grant	25,000
Total	$1,483,250

Uses	
Acquisition	$1,425,000
Appraisal	750
Legal & Title	4,500
Financing fee	12,000
Closing Costs	2,000
Engineering	1.000
Working Capital	13,000
Development fee	25,000
Total	$1,483,250

$19,016/lot

The VHFA loan will be structured with a stepped interest rate starting at 9.75% and increasing .75% every five years to a final interest rate of 12%. The loan is for 20 years but is amortized over 25 years; approximately $544,000 will need to be refinanced at the end of year 20. VHFA's loan will be made through the proceeds of a privately-placed taxable bond with the state pension funds.

VHCB is being asked to give a $255,000 deferred loan, and a $25,000 grant. The result of this request will not be known until November.

2. Appraisal & Loan To Project Value

The initial appraisal was performed by Keller Navin, who appraised the park at $1,350,000. The seller also had an appraisal performed by Richard Callahan, who appraised the park at $1,510,000. The purchase price was settled by splitting the difference of the two appraisals. For purposes of this review, staff assumes the agreed upon price to be an adequate estimate of the value of the park.

VHFA's multi-family rules state that the VHFA loan will be limited to no more than 95% of the total housing costs or security value of the project, which ever is less (which is the appraised value for Fernwood Manor). Additionally the pension fund money is subject to a 85% loan-to-value restriction.

VHFA loan	$1,203,250
Project value	$1,425,000
LTV	84%

3. Lot Rent/Market Demand/Income Mix

The current rent is $120/month; the weighted average lot rent in Chittenden County is $150/month and in nearby Washington County is $165/month. Several parks are close to or over $200/month in lot rent.

The proposed purchase by HFI requires lot rents to increase to $195; tenants voted 59 to 6 in favor of purchasing the park at this lot rent. Six households did not vote, and seven households indicated that they did not care as they are in the process of moving. Based on the market rents of the area, and the support of the current residents, the proposed lot rent of $195 appears reasonable.

As in the rest of the state, lot availability is very scarce in the Bolton area. Additionally a nearby park, Bolton North, is closing and five households will need to be relocated.

The income mix of the park, with 66% of the households below the area median income, is typical of many mobile home parks in the state:

11 households or 15% at or below 50% of median
22 households or 28% between 50% to 80% of median
18 households or 23% between 80% to 100% of median
22 households or 28% above median
5 households not responding (6%)

This income mix is within the recommended guidelines adopted by the Board at the last meeting, which require at least 51% of the residents to have incomes below median.

4. Location/Site

Fernwood Manor Mobile Home Park is situated on 37.5 acres, located on the north side of Route 2 in Bolton, approximately halfway between the Richmond and Waterbury exits of Interstate 89. If the Bolton interchange is constructed, the southbound ramp would most likely be located one mile west of the park.

The parcel is basically level to slightly sloping where the homes are situated; the back side of the parcel is steeply sloping. The property has over 2300 feet of frontage on Route 2.

5. Sponsors/Parties

HFI is the nonprofit arm of the Vermont State Housing Authority; HFI has purchased five parks to date on behalf of the tenants. One of these parks is now a successfully-run cooperative.

Champlain Valley Office of Economic Opportunity (CVOEO) is providing organizational assistance to the newly formed-tenants' association, with the long-term goal of converting the park to a limited equity cooperative.

6. Timetable

The Purchase and Sales Contract was signed on September 12, 1990 and calls for a January 4, 1991 closing; financing commitments must be in place by November 30.

7. Infrastructure

This is "an Act 250" park, meaning that it was developed under the jurisdiction of Act 250 in 1972 through 1974. The park is attractively laid out, with a greenspace buffer area between the park and Route 2 which also serves as a community garden space for the residents.

The septic system is reportedly in good working condition and fully permitted; the water system requires a permit from the Department of Health and is currently operating without such a permit. This matter will be rectified before closing. The water quality, quantity and delivery system are all meet regulatory requirements.

Electric and telephone lines are developed below the ground within the park and to the individual lots in half the park, and above the ground in the remainder. The roads are paved, and each lot has a poured concrete pad.

DISCUSSION

8. Strengths and Weaknesses

The primary strengths of this project include:

a. The park is fully rented and historically has maintained a less than 1% vacancy rate.

b. The infrastructure of the park is in very good condition.

c. The sponsor, HFI, is an experienced housing developer in the mobile home park area; management for HFI projects is provided by the Vermont State Housing Authority.

The potential weaknesses of this project include:

a. The initial increase in rent (from $120 to $195) may be so large that some households will feel pressured to move out of the park; in a recent survey, 14 households indicated that a substantial rent increase might force them to move. The sponsor is working on a plan to help such households deal with the increased costs, but the details of such a plan are not yet in place.

RECOMMENDED ACTION

Staff recommends approval of Resolution Pertaining to Letter of Interest for Fernwood Manor Mobile Home Park, authorizing the Executive Director to issue a letter of interest toward providing up to $1,500,000 in permanent financing towards the acquisition of the park by Housing Foundation Inc., on behalf of the residents of the park.

FERNWOOD MANOR 10/10/90

COMPARISION OF MOBILE HOME PARK COSTS

	Sandy Pines E. Mtplr	Tri-Park Brattleboro	Mountain View Hinesburg	Hunters Grand Isle	Riverside Woodstock	French Hill Williston	Town & Country Vergennes	Fernwood Bolton
Year Acquired	1990	1986	1989	1989	1989	1990	1990	1990
Property Acquisition	$980,000	$3,750,000	$820,000	$360,000	$325,000	$144,000	$1,300,000	$1,425,000
Dvlmpt Costs	$36,300	$0	$50,000	$94,000	$27,634	$22,500	$46,569	$58,250
Total Development Costs	$1,016,300	$3,750,000	$870,000	$454,000	$352,634	$166,500	$1,346,569	$1,483,250
#lots	56	330	52	24	40	9	73	78
Propery Acq Cost/Lot	$17,500	$11,364	$15,769	$15,000	$8,125	$16,000	$17,808	$18,269
Dvlmpt Cost/lot	$648	$0	$962	$3,917	$691	$2,500	$638	$747
Total Cost/lot	$18,148	$11,364	$16,731	$18,917	$8,816	$18,500	$18,446	$19,016

PROJECT OPERATING PRO FORMA

	Sandy Pines	Tri-Park**	Mountainview	Hunters	Riverside	French Hill	Town & Country	Fernwood
Lot rents: 1990	$200	$145-165	$170	$190	125	195	$180	$195
#lots	56	330	52	24	40	9	73	78
Total Operating Expenses per lot/per month*	$74	$77	$60	$73	$74	$77	$44	49
Debt Service	$82,064	$280,230	$66,645	$32,891	$29,637	$12,993	$114,046	$128,671
per lot	$1,465	$849	$1,282	$1,370	$741	$1,444	$1,562	$1,650
per month	$122	$71	$107	$114	$62	$120	$130	$137

Fernwood 10-9-90

PROJECT OPERATING PRO FORMA

		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
Gross Annual Income		182,520	182,520	187,200	191,880	196,560	201,240	205,920	210,600	215,280	219,960	224,64
Less Vacancy Allowance:	1%	1,825	1,825	1,872	1,919	1,966	2,012	2,059	2,106	2,153	2,200	2,24
Other Income		0	0	0	0	0	0	0	0	0	0	
Adjusted Gross Income		180,695	180,695	185,328	189,961	194,594	199,228	203,861	208,494	213,127	217,760	222,39
Management		16,380	17,117	17,887	18,692	19,533	20,412	21,331	22,291	23,294	24,342	25,43
Audit/Legal		1,500	1,568	1,638	1,712	1,789	1,869	1,953	2,041	2,133	2,229	2,32
Utilities & trash & water		10,500	10,973	11,466	11,982	12,521	13,085	13,674	14,289	14,932	15,604	16,30
Maintenance--total		2,500	2,613	2,730	2,853	2,981	3,115	3,256	3,402	3,555	3,715	3,88
Real Estate Taxes		7,125	7,446	7,781	8,131	8,497	8,879	9,279	9,696	10,132	10,588	11,06
Insurance		1,500	1,568	1,638	1,712	1,789	1,869	1,953	2,041	2,133	2,229	2,32
Replacement Reserve		5,421	5,583	5,751	5,924	6,101	6,284	6,473	6,667	6,967	7,280	7,60
Other: Snow Plowing		1,000	1,045	1,092	1,141	1,193	1,246	1,302	1,361	1,422	1,486	1,55
Total Expenses		45,926	47,993	50,152	52,409	54,767	57,232	59,807	62,499	65,311	68,250	71,32
Net Operating Income		134,769	132,702	135,176	137,552	139,827	141,996	144,053	145,995	147,816	149,510	151,07
Debt Service: VHFA		(128,671)	(128,671)	(128,671)	(128,671)	(128,671)	(136,546)	(136,546)	(136,546)	(136,546)	(143,215)	(143,21
VHCB oper subs:												
VHCB debt service					(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,00
Cash Flow		6,098	4,031	6,504	4,881	7,156	1,450	3,508	5,450	7,270	2,295	3,85
VHFA RATE		9.75%				10.50%					11.25	
Debt Coverage Ratio		1.05	1.03	1.05	1.04	1.05	1.01	1.02	1.04	1.05	1.02	1.
Op Exp/Lot/Month		$49	$51	$54	$56	$59	$61	$64	$67	$70	$73	$7
Lot rent		195	195	200	205	210	215	220	225	230	235	2

ASSUMPTIONS

Oper cost/lot/month	
Income Increase	see above
Expense Increase	4.50%
Replace. Reserve	3.00%

Rents*	Units	Yr 1 Rents	Ann Rents
# Mobile Homes	78	$195	$182,520

RESOLUTION PERTAINING TO LETTER OF INTEREST RE: FERNWOOD MANOR MOBILE HOME PARK

WHEREAS, a proposal has been presented to the Agency by the Housing Foundation, Inc., a non-profit corporation, involving the acquisition of Fernwood Manor, a 78 unit mobile home park in Bolton; and

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

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

It is hereby DETERMINED:

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

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

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

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

5. The sponsor is a financially responsible organization.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a letter of interest (the "Letter of Interest") to provide a first mortgage for permanent financing in an amount to be determined by the Executive Director, but not to exceed $1,250,000, for the Fernwood Manor Mobile Home Park.

2. The Letter of Interest shall be issued to the Housing Foundation, Inc. as the housing sponsor.

3. The Letter of Interest shall state that it is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The letter of interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

4. The Executive Director is authorized to make preliminary arrangements for the issuance and private placement of taxable bonds of the Agency to provide proceeds for financing this loan.

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE

RE: FISCAL YEAR JUNE 30, 1990 AUDIT RESULTS

DATE: OCTOBER 11, 1990

Enclosed are the audited financial statements for the fiscal year ended June 30, 1990 as prepared by our auditors, Peat Marwick Main & Company. In addition to the audit, the auditors have prepared three different letters addressing management issues, internal controls and compliance with standards. I am pleased to report that no significant items are mentioned in any of the letters.

I have also enclosed the final budget report for the General Fund for the fiscal year ended June 30, 1990, comparing final audited results with the approved budget. These numbers do not directly compare to the audit due to the accounting requirement that mandates that current fee income and related direct expenses must be prorated over the life of the relevant loans. This adjustment had the effect of decreasing the surplus for the year by $587,000.

A brief overview of the results of operations for the past year follows:

- Total assets increased from $512 million to $572 million for the year, mostly in connection with the issuance of three bond financings totalling $75 million.
- Agency total revenues exceeded expenses for the year in the amount of $2.8 million compared to $3.1 million in fiscal year 1989. Decreases in short term interest rates, recognition of gains on the restructuring and sales of reserve fund investments in the prior year and timing of funding for Housing Vermont were significant factors in this analysis.
- The General Fund balance increased from $3.3 million to $3.9 million which is $200,000 less than the budgeted increase of $800,000. This is due mostly to the fee income adjustment mentioned above.
- Actual expenses were approximately $500,000 less than the budget. The major reasons for the variance were that Housing Vermont did not draw the final $223,000 of their funding; also advertising, consulting and legal expenses were not needed in the aggregate of $115,000 because they were charged to bond programs.
- Fee income was short of budgeted amounts by approximately $450,000 but was offset by transfers from the bond programs. Total income and fund transfers were within $50,000 of budget.

Although a circuitous route was taken, we ended the year pretty much on target with expectations. The General Fund balance is in line with where we would like it for credit purposes, although we have significant commitments and contingencies pledged. The bond programs are performing as expected but we will need to keep a close watch on prepayment of mortgages and delinquent loans.

If you have any questions regarding the contents of the audited financials, the special reports, the final budget comparison report or the contents of this memo, feel free to contact me at your earliest convenience.

FINAL BUDGET REPORT
VERMONT HOUSING FINANCE AGENCY
JUNE 30, 1990

	APPROVED BUDGET FYE 6/90	AUDITED FINAL FYE 6/90	VARIANCE	PERCENT VARIANCE
INCOME				
SINGLE FAMILY FEES	730,500	536,836	(193,664)	-26.51%
MULTI-FAMILY FEES	564,000	302,251	(261,749)	-46.41%
PROJECT ADMIN FEES	106,400	108,531	2,131	2.00%
INTEREST INCOME	550,000	552,423	2,423	0.44%
MISCELLANEOUS	18,000	34,966	16,966	94.26%
TOTAL INCOME	1,968,900	1,535,007	(433,893)	-22.04%
FUND TRANSFERS				
LOANS TO LENDERS 76-79	180,000	217,400	37,400	20.78%
SF-INS MTG PROG 76-77	100,000	100,000	0	0.00%
SF-MTG PUR PROG 78-82	2,000,000	2,000,000	0	0.00%
SF-HOME MTG PROG 83-89	(600,000)	(310,000)	290,000	-48.33%
MF-MTG PROG 77-79/86-88	430,000	430,000	0	0.00%
MF-HOUS PROG 81-83	80,000	116,885	36,885	46.11%
MF-HOUS DEV PROG 89	(64,770)	(44,770)	20,000	-30.88%
MF-DIR PLAC PROG 85-86	10,000	10,000	0	0.00%
TOTAL TRANSFERS	2,135,230	2,519,515	384,285	18.00%
TOTAL INC & TFRS	4,104,130	4,054,522	(49,608)	-1.21%
EXPENSES				
ADVERTISING & PROMOTION	67,100	18,796	48,304	71.99%
AUDIT	24,500	24,000	500	2.04%
ANNUAL REPORT	15,000	13,408	1,592	10.61%
COMMISSIONERS EXPENSES	4,000	3,062	938	23.45%
CONSULTING FEES	72,000	26,282	45,718	63.50%
DUES & SUBSCRIPTIONS	22,275	22,501	(226)	-1.01%
INSURANCE	127,400	123,743	3,657	2.87%
INTEREST EXPENSE	321,500	352,374	(30,874)	-9.60%
LEGAL	44,000	21,152	22,848	51.93%
MISCELLANEOUS	21,500	21,513	(13)	-0.06%
OFFICE EXPENSES	32,000	24,289	7,711	24.10%
PENSION PLAN	85,000	88,292	(3,292)	-3.87%
POSTAGE	22,000	16,376	5,624	25.56%
RENT	84,000	86,804	(2,804)	-3.34%
REPAIRS & MAINTENANCE	35,000	36,651	(1,651)	-4.72%
SALARIES & WAGES	1,070,600	1,024,219	46,381	4.33%
STAFF TRAVEL & TRAINING	90,450	70,946	19,504	21.56%
SUBSIDY-HVT, ERH, RWJ	766,000	527,564	238,436	31.13%
TAXES-PAYROLL	74,850	76,526	(1,676)	-2.24%
TELEPHONE	33,000	33,158	(158)	-0.48%
TRUSTEE & CREDIT FEES	225,000	161,001	63,999	28.44%
DEPRECIATION	75,000	75,126	(126)	-0.17%
TOTAL EXPENSES	3,312,175	2,847,783	464,392	14.02%
SURPLUS (DEFICIT)	791,955	1,206,739	414,784	52.37%
FEE DEFERRAL		587,670		
AUDIT BASIS SURPLUS		619,069		

#5b

FORT ETHAN ALLEN - DALTON DRIVE

HOUSING DEVELOPMENT BUDGET — JULY 18, 1990
COST TO DATE REPORT — OCTOBER 17, 1990

assumptions:

# UNITS:	77
# BUILDINGS:	19
INTEREST RATE:	9.50%
CONST\SALES PERIOD	36 MONTHS

1. ACQUISITION COST: LAND AND BUILDINGS		BUDGET	COST TO 9/30/90	PERCENT COMPLETE	VARIANCE
A. PURCHASE PRICE		1,500,000	500000	33.3%	1,000,000
1. Option Extension Fee		32,500	32400	99.7%	100
B. TRANSFER TAX @	1.25%	18,750	0	0.0%	18,750
C. LEGAL -TITLE WORK		1,357	2234	164.6%	(877)
D. TITLE INSURANCE		3,900	1650	42.3%	2,250
E. RECORDING		1,480	18	1.2%	1,462
G. PRO-RATED TAXES		22,198	20660	93.1%	1,538
	SUBTOTAL	1,580,185	556,962	35.2%	1,023,223

2. HARD COSTS	BUDGET	COST TO 9/30/90	PERCENT COMPLETE	VARIANCE
A. BUILDING REHABILITATION				
1. EXTERIOR	1,000,000	0	0.0%	1,000,000
2. INTERIOR	1,751,750	0	0.0%	1,751,750
CONSTRUCTION ESTIMATING	11,000	11000	100.0%	0
B. ASBESTOS REMOVAL/CONSULT/INSPECTIONS	394,281	5228	1.3%	389,053
C. SITEWORK @	90,937	0	0.0%	90,937
D. SITE UTILITY CHARGES	47,000	0	0.0%	47,000
E. LANDSCAPING	77,200	0	0.0%	77,200
F. SIGNAGE	6,000	0	0.0%	6,000
G. BUILDERS RISK INSURANCE	24,325	4336	17.8%	19,989
H. LABOR AND INDUSTRY PERMIT	8,255	4213	51.0%	4,042
I. PARKING SPACES NOT IN CDBG GRANT	46,230	0	0.0%	46,230
SUBTOTAL	3,456,978	24,777	0.7%	3,432,201
J. CONSTRUCTION CONTINGENCY @ 12%	414,837	0	0.0%	414,837
CONSTRUCTION SUBTOTAL	3,871,816	24,777	0.6%	3,847,039

3. SOFT COSTS AND FEES	BUDGET	9/30/90	COMPLETE	VARIANCE
A. ARCHITECT	110,711	104120	94.0%	6,591
1. CONSULTANTS/SPECIFICATIONS	20,000	11220	56.1%	8,780
2. LANDSCAPE ARCHITECT	13,200	12508	94.8%	692
B. TRAFFIC ENGINEER/STUDY	4,391	1989	45.3%	2,402
C. LEGAL RE: STRUCTURE/FINANCING/CLOSINGS	63,000	18633	29.6%	44,367
D. APPRAISALS	5,000	3200	64.0%	1,800
E. ACCOUNTING	3,125	0	0.0%	3,125
F. MARKETING\ADVERTISING INCL MODEL	76,450	0	0.0%	76,450
SURVEYS	11,161	12042	107.9%	(881)
G. SURPLUS PROCEEDS ALLOCATION\MGT OF UNIT SALE	190,800	0	0.0%	190,800
H. ARCHITECTURAL INSPECTIONS	7,800	0	0.0%	7,800
I. PERMITS - ACT 250- AND LOCAL	65,124	15072	23.1%	50,052
J. IMPACT FEES TRAFFIC SIG	20,000	0	0.0%	20,000
K. VHFA TRANSACTION COSTS AND FEE	111,000	37629	33.9%	73,371
1. VHFA CONSULTANT	39,000	45117	115.7%	(6,117)
L. DEVELOPER'S FEES	148,077	62097	41.9%	85,980
1. REIMBURSABLE EXPENSES	12,500	5657	45.3%	6,843
M. REHAB COORD.& BOOK (IN EXCESS OF GRANT)	32,500	75	0.2%	32,425
N. ARCHAEOLOGY	12,000	0	0.0%	12,000
O. ENERGY ANALYSIS	2,560	760	29.7%	1,800
SUBTOTAL	948,399	330,119	34.8%	618,280

4. FINANCING AND CARRYING CHARGES		BUDGET	COST TO 9/30/90	PERCENT COMPLETE	VARIANCE
A. CONSTRUCTION PERIOD INTEREST		390,000	0	0.0%	390,000
B. LOAN FEE	1.5%	60,000	0	0.0%	60,000
C. LIABILITY INSURANCE		39,800	22036	55.4%	17,764
D. TAXES		77,400	0	0.0%	77,400
E. UTILITIES,MAINTENANCE, SECURITY		80,650	1869	2.3%	78,781
F. BOND PREMIUM		34,500	0	0.0%	34,500
SUBTOTAL		682,350	23,905	3.5%	658,445
TOTAL DEVELOPMENT COST		7,082,749	935,763	13.2%	6,146,986
COST PER UNIT		91,984			

vhfa

VERMONT HOUSING FINANCE AGENCY

November 5, 1990

Ms. Jean Gauthier
Department of Administration
Pavilion Office Building
109 State Street
Montpelier, VT 05602

Dear Ms. Gauthier:

The Vermont Housing Finance Agency will be having its regular monthly Board Meeting on Thursday, November 15, at 1:30 p.m., at the Office of the Commissioner of Banking and Insurance, 89 Main Street, Montpelier, Vermont.

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

Sincerely,

Barbara M. Parker

Barbara M. Parker
Executive Assistant

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director

DATE: November 9, 1990

RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held at 1:30 p.m. Thursday, November 15, at the Office of the Commissioner of Banking and Insurance, 89 Main Street, Montpelier.

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

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Montpelier November 15!

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866

EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

VHFA BOARD MEETING AGENDA

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

Thursday, November 15, 1990 at 1:30 p.m.

1. Review and approval of minutes of October 18, 1990

2. Executive Director's Report [**Hunt**]

3. Operations

   A. MOVE 1989B Update [**Lothrop/Enclosure**]
   B. Possibility of Conversion of MRB Authority to MCC Authority [**Lothrop/Enclosure**]

4. Development

   A. Bolton/Fernwood Manor: Combined Letter of Intent and Commitment [**Koppelkam/Encl.**]
   B. Vergennes/Town & Country Mobile Home Park: Letter of Interest [**Koppelkam/Encl.**]
   C. Low Income Housing Tax Credit Update [**Pond**]

5. Finance

   A. Tax Exempt Note Resolution Discussion [**Schoenbeck/Encl.**]

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

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866

EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

BOARD MINUTES
Vermont Housing Finance Agency
Fort Ethan Allen
UVM Married Student Housing Community Center/Windsor House
Off Ethan Allen Avenue
Colchester, Vermont
Thursday, October 18, 1990

PRESENT: Commissioners Shaw, Hebard, Seelig, Francis, Rockford, Myette, Ruse

Agency Staff: Mr. Hunt, Mr. Schoenbeck, Mr. Lothrop, Mrs. B. Parker, Ms. Hope, Mr. Jarrett, Mr. Koppelkam, Ms. Pond, Ms. P. Parker, Ms. Wadhams (Consultant)

The meeting was called to order at 1:25 p.m.

Upon a motion duly made and seconded, the minutes of the September 20, 1990 meeting were unanimously accepted as written.

Mr. Hunt began his Executive Director's report by asking Ms. Pat Parker to address the Board. Ms. Parker informed the Board that the Agency had received notification as being one of nine recipients of a discretionary one-year grant from the federal Agency on Aging in the amount of $200,000, subject to a matching contribution from VHFA in the amount of $66,000. This grant is intended to allow the recipients to create or continue supportive services for the elderly living in subsidized housing throughout Vermont. Acceptance of the grant would allow expansion of the work begun under the Robert Wood Johnson Foundation grant to apply to all elderly subsidized housing in Vermont, not just VHFA-subsidized housing. Mr. Schoenbeck indicated that a budget adjustment would be necessary. Following a motion duly made and seconded, the Board unanimously approved acceptance of the grant and authorization of a matching contribution of expenses in the amount of $66,000.

Next, Mr. Hunt expressed the cautious optimism of staff and the National Council of State Housing Agencies (NCSHA) regarding the probable one year extensions of Mortgage Revenue Bonds (MRB) and Low Income Housing Tax Credits (LIHTC) in the proposed federal budget. According to Mr. Hunt, there has been much activity in the past week involving letters and telephone calls to the Congressional delegates urging support for inclusion of these extensions in the budget. The Vermont Association of

REALTORS, various lenders, and the Vermont Legislative Joint Housing Committee have written to our delegation in support of these extensions.

Mr. Lothrop reviewed his report on the 1989B MOVE Program, as included in the Board packet; the remaining funds should last for approximately two more months.

The "Clearinghouse for Resolution Trust Corporation (RTC) Properties in Vermont" was introduced by Mr. Lothrop, as a follow-up to his memo of October 4, included in the Board packet. Mr. Lothrop reminded the Board that there are no eligible properties in Vermont. Mr. Hebard inquired as to whether a monetary pool needed to be created for rehab loans; the Board decided not to take any action at this time.

Turning to "Prospect-Forest Homes, Randolph," Mr. Lothrop led a brief discussion based on his memo of October 8, included in the Board packet. A motion was duly made and seconded to approve a loan to the Central Vermont Community Action Council (CVCAC) with terms to be negotiated by the Executive Director, in an amount not to exceed $27,576, as per the terms of CVCAC's loan agreement with the Vermont Housing and Conservation Board (VHCB); this motion passed unanimously, with Mr. Seelig abstaining.

Mr. Koppelkam addressed the Board regarding the "New Avenue House Building, St. Johnsbury" as described in his memo of October 12, included in the Board packet. Mr. Koppelkam circulated photographs of the building as well as a proposed resolution regarding a letter of interest. A lengthy discussion followed which touched on the Board's concerns regarding management of the building and parking availability, as well as an interest in learning whether the St. Johnsbury market supports the renovation project. Mr. Seelig pointed out that there are several market concerns and the marketability of the units is questionable. Following further discussion, a motion was made and unanimously adopted instructing staff to continue the dialogue with developers and to secure additional information addressing the concerns of the Board and staff before further action will be considered by the Board.

The Board turned next to Mr. Koppelkam's memo of October 11, included in the Board packet, regarding "Bolton: Fernwood Manor Mobile Home Park, Request for Letter of Interest." Mr. Jarrett noted that this could be the Agency's second venture into mobile home park financing, since the closing on the French Hill Manor Mobile Home Park has not happened as yet. Mr. Seelig queried the staff as to whether issues causing the Sandy Pines Mobile Home Park in East Montpelier to seek funding elsewhere had been resolved. Ms. Pond assured the Board that documentation changes were being reviewed with VSHA in an attempt to reduce the

regulation burden as much as possible. As the VHCB is still reviewing the package, Mr. Seelig informed the Board that he would not be voting on Fernwood Manor, but he did note that the information supplied by the staff indicates a higher percent of higher income tenants than the information supplied to the VHCB. Mr. Seelig further questioned whether the proposed Interstate 89 exit would go directly through the park. According to Mr. Koppelkam, the exit would be one mile west; Mr. Jarrett will confirm the proposed location of the interchange. A motion was made and seconded to adopt the "Resolution Pertaining to Letter of Interest re: Fernwood Manor Mobile Home Park" as attached to these minutes; this motion passed unanimously, with Mr. Seelig abstaining.

A "Business Plan Discussion: FY 1989-90 Performance, FY 1990-91 Projections" was initiated by Ms. Pond, based upon her memo of October 12, included in the Board packet. A graph depicting the fee income analysis from 1986-1991 was distributed. Mr. Schoenbeck pointed out that the analysis compares all expenses against fee income, which is not necessarily a realistic "whole picture" view. Further, Mr. Schoenbeck reminded the Board that fees vary from year to year (for example, last year fees were high due to the Northgate transaction). According to Mr. Hunt, one method to revise the Business Plan would be to attempt to determine the number of programs to be accomplished by the staff, based in part on the amount of revenue to be generated vs. the amount of staff time and/or Agency funds involved if the reward is more likely to be social rather than monetary. The Board was assured by Mr. Schoenbeck that it is not time to set off alarms nor to be extremely concerned about the ratio of revenue to expenses, but it is important for staff to keep the Board informed. Further fine tuning analysis of the Business Plan is an ongoing procedure, according to Ms. Pond. Mr. Seelig observed that it would be helpful to have the fee income analysis and review costs in relation to revenue when the Board is reviewing the Business Plan for the next fiscal year. Mr. Seelig further noted that as an Agency it is important to better inform the public about what the Agency contributes to each project so that there is a greater overall understanding of the context for Agency fees.

Mr. Schoenbeck reviewed the "Fiscal Year June 30, 1990 Audit Results" as detailed in his memo of October 11, included in the Board packet. The auditors issued clean opinions in terms of management, internal control, and compliance. The final budget results (projected vs. actual) were also reviewed. Mr. Ruse observed that it was the most boring management letter he had seen in a long time, and offered congratulations to Mr. Schoenbeck and the staff.

The Board was addressed next by Mr. Jarrett regarding potential legislation of direct interest to the Agency during the upcoming legislative year, which may require Board action. These include (a) extending the existence of the Joint Housing Committee; (b) tax stabilization for mobile home parks; (c) waste management; (d) just cause eviction; (e) community housing assistance fund; (f) water capacity in towns with affordable housing. Mr. Jarrett assured Mr. Shaw that he would research the status of the appraiser regulations initiated in the last legislative session, and update the Board at the November meeting. Mr. Hunt advised that the current VHMGB statute may need review in order to include home improvement loans which do not involve energy modifications.

Next, Mr. Hunt offered an update on the status of Dalton Drive at Fort Ethan Allen as far as the status of the contractor, permits, and overall finances. The developer, Towny Anderson of Preservation Investments, Ltd., has sent a letter to the contractor requesting certain assurances in writing, such as a letter of credit in lieu of a bond, as the contractor is unlikely to be able to obtain a bond. At present, the renovation is planned to be conducted in small phases (15-20 units) using various subcontractors to perform most of the work. The units will be renovated by means of selective vs. "gut" rehabilitation. Before the end of November, staff should know if North Hollow will be able to continue as the contractor.

According to Ms. Wadhams, permits are still pending. The recent fire in building 1302 on Ethan Allen Avenue (which is not one of the buildings in the Dalton Drive transaction) raised concerns with the towns of Colchester and Essex planning commissions and Act 250 hearings, since water pressure was insufficient to control the fire. Final plat approval has been received from the Town of Colchester; however, in the aftermath of the fire, the Colchester Volunteer Fire Department (CVFD), the Department of Labor and Industry, and the Town of Colchester all need to review the final plans. Various other problems have arisen: the CVFD would like sprinklers installed in all of the buildings, but the Department of Labor and Industry says that is not necessary as the buildings are masonry; the Town of Colchester wants no restrictions on their future use of the Parade Grounds, while the VHCB loan places definite restrictions on Parade Ground use. A final plat hearing in the Town of Essex has been scheduled for October 25.

A current budget showing actual expenditures for Dalton Drive to date was distributed to the Board for review. Mr. Myette observed that it should be possible to receive decent quotes from contractors, as smaller phases should mean more subcontractors and hopefully lower costs. Mr. Schoenbeck explained the source of the $1 million due the University of

Vermont in February: Bank of Vermont and Bank of Boston have agreed to buy short term taxable bonds ($5 million over two years); some of the proceeds will be used for Dalton Drive. Mr. Shaw congratulated Ms. Wadhams on the progress to date, while Mr. Rockford observed he was glad there was no opposition other than that from the planning commissions!

Under the topic of other old business, Mr. Koppelkam informed the Board that the initial rehabilitation of Northgate is almost complete (one year ahead of schedule) while the second phase is awaiting bid responses.

Ms. Pond next addressed the Board, regarding two separate developers who have contacted staff regarding creating affordable housing developments utilizing manufactured housing methods. One proposed development is to be located in Burlington with Skyline brand manufactured homes, which are constructed in Vermont; a developer's maximum loan of $83,000 is anticipated. The other demonstration of manufactured housing would not be located in a development, but is planned as a model unit for prospective buyers, to be erected on Route 7 in Ferrisburg, with a developer's maximum loan of $78,000. According to Mr. Hunt, the main thrust of the issue is to demonstrate that manufactured housing is a viable and affordable option. Both developers claim to have approached and been turned down by five banks in an effort to secure funding for these projects. Mr. Rockford recommended a review of the credit and cash flows of both developers before any decision can be reached by the Board, and further encouraged staff to discover which banks are turning down these projects and why: due to the bank's concerns over the real estate market in general, or a lack of confidence in manufactured housing. Without formal action being taken, the Board expressed its general interest in having the Executive Director and staff research the matter further, with the Board prepared to ratify at the next meeting appropriate action taken by the staff in this matter.

Mr. Hunt reported that Salmon Run is close to a permanent closing, and that no further problems have been experienced.

The next meeting was scheduled for Thursday, November 15, in Montpelier. There being no further business and following a motion duly made and seconded, the meeting was adjourned at 3:40 p.m.

Respectfully submitted,

Allan S. Hunt
Secretary

RESOLUTION PERTAINING TO LETTER OF INTEREST RE: FERNWOOD MANOR MOBILE HOME PARK

WHEREAS, a proposal has been presented to the Agency by the Housing Foundation, Inc., a non-profit corporation, involving the acquisition of Fernwood Manor, a 78 unit mobile home park in Bolton; and

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

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

It is hereby DETERMINED:

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

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

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

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

5. The sponsor is a financially responsible organization.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a letter of interest (the "Letter of Interest") to provide a first mortgage for permanent financing in an amount to be determined by the Executive Director, but not to exceed $1,250,000, for the Fernwood Manor Mobile Home Park.

2. The Letter of Interest shall be issued to the Housing Foundation, Inc. as the housing sponsor.

3. The Letter of Interest shall state that it is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The letter of interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

4. The Executive Director is authorized to make preliminary arrangements for the issuance and private placement of taxable bonds of the Agency to provide proceeds for financing 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 October 18, 1990.

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

STATISTICAL REPORT PROGRAM ID: 89B
UNDERWRITING DATABASE
LTV 0% TO 100%
Effective for 01/01/89 thru 11/08/90
Loan Status: CC,UC,O

Total Number of Loans: 399
Total Loan Amount: $26,168,239

EXISTING:	$19,017,451	73.4%	293 Loans
NEW CONSTRUCTION:	$7,150,788	26.5%	106 Loans
NEW DETACHED HOUSING:	$6,309,119	88.2%	94 Loans
NEW CONDOMINIUM:	$841,669	11.7%	12 Loans
Funds Remaining to be Reserved:	$3,608,193	9.3%	55 Loans (Est.)

Total Insured or Guaranteed Loans: 361
Loans Guaranteed by VHMGB: 359

	ACED	NON ACED	STATEWIDE
Avg. Purchase Price	$69,986	$78,306	$73,010
Avg. Loan Amount	$63,067	$69,994	$65,584
Avg. Borrower Income	$27,417	$28,062	$27,651
Avg. Housing Debt-Income Ratio	27.0%	29.5%	27.9%
Avg. Total Debt	$803.40	$826.73	$811.88
Avg. Total Debt-Income Ratio	35.2%	35.7%	35.4%
Total No. of Loans	254	145	399
% of Total Loan Amount	61.2%	38.8%	100.0%
First Time Homebuyers	81.8%	98.6%	87.9%
% Meeting Low Income Set Aside	36.2%	55.1%	43.1%

	Loans	% of Loans	$ Amount	*Households	% of Hshlds	% DIFF
Addison	20	5.0%	$1,330,552	5,000	5.7%	0.7-
Bennington	10	2.5%	$668,853	6,300	7.2%	4.7-
Caledonia	37	9.3%	$2,164,316	4,800	5.5%	3.8
Chittenden	93	23.4%	$6,686,505	16,000	18.2%	5.2
Essex	6	1.5%	$325,185	1,300	1.4%	0.1
Franklin	58	14.5%	$3,749,343	6,000	6.8%	7.7
Grand Isle	2	0.5%	$135,275	900	1.0%	0.5-
Lamoille	22	5.5%	$1,364,441	3,300	3.8%	1.7
Orange	17	4.3%	$1,024,020	4,300	4.9%	0.6-
Orleans	24	6.0%	$1,247,499	4,200	4.8%	1.2
Rutland	38	9.5%	$2,568,158	10,000	11.4%	1.9-
Washington	34	8.5%	$2,369,941	9,000	10.3%	1.8-
Windham	18	4.5%	$1,206,141	7,100	8.1%	3.6-
Windsor	20	5.0%	$1,328,010	9,600	11.0%	6.0-
TOTAL	399	100.0%	$26,168,239	87,800	100.0%	

* Estimated number of households, $15,000 to $35,000 income.
Source: CACI, 1990 Sourcebook of County Demographics

Vermont Housing Finance Agency
89B - $38,450,000 MORTGAGE LOAN PURCHASE PROGRAM
Status Report (with percent of pool proceeds approved)
Rate : 8.700%
Date : 11/08/90

Lender	Funds Reserved	Percent Reserved	Prelim. Approval	% Prelim Approval	Loans Purchased	Loans to be Purchased	PERC
Bank of Vermont	$2,785,792	7.2%	$2,228,386	5.7%	$1,392,271	$836,115	30.0%
Bradford National Bank	$133,050	0.3%	$133,050	0.3%	$0	$133,050	100.0%
Caledonia National Bank of Danville, The	$365,664	0.9%	$303,064	0.7%	$260,314	$42,750	11.6%
Chittenden Trust Company	$7,456,499	19.3%	$5,483,859	14.2%	$2,916,770	$2,567,089	34.4%
Citizens Savings Bank and Trust	$479,171	1.2%	$418,331	1.0%	$164,164	$254,167	53.0%
Commonwealth Mortgage Company, Inc	$375,453	0.9%	$375,453	0.9%	$195,253	$180,200	47.9%
Community National Bank	$1,099,324	2.8%	$857,449	2.2%	$575,622	$281,827	25.6%
Factory Point National Bank, The	$192,917	0.5%	$138,278	0.3%	$81,644	$56,634	29.3%
Franklin-Lamoille Bank	$865,046	2.2%	$437,571	1.1%	$291,525	$146,046	16.8%
Granite Savings Bank and Trust Company	$128,237	0.3%	$58,237	0.1%	$0	$58,237	45.4%
Howard Bank, National Assn, The	$482,988	1.2%	$406,038	1.0%	$319,538	$86,500	17.9%
Lyndonville Savings Bank & Trust Company	$461,525	1.2%	$334,925	0.8%	$131,800	$203,125	44.0%
Marble Bank	$1,059,575	2.7%	$694,735	1.8%	$184,645	$510,090	48.1%
Merchants Bank, The	$1,318,880	3.4%	$1,155,530	3.0%	$859,080	$296,450	22.4%
National Bank of Middlebury, The	$107,400	0.2%	$107,400	0.2%	$37,400	$70,000	65.1%
New England IBM Employees Fed Crdt Union	$642,914	1.6%	$494,509	1.2%	$212,259	$282,250	43.9%
Northfield Savings Bank	$273,875	0.7%	$273,875	0.7%	$150,575	$123,300	45.0%
Passumpsic Savings Bank	$1,332,431	3.4%	$1,104,931	2.8%	$657,486	$447,445	33.5%
Peoples Trust Company of St Albans	$392,066	1.0%	$202,691	0.5%	$117,691	$85,000	21.6%
Proctor Bank	$417,900	1.0%	$219,500	0.5%	$148,250	$71,250	17.0%
Randolph National Bank	$382,005	0.9%	$309,805	0.8%	$181,880	$127,925	33.4%
Statewide Funding Corporation	$1,817,329	4.7%	$1,093,440	2.8%	$72,602	$1,020,838	56.1%
Summit Financial Center, Inc.	$460,237	1.1%	$302,137	0.7%	$0	$302,137	65.6%
Union Bank	$1,417,567	3.6%	$1,084,010	2.8%	$464,041	$619,969	43.7%
Vermont Federal Bank, FSB	$4,967,535	12.9%	$3,788,090	9.8%	$2,067,682	$1,720,408	34.6%
Vermont Mortgage Group, Inc	$1,372,701	3.5%	$1,239,751	3.2%	$682,100	$557,651	40.6%
Vermont National Bank	$3,750,862	9.7%	$3,135,628	8.1%	$999,534	$2,136,094	56.9%
TOTALS 534 Loans	$34,538,943	89.8%	$26,380,673	68.6%	$13,164,126	$13,216,547	38.2%

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Douglas R. Lothrop, Director of Operations

DATE: November 8, 1990

RE: Possible conversion of 1990 Mortgage Revenue Bond (MRB) Authority to Mortgage Credit Certificate (MCC) Authority

Background

The Budget Reconciliation Bill was passed by Congress and signed into law by the President. One of the changes included in the law is the date up until which we may issue MRB's and MCC's. This has been extended from September 30, 1990 to December 31, 1991.

This change will allow VHFA, if it so chooses, to continue the MCC program, Mortgage Plus, as though the September 30, 1990 date had never been in effect.

The MCC authority on which the program had been operating came from our 1988 MRB authority and will expire on December 31, 1990. If VHFA does not convert more recent MRB authority prior to December 31, 1990, then should we decide to continue the MCC program we would need a new 90 day public notice, which is an additional expense.

Staff would like to convert the remainder of our 1990 MRB authority, in an amount not to exceed $10.985 million, to $2.746 million in MCC authority.

This will allow VHFA to continue the present MCC program past the end of the year without incurring additional expenses and without an additional lapse in the program.

The conversion of this authority will not have an adverse effect on our MOVE program as VHFA sold $110 million in MRB's in September, and VHFA will get additional bonding authority for 1991.

Recommended Action

Approve the attached resolution allowing the conversion of $10.985 million of volume cap Mortgage Revenue Bond authority to Mortgage Credit Certificate authority.

EQUAL HOUSING OPPORTUNITY

RESOLUTION PERTAINING TO ELECTION OF VERMONT HOUSING FINANCE AGENCY TO CONVERT MORTGAGE REVENUE BOND AUTHORITY TO MORTGAGE CREDIT CERTIFICATE AUTHORITY

WHEREAS, by votes taken on January 30, 1990 and September 13, 1990, the Emergency Board of the State allocated to the Agency a total of $58,822,000 of the State's 1990 private activity bond volume cap ("volume cap") as provided in Section 146 of the Internal Revenue Code of 1986, as amended (the "Code"); and

WHEREAS, the Agency has issued qualified mortgage bonds in 1990 that used all but $10,985,000 of the 1990 volume cap allocated to the Agency; and

WHEREAS, the Agency wishes to continue its Mortgage Credit Certificate Program beyond the end of 1990;

NOW THEREFORE, in order to make the Mortgage Credit Certificate Program available after the end of calendar year 1990 and to satisfy the requirements of Section 25 of the Code and regulations issued thereunder, it is hereby

RESOLVED:

1. The Vermont Housing Finance Agency hereby elects to utilize all its 1990 private activity volume cap for the purposes of issuing qualified mortgage bonds and mortgage credit certificates.

2. The Vermont Housing Finance Agency hereby elects not to issue $10,985,000 principal amount of qualified mortgage bonds that it is otherwise authorized to issue during calendar year 1990.

3. The Executive Director, Director of Finance, and the Director of Operations are directed, and each of them is authorized, to take all steps necessary to the continuation of the Agency's Mortgage Credit Certificate Program beyond December 31, 1990, including, but not limited to:

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

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

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

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Mark Koppelkam, Multi-Family Development Underwriter

DATE: November 8, 1990

RE: Bolton: Fernwood Manor Mobile Home Park, Request for Commitment Letter

PROJECT SUMMARY

Staff recommends Board approval of a resolution authorizing the issuance of a commitment letter for permanent financing of the Fernwood Manor Mobile Home Park in Bolton. The VHFA Board approved a letter of interest resolution at the October Board meeting. Fernwood Manor is a 78 unit park. The sponsor is Housing Foundation, Inc. (HFI). For background please see last month's Board packet materials.

THE PROJECT

1. Financing

Sources		Uses	
VHFA	$1,203,250	Acquisition	$1,425,000
VHCB loan	255,000	Appraisal	750
VHCB grant	25,000	Legal & Title	4,500
		Financing fee	12,032
Total	$1,483,250	Closing Costs	1,968
		Engineering	1,000
		Working Capital	13,000
TDC	$19,016/lot	Development fee	25,000
		Total	$1,483,250

The VHFA loan will be structured with a stepped interest rate starting at 9.75% and increasing .75% every five years to a final interest rate of 12%. The loan is for 20 years but is amortized over 25 years; approximately $544,000 will need to be refinanced at the end of year 20. The source of capital for VHFA's loan will be proceeds of a privately-placed taxable bond with the state pension funds.

VHCB has approved a $255,000 deferred loan, and a $25,000 grant.

2. Timetable

The Purchase and Sales Contract was signed on September 12, 1990, and calls for a January 4, 1991, closing; financing commitments must be in place by November 30.

DISCUSSION

3. Outstanding Issues

a. Attached is a site map for alternative locations for the proposed Bolton interstate ramps. A draft environmental impact statement (EIS) is being written, and will be distributed for comments in December. Final issuance of the EIS will likely be in summer 1991. The current Transportation staff position is that the route which enters the Park is "not the preferred site." The sponsor argues that the various state housing agencies should proceed with acquisition and financing and fight "the good fight" for preservation of affordable housing.

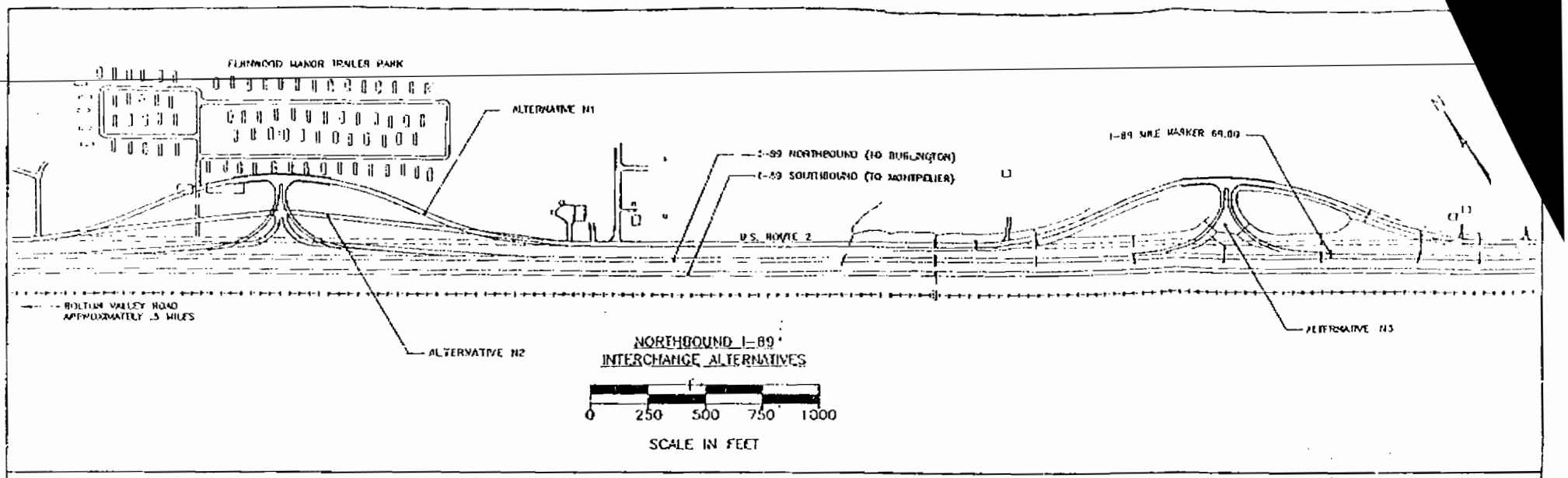
b. There was concern that the large rent increase (from $120 to $195) may force some households to move out of the park. HFI's project staff has been trying to identify any households in this position, but without success. No plan has developed at this time pending an identifiable problem.

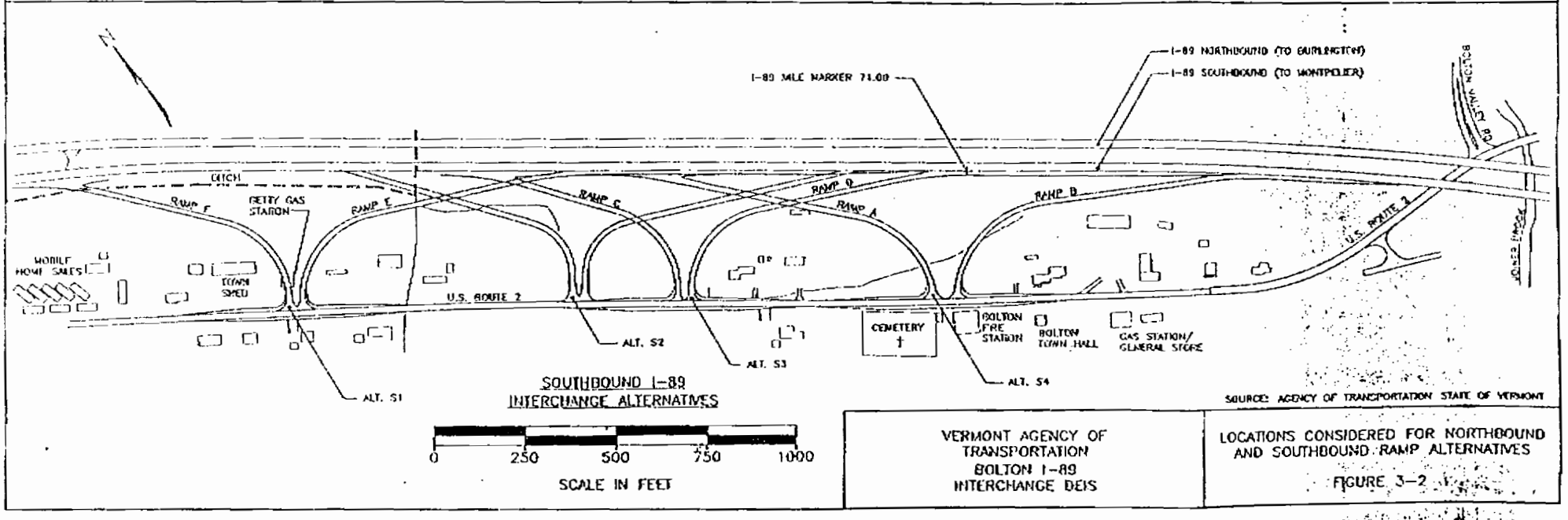
c. A Phase I environmental assessment is being sought. The results of this study would need to be reviewed prior to issuance of a final commitment.

d. As with Town & Country mobile home park in Vergennes, there is a potential for a large property tax hike when town reappraisal occurs. HFI is already meeting with town officials regarding a tax stabilization plan.

RECOMMENDED ACTION

Staff recommends approval of Resolution Pertaining to a Commitment Letter for Fernwood Manor Mobile Home Park, authorizing the Executive Director to issue a commitment letter toward providing up to $1,500,000 in permanent financing towards the acquisition of the park by Housing Foundation Inc.





SOURCE: AGENCY OF TRANSPORTATION STATE OF VERMONT

VERMONT AGENCY OF TRANSPORTATION
BOLTON I-89
INTERCHANGE DEIS

LOCATIONS CONSIDERED FOR NORTHBOUND AND SOUTHBOUND RAMP ALTERNATIVES

FIGURE 3-2

Fernwood Mobile Home Park 11/8/90
PROJECT OPERATING PRO FORMA

		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Gross Annual Income		182,520	182,520	187,200	191,880	196,560	201,240	205,920	210,600
Less Vacancy Allowance:	1%	1,825	1,825	1,872	1,919	1,966	2,012	2,059	2,106
Other Income		0	0	0	0	0	0	0	0
Adjusted Gross Income		180,695	180,695	185,328	189,961	194,594	199,228	203,861	208,494
Management		16,380	17,117	17,887	18,692	19,533	20,412	21,331	22,291
Audit/Legal		1,500	1,568	1,638	1,712	1,789	1,869	1,953	2,041
Utilities & trash & water		10,500	10,973	11,466	11,982	12,521	13,085	13,674	14,289
Maintenance--total		2,500	2,613	2,730	2,853	2,981	3,115	3,256	3,402
Real Estate Taxes		7,125	8,461	8,842	9,240	9,655	10,090	10,544	11,018
Insurance		1,500	1,568	1,638	1,712	1,789	1,869	1,953	2,041
Replacement Reserve		5,421	5,583	5,751	5,924	6,101	6,284	6,473	6,667
Other: Snow Plowing		1,000	1,045	1,092	1,141	1,193	1,246	1,302	1,361
Total Expenses		45,926	47,993	50,152	52,409	54,767	57,232	59,807	62,499
Net Operating Income		134,769	132,702	135,176	137,552	139,827	141,996	144,053	145,995
Debt Service: VHFA		(128,671)	(128,671)	(128,671)	(128,671)	(128,671)	(136,546)	(136,546)	(136,546)
VHCB oper subs:									
VHCB debt service					(4,440)	(5,578)	(4,000)	(4,000)	(4,725)
Cash Flow		6,098	4,031	6,504	4,440	5,578	1,450	3,508	4,725
VHFA RATE		9.75%				10.50%			
Debt Coverage Ratio		1.05	1.03	1.05	1.03	1.04	1.01	1.02	1.03
Op Exp/Lot/Month		$49	$51	$54	$56	$59	$61	$64	$67
Lot rent		195	195	200	205	210	215	220	225

ASSUMPTIONS

Oper cost/lot/month	
Income Increase	see above
Expense Increase	4.50%
Replace. Reserve	3.00%

Projections assume 33% property tax increase midway thru 1991.

Rents*	Units	Yr 1 Rents	Ann Rents
# Mobile Homes	78	$195	$182,520

Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
215,280	219,960	224,640	229,320	234,000	238,680	243,360	249,912	256,464	262,080	266,760	271,440
2,153	2,200	2,246	2,293	2,340	2,387	2,434	2,499	2,565	2,621	2,668	2,714
0	0	0	0	0	0	0	0	0	0	0	0
213,127	217,760	222,394	227,027	231,660	236,293	240,926	247,413	253,899	259,459	264,092	268,726
23,294	24,342	25,438	26,582	27,779	29,029	30,335	31,700	33,126	34,617	36,175	37,803
2,133	2,229	2,329	2,434	2,544	2,658	2,778	2,903	3,034	3,170	3,313	3,462
14,932	15,604	16,306	17,040	17,807	18,608	19,445	20,320	21,235	22,190	23,189	24,233
3,555	3,715	3,882	4,057	4,240	4,430	4,630	4,838	5,056	5,283	5,521	5,770
11,514	12,032	12,574	13,140	13,731	14,349	14,994	15,669	16,374	17,111	17,881	18,686
2,133	2,229	2,329	2,434	2,544	2,658	2,778	2,903	3,034	3,170	3,313	3,462
6,967	7,280	7,608	7,950	8,308	8,682	9,073	9,481	9,908	10,354	10,819	11,306
1,422	1,486	1,553	1,623	1,696	1,772	1,852	1,935	2,022	2,113	2,208	2,308
65,311	68,250	71,321	74,531	77,885	81,390	85,052	88,879	92,879	97,059	101,426	105,990
147,816	149,510	151,072	152,496	153,775	154,904	155,874	158,533	161,020	162,401	162,666	162,735
(136,546)	(143,215)	(143,215)	(143,215)	(143,215)	(143,215)	(149,536)	(149,536)	(149,536)	(149,536)	(149,536)	(149,536)
(5,635)	(4,000)	(4,000)	(4,641)	(5,280)	(5,844)	(4,000)	(4,499)	(5,742)	(6,432)	(6,565)	(6,600)
5,635	2,295	3,857	4,641	5,280	5,844	2,339	4,499	5,742	6,432	6,565	6,600
	11.25					12	12	12	12	12	12
1.04	1.02	1.03	1.03	1.04	1.04	1.02	1.03	1.04	1.04	1.04	1.04
$70	$73	$76	$80	$83	$87	$91	$95	$99	$104	$108	$113
230	235	240	245	250	255	260	267	274	280	285	290

RESOLUTION PERTAINING TO COMBINED LETTER OF INTENT AND COMMITMENT LETTER RE: FERNWOOD MANOR MOBILE HOME PARK

WHEREAS, a proposal has been presented to the Agency by the Housing Foundation, Inc.("HFI"), a non-profit corporation, involving the acquisition of Fernwood Manor, a 78 unit mobile home park in Bolton; and

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

WHEREAS, HFI has received a commitment for a deferred loan in the amount of $255,000 from the Vermont Housing and Conservation Board; and

WHEREAS, the Agency has available to it a commitment from the State's pension funds to purchase taxable bonds issued by the Agency, the proceeds of which can be used to make a mortgage loan to HFI for the acquisition of Fernwood Manor; and

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

It is hereby DETERMINED:

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

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

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

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

5. The sponsor is a financially responsible organization.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a combined letter of intent and Commitment

Letter (the "Commitment Letter") to provide a first mortgage for permanent financing in an amount to be determined by the Executive Director, but not to exceed $1,250,000, for the Fernwood Manor Mobile Home Park.

2. The Commitment Letter shall be issued to the Housing Foundation, Inc. as the housing sponsor.

3. The commitment of the Agency shall be subject to receipt, at the time of closing, of a commitment fee in an amount equal to one percent (1%) of the principal amount of the mortgage loan.

4. The term of the mortgage loan shall be 20 years, the principal and interest payments may be calculated on a 25 year term and need not be fully amortizing, and the interest rate to be charged will be a graduated rate to be determined by the Executive Director.

5. The Commitment Letter shall require the Sponsor to demonstrate to the satisfaction of the Executive Director that equity funds and/or deferred loan funds are available in an amount at least equal to the difference between the total development cost as accepted by the Agency and the amount of the permanent financing commitment.

6. The Commitment Letter shall contain such other terms and conditions as the Executive Director shall deem necessary or appropriate.

7. The Executive Director is authorized to make preliminary arrangements for the issuance and private placement of taxable bonds of the Agency to provide proceeds for financing this loan.

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Mark Koppelkam, Multi-Family Underwriter

DATE: November 8, 1990

RE: Town & Country Mobile Home Park, Vergennes: Request for Letter of Interest

PROJECT SUMMARY

Staff recommends VHFA Board approval of a letter of interest for permanent financing for the Town & Country Mobile Home Park in Vergennes. Town & Country is a 73 unit park in very good condition. The purchase price being proposed is $1,300,000, or $17,808/lot. The sponsor is the Addison County Community Trust (ACCT). Management responsibilities are proposed to be split with a residents' association. ACCT may consider turning ownership over to a resident cooperative in the near future.

THE PROJECT

The requested amount of the VHFA loan is approximately $1,068,625, which is 77% of total project costs. (For the detailed sources and uses of funds and financial projections, see the attachments.) The total project budget per lot is $18,967.

The VHFA loan as proposed is structured with a stepped interest rate starting at 9.75% and increasing .75% every five years to a final interest rate of 12.0%. The loan is for 20 years but is amortized over 25 years; approximately $484,365 will need to be refinanced at the end of year 20. At 12% over 20 years, this debt service would be significantly less than the VHFA debt service up to that time.

There is a slight possibility that the VHCB loan amount may be reduced if the remaining tenant income certifications show a higher income population than original projections.

2. Appraisal & Loan To Project Value

An appraisal was done in August, 1990 by Stephen D. Allen, who estimated the value of the Park to be $1,300,000 or $17,808/lot. VHFA's multi-family rules state that the VHFA loan will be limited to no more than 95% of the total housing costs or security value of the project, which ever is less. As proposed VHFA's loan equals 82.2% of the appraised value, and 77.2% of the total development costs.

VHCB has approved a $50,000 grant and a $266,000 1% interest loan with payments deferred for five years. In addition VHFA's agreement with the Pension Funds (the source of the taxable financing) is that loan to value would not exceed 85%. This standard is met for the VHFA loan.

3. Lot Rent/Market Demand/Income Mix

The current rent is $135/month; lot rents in Addison County average $126/month; another park located in Vergennes charges $150 per month. The residents have indicated a willingness to pay the budgeted increase to $180/month. Turnover at the park has been approximately ten per year, but vacancies have been readily filled.

The income mix of the tenants surveyed to date is as follows:

15 households or 24% at or below 50% of median
16 households or 26% between 50% to 80% of median
16 households or 26% between 80% to 100% of median
15 households or 24% above median

Project wide income certifications will be completed prior to the December meeting.

4. Location/Site

Town & Country Mobile Home Park is situated on 17.23 acres on Panton Road in Vergennes. The northern boundary of the parcel includes 753 feet of frontage on the Otter Creek, though the homes themselves are sited well above and back from the river bank. The HCTB is interested in establishing a conservation easement on the lands bordering the river. To the east is the Simmons Precision plant. There are no obvious impacts (e.g., noise, fumes etc.) from the plant. To the south across the street are agricultural lands that are zoned industrial, but for which there are no current development plans. To the west are homes on large lots.

The developed portion of the site is fairly flat. The wooded area falls off toward Otter Creek. According to the Addison County Regional Plan Commission staff, the occupied parts of the park are definitely not in the official floodplain. The mobile homes are fairly tightly but comfortably situated. The present owner has actually removed two sites and relocated several others to add more greenspace. The park is well maintained and nicely landscaped. An additional 3-5 lots could be developed, though this is not planned nor is it desirable.

5. Sponsors/Parties

ACCT was established in 1989 and has an approved 501(c)(3) designation. ACCT has completed six family homes under the land trust model, manages three Community Development Block Grant contracts for the Town of Middlebury, and operates a Homeshare program.

ACCT has limited housing development and housing management experience, but have received additional support from the HCTB to improve their capacity with a separate grant of $35,000. They have recently hired Kevin Cosgrove, who was a rehab specialist with Lake Champlain Housing Development Corporation, to fill this need.

The HCTB is also working with nonprofit housing corporations in three counties, including Addison, to assist in the formation of a jointly owned property management company.

The tenants are getting organizing assistance from Kirby Dunn of CVOEO to be involved in the transaction planning, and potentially move toward a residents' cooperative, with the support of ACCT. Ms. Dunn feels the tenant organization is one of the most highly qualified of all the parks she has been working with. Two of ACCT's Board members live at the Park.

6. Timetable

The Purchase and Sales Contract was signed on August 2, 1990, and calls for a 1990 closing. VHFA staff would plan on bringing a commitment letter resolution to the Board at the December Board meeting.

7. Infrastructure

The park is serviced by town water and sewer. There is no known evidence of any infrastructure problems. All water lines, and most of the sewer lines in the park were replaced during the 1970's and 1980's by the current owner. No permits were needed for this work as no expansions were involved, only replacement. VHFA staff is requesting a professional or State review of the electrical system, but according to the owner 90% of the electrical system has improved in the last decade by a licensed electrician with State permits. The roads have all been paved in the last three years. The majority of the homes (63) are situated on cement slabs. New slab installation costs about $2,000 each.

8. Environmental Assessment

A Phase I environmental assessment of the site was done by Wagner, Heindel and Noyes, Inc. in October, 1990. Their report summarizes that "we conclude that this site is free of significant, detectable quantities of hazardous wastes at the time of our evaluation." They do note that the Simmons property does have some contamination history, including chlorinated solvents, low level cadmium and possibly cyanide. Simmons has completed a Phase I assessment, along with some proposed treatment plans, and is in the process of having a Phase II toxics investigation. The sponsor's engineers state that the Simmons site problems and remediation measures are not likely to affect the park.

DISCUSSION

9. Strengths and Weaknesses

The primary strengths of this project include:

a. The park at present is in very good condition and well managed. A high standard of management has been set.

b. The seller is very helpful and cooperative, and has agreed to continue to provide consulting assistance for one year at no additional cost. The sellers will continue to operate a mobile home sales operation across the street.

c. The park has a good reputation with City Hall in Vergennes, which also recognizes the fact that affordable housing is being provided.

d. Since the park is connected to town water and sewer lines, many of the usual mobile home park costs and concerns about septic systems and capacity are avoided.

e. The general location of the park is very good, being within one mile of downtown.

f. The residents appear to have a strong interest in taking on park management.

The potential weaknesses of this project include:

g. There is only "soft equity" from HCTB in the project, and the sponsor has essentially no assets.

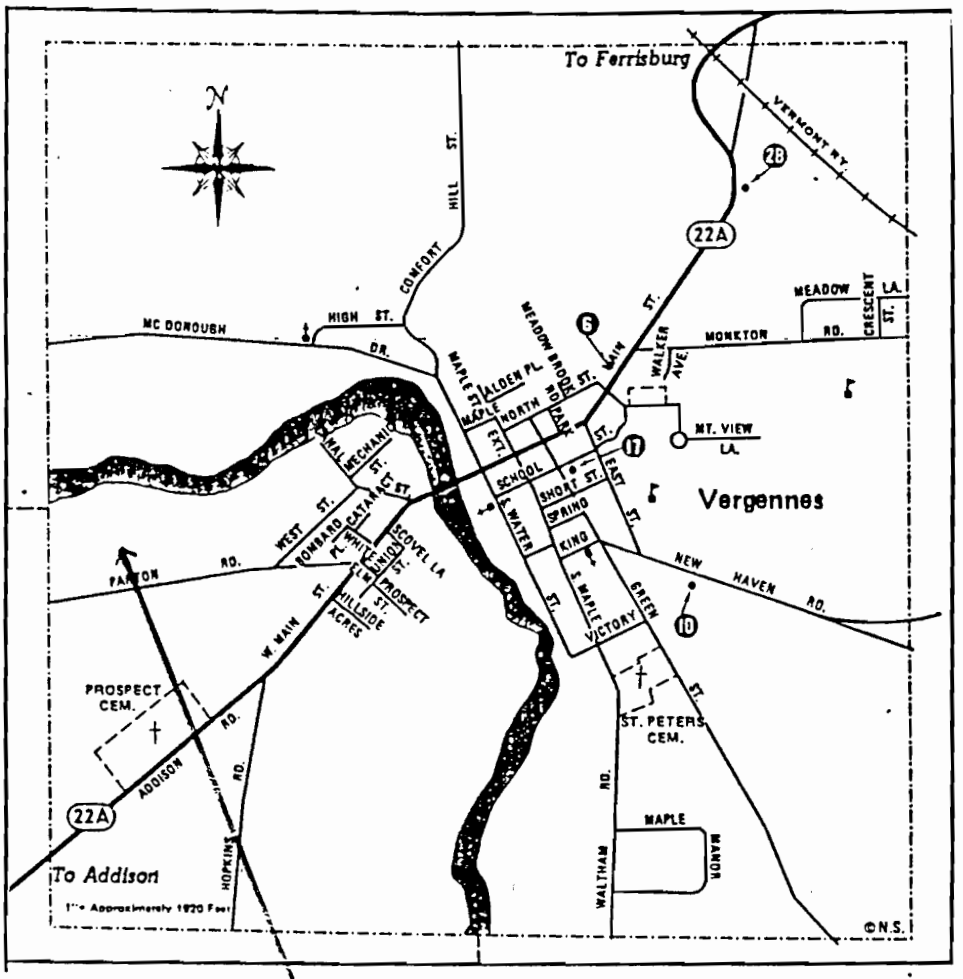
h. The financial projections are tight, with a relatively high acquisition price, high lot rents, low expenses and a 1% vacancy projected. Early year debt coverage projections are below VHFA's desired standard of 1.05. A large property tax hike due to the acquisition and townwide re-appraisal in mid 1991 could be damaging. The attached projections assume a 33% increase at that time. The sponsors feel that this is a very conservative assumption, and that taxes will not increase this much.

i. The sponsor has limited housing management experience, but has hired additional staff to assist in this area. The desired sharing of management responsibilities with residents needs to be thoughtfully considered in the contract documents.

RECOMMENDED ACTION

Staff recommends approval of Resolution Pertaining to Letter of Interest for the Town and Country Mobile Home Park.

LOCATION OF TOWN & COUNTRY MOBILE HOME PARK



Subject

COMPARISION OF MOBILE HOME PARK COSTS

	Sandy Pines E. Mtplr	Tri-Park Brattleboro	Mountain View Hinesburg	Hunters Grand Isle	Riverside Woodstock	French Hill Williston	Town & Country Vergennes	Fernwood Bolton
Year Acquired	1990	1986	1989	1989	1989	1990	1990	1990
Property Acquisition	$980,000	$3,750,000	$820,000	$360,000	$325,000	$144,000	$1,300,000	$1,425,000
Dvlmpt Costs	$36,300	$0	$50,000	$94,000	$27,634	$22,500	$46,569	$58,250
Total Development Costs	$1,016,300	$3,750,000	$870,000	$454,000	$352,634	$166,500	$1,346,569	$1,483,250
#lots	56	330	52	24	40	9	73	78
Propery Acq Cost/Lot	$17,500	$11,364	$15,769	$15,000	$8,125	$16,000	$17,808	$18,269
Dvlmpt Cost/lot	$648	$0	$962	$3,917	$691	$2,500	$638	$747
Total Cost/lot	$18,148	$11,364	$16,731	$18,917	$8,816	$18,500	$18,446	$19,016

PROJECT OPERATING PRO FORMA

	Sandy Pines	Tri-Park**	Mountainview	Hunters	Riverside	French Hill	Town & Country	Fernwood
Lot rents: 1990	$200	$145-165	$170	$190	125	195	$180	$195
#lots	56	330	52	24	40	9	73	78
Total Operating Expenses per lot/per month*	$74	$77	$60	$73	$74	$77	$44	49
Debt Service	$82,064	$280,230	$66,645	$32,891	$29,637	$12,993	$114,046	$128,671
per lot	$1,465	$849	$1,282	$1,370	$741	$1,444	$1,562	$1,650
per month	$122	$71	$107	$114	$62	$120	$130	$137

Town and Country MHP
Vergennes

Koppelkam
11/2/90

SOURCES AND USES OF FINANCING

Permanent Financing			Rate	Term	Annual D/S	Comments	
VHFA financing*	$1,068,625	77.18%	9.75%	25	$114,275	Stepped %-rate	Balloon pmt yr 20
VHCB-grant	$50,000	3.61%	0.00%				
VHCB loan	$266,000	19.21%	1.00%		$12,078	Deferred	
Total Permanent Financing	$1,384,625	100.00%					
Per Unit	18,967						

*VHFA loan must carry average rate of 10.75% over 20 years; longer amortization
will require refinancing in year 20.
**starting in Year 5, the park must begin making annual loan
payments of $4000/year or more to VHCB

Total Development Budget				
Property Acquisition	$1,300,000	$17,808 /lot		
Site Improvements	$2,000			
Appraisal	$1,200			
Legal and Title Fees	$4,500			
Finance & Closing Costs	$13,000		10,686	One point + VHFA attny fees
Engineering	$2,500			
Working capital	$11,425		11,428	
Development Fee	$50,000			
Total Development Costs	1,384,625	$18,967 /lot		

[redacted]ry MHP 5/31/90
[redacted]PERATING PRO FORMA

		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9
Gr[redacted]Annual Income		157,680	162,410	167,283	172,301	177,470	182,794	188,278	193,927	199,744
Less Vacancy										
Allowance:	1%	1,577	1,624	1,673	1,723	1,775	1,828	1,883	1,939	1,997
Other Income		0	0	0	0	0	0	0	0	0
Adjusted Gross Income		156,103	160,786	165,610	170,578	175,696	180,966	186,395	191,987	197,747
Management	10512	10,512	10,932	11,370	11,825	12,298	12,789	13,301	13,833	14,386
Audit/Legal		2,000	2,080	2,163	2,250	2,340	2,433	2,531	2,632	2,737
Utilities & trash & water	11390	11,770	12,241	12,731	13,240	13,770	14,320	14,893	15,489	16,109
Maintenance--total		3,000	3,120	3,245	3,375	3,510	3,650	3,796	3,948	4,106
Real Estate Taxes	8022.56	5,800	7,027	8,000	8,320	8,653	8,999	9,359	9,733	10,123
Insurance		2,200	2,288	2,380	2,475	2,574	2,677	2,784	2,895	3,011
Replacement Reserve	4683.096	4,685	4,826	4,970	5,119	5,273	5,431	5,594	5,762	5,992
Other: Snow Plowing		1,500	1,560	1,622	1,687	1,755	1,825	1,898	1,974	2,053
Total Expenses		41,467	44,075	46,481	48,290	50,171	52,125	54,156	56,266	58,517
Net Operating Income		114,636	116,712	119,129	122,288	125,525	128,841	132,240	135,721	139,230
Debt Service: VHFA		(114,275)	(114,275)	(114,275)	(114,275)	(114,275)	(120,282)	(120,282)	(120,282)	(120,282)
VHCB debt service		0	0	0	0	(4,000)	(4,000)	(4,000)	(5,095)	(6,253)
Cash Flow		361	2,437	4,854	8,013	7,250	4,559	7,957	10,344	12,695
VHFA RATE		9.75%				10.50%				
De[redacted]overage Ratio		1.00	1.02	1.04	1.07	1.06	1.04	1.06	1.08	1.10
Lot Rent		$180	$185	$191	$197	$203	$209	$215	$221	$228
Oper Exp Per Lot		$568	$604	$637	$662	$687	$714	$742	$771	$802

ASSUMPTIONS

Oper cost/lot/month	
Income Increase	3%
Expense Increase	4%
Replace. Reserve	3%

Due to a reassessment in 1992 and due to the fact that T&C current assessment is approx 20% of FMV this proforma assumes that property taxes will increase 33% in the last half of Yr 2.

Rents*	Units	Yr 1 Rents	Ann Rents
# Mobile Homes	73	$180	$157,680

Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
205,737	211,909	218,266	224,814	231,558	238,505	245,660	253,030	260,621	268,440	276,493
2,057	2,119	2,183	2,248	2,316	2,385	2,457	2,530	2,606	2,684	2,765
0	0	0	0	0	0	0	0	0	0	0
203,679	209,790	216,083	222,566	229,243	236,120	243,204	250,500	258,015	265,755	273,728
14,962	15,560	16,183	16,830	17,503	18,203	18,932	19,689	20,476	21,295	22,147
2,847	2,960	3,079	3,202	3,330	3,463	3,602	3,746	3,896	4,052	4,214
16,753	17,423	18,120	18,845	19,599	20,382	21,198	22,046	22,928	23,845	24,798
4,270	4,441	4,618	4,803	4,995	5,195	5,403	5,619	5,844	6,077	6,321
10,527	10,949	11,386	11,842	12,316	12,808	13,321	13,853	14,408	14,984	15,583
3,131	3,257	3,387	3,522	3,663	3,810	3,962	4,121	4,285	4,457	4,635
6,232	6,481	6,741	7,010	7,291	7,582	7,886	8,201	8,529	8,870	9,225
2,135	2,220	2,309	2,402	2,498	2,598	2,701	2,809	2,922	3,039	3,160
60,857	63,291	65,823	68,456	71,194	74,042	77,004	80,084	83,287	86,619	90,083
142,822	146,498	150,260	154,110	158,049	162,078	166,200	170,416	174,728	179,137	183,644
(125,391)	(125,391)	(125,391)	(125,391)	(125,391)	(130,572)	(130,572)	(130,572)	(130,572)	(130,572)	(130,572)
(5,752)	(6,965)	(8,207)	(9,477)	(10,777)	(10,397)	(11,757)	(13,148)	(14,571)	(16,026)	(17,514)
11,679	14,142	16,663	19,242	21,881	21,109	23,871	26,695	29,584	32,538	35,558
11.25					12.25%					
1.09	1.11	1.12	1.14	1.16	1.15	1.17	1.19	1.20	1.22	1.24
$235	$242	$249	$257	$264	$272	$280	$289	$298	$306	$316
$834	$867	$902	$938	$975	$1,014	$1,055	$1,097	$1,141	$1,187	$1,234

RESOLUTION PERTAINING TO LETTER OF INTEREST RE: TOWN AND COUNTRY MOBILE HOME PARK

WHEREAS, a proposal has been presented to the Agency by the Addison County Community Trust (ACCT), a non-profit corporation, involving the acquisition of Town and Country Mobile Home Park, a 73 unit mobile home park in Vergennes; and

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

WHEREAS, the Housing and Conservation Board has approved a $50,000 grant and a deferred loan of $266,000 for Town and Country; and

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

It is hereby DETERMINED:

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

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

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

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

5. The sponsor is a financially responsible organization.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a letter of interest (the "Letter of Interest") to provide a first mortgage for permanent financing in an amount to be determined by the Executive Director, but not to exceed $1,150,000, for the Town and Country Mobile Home Park.

2. The Letter of Interest shall be issued to the Addison County Community Trust as the housing sponsor.

3. The Letter of Interest shall state that it is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The letter of interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

4. The Executive Director is authorized to make preliminary arrangements for the issuance and private placement of taxable bonds of the Agency to provide proceeds for financing this loan.

VERMONT HOUSING FINANCE AGENCY

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE

DATE: NOVEMBER 9, 1990

RE: TAX-EXEMPT MULTI-FAMILY NOTE RESOLUTION

Attached to this memo is a document entitled "Resolution of Vermont Housing Finance Agency Authorizing the Issuance and Sale of Multi-Family Housing Development Loan Notes, 1990 Series A In An Amount Not to Exceed $2,500,000."

The purpose of the Resolution is to enable VHFA to sell tax-exempt notes to provide short term interim financing for multi-family projects that are waiting for permanent financing either through the Agency or from a Housing Vermont equity structure. This short term credit facility has become increasingly necessary since Housing Vermont has drawn the full amount of their funding agreement from the Agency and because projects are coming directly to VHFA for interim financing as a result of the tighter credit market being experienced due to bank credit concerns. In addition, this structure should enable the project to save a considerable amount in interest costs, which will result in increased affordability.

The First National Bank of Boston would be privately placing the notes with sophisticated investors on an as needed basis. This Resolution would provide approximately $1.1 million to replace the bridge loan facility pledged to the Northgate project and an additional $1 million to Housing Vermont for the Pine Meadows project in Middlebury to prefund the equity to be collected at the completion of the project. It is expected that the note proceeds will be repaid to VHFA prior to the April 18, 1991 maturity of the notes.

In the event that additional funds are required for other projects, such as Highgate, we expect that this note process could be replicated by adopting a new resolution substantially in the same format as the attached Resolution.

RECOMMENDED ACTION

Approval of the "Resolution of Vermont Housing Finance Agency Authorizing the Issuance and Sale of Multi-Family Housing Development Loan Notes, 1990 Series A In An Amount Not to Exceed $2,500,000" as attached.

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866

EQUAL HOUSING OPPORTUNITY

P & D Draft 11/8/90

RESOLUTION OF VERMONT HOUSING FINANCE AGENCY AUTHORIZING THE ISSUANCE AND SALE OF MULTI-FAMILY HOUSING DEVELOPMENT LOAN NOTES, 1990 SERIES A IN AN AMOUNT NOT TO EXCEED ^ $2,500,000

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

ARTICLE I
DEFINITIONS AND CONSTRUCTION

Section 101. Definitions: All capitalized, undefined terms used in this Resolution shall have the meanings assigned to such terms in the Act (as hereinafter defined). In addition, in this Resolution unless a different meaning clearly appears from the context:

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

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

"Authorized Officer" means the Chairman, Vice-Chairman, Executive Director and Secretary, and Director of Finance of the Agency and any other person authorized by resolution of the Agency to act as an Authorized Officer hereunder.

"Borrower" means the obligor or obligors on a Loan.

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

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

"Investment Obligation" ^ means any of the following which at the time are legal investments for moneys of the Agency: (1) direct general obligations of the United States of America and obligations (including obligations of any federal agency or corporation) the payment of the principal and interest on which,

by Act of the Congress of the United States or in the opinion of the Attorney General of the United States in office at the time such obligations were issued, are unconditionally guaranteed by the full faith and credit of the United States of America, or any other evidences of an ownership interest in obligations or in specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in this Clause (1); (2) any direct general obligations of any state of the United States of America or of any political subdivision of any such state; (3) bonds, debentures, participation certificates (representing a timely guaranty of principal and interest), notes or similar evidences of indebtedness of any of the following: Bank for Cooperatives, Federal Intermediate Credit Banks, Federal Financing Bank, Federal Land Banks, Federal Home Loan Bank System, Federal Farm Credit Bank, Federal National Mortgage ^ Association (excluding "stripped" securities), Export-Import Bank of the United States, Farmers Home Administration, Federal Home Loan Mortgage Corporation, Resolution Funding Corporation, Government National Mortgage Association, Student Loan Marketing Association or Tennessee Valley Authority; (4) interest bearing time deposits, certificates of deposit or other similar banking arrangements with banks (which may include any Note Registrar or Paying Agent), provided such deposits are fully collateralized and secured by obligations described in Clauses (1) through (3) above which at all times have a market value (exclusive of accrued interest) at least equal to such deposits so secured, including interest; (5) shares of a diversified open-end management investment company as defined in the Investment Company Act of 1940, which is a money market fund, which is continuously and substantially invested in obligations described in Clauses (1) through (3) above; (6) repurchase agreements for obligations of the type specified in Clauses (1), (2) and (3) above, provided either (a) the repurchase agreement is an unconditional obligation of the provider thereof or (b) such repurchase agreements are fully collateralized and secured by such obligations which have a market value (exclusive of accrued interest) at least equal to the purchase price of such repurchase agreements and provided further that such obligations are held by the Agency or a depository satisfactory to the Agency in such manner as may be required to provide a perfected first security interest in favor of the Agency in such obligations.

^"Loan" or "Loans" means the loans made to ^ the Borrowers by the Agency with the proceeds of the Notes pursuant to the terms of this Resolution as identified on Exhibit A attached hereto.

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

"Note" or "Notes" means one or more Multi-Family Housing Development Loan Notes, 1990 Series A of the Agency authorized by this Resolution.

"Note Date" means the date the Notes are originally authenticated and issued hereunder.

"Note Registrar" means the bank or financial institution appointed pursuant to Section 501 hereof. The Note Registrar and the Paying Agent may be the same institution.

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

"Paying Agent" means the bank or financial institution appointed pursuant to Section 501 hereof. The Paying Agent and Note Registrar may be the same institution.

"Permanent Financing" means (i) a contribution of equity to a Project, (ii) a long-term loan to a Borrower from a lender other than the Agency for purposes of a Project, (iii) a permanent loan to a Borrower from the Agency for purposes of a Project or (iv) any combination of the foregoing, sufficient, either individually or in the aggregate, to repay a Loan made with the proceeds of Notes hereunder.

"Program" means the Agency's program of making Loans to Sponsors pursuant to the Act.

"Project" or "Projects" means ^ the projects for the acquisition, construction or rehabilitation of Residential Housing which are identified on Exhibit A attached hereto.

"Regulatory Agreement" shall have the meaning given such term in Section 401(B) hereof.

"Revenues" means all payments, proceeds, charges, rents and other income (including without limitation income from investments in the Note Repayment Account) of any kind and from any source derived in cash by or for the account of the Agency from or related to a Project and under the Loan applicable thereto, the applicable Regulatory Agreement or otherwise, including, without limitation, scheduled payments of principal and interest on the Loan.

"State" means the State of Vermont.

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

Section 102. Parties Interested Herein. Nothing in this Resolution expressed or implied is intended or shall be construed to confer upon, or to give to, any person, other than the Agency and the registered owners of the Notes, any right, remedy or claim under or by reason of this Resolution or any covenant, stipulation, obligation, agreement or condition therein. All the covenants, stipulations, obligations, promises and agreements in this Resolution contained by and on behalf of the Agency shall be for the sole and exclusive benefit of the Agency and the registered owners of the Notes.

Section 103. Law Applicable. The laws of the State shall be applicable to the interpretation and construction of this Resolution.

Section 104. Severability of Invalid Provision. If any one or more of the provisions, covenants or agreements in this Resolution on the part of the Agency to be performed should be contrary to law, then such provisions, covenants or agreements shall be deemed separable from the remaining provisions, covenants and agreements, and shall in no way affect the validity of the other provisions of this Resolution or of the Notes.

ARTICLE II
AUTHORIZATION OF THE NOTES: FINDINGS: TERMS AND SALE OF NOTES

Section 201. Authority. This Resolution is adopted pursuant to the Act and shall take effect immediately upon its adoption. The Agency is duly authorized under the Act and all applicable laws to issue the Notes, to adopt this Resolution and to pledge the revenues, funds and accounts of the Agency pledged hereby in the manner and to the extent provided herein. The Agency will at all times, to the extent permitted by law, defend, preserve and protect such pledge and all the rights of the registered owners of the Notes hereunder against all claims and demands of all persons whomsoever.

Section 202. The Loans and the Notes. (A) The Agency hereby authorizes, ratifies and approves the Loans ^ identified in Exhibit A attached hereto, in the principal amounts set forth in Exhibit A ^, to finance and refinance Housing Development Costs of the Projects in anticipation of Permanent Financing. Notwithstanding anything contained in this Resolution to the contrary, the Agency may, by adoption of an amendment in accordance with the provisions of Section 504 hereof, amend Exhibit A hereto to increase or decrease the principal amount of any Loan or to substitute or add any other project and provide for a loan therefor, provided that any such amendment is otherwise consistent with the terms and conditions of this Resolution, the findings required in Section 204 hereto are made

by the Agency with respect to any substituted or additional project, and any substituted or additional loan meets the requirements of Section 403 hereof.

(B) In order to provide funds with which to make the Loans and to pay Costs of Issuance of the Notes, the Agency hereby determines to issue the Notes in an aggregate principal amount not to exceed ^ $2,500,000. The Notes shall be dated the Note Date, shall mature on ^ April 18, 1991 (hereinafter the "Maturity Date"), shall be issued ^ solely in fully registered form in denominations of not less than $100,000 and shall bear interest from their date at an interest rate not to exceed ^ 7.5 percent ^(7.5%) per annum, calculated on the basis of a 360 day year, payable on the Maturity Date. The Notes shall not be subject to redemption prior to the Maturity Date. The Notes shall be executed, shall be subject to transfer and exchange, and shall otherwise be in form and tenor as provided in, and the respective rights and obligations of the Agency and the registered owners thereof shall be as described in, the form of the Notes set forth in Exhibit B attached hereto.

(C) Subject to Paragraph (B) of this Section 202, the principal amount of the Notes and the interest rate therefor, and any other terms and conditions of the Notes not specified in this Resolution (and not inconsistent herewith) shall be determined by the Authorized Officers of the Agency executing and delivering the Notes at or prior to the Note Date. Said Authorized Officers shall file with the Secretary of the Agency on or prior to the Note Date a certificate specifying and determining such principal amount, interest rate and other terms and conditions.

Section 203. Allocation of State Volume Cap to Notes. The Agency hereby determines to allocate to the Notes not in excess of ^ $2,500,000 of the Agency's $ 8,193,810 remaining unused 1987 annual volume cap with respect to private activity bonds that the Agency heretofore elected pursuant to Section 146(f) of the Code to carry forward for the purpose of issuing exempt facility bonds for the purpose of financing qualified residential rental projects pursuant to Section 142 of the Code.

Section 204. Findings. The Agency hereby determines that:

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

(B) the Loans can be issued bearing interest at a rate which will be less than the prevailing rate of interest on comparable loans available in the State without the assistance of the Agency;

(C) the Agency will derive receipts, revenues or other income from the Loans made with the proceeds of the Notes

sufficient to provide, together with all other available receipts, revenues and income of the Agency, for the payment of the Notes and the payment of all costs and expenses incurred by the Agency with respect to the Program for which the Notes are issued;

(D) the Projects are primarily for occupancy by Persons and Families of Low and Moderate Income;

(E) the Borrowers are Housing Sponsors as defined in the Act;

(F) the acquisition, construction or rehabilitation costs incurred or to be incurred by the Borrowers in connection with the Projects are for Housing Development Costs within the meaning of the Act;

(G) there exists, or without the Project 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 areas of the Projects, and private enterprise and investment are unable, without assistance, to provide an adequate supply of Residential Housing and sufficient mortgage financing for Residential Housing for occupancy by such persons and families; and

(H) the Borrowers will maintain or increase the supply of well-planned, well-designed housing for Persons and Families of Low and Moderate Income and each such Borrower is a financially responsible person or institution.

Section 205. Sale of the Notes. (A) The Authorized Officers of the Agency, in connection with the sale of any or all of the Notes herein authorized to be issued, are each hereby authorized and directed to solicit, at public or private sale, from such qualified investors as shall be determined by the Authorized Officers, proposals for the purchase of said Notes and to sell and award such Notes, or any part thereof, to one or more qualified investors at such price or prices as they shall determine to be in the best interest of the Agency, provided that the net interest cost to the Agency on the Notes so sold and awarded shall not exceed ^ 7.5 percent ^(7.5%) per annum. The distribution of an information statement, if any, in connection with the sale of said Notes is hereby authorized and approved. Any of the Authorized Officers are hereby authorized and directed to deliver said Notes to the purchaser or purchasers thereof, determined as above provided, and to execute and deliver all documents and instruments required in connection therewith.

(B) The proceeds of sale of the Notes shall be applied as provided in Section 302 hereof.

ARTICLE III
ESTABLISHMENT OF ACCOUNTS:
APPLICATION OF BOND PROCEEDS: OBLIGATION OF NOTES: PLEDGE

Section 301. Accounts. The following separate accounts are hereby created, or authorized to be created as provided herein, such accounts to be held by the Paying Agent and administered by the Agency subject to the pledge herein made:

(1) Multi-Family Housing Development Note Loan Account, 1990 Series A (the "Loan Account")

(2) Multi-Family Housing Development Note Repayment Account, 1990 Series A (the "Note Repayment Account")

Section 302. Application of Proceeds of the Notes. (A) Upon the original authentication and delivery of the Notes, the proceeds derived from the sale of said Notes shall be deposited with and held by the Paying Agent in the Loan Account. Moneys so deposited in said Loan Account shall be used and applied by the Agency solely for the purpose of ^ making the Loans upon compliance with the provisions of Section 403 hereof ^. Moneys ^ may be ^ withdrawn by the ^ Agency from the Loan Account from time to time for the purpose of making any Loan upon checks, drafts or orders for payments therefrom, signed by an Authorized Officer.

(B) Pending the application of the moneys deposited in the Loan Account to the making of the Loans or paying Costs of Issuance, such moneys may be invested and reinvested by the Paying Agent in Investment Obligations. The moneys in the Loan Account to be so invested, and the maturity date or dates, or date or dates or redemption at the option of the holders of such obligations, shall be such as an Authorized Officer shall direct the Paying Agent in writing or, in the absence of such direction, at the discretion of the Paying Agent. Subject to the provisions of Section 401(A)(4) hereof, all earnings on investment or deposit of moneys in the Loan Account, or any part thereof, shall be credited upon receipt to the Loan Account ^.

(C) If on the Maturity Date any amount remains on deposit in the Loan Account, the Paying Agent, without direction of the Agency, shall transfer such amount to the Note Repayment Account.

Section 303. Application of Revenues. (A) The Agency shall deposit all Revenues in the Note Repayment Account upon receipt thereof, and shall deposit in the Note Repayment Account proceeds of any bonds, notes or other obligations of the Agency issued to renew or pay the Notes or the interest thereon, until the amount on deposit in the Note Repayment Account shall equal the unpaid principal amount of the Notes outstanding plus all

interest accrued and to accrue thereon to the Maturity Date. From time to time, at its option, the Agency may also transfer moneys from the General Fund to the Note Repayment Account.

(B) On the Maturity Date, the Paying Agent shall apply moneys in the Note Repayment Account to the payment of the principal amount of the Notes due on such date plus the interest accrued and payable thereon. Following payment or provision for payment of the Notes and the interest thereon as aforesaid, any balance on deposit in the Note Repayment Account shall be transferred by the Paying Agent to the Agency upon request of an Authorized Officer.

(C) Pending application as provided in this Section 303, moneys on deposit in the Note Repayment Account may be invested and reinvested by the Paying Agent in Investment Obligations. The moneys in the Note Repayment Account to be so invested, and the maturity date or dates, or date or dates or redemption at the option of the holders of such obligations, shall be such as an Authorized Officer shall direct the Paying Agent in writing or, in the absence of such direction, at the discretion of the Paying Agent. All earnings on investment or deposit of moneys in the Note Repayment Account, or any part thereof, shall be credited upon receipt to the Note Repayment Account.

Section 304. Obligation of Notes; Pledge. The Notes shall be general obligations of the Agency payable out of any of the Agency's revenues, moneys or assets, subject only to agreements heretofore or hereafter made with the holders of obligations of the Agency other than the Notes pledging particular revenues, moneys or assets for the payment thereof. There are hereby pledged to the payment of principal and interest on the Notes, subject to the provisions of this Resolution permitting application thereof for the purposes and on the terms and conditions set forth in this Resolution, (i) all Revenues and (ii) all moneys and securities from time to time in the Loan Account and Note Repayment Account^, including without limitation proceeds of any renewal obligations deposited in the Note Repayment Account in accordance with Section 303(A) hereof.

ARTICLE IV
SPECIAL COVENANTS OF THE AGENCY

Section 401. Covenants with Respect to the Notes. (A) With respect to the Notes, the Agency covenants and agrees, and, if applicable, shall require the Borrower under the Loan or the Regulatory Agreement similarly to covenant and agree, as follows:

(1) It shall neither take any action or fail to take any action, nor, to the extent it has the legal power to do so, permit any Borrower to take any action or fail to take

any action which, if either taken or not taken, would adversely affect the exclusion of the interest on any of the Notes from gross income for federal income tax purposes under the Code.

(2) The Agency shall not use or permit the use of any proceeds of the Notes or any other funds of the Agency, directly or indirectly, to acquire securities or obligations, and shall not permit to be taken any other action or actions, which would cause any Note to be an "arbitrage bond" within the meaning of Section 148 of the Code. In order to assure compliance with the rebate requirements of Section 148 of the Code, the Agency further covenants that it will establish such accounting procedures as are necessary to adequately determine, account for and pay over any amount or amounts required to be paid to the Treasury Department of the United States in a manner consistent with the requirements of Section 148 of the Code, such covenant to survive the defeasance of the lien enjoyed by any Notes pursuant to Section 505 hereof.

(3) The Agency shall not enter into any arrangement, formal or informal, with a Borrower (or any related person, as defined in Section 147(a) of the Code) pursuant to which the Borrower shall purchase the Notes in an amount related to the amount of its Loan.

(4) Income earned from the investment of amounts credited to the Loan Account shall be credited to such account and retained therein to the extent necessary to ensure that substantially all of the proceeds of the Notes will be considered used to provide projects for residential rental property within the meaning of Section 142(d) of the Code.

(5) Amounts on deposit in the Loan Account transferred to the Note Repayment Account pursuant to Section 302(C) hereof shall be used to pay such portion of the Notes at maturity as shall be necessary to ensure that substantially all of the proceeds of the Notes will be considered used to provide projects for residential rental property within the meaning of Section 142(d) of the Code. Such amounts required to be used to pay all or any portion of the Notes pursuant to the immediately preceding sentence shall, from the date the Agency determines that such amounts must be so used to comply with Section 142(d) of the Code, not be invested at a yield greater than the yield on the Notes and shall be used to pay the Notes at maturity.

(6) The Agency shall not take any action or fail to take any action or permit any action to be taken on its behalf or cause or permit any circumstances within its control to arise or continue if such action or inaction

would result in less than substantially all of the proceeds of the Notes being used to provide projects for residential rental property, within the meaning of Section 142(d) of the Code, with respect to which the occupancy requirement contained therein is met.

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

(8) The amount of "issuance costs" (within the meaning of the Code) financed with proceeds of the Notes shall not exceed 2% of the proceeds of the Notes.

(B) At or prior to making or funding any Loan with proceeds of the Notes, the Agency shall enter into a land use restriction agreement between the Agency and the Borrower (herein referred to as a "Regulatory Agreement") ^, which Regulatory Agreement shall run with the land for the period necessary to comply with the provisions of Section 142(d) of the Code, and under which the Borrower shall covenant to (i) take all actions necessary to ensure that the Project to be financed with the Loan complies with the requirements of Section 142(d) of the Code; (ii) apply the proceeds of the Loan so as to ensure that at least 95 percent of the proceeds thereof will be used to provide projects for residential rental property within the meaning of Section 142(d) of the Code and that no more than two percent (2%) of the proceeds thereof will be used to finance ^ "issuance costs" (within the meaning of the Code) of the Notes; and (iii) submit reports to the Agency at least annually detailing such facts as the Agency determines are sufficient to establish compliance with such covenants. Such Regulatory Agreement shall provide that it may be enforced by the Agency through a cause of action in equity for specific performance.

Section 402. Compliance with Section 401. The provisions of Section 401 of this Resolution shall be complied with by the Agency in order to meet the requirements of the Code such that interest on the Notes shall be and remain excludable from the gross income of the registered owner of any Notes for federal income tax purposes; provided, however, that the Agency shall not be required to comply with such provision with respect to the Notes in the event that the Agency receives a bond counsel's opinion that compliance with such provision is no longer required to satisfy the requirements of the Code or that compliance with some other provision in lieu of a provision specified in Section 401 of this Resolution will satisfy said requirements, in which case compliance with such other provision specified in the bond counsel's opinion shall constitute compliance with the provision specified in Section 401 of this Resolution.

Section 403. Covenants With Respect to Loans.

(A) Each Loan financed in whole or in part from proceeds of the Notes shall be a Mortgage Loan satisfying the requirements of the Act secured by a Mortgage constituting such lien on the Project and otherwise with such terms and conditions permitted by the Act as the Agency in its discretion shall determine.

(B) Each Loan shall provide for payments thereunder on account of the principal and interest payable thereon in amounts and at times sufficient, together with other moneys of the Agency available therefor, to pay on or prior to the Maturity Date the portion of the principal amount of the Notes, together with interest thereon, that is allocable to the Loan as determined by the Agency.

(C) The Loans shall be held for the credit of the General Fund. So long as any Notes shall be outstanding and unpaid, the Agency shall not create or permit to be created any lien, pledge, security interest or other encumbrance in or upon the Loans or any Mortgage Loan, Mortgage or note evidencing or securing the same unless prior thereto the Agency shall grant to the registered owners of the Notes a senior lien, pledge, security interest or other encumbrance on such Loan, Mortgage Loan, Mortgage or note.

(D) In addition to the other requirements of this Resolution relative to the Loans, the Projects and the Regulatory Agreements applicable thereto, the Agency shall enter into a loan agreement acceptable to an Authorized Officer with each Borrower which sets forth the terms and conditions of such Loan, consistent with this Resolution, and the procedures pursuant to which proceeds of the Loan will be disbursed to or for the account of the Borrower from the Loan Account. At the election of an Authorized Officer, the Agency and the Borrower may enter into an agreement with a third party pursuant to which such third party will service such Loan.

Section 404. Issuance of Indebtedness. (A) So long as any Notes shall be outstanding hereunder, the Agency shall not create or permit the creation of or issue any obligations or create any indebtedness which will be secured by a charge and lien on the Revenues or any other receipts, moneys or property pledged hereunder or which will be payable from the Loan Account or the Note Repayment Account.

(B) The Agency covenants and agrees that so long any of the Notes shall be outstanding hereunder, the aggregate amount of principal and interest on "Unpaid Short Term Unsecured Indebtedness" (as hereinafter defined) of the Agency maturing or payable at the option of the holder thereof on or prior to the Maturity Date shall not exceed ^ five million dollars ^ ($5,000,000). As used in this Section 404, the term "Unpaid Short

Term Unsecured Indebtedness" means any bond ^, note or other obligation of the Agency or any principal of or interest on any such bond ^, note or other obligation, as applicable, which is outstanding and unpaid within the meaning of the proceedings of the Agency authorizing the same and which (i) is a general obligation of the Agency, (ii) was issued or incurred by the Agency to finance directly or indirectly Housing Development Costs of Residential Housing in the State and (iii) is not secured and, following disbursement of the proceeds thereof in accordance with the requirements of the authorizing proceedings of the Agency, will not be secured by a pledge or assignment of a Mortgage on or other ^ interest in ^ such Residential Housing for the benefit of the holder of such indebtedness.

(C) Except as provided in the foregoing provisions of this Section 404, nothing contained in this resolution is intended to limit, nor shall be construed as limiting, in any way, the authorization, issuance or securing of any additional notes, bonds or other obligations of the Agency.

ARTICLE V
MISCELLANEOUS

Section 501. Paying Agent and Note Registrar. The Howard Bank, N.A., Burlington, Vermont, is hereby appointed Paying Agent and Note Registrar for the Notes. Said bank shall evidence its acceptance of the duties of Paying Agent and Note Registrar by delivering a certificate of acceptance to the Agency at or prior to the authentication and delivery of any Notes hereunder.

Section 502. Authorization of Officers. The Chairman, Vice-Chairman, Executive Director and Secretary, Director of Finance and each other Authorized Officer are each hereby authorized and directed to do all acts and things and to execute and deliver any and all documents, certificates, and other instruments necessary or desirable to effectuate the transactions contemplated by this Resolution.

Section 503. Default. If the Agency defaults in the payment of principal of or interest on the Notes when due, or in the performance of any covenant in this Resolution, then the registered owner of any Note shall have the right, by mandamus or other suit, action or proceeding at law or in equity, to bring suit upon the Notes; to enforce its rights under this Resolution and the Notes to compel performance by the Agency of its obligations under the Notes and this Resolution; to require the Agency to account as trustee of an express trust; or to enjoin any acts which may be unlawful or in violation of the rights of the registered owner of any Note. No remedy conferred by this Resolution upon the registered owner of any Note is intended to be exclusive of any other remedy, but each shall be in addition

to every other remedy given under this Resolution or the Notes or provided at law or in equity or by the Act. No delay or omission of the registered owner of any Note to exercise any right or power or be construed to be a waiver of the default. The registered owner of any Note may waive any default and its consequences. No such waiver shall extend to any subsequent or other default.

Section 504. Amendment. (A) Without the consent of the registered owners of the Notes, this Resolution may be amended at any time and from time to time by supplemental resolution adopted by the Agency (i) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision herein, (ii) to insert such provisions clarifying matters or questions arising under this Resolution as are necessary or desirable and are not contrary to or inconsistent with this Resolution as theretofore in effect ^, (iii) to amend Exhibit A hereof in accordance with Section 202(A) of this Resolution or (iv) to make any other change herein which, in the judgment of the Paying Agent, is not prejudicial to the Paying Agent or the registered owners of any Notes outstanding.

(B) Except as provided in Paragraph (A) of this section, this Resolution may only be amended with the prior written consent of the registered owner of each Note outstanding affected by the provisions thereof. If there be more than one Note outstanding hereunder, the written consent required by this paragraph shall be effective if given by the registered owners of a majority in aggregate principal amount of all Notes outstanding. Notwithstanding the foregoing, no amendment of the Resolution making a change in the terms of maturity or redemption of any Note outstanding, or the principal amount thereof or the rate of interest thereon, or the provisions of this Section 504, shall be effective without the prior written consent of the registered owner of each Note affected by such amendment.

Section 505. Defeasance. If the Agency shall pay or cause to be paid to the registered owner of any Note the principal and interest thereon at the times and in the manner stipulated therein and herein, then such Note and the pledge of any Revenues, moneys, funds or other property pledged hereby or thereby, and all other rights granted hereby or thereby, shall be discharged and satisfied and such Note shall no longer be or deemed to be outstanding hereunder. Notes for the payment of the principal of and interest on which there is held by the Paying Agent in the Note Repayment Account either moneys in an amount, or investments in direct obligations of the United States of America or obligations the principal of and interest on which are guaranteed by the United States of America, the principal of and interest on which when due will provide an amount, sufficient to pay when due the principal amount thereof, and all interest accrued and to accrue thereon to the Maturity Date shall be

deemed paid within the meaning of the first sentence of this Section 505.

Section 506. No Recourse. All covenants, stipulations, promises, agreements and obligations of the Agency contained in this Resolution shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Agency and not of any member, officer or employee of the Agency in his individual capacity, and no recourse shall be had for the payment of the principal of or interest on the Notes or for any claim based thereon or on this Resolution against any member, officer or employee of the Agency or any person executing said Notes.

Section 507. Effective Date. This Resolution shall take effect immediately.

EXHIBIT "A"

Project	^ Borrower	Loan Amount

EXHIBIT "B"

[NOTE FORM]

No. _____
$_____

VERMONT HOUSING FINANCE AGENCY MULTI-FAMILY
HOUSING DEVELOPMENT LOAN NOTE, 1990 SERIES A

Principal Sum: $_____ Note Date:

Interest Rate: _____% Per Annum Maturity Date:

The VERMONT HOUSING FINANCE AGENCY (herein called the "Agency"), a body politic and corporate of the State of Vermont, acknowledges itself indebted and for value received hereby promises to pay to _____^____, or registered assigns, on the Maturity Date the Principal Sum stated above with interest thereon, calculated on the basis of a 360-day year, from the Note Date at the Interest Rate, payable on the Maturity Date. This note shall not be subject to redemption prior to the Maturity Date.

The principal of and interest on this note are payable in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts. The principal of and interest on this note shall be payable by check or draft mailed by The Howard Bank, N.A., Burlington, Vermont, as paying agent of the Agency (together with any successor paying agent, the "Paying Agent") to the registered owner at its address appearing on the registration books of the Agency^, provided that the registered owner of this note may make arrangements with the Paying Agent for payment of principal and interest by wire transfer. Upon final payment of this note ^, the registered owner hereof ^ will, and by acceptance of this note ^ hereby agrees, to cancel and return this note to the Paying Agent.

This note is one of a duly authorized issue of notes (the "1990 Series A Notes") issued in the aggregate principal amount of $_____ under and by virtue of the Vermont Housing Finance Agency Act, being No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended (herein called the "Act"), and under and pursuant to a resolution of the Agency adopted November 15, 1990 (herein called the "Resolution") for the purpose of making all or a portion of the Loans described in the Resolution. Copies of the Resolution are on file at the office of the Agency in the City of Burlington, State of Vermont, and reference to the Resolution and to the Act is made for a description of the pledge

and covenants securing the 1990 Series A Notes, the nature, manner and extent of enforcement of such pledge and covenants, the rights and remedies of the registered owners of the 1990 Series A Notes with respect to such pledge and covenants, the terms and conditions upon which the 1990 Series A Notes are issued thereunder, and a statement of the rights, duties, immunities and obligations of the Agency.

This bond is a general obligation of the Agency payable out of any of the Agency's revenues, moneys or assets, subject only to agreements heretofore or hereafter made with the holders of obligations of the Agency other than this note pledging particular revenues, moneys or assets for the payment thereof, and is also secured by a pledge of Revenues (as defined in the Resolution) and all moneys and securities on deposit from time to time in the Loan Account and the Note Repayment Account established by the Resolution, subject to all provisions and conditions of the Resolution.

The Agency is not obligated to pay this note or the interest hereon except from the revenues, moneys or assets of the Agency pledged under the Resolution or as otherwise provided herein and therein and neither the faith and credit nor the taxing power of the State of Vermont or of any political subdivision thereof is pledged to the payment of the principal of or interest on this note.

Except as provided in the Resolution, the 1990 Series A Notes are issuable solely in the form of fully registered notes in denominations of $100,000 or any integral multiple thereof. Upon surrender hereof at the principal office of the Paying Agent, as Note Registrar, with a written instrument of transfer satisfactory to the Agency and the Note Registrar, duly executed by the registered owner hereof or his duly authorized attorney, this note may, at the option of the registered owner, be exchanged for an equal aggregate principal amount of fully registered notes of the same maturity, interest rate and tenor in any of the authorized denominations.

This note is transferable, only upon the registration books of the Agency, by the registered owner hereof in person or by his attorney duly authorized in writing, upon surrender hereof at the principal office of the Note Registrar together with a written instrument of transfer satisfactory to the Agency and the Note Registrar duly executed by the registered owner or such duly authorized attorney, and thereupon the Agency shall issue in the name of the transferee a new registered note or notes of the same aggregate principal amount, maturity and interest rate as the surrendered note and in any of the authorized denominations. The Agency and the Paying Agent may treat and consider the person in whose name this note is registered as the holder and absolute owner hereof for the purpose of receiving payment of, or on

account of, the principal amount hereof and interest due hereon and for all other purposes whatsoever.

No recourse shall be had for the payment of the principal amount of or the interest on this note or for any claim based thereon or on the Resolution against any commissioner of the Agency or any person executing this note.

This note shall not be entitled to any benefit under the Resolution or be valid or become obligatory for any purpose until this note shall have been duly authenticated by the Paying Agent by execution of the certificate of authentication provided on this note.

It is hereby certified and recited that all conditions, acts and things required by the Constitution or statutes of the State of Vermont or by the Act or the Resolution to exist, to have happened or to have been performed precedent to or in the

issuance of this note exist, have happened and have been performed and that the issue of this note, together with all other indebtedness of the Agency, is within every debt and other limit prescribed by said Constitution or statutes.

IN WITNESS WHEREOF, the VERMONT HOUSING FINANCE AGENCY has caused this note to be signed in its name and on its behalf by the manual signature of its Authorized Officer, and its corporate seal to be affixed hereto or imprinted hereon and attested by the manual signature of its Authorized Officer.

VERMONT HOUSING FINANCE AGENCY

By _____
Authorized Officer

[SEAL]

Attest:

_____
Authorized Officer

CERTIFICATE OF AUTHENTICATION

This note is one of the 1990 Series A Notes described in the within-mentioned Resolution of the Vermont Housing Finance Agency.

THE HOWARD BANK, N. A.

By _____
Authorized Officer

VOTED: That the Agency's Resolution attached hereto is hereby adopted, with such changes and modifications thereto as the Chairman, Vice Chairman or Executive Director may approve prior to the delivery of the Notes referred to therein.

RESOLUTION OF VERMONT HOUSING FINANCE AGENCY
AUTHORIZING THE ISSUANCE AND SALE OF
MULTI-FAMILY HOUSING DEVELOPMENT LOAN NOTES, 1990 SERIES A
IN AN AMOUNT NOT TO EXCEED $2,500,000

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

ARTICLE I
DEFINITIONS AND CONSTRUCTION

Section 101. Definitions: All capitalized, undefined terms used in this Resolution shall have the meanings assigned to such terms in the Act (as hereinafter defined). In addition, in this Resolution unless a different meaning clearly appears from the context:

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

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

"Authorized Officer" means the Chairman, Vice-Chairman, Executive Director and Secretary, and Director of Finance of the Agency and any other person authorized by resolution of the Agency to act as an Authorized Officer hereunder.

"Borrower" means the obligor or obligors on a Loan.

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

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

"Investment Obligation" means any of the following which at the time are legal investments for moneys of the Agency: (1) direct general obligations of the United States of America and obligations (including obligations of any federal agency or corporation) the payment of the principal and interest on which, by Act of the Congress of the United States or in the opinion of the Attorney General of the United States in office at the time such obligations were issued, are unconditionally guaranteed by the full faith and credit of the United States of America, or any other evidences of an ownership interest in obligations or in

specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in this Clause (1); (2) any direct general obligations of any state of the United States of America or of any political subdivision of any such state; (3) bonds, debentures, participation certificates (representing a timely guaranty of principal and interest), notes or similar evidences of indebtedness of any of the following: Bank for Cooperatives, Federal Intermediate Credit Banks, Federal Financing Bank, Federal Land Banks, Federal Home Loan Bank System, Federal Farm Credit Bank, Federal National Mortgage Association (excluding "stripped" securities), Export-Import Bank of the United States, Farmers Home Administration, Federal Home Loan Mortgage Corporation, Resolution Funding Corporation, Government National Mortgage Association, Student Loan Marketing Association or Tennessee Valley Authority; (4) interest bearing time deposits, certificates of deposit or other similar banking arrangements with banks (which may include any Note Registrar or Paying Agent), provided such deposits are fully collateralized and secured by obligations described in Clauses (1) through (3) above which at all times have a market value (exclusive of accrued interest) at least equal to such deposits so secured, including interest; (5) shares of a diversified open-end management investment company as defined in the Investment Company Act of 1940, which is a money market fund, which is continuously and substantially invested in obligations described in Clauses (1) through (3) above; (6) repurchase agreements for obligations of the type specified in Clauses (1), (2) and (3) above, provided either (a) the repurchase agreement is an unconditional obligation of the provider thereof or (b) such repurchase agreements are fully collateralized and secured by such obligations which have a market value (exclusive of accrued interest) at least equal to the purchase price of such repurchase agreements and provided further that such obligations are held by the Agency or a depository satisfactory to the Agency in such manner as may be required to provide a perfected first security interest in favor of the Agency in such obligations.

"Loan" or "Loans" means the loans made to the Borrowers by the Agency with the proceeds of the Notes pursuant to the terms of this Resolution as identified on Exhibit A attached hereto.

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

"Non-Profit Entity" means a department, division, board, commission, agency or other instrumentality of the State, a political subdivision of the State, an agency of any such political subdivision, an "exempt organization" within the meaning of Section 501(c)(2), (3), or (4) of the Code, a non-profit corporation organized as such under the laws of the State, an entity owned, or whose day-to-day management is controlled, under the terms of a partnership agreement, by any of the foregoing, or a "limited equity cooperative" within the meaning of Chapter 14 of Title 11, Vermont Statutes Annotated.

"Note" or "Notes" means one or more Multi-Family Housing Development Loan Notes, 1990 Series A of the Agency authorized by this Resolution.

"Note Date" means the date the Notes are originally authenticated and issued hereunder.

"Note Registrar" means the bank or financial institution appointed pursuant to Section 501 hereof. The Note Registrar and the Paying Agent may be the same institution.

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

"Paying Agent" means the bank or financial institution appointed pursuant to Section 501 hereof. The Paying Agent and Note Registrar may be the same institution.

"Permanent Financing" means (i) a contribution of equity to a Project, (ii) a long-term loan to the Borrower, or to the owner of a Project if not the Borrower, from a lender other than the Agency for purposes of a Project, (iii) a permanent loan to the Borrower, or to the owner of a Project if not the Borrower, from the Agency for purposes of a Project or (iv) any combination of the foregoing, sufficient, either individually or in the aggregate, to repay a Loan made with the proceeds of Notes hereunder.

"Program" means the Agency's program of making Loans to Sponsors and Non-Profit Entities pursuant to the Act and the Rules.

"Project" or "Projects" means the Residential Housing developments identified on Exhibit A attached hereto.

"Regulatory Agreement" shall have the meaning given such term in Section 401(B) hereof.

"Revenues" means all payments, proceeds, charges, rents and other income (including without limitation income from investments in the Note Repayment Account) of any kind and from any source derived in cash by or for the account of the Agency from or related to a Project and under the Loan applicable thereto, the applicable Regulatory Agreement or otherwise, including, without limitation, scheduled payments of principal and interest on the Loan.

"Residential Housing" shall have the meaning given such term in the Rules.

"Rules" means the "Vermont Housing Finance Agency Grants, Loans and Advances to Assist the Planning, Construction, Rehabilitation, and Operation of Residential Housing; Mortgage Loans to Housing Sponsors for Single Family Developments Rules"

adopted by the Agency on May 17, 1990 and effective June 4, 1990, as the same may be amended from time to time.

"State" means the State of Vermont.

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

Section 102. Parties Interested Herein. Nothing in this Resolution expressed or implied is intended or shall be construed to confer upon, or to give to, any person, other than the Agency and the registered owners of the Notes, any right, remedy or claim under or by reason of this Resolution or any covenant, stipulation, obligation, agreement or condition therein. All the covenants, stipulations, obligations, promises and agreements in this Resolution contained by and on behalf of the Agency shall be for the sole and exclusive benefit of the Agency and the registered owners of the Notes.

Section 103. Law Applicable. The laws of the State shall be applicable to the interpretation and construction of this Resolution.

Section 104. Severability of Invalid Provision. If any one or more of the provisions, covenants or agreements in this Resolution on the part of the Agency to be performed should be contrary to law, then such provisions, covenants or agreements shall be deemed separable from the remaining provisions, covenants and agreements, and shall in no way affect the validity of the other provisions of this Resolution or of the Notes.

ARTICLE II
AUTHORIZATION OF THE NOTES: FINDINGS: TERMS AND SALE OF NOTES

Section 201. Authority. This Resolution is adopted pursuant to the Act and the Rules and shall take effect immediately upon its adoption. The Agency is duly authorized under the Act and all applicable laws to issue the Notes, to adopt this Resolution and to pledge the revenues, funds and accounts of the Agency pledged hereby in the manner and to the extent provided herein. The Agency will at all times, to the extent permitted by law, defend, preserve and protect such pledge and all the rights of the registered owners of the Notes hereunder against all claims and demands of all persons whomsoever.

Section 202. The Loans and the Notes. (A) The Agency hereby authorizes, ratifies and approves the Loans identified in Exhibit A attached hereto, in principal amount not exceeding the amounts set forth in Exhibit A, to assist in the planning,

constructing, rehabilitating or operating of the Projects in anticipation of Permanent Financing. Notwithstanding anything contained in this Resolution to the contrary, in addition to the provisions of Paragraph (C) of this Section 202 the Agency may, by adoption of an amendment in accordance with the provisions of Section 504 hereof, amend Exhibit A hereto to increase the principal amount of any Loan or to substitute or add any other project and provide for a loan therefor, provided that any such amendment is otherwise consistent with the terms and conditions of this Resolution, the findings required in Section 204 hereto are made by the Agency with respect to any substituted or additional project, and any substituted or additional loan meets the requirements of Section 403 hereof.

(B) In order to provide funds with which to make the Loans and to pay Costs of Issuance of the Notes, the Agency hereby determines to issue the Notes in an aggregate principal amount not to exceed $2,500,000. The Notes shall be dated the Note Date, shall mature on April 18, 1991 (hereinafter the "Maturity Date"), shall be issued solely in fully registered form in denominations of not less than $100,000 and shall bear interest from their date at an interest rate not to exceed 7.5 percent (7.5%) per annum, calculated on the basis of a 360 day year, payable on the Maturity Date. The Notes shall not be subject to redemption prior to the Maturity Date. The Notes shall be executed, shall be subject to transfer and exchange, and shall otherwise be in form and tenor as provided in, and the respective rights and obligations of the Agency and the registered owners thereof shall be as described in, the form of the Notes set forth in Exhibit B attached hereto.

(C) Subject to Paragraph (B) of this Section 202, the principal amount of the Loans, the principal amount of the Notes and the interest rate therefor, and any other terms and conditions of the Loans and the Notes not specified in this Resolution (and not inconsistent herewith) shall be determined by the Authorized Officers of the Agency executing and delivering the Notes at or prior to the Note Date. Said Authorized Officers shall file with the Secretary of the Agency on or prior to the Note Date a certificate specifying and determining such principal amounts, interest rate and other terms and conditions.

Section 203. Allocation of State Volume Cap to Notes. The Agency hereby determines to allocate to the Notes not in excess of $2,500,000 of the Agency's $ 8,193,810 remaining unused 1987 annual volume cap with respect to private activity bonds that the Agency heretofore elected pursuant to Section 146(f) of the Code to carry forward for the purpose of issuing exempt facility bonds for the purpose of financing qualified residential rental projects pursuant to Section 142 of the Code.

Section 204. Findings. The Agency hereby determines that:

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

(B) the Loans can be issued bearing interest at a rate which will be less than the prevailing rate of interest on comparable loans available in the State without the assistance of the Agency;

(C) the Agency will derive receipts, revenues or other income from the Loans made with the proceeds of the Notes sufficient to provide, together with all other available receipts, revenues and income of the Agency, for the payment of the Notes and the payment of all costs and expenses incurred by the Agency with respect to the Program for which the Notes are issued;

(D) the Projects are Residential Housing primarily for occupancy by Persons and Families of Low and Moderate Income;

(E) the Borrowers are Housing Sponsors as defined in the Act or Non-Profit Entities as defined in the Rules; and

(F) the Loans will assist the planning, construction, rehabilitation or operation of Residential Housing primarily for Persons and Families of Low and Moderate Income.

Section 205. Sale of the Notes. (A) The Authorized Officers of the Agency, in connection with the sale of any or all of the Notes herein authorized to be issued, are each hereby authorized and directed to solicit, at public or private sale, from such qualified investors as shall be determined by the Authorized Officers, proposals for the purchase of said Notes and to sell and award such Notes, or any part thereof, to one or more qualified investors at such price or prices as they shall determine to be in the best interest of the Agency, provided that the net interest cost to the Agency on the Notes so sold and awarded shall not exceed 7.5 percent (7.5%) per annum. The distribution of an information statement, if any, in connection with the sale of said Notes is hereby authorized and approved. Any of the Authorized Officers are hereby authorized and directed to deliver said Notes to the purchaser or purchasers thereof, determined as above provided, and to execute and deliver all documents and instruments required in connection therewith.

(B) The proceeds of sale of the Notes shall be applied as provided in Section 302 hereof.

ARTICLE III
ESTABLISHMENT OF ACCOUNTS: APPLICATION OF BOND PROCEEDS: OBLIGATION OF NOTES: PLEDGE

Section 301. Accounts. The following separate accounts are hereby created, or authorized to be created as provided herein, such accounts to be held by the Paying Agent and administered by the Agency subject to the pledge herein made:

(1) Multi-Family Housing Development Note Loan Account, 1990 Series A (the "Loan Account")

(2) Multi-Family Housing Development Note Repayment Account, 1990 Series A (the "Note Repayment Account")

Section 302. Application of Proceeds of the Notes. (A) Upon the original authentication and delivery of the Notes, the proceeds derived from the sale of said Notes shall be deposited with and held by the Paying Agent in the Loan Account. Moneys so deposited in said Loan Account shall be used and applied by the Agency solely for the purpose of making the Loans upon compliance with the provisions of Section 403 hereof. Moneys may be withdrawn by the Agency from the Loan Account from time to time for the purpose of making any Loan upon checks, drafts or orders for payments therefrom, signed by an Authorized Officer.

(B) Pending the application of the moneys deposited in the Loan Account to the making of the Loans or paying Costs of Issuance, such moneys may be invested and reinvested by the Paying Agent in Investment Obligations. The moneys in the Loan Account to be so invested, and the maturity date or dates, or date or dates or redemption at the option of the holders of such obligations, shall be such as an Authorized Officer shall direct the Paying Agent in writing or, in the absence of such direction, at the discretion of the Paying Agent. Subject to the provisions of Section 401(A)(4) hereof, all earnings on investment or deposit of moneys in the Loan Account, or any part thereof, shall be credited upon receipt to the Loan Account.

(C) If on the Maturity Date any amount remains on deposit in the Loan Account, the Paying Agent, without direction of the Agency, shall transfer such amount to the Note Repayment Account.

Section 303. Application of Revenues. (A) The Agency shall deposit all Revenues in the Note Repayment Account upon receipt thereof, and shall deposit in the Note Repayment Account proceeds of any bonds, notes or other obligations of the Agency issued to renew or pay the Notes or the interest thereon, until the amount on deposit in the Note Repayment Account shall equal the unpaid principal amount of the Notes outstanding plus all interest accrued and to accrue thereon to the Maturity Date. From time to time, at its option, the Agency may also transfer moneys from the General Fund to the Note Repayment Account.

(B) On the Maturity Date, the Paying Agent shall apply moneys in the Note Repayment Account to the payment of the principal amount of the Notes due on such date plus the interest accrued and payable thereon. Following payment or provision for payment of the Notes and the interest thereon as aforesaid, any balance on deposit in the Note Repayment Account shall be transferred by the Paying Agent to the Agency upon request of an Authorized Officer.

(C) Pending application as provided in this Section 303, moneys on deposit in the Note Repayment Account may be invested and reinvested by the Paying Agent in Investment Obligations. The moneys in the Note Repayment Account to be so invested, and the maturity date or dates, or date or dates or redemption at the option of the holders of such obligations, shall be such as an Authorized Officer shall direct the Paying Agent in writing or, in the absence of such direction, at the discretion of the Paying Agent. All earnings on investment or deposit of moneys in the Note Repayment Account, or any part thereof, shall be credited upon receipt to the Note Repayment Account.

Section 304. Obligation of Notes; Pledge. The Notes shall be general obligations of the Agency payable out of any of the Agency's revenues, moneys or assets, subject only to agreements heretofore or hereafter made with the holders of obligations of the Agency other than the Notes pledging particular revenues, moneys or assets for the payment thereof. There are hereby pledged to the payment of principal and interest on the Notes, subject to the provisions of this Resolution permitting application thereof for the purposes and on the terms and conditions set forth in this Resolution, (i) all Revenues and (ii) all moneys and securities from time to time in the Loan Account and Note Repayment Account, including without limitation proceeds of any renewal obligations deposited in the Note Repayment Account in accordance with Section 303(A) hereof.

ARTICLE IV
SPECIAL COVENANTS OF THE AGENCY

Section 401. Covenants with Respect to the Notes. (A) With respect to the Notes, the Agency covenants and agrees, and, if applicable, shall require the Borrower under the Loan or the Regulatory Agreement similarly to covenant and agree, as follows:

(1) It shall neither take any action or fail to take any action, nor, to the extent it has the legal power to do so, permit any Borrower to take any action or fail to take any action which, if either taken or not taken, would adversely affect the exclusion of the interest on any of the Notes from gross income for federal income tax purposes under the Code.

(2) The Agency shall not use or permit the use of any proceeds of the Notes or any other funds of the Agency, directly or indirectly, to acquire securities or obligations, and shall not permit to be taken any other action or actions, which would cause any Note to be an "arbitrage bond" within the meaning of Section 148 of the Code. In order to assure compliance with the rebate requirements of Section 148 of the Code, the Agency further covenants that it will establish such accounting procedures as are necessary to adequately determine, account for and pay over any amount or amounts required to be paid to the Treasury Department of the United States in a manner consistent with the requirements of Section 148 of the Code, such covenant to survive the defeasance of the lien enjoyed by any Notes pursuant to Section 505 hereof.

(3) The Agency shall not enter into any arrangement, formal or informal, with a Borrower (or any related person, as defined in Section 147(a) of the Code) pursuant to which the Borrower shall purchase the Notes in an amount related to the amount of its Loan.

(4) Income earned from the investment of amounts credited to the Loan Account shall be credited to such account and retained therein to the extent necessary to ensure that substantially all of the proceeds of the Notes will be considered used to provide projects for residential rental property within the meaning of Section 142(d) of the Code.

(5) Amounts on deposit in the Loan Account transferred to the Note Repayment Account pursuant to Section 302(C) hereof shall be used to pay such portion of the Notes at maturity as shall be necessary to ensure that substantially all of the proceeds of the Notes will be considered used to provide projects for residential rental property within the meaning of Section 142(d) of the Code. Such amounts required to be used to pay all or any portion of the Notes pursuant to the immediately preceding sentence shall, from the date the Agency determines that such amounts must be so used to comply with Section 142(d) of the Code, not be invested at a yield greater than the yield on the Notes and shall be used to pay the Notes at maturity.

(6) The Agency shall not take any action or fail to take any action or permit any action to be taken on its behalf or cause or permit any circumstances within its control to arise or continue if such action or inaction would result in less than substantially all of the proceeds of the Notes being used to provide projects for residential rental property, within the meaning of Section 142(d) of the Code, with respect to which the occupancy requirement contained therein is met.

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

(8) The amount of "issuance costs" (within the meaning of the Code) financed with proceeds of the Notes shall not exceed 2% of the proceeds of the Notes.

(B) At or prior to making or funding any Loan with proceeds of the Notes, the Agency shall enter into an agreement between the Agency and the Borrower and the owner of the applicable Project if other than the Borrower (herein referred to as a "Regulatory Agreement"), which Regulatory Agreement shall run with the land for the period necessary to comply with the provisions of Section 142(d) of the Code, setting forth the terms and conditions of such Loan, consistent with this Resolution, and the procedures pursuant to which the proceeds of the Loan will be disbursed from the Loan Account to or for the account of the Borrower, or to or for the account of the owner of the Project if other than the Borrower, and under which the Borrower and such owner, as applicable, shall covenant to the effect that they will (i) take all actions necessary to ensure that the Project to be financed with the Loan complies with the requirements of Section 142(d) of the Code; (ii) apply all proceeds of the Loan to provide projects for residential rental property within the meaning of Section 142(d) of the Code; and (iii) submit such reports to the Agency as the Agency determines are necessary to establish compliance with such covenants. Such Regulatory Agreement shall provide that it may be enforced by the Agency through a cause of action in equity for specific performance.

Section 402. Compliance with Section 401. The provisions of Section 401 of this Resolution shall be complied with by the Agency in order to meet the requirements of the Code such that interest on the Notes shall be and remain excludable from the gross income of the registered owner of any Notes for federal income tax purposes; provided, however, that the Agency shall not be required to comply with such provision with respect to the Notes in the event that the Agency receives a bond counsel's opinion that compliance with such provision is no longer required to satisfy the requirements of the Code or that compliance with some other provision in lieu of a provision specified in Section 401 of this Resolution will satisfy said requirements, in which case compliance with such other provision specified in the bond counsel's opinion shall constitute compliance with the provision specified in Section 401 of this Resolution.

Section 403. Covenants With Respect to Loans.

(A) Each Loan financed in whole or in part from proceeds of the Notes shall be secured by a promissory note and/or a Mortgage

with such terms and conditions permitted by the Act and the Rules as the Agency in its discretion shall determine.

(B) Each Loan shall provide for payments thereunder on account of the principal and interest payable thereon in amounts and at times sufficient, together with other moneys of the Agency available therefor, to pay on or prior to the Maturity Date the portion of the principal amount of the Notes, together with interest thereon, that is allocable to the Loan as determined by the Agency.

(C) The Loans shall be held for the credit of the General Fund. So long as any Notes shall be outstanding and unpaid, the Agency shall not create or permit to be created any lien, pledge, security interest or other encumbrance in or upon the Loans or any Mortgage or note evidencing or securing the same unless prior thereto the Agency shall grant to the registered owners of the Notes a senior lien, pledge, security interest or other encumbrance on such Loan, Mortgage or note.

Section 404. Issuance of Indebtedness. (A) So long as any Notes shall be outstanding hereunder, the Agency shall not create or permit the creation of or issue any obligations or create any indebtedness which will be secured by a charge and lien on the Revenues or any other receipts, moneys or property pledged hereunder or which will be payable from the Loan Account or the Note Repayment Account.

(B) The Agency covenants and agrees that so long any of the Notes shall be outstanding hereunder, the aggregate amount of principal and interest on "Unpaid Short Term Unsecured Indebtedness" (as hereinafter defined) of the Agency maturing or payable at the option of the holder thereof on or prior to the Maturity Date shall not exceed five million dollars ($5,000,000). As used in this Section 404, the term "Unpaid Short Term Unsecured Indebtedness" means any bond, note or other obligation of the Agency or any principal of or interest on any such bond, note or other obligation, as applicable, which is outstanding and unpaid within the meaning of the proceedings of the Agency authorizing the same and which (i) is a general obligation of the Agency, (ii) was issued or incurred by the Agency to finance directly or indirectly Housing Development Costs of Residential Housing in the State and (iii) is not secured and, following disbursement of the proceeds thereof in accordance with the requirements of the authorizing proceedings of the Agency, will not be secured by a pledge or assignment of a Mortgage on or other interest in such Residential Housing for the benefit of the holder of such indebtedness.

(C) Except as provided in the foregoing provisions of this Section 404, nothing contained in this resolution is intended to limit, nor shall be construed as limiting, in any way, the authorization, issuance or securing of any additional notes, bonds or other obligations of the Agency.

ARTICLE V
MISCELLANEOUS

Section 501. Paying Agent and Note Registrar. The Howard Bank, N.A., Burlington, Vermont, is hereby appointed Paying Agent and Note Registrar for the Notes. Said bank shall evidence its acceptance of the duties of Paying Agent and Note Registrar by delivering a certificate of acceptance to the Agency at or prior to the authentication and delivery of any Notes hereunder.

Section 502. Authorization of Officers. The Chairman, Vice-Chairman, Executive Director and Secretary, Director of Finance and each other Authorized Officer are each hereby authorized and directed to do all acts and things and to execute and deliver any and all documents, certificates, and other instruments necessary or desirable to effectuate the transactions contemplated by this Resolution.

Section 503. Default. If the Agency defaults in the payment of principal of or interest on the Notes when due, or in the performance of any covenant in this Resolution, then the registered owner of any Note shall have the right, by mandamus or other suit, action or proceeding at law or in equity, to bring suit upon the Notes; to enforce its rights under this Resolution and the Notes to compel performance by the Agency of its obligations under the Notes and this Resolution; to require the Agency to account as trustee of an express trust; or to enjoin any acts which may be unlawful or in violation of the rights of the registered owner of any Note. No remedy conferred by this Resolution upon the registered owner of any Note is intended to be exclusive of any other remedy, but each shall be in addition to every other remedy given under this Resolution or the Notes or provided at law or in equity or by the Act. No delay or omission of the registered owner of any Note to exercise any right or power or be construed to be a waiver of the default. The registered owner of any Note may waive any default and its consequences. No such waiver shall extend to any subsequent or other default.

Section 504. Amendment. (A) Without the consent of the registered owners of the Notes, this Resolution may be amended at any time and from time to time by supplemental resolution adopted by the Agency (i) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision herein, (ii) to insert such provisions clarifying matters or questions arising under this Resolution as are necessary or desirable and are not contrary to or inconsistent with this Resolution as theretofore in effect, (iii) to amend Exhibit A hereof in accordance with Section 202(A) of this Resolution or (iv) to make any other change herein which, in the judgment of the Paying Agent, is not prejudicial to the Paying Agent or the registered owners of any Notes outstanding.

(B) Except as provided in Paragraph (A) of this section, this Resolution may only be amended with the prior written consent of the registered owner of each Note outstanding affected by the provisions thereof. If there be more than one Note outstanding hereunder, the written consent required by this paragraph shall be effective if given by the registered owners of a majority in aggregate principal amount of all Notes outstanding. Notwithstanding the foregoing, no amendment of the Resolution making a change in the terms of maturity or redemption of any Note outstanding, or the principal amount thereof or the rate of interest thereon, or the provisions of this Section 504, shall be effective without the prior written consent of the registered owner of each Note affected by such amendment.

Section 505. Defeasance. If the Agency shall pay or cause to be paid to the registered owner of any Note the principal and interest thereon at the times and in the manner stipulated therein and herein, then such Note and the pledge of any Revenues, moneys, funds or other property pledged hereby or thereby, and all other rights granted hereby or thereby, shall be discharged and satisfied and such Note shall no longer be or deemed to be outstanding hereunder. Notes for the payment of the principal of and interest on which there is held by the Paying Agent in the Note Repayment Account either moneys in an amount, or investments in direct obligations of the United States of America or obligations the principal of and interest on which are guaranteed by the United States of America, the principal of and interest on which when due will provide an amount, sufficient to pay when due the principal amount thereof, and all interest accrued and to accrue thereon to the Maturity Date shall be deemed paid within the meaning of the first sentence of this Section 505.

Section 506. No Recourse. All covenants, stipulations, promises, agreements and obligations of the Agency contained in this Resolution shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Agency and not of any member, officer or employee of the Agency in his individual capacity, and no recourse shall be had for the payment of the principal of or interest on the Notes or for any claim based thereon or on this Resolution against any member, officer or employee of the Agency or any person executing said Notes.

Section 507. Effective Date. This Resolution shall take effect immediately.

EXHIBIT "A"

Project	Borrower	Loan Amount
Northgate Apartments and Greenfield Apartments	Housing Vermont	$1,250,000
Pine Meadows Apartments	Housing Vermont	$1,250,000

EXHIBIT "B"

[NOTE FORM]

No. _____ $_____

VERMONT HOUSING FINANCE AGENCY MULTI-FAMILY
HOUSING DEVELOPMENT LOAN NOTE, 1990 SERIES A

Principal Sum: $_____ Note Date:

Interest Rate: _____% Per Annum Maturity Date:

The VERMONT HOUSING FINANCE AGENCY (herein called the "Agency"), a body politic and corporate of the State of Vermont, acknowledges itself indebted and for value received hereby promises to pay to _____, or registered assigns, on the Maturity Date the Principal Sum stated above with interest thereon, calculated on the basis of a 360-day year, from the Note Date at the Interest Rate, payable on the Maturity Date. This note shall not be subject to redemption prior to the Maturity Date.

The principal of and interest on this note are payable in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts. The principal of and interest on this note shall be payable by check or draft mailed by The Howard Bank, N.A., Burlington, Vermont, as paying agent of the Agency (together with any successor paying agent, the "Paying Agent") to the registered owner at its address appearing on the registration books of the Agency, provided that the registered owner of this note may make arrangements with the Paying Agent for payment of principal and interest by wire transfer. Upon final payment of this note, the registered owner hereof will, and by acceptance of this note hereby agrees, to cancel and return this note to the Paying Agent.

This note is one of a duly authorized issue of notes (the "1990 Series A Notes") issued in the aggregate principal amount of $_____ under and by virtue of the Vermont Housing Finance Agency Act, being No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended (herein called the "Act"), and under and pursuant to a resolution of the Agency adopted November 15, 1990 (herein called the "Resolution") for the purpose of making all or a portion of the Loans described in the Resolution. Copies of the Resolution are on file at the office of the Agency in the City of Burlington, State of Vermont, and reference to the Resolution and to the Act is made for a description of the pledge and covenants securing the 1990 Series A Notes, the nature, manner and extent of enforcement of such pledge and covenants, the rights and remedies of the registered owners of the 1990

Series A Notes with respect to such pledge and covenants, the terms and conditions upon which the 1990 Series A Notes are issued thereunder, and a statement of the rights, duties, immunities and obligations of the Agency.

This bond is a general obligation of the Agency payable out of any of the Agency's revenues, moneys or assets, subject only to agreements heretofore or hereafter made with the holders of obligations of the Agency other than this note pledging particular revenues, moneys or assets for the payment thereof, and is also secured by a pledge of Revenues (as defined in the Resolution) and all moneys and securities on deposit from time to time in the Loan Account and the Note Repayment Account established by the Resolution, subject to all provisions and conditions of the Resolution.

The Agency is not obligated to pay this note or the interest hereon except from the revenues, moneys or assets of the Agency pledged under the Resolution or as otherwise provided herein and therein and neither the faith and credit nor the taxing power of the State of Vermont or of any political subdivision thereof is pledged to the payment of the principal of or interest on this note.

Except as provided in the Resolution, the 1990 Series A Notes are issuable solely in the form of fully registered notes in denominations of $100,000 or any integral multiple thereof. Upon surrender hereof at the principal office of the Paying Agent, as Note Registrar, with a written instrument of transfer satisfactory to the Agency and the Note Registrar, duly executed by the registered owner hereof or his duly authorized attorney, this note may, at the option of the registered owner, be exchanged for an equal aggregate principal amount of fully registered notes of the same maturity, interest rate and tenor in any of the authorized denominations.

This note is transferable, only upon the registration books of the Agency, by the registered owner hereof in person or by his attorney duly authorized in writing, upon surrender hereof at the principal office of the Note Registrar together with a written instrument of transfer satisfactory to the Agency and the Note Registrar duly executed by the registered owner or such duly authorized attorney, and thereupon the Agency shall issue in the name of the transferee a new registered note or notes of the same aggregate principal amount, maturity and interest rate as the surrendered note and in any of the authorized denominations. The Agency and the Paying Agent may treat and consider the person in whose name this note is registered as the holder and absolute owner hereof for the purpose of receiving payment of, or on account of, the principal amount hereof and interest due hereon and for all other purposes whatsoever.

No recourse shall be had for the payment of the principal amount of or the interest on this note or for any claim based

thereon or on the Resolution against any commissioner of the Agency or any person executing this note.

This note shall not be entitled to any benefit under the Resolution or be valid or become obligatory for any purpose until this note shall have been duly authenticated by the Paying Agent by execution of the certificate of authentication provided on this note.

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

IN WITNESS WHEREOF, the VERMONT HOUSING FINANCE AGENCY has caused this note to be signed in its name and on its behalf by the manual signature of its Authorized Officer, and its corporate seal to be affixed hereto or imprinted hereon and attested by the manual signature of its Authorized Officer.

VERMONT HOUSING FINANCE AGENCY

By _____
Authorized Officer

[SEAL]

Attest:

_____
Authorized Officer

CERTIFICATE OF AUTHENTICATION

This note is one of the 1990 Series A Notes described in the within-mentioned Resolution of the Vermont Housing Finance Agency.

THE HOWARD BANK, N. A.

By _____
Authorized Officer

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Patricia Crady, Development Coordinator

DATE: November 15, 1990

RE: Loan Requests from Peter Jacob/Lloyd Krantz and Todd Hardie/Jeffrey Provost

At the October Board meeting we discussed with you two loan requests, one from Peter Jacob and Lloyd Krantz (Dorset Lane Associates) and another from Todd Hardie and Jeffrey Provost.

The following is a brief overview of each project and request with our recommendations.

Todd Hardie and Jeffrey Provost

Project Overview and Loan Request

The partnership of Todd Hardie and Jeffrey Provost would like to construct a model home on Route 7 in Ferrisburg and have requested a construction mortgage of $68,160. Vermont National Bank rejected a request because the projected rental is not sufficient to offset the mortgage and expenses. (They will break even in year one, and have a negative cash flow in year two and three. The negative cash flow is due to increased interest expenses projected year two and year three.) Vermont National Bank has indicated to Todd Hardie that they would favorably review a request if VHFA were to agree to guarantee the loan.

Initially, the model home would be rented and also used to promote:

1. The Addison Home which is manufactured by Creative Carpentry (Jeffrey Provost and marketed by Todd Hardie (Addison Homes Real Estate). Todd Hardie has committed to provide ten housing units over the next five years at his cost to land trusts and other nonprofit groups. ($28,900 for a 912 sq. ft. three bedroom ranch);

2. Their Otter Creek Village Project in Vergennes. Otter Creek Village is a 33 lot subdivision which received an award of $10,000 from the State of Vermont's MANUFACTURED HOUSING MODEL DEMONSTRATION PROGRAM. Three of the lots will be under control of the Addison County Community Land Trust. In order to meet the conditions of the development financing with Vermont National Bank, they must presell six homes and feel they need a model home to do this.

EQUAL HOUSING OPPORTUNITY

Recommendation

Staff recommends that we pursue providing a guarantee to Vermont National Bank of the construction mortgage. We would probably want to limit our guarantee to a specific time and also restrict the use of the property to residential during that period. Eventually they plan to use the model unit as a sales office for Addison Homes.

If Vermont National Bank is not interested in making the mortgage with our guarantee, we recommend that VHFA provide first mortgage financing under terms and conditions to be negotiated.

Also, under our enabling legislation and rules adopted this year, the partnership would have to meet the definition of a Housing Sponsor or NonProfit Entity which may place further restrictions on the use or sale of the unit.

Peter Jacob and Lloyd Krantz - Dorset Lane Associates

Project Overview and Loan Request

Peter Jacob and Lloyd Krantz (Dorset Lane Associates) have developed a 16 lot subdivision off Birch Court in the new north end of Burlington. Development of the subdivision is complete with city water and sewer, curbs, sidewalks and roads. Thirteen of the original 16 lots remain unsold. Bank of Vermont has the development loan.

Dorset Lane Associates would like to place manufactured homes (Skyline double wide) on the lots which would sell from $96,900 to $98,000 and need to construct a model unit to market the project. They have applied to Bank of Vermont for a construction loan in the amount of $83,000 for the model unit, however, do not feel they can meet the conditions placed by BOV which require six sales by December 31, 1990, and an additional six sales by July 1, 1991.

Dorset Lane Associates has requested a construction mortgage from VHFA for $83,000.

Recommendations

Staff recommends that we approve a mortgage for construction of a model unit under terms and conditions to be negotiated with the partnership.

Again, under our enabling legislation and rules adopted this year, the partnership would have to meet the definition of a Housing Sponsor or Nonprofit Entity which may place restrictions on the use or sale of the unit or other units within the project.

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: November 14, 1990

TO: Allan Hunt

FROM: Lynne Ballew LB

RE: Permanent subordinate financing for Dalton Drive affordable units--VHCB/VHFA second mortgage pool

Attached in brief outline is a draft plan, sent to VHCB today, for the permanent mortgage financing of the perpetually affordable units at Dalton Drive.

The combined VHCB/VHFA second mortgage pool as outlined achieves several important common objectives of VHFA and VHCB:

It gives us an excellent, aggressive marketing tool that provides a simple and easy-to-administer loan package.

It enables us to dig deeper in our marketing efforts to reach lower-income families.

It opens the way for VHFA to recover some of its financial investment down the way.

It preserves the financial and marketing integrity of the entire Dalton Drive project without artificially depressing prices on the perpetually affordable units.

It provides a pretty fair assurance that the amount of ongoing second mortgage subsidy will be sufficient to keep the affordable properties affordable over time.

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866

EQUAL HOUSING OPPORTUNITY

Draft Proposal to VHCB

Target range of perpetually affordable units: 25-40

Maximum sales price for affordable units: $98,000

Families at or below 85% of median are eligible for seconds; 100% financing is available where necessary and appropriate.

VHCB and VHFA each put in $300,000 for seconds for a total pool of $600,000.

Second mortgage amount can go as high as $25,000 for qualified borrowers (maximum second $12,000 for 1-person family; $15,000 for 2; $20,000 for 3; $25,000 for 4+). This works out to a maximum sales price for a 1-person family of $65,000; for a 2-person family, of $80,000; and and for a 3+-person family, of $98,000.

Interest rate on seconds is 5% annually; P&I on seconds is deferred and due on sale.

Seconds pool is replenished and increased by the 5% accrued interest and by 50% of the appreciation upon resale.

VHFA retains option to buy back the affordable units with seconds (no buyback option on regular MOVE or market units); this option is assignable by VHFA to the next qualified borrower.

VHFA repurchase price is market value (sales price or appraised value, whichever is lower).

VHFA and VHCB enter into a bilateral agreement regarding the seconds participation pool that lays out the terms of return- and risk-sharing.

The attached financial scenarios show 10-year projections for $65,000, $80,000, and $98,000 units purchased by qualified families using the proposed maximum second mortgage amounts. They assume 100% financing of the purchase price (not including closing costs, which must be paid by the borrower); 4% annual appreciation and 3% annual income increases (slightly more conservative than Art Wolff's latest projections); 4% annual increases in expenses (condo fees plus T&I); and VHFA Perpetually Affordable first mortgages at 7.9%.

As the scenarios show, affordability to lower-income families can increase over time, because the seconds pool is increased both by half the appreciation and by the 5% accrued interest. Net financial gain to the seller is in fact around 25% of the property's appreciation. We believe that it will be very appealing to buyers of the affordable units to split equity 50/50 and to know that interest paid on the second mortgage is helping future borrowers rather than enriching lenders or developers.

DALTON DRIVE PERPETUAL AFFORDABILITY ANALYSIS

100% FINANCING: VHFA 1STS/VHCB or VHFA 2NDS
BUYER PAYS CLOSING COSTS ONLY

ASSUMPTIONS

UNIT SIZE	1 bedroom
ORIGINAL UNIT COST	65,000
ASSUMED ANNUAL RATE OF APPRECIATION	4.0%
ASSUMED FAMILY SIZE	1 PERSON
MEDIAN INCOME @ TIME OF ORIG PURCHASE	27,700
85% OF MEDIAN @ TIME OF ORIG PURCHASE	23,545
ASSUMED ANNUAL RATE OF INCOME INCREASE	3.0%
TAXES, INSURANCE, & 50% CONDO FEE	2,412
ASSUMED ANNUAL RATE OF INCREASE	4.0%
% INCOME AVAILABLE FOR SHELTER COST	30.0%
AMOUNT OF SECOND MORTGAGE @ PURCHASE	12,000
INTEREST RATE ON SECOND MORTGAGE	5.00%

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
MARKET VALUE (ESTAB. BY APPRAISAL)	67,600	70,304	73,116	76,041	79,082	82,246	85,536	88,957	92,515	96,216
CLOSING COSTS AT 4%	2,704	2,812	2,925	3,042	3,163	3,290	3,421	3,558	3,701	3,849
INCREASE IN VALUE/$$ APPRECIATION	2,600	5,304	8,116	11,041	14,082	17,246	20,536	23,957	27,515	31,216
50% APPRECIATION	1,300	2,652	4,058	5,520	7,041	8,623	10,268	11,978	13,758	15,608
SECOND MORTGAGE (ACCRUING 5% INTEREST)	12,600	13,230	13,892	14,586	15,315	16,081	16,885	17,729	18,616	19,547
FUNDS AVAILABLE IN SECONDS POOL	13,900	15,882	17,950	20,106	22,357	24,704	27,153	29,708	32,374	35,155
FIRST MORTGAGE NEEDED	53,700	54,422	55,167	55,934	56,726	57,542	58,383	59,249	60,142	61,061
LTV OF FIRST MORTGAGE	0.79	0.77	0.75	0.74	0.72	0.70	0.68	0.67	0.65	0.63
ANNUAL DEBT SERVICE @ 7.9%/30 YEARS	4,684	4,747	4,811	4,878	4,947	5,019	5,092	5,168	5,245	5,326
TAXES, INSURANCE, & 50% CONDO FEE	2,508	2,609	2,713	2,822	2,935	3,052	3,174	3,301	3,433	3,570
5% INT. ON SECOND MORTGAGE (DEFERRED)	750	630	662	695	729	766	804	844	886	931
TOTAL ANNUAL SHELTER COST	7,192	7,355	7,525	7,700	7,882	8,071	8,266	8,468	8,678	8,896
INCOME REQUIRED FOR SHELTER COST @ 30%	23,973	24,518	25,082	25,667	26,273	26,902	27,553	28,228	28,928	29,653
REQUIRED INCOME AS % OF MEDIAN	84.0%	83.4%	82.9%	82.3%	81.8%	81.3%	80.9%	80.4%	80.0%	79.7%
MEDIAN INCOME	28,531	29,387	30,269	31,177	32,112	33,075	34,068	35,090	36,142	37,226
NET $$ TO SELLER	700	1,422	2,167	2,934	3,726	4,542	5,383	6,249	7,142	8,061
% OF APPRECIATION TO SELLER	26.92%	26.81%	26.69%	26.58%	26.46%	26.34%	26.21%	26.08%	25.96%	25.82%
(not including any tax benefits)										

DALTON DRIVE PERPETUAL AFFORDABILITY ANALYSIS

100% FINANCING: VHFA 1STS/VHCB or VHFA 2NDS
BUYER PAYS CLOSING COSTS ONLY

ASSUMPTIONS

UNIT SIZE	2 bedroom
ORIGINAL UNIT COST	80,000
ASSUMED ANNUAL RATE OF APPRECIATION	4.0%
ASSUMED FAMILY SIZE	2 PEOPLE
MEDIAN INCOME @ TIME OF ORIG PURCHASE	31,700
85% OF MEDIAN @ TIME OF ORIG PURCHASE	26,945
ASSUMED ANNUAL RATE OF INCOME INCREASE	3.0%
TAXES, INSURANCE, & 50% CONDO FEE	2,412
ASSUMED ANNUAL RATE OF INCREASE	4.0%
% INCOME AVAILABLE FOR SHELTER COST	30.0%
AMOUNT OF SECOND MORTGAGE @ PURCHASE	15,000
INTEREST RATE ON SECOND MORTGAGE	5.00%

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
MARKET VALUE (ESTAB. BY APPRAISAL)	83,200	86,528	89,989	93,589	97,332	101,226	105,275	109,486	113,865	118,420
CLOSING COSTS AT 4%	3,328	3,461	3,600	3,744	3,893	4,049	4,211	4,379	4,555	4,737
INCREASE IN VALUE/$$ APPRECIATION	3,200	6,528	9,989	13,589	17,332	21,226	25,275	29,486	33,865	38,420
50% APPRECIATION	1,600	3,264	4,995	6,794	8,666	10,613	12,637	14,743	16,932	19,210
SECOND MORTGAGE (ACCRUING 5% INTEREST)	15,750	16,538	17,364	18,233	19,144	20,101	21,107	22,162	23,270	24,433
FUNDS AVAILABLE IN SECONDS POOL	17,350	19,802	22,359	25,027	27,810	30,714	33,744	36,905	40,202	43,643
FIRST MORTGAGE NEEDED	65,850	66,727	67,630	68,562	69,522	70,511	71,531	72,581	73,663	74,776
LTV OF FIRST MORTGAGE	0.79	0.77	0.75	0.73	0.71	0.70	0.68	0.66	0.65	0.63
ANNUAL DEBT SERVICE @ 7.9%/30 YEARS	5,743	5,820	5,898	5,980	6,063	6,150	6,239	6,330	6,425	6,522
TAXES, INSURANCE, & 50% CONDO FEE	2,508	2,609	2,713	2,822	2,935	3,052	3,174	3,301	3,433	3,570
5% INT. ON SECOND MORTGAGE (DEFERRED)	750	788	827	868	912	957	1,005	1,055	1,108	1,163
TOTAL ANNUAL SHELTER COST	8,252	8,428	8,612	8,801	8,998	9,202	9,413	9,631	9,858	10,092
INCOME REQUIRED FOR SHELTER COST @ 30%	27,506	28,095	28,706	29,338	29,993	30,672	31,376	32,104	32,859	33,640
REQUIRED INCOME AS % OF MEDIAN	84.2%	83.5%	82.9%	82.2%	81.6%	81.0%	80.5%	79.9%	79.4%	79.0%
MEDIAN INCOME	32,651	33,631	34,639	35,679	36,749	37,851	38,987	40,157	41,361	42,602
NET $$ TO SELLER	850	1,727	2,630	3,562	4,522	5,511	6,531	7,581	8,663	9,776
% OF APPRECIATION TO SELLER (not including any tax benefits)	26.56%	26.45%	26.33%	26.21%	26.09%	25.97%	25.84%	25.71%	25.58%	25.45%

[redacted]PETUAL AFFORDABILITY ANALYSIS

[redacted]FINANCING: VHFA 1STS/VHCB or VHFA 2NDS
BUYER PAYS CLOSING COSTS ONLY

ASSUMPTIONS

UNIT SIZE	3 bedroom
ORIGINAL UNIT COST	98,000
ASSUMED ANNUAL RATE OF APPRECIATION	4.0%
ASSUMED FAMILY SIZE	4 PEOPLE
MEDIAN INCOME @ TIME OF ORIG PURCHASE	39,600
85% OF MEDIAN @ TIME OF ORIG PURCHASE	33,660
ASSUMED ANNUAL RATE OF INCOME INCREASE	3.0%
TAXES, INSURANCE, & 50% CONDO FEE	2,412
ASSUMED ANNUAL RATE OF INCREASE	4.0%
% INCOME AVAILABLE FOR SHELTER COST	30.0%
AMOUNT OF SECOND MORTGAGE @ PURCHASE	25,000
INTEREST RATE ON SECOND MORTGAGE	5.00%

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
MARKET VALUE (ESTAB. BY APPRAISAL)	101,920	105,997	110,237	114,646	119,232	124,001	128,961	134,120	139,485	145,064
CLOSING COSTS AT 4%	4,077	4,240	4,409	4,586	4,769	4,960	5,158	5,365	5,579	5,803
INCREASE IN VALUE/$$ APPRECIATION	3,920	7,997	12,237	16,646	21,232	26,001	30,961	36,120	41,485	47,064
[redacted]50% APPRECIATION	1,960	3,998	6,118	8,323	10,616	13,001	15,481	18,060	20,742	23,532
SECOND MORTGAGE (ACCRUING 5% INTEREST)	26,250	27,563	28,941	30,388	31,907	33,502	35,178	36,936	38,783	40,722
FUNDS AVAILABLE IN SECONDS POOL	28,210	31,561	35,059	38,711	42,523	46,503	50,658	54,996	59,525	64,254
FIRST MORTGAGE NEEDED	73,710	74,436	75,178	75,935	76,709	77,498	78,303	79,123	79,959	80,810
LTV OF FIRST MORTGAGE	0.72	0.70	0.68	0.66	0.64	0.62	0.61	0.59	0.57	0.56
ANNUAL DEBT SERVICE @ 7.9%/30 YEARS	6,429	6,492	6,557	6,623	6,690	6,759	6,829	6,901	6,974	7,048
TAXES, INSURANCE, & 50% CONDO FEE	2,508	2,609	2,713	2,822	2,935	3,052	3,174	3,301	3,433	3,570
5% INT. ON SECOND MORTGAGE (DEFERRED)	750	1,313	1,378	1,447	1,519	1,595	1,675	1,759	1,847	1,939
TOTAL ANNUAL SHELTER COST	8,937	9,101	9,270	9,445	9,625	9,811	10,003	10,202	10,407	10,618
INCOME REQUIRED FOR SHELTER COST @ 30%	29,791	30,336	30,900	31,482	32,083	32,704	33,345	34,006	34,689	35,394
REQUIRED INCOME AS % OF MEDIAN	73.0%	72.2%	71.4%	70.6%	69.9%	69.2%	68.5%	67.8%	67.1%	66.5%
MEDIAN INCOME	40,788	42,012	43,272	44,570	45,907	47,284	48,703	50,164	51,669	53,219
NET $$ TO SELLER	710	1,436	2,178	2,935	3,709	4,498	5,303	6,123	6,959	7,810
% OF APPRECIATION TO SELLER (not including any tax benefits)	18.11%	17.96%	17.80%	17.63%	17.47%	17.30%	17.13%	16.95%	16.78%	16.59%

ALTON DRIVE PERPETUAL AFFORDABILITY ANALYSIS

00% FINANCING: VHFA 1STS/VHCB or VHFA 2NDS

UYER PAYS CLOSING COSTS ONLY

ASSUMPTIONS

UNIT SIZE	3 bedroom
ORIGINAL UNIT COST	98,000
ASSUMED ANNUAL RATE OF APPRECIATION	4.0%
ASSUMED FAMILY SIZE	3 PEOPLE
MEDIAN INCOME @ TIME OF ORIG PURCHASE	35,600
85% OF MEDIAN @ TIME OF ORIG PURCHASE	30,260
ASSUMED ANNUAL RATE OF INCOME INCREASE	3.0%
TAXES, INSURANCE, & 50% CONDO FEE	2,412
ASSUMED ANNUAL RATE OF INCREASE	4.0%
% INCOME AVAILABLE FOR SHELTER COST	30.0%
AMOUNT OF SECOND MORTGAGE @ PURCHASE	20,000
INTEREST RATE ON SECOND MORTGAGE	5.00%

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
MARKET VALUE (ESTAB. BY APPRAISAL)	101,920	105,997	110,237	114,646	119,232	124,001	128,961	134,120	139,485	145,064
CLOSING COSTS AT 4%	4,077	4,240	4,409	4,586	4,769	4,960	5,158	5,365	5,579	5,803
INCREASE IN VALUE/$$ APPRECIATION	3,920	7,997	12,237	16,646	21,232	26,001	30,961	36,120	41,485	47,064
50% APPRECIATION	1,960	3,998	6,118	8,323	10,616	13,001	15,481	18,060	20,742	23,532
SECOND MORTGAGE (ACCRUING 5% INTEREST)	21,000	22,050	23,153	24,310	25,526	26,802	28,142	29,549	31,027	32,578
FUNDS AVAILABLE IN SECONDS POOL	22,960	26,048	29,271	32,633	36,142	39,803	43,623	47,609	51,769	56,110
FIRST MORTGAGE NEEDED	78,960	79,948	80,966	82,013	83,090	84,199	85,339	86,511	87,716	88,954
LTV OF FIRST MORTGAGE	0.77	0.75	0.73	0.72	0.70	0.68	0.66	0.65	0.63	0.61
ANNUAL DEBT SERVICE @ 7.9%/30 YEARS	6,887	6,973	7,062	7,153	7,247	7,344	7,443	7,545	7,650	7,758
TAXES, INSURANCE, & 50% CONDO FEE	2,508	2,609	2,713	2,822	2,935	3,052	3,174	3,301	3,433	3,570
5% INT. ON SECOND MORTGAGE (DEFERRED)	750	1,050	1,103	1,158	1,216	1,276	1,340	1,407	1,477	1,551
TOTAL ANNUAL SHELTER COST	9,395	9,582	9,775	9,975	10,181	10,395	10,617	10,846	11,083	11,329
INCOME REQUIRED FOR SHELTER COST @ 30%	31,317	31,939	32,582	33,249	33,938	34,652	35,390	36,154	36,944	37,762
REQUIRED INCOME AS % OF MEDIAN	85.4%	84.6%	83.8%	83.0%	82.2%	81.5%	80.8%	80.2%	79.5%	78.9%
MEDIAN INCOME	36,668	37,768	38,901	40,068	41,270	42,508	43,784	45,097	46,450	47,843
NET $$ TO SELLER	960	1,948	2,966	4,013	5,090	6,199	7,339	8,511	9,716	10,954
% OF APPRECIATION TO SELLER (not including any tax benefits)	24.49%	24.36%	24.24%	24.11%	23.97%	23.84%	23.70%	23.56%	23.42%	23.27%

VERMONT HOUSING FINANCE AGENCY

November 29, 1990

Ms. Jean Gauthier
Department of Administration
Pavilion Office Building
109 State Street
Montpelier, VT 05602

Dear Ms. Gauthier:

The Vermont Housing Finance Agency will be having its regular monthly Board Meeting on Thursday, December 13, at 1:30 p.m., here at the Vermont Housing Finance Agency office, One Burlington Square, Burlington, Vermont.

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

Sincerely,

Barbara M. Parker

Barbara M. Parker
Executive Assistant

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director

DATE: December 7, 1990

RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held at 1:30 p.m. Thursday, December 13, here at the VHFA Office, One Burlington Square, Burlington.

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

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Burlington December 13!

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866

EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

VHFA BOARD MEETING AGENDA

Vermont Housing Finance Agency
One Burlington Square
Burlington, Vermont

Thursday, December 13, 1990 at 1:30 p.m.

1. Review and approval of minutes of November 15, 1990

2. Executive Director's Report [**Hunt**]

3. Operations

   A. MOVE 1989B Update [**Lothrop/Enclosure**]
   B. Federal Recapture Tax Discussion [**Lothrop/Enclosure**]
   C. Mortgage Credit Certificate
      Income Limit Discussion [**Lothrop/Enclosure**]

4. Development

   A. Middlebury: ACCAG/Pleasant Street
      (Letter of Interest) [**Koppelkam/Encl.**]
   B. Status Report--Sugar Mae, Phase II [**Crady/Enclosure**]
   C. MOVE: Energy Efficient Mortgage [**Crady/Enclosure**]
   D. Vergennes: Town & Country Mobile Home Park
      (Commitment Letter/Letter of Intent) [**Koppelkam/Encl.**]

5. Finance

   A. Budget Adjustments [**Schoenbeck/Encl.**]

6. Legal

   A. Federally Taxable Bond Resolutions
      Fernwood Manor (Bolton) [**Jarrett/Enclosure**]
      Town & Country (Vergennes) [**Jarrett/Enclosure**]
   B. Legislation [**Jarrett/Enclosure**]

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

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
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EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

BOARD MINUTES
Vermont Housing Finance Agency
Office of the Commissioner of Banking and Insurance
89 Main Street
Montpelier, Vermont
Thursday, November 15, 1990

PRESENT: Commissioners Shaw, Hebard, Seelig, Francis, Rockford, Myette (via speakerphone)

Agency Staff: Mr. Hunt, Mr. Schoenbeck, Mr. Lothrop, Mrs. Parker, Ms. Hope, Mr. Jarrett, Mr. Koppelkam, Ms. Pond, Ms. Crady

Guests: Kathy Cade (Bank of Boston); Will Giblin (Housing Foundation, Inc.); Elizabeth Ready (Addison County Community Trust)

The meeting was called to order at 1:35 p.m.

Upon a motion duly made and seconded, the "Resolution Pertaining to Letter of Interest re: Fernwood Manor Mobile Home Park" was amended to reflect the correct location of the meeting, and minutes of the October 18, 1990 meeting were unanimously accepted as amended.

Mr. Lothrop reviewed the "MOVE 1989B Update" as included in the Board packet. No Board action was necessary.

The "Possible Conversion of 1990 Mortgage Revenue Bond (MRB) Authority to Mortgage Credit Certificate (MCC) Authority," as detailed in Mr. Lothrop's memo of November 8, included in the Board packet, was reviewed. A motion was duly made and seconded to approve the "Resolution Pertaining to Election of VHFA to Convert MRB Authority to MCC Authority" as drafted and attached to these minutes; this motion passed unanimously.

Mr. Koppelkam reviewed his memo of November 8, included in the Board packet, regarding "Bolton: Fernwood Manor Mobile Home Park, Request for Commitment Letter." Photographs of the site were circulated. According to Mr. Giblin of Housing Foundations, Inc. (HFI), the possibility of displacement of some of the tenants due to increased costs which may result from the sale of the Park is of some concern, but a study of those tenants who would be most at risk is continuing. Mr. Jarrett informed the

Board that HFI is requesting clarification of the Board's policy on occupancy requirements for mobile home parks (based on the precedent set by the French Hill negotiations); of concern is whether the majority of residents must be at or below median at the time of purchase or when residency changes subsequently. Following further discussion, a motion was made and seconded to adopt the "Resolution Pertaining to Combined Letter of Intent and Commitment Letter re: Fernwood Manor Mobile Home Park" with the stipulation that 51% of the residents must be at or below median income at the time of transfer, and that resident incomes will be verified before the transfer and when future residents apply for tenancy in the park; this resolution, as attached to these minutes, was passed unanimously.

Turning next to the "Town & Country Mobile Home Park, Vergennes: Request for Letter of Interest," as detailed in Mr. Koppelkam's memo of November 8, included in the Board packet, photographs of the site location were circulated. Ms. Ready addressed the Board, stressing the strong management component and the overall positive experience that the Addison County Community Trust (ACCT) has had with the residents. Following a brief discussion, a motion was made and seconded to approve the "Resolution pertaining to Letter of Interest re: Town and Country Mobile Home Park" with the stipulation that 51% of the residents must be at or below median income at the time of transfer, and that resident incomes will be verified before the transfer and when future residents apply for tenancy in the park; this resolution, as attached to these minutes, was passed unanimously. Mr. Koppelkam, Mr. Giblin and Ms. Ready left the meeting.

An update on Low Income Housing Tax Credits (LIHTC) was offered by Ms. Pond, who announced that tax credits have been extended by Congress for an additional year, with issuing authority for 1990 reinstated. According to Ms. Pond, an additional $177,000 in tax credits is available for 1990. IRS clarification as far as the ability to reserve credits for a particular project during 1990 and carry over these credits to 1991 is pending. Mr. Seelig inquired as to the status of the proposed February closing for Highgate in terms of approval by the Department of Housing and Urban Development (HUD). Ms. Pond assured the Board that the Transfer of Physical Assets for Highgate was scheduled to be sent to HUD November 16, so that a February closing still appears to be likely. No Board action was necessary.

Mr. Schoenbeck distributed a revised version of the "Tax Exempt Multi-Family Note Resolution" as described in his memo of November 9, included in the Board packet. Separate additional series resolutions will be drafted as necessary, while the

proposed resolution references Pine Meadow (Middlebury) and Northgate. A "Term Sheet," detailing the 1990 Series A Multi-Family Housing Development Loan Notes, was distributed by Ms. Cade, who advised the Board that private placement was deemed to be the most effective way to raise these funds. Mr. Schoenbeck explained that the draft resolution as presented would authorize Agency staff to issue notes for the two referenced projects, so that staff would approach the Board with another resolution for each succeeding multi-family project being financed under terms similar to 1990A. In response to Mr. Shaw's request for an explanation of the source of the funds required at the end of the term of the notes, Mr. Schoenbeck assured the Board that equity funds from Pine Meadow and bridge financing for Northgate should become available prior to the termination of the notes, based on information supplied by Housing Vermont; otherwise, it may be necessary to issue another series of notes. A motion was then made, seconded, and passed unanimously to adopt the "Resolution of Vermont Housing Finance Agency Authorizing the Issuance and Sale of Multi-Family Housing Development Loan Notes, 1990 Series A In An Amount Not To Exceed $2,500,000," as attached to these minutes, with such changes and modifications thereto as the Chairman, Vice Chairman, or Executive Director may approve prior to the delivery of the Notes referred to therein.

"Loan Requests from Peter Jacob/Lloyd Krantz and Todd Hardie/Jeffrey Provost" were reviewed by Ms. Crady, as detailed in her memo of November 15, included in the Board packet. A brief discussion followed regarding the implications of providing financing for a development project which will be comprised of manufactured housing. Mr. Hunt assured the Board that financing requests of this nature would continue to be evaluated based on the long term affordability of the homes being provided. Mr. Seelig further observed that both of the proposed building sites are meant to be demonstrations or trial efforts, not necessarily representing a precedent setting program on the part of the Agency. Regarding the Todd Hardie/Jeffrey Provost proposal, a motion was made, seconded and unanimously approved to (a) authorize staff to pursue providing a guarantee of the construction mortgage to Vermont National Bank (for a specific period of time and restricting the building to residential use); or (b) in the event that Vermont National Bank is not interested in making the mortgage with the Agency's guarantee, to provide first mortgage financing under terms and conditions to be negotiated; and (c) require that the partnership meet the definition of a Housing Sponsor or Nonprofit Entity (under the enabling legislation and rules adopted this year) which may place further restrictions on the use or sale of the unit to be built. As for the proposal from Peter Jacob and Lloyd Krantz, a motion was made and seconded to approve a mortgage for construction of a model unit under terms and conditions to be negotiated with the partnership, and with the understanding that the partnership must

meet the definition of a Housing Sponsor or Nonprofit Entity (under the enabling legislation and rules adopted this year) which may place further restrictions on the use or sale of the demonstration unit to be built.

Next, Ms. Pond addressed the Board regarding a multi-family project consisting of 24 residential and 2 commercial units in several buildings which are located adjacent to one another in Middlebury. The Addison County Community Action Group (ACCAG) has made a preliminary request for acquisition financing. While no further details were available for Board review, it is anticipated that the Board will be approached for approval of a letter of commitment at the December meeting. Mr. Hunt cautioned that consideration of this project raises a policy question: to what extent should the Agency assist in the purchase of multi-family developments needing only acquisition, rather than those with at-risk units. Mr. Seelig advised that the Vermont Housing and Conservation Trust Fund has made a commitment to assist in financing for 16 of the units, and there is some hope that the Farmers Home Administration will provide further funding. No Board action was necessary.

In his Executive Director's report, Mr. Hunt reminded the Board that four lender recognition luncheons have been held in various geographic locations around the state during November. These events recognize the contributions of lenders who participate in the Agency's single family mortgage programs. Plans for the renovation and rehabilitation of Officer's Row at Fort Ethan Allen (Dalton Drive) are continuing, with efforts being made to resolve two permit-related issues: the Town of Essex has determined that a traffic light is required at the East Gate entrance to the Fort on Route 15, for which the Town wants to charge the Agency a pro rata portion of the total cost of $60,000±; the Town of Colchester Volunteer Fire Department is requiring the installation of domestic (not commercial) sprinklers in all of the buildings as a contingency for approval of the building permit. The start of construction has been delayed until spring in order to allow time to request bids for or negotiate a construction contract. A memorandum dated November 14 from Ms. Ballew to Mr. Hunt regarding "Permanent Subordinate Financing for Dalton Drive Affordable Units-- VHCB/VHFA Second Mortgage Pool" was distributed to the Board for review. Upon a motion duly made and seconded, it was agreed unanimously by the Board that staff should continue with research efforts regarding the possibility of a second mortgage pool of up to $300,000 of Agency funds as outlined in this memorandum; Mr. Seelig abstained.

The next meeting was scheduled for Thursday, December 13, in Burlington. There being no further business and following a motion duly made and seconded, the meeting adjourned at 3:15 p.m.

Respectfully submitted,

Allan S. Hunt
Secretary

RESOLUTION PERTAINING TO ELECTION OF VERMONT HOUSING FINANCE AGENCY TO CONVERT MORTGAGE REVENUE BOND AUTHORITY TO MORTGAGE CREDIT CERTIFICATE AUTHORITY

WHEREAS, by votes taken on January 30, 1990 and September 13, 1990, the Emergency Board of the State allocated to the Agency a total of $58,822,000 of the State's 1990 private activity bond volume cap ("volume cap") as provided in Section 146 of the Internal Revenue Code of 1986, as amended (the "Code"); and

WHEREAS, the Agency has issued qualified mortgage bonds in 1990 that used all but $10,985,000 of the 1990 volume cap allocated to the Agency; and

WHEREAS, the Agency wishes to continue its Mortgage Credit Certificate Program beyond the end of 1990;

NOW THEREFORE, in order to make the Mortgage Credit Certificate Program available after the end of calendar year 1990 and to satisfy the requirements of Section 25 of the Code and regulations issued thereunder, it is hereby

RESOLVED:

1. The Vermont Housing Finance Agency hereby elects to utilize all its 1990 private activity volume cap for the purposes of issuing qualified mortgage bonds and mortgage credit certificates.

2. The Vermont Housing Finance Agency hereby elects not to issue $10,985,000 principal amount of qualified mortgage bonds that it is otherwise authorized to issue during calendar year 1990.

3. The Executive Director, Director of Finance, and the Director of Operations are directed, and each of them is authorized, to take all steps necessary to the continuation of the Agency's Mortgage Credit Certificate Program beyond December 31, 1990, including, but not limited to:

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

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

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

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, 1990.

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

RESOLUTION PERTAINING TO COMBINED LETTER OF INTENT AND COMMITMENT LETTER RE: FERNWOOD MANOR MOBILE HOME PARK

WHEREAS, a proposal has been presented to the Agency by the Housing Foundation, Inc.("HFI"), a non-profit corporation, involving the acquisition of Fernwood Manor, a 78 unit mobile home park in Bolton; and

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

WHEREAS, HFI has received a commitment for a deferred loan in the amount of $255,000 from the Vermont Housing and Conservation Board; and

WHEREAS, the Agency has available to it a commitment from the State's pension funds to purchase taxable bonds issued by the Agency, the proceeds of which can be used to make a mortgage loan to HFI for the acquisition of Fernwood Manor; and

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

It is hereby DETERMINED:

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

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

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

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

5. The sponsor is a financially responsible organization.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a combined letter of intent and Commitment

Letter (the "Commitment Letter") to provide a first mortgage for permanent financing in an amount to be determined by the Executive Director, but not to exceed $1,250,000, for the Fernwood Manor Mobile Home Park.

2. The Commitment Letter shall be issued to the Housing Foundation, Inc. as the housing sponsor.

3. The commitment of the Agency shall be subject to receipt, at the time of closing, of a commitment fee in an amount equal to one percent (1%) of the principal amount of the mortgage loan.

4. The term of the mortgage loan shall be 20 years, the principal and interest payments may be calculated on a 25 year term and need not be fully amortizing, and the interest rate to be charged will be a graduated rate to be determined by the Executive Director.

5. The Commitment Letter shall require the Sponsor to demonstrate to the satisfaction of the Executive Director that equity funds and/or deferred loan funds are available in an amount at least equal to the difference between the total development cost as accepted by the Agency and the amount of the permanent financing commitment.

6. The Commitment Letter shall contain such other terms and conditions as the Executive Director shall deem necessary or appropriate.

7. The Executive Director is authorized to make preliminary arrangements for the issuance and private placement of taxable bonds of the Agency to provide proceeds for financing this loan.

8. Throughout the period of the loan, at least 51% of the pads in the park shall be rented to persons and families of low and moderate income. Income checking shall be required only before the closing and for new residents entering the park. Residents shall not be required to leave the park because their income increases beyond any applicable limit or because the occupancy mix is not met.

I hereby certify that the above resolution was adopted by the Vermont Housing Finance Agency at a meeting of the Vermont Housing Finance Agency Board of Commissioners held at Montpelier, Vermont on the 15th day of November, 1990.

Allan S. Hunt
Executive Director and
Secretary

RESOLUTION PERTAINING TO LETTER OF INTEREST RE:
TOWN AND COUNTRY MOBILE HOME PARK

WHEREAS, a proposal has been presented to the Agency by the Addison County Community Trust (ACCT), a non-profit corporation, involving the acquisition of Town and Country Mobile Home Park, a 73 unit mobile home park in Vergennes; and

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

WHEREAS, the Housing and Conservation Board has approved a $50,000 grant and a deferred loan of $266,000 for Town and Country; and

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

It is hereby DETERMINED:

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

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

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

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

5. The sponsor is a financially responsible organization.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a letter of interest (the "Letter of Interest") to provide a first mortgage for permanent financing in an amount to be determined by the Executive Director, but not to exceed $1,150,000, for the Town and Country Mobile Home Park.

2. The Letter of Interest shall be issued to the Addison County Community Trust as the housing sponsor.

3. The Letter of Interest shall state that it is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The letter of interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

4. The Executive Director is authorized to make preliminary arrangements for the issuance and private placement of taxable bonds of the Agency to provide proceeds for financing this loan.

5. Throughout the period of the loan, at least 51% of the pads in the park shall be rented to persons and families of low and moderate income. Income checking shall be required only before the closing and for new residents entering the park. Residents shall not be required to leave the park because their income increases beyond any applicable limit or because the occupancy mix is not met.

I hereby certify that the above resolution was adopted by the Vermont Housing Finance Agency at a meeting of the Vermont Housing Finance Agency Board of Commissioners held at Montpelier, Vermont on the 15th day of November, 1990.

Allan S. Hunt
Executive Director and
Secretary

VOTED: That the Agency's Resolution attached hereto is hereby adopted, with such changes and modifications thereto as the Chairman, Vice Chairman or Executive Director may approve prior to the delivery of the Notes referred to therein.

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, 1990.

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

RESOLUTION OF VERMONT HOUSING FINANCE AGENCY
AUTHORIZING THE ISSUANCE AND SALE OF
MULTI-FAMILY HOUSING DEVELOPMENT LOAN NOTES, 1990 SERIES A
IN AN AMOUNT NOT TO EXCEED $2,500,000

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

ARTICLE I
DEFINITIONS AND CONSTRUCTION

Section 101. Definitions: All capitalized, undefined terms used in this Resolution shall have the meanings assigned to such terms in the Act (as hereinafter defined). In addition, in this Resolution unless a different meaning clearly appears from the context:

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

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

"Authorized Officer" means the Chairman, Vice-Chairman, Executive Director and Secretary, and Director of Finance of the Agency and any other person authorized by resolution of the Agency to act as an Authorized Officer hereunder.

"Borrower" means the obligor or obligors on a Loan.

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

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

"Investment Obligation" means any of the following which at the time are legal investments for moneys of the Agency: (1) direct general obligations of the United States of America and obligations (including obligations of any federal agency or corporation) the payment of the principal and interest on which, by Act of the Congress of the United States or in the opinion of the Attorney General of the United States in office at the time such obligations were issued, are unconditionally guaranteed by the full faith and credit of the United States of America, or any other evidences of an ownership interest in obligations or in

specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in this Clause (1); (2) any direct general obligations of any state of the United States of America or of any political subdivision of any such state; (3) bonds, debentures, participation certificates (representing a timely guaranty of principal and interest), notes or similar evidences of indebtedness of any of the following: Bank for Cooperatives, Federal Intermediate Credit Banks, Federal Financing Bank, Federal Land Banks, Federal Home Loan Bank System, Federal Farm Credit Bank, Federal National Mortgage Association (excluding "stripped" securities), Export-Import Bank of the United States, Farmers Home Administration, Federal Home Loan Mortgage Corporation, Resolution Funding Corporation, Government National Mortgage Association, Student Loan Marketing Association or Tennessee Valley Authority; (4) interest bearing time deposits, certificates of deposit or other similar banking arrangements with banks (which may include any Note Registrar or Paying Agent), provided such deposits are fully collateralized and secured by obligations described in Clauses (1) through (3) above which at all times have a market value (exclusive of accrued interest) at least equal to such deposits so secured, including interest; (5) shares of a diversified open-end management investment company as defined in the Investment Company Act of 1940, which is a money market fund, which is continuously and substantially invested in obligations described in Clauses (1) through (3) above; (6) repurchase agreements for obligations of the type specified in Clauses (1), (2) and (3) above, provided either (a) the repurchase agreement is an unconditional obligation of the provider thereof or (b) such repurchase agreements are fully collateralized and secured by such obligations which have a market value (exclusive of accrued interest) at least equal to the purchase price of such repurchase agreements and provided further that such obligations are held by the Agency or a depository satisfactory to the Agency in such manner as may be required to provide a perfected first security interest in favor of the Agency in such obligations.

"Loan" or "Loans" means the loans made to the Borrowers by the Agency with the proceeds of the Notes pursuant to the terms of this Resolution as identified on Exhibit A attached hereto.

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

"Non-Profit Entity" means a department, division, board, commission, agency or other instrumentality of the State, a political subdivision of the State, an agency of any such political subdivision, an "exempt organization" within the meaning of Section 501(c)(2), (3), or (4) of the Code, a non-profit corporation organized as such under the laws of the State, an entity owned, or whose day-to-day management is controlled, under the terms of a partnership agreement, by any of the foregoing, or a "limited equity cooperative" within the meaning of Chapter 14 of Title 11, Vermont Statutes Annotated.

"Note" or "Notes" means one or more Multi-Family Housing Development Loan Notes, 1990 Series A of the Agency authorized by this Resolution.

"Note Date" means the date the Notes are originally authenticated and issued hereunder.

"Note Registrar" means the bank or financial institution appointed pursuant to Section 501 hereof. The Note Registrar and the Paying Agent may be the same institution.

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

"Paying Agent" means the bank or financial institution appointed pursuant to Section 501 hereof. The Paying Agent and Note Registrar may be the same institution.

"Permanent Financing" means (i) a contribution of equity to a Project, (ii) a long-term loan to the Borrower, or to the owner of a Project if not the Borrower, from a lender other than the Agency for purposes of a Project, (iii) a permanent loan to the Borrower, or to the owner of a Project if not the Borrower, from the Agency for purposes of a Project or (iv) any combination of the foregoing, sufficient, either individually or in the aggregate, to repay a Loan made with the proceeds of Notes hereunder.

"Program" means the Agency's program of making Loans to Sponsors and Non-Profit Entities pursuant to the Act and the Rules.

"Project" or "Projects" means the Residential Housing developments identified on Exhibit A attached hereto.

"Regulatory Agreement" shall have the meaning given such term in Section 401(B) hereof.

"Revenues" means all payments, proceeds, charges, rents and other income (including without limitation income from investments in the Note Repayment Account) of any kind and from any source derived in cash by or for the account of the Agency from or related to a Project and under the Loan applicable thereto, the applicable Regulatory Agreement or otherwise, including, without limitation, scheduled payments of principal and interest on the Loan.

"Residential Housing" shall have the meaning given such term in the Rules.

"Rules" means the "Vermont Housing Finance Agency Grants, Loans and Advances to Assist the Planning, Construction, Rehabilitation, and Operation of Residential Housing; Mortgage Loans to Housing Sponsors for Single Family Developments Rules"

adopted by the Agency on May 17, 1990 and effective June 4, 1990, as the same may be amended from time to time.

"State" means the State of Vermont.

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

Section 102. Parties Interested Herein. Nothing in this Resolution expressed or implied is intended or shall be construed to confer upon, or to give to, any person, other than the Agency and the registered owners of the Notes, any right, remedy or claim under or by reason of this Resolution or any covenant, stipulation, obligation, agreement or condition therein. All the covenants, stipulations, obligations, promises and agreements in this Resolution contained by and on behalf of the Agency shall be for the sole and exclusive benefit of the Agency and the registered owners of the Notes.

Section 103. Law Applicable. The laws of the State shall be applicable to the interpretation and construction of this Resolution.

Section 104. Severability of Invalid Provision. If any one or more of the provisions, covenants or agreements in this Resolution on the part of the Agency to be performed should be contrary to law, then such provisions, covenants or agreements shall be deemed separable from the remaining provisions, covenants and agreements, and shall in no way affect the validity of the other provisions of this Resolution or of the Notes.

ARTICLE II
AUTHORIZATION OF THE NOTES: FINDINGS: TERMS AND SALE OF NOTES

Section 201. Authority. This Resolution is adopted pursuant to the Act and the Rules and shall take effect immediately upon its adoption. The Agency is duly authorized under the Act and all applicable laws to issue the Notes, to adopt this Resolution and to pledge the revenues, funds and accounts of the Agency pledged hereby in the manner and to the extent provided herein. The Agency will at all times, to the extent permitted by law, defend, preserve and protect such pledge and all the rights of the registered owners of the Notes hereunder against all claims and demands of all persons whomsoever.

Section 202. The Loans and the Notes. (A) The Agency hereby authorizes, ratifies and approves the Loans identified in Exhibit A attached hereto, in principal amount not exceeding the amounts set forth in Exhibit A, to assist in the planning,

constructing, rehabilitating or operating of the Projects in anticipation of Permanent Financing. Notwithstanding anything contained in this Resolution to the contrary, in addition to the provisions of Paragraph (C) of this Section 202 the Agency may, by adoption of an amendment in accordance with the provisions of Section 504 hereof, amend Exhibit A hereto to increase the principal amount of any Loan or to substitute or add any other project and provide for a loan therefor, provided that any such amendment is otherwise consistent with the terms and conditions of this Resolution, the findings required in Section 204 hereto are made by the Agency with respect to any substituted or additional project, and any substituted or additional loan meets the requirements of Section 403 hereof.

(B) In order to provide funds with which to make the Loans and to pay Costs of Issuance of the Notes, the Agency hereby determines to issue the Notes in an aggregate principal amount not to exceed $2,500,000. The Notes shall be dated the Note Date, shall mature on April 18, 1991 (hereinafter the "Maturity Date"), shall be issued solely in fully registered form in denominations of not less than $100,000 and shall bear interest from their date at an interest rate not to exceed 7.5 percent (7.5%) per annum, calculated on the basis of a 360 day year, payable on the Maturity Date. The Notes shall not be subject to redemption prior to the Maturity Date. The Notes shall be executed, shall be subject to transfer and exchange, and shall otherwise be in form and tenor as provided in, and the respective rights and obligations of the Agency and the registered owners thereof shall be as described in, the form of the Notes set forth in Exhibit B attached hereto.

(C) Subject to Paragraph (B) of this Section 202, the principal amount of the Loans, the principal amount of the Notes and the interest rate therefor, and any other terms and conditions of the Loans and the Notes not specified in this Resolution (and not inconsistent herewith) shall be determined by the Authorized Officers of the Agency executing and delivering the Notes at or prior to the Note Date. Said Authorized Officers shall file with the Secretary of the Agency on or prior to the Note Date a certificate specifying and determining such principal amounts, interest rate and other terms and conditions.

Section 203. Allocation of State Volume Cap to Notes. The Agency hereby determines to allocate to the Notes not in excess of $2,500,000 of the Agency's $ 8,193,810 remaining unused 1987 annual volume cap with respect to private activity bonds that the Agency heretofore elected pursuant to Section 146(f) of the Code to carry forward for the purpose of issuing exempt facility bonds for the purpose of financing qualified residential rental projects pursuant to Section 142 of the Code.

Section 204. Findings. The Agency hereby determines that:

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

(B) the Loans can be issued bearing interest at a rate which will be less than the prevailing rate of interest on comparable loans available in the State without the assistance of the Agency;

(C) the Agency will derive receipts, revenues or other income from the Loans made with the proceeds of the Notes sufficient to provide, together with all other available receipts, revenues and income of the Agency, for the payment of the Notes and the payment of all costs and expenses incurred by the Agency with respect to the Program for which the Notes are issued;

(D) the Projects are Residential Housing primarily for occupancy by Persons and Families of Low and Moderate Income;

(E) the Borrowers are Housing Sponsors as defined in the Act or Non-Profit Entities as defined in the Rules; and

(F) the Loans will assist the planning, construction, rehabilitation or operation of Residential Housing primarily for Persons and Families of Low and Moderate Income.

Section 205. Sale of the Notes. (A) The Authorized Officers of the Agency, in connection with the sale of any or all of the Notes herein authorized to be issued, are each hereby authorized and directed to solicit, at public or private sale, from such qualified investors as shall be determined by the Authorized Officers, proposals for the purchase of said Notes and to sell and award such Notes, or any part thereof, to one or more qualified investors at such price or prices as they shall determine to be in the best interest of the Agency, provided that the net interest cost to the Agency on the Notes so sold and awarded shall not exceed 7.5 percent (7.5%) per annum. The distribution of an information statement, if any, in connection with the sale of said Notes is hereby authorized and approved. Any of the Authorized Officers are hereby authorized and directed to deliver said Notes to the purchaser or purchasers thereof, determined as above provided, and to execute and deliver all documents and instruments required in connection therewith.

(B) The proceeds of sale of the Notes shall be applied as provided in Section 302 hereof.

ARTICLE III
ESTABLISHMENT OF ACCOUNTS:
APPLICATION OF BOND PROCEEDS: OBLIGATION OF NOTES: PLEDGE

Section 301. Accounts. The following separate accounts are hereby created, or authorized to be created as provided herein, such accounts to be held by the Paying Agent and administered by the Agency subject to the pledge herein made:

(1) Multi-Family Housing Development Note Loan Account, 1990 Series A (the "Loan Account")

(2) Multi-Family Housing Development Note Repayment Account, 1990 Series A (the "Note Repayment Account")

Section 302. Application of Proceeds of the Notes. (A) Upon the original authentication and delivery of the Notes, the proceeds derived from the sale of said Notes shall be deposited with and held by the Paying Agent in the Loan Account. Moneys so deposited in said Loan Account shall be used and applied by the Agency solely for the purpose of making the Loans upon compliance with the provisions of Section 403 hereof. Moneys may be withdrawn by the Agency from the Loan Account from time to time for the purpose of making any Loan upon checks, drafts or orders for payments therefrom, signed by an Authorized Officer.

(B) Pending the application of the moneys deposited in the Loan Account to the making of the Loans or paying Costs of Issuance, such moneys may be invested and reinvested by the Paying Agent in Investment Obligations. The moneys in the Loan Account to be so invested, and the maturity date or dates, or date or dates or redemption at the option of the holders of such obligations, shall be such as an Authorized Officer shall direct the Paying Agent in writing or, in the absence of such direction, at the discretion of the Paying Agent. Subject to the provisions of Section 401(A)(4) hereof, all earnings on investment or deposit of moneys in the Loan Account, or any part thereof, shall be credited upon receipt to the Loan Account.

(C) If on the Maturity Date any amount remains on deposit in the Loan Account, the Paying Agent, without direction of the Agency, shall transfer such amount to the Note Repayment Account.

Section 303. Application of Revenues. (A) The Agency shall deposit all Revenues in the Note Repayment Account upon receipt thereof, and shall deposit in the Note Repayment Account proceeds of any bonds, notes or other obligations of the Agency issued to renew or pay the Notes or the interest thereon, until the amount on deposit in the Note Repayment Account shall equal the unpaid principal amount of the Notes outstanding plus all interest accrued and to accrue thereon to the Maturity Date. From time to time, at its option, the Agency may also transfer moneys from the General Fund to the Note Repayment Account.

(B) On the Maturity Date, the Paying Agent shall apply moneys in the Note Repayment Account to the payment of the principal amount of the Notes due on such date plus the interest accrued and payable thereon. Following payment or provision for payment of the Notes and the interest thereon as aforesaid, any balance on deposit in the Note Repayment Account shall be transferred by the Paying Agent to the Agency upon request of an Authorized Officer.

(C) Pending application as provided in this Section 303, moneys on deposit in the Note Repayment Account may be invested and reinvested by the Paying Agent in Investment Obligations. The moneys in the Note Repayment Account to be so invested, and the maturity date or dates, or date or dates or redemption at the option of the holders of such obligations, shall be such as an Authorized Officer shall direct the Paying Agent in writing or, in the absence of such direction, at the discretion of the Paying Agent. All earnings on investment or deposit of moneys in the Note Repayment Account, or any part thereof, shall be credited upon receipt to the Note Repayment Account.

Section 304. Obligation of Notes; Pledge. The Notes shall be general obligations of the Agency payable out of any of the Agency's revenues, moneys or assets, subject only to agreements heretofore or hereafter made with the holders of obligations of the Agency other than the Notes pledging particular revenues, moneys or assets for the payment thereof. There are hereby pledged to the payment of principal and interest on the Notes, subject to the provisions of this Resolution permitting application thereof for the purposes and on the terms and conditions set forth in this Resolution, (i) all Revenues and (ii) all moneys and securities from time to time in the Loan Account and Note Repayment Account, including without limitation proceeds of any renewal obligations deposited in the Note Repayment Account in accordance with Section 303(A) hereof.

ARTICLE IV
SPECIAL COVENANTS OF THE AGENCY

Section 401. Covenants with Respect to the Notes. (A) With respect to the Notes, the Agency covenants and agrees, and, if applicable, shall require the Borrower under the Loan or the Regulatory Agreement similarly to covenant and agree, as follows:

(1) It shall neither take any action or fail to take any action, nor, to the extent it has the legal power to do so, permit any Borrower to take any action or fail to take any action which, if either taken or not taken, would adversely affect the exclusion of the interest on any of the Notes from gross income for federal income tax purposes under the Code.

(2) The Agency shall not use or permit the use of any proceeds of the Notes or any other funds of the Agency, directly or indirectly, to acquire securities or obligations, and shall not permit to be taken any other action or actions, which would cause any Note to be an "arbitrage bond" within the meaning of Section 148 of the Code. In order to assure compliance with the rebate requirements of Section 148 of the Code, the Agency further covenants that it will establish such accounting procedures as are necessary to adequately determine, account for and pay over any amount or amounts required to be paid to the Treasury Department of the United States in a manner consistent with the requirements of Section 148 of the Code, such covenant to survive the defeasance of the lien enjoyed by any Notes pursuant to Section 505 hereof.

(3) The Agency shall not enter into any arrangement, formal or informal, with a Borrower (or any related person, as defined in Section 147(a) of the Code) pursuant to which the Borrower shall purchase the Notes in an amount related to the amount of its Loan.

(4) Income earned from the investment of amounts credited to the Loan Account shall be credited to such account and retained therein to the extent necessary to ensure that substantially all of the proceeds of the Notes will be considered used to provide projects for residential rental property within the meaning of Section 142(d) of the Code.

(5) Amounts on deposit in the Loan Account transferred to the Note Repayment Account pursuant to Section 302(C) hereof shall be used to pay such portion of the Notes at maturity as shall be necessary to ensure that substantially all of the proceeds of the Notes will be considered used to provide projects for residential rental property within the meaning of Section 142(d) of the Code. Such amounts required to be used to pay all or any portion of the Notes pursuant to the immediately preceding sentence shall, from the date the Agency determines that such amounts must be so used to comply with Section 142(d) of the Code, not be invested at a yield greater than the yield on the Notes and shall be used to pay the Notes at maturity.

(6) The Agency shall not take any action or fail to take any action or permit any action to be taken on its behalf or cause or permit any circumstances within its control to arise or continue if such action or inaction would result in less than substantially all of the proceeds of the Notes being used to provide projects for residential rental property, within the meaning of Section 142(d) of the Code, with respect to which the occupancy requirement contained therein is met.

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

(8) The amount of "issuance costs" (within the meaning of the Code) financed with proceeds of the Notes shall not exceed 2% of the proceeds of the Notes.

(B) At or prior to making or funding any Loan with proceeds of the Notes, the Agency shall enter into an agreement between the Agency and the Borrower and the owner of the applicable Project if other than the Borrower (herein referred to as a "Regulatory Agreement"), which Regulatory Agreement shall run with the land for the period necessary to comply with the provisions of Section 142(d) of the Code, setting forth the terms and conditions of such Loan, consistent with this Resolution, and the procedures pursuant to which the proceeds of the Loan will be disbursed from the Loan Account to or for the account of the Borrower, or to or for the account of the owner of the Project if other than the Borrower, and under which the Borrower and such owner, as applicable, shall covenant to the effect that they will (i) take all actions necessary to ensure that the Project to be financed with the Loan complies with the requirements of Section 142(d) of the Code; (ii) apply all proceeds of the Loan to provide projects for residential rental property within the meaning of Section 142(d) of the Code; and (iii) submit such reports to the Agency as the Agency determines are necessary to establish compliance with such covenants. Such Regulatory Agreement shall provide that it may be enforced by the Agency through a cause of action in equity for specific performance.

Section 402. Compliance with Section 401. The provisions of Section 401 of this Resolution shall be complied with by the Agency in order to meet the requirements of the Code such that interest on the Notes shall be and remain excludable from the gross income of the registered owner of any Notes for federal income tax purposes; provided, however, that the Agency shall not be required to comply with such provision with respect to the Notes in the event that the Agency receives a bond counsel's opinion that compliance with such provision is no longer required to satisfy the requirements of the Code or that compliance with some other provision in lieu of a provision specified in Section 401 of this Resolution will satisfy said requirements, in which case compliance with such other provision specified in the bond counsel's opinion shall constitute compliance with the provision specified in Section 401 of this Resolution.

Section 403. Covenants With Respect to Loans.

(A) Each Loan financed in whole or in part from proceeds of the Notes shall be secured by a promissory note and/or a Mortgage

with such terms and conditions permitted by the Act and the Rules as the Agency in its discretion shall determine.

(B) Each Loan shall provide for payments thereunder on account of the principal and interest payable thereon in amounts and at times sufficient, together with other moneys of the Agency available therefor, to pay on or prior to the Maturity Date the portion of the principal amount of the Notes, together with interest thereon, that is allocable to the Loan as determined by the Agency.

(C) The Loans shall be held for the credit of the General Fund. So long as any Notes shall be outstanding and unpaid, the Agency shall not create or permit to be created any lien, pledge, security interest or other encumbrance in or upon the Loans or any Mortgage or note evidencing or securing the same unless prior thereto the Agency shall grant to the registered owners of the Notes a senior lien, pledge, security interest or other encumbrance on such Loan, Mortgage or note.

Section 404. Issuance of Indebtedness. (A) So long as any Notes shall be outstanding hereunder, the Agency shall not create or permit the creation of or issue any obligations or create any indebtedness which will be secured by a charge and lien on the Revenues or any other receipts, moneys or property pledged hereunder or which will be payable from the Loan Account or the Note Repayment Account.

(B) The Agency covenants and agrees that so long any of the Notes shall be outstanding hereunder, the aggregate amount of principal and interest on "Unpaid Short Term Unsecured Indebtedness" (as hereinafter defined) of the Agency maturing or payable at the option of the holder thereof on or prior to the Maturity Date shall not exceed five million dollars ($5,000,000). As used in this Section 404, the term "Unpaid Short Term Unsecured Indebtedness" means any bond, note or other obligation of the Agency or any principal of or interest on any such bond, note or other obligation, as applicable, which is outstanding and unpaid within the meaning of the proceedings of the Agency authorizing the same and which (i) is a general obligation of the Agency, (ii) was issued or incurred by the Agency to finance directly or indirectly Housing Development Costs of Residential Housing in the State and (iii) is not secured and, following disbursement of the proceeds thereof in accordance with the requirements of the authorizing proceedings of the Agency, will not be secured by a pledge or assignment of a Mortgage on or other interest in such Residential Housing for the benefit of the holder of such indebtedness.

(C) Except as provided in the foregoing provisions of this Section 404, nothing contained in this resolution is intended to limit, nor shall be construed as limiting, in any way, the authorization, issuance or securing of any additional notes, bonds or other obligations of the Agency.

ARTICLE V
MISCELLANEOUS

Section 501. Paying Agent and Note Registrar. The Howard Bank, N.A., Burlington, Vermont, is hereby appointed Paying Agent and Note Registrar for the Notes. Said bank shall evidence its acceptance of the duties of Paying Agent and Note Registrar by delivering a certificate of acceptance to the Agency at or prior to the authentication and delivery of any Notes hereunder.

Section 502. Authorization of Officers. The Chairman, Vice-Chairman, Executive Director and Secretary, Director of Finance and each other Authorized Officer are each hereby authorized and directed to do all acts and things and to execute and deliver any and all documents, certificates, and other instruments necessary or desirable to effectuate the transactions contemplated by this Resolution.

Section 503. Default. If the Agency defaults in the payment of principal of or interest on the Notes when due, or in the performance of any covenant in this Resolution, then the registered owner of any Note shall have the right, by mandamus or other suit, action or proceeding at law or in equity, to bring suit upon the Notes; to enforce its rights under this Resolution and the Notes to compel performance by the Agency of its obligations under the Notes and this Resolution; to require the Agency to account as trustee of an express trust; or to enjoin any acts which may be unlawful or in violation of the rights of the registered owner of any Note. No remedy conferred by this Resolution upon the registered owner of any Note is intended to be exclusive of any other remedy, but each shall be in addition to every other remedy given under this Resolution or the Notes or provided at law or in equity or by the Act. No delay or omission of the registered owner of any Note to exercise any right or power or be construed to be a waiver of the default. The registered owner of any Note may waive any default and its consequences. No such waiver shall extend to any subsequent or other default.

Section 504. Amendment. (A) Without the consent of the registered owners of the Notes, this Resolution may be amended at any time and from time to time by supplemental resolution adopted by the Agency (i) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision herein, (ii) to insert such provisions clarifying matters or questions arising under this Resolution as are necessary or desirable and are not contrary to or inconsistent with this Resolution as theretofore in effect, (iii) to amend Exhibit A hereof in accordance with Section 202(A) of this Resolution or (iv) to make any other change herein which, in the judgment of the Paying Agent, is not prejudicial to the Paying Agent or the registered owners of any Notes outstanding.

(B) Except as provided in Paragraph (A) of this section, this Resolution may only be amended with the prior written consent of the registered owner of each Note outstanding affected by the provisions thereof. If there be more than one Note outstanding hereunder, the written consent required by this paragraph shall be effective if given by the registered owners of a majority in aggregate principal amount of all Notes outstanding. Notwithstanding the foregoing, no amendment of the Resolution making a change in the terms of maturity or redemption of any Note outstanding, or the principal amount thereof or the rate of interest thereon, or the provisions of this Section 504, shall be effective without the prior written consent of the registered owner of each Note affected by such amendment.

Section 505. Defeasance. If the Agency shall pay or cause to be paid to the registered owner of any Note the principal and interest thereon at the times and in the manner stipulated therein and herein, then such Note and the pledge of any Revenues, moneys, funds or other property pledged hereby or thereby, and all other rights granted hereby or thereby, shall be discharged and satisfied and such Note shall no longer be or deemed to be outstanding hereunder. Notes for the payment of the principal of and interest on which there is held by the Paying Agent in the Note Repayment Account either moneys in an amount, or investments in direct obligations of the United States of America or obligations the principal of and interest on which are guaranteed by the United States of America, the principal of and interest on which when due will provide an amount, sufficient to pay when due the principal amount thereof, and all interest accrued and to accrue thereon to the Maturity Date shall be deemed paid within the meaning of the first sentence of this Section 505.

Section 506. No Recourse. All covenants, stipulations, promises, agreements and obligations of the Agency contained in this Resolution shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Agency and not of any member, officer or employee of the Agency in his individual capacity, and no recourse shall be had for the payment of the principal of or interest on the Notes or for any claim based thereon or on this Resolution against any member, officer or employee of the Agency or any person executing said Notes.

Section 507. Effective Date. This Resolution shall take effect immediately.

EXHIBIT "A"

Project	Borrower	Loan Amount
Northgate Apartments and Greenfield Apartments	Housing Vermont	$1,250,000
Pine Meadows Apartments	Housing Vermont	$1,250,000

EXHIBIT "B"

[NOTE FORM]

No. _____ $_____

VERMONT HOUSING FINANCE AGENCY MULTI-FAMILY
HOUSING DEVELOPMENT LOAN NOTE, 1990 SERIES A

Principal Sum: $_____ Note Date:

Interest Rate: _____% Per Annum Maturity Date:

The VERMONT HOUSING FINANCE AGENCY (herein called the "Agency"), a body politic and corporate of the State of Vermont, acknowledges itself indebted and for value received hereby promises to pay to _____, or registered assigns, on the Maturity Date the Principal Sum stated above with interest thereon, calculated on the basis of a 360-day year, from the Note Date at the Interest Rate, payable on the Maturity Date. This note shall not be subject to redemption prior to the Maturity Date.

The principal of and interest on this note are payable in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts. The principal of and interest on this note shall be payable by check or draft mailed by The Howard Bank, N.A., Burlington, Vermont, as paying agent of the Agency (together with any successor paying agent, the "Paying Agent") to the registered owner at its address appearing on the registration books of the Agency, provided that the registered owner of this note may make arrangements with the Paying Agent for payment of principal and interest by wire transfer. Upon final payment of this note, the registered owner hereof will, and by acceptance of this note hereby agrees, to cancel and return this note to the Paying Agent.

This note is one of a duly authorized issue of notes (the "1990 Series A Notes") issued in the aggregate principal amount of $_____ under and by virtue of the Vermont Housing Finance Agency Act, being No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended (herein called the "Act"), and under and pursuant to a resolution of the Agency adopted November 15, 1990 (herein called the "Resolution") for the purpose of making all or a portion of the Loans described in the Resolution. Copies of the Resolution are on file at the office of the Agency in the City of Burlington, State of Vermont, and reference to the Resolution and to the Act is made for a description of the pledge and covenants securing the 1990 Series A Notes, the nature, manner and extent of enforcement of such pledge and covenants, the rights and remedies of the registered owners of the 1990

Series A Notes with respect to such pledge and covenants, the terms and conditions upon which the 1990 Series A Notes are issued thereunder, and a statement of the rights, duties, immunities and obligations of the Agency.

This bond is a general obligation of the Agency payable out of any of the Agency's revenues, moneys or assets, subject only to agreements heretofore or hereafter made with the holders of obligations of the Agency other than this note pledging particular revenues, moneys or assets for the payment thereof, and is also secured by a pledge of Revenues (as defined in the Resolution) and all moneys and securities on deposit from time to time in the Loan Account and the Note Repayment Account established by the Resolution, subject to all provisions and conditions of the Resolution.

The Agency is not obligated to pay this note or the interest hereon except from the revenues, moneys or assets of the Agency pledged under the Resolution or as otherwise provided herein and therein and neither the faith and credit nor the taxing power of the State of Vermont or of any political subdivision thereof is pledged to the payment of the principal of or interest on this note.

Except as provided in the Resolution, the 1990 Series A Notes are issuable solely in the form of fully registered notes in denominations of $100,000 or any integral multiple thereof. Upon surrender hereof at the principal office of the Paying Agent, as Note Registrar, with a written instrument of transfer satisfactory to the Agency and the Note Registrar, duly executed by the registered owner hereof or his duly authorized attorney, this note may, at the option of the registered owner, be exchanged for an equal aggregate principal amount of fully registered notes of the same maturity, interest rate and tenor in any of the authorized denominations.

This note is transferable, only upon the registration books of the Agency, by the registered owner hereof in person or by his attorney duly authorized in writing, upon surrender hereof at the principal office of the Note Registrar together with a written instrument of transfer satisfactory to the Agency and the Note Registrar duly executed by the registered owner or such duly authorized attorney, and thereupon the Agency shall issue in the name of the transferee a new registered note or notes of the same aggregate principal amount, maturity and interest rate as the surrendered note and in any of the authorized denominations. The Agency and the Paying Agent may treat and consider the person in whose name this note is registered as the holder and absolute owner hereof for the purpose of receiving payment of, or on account of, the principal amount hereof and interest due hereon and for all other purposes whatsoever.

No recourse shall be had for the payment of the principal amount of or the interest on this note or for any claim based

thereon or on the Resolution against any commissioner of the Agency or any person executing this note.

This note shall not be entitled to any benefit under the Resolution or be valid or become obligatory for any purpose until this note shall have been duly authenticated by the Paying Agent by execution of the certificate of authentication provided on this note.

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

IN WITNESS WHEREOF, the VERMONT HOUSING FINANCE AGENCY has caused this note to be signed in its name and on its behalf by the manual signature of its Authorized Officer, and its corporate seal to be affixed hereto or imprinted hereon and attested by the manual signature of its Authorized Officer.

VERMONT HOUSING FINANCE AGENCY

By _____
Authorized Officer

[SEAL]

Attest:

_____
Authorized Officer

CERTIFICATE OF AUTHENTICATION

This note is one of the 1990 Series A Notes described in the within-mentioned Resolution of the Vermont Housing Finance Agency.

THE HOWARD BANK, N. A.

By _____
Authorized Officer

STATISTICAL REPORT PROGRAM ID: 89B
UNDERWRITING DATABASE
LTV 0% TO 100%
Effective for 01/01/89 thru 12/07/90
Loan Status: CC,UC,O

Total Number of Loans: 452
Total Loan Amount: $29,551,884

EXISTING:	$21,579,770	73.8%	334 Loans
NEW CONSTRUCTION:	$7,972,114	26.1%	118 Loans
NEW DETACHED HOUSING:	$7,130,445	89.4%	106 Loans
NEW CONDOMINIUM:	$841,669	10.5%	12 Loans
Funds Remaining to be Reserved:	$5,187,165	11.9%	79 Loans (Est.)

Total Insured or Guaranteed Loans: 412
Loans Guaranteed by VHMGB: 408

	ACED	NON ACED	STATEWIDE
Avg. Purchase Price	$69,508	$78,048	$72,569
Avg. Loan Amount	$62,777	$70,039	$65,380
Avg. Borrower Income	$27,419	$28,054	$27,646
Avg. Housing Debt-Income Ratio	26.9%	29.6%	27.9%
Avg. Total Debt	$801.08	$834.79	$813.16
Avg. Total Debt-Income Ratio	35.1%	36.0%	35.4%
Total No. of Loans	290	162	452
% of Total Loan Amount	61.6%	38.4%	100.0%
First Time Homebuyers	81.7%	98.7%	87.8%
% Meeting Low Income Set Aside	36.2%	55.5%	43.1%

	Loans	% of Loans	$ Amount	*Households	% of Hshlds	% DIFF
Addison	23	5.1%	$1,547,418	5,000	5.7%	0.6-
Bennington	11	2.4%	$728,412	6,300	7.2%	4.8-
Caledonia	43	9.5%	$2,505,904	4,800	5.5%	4.0
Chittenden	103	22.9%	$7,433,428	16,000	18.2%	4.7
Essex	6	1.3%	$331,864	1,300	1.4%	0.1-
Franklin	65	14.4%	$4,233,124	6,000	6.8%	7.6
Grand Isle	4	0.9%	$240,725	900	1.0%	0.1-
Lamoille	24	5.3%	$1,457,441	3,300	3.8%	1.5
Orange	16	3.5%	$943,608	4,300	4.9%	1.4-
Orleans	33	7.3%	$1,707,557	4,200	4.8%	2.5
Rutland	45	10.0%	$3,057,221	10,000	11.4%	1.4-
Washington	38	8.4%	$2,620,881	9,000	10.3%	1.9-
Windham	20	4.4%	$1,347,891	7,100	8.1%	3.7-
Windsor	21	4.6%	$1,396,410	9,600	11.0%	6.4-
TOTAL	452	100.0%	$29,551,884	87,800	100.0%	

* Estimated number of households, $15,000 to $35,000 income.
ource: CACI, 1990 Sourcebook of County Demographics

Vermont Housing Finance Agency
89B - $43,450,000 MORTGAGE LOAN PURCHASE PROGRAM
Status Report (with percent of pool proceeds approved)
Rate : 8.700%
Date : 12/07/90

Lender	Funds Reserved	Percent Reserved	Prelim. Approval	% Prelim Approval	Loans Purchased	Loans to be Purchased	PERC
Bank of Vermont	$3,322,822	7.6%	$2,610,466	6.0%	$1,517,171	$1,093,295	32.9%
Bradford National Bank	$132,938	0.3%	$132,938	0.3%	$58,838	$74,100	55.7%
Caledonia National Bank of Danville, The	$454,638	1.0%	$303,038	0.6%	$260,288	$42,750	9.4%
Chittenden Trust Company	$8,123,780	18.6%	$6,306,337	14.5%	$3,912,572	$2,393,765	29.4%
Citizens Savings Bank and Trust	$425,036	0.9%	$425,036	0.9%	$216,414	$208,622	49.0%
Commonwealth Mortgage Company, Inc	$375,453	0.8%	$375,453	0.8%	$195,253	$180,200	47.9%
Community National Bank	$1,230,107	2.8%	$1,082,932	2.4%	$641,907	$441,025	35.8%
Factory Point National Bank, The	$192,917	0.4%	$138,278	0.3%	$81,644	$56,634	29.3%
Franklin-Lamoille Bank	$892,321	2.0%	$637,221	1.4%	$326,375	$310,846	34.8%
Granite Savings Bank and Trust Company	$245,237	0.5%	$120,237	0.2%	$0	$120,237	49.0%
Howard Bank, National Assn, The	$482,988	1.1%	$406,038	0.9%	$319,538	$86,500	17.9%
Lyndonville Savings Bank & Trust Company	$515,755	1.1%	$334,615	0.7%	$195,925	$138,690	26.8%
Marble Bank	$1,089,041	2.5%	$896,876	2.0%	$312,556	$584,320	53.6%
Merchants Bank, The	$1,400,144	3.2%	$1,215,194	2.7%	$1,086,930	$128,264	9.1%
National Bank of Middlebury, The	$107,400	0.2%	$107,400	0.2%	$37,400	$70,000	65.1%
New England IBM Employees Fed Crdt Union	$642,914	1.4%	$557,509	1.2%	$212,259	$345,250	53.7%
Northfield Savings Bank	$273,875	0.6%	$273,875	0.6%	$220,875	$53,000	19.3%
Passumpsic Savings Bank	$1,422,629	3.2%	$1,211,429	2.7%	$748,634	$462,795	32.5%
Peoples Trust Company of St Albans	$361,816	0.8%	$262,541	0.6%	$117,691	$144,850	40.0%
Proctor Bank	$487,900	1.1%	$287,900	0.6%	$216,650	$71,250	14.6%
Randolph National Bank	$309,805	0.7%	$309,805	0.7%	$181,880	$127,925	41.2%
Statewide Funding Corporation	$2,010,843	4.6%	$1,221,540	2.8%	$123,648	$1,097,892	54.5%
Summit Financial Center, Inc.	$364,762	0.8%	$136,837	0.3%	$0	$136,837	37.5%
Union Bank	$1,411,735	3.2%	$1,225,535	2.8%	$464,041	$761,494	53.9%
Valley Bank	$61,770	0.1%	$0	0.0%	$0	$0	0.0%
Vermont Federal Bank, FSB	$5,536,824	12.7%	$4,109,044	9.4%	$2,635,778	$1,473,266	26.6%
Vermont Mortgage Group, Inc	$1,588,886	3.6%	$1,405,051	3.2%	$1,054,500	$350,551	22.0%
Vermont National Bank	$4,371,669	10.0%	$3,671,193	8.4%	$2,105,164	$1,566,029	35.8%
TOTALS 582 Loans	$37,836,005	87.0%	$29,764,318	68.5%	$17,243,931	$12,520,387	33.0%

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA BOARD OF COMMISSIONERS

FROM: DOUGLAS R. LOTHROP, DIRECTOR OF OPERATIONS

DATE: DECEMBER 3, 1990

RE: FEDERAL RECAPTURE TAX DISCUSSION

OVERVIEW

The Technical and Miscellaneous Revenue Act passed by Congress in October of 1988 mandated the collection of a Recapture Tax on all mortgage loans which are funded by tax exempt bond proceeds and mortgage loans on which a Mortgage Credit Certificate (MCC) is issued after December 31, 1990. The Budget Reconciliation Bill, recently passed in November, contained language that modifies the method of calculating the tax. Since July of 1990 all VHFA mortgage and MCC applicants have been required to sign an "Acknowledgment of Federal Recapture Tax Requirements" so they may be informed of the possibility of this tax's applicability to them.

The Recapture Tax is a mechanism that Congress believes will allow the federal government to recover some of the subsidy that borrowers receive through the use of the above mentioned affordable housing financing vehicles. The Recapture Tax will be collected by the Internal Revenue Service at the time a home using the subsidy is sold or the indebtedness is otherwise retired. The mechanism used to collect the recapture tax will be the federal income tax return.

It is important at the outset to understand that it is the opinion of the VHFA staff that a majority of the borrowers using this federal subsidy will probably pay a very small Recapture Tax or none at all. This opinion is based on our analysis of ways that payment of a Recapture Tax may be avoided and the method of calculation of the tax. The following attachments explains recapture. However, the complexity of recapture is likely to "Turn off" potential Borrowers, as well as the Lenders and Realtors, unless a well thought out informational campaign is successfully implemented. VHFA staff will be meeting with key Lenders and Realtors in the next few weeks to explore ways to "Educate" the potential users of the VHFA programs without diminishing the programs use.

ATTACHMENT

FEDERAL RECAPTURE TAX DISCUSSION

RECAPTURE TAX AVOIDANCE

Below are listed certain circumstances which, if they apply, will allow borrowers to avoid paying a Recapture tax:

1. The income of the borrowers during the year which they sell their property is equal to or less than the maximum allowed by federal limits, at the time the MCC is issued or VHFA purchases the indebtedness, for the area in which the property is located;

2. The borrowers have either no gain or a loss on the sale of the property after deducting improvements made to the property and the cost of sale;

3. The borrowers own the property for a period of nine years or longer;

4. Any disposition of the property by reason of death of all of the borrowers;

5. The indebtedness is a Federally-Subsidized Indebtedness solely by reason of being a qualified home improvement loan;

6. The indebtedness of the borrowers is never purchased by VHFA or VHFA does not issue a Mortgage Credit Certificate on the borrowers indebtedness;

Although neither VHFA, lenders or Realtors will be responsible for collecting or calculating the Recapture Tax, we all must be knowledgeable about it and be in a position to answer questions.

Note: Congress failed to modify a section of the law that dealt with recapture if the debt is retired without disposition of the property. VHFA will include in the disclosure statement which we are required by law to give each borrower that the provisions of the law **MAY** entitle a borrower to pay **LESS** Recapture Tax if the loan is prepaid prior to the disposition of the property.

As of this date, the Treasury Department has not issued regulations as required by the law. What changes in the interpretation of the law may come about by the published regulations remains to be seen.

DEFINITIONS

Adjusted Qualifying Income: The result obtained by multiplying the highest family income allowed under federal limits at the Testing Date by a percentage equal to 1.05 to the nth power where "n" equals the number of **FULL** years in the Holding Period. For determining this income use the family size at the date the property was disposed of or the debt was retired.

Federally-Subsidized Amount: An amount equal to 6.25 percent of the highest principal amount of the Federally Subsidized Indebtedness for which the borrowers are liable.

Federally-Subsidized Indebtedness: Any amount where the financing was provided in whole or part with proceeds of any tax exempt qualified mortgage bond (MRB), or any credit was allowed under section 25 (MCC) to the taxpayer for interest paid or incurred on such debt. **Note:** A mortgage becomes a Federally-Subsidized Indebtedness when it is purchased by VHFA or the date the MCC is issued.

Holding Period: The period of time beginning with the Testing Date and ending on the date of disposition of the property or retirement of the indebtedness.

Modified Adjusted Gross Income: The adjusted gross income, as shown on the federal income tax return in the year the recapture tax is owed increased by the amount of interest received or accrued from tax-exempt bonds during the taxable year and decreased by the amount of gain (if any) included in gross income by reason of the disposition of the property or retirement of the debt.

Testing Date: The earliest date on which **BOTH** of the following requirements are met: (a) The indebtedness is a federally-subsidized indebtedness and (b) the taxpayer is liable in whole or part for payment of the indebtedness.

DISCUSSION

The amount of subsidy to be recaptured is the lesser of (a) 50% of the gain realized on the sale of the property or (b) the recapture computation.

(a) is self explanatory with this caveat! In calculating any gain realized on the sale of the property, the taxpayer may subtract the cost of the sale and the cost of any improvements made to the property. The cost of the sale includes all normal and reasonable costs of selling a home.

It is (b), the recapture computation, that we need to focus on and discuss. There are three components to the recapture computation. (1) the holding period adjustment calculation, (2) the income adjustment calculation, and (3) the Federally-Subsidized Amount.

Holding Period Adjustment Calculation

The following table shows the percentage that should be multiplied by the Federally-Subsidized Amount to obtain the holding period adjustment. **Note:** In this calculation you use the year in which the property was disposed of or the debt retired.

Example: If the Holding Period is two and a half years you would use the percentage that corresponds to year 3, or 60%. If the Federally Subsidized Amount was $5,000 then the holding period adjustment would be 60% of that amount, or $3,000.

Disposition Holding Period Occurs During:	Holding Period Percentage is:	Disposition Occurs **During:**	Holding Period Percentage is:
Year 1	20%	Year 6	80%
Year 2	40%	Year 7	60%
Year 3	60%	Year 8	40%
Year 4	80%	Year 9	20%
Year 5	100%		

Income Adjustment Percentage Calculation

The following table shows each factor for the number of **FULL** years in the Holding Period that would be multiplied by the highest family income allowed by federal limits at the Testing Date for the family size at the time the property is disposed of or the debt retired. The result of this calculation will be the Adjusted Qualifying Income.

Full Year	Factor	Full Year	Factor	Full Year	Factor
1	1.0500	4	1.21551	7	1.40710
2	1.1025	5	1.27628	8	1.47746
3	1.15763	6	1.34010	9	1.55133

Example: At the Testing Date the size of the Smith family was two and the maximum federal limits for their area was $35,000 for a family of two or less and $37,000 for a family of three or more. The Smith family, now a family of three with the addition of a baby, sold their home two and a half years later.

To calculate the Adjusted Qualifying Income for the Smith family, you would multiply $37,000 (the maximum income for a family size of three at the Testing Date) by 1.1025 (the factor for the number of **FULL** years (2) that the indebtedness was outstanding), to obtain an Adjusted Qualifying Income of $40,793.

Once you have completed the above, you would subtract the Adjusted Qualifying Income from the Modified Adjusted Gross Income. If the result of this subtraction is -0- or less, there would be no Recapture Tax owed by the borrowers. If the result is greater than -0-, then you would divide that result by $5,000, and round to the nearest whole percent. This figure would be the income adjustment percentage.

Example: Assuming, in the previous example, the Smiths' Modified Adjusted Gross Income for the year in which the property was sold was $41,000 the calculation would be as follows:

$41,000 - $40,793 = $207
$207/$5000 = .0414 or 4.14% or 4%

Recapture Computation

The recapture computation is accomplished by multiplying the Federally-Subsidized Amount by the holding period percentage and that result by the income adjustment percentage. Using the figures we have been working with in the previous examples the recapture computation for the Smith family would be as follows:

$5,000 (Federally Subsidized Amount) x 60% (holding period percentage) = $3,000 (holding period adjustment).
$3,000 (holding period adjustment) x 4% (income adjustment percentage) = $120.

If the recapture calculation is less than 50% of the gain on the sale of the property, than the taxpayer would pay a recapture tax of $120. If not, then the recapture tax would be 50% of the gain on the sale, but in no case may it be more then the Federally-Subsidized Amount.

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA BOARD OF COMMISSIONERS

FROM: DOUGLAS R. LOTHROP, PROGRAM GROUP PARTICIPANT

DATE: DECEMBER 6, 1990

RE: RECOMMENDATION FOR INCOME LIMITS, MORTGAGE PLUS PROGRAM

PROPOSED INCOME LIMITS

At the last board meeting you approved the conversion of the remaining VHFA 1990 bonding authority to MCC authority. One of the requirements comes with this authority is the mandate that we adjust incomes for family size (1 & 2 Person families and 3 plus person families). This is something that we have not had to do in previous Mortgage Plus programs. However, we have had to adjust for family size in the MOVE program and are doing so with the present one.

Under present tax law we may use the higher of the state median income or the area median income when calculating income limits.

The Program Group is suggesting that VHFA use the higher of the county or state median incomes and have the limits listed on a county by county basis. The proposed income limits for each county along with the present income limits for Mortgage Plus are shown on Attachment A.

The following are the more important benefits to be gained:

* Allows access to the program for those Vermonters who do not qualify for MOVE but need some assistance;

* Encourages increase usage of the Mortgage Plus program; and

* Encourages the higher income borrowers to use this program rather than the MOVE program which will conserve this resource for lower income Vermonters.

Mortgage Plus as a tax credit program which generally encourages use by those borrowers in the upper level of our income limits.

REQUESTED BOARD ACTION

Approval of the Income Limits as proposed.

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866

EQUAL HOUSING OPPORTUNITY

Attachment A

Mortgage Plus

Recommended Income Limits

Area	1 & 2 Person Families	3+ Person Families	Present Limit
Addison	$32,300	$37,100	$35,300
Bennington	32,300	37,100	36,200
Caledonia	37,000	42,000	42,000
Chittenden	37,000	42,000	42,000
Essex	37,000	42,000	42,000
Franklin	37,000	42,000	42,000
Grand Isle	32,300	37,100	34,900
Lamoille	37,000	42,000	42,000
Orange	37,000	42,000	42,000
Orleans	37,000	42,000	42,000
Rutland	37,000	42,000	42,000
Washington	37,000	42,000	42,000
Windham	37,000	42,000	42,000
Windsor	33,000	38,000	41,200
MOVE Income Limits	32,300	37,100	

Counties listed in **bold** print are non-targeted counties.

Income limits underlined reflect the use of the state median income for the income limit calculation.

Attachment B

Mortgage Plus

Maximum Income Limits

Area	1 & 2 Person Families	3+ Person Families
Addison	$32,300	$37,100
Bennington	32,300	37,100
Caledonia	38,700	45,200
Chittenden	38,700	45,200
Essex	38,700	45,200
Franklin	38,700	45,200
Grand Isle	32,300	37,100
Lamoille	38,700	45,200
Orange	38,700	45,200
Orleans	38,700	45,200
Rutland	38,700	45,200
Washington	38,700	45,200
Windham	38,700	45,200
Windsor	33,200	38,100

Counties listed in **bold** print are non-targeted counties.

Income limits underlined reflect the use of the state median income for the income limit calculation.

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Mark Koppelkam, Multi-Family Development Underwriter

DATE: December 7, 1990

RE: Middlebury/ACCAG (North Pleasant Street)
Request for Commitment Letter

PROJECT SUMMARY

Staff recommends Board approval of a resolution authorizing issuance of a letter of interest to the sponsor, Addison County Community Action Group Inc. (ACCAG) for permanent taxable financing of a proposed six building North Pleasant Street development in Middlebury. Staff does not feel confident at this time in recommending approval of a commitment letter given significant uncertainties about the development, despite a stated need by the owner to close prior to the end of 1990.

THE PROJECT

1. General Description

The proposed development includes 24 residential units in five buildings, plus two commercial units (medical offices) in an additional building. The three residential structures on North Pleasant Street (Route 7), are officially designated "national historic structures." The commercial building and two additional residential buildings are behind the historic structures. (See attached site map.) The residential building farthest in the rear of the site is currently mortgaged with Farmers' Home Administration. This building was not terribly well constructed and has eight small 2 BR units, probably 500 sq. ft. in size. The sponsor is proposing that this building be used as transitional housing. This building also has a small laundry facility (3 washers, 3 dryers) which are used by the tenants in all the buildings. The residential building in between the street and the Farmers' Home building is a small three bedroom single family home in mediocre repair that has traditionally been rented to students.

The Farmers' Home building has not been in regulatory compliance for many years, and no payments have been made for nearly two years. However, Farmer's Home has not yet begun foreclosure procedures. They apparently will approve a prepayment of their mortgage contingent upon acquisition by ACCAG.

The owner secured an appraisal by William N. Scranton which stated a total property value of $990,000. This included $150,000 as "assemblage value." A purchase and sale contract was signed in September by the sponsor for $950,000. The contract calls for closing prior to the end of 1990.

The Housing & Conservation Trust Board (HCTB) at their October meeting approved two low interest and deferred payment loans totalling $240,000, plus $16,000 as a grant to cover development fees, but attached several important contingencies. These included not participating in the financing of either the commercial building or the Farmers' Home building, and securing a lower price on the remaining four buildings. The owner is apparently not willing to split the property, and based on the results of a new appraisal (which is in progress), the HCTB has indicated a willingness to consider an additional $120,000 low interest deferred payment loan in the next two weeks. The attached financial projections assume that this additional loan is approved.

The sponsor initially proposed very limited renovations to the development. However, a series of inspections by numerous parties is revealing some significant safety, structural and energy related deficiencies in nearly all the buildings. Preliminary cost estimates for this work now exceeds $150,000, not including contingency. These costs do not include any funds for cosmetic remodeling or new appliances, both of which are needed in at least a few of the units. The sponsor operates Addison County's weatherization program, and indicate that they may be able to do some of the energy work for eligible tenants over time.

The commercial space appears to be in satisfactory condition, though the building currently has no insulation. One commercial tenant has no lease but has been on site for many years. The other tenant has a one year lease. There has not been any indication whether either commercial tenant would be willing to sign a longer term lease.

2. Financial Projections

As proposed, adding the new safety and renovation work, this project is not feasible unless the acquisition price drops from $950,000 to $700,000 or less. A new appraisal is in progress, the results of which should be known by the VHFA Board meeting. However, it is not known how the owner will react to either a lower purchase price or a time extension.

The most important factor to note about the proposed financing structure is that no equity is included. No low income housing tax credits, the equity raising method used in all other VHFA financed multi-family rental developments since 1988, have been requested. The feasibility of this development would be immensely improved if tax credit equity were added. Unfortunately the sponsor does not have experience in syndications, Housing Vermont has not expressed interest in participating (due apparently to an already heavy workload), and little can be done with a December 31st deadline.

The status of the HCTB loans have been stated above.

The VHFA loan would likely be a taxable 20 year note, amortized over 25 years. A stepped rate structure may be considered. VHFA's first choice of capital for the proposed loan would be to place the note with the state pension funds. The development could be eligible for a VHFA tax exempt note, but there is no readily available capital source for this small scale development alone. With no other similar developments in the pipeline the economies of scale do not justify the high costs of a tax exempt bonding process.

Short term financing in the amount of $60,000 has been requested from the Vermont Community Loan Fund, but has not yet been approved. This would carry a six percent interest rate, and need to be refinanced after three years. The projections included in the packet conservatively assume refinancing at that time with a 10 year note at 12% interest. The sponsors are planning to apply to the State CDBG office, which has a January 1991 funding round, to take out this loan with either a grant or a longer term loan. The results of the CDBG process will be known in March.

3. Operating Expense Projections

The projections as presented by the sponsor are very tight in the first few years, even based on generous assumptions about acquisition price, renovation needs and financing terms, and despite the lack of a significant development fee. The reason is that even with the substantial HCTB deferred payment low interest loans, there is no equity involved in the project to lower VHFA taxable rate debt costs.

The sponsor's projected expenses are shown below, in comparison with other recent VHFA financed projects.

Per Unit Per Month Expenses

Project:	ACCAG	St Johnsbury	Pine Meadow	Northgate
Administration	35	35	54	77
Maintenance	62	70	48	110
Insurance	13	15.8	11	18.7
Taxes	62	32	67	51
Management Fee	25	n/a	35	25

(Notes: Pine Meadow has on-site manager in a unit, and is new construction. St. Johnsbury, Northgate and ACCAG anticipate heavy on-going maintenance.)

VHFA staff will ensure that specific expense budget line items are fully supportable prior to signing of a commitment letter, assuming VHFA Board approval of such a resolution. Like the situation with the mobile home parks, the property tax projection is problematic, and is the largest issue of concern.

4. Rents and Market Demand

The proposed unit make-up of the five residential buildings is nine one-bedroom units, thirteen two-bedroom units, one three-bedroom unit and one four-bedroom unit. Proposed rents for the units range from $300 to $450 for the one bedroom units, from $398 to $525 for the two bedroom units, $503 for the three bedroom and $556 for the four bedroom house. (Note: The three and four bedroom units involve conversions--these are currently two bedroom units.) The tenants pay all heat and electricity, except for the commercial tenants (who pay only electricity). The water and sewer bills, and the commercial building heat are paid by the owner.

At present there are seven vacancies in the apartments. It has been alleged that the current owner has choosy standards for potential tenants, does not appear to encourage tenants with children, and generally does not appear to make a great effort to keep fully occupied.

A market study was commissioned in 1990 for the nearby Pine Meadow project from Douglas J. Kennedy and Associates. I noted in that report to the VHFA Board that the Pine Meadow study complemented an April 1989 housing needs study by the Addison County Regional Planning and Development Commission. They

conclude that "All available data and interviews... point to a very strong market for affordable rental housing units for families." The latter study specifically finds that 2,840 new units are needed county-wide in the next ten years. This demand is not to serve a significant new in-migration, but primarily to meet the rapidly dropping average household size. Population growth in Addison County is only expected to be 1.2% per year.

The 1989 Rental Housing Cost Study done by the Vermont State Housing Authority found that the median gross rents (i.e., including utility costs) for Middlebury were $413 for a 1 BR, $514 for a 2 BR, and $627 for a 3 BR. For Addison County as a whole, rents for 1 BR and 3 BR units did not increase from 1987 to 1989. However, 2 BR units did increase 6.3% (i.e., 3.15% per year).

The sponsors have not yet provided any new market or rent data, though an informal survey is in progress. They have been asked to specifically address the need for transitional housing, since that is the planned goal use of the Farmers' Home building.

VHFA staff has recommended that a mixed income requirement be mandated, setting a standard of not less than five units to be rented to individuals or families making between 80% and 120% of the county median income. The sponsor has stated that this requirement is acceptable.

5. Location and Site Concerns

The overall appearance of the development is quite good. The building exteriors, particularly the three historic structures facing the street, are very attractive. Parking appears to be plentiful, even including the demand of the two commercial offices. The parking lot has a gravel surface. The Farmers' Home building is set back along the rear lot line, and backs to a large active garage and a large parking lot of Central Vermont Power Company. The Farmers' Home building is much less attractive in that it resembles a small motel. There is a low area immediately to the south of the building that has cattails growing in it! The overall site is about two acres in size.

The general location of the site is excellent, being within one block of downtown Middlebury. The buildings are well set back from the road, so even the heavy traffic of Route 7 is not too detrimental. Numerous stores and services are in easy walking distance.

6. Management

Management will be done by ACCAG. ACCAG currently owns and manages 37 units in five buildings and one mobile home park in Addison County, including 8 transitional units in Middlebury.

While ACCAG has some capable staff, it does not have extensive property management experience. ACCAG has historically been a client advocacy agency, and has in recent years taken on property management as a sideline to its direct action housing development efforts. While ACCAG is to be commended for their accomplishments in the housing area, their property management program needs improvement. The addition of these units will likely be helpful as they add some economy of scale to numerous management functions.

The HCTB has recognized a need to improve property management capacity amongst several nonprofit organizations in Addison county, and will be considering grants to assist in the formation of a jointly owned property management company.

DISCUSSION - STRENGTHS

7. According to the Regional Planning staff reports, there is a large demand for additional affordable rental housing units in Addison county.

8. The proposed development is highly visible in downtown Middlebury and looks attractive. The location is excellent for tenants. The mix of buildings should enable a good mix of different income tenants.

9. ACCAG is a highly visible proponent of affordable housing in Addison County. This would be ACCAG's largest development to date, and as indicated earlier would likely help focus their property management efforts.

10. The HCTB has already made their primary financial commitment, and will likely consider the additional portion prior to the VHFA Board meeting.

DISCUSSION - WEAKNESSES

11. The financial projections don't really work unless the purchase price is cut more than 20% from the current signed purchase and sales contract.

12. While there is an alleged need on the part of the seller to close prior to the end of 1990 (i.e., for all purposes prior to December 22nd), many facets of the deal remain to be resolved. The HCTB has made their initial (and partial) commitment contingent upon a lower price on part of the property. It is not clear if the new appraisal will resolve that issue. There is no indication that the seller will accept a lower price. The new appraisal, the environmental assessment, the energy analysis and a code report all need to be compiled and evaluated prior to the closing, but none of them (with the exception of code work on the Farmers'

Home building) were even started until December 4th. Work on the title reports and many of the required VHFA documents for closing has also not yet begun. Even given the best proposal in the world, the timetable seems very improbable.

13. Given the poor regional market conditions for real estate, the looming Farmers' Home foreclosure procedures and the numerous deficiencies in the property, it seems unnecessarily risky to make hasty financing and acquisition decisions. There is a national and state recession, and rental demand has noticeably slackened in the Burlington market. The proposed development would directly compete for tenants (and Section 8 voucher holders in particular) with the VHFA financed Pine Meadow development, located one mile outside Middlebury, which will start renting in January.

14. There is no equity being invested in the project. Since Congress extended the Low Income Housing Tax Credits for an additional year, some $825,000 in additional tax credits are now available for 1990 and 1991 (combined). Equity would dramatically improve project feasibility, would theoretically increase the stake the sponsor has in the project, and would reduce the financial outlay and risk to VHFA and the HCTB.

15. The sponsor has a potentially conflicting role as low income advocate and property investor/manager. Situations may arise where the sponsor must choose between serving certain very disadvantaged low income clients, and maintaining and improving the development. The short term benefits of providing housing to an otherwise marginal or unacceptable tenant as a way of helping that person/family (and filling a vacancy) will be hard to weigh against the long term costs of deterioration in the physical plant or the reputation of the development.

16. At this time a lot of information about the development remains uncertain, including an agreed upon purchase price that is feasible, financial projections that work, the environmental assessment, written reports from the appraiser, the engineer, the code inspector, VEIC (re: the energy analysis), HCTB approval of the additional financing, a financing commitment from the VCLF or the CDBG office, and the sponsor's additional rental market information.[1] Information generated from physical site inspections (discussed above) during the last few days has been

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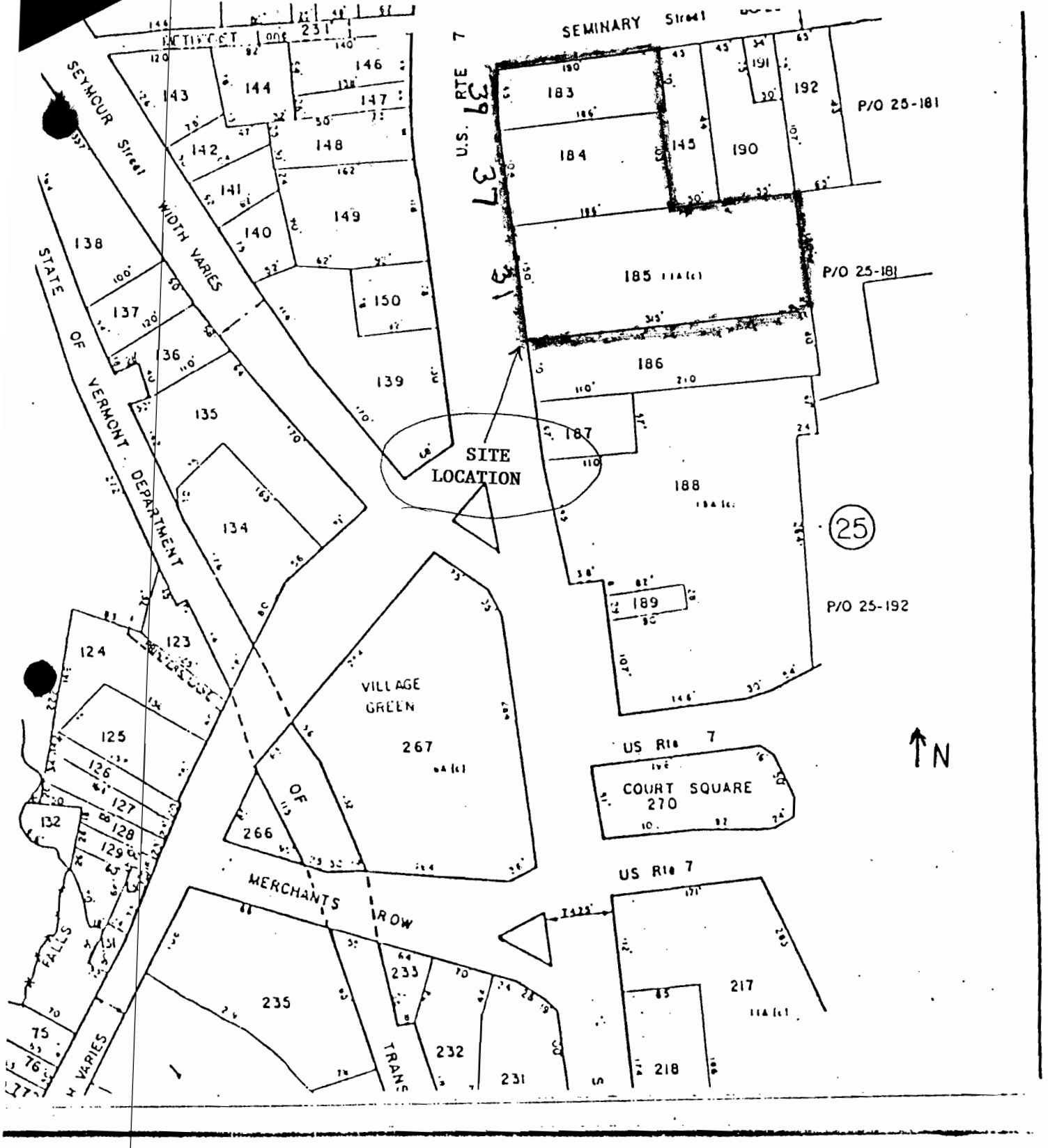
[1] Please note that VHFA staff agreed that the environmental assessment could be postponed until after the VHFA Board meeting in order to avoid unnecessary costs.

generally negative, and raises questions that perhaps additional evaluations and cost estimates should be done.

RECOMMENDED ACTION

Staff recommends approval of the attached Resolution Pertaining to a Letter of Interest for ACCAG's North Pleasant Street development in Middlebury. Staff recognizes that failure to approve a commitment letter, as was requested, may jeopardize the acquisition. However, we cannot responsibly recommend issuance of a commitment letter at this time. Circumstances may change in the time period prior to the VHFA Board meeting. We will be urging the sponsor to negotiate an adequate time extension to the purchase offer so that project feasibility is improved and the numerous uncertainties are clarified. Staff will bring a draft commitment letter resolution to the Board meeting in case of interest in proceeding.



MIDDLEBURY LOCATION MAP
ACCAG/NORTH PLEASANT STREET

MIDDLEBURY SITE MAP
ACCAG/NORTH PLEASANT STREET

PROJECT BUDGET

Project: 6 BUILDINGS--MIDDLEBURY RUN DATE: 07-Dec-90

Total Units (Comm & Resi	26	********Assumptions*******	
Residential Units	24	Income increase:	3.25%
Restricted Units:	N/A	Expense increase:	4.50%
Percent Restricted:	N/A	Appreciation:	2.50%
		Vacancy Rate:	5.00%
First Yr DCR	99.89%	Cash Flow:	(64)

USES

Acquisition	700,000
Sitework	35,000
Energy Improvements	20,000
FmHA Building	43,645
Code & Safety-Other Bldg	37,000
Contingency (15%)	21,000
Working Capital	25,000
Appraisal	2,500
Legal	3,000
Title Ins	1,500
Financing Fees	8,300
Environ Assess	3,500
VHFA Transaction Expense	4,000
Total Development Cost	904,445 100%--DCR

SOURCES	Amount	% of TDC	Interest	Term	$$Per Unit	
VHCB-loan #1	200,000	22.11%	0.00%	30	7,692	def for 10
VHFA	484,445	53.56%	11.00%	30	18,633	
VHCB-loan #2	160,000	17.69%	1.00%	30	6,154	def for 25
VCLF	60,000	6.63%	6.00%	30	2,308	3 yr balloon, 10 Yr 12% after
	0	0.00%	0.00%		0	
Total	904,445	100.00%	99.89%		34,786	

C:\QPRO\ACCAG1.WKQ 30 YEAR PRO FORMA 07-Dec-90

Year	1	2	3	4	5	6	7	8	9	10	11
Gross Possible Rent	135,432	139,834	144,378	149,070	153,915	158,917	164,082	169,415	174,921	180,606	186,476
Less Vacancies	(6,772)	(6,992)	(7,219)	(7,454)	(7,696)	(7,946)	(8,204)	(8,471)	(8,746)	(9,030)	(9,324)
Plus Other Income	420	434	448	462	477	493	509	525	542	560	578
Total Actual Income	129,080	133,276	137,607	142,079	146,697	151,464	156,387	161,470	166,717	172,136	177,730
Less Operating Exp.	69,466	72,592	75,859	79,272	82,839	86,567	90,463	94,534	98,788	103,233	107,879
53.82%											
Net Operating Income	59,614	60,684	61,748	62,807	63,857	64,897	65,924	66,936	67,930	68,903	69,851
Less VHCB Debt 1	0	0	0	0	0	0	0	0	0	6,667	6,667
Less VHCB Debt 2	0	0	0	0	0	0	0	0	0	0	0
Less VHFA Debt Service	55,362	55,362	55,362	55,362	55,362	55,362	55,362	55,362	55,362	55,362	55,362
Less VCLF/Bank DS	4,317	4,317	4,317	9,925	9,925	9,925	9,925	9,925	9,925	9,925	9,925
Cash Flow	(64)	1,005	2,070	(2,480)	(1,430)	(390)	637	1,649	2,643	(3,051)	(2,102)
DCR	99.89%	101.68%	103.47%	96.20%	97.81%	99.40%	100.98%	102.53%	104.05%	95.76%	97.08%

RESOLUTION PERTAINING TO LETTER OF INTEREST
RE: NORTH PLEASANT STREET, MIDDLEBURY

WHEREAS, a proposal has been presented to the Agency by the Addison County Community Action Group (ACCAG), a non-profit corporation, involving the acquisition of five buildings containing 24 residential units plus two commercial units in a separate building; and

WHEREAS, the sponsor will qualify as a housing sponsor within the meaning of the Vermont Housing Finance Agency Act (the "Act") and the Agency's Regulations pertaining to Grants, Loans and Advances to Assist the Planning, Construction, Rehabilitation, and Operation of Residential Housing; Mortgage Loans to Housing Sponsors for Single Family Developments; and

WHEREAS, the Housing and Conservation Board has approved a $16,000 grant and two deferred loans of $160,000 and $80,000 and it is anticipated that an additional deferred loan of $120,000 will be approved for the Development; and

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

It is hereby DETERMINED:

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

2. The costs of acquisition 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 sponsor is a financially responsible organization.

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

7. The non-housing facilities to be acquired in connection with the Mixed Use Development, and which are not designed primarily for the benefit of the occupants of the dwelling units, are necessary in order to render the purchase of the dwelling units economically feasible for persons and families of low and moderate income.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a letter of interest (the "Letter of Interest") to provide a first mortgage for permanent financing in an amount to be determined by the Executive Director, but not to exceed $650,000, for the North Pleasant Street Development in Middlebury.

2. The Letter of Interest shall be issued to the Addison County Community Action Group as the housing sponsor.

3. The Letter of Interest shall state that it is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The letter of interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

4. The Executive Director is authorized to make preliminary arrangements for the issuance and private placement of taxable bonds of the Agency to provide proceeds for financing this loan.

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, PCrady Development Coordinator

DATE: December 4, 1990

RE: Status Report--Sugar Mae, Phase II

I have had the opportunity to meet with all lenders responding to the survey mailed this past summer. I am very pleased that there continues to be strong interest and commitment from lenders to complete another transaction. However, it does not appear that another transaction will be completed until the first half of 1991.

Most lenders have indicated that they are experiencing decreased demand for residential mortgages and felt if they were to sell loans from their portfolio they would not be able to reinvest the funds back into mortgages. Also, several lenders are completing data processing system conversions at the end of this year and could not commit to a timetable to deliver information. Unfortunately, the volume of loans held by the lenders who are able to provide information quickly, was not sufficient in size to make a transaction feasible at this time.

We have indicated to lenders that further development of Sugar Mae continues to be a high priority for VHFA. I am hopeful that we will be able to complete another transaction during the first half of 1991.

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EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, Development Coordinator

DATE: December 6, 1990

RE: MOVE--Energy Efficient Mortgage

Under consideration by staff is a major change to the MOVE Program which would require that every mortgage financed by VHFA be an "Energy Efficient Mortgage". An Energy Efficient Mortgage is a mortgage where the home has been rated by Energy Rated Homes of Vermont. Monthly energy costs obtained from this rating are then included in monthly housing expenses and ratios of expenses to income are expanded to 35% for housing and 45% for total debt. (VHFA's present qualifying ratios without energy are 30% housing, 38% total debt.)

To be eligible for MOVE financing, homes would have to meet a minimum energy rating. (The minimum rating for newly constructed homes would probably be 4 STARS. The minimum rating for existing housing is yet to be determined.) Homes not meeting the minimum would have to be upgraded. The cost to upgrade would be included in the mortgage. The result would be the upgrading of energy systems for existing housing and lower and more predictable energy costs for VHFA borrowers.

Staff feels this change needs to be considered because of increasing costs for energy. The typical home financed by VHFA is usually older and not very energy efficient. Because this change will impact every loan financed under the MOVE Program, development will include input from ERH, VHMGB, lenders, builders, nonprofit housing developers, and real estate salespeople. It is expected that staff will recommend changes at the February Board meeting to become effective later in the spring.

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EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Mark Koppelkam, MF Underwriter

DATE: December 7, 1990

RE: Vergennes/Addison County Community Trust
Town & Country Mobile Home Park
Request for Commitment Letter

PROJECT SUMMARY

Staff recommends VHFA Board approval of a resolution pertaining to a commitment letter for permanent financing for the Town & Country Mobile Home Park in Vergennes. As noted in last month's VHFA Board packet, Town & Country is a 73 unit park in very good condition. The purchase price being proposed is $1,300,000, or $17,808/lot. The sponsor is the Addison County Community Trust (ACCT). There is really no new information about the development since the last Board meeting, except for two infra-structure background checks, both of which came out positive. Closing has been set for January 7, 1991.

THE PROJECT

Note: The following information is the same as that distributed last month as part of the Board packet. Several sections have not been repeated here so as to emphasize only the most important factors.

1. Financing

Sources		Uses	
VHFA	$1,068,625	Acquisition	$1,300,000
VHCB loan	266,000	Site Improvements	2,000
VHCB grant	50,000	Legal & Title	4,500
		Finance & Closing	13,000
Total	$1,384,625	Engineering	2,500
		Working Capital	11,425
		Appraisal	1,200
		Development fee	65,000
TDC $18,967/lot		Total	$1,384,625

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EQUAL HOUSING OPPORTUNITY

The VHFA loan as proposed is structured with a stepped interest rate starting at 9.75% and increasing .75% every five years to a final interest rate of 12.0%. The loan is for 20 years but is amortized over 25 years.

VHCB has approved a $50,000 grant and a $266,000 1% interest loan with payments deferred for five years.

2. Appraisal & Loan To Project Value

An appraisal was done in August, 1990 by Stephen D. Allen, who estimated the value of the Park to be $1,300,000 or $17,808/lot. VHFA's multi-family rules state that the VHFA loan will be limited to no more than 95% of the total housing costs or security value of the project, which ever is less. As proposed VHFA's loan equals 82.2% of the appraised value, and 77.2% of the total development costs.

In addition VHFA's agreement with the Pension Funds (the source of the taxable financing) that loan to value would not exceed 85%. This standard is met for the VHFA loan.

3. Lot Rent/Market Demand/Income Mix

The current rent is $135/month; lot rents in Addison County average $126/month; another park located in Vergennes charges $150 per month. The residents have indicated a willingness to pay the budgeted increase to $180/month. Turnover at the park has been approximately 10 per year, but vacancies have been readily filled.

DISCUSSION

4. Strengths and Weaknesses

The primary strengths of this project include:

a. The park at present is in very good condition and well managed. A high standard of management has been set.

b. The seller is very helpful and cooperative, and has agreed to continue to provide consulting assistance for one year at no additional cost. The sellers will continue to operate a mobile home sales operation across the street.

c. The park has a good reputation with City Hall in Vergennes, which also recognizes the fact that affordable housing is being provided.

d. Since the park is connected to town water and sewer lines, many of the usual mobile home park costs and concerns about septic systems and capacity are avoided.

e. The general location of the park is very good, being within one mile of downtown.

f. The residents appear to have a strong interest in taking on park management.

The potential weaknesses of this project include:

g. There is only "soft equity" from HCTB in the project, and the sponsor has essentially no assets.

h. The financial projections are tight, with a relatively high acquisition price, high lot rents, low expenses and a 1% vacancy projected. Early year debt coverage projections are below VHFA's desired standard of 1.05. A large property tax hike due to the acquisition and townwide re-appraisal in mid 1991 could be damaging. The attached projections assume a 33% increase at that time. The sponsors feel that this is a very conservative assumption, and that taxes will not increase this much.

i. The sponsor has limited housing management experience, but has hired additional staff to assist in this area. The desired sharing of management responsibilities with residents needs to be thoughtfully considered in the contract documents.

RECOMMENDED ACTION

Staff recommends approval of the attached Resolution Pertaining to Letter of Intent and a Commitment Letter for the Town and Country Mobile Home Park.

[redacted]ry MHP

Koppelkam
11/2/90

SOURCES AND USES OF FINANCING

Permanent Financing			Rate	Term	Annual D/S	Comments	
VHFA financing*	$1,068,625	77.18%	9.75%	25	$114,275	Stepped %-rate	Balloon pmt yr 20
VHCB-grant	$50,000	3.61%	0.00%				
VHCB loan	$266,000	19.21%	1.00%		$12,078	Deferred	
Total Permanent Financing	$1,384,625	100.00%					
Per Unit	18,967						

*VHFA loan must carry average rate of 10.75% over 20 years; longer amortization will require refinancing in year 20.

**starting in Year 5, the park must begin making annual loan payments of $4000/year or more to VHCB

Total Development Budget

Property Acquisition	$1,300,000	$17,808 /lot		
Site Improvements	$2,000			
Appraisal	$1,200			
Legal and Title Fees	$4,500			
Finance & Closing Costs	$13,000		10,686	One point + VHFA attny fees
Engineering	$2,500			
Working capital	$11,425		11,428	
Development Fee	$50,000			
Total Development Costs	1,384,625	$18,967 /lot		

Town and Country MHP 5/31/90
PROJECT OPERATING PRO FORMA

		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Ye
Gr Annual Income		157,680	162,410	167,283	172,301	177,470	182,794	188,278	193,927	199,744
Less Vacancy Allowance:	1%	1,577	1,624	1,673	1,723	1,775	1,828	1,883	1,939	97
Other Income		0	0	0	0	0	0	0	0	0
Adjusted Gross Income		156,103	160,786	165,610	170,578	175,696	180,966	186,395	191,987	197,747
Management	10512	10,512	10,932	11,370	11,825	12,298	12,789	13,301	13,833	14,386
Audit/Legal		2,000	2,080	2,163	2,250	2,340	2,433	2,531	2,632	2,737
Utilities & trash & water	11390	11,770	12,241	12,731	13,240	13,770	14,320	14,893	15,489	16,109
Maintenance--total		3,000	3,120	3,245	3,375	3,510	3,650	3,796	3,948	4,106
Real Estate Taxes	8022.56	5,800	7,027	8,000	8,320	8,653	8,999	9,359	9,733	10,123
Insurance		2,200	2,288	2,380	2,475	2,574	2,677	2,784	2,895	3,011
Replacement Reserve	4683.096	4,685	4,826	4,970	5,119	5,273	5,431	5,594	5,762	5,992
Other: Snow Plowing		1,500	1,560	1,622	1,687	1,755	1,825	1,898	1,974	2,053
Total Expenses		41,467	44,075	46,481	48,290	50,171	52,125	54,156	56,266	58,517
Net Operating Income		114,636	116,712	119,129	122,288	125,525	128,841	132,240	135,721	139,230
Debt Service: VHFA		(114,275)	(114,275)	(114,275)	(114,275)	(114,275)	(120,282)	(120,282)	(120,282)	(120,282)
VHCB debt service		0	0	0	0	(4,000)	(4,000)	(4,000)	(5,095)	(6,253)
Cash Flow		361	2,437	4,854	8,013	7,250	4,559	7,957	10,344	12,695
VHFA RATE		9.75%				10.50%				
Del overage Ratio		1.00	1.02	1.04	1.07	1.06	1.04	1.06	1.08	1.10
Lot Rent		$180	$185	$191	$197	$203	$209	$215	$221	28
Oper Exp Per Lot		$568	$604	$637	$662	$687	$714	$742	$771	$802

ASSUMPTIONS

Oper cost/lot/month	
Income Increase	3%
Expense Increase	4%
Replace. Reserve	3%

Due to a reassessment in 1992 and due to the fact that T&C current assessment is approx 20% of FMV this proforma assumes that property taxes will increase 33% in the last half of Yr 2.

Rents*	Units	Yr 1 Rents	Ann Rents
# Mobile Homes	73	$180	$157,680

RESOLUTION PERTAINING TO COMBINED LETTER OF INTENT AND COMMITMENT LETTER RE: TOWN AND COUNTRY MOBILE HOME PARK

WHEREAS, a proposal has been presented to the Agency by the Addison County Community Trust (ACCT), a non-profit corporation, involving the acquisition of Town and Country Mobile Home Park, a 73 unit mobile home park in Vergennes; and

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

WHEREAS, the Housing and Conservation Board has approved a $50,000 grant and a deferred loan of $266,000 for Town and Country; and

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

It is hereby DETERMINED:

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

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

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

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

5. The sponsor is a financially responsible organization.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a combined letter of intent and Commitment Letter (the "Commitment Letter") to provide a first mortgage for permanent financing in an amount to be determined by the Executive Director, but not to exceed $1,150,000, for the Town and Country Mobile Home Park.

2. The Commitment Letter shall be issued to the Addison County Community Trust as the housing sponsor.

3. The commitment of the Agency shall be subject to receipt, at the time of closing, of a commitment fee in an amount equal to one percent (1%) of the principal amount of the mortgage loan.

4. The term of the mortgage loan shall be 20 years, the principal and interest payments may be calculated on a 25 year term and need not be fully amortizing, and the interest rate to be charged will be a graduated rate to be determined by the Executive Director.

5. The Commitment Letter shall require the Sponsor to demonstrate to the satisfaction of the Executive Director that equity funds and/or deferred loan funds are available in an amount at least equal to the difference between the total development cost as accepted by the Agency and the amount of the permanent financing commitment.

6. The Commitment Letter shall contain such other terms and conditions as the Executive Director shall deem necessary or appropriate.

7. Throughout the period of the loan, at least 51% of the pads in the park shall be rented to persons and families of low and moderate income. Income checking shall be required only before the closing and for new residents entering the park. Residents shall not be required to leave the park because their income increases beyond any applicable limit or because the occupancy mix is not met.

RESOLUTION OF VERMONT HOUSING FINANCE AGENCY
AUTHORIZING THE ISSUANCE OF ITS
HOUSING PROJECT BONDS (FEDERALLY TAXABLE
ISSUE) TOWN AND COUNTRY MOBILE HOME PARK

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

ARTICLE I
DEFINITIONS AND AUTHORITY

SECTION 101. Definitions.

(A) In this Resolution unless a different meaning clearly appears from the context:

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

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

"Anniversary Date" means the date the first scheduled amortizing payment was due on the Permanent Loan.

"Authorized Officer" means the Chairman, Vice Chairman, Executive Director and Secretary and Director of Finance of the Agency, and any other person authorized by resolution of the Agency to act as an Authorized Officer under this Resolution.

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

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

"Bond Fund" means the Housing Project (Federally Taxable Issue) Bond Fund established under Section 301 of this Resolution.

"Commitment Letter" means the Commitment Letter relating to the Permanent Loan dated as of December 13, 1990, issued by the Agency and accepted by the Sponsor.

"Costs of Issuance" means any items of expense payable or reimbursable directly or indirectly by the Agency and

related to the authorization, sale and issuance of the Bonds.

"Development" means the Town and Country Mobile Home Park as more fully described in the Commitment Letter and the Three Party Agreement.

"General Account" means the account so designated and established under Section 301 of this Resolution.

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

"Loan Account" means the account so designated and established under Section 301 of this Resolution.

"Permanent Loan" means a permanent mortgage loan made by or on behalf of Agency to the Sponsor with the proceeds of the Bonds.

"Permanent Loan Amount" means the amount of the Permanent Loan established pursuant to paragraph 3 of the Commitment Letter.

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

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

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

"Revenues" means and includes all payments, proceeds, charges, fees, rents, investment earnings and all other income (including without limitation all payments of principal and interest received by or on behalf of the Agency on the Permanent Loan and all Recovery Payments) derived by or for the account of the Agency from or related to the Development and the Permanent Loan.

"Sinking Fund Account" means the account so designated and established under Section 301 of the Resolution.

"Sponsor" means Addison County Community Trust, a non-profit corporation organized and existing under the laws of the State.

"State" means the State of Vermont.

"Three Party Agreement" means the agreement so denominated among the Sponsor, the purchaser of the Bond, and the Agency, in substantially the form presented at this meeting.

(B) Except as otherwise expressly provided in this Resolution, the terms "housing development costs," "housing sponsor," "mortgage," "mortgage loan," and "residential housing" when used in this Resolution shall have the meanings given such terms in the Act.

SECTION 102. Authority.

This Resolution is adopted pursuant to the Act and shall take effect upon its adoption. The Agency is duly authorized under the Act and all applicable laws to issue the Bonds and to adopt this Resolution in the manner and to the extent provided herein. The Agency will at all times, to the extent permitted by law, defend, preserve and protect all the rights of the registered owner of the Bonds hereunder against all claims and demands of all persons whomsoever.

ARTICLE II
AUTHORIZATION OF THE BOND; FINDINGS; TERMS AND SALE OF THE BONDS

SECTION 201. The Bonds.

(A) The Bonds of the Agency, designated "Housing Project Bond (Federally Taxable Issue) Town and Country Mobile Home Park" are hereby authorized to be issued as herein provided in an aggregate principal amount not to exceed One Million One Hundred Fifty Thousand Dollars ($1,150,000), the original principal amount of the Bonds to be determined upon their issuance by the Authorized Officers of the Agency executing the same. The Bonds shall be in such denomination as the authorized officers of the Agency shall determine. The Bonds shall be dated and shall bear interest from the Bond Date and shall mature, subject to prior redemption as herein and in the Bond provided, twenty years from the Anniversary Date. Interest on the Bonds shall be payable on September 1, 1991 and semi-annually thereafter on March 1 and September 1 of

each year. The form of the Bonds, the rate or rates of interest payable thereon, the terms of redemption thereof prior to maturity and all other terms and conditions thereof shall be as set forth in Article IV of this Resolution.

(B) The Agency hereby ratifies and confirms the Commitment Letter and approves the Permanent Loan on the terms and conditions provided herein, in the Commitment Letter and in the Three Party Agreement. The Agency hereby determines that:

(1) the Permanent Loan does not exceed the value of the Development as determined by the Agency and the principal amount of the Bonds is necessary to provide sufficient funds to be used and expended for the Program in respect of the Development;

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

(3) the Agency will derive receipts, revenues or other income from the Permanent Loan 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 for which the Bonds are issued;

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

(5) the acquisition, construction and or rehabilitation costs incurred or to be incurred by the Sponsor are for housing development costs within the meaning of the Act;

(6) there exists or without the Development 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 investments are unable, without assistance, to produce an adequate supply of residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families; and

(7) the Sponsor is a housing sponsor as defined in the Act, the Sponsor will maintain or increase the supply of well-planned, well-designed permanent, temporary transitional or emergency housing for persons of low and moderate income and the Sponsor is a financially

responsible person.

(C) The purposes for which the Bonds are being issued are to provide funds to make the Permanent Loan and to pay Costs of Issuance in the amount determined by or pursuant to Article III hereof.

SECTION 202. Sale of the Bonds.

(A) The Bonds are hereby sold to the State Teachers' Retirement System, the Vermont State Employees' Retirement System and the Vermont Municipal Employees' Retirement System at the price of par on the terms and conditions provided herein and in the Three Party Agreement. The Three Party Agreement, in substantially the form presented at this meeting and included in the minutes thereof, and its execution and delivery by Authorized Officers of the Agency is hereby approved with such changes therein and thereto not inconsistent herewith as may be approved by the Authorized Officers executing the same prior to the execution and delivery thereof.

ARTICLE III
ESTABLISHMENT OF FUNDS AND ACCOUNTS; APPLICATION OF BOND PROCEEDS; OBLIGATION OF THE BONDS

SECTION 301. Funds and Accounts.

(A) The Housing Project (Federally Taxable Issue) Project Fund (the "Project Fund") is hereby established to be held and administered together with all accounts therein by the Agency as provided in this Resolution. On or prior to the Bond Date the Agency shall establish within the Project Fund a separate account designated the "Town and Country Loan Account" (the "Loan Account"), the amounts in which shall be applied as provided in this Article III.

(B) The Housing Project (Federally Taxable Issue) Bond Fund (the "Bond Fund") is hereby established to be held and administered together with all accounts therein by the Agency as provided in this Resolution. On or prior to the Bond Date the Agency shall establish within the Bond Fund the following separate accounts to be applied as provided in this Article III:

(1) Town and Country General Account (the "General Account");

(2) Town and Country Sinking Fund Account (the "Sinking Fund Account");

(3) Town and Country Special Redemption Account (the "Special Redemption Account").

SECTION 302. Application of Bond Proceeds.

(A) The proceeds of the Bonds shall be deposited in the Loan Account. Moneys in the Loan Account shall be used solely as follows:

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

(2) amounts in the Loan Account in excess of the Permanent Loan Amount shall be applied by the Agency to defray Costs of Issuance of the Bonds within six (6) months of the Bond Date.

(B) Notwithstanding anything herein to the contrary, if the Permanent Loan is not made within six (6) months of the Bond Date, or in any event if any balance remains on deposit in the Loan Account on the date which is six (6) months after the Bond Date, the entire balance on deposit in the Loan Account shall be transferred to the Special Redemption Account for application to the redemption of the Bonds as provided in Section 303 of this Resolution.

SECTION 303. Application of Revenues.

(A) The Agency shall deposit all Revenues in the Bond Fund upon receipt and shall immediately allocate the same to accounts therein as follows:

(1) Revenues constituting scheduled repayments of principal on the Permanent Loan and Revenues constituting permitted prepayments of the outstanding principal of the Permanent Loan - to the Sinking Fund Account;

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

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

(B) On September 1, 1991 and each succeeding September 1 thereafter, all amounts deposited in the Sinking Fund Account under Section 303(A)(1) shall be applied to the redemption of the outstanding principal of the Bonds, except that, in the event that the Agency receives a prepayment of the outstanding principal of the Permanent Loan under Section 303(A)(1) on the tenth anniversary of the Bond Date, or at any time thereafter, all as provided in the Permanent Loan, the Bonds shall be subject to redemption at the option of the Agency in whole, but not in part, from the amount deposited in said Account.

(C) All amounts deposited in the Special Redemption Account shall be promptly applied to the redemption of the outstanding principal of the Bonds. At any time not later than the interest payment date for the Bonds next succeeding the date of any deposit into said Account under Section 303(A)(2), the amount so deposited shall be applied to the redemption of the outstanding principal of the Bonds.

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

(1) on each interest payment date of the Bonds, to pay the interest on the Bond then due;

(2) on the redemption date of any portion of the principal of the Bonds being redeemed hereunder to pay any interest then payable on the principal amount of the Bonds to be redeemed;

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

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

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

SECTION 304. Transfers from General Fund.

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

SECTION 305. Investment.

Moneys in the funds and accounts established hereunder may be invested by the Agency, until needed for their respective purposes, in any manner permitted by the Act. Moneys in two or more of such funds and accounts may be invested on a commingled basis for the account of such funds and accounts pro rata in proportion to the moneys invested on behalf of each such fund or account. Interest and other income earned upon the investment or deposit of amounts in the Loan Account shall be deposited in such Account. Interest and other income earned upon the investment or deposit of amounts on deposit in the General Account, the Sinking Fund Account and the Special Redemption Account shall be deposited in the General Account.

SECTION 306. Obligation of The Bonds.

The Bonds shall be general obligations of the Agency payable out of any of the Agency's revenues, moneys or assets, subject only to agreements heretofore or hereafter made with the holders of obligations of the Agency other than the Bonds pledging particular revenues, moneys or assets for the payment thereof. The Agency hereby covenants and agrees with the registered owners of the Bonds that it will not grant to any person any lien on or pledge of the Permanent Loan or of any of the Revenues or moneys or investments in any of the accounts created hereunder or any proceeds thereof unless the Agency shall simultaneously therewith grant to the registered owners of the Bonds a prior and senior lien on or pledge of the Permanent Loan and such Revenues, moneys and investments and the proceeds thereof. The Bonds shall not constitute a debt or grant or loan of credit of the State and the State shall not be liable thereon nor shall the Bonds be payable out of any funds other than those of the Agency. The Agency is not obligated to pay the Bonds or the interest thereon except from the revenues or assets of the Agency pledged therefor under this Resolution and neither the faith nor credit nor taxing power of the State or any political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds.

ARTICLE IV
FORM OF THE BONDS

The Bonds shall be issued substantially in the following form:

VERMONT HOUSING FINANCE AGENCY
HOUSING PROJECT BOND
(Federally Taxable Issue)
Town and Country Mobile Home Park

No. ___ $___,000

NOTE: THE HOLDER OF THIS BOND BY ACCEPTANCE HEREOF AGREES TO

RESTRICTIONS ON TRANSFER AND TO INDEMNIFICATION PROVISIONS SET FORTH BELOW.

The Vermont Housing Finance Agency (herein called the "Agency"), a body politic and corporate of the State of Vermont, for value received hereby promises to pay to Vermont State _____ Retirement System, or registered assigns, on the Tenth day of February, 2011, the principal sum of_____ and No Dollars ($___,000), upon presentation and surrender hereof, and to pay interest on the principal balance hereof outstanding from time to time from the date of original delivery of this bond (the "Bond Date") until final payment hereof at the annual rate provided below, which interest rate will change periodically on a day which is a specified anniversary of the date the first scheduled amortizing payment was due (the "Anniversary Date") such interest payments to be made semi-annually on the first day of March and September in each year commencing September 1, 1991. The principal or redemption price of and interest on this Bond are payable in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts and shall be payable by check or draft mailed to the registered owner at his address appearing on the registration books of the Agency kept for that purpose at the offices of the Agency; provided that the registered owner of this bond by acceptance hereof agrees that whenever any payment on account of principal shall occur, such owner shall promptly note the date and amount thereof on the Schedule of Payments and Prepayments endorsed hereon and further agrees that this bond shall be surrendered to the Agency upon final payment hereof.

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

1. From the Bond Date to but excluding the fifth Anniversary Date - 9.00% per annum;

2. From the fifth Anniversary Date to but excluding the tenth Anniversary Date - 9.75% per annum;

3. From the tenth Anniversary Date to but excluding the fifteenth Anniversary Date - 10.50% per annum;

4. From the fifteenth Anniversary Date to the earlier of final maturity or redemption hereof, a rate equal to 11.25% per annum.

This bond is issued pursuant to No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended (the "Act") and under and pursuant to a resolution of the Agency adopted December 13, 1990 entitled "Resolution of Vermont Housing Finance Agency Authorizing the Issuance of its Housing Project Bond (Federally Taxable Issue) Town and Country Mobile Home Park" (the "Resolution"). This bond is a general obligation of the Agency payable out of any of the

Agency's revenues, moneys or assets, subject only to agreements heretofore or hereafter made with the holders of obligations of the Agency other than this bond pledging particular revenues, moneys or assets for the payment thereof.

The Agency is not obligated to pay this bond or the interest hereon except from the revenues or assets of the Agency pledged under the Resolution and neither the faith and credit nor the taxing power of the State of Vermont or of any political subdivision thereof is pledged to the payment of the principal of or the interest on this bond.

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

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

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

1. in whole or in part on September 1, 1991 and on each September 1 thereafter without notice through application of moneys in the Sinking Fund Account as required by the Resolution;

2. in whole or in part at any time upon notice through application of moneys in the Special Redemption Account as required by the Resolution; and

3. in whole or in part at the election of the Agency upon notice, through application of moneys deposited in the Sinking Fund Account in the event of the prepayment of the outstanding principal amount of the Permanent Loan as described in the Resolution. In the event of a prepayment before the end of the seventeenth year, the Agency will pass through amounts of prepayment charges it receives from the Sponsor according to the following schedule:

Years	1-5	10.0%
Year	6	9.5%
Year	7	9.0%
Year	8	8.5%
Year	9	8.0%
Year	10	7.5%
Year	11	7.0%
Year	12	6.5%
Year	13	6.0%
Year	14	5.5%
Year	15	5.0%
Year	16	4.5%
Year	17	4.0%
Years	18-20	no premium

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

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

It is hereby certified and recited that all conditions, acts and things required by the Constitution or statutes of the State of Vermont or the Resolution to exist, to have happened or to have been performed precedent to or in the issuance of this bond, exist,

have happened and have been performed and that the issue of this bond, together with all other indebtedness of the Agency, is within every debt and other limit prescribed by law.

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

ATTEST: VERMONT HOUSING FINANCE AGENCY

By: _____ By: _____
Authorized Officer Authorized Officer

Bond Date: _____ __, 19__

Schedule of Payments and Prepayments of Principal

Principal Amount Paid	Date Paid	Balance Due	Authorized Signature and Title

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

ARTICLE V
MISCELLANEOUS

SECTION 501. Default.

If the Agency defaults in the payment of principal of or interest on any Bond when due, or in the performance of any covenant in this Resolution, then the registered owner of the Bond shall have the right, by mandamus or other suit, action or proceedings at law or in equity, to bring suit upon the Bond, to enforce its rights under the Resolution and the Bond, to compel performance by the Agency of its obligations under the Bond and the Resolution; to require the Agency to account as trustee of an express trust; to require the Agency to effectuate the assignment of the Permanent Loan to such owner; or to enjoin any acts which may be unlawful or in violation of the rights of the registered owners of the Bonds. No remedy conferred by the Resolution upon the registered owners of the Bonds is intended to be exclusive of any other remedy, but each shall be in addition to every other remedy given under the Resolution or the Bonds or provided at law or in equity or by the Act. No delay or omission of the registered owners of the Bonds

to exercise any right or power arising upon the happening of a default shall impair any right or power or be construed to be a waiver of the default. The registered owners of the Bonds may waive any default and its consequences. No such waiver shall extend to any subsequent or other default.

SECTION 502. Defeasance.

If the Agency shall pay or cause to be paid to the registered owners of the Bonds the principal, redemption price and interest thereon at the times and in the manner stipulated therein and herein, then all obligations of the Agency hereunder and under the Bonds and all other rights granted hereby shall be discharged and satisfied.

SECTION 503. Transfer.

The Bonds may be transferred in whole but not in part to new owners, subject to the restrictions on transfer and upon compliance with the provisions for transfer described in the form of the Bonds and payment of a transfer fee of $100.00 for each substitute Bond issued as a result of a request for transfer.

SECTION 504. Amendment.

This Resolution may be amended by the Agency without the consent of the registered owners of the Bonds to cure any ambiguity, supply any omission or cure or correct any defect or inconsistent provision herein or to insert such provisions clarifying matters or questions arising hereunder as are necessary or desirable and are not inconsistent with this Resolution as theretofore in effect. The Agency may also adopt a resolution amending, supplementing or otherwise modifying this Resolution without the consent of the registered owners of the Bonds to incorporate the provisions hereof in a resolution of the Agency of general application to bonds issued to finance the Program the interest on which is not excludable from federal income taxes; provided no such resolution shall reduce the principal amount of the Bonds or the rate of interest payable thereon or change the maturity date thereof or the dates for payment of interest thereon or the terms of redemption thereof or the security granted for the payment thereof without the express written consent of the registered owners of the Bonds. Except as hereinabove provided in this Section 504, this Resolution and the Bonds may be amended by the Agency only with the prior written consent of the registered owners of the Bonds.

SECTION 505. Authorization of Officers.

The Chairman, Vice-Chairman, Executive Director, Director of Finance and all other Authorized Officers of the Agency are hereby authorized and directed to do all acts and things and to execute

and deliver any and all documents, certificates, and other instruments necessary or desirable to effectuate the transactions contemplated by this Resolution, including the transaction involving the loan of the proceeds of the Bonds for the acquisition, construction and/or rehabilitation of the Development.

SECTION 506. Severability.

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

12/13/90
VHFA

Koppelkam

OPERATING EXPENSE DETAIL PER LOT PER MONTH

Park Name	Sandy Pines E. Mtplr	Mountain View Hinesburg	Hunters Grand Isle	Riverside Woodstock	French Hill Williston	Proposed Town & Country Vergennes	Fernwood Bolton
Number of Lots	56	52	24	40	9	73	78
Avg Rent	200	160	190	125	195	180	195
Gross Annual Income	134,400	99,840	54,720	60,000	21,060	157,680	182,520
Per Lot Per Month Expenses							
Management***	180	217	275	218	120	144	210
Audit & Legal	27	29	63	38	44	27	19
Trash	111	0	0	100		67	
Utilities	170	125	129	115	199	94	135
Maintenance	21	61	104	30	67	41	32
Taxes	214	115	149	120	244	79	91
Insurance	15	69	31	53	61	30	19
Misc	64	0	0	0			
Snow	64	29	42	120	94	21	13
Replacement Reserve	71	96	83	100	89	64	70
TOTAL	938	1605	876	893	919	568	629
OPER EXP/GROSS INC	39.09%	38.59%	38.44%	59.50%	39.29%	26.30%	25.16%
ADJUSTED RATIO*	28.61%	22.29%	22.72%	38.33%	30.37%	16.66%	13.22%
PREVIOUS OWNER ADJUST RATIO**	24.00%	22.00%				16.00%	

* (Operating Expense - Replacement Reserve - Management)/Gross Income
The adjusted ratio is to enable better comparison with private sector data from appraisals.

** Data from Keller Navin Cable & O'Brien appraisal for Fernwood using 1989 expenses supplied by owners.

*** Note: Riverside, Hunters and Mountain View management costs include resident manager.

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE

DATE: DECEMBER 6, 1990

RE: GENERAL FUND BUDGET ADJUSTMENT REQUESTS

As discussed during the last several Board meetings, certain actions taken require adjustments to the budget for the fiscal year ending June 30, 1991. In addition, a couple of other items have come to my attention which also will require an adjustment to enable us to stay on track for budget purposes.

Administration on Aging

The two year grant that we received totalling $200,000 requires an annual match of expenses by VHFA in the amount of $33,334 annually. Since this grant started October 1st the budget impact for the current fiscal year is expected to be $22,259 which consists of salaries in the amount of $11,500, group insurance of $2,530, payroll taxes of $920 and staff travel of $7,309.

1990 Single Family Bond Issue

The bond issue that closed in late September required an Agency contribution in the amount of $25,000, which will be an offset to fund balance transfers.

Salaries and Wages

In balancing out the payroll schedule for the year, we discovered an error in the fact that we overlooked an employee in the Development department and did not include the position in the original budget. Since this was an existing position the percentage of increase was not affected. The old salary was $26,800 and the increase of 5.5% raised the salary to $28,224. In addition, the new position budgeted for in Development will probably be handled on a consulting basis instead of as a salaried position. This requires a transfer (not an increase) between salaries and consulting expense of $29,200.

Housing Vermont

As discussed in the analysis of the final numbers for the fiscal year ended June 30, 1990, Housing Vermont did not draw the final $223,000 of their funding from VHFA as expected. Since these funds were drawn in August instead of June, the $223,000 needs to be adjusted into the current year budget.

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866

EQUAL HOUSING OPPORTUNITY

Capital Budget

We have completed the retrofit and expansion of space for the Agency. The good news is that we stayed within budget for the construction. The bad news is that the telephone system purchased from AT&T cost approximately $57,000 which was $7,000 more than originally estimated. Therefore, we need an increase in the Capital budget of $7,000. We are hopeful that this investment will be recovered over time in reduced telephone charges.

If you have any questions relative to the budget areas mentioned above, feel free to contact me at your convenience.

RECOMMENDED BOARD ACTION

Approval of the individual increases in operating budget items referenced above totalling $75,483, an increase of $223,000 due to the timing of the Housing Vermont draw and an increase in the capital budget of $7,000.

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Glenn A. Jarrett, GAJ General Counsel

DATE: December 7, 1990

RE: FERNWOOD MANOR MOBILE HOME PARK TAXABLE BOND RESOLUTION

At the November 15, 1990 Board meeting, approval was given for staff to pursue the issuance of taxable bonds to finance the Fernwood Manor Mobile Home Park located in Bolton.

Attached please find the "Resolution of Vermont Housing Finance Agency Authorizing the Issuance of its Housing Project Bonds (Federally Taxable Issue) Fernwood Manor Mobile Home Park."

RECOMMENDED BOARD ACTION: Approval of the Resolution as attached.

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866

EQUAL HOUSING OPPORTUNITY

RESOLUTION OF VERMONT HOUSING FINANCE AGENCY
AUTHORIZING THE ISSUANCE OF ITS
HOUSING PROJECT BONDS (FEDERALLY TAXABLE
ISSUE) FERNWOOD MANOR MOBILE HOME PARK

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

ARTICLE I
DEFINITIONS AND AUTHORITY

SECTION 101. Definitions.

(A) In this Resolution unless a different meaning clearly appears from the context:

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

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

"Anniversary Date" means the date the first scheduled amortizing payment was due on the Permanent Loan.

"Authorized Officer" means the Chairman, Vice Chairman, Executive Director and Secretary and Director of Finance of the Agency, and any other person authorized by resolution of the Agency to act as an Authorized Officer under this Resolution.

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

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

"Bond Fund" means the Housing Project (Federally Taxable Issue) Bond Fund established under Section 301 of this Resolution.

"Commitment Letter" means the Commitment Letter relating to the Permanent Loan dated as of December 4, 1990, issued by the Agency and accepted by the Sponsor.

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

"Development" means the Fernwood Manor Mobile Home Park as more fully described in the Commitment Letter and the Three Party Agreement.

"General Account" means the account so designated and established under Section 301 of this Resolution.

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

"Loan Account" means the account so designated and established under Section 301 of this Resolution.

"Permanent Loan" means a permanent mortgage loan made by or on behalf of Agency to the Sponsor with the proceeds of the Bonds.

"Permanent Loan Amount" means the amount of the Permanent Loan established pursuant to paragraph 3 of the Commitment Letter.

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

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

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

"Revenues" means and includes all payments, proceeds, charges, fees, rents, investment earnings and all other income (including without limitation all payments of principal and interest received by or on behalf of the Agency on the Permanent Loan and all Recovery Payments)

derived by or for the account of the Agency from or related to the Development and the Permanent Loan.

"Sinking Fund Account" means the account so designated and established under Section 301 of the Resolution.

"Sponsor" means Housing Foundation, Inc., a non-profit corporation organized and existing under the laws of the State.

"State" means the State of Vermont.

"Three Party Agreement" means the agreement so denominated among the Sponsor, the purchaser of the Bond, and the Agency, in substantially the form presented at this meeting.

(B) Except as otherwise expressly provided in this Resolution, the terms "housing development costs," "housing sponsor," "mortgage," "mortgage loan," and "residential housing" when used in this Resolution shall have the meanings given such terms in the Act.

SECTION 102. Authority.

This Resolution is adopted pursuant to the Act and shall take effect upon its adoption. The Agency is duly authorized under the Act and all applicable laws to issue the Bonds and to adopt this Resolution in the manner and to the extent provided herein. The Agency will at all times, to the extent permitted by law, defend, preserve and protect all the rights of the registered owner of the Bonds hereunder against all claims and demands of all persons whomsoever.

ARTICLE II
AUTHORIZATION OF THE BOND; FINDINGS; TERMS AND SALE OF THE BONDS

SECTION 201. The Bonds.

(A) The Bonds of the Agency, designated "Housing Project Bond (Federally Taxable Issue) Fernwood Manor Mobile Home Park" are hereby authorized to be issued as herein provided in an aggregate principal amount not to exceed One Million Two Hundred Fifty Thousand Dollars ($1,250,000), the original principal amount of the Bonds to be determined upon their issuance by the Authorized Officers of the Agency executing the same. The Bonds shall be in such denomination as the authorized officers of the Agency shall determine. The Bonds shall be dated and shall bear interest from the Bond Date and shall mature, subject to prior redemption as herein and in the

Bond provided, twenty years from the Anniversary Date. Interest on the Bonds shall be payable on September 1, 1991 and semi-annually thereafter on March 1 and September 1 of each year. The form of the Bonds, the rate or rates of interest payable thereon, the terms of redemption thereof prior to maturity and all other terms and conditions thereof shall be as set forth in Article IV of this Resolution.

(B) The Agency hereby ratifies and confirms the Commitment Letter and approves the Permanent Loan on the terms and conditions provided herein, in the Commitment Letter and in the Three Party Agreement. The Agency hereby determines that:

(1) the Permanent Loan does not exceed the value of the Development as determined by the Agency and the principal amount of the Bonds is necessary to provide sufficient funds to be used and expended for the Program in respect of the Development;

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

(3) the Agency will derive receipts, revenues or other income from the Permanent Loan 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 for which the Bonds are issued;

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

(5) the acquisition, construction and or rehabilitation costs incurred or to be incurred by the Sponsor are for housing development costs within the meaning of the Act;

(6) there exists or without the Development 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 investments are unable, without assistance, to provide an adequate supply of residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families; and

(7) the Sponsor is a housing sponsor as defined in the Act, the Sponsor will maintain or increase the supply of

well-planned, well-designed permanent, temporary transitional or emergency housing for persons of low and moderate income and the Sponsor is a financially responsible person.

(C) The purposes for which the Bonds are being issued are to provide funds to make the Permanent Loan and to pay Costs of Issuance in the amount determined by or pursuant to Article III hereof.

SECTION 202. Sale of the Bonds.

(A) The Bonds are hereby sold to the State Teachers' Retirement System of Vermont, the Vermont State Employees' Retirement System and the Municipal Employees Retirement System at the price of par on the terms and conditions provided herein and in the Three Party Agreement. The Three Party Agreement, in substantially the form presented at this meeting and included in the minutes thereof, and its execution and delivery by Authorized Officers of the Agency is hereby approved with such changes therein and thereto not inconsistent herewith as may be approved by the Authorized Officers executing the same prior to the execution and delivery thereof.

ARTICLE III
ESTABLISHMENT OF FUNDS AND ACCOUNTS; APPLICATION OF BOND PROCEEDS; OBLIGATION OF THE BONDS

SECTION 301. Funds and Accounts.

(A) The Housing Project (Federally Taxable Issue) Project Fund (the "Project Fund") is hereby established to be held and administered together with all accounts therein by the Agency as provided in this Resolution. On or prior to the Bond Date the Agency shall establish within the Project Fund a separate account designated the "Fernwood Manor Loan Account" (the "Loan Account"), the amounts in which shall be applied as provided in this Article III.

(B) The Housing Project (Federally Taxable Issue) Bond Fund (the "Bond Fund") is hereby established to be held and administered together with all accounts therein by the Agency as provided in this Resolution. On or prior to the Bond Date the Agency shall establish within the Bond Fund the following separate accounts to be applied as provided in this Article III:

(1) Fernwood Manor General Account (the "General Account");

(2) Fernwood Manor Sinking Fund Account (the "Sinking Fund Account");

(3) Fernwood Manor Special Redemption Account (the "Special Redemption Account").

SECTION 302. Application of Bond Proceeds.

(A) The proceeds of the Bonds shall be deposited in the Loan Account. Moneys in the Loan Account shall be used solely as follows:

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

(2) amounts in the Loan Account in excess of the Permanent Loan Amount shall be applied by the Agency to defray Costs of Issuance of the Bonds within six (6) months of the Bond Date.

(B) Notwithstanding anything herein to the contrary, if the Permanent Loan is not made within six (6) months of the Bond Date, or in any event if any balance remains on deposit in the Loan Account on the date which is six (6) months after the Bond Date, the entire balance on deposit in the Loan Account shall be transferred to the Special Redemption Account for application to the redemption of the Bonds as provided in Section 303 of this Resolution.

SECTION 303. Application of Revenues.

(A) The Agency shall deposit all Revenues in the Bond Fund upon receipt and shall immediately allocate the same to accounts therein as follows:

(1) Revenues constituting scheduled repayments of principal on the Permanent Loan and Revenues constituting permitted prepayments of the outstanding principal of the Permanent Loan - to the Sinking Fund Account;

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

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

(B) On September 1, 1991 and each succeeding September 1 thereafter, all amounts deposited in the Sinking Fund Account under Section 303(A)(1) shall be applied to the redemption of the outstanding principal of the Bonds, except that, in the event that the Agency receives a prepayment of the outstanding principal of the Permanent Loan under Section 303(A)(1) on the tenth anniversary of the Bond Date, or at any time thereafter,

all as provided in the Permanent Loan, the Bonds shall be subject to redemption at the option of the Agency in whole or in part, from the amount deposited in said Account.

(C) All amounts deposited in the Special Redemption Account shall be promptly applied to the redemption of the outstanding principal of the Bonds. At any time not later than the interest payment date for the Bonds next succeeding the date of any deposit into said Account under Section 303(A)(2), the amount so deposited shall be applied to the redemption of the outstanding principal of the Bonds.

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

(1) on each interest payment date of the Bonds, to pay the interest on the Bond then due;

(2) on the redemption date of any portion of the principal of the Bonds being redeemed hereunder to pay any interest then payable on the principal amount of the Bonds to be redeemed;

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

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

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

SECTION 304. Transfers from General Fund.

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

SECTION 305. Investment.

Moneys in the funds and accounts established hereunder may be invested by the Agency, until needed for their respective purposes, in any manner permitted by the Act. Moneys in two or more of such funds and accounts may be invested on a commingled basis for the account of such funds and accounts pro rata in proportion to the moneys invested on behalf of each such fund or account. Interest and other income earned upon the investment or deposit of amounts in the Loan Account shall be deposited in such Account. Interest and other income earned upon the investment or deposit of amounts on deposit in the General Account, the Sinking Fund Account and the Special Redemption Account shall be deposited in the General Account.

SECTION 306. Obligation of The Bonds.

The Bonds shall be general obligations of the Agency payable out of any of the Agency's revenues, moneys or assets, subject only to agreements heretofore or hereafter made with the holders of obligations of the Agency other than the Bonds pledging particular revenues, moneys or assets for the payment thereof. The Agency hereby covenants and agrees with the registered owners of the Bonds that it will not grant to any person any lien on or pledge of the Permanent Loan or of any of the Revenues or moneys or investments in any of the accounts created hereunder or any proceeds thereof unless the Agency shall simultaneously therewith grant to the registered owners of the Bonds a prior and senior lien on or pledge of the Permanent Loan and such Revenues, moneys and investments and the proceeds thereof. The Bonds shall not constitute a debt or grant or loan of credit of the State and the State shall not be liable thereon nor shall the Bonds be payable out of any funds other than those of the Agency. The Agency is not obligated to pay the Bonds or the interest thereon except from the revenues or assets of the Agency pledged therefor under this Resolution and neither the faith nor credit nor taxing power of the State or any political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds.

ARTICLE IV
FORM OF THE BONDS

The Bonds shall be issued substantially in the following form:

VERMONT HOUSING FINANCE AGENCY
HOUSING PROJECT BOND
(Federally Taxable Issue)
Fernwood Manor Mobile Home Park

No. ___ $___,000

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

The Vermont Housing Finance Agency (herein called the "Agency"), a body politic and corporate of the State of Vermont, for value received hereby promises to pay to Vermont State _____ Retirement System, or registered assigns, on the Tenth day of February, 2011, the principal sum of_____ and No Dollars ($___,000), upon presentation and surrender hereof, and to pay interest on the principal balance hereof outstanding from time to time from the date of original delivery of this bond (the "Bond Date") until final payment hereof at the annual rate provided below, which interest rate will change periodically on a day which is a specified anniversary of the date the first scheduled amortizing payment was due (the "Anniversary Date") such interest payments to be made semi-annually on the first day of March and September in each year commencing September 1, 1991. The principal or redemption price of and interest on this Bond are payable in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts and shall be payable by check or draft mailed to the registered owner at his address appearing on the registration books of the Agency kept for that purpose at the offices of the Agency; provided that the registered owner of this bond by acceptance hereof agrees that whenever any payment on account of principal shall occur, such owner shall promptly note the date and amount thereof on the Schedule of Payments and Prepayments endorsed hereon and further agrees that this bond shall be surrendered to the Agency upon final payment hereof.

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

1. From the Bond Date to but excluding the fifth Anniversary Date - 9.00% per annum;

2. From the fifth Anniversary Date to but excluding the tenth Anniversary Date - 9.75% per annum;

3. From the tenth Anniversary Date to but excluding the fifteenth Anniversary Date - 10.50% per annum;

4. From the fifteenth Anniversary Date to the earlier of final maturity or redemption hereof, a rate equal to 11.25% per annum.

This bond is issued pursuant to No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended (the "Act") and under and pursuant to a resolution of the Agency adopted December 13, 1990 entitled "Resolution of Vermont Housing Finance Agency Authorizing

the Issuance of its Housing Project Bond (Federally Taxable Issue) Fernwood Manor Mobile Home Park" (the "Resolution"). This bond is a general obligation of the Agency payable out of any of the Agency's revenues, moneys or assets, subject only to agreements heretofore or hereafter made with the holders of obligations of the Agency other than this bond pledging particular revenues, moneys or assets for the payment thereof.

The Agency is not obligated to pay this bond or the interest hereon except from the revenues or assets of the Agency pledged under the Resolution and neither the faith and credit nor the taxing power of the State of Vermont or of any political subdivision thereof is pledged to the payment of the principal of or the interest on this bond.

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

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

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

1. in whole or in part on September 1, 1991 and on each September 1 thereafter without notice through application of moneys in the Sinking Fund Account as required by the Resolution;

2. in whole or in part at any time upon notice through application of moneys in the Special Redemption Account as required by the Resolution; and

3. in whole or in part at the election of the Agency upon notice, through application of moneys deposited in the Sinking Fund Account in the event of the prepayment of the outstanding principal amount of the Permanent Loan as described in the Resolution. In the event of a prepayment before the end of the seventeenth year, the Agency will pass through amounts of prepayment charges it receives from the Sponsor according to the following schedule:

Years	1-5	10.0%
Year	6	9.5%
Year	7	9.0%
Year	8	8.5%
Year	9	8.0%
Year	10	7.5%
Year	11	7.0%
Year	12	6.5%
Year	13	6.0%
Year	14	5.5%
Year	15	5.0%
Year	16	4.5%
Year	17	4.0%
Years	18-20	no premium

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

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

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

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

ATTEST: VERMONT HOUSING FINANCE AGENCY

By: _____ By: _____
Authorized Officer Authorized Officer

Bond Date: _____ __, 19__

Schedule of Payments and Prepayments of Principal

Principal Amount Paid	Date Paid	Balance Due	Authorized Signature and Title

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

ARTICLE V
MISCELLANEOUS

SECTION 501. Default.

If the Agency defaults in the payment of principal of or interest on any Bond when due, or in the performance of any covenant in this Resolution, then the registered owner of the Bond shall have the right, by mandamus or other suit, action or proceedings at law or in equity, to bring suit upon the Bond, to enforce its rights under the Resolution and the Bond, to compel performance by the Agency of its obligations under the Bond and the Resolution; to require the Agency to account as trustee of an express trust; to require the Agency to effectuate the assignment of the Permanent Loan to such owner; or to enjoin any acts which may be unlawful or in violation of the rights of the registered owners of the Bonds. No remedy conferred by the Resolution upon the registered owners of

the Bonds is intended to be exclusive of any other remedy, but each shall be in addition to every other remedy given under the Resolution or the Bonds or provided at law or in equity or by the Act. No delay or omission of the registered owners of the Bonds to exercise any right or power arising upon the happening of a default shall impair any right or power or be construed to be a waiver of the default. The registered owners of the Bonds may waive any default and its consequences. No such waiver shall extend to any subsequent or other default.

SECTION 502. Defeasance.

If the Agency shall pay or cause to be paid to the registered owners of the Bonds the principal, redemption price and interest thereon at the times and in the manner stipulated therein and herein, then all obligations of the Agency hereunder and under the Bonds and all other rights granted hereby shall be discharged and satisfied.

SECTION 503. Transfer.

The Bonds may be transferred in whole but not in part to new owners, subject to the restrictions on transfer and upon compliance with the provisions for transfer described in the form of the Bonds and payment of a transfer fee of $100.00 for each substitute Bond issued as a result of a request for transfer.

SECTION 504. Amendment.

This Resolution may be amended by the Agency without the consent of the registered owners of the Bonds to cure any ambiguity, supply any omission or cure or correct any defect or inconsistent provision herein or to insert such provisions clarifying matters or questions arising hereunder as are necessary or desirable and are not inconsistent with this Resolution as theretofore in effect. The Agency may also adopt a resolution amending, supplementing or otherwise modifying this Resolution without the consent of the registered owners of the Bonds to incorporate the provisions hereof in a resolution of the Agency of general application to bonds issued to finance the Program the interest on which is not excludable from federal income taxes; provided no such resolution shall reduce the principal amount of the Bonds or the rate of interest payable thereon or change the maturity date thereof or the dates for payment of interest thereon or the terms of redemption thereof or the security granted for the payment thereof without the express written consent of the registered owners of the Bonds. Except as hereinabove provided in this Section 504, this Resolution and the Bonds may be amended by the Agency only with the prior written consent of the registered owners of the Bonds.

SECTION 505. Authorization of Officers.

The Chairman, Vice-Chairman, Executive Director, Director of Finance and all other Authorized Officers of the Agency are hereby authorized and directed to do all acts and things and to execute and deliver any and all documents, certificates, and other instruments necessary or desirable to effectuate the transactions contemplated by this Resolution, including the transaction involving the loan of the proceeds of the Bonds for the acquisition, construction and/or rehabilitation of the Development.

SECTION 506. Severability.

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

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Glenn A. Jarrett, General Counsel

DATE: December 6, 1990

RE: Legislation

In the last session, S. 130, the Common Interest Ownership Act, received much attention in the Senate General Affairs and Housing Committee before ultimately failing to get out of committee on a 3-3 vote. The only group to oppose the bill, but an influential one with some of the committee members, was the Vermont Ski Areas Association.

As you may recall, the bill would govern the way condominiums and planned communities (e.g., planned unit developments) would be organized. The bill would not affect the Housing Cooperative Act passed by the Legislature in 1988. The bill would constitute a vast improvement over the current, antiquated condominium statute we now deal with and would provide greater consumer protection for buyers of condominiums.

An example of the improvements this bill would bring can be seen in the ongoing problem over how to structure the condominiums at Dalton Drive. It has been very difficult and time consuming to figure out a way to create a phased development at Dalton Drive because of one glaring omission in the current condominium statute. The new law would provide a solution to that problem, which is faced by almost every new condominium development of any size.

Senators Finn and Sherman have agreed to intoduce the bill in the 1991 Legislature. I think prospects for passage are good, in part, because the Director of the Ski Areas Association has agreed not to oppose the bill after some changes were made to it, which influenced Senator Sherman to support it. I would like to work for the bill's passage because of the assistance it would give VHFA in its work with condominiums and planned communities.

RECOMMENDATION:

That the VHFA Board vote to support the passage of the Uniform Common Interest Ownership Act.

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: Board of Commissioners

FROM: Hollis Hope, Director of Communications

DATE: December 7, 1990

RE: Newsclips in 1990, Home Buyer Days, Recapture

VHFA continued to attract a significant amount of news coverage throughout the state this year, including mention in two Free Press editorials, national trade publications and the New York Times. We have quite a stack of clippings from which I have selected the attached sampling.

We have now served nearly 1,100 prospective home buyers at our Home Buyer Day workshops since we began to offer them in 1988. We are in the process of analyzing the data collected this year and will continue to look for ways to improve these forums. It appears that this year we attracted more people who qualified or were near to qualifying; in most counties this fact accounted for an overall positive experience for all involved. We will work more closely with nonprofit developers next year to include them and, where appropriate, to help them put on local workshops to help them identify and educate prospective buyers. We also hope to come up with a way of determining how many buyers who attend one actually receive a VHFA mortgage.

The next challenge for Communications is recapture. We are working closely with Operations to incorporate this new provision into the administration and marketing of our programs, to make it as palatable as possible. It will be very interesting to see what effect, if any, recapture will have on our loan volume activity.

Please feel free to request additional information about our Communications activities at any time.

Thank you.

424.hh

Attachment

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866

EQUAL HOUSING OPPORTUNITY

20250. For further information, contact Wanda L. Triplett, 202-382-1612.)

TAXATION, BUSINESS AND FINANCE

State Housing Programs

STATE AGENCIES ATTEMPT DEEPER TARGETING IN MORTGAGE BOND ISSUES

Recent mortgage revenue bond issues by state housing finance agencies include new programs in Vermont, California, Michigan, Minnesota, and Vermont with features intended to target home loans to lower-income borrowers or special neighborhoods.

Mortgage bond issues were also sold by state agencies in Illinois, Nevada, New Hampshire, and Utah.

California Issue

The California Housing Finance Agency (CHFA) is coupling a $112 million mortgage bond issue sold December 14 with a separate second mortgage assistance program.

Roughly $101 million in proceeds from the bond issue will be used to finance 25-year, 7.9 percent home loans made to qualified borrowers. An additional $8.8 million has been reserved for 30-year, 8.35 percent loans to borrowers with incomes not exceeding 80 percent of area median income.

The latter borrowers will be eligible for additional assistance authorized under Proposition 84, a $300 million state ballot question approved in November 1988. Proposition 84 authorizes the state treasurer to issue $25 million in general obligation bonds to fund second mortgages made by CHFA to qualified home buyers receiving CHFA first mortgages.

The second mortgages are deferred payment loans with an accrued simple interest rate of 3 percent that are repayable in full upon the sale or refinancing of the home or at the end of the first mortgage term. The maximum loan size is $25,000 for high-cost areas and $15,000 elsewhere.

CHFA's bonds were rated double-A by Moody's Investors Service and A+ by Standard & Poor's Corporation.

Vermont Issue

The Vermont Housing Finance Agency (VHFA) will fund 30-year home loans bearing two different interest rates with proceeds from a $55.875 million mortgage bond issue sold December 7.

VHFA executive director Allan S. Hunt said about $45 million is earmarked for loans with an interest rate of 8.7 percent. He said another $5 million will be reserved for buyers of units sponsored by non-profit groups or land trusts that contain a mechanism for assuring perpetual affordability.

Under the latter initiative, VHFA will approve reservations of mortgage funds to selected non-profits or land trusts for the purchase of housing limited to buyers with incomes not exceeding 80 percent of annual state median income. Annual state median income for a two-person household is about $31,000, said Hunt.

Hunt said perpetual affordability is generally achieved by the use of deed restrictions. Under the typical formula, Hunt said, the home buyer is allowed 25 percent of any appreciation in the property, and the remaining 75 percent stays with the property.

Hunt said the agency is providing a buydown of the mortgage rate for the first time on the funds allocated for the perpetually affordable housing units. The mortgage rate will be 6.2 percent the first year, 6.7 percent the second year, and 7.7 percent thereafter.

The agency is also offering a one-year, one point buydown of the interest rate on loans made from the $45 million pot of funds that are used to elevate homes to an energy-efficient level or to purchase such homes.

VHFA's bonds were rated A1 by Standard & Poor's.

Michigan Offering

The Michigan State Housing Development Authority (MSHDA) sold $68 million in mortgage bonds December 15.

The issue generated about $30 million in lendable proceeds that will be used to fund an estimated 4,500 FHA Title I home improvement loans with terms of one to 15 years.

MSHDA finance director George Fox said the agency is offering loan interest rates based on borrower income. The interest rates range from a low of 1 percent for borrowers with incomes below $10,000 to a high of 9 percent for borrowers earning over $28,000.

The remaining $38 million in bond proceeds generated by the issue was used to retire high-coupon bonds issued by the agency in 1980. The bonds were called at a premium of 103 percent of par. Fox said MSHDA had to spend about $2 million of its own funds to cover the premium and the issuance costs for the bond sale.

The bonds were rated A by Moody's and by Standard & Poor's.

Minnesota Issue

The Minnesota Housing Finance Agency (MHFA) will fund 25-year home loans with an interest rate of 7.95 percent from proceeds of a $41.3 million mortgage bond issue sold December 7.

The bonds were rated A1 by Moody's and double-A by Standard & Poor's.

MHFA deputy commissioner Alan L. Hans said the agency has made several set-asides of bond proceeds for special targeting efforts.

About $10 million is reserved for loans to lower-income home buyers - generally with incomes in the high teens - who qualify for additional help under another MHFA program that offers no-interest deferred payment second

Burlington Free Press

January 24, 1990 **35 cents,** two news section

Colchester puts UVM property up for tax sale

By Robert Getz
Free Press Staff Writer

The relationship is anything but sweet between Colchester and the University of Vermont — even though it involves Valentine's Day.

The town has scheduled a Feb. 14 tax sale for UVM-owned houses and land at Fort Ethan Allen.

UVM owes $58,809 in back taxes, interest and penalties for 1988 and 1989 on the property, Diane Stafford, a Colchester assistant town clerk, said. The debt is the largest delinquent tax bill on Colchester's books, she said.

UVM thinks it is getting a bum deal. At Colchester's request, the university held up the sale of the property while the town studied the concept of using the site for an affordable-housing project, UVM administrator Ray Lavigne said.

The property includes about 20 red brick houses, the former officers' quarters visible from Vermont 15.

Ultimately, UVM agreed to sell the property to the Vermont Housing Finance Agency for $500,000 less than its appraised value, Lavigne said.

Closing is Feb. 23, and the housing agency plans to turn the property into affordable housing.

But the kicker came when Colchester sent UVM a tax bill for the previously untaxed property, Lavigne said. The town tax officials maintained that when UVM put the property up for sale, it effectively declared that the property was no longer being used for educational purposes, and was therefore taxable.

The Colchester Board of Abatement rejected UVM's appeal.

When tax bills went unpaid, Colchester decided to auction the property at a tax sale.

In such sales, the highest bidder essentially buys a mortgage on the property that pays off the taxes.

The property owner has a year to reclaim his property by reimbursing the high bidder for the money he put up, plus interest.

"We certainly don't like this part of our job," Town Clerk Joyce Ticehurst said.

"But we've got to be fair to the other taxpayers out there."

Lavigne thinks Colchester isn't being fair to UVM. "We feel very strongly that the town misled us," he said.

The university will pay the taxes — and any interest that results from the tax sale — out of the proceeds of the sale to the VHFA, Lee Liggett, UVM general counsel, said.

State Housing Programs

VERMONT AGENCY COMPLETES TRANSACTION TO PRESERVE AT-RISK HUD 221(d)(3) PROJECT

A 336-unit Section 221(d)(3) project in Burlington, Vt., threatened by expiring use restrictions has been preserved as affordable rental housing in a $21 million transaction that meshed a variety of subsidies and financing from the Vermont Housing Finance Agency (VHFA) and other sources.

Closed December 29, the transaction involves the purchase and rehabilitation of the Northgate Apartments by a limited partnership in what VHFA executive director Allan S. Hunt described as the largest, most complex housing deal in state history.

The resources tapped for the venture include the low-income housing tax credit, syndication proceeds, state and local trust fund monies, seller-financing, tax-exempt financing, federal flexible subsidy loans, city and utility company grants, and a special federal appropriation.

Response to Prepayment Threat

In announcing the completion of the transaction, Hunt said, "Three years ago, when the challenge to save Northgate first presented itself with the possibility of a 1989 mortgage prepayment approaching, we were uncertain of our ability to respond.

"Today, through a unique and unprecedented blend of creative financing, tax credit utilization, and non-profit ownership, we can rest assured that tenant displacement will not occur and that these 336 homes will remain affordable long into the future."

Northgate Apartments is one of four federally subsidized projects held by the same owner that VHFA has been working for a long time to save. The projects are near the end of their 20-year mortgage lock-out period, and VHFA last year spent $37,000 for options to buy the properties in the hope of structuring transactions that will continue their use as affordable housing. Options on the other three projects expire June 1. *(For background, see Current Developments, Vol. 17, p. 78.)*

Non-Profits Involved

VHFA facilitated the sale of Northgate Apartments from the private owner, Fairfield Associates, to a limited partnership of which two non-profits are the general partners.

These partners are Housing Vermont, a non-profit housing development corporation established by VHFA in 1988, and Northgate Housing Inc., whose two shareholders are Northgate Greenfield Tenants Association and Northgate Non-Profit.

The Federal National Mortgage Association and the Bank of Vermont are the two limited partners in the partnership that owns the project. In return for committing to invest $3.5 million in the project, the limited partners will receive low-income housing tax credits awarded to the project by VHFA.

Other Financing

In addition to the $3.5 million pledged by the limited partner investors, other financing pieces for Northgate Apartments include:

- $5.0 million in seller financing in the form of a 40-year, 7.0 percent note.
- $3.4 million in existing HUD mortgages with an interest rate of 3.0 percent that have been assumed by the partnership.
- $1.1 million in financing from VHFA, in the form of a 30-year loan at 9.0 percent, funded by a December 1989 tax-exempt bond issue.
- $3.05 million from the Vermont Housing and Conservation Trust Fund in the form of a deferred payment loan with a maximum 30-year term.
- $3.0 million in 3 percent HUD flexible subsidy loans.

There is also a $159,000 community development block grant from the city of Burlington and a $267,000 grant provided by the Burlington Electric Department. The latter will cover the costs of converting the apartments from electricity to gas for heating and hot water and for retrofitting the building for energy conservation improvements.

Another $1.2 million in special federal funding from the fiscal 1990 HUD appropriations bill is earmarked for rehabilitation costs for the project.

Affordability Provisions

Several structural features of the transaction are intended to ensure the long-term low- to moderate-income rental use of most of the project's units.

As a condition of HUD's approval of the transfer of the project, Hunt said VHFA has agreed to do everything in its power to maintain the tenant income profile for the project that was in effect in 1977. This includes a specified mix of very-low-income, low-income, and moderate-income tenants (tenants with incomes of 50 percent or less of area median income, 50-60 percent, and 60-80 percent, respectively), plus a few higher-income existing tenants.

According to Hunt, 163 of the project's 336 units will be rented to households at or below 60 percent of area median income and will be subsidized by project-based Section 8 assistance provided under five- or 15-year contracts. Tenants between 60 and 80 percent of area median income will also have their rents subsidized to some degree, he said.

Other controls for assuring the long-term affordable use of the project are deed subsidy covenants and a land lease.

VHFA acquired the 30-acre site beneath the project and is leasing the land to the new project owner for a nominal annual fee under a renewable 99-year lease. The lease payments will cover the debt service on a 40-year note the agency issued to the property owner representing most of the purchase price.

According to VHFA, tenants will be involved in the day-to-day management of Northgate Apartments. In addition, it is anticipated the tenants will buy the project for a below-market price and convert it to cooperative housing once the current mortgages expire in 22 years.

The other three projects owned by Fairfield Associates, in Barre, Bennington, and Brattleboro, contain a total of 350 units.

Shared Housing

SHARED HOUSING CONCEPT MAKING COMEBACK WITH HELP OF LOCAL, NATIONAL PROGRAMS

Shared housing programs, in which two or more unrelated individuals share living arrangements, have boomed over the last 15 years, specialists in the area pointed out recently.

Speaking at the NeighborWorks Nineties 1990 national leadership conference in Washington January 20, Joan K. Davitt, national director of the Shared Housing Resource Center (SHRC) in Philadelphia, said shared housing programs have increased exponentially in recent years, from 12 to close to 400 since 1975. In the last six years alone the country has seen an 800 percent increase in such programs, she said, reflecting economic, social, and demographic changes.

"At the turn of the century," Davitt said, "shared housing was very popular. Many people ran boarding houses. Now we're coming back to the idea."

In 1988, according to SHRC, organizations received more than 84,000 inquiries about the shared housing concept, and 16,000 people were placed in shared housing arrangements.

SHRC was created in 1981 by Gray Panther activist Maggie Kuhn to promote shared housing as one solution to critical housing problems. It provides planning, financing, and other technical assistance to shared housing sponsors, and it operates as a shared housing information clearinghouse.

The center also operates a demonstration program called Philadelphia Match (PM), in which it places "homeseekers" -typically low-income, non-elderly, white females in a transition period - with homeowners or home providers. Davitt said homeowners are typically well-established, elderly couples.

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Dec 26, 1990

Elderly housing project dedicated in Burlington

The Heineberg Senior Housing project was dedicated Friday, the culmination of seven years of efforts by the Chittenden County Senior Citizens Alliance to bring affordable rental housing for the elderly to the New North End in Burlington.

The 80-unit project, costing $4.05 million, is for people 55 and older with household incomes below median levels. The development, which opened Dec. 1, was fully occupied by the end of January.

Funding for the development came from a variety of sources, including grants from the city of Burlington and funding through the Vermont Housing Finance Agency. A large part of the development was financed through the Vermont Equity Fund I and its investors, Merchant Bank, Chittenden Bank and The Howard Bank.

— From staff, wire reports

NORTHEAST NOTEBOOK

Burlington, Vt.

Nonprofit Rentals

VERMONT'S largest subsidized rental complex is undergoing a major renovation after its sale to a nonprofit limited partnership. The work and the sale assure the residents that their homes will remain livable and affordable.

The 20-year-old, 336-unit Northgate complex was one of four subsidized housing projects developed in Vermont by Fairfield Associates of Fairfield, Conn. Fairfield got a 40-year, low-interest loan from the Federal Department of Housing and Urban Development and promised to keep rents affordable for the term of the loan, although it had the option of paying off the loan after 20 years.

Advocates for the poor feared that Fairfield eventually would convert the town-house complex on Lake Champlain into condominiums. Its 1,000 residents occupy a fourth of the affordable housing stock in the state's largest city, with 38,000 residents.

In a financing deal approved by H.U.D. and combining tax incentives and public subsidies, the complex was sold in December for just under $10 million to the Northgate Housing Limited Partnership, which assumed the existing low-interest H.U.D. mortgages.

Fairfield got $1.5 million in cash through Housing Vermont, a nonprofit development company that is now a general partner of Northgate Housing, and $8.4 million in tax-exempt Vermont Housing Finance Agency bonds. Northgate Housing — one of whose elements is the tenant association — is the managing partner of the new ownership entity.

Additional financing came through a $3 million deferred payment loan from the Vermont Housing and Conservation Trust Fund and $3 million in Federal loans. The Housing Vermont contribution came from Bank of Vermont and the Federal National Mortgage Association, which received tax credits for their investment.

Bernhard Gilhuly of Fairfield Associates said the company agreed to a price below the appraised value because the capital gains tax was limited under the arrangement. The new owners are spending $6.5 million on renovations, including converting from electric to gas heat and replacing doors and windows.

For Sale

ADAM RIESNER, Free Press

Lee Buik Denizot and her daughter, Seanan, stand in front of the house their family is selling to the Burlington Community Land Trust. The Denizots are building a home in Fairfax. Story, 3B

Vermont

Family sells home to city's land trust

y Kathryn Van Sant
ree Press Staff Writer

Lee Buik Denizot is leaving the eighborhood she helped pull to-ether but she's making sure oth-rs can afford to move in.

To perpetuate affordable hous-ng she is selling her $83,000 two-edroom Convent Square home to he Burlington Community Land rust for $77,500.

Lee's a particularly 'friendly ' in that she agreed to sell er home below appraisal and get ax benefits," Cindy Reid, the rust's Tenant and Membership ervices coordinator, said.

In the summer of 1988 the Old forth End neighborhood was plagued with traffic, fights, loud parties and drugs.

"It was one of the worst streets in Burlington. I decided 'I can't hide in my house from this street,' " said Denizot, who pulled together residents of the low- and middle-income neighbors and city officials.

The 22-family neighborhood now boasts a repaved and redesigned landscaped street and a sense of community, thanks in part to help from Burlington's Community and Economic Development Office, the Public Works Department and the Ward 3 Planning Association. Mayor Peter Clavelle lauded the grass-roots effort and called it a model to be used by other neighborhoods.

But as Convent Square developed, Denizot slowly became able to fulfill her dream of living in the country.

Denizot, who grew up on an Essex farm, and husband, Michel, who works at International Business Machines Corp., are going to build a house in Fairfax.

The Denizots want to make sure other families can afford to own a home.

The trust is looking to buy nine more single-family properties by June 30. Buyers may purchase the homes using 7.8 percent and 7.9 percent, 30-year fixed-rate mortgages through the Vermont Housing Finance Agency's Perpetually Affordable Housing Program.

Owners who agree to sell their properties to the land trust at less than the appraised value get tax breaks. The IRS considers the donated portion a charitable contribution and exempts it from taxes. The Denizots bought their house four years ago for about $55,000.

Buyers who sell a land trust home must agree to limit the profit to no more than 25 percent of the unit's increased value.

The Vermont Housing and Conservation Board gives the land trust $10,000 for each project.

A non-profit development poration, the land trust has homes throughout Burlington tenant cooperatives, rentals, dominiums, a shelter for home families and single-family hon

The trust is looking for bu — families within the $23,00 $30,000 income range — and ers. They should call Reid Maggie Skenderian at 862-6244

Denizot said she'd like to the land trust buy more house Convent Square. "To know our house is going to go bac another family feels good. It great that we could afford move in here four years ago, it's nice to pass that on."

Federally Subsidized Housing at Risk

Rents May Rise As Owners Buy Out Projects

By THOMAS J. LUECK

At a time when homelessness and the shortage of affordable housing are high on the nation's political agenda, lawmakers and housing officials are grappling with the problem of how to prevent steep losses in the federally subsidized apartments built during the 60's and 70's.

Across the country, more than a million subsidized low- and moderate-income apartments were built in those two decades and housing analysts now fear that as many as 200,000 could be transformed into market-rate housing by 1995. In New York City, with 90,000 of the federally subsidized apartments, a study released last month found that more than 19,000 were "at risk" over the next two years.

"These programs were designed to self-destruct," said Representative Barney Frank, Democrat of Massachusetts and a member of the subcommittee on housing and community development of the House Banking Committee. The panel is working on legislation that it hopes will retain most of the subsidized apartments.

But some have already been lost.

"This thing just fell out of the sky," said Clayton Guyton, a transportation dispatcher who lives at Buena Vista, a subsidized complex of 236 apartments in Alameda, Calif., near Oakland, whose owners bought out their mortgage and began charging market rate rents last year.

Mr. Guyton, his wife, Delores, and their three children have managed to remain, even though their rent jumped to $675 from $271. Many of his neighbors have not.

"Some moved in with relatives," he said. "Some just got in the car and drove away."

The problem results mainly from financial deadlines written into several Federal housing initiatives. By offering cut-rate loans to developers and rent subsidies to poor tenants, the programs formed the bulk of the nation's housing policy before 1980.

But the subsidies were not designed to last forever. Developers given low-cost Government mortgages were promised the option of paying them off after 20 years and converting their subsidized apartments into much more expensive market-rate housing.

Other deadlines are passing. Landlords whose tenants are receiving direct rent subsidies from Washington are allowed to "opt-out," deciding they will no longer accept the Government checks and instead seek higher income market-rate tenants. In many cases, the option can be exercised every five years.

Solutions are being tested. In Burlington, Vt., a nonprofit housing group, fearing that the owners of a 20-year-old subsidized rental complex would convert it to condominiums, raised $21 million last year, bought the complex and are renovating it extensively. Most of its low- and moderate-income tenants have retained their apartments.

Still, housing analysts say the biggest threat of losses, and the most urgent need for solutions, will come over the next five years, as hundreds of the subsidized buildings become eligible for mortgage buy outs or the withdrawal from rent subsidies.

"We are sitting on the edge of some big problems," said Victor Bach, an analyst with the Community Service Society, a nonprofit social advocacy group in New York City. The city has more apartments built with the Federal mortgages and rent subsidies than any other urban area.

In a study released in March, Mr. Bach said 6,106 of the subsidized apartments were at risk this year and 13,624 would be at risk in 1991 if owners exercised all their options to withdraw from the Federal programs. The most vulnerable buildings, he said, are in Chelsea, Chelsea and other neighborhoods where the subsidized housing of the 60's and 70's now coexists with newer market-rate rental buildings, co-ops and condominiums.

The Federal subsidy programs, with names layered in bureaucratic jargon, have financed low- and moderate-income housing in cities across the country. They include three major programs:

¶ The Section 221 Below Market Rate Program, which provided developers with 40-year mortgages at 3 percent interest, and the Section 236 program, which provided similar

Continued on Page 13, Col. 1

The New York Times/Terrence McCarthy

ABOVE Clayton and Delores Guyton with their three children at Buena Vista complex, Alameda, Calif. Family's rent rose 250 percent after owner bought out the mortgage on the subsidized complex.

BELOW Brenda Torpy, director of Northgate Housing, at 336-unit Northgate Apartments complex the group is renovating in Burlington, Vt. She and other tenants bought the complex to prevent condo conversion.

The New York Times/Paul Gero

uyouts Put Federally Subsidized Housing at Risk

Continued From Page 1

...per cent interest. Over 500,000 ...ed under the two programs from 1961 to ...hen they were phased out.

...HFA require developers to charge ...nits that are affordable for low- and moderate-income tenants, but also al...ow them to "prepay" their mortgages after ...s.

...e Section 8 Program, begun in 1974, provided rent subsidies to tenants and ...d developers of new or rehabilitated ...nits of market-rate rents, which are ...ubsidized by the Government. Tenants ...programs are designated "moderate ..." if their earnings are less than 80 ...t of the median in their areas, or "low ..." if they make less than 50 percent of ...dian. They pay 30 percent of their ...come in rent, and Federal subsidies make ...difference.

...e than 800,000 apartments were built ...the Section 8 program, most in the late ...ers, with Section 8 tenants can "opt...ver five years.

...e sure, no one is predicting the com...

...alysts say some ...ners need the ...sidies to assure a ...fit in blighted areas.

...ssembling of Federal housing subsi... at least not right away. Housing ana...ay that many of the subsidized build...re in blighted or declining areas where ...s would find it difficult or impossible to ...igher-income tenants, and therefore ...d Federal subsidies to assure a profit ...buildings.

...shington, several measures have ...pproved or proposed to preserve the ...ized housing. The Bush Administration ...posed a Federal budget that would ...ain rent subsidies under the Section 8 ...am, and Congress has imposed a mora...m on the loss of housing that was put up ...ast-committed Federal mortgages.

...moratorium, imposed in 1988, has tem...ily forbidden building owners from pay...f their subsidized mortgages when the ...al 20-year deadline passes. But the ...orium will expire in September.

...the meantime, several measures are ...ng their way through Congress that ...extend the moratorium, or provide a ...permanent solution with new incen...for the owners of subsidized housing. ...ntives say the incentives would per...owners to continue renting to their ...ants, or sell their buildings to others ...ould ...

...eral states have begun testing ways to ...ff the loss of federally subsidized hous...ing. Illinois and Maryland have passed ...requiring owners to give their tenants ...and/or housing organizations a "right of ...refusal" — the first opportunity to buy ...subsidized buildings if they are going to ...al.

...HER states, including California, ...Have begun requiring notice far in ad...vance to subsidized tenants if the own...ership of buildings is going to change, or ...tal subsidies will no longer be accepted ...New York, housing activists are pro...ing a law that would require owners ...ify their tenants of "at-risk dates" ...ore sales, buyouts, or rental-subsidy ...ts could be allowed under Federal ...law.

...ocates say that there is enormous pres...ure to lose subsidized buildings," said ...C. Rosenberg, chairman of Grenadier ...Corporation, New York City's largest ...er of subsidized low- and moderate-...me housing, with 14,000 apartments ...ected that he expected lawmakers in ...ington and Albany to provide a "reason...gram of incentives" for owners and ...

...Nonetheless, he said, because some of the subsidized buildings are in neighborhoods where values have soared, owners will receive a much higher return by withdrawing from the Federal programs.

"There are instances where owners will go," he said.

Rising property values are not the only problem. Housing analysts predict a rapid increase in defaults among the owners of subsidized housing, particularly in blighted and declining neighborhoods, because their rental income is not providing enough cash to maintain their aging buildings.

Some of the buildings "are in such poor financial condition that, in the absence of any Government intervention, the owners' best alternative is to stop making interest and principal payments," said a recent report commissioned by the House Subcommittee on Housing and Community Development and the Senate Subcommittee on Housing and Urban Affairs. Although properties in default would revert to the Federal Government, which could maintain them as low-income housing, the report said continuing financial losses would have to be corrected.

But experts say the most likely candidates for removal from the federally subsidized housing stock are buildings whose owners could profit by turning them into market-rate housing. In cases where the buildings could be converted into high-priced condominiums or cooperatives, or rented out at far higher rates, they say the pressure to withdraw from Federal subsidies is particularly strong.

Changes in the Federal tax code, enacted in 1986, have added to the pressure. Accelerated depreciation, the deduction of passive losses and other incentives that had made investing in low-income housing one of the most popular tax shelters have been all but eliminated, and investors who put their money into the projects in many cities are looking for a way out.

In New York, some low-income tenants say they fear an impending disaster.

"Gentrification is going on all over the place," said Deborah Alston, a resident and editor of a tenants' newsletter at Stevenson Commons, a complex on White Plains Road in the Classon Point section of the Bronx that was built with 1 percent Federal loans under the Section 236 program in 1974.

Families in the complex, who qualified for their apartments because their incomes were 80 percent of the New York City median or lower, pay no more than $445 a month for two-bedroom apartments and $530 a month for three-bedroom units, little more than half of what market-rate apartments would cost in the neighborhood. The complex is managed by Grenadier Realty, which said it now has no plans to change its federally subsidized status.

Nonetheless, Mrs. Alston said tenants in the complex, many of whom have lived there with their families for more than a decade, are aware of the 20-year deadline that would give them private landlord the option of buying out his Federal mortgage, and are worried about the risks involved.

"We know they are going to try to move us out eventually," she said.

In New York State, the long-term future of subsidized housing is clouded by the questions surrounding the Mitchell-Lama program, a group of 1950's-era projects built with low-cost mortgages. Many of the buildings were put up in the 60's and received financing under the Federal Section 236 program. [illegible]

Stevenson Commons in the Bronx. Manager says there are no plans for a mortgage buyout, but tenants are concerned.

To stop the loss of subsidized housing, several states have new laws giving tenants the first opportunity to buy their buildings.

LIKE the Federal programs, Mitchell-Lama [illegible] subsidized [illegible] Section 236 [illegible] would [illegible] [illegible] [illegible]

Firms supporting affordable housing

By Ted Tedford
Free Press Staff Writer

Six Vermont companies are joining in a national trend, becoming involved in creating affordable housing to attract and keep valuable workers.

Among those mentioned at a conference on the subject Wednesday were the Okemo Ski Area in Ludlow and Rock of Ages in Barre.

Nationwide, about 300 companies, large and small, have taken steps either to help finance housing or build it for their employees and sell it to them at cost. For example, Colgate Palmolive pays mortgage loan costs, home refinancing and home improvement costs for its employees, David C. Schwartz said.

Schwartz heads the American Affordable Housing Institute at Rutgers University in New Jersey. He spoke at the Sheraton Burlington Hotel to about 100 bankers, company executives and nonprofit agency officials.

In New England, PC Connection Inc. of Marlow, N.H., a mail order business, is building 10 three-bedroom houses and selling them to employees at cost.

Officials of two Vermont companies described their attempts, so far unsuccessful, to help their employees with housing.

Tim Mueller of Okemo said his company has tried to build 35 to 40 units of affordable housing, but hasn't been able to pull together the financing. Okemo is still trying, he said, but a year has passed since the idea was conceived.

Rock of Ages, the granite monument company, tried to put housing for its workers on 25 of 100 acres it owns in Barre Town, but company officials didn't know how to go about it and so far no housing has been built, another speaker said.

Schwartz said housing needs will double in the next five years and all states, including Vermont, should get involved with helping employees find homes they can afford.

"It's in the interest of employers, banks and the developers to be involved," Schwartz said.

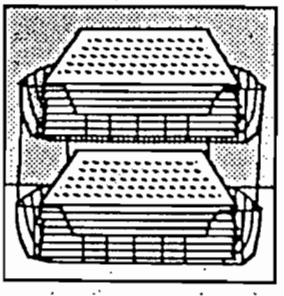
Vermont has helped provide funds and expertise for affordable housing, said Nancy Eldridge of the state Department of Housing and Community Affairs. The Vermont Housing Finance Agency provides funds for low-interest mortgages, the federal Rental Rehabilitation Program provides about $300,000 a year to upgrade rental apartments and houses, and the Vermont Home Mortgage Guarantee Board backs mortgages for single-family homes, she said. Several Vermont banks also finance affordable housing units.

BFP 4/26/90

Housing Vermont Contends For Innovations Award

BURLINGTON — Vermont Housing Finance Agency Executive Director Allan S. Hunt has announced that Housing Vermont, created and funded by VHFA in 1988, has been selected as a semifinalist in the 1990 Innovations in State and Local Government Awards Program.

In Basket



Sponsored by the Ford Foundation and the John F. Kennedy School of Government at Harvard University, the Innovations Program recognizes state and local government projects that successfully address some of today's most difficult policy problems. Ten outstanding state and local initiatives will be selected as Innovations Award Winners, and will be recognized with $100,000 Ford Foundation Grants.

Housing Vermont is among 75 semifinalists chosen from a field of 1,552 entries submitted to the foundation. A statewide, nonprofit corporation, Housing Vermont was created by VHFA in May 1988 to preserve and/or develop permanently affordable rental housing.

Bellows Herald 5/10/90

VHFA offers workshop on how to buy a home

The Vermont Housing Finance Agency will hold a Home Buyer Day Workshop on Wednesday in St. Albans.

Representatives of VHFA and participating lenders will meet individually with Franklin and Grand Isle county residents to help them determine how much they can afford to borrow and to answer questions about home buying and the mortgage application process.

The session will be from 3 to 7 p.m. at the American Legion Hall on Kingman Street.

For more information call the VHFA at 1-800-287-VHFA.

B-FP 5/14/90

13F12 3/30/90

Rental-development subsidy in jeopardy

By Kathryn Van Sant
Free Press Staff Writer

The only remaining federal subsidy to stimulate Vermont's low-income rental housing construction is in jeopardy, the Vermont Housing Finance Agency's executive director said Monday.

Last year the VHFA gave out $695,000 in Low Income Housing Tax credits. But Congress extended Vermont's 1990 program only through September, slashing it by 25 percent, to about $531,000.

The VHFA won't know until August or September whether Congress will renew the program, Allan S. Hunt of the VHFA said.

VHFA's funding comes from a federal tax credit created by the 1986 Tax Reform Act, to replace previous federal incentives for the private development of affordable rental housing.

The money goes toward helping low-income Vermont renters obtain decent housing. VHFA does not help pay rent, but rather provides incentives for developers to build units for low-income renters.

"It is relatively small compared to other things, nearly $2 billion a year," Hunt said. "But Congress is considering not renewing it because of the loss of that money.

"And yet this is targeted at people earning less than 60 percent of median income, or relatively low-income people."

Vermont is unique in that 78 percent of the allocation goes to development partnerships that include future non-profit ownership. The national average for non-profit ownership is close to 10 percent.

Statewide, 702 apartments at 10 developments are being created or preserved through last year's allocation.

The Vermont state Legislature created the VHFA in 1974 to help low- and moderate-income Vermonters find affordable housing.

Since 1974, the VHFA has helped about 12,000 Vermonters buy homes through 16 mortgage programs, and has helped 3,000 more people with their rents.

The locations and numbers of units are: Bristol, 12; 336 at the Northgate apartment complex off Burlington's North Avenue; Colchester's Winchester Place, 166; Middlebury, 64; Montpelier, 49; New Haven, two; St. Johnsbury, 57; and Swanton, 16.

Dean urges affordable-housing loans

Vermont Lt. Gov. Howard Dean called on the state's banks to resist the temptation to tighten mortgage requirements for first-time homebuyers because of the economic downturn affecting the real estate market.

Dean said the recession is a good chance for banks, builders and state government to form partnerships to build affordable housing. With housing prices stabilizing and in some cases dropping, the chance exists to narrow the gap between the average cost of a home and what first-time home buyers can afford, Dean said.

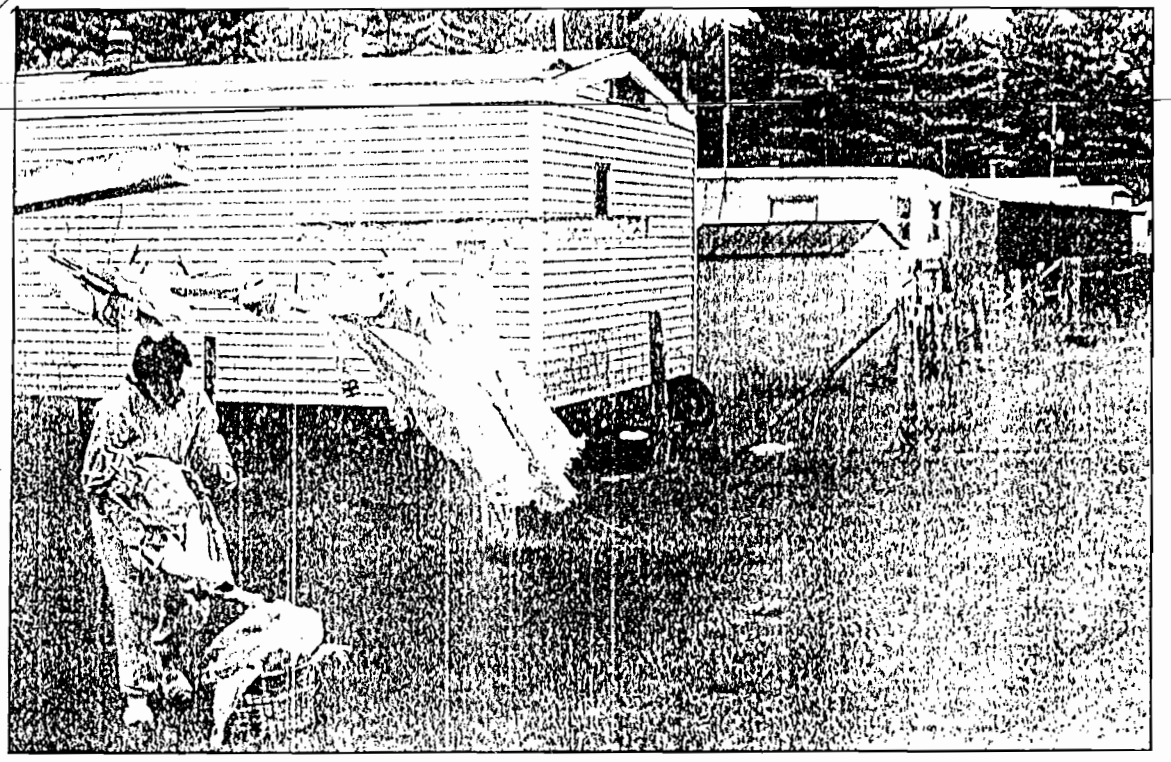
"This is not the time for banks to get cold feet about affordable housing," Dean said in Burlington. "They should not be tightening their credit."

Dean made his comments to draw attention to his upcoming Lieutenant Governor's Conference on Affordable Housing, scheduled for June 7-8 at the Ascutney Mountain Resort in Brownsville.

The conference will feature discussions and debates among planners, bankers, builders and politicians about how to get affordable housing built in Vermont.

Both days will include sessions on the definition of affordable housing, zoning, the link between economic development and low-cost housing and environmental concerns.

First of Two Parts



ADAM RIESNER, Free Press

Marjorie LaRock has lived in Birchwood Manor mobile home park in Milton for 15 years. 'I'll probably spend the rest of my life in this park,' she said.

INSIDE

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Mobile homes help Vermonters realize dream

State parks try to meet demand

By Michael Allen
Free Press Staff Writer

Mobile homes have come to embody the American dream of home ownership for an increasing number of Vermonters, becoming in many ways an unacknowledged addition to the state's image of white churches, red barns, green hills and clapboard houses.

Eight percent of the state's population, an estimated 45,835 people, lives in about 19,000 mobile homes in Vermont. More than a third of those people and mobile homes are congregated in 225 mobile home parks throughout the state.

The main reason for the boom in mobile home residents — a 28 percent increase since 1980 — is that the cost of a mobile home is half, if not less, of a comparable house built from the foundation up. With housing prices and interest rates pushing conventional home ownership out of reach of the state's average wage-earner, mobile homes are being called a key solution to the affordable-housing crisis.

"In the Brattleboro paper, we see advertisements by the real estate firms for 'affordable' homes at $90,000. That is 'inexpensive,'" said Chic Ensign, manager of the 334-unit Tri-Park in Brattleboro. "For that same $90,000 that would put one family in a (conventional) home, I could put three families in mobile homes."

But for many Vermonters who want the mobile home lifestyle, the dream remains a dream. All the state's mobile home parks are at or near capacity. Park owners complain that they are over-regulated, and won't expand. Mobile home advocates, fighting the lifestyle's image problem, also charge state and local governments with not doing enough to promote mobile home availability.

Ensign said there were no vacant lots at his park, the only park in Vermont owned cooperatively by residents.

"I could probably fill a dozen sites a week if I had them," Ensign said.

Betty Lamphere, manager of the 172-unit Birchwood Manor Trailer Park in Milton, said she could not remember the last time the park had a vacant lot to fill.

Lucinda M. Jones, housing program coordinator for the Vermont Housing and Community Affairs Department, said one piece of evidence for how

Turn to MOBILE, 10A

The mobile home lifestyle received a big boost when Vermont's growth-control law, Act 200, was adopted with language identifying mobile homes as a desirable way to satisfy the state's need for housing within financial reach of the average wage-earner. The law calls for communities to provide affordable housing, to look at mobile homes as a means to that end, and to remove obstacles to the development of mobile home parks and individual-lot mobile home ownership.

Shelburne, which is working on its town plan, is considering allowing an expansion of one of its three mobile home parks by as many as 30 homes. Town Manager Larry Wood said the town was also studying how to remove some of its barriers to affordable housing.

Jones said the state Housing and Community Affairs Department was looking at ways to encourage the development of new mobile home parks and the expansion of existing ones. One initiative involves providing $15,000 to $30,000 of state money to cover pre-development costs for establishing or expanding parks.

Commission study

In 1985, Gov. Madeleine M. Kunin set up the Advisory Commission on Mobile and Manufactured Homes to look at the problems of living in that type of housing and what should be done to rectify them. The commission's report two years later concluded that:

- Mobile homes of good quality, in parks that provide reasonable facilities, supplement the supply of safe, decent and affordable housing in Vermont. That type of housing presents a primary solution to the need for affordable housing.
- Mobile homes need to achieve a status equal to other housing as viewed by banks, public officials and the public.
- Subsidies for mobile home mortgages and park development financing must be provided to ensure affordability.

Although many of the conditions that prompted the formation of the commission still exist, Jones said the state did not disregard the recommendations.

Resident ownership

One key piece of Jones' work has involved using non-profit agencies such as Housing Foundation Inc. to purchase mobile home parks that owners put up for sale.

The sale of a park represents one of the greatest threats to the mobile home owner, because a new park owner could raise lot rents, cut back on park maintenance or even close the park so the land can be used for other development.

"The ultimate solution is that the people who own the homes own the land," said Kirby Dunn, an advocate for mobile home residents.

In 1987, the Vermont Legislature passed Act 252, which, among other things, established mobile home owners' right to have first crack at buying their parks when they come up for sale.

Since the law was passed, Jones said, 38 parks have come up for sale — a total of 1,104 lots with a combined asking price of $22.8 million.

Four have been bought by their residents — 24-unit Cooper's Mobile Home Park in Grand Isle, 73-unit Windy Hill Acres in Springfield, 40-lot Riverside Mobile Home Park in Woodstock and 52-unit Mountain View Mobile Home in Hinesburg.

"What we've tried to do is work with the organizers and the residents to help them purchase their parks if the residents are interested and if it looks feasible," she said.

Regulation complaints

Park owners are concerned about their substantial investments, however, and are less enthusiastic about state-granted protections for home owners and the resident-organizing efforts of Dunn and others.

Neil Pendergast, coordinator for the Vermont chapter of the New England Mobile and Manufactured Housing Association and the owner of Fernwood Manor in Bolton, complains that the state more and more is taking sides with residents.

"Every time somebody blinks, they propose new legislations, and that's a poor approach to the private sector," Pendergast said. "I'm fed up with the bureaucratic regulations that continue to happen in this state. Instead of the state dealing with a real problem — which is shortage of space —the state continues to enact further regulations that discourage the healthy installation of additional parks and park spaces."

Pendergast recently put Fernwood Manor up for sale.

Jones said the state had been fair with park owners and residents, noting that her office is also criticized by residents for not being tougher on the owners. What laws there are, Dunn says, are needed.

"Granted there are more regulations than there were five years ago, but they are not in any way excessive," he said. "They do not interfere with the park owners' right to make a profit. The laws do not set how much the rent is going to be ... and they do not stop them from selling at market rate."

Unmet need

Whether there is too much or not enough regulation, something is seriously wrong in Vermont, Ayotte said.

"Just surveying land values and the density in Vermont and the need for more affordable housing, it would appear on the surface that Vermont would be a very desirable area for the creation of more manufactured housing," Ayotte said.

"The governor should be sitting down with park owners and asking them, 'What can we do to build more parks?' That's one thing I don't really see happeneing in Vermont. What I see up there is a lot of battling going on between people who should be working together."

'No different from anybody'

On an average day at Birchwood Manor mobile home park in Milton, kids are whisked off to school while their parents work to make a living.

Betty Lamphere, manager of the park, says, "A neighborhood is a neighborhood, and we are no different from anybody else. You have to learn how to live here."

In the photo at top right, Brenda Hogan, right, chats with Cheryl Lamphere as Lamphere takes her child to school. In the center photo, a child runs to catch her bus at Birchwood Manor. And in the photo at left, park resident Barb Tourangeau tells children outside her mobile home, "You kids play nice."

"I don't mind living here, the neighbors are nice," Tourangeau said. Eventually she would like to move into a house, as would many of the park's residents. The mobile home is a way for them to start out as a homeowner.

Ken LaBounty, who has been living at Birchwood for five years, enjoys mobile home living. "I'm happy here, my kids can play safely in the streets, and it's relatively inexpensive to own a mobile home."

Funding agencies

- **Vermont Housing and Community Affairs Department:** Administers the Vermont Community Development Program with funding available to municipalities for housing initiatives. Also administers Act 200 planning, Emergency Shelter, supplemental assistance, rental rehabilitation, and "First Stop" grants. Pavilion Office Building, Montpelier 05602, 828-3217.
- **Farmers Home Administration:** Possible source of funding for development of new mobile home parks in which homes are rented. 141 Main St., P.O. Box 588, Montpelier 05601-0588, 223-2371
- **Vermont Community Loan Program:** Pools funds from private investors to promote affordable housing. Provides technical assistance for housing projects, including cooperative ownership projects. 149 State St., P.O. Box 827, Montpelier 05601-0827, 223-1448.
- **Vermont Housing and Conservation Trust Fund:** Provides funding in the form of grants or loans for qualifying non-profit organizations — both "capacity" funds and project-related funds. 136½ Main St., Montpelier 05602, 828-3250.
- **Vermont Housing Finance Agency:** Offers financing for puchasing mobile homes on land owned by the mobile home owners, and for mobile homes with long-term leases in parks, plus financing for mobile home park acquisitions. One Burlington Square, P.O. Box 408, Burlington 05402-0408, 864-5743 or 1-800-22-8432.
- **Housing Ventures:** Provides financing to non-profits and limited-equity cooperatives for predevelopment expenses for affordable housing. In care of Vermont Housing Finance Agency (address and phone number above).

Owners associations

- **Apartment Owners Inc.:** P.O. Box 297, Shelburne 05482, 985-2533.
- **New England Manufactured Housing Association:** 15 Midstate Drive, Suite 212, Auburn, Mass. 01501, (508) 832-0542. Neil Pendergast, Vermont state coordinator, Latham Homes, Box 390, RFD #1, Waterbury 05676, (802) 434-2770.

Tenants association

- **Vermont Mobile Home Owners Association:** Dorothy Hayes, president, 41 Tall Timbers, White River Junction 05001, (802) 295-1932.

Business profile

Allan Hunt has been director of the Vermont Housing Finance Agency for more than 10 years. Since 1974, the agency has helped 12,000 people buy homes through mortgage programs and loans. Asked why he has stayed in the job so long, Hunt says, "Simply because there's a great need for affordable housing in Vermont."

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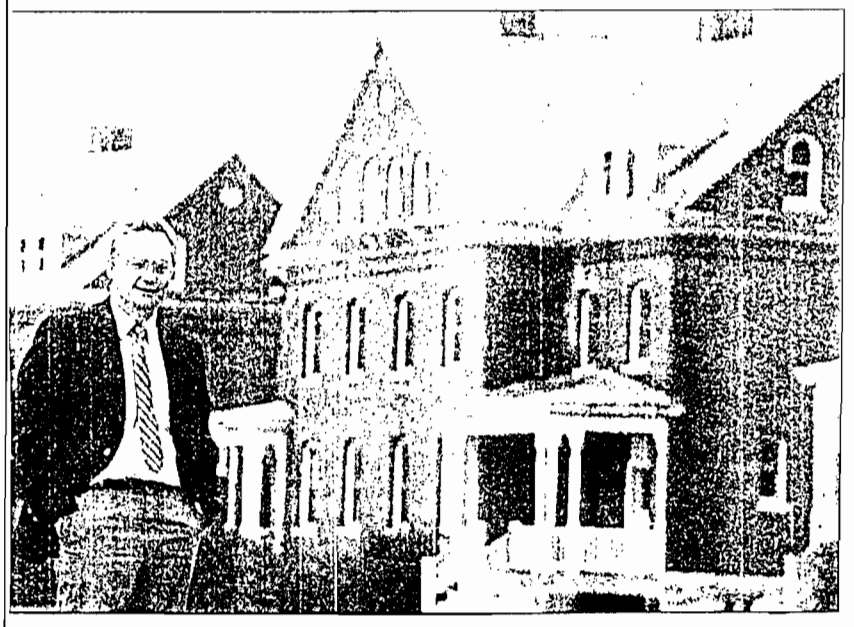
Business profile



ADAM RIESNER, Free Press

Allan Hunt, executive director for VHFA, says construction will begin this summer on Fort Ethan Allen's Officers Row in Colchester at a cost of nearly $6 million. The buildings are being turned into affordable housing.

The Hunt for housing

Housing finance director finds shelter for financially strapped

By Kathryn Van Sant
Free Press Staff Writer

Since the Vermont Legislature created the Vermont Housing Finance Agency in 1974 to aid low- and moderate-income Vermonters seeking affordable housing, it has helped about 12,000 people buy homes through 16 mortgage programs — and about half a billion dollars in loans. VHFA has also helped 3,000 people with rents.

The typical VHFA family has an income in the mid-$20,000s, borrows $58,000 and has a 5 percent down payment.

Every week about 35 people ask the VHFA to reserve for them nearly $2 million in loans. About 90 percent are approved, VHFA Executive Director Allan Hunt said.

Although the organization is respected by its peers and is the largest financer of first-home buyers in the state, the VHFA has a low profile within Vermont, Hunt said.

"In some ways that's helpful because it allows us to do our jobs fairly efficiently," he said. "We have a staff of about 35 people and we did $125 million in lending last year. There's no other lender in the state that comes close to that."

When asked why he's held the post for more than a decade, Hunt said, "Simply because there's a great need for affordable housing in Vermont."

A Burlington native and University of Vermont graduate, Hunt received his first training in housing issues in Manhattan, in the U.S. Housing and Development Urban Department. Hunt took the reins of the VHFA in 1976, but left in 1981 when then-Gov. Jerry Brown of California picked him to be the finance director of that state's Housing Finance Agency.

In 1985 Hunt returned to his hometown and, eventually, his old post.

Hunt spoke with The Burlington Free Press last week in his Burlington lakefront office.

Q. Let's talk about Vermont's housing affordability problem. What's at the root?

A. Part of the problem with affordability is supply. I maintain that in Vermont we've created in one sense our own affordablity problems, because we've restricted the amount of supply that we let into the market.

Q. Through what? Act 250?

A. Exactly. All of our regulatory requirements have a perfectly sound basis but when you add them all together you've essentially said to the builder community, "You can only build in certain places. You can't build on hillsides, you can't build on riverbeds or prime (agricultural areas) ... . And don't build on non-water and non-sewer (areas)." Then you've got all the zoning stuff besides. There are very few places after that. As a result, the value of where you can build has gone way up.

Ironically, at the same time it also contributes to lessening our problems when we're on a downside of the cycle. We haven't overbuilt. So house prices aren't dropping as rapidly as in neighboring states because we don't have this oversupply problem.

Q. How does the current market affect affordablity for low-income people? Are they affected by some houses' sitting and languishing on the market? Or are all the houses that potential sellers can't get rid of $200,000 houses, and it doesn't affect the low-income?

A. ... I don't think that there has been a substantial drop in housing prices at the lower end of the market... The guy that has a $90,000 house isn't dropping his price by $25,000. The current market helps a little but it doesn't make a big difference (to the low-income) ... .

Q. Are things getting worse or better from 1976 when you began?

A. It's much worse than in 1976. Housing prices have risen much more dramatically than people's incomes. But we're starting to see some relief because of the shift in demographics. The number of people coming into the marketplace needing at least single-family housing is starting to drop. ... Looking at the future, demographics would say it'll get better. Given the state of the economic situation I would guess that the level of appreciation won't be quite as rapid as it has been in the past — although I do think it will still continue. Income growth won't be quite as high as it has been but still it'll be relatively decent. Depending on what happens with interest rates, that would, for me, add up to fairly optimistic '90s in terms of people being able to find some kind of shelter that they can afford to buy.

Q. Let's talk about what can be done to bring about affordable housing.

A. From my perspective the major issue is that we're really not putting enough supply out there. We're not building enough houses. In 1986 the state did a study, which we helped finance, which showed there was a gap of about 30,000 dwelling units between what was needed and what there was — about 20,000 of those were single-family homes. We need to

Turn to HUNT, 10

THE HUNT FILE:

Name: Allan S. Hunt
Born: Jan. 31, 1947, in Burlington.
Education: Bachelor's degree in economics and business administration from the University of Vermont; one-year executive program at University of California at Davis.
Occupation: Executive director of the Vermont Housing Finance Agency.
Family: Married to Erma Syarto.
Hobbies: Sailing and skiing.

Business profile

Hunt predicts builders will return to affordable housin

From page 9

somehow cut into that gap if we're going to have an ideal marketplace. My guess is that right now we're only producing enough to keep up with the new demand, much less cut into that gap.

One thing that's happening is our builders are beginning to look at the affordable housing market again because they can't sell their product at the higher end. From our perspective that's good.

Q. And how can the state help those employers who are willing to help with affordable housing but have hit dead ends?

Nationwide about 300 companies are taking steps either to help finance housing or build it for their employees and sell it to them at cost, and a couple of Vermont companies say their attempts have been unsuccessful. But Rock of Ages says when it tried to put housing for its workers on 25 of 100 acres it owns in Barre Town it didn't know how to go about it, and nothing has been built.

A. The short answer to that as far as I know is they never talked to us. ... We certainly would be in a position to set aside low interest mortgage money to help a company who wants to put some resources on the table, like land. The thing that we want to avoid is the company town concept — where owning or living in that house is a condition of employment. If someone has to give up their employment with the company they lose their house. It's a thin line.

We've had some discussion with ski area operators who really are in a major crunch, who need to find people ... but the housing costs on the mountain were too high to justify having people live there. We've had a number of discussions with different ski producers about making available the land they have and maybe contracting with a non-profit to build some housing, where the first option would be offered to employers of the ski area, but would not exclusively be set aside for the benefit of the company. And continued employment isn't an absolute condition of continued occupancy. When you start talking in those terms you get employers a little bit reluctant....

Q. Let's talk about cuts in federal housing assistance to the low-income. How did the average Vermonter notice that in 1981 it was $30 billion and by 1989 it fell to $8 billion?

A. The first thing they noticed is that there really are no new federally sponsored production programs. You're not building any Northgates anymore, you're not building any Section 8 projects anymore, you're not building any public housing units anymore. So the one thing that Vermont needs — more supply of housing — isn't getting done by the feds. We've been able to backfill a little bit through use of the Housing Conservation Trust Fund, our mortgage financing and the Tax Credit Program through Housing Vermont, which is our subsidiary or spinoff. But the level of production is relatively modest, compared to where it used to be when HUD was fully funded. We're just not building any more housing.

Q. We talked about Act 250. Please rate the success of Act 252 (which allows residents of mobile home parks, or a non-profit organization representing them, first chance to buy their park before it is sold to a private developer).

A. ... It was a logical approach without the right amount of follow-up. It said to owners of parks, 'If you're going to sell them you have to offer them to the state first, so we have an opportunity to preserve them.' But there was nothing in the Legislature that provided any kind of mo[illegible] for the state to buy these pa[illegible]rk. ... In very limited cases w[illegible] the state or a non-profit group has been able to buy the park, it worked well. I'm not so sure that would or wouldn't have happened with or without the act.

The Burlington Free Press

Opinion

Going mobile

Two chickens in every pot and a car in every garage — it used to be the politician's promise and the homeowner's dream.

More and more Americans, though, can't afford the home in which to cook the chicken or attach the garage.

In Vermont, home ownership has crept slowly out of the average wage earner's reach. An average home in Vermont in 1990 costs $110,000 — whereas the median income was only $32,300.

One solution for low-income Vermonters is mobile home ownership. But as a two-day series in the Free Press has described, there are substantial obstacles that block this affordable option.

- The state's 225 mobile home parks are all at or near capacity, with little hope that new parks will be opened.
- Mobile home owners who rent space in a park run the risk that the park will be sold, and that rents will increase while services decrease.
- Although community attitudes have improved since the 1950s and 1960s, mobile homes and parks still remain unwelcome neighbors.
- Financing a mobile home purchase may require a commercial loan rather than a mortgage — a difference that can mean a costly two percentage points or more on the loan.

For once, the solution to the problem does not lie with state government.

Act 200, Vermont's growth management law, encourages towns to plan for mobile homes and mobile home parks as a way to provide affordable housing. The Legislature this session amended mobile home laws to improve tenants' ability to buy their park if it is to be sold.

The Vermont Housing Finance Agency has new programs to help tenants purchase their parks, and low-income families to purchase mobile homes.

The problem is that towns must weave mobile homes into the fabric of their communities.

Planners and residents need to let go of popular misconceptions.

Mobile home parks *do* pay property taxes: the homeowners pay property tax, as do park owners.

Nor do parks overburden schools. The 1980 Census shows that, on average, mobile homes had half as many children per home as conventional housing.

Not every community can expect the state or federal government to come in and build subsidized affordable housing. But every community can welcome mobile homes.

State To Make $45 Million In Housing Loans Available

MONTPELIER (AP) — The state wants to help about 700 low- and moderate-income Vermont families buy homes of their own as housing prices drop.

Allan Hunt, director of the Vermont Housing Finance Agency, said Thursday the agency will make $45 million in low-interest mortgage loans available this summer, primarily to first-time home buyers.

Hunt said the interest rate will be fixed at 8.7 percent, below the going rate of between 10 percent and 11 percent. The mortgages will be available to income-eligible families, with housing prices capped at $89,000 for existing homes and $98,000 for new construction.

"The economic news has been conservative if not almost depressing at times," said Gov. Madeleine Kunin, who announced the new mortgage program at a news conference. But Kunin said the economic slowdown has led to lower housing prices, adding, "The market is in your favor."

The new mortgages will be available beginning Friday to eligible borrowers. For a limited time, the agency will also provide incentives to borrowers who improve the energy efficiency of some properties.

Buyers purchasing homes not considered energy efficient may be eligible to receive a one percent interest rate reduction — from 8.7 percent to 7.7 percent — for one year after completing energy efficiency improvements.

The agency will also help buyers come up with the 5 percent minimum down payment.

"The new low rate and extra help with the down payment requirement will give encouragement to those looking for ways to make their dreams of home ownership a reality," Kunin said. "VHFA's changes will also help us conserve energy."

To be eligible, borrowers must meet statewide income and purchase price limits based on family size — $32,300 for a one-and two-person household, $37,100 for families of three or more.

The program is designed to help first-time buyers and in five counties the loans are only available to people who have not previously owned a home. Those counties — Addison, Bennington, Chittenden, Grand Isle and Windsor — are areas the federal government does not consider to be economically disadvantaged.

In the rest of the state people who own or have owned homes are eligible.

Hunt said the agency has made more than 12,000 loans over the years, and currently has between 7,000 and 8,000 outstanding.

Newport Daily Express 6/19/90

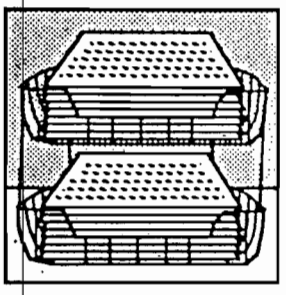
June 7, 13, 1990

Business Briefs

Low-Interest Mortgages

BURLINGTON — In an effort to help meet the growing need for affordable housing in Vermont, Banknorth Group Inc., has launched a statewide program aimed at increasing the availability of financing.

In Basket



The Banknorth Affordable Housing Program is designed to help borrowers who do not qualify for conventional mortgage programs or for loans through the Vermont Housing Finance Agency (VHFA).

Offered through Banknorth Group's five banks— Franklin Lamoille Bank, First Vermont Bank, Granite Bank, The Howard Bank and Woodstock National Bank and Vermont Mortgage Group—the program includes features that are not available in other mortgage programs offered to this marketplace. For instance, the program would allow for the borrower to contribute a minimum of 3 percent toward the downpayment, allows parents to coown when appropriate and requires less stringent debt to income ratios.

Burlington Herald 6/7/90

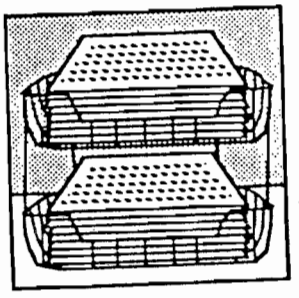
10 Burlington Herald 6/12/90

Business Briefs

VHFA 'Home Buyer Day' Set for Wednesday

BURLINGTON — On Wednesday, June 13, Vermont Housing Finance Agency (VHFA) will hold a Home Buyer Day in Rutland at the Holiday Inn.

In Basket



VHFA released new funds June 1 with a fixed interest rate of 8.7 percent. The new funds along with the recent increase in purchase price ceilings and household income limits, should help qualify a greater number of first-time buyers at the Rutland Home Buyer Day.

Participants from Rutland, Addison and Bennington counties will be able to find out if they qualify for VHFA's Mortgages for Vermonters (MOVE) financing, and learn more about the home buying process.

VHFA borrowers must meet eligibility criteria including maximum income and purchase price limits. The income limits for VHFA borrowers are based on family size: $32,300 for one and two-person households and $37,100 for households of three or more. The purchase price limits are, for newly constructed homes $98,000, and $89,000 for existing homes.

Appointments are required, so please call VHFA soon toll-free at 1-800-287-8432. The hours for the workshop will be 11-7 p.m.

Mortgages linked to energy efficiency

Senate OKs housing amendment

By Ted Tedford
Free Press Staff Writer

The U.S. Senate approved a housing bill amendment Wednesday that would help people qualify for mortgages on energy-efficient houses because their lower-than-average energy bills give them extra money to spend on the mortgage.

The amendment would make it possible for a buyer to qualify more easily for a mortgage or to qualify for a larger mortgage, said Sen. James Jeffords, R-Vt., the amendment's co-sponsor.

JEFFORDS

"This helps accomplish two things: It makes housing more affordable and helps promote the purchase of energy-efficient housing," Jeffords said.

According to Richard Faesy, director of Energy Rated Homes of Vermont, the program would work like this:

Banks would advance a homebuyer money to make the home energy-efficient, adding that amount to the monthly mortgage payment. The banks would approve the higher monthly cost because an energy audit will have assured that the monthly energy savings is higher than the payment increase.

Also, Faesy said, developers who build energy-efficient houses should be able to sell them more easily because banks will make applicable to the mortgage the money the buyer saves on energy.

For someone with an income of $20,000, the difference could amount to $3,500 more in mortgage money, Jeffords said.

"It can mean the difference between affording the monthly payments or not qualifying for a home," he said.

Vermont already has a program —the only one in the country — designed to do what the Senate amendment would do, although seven other states have some form of energy rating system not tied to mortgages.

Energy Rated Homes of Vermont has trained 150 appraisers to do energy audits of the homes they appraise, Faesy said.

Since the Vermont program began in 1987, he said, 850 homes have been audited and the information used by banks to help provide mortgage money.

Until recently, Energy Rated Homes of Vermont paid the appraisers, but now charges homebuyers a $250 fee, Faesy said.

The program began with the assistance of the Vermont Housing Finance Agency and money from refunds by Exxon Corp., which overcharged customers during the Middle East oil crisis, Hollis Hope of the Vermont Housing Financing Agency said.

Faesy said he hoped the amendment will mean more existing Vermont homes can be made energy-efficient. Most of the energy audits have been in new homes, he said.

The amendment was made to the National Housing Act, which is under Senate consideration. A similar bill is being considered by the House.

If the amendment survives, it would establish a nationwide task force to make recommendations on financing energy efficiency in private mortgages, Jeffords said.

Federal housing and housing finance agencies and financial institutions would be involved with the task force, as would homebuilders, real estate brokers, private mortgage insurers, energy suppliers and non-profit housing and energy organizations, he said.

Housing Vermont helping to house Vermonters

By Susan Youngwood

Say 'subsidized housing' and most people visualize stark tenements pockmarked with broken windows and marred with graffiti. Think again.

If you visit Salmon Run and Heineberg Senior Housing in Burlington, Winchester Place in Colchester, or look at the plans for Pine Meadows in Middlebury, you'll instead see things like townhouse designs, tasteful landscaping — even classy touches like bay windows, decks, porches and varied rooflines.

These projects, all providing affordable housing to low and middle income families and senior citizens, have one thing in common — their financing was made possible by Housing Vermont.

Housing Vermont is a statewide nonprofit housing development corporation whose mission is to create affordable rental housing through partnerships between private investors and local nonprofit groups. Initially funded by a seed capital grant of $2 million from the Vermont Housing Finance Agency in 1988, Housing Vermont has helped to build or preserve 700 units of affordable housing in the state — making it one of the largest real estate developers in Vermont.

"We're astounded by what they've done," said Alan S Hunt, executive director of VHFA.

Housing Vermont is one of the myriad of nonprofit organizations created in Vermont the last several years to tackle the problem of affordable housing. Because it operates statewide and started out on a sound financial foot, Housing Vermont has had a visible impact.

Hunt was one of the main forces behind the creation of Housing Vermont. He realized that Vermont needed a vehicle that would provide both financing and expertise to the challenge of building affordable housing.

"What happened in Vermont is there was no incentive for private developers to develop affordable housing," he said. Although local nonprofit groups were trying to fill the gap, he said, "it is difficult for nonprofits to hire and afford the expertise that development needs."

Hunt said he envisioned a "group of people who have the developer mentality and the expertise to help local groups put projects together." The group would also help nonprofits get their hands on the one remaining source of funding — low income tax credits.

Although there are other similar groups across the country — one in San Francisco and another in Massachusetts — Hunt said Vermont's group is different in that its financing and support came from a state housing finance agency.

Because of that support, he said, Housing Vermont didn't have to spend time and money fundraising, and it had an immediate air of credibility.

Michael Richardson, president of Housing Vermont, explained that VHFA, "thought that a nonprofit developer might be better suited to address the higher risk associated with rental housing and perhaps be in a better position to approach companies to invest in housing, because it would be nonprofit."

Housing Vermont now has six employees, all with experience in real estate. Richardson, for example, worked for four years at VHFA, headed the state's community development block grant program and served as executive director of a nonprofit housing development company. Other employees are Elizabeth Mullikin, vice president of development; Mary E Parent, financial officer; Vaughn T Collins, project manager; and Jennifer O'Hara, development specialist.

So far, Housing Vermont has arranged $43 million in financing for affordable housing.

A key element to Housing Vermont is the equity money it has raised for affordable housing. The state's banks have invested more than $11 million in Housing Vermont's two equity funds, which provide the equity for the downpayment needed in these projects.

The banks get a 12 percent after-tax return on their investment, said Richardson — which is much lower than the return for a standard real estate investment. They can take a low income housing tax credit to reduce their tax burden, and take advantage of other tax benefits such as depreciation and interest write offs.

Investors have included Merchants Bank of Vermont, Chittenden, Howard, Vermont National and Northfield Savings. Richardson is now talking to other companies, including the state's utilities, who have expressed interest in similar investments.

"They are pulling together real expertise to try to preserve affordable housing," said John Ewing, executive vice president at the Bank of Vermont.

For each project, Housing Vermont has also relied on a mixed bag of other financing. Debt financing has come from the Federal National Mortgage Association and the Farmer's Home Administration. The Vermont Housing and Conservation Trust Fund, which was created by the state Legislature in 1987 to provide affordable housing and preserve important land, has also provided money.

"They package our funds with other kinds of financing and equity financing to help make our funds go further," said executive director Gus Seelig. "We get a lot of leverage in their projects."

Projects have also been kept affordable in other ways. For example, the town of Middlebury is leasing land for one project at a rent of $1 a year.

While the money comes from government and private sources, a key aspect to all Housing Vermont projects is community support. Each project must have a local and regional nonprofit agency as a sponsoring partner. This partner presents the project to the local planning and zoning boards and explains it to its neighbors. It is also in charge of the management of the project.

"It is really essential for us to have a local partner," said Richardson. "We

Northgate: Protecting affordable housing

One of Housing Vermont's most celebrated deals was the preservation last year of Burlington's Northgate housing project, the state's largest subsidized rental housing complex.

The $20 million deal, which was approved by the US Department of Housing and Urban Development, arranged for tenant involvement in the supervision, management and ownership of the 20-year-old Northgate housing project.

Northgate was one of four subsidized housing projects developed in Vermont by Fairfield Associates, a Connecticut firm. The developers, who received a 40-year low-interest loan from HUD, promised to keep rents affordable for the term of the loan, but had the option of paying off the loan after 20 years.

Low-income advocates feared that Fairfield Associates eventually would convert the complex — a townhouse-style development located on Lake Champlain with views of the Adirondack Mountains — into condominiums. With 336 apartments and more than 1,000 tenants, Northgate provides one-quarter of Burlington's affordable housing stock.

"We knew that if this project was sold and went to market rentals or condominiums, these people would be displaced," said Brenda Torpy, executive director of Northgate Housing Inc, the managing partner of the new ownership entity, the Northgate Housing Limited Partnership.

State, federal, local and private parties worked for months to arrange the financing package, a combination of tax incentives and public subsidies which involved 10 separate financing sources.

The complex was purchased in late December for just under $10 million. The sellers received an equity payment of $1.5 million, financed by Housing Vermont, a nonprofit development company which is now a general partner of Northgate Housing Inc, and $8.4 million in tax-exempt bonds issued by the Vermont Housing Finance Agency. The new owners assumed the existing low-interest HUD mortgages; there were another $3 million in development and transaction costs.

Bernhard A Gilhuly of Fairfield Associates said the tax benefits of receiving the VHFA bonds at par payment made the deal attractive for the sellers. The former owners agreed to a price below the appraised value because the capital gains tax was limited under this arrangement.

The new owners are spending $6.5 million on renovations. Using a $270,000 grant from the Burlington Electric Department, the complex is being converted from electric heat to gas heat, which will significantly reduce residents' utility bills. Doors and windows are being replaced, insulation improved and new siding and roofing installed.

Additional financing was from a $3 million deferred payment loan from the Vermont Housing and Conservation Trust Fund, and $3 million in HUD loans. The Housing Vermont contribution came from Bank of Vermont and the Federal National Mortgage Association, who received tax credits for their equity investment. Another $1.2 million is slated to come as special appropriations secured by US Senator Patrick Leahy.

The tenants association has an option to buy the project in 21 years. The financing package includes covenants which require the housing units remain affordable to low- and moderate-income families despite change of ownership. Although rents vary, no Northgate tenants pay more than 30 percent of their monthly income.

"We felt it was not worth doing Northgate unless it was removed from the speculative cycle," said Michael Richardson, president of Housing Vermont.

The arrangement also ensures that tenants have a direct impact on the management of the housing complex. The Northgate Tenants Association, which is part of Northgate Housing Inc, will review budgets and supervise the management company.

With the Northgate deal completed, Housing Vermont and the VHFA are now putting together financing packages to purchase the three other subsidized housing projects in Vermont developed by Fairfield Associates — Highgate in Barre, Westgate in Brattleboro and Applegate in Bennington. These three projects have 350 units of affordable housing.

VHFA holds an option to purchase these projects from Fairfield Associates. The 20-year exemption on the HUD mortgage for the Highgate complex expires at the end of 1990, and is the agency's first priority. Highgate provides more than half the affordable housing in Washington County.

"Assuring long-term affordability is our primary goal," said Allan Hunt, VHFA executive director.

— Susan Youngwood

nt the community to accept this rising."

Some examples of how Housing Vermont puts together projects are:

Salmon Run is an 80-unit project h two and three bedroom apartments nting from $365 to $600. The local tner is the Lake Champlain Housing velopment Corporation; equity was ovided by the Merchants Bank, the ittenden Bank and The Howard Bank, bt financing came from VHFA, the using and Conservation Trust Board d the City of Burlington, which receiv- a federal grant. Total project cost s $6.7 million.

Heineberg Senior Housing is also 80-unit project, in this case for the lerly with rents ranging from $375 $615. The units come as either one two bedrooms. Financing came from e same sources as Salmon Run. The cal nonprofit was created by the Chitnden County Senior Alliance and the athedral Square Corporation. Cathedral quare is managing the project.

Winchester Place is a 166-unit proct built on property leased from St fichael's College. Partners include Merhants Bank and the Greater Burlington ndustrial Corporation. The project will ave 70 apartments available to moderate ncome families with the balance ren- ng at market rate.

Other projects planned for this year nclude:

- 64 units of housing for the elderly n Middlebury.
- Pine Meadows, a 30-unit, mixed-ncome townhouse project in Middlebury with the Interfaith Housing Corporation, for families.
- 29 units of housing for the elderly in Montpelier.
- Preservation of 120 units of rental housing for families at the Highgate project in Barre.
- Preservation of a 72-unit apartment project in Springfield called Mountainview.
- Purchase of eight apartment buildings in St Johnsbury with 37 units.

Richardson said he is determined that all these projects look as different from the image of subsidized housing as possible. Pine Meadows, for instance, was designed by Turner Brooks, who has done a lot of residential architecture in Chittenden County.

"I've always wanted to do an affordable housing project," Brooks said. "I think it is a basic challenge to work with low budget housing. Low budget is not necessarily an excuse to not do something good."

Another project, planned for Norwich, will use a design which won first place in a New England-wide design contest sponsored by the Bank of Vermont, Bank of Boston and Housing Vermont.

The demand for such housing is shown by how fast it goes. Some projects already have waiting lists.

A key element to the projects financed by Housing Vermont is that they will remain affordable. In all cases, the tenants are given the option to purchase the project for $1 over the remaining mortgage balance when the tax benefits are finished.

"We only want to do housing that stays permanently affordable from now on," Richardson said.

One way this goal is ensured, Richardson explained, is that Housing Vermont is not in the housing business to make money. Rents will increase only to cover higher maintenance and operating costs, and not to provide profits.

But Housing Vermont alone is not the solution. It cannot help many people on welfare, whose shelter allowance is too low, or the homeless.

"We probably need 10 more volumes of Housing Vermont activity to approach the problem," said Veda Lyon, director of Central Vermont Community Action. Many of Vermont's poor live in dilapidated houses or mobile homes in rural areas, and money is needed for rehabilitation and weatherization, she said.

Despite these problems, Richardson believes that Housing Vermont has come up with the best formula for building affordable housing.

The government first did subsidized housing through local housing authorities — many of these were of shoddy construction and are the much maligned housing projects of today. Then in the 1970s, the federal government offered inducements to the private sector to develop and manage affordable housing. These units were better built and better managed, but were expensive and were affordable only for a temporary period.

"What you're seeing now and what will happen in the '90s is a synthesis of those two approaches — public and private and nonprofit organizations," private and nonprofit organizations," said Richardson. "We have to operate with the efficiency of the private sector, but be guided by public purposes that government housing had. It's really kind of an experiment."

Susan Youngwood is a freelance writer who lives in Montpelier. ■

SUMMING UP

A nonprofit housing development corporation called Housing Vermont is bringing together private investors and local nonprofit groups to create affordable rental housing.

- Started with $2 million from the Vermont Housing Finance Agency, Housing Vermont has become one of the largest real estate developers in the state.
- Housing Vermont has arranged $43 million in financing for affordable housing, with the state's banks investing more than $11 million in two equity funds. The banks receive a 12 percent after-tax return.
- Each project must have a local or regional nonprofit agency or sponsoring partner.

Housing prices

Discouraging and inaccurate news about the Vermont residential real estate market has been the focus of your paper within the last six weeks. Unfortunately your articles have not differentiated between stable Chittenden County and other areas of New England, which have experienced declining prices.

The media should print the good news:

There are fixed rate 30-year mortgages available at interest rates below 10 percent (current interest rates are lower than those of last year at this time). Mortgage money is in plentiful supply.

Our region has a better selection of housing than has been available for the last ten years. Buyers may choose from an abundant supply of homes priced under $130,000, and the Vermont Housing Finance Agency offers some excellent programs to help buyers obtain affordable mortgages.

We have not suffered a decline in housing prices. The average sales price of a home in Chittenden County in May 1990 was within .5 percent of the sales price May 1989. Unemployment in our area is still relatively low. The local real estate market is indeed alive and well in Chittenden County.

6/22/90 BFP

LIZ MERRILL
Burlington

VHFA program a finalist in competition for award

By Kathryn Van Sant
Free Press Staff Writer

A Vermont Housing Finance Agency program to foster affordable housing has made it to the finals of the national Innovations in State and Local Government Awards Program.

The VHFA organized Housing Vermont, a statewide, non-profit corporation, to build low-income housing in 1988. The corporation was set up to fill the gap created by the loss of federal incentives for private development of affordable housing.

It gave corporate investors — primarily banks — a chance to invest in permanently affordable housing.

"Housing Vermont has sparked innovative public/private partnerships to create and preserve much-needed affordable housing for Vermonters of modest means," Gov. Madeleine M. Kunin said i a prepared statement Friday. "Vermon banks have played a key role by provid ing equity for development through Ver mont Equity Fund investments."

Among the banks investing in the fun are Merchants Bank, Chittenden Bank Howard Bank, Bank of Vermont, North field Savings and Vermont National Bank

Investors get 99 percent of the pro jects' tax benefits in the form of federa low-income housing tax credits available through the Federal Tax Reform Act o 1986.

"It's a very innovative model that car be replicated elsewhere," VHFA spokeswoman Hollis Hope said. "It's different than any other non-profit housing development corporation tried sewhere in the country. We think it c work in other states, that's why we subm tted it'

Turn to VHFA, 7C

VHFA program a finalist

From page 4C

to the competition.

In April, the group was one of 75 semifinalists from among 1,552 entries submitted to the John F. Kennedy School of Government and the Ford Foundation.

It was announced Friday as one of 25 finalists, 10 of which will receive $100,000 each when the winners are announced in September.

"That money would go right back into the creation of even more affordable housing," Hope said.

Housing Vermont expects to build 700 units of perpetually affordable housing by the end of the year. Among its developments are Burlington's Northgate, Colchester's Winchester Place and Pine Meadows in Middlebury.

"We are thrilled and honored to be in the running and have such prestigious national recognition," Hope said.

The Burlington Free Press

Money

Page 8A
Saturday, June 30, 1990
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Phone: 865-0940, ext. 2038

Ground broken for new affordable housing units

By Ted Tedford
Free Press Staff Writer

In a few months, Burlingtonians Lynn Witter and Jeffrey and Cynthia McDonald will achieve something they have wanted for years — a home of their own.

They will be moving their families into the first two of six affordable homes being built in the city's New North End by the Burlington Community Land Trust.

At a symbolic ground-breaking ceremony Friday morning at the site of one of the homes, Land Trust director Timothy McKenzie lauded the officials of several agencies and the Chittenden Bank who have made it possible for the families to buy an affordable home in a city where housing is scarce and expensive.

Putting together a package of funding, including grants, the Land Trust is pricing the houses at $74,500 to $81,000, with a 5 percent down payment and a 30-year mortgage. The mortgage money is being provided by the Vermont Housing Finance Agency at 7.9 percent interest, well below the going rate of around 10 percent for such a mortgage in Vermont and VHFA's usual 8.7 percent rate.

To be eligible for a Land Trust house, buyers must earn 65 percent to 80 percent of the area's median income — between $23,500 and $35,600 annually.

"The Community Land Trust is removing the barriers to home ownership that the regular market has put up —high interest rates and high real estate prices," McKenzie said.

Each Cape-style home has 1,100 square feet of living space, a full basement and gas water heat, and is fully carpeted.

The only hitch is that the buyers must agree to accept only 25 percent of the appreciation when they sell the house. That would keep the home's price affordable for other families. The McDonalds and Witter said they were willing to give up some of the appreciation in the future so they could own homes now.

The McDonalds said they have been renting at the Ledges on South Willard

Turn to GROUND, 11A

Ground broken for housing

From page 8A

Street for six years and have wanted a home for themselves and their son Jeffrey III, now 6.

"I think it's wonderful. The pieces have all fallen together," said Jeffrey McDonald, a chef at the Ethan Allen Club. "Buying a new house we can afford here will make it possible for us to put money aside for our son's college education."

"We looked at a lot of houses and if we had bought any one of them we would have been house poor," said Cynthia McDonald, who runs a small day care center at the couple's rented home.

Witter, a single mother with four children, has lived at nearby Northgate Apartments, where she is the manager, for 15 years, but has wanted to own her own home.

"I'm very, very, very excited," said Witter, who also is a member of the Land Trust.

Since it was founded in 1984, the Land Trust has made 102 housing units in Chittenden County available to low- and moderate-income families. The housing includes single-family residences, condominiums, rentals, the Fire House family shelter at 120 North Champlain St. and the Community Health Center in the Old North End.

The Vermont Housing & Conservation Board gave the Land Trust a $60,000 grant; $30,000 was provided by the Burlington Housing Trust Fund; the Vermont Community Loan Fund provided $100,000 to help purchase the land from Northshore Development Corp., which sold the land for the six houses to the Trust Fund below market value; and the Chittenden Bank provided $155,000 for construction financing.

Five of the homes will be built by Millbrook Building and Remodeling Inc. and one will be built by Burlington Vocational-Education Center students over two years.

BFP

Deal struck to renovate ex-military housing in Colchester

By Michael Allen
Free Press Staff Writer

The stately red brick homes on Dalton Drive at Fort Ethan Allen once housed U.S. military officers and their families.

One day soon, they may become home to rank-and-file Vermonters.

The Vermont Housing Financing Agency hopes to start work in the fall to turn the historic Officers' Row and the parade grounds along Vermont 15 in Colchester and Essex into 77 units of affordable housing.

VHFA Executive Director Allan Hunt said the agency has concluded negotiation with the University of Vermont to buy the 30-acre parcel and the 21 buildings on the site for $1.5 million.

Hunt said although bids for renovation and preservation of the homes have not come in, he expects the project to total about $6 million.

"The most significant thing is that we'll be able to preserve a historic resource as affordable housing ... sending (a) signal to the rest of the state that you can do affordable housing in a unique property," Hunt said. "It will certainly be the most unique residential street in Chittenden County."

The Dalton Drive homes are set along a winding road with slate sidewalks designed in the landscape style of early 20th-century neighborhoods, Hunt said. Because of its design, the fort is being nominated for inclusion on the National Register of Historic Places.

The deal with UVM will keep the 20-acre parade ground open forever.

The exterior of the buildings, with their red bricks and huge front porches, will be restored to original condition and the interiors will be renovated, Hunt said.

Turn to OFFICERS', 2B

Officers' Row housing to be rehabilitated

From page 1B

The 38 residences in 19 of the 21 buildings will be developed into 77 units. The other two buildings will be used for such things as office space, Hunt said.

The final project will have at least 19 one-bedroom units, 43 two-bedroom units, and 14 three-bedroom units. Prices will range from $63,000 for a one-bedroom unit to more than $100,000 for a three-bedroom townhome.

The VHFA will provide construction financing and many of the below-market fixed-rate mortgages for buyers. The agency is also looking to private and public agencies, such as Vermont Housing and Conservation Board, for grants and loans to complete the project.

"We are hoping that about a third of the units will be made available to people whose income is below 80 percent of the median income in the Burlington area ($31,600)," Hunt said.

Another third of the units will be made available to those earning $31,600 to $39,600, the area's median income, and the rest will be available for everyone else.

Since UVM put the property up for sale in 1987, the issue of what to do with the buildings has confounded both state and university officials. A master plan compiled by the Colchester Community Development Corp. in 1988 concluded that it would cost too much to rehabilitate the buildings as low-cost rentals.

Rayburn Lavigne, UVM assistant vice president, said the school wanted to sell the property for $2 million but cut the price by $500,000 so that VHFA could develop it as affordable housing. Asbestos deposits were discovered in the basement of some buildings, however, driving up the cost of rehabilitation.

VHFA negotiated for a year to get UVM to cut the price of the property by an additional $300,000, the estimated cost of removing the asbestos.

Lavigne said the university's board of trustees could not do that because of its fiduciary responsibility to students.

BFP
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sight

Eastern Europe suffers environmental neglect

— In INSIGHT, Page 6E

JIM WILSON, Free Press

eloper Bart Frisbie stands on a hill overlooking o housing project that his company, Sterling Construction, just begun building in Williston.

Costly investment of time

evelopers of 'affordable' housing face delays, hassles

'ed Tedford
Press Staff Writer

A not-so-funny thing happened to deper Bart Frisbie last fall on his way aking some affordable houses avail- in Williston: He was delayed for ths.

Town officials, beset with the Pyrd Mall shopping center project, a n in new housing developments and mercial construction, and caught in midst of changing their comprehentown plan, didn't know how to react n Frisbie asked for concessions to imize costs at a development he ted to build.

"The town couldn't make a decision to ve any fees or reduce road widths," Joyce Olsen, who was town planner he time and holds the same job in burne. "It had no standards on which ase its decision."

Frisbie finally won approval last week build 23 single-family homes on a ner sandbank just off U.S. 2, down the from Pine Ridge School. The plan udes an offer to price four of the ses lower than the others.

Frisbie first broached the subject to n officials early in the fall.

Because of delays caused by the town the state regulators, the Williston eloper said he is forced to add about 00 to the cost of each of 19 houses, ing the price between $110,000 and 5,000. Four houses he has set aside as rdable will sell for $98,000, in a town ere he said the average cost of a gle-family detached home is $176,000, estimated average from the Northstern Vermont Board of Realtors is 2,500.

Frisbie presented the selectmen and Planning Commission with a plan to build the houses on 12 of the site's 36 acres, in a cluster around a circular street. He offered to deed 24 heavily wooded acres surrounding the development to the town if the officials would allow him to skip putting in sidewalks and curbs. He also wanted their permission to build the entrance road and circular street 24 feet wide instead of the 30-foot-wide roads required by zoning ordinance.

> 'The town (Williston) couldn't make a decision to waive any fees or reduce road widths. It had no standards on which to base its decision.'
>
> **Joyce Olsen**
> *former town planner*

Long time coming

"His was the first proposal of that kind to come in," said William Cavanaugh, a member of the Planning Commission. Town fathers had adopted a comprehensive plan, called for in Act 200, but because the concept of affordable housing was so new, it was never considered until Frisbie came along, Cavanaugh said.

Frisbie said his project ran into delays while town planners and selectmen met to hammer out a way to deal with affordable housing.

Then turnovers in the town manager and zoning administrator positions added more delays. The project stalled even more because of state regulators. It took from Nov. 22 to May 9 to get a state permit approving Frisbie's septic systems.

"We spent a long time and effort and money," Frisbie said. Although he had hoped to start construction in the fall, Frisbie said he is not upset with the delays. "I have to work with these people," he said.

The foundation for the first house was poured last week.

State environmental engineer Marsha Thompson said the delays were necessary because of the size of the septic systems Frisbie proposed, especially a large system to be built inside the circular drive.

She said Frisbie removed the top 10 feet of the sandbank where the houses will stand, resulting in more site visits to run test borings deeper. Also adding to the delay was the time the developer took to supply information that the Environmental Protection Division required in its project review.

Other cases

A Milton builder also complained about the time it is taking to get a permit from the State Health Department for a development in Fairfax. Adrian Lesage said he applied for approval of a water system at the affordable condominium development off Vermont 104. After waiting 30 days, he said the department told him it would be another 60 days before a water expert could even look at Lesage's application.

David Plueddemann, director of environmental health for the department, said there has been a backlog of applications, but it is being cleared up. The average length of time from application to approval is 30 to 60 days, he said. From Jan. 31 to March 31, the average time was 15 days for approval, Plueddemann said.

Turn to DEVELOPERS, 3E

Developers of 'affordable' Vermont housing face delays, hassles

From page 1E

"It's almost impossible to come up with 'affordable' housing with all the regulations," Lesage said. "I think it is really stupid." The delays are costing him $1,000 to $2,000 a unit, he said, and that gets passed on to the buyers.

Frisbie may have paved the way in Williston for Northshore, one of the area's major home developers, which is building 90 affordable houses at Pine Crest, east of Taft Corners. The units will be similar to Northshore's Rivers Edge project in Burlington, according to John Varsames, a partner in Northshore.

Varsames said the Pine Crest project has moved unevenfully through the town permit approval and he expects smooth sailing with the state.

Town willingness grows

Williston officials favor affordable housing and now show a willingness to offer concessions as long as a development meets town standards, town manager Bert Moffat said.

To encourage more affordable housing, Moffat said the town has set aside unused capacity of 15,000 gallons a day in the town's share of the Tri-Town sewage disposal system. The town has only 60,000 gallons a day of capacity, Moffat said.

He said the town is willing to waive impact fees like its $300 per-house fee for schools, its $450 per-house fee for recreation and its building permit fee of $6 for every $1,000 of construction costs, among others. He said other developers of affordable housing may win concessions of no sidewalks and curbs and narrower streets.

Developers would have to make major concessions as well, Moffat said. They may be asked to deed the land under some houses to the town so the units will remain affordable, or limit the amount of equity a homeowner can receive when he or she sells the house.

"Affordable housing and elder affordable housing are priorities with us," Moffat said. He said the town thinks it is reasonable for a developer of 90 houses to set aside 10 as "affordable."

What is 'affordable?'

A house classified as "affordable" in Chittenden County costs $60,000 or $70,000 and this is the range Williston seeks, Moffat said. In his opinion, Frisbie's houses aren't affordable.

The major financing agency of "affordable" housing in the state is the Vermont Housing Finance Agency. It grants mortgage money at reduced rates to qualified home buyers. To qualify, a family's total income must be at or below 100 percent of the median income. In Chittenden County, that number is $39,600; for the state, it's $32,300.

In the past 12 months, the VHFA has financed 745 "affordable" homes in Vermont, said Holis Hope, spokeswoman at the VHFA. Of those, 208 were new homes selling for less than $93,000, with a VHFA interest rate of 8.8 percent. The average bank or mortgage company interest rate is 10 percent for a 30-year, fixed-rate mortgage with 5 percent down.

7/24/90 BFP

Affordable Housing Boosted by New Loan Program

By DEBBIE BOOKCHIN

WINOOSKI — More than 75 units of affordable housing will be preserved or created as the result of a new program in which the Federal Home Loan Bank of Boston is loaning $1.5 million at below market rates to Vermont community housing corporations.

The funds will be used to preserve 37 rental units of affordable housing in St. Johnsbury and 27 units in Winooski. Another 12 rental units will be constructed in Bristol.

"We are delighted to be a part of this program to help keep housing affordable in our state, and look forward to working with the Federal Home Loan Bank in the future," said John Ewing, president of the Bank of Vermont, which is a member institution of the Federal Home Loan Bank of Boston and will issue the funds in Vermont.

Under the program, the Lake Champlain Housing Development Corp. will be awarded a $348,000 low-interest loan to renovate the Allen House, which contains 27 single-room occupancy units. The renovations will assure its continued affordability for the existing tenants, many of whom have special needs.

When the renovations are complete, 74 percent of the units will be for individuals who earn below 50 percent of median income and the remainder for tenants earning below 80 percent. Other funding for the project is being provided by the Vermont Housing and Conservation Board and the city of Winooski.

In St. Johnsbury, $475,000 has been approved to help finance the acquisition of eight historic buildings and their rehabilitation into 37 rental units for low-income families. Two nonprofit organizations are sponsoring the renovation project, with additional financial help from the Vermont Housing Finance Agency and other agencies. About 20 percent of the units will be for those with incomes below 50 percent of the area's median and the remainder for those with incomes of below 60 percent of the area's median.

In Bristol, $700,000 will help finance the construction of a 12-unit apartment complex for low-income families. The project is sponsored by Addison County Community Action and will provide housing for families with incomes at or below 60 percent of the area's median. Other agencies are also providing financial assistance.

All loan Federal Home Loan Bank funds are being made available to the Bank of Vermont at interest rates of 5-7 percent. The funds are paid for out of the earnings of the Federal Home Loan Bank of Boston, not tax dollars.

The three Vermont projects are part of the Federal Home Loan Bank's Affordable Housing Program, created earlier this year to provide financial assistance to qualified affordable housing projects.

The bank awarded a total of $13 million to projects in Vermont, Massachusetts, Rhode Island and Maine.

"We are pleased to make Federal Home Loan Bank funds available for projects that will help meet the housing needs of low-income Vermonters," said Michael A. Jessee, president and chief executive officer of the Federal Home Loan Bank of Boston.

Housing + Development Reporter

State Housing Programs

VERMONT AGENCY PURCHASES HISTORIC BUILDINGS TO REDEVELOP AS CONDOS

The Vermont Housing Finance Agency (VHFA) has purchased 21 historic buildings from the University of Vermont that will be redeveloped into 77 condominiums, two-thirds of which are expected to be affordable to home buyers earning no more than 100 percent of area median income.

The agency also purchased 20 acres of land, the Parade Ground, that will be preserved as open space for public use.

The venture involves a below-market sales price for the property by the university and funding from VHFA, the locality, a state board, and the National Trust for Historic Preservation.

Historic Structures

The buildings purchased by VHFA are located in the towns of Colchester and Essex, near Burlington. They adjoin Fort Ethan Allen, a former cavalry post built near the turn of the century that is being nominated to the National Register of Historic Places.

The buildings were originally constructed as housing for officers and their families. The structures are now used for different purposes and overlook the Parade Ground, the site of dress parades, cavalry drills, and sporting activities.

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developments:

grassroots' housing

the quality of a full-price and a reduced-price apartment and no segregation by income levels. "You can't tell the difference. It's opened up a lot of people's eyes," Willis says.

Vermont is a leading example of how states and local governments through creative financial aid can improve people's lives. In Vermont and elsewhere, states are opening the door for local governments to expand housing efforts through partnerships, statewide funds, growth policies and new laws.

Statewide housing equity funds: Vermont attracts private investment

Vermont in May 1988 began a statewide equity investment fund for housing. Equity funds pool capital from many investors, which increases the amount of money available to build housing. Successful examples include, at the local level, the Chicago Housing Partnership and, nationally, the Enterprise Foundation and the Local Initiatives Support Corporation. Housing Vermont, which operates the fund, is a non-profit corporation created by the state Housing Finance Agency.

For each housing development, the Vermont fund puts together a syndicate or partnership consisting of an affiliate of Housing Vermont, a local non-profit agency and itself. The fund pools money invested by banks, utilities and corporations statewide.

Private investors are attracted by federal tax breaks. The tax credits, allocated to all states on a 95 cents per person basis, are available when 40 percent of the units in a project are occupied by people earning 60 percent or less of the median income. For a family of four, this amounts to about $19,000 a year.

Because the private investors are given 99 percent of the syndicate's federal tax credits, they can reduce their tax bills over time by nearly the full amount they invested. Private investors get double the tax credits because the public agencies don't need the tax break.

In less than a year, Housing Vermont raised $11.4 million in equity capital from private investors, a good start for a state with only 550,000 people. Money raised from private investors was a critical share of the $43.7 million Housing Vermont invested in 700 rental units, of which half were set aside for low-income persons.

Six local housing developments are the first to benefit through funding commitments to local non-profit corporations.

Including affordable housing in statewide comprehensive plans makes housing integral to development initiatives, rather than an afterthought.

While Vermont is a prime example of the power of a combined investment effort by state, local and private sources, Massachusetts is a pioneer in promoting local public-private partnerships.

Public-private housing partnerships: Massachusetts promotes local action

Public-private housing partnerships, while increasingly popular in cities, are operating in only a few states. One model is the Massachusetts State Housing Partnership, established in 1985. The state has helped establish 200 local partnerships with the private sector. The partnerships seek private investments, tax exempt mortgage bonds and federal aid.

In addition to a return on their investment, private investors get federal tax breaks for investing in low-income housing, as in the Vermont example.

Massachusetts gives aid to these local housing partnerships for street lighting, sewers, roads and other facilities needed by housing developments. Partnerships are eligible for state grants for planning developments, obtaining permits and technical assistance, such as help in structuring financing.

State housing aid also goes for rebuilding urban areas. When abandoned buildings herald a neighborhood's decline, state funds are available to help reclaim the property, which often has reverted to the city for failure to pay taxes.

Massachusetts also encourages local governments to reform outdated zoning restrictions and large lot requirements, which restrict the building of apartments and rental housing. The state encourages communities to allow subdivision developers to build more residences on a site in return for offering some lower-priced homes. The state encourages housing developments to include open space, such as parks and playgrounds in apartment complexes.

By promoting comprehensive community development, the state partnership goes beyond offering financial assistance for individual housing developments. As a result, more

Helping housing

At a time when the nation badly needs more affordable housing, federal funding for the state's major source of mortgages for moderate-income Vermonters is about to dry up.

And it doesn't look like anyone is going to do anything about it.

The Vermont Housing Finance Agency's first-time homebuyer programs depend on a federal tax credit that allows the sale of interest-free mortgage revenue bonds.

Until Congress resolves big issues at the budget summit, such as the capital gains tax and controlling the deficit, there won't be legislation to reauthorize the program, which ends Sept. 30.

Housing officials estimate the entire federal program would cost $10 million in 1991 and up to $200 million by 1994. Of this, Vermont would get about one-half of one percent.

Nonetheless, that tiny seed of federal money does a lot of work. From the $50,000 Vermont hopes to get in 1991, VHFA can write $50 million in interest-free bonds. That enables the agency to make loans without state aid.

The bonds allow VHFA to offer loans at reduced interest rates, with low down-payment requirements, for Vermonters who otherwise would not qualify for a conventional bank loan.

The average income of Vermonters who qualify is $28,000; 30 percent of the agency's borrowers earn $25,000 or less. Although these are borrowers whom banks traditionally won't finance, the default rate on VHFA loans is one-twentieth of one percent — roughly seven times lower than overall in Vermont and about 19 times lower than the national average.

What all those figures don't say, however, is how critical VHFA is to the lower-cost housing market. From January to June, VHFA loans accounted for almost 50 percent of all houses purchased for $93,000 or less.

The pool of ready mortgage money can help counter a recessionary slump in housing starts. In good times, it's more profitable for contractors to build expensive housing. Now, when money is tight, contractors are more likely to accept less profit and build lower-cost housing — especially when they know such housing can be financed easily.

While the Reagan and Bush administrations have been less than enthusiastic about the program, VHFA officials say Vermont's congressional delegation has been very supportive.

But with Sept. 30 edging closer, support isn't enough. Budget summit conferees need to be prodded to make sure the housing legislation is written and passed.

September 27, 1
BFP

More Money Is Available For Housing

From Staff, Wire Reports

MONTPELIER — Faced with the possibility that the federal government may not extend a low-interest mortgage loan program, Vermont's Housing Finance Agency on Wednesday announced the sale of $110 million in bonds to help residents buy affordable homes.

The sale, the largest ever by the VHFA, is expected to last the agency at least two years at the current rate of lending, said Allen Hunt, the agency director.

The tax-exempt mortgage revenue bonds will enable an estimated 1,500 people to buy homes.

Rates on the first $25 million, to be made available before January, will be 8.95 percent, fixed for 30 years. Rates on the remaining funds will be set when they are released.

Program Expires

The expiration of a federal loan program on Sept. 30 prompted the sale of the bonds, Gov. Madeleine M. Kunin said at a news conference. She urged Congress to reauthorize the program.

"In the past 16 years we have used this program, we have issued $740 million in mortgage revenue bonds, creating thousands of jobs and generating millions of dollars in state and local tax revenues," Kunin said.

Current income limits for the program are $32,300 for a one-and two-person household and $37,100 for households of three or more. Purchase price limits are $89,000 for an existing home and $98,000 for a new home.

During an interview in Rutland later in the day, Hunt expressed concern that Vermont would face serious repercussions unless Congress and the Bush administration extended the program.

Difficult to Buy

The new round of low-interest mortgage money is expected to last a few years, but once the money runs out people who don't qualify for conventional bank financing may find it difficult to buy their own home, Hunt said. In addition, the cutoff of that money would also be felt by the real estate agents and home builders.

"Without that infusion of money an already slow

(See Page 6: Housing)

Housing

Continued from Page One

real estate market would be even slower," he said. Hunt also noted that 30 percent of the VHFA loans were used to build new homes.

Hunt ticked off some other statistics about the program that began in 1974:

- Since 1974 the VHFA has made 13,000 loans to low- and moderate-income Vermonters, most of them first-time home buyers.
- The latest figures show the price of the average house at $69,600 with an average mortgage of $61,000.
- Average income of loan applicants was $28,000 with 30 percent of the borrowers making less than $25,000.

The program takes on even greater importance because of the downturn in the economy and major problems in the banking industry.

"Banks are getting much more conservative about mortgage lending," Hunt said of the traditional home loan. He said banks are reluctant to make home loans that may be viewed as marginal because they may not be marketable in the secondary mortgage market. VHFA loans eliminate that problem, he said.

He said the popular home loan program was caught up in the middle of the budget debate now under way in Washington, as Congress and the Bush administration wrestle with the deficit.

According to Hunt, Vermont's three members of Congress are among the 350 representatives and 8 senators who are co-sponsoring legislation to exten the program. But he said the Bush administratio was concerned because the tax-exempt bonds us to finance the program would cost the feder government $220 million in lost tax revenue 1992.

Mortgage Program Sliced From Budget

By JACK HOFFMAN
Vermont Press Bureau

MONTPELIER — The head of the Vermont Housing Finance Agency is traveling to Washington Thursday to try to protect the supply of mortgage money for low- and middle-income Vermonters.

Allan S. Hunt, the executive director of the agency, is scheduled to meet with the three members of Vermont's congressional delegation, Sens. Patrick J. Leahy, D-Vt., James M. Jeffords, R-Vt., and Rep. Peter P. Smith, R-Vt.

Hunt will be lobbying for the restoration of the tax exemption for mortgage revenue bonds — the bonds sold by housing authorities like the VHFA to raise money to lend as home mortgages.

The tax exemption for mortgage revenue bonds expired at the end of September, and extension

(See Page 5: Bonds)

Rutland Herald 10/4/90

Bonds

Continued from Page One

of the exemption did not survive in the budget agreement reached last weekend between congressional leaders and the White House.

According to Hunt, 455 of the 525 members of the House and Senate have supported measures to continue the tax exemptions for mortgage revenue bonds. He said he had been told there might be an opportunity in the next two weeks to get the extension added to the budget package.

Hunt said the tax exemptions were projected to reduce federal tax revenues about $210 million over the five-year term of the deficit-reduction plan. According to Hunt, the exemption was dropped solely to save money.

Jeffords said Wednesday he would like to see the tax exemptions extended. However, he explained that the rules of the budget agreement required offsetting cuts for every expenditure added to the package.

Jeffords said he was working on several changes, including restoration of the tax exempt mortgage revenue bonds. He said he would like to eliminate the proposed tax increase on home heating oil.

To pay for the changes he is exploring, Jeffords said he would eliminate the tax credits for oil exploration that were contained in the budget agreement. Doing away with the oil exploration tax credits, he said, would make about $4 billion available.

"There's a lot better way to expend your expenditures," he said.

A spokesman for Smith said he supported extension of the tax exemption, and a member of Leahy's staff said the senator was still reviewing the budget package, but had supported the tax exemption in the past.

Housing authorities like the VHFA borrow money by selling bonds, on which they pay interest. Because the interest they pay is exempt from taxes, they are able to get somewhat lower rates. In turn, they can offer mortgage money to home buyers at lower rates.

Typically, the rates charged by VHFA are between 1 and 2 percentage points below conventional bank mortgages.

Hunt said the program was important for Vermonters because of the lower rates and also because the VHFA could offer more flexible lending criteria than the banks. The VHFA, for example, can make loans to people with greater overall housing costs or total debt load than banks may allow.

The people who borrow through the VHFA, many of whom are first-time home buyers, are those who cannot qualify for conventional bank loans.

Brattleboro Ref. 10/5/90

Housing fair planned in Bellows Falls

BELLOWS FALLS — The town of Rockingham's Job Zone Development Committee will host a regional Safe and Affordable Housing Fair on Saturday, Oct. 13, from noon until 5 p.m. in the atrium of the Canal House, 45 Rockingham St.

Local, state and federal agencies and organizations will be present with exhibits and information on a wide range of issues of concern for people interested in safe and affordable housing. Information will be available on hazards such as lead paint, asbestos, and substandard wood heat systems; on home energy efficiency, hazardous waste, and recycling; and on existing local, state and federal housing programs.

Exhibitors will include the Farmers Home Administration, Energy Related Homes of Vermont, Vermont State Housing Authority, Vermont Housing Finance Agency, Springfield Habitat for Humanity, Housing Now! of Southeastern Vermont, the Rockingham Area Community Land Trust, Vermont Housing, and others.

A candidates forum at 4 p.m. will complete the day, allowing area residents to determine where local candidates stand on issues of immediate importance. Congressional candidate Bernard Sanders and Candidate for Governor Peter Welch have agreed to be present.

Voter registration will take place at the Housing Fair.

For more information one may call Andy Broderick at 463-9951 or Jill Michaels at 463-3964.

Brattleboro Ref- 10/5/90

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Oct 10, 1990

VHFA plans year's final home-buyers program

Addison, Chittenden and Franklin county residents have been invited to the Vermont Housing Finance Agency's final Home Buyer Day of the season, Wednesday at South Burlington's Windjammer Conference Center.

From 11 a.m. to 7 p.m., VHFA representatives and local lenders will be on hand to help people determine how much they can afford to borrow for a home. The representatives will answer questions about home-buying and the mortgage application process. Local real estate agencies and the Burlington Community Land Trust will have displays of affordable listings.

It will be the 22nd workshop for homebuyers the agency has sponsored since 1988. For more information, call 864-5743 or toll-free, 1-800-287-VHFA.

October 16,

BFP
Oct. 16, 1990

Land trust receives tax credit for project

The Central Vermont Community Land Trust has been awarded a low-income housing tax credit for the Barrett Block, a proposed 46-unit rehabilitation and construction development on Elm Street, Montpelier.

Allan S. Hunt, director of the Vermont Housing Finance Agency, said $383,000 has been reserved this year for 208 units in housing developments in Middlebury, Montpelier, Putney, St. Johnsbury and Springfield.

Vermont's total 1990 tax credit allocation is $531,650, of which $148,550 remains. Applications requesting $517,000 in 1990 tax credits are pending from six additional developments, Hunt said.

To be eligible, sponsors must agree to keep at least 40 percent of the units affordable to low-income tenants for 30 years.

Hunt said more than $2 million in tax credits have been allocated for developments throughout Vermont.

Debbie Salomon

So much invested ... not to mention money

I have recently observed two situations involving home ownership. I was the fly on the wall.

A man and a woman in their early 30s are purchasing a first house. Good timing — it's a buyer's market.

The couple is college-educated, well-traveled; they hold responsible, moderately-paying jobs. Nonetheless, they approach this transaction weak in the vocabulary and math needed to make decisions that may drastically alter their future.

I sense not panic, but something.

Disclosure, for example, landed with a thud. Their home, priced in the low 100s, would cost $300,000 if kept the full mortgage term. Another surprise: the energy audit. Unusually high fuel costs might change the affordability picture, mortgage-wise. Banks don't buy "We'll wear sweaters."

The couple's joy has been clouded by middlemen and details. With customers scarce, it's a middleman-eat-middleman world. Insurance, taxes, title, property inspection, appraisal: Who does what, and for how much? The family lawyer has gone the way of the family doctor. Parents live elsewhere. First-time homebuyers need advice from someone with nothing to gain.

Do they know that, despite a blissful buyer's market, in an economy where homes aren't appreciating some people find renting a house wiser? Or that under certain circumstances families are abandoning homes whose sale price has fallen below the mortgage?

I'm all for teaching life skills in school. Such "Senior Survival" courses exist, usually within the Home Economics curriculum. Students learn about leases and balancing a checkbook, but buying a home seems too far down the yellow-brick road. It's of no interest until you're ready to do it, a Burlington school supervisor commented.

Didn't they use to say that about sex education?

The Vermont Housing Finance Agency holds free, informational Home Buyer Days periodically. Catch one, if you can. In the end most first-time buyers sweat it out, learning as they go.

I try to reassure the couple because, in their shoes, I'd be doing the same thing. Still, experience points up how emotional home-buying can be. I've been burned badly, and it cost plenty.

Sweaters don't work. Leaks don't heal. Recessions happen.

None of the above erases the names signed on the line below.

In the other situation an elderly person is divesting herself of a home and its contents. She waited too long. Now, with strangers assisting, the process is swift, abrupt, agonizing. Each lamp that goes is like a finger cut off. The proposed auction is unthinkable.

She must untie all the same knots the young couple are tying with the help of the same middlemen competing to sell her their advice at a price that exceeds what the advice will save.

I want to tell the young couple, very gently, that their anticipated "closing" is misnamed. Closing on a house, like having a baby, really means opening a portfolio of responsibilities that accumulate from house to house, until divestiture. And I want them to know that whether moving into a first home or out of the last, life will never be the same.

Debbie Salomon is a Free Press staff writer.

Sept 1980 BFP

Housing Groups Finish Project In Shelburne

VHFA

VT Times 10/25/90

By Kent Shaw
Correspondent

SHELBURNE

Two liked-minded non-profit agencies have joined forces to provide low-cost housing in Shelburne.

In their first cooperative venture, the Burlington Community Land Trust (BCLT) and the Lake Champlain Housing Development Corporation (LCHDC) have made five modest homes available on Irish Hill Road. The units – one renovated, four under construction – will sell for $69,900 to $83,800. The Vermont Housing Finance Administration is offering fixed-rate 7.9 percent 30-year mortgages to buyers.

The homes, which are meant to remain perpetually affordable, are priced at about half the cost of a typical Shelburne property. One reason these homes cost so much less is the land trust retains ownership of the land under the homes.

A $50,000 grant from the Vermont Housing and Conservation Board helped lower development costs, as did $130,000 in low-interest construction financing. Vermont Federal Bank also is providing financing at below-market rates.

The joint venture began after the land trust and housing development group realized they had both been approached by the former owner of the property, who wanted to put the land in trust.

"We basically formed an informal partnership," land trust staffer Maggie Skenderian said. "It's a new thing for us, but it worked out just fine."

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...Land Trust

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Besides a Winooski home the land trust bought earlier this month, this is the only time the agency has gone outside Burlington to develop property. This is a trend that likely will continue as the idea of a land trust catches on, Skenderian said. Both groups are in their seventh year.

"As people in the surrounding areas realize it's an extremely good way to provide housing that will stay affordable, people will look more and more to a land trust as a model," she said.

Along with a talent for dealing with a bewildering array of state and federal agencies, and convincing banks to sign on, both non-profits are ever-more successful at selling the essential philosophy of a land trust, namely, that while land endures forever, a land "owners" tenure is all too brief.

"That's what we're all about," Skenderian said. "And that's what we're trying to convey. Still there are some people so consumed in their capitalist ways, that they don't see it. These are shared resources."

Would-be buyers of the Irish Hill homes must live in Shelburne or be employed by the town, and have family incomes from $24,000 to $40,000.

The land trust will handle the sale of the properties. For further information, call them at 862-6244.■

Colchester, Essex Argue Over Park Land

By Charlie Wood
Correspondent

COLCHESTER

When the Vermont Housing Finance Agency set out to develop an affordable housing project at Ft. Ethan Allen, officials there wanted to ensure the former parade ground at the center of the project would be maintained as a public recreation area for the entire community. But the state agency's attempts to do that have so far stirred up more trouble than peaceful recreation, as the towns of Essex and Colchester argue over what to do with the park land they jointly control.

The VHFA recently bought the former officers' quarters along Ft. Ethan Allen's Dalton Drive to develop a condominium project. Although most of the project will be turned over to a condominium association, the housing agency wanted to ensure that the 19-acre parade ground remained under broader public control to ensure access for people living outside the project. So VHFA decided to deed the property over to joint control by the towns of Essex and Col-

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...Park Land

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chester.

That deed contains a covenant which will allow two tennis courts, a tot lot and a baseball field with a temporary backstop.

"It was our interest that the grounds not be developed," said Hollis Hope, director of communications at VHFA. VHFA also will restore the existing gazebo and tennis courts.

Colchester and Essex officials agree the area is a key regional recreation area and should not be restricted to use by just the homeowners of the Dalton Drive condo project. But the towns disagree over what uses should be allowed.

Two towns, two ideas. How best to use a disputed piece of land?

The Essex Planning Commission wants to leave the parade ground undeveloped for passive recreation only, Town Planner Dawn Francis said.

"We feel the parade grounds have tremendous recreational and aesthetic value to the region, and offer a pleasing gateway to Essex," Francis said. "We should be protecting the grounds for future generations, and feel it should be protected from overdevelopment. It is an aesthetic resource similar to Boston Common. That is the key element."

Colchester officials, however, don't want their hands tied by restrictions on future use and development of the parade grounds.

"Flexibility is the key," said Buzz Hoerr, Colchester Recreation Board chair. "We agree with the spirit of Essex to maintain green space, but we don't want to be held to a covenant indefinitely, to freeze facility development forever. We would rather have the flexibility of dealing with changing ideas in the future. We don't want to stand in the way, but we want flexibility."

The VHFA has proposed giving oversight of the area to a third party such as the Vermont Land Trust or the Winooski Valley Park District.

Essex officials like this idea; Colchester officials don't.

Essex planning commissioners feel third-party oversight is important because demands to develop the area will only grow, and the area should not be vulnerable to constantly changing political bodies.

But Colchester officials don't want to be treated like irresponsible kids.

"They (VHFA) want someone to watch over the towns, and we are offended," Colchester Select Board Chair Bruce Towne said.

However the towns of Essex and Colchester resolve their differences, the old Fort Ethan Allen cavalry parade grounds, and the recreational needs of Chittenden County will be the eventual winners.

The Burlington Rugby Football Club has used the parade ground as a home field for many years.

"The team was afraid we were going to lose the field, and we had a problem finding an alternative site," said Hinesburg attorney and rugby club member David Rath. "It was a Godsend to find out the field would still be available." ■